

ANDRITZ AG  
ISIN AT0000730007

## Report of the Executive Board and Supervisory Board on the granting of share options to managers and members of the Executive Board

It is intended to submit to the 105<sup>th</sup> Annual General Meeting of Shareholders on March 22, 2012 the following

### **Share Option Program for 2012**

for approval.

#### **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 financial results and of 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. In compliance with the EU remuneration recommendation and the ACGC, share options shall not be exercisable for at least three years after they have been granted. In addition, participants in the share option program must also hold investments in ANDRITZ shares from their own resources for the full duration of the program.

#### **2. Number and distribution of the share options to be granted, validity of program**

Approximately 100 to 120 managers of the ANDRITZ GROUP as well as the members of the Executive Board shall have the opportunity to benefit from the share option program. The number of shares allocated per eligible manager will vary, depending on the area of responsibility, between 6,000, 10,000, 15,000 and 20,000 for managers, 40,000 for Executive Board members and 50,000 for the CEO. These options are to be drawn from the pool of shares under the corporate buy-back program. The maximum number of share options that can be issued is 1,500,000. Of these options, 210,000 options are assigned to the five members of the Executive Board, and the remainder for executive employees.

Exercise of the share option program shall commence on May 1, 2015 and be terminated on April 30, 2017.

### 3. Terms and conditions of exercise

- 3.1. One share option provides eligibility for subscribing to one share.
- 3.2. In order to exercise a share option, eligible persons must be in active employment of the company or one of its affiliates as from May 1, 2012 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 managers 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 latest by the time of allocation of the options, i.e. June 1, 2012. Participants in the Share Option Program 2012 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 share option program may use this investment for the new share option program. Shares that were endowed to foundations of which eligible persons are founders and beneficiaries can also be used in terms of these own resources. Any persons who have so far not participated in a share option program must prove their investment from their own resources by June 1, 2012.

- 3.3. The exercise price of the share options (in the following referred to as 'the exercise price') is the unweighted average of the closing prices of the ANDRITZ share during the four calendar weeks following the 105th Annual General Meeting of Shareholders on March 22, 2012.
- 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, 2015 and April 30, 2017 (= period of exercise), subject to:

- the average unweighted closing price of ANDRITZ shares during 20 successive trading days in the period May 1, 2014 – April 30, 2015 being at least 15% above the exercise price calculated as per 3.3., and
- the profit per share (related to the overall number of listed shares) for the business year 2013 or the profit per share (related to the overall number of listed shares) for the business year 2014 being at least 15% above the profit per share (related to the overall number of listed shares) for the business year 2011,

or

- the average unweighted closing price of ANDRITZ shares during 20 successive trading days in the period May 1, 2015–April 30, 2016 being at least 20% above the exercise price calculated as per 3.3., and
- the profit per share (related to the overall number of listed shares) for the business year 2014 or the profit per share (related to the overall number of listed shares) for the business year 2015 being at least 20% above the profit per share (related to the overall number of listed shares) for the business year 2011.

Provided that the terms and conditions of exercise are fulfilled, 50% of the options can be exercised immediately, and 25% of the options can be exercised after three months, with the remaining 25% being exercisable after a further three months.

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

**4. Number and distribution of options already granted to employees, managers, and individual board members with indication of the number of shares that can be purchased**

At present, a total of 1,034,500 share options are held by 81 managers under the current share option programs. Of these options, a total of 210,000 options are allocated to the five members of the Executive Board (50,000 share options for the CEO, and 40,000 for each Executive Board member), and the remainder to executive employees (the number of share options granted to each eligible manager amounts to 6,000, 10,000, or 20,000 depending on the manager's area of responsibility).

**5. General remarks**

5.1. The share options are not transferable.

5.2. The shares purchased under the share option program are not subject to a ban on sales over a certain period.

Graz, March 2012

The Executive Board

The Supervisory Board