2021

FINANCIAL REPORT 2021

ANDRITZ

ENGINEERED SUCCESS

KEY FINANCIAL FIGURES OF THE ANDRITZ GROUP

	Unit	2021	2020	2019	2018	2017
Order intake	MEUR	7,879.7	6,108.0	7,282.0	6,646.2	5,579.5
Order backlog (as of end of period)	MEUR	8,165.8	6,774.0	7,777.6	7,084.3	6,383.0
Revenue	MEUR	6,463.0	6,699.6	6,673.9	6,031.5	5,889.1
Return on sales	%	7.4	4.7	3.6	5.3	6.8
EBITDA	MEUR	718.3	571.1	537.6	498.0	541.7
EBITA[1)]	MEUR	546.5	391.7	343.2	394.3	444.0
Earnings Before Interest and Taxes (EBIT)	MEUR	479.6	315.0	237.9	321.6	399.3
Earnings Before Taxes (EBT)	MEUR	439.6	280.9	180.9	304.2	400.6
Net income (including non-controlling interests)	MEUR	321.7	203.7	122.8	219.7	265.6
Net income (without non-controlling interests)	MEUR	325.5	207.1	127.8	222.0	263.0
Cash flow from operating activities	MEUR	529.6	461.5	821.6	7.8	246.5
Capital expenditure	MEUR	160.1	131.8	157.1	137.0	116.8
Free cash flow	MEUR	369.5	329.7	664.5	-129.2	129.7
Free cash flow per share	EUR	3.7	3.3	6.4	-1.2	1.2
Employees (as of end of period; without apprentices)	-	26,804	27,232	29,513	29,096	25,566
Non-current assets	MEUR	2,585.2	2,497.5	2,705.5	2,629.5	1,860.8
Current assets	MEUR	5,087.6	4,559.2	4,528.6	4,289.1	4,404.5
Total equity	MEUR	1,567.3	1,255.7	1,219.6	1,330.8	1,325.4
Provisions	MEUR	1,622.3	1,144.9	1,083.1	1,017.7	1,066.1
Liabilities	MEUR	4,483.2	4,656.1	4,931.4	4,570.1	3,873.8
Total assets	MEUR	7,672.8	7,056.7	7,234.1	6,918.6	6,265.3
Equity ratio	%	20.4	17.8	16.9	19.2	21.2
Return on equity	%	28.0	22.4	14.8	22.9	30.2
Return on investment	%	6.3	4.5	3.3	4.6	6.4
Liquid funds	MEUR	1,837.9	1,719.3	1,609.8	1,279.7	1,772.3
Net liquidity	MEUR	703.3	420.9	244.9	-99.6	908.0
Net debt	MEUR	-287.7	35.1	205.7	568.1	-530.6
Net working capital	MEUR	-150.1	-48.8	-134.0	160.5	-121.0
Capital employed	MEUR	1,211.5	1,345.1	1,470.4	1,665.6	801.9
Gearing	%	-18.4	2.8	16.9	42.7	-40.0
EBITDA margin	%	11.1	8.5	8.1	8.3	9.2
EBITA margin	%	8.5	5.8	5.1	6.5	7.5
EBIT margin	%	7.4	4.7	3.6	5.3	6.8
Net income/sales	%	5.0	3.0	1.8	3.6	4.5
ROE	%	20.5	16.2	10.1	16.5	20.0
EV/EBITDA	-	5.6	6.1	7.0	8.6	7.4
Depreciation and amortization/sales	%	3.6	3.8	4.1	2.7	2.3

1) Amortization and impairment of identifiable assets acquired in a business combination and recognized separately from goodwill amount to of 62.1 MEUR (2020: 72.0 MEUR); impairment of goodwill amounts to 4.8 MEUR (2020: 4.7 MEUR).
All figures according to IFRS. Due to the utilization of automatic calculation programs, differences can arise in the addition of rounded totals and percentages.

KEY FINANCIAL FIGURES OF THE BUSINESS AREAS

Pulp & Paper

	Unit	2021	2020	2019	2018	2017
Order intake	MEUR	3,774.7	2,961.1	3,632.5	2,571.9	2,033.4
Order backlog (as of end of period)	MEUR	3,377.2	2,591.0	3,164.3	2,421.1	1,787.0
Revenue	MEUR	3,070.6	3,339.0	2,869.5	2,233.2	2,059.7
EBITDA	MEUR	423.4	399.6	351.4	258.4	221.5
EBITDA margin	%	13.8	12.0	12.2	11.6	10.8
EBITA	MEUR	346.0	322.7	271.0	222.1	194.9
EBITA margin	%	11.3	9.7	9.4	9.9	9.5
Capital expenditure	MEUR	90.6	64.1	63.3	33.8	42.1
Employees (as of end of period; without apprentices)	-	11,668	11,127	11,984	11,435	8,002

Metals

	Unit	2021	2020	2019	2018	2017
Order intake	MEUR	1,778.8	1,143.6	1,582.2	1,931.8	1,606.5
Order backlog (as of end of period)	MEUR	1,541.7	1,181.6	1,532.7	1,591.6	1,309.7
Revenue	MEUR	1,366.1	1,420.5	1,636.9	1,635.1	1,643.5
EBITDA	MEUR	81.7	5.5	-1.5	57.8	129.7
EBITDA margin	%	6.0	0.4	-0.1	3.5	7.9
EBITA	MEUR	38.4	-46.7	-73.8	27.3	98.6
EBITA margin	%	2.8	-3.3	-4.5	1.7	6.0
Capital expenditure	MEUR	25.5	26.5	30.8	36.1	29.7
Employees (as of end of period; without apprentices)	-	5,930	6,513	7,485	7,818	7,573

Hydro

	Unit	2021	2020	2019	2018	2017
Order intake	MEUR	1,565.2	1,335.4	1,350.2	1,445.8	1,317.2
Order backlog (as of end of period)	MEUR	2,747.8	2,587.9	2,661.0	2,667.9	2,921.8
Revenue	MEUR	1,345.1	1,296.0	1,470.7	1,517.5	1,583.1
EBITDA	MEUR	133.0	98.5	134.1	142.4	154.1
EBITDA margin	%	9.9	7.6	9.1	9.4	9.7
EBITA	MEUR	95.4	62.0	105.9	113.8	123.0
EBITA margin	%	7.1	4.8	7.2	7.5	7.8
Capital expenditure	MEUR	28.7	29.7	51.8	57.9	36.3
Employees (as of end of period; without apprentices)	-	6,628	6,941	7,202	7,002	7,237

Separation

	Unit	2021	2020	2019	2018	2017
Order intake	MEUR	761.0	667.9	717.1	696.7	622.4
Order backlog (as of end of period)	MEUR	499.1	413.5	419.6	403.7	364.5
Revenue	MEUR	681.2	644.1	696.8	645.7	602.8
EBITDA	MEUR	80.2	67.5	53.6	39.4	36.4
EBITDA margin	%	11.8	10.5	7.7	6.1	6.0
EBITA	MEUR	66.7	53.7	40.1	31.1	27.5
EBITA margin	%	9.8	8.3	5.8	4.8	4.6
Capital expenditure	MEUR	15.3	11.5	11.2	9.2	8.7
Employees (as of end of period; without apprentices)	-	2,578	2,651	2,842	2,841	2,754

MANAGEMENT REPORT

GENERAL ECONOMIC CONDITIONS

The world's main economic regions saw a strong economic upswing in the 2021 business year compared to the significant downturn in the previous year due to the Covid-19 pandemic. Bottlenecks and delays in the global supply chains caused by the pandemic had a negative impact. Urgently needed raw materials and industrial products were not available or could only be delivered with considerable delays, which resulted in substantial limitations on production worldwide, particularly in the automotive, automotive supplier and electrical industries. As a result, there was a sharp rise in inflation as well as in raw material and energy prices in most of the industrialized countries.

In the USA, the ongoing expansionary interest rate policy by the Federal Reserve (FED) led to unchanged, brisk investment activity in industry and strong demand from private households. The multi-billion infrastructure investment package announced by the government and passed by the US Congress should have a positive effect on economic development in the USA in the long term, according to economic experts. In view of the unchanged high inflation rate and the good situation on the laber market, the FED signaled that the key interest rate would be increased soon.

Europe also saw strong economic growth during the reporting period, although the fourth Covid wave and bottlenecks in the global supply chains had a negative impact towards the end of the 2021 business year. The European Central Bank (ECB) left its key interest rate unchanged at the record low of 0.0% and considers that the high rate of inflation is only temporary. In the medium term, the ECB is aiming to stabilize the rate of inflation in the euro zone at 2%.

China's economy also showed unchanged, strong growth during the reporting period, driven primarily by the export boom. However, the Covid-19 pandemic, high raw material costs, an energy shortage, and the real estate crisis led to a slight decline towards the end of the year. Emerging markets like Brazil or India also saw a recovery from the effects of the pandemic on economic growth in the course of the year.

Source: Research reports by various banks, OECD

MARKET DEVELOPMENT

Pulp & Paper

The Pulp & Paper business area saw very good project activity for pulping equipment during the reporting period – both for modernization of existing pulp mills and for construction of greenfield pulp mills (especially in Asia and South America). In the power boiler sector, the good project and investment activity of the previous years continued, particularly in Asia (above all Japan). The Nonwoven business (plants for the production of nonwovens, face masks, face mask raw materials, and so on) continued to see very strong investment and project activity during the reporting period as a result of the global Covid-19 pandemic.

Metals

The Metals Forming (Schuler) sector for the automotive and automotive supplying industries saw increased project and investment activity during the reporting period compared to the previous year. Orders were awarded selectively by international car manufacturers and their suppliers, both in the middle and higher price and quality segments. Some important orders for plants to produce components for electric vehicles, (battery housing, electric motors, bodywork) were also awarded in the increasingly growing electromobility market.

In the Metals Processing sector (equipment for the production and processing of stainless steel strip, carbon steel strip, and of aluminum strip), the rising prices for steel and raw materials resulted in a significant increase in project and investment activity by international steel manufacturers.

Hydro

Global investment and project activity for electromechanical equipment for hydropower plants recorded a clear upward trend in the 2021 business year starting from a low level in previous years. Some medium-sized and larger orders to supply equipment for hydropower plants were awarded during the reporting period, particularly in Asia and in North and Central America. Satisfactory project activity was noted in the pumps sector.

Separation

The global markets for solid/liquid separation equipment developed favorably during the 2021 business year. Good project activity was noted in the Separation sector (municipal and industrial sewage sludge dewatering and drying) as well as in the Feed & Biofuel sector.

BUSINESS DEVELOPMENT

Change in the Consolidation Group

Information on the consolidation scope can be found in the notes to the consolidated financial statements, chapter B) 4. Consolidation scope.

Order intake

Order intake of the Group developed very favorably in the 2021 business year and reached a new record level of 7,879.7 MEUR. Thus, it was 29.0% higher than the figure for the previous year's reference period (2020: 6,108.0 MEUR), which was severely impacted by the Covid-19 pandemic and the related global economic downturn. All business areas were able to increase their order intake significantly compared to the previous year.

The business areas' development in detail:

- Pulp & Paper: Order intake reached a new peak level at 3,774.7 MEUR and was thus 27.5% higher than the figure for the previous year's reference period (2020: 2,961.1 MEUR). The strong increase is primarily attributable to the award of a large order to supply energy-efficient and environmentally friendly pulp production technologies and key equipment to South America (Brazil). Order intake in the service business also saw very favorable development and was substantially higher than the figure for the previous year's reference period, which was impacted by the worldwide travel restrictions and partial production constraints at customers in some areas due to the Covid-19 pandemic.

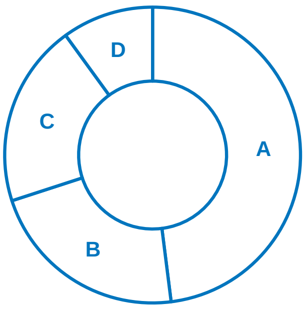
- Metals: Order intake amounted to 1,778.8 MEUR and was thus significantly higher than the very low figure for the previous year's reference period (+55.5% versus 2020: 1,143.6 MEUR). This is attributable on the one hand to the Metals Processing sector, which increased its order intake considerably compared to the previous year's reference period, due to unchanged high steel prices and the resulting strong project and investment activity by international steel producers. On the other hand, the Metals Forming (Schuler) sector also saw a significant increase in order intake due to the award of several medium-sized orders.

- Hydro: Order intake at 1,565.2 MEUR was significantly higher than the figure for the previous year's reference period (+17.2% versus 2020: 1,335.4 MEUR). The business area succeeded in securing several medium-sized and larger orders to supply electromechanical equipment for new hydropower plants or to modernize existing hydropower plants.

- Separation: Order intake amounted to 761.0 MEUR and was thus 13.9% higher than the level for the previous year's reference period (2020: 667.9 MEUR). Both the solid/liquid separation and the feed & biofuel sectors showed very favorable development during the reporting period.

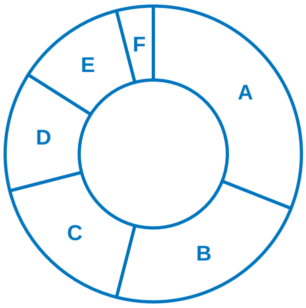
	Unit	2021	2020	+/-
Pulp & Paper	MEUR	3,774.7	2,961.1	+27.5%
Metals	MEUR	1,778.8	1,143.6	+55.5%
Hydro	MEUR	1,565.2	1,335.4	+17.2%
Separation	MEUR	761.0	667.9	+13.9%

Order intake by business area 2021 (2020) in %



A	Pulp & Paper	48	(48)
B	Metals	22	(19)
C	Hydro	20	(22)
D	Separation	10	(11)

Order intake by region 2021 (2020) in %



A	Europe	31	(29)
B	North America	23	(22)
C	South America	17	(15)
D	China	13	(16)
E	Asia (without China)	12	(15)
F	Africa, Australia	4	(3)

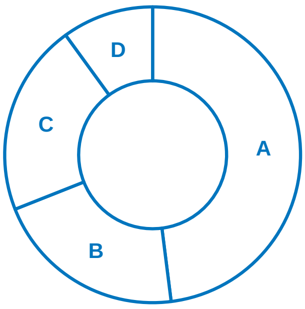
Revenue

Revenue of the ANDRITZ GROUP amounted to 6,463.0 MEUR in the 2021 business year and was thus just slightly below the record level of the previous year (-3.5% versus 2020: 6,699.6 MEUR). This decline is largely attributable to the Pulp & Paper business area (-8.0%), which executed several larger orders with a strong revenue contribution last year. Revenue also declined in Metals business area (-3.8%) due to the lower order intake in the 2020 business year. Revenue in the Hydro (+3.8%) and Separation (+5.8%) business areas increased slightly compared to the previous year.

The business areas' sales development at a glance:

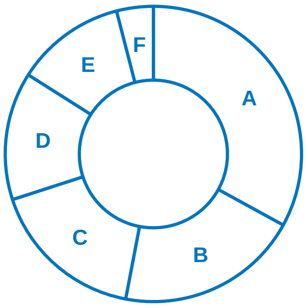
	Unit	2021	2020	+/-
Pulp & Paper	MEUR	3,070.6	3,339.0	-8.0%
Metals	MEUR	1,366.1	1,420.5	-3.8%
Hydro	MEUR	1,345.1	1,296.0	+3.8%
Separation	MEUR	681.2	644.1	+5.8%

Revenue by business area
2021 (2020) in %



A	Pulp & Paper	48	(50)
B	Metals	21	(21)
C	Hydro	21	(19)
D	Separation	10	(10)

Revenue by region
2021 (2020) in %



A	Europe	33	(34)
B	North America	20	(19)
C	China	17	(12)
D	South America	14	(19)
E	Asia (without China)	12	(13)
F	Africa, Australia	4	(3)

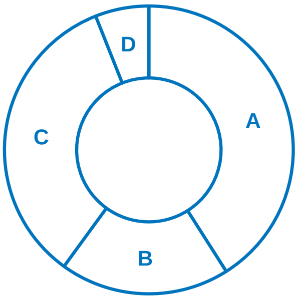
Share of service sales of Group and business area sales in %

	2021	2020
ANDRITZ GROUP	40	36
Pulp & Paper	45	41
Metals	25	24
Hydro	39	34
Separation	49	48

Order backlog

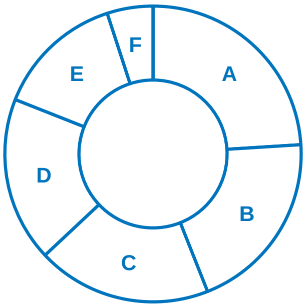
As of December 31, 2021, the order backlog of the ANDRITZ GROUP amounted to 8,165.8 MEUR (+20.5% versus December 31, 2020: 6,774.0 MEUR). All business areas recorded an increase in order backlog compared to end of last year.

Order backlog by business area as of 31.12.2021 (31.12.2020) in %



A	Pulp & Paper	41	(38)
B	Metals	19	(18)
C	Hydro	34	(38)
D	Separation	6	(6)

Order backlog by business area as of 31.12.2021 (31.12.2020) in %



A	Europe	24	(26)
B	North America	20	(15)
C	Asia (without China)	19	(22)
D	South America	18	(14)
E	China	14	(18)
F	Africa, Australia	5	(5)

Earnings

Despite the slightly lower revenue compared to the previous year, the operating result (EBITA) increased substantially, reaching a new record level of 546.5 MEUR. It was thus significantly higher than the figure for the previous year's reference period (+39.5% versus 2020: 391.7 MEUR), which included extraordinary effects – particularly provisions for capacity adjustments – totaling 79 MEUR.

Thus, profitability (EBITA margin) increased significantly to 8.5% (2020: 5.8%). This is largely attributable to the unchanged, very favorable business development in the Pulp & Paper and Separation business areas. Moreover, the cost adjustment measures implemented last year resulted in a significant improvement in earnings, both in the Metals and the Hydro business areas.

Excluding extraordinary effects, the EBITA of the Group amounted to 549.9 MEUR and was thus also significantly higher than the reference figure for the previous year excluding extraordinary effects (2020: 471.1 MEUR). The adjusted EBITA margin increased to 8.5% (2020: 7.0%).

Development of profitability by business area:

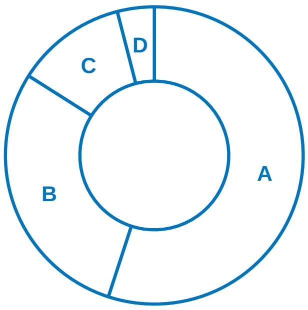
- Despite revenue being lower than in the previous year, profitability reached a very high level at 11.3% (2020: 9.7%) in the Pulp & Paper business area, with very positive developments in both capital and service business. The adjusted EBITA margin increased to 11.6% (2020: 9.9%).
- The Metals business area recorded a positive earnings development due to the cost adjustment measures implemented in Metals Forming (Schuler) in the last year and achieved an EBITA margin of 2.8% (2020: -3.3%). The adjusted EBITA margin amounted to 1.9% (2020: -0.8%).
- Profitability in the Hydro business area increased to 7.1% and was thus significantly higher than the low level of the previous year's reference period (2020: 4.8%), which was impacted by provisions for capacity adjustments and execution of some low-margin orders. The adjusted EBITA margin amounted to 7.4% (2020: 7.0%).
- In the Separation business area, the EBITA margin continued to develop very favorably and increased to 9.8% (2020: 8.3%).

Consolidated income statement

(in MEUR)	2021	2020	+/-
Revenue	**6,463.0**	**6,699.6**	**-3.5%**
Changes in inventories of finished goods, work in progress and capitalized cost of self-constructed assets	67.1	-26.4	+354.2%
Other income	123.1	85.9	+43.3%
Cost of materials	-3,381.0	-3,632.4	+6.9%
Personnel expenses	-1,804.1	-1,790.2	-0.8%
Other expenses	-749.8	-765.4	+2.0%
EBITDA	**718.3**	**571.1**	**+25.8%**
Depreciation, amortization, and impairment of property, plant, and equipment and intangible assets	-233.9	-251.4	+7.0%
Impairment of goodwill	-4.8	-4.7	-2.1%
EBIT	**479.6**	**315.0**	**+52.3%**
Financial result	**-40.0**	**-34.1**	**-17.3%**
EBT	**439.6**	**280.9**	**+56.5%**
Income taxes	-117.9	-77.2	-52.7%
NET INCOME	**321.7**	**203.7**	**+57.9%**
Net income attributable to owners of the parent	325.5	207.1	+57.2%
Net income allocated to non-controlling interests	-3.8	-3.4	-11.8%
Basic earnings per no-par value share (in EUR)	3.28	2.08	+57.7%

Allocation of expenses in %

Distribution of total expenses 2021 (2020) in %



A	Cost of materials	55	(56)
B	Personnel expenses	29	(28)
C	Other expenses	12	(12)
D	Depreciation	4	(4)

Material expenses amounted to 3,381.0 MEUR in the 2021 business year and were thus below the level of the previous year (2020: 3,632.4 MEUR). The material expenses to sales ratio decreased to 52.3% (2020: 54.2%). Personnel expenses, at 1,804.1 MEUR, were thus above the level of the previous year (2020: 1,790.2 MEUR), the personnel expenses to sales ratio increased to 27.9% (2020: 26.7%).

Other expenses amounted to 749.8 MEUR in the reporting period (2020: 765.4 MEUR) and mainly include sales expenses, legal, consulting, and audit expenses as well as repairs and maintenance. Other income, at 123.1 MEUR, was above the level for the previous year (2020: 85.9 MEUR) and mainly includes government grants (mainly research bonus), profits on disposal of intangible assets and property, plant, and equipment as well as rental income.

The depreciation and amortization of intangible assets and of property, plant, and equipment amounted to 233.9 MEUR in 2021 (2020: 251.4 MEUR). Thereof 68.8 MEUR (2020: 69.1 MEUR) are attributable to depreciation and amortization of intangible assets and 159.9 MEUR (2020: 161.9 MEUR) to depreciation and amortization of property, plant, and equipment.

In 2021, the Group’s goodwill impairment amounted to 4.8 MEUR (2020: 4.7 MEUR), and the impairment charges for intangible and tangible assets were 5.2 MEUR (2020: 21.0 MEUR). The goodwill impairment relates to the Hydro business area, where the business did not develop as expected. Impairment of intangible and tangible assets mainly relates to plant.

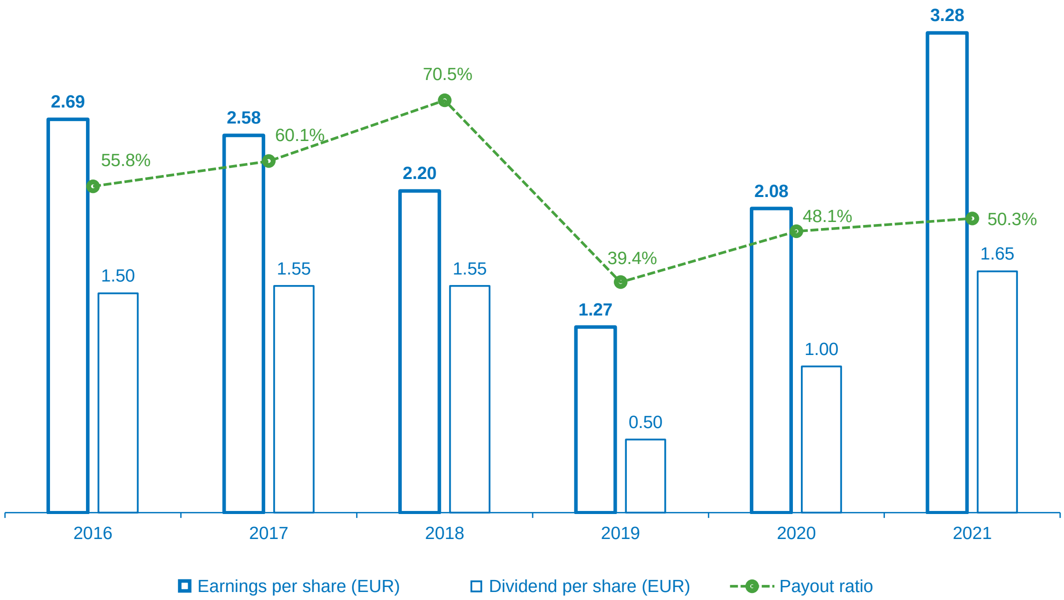
The financial result decreased to -40.0 MEUR (2020: -34.1 MEUR). This is mainly due to a decrease in other financial result (i.a. valuation of bank balances in foreign currencies (FX) on the balance sheet date as well as dividend payments to minority shareholders of ANDRITZ Diatec S.r.l.). Net interest result improved significantly as a consequence of active treasury management. Main reason was the early redemption of two Schuldscheindarlehen tranches with variable interest rates in the amount of 122.5 MEUR as well as repayment of other loans.

The tax rate decreased due to consequent management of tax groups and the associated recognition of loss carryforwards to 26.8% (2020: 27.5%); see also notes to the consolidated financial statements, chapter C) 16. Income taxes.

The net income (including non-controlling interests) amounted to 321.7 MEUR (+57.9% versus 2020: 203.7 MEUR). Thereof 325.5 MEUR (2020: 207.1 MEUR) are attributable to the shareholders of the parent company and -3.8 MEUR (2020: -3.4 MEUR) to non-controlling interests (see also notes to the consolidated financial statements, chapter F) 33. Equity.

The earnings per share increased significantly to 3.28 EUR (2020: 2.08 EUR). At the Annual General Meeting on April 7, 2022, the Executive Board will propose a dividend of 1.65 EUR per share (2020: 1.00 EUR) for the 2021 business year. This is equal to a payout ratio of around 50.3% (2020: around 48.1%).

Earnings and dividend per share/payout ratio



Dividend for 2021: Proposal to the Annual General Meeting.

