



# Stock Option Program 2020

## 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 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.

In addition to an increase in the share price of 10% and 15%, respectively, **financial and non-financial targets** were also considered as exercise criteria. 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 with more than three days of absence per one million working hours – **Accident Frequency Rate: AFR**).

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. To offer the management the opportunity to acquire own shares is an essential means of strengthening employee loyalty and helps to make the company more attractive as an employer. By giving them a share in the company’s success as shareholders and co-owners, the stock option program creates an additional incentive for ANDRITZ senior executives to contribute their services towards the success of the ANDRITZ GROUP.

\*) 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 THE PROGRAM

Approximately 120 to 150 senior executives as well as individual junior staff for future top management posts in the ANDRITZ GROUP and also 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 1,500,000. 187,500 of these options are assigned to the five members of the Executive Board and the remainder to senior executives.

Exercise of the stock option program shall commence on May 1, 2023 and be terminated on April 30, 2027.

## 3 EXERCISE CRITERIA

Exercise of the options depends on achievement of the following three criteria:

- a) **Share price performance:** share price increase of 10% and 15%, respectively
- b) **EBITA margin:** corridor of an EBITA margin between 6.5% and 8% (calculated on the basis of the **EBITA of the ANDRITZ GROUP before extraordinary expenses**):
  - EBITA margin < 6.5%: No options may be exercised.
  - EBITA margin 6.5% up to and including 7.9%: Options can be exercised aliquot according to the amount of the EBITA margin.
  - EBITA margin 8.0% or more: 100% can be exercised.
- c) **Accident Frequency Rate (AFR) > 3 days of absence:  $\leq 3.5$**  (AFR: Accidents with more than three days absence per one million working hours)

### Distribution of options:

- **90%** of the options granted per person relate to share price performance (criterion a)) and EBITA margin (criterion b)). These options can only be exercised **if both conditions are met**.
- **10%** of the options granted per person relate to the non-financial goal (criterion c)). These options **can be exercised** when this goal is achieved, **regardless of whether goals a) and b) are achieved**.

Example for illustration: see item 6.4



## 4 TERMS AND CONDITIONS OF EXERCISE

- 4.1 One stock option provides eligibility for subscribing to one share.
- 4.2 In order to exercise a stock option, eligible persons must be in active employment of the company or one of its affiliates as from September 1, 2020 and until the date of exercise (and the exercise conditions under 3 must be fulfilled); this requirement may, in particular cases, be waived for important reasons. Another requirement is that junior executives for future top management posts must have invested at least EUR 5,000, senior executives 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 the time of allocation of the options, i.e. September 1, 2020. Participants in the stock option program for 2020 must maintain this investment continuously until any 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 September 1, 2020 at the latest.

- 4.3 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 113th Annual General Meeting of Shareholders on July 7, 2020.
- 4.4 The total number of shares that can be purchased must not exceed the number of options issued.

**90% of the options granted to each person** can be exercised between May 1, 2023 and April 30, 2027 (= period of exercise), but only if

- the average unweighted closing price of the ANDRITZ share during 20 successive trading days in the period between May 1, 2022 and April 30, 2023 is **at least 10%** above the exercise price calculated as per 4.3, and
- the EBITA margin for the 2021 or the 2022 business year amounts to **at least 6.5%**,



or if

- the average unweighted closing price of ANDRITZ shares during 20 successive trading days in the period between May 1, 2023 and April 30, 2024 is **at least 15%** above the exercise price calculated as per 4.3, and
- the EBITA margin for the 2022 or the 2023 business year is **at least 6.5%**.

In order to determine the EBITA margin, the consolidated financial statements of the applicable year with an unqualified auditor's report are relevant. The EBITA margin is calculated on the basis of the EBITA excluding any extraordinary expenses or extraordinary earnings. If there is any doubt, the Audit Committee of the Supervisory Board shall decide.

**10% of the options granted to each person** can be exercised between May 1, 2023 and April 30, 2027 (= period of exercise), but only if

- the **Accident Frequency Rate (AFR) > 3 days absence** in the 2021, 2022 or 2023 business year is **<= 3.5**.

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

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

## **5 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, 909,000 stock options from current option programs have been issued for 97 senior 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.



## 6 GENERAL REMARKS

- 6.1 The stock options are not transferable.
- 6.2 The shares purchased under the stock option program are not subject to a ban on sales over a certain period.
- 6.3 If the earnings-related requirement pursuant to 4.4 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.

### 6.4. Example for illustration:

#### Executive receives 10,000 options

- 9,000 options relate to option conditions a) and b).
- 1,000 options relate to option condition c) and can be exercised regardless of whether options a) and/or b) are achieved provided that the target is reached.

**Assumption:** EBITA margin reaches 7.6% in the 2021 business year; the required share price performance of 10% is achieved: hence it is possible to exercise the options.

EBITA margin	Exerciseable options
6.5%	563
6.6%	1,125
6.7%	1,688
6.8%	2,250
6.9%	2,813
7.0%	3,375
7.1%	3,938
7.2%	4,500
7.3%	5,063
7.4%	5,625
7.5%	6,188
7.6%	6,750
7.7%	7,313
7.8%	7,875
7.9%	8,438
8.0%	9,000
<b>Total options granted</b>	<b>10,000</b>
- thereof relating to conditions a) and b)	9,000
- thereof relating to conditions c)	1,000



**AFR > 3 days absence in the 2021 business year amounts to 3.4.** Hence, the 1,000 options can be exercised.

**As a result, a total of 7,750 options (6,750 + 1,000) can be exercised.**