

ANDRITZ AG
ISIN AT0000730007

**Report by the Executive Board and the Supervisory Board on the
granting of share options to
executive staff and members of the Executive Board**

The company intends to implement the

2014 Share Option Program

decided in the 107th Annual General Meeting on March 21, 2014. The Executive Board and the Supervisory Board submit the following report on this topic according to § 95, para. 6, of the Austrian Stock Corporation Act:

1. Goals and principles of the program

It is the goal of the program to link the amount of the variable parts of total remuneration directly to the development of earnings and of the share price of the company. This is also in keeping with the recommendation suggested in the Austrian Corporate Governance Code (ACGC) that 'if a stock option scheme is proposed, the parameters of comparison to be applied shall be defined in advance and may include, for example, the performance of stock indices, share price targets, or other suitable benchmarks' (Rule 28). The goal also is to focus ANDRITZ's management even more on the aims of the corporate shareholders and to ensure participation in the success achieved. In compliance with the EU remuneration recommendation and the ACGC, share options shall not be exercisable for at least three years after they have been granted. In addition, participants in the share option program must also hold investments in ANDRITZ shares from their own resources for the full duration of the program.

In determining the total number of options allocated to each business area, this program takes account of profitability and sales for the first time, each with a 50% weighting. As a result, the number of options per business area is geared even more to the respective business area's contribution towards sales and earnings.



As a result of the poor earnings development in 2013, the benchmark chosen to meet the "increase in earnings per share" vesting condition is not the low earnings per share in 2013, but the earnings per share in 2012, which was the highest level so far in the company's history. In addition, the percentage of increase in earnings per share needed to meet the "increase in earnings per share" vesting condition was increased from the 15% and 20% levels, respectively, in the previous option programs to levels of 20% and 25%, respectively, now. The management has thus oriented the targets for exercise of the options even more to the expectations and interests of the shareholders in terms of future earnings performance and value creation. The current targets required for the management to exercise the options can thus be considered very demanding compared to the option programs of other companies. In addition, the total number of options granted has been halved compared to the previous option programs.

2. Number and distribution of the share options to be granted, validity of program

Approximately 100 to 120 executives of the ANDRITZ GROUP as well as the members of the Executive Board shall have the opportunity to participate in the share option program. The number of shares allocated per eligible manager will be, depending on the area of responsibility, up to 20,000 for executives, for each Executive Board member 37,500. These options are to be drawn from the pool of shares under the corporate buy-back program. The maximum number of share options that can be issued is 1,300,000. Of these options, 187,500 options are assigned to the five members of the Executive Board, and the remainder to executive staff.

Exercise of the share option program shall commence on May 1, 2017 and be terminated on April 30, 2019.

3. Terms and conditions of exercise

3.1. One share option provides eligibility for subscribing to one share.

3.2. In order to exercise a share option, eligible persons must be in active employment of the company or one of its affiliates as from May 1, 2014 and until the date of exercise (and the exercise conditions under 3.4. must be fulfilled); this requirement may, in certain special cases, be waived for important reasons. Another requirement is that managers must have invested at least EUR 20,000.—, and the members of the Executive Board at least EUR 40,000.—, in ANDRITZ shares from their own resources. This investment must have been paid up latest by the time of allocation of the options, i.e. June 1, 2014.

Participants in the 2014 Share Option Program must maintain this investment continuously until exercise of the options and must furnish proof thereof upon exercise.

Eligible persons who have previously invested money in the company from their own resources under the current share option program may use this investment for the new share option program. Shares that were endowed to foundations of which eligible persons are founders and beneficiaries can also be used in terms of these own resources. Any persons who have so far not participated in a share option program must prove their investment from their own resources by June 1, 2014.

- 3.3. The exercise price of the share options (in the following referred to as 'the exercise price') is the unweighted average of the closing prices of the ANDRITZ share during the four calendar weeks following the 107th Annual General Meeting of Shareholders on March 21, 2014.
- 3.4. The total number of shares that can be purchased must not exceed the number of options issued.

Options can be exercised between May 1, 2017 and April 30, 2019 (= period of exercise), subject to:

- the average unweighted closing price of ANDRITZ shares during 20 successive trading days in the period May 1, 2016 – April 30, 2017 being at least 15% above the exercise price calculated as per 3.3., and
- the earnings per share (related to the overall number of listed shares) for the business year 2015 or the earnings per share (related to the overall number of listed shares) for the business year 2016 being at least 20% above the earnings per share (related to the overall number of listed shares) for the business year 2012,

or

- the average unweighted closing price of ANDRITZ shares during 20 successive trading days in the period May 1, 2017–April 30, 2018 being at least 20% above the exercise price calculated as per 3.3., and
- the earnings per share (related to the overall number of listed shares) for the business year 2016 or the earnings per share (related to the overall number of listed shares) for the business year 2017 being at least 25% above the earnings per share (related to the overall number of listed shares) for the business year 2012.

Provided that the terms and conditions of exercise are fulfilled, 50% of the options can be exercised immediately upon commencement of the exercise period (see information under 2.), and 25% of the options can be exercised after three months, with the remaining 25% being exercisable after a further three months.

3.5. Share options can only be exercised by way of a written notification to the corporation.

4. Number and apportioning of the options already granted to wage-earners, managerial staff, and to the individual board members, stating the number of subscribable shares in each case

At present, 2,187,000 share options have been issued for 79 executive staff out of current option programs. A total of 420,000 share options thereof are allocated to the five members of the Executive Board (100,000 share options for the CEO, 80,000 share options each for the other members of the Executive Board), and the remainder to executive staff. Depending on the responsibilities of the manager in question, up to 20,000 share options are granted to each of the managerial staff entitled to them.

Each share option entitles the holder to the purchase of one share.

5. General remarks

5.1. The share options are not transferable.

5.2. The shares purchased under the share option program are not subject to a ban on sales over a certain period.

Graz, April 2014

The Executive Board

The Supervisory Board