

Andritz AG
ISIN AT0000730007

**Report of the Executive Board and Supervisory Board on the granting of
share options to its managers and Members of the Executive Board**

It is intended to submit to the 101st Annual General Meeting of Shareholders on March 27, 2008 the following

Share Option Program for 2008

for adoption:

1. Goals and principles of the program

It is the goal of the program to link the amounts of variable salary parts directly to the development of the financial results and of the share price of the corporation. This is also in keeping with the recommendation suggested in the Austrian Corporate Governance Code 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 increasingly focus management orientation on the aims of the corporate shareholders and to ensure participation in the success achieved.

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

Approximately 50 to 70 managers of the Andritz Group as well as the Members of the Executive Board shall have the opportunity to benefit from the share option program. The number of shares allocated per eligible manager will vary, depending on the area of responsibility, between 6,000, 10,000 and 20,000 for managers, 40,000 for Executive Board Members and 50,000 for the CEO. 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 1,200,000.

Exercise of the share option program shall commence on May 1, 2010 and be terminated on April 30, 2012. The current number of share options subscribed to by a total of 64 managers is 907,000.

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 corporation or one of its affiliates as from May 1, 2008 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 shares from their own resources, which investment must have been paid up latest by the time of allocation of the options, i.e. June 1, 2008.

Eligible persons who have previously invested money in the corporation 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, 2008.

- 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 101st Annual General Meeting of Shareholders on March 27, 2008.
- 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, 2010 and April 30, 2012 (= period of exercise), subject to:
- the average unweighted closing price of Andritz shares during 20 successive trading days in the period May 1, 2010–April 30, 2011 being at least 15% above the exercise price calculated as per 3.3., and

- the profit per share (related to the overall number of listed shares) for the business year 2009 or the profit per share (related to the overall number of listed shares) for the business year 2010 being at least 15% above the profit per share (related to the overall number of listed shares) for the business year 2007,
- or
- the average unweighted closing price of Andritz shares during 20 successive trading days in the period May 1, 2011–April 30, 2012 being at least 20% above the exercise price calculated as per 3.3., and
 - the profit per share (related to the overall number of listed shares) for the business year 2010 or the profit per share (related to the overall number of listed shares) for the business year 2011 being at least 20% above the profit per share (related to the overall number of listed shares) for the business year 2007.

Provided that the terms and conditions of exercise are fulfilled, 50% of the options can be exercised immediately, and 25% of the options can be exercised after three months, with the remaining 25% being exercisable after a further 3 months.

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

4. General remarks

4.1 The share options are not transferable.

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

Graz, March 2008

The Executive Board.....The Supervisory Board