Treasury shares

As of December 31, 2021, the company held 4,809,315 treasury shares, i.e. 4.6% of the share capital, with a market value of 218.2 MEUR – mainly for servicing stock option programs and issuing shares to employees.

More information on treasury shares is available in the notes to the consolidated financial statements, chapter F) 33. Equity.

Net worth position and capital structure

Total assets amounted to 7,672.8 MEUR (December 31, 2020: 7,056.7 MEUR). The equity ratio increased to 20.4% (December 31, 2020: 17.8%).

Assets

A	Long-term assets: 34%	2,585.2 MEUR
B	Short-term assets: 43%	3,329.9 MEUR
C	Cash and cash equivalents and marketable securities: 23%	1,757.7 MEUR

Shareholders' equity and liabilities

A	Shareholders' equity incl. non-controlling interests: 20%	1,567.3 MEUR
B	Financial liabilities: 18%	1,367.9 MEUR
C	Other long-term liabilities: 9%	680.3 MEUR
D	Other short-term liabilities: 53%	4,057.3 MEUR

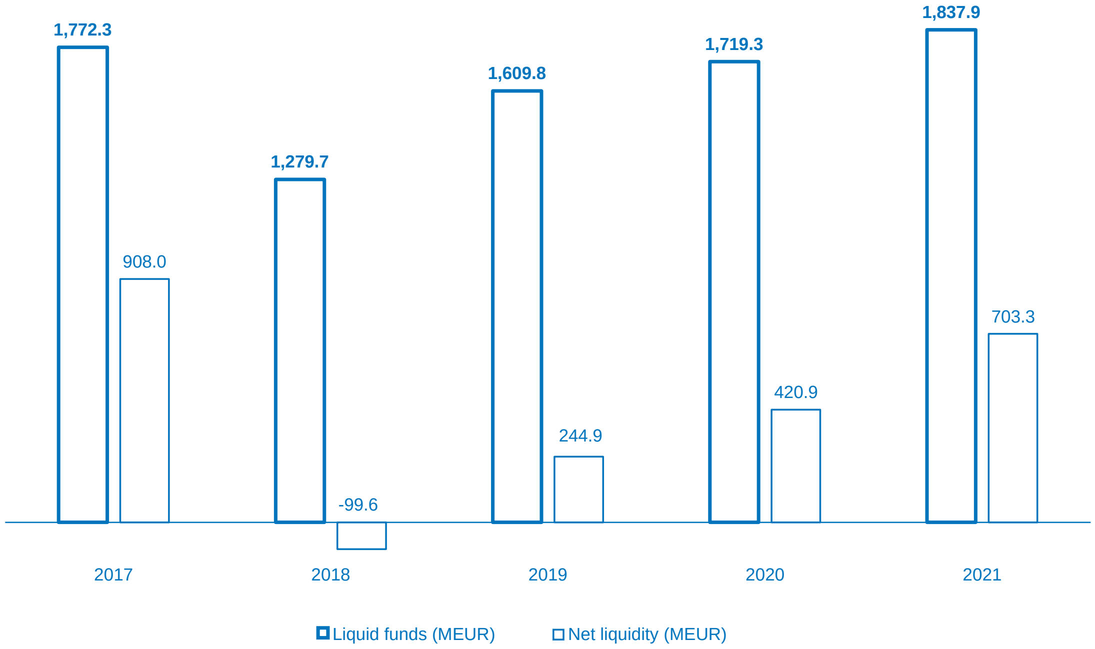
On the asset side, property, plant, and equipment (1,170.7 MEUR), goodwill (778.3 MEUR), deferred tax assets (241.9 MEUR), and intangible assets other than goodwill (190.9 MEUR) were the most important items in non-current assets (2,585.2 MEUR). The most important items in the other current assets, amounting to 3,329.9 MEUR, are trade accounts receivable and contract assets in the amount of 1,871.8 MEUR as well as inventories (905.0 MEUR).

On the liabilities side, the other current liabilities (4,057.3 MEUR) mainly include contract liabilities from sales recognized over time in the amount of 1,094.1 MEUR, trade accounts payable (811.1 MEUR), and provisions (544.3 MEUR). The most important items in other liabilities (1,138.0 MEUR) are accruals and outstanding order-related costs (602.1 MEUR), as well as unused vacation and other personnel-related accruals (288.7 MEUR). Non-current liabilities, at 680.3 MEUR, largely contain provisions for employee benefits (413.6 MEUR), deferred tax liabilities (123.9 MEUR), and other provisions (120.1 MEUR).

Further information on provisions is shown in the notes to the consolidated financial statements, chapter D) 23. Provisions.

Development of liquid funds and net liquidity

Liquid funds amounted to 1,837.9 MEUR (December 31, 2020: 1,719.3 MEUR), while net liquidity increased significantly to 703.3 MEUR (December 31, 2020: 420.9 MEUR).



In the 2021 business year, ANDRITZ AG has made an early repayment of variable Schuldscheindarlehen in the amount of 122.5 MEUR due to the very good liquidity situation.

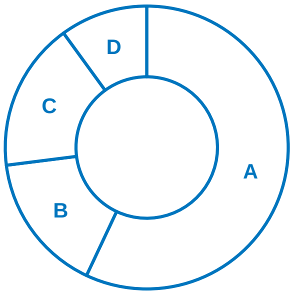
In addition to the high liquid funds, the ANDRITZ GROUP also had the following credit and surety lines for performance of contracts, down payments, guarantees, and so on, at its disposal:

- Credit lines: 311 MEUR, thereof 181 MEUR utilized
- Surety lines: 5,948 MEUR, thereof 3,301 MEUR utilized

Capital expenditure

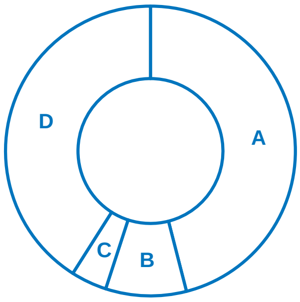
Investments in tangible and intangible assets amounted to 160.1 MEUR in the 2021 business year and were thus significantly below the previous year's level (2020: 131.8 MEUR). Investments breakdown by business area as follows:

Capital expenditure by business area 2021 (2020) in %



A	Pulp & Paper	57	(49)
B	Metals	16	(19)
C	Hydro	17	(23)
D	Separation	10	(9)

Capital expenditure by category 2021 (2020) in %



A	Manufacturing	46	(50)
B	IT	9	(9)
C	Research and Development	4	(4)
D	Others	41	(37)

As in previous years, investments mainly focused on workshop modernizations and targeted selected extension projects, particularly in Europe.

Cash flow

The cash flow from operating activities, at 529.6 MEUR, was above the high reference figure of the previous year (2020: 461.5 MEUR). The change is mainly due to project related changes in net working capital – mainly to the receipt of advance and progress payments for large scale projects.

After deduction of expenses for investments in property, plant, and equipment as well as intangible assets in the amount of 160.1 MEUR (2020: 131.8 MEUR) free cash amounted to 369.5 MEUR (2020: 329.7 MEUR).

The cash flow from investing activities amounted to -290.6 MEUR (2020: -236.1 MEUR). The change compared to the previous year is mainly due to higher investments in property, plant, and equipment and payments made for acquisitions. Investments in financial assets were comparable to the previous year's level.

The cash flow from financing activities amounted to -355.4 MEUR (2020: -187.0 MEUR). The change mainly resulted from the early redemption of Schuldscheindarlehen (volume: 122.5 MEUR) as well as higher paid dividends (-100.3 MEUR in 2021 versus -49.9 MEUR in 2020).

In 2020, own shares of 4.7 MEUR were bought back (2020: 18.1 MEUR).

Further important key figures at a glance

	Unit	2021	2020	2019	2018	2017
Return on sales	%	7.4	4.7	3.6	5.3	6.8
EBITDA	MEUR	718.3	571.1	537.6	498.0	541.7
Earnings Before Interest and Taxes (EBIT)	MEUR	479.6	315.0	237.9	321.6	399.3
Earnings Before Taxes (EBT)	MEUR	439.6	280.9	180.9	304.2	400.6
Net income (including non-controlling interests)	MEUR	321.7	203.7	122.8	219.7	265.6
Free cash flow	MEUR	369.5	329.7	664.5	-129.2	129.7
Free cash flow per share	EUR	3.7	3.3	6.4	-1.2	1.2
Return on equity	%	28.0	22.4	14.8	22.9	30.2
Return on investment	%	6.3	4.5	3.3	4.6	6.4
Net debt	MEUR	-287.7	35.1	205.7	568.1	-530.6
Net working capital	MEUR	-150.1	-48.8	-134.0	160.5	-121.0
Capital employed	MEUR	1,211.5	1,345.1	1,470.4	1,665.6	801.9
Gearing	%	-18.4	2.8	16.9	42.7	-40.0

Acquisitions

ANDRITZ has acquired 100% of LM Industries, including the two subsidiaries Laroche SA and Miltec SA, France. Laroche is a leading supplier of fiber processing technologies such as opening, blending and dosing, airlay web forming, textile waste recycling, and decortication of bast fibers. The acquisition complements the existing product portfolio of ANDRITZ Nonwoven (Pulp & Paper business area). The closing of the transaction took place in the first quarter of 2021.

In July 2021, ANDRITZ has signed an agreement with GE Steam Power to acquire parts of their Air Quality Control System (AQCS) technology. The purchase also includes the technology center in Växjö, Sweden. With this acquisition, ANDRITZ is completing its range of flue gas cleaning equipment (Pulp & Paper business area) in the important markets for pulp, metals, mining, and energy. The closing of the transaction took place in the second quarter of 2021.

Further information on acquisitions can be found in the notes to the consolidated financial statements, chapter B) 5. Acquisitions.

RISK MANAGEMENT

The ANDRITZ GROUP is a globally-operating company serving a large variety of industrial markets and customers. As such, the Group is subject to a series of risks. The main, higher-level risks pursuant to Section 243 (1) of the Austrian Commercial Code (Unternehmensgesetzbuch UGB) include:

- Risks relating to financial instruments
- Strategic risks
- Operational risks

The active risk management practiced by the ANDRITZ GROUP for many years now serves both to safeguard the company's existence in the long term as well as to increase its value and is thus an essential success factor for the entire Group. For the purposes of value-oriented company management, risk management is an integral part of the business processes and extends over all strategic and operative levels.

The planning and controlling process within the entire ANDRITZ GROUP is an integral part of risk monitoring and control. Continuous controlling and regular reporting are intended to increase the likelihood of identifying major risks at an early stage and to allow countermeasures to be implemented if necessary. Nevertheless, there can be no guarantee that all risks can be detected in time with the risk monitoring and control system currently in use.

The Covid-19 crisis and its impact on the global economy as well as on the markets served by ANDRITZ continue to present fundamental and substantial risks for the business development of the ANDRITZ GROUP. The emergence of new virus variants could lead to lockdowns being imposed in individual countries or regions, and thus to an economic downturn. This could have negative effects on business development at ANDRITZ.

The pent-up consumer demand caused by the Covid-19 pandemic in combination with delays in the main international supply chains and transport routes led to a significant price increase in the energy sector for many raw materials and industrial semi-finished products. ANDRITZ is striving to cushion the effects of any price increases as much as possible, however the possibility of these price increases having a negative impact on the economic development of the ANDRITZ GROUP cannot be excluded.

In addition to the Covid-19 pandemic, there are numerous risks that could have a negative effect on economic development if they materialize. These include escalating trade disputes between countries with strong economies as well as increasing political instability. The high national debt in many countries currently also poses a risk in the medium to long term.

The ANDRITZ GROUP's risks described below are monitored continuously. ANDRITZ is prepared to react to and to counteract these risks.

1. Risks relating to financial instruments

The principal financial risks include payment default, liquidity risks, and market risks, such as exchange rate risks, interest rate risks, and raw material price risks.

A detailed description of all financial risks of the ANDRITZ GROUP is provided in section F) 34. Risk management – Risks relating to financial instruments – of the Notes to the Consolidated Financial Statements.

2. Strategic risks

a) Political risks

The countries in which the Group is active include some that are classified as politically risky or very risky. Terrorist or warlike activities or political changes could result in orders being suspended. Political developments are monitored continuously in all countries and regions in which the Group operates, and substantial political risks are reviewed before entering new countries. Risks related to deliveries to countries with moderate to high political risks are typically covered by insurance. However, the prerequisites for full hedging of these risks are not always available. The measures and procedures in this respect are specified in the credit risk policy applying throughout the Group.

b) Regulatory risks

Regulatory risks include both tax risks and compliance risks.

The ANDRITZ group companies are subject to local tax laws in the respective countries and have to pay income taxes and import customs duties as well as other taxes. Changes in legislation or other regulations, also including regulations on import duties and so on, and different interpretations of the regulations applying in each case can result in subsequent tax and customs duty burdens. As a result, taxes and customs duties can be exposed to either positive or negative fluctuations.

In Austria and other countries where the ANDRITZ GROUP conducts business, there are a variety of legal compliance regulations to be observed, including anti-trust and anti-bribery laws or compliance rules in the supply chain. The Group has established a Compliance Committee to monitor compliance with these regulations and adopted a number of compliance policies, including policies prohibiting insider trading and violation of the applicable anti-trust and anti-bribery laws, for the protection of personal data, and also a global Code of Business Conduct and Ethics. While the Group strives with a large number of measures to make sure that such policies are observed, there can be no assurance that no violations will occur in the future. Any such violation could impact the financial position and reputation of the Group and may also lead to the cancellation of existing orders.

c) Competitive position

The ANDRITZ GROUP does business in highly competitive markets in which only a few large suppliers bid for only a few large orders. In addition, there are many small companies competing locally that have a comparatively low cost base. This competitive situation or a possible change in the competition structure can have a negative effect on order intake and on sales margins of the Group. The Group counteracts this risk with continuous research and development work, product innovations and regular cost optimizations. There is, however, no guarantee that the Group can also maintain its current market position in the future.

As the Group’s competitive position is also based on proprietary technologies, the increase in product piracy, cyber attacks and industrial espionage facilitated by the digital era and the resulting theft of intellectual property can also have an adverse effect on the Group’s competitive position. The Group protects its intellectual property wherever possible, but there can be no assurance that these efforts will always be adequate.

d) Customer concentration

In many of the industries served by the ANDRITZ GROUP, there is a trend towards consolidations and mergers. This applies above all to the pulp and paper industry and also to the steel industry. Such consolidations may result in the Group having to negotiate in the future with fewer customers, but which have greater purchasing power. Dependence on individual key customers may increase, and this could also have direct consequences for the Group’s business activities.

e) Volatility of order intake

Some customers and industries served by ANDRITZ are directly dependent on general economic developments and thus subject to frequent fluctuations in the demand for their products. This is especially true of the Pulp & Paper and the Metals business areas, but all business areas may be affected. The prices for equipment and products supplied by ANDRITZ in these segments are, in part, directly dependent on the prevailing relationship between supply and demand for the goods produced by such equipment and products of ANDRITZ. Possible price fluctuations can, therefore, have a direct influence on each customer's capital investment decisions, with subsequent impact on the Group's order intake. This may lead to some volatility in the development of the Group's order intake.

Renewed weakening of the international automotive market could have a negative impact on business development in Metals Forming (Schuler) because around three-quarters of Schuler's revenue comes from the automotive industry. Although capacitive restructuring measures were implemented in recent years, the need for additional adjustments in future that will have a negative effect on the ANDRITZ GROUP's earnings development cannot be ruled out if the press market for the automotive industry continues to weaken.

The Group's future success depends on whether a sufficient amount of new contracts can be secured, among other things. It can be difficult to predict when an order for which the ANDRITZ GROUP has provided a quotation will actually be awarded. Contract awards are often affected by events outside the control of the Group, such as prices, demand, general economic conditions, the granting of governmental approvals, and the securing of project financing. This uncertainty can cause difficulties in aligning the Group's fixed costs with the expected order volume.

In addition, natural disasters, pandemics (such as the Covid-19 pandemic) or epidemics as well as geopolitical escalations (military conflicts, trade disputes) could also have a negative effect on development of the order intake, liquidity, and financial structure of the Group.

f) Acquisition and integration of complementary business segments

One of the ANDRITZ GROUP's main strategic goals is to become a full-line supplier in all of its business areas through organic growth and complementary acquisitions. In the course of implementing this strategy, the Group has acquired and integrated a number of companies since 1990 with worldwide operations .

However, there is no guarantee that the Group will be successful in identifying and acquiring appropriate acquisition candidates in the future, or that suitable candidates and sufficient funding will even be available for acquisitions. In the past, ANDRITZ was largely successful in integrating newly acquired companies. However, there is no guarantee that planned objectives and synergies can be realized entirely for all acquisitions in the future (including the ongoing integration of the most recently acquired companies), or that the Group will not be confronted with new or legacy risks that have not been identified or accurately evaluated.

Depending on the market position in individual countries or regions as well as the size of planned acquisitions, transactions are subject to a regulatory assessment and approval procedure under the laws on fair competition. As a result, there may be delays in mergers or acquisitions, or some takeovers may even be prohibited in individual cases. In the interests of minimizing risks, ANDRITZ reviews them in great detail beforehand with national and international legal and business experts.

g) Procurement and manufacturing

The Procurement department regularly checks those suppliers that are important for the ANDRITZ GROUP in order to identify risk potentials (ability to deliver, quality management, financial situation, etc.) and risks at an early stage and make them transparent. This also applies in particular to purchase orders beyond a defined amount. In addition, suppliers' capacity utilization and potential alternative supply options are checked and evaluated continuously.

In manufacturing, ANDRITZ relies on a targeted make-or-buy strategy in order to better balance the fluctuations in capacity utilization that are typical of project-related business and make best possible use of the company's own manufacturing capacities. Process-relevant key components for ANDRITZ plants and products are mainly manufactured and assembled in the Group's own workshops, whereas simple components are purchased from qualified suppliers, who are subjected to regular checks on quality, on-time delivery, and compliance.

Essential success factors to ensure short lead times and on-time production in manufacturing are precise planning as well as high commitment and flexibility on the part of employees. ANDRITZ uses a flexible contingent of temporary workers. especially in Europe, to better cope with fluctuations in workload. However, there is no guarantee that ANDRITZ will always be able to compensate immediately for larger fluctuations in capacity utilization, and failure to do so could in turn have a negative impact on the earnings development of the Group. The Covid-19 crisis and other pandemics or epidemics can have an impact on the ability of suppliers to manufacture and deliver goods ordered by ANDRITZ on time, which could lead, in turn, to ANDRITZ being unable to fulfill its obligations towards customers on time. Such failure could have a negative effect, not only on the respective project, but also on ANDRITZ's ability to secure new contracts in the future.

h) Human resources

The ANDRITZ GROUP seeks to be an attractive employer for its employees and also tie them to the company in the long-term. High quality standards in the selection process guarantee that the most suitable candidates are recruited for the positions becoming vacant. However, there is no guarantee that employees will not leave the company again after a short time. This could not only incur considerable costs, but also lead to a deterioration in customer and service orientation. ANDRITZ tries to keep fluctuations to a minimum by offering interesting international career opportunities, incentive plans and focused training programs.

i) Digitalization

Based on extensive and long-term experience as a supplier of technologies and systems for various branches of industry, ANDRITZ offers a broad portfolio of smart, digital solutions. These solutions play an important role in helping customers achieve their production, sustainability, and corporate goals. These innovative digitalization solutions that have been tested worldwide in many reference plants are combined under the technology brand Metris. Metris is based on three strategic pillars: Industrial IoT (with the main topics classic automation, digital solutions and advanced service), Smart Service and Ventures. Metris technologies are the very latest state of the art, and they are subject to constant further development and can be tailored to individual customer requirements. ANDRITZ considers digitalization to be a vital growth sector for the future and hence will continue to focus strongly on development of digital products and solutions, including data security. However, the rapid developments in the area of digitalization also present a risk if ANDRITZ does not succeed in developing and offering the products and solutions demanded by the market with the necessary speed. In addition, a higher degree of digitalization can lead to a greater risk of cyber attacks on ANDRITZ.

j) Capital market risks

Apart from company-related factors, development of the ANDRITZ share price is also dependent on price fluctuations on the international financial markets. Economic and political crises, but also natural disasters, pandemics, and so on, can rock the capital markets and trigger severe price fluctuations and high volatility on the main stock markets, thus having a negative impact directly or indirectly on the price of the ANDRITZ share.

As a publicly listed company, ANDRITZ is rated regularly by financial analysts and institutional investors. Analysts' recommendations to buy or sell ANDRITZ shares and subsequent investment decisions by shareholders may cause considerable fluctuations in the share price. ANDRITZ has consistently followed a policy of open and transparent information exchange with shareholders and the financial community to avoid unfounded fluctuations in its share price.

The high level (just under 70%) of public free float of ANDRITZ's total outstanding shares and its extensive investor relations activities have led to active trading in ANDRITZ shares on the Vienna Stock Exchange. There is no assurance, however, that active trading will be maintained in the future. If active trading were not maintained, the liquidity and market price of ANDRITZ shares would suffer adverse effects, and investors may not be able to sell their shares at what they perceive to be an acceptable price. In the absence of active trading or in the event of a major change in market capitalization, the ANDRITZ share could be removed from various international industrial and stock exchange indexes, for example the ATX, the leading index of the Vienna Stock Exchange, or other indexes. This could result in major changes in the price of the ANDRITZ share.

3. Operational risks

a) Project risks

In conjunction with the delivery of equipment and services, the ANDRITZ GROUP is under contractual obligation in many cases to provide performance guarantees and to meet certain deadlines. If the performance data stated are not achieved or if deadlines are not met, the Group may have to pay damages or perform remedial work at its own expense. If a guaranteed performance level is missed by a wide margin, deadlines are significantly exceeded, or the customer does not accept the plant for other reasons, the customer may have the right to terminate the agreement and return the subject of the contract to ANDRITZ for a full refund and recover damages. Such action could have a negative effect on the Group's financial development. If the Covid-19 pandemic continues for even longer or intensifies, this could affect the ability of the Group to meet its contract deadlines.

Many of ANDRITZ's projects are based on long-term, fixed price contracts. The sales and operating margins realized in a fixed price contract may vary from original estimates as a result of changes in costs (especially fluctuating material costs), particularly on projects that include engineering and/or construction of complete plants, and where labor services have to be bought from third parties.

As certain parts of its supplies are outsourced, the Group may be forced to quote to customers at a fixed price without fixing the exact cost of the parts purchased in advance. While ANDRITZ makes estimates using empirical data and quotes from potential suppliers, these estimates may not always be completely accurate. As a result of this, the Group has experienced losses on some projects in the past. Problems and losses of this kind may also occur in future and adversely affect the Group's financial development.

In individual projects, ANDRITZ also has responsibility for plant-wide engineering and/or installation and construction in addition to the supply of ANDRITZ equipment and systems. These contracts bear the risks discussed above, but also entail certain risks relating to greater on-site responsibilities, including environmental matters, local labor conditions as well as risks relating to geology and to construction and installation of the plants. Additionally, the Group is exposed to the risks inherent in managing the third parties providing construction, installation, and engineering services on these projects (such as strikes and other labor disruptions, which can lead to delays in start-up or failure to meet deadlines). The Group has put risk management procedures in place, including insurance programs, contract policies, and project management discipline, to reduce these EPC-related risks (EPC: Engineering, Procurement, Construction) as far as contracts allow. Nevertheless, there is no guarantee that these procedures are sufficient to prevent negative financial consequences.

The Group has experienced significant losses on certain past projects in this regard, and similar difficulties and losses may occur in the future in a way that would adversely affect the Group's financial condition.

In many EPC and other projects, the ANDRITZ GROUP participates with third parties with whom it shares a series of risks. While the Group attempts to make sure that risks in such projects are properly allocated, there can be no guarantee that this will always be successful.

Moreover, the inability of one of the Group's consortium partners to fulfill its obligations on the project, including indemnity obligations to the Group, may have an adverse material impact on the financial results and the liquidity of the Group.

b) Limitations of liability

Liabilities arising out of the Group's contracts may include liabilities for customers' loss of profits and other liabilities that can vastly exceed the value of the contract in question. While the ANDRITZ GROUP endeavors to include appropriate limitations of liability in its contracts, there can be no assurance that sufficient limitations will in fact be in place in all contracts or that such limitations will be enforceable under the applicable law.

c) Government contracts

A certain amount of the orders are placed by government entities. In connection with these projects, the company may be more exposed to the performance, liability, and EPC/turnkey contract risks described above because the Group may not always be able to obtain its desired contractual safeguards due to public bid requirements and local laws.

d) Legal proceedings

In the course of its business, the ANDRITZ GROUP is party to numerous legal proceedings before both administrative and judicial courts and bodies as well as before arbitration tribunals. The substantial majority of such proceedings (such as contract and project disputes, product liability claims, and intellectual property litigation) can be considered typical of the Group's business. Where appropriate, the ANDRITZ GROUP makes provisions to cover the expected outcome of proceedings to the extent that negative outcomes are likely and reliable estimates can be made. There is no guarantee, however, that these provisions will be sufficient. Given the amounts at stake in some of these disputes, a negative decision for ANDRITZ in one or several of these legal disputes may have a significant, adverse effect on the earnings and liquidity position of the Group.

In product liability, there are a number of cases alleging injuries and/or death resulting from exposure to asbestos. Details are available in the Notes to the Consolidated Financial Statements, section G) 38. Contingent assets and liabilities.

e) Currencies

A substantial number of the ANDRITZ GROUP's subsidiaries are located outside the euro zone. Since the parent company ANDRITZ AG reports in euros, the company converts the financial statements of these companies into euros in the consolidated financial statement. In order to address translation-related foreign exchange risks, it is generally assumed for the purposes of risk management that investments in foreign companies are made in the long term and the results are reinvested continuously. The effects of fluctuations in exchange rate when converting net asset items into euros are included in currency translation adjustments in group equity.

