



Explanations and comments on the ANDRITZ 2020 Stock Option Program

Dear Shareholders,

The stock option program (SOP 2020) proposed at the Annual General Meeting on July 7, 2020 will **take both financial and non-financial goals into account**. The financial goal is achievement of a certain operating profitability, expressed as the EBITA margin. The non-financial goal was defined as achieving a certain accident frequency target (accidents causing more than three days of absence per one million working hours – **Accident Frequency Rate: AFR**).

In this stock option program, ANDRITZ combines both financial and non-financial KPIs, making the program consistent with the current long-term incentive programs that combine the interests of the shareholders with those of the executives. Allowances have been made for sustainability in designing the stock option program with a three-year blackout period and the requirement for an increase in profitability. In addition, the criterion of achieving a certain target accident frequency rate takes the relevant aspects of international sustainability standards into account (e.g. GRI – Global Reporting Initiative) and accommodates the idea of sustainable corporate management.

In addition to achieving the EBITA margin and accident frequency rate targets, the share price must increase by 10 and 15 percent, respectively, for the options to be exercised.

ANDRITZ believes that the EBITA margin is a representative figure as KPI for exercising the options for the following reasons:

- Achieving a specific EBITA margin is one of the long-term and publicly communicated financial goals of the Group. ANDRITZ has been pursuing a strategy of long-term, profitable growth ever since the IPO in 2001 and, in this respect, publishing specific targets regarding sales increase and EBITA margin. These goals are published regularly in the annual reports as well as in various presentations and are discussed with investors and analysts at roadshows. Furthermore, the focus by sell-side analysts has always been on these two key indicators.
- As far as we are aware, the EBITA margin is among those KPIs used and followed most frequently by our competitors, investors and analysts – especially in peer comparisons.
- Within our peer group, which includes companies like the GEA AG, Valmet, and Danieli, EBITA margin is also used as a KPI in the SOPs.



- The EBITA margin is the KPI for the variable part of the remuneration for ANDRITZ executives. The KPI and the performance thresholds defined in the SOP 2020 conform to the business targets communicated by ANDRITZ. In view of the difficult market environment and the EBITA margins achieved to date, ANDRITZ considers the new thresholds in the SOP 2020 to be challenging and difficult to achieve (see the historical development of the EBITA margin in the following diagram). This is also confirmed by the fact that the last three stock option programs could not be exercised as a result of the EBITA thresholds not being reached. The definition of the EBITA margins corridor and aliquot exercise of options supports incentives for executives and enables them to participate in the company's success with an aliquot share according to the amount of the EBITA margin.

PRO RATA EXERCISE DEPENDING ON PROFITABILITY LEVEL REACHED



Long-term goal to reach average EBITA margin of 8%



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- An important strategic goal of the ANDRITZ GROUP is a reduction in Accident Frequency Rate. In the interests of protecting its employees and keeping them safe, ANDRITZ has implemented extensive measures and guidelines that are reviewed and optimized at regular intervals. The goal is to reach a zero-accident rate. Development of accident figures in the past few years has shown that the measures taken are effective. Managers and executives are responsible personally for the employees at their respective locations. In this respect, including the Accident Frequency Rate as a criterion for exercising the stock options makes an important contribution towards greater incentives to further enhance the protection and safety of employees.



Accident frequency (with more than three days of absence per 1 million working hours):

- 2013: 9.7
 - 2014: 9.2
 - 2015: 7.8
 - 2016: 7.1
 - 2017: 6.1
 - 2018: 4.0
 - 2019: 3.8
- ANDRITZ also considers the share price thresholds of 10 and 15 percent, respectively, which are relevant for exercising the options, very challenging due to the unchanged, difficult market environment in the markets it serves.
 - In addition, ANDRITZ wishes to point out that there will be no need for an increase in capital stock for the new SOP. As a result, there will be no dilution for existing shareholders. If the SOP can be exercised, ANDRITZ will only use treasury shares for this purpose. ANDRITZ currently holds around 4.6 million treasury shares. The maximum number of options granted is 1.5 million (one option = one share): There is no change in the number of options granted to each executive or member of the Executive Board compared to the option program issued two years ago.

We value you as an ANDRITZ shareholder and thank you for your support in this important matter.

Please feel free to contact us at investors@andritz.com if you have any questions or wish to submit any comments.