



The Executive Board of ANDRITZ AG reports the following pursuant to § 153 (4) in conjunction with § 65 (1b) AktG (Austrian Stock Corporation Act) in connection with the authorization given in item 7 on the agenda to exclude subscription rights when alienating treasury shares:

1 AUTHORIZATIONS

The Executive Board and the Supervisory Board have proposed the following resolution to item 7 on the agenda of the Annual General Meeting of Shareholders of ANDRITZ AG on March 23, 2018:

- 1 “Pursuant to § 65 (1) line 8 AktG, the Executive Board is given authorization for a period of 30 months from October 1, 2018 to buy back treasury shares of the company to the maximum extent permitted by law and to possibly cancel these treasury shares with approval from the Supervisory Board without having to submit the matter to the Annual General Meeting of Shareholders again. Any trading in the company’s treasury shares for the purpose of profit-making is expressly excluded. The authorization can be exercised for the full or a partial amount, or also in several installments, and in pursuit of one or several goals by the company, its affiliated companies, or by third parties on their behalf.
- 2 The lowest price per no-par value share must not be less than the respective amount represented by each share in the capital stock. The highest price paid per share upon buy-back must not exceed the average unweighted closing price over the 10 trading days on the Vienna Stock Exchange preceding exercise of this authorization by more than 10 percent.
- 3 This resolution, as well as the buy-back program based thereon and any resale program, are to be published, also stating their respective durations.
- 4 The Executive Board is given authorization for a period of five years as from the date of adopting the resolution and with approval from the Supervisory Board to dispose or make use of the purchased treasury shares for any legally permissible purpose also in a way other than by sale via the stock exchange or by public offer and also to exclude the preemptive rights of shareholders to purchase a certain quota thereof (exclusion of subscription rights). The authorization can be exercised for the full or a partial amount, or also in several installments, and in pursuit of one or several goals.”

As the authorization also includes the option to exclude subscription rights, the Executive Board hereby renders this report pursuant to § 153 (4) AktG.



2 COMPANY INTEREST

The proposed authorization to exclude subscription rights when alienating treasury shares in a way other than by sale via the stock exchange or by public offer is in the interest of the company and the shareholders:

- **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 achieve 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 low-cost 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.

- **Providing treasury shares for a stock option program**

The existing stock option programs for senior executives and Executive Board members of the ANDRITZ GROUP were approved at the 107th Annual General Meeting of Shareholders held on March 21, 2014, and at the 109th Annual General Meeting of Shareholders held on March 30, 2016, respectively. They are intended to create a special incentive for beneficiaries and strengthen their loyalty to the company/group. The exercise periods are from May 1, 2017 to April 30, 2019, and from May 1, 2019 to April 30, 2021, 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.

3 THE EXCLUSION OF SUBSCRIPTION RIGHTS IS SUITABLE, NECESSARY, AND COMMENSURATE

For the purposes mentioned and in the interest of the company, ANDRITZ AG regards the authorization of the Executive Board to alienate treasury shares in a way other than by sale via the stock exchange or by public offer and to exclude the preemptive rights of shareholders (exclusion of subscription rights) 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. 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 is 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.

The shareholders continue to be entitled to subscribe to shares through the stock exchange to the extent of the usual trading volumes, thus they should be able, as a rule, to prevent dilution of their equity by subscribing to shares through the stock exchange, also if treasury shares are used/alienated by the company under exclusion of shareholders' subscription rights.

Even if existing shareholders suffer disadvantages as a result of exclusion of their subscription rights, these disadvantages are strictly limited due to the legal upper limit of 10% of the capital stock for treasury shares held by the company.



In summary, authorization to exclude subscription rights in consideration of all circumstances stated and within the given limits, is necessary, suitable, and commensurate. It is in the priority interest of the company, objectively justified, and advisable. 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 is 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.

If the Executive Board wishes to exercise the authorization granted by the Annual General Meeting to alienate treasury shares by other means than via the stock exchange or by public offer, it must prepare and publish a corresponding report not later than two weeks before the Supervisory Board resolution approving such action is taken pursuant to § 65 (1b) in conjunction with § 171 (1) AktG. The company's Supervisory Board must approve any alienation or use of treasury shares excluding the pre-emptive subscription rights of the shareholders as well as the terms set for such alienation or use.