



Stock Option Program for 2018

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 operating results and 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 increasingly focus ANDRITZ’s management orientation on the aims of the corporate shareholders and to ensure participation in the success achieved. As a result, increases of 10 and 15%, respectively, in the ANDRITZ share price as well as a further rise in operating profitability expressed as the EBITA margin – in line with ANDRITZ’s strategic goal of reaching an EBITA margin* averaging 8% in the coming years – were also defined as exercise criteria. In compliance with the EU remuneration recommendation and the ACGC, stock options shall not be exercisable for at least three years after they have been granted. In addition, participants in the stock option program must also hold investments in ANDRITZ shares from their own resources for the full duration of the program.

Employee stock option programs of this kind are common and widespread among listed companies. For this purpose the company must be able to offer the management the opportunity to acquire ANDRITZ AG shares. Thus, the option program is also an essential means of strengthening employee loyalty and helps to make the company more attractive as an employer. The stock option program is intended to create an additional incentive for the company management to contribute their services towards the success of ANDRITZ AG and of the ANDRITZ GROUP by having a share in this success as (future) shareholders and co-owners.

*) EBITA (Earnings before interest, taxes, and amortization): The EBITA is the Group’s full operating profitability before deduction of interest, taxes, and amortization of intangible assets.

EBITA margin: EBITA divided by sales, expressed as a percentage.

2 NUMBER AND DISTRIBUTION OF THE STOCK OPTIONS TO BE GRANTED; VALIDITY OF PROGRAM

Approximately 100 to 120 senior executives of the ANDRITZ GROUP as well as the members of the Executive Board shall have the opportunity to benefit from the stock option program. The number of shares allocated per eligible senior executive will be up to 20,000, depending on the area of responsibility, and 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 stock options that can be issued is 1,300,000. The five members of the Executive Board are assigned 187,500 of these options and the remainder to senior executives.



Exercise of the stock option program shall commence on May 1, 2021 and be terminated on April 30, 2023.

3 TERMS AND CONDITIONS OF EXERCISE

- 3.1 One stock option provides eligibility for subscribing to one share.
- 3.2 In order to exercise a stock option, eligible persons must be in active employment of the company or one of its affiliates as from May 1, 2018 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 senior executives 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, which investment must have been paid up not later than by the time of allocation of the options, i.e. June 1, 2018. Participants in the stock option program for 2018 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 stock option program may use this investment for the new stock option program. Shares that were endowed to foundations of which eligible persons are founders and beneficiaries can also be considered as own resources. Any persons who have not participated in a stock option program so far must provide proof of their investment from their own resources by June 1, 2018.

- 3.3 The exercise price of the stock options (in the following referred to as “the exercise price”) is the unweighted average of the closing price of the ANDRITZ share during the four calendar weeks following the 111th Annual General Meeting of Shareholders on March 23, 2018.
- 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, 2021 and April 30, 2023 (= period of exercise), subject to:

- the average unweighted closing price of ANDRITZ shares during 20 successive trading days in the period May 1, 2020 – April 30, 2021 being at least 10 percent above the exercise price calculated as per 3.3., and
- the EBITA margin for the 2019 business year amounting to at least 7.9% or to at least 8.0% for the 2020 business year,

or



- the average unweighted closing price of ANDRITZ shares during 20 successive trading days in the period May 1, 2021 – April 30, 2022 being at least 15 percent above the exercise price calculated as per 3.3., and
- the EBITA margin for the 2020 business year amounting to at least 8.0% or to at least 8.1% for the 2021 business year.

In order to determine the EBITA margin, the consolidated financial statements of the applicable year and with an unqualified auditor's report are relevant. In case of any doubt, the Audit Committee of the Supervisory Board shall decide.

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

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

4 NUMBER OF OPTIONS ALREADY GRANTED AND DISTRIBUTION OVER EMPLOYEES, SENIOR EXECUTIVES, AND THE INDIVIDUAL COMPANY BOARDS, STATING THE RESPECTIVE NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION IN EACH CASE

At the moment, 874,500 stock options from current option programs have been issued for 76 executives. The members of the Executive Board hold a total of 150,000 of these stock options, and the remainder is held by senior executives. The number of stock options granted per senior executive eligible is up to 20,000 depending on the area of responsibility. Each stock option entitles the holder to the purchase of one share.

5 GENERAL REMARKS

- 5.1 The stock options are not transferable.
- 5.2 The shares purchased under the stock option program are not subject to a ban on sales over a certain period.
- 5.3 If the earnings-related requirement pursuant to 3.4 is not achieved or is not expected to be achieved and therefore a gain resulting from recognition of the options in the balance sheet in the respective current period is realized, such a gain will not be taken into account in calculating the EBITA margin for the purposes of this option program.