ANDRITZ AG

ISIN AT0000730007

Report of the Executive Board pursuant to § 65 (1b) in conjunction with § 153 (4) AktG (Austrian Stock Corporation Act) on authorization of the Executive Board to exclude public purchase when alienating treasury shares (exclusion of subscription rights)

The motion concerning item 8 on the agenda for the 109th Annual General Meeting of Shareholders of ANDRITZ AG on March 30, 2016 pertains to authorization of the Executive Board to also alienate purchased treasury shares, with approval from the Supervisory Board and for a period of five years as from the date of adopting the resolution, in a way other than by sale via the stock exchange or by public offer, excluding shareholders' subscription rights, if such alienation of treasury shares (i) serves to provide shares for a stock option program benefitting senior executives and Executive Board members or (ii) serves as a consideration in the acquisition of companies, businesses, business units, or shares in companies.

This report explains the reasons why such authorization to exclude shareholders' subscription rights partially or entirely in the re-alienation of treasury shares is necessary and in the interest of the company.

Providing treasury shares for a stock option program

The existing stock option program for senior executives and Executive Board members was approved at the 107th Annual General Meeting of Shareholders held on March 21, 2014. This program is intended to create a special incentive for beneficiaries and strengthen their loyalty with the company/group. The exercise period is from May 1, 2017 to April 30, 2019, respectively.

It is planned to use treasury shares for the stock option programs of the ANDRITZ GROUP. Pursuant to § 153 (5) AktG, (prioritized) issuing of shares to, inter alia, senior executives and Executive Board members for the purpose of satisfying their claims from employee participation schemes/stock option programs is justified according to law and provides sufficient grounds for the exclusion of shareholders' subscription rights. Correspondingly, § 65 (1b), last sentence, AktG states that no resolution (i.e. no separate authorization) by the General Meeting of Shareholders is required for the alienation of treasury shares for the purpose of satisfying stock options held by the group of beneficiaries mentioned.

Granting of treasury shares in return for contributions in kind

Strengthening and expanding the company's market position are elements of ANDRITZ AG's corporate strategy. To reach this goal it could be useful to acquire other companies or businesses in Austria or abroad. Such acquisitions can, de jure, be carried out by purchasing certain assets of a company, business or business unit, or by purchasing shares in a company. Both kinds of company or business (business unit) acquisitions will be referred to in the following simply as company acquisition.

In a company acquisition, it can be in the priority interest of ANDRITZ AG as the purchaser, as well as in the interest of the seller, to offer the seller new or existing ANDRITZ AG shares as consideration to indemnify shareholders of the target company or if the seller prefers to receive shares instead of cash for tax or other reasons. In many cases, sellers will only agree to transfer the company or shares in the company in exchange for receiving a shareholding (or at least the possibility of receiving a shareholding) in the buyer company. In addition, there can be strategic or organizational reasons requiring ANDRITZ AG to integrate the seller into the group as a shareholder. By using the company's treasury shares, its liquidity requirements for investments/acquisitions are reduced, and execution of the investment/acquisition is accelerated because existing shares can be used without any need to issue new ones, thus allowing the Executive Board to make fast, flexible, and cost-efficient use of the opportunities arising at the time of sale. Beneficial cooperation and synergies with other companies are thus made possible (by bringing in the company for example). Also, the use of existing shares prevents dilution of equity.

The shareholders are free to purchase shares on the Stock Exchange within the usual trading volumes, so it should be possible, as a rule, for the shareholders to prevent dilution of equity as a result of purchases made on the stock exchange, even if the company's treasury shares are used/alienated by the company under exclusion of the shareholders' subscription rights.

ANDRITZ AG regards the alienation of treasury shares in a way other than by sale via the stock exchange or by public offer, i.e. in a way excluding public purchase, as a suitable and necessary means of making the best possible use of its treasury shares and of carrying out desired investments or acquisitions quickly while avoiding (or minimizing) loss of liquidity.

Alienation of treasury shares excluding shareholders' subscription rights is also commensurate because, as a rule, ANDRITZ AG has a special interest in acquiring the respective company or shares in the respective company. Existing shareholders' interests are safeguarded as the value of the company to be acquired or the value of the shares in the company to be acquired are compared to the value of ANDRITZ AG and the seller will only receive a proportionate amount of ANDRITZ AG shares. Furthermore, existing shareholders will participate in the profits achieved by the acquired company and by ANDRITZ AG, which normally increase as a result of the synergies between both companies. In order to use the company's treasury shares in consideration of an acquisition, the shareholders' subscription rights must be excluded because the (cost of the) acquired asset, in its structure (for example a company, parts of a company, shares in a company, or other company assets) normally cannot be covered by all of the shareholders.

Thus, if the interest of the company in using or alienating its treasury shares and/or in financing the company on the one hand is weighed up against the interest of the existing shareholders in retaining their stake in the company on the other hand, the conclusion reached is that it is not incommensurate to authorize alienation of the company's treasury shares under exclusion of the shareholders' subscription rights.

Authorizing the Executive Board to buy back the company's treasury shares under exclusion of shareholders' subscription rights is thus appropriate and necessary to buy back the company's treasury shares for the purposes mentioned and in the interest of the company.

The proposed authorization is valid for a period of five years from adoption of the resolution by the General Meeting of Shareholders. If the Executive Board decides to make use of this authorization in the interest of the company, it will publish a report thereon.

Graz, March 2016 The Executive Board