A significant portion of the Group's revenue and costs from orders concluded by Group companies is not settled in the respective functional currency, but in other currencies, above all in US dollars. The currencies in these countries may be subject to considerable fluctuations in exchange rates. Currency risks in connection with orders that are not invoiced in euros are minimized by derivatives, in particular forward contracts and swaps.

Although the Group attempts to hedge the net currency exposure of those orders not invoiced in the respective functional currency of the group company by forward contracts, currency fluctuations can result in the recognition of exchange rate losses in the Group's financial statements. Development of exchange rates may also have translation effects on the Group's revenue and earnings whose values are converted into euros. In addition, shifts in exchange rates may affect ANDRITZ's position relative to its competitors, although many competitors of ANDRITZ are also based in the euro zone.

As some of ANDRITZ's major customers are based outside of the euro zone, changes in exchange rates could lead to delays in project decisions by those customers. Also, the shareholders' equity of the ANDRITZ GROUP is not hedged and thus could be affected by changes in the exchange rate.

A change in the exchange rate of the euro against many other currencies could also have both a positive and a negative impact on the shareholders' equity as well as on the revenue and earnings development of the ANDRITZ GROUP (translation effect).

f) Insurance

While the ANDRITZ GROUP maintains insurance programs to cover typical insurable risks related to its business, there can be no guarantee that this insurance can fully cover potential losses, that the insurers will be liable to pay damages, nor that the amount of the Group's insurance will be adequate. Moreover, the Group is involved in certain industries (for example the space and nuclear industries) for which risks are uninsurable or cannot be insured against in full, or where it is not always possible to comply with all the conditions required to contract insurance. Any material liability not covered by insurance could thus have a substantial, adverse effect on the Group's financial situation.

g) Cyber risks, hacker attacks

The increasing digitalization and networking of plants and machinery require highly effective and efficient solutions to maintain data security. Unauthorized access to or copying of sensitive company data as well as insufficient system availability as a result of hacker attacks are substantial risks to which ANDRITZ is increasingly exposed. This may not only affect ANDRITZ's own systems, but also IIoT solutions installed by ANDRITZ at customers' premises. ANDRITZ counters cyber risks and potential hacker attacks by using the latest IT security technologies (for example firewall systems) and by stricter control of access rights. One focus lies on continuous further development of security measures. In order to further reduce unauthorized accessing of IT systems, penetration tests are conducted in addition and at regular intervals. Cyber attacks should be detected at an early stage with the aid of an optimized IT infrastructure so that they can be repelled successfully. However, unauthorized access to and loss of sensitive and confidential data both at ANDRITZ and at its customers' premises as a result of cyber attacks cannot be ruled out, nor can any resulting enormous financial losses for which ANDRITZ may be held responsible. Special online training is provided in order to avert possible cyber attacks and raise employees' awareness further.

Internal control and risk management system

ANDRITZ has a group-wide internal control and steering system (ICS) whose main task is to identify nascent risks at an early stage and – if possible – to implement countermeasures promptly. This system is an important element of active corporate management. However, there is no guarantee that these monitoring and control systems are effective enough.

The Executive Board is responsible for implementing and monitoring the ICS for the accounting process and financial reporting. For this purpose, binding group-wide regulations and guidelines/policies have been adopted for the major business risks and also for the financial reporting process.

The accounting department, which includes financial accounting, reports directly to the Executive Board. Various organizational measures ensure that the legal requirements are fulfilled. In particular, appropriate regulations ensure that entries in the books and other records are made such as to be complete, correct, timely, and orderly.

The entire process from procurement to payment is subject to standard group-wide guidelines/policies that are intended to minimize any essential risks these processes may entail.

These measures and rules include segregation of functions, signature authorization matrices, and signatory powers for authorizing payments applying on a collective basis only and restricted to a small number of employees (four-eyes principle). Control measures relating to IT security play an important role in this context. For example, segregation of duties is enhanced by the generally restrictive assignment of IT authorization by the financial software used (SAP). The safety standards in this financial software are also guaranteed by automated business process controls installed directly within the system.

Standard group-wide accounting and evaluation principles to record, book and balance business transactions are provided by the ANDRITZ GROUP IFRS Accounting Policy and are binding on all group companies. Automatic controls in the consolidation and reporting system are in use in order to avoid misrepresentation as effectively as possible, as are numerous manual checks. The control measures range from review and discussion of interim results by the management to specific reconciliation of accounts.

By using a standardized, group-wide financial reporting system, together with ad-hoc reporting on major events, the Group endeavors to ensure that the Executive Board is properly and promptly informed on all relevant issues. The Supervisory Board is informed in Supervisory Board meetings held at least once every quarter on the current business development, including operative planning and the medium-term strategy of the Group. In special cases – for example acquisitions, restructuring, and so on – information is provided directly to the Supervisory Board. In addition, the Chairman and Deputy Chairman of the Supervisory Board receive a monthly report, including the key financial figures with comments. Internal control and risk management are among the topics dealt with during audit committee meetings.

Internal Auditing, set up as an executive department reporting to the Executive Board, audits individual processes or group companies according to an audit schedule defined for each year as well as conducting audits in special cases (ad hoc audits). In addition, Internal Auditing monitors compliance with legal provisions and internal directives. It is active in reporting and assessing the audit results as an independent, internal department that is not bound by instructions from outside bodies. Internal Auditing reports to the Executive Board and Audit Committee at regular intervals on the audits conducted and the results thereof as well as on the current implementation status of report findings.

The auditor of the Group's financial statements assesses risk management functionality in the ANDRITZ GROUP and reports on it to the Supervisory and the Executive Boards. Risk management functionality was checked in 2021 by the auditor of the Group's financial statements.

Consolidated Corporate Governance report

The consolidated corporate governance report is available on the ANDRITZ website andritz.com.

Events after the reporting date

In February 2022, the Ukraine-Russia conflict intensified and threatens to escalate further due to military interventions by Russia and the resulting sanctions by the West. The revenue share of Russia and Ukraine of total revenues of the Group is around 3%. The risk of deliveries being postponed, and the corresponding realization of revenue is currently classified as low. The payment risk for larger orders is usually secured by export credit agencies.

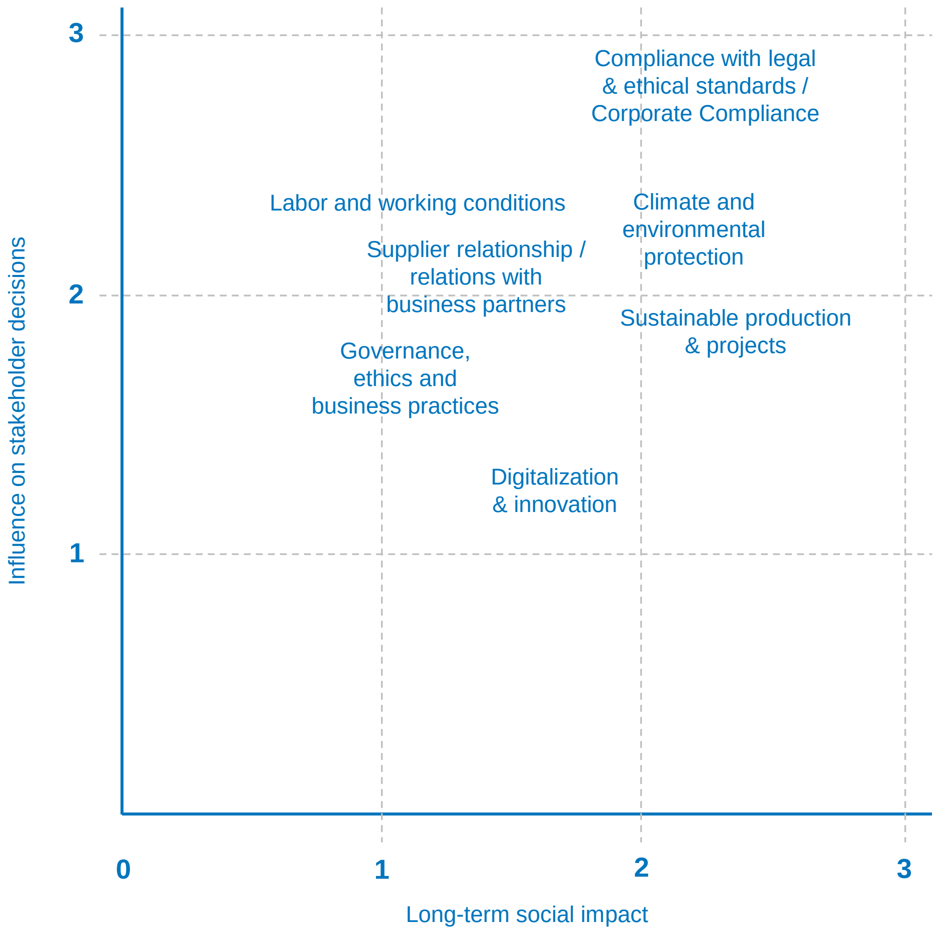
In January 2022, the tax reform was passed in Austria, which, among other things, provides for a gradual reduction in the corporate tax rate from 25% to 24% in 2023 and finally to 23% in 2024. Further information can be found in the notes to the consolidated financial statements, chapter G) 41. Events after the balance sheet date.

CONSOLIDATED NON-FINANCIAL STATEMENT

The following section describes the non-financial performance indicators on social, employee, and environmental matters and in respect of human rights. Information on measures to combat bribery and corruption is provided in the Consolidated Corporate Governance Report on the ANDRITZ website andritz.com.

1. Materiality analysis

The ANDRITZ GROUP publishes information on the topic of sustainability in accordance with the criteria of the Global Reporting Initiative (GRI Standards, Option: Core). A list of all Key Performance Indicators (KPIs) reported, including comments, is provided in the "GRI Index" on the ANDRITZ website andritz.com.



0 = not relevant / no impact
1 = rather relevant / low impact
2 = relevant / medium impact
3 = very relevant / high impact

Stakeholder surveys and interviews with relevant stakeholders have already been conducted several times in order to establish the main reporting topics and relevant fields of activity for the ANDRITZ GROUP. The analysis results from previous years were aligned with the new ESG strategy and the relevant areas of activity adapted accordingly. In addition to the topics included so far, climate and environmental protection were incorporated into the materiality analysis.

Hence, the topics with the greatest influence on the social impact of ANDRITZ's business activities and on the decisions that stakeholders make with respect to their business relations with ANDRITZ are:

- Compliance with legal and ethical standards/corporate compliance
- Responsible working conditions, safety at work and health care
- Fair dealings with suppliers and business partners
- Sustainable production and projects as well as product safety
- Responsible company management, ethics and business practices
- Digitalization and innovation
- Climate and environmental protection

The different weighting of the topics is illustrated in the graphic above. These topics are dealt with in more detail below.

2. ESG strategy

Sustainability has long been an integral part of the ANDRITZ corporate policy and is practiced actively in many areas of the Group. Last year, the groupwide ESG strategy "We Care" was published and accommodates all ANDRITZ sustainability activities under one roof. Three areas – digitalization and innovation, stakeholder management, and corporate compliance – form the basis on which to achieve the Group's ESG goals. ANDRITZ strives to keep up with the latest developments on these topics at all times in order to ensure best practices and highest standards.

This is the basis on which the core topics defined as Environmental, Social and Governance build – those areas in which ANDRITZ can make the largest contribution towards a sustainable future. The main focus in the Environmental sector lies on climate protection, conservation of resources, and sustainable solutions and products. ANDRITZ as an attractive employer as well as occupational health and safety are the main topics in the Social core topic. In the Governance topic, the focus lies on fair and ethical business practices, comprehensive risk management and responsible supplier management.

The following ESG goals have been derived from these three core topics:

Environment: The following goals are to be achieved by the end of 2025 (based on figures for 2019)

- Reduce greenhouse gas emissions (scope 1 and 2) by 50%
- Reduce water consumption by 10%
- Reduce waste volume by 10%
- Increase revenue from sustainable solutions and products to over 50%

Social:

- Reduce annual accident frequency rate (> 1 day's absence) by 30% compared to the preceding year
- Reduce voluntary fluctuation rate to 5% by the end of 2022
- Increase the proportion of female employees

Governance:

- Detect corporate risks at an early stage in order to avoid negative impacts on the company and event-driven profit warnings
- Implement and constantly monitor adherence to the highest corporate compliance standards in all areas and in all activities
- Cover 85% of supply volume (accumulated external purchasing volume from suppliers with an average annual purchasing volume of more than EUR 250,000) with audited suppliers by 2025

The ESG goals are also firmly anchored in the ANDRITZ health, safety and environmental management policy. Accordingly, all companies in the ANDRITZ GROUP are under obligation to help achieve the goals.

a) Measures to achieve the ESG goals

ANDRITZ implemented several measures during the reporting year to achieve the ESG goals. A large step was taken towards reducing greenhouse gas emissions when the ANDRITZ locations in Germany switched to using electricity from renewable energy sources. In addition, there are plans to provide company locations with solar power and photovoltaic systems. The ANDRITZ locations worldwide were compared for this project during the reporting year in order to determine where plants of this kind can be used most efficiently. Another measure relates to extending the ISO 14001, ISO 45001, and ISO 9001 certifications to all locations by 2025.

In order to save energy and reduce greenhouse gas emissions, the transition to LED lighting is being pushed forward in the manufacturing locations and offices, and business travel for internal purposes is being reduced to a minimum. Virtual meetings are held instead of traveling to attend meetings. The option of working from home will also continue in order to reduce commuter traffic and greenhouse gas emissions. The measures to save resources include waste avoidance and waste separation. Materials should be used as efficiently as possible, so the focus also lies on long-lasting alternatives when selecting working clothes, office supplies and other consumer goods.

Another focus lies on increasing employees' awareness of the sustainability topic. Regular communication and special training on this topic have been planned.

b) ESG ratings

ANDRITZ takes part in various ESG ratings every year and is audited by sustainability rating agencies. In addition to climate protection, these assessments look at such topics as companies' social commitment, diversity, occupational health and safety, or sustainable governance. ANDRITZ is interested in an intensive exchange of information with these rating agencies and strives to continuously improve its ratings. ANDRITZ was rated by EcoVadis, FTSE Russell, ISS ESG, MSCI ESG Research, S&P Global and Sustainalytics in the past year.

3. EU Taxonomy

The purpose of EU Regulation 2020/852 of June 18, 2020 (EU Taxonomy) is to define sustainable economic activities, thus it is a significant regulatory step towards improving transparency in the sustainability sector. It is intended to direct investment flows towards a sustainability transformation in line with the European Green Deal.[1]

Pursuant to Article 8 of the Regulation, ANDRITZ is subject for the first time to an obligation to report on the form and extent of the economic activities that qualify as environmentally sustainable according to the EU Taxonomy classification system.

According to Article 10 of the supplementary Delegated Act of July 6, 2021, the EU Commission only requires simplified reporting in the first year of application. Hence, the reporting undertaking must only disclose the proportion of taxonomy-eligible and taxonomy non-eligible economic activities in the overall turnover and in the capital expenditure and operating expenditure of the undertaking for the two environmental objectives climate change mitigation and climate change adaptation. Those economic activities that comply with the activity descriptions defined in Annexes I and II to the Delegated Act of June 4, 2021, are taxonomy-eligible. The quantitative presentation of the financial key performance indicators is thus limited to disclosure of these proportions in the 2021 reporting year. Compulsory application of the technical assessment criteria that indicate whether a branch of industry is taxonomy-aligned is not needed until reporting on the 2022 business year.

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[1] In their consolidated non-financial statement, non-financial undertakings must disclose the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable as well as the proportion of their capital expenditure and the proportion of their operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable, according to Article 8 of the Regulation.

The economic activities applicable to the ANDRITZ GROUP are shown below together with the financial key performance indicators (turnover, capital expenditure and operating expenditure) and the corresponding qualitative information to be reported pursuant to Article 8 of the EU Taxonomy

Opportunities and challenges of the EU Taxonomy

When this section was first published, much of the content and rules of the EU Taxonomy were still in the development phase. All information from ANDRITZ is based on the status of the definitions and interpretation of the EU Taxonomy at the time this report is published.

Before providing more details on the individual taxonomy-eligible economic activities, ANDRITZ wishes to point out that the EU Taxonomy cannot be equated with the definition of sustainable products from ANDRITZ that was published before the EU Taxonomy, not least because only two out of a total of six environmental objectives are considered in the Taxonomy. The definition of “green and sustainable products and solutions” from ANDRITZ comprises plants, technologies and systems that help customers to achieve their sustainability objectives in terms of environmental protection, reduction of emissions, and also consumption of energy and raw materials. For example, this covers products for decarbonization or achieving carbon neutrality, minimizing the use of valuable resources and also recycling them. The product portfolio also comprises sustainable solutions that contribute towards a circular economy or to recycling of resources from side streams. In contrast, the EU Taxonomy concentrates in its definitions of the first two climate objectives primarily on industrial players that are energy-intensive and emit large quantities of CO_2, without taking the respective supply chains into full consideration. For these branches of industry, the EU Taxonomy contains very precise descriptions and technical screening criteria in order to determine the conditions under which an economic activity can be classified as taxonomy-eligible or taxonomy-aligned.

As a supplier of technologies and systems that enable and push forward the green transformation, ANDRITZ believes it has not been taken into consideration sufficiently in the first two climate objectives of the EU Taxonomy. The ANDRITZ product portfolio contains a large number of technologies that make a direct contribution towards climate neutrality in many industries. Furthermore, the EU Taxonomy currently only comprises two environmental objectives: climate change mitigation and climate change adaptation. Four more objectives will follow under which some ANDRITZ products will probably fall.[2]

When the other four environmental objectives planned are included together with the related other taxonomy-relevant economic activities, such as “Manufacture of machinery, equipment and solutions enabling a substantial contribution to the circular economy” and “Manufacture of machinery enabling closed-loop systems, and high-quality waste collection and management,” ANDRITZ assumes that the proportion of taxonomy-relevant revenue and of capital expenditure and operating expenditure will increase.

However, the commission has not yet defined the exact technical screening criteria for economic activities that make a substantial contribution towards the other four environmental objectives.

[2] The remaining four objectives, which are to be completed in the course of 2022, are (1) sustainable use and protection of water and marine resources, (2) the transition to a circular economy, (3) pollution prevention and control, and (4) protection and restoration of biodiversity and ecosystems.

a) Identification of taxonomy-eligible product groups (disclosure pursuant to Annex I – 1.2.2.1)

In identifying the taxonomy-eligible product groups for the two environmental objectives climate change mitigation and climate change adaptation, ANDRITZ has adhered very closely to the European Commission's wording in the description of sustainable economic activities – also, in particular, to the definition of economic activity 3.6, Manufacture of other low carbon technologies, which says that only those low carbon technologies that lead to a substantial reduction in greenhouse gas emissions in downstream industries may be classified as taxonomy-eligible.

Ultimately, the following ANDRITZ GROUP product groups were classified as taxonomy-eligible, based on the Delegated Acts published on the technical screening criteria and the definitions of these two environmental objectives by the EU Commission:

Economic activity 3.1. Manufacture of renewable energy technologies:

- **Electromechanical equipment for hydropower stations** (Hydro business area)

- **Biomass and black liquor boilers, evaporators, technologies for gasification and combustion of bark, wood dust and wood waste** (Pulp & Paper business area)

Economic activity 3.6. Manufacture of other low carbon technologies:

- **Presses and press lines for the production of electric vehicle components**: car body and structural elements, metal housings for batteries, electrical steel for motors (Metals business area)

- **Plants and systems for lightweight vehicle construction**: laser welding systems to produce tailor welded blanks, continuous galvanizing lines and cold-rolling mills for the production of high-strength steel grades (AHSS/UHSS), processing and heat-treatment lines for the production of aluminum sheet for lightweight bodywork (Metals business area)

- **Plants for CO_2 capture** for downstream transport and storage/further processing of CO_2 according to economic activities 5.11. Transport of CO_2 and 5.12. Underground permanent geological storage of CO_2 (Pulp & Paper business area)

- **Plants for the production of biomethanol** (Pulp & Paper business area)

The proportion of taxonomy-eligible revenue from these product groups described above for the two environmental objectives climate change mitigation and climate change adaptation amounts to 25.4% for the 2021 business year and of taxonomy non-eligible revenue to 74.6%.

According to the definitions and criteria applying today for the remaining four environmental objectives, which the EU Commission intends to finalize in the course of the current year, the majority of the products from Pulp & Paper Capital and also other product groups from the Metals and Separation business areas will be able to be classified as taxonomy-eligible. ANDRITZ thus expects that a total proportion of 50 to 60% of its revenue will be taxonomy-eligible based on the present definitions for all six environmental objectives.

Hydro

ANDRITZ Hydro is one of the globally leading suppliers of electromechanical equipment and services for hydropower plants. With over 180 years of experience and an installed fleet of more than 470 GW output, the business area provides complete solutions for hydropower plants of all sizes as well as services for plant diagnosis, refurbishment, modernization, and upgrade of existing hydropower plants.

The business area offers a complete product portfolio with turbines, generators and additional equipment of all types and sizes – “from water to wire” – for large and also small hydro applications, pumped storage power stations and tidal energy turbines for marine energy projects. As hydropower and pumped storage power stations are also designed for hydraulic and environmental conditions specific to the location, the associated electromechanical equipment is also planned and designed accordingly. Virtually every turbine, every generator and the general plant layout are normally prototypes. ANDRITZ supplies products and systems that form an integral part of a hydropower plant. Thus, the scope of supply stated in the contract generally comprises planning, engineering, delivery, installation, start-up, and commissioning of the equipment.

The service sector offers plant diagnosis, rehab, modernization, and upgrades to existing hydropower plants. The range extends from complex upgrades to small spare part deliveries. All ANDRITZ solutions meet the specific customer requirements, are environmentally friendly and support operations management. The scope of supply normally consists of repairs, reconditioning or complete replacement of components and plant parts.

The product portfolio in the service sector also contains general services such as technical support, training, spare parts management, and service contracts to comply with all technical, economic, and legal requirements. Special services can be offered for life cycle and risk analysis and for operation and maintenance. At the moment, this product offering cannot be assigned to any of the economic activities in the EU Taxonomy due to the definition of the two climate objectives – climate change mitigation and climate change adaptation – although the service sector is needed to operate hydropower stations economically.

Pulp & Paper

The ANDRITZ Pulp & Paper business area provides equipment, systems, complete plants and services for the production of all types of pulp, paper, board and tissue. The technologies and services focus on maximum utilization of raw materials, increased production efficiency and sustainability as well as lower overall operating costs. Boilers for power generation, flue gas cleaning systems, plants for the production of nonwovens and panelboard (MDF), as well as recycling and shredding solutions for various waste materials also form a part of this business area. The latest Industrial Internet of Things (IIoT) technologies as part of the Metris digitalization solutions complete the comprehensive product offering.

The Pulp & Paper business area contains a large number of products and technologies that can contribute towards the environmental objectives of the EU’s Green Deal. However, they do not all correspond to the economic activities defined and descriptions of the two environmental objectives climate change mitigation and climate change adaptation. When the criteria and definitions of the other four environmental objects are published and new clarifications are provided concerning the two environmental objectives already published, the proportion of taxonomy-eligible products is expected to increase.

The following section explains which products from the Pulp & Paper business area can be classified as economic activities within the meaning of the two environmental objectives climate change mitigation and climate change adaptation:

- **Modern biomass boilers** are subdivided into bubbling fluidized bed (BFB) and circulating fluidized bed (CFB) technologies. Both generate steam and electricity from biomass and biogenic residual materials.

- **Black liquor boilers** are used in pulp production to generate energy by burning the inorganic components in the black liquor (mainly lignin). The inorganic components in the black liquor are fully re-utilized by means of a closed-loop system for the production of the chemicals needed to pulp the wood.

- **Evaporators** are a preliminary stage that precede the black liquor boilers. Their primary goal is to produce a stable flow of black liquor containing a high proportion of solids for efficient combustion in the black liquor boiler. In a multi-stage process, the solids content in the black liquor is increased from around 15% to approximately 80% by the evaporators.

  Black liquor is burned in order to generate electricity and process heat in the form of steam. Modern black liquor boilers generate around twice as much electricity as the entire pulp mill consumes. The surplus “green” electricity is fed to the national grid.

  The black liquor is classified by reputable organizations like the IEA (International Energy Agency), the IPCC (Intergovernmental Panel on Climate Change), the FAO of the United Nations, and the EU – according to the EU Renewable Energy Directive (RED II) – as a renewable, CO_2-neutral and biomass-based fuel that contributes towards reducing greenhouse gas emissions.

- **Plants for CO_2 capture** from flue gas can be used in all industries to lower CO_2 emissions.

- **Gasification plants** use the wood waste (bark, wood dust, etc.) from pulp production to produce gas with this biomass in order to replace 100% of the fossil fuels used to fire the lime kiln. Hence, this technology makes a contribution towards substantially reducing greenhouse gas emissions.

- **Plants for the production of biomethanol.** ANDRITZ has developed a new process that produces high-purity biomethanol from the non-volatile gases arising during pulp production. This biomethanol can either be re-used in the mill or put to commercial use, for example as biofuel in the transport sector (biodiesel for shipping). This achieves substantial savings in greenhouse gas emissions.

Metals

The Metals business area is – via the Schuler Group – one of the technological and global market leaders in metal forming. The company offers presses, automation solutions, dies, process know-how and service for the entire metal-working industry and for lightweight vehicle construction. In the e-mobility sector, Schuler supplies plants for economical serial production of components for e-vehicles – car body and structural elements, metal housings for batteries, or electrical steel for motors. In addition, in the lightweight vehicle construction sector ANDRITZ offers laser welding systems to produce tailor welded blanks, continuous galvanizing lines and cold-rolling mills for the production of high-strength steel grades (AHSS/UHSS) as well as processing and heat-treatment lines for the production of aluminum sheet for lightweight bodywork. The products from ANDRITZ and Schuler make a substantial contribution towards reducing greenhouse gas emissions in downstream industries.

b) Key performance indicators (KPIs) (disclosure pursuant to Annex I – 1.2.2.1)

The descriptions provided in the Delegated Act (EU) 2021/2178, Annex I/KPIs of non-financial undertakings, are used to define the KPIs.

Turnover

Turnover consists of the revenue reported pursuant to IAS 1.82(a). Based on the product groups described above in the Hydro, Pulp & Paper and Metals business areas, the proportion of taxonomy-eligible turnover for the 2021 business year amounts to 25.4% and of taxonomy non-eligible turnover to 74.6%. Descriptions of the turnover are available in the Annual Financial Report 2021.

	Share in %
Taxonomy-eligible turnover	25.4%
Taxonomy non-eligible turnover	74.6%
	100.0%

Capital expenditure (CapEx)

Capital expenditure as defined in the EU Taxonomy comprises additions to intangible assets other than goodwill and also property, plant and equipment, including rights of use from lease arrangements. The total capital expenditure is reported in chapter C) 8. Segment information, of the Notes to the Consolidated Financial Statement. Details can be found in the Annual Financial Report 2021 in chapter D) Non-current assets and liabilities, under sub-section 18. Property, plant and equipment, sub-section 19. Rights of use from lease arrangements and lease obligations, and sub-section 21. Intangible assets other than goodwill.

All investments in the taxonomy-eligible product groups described above have been considered in the taxonomy-eligible capital expenditure. Furthermore, the following individual, sustainable capital expenditures that enable ANDRITZ to reduce its own greenhouse gas emissions and lower its consumption of water and energy were included in accordance with the EU Taxonomy[3]: Water treatment and waste management (5.2. Renewal of water collection, treatment and supply systems), electrically driven vehicles (6.5. Transport by motorbikes, passenger cars and light commercial vehicles), charging stations for electric vehicles (7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)), and sustainable renovation and maintenance of buildings (7.2. Renovation of existing buildings).

This results in a proportion of taxonomy-eligible capital expenditure of 24.8% for 2021. Thus, the proportion of taxonomy non-eligible capital expenditure amounts to 75.2%.

	Share in %
Taxonomy-eligible capital expenditure	24.8%
Taxonomy non-eligible capital expenditure	75.2%
	100.0%

[3] The EU Taxonomy Regulation originally cites “purchase of taxonomy-aligned output.” ANDRITZ assumes that the fact of being “taxonomy-aligned” results from the nature of the technology used and hence does not require any further substantiation. So far, the EU Commission has not provided any further means of interpreting this requirement.

Operating expenditure (OpEx)

All operating expenditure in the taxonomy-eligible product groups described above has been considered in the taxonomy-eligible operating expenditure. In addition to research and development costs to reduce GHG emissions, operating expenditure as defined in the EU Taxonomy refers to maintenance and repair costs, building renovation expenditure and other directly assignable costs relevant to ongoing maintenance work and maintaining the functionality of the tangible fixed assets. With respect to the business model of the ANDRITZ GROUP, operating expenditure essentially in the form of research and development and also maintenance falls into this category. The total amount of non-capitalized research and development expenses included in the income statement is reported in chapter D) 21. Intangible assets other than goodwill. Descriptions of the research and development activities conducted by ANDRITZ can also be found in the same chapter.

The ANDRITZ GROUP IFRS accounting policy defines that expenses from the research phase are not suitable for capitalization but are recorded directly as expenditure. Expenses in the development phase may only be capitalized if strict criteria are met.

The taxonomy-eligible operating expenditure comprises assets or processes related to taxonomy-eligible economic activities. This results in a proportion of 25.3% of taxonomy-eligible operating expenditure for the 2021 business year. Thus, the proportion of taxonomy non-eligible operating expenditure amounts to 74.7%.

	Share in %
Taxonomy-eligible operating expenditure	25.3%
Taxonomy non-eligible operating expenditure	74.7%
	100.0%

4. Non-financial risks

Risk management is an integral part of all business processes and extends over all strategic and operative levels of the ANDRITZ GROUP. The non-financial risks described below (pursuant to § 267a (3) line 5 UGB – the Austrian Commercial Code) deal with possible risks relating to environmental, employee and social affairs, the fight against bribery and corruption, and respect for human rights.

Non-financial risks for the company as well as for the company’s environment can arise from the company’s own business activities or from business relationships. The focus on non-financial risks was increased in the past not only as a result of rising demands by the stakeholders, but also increasingly due to statutory regulations. In addition to financial losses, the possible consequences of non-financial risks also include loss of reputation or being less attractive as an employer.

a) Human resources

The ANDRITZ GROUP seeks to tie its employees to the company in the long term by being an attractive employer. Thus, the company considers it important to provide a safe and healthy working environment for all employees, applying the principle of equal treatment without any form of discrimination, harassment or retaliation. ANDRITZ respects the values and cultures of other nations and appreciates the differences in their way of thinking and backgrounds.

However, it is impossible to exclude the possibility of some employees feeling that they have not been treated equally or have been treated unfairly. There are different means of lodging a complaint in such cases, for example to the respective local HR organization, the Works Council, or using the online group-wide whistleblower system “Speak UP!“.

The motivation and enthusiasm of employees may diminish if they feel that their working conditions are not satisfactory, and this could have a negative impact on productivity. Resulting increases in sick leave or workforce fluctuation could incur additional costs for ANDRITZ. Hence, professional promotion and qualification of employees are an important concern at ANDRITZ but can only be achieved when each individual employee is willing to take on these challenges personally. Consequently, a lack of willingness to undertake further training can result in employees not being adequately qualified. ANDRITZ could become less attractive as an employer if there are also insufficient opportunities for further professional and personal training for employees, and this may deter potential people from applying for jobs. As a result, the company tries increasingly to address the topic of changes in the professional world and the new demands by employees. This includes creating a good work-life balance, for example, to which ANDRITZ contributes by providing more flexible working hours.

b) Supply chain management

Adherence to internationally applicable environmental and social standards is very important to ANDRITZ, especially when working with suppliers from emerging economies. Possible breaches (e.g. child labor, disregarding safety regulations, underpayment, incorrect disposal of hazardous substances, etc.) not only harm ANDRITZ's own image, but also jeopardize its existing or future business relationships with customers. Payment of fines or penalties may also be a possible consequence of such breach. This could have a negative impact on the Group's business development.

Thus, ANDRITZ endeavors to forge ahead with the implementation of internationally recognized environmental and social standards (such as ISO 14001, the recommendations of the ILO, of the OECD for multinationals, the UN Global Compact Initiative or the Global Reporting Initiative) and also to check whether these standards are obeyed. An important step was taken in developing a specific policy for suppliers (ANDRITZ Supplier Code of Conduct and Ethics) on the basis of the general Code of Conduct. In China and India, two auditors monitor local suppliers' adherence to these standards and take corrective action in the event of any deviations from the code. Serious infringements can lead ultimately to termination of the business relationship with a supplier.

c) Environmental protection inside and outside the company

The systems and plants supplied by ANDRITZ comply with the highest environmental and safety standards and fulfill the respective legal requirements of the countries in which they are installed. Nevertheless, incorrect operation, maintenance errors or other unforeseen and uncontrollable occurrences can lead to serious injury or death or to significant property damage, and ANDRITZ could possibly be held liable for this.

The ANDRITZ GROUP uses or generates hazardous substances at its manufacturing facilities in some cases. Professionally qualified waste managers draw up and supervise waste management plans and ensure that these substances are handled correctly. The waste managers are also responsible for fulfillment of the general obligations relating to collection, transport, storage and treatment of waste. The hazardous waste generated during operations is stored in lockable rooms until it is collected by the disposal company. Appropriate records are kept on quantities of hazardous and non-hazardous waste as well as waste oil. Nevertheless, there can be no guarantee that hazardous waste is disposed of according to the regulations and that environmental remediation is possible as a result. Sometimes hazardous chemicals and materials are also used during installation and other work on job sites. In the event of an accident, for example spillage of hazardous materials, a fire, or an explosion, ANDRITZ could be held liable for property damage, personal injury, or environmental damage.

d) Risks due to climate change

Risks to the ANDRITZ GROUP due to climate change include physical risks on the one hand as well as transition risks. Physical risks result from the effects of climate change. In particular, this includes extreme weather phenomena, such as storms, flooding, forest fires and heat waves, which can damage company locations or job sites. In addition, the value chain may be disrupted if there is a negative impact on suppliers' infrastructure. This could lead, in turn, to a loss of manufacturing capacities and possibly also entail other consequential damages. Extreme weather phenomena could also result in damage to the transport infrastructure and thus have a severe impact on the logistics sector, which is handled by external service providers for ANDRITZ. Delays and shortfalls in freight transport could have a substantial negative effect on the production process and on progress of projects. As a result, the freight transport process must be adapted if necessary to the new general conditions caused by climate change. Furthermore, we expect that certain measures to adjust to changing climatic conditions will be necessary in the medium term.

Climate changes in the longer term and their consequences, such as temperature changes, rising sea levels, water shortages or a loss of biological diversity, can also have a negative impact on ANDRITZ. Hence, there is a need to implement long-term corrective measures. The climate changes in evidence worldwide in the past few years have resulted in significant price increases or extreme price volatility for individual raw materials in some cases. Other changes in climate could lead to rising input prices for production, energy, transport, and insurance. Efforts are also underway at individual ANDRITZ locations to enhance energy efficiency and increase the proportion of renewable energy sources. Furthermore, the environmental goals adopted as part of the sustainability strategy are focused on these efforts. The proportion of energy costs in the ANDRITZ GROUP's total costs is still relatively small. However, climate change could increase energy consumption by the ANDRITZ GROUP in the longer term due to a need for more heating or air conditioning.

Transition risks occur due to the move to a climate-resilient economy with low CO_2 emissions. Higher taxation on fossil fuels or CO_2 emissions could result in additional costs. Hence, several ANDRITZ locations have introduced an environmental management system or already have ISO 14001 certification. On the product side, climate change causes a risk of certain products possibly no longer being sold successfully or even becoming unsaleable.

ANDRITZ addresses these risks with a broad product portfolio in the "green technologies" sector. Today, the company generates around 45% of its total revenue from plants, technologies, and processes with which energy is generated from renewable resources and which contribute towards protecting the environment and conserving resources. This percentage is to be increased in the future. A regulatory risk can also arise relating to government measures implemented due to climate change.This can happen in many different ways, and it is often difficult for companies to take long-term investment and operational decisions because climate policy at national, EU, and international level changes frequently.

e) Work and travel safety

The safety of ANDRITZ employees has highest priority at all times, particularly as work in manufacturing shops and on job sites involves a number of safety risks. Under certain circumstances, the Group can also be held liable in the event of industrial accidents suffered by ANDRITZ employees or persons working on behalf of the company or if third parties are hurt in accidents. Even if there are strict regulations in the internal rules and standards, it is impossible to prevent all accidents.

That is why accident prevention has top priority. A lack of planning and coordination of safety measures, no clearly defined responsibilities, non-compliance with site regulations, inadequate identification and analysis of risks, missing work permits, and a lack of preparatory meetings are among the most frequent causes of accidents. It is the task of the respective managers to instruct their staff accordingly. The staff, on the other hand, must observe mandatory measures in their day-to-day work, including reporting of risks in the workplace, taking note of safety-critical incidents and attending training on a regular basis.

The cause of an accident is often a combination of different factors and human influences. Incidents that could easily have led to an accident – so-called safety-critical incidents – should also be taken as a warning sign. It is important to determine and eliminate their cause swiftly. Risk analyses are compiled for all work areas. Here, not only static processes must be considered, but also dynamic ones (manipulation and moving of parts, e.g. on job sites).

Where travel safety is concerned, a global Travel Risk Management Policy defines the key points of the travel safety program. The primary objective of this program is to ensure that assignments abroad can be performed as smoothly as possible and that employees return home safely. For this reason, Group Corporate Security constantly monitors and analyzes the situation in high-risk countries and provides support to travelers and project managers in the form of prevention and contingency plans. This contributes in turn towards smooth project execution and customer satisfaction.

In addition, travelers and project managers have several tools and services at their disposal. A country portal that can also be accessed via a smartphone app offers country-specific information, risk analyses, and practical tips on the topics of travel health care and safety as well as updates on current developments. For example, these include information on political unrest or health risks such as Covid-19. Travelers are also informed here at short notice of any sudden or imminent events (demonstrations, strikes, difficult weather conditions, airport closures, outbreaks of disease, etc.) that may have an impact on travel or project execution. Project managers, site staff and travelers should be able to make the best possible travel preparations with the information provided and be ready for a changed situation on site. At the moment, a multilingual page on the Covid-19 pandemic is also available on the group-wide intranet. This web site can be used to find the latest information on the spread of the virus, incidence rates, preventive measures, tests, vaccines, travel restrictions, and so on. The ANDRITZ Medical Travel Helpline and Security Travel Helpline are available to employees around the clock to answer any questions before departure and during the journey.

In addition, experts on travel medicine, safety and situation analysis can answer general queries on the topic of travel safety as well as specific questions relating to the destination. The helplines also liaise with local service providers at the traveler's destination or organize classic emergency support and even evacuation in extreme cases.

f) Compliance

Premeditated or negligent breach of laws and internal rules and regulations by members of staff or executives bears substantial risks for ANDRITZ. As a result, the individual departments monitor compliance with the law and also internal policies in certain areas. In addition, a group-wide Compliance Management System (CMS) was implemented many years ago by Group Corporate Compliance for certain risk areas identified, focusing in particular on measures relating to prevention of insider trading, on compliance measures in the areas of anti-trust law, anti-bribery, data protection, export controls and equal opportunities/non-discrimination, and also on supplier compliance. The CMS has been certified according to ISO 19600, and ISO 37001 certification is also available for anti-corruption management.

An important basis of the CMS is the systematic detection of compliance risks. In the past few years, ANDRITZ has conducted a comprehensive risk analysis in order to implement measures to minimize risks in the future. In addition, regular training is conducted on the basis of the Code of Conduct and Ethics and other policies that apply throughout the Group.

Compliance violations can result in fines, loss of profit, and loss of revenue that is secured by unfair means or dubious business partners, also in claims for damages from contract partners or third parties, additional tax payments, exclusion from public tenders, loss of image, fewer business opportunities, government sanctions, and jeopardizing of company assets. The consequences for employees may be disciplinary measures or even dismissal and possibly also criminal prosecution. Detailed information on all measures and activities in the compliance sector are available in the consolidated Corporate Governance Report on the ANDRITZ website andritz.com.

g) Innovation

The business success of ANDRITZ depends to a large extent on the company's technical know-how and the resulting development of new products and technologies. ANDRITZ Innovation Management (AIM) promotes innovations and provides an opportunity for all employees to suggest ideas for new products. In addition, there are internal start-up contests from which several projects have already reached the implementation stage. The large number of ideas and projects submitted reflects the wealth of know-how, innovative power and commitment of the employees. However, innovation projects are often time-consuming and cost-intensive. Some projects fail to establish themselves on the market and have to be discontinued even though substantial financial and human resources have been invested in their development. The competitive pressure to produce new products and technologies all the time also bears the risk of quality deficiencies or of products being developed that do not succeed on the market.

h) Data protection

ANDRITZ endeavors to protect intellectual property and technical knowledge as best possible, for example by means of patents. However, a large part of the company's know-how cannot be safeguarded by means of intellectual property rights. In this case, there is a risk of third parties exploiting this situation and copying ANDRITZ products or technologies, thus jeopardizing ANDRITZ's ability to compete.

On the other hand, data protection also involves protecting the data of third parties. Appropriate protection of the personal data of customers, suppliers, employees, and other ANDRITZ stakeholders minimizes the risk of data protection breaches that can not only damage the company's reputation but also result in expensive penalties. In order to comply with the statutory requirements and also define specific instructions and precise internal regulations, a group-wide guideline on the subject of data protection was published dealing in particular with the collection, processing, storage, and maintenance of personal data. Data protection coordinators were nominated and trained on the basis of the European General Data Protection Regulation. A data protection process was also introduced in Brazil and China during the reporting year on the basis of the current legislation.

In addition, the data base set up to document and handle the processes containing personal data underwent a quality check. Nevertheless, the risk of infringing this law cannot be excluded. Penalties can be up to four percent of the Group's revenue, which again creates a substantial risk for ANDRITZ.

As a result of the increasing number of incidents in the business world, ANDRITZ is also looking very closely at the possibility of attacks on its computer systems. System users are manipulated by criminals using tricks like phishing mails in order to access internal and sensitive data and information or trigger unwarranted payments. In this context, a group-wide safe payments policy has been implemented. Furthermore, the instructions for secure payment transactions have been tightened and employees are constantly alerted to this topic by means of reminders and more information being provided in the intranet and employee magazine.

5. Responsible human resources management

The Group Human Resources Management (GHR) function is responsible for developing and implementing the global human resources strategy. GHR's aim is to provide the best possible support on human resources issues to all areas of the ANDRITZ GROUP and hence contribute towards achieving the primary corporate goals. The main areas of focus include succession planning, talent management, change management, employer branding, talent acquisition, organization and service management, education and vocational training, global mobility and remunerations strategy, and digitalization.

The Global HR team is composed of employees from very different cultures, with diverse work experience and perspectives, thus utilizing all the benefits of ANDRITZ's international orientation. The core team of the group function consists of HR competence centers in Graz, Vienna, Helsinki, and Atlanta. The team members at the competence centers develop strategies as well as processes, systems, and tools to implement these strategies in their respective special fields together with HR specialists. In this way, they can provide services for the entire organization, especially for the local HR organizations.

In addition, there are global HR Business Partners working at different locations worldwide. They advise and provide support to the respective business areas in strategic and tactical HR matters. Their job is to manage relevant HR activities in the respective business area, to communicate important essential information on human resources topics and to exchange important information with the local HR managers.

a) Human resources management in times of crisis

In the past year, the main focus of the global and local HR departments was directed once again towards managing the Covid-19 pandemic, especially towards guaranteeing employees' safety while at the same time maintaining operations as best as possible. In 2021, ANDRITZ was one of the first companies in Austria to introduce internal test centers and vaccination campaigns, which were very well received by the staff.

b) #1ANDRITZway – core behavior principles

The #1ANDRITZway initiative is a further development of the identity-building ONE ANDRITZ campaign that has been running within the group for some years. #1ANDRITZway defines four basic behavior principles applying to collaboration within the ANDRITZ GROUP: customer orientation, sense of responsibility, joint commitment, and openness. The initiative sets standards of conduct for all employees, regardless of the department, function or region to which they belong. The behavior principles are integrated into all employee processes, such as recruiting or annual appraisals, and provide orientation for managers and staff alike.

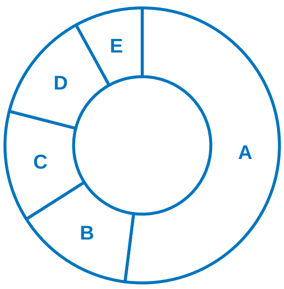
Other major topics are digitalization of global core processes and creating a master data management system (#APeople) for uniform mapping and documenting of all HR data groupwide. This employee master data is needed in many IT systems and is necessary in various process, also as a basis for management decisions. In addition to master data management, #APeople contains various modules for the main processes in HR management. In the past year, the modules for recruitment (#ARecruiting), onboarding (#AOnboarding) and performance management, including target agreements (#APerformance), were launched. The modules for succession planning, education and vocational training, and remunerations and benefits are to be introduced in 2022.

Recruiting has been established group-wide as a standardized process that takes account of certain basic principles, such as prioritizing internal applications, and follows a pre-defined procedure. The HR teams can identify potential internal candidates more easily and also access the ANDRITZ talent pools as needed. The subsequent onboarding process, which has also been standardized, is considered an opportunity to welcome new employees to the company and to convey the company's goals and strategies as well as the ANDRITZ values and core behavior principles to them.

c) Diversity

At the end of December 2021, ANDRITZ had employees from more than 32 countries. 23 languages are spoken in the company. ANDRITZ uses this diversity and is committed to a multi-cultural working environment with international career perspectives. The exchange of knowledge and experience between employees of different origins, religions, and cultures as well as different ages creates positive effects for the Group.

Employees by region
as of 31.12.2021 (31.12.2020) in %



A	Europe	52	(54)
B	North America	14	(13)
C	South America	13	(13)
D	China	13	(12)
E	Asia (without China), Africa, Australia	8	(8)

The proportion of female employees in 2021 was 16.6% (2020: 16.4%). One of the Group's ESG goals is to continuously increase the proportion of female employees. Measures to achieve this goal include the fully equal consideration of women in succession planning for managers and taking greater account of women in recruiting.

Employees by gender

	Absolute 2021	Absolute 2020	Percentage 2021	Percentage 2020
Men	22,353	22,755	83.4%	83.6%
Women	4,451	4,477	16.6%	16.4%
TOTAL	**26,804**	**27,232**	**100.0%**	**100.0%**

d) Education and vocational training

All ANDRITZ employees are offered a sound education and training as well as international career opportunities. The development programs with training and learning opportunities for various target groups are intended to encourage all employees to acquire new or enhanced skills, knowledge, and perspectives.

The most important tool to enhance personal development and good collaboration at the company locations is the performance review that is usually conducted once a year. This meeting is used to discuss work content and goals, and future development is one of the central themes. Feedback is provided on the current job status as well as perspectives for the future. At the same time, the employees' questions and concerns can be discussed. Performance reviews were conducted with 71.8% (2020: 73.7%) of the staff during the reporting year.

The slight decrease in performance reviews can be attributed to the introduction of #APerformance, a module of the new HR personnel management system #APeople, for which many managers were trained last year. With the full implementation of this system, a significant increase in performance reviews can be expected in the coming years.

In this context, talent management and succession planning also play an important role at ANDRITZ. Talent management is a continuous process that enables managers to gain a better overview of the potential and skills of internal succession candidates and of their willingness to take on responsibility. The company has used different programs to develop future managers within the company for many years now – for example, the ANDRITZ Global Talent Program or the ANDRITZ Global Leadership Program. Following the restrictions needed due to the pandemic in the past two years, there is now more training planned in this sector in 2022.

The goal of succession planning is to ensure smooth succession for all key positions and sufficient management capacities for new business opportunities. 300 key positions were defined worldwide for this purpose, and potential successors were named. This process is continuing on an ongoing basis. In 2021, the main focus lay on increasing the number of female employees, and this goal was achieved successfully.

e) Training of apprentices and collaboration with universities

Training of young, skilled workers has a long tradition at ANDRITZ – for example, apprentices have been trained at the Graz location ever since 1922. The young people receive both theoretical and also practical training, and they are also better prepared for their future careers by attending English courses, safety, and quality training as well as team-building training. As of the end of 2021, 638 apprentices were being trained at ANDRITZ locations worldwide (2020: 739 apprentices).

In addition, ANDRITZ has the opportunity to address highly qualified young talents through collaboration with universities and other educational institutions. Efforts are made to attract and secure them for the company in the long term. Students also receive support for their final theses and are employed in various ways during their courses of study.

f) Employer branding – ANDRITZ as an attractive employer

The goals of employer branding activities are convincing communication of the added value of ANDRITZ as an employer, building up an appealing employer brand, and thus making the company as attractive as possible in the recruiting market.

These activities center around ANDRITZ employer value positioning ("ANDRITZ – where passion meets career"), which replies to the question of what the company stands for as an employer and what the central claim is towards potential and existing employees. It sets the agenda for all employer branding measures. These are various internal and external measures (including the careers page on the company web site or LinkedIn).

There is also a strong focus on incorporating employees into the company in the so-called onboarding process. Shortly after starting work for the company, new employees are asked via the internal net promoter score whether they would recommend ANDRITZ to others as an employer. This score has risen constantly in the past few years due to a large number of measures implemented.

In 2021, 3,448 new employees were recruited, 12% of which were over 50, 58% between 30 and 50, and 30% under 30 years old. Age distribution in the company has been very well balanced for many years. More than half of the employees (58%) are between 30 and 50 years old (2020: 58%). The proportion of under-thirties is 11% (2020: 12%). 31% of the employees are over 50 years of age (2020: 30%).

ANDRITZ believes it is important to tie its employees to the company in the long term. This is also reflected in the figures. The average period of employment within the Group is 11.7 years. The staff fluctuation rate amounted to 13.3% or 3,570 employees in 2021 (2020: 15.8% or 4,306 employees). Of these, 6.5% or 1,741 employees (2020: 6.9% or 1,872 employees) voluntarily left the company in the past year and 4.7% or 1,251 employees (2020: 5.5% or 1,506 employees) were terminated.

Fluctuation by gender and age group

	Contracts terminated 2021	Contracts terminated 2020	Fluctuation rate 2021*	Fluctuation rate 2020*
Men	3,013	3,678	13.5%	16.0%
Women	557	628	12.7%	14.0%
< 30 years old	680	769	22.6%	23.0%
30-50 years	1,749	2,184	11.2%	14.0%
> 50 years old	1,141	1,353	14.1%	17.0%
TOTAL	**3,570**	**4,306**	**13.3%**	**15.8%**

* Calculation of fluctuation rate: contracts terminated in relation to the average number of employees. Contracts terminated include dismissals by the employer and resignation of employees.

g) Equal treatment and fairness towards all employees

ANDRITZ's goal is to provide its workforce with a working environment offering equal opportunities, attractive means of further personal development, and fair pay for all, regardless of the location. These basic rights apply to all employees throughout the Group. They include the legal right of employees to co-determination and compliance with the principles and standards of the International Labour Organization (ILO) concerning the freedom of association, the abolition of forced labor, child labor and discrimination, as well as a fair and performance-based wage or salary.

Regular and also event-driven meetings are held by the ANDRITZ AG Executive Board and the members of the Works Council to ensure and support an open and transparent exchange of information between both bodies. The company supports the formation of internal committees representing employees' interests. Freedom of assembly applies at all locations in accordance with the respective local legislation.

ANDRITZ does not condone or tolerate any form of employee harassment or discrimination of employees due to gender, age, origin, religion, nationality, and so on. The working environment should be free of intimidating and offensive behavior for every employee. This is clearly documented in the group-wide Code of Business Conduct and Ethics and in the HR policy applying throughout the Group. Possible ways of lodging a complaint have also been defined. The notification periods for communication of significant changes in operations (closure of company locations, layoffs, etc.) are defined in a policy applying group-wide.

h) Personnel expenses and social benefits

Personnel expenses amounted to 1,804.1 MEUR in the past year (2020: 1,790.2 MEUR). ANDRITZ remunerates its employees fairly and in line with the respective collective agreement regulations applying. In countries where there are no collective agreements, the relevant national salary structure is used as a guideline.

The average salary of women was around 87% of the average salary of men in the reporting period. This difference results from the fact that the proportion of women in management positions and higher paid officer and specialist positions is below 50%. Specific measures have been taken to change this situation. For example, ANDRITZ provides childcare support to employees, for example by entering into part-time employment contracts. Several locations have company-run kindergarten facilities, some of which also focus on technical skills. In addition, the company is not averse to providing part-time contracts for fathers or other forms of support with childcare. ANDRITZ allows employees to work from home during the Covid-19 pandemic, contributing not only towards protecting its employees but also to making the demands of family working life easier to deal with.

In countries where the social welfare system is less well-developed than in Europe, employees receive voluntary social benefits ranging from accident insurance to contributions to pension funds as well as life insurance policies and support for dependents.

i) Respecting human rights in the execution of projects

ANDRITZ respects and supports internationally recognized human rights and maintains the principle of equal opportunities regardless of gender, religion, origin, nationality, age, sexual orientation, or disability. ANDRITZ considers it a duty to use every opportunity to promote compliance with human rights – both inside and outside the company.

The ANDRITZ business activities contribute towards economic, ecological and social progress. But sometimes these activities also have a negative effect on individuals. The company endeavors in collaboration with the respective customers to draw up and implement compensatory measures or to help the customer implement them.

Before participating in large-scale projects, due diligence audits are conducted in order to determine their potential effects on human beings and their environment. The resulting data and findings are evaluated and analyzed. Participation in projects is then decided on this basis. Furthermore, ANDRITZ is a sustainability partner of the IHA (International Hydropower Association) and supports global acknowledgment of the Hydropower Sustainability Assessment Protocol.

6. Group supply chain management

The Supply Chain Management group function (GSC) defines the strategy and general conditions for collaboration with around 35,500 external ANDRITZ GROUP suppliers worldwide. Approximately 3,300 of these suppliers cover almost 80% of the external purchasing volume. GSC supports the entire purchasing and distribution process together with all relevant stakeholders (purchasing managers in the regions and divisions as well as the respective management personnel). In order to provide the business areas with the best possible support, GSC focuses on incorporating them into the sales and order execution processes at an early stage, concentrating in particular on project supply chain management. Global key account management for suppliers makes it easier to bundle purchases and allows a transparent and coordinated approach with regard to new or alternative suppliers. Another important focus is the development of a future strategy for selected projects and suppliers.

In addition to strategic alignment, the department is also responsible for groupwide supply chain training as well as supplier compliance and sustainability.

Other priorities are promoting digitalization, innovation, process development, management of material not needed directly in manufacturing and of all services relevant for all business areas (e.g. energy, IT or business travel), and logistics.

The Supply Chain Executive Team, made up of the respective purchasing and supply chain managers in the business areas and regions, acts as a decision and implementation committee for the divisions and regions. This committee not only puts the basic supply chain management processes and minimum standards in operations into practice in the respective area of responsibility but also aligns the consequences and actions to be taken in the event of nonconformities with agreed minimum standards.

2021 was marked by shortages – caused by the Covid-19 pandemic – on the international raw materials and product procurement markets, which resulted in enormous price increases and supply bottlenecks in some cases. By implementing various countermeasures devised in collaboration with the relevant interface functions (sales, project management, etc.), bottlenecks and price increases were largely avoided, but not entirely. Due to the regular market observation reports and analyses introduced beforehand, ANDRITZ was able to react to this market situation at an early stage and implement countermeasures in good time in collaboration with its main business partners.

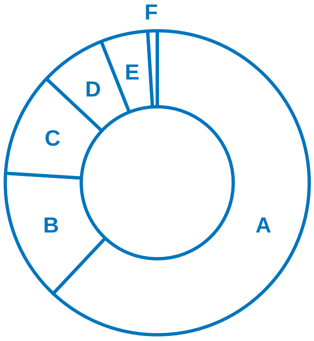
a) Project and supplier management

ANDRITZ relies on long-term partnerships and remains in close contact with its suppliers at all times during the entire execution of a project. If there are critical components or new suppliers, ANDRITZ frequently establishes a detailed production monitoring process on site.

The requirement for being an ANDRITZ supplier is compliance with strict criteria in terms of quality, costs, and on-time performance as well as an appropriate stance towards occupational health and safety, compliance and sustainability. Strict adherence to the ANDRITZ Supplier Code of Conduct and Ethics is also a basic criterion.

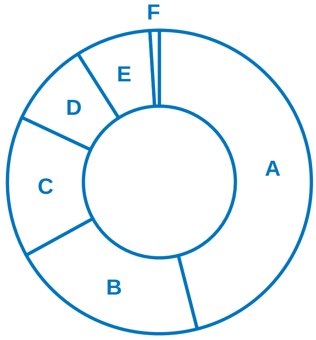
In procurement of materials, ANDRITZ tries to source goods from suppliers near its manufacturing facilities and which are also manufactured locally. 62.3% of the purchasing volume was generated in Europe, 14.4% in China, and 11.0% in North America.

Purchasing volume by region as of 31.12.2021 (31.12.2020) in %



A	Europe	62	(63)
B	China	14	(14)
C	North America	11	(10)
D	South America	7	(8)
E	Asia (without China)	5	(5)
F	Rest of the world	1	(0)

Manufacturing capacity by region as of 31.12.2021 (31.12.2020) in %



A	Europe	46	(51)
B	China	21	(20)
C	North America	15	(14)
D	South America	9	(7)
E	Asia (without China)	8	(7)
F	Rest of the world	1	(1)

b) Consumption of materials

Project materials and services account for the largest share of materials required (41.6%) – measured on the basis of the external costs. This includes mechanical parts, electrical components, structural steel and conveying technology, mechanical structures, installation work, and start-up/commissioning. 36.8% is spent on manufacturing materials such as sheet metal, screens, bars, profiles, or cast and forged parts. 21.7% relates to overheads for materials, services, and investments.

c) Logistics

The Logistics team – as a part of Global Procurement – assists the business areas with the logistical implementation of customer projects. Other important tasks in the logistics department are definition of transport standards and guidelines, calling for tenders, negotiating framework agreements with logistics service providers, and conducting internal training courses. As ANDRITZ does not have its own vehicle fleet, transport services are purchased from third parties on a project-specific basis. As a result, CO_2 emissions are generated externally so these figures cannot be reported in any detail.

d) Sustainability in the supply chain

There has been a supplier compliance and sustainability officer in the Group Supply Chain Management function (GSC) since 2015. This person provides support to the local purchasing organization in terms of supplier compliance and sustainability, monitors the compliance watchlist and blacklisting process, initiates training courses, and coordinates the activities of regional auditors in China and India. In addition, this officer is responsible for implementing the ANDRITZ Supplier Code of Conduct and Ethics.

Suppliers who wish to work closely together with ANDRITZ must deal with the topic of compliance and sustainability during the qualifying process. Collaboration with ANDRITZ is only possible after the supplier has agreed in writing to the content of the ANDRITZ Supplier Code of Conduct, which was compiled in 2015 on the basis of the general Code of Business Conduct and Ethics and updated in 2019. The ANDRITZ Supplier Relationship Management (SRM) tool is used to handle this process. All suppliers are reviewed, approved/qualified and documented with this tool. As part of the ANDRITZ sustainability strategy, the goal was defined in 2021 of covering 85% of the supply volume by 2025 with suppliers who have been audited in the SRM tool. 82.2% was achieved by the end of 2021.

In order to explain the content of the Supplier Code and the operations involved in the qualification process in the SRM system, training is offered for suppliers and also for staff in the ANDRITZ purchasing organization. Webinars and lectures on these topics have also been held regularly for several years.

In China and India, on-site supplier compliance and sustainability audits were resumed in 2021 after being severely restricted in the previous year due to the Covid-19 pandemic. At the same time, online audits in China underwent further development. A quick start guide was issued to make it easier to learn about this new auditing technology. Remote audits are a very promising alternative to compensate for travel restrictions, save costs and increase efficiency. As a result, they are to be conducted in future in addition to local audits.

Due to the still limited opportunities to conduct audits, efforts in 2021 were mainly directed towards helping suppliers in China and India to build up and implement their own compliance management system and to live compliance and sustainability (“From audit to compliance”). In 2022, this is to be reinforced by means of classroom training and eLearning as well as individual support.

Since the regional auditors began their work, 106 audits have been conducted in India, including follow-ups with 82 suppliers (start: December 2016) and 131 audits including follow-ups with 112 suppliers have been conducted in China (start: December 2017).

The so-called Supply Chain Due Diligence Act was passed in Germany in 2021 and will enter into force in stages as from 2023. A similar act is being prepared at EU level. Among other things, it is intended to improve the international human rights situation by defining the requirements of responsible supply chain management. In this respect, ANDRITZ will compare the existing processes with the legal requirements, identify where action is required and implement corresponding measures.

7. Quality management

Quality management in the ANDRITZ GROUP covers products and applications, business processes, and safety and environmental topics. Harmonized standards worldwide improve the general understanding of processes and functions, encourage collaboration, and assign clear areas of responsibility. The organizational structure aims to make this topic a part of everyday business by means of harmonized quality and safety strategies for all business areas.

The most important instrument in the ANDRITZ quality organization is the business process manual, which defines the structure of the management system for the entire group. It defines the processes and responsibilities for process management and provides guidelines for implementation of the individual steps.

All of the measures described in the manual are intended to increase transparency, minimize risks, enable continuous improvement, increase the efficiency of collaboration, assist employees with their everyday work, and, above all, build trust. The quality requirements for everyday work have been structured specifically for the respective business areas and at local level and are easy to find in the company's intranet.

Quality management accompanies a project from its award to its completion. There are also guidelines for support tasks such as IT or communications. External verifications confirm consistent and effective implementation of the standards. In the meantime, 90% of the employees are covered according to ISO 9001 (quality management systems), 65% according to ISO 14001 (environmental management systems), and 62% according to ISO 45001 (occupational health and safety). As part of the ESG strategy at ANDRITZ, the company has set itself the goal of being as fully certified according to ISO 9001, ISO 14001, and ISO 45001 as possible by 2025.

Furthermore, all products are certified internally and externally (Machinery Directive, ASME, NR 12, GB 150, ISO, ANSI, EN, and DIN). Hence, they meet the highest standards and are reviewed regularly for possible impacts on health and safety.

In 2021, ANDRITZ developed a new instrument to improve quality control for sub-supplies that is to be implemented in all business areas as from 2022. The goal is to control progress more effectively and improve reporting on quality activities planned at suppliers' premises.

As in previous years, plants were started up successfully with the aid of Metris Remote Assistance (RAS) and using HoloLenses. All audits that do not require the auditors to be physically present are to be conducted with the help of this technology in future.

a) Occupational health and safety, health care and environmental protection

Occupational health and safety, health care and environmental protection have top priority at ANDRITZ. The goal is to create a safe and healthy working environment for all employees and for all other stakeholders. ANDRITZ pursues a zero-accidents target and a pro-active safety culture in order to prevent accidents.

The Group Quality and Safety Management (GQS) function defines the strategy and measures to be implemented by the quality, health and safety, and environmental managers. The health, safety and environmental team provides support in implementation and ensures that the rules and regulations are observed.

The management is responsible for safety at each company and location. The employees have a duty to comply with applicable policies, rules, and instructions such as the basic ANDRITZ rules for health, safety and the environment as well as to use the safety equipment provided and complete the safety training assigned. All employees have the right to refuse to perform or to stop performing work that they consider unsafe without having to fear disciplinary measures.

In addition to the legal requirements, the ANDRITZ health, safety and environmental management policy is the minimum standard for all ANDRITZ locations. The policy was revised and extended to include the environmental topic in 2021. Furthermore, additional policies to improve safety can be defined at each location. ANDRITZ also undertakes to obey all conventions of the International Labour Organization (ILO) in connection with occupational health and safety.

Safety in day-to-day work

Safety not only comprises regulations, policies, and goals, but should also be lived on a daily basis in the company. This is why managers and executives are personally responsible for safety at their respective locations. Safety at ANDRITZ begins by building up a local network of experts on occupational health and safety who define and promote a culture of safety. As from a certain location size, it is mandatory to appoint a safety expert. This also applies to larger job sites. The local safety team is responsible for preparing an emergency plan. The central tasks of the local safety team also include the development and implementation of an annual occupational health and safety program. Implementation of the defined goals is intended to lead to continuous improvement in the safety culture. The respective measures and projects are registered and undergo a regular auditing process. Ideally, they lead to a safety management system according to international standards (e.g. ISO 45001). The measures applied and targets achieved are documented as part of a quarterly or annual safety report.

All incidents and accidents are recorded, investigated, and analyzed – irrespective of their severity. In addition, injuries that result in absences from work must be documented in a group accident database. Furthermore, a lessons-learned report is to be compiled and published in the intranet. In this way, lessons learned from actual incidents and near-accidents as well as good/best practices are to be collected and used to improve the safety culture.

The ANDRITZ GROUP's initiatives on the topic of safety are having a positive effect: The accident figures have been falling in previous years and the accident frequency rate (accidents causing one or more days of absence per 1 million working hours) has improved by 35% compared to the previous year. As in the preceding year, there were no fatal accidents at work in the past year.

Industrial accidents

	2021	2020
Accidents at work (with one or more days of absence)	163	262
Accidents at work (with more than three days of absence)*	119	152
Accident frequency (accidents causing one or more days absence per 1 million working hours)	3.1	4.8
Accident frequency (accidents with more than three days of absence per 1 million working hours)	2.3	2.8
Fatal accidents at work	0	0
Severity of accidents (absence periods in hours per accident)	176	162
Number of medical treatment injuries at work	741	1,189

*included in accidents at work (with one or more days of absence)

A regular check on the efficacy of the safety programs, accident analyses, appropriate handling of accidents and faults as well as controlled communication thereof at all management levels is obligatory. The exact intervals for audits and inspections are defined in the Health and Safety Management Implementation Guideline. The management must ensure that all employees are aware of the policies and safety processes applying at the respective locations.

The safety instructions (regulations), which must be strictly observed, should be handed over personally if possible. A safety inspection is to be conducted at least quarterly in order to ensure that the regulations are observed and remind employees how important this topic is. This safety inspection must also be documented.

Regular training is provided in order to meet technical and legal requirements and guarantee that the possible risks and suitable protective measures are well understood. All new employees must complete online training on safety in the workplace and take a refresher course every two years. In addition, there are some safety training courses for management staff and for employees working in manufacturing. Each location must compile a qualification matrix and an annual safety training schedule.

Subcontractors are also involved in the health and safety measures. They are selected on the basis of certain criteria and assessed to establish whether they can perform the work contracted safely. External companies and third parties who enter ANDRITZ locations must have sufficient information and training on the topic of safety and also be suitably equipped to perform their work safely. Services by external companies and third parties are monitored and assessed, including feedback, so that any defects can be eliminated.

8. Manufacturing

ANDRITZ produces custom-tailored machines, key components, plants, systems, as well as spare and wear parts at around 140 service and manufacturing locations worldwide. Around two-thirds of these locations are in Europe and North America and one third in Asia and South America. The majority of the locations manufacture on an order-related basis for one business area, while a few locations manufacture for several or all business areas. The manufacturing facilities focus on order execution in conformity with the contract, highest production quality, highly qualified and skilled workers employed in manufacturing, proactive capacity management, and assigning specialists to product design and quality management.

The manufacturing strategy aims to produce critical key components in terms of technology and quality in ANDRITZ's own production shops. Everything else is purchased from qualified suppliers. With this procedure, it is possible to compensate effectively for any fluctuations in workload and thus make optimum use of manufacturing capacities. Precise planning, high commitment and great flexibility on the part of the staff make short lead times and on-time production possible. Investments in manufacturing are concentrated on the one hand on building up and expanding manufacturing capacities in the emerging markets of Asia and South America and on modernizing existing locations in Central Europe and North America on the other hand.

Focus in optimization and improvement projects in manufacturing also lies on careful handling of available resources and automation of processes in addition to adapting process management to exact scheduling. ANDRITZ uses the Manufacturing Execution System (MES) here to control and monitor manufacturing in real time. With this system, it is possible to link all important information on planning, lead time and costs as well as machinery and operating data on one platform, and the system can also be adapted to local requirements if necessary. MES was implemented as a pilot project at the Manufacturing department in Graz and is currently being implemented at other manufacturing locations.

The ANDRITZ Production System (APS) plays a key role in continuous improvement of the production processes. It defines the basic principles applying to manufacturing group-wide and provides tools and processes for achieving a lean and effective production process. The overriding goal is to anchor a culture of continuous improvement firmly within the company in order to achieve sustainably excellent results in manufacture of its products.

The Group Manufacturing Management department offers comprehensive training on the APS. Around 270 employees at 50 manufacturing locations have taken part in various APS training courses since 2017 and developed their process improvement skills further. In the APS lighthouse projects defined in previous years and which were continued at most manufacturing locations during the reporting year despite the Covid-19 pandemic, production increases of 20 to 40% were achieved as were cost reductions of 10 to 15%. The Celonis data mining software also provided valuable indications of additional improvement potential.

Due to the Covid-19 pandemic and the related travel restrictions, the ANDRITZ manufacturing shops made more and more use of the internally developed tool Metris Remote Assistance (RAS) when carrying out project work and customers' acceptance procedures in 2021. RAS has everything needed for remote communication: audio, video, chat, document sharing, as well as a means of directly posting any files needed, such as drawings, into the field of vision or inserting virtual markings.

a) Environmental management and key energy figures

The environmental data for the ANDRITZ GROUP cover the largest manufacturing locations, which comprise around 94% of the total annual manufacturing capacity. Six new locations were included in the environmental data survey during the reporting year, and the comparison figures for the previous year were adapted accordingly. The key consumption figures for 2021 are based on projected, approximate values as the figures for the fourth quarter of 2021 were not all available yet at the copy deadline. As a result, there may be subsequent adjustments to the figures for the previous periods.

49% of all the manufacturing facilities surveyed are located in Europe, 27% in North America, 11% in South America, 7% in China, and 5% in Asia (without China). Accordingly, the most electricity is consumed at the locations surveyed in Europe, followed by North America, China, Asia (without China), and South America.

All six main groups of manufacturing processes are used at all ANDRITZ locations worldwide: forming and casting mainly uses electrical equipment, particularly induction furnaces. The other processes, such as rolling, pressing, machining, welding, weaving, soldering and gluing are also performed with the aid of electrically powered machines. Only hardening and annealing processes use gas-powered machinery. As a general principle, the production processes in the ANDRITZ GROUP are not energy-intensive (except for locations in North America and China that have foundries attached).

b) Energy consumption

The bulk of energy and fuel consumption (district heating, heating oil, natural gas) is used to heat company premises. Natural gas is needed primarily to operate hardening and annealing furnaces. Liquid gas is often used as process energy in metal processing. In addition, it is used to operate stacker trucks and for company-owned vehicles in some countries. Gasoline and diesel are also used for company vehicles. At some locations, diesel is also required for emergency generators in order to compensate for supply bottlenecks. ANDRITZ strives to reduce energy and fuel consumption in the production process. Annual fluctuations in consumption are largely due to the varying workload and make detailed comparisons with previous years difficult.

The electricity consumption increased compared to 2020 and amounted to 267,042,213 kWh (2020: 258,754,271 kWh). Around 87% of the electricity consumption by the manufacturing locations is attributable to manufacturing operations, mostly for the production processes. The remaining electricity consumption is for lighting, IT equipment, and for electric heating.

The increase in total electricity consumption and energy consumption compared to 2020 is mainly due to the increase in direct labour hours. In addition, six locations were newly included in the environmental data collection.

Energy consumption*

	Unit	2021	2020
Externally procured heating	**kWh**	**40,731,031**	**38,249,792**
District heating	kWh	40,731,031	38,249,792
Non-renewable energy carriers for heating	**MJ**	**515,942,108**	**505,444,576**
Fuel oil	MJ	10,870,689	6,306,690
Natural gas	MJ	505,071,419	499,137,886
Non-renewable energy carriers for process heating	**MJ**	**388,277,357**	**362,369,563**
Gasoline	MJ	1,259,571	1,888,738
Diesel	MJ	24,646,495	13,294,365
Diesel for emergency generator	MJ	3,783,621	2,675,958
Natural gas	MJ	327,742,916	334,125,002
Liquid (petrol) gas	MJ	30,844,754	10,385,500

* The key consumption figures are based on projected approximate values to maintain comparability as the complete figures for the 4th quarter of 2020 were not all available before the copy deadline. Due to adjustments made to the consumption figures, the retrospective changes have resulted.

An important goal of the ANDRITZ sustainability program "We Care" is that of halving greenhouse gas emissions (Scope 1 + 2) and making savings of 10% each in water consumption and waste volume compared to 2019. Direct emissions (Scope 1, primarily from the manufacturing sector) amounted to 26,009 t of CO_2e in 2021 (2020: 25,939 t CO_2e). Some locations changed over to carbon-neutral electricity during the reporting year, and this was reflected in the decrease in indirect emissions (Scope 2). Indirect emissions (Scope 2, from the use of purchased electricity, heat or steam) dropped to 94,691 t of CO_2e in 2021 (2020: 97,669 t CO_2e) despite additional locations being included.

c) Water consumption

Total water consumption in the reporting period was 954,854 m^3 (2020: 854,532 m^3). The increase can be attributed to the increase in direct labour hours as well as the six locations newly included in the environmental reporting. The water supply comes primarily from the public water system, but a few locations also use surface water or groundwater. The water is recirculated to third parties only, for example to the municipal waste water disposal service. Water consumption consists of process water for production plants (including cooling water) as well as water for drinking and for hygiene purposes. A small amount is also needed for hydraulic test stands. Some industrial water is used to generate steam or cool annealing furnaces, or it evaporates in air-conditioning systems.

d) Waste

ANDRITZ focuses great attention on the conservation and re-use of materials and raw materials in the course of its business. The efficient use of materials, keeping rejects and waste to a minimum, and economical energy consumption in material processing all play an important role here.

The largest share of waste comes from steel used in the manufacturing process. Metal waste is separated into different types and then recycled. Other recyclable materials like plastic from packaging, waste from wooden crates, cardboard packaging, and waste paper are collected and recycled. Non-hazardous residual waste and hazardous waste are collected according to the legal provisions and taken away by disposal companies. Special attention is paid to observing all official regulations and record-keeping obligations, particularly when disposing of hazardous substances. All in all, 40,739,485 kg of waste was produced during the reporting year (2020: 46,637,708 kg). 66% of this waste was recycled.

Product development strives to optimize the production and installation processes through the product design. The goal is to make even better use of the materials used in production and thus produce less waste.

9. Innovation management and digitalization initiatives

ANDRITZ Ventures (AV), which is a part of the Group Business Development function, provides support to the business areas in their innovation and digitalization activities. In this case, AV reviews and initiates collaborations, strategic partnerships or investments in startups that further strengthen or extend ANDRITZ's technology portfolio. Furthermore, AV maintains a broad spectrum of innovation partners from the business sector, universities and other organizations with the aim of networking internal and external stakeholders, promoting the exchange of ideas and knowledge, and creating sustainable added value for the ANDRITZ GROUP by means of inspiration and collaboration.

Above all, the focus lies on technologies in the field of autonomous operation and maintenance 4.0, simulation/digital twins, sustainability by means of "green" products, digital solutions for supply chain management, energy transition (particularly green hydrogen and other energy storage means), artificial intelligence for industrial applications, operations technology (OT), cyber security, as well as performance monitoring and preventive maintenance with intelligent sensors.

In addition, there are several internal initiatives to promote and support innovations and other undertakings. For example, three startup competitions have been held so far, with a total of over 170 entries, and several of the projects have already been implemented successfully.

The competition is a structured program inviting all employees to submit innovative suggestions for products, services and business models, to develop them, and finally, to launch them successfully on the market. Here, the focus topic of each individual competition is closely aligned with the ANDRITZ GROUP's strategic goals. At the moment, staff are working on innovative solutions in the areas of "Sustainability with green products", "Customer relationships 4.0", and the "Future of operating and maintaining machinery/industrial plants".

One of the main priorities during the year under review was promoting the methodological expertise of ANDRITZ staff in the field of modern innovation techniques and innovation management by means of targeted education and training. This is to be continued in 2022. Furthermore, an extension of international collaboration in the fields of digitalization and innovation/innovation management is actively promoted by means of the "ANDRITZ Innovation Ambassador Network" established in 2020. In particular, added value and new innovation activities are created by means of a lively exchange of success stories, sharing practical experience of various processes in the digitalization and innovation sectors, and round-table discussions on new trends. The carefully selected innovation ambassadors are an important link here for ANDRITZ between strategy and innovation at the various global organizational units within the company.

10. Research and development

Research and development (R&D) is an important part of the ANDRITZ corporate strategy and an essential foundation on which to create internal growth and maintain the ability to compete in the long term. The ANDRITZ research and development activities concentrate on launching products and technologies on the market that protect the environment, are economical with energy and resources, and extend the life cycle of plant and machinery. In the meantime, a significant proportion of revenue is obtained with sustainable solutions and products. Another important focus of research and development work is digitalization.

In the past few years, so-called life cycle assessments (LCAs) were conducted for several products and plants in order to analyze their impact on the environment over their entire life cycle. This includes, production, the utilization phase, and disposal, as well as all related processes before and after (e.g. production of materials and supplies). Considering the entire life cycle prevents possible negative impacts being moved to other life cycle phases. These analyses are to be extended in the future and also considered in the product development phase. On the other hand, product development can also influence the production and installation processes through design of the products. In addition, better use is to be made of materials during production in order to produce less waste.

The ANDRITZ GROUP spent 106.6 MEUR (2020: 101.0 MEUR) on research and development activities during the reporting period. Research and development expenses, including order-related development work, amounted to around 3% of revenue.

The ANDRITZ GROUP currently holds approximately 6,500 patent rights. 80% of these patent rights have already been granted, and the remainder is under review. In addition, the Group owns the rights to around 2,750 trademarks.

The following selected projects from the business areas represent a part of the diverse research and development spectrum of the past business year:

a) Pulp & Paper

CO_2 neutrality as well as pulp and paper mills that do not use any fossil fuels are the main drivers of research and development activities in this business area. This is why the CircleToZero™ program was launched last year, with the aim of developing value-added solutions in pulp mills by minimizing waste and side streams.

There are three ways of achieving this goal: On the one hand, side streams can be re-used if they are converted into new products that are needed in the processes taking place in the pulp mill. Instead of purchasing chemicals externally, they can be made from the side streams. A case in point is the wet-gas sulfuric acid (WSA) process, in which sulfuric acid is produced in the pulp mill itself by incinerating strong-smelling gases. Furthermore, side streams that are normally incinerated in the recovery boiler, such as methanol, can be purified and sold as biofuel for motor vehicles. Another option is recovery of lignin. Lignin is removed from the wood in the pulp mill and incinerated in the recovery boiler. However, lignin can also be recovered from the black liquor and used as fuel in the lime kiln or, as an alternative, sold externally and used for other purposes. This creates added value for pulp mills and saves valuable resources at the same time. In future, it should be possible to operate highly efficient pulp mills with zero emissions and zero waste, thus making them CO_2 neutral.

New European regulations to be implemented by 2025 for recycling of textile waste are putting pressure on the entire textiles value chain, so many textile producers are seeking new technologies for textile recycling. ANDRITZ is reacting with numerous research and development activities in mechanical and chemical recycling of textiles, often also in partnerships. In 2021, ANDRITZ took over Laroche, a company specialized in mechanical recycling of textiles. In addition, ANDRITZ offers technologies for the production of textile fibers from wood.

The Nonwovens sector is focusing on developing technologies to produce wipes free of plastic. ANDRITZ offers many nonwovens processes for this rapidly growing market segment. In the latest process developments, all types of natural fibers and pulp are being used as raw materials. Various technologies are available for producing wipes that are 100% plastic-free and biodegradable.

The Air Pollution Control sector concentrated its research and development activities on reducing air emissions by means of air quality control systems (AQCS). With continuous increases in boiler sizes in the pulp industry, the volume flows are increasing and dust properties are also developing further. With improved designs in ESPs (electrostatic precipitators), including the use of SIR (switched integrated rectifiers) as ESP energy suppliers, it is now possible to reduce emissions to a very low level.

With NOx control units, ANDRITZ Pulp & Paper has also concentrated on process improvements and is now offering efficient solutions that enable customers to meet even the strictest emission requirements.

b) Metals

The focus of research work in the Metals business area also lies on reducing greenhouse gas emissions (mainly CO_2).

The innovations within the existing product portfolio include the “green continuous galvanizing line” (CGL). The continuous galvanizing lines currently available on the market contain radiant tube heating that is operated with gas-fired radiant tubes and emits large quantities of CO_2. In a first stage, the gas is to be replaced by green electricity, which would reduce CO_2 emissions to zero. Other advantages are elimination of NOx emissions, a 40% increase in efficiency, and a much simpler process as there are no more gas pipes. Many galvanizing lines also have a directly-fired furnace section. The burners installed there are operated with fossil fuel as well and produce large quantities of CO_2. In a second stage, the fossil fuel is to be replaced by green hydrogen. By developing ANDRITZ hydrogen burners for the furnace section, CO_2 emissions can be reduced too. Furthermore, work is continuing on the development of hybrid systems that combine electric heating (using renewable energy sources) and gas heating (e.g. biogas or hydrogen) for pre-heating and heat treatment furnaces.

The business area is also directing a new R&D focus towards electrolyzers for generating green hydrogen from renewable energy. This project has been implemented as a startup within the ANDRITZ GROUP. Thus, the advantages of a startup (agility and simple processes) are combined with the benefits of being part of the Group (support from central functions, financing, etc.). In the hydrogen sector, work is continuing on developing the mass production of fuel cells (used to generate energy from hydrogen) in order to power buses and trucks.

ANDRITZ Soutec and the ANDRITZ affiliate Schuler have been part of a collaboration project to develop plant equipment for serial manufacture of fuel cells on a large scale. For the first process step in the production line, Schuler is supplying the metal forming equipment for stamping and cutting the bipolar plate halves. Thanks to the innovative transfer system “IntraTrans”, both bipolar plate halves – anode and cathode – can be produced at the same time with one press stroke. Here, material is fed in from both sides of the press and conveyed through the individual die stations to the center of the press.

In addition, the bipolar plate halves can be joined together in the press in a spot-welding process, securing the two halves in position in relation to one another. In the subsequent process stage, the bipolar plates undergo gas-tight precision welding by means of remote laser welding equipment. ANDRITZ Soutec developed SOUCELL for this purpose, the most productive laser welding system worldwide for modern manufacture of bipolar plates (BPP). The machine welds quickly and with the required quality, it only takes up a small space, and it can be integrated into existing production lines. SOUCELL is also very resource-saving as far as inert gas is concerned.

c) Hydro

The rapid changes between energy supply and demand are a big challenge for every transmission system operator, particularly if there is a large proportion of intermittent, renewable energy in the overall system, The rate of change of frequency (RoCof) indicates how robust an electric grid is when confronted with sudden system imbalances and is typically stated in Hertz per second (Hz/s).

Stability is maintained in the grid by large generators weighing several hundred tons and with a rotational speed synchronized to the grid. Here, the rotors have considerable physical inertia that is essential to absorb energy fluctuations in the transmission system.

In the first few moments after an incident, the difference between supply and demand is absorbed by all rotating masses in the system. By doing so, they give the control reserve sufficient time to react to the frequency difference occurring.

The ANDRITZ phase shifters are machines that rotate synchronously and operate as motors without a mechanical load, thus they can deliver substantial ancillary services for the system. As a large rotating mass, they are able to provide system inertia with excellent availability and thus are much in demand as a technology for increasing system stability. ANDRITZ phase shifters can deliver up to five times more short-circuit power in relation to their nominal capacity and are also capable of running at overload for short periods if they react to idle power requirements.

In the past year, research and development activities at ANDRITZ Hydro have concentrated on further developing the phase shifters. This has resulted in low-friction flywheels based on vacuum technology, sophisticated hydrogen/water cooling systems and totally enclosed water-to-air cooling (TEWAC).

d) Separation

ANDRITZ Separation provides its customers with innovative solutions for many different challenges in the four main focus industries – mining and minerals, food, environment, and chemicals.

The new, large filter press ME 2500 was launched to increase performance in the mining and minerals industry. It guarantees rapid emptying, reliable plate shaking, highly efficient rinsing and also high-pressure cloth washing, delivering excellent filtration results even under the toughest conditions.

The latest innovation in automation solutions is the Metris addIQ RheoScan from ANDRITZ Separation. This technology enables automatic adjustment of the polymer dosage to changing flow rates and different sludge conditions in real time and detects the actual sludge viscosity during the thickening and dewatering process.

There were also research and development activities relating to the well-proven C-Press screw press, which is used primarily in treating waste water or industrial waste as well as in some food applications. The unique, compact design and specially developed functions now enable easy, unattended sludge dewatering with low energy and maintenance costs.

ANDRITZ Separation has also improved the design of conventional vacuum drum filters in order to achieve highest hygiene standards. The recently launched Nutrion food filter raises vacuum filters to the next level because it enables a more hygienic and safer production process for a multitude of applications. Product quality is improved because there is no longer any risk of cross-contamination. In addition, the reduced cleaning effort and minimum of manual intervention needed guarantee greater availability and shorter downtimes.

The ecoOne push-type centrifuge for the chemical and the mining and mineral industries makes an important contribution towards improving energy efficiency and reduces the operating costs and ecological footprint to a minimum. Whereas conventional centrifuges have separate push and drive motors, the ecoOne push-type centrifuge has only one motor for both functions, which reduces the installed power by around 20–40% and power consumption by around 10-20%. Furthermore, the new high-pressure pushing system lowers the consumption of hydraulic fluid by up to 40%.

e) Automation

ANDRITZ Automation has been operating successfully in the plant automation sector for over 35 years. In the meantime, digital solutions from ANDRITZ sold under the umbrella brand Metris – ANDRITZ Digital Solutions number among the leading solutions in industry. ANDRITZ operates Metris performance centers worldwide that provide remote services for plant operators and production managers as well as for local engineering and maintenance staff. With the aid of ANDRITZ remote support, even very challenging start-ups of complex plants and machinery were completed successfully during the reporting year.

Work continued in 2021 on the development of solutions for future autonomous plant operation based on artificial intelligence. With the aid of these automated solutions, it is possible to calculate the optimum raw material input, lower the related emissions accordingly and reduce any additional manual intervention needed to a corresponding minimum. A main focus lies here on helping customers in their efforts to make their production processes more sustainable. In addition, research work also concentrated on further developing digital twin technologies for online/offline simulation and on predicting future production scenarios.

OUTLOOK

Economic experts assume that the global economy will continue its growth in 2022, with the largest national economies – the USA and China – making the biggest contribution to this growth. The high rates of inflation in most of the industrialized countries will return to normal again in the course of 2022, according to current forecasts by economic researchers.

The prospects and expectations for the ANDRITZ business areas have not changed substantially compared to the preceding year:

- Pulp & Paper: Unchanged good project and investment activity is expected from today's perspective. In addition to modernization of existing pulp mills, contract awards for some greenfield pulp mills are also possible. The investments in sustainability planned by many pulp and paper producers should also have a supportive effect.

- Metals: In the Metals Forming (Schuler) sector, a continuing slight increase in project and investment activity is anticipated. Particularly in the area of electromobility, the award of individual medium-sized and larger orders is expected. As a result of the unchanged high steel prices in combination with a good economic environment, a continuing favorable market environment with good project activity is expected for the Metals Processing sector in 2022.

- Hydro: In the Hydro business area, a slight increase in project and investment activity is expected compared to the previous year. The worldwide initiative to promote renewable energy sources and the increasing need to store large amounts of energy to compensate for volatile energy peaks should provide support. Individual medium- or large-scale orders may also be awarded selectively.

- Separation: Continuing good project and investment activity is anticipated both in solid/liquid separation and in the feed & biofuel sector.

From today's perspective, ANDRITZ expects an increase in revenue for 2022 compared to the previous year (2021: 6,463.0 MEUR). The main reason for this is the very high order backlog as of the end of 2021 due to very good order development during the reporting period. As a result of the increasing revenue, ANDRITZ also expects an increase in the operating result (EBITA) as well as an increase in net income compared to 2021.

If the continuing global economic recovery expected by market researchers for 2022 does not materialize or the pandemic intensifies again, this may have negative effects on the processing of orders and on order intake and hence, a negative impact on ANDRITZ's financial development. This could lead to capacity adjustments – financial provisions for additional adjustment measures in individual business areas – which could have a negative impact on the ANDRITZ GROUP's earnings. Similarly, further raw material price increases or bottlenecks in global supply chains could have a negative effect on the Group's earnings development.

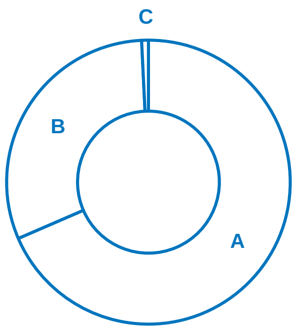
SHARES AND SHAREHOLDER STRUCTURE

Disclosure according to Article 243a of the Austrian Commercial Code (Unternehmensgesetzbuch – UGB)

The capital stock of ANDRITZ AG as of December 31, 2021 amounted to 104,000,000 EUR. The proportionate amount of the capital is 1.00 EUR per no-par value share. There are no limitations concerning the voting rights or the transfer of shares.

ANDRITZ has a stable and well-balanced shareholder structure. Around 31.5% of the ANDRITZ AG share capital is partly held directly and partly indirectly by Custos Privatstiftung and by Wolfgang Leitner, President and CEO of ANDRITZ AG, respectively. On the balance sheet date, 30.72% of these shares were held through Custos Vermögensverwaltungs GmbH and 0.77% were held through Cerberus Vermögensverwaltung GmbH. With a free float of just under 70%, national and international institutional investors and private investors comprise the majority of shareholders. The majority of institutional investors come from the UK, Austria, and Germany, while most private investors are from Austria and Germany.

Shareholder structure as of December 31, 2021 in %



A	Free float	68.51%	
B	Custos Vermögensverwaltungs GmbH	30.72%	CEO Wolfgang Leitner
C	Cerberus Vermögensverwaltung GmbH	0.77%	

At present, there is no authorized capital. The Annual General Meeting held on March 24, 2021, authorized the Executive Board to purchase treasury shares up to the maximum amount permitted by law for a period of 30 months as from April 1, 2021, and to cancel these company shares where appropriate with the approval of the Supervisory Board without having to consult the Annual General Meeting. There is no authorization of the members of the Executive Board – especially regarding the possibility of issuing or buying back shares – that does not result directly from legal stipulations.

On October 16, 2020, the Executive Board and Supervisory Board of ANDRITZ AG adopted a resolution to make use once again of the authorization from the Annual General Meeting to buy back shares. Up to 1,000,000 ANDRITZ shares (equaling 0.96% of the share capital) are to be repurchased through the Vienna Stock Exchange between November 5, 2020 and February 1, 2021. On February 1, 2021, the Executive Board of ANDRITZ AG announced that the buy-back program had been concluded as planned as of February 1, 2021. No ANDRITZ shares were repurchased between November 5, 2020, and February 1, 2021.

On December 2, 2021, the Executive Board and Supervisory Board of ANDRITZ AG adopted a resolution to make use once again of the authorization from the Annual General Meeting to buy back shares. Up to 1,000,000 ANDRITZ shares (equaling 0.96% of the share capital) are to be repurchased through the Vienna Stock Exchange between December 13, 2021, and February 6, 2022. On February 7, 2022, the Executive Board of ANDRITZ AG announced that the buy-back program had been concluded as planned as of February 6, 2022. Between December 13, 2021, and February 6, 2022, 450,000 ANDRITZ shares (equal to 0.43% of share capital) were purchased through the Vienna Stock Exchange.

As far as is known to the company, there are no holders of shares with special controlling rights. Employees exercise their voting rights directly. Furthermore, there are no stipulations regarding the appointment and recall of the members of the Executive Board and the Supervisory Board, nor regarding modifications to the company's Articles of Association that do not result directly from legal stipulations.

There are no significant agreements in which the company participates that would become effective, change, or end in the event of a change in the control of the company following a takeover bid.

According to the terms of the "Schuldscheindarlehen" issued in June 2017, August 2018 and May 2019, each lender is entitled to accelerate maturity of the amount corresponding to his contribution to the "Schuldscheindarlehen" and to require immediate repayment of this principal amount plus the interest accumulating up to the day of repayment in the event of a change of control. Acceleration of maturity shall only apply if the corresponding notice of termination is given within 30 days after the change of control is announced.

Compensation agreements that will apply in the event of a change of control have been made between the company and members of its Executive Board. There are no such compensation agreements for the members of the Supervisory Board or any employees.

Graz, February 25, 2022

The Executive Board of ANDRITZ AG

Wolfgang Leitner	Humbert Köfler	Norbert Nettesheim	Joachim Schönbeck	Wolfgang Semper
President and CEO	Pulp & Paper (Service), Separation	CFO	Pulp & Paper (Capital Systems), Metals Processing	Hydro

Disclaimer:
Certain statements contained in the annual financial report 2021 and in the annual report 2021 constitute "forward-looking statements." These statements, which contain the words "believe," "intend," "expect," and words of a similar meaning, reflect the Executive Board's beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. The company disclaims any obligation to publicly announce the result of any revisions to the forward-looking statements made herein, except where it would be required to do so under applicable law.
The annual financial report 2021 and the annual report 2021 contain assumptions and forecasts which were based on the information available up to the copy deadline on February 25, 2022. If the premises for these assumptions and forecasts do not occur, or risks indicated in the chapter "corporate risks" and in the management report in the annual financial report 2021 do arise, actual results may vary from the forecasts made in the annual financial report 2021 and the annual report 2021. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.

Consolidated financial statements 2021 of the ANDRITZ GROUP

CONSOLIDATED INCOME STATEMENT

FOR THE 2021 FINANCIAL YEAR

(in MEUR)	Note	2021	2020
Revenue	**9.**	**6,463.0**	**6,699.6**
Changes in inventories of finished goods and work in progress		65.3	-30.1
Other own work capitalized		1.8	3.7
Other income	10.	123.1	85.9
Cost of materials	11.	-3,381.0	-3,632.4
Personnel expenses	12.	-1,804.1	-1,790.2
Other expenses	13.	-749.8	-765.4
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)		**718.3**	**571.1**
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	14.	-233.9	-251.4
Impairment of goodwill	20.	-4.8	-4.7
Earnings Before Interest and Taxes (EBIT)		**479.6**	**315.0**
Result from investments accounted for using the equity method	6.	-3.7	-4.3
Interest income		19.3	17.1
Interest expense		-40.0	-46.2
Other financial result		-15.6	-0.7
Financial result	**15.**	**-40.0**	**-34.1**
Earnings Before Taxes (EBT)		**439.6**	**280.9**
Income taxes	16.	-117.9	-77.2
NET INCOME		**321.7**	**203.7**
Net income attributable to owners of the parent		325.5	207.1
Net income allocated to non-controlling interests	33.	-3.8	-3.4
Basic earnings per no-par value share (in EUR)	17.	3.28	2.08
Diluted earnings per no-par value share (in EUR)	17.	3.27	2.08
Proposed or paid dividend per no-par value share (in EUR)	31.	1.65	1.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 2021 FINANCIAL YEAR

(in MEUR)	Note	2021	2020
NET INCOME		**321.7**	**203.7**
Remeasurement of defined benefit plans	22.	38.9	-2.0
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	29.	5.9	-0.1
Other comprehensive income (after income taxes) that will not be reclassified to the income statement in subsequent periods		**44.8**	**-2.1**
Currency translation of foreign operations		62.5	-97.4
Cash flow hedges	33.	-15.4	15.3
Other comprehensive income (after income taxes) which can be reclassified to the income statement in subsequent periods		**47.1**	**-82.1**
OTHER COMPREHENSIVE INCOME (AFTER INCOME TAXES)		**91.9**	**-84.2**
TOTAL COMPREHENSIVE INCOME		**413.6**	**119.5**
Total comprehensive income attributable to owners of the parent		418.2	123.0
Total comprehensive income allocated to non-controlling interests		-4.6	-3.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2021

(in MEUR)	Note	2021	2020
ASSETS			
Property, plant, and equipment	18./19.	1,170.7	1,170.1
Goodwill	20.	778.3	760.0
Intangible assets other than goodwill	21.	190.9	223.8
Investments accounted for using the equity method	6.	12.9	5.5
Investments and other financial assets	31.	103.8	84.4
Other receivables and assets	25.	86.7	46.0
Deferred tax assets	16.	241.9	207.7
Non-current assets		**2,585.2**	**2,497.5**
Inventories	26.	905.0	761.2
Advance payments made	27.	152.6	143.5
Trade accounts receivable	24.	936.8	818.3
Contract assets	9.	935.0	795.6
Current tax assets		16.2	17.5
Other receivables and assets	25.	373.3	377.2
Investments	31.	670.7	486.3
Cash and cash equivalents	32.	1,087.0	1,158.0
Assets held for sale	37.	11.0	1.6
Current assets		**5,087.6**	**4,559.2**
TOTAL ASSETS		**7,672.8**	**7,056.7**
EQUITY AND LIABILITIES			
Share capital		104.0	104.0
Capital reserves		36.5	36.5
Retained earnings and other reserves		1,434.1	1,117.1
Equity attributable to owners of the parent		**1,574.6**	**1,257.6**
Non-controlling interests		-7.3	-1.9
Total equity	**33.**	**1,567.3**	**1,255.7**
Bank loans and other financial liabilities	36.	1,061.8	1,205.1
Lease liabilities	19.	185.6	184.4
Provisions for employee benefits	22.	413.6	453.9
Provisions	23.	120.1	153.1
Other liabilities	29.	22.7	28.4
Deferred tax liabilities	16.	123.9	145.0
Non-current liabilities		**1,927.7**	**2,169.9**
Bank loans and other financial liabilities	36.	74.9	95.2
Lease liabilities	19.	45.6	48.3
Trade accounts payable	28.	811.1	749.7
Contract liabilities from sales recognized over time	9.	1,094.1	895.7
Contract liabilities from sales recognized at a point in time	9.	366.5	256.6
Provisions	23.	544.3	537.9
Current tax liabilities		103.3	65.2
Other liabilities	29.	1,138.0	982.5
Current liabilities		**4,177.8**	**3,631.1**
TOTAL EQUITY AND LIABILITIES		**7,672.8**	**7,056.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 2021 FINANCIAL YEAR

(in MEUR)	Note	2021	2020
Net income		**321.7**	**203.7**
Income taxes		117.9	77.2
Interest result	15.	20.7	29.1
Depreciation, amortization, and impairment of intangible assets, goodwill as well as property, plant, and equipment		238.7	256.1
Result from investments accounted for using the equity method	15.	3.7	4.3
Changes in provisions		-40.0	71.3
Gains/losses from disposal of fixed and financial assets		-12.3	-8.4
Other non-cash income/expenses		20.8	23.8
Gross cash flow		**671.2**	**657.1**
Change in net working capital	36.	16.0	-79.0
Interest received		17.9	15.3
Interest paid		-36.3	-40.3
Dividends received		1.2	1.6
Income taxes paid		-140.4	-93.2
CASH FLOW FROM OPERATING ACTIVITIES	**36.**	**529.6**	**461.5**
Payments made for property, plant, and equipment and for intangible assets		-110.3	-87.9
Payments received for disposals of property, plant, and equipment and intangible assets		32.2	21.4
Payments made for non-current and current financial assets		-579.8	-372.6
Payments received for disposal of non-current and current financial assets		409.0	208.0
Payments made for investments accounted for using the equity method		-11.2	-5.0
Net cash flow from company acquisitions	36.	-30.5	0.0
CASH FLOW FROM INVESTING ACTIVITIES	**36.**	**-290.6**	**-236.1**
Payments received from bank loans and other financial liabilities	36.	70.4	21.7
Payments made for bank loans, other financial liabilities, and lease liabilities	36.	-286.3	-120.2
Dividends paid	33.	-100.3	-49.9
Purchase of non-controlling interests and payments to former shareholders	36.	-34.5	-20.5
Purchase of treasury shares	33.	-4.7	-18.1
CASH FLOW FROM FINANCING ACTIVITIES	**36.**	**-355.4**	**-187.0**
CHANGES IN CASH AND CASH EQUIVALENTS		**-116.4**	**38.4**
Currency translation adjustments		44.7	-81.0
Changes in consolidation scope		0.4	-0.1
Valuation allowance		0.3	-0.1
Cash and cash equivalents at the beginning of the period	32.	1,158.0	1,200.8
Cash and cash equivalents at the end of the period	32.	1,087.0	1,158.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 2021 FINANCIAL YEAR

									Attributable to owners of the parent	Non-controlling interests	Total equity
(in MEUR)	Note	Share capital	Capital reserves	Retained earnings	Fair value reserve	Reserve of remeasurements of defined benefit plans	Reserve of exchange differences on translation	Treasury shares	Total		
BALANCE AS OF JANUARY 1, 2020		**104.0**	**36.5**	**1,413.5**	**-5.3**	**-102.9**	**-70.2**	**-169.0**	**1,206.6**	**13.0**	**1,219.6**
Net income				207.1					207.1	-3.4	203.7
Other comprehensive income					15.2	-1.9	-97.4		-84.1	-0.1	-84.2
Total comprehensive income				**207.1**	**15.2**	**-1.9**	**-97.4**		**123.0**	**-3.5**	**119.5**
Dividends	33.			-49.7					-49.7	-0.2	-49.9
Change in treasury shares	33.			-0.6				-16.1	-16.7		-16.7
Change from share option programs	33.			1.7					1.7		1.7
Changes in ownership interests, without loss of control				-6.1		-1.2	-0.1		-7.4	-11.2	-18.6
Transfers and other changes				0.1					0.1		0.1
BALANCE AS OF DECEMBER 31 2020		**104.0**	**36.5**	**1,566.0**	**9.9**	**-106.0**	**-167.7**	**-185.1**	**1,257.6**	**-1.9**	**1,255.7**
BALANCE AS OF JANUARY 1, 2021		**104.0**	**36.5**	**1,566.0**	**9.9**	**-106.0**	**-167.7**	**-185.1**	**1,257.6**	**-1.9**	**1,255.7**
Net income				325.5					325.5	-3.8	321.7
Other comprehensive income					-9.5	38.9	63.3		92.7	-0.8	91.9
Total comprehensive income				**325.5**	**-9.5**	**38.9**	**63.3**		**418.2**	**-4.6**	**413.6**
Dividends	33.			-99.3					-99.3	-1.1	-100.4
Change in treasury shares	33.							-3.1	-3.1		-3.1
Change from share option programs	33.			1.4					1.4		1.4
Changes in ownership interests, without loss of control	33.			-0.2					-0.2		-0.2
Transfers and other changes				-0.9			0.9			0.3	0.3
BALANCE AS OF DECEMBER 31 2021		**104.0**	**36.5**	**1,792.5**	**0.4**	**-67.1**	**-103.5**	**-188.2**	**1,574.6**	**-7.3**	**1,567.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

A) GENERAL INFORMATION AND LEGAL BASES

1. General information

ANDRITZ AG is an Aktiengesellschaft incorporated under the laws of the Republic of Austria and has been listed on the Vienna Stock Exchange since June 2001. The registered office of ANDRITZ AG, the parent company of the ANDRITZ GROUP, is at Stattegger Strasse 18, 8045 Graz, Austria . The ANDRITZ GROUP (the “Group” or “ANDRITZ”) is a leading producer of high-technology industrial machinery and operates through four strategic business areas: Pulp & Paper, Metals, Hydro, and Separation.

The consolidated financial statements are prepared under the responsibility of the Executive Board of ANDRITZ AG and are acknowledged by the Supervisory Board and the Annual General Meeting. On February 25, 2022, the Executive Board approved the consolidated financial statements for the year ending on December 31, 2021.

Various amounts and percentages set out in the consolidated financial statements have been rounded. As a result, totals may differ from the amounts shown. If not stated otherwise, amounts are given in million euros (MEUR).

2. Accounting principles

The financial statements were prepared in accordance with all International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union, whose application have been mandatory for 2021. All interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), which also have to be observed for 2021, have been applied. The consolidated financial statements meet the requirements of section 245a UGB (Austrian Commercial Code) on exempting consolidated financial statements according to internationally accepted accounting standards. Going concern is the basis for accounting and valuation of the assets and liabilities.

a) Standards and interpretations applicable for the first time

ANDRITZ has applied the following new or changed standards issued by the IASB and the interpretations issued by the IFRIC for the financial year beginning on January 1, 2021:

Standard/Interpretation	Title	Effective for annual financial statements for periods beginning on or after	Endorsement by EU
IFRS 16	Amendment: Covid-19 related rent concessions	June 1, 2020	October 9, 2020
IFRS 4	Amendment: Deferral of IFRS 9	January 1, 2021	December 15, 2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Amendment: Interest rate benchmark reform (phase 2)	January 1, 2021	January 13, 2021

The amendment to **IFRS 16** relating to Covid-19 related rent concessions, grant lessees an exemption from the assessment of whether rent concessions granted under the Covid-19 pandemic constitute a leasing modification. The right to use the amendment is not exercised.

The specified expiry of the temporary exemption from the application of IFRS 9 in **IFRS 4** has been postponed. IFRS 4 is not relevant for ANDRITZ.

The interest rate benchmark reform – phase 2 (amendments to **IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16**) deals with issues that could affect financial reporting as a result of the interest rate benchmark reform, including the impact of changes in contractual cash flows or hedging relationships resulting from the replacement of a benchmark interest rate with an alternative benchmark interest rate. The amendments provide practical simplification for the basis of the identification of cash flows and hedge accounting. The amendments require additional information on the risks to which the entity is exposed as a result of the interest rate benchmark reform and on the associated risk management activities. The application will have no effect on values reported in 2020 or in previous years.

The Group applied the changes from phase 2 retrospectively. In accordance with the permitted exceptions, ANDRITZ has elected not to restate the comparative figures for prior periods. Since ANDRITZ did not have any transactions in which the reference interest rate was replaced by an alternative reference rate as of December 31, 2020, the retrospective application has no impact on the opening balance sheet values in equity.

These changed standards do not have any or no material effect at ANDRITZ.

b) Standards and interpretations that have been published but not yet applied

The International Accounting Standards Board (IASB) is working on numerous projects that will only have an impact on business years from 2022 onwards. ANDRITZ has not adopted the following accounting pronouncements that have been issued by the IASB, but are not yet effective:

Standard/Interpretation	Title	Effective for annual financial statements for periods beginning on or after	Endorsement by EU
IAS 16	Amendment: Property, plant, and equipment – Proceeds before intended use	January 1, 2022	June 28, 2021
IAS 37	Amendment: Onerous contracts – Costs of fulfilling a contract	January 1, 2022	June 28, 2021
IFRS 3	Amendment: Reference to the framework	January 1, 2022	June 28, 2021
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvements to IFRS (Cycle 2018-2020)	January 1, 2022	June 28, 2021
IAS 1	Amendment: Classification of liabilities as current or non-current	January 1, 2023	open
IAS 1	Amendment: Disclosure of accounting policies	January 1, 2023	open
IAS 8	Amendment: Definition of accounting estimates	January 1, 2023	open
IAS 12	Amendment: Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	open
IFRS 17	Insurance contracts incl. amendments of IFRS 17	January 1, 2023	open

The amendment to **IAS 16** clarifies that it is not permitted to deduct income from the cost of an item of property, plant, and equipment that arises from the sale of goods that are produced while an item of property, plant, and equipment is brought into operational condition, with the exception of costs for test runs.

The amendment to **IAS 37** stipulates that the costs of contract fulfillment comprise of the costs that directly relate to the contract. This includes additional costs for the fulfillment of this contract and allocations of other costs that are directly related to the fulfillment of contracts. As ANDRITZ applied IAS 37 in the past in this way, this amendment will not have an impact on the financial statements.

The amendment to **IFRS 3** implies that the standard no longer refers to the 1989 framework but to the 2018 framework, as well as two additions. Contingent assets acquired in a business combination are not to be recognized and, when identifying debts acquired in a business combination, an acquirer has to apply IAS 37 or IFRIC 21 instead of the framework on business transactions and similar events within the scope of IAS 37 or IFRIC 21.

The **annual improvements to IFRS** (Cycle 2018-2020) provide clarifications on IFRS 1 – First-time Adoption, IFRS 9 – Financial Instruments, IFRS 16 – Leases, and IAS 41 – Agriculture. The amendment to IFRS 9 clarifies which fees are included in the '10%'-test when assessing whether or not to derecognise a financial liability.

The first amendment to **IAS 1** concerns the adjustment of the assessment criteria for the classification of liabilities as current or non-current. In future, only rights that exist at the end of the reporting period should be decisive for the classification of a liability. In addition, further guidelines for the interpretation of the criterion “right to postpone the fulfillment of the debt for at least twelve months" as well as explanations on the characteristic "fulfillment" were included.

The second amendment to **IAS 1** regarding information on accounting policies is intended to clarify which accounting policies must be stated in the financial statements.

The amendment to **IAS 8** concerns the distinction between accounting policies and accounting estimates. The definition of 'change in accounting estimates' is replaced by a definition of 'accounting estimates'.

The amendment to **IAS 12** restricts the scope of the initial recognition exemption, according to which no deferred tax asset or deferred tax liability is to be recognized at the time an asset or liability is added. If deductible and taxable temporary differences of the same amount arise in a single transaction, these are no longer subject to the exception rule, so that deferred tax assets and deferred tax liabilities must be recognized.

IFRS 17 regulates the recognition, valuation, presentation, and disclosures for insurance contracts.

These new or changed standards are not expected to have any or no material effect at ANDRITZ.

3. Accounting policies and use of discretionary judgments and estimates

ANDRITZ describes the accounting policies as well as the use of discretionary judgments and estimates in the respective chapters.

a) Accounting policies

In the respective chapters, the accounting policies are indicated as follows:

ACCOUNTING POLICIES

With the exception of the amendments resulting from the first-time application of new standards in chapter 2. a) Standards and interpretations applicable for the first time, ANDRITZ has consistently applied all accounting policies described in these consolidated financial statements in all periods presented. The following section describes the general accounting policies:

Consolidation principles

The basis for the consolidated financial statements are the individual financial statements of all fully consolidated companies applying uniform group-wide standards and in accordance with IFRS regulations. Intercompany receivables, liabilities, and internal business transactions, including interim results within the Group, were eliminated. The consolidated financial statements were prepared based on uniform accounting principles for comparable business transactions.

Currency translation

The consolidated financial statements are compiled in euros.

Foreign currency transactions

Foreign currency transactions are recorded in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognized in the income statement in the period in which they arise.

Foreign subsidiaries

Foreign consolidated subsidiaries are regarded as foreign operations because they are financially, economically, and organizationally autonomous. Their functional currencies are generally their respective local currencies. Items of the statement of financial position of foreign subsidiaries are translated at year-end rates to the presentation currency (EUR). Expenses and income are translated using the average exchange rates for the year. All resulting translation differences are included in the item “Reserve of exchange differences on translation” in equity.

The exchange rates used for foreign currency translation of major currencies are as follows:

In number of units per 1 EUR		Rate at reporting date		Average rate for year	
Currency		**December 31, 2021**	**December 31, 2020**	**2021**	**2020**
BRL	Brazilian real	6.31	6.37	6.38	5.89
CAD	Canadian dollar	1.44	1.56	1.48	1.53
CHF	Swiss franc	1.03	1.08	1.08	1.07
CNY	Chinese renminbi yuan	7.19	8.02	7.63	7.87
DKK	Danish kroner	7.44	7.44	7.44	7.45
GBP	British pound	0.84	0.90	0.86	0.89
INR	Indian rupee	84.23	89.66	87.44	84.64
SEK	Swedish kronor	10.25	10.03	10.15	10.48
USD	US dollar	1.13	1.23	1.18	1.14

Effects of hyperinflation

Argentina has to be regarded as a hyper-inflationary economy, as the cumulative three-year increase in the Consumer Price Index exceeded 100%. Consequently, ANDRITZ applied the financial reporting in hyperinflationary economies to its subsidiary in Argentina. The impact on the adjustment in accounting is not material.

b) Use of discretionary judgments and estimates

Preparation of the consolidated financial statements requires the management to make discretionary judgments, estimates, and assumptions that can affect the applied accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions are reviewed regularly. Revisions of estimates are recognized prospectively. The Group has made key assumptions concerning the future and has identified material sources of estimation uncertainties and discretionary judgments.

ANDRITZ addresses climate-related risks in the respective chapters.

In the respective chapters, the use of discretionary judgments and estimates is indicated as follows:

! SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

B) INFORMATION ON THE STRUCTURE OF ANDRITZ

4. Consolidation scope

ACCOUNTING POLICIES

The consolidated financial statements include ANDRITZ AG and those companies it controls directly or indirectly. ANDRITZ controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power of disposition over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date on which control is lost. Changes in the Group's share in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, any related non-controlling interests, and other components of equity. Any resulting gain or loss is recognized through profit or loss.

In case the influence on the Group's assets, liabilities, financial position, and profit or loss of companies controlled is of minor importance, the decision on including them into the consolidation scope is made based on quantitative and qualitative considerations. The shares in non-consolidated companies are recorded in item "Investments and other financial assets".

The consolidation scope has changed as follows:

	2021		2020	
	Full consolidation	Equity method	Full consolidation	Equity method
Balance as of January 1	**176**	**4**	**183**	**4**
Acquisitions of companies	3			
New foundations	1			
Changes in consolidation type	-1		-1	
Mergers and liquidations	-14		-6	
Balance as of December 31	**165**	**4**	**176**	**4**
Thereof attributable to:				
Domestic companies	7	0	7	0
Foreign companies	158	4	169	4

Due to quantitative and qualitative considerations, 43 companies (2020: 44) controlled by ANDRITZ were not consolidated and 7 associated companies (2020: 7) were not accounted for at-equity, respectively.

Changes in consolidation type

In the financial year 2021, ANDRITZ no longer consolidated the following companies because of non-fulfillment of the materiality criteria or because of a loss of control:

- ANDRITZ HYDRO S.L., Spain
- ANDRITZ HYDRO Ltda, Colombia

The disposal of these subsidiaries resulted in a loss of 0,9 MEUR and was included in earnings before interest, taxes, depreciation, and amortization (EBITDA) in 2021.

In the fiscal year 2021, ANDRITZ Sdn. Bhd., Malaysia was included in the consolidation scope.

In the financial year 2020, ANDRITZ no longer consolidated ANDRITZ JohnsonFoils Limited, Thailand, due to non-fulfillment of the materiality criteria. The disposal of this subsidiary resulted in a profit of 0,1 MEUR and is included in the result before interest, income taxes and depreciation (EBITDA).

Read more in Note 42. Group companies.

5. Acquisitions

ACCOUNTING POLICIES

Business combinations are accounted for by applying the acquisition method if the acquired set of activities and assets meets the definition of a business and the Group has gained control. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes at least a resource usage and a substantial process and whether the acquired group is able to provide goods or services.

The purchase price is offset against the revalued net assets of the acquired company (capital consolidation). In doing so, the values at the acquisition date, which is the date on which control of the acquiree was obtained, are used as a basis. The acquired identifiable assets, liabilities, and contingent liabilities are generally recognized at their fair values, irrespective of the extent attributable to non-controlling interests. Application of the acquisition method requires certain estimates and assumptions to be made, especially concerning the fair values of the intangible assets and property, plant, and equipment acquired, the liabilities assumed at the acquisition date, and the useful lives of the intangible assets and the property, plant, and equipment acquired.

Non-controlling interests can be measured either at cost (partial goodwill method) or at fair value (full goodwill method). The choice of method can be made on a case-by-case basis. It is general practice within the ANDRITZ GROUP to use the partial goodwill method.

In step acquisitions, where a company is acquired in several stages, the fair values of the acquired entity's assets and liabilities are measured in accordance with IFRS 3 – Business Combinations at the date on which control is obtained. Any resulting adjustments to the fair value of the existing interest are recognized in profit or loss. The carrying amount of the assets and liabilities already recognized in the statement of financial position is then adjusted accordingly.

a) Laroche

ANDRITZ has acquired 100% of LM Industries – including the two subsidiaries Laroche SA and Miltec SA, France. Laroche is a leading supplier of fiber processing technologies such as opening, blending and dosing, airlay web forming, textile waste recycling, and decortication of bast fibers. The acquisition complements the existing product portfolio of ANDRITZ Nonwoven (Pulp & Paper business area). The closing of the transaction took place in the first quarter of 2021.

b) GE Steam Power

ANDRITZ has signed an agreement with GE Steam Power to acquire substantial parts of their Air Quality Control System (AQCS) technology, including the technology center in Växjö, Sweden. The closing of the transaction took place in the second quarter of 2021.

c) Preliminary fair values at the acquisition date

The preliminary fair values of the assets acquired and liabilities assumed are as follows:

(in MEUR)	Total
Intangible assets other than goodwill	17.7
Property, plant, and equipment	11.3
Inventories	18.8
Advance payments made	0.5
Trade accounts receivable	5.7
Cash and cash equivalents	8.8
Current tax assets	1.1
Other receivables and assets	8.0
Deferred tax liabilities	-4.1
Provisions	-1.6
Trade accounts payable	-5.5
Contract liabilities from sales recognized at a point in time	-15.4
Other liabilities	-9.2
Net assets	**36.1**
Total comprehensive income allocated to non-controlling interests	0.0
Goodwill	12.4
CONSIDERATION TRANSFERRED	**48.5**

The goodwill of the acquired companies mainly results from the skills and technical talent of the workforce and the expected synergies from the integration into the ANDRITZ GROUP.

The initial accounting of the assets acquired and liabilities assumed from the contract with GE Steam Power is based on preliminary figures, because valuations have not been finalized yet. The final evaluation of the balance sheet items will be carried out according to the regulations of IFRS 3 (revised) – Business Combinations.

Transaction costs directly related to the business combination are recognized as an expense incurred in the period (in other expenses). The acquired receivables do not contain any receivables expected to be uncollectible.

The acquisitions have contributed 47.3 MEUR to the ANDRITZ GROUP's revenue and -2.2 MEUR to the ANDRITZ GROUP's EBIT since their first-time consolidation. If the businesses had been acquired at the beginning of the financial year 2021, they would have contributed 60.4 MEUR to the ANDRITZ GROUP's sales and -0.8 MEUR to the ANDRITZ GROUP's EBIT.

! SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

The first-time inclusion of individual assets acquired and liabilities assumed is based on preliminary values due to time constraints and not yet final valuations. If, within a year after the acquisition date, new and essential information becomes available about facts and circumstances that existed at the acquisition date and that would have led to corrections of the preliminarily recognized amounts or to additional provisions, the accounting of the acquisitions will be adjusted.

Depending on the type of asset and the availability of information, intangible assets are determined using a suitable valuation method. The fair values of land and buildings are generally determined by external experts or experts in the Group. In addition to the assumptions about the future development of the estimated cash flows, these valuations are also significantly influenced by the discount rates used. Analogously to the assets acquired and liabilities assumed, all available information about the circumstances at the time of acquisition is also used for the initial accounting of contingent purchase price liabilities.

Climate-related risks and opportunities were considered in determining the fair value of the acquired intangible assets and property, plant, and equipment, the liabilities assumed at the time of acquisition, and the useful life of the acquired assets and property, plant, and equipment based on the best estimate of future developments according to relevance. Opportunities and risks of environmental issues in acquisitions are already addressed in the purchase process as part of the due diligence. The due diligence performed for Laroche resulted in a deferral of the purchase price of 20% until the 2023 financial year.

6. Investments accounted for using the equity method

ACCOUNTING POLICIES

Associated companies are entities, which the Group has significant influence on, but does not have control or joint control over the financial and operating policies.

Joint ventures are entities over which ANDRITZ and one or more parties exercise joint control and have rights to their net assets.

Associated companies and joint ventures are accounted for at equity and are initially recorded at cost.

Company	Main office	Business area	Category	2021	2020
Enmas ANDRITZ Pvt. Ltd.	Chennai, India	PP	Associated company	40.00%	40.00%
Viafin Brazil Oy	Teuva, Finland	PP	Associated company	40.00%	40.00%
Psiori GmbH	Freiburg im Breisgau, Germany	HY	Associated company	25.10%	25.10%
Smart Press Shop GmbH & Co KG	Stuttgart, Germany	ME	Joint venture	50.00%	50.00%

The joint venture Smart Press GmbH & Co KG is operated jointly by Schuler Group GmbH and Dr. Ing. H. c. F. Porsche Aktiengesellschaft. The purpose is the highly flexible production of sophisticated chassis parts with pioneering technologies.

The summarized financial information for associated companies and joint ventures is shown in an aggregated form because the individual companies can be considered of minor importance. The following overview shows the items of the statement of financial position and the income statement for companies accounted for using the equity method:

(in MEUR)	2021		2020	
	Associated companies	Joint ventures	Associated companies	Joint ventures
DISCLOSURES ON FINANCIAL POSITION				
Assets	10.8	143.8	8.2	126.7
Liabilities	5.1	121.8	5.2	118.0
DISCLOSURES ON THE INCOME STATEMENT				
Revenue	5.5	15.9	4.0	0.0
Result for the year	2.8	-9.1	1.5	-2.3

ANDRITZ has the following share of income of companies accounted for using the equity method:

(in MEUR)	2021			2020		
	Associated companies	Joint ventures	Total	Associated companies	Joint ventures	Total
Share of net income	0.7	-4.5	-3.8	0.4	-1.1	-0.7
Share of other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Share of total comprehensive income	**0.7**	**-4.5**	**-3.8**	**0.4**	**-1.1**	**-0.7**
thereof not recognized in the consolidated financial statements	0.0	0.0	0.0	0.0	0.0	0.0
thereof recognized in the consolidated financial statements	**0.7**	**-4.5**	**-3.8**	**0.4**	**-1.1**	**-0.7**
Elimination of interim profit	0.0	0.1	0.1	0.0	-3.6	-3.6
Result from investments accounted for using the equity method	**0.7**	**-4.4**	**-3.7**	**0.4**	**-4.7**	**-4.3**
Aggregate carrying amount of the shares in companies accounted for using the equity method	**5.4**	**7.5**	**12.9**	**4.7**	**0.8**	**5.5**

Non-recognized losses of the financial year amount to 0.0 MEUR (2020: 0.0 MEUR). The cumulative unrecognized losses amount to -1.0 MEUR (2020: -1.0 MEUR). They belong entirely to Enmas ANDRITZ Pvt. Ltd. A loan from a company accounted for using the equity method is guaranteed in the amount of 59.9 MEUR (2020: 48.9 MEUR). The equity of the joint venture was increased by a contribution of 11.2 MEUR (2020: 5.0 MEUR) each by both shareholders.

7. Related parties

Under IAS 24 – Related Party Disclosures related party transactions have to be disclosed with entities, as far as they are not already included as consolidated companies in the consolidated financial statements of ANDRITZ AG as well with persons. The members of the Executive Board and the Supervisory Board of ANDRITZ AG have been defined as key management personnel, making them and the close members of their families related parties. The compensation to be disclosed includes the remuneration of the Executive Board and the Supervisory Board.

a) Related entities

In addition to the companies included in the consolidated financial statements, the Group has relations in the ordinary course of business with non-consolidated subsidiaries, associated companies, and joint ventures that are considered related parties of the Group. As the Group's transfer pricing policy provides transfer prices at arm's length, no transactions are conducted that do not comply with market standards. The non-inclusion of non-consolidated companies in the consolidated financial statements has no significant impact on the Group's net assets, liabilities, financial position, and profit or loss.

The extent of business relations with non-consolidated companies, associated companies, and joint ventures is as follows:

(in MEUR)	2021	2020
SALES AND OTHER INCOME	**26.5**	**44.0**
with non-consolidated companies	16.0	9.7
with associated companies and joint ventures	10.5	34.3
EXPENSES	**-22.1**	**-21.2**
with non-consolidated companies	-19.6	-21.2
with associated companies and joint ventures	-2.5	0.0
TRADE AND OTHER RECEIVABLES	**20.2**	**16.5**
from non-consolidated companies	**18.4**	**16.2**
Gross amount	30.5	32.9
Valuation allowance	-12.1	-16.7
with associated companies and joint ventures	**1.8**	**0.3**
Gross amount	2.2	0.7
Valuation allowance	-0.4	-0.4
LIABILITIES	**9.8**	**6.2**
to non-consolidated companies	9.8	6.2
with associated companies and joint ventures	0.0	0.0

The related companies are mainly sales companies. The joint venture Smart Press GmbH & Co KG is also categorized as a related company.

Read more details in Note 6. Investments accounted for using the equity method.

b) Related persons

Executive Board

The Executive Board of ANDRITZ AG was composed of five members as of December 31, 2021:

Name	Function	Date of first appointment to Executive Board	End of current mandate
Wolfgang Leitner	President & CEO	October 1, 1987 (CFO) June 29, 1994 (President & CEO)	April 7, 2022
Humbert Köfler	Member of the Executive Board	April 1, 2007	March 31, 2025
Norbert Nettesheim	Chief Financial Officer	December 6, 2019	September 30, 2027
Joachim Schönbeck	Member of the Executive Board	October 1, 2014	April 7, 2027
Wolfgang Semper	Member of the Executive Board	April 1, 2011	March 31, 2024

A company controlled by the President and CEO of ANDRITZ AG has ceded operation of a corporate jet aircraft owned by the company to a professional private aviation firm. The related expenses for business trips by members of the Executive Board and employees amounted to 304 TEUR in 2021 (2020: 195 TEUR). As of December 31, 2021, a liability to this company amounting to 0 TEUR (2020: 0 TEUR) was recognized in this regard. These and other business relations with companies in which members of the Executive Board or the Supervisory Board of ANDRITZ AG are involved, are conducted at usual market terms and are of minor importance, both individually and collectively.

The chairman of the Executive Board Wolfgang Leitner waived his remuneration as chairman of the Schuler Group GmbH Supervisory Board.

Custos Vermögensverwaltungs GmbH owns 30.72% and Cerberus Vermögensverwaltung GmbH owns 0.77%. The shares in these companies are held directly and some indirectly by Custos Privatstiftung and by Wolfgang Leitner, President and CEO of ANDRITZ AG, respectively.

At its meeting on May 27, 2020, the Supervisory Board resolved the compensation policy of ANDRITZ AG, which includes the principles of determining the compensation of the Executive Board, the Supervisory Board of ANDRITZ AG as well as the executives. The primary goal of the compensation policy is to promote long-term and sustainable corporate development above all in the interests of shareholders. The remuneration of the Executive Board is composed of a fixed and a variable/success-based portion. The amount of the variable portion depends on the net income achieved and the achievement of non-financial targets such as the current accident frequency rate. ANDRITZ aims to reduce the accident frequency rate by 30% each year compared to the previous year. If this target is reached, the variable remuneration for each Executive Board member is 100 TEUR. If the accident frequency rate is unchanged compared to the previous year, the variable remuneration does not apply. If the accident rate improves between 0% and the target value, the variable remuneration is calculated proportionately on a straight-line basis. If the target value is exceeded, the variable remuneration increases linearly up to a maximum of 150 TEUR.

For contracts with members of the Executive Board, the maximum value for the variable annual remuneration was fixed at three times the fixed annual remuneration. Any amounts in excess of this sum will be carried forward as a variable remuneration to the following three years. If the net income of the Group falls short of a defined minimum amount, this results in a “malus” (negative bonus) that is also carried forward to the following years and is a reduction in future variable salary components. If there is a “negative bonus” at the time of leaving, this reduces the entitlements existing upon leaving.

The other remunerations primarily relate to taxable benefits, mainly for company cars and travel expenses, which amount in 2021 to a total of 63 TEUR (2020: 68 TEUR). In addition, ANDRITZ makes insurance contributions for the risk of accidents such as death or disability and for medical expenses. If necessary, ANDRITZ also assumes the costs of keeping two households for up to one year at the start of employment. In the 2021 financial year, the other remuneration components granted amounted to 520 TEUR (2020: 547 TEUR). No advances or loans were granted to members of the ANDRITZ AG Executive Board.

The members of the Executive Board are entitled to receive pension scheme benefits. In addition to a retirement pension, these include benefits in the event of occupational disability as well as pension payments for dependents following the death of the beneficiary. The retirement pension is normally paid from a certain age provided that the employment contract has already been terminated by this date. The administration work has been outsourced to pension funds. Pension contracts are either defined contribution oriented or defined benefit oriented. If the employment contract is terminated prematurely, contributions made up to this point shall still be vested. The pension amount to which the beneficiary is entitled is not subject to an escalation clause before any benefits become payable; after this, annual adjustments can be made to take account of the development in wages and salaries and of ANDRITZ’s economic status.

Some members of the Executive Board shall, upon termination of their function and concurrent termination of employment, be entitled to severance payments in the meaning of section 23 of the Austrian Employees Act unless such termination is the result of justified dismissal. Severance payments in the event of premature termination without good cause of activities as member of the Executive Board are provided for in the Executive Board contracts according to section 27 of the Austrian Salaried Employees Act.

The principles applied in establishing the remuneration of the Executive Board and of senior managers comply with the Austrian Code of Corporate Governance.

The following expenses have been recognized for the Executive Board:

(in TEUR)	2021	2020
Short-term benefits	12,522	8,205
Post-employment benefits	521	547
Share-based payments	334	325
	13,377	**9,077**

A provision of 5,392 TEUR in 2021 (2020: 6,031 TEUR) was recorded for pensions of former members of the Executive Board and their dependents. Expenses for these pensions amounted to 89 TEUR in 2021 (2020: 81 TEUR). In 2021, 417 TEUR (2020: 408 TEUR) were paid to former members of the Executive Board and their surviving dependents.

ANDRITZ AG took out Directors' and Officers' liability insurance (D&O insurance) for 2021. The policyholder is ANDRITZ AG. The costs are carried by the company. The D&O insurance covers certain personal liability risks of persons in the ANDRITZ GROUP acting under responsibility. The annual costs amount to approximately 560 TEUR (2020: approximately 290 TEUR).

Supervisory Board

The ANDRITZ AG Supervisory Board was composed of six appointed members and three delegated members by the employee representative organizations as of December 31, 2021:

Name	Function	Date of first appointment to Executive Board	End of current mandate
APPOINTED MEMBERS			
Christian Nowotny	Chairman of the Supervisory Board	December 29, 1999	Until the Annual General Meeting in 2022
Alexander Leeb	Deputy-Chairman of the Supervisory Board	March 27, 2019	Until the Annual General Meeting in 2023
Wolfgang Bernhard	Member of the Supervisory Board	July 7, 2020	Until the Annual General Meeting in 2025
Jürgen Hermann Fechter	Member of the Supervisory Board	March 30, 2016	Until the Annual General Meeting in 2026
Alexander Isola	Member of the Supervisory Board	March 30, 2016	Until the Annual General Meeting in 2026
Monika Kircher	Member of the Supervisory Board	March 21, 2014	Until the Annual General Meeting in 2023
DELEGATED MEMBERS			
Georg Auer	Member of the Supervisory Board	July 1, 2011	
Andreas Martiner	Member of the Supervisory Board	February 14, 2001	
Alexander Mori	Member of the Supervisory Board	June 30, 2021	

The remuneration scheme of the Supervisory Board is composed of a fixed and an attendance-related portion. The fixed portion is a total sum, which is to be distributed such that the chairman of the Supervisory Board receives double the amount and his deputy one-and-a-half-times the amount paid to the other members. The second portion consists of a lump sum fee paid in respect of each meeting that the member attends. Subject to approval by the Annual General Meeting, the Supervisory Board remunerations for the 2021 business year amount to a total of 300 TEUR (2020: 315 TEUR). No Supervisory Board remuneration was paid to the Supervisory Board members delegated by the employee representative organizations.

The chairman of the Supervisory Board, Christian Nowotny, is also a member of the Schuler Group GmbH Supervisory Board and received a remuneration amounting to 25 TEUR (as well as attendance fees in the amount of 14 TEUR) for the 2021 business year.

No advances or loans were granted to members of the ANDRITZ AG Supervisory Board. There were no agreements subject to approval between ANDRITZ AG and individual members of the Supervisory Board or companies closely associated with Supervisory Board members.

The law firm GRAF ISOLA Rechtsanwälte GmbH, in which the Supervisory Board member Alexander Isola acts as a partner, provided consultancy services as a legal advisor to ANDRITZ AG in the 2021 financial year. These mandates were settled at the respective applicable hourly rates of the law firm. The total volume of fees incurred in the financial year 2021 amounted to 0 TEUR (2020: 800 TEUR).

C) RESULT OF THE YEAR

8. Segment reporting

a) Business areas

For management purposes, the Group is divided into four business areas on a worldwide basis:

ANDRITZ Pulp & Paper (PP)

ANDRITZ Pulp & Paper provides sustainable technology, automation, and service solutions for the production of all types of pulp, paper, board and tissue. The technologies and services focus on maximum utilization of raw materials, increased production efficiency, lower overall operating costs as well as innovative decarbonization strategies and autonomous plant operation. Boilers for power generation, flue gas cleaning systems, various nonwoven technologies, panelboard (MDF) production systems, as well as recycling and shredding solutions for numerous waste materials also form a part of this business area. State-of-the-art IIoT technologies as part of Metris digitalization solutions complete the comprehensive product offering.

ANDRITZ Metals (ME)

ANDRITZ Metals is – via the Schuler Group – one of the world's leading suppliers of technologies, plants and digital solutions in metal forming. The product portfolio also includes automation and software solutions, process know-how and service. In the metals processing segment, the business area offers innovative and market-leading solutions for the production and processing of flat products, for welding systems and furnaces, as well as services for the metals processing industry.

ANDRITZ Hydro (HY)

ANDRITZ Hydro is one of the globally leading suppliers of electromechanical equipment and services for hydropower plants. With over 180 years of experience and an installed fleet of more than 470 GW output, the business area provides complete solutions for hydropower plants of all sizes as well as services for plant diagnosis, refurbishment, modernization and upgrade of existing hydropower assets. Pumps for irrigation, water supply and flood control as well as turbo generators are also part of this business area's portfolio.

ANDRITZ Separation (SE)

ANDRITZ Separation provides mechanical and thermal technologies as well as services and the related automation solutions for solid/liquid separation, serving the chemical, environmental, food, and the mining and minerals industries. The customized, innovative solutions focus on minimizing the use of resources and achieving highest process efficiency, thus making a substantial contribution towards sustainable environmental protection. In addition, the business area offers technologies and services for the production of animal feed and biomass pellets.

These strategic business areas form the basis of the internal reporting structure to the Executive Board as the key decision maker. The accounting and valuation principles of the individual segments are the same as those of the Group. The segment Separation also contains the Feed & Biofuel business area for which the Executive Board obtains a separate reporting. As the thresholds of the Feed & Biofuel business area are below the limits, both business areas are condensed to one reportable segment. According to the internal reporting structure, all revenue as well as all direct and indirect expenses (including overhead and administrative costs) are allocated to business areas and reflect the management structure of the organization and the predominant sources of risks and opportunities. The key measure of operating performance for the Group is Earnings Before Interest, Taxes, and Amortization (EBITA). There are no substantial intersegmental transactions. All consolidation effects related to the income statement are included in the respective business area.

Business area information

2021

(in MEUR)	PP	ME	HY	SE	Total
Revenue	3,070.6	1,366.1	1,345.1	681.2	6,463.0
EBITDA	423.4	81.7	133.0	80.2	718.3
EBITA	346.0	38.4	95.4	66.7	546.5
Capital expenditure	90.6	25.5	28.7	15.3	160.1
Depreciation, amortization, and impairment of property, plant, and equipment and intangible assets	114.8	67.4	38.2	13.5	233.9
Result from investments accounted for using the equity method	0.0	-4.4	0.7	0.0	-3.7
Carrying amount of investments accounted for using the equity method	0.0	7.5	5.4	0.0	12.9

2020

(in MEUR)	PP	ME	HY	SE	Total
Revenue	3,339.0	1,420.5	1,296.0	644.1	6,699.6
EBITDA	399.6	5.5	98.5	67.5	571.1
EBITA	322.7	-46.7	62.0	53.7	391.7
Capital expenditure	64.1	26.5	29.7	11.5	131.8
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	112.5	86.4	38.5	14.0	251.4
Result from investments accounted for using the equity method	0.0	-4.7	0.4	0.0	-4.3
Carrying amount of investments accounted for using the equity method	0.0	0.8	4.7	0.0	5.5

b) Geographical segmentation

The Group's activities are mainly conducted in Europe, North America, South America, China, and Asia (without China). External revenue allocated by geographical segments is based on the location of the customers.

Information according to geographical segments

2021

(in MEUR)	Europe	North America	South America	China	Asia (without China)	Rest of the world and consolidation	Total
External revenue	2,136.3	1,308.7	867.7	1,071.3	803.5	275.5	6,463.0
Non-current assets	869.3	240.9	98.9	187.4	35.0	795.1	2,226.6
Capital expenditure	90.2	13.9	17.8	32.2	4.9	1.1	160.1

2020

(in MEUR)	Europe	North America	South America	China	Asia (without China)	Rest of the world and consoli-dation	Total
External revenue	2,279.2	1,302.3	1,237.1	822.6	831.6	226.8	6,699.6
Non-current assets	867.8	246.4	74.8	159.7	34.8	816.4	2,199.9
Capital expenditure	78.2	18.0	6.1	24.9	4.1	0.5	131.8

External revenue in Europe includes an amount of 129.1 MEUR (2020: 152.9 MEUR) recognized in Austria. Non-current assets of 316.9 MEUR (2020: 321.9 MEUR) are located in Austria.

c) Key customers

There is no revenue from transactions with a single external customer that amounts to 10% or more of the Group's revenue.

9. Revenue

ACCOUNTING POLICIES

Revenue includes all income resulting from the typical business activities of the ANDRITZ GROUP and is recognized in accordance with IFRS 15 from contracts with customers. Accordingly, ANDRITZ recognizes revenue when control of a promised product or service is transferred to a customer. The rules of IFRS 15 are implemented as part of the 5-step model: the model starts with the identification of the contract with the customer, followed by the identification of separate performance obligations. According to this, separately identifiable services as well as bundles of products and services are to be separated. In the third step, the transaction price is determined. The transaction price is the amount of the consideration to which the supplying company is entitled as expected in exchange for the goods or services supplied. Subsequently, the transaction price is allocated to the identified performance obligations. In the last step, the revenue is recognized when the performance obligation is satisfied. Revenue is recognized either over time or at a point in time.

The majority of revenues at ANDRITZ are recognized **over time**. Revenue is recognized over time in accordance with performance progress using input- or output-oriented methods. Projects that are recognized over time are characterized by individual contract terms with fixed prices. The performance progress is measured mainly by the input-oriented method ("cost-to-cost method"). In applying the cost-to-cost method, revenue and project margins are recorded relative to the ratio of accumulated costs to the estimated total costs to complete. Changes of the total estimated project costs and losses, if any, are recognized in the income statement for the period in which they incur. For technological and financial risks that might occur during the remaining project period, an amount individually assessed for each project is included in the estimated project costs. For expected costs of warranty, provisions are recorded in accordance with the profit realization. Upon completion of a project, the remaining warranty risk is reassessed.

If the criteria set forth in IFRS 15 for revenue recognition over time are not met, the revenue is recognized **at a point in time**. At ANDRITZ, a customer obtains control over a promised product or service mainly when the asset is accepted or when the risks and rewards of ownership are transferred.

Impending losses on the valuation of projects not yet completed are recorded when it is probable that the total project costs will exceed the revenue.

Contract balances

In case advance and progess payments received from customers exceed the performance progress for contracts with the revenues recognized over time, contract liabilities from revenues recognized over time are recorded, otherwise contract assets are recognized. Advance payments received from customers for contracts recognized at a point in time are presented as item “contract liabilities from sales recognized at a point in time” in the consolidated statement of financial position.

Contract assets and contract liabilities are within the ordinary business cycle of ANDRITZ and are reported as current assets or liabilities, respectively. Amounts originally recorded as contract assets are reclassified to trade receivables at the time when invoiced to customers. In case several contracts with a customer are to be combined into one contract for revenue accounting purposes, the contract assets and contract liabilities are netted.

a) Nature of products and services, timing of satisfaction of performance obligations, and significant payment terms

ANDRITZ is a supplier of plants, equipment, and services for the pulp and paper industry (Pulp & Paper), the metalworking and steel industries (Metals), hydropower stations (Hydro), and for solid/liquid separation in the municipal and industrial sectors as well as for animal feed and biomass pelleting (Separation).

Read more in Note 8. Segment reporting.

Within **capital sytems**, ANDRITZ fulfills the performance obligations using the input-oriented method (cost-to-cost method) if the conditions for the revenue recognition over time according to performance progress are met. Within capital systems, the criteria for revenue recognition over time are on the one hand the fact that there is no alternative use and on the other hand, that ANDRITZ has an enforceable right to payment for performance completed to date (costs plus an appropriate margin). If the criteria are not met, the performance obligations are met at a point in time, as soon as a customer obtains control over a promised product or service. This is especially the case when the asset is finally accepted. Payments and down payments of customers are made – depending on the content of the contract – already before the project starts and/or in regular intervals or after reaching certain milestones.

In the **service** business, ANDRITZ basically fulfills the performance obligations with simultaneous use by the customer while the service is rendered. Revenue is recognized over time. For services on site at the customer’s premises, repairs or maintenance with a short runtime or execution time, the revenue is recognized at a point in time. The invoicing of services by ANDRITZ and the payment by the customer are made on a regular basis.

Invoices are issued in accordance with the terms and conditions of the contract, whereby the terms of payment depend, among other things, on the country risk or customer credit risk.

With regard to the satisfaction of the performance obligations, it is evaluated whether two or more contracts with customers are to be combined into one performance obligation or whether one contract with a customer is to be divided into several performance obligations. If a contract is divided into several performance obligations, the total consideration is allocated to the respective performance obligations based on the estimated stand-alone selling prices. Since ANDRITZ’s products and services predominantly represent customer-specific solutions, the stand-alone selling prices are mainly the expected costs plus a margin. Contracts with customers may also contain variable components such as bonuses, contractual penalties or other claims from the customer or from ANDRITZ. Variable consideration is taken into account to the extent that they are most likely to occur.

In the financial year 2021, there were no significant financing components.

For projects with contractually agreed standardized **warranty services** ("assurance-type-warranty"), ANDRITZ recognizes provisions in accordance with revenue recognition. In exceptional cases where an additional warranty, beyond the standard (“service-type-warranty”) is contractually agreed upon, a separate performance obligation arises, to which part of the consideration is attributed.

b) Disaggregation of revenue

The following table shows the external revenue of ANDRITZ by the reported business areas:

	Pulp & Paper		Metals		Hydro		Separation		Total	
(in MEUR)	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
REGIONS										
Europe	959.1	1,012.7	558.1	651.0	409.9	412.2	209.2	203.3	2,136.3	2,279.2
North America	515.6	541.6	338.7	339.1	276.1	236.0	178.3	185.6	1,308.7	1,302.3
South America	685.4	1,071.4	29.6	24.1	84.4	80.3	68.3	61.3	867.7	1,237.1
Asia (without China)	364.8	366.9	86.0	56.6	261.1	324.2	91.6	83.9	803.5	831.6
China	476.6	288.8	339.4	334.1	151.2	119.8	104.1	79.9	1,071.3	822.6
Others	69.1	57.6	14.3	15.6	162.4	123.5	29.7	30.1	275.5	226.8
	3,070.6	**3,339.0**	**1,366.1**	**1,420.5**	**1,345.1**	**1,296.0**	**681.2**	**644.1**	**6,463.0**	**6,699.6**
TYPE OF REVENUE RECOGNITION										
Over time	1,807.2	2,126.6	844.0	940.5	1,067.9	1,042.3	235.2	231.8	3,954.3	4,341.2
At a point in time	1,263.4	1,212.4	522.1	480.0	277.2	253.7	446.0	412.3	2,508.7	2,358.4
	3,070.6	**3,339.0**	**1,366.1**	**1,420.5**	**1,345.1**	**1,296.0**	**681.2**	**644.1**	**6,463.0**	**6,699.6**
REVENUE CATEGORIES										
Capital systems	1,688.7	1,998.5	1,018.0	1,083.9	803.6	837.5	344.7	337.0	3,855.0	4,256.9
Service	1,381.9	1,340.5	348.1	336.6	541.5	458.5	336.5	307.1	2,608.0	2,442.7
	3,070.6	**3,339.0**	**1,366.1**	**1,420.5**	**1,345.1**	**1,296.0**	**681.2**	**644.1**	**6,463.0**	**6,699.6**

c) Contract balances

ANDRITZ recognizes contract assets in the context of revenue recognition over time in case the performance progress exceeds advance payments received from customers. In the financial year 2021, cumulative impairment on contract assets was reduced by 1.7 MEUR (2020: was reduced by 0.5 MEUR). Due to acquisitions, contract assets increased by 0.0 MEUR (2020: 0.0 MEUR). Amounts originally presented as contract assets are reclassified to trade receivables at the time when rights become unconditional. This usually happens when the invoices are issued to the customer.

If advance payments received from customer contracts with revenue recognition over time exceed the performance progress, contract liabilities from sales recognized over time are recorded. Revenue recognized in the reporting period that was included in the contract liabilities from sales recognized over time at the beginning of the period amounted to 696.2 MEUR (2020: 830.1 MEUR). Due to acquisitions, contract liabilities increased by 0.0 MEUR (2020: 0.0 MEUR).

Advance payments received from customer contracts with revenue recognition at a point in time are presented as contract liabilities from revenue recognized at a point in time. These are generally recognized as sales in the subsequent fiscal year.

Cumulative catch-up adjustments to revenue, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price or a contract modification as well as revenue recognized in the reporting period from performance obligations (partially) satisfied in previous periods amount to less than one percent of the total revenue of a fiscal year.

d) Transaction price assigned to the remaining performance obligations

The following overview shows the order backlog as of December 31, 2021 with expected revenue recognition in the following periods:

(in MEUR)	2022	2023 and later	Total
Pulp & Paper	2,293.4	1,083.8	3,377.2
Metals	1,158.3	383.4	1,541.7
Hydro	1,156.6	1,591.2	2,747.8
Separation	460.0	39.1	499.1
	5,068.3	**3,097.5**	**8,165.8**

ANDRITZ has not made use of the practical expedient in accordance with IFRS 15.121.

e) Contract costs

ANDRITZ assumes that sales commissions paid to intermediaries as a result of concluding the contract are eligible for reimbursement. At ANDRITZ, all contract costs can be attributed directly to the contract initiation. The capitalized contract costs are included in the item "Other receivables" and amount to 9.8 MEUR as of December 31, 2021 (2020: 13.7 MEUR). According to the performance progress, 8.8 MEUR were amortized in the financial year 2021 (2020: 4.4 MEUR). In the fiscal year, no significant impairment losses were recorded.

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

Over time revenue recognition is made in accordance with performance progress using input- or output-oriented methods. The accounting for projects with revenue recognition over time is based on estimations for project costs, expected consideration as well as project risks including technical, political, and financial risks. These estimations are reviewed regularly and adjusted accordingly. Although these estimations are based on all information available on the balance sheet date, substantial changes after the balance sheet date are possible.

The evaluation of whether two or more contracts with customers are to be combined into one performance obligation or whether a contract with a customer must be allocated to several performance obligations requires judgment that may affect the recognition of revenue or profit. Variable consideration is estimated at the most likely amount. Estimates are based primarily on expectations as well as on historical, current, and forecasted information available as of the balance sheet date.

10. Other income

ACCOUNTING POLICIES

The presentation for grants related to income varies, whether the grant offsets several expense categories or not. Consequently, grants related to R&D activitites are presented as other income, whereas grants related to a specific expense category are credited directly to this expense category.

(in MEUR)	2021	2020
Government grants	30.3	30.7
Profit on disposal of intangible assets and property, plant, and equipment	15.3	11.0
Rental income	10.1	9.3
Income from scrap material	8.7	5.4
Exchange rate gains	7.8	0.0
Insurance income	5.5	3.9
Miscellaneous	45.4	25.6
	123.1	**85.9**

Miscellaneous other income includes, but is not limited to, income from payments of receivables written off.

11. Cost of materials

(in MEUR)	2021	2020
Expenses for raw materials, supplies, and goods purchased	2,689.3	2,974.3
Expenses for services purchased	691.7	658.1
	3,381.0	**3,632.4**

12. Personnel expenses

(in MEUR)	2021	2020
Wages and salaries	1,465.5	1,413.5
Expenses for social security and others	283.4	283.5
Pension expenses	49.5	41.7
Severance expenses	6.6	8.2
Termination expenses	-0.9	43.3
	1,804.1	**1,790.2**

In the financial year 2021, government grants for personnel cost of 8.2 MEUR (2020: 28.9 MEUR) were recorded as a reduction of expenses.

The number of employees within the ANDRITZ GROUP is as follows:

(headcount)	2021	2020
Employees (as of end of period; without apprentices)	26,804	27,232
Employees (average; without apprentices)	26,832	28,026

13. Other expenses

(in MEUR)	2021	2020
Sales expenses	201.9	214.8
Administrative and consulting expenses	128.6	133.2
Repairs and maintenance	108.4	105.9
Travel expenses	93.3	87.7
Expenses for energy and water	47.4	43.5
Insurance premiums and charges	42.1	38.8
Rents and lease expenses	28.5	30.0
Other taxes and charges	24.2	23.3
Bank charges, guarantees, and similar expenses	23.0	22.1
Expenses for valuation allowance and bad debt losses for receivables	5.3	11.1
Exchange rate losses	0.0	11.7
Miscellaneous	47.1	43.3
	749.8	**765.4**

Miscellaneous other expenses include, but are not limited to, expenses for further training of employees and expenses for industrial patents, rights, and licenses.

14. Depreciation, amortization, and impairment of property, plant, and equipment and intangible assets other than goodwill

(in MEUR)	2021	2020
Property, plant, and equipment		
Depreciation	159.9	161.9
Impairment losses	5.1	11.4
Reversal of impairment losses	0.0	-0.6
Intangible assets other than goodwill		
Amortization	68.8	69.1
Impairment losses	0.1	9.6
	233.9	**251.4**

The main impairment losses on property, plant, and equipment were recognized for buildings in Germany. These impairment losses on property, plant, and equipment were mainly recorded in the Metals business area. Impairment losses on intangible assets were mainly recorded for technologies in Germany.

15. Financial result

The financial result comprises the following:

(in MEUR)	2021	2020
Result from investments accounted for using the equity method	-3.7	-4.3
Interest income	19.3	17.1
Interest expense	-40.0	-46.2
Other financial result	-15.6	-0.7
	-40.0	**-34.1**

Interest expense contain 3.8 MEUR (2020: 5.9 MEUR) for interest expense on obligations for pensions, severance payments, and other long-term employee benefits as well as expected return on plan assets and interest expense on leases of 4.5 MEUR (2020: 5.1 MEUR).

The item “Other financial result” includes exchange rate gains and losses on loans and cash accounts of -8.8 MEUR (2020: 1.3 MEUR), as well as dividend income from investments of 1.1 MEUR (2020: 1.6 MEUR).

16. Income taxes

ACCOUNTING POLICIES

Income taxes include current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that the taxes are related to a business combination or to items recognized in other comprehensive income. Current taxes comprise the expected tax due (or tax receivable) on the taxable income (or the tax loss) for the financial year based on the income tax rates applicable respectively and all adjustments to the tax debt in respect of previous years. Actual tax liabilities also contain all tax debts arising as a result of dividends being declared. Current tax receivables and liabilities are offset if a legal right exists towards a tax authority to settle on a net basis. In the case of values determined in tax statements that cannot be realized the expected effects of these uncertain tax positions are considered.

Deferred taxes are recognized in respect of temporary differences between the net book value of assets and liabilities in the IFRS consolidated financial statements and their tax bases at the level of the subsidiaries. Deferred taxes are not recognized for

- taxable temporary differences in the initial recognition of goodwill,
- temporary differences in the initial recognition of assets or liabilities in a business transaction which is not a business combination and affects neither the accounting profit nor the taxable profit,
- temporary differences in connection with shares in subsidiaries, associated companies, and joint ventures provided that the Group is able to control the timing of the reversal of the temporary difference and it is likely that the temporary difference will not be reversed in the foreseeable future.

Deferred taxes are measured in accordance with the tax rates (and tax regulations) applicable on the balance sheet date or which have essentially been passed as law and are expected to be applicable on the date when the deferred tax credits are realized, or deferred tax liabilities are settled. A deferred tax asset is recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which it can be utilized. Deferred tax assets are assessed at every reporting date and reduced to the extent to which it is no longer likely that the related tax advantage will be taken of. Provided that the deferred taxes relate to the same taxable entity and the same tax authority as well as that there is also a legally enforceable right to offset actual tax receivables against actual tax liabilities, deferred tax assets and liabilities are offset.

Within the ANDRITZ GROUP, a tax group according to section 9 KStG 1988 (Austrian Corporate Tax Act) consists of ANDRITZ AG as head, ANDRITZ HYDRO GmbH as a domestic member as well as OTORIO LTD, Israel, and ANDRITZ DELKOR (Pty) Ltd., South Africa, as foreign members. A tax compensation agreement was concluded. Furthermore, several fiscal unities between selected affiliated companies availing of profit and loss absorption agreements exist in Germany. In addition, comparable tax groups exist in the USA, United Kingdom, France, Italy, and the Netherlands.

(in MEUR)	2021	2020
Current taxes	-177.0	-133.7
Deferred taxes	59.1	56.5
	-117.9	**-77.2**

The reconciliation of the calculated income tax expense to the effective tax expense is depicted below. The calculated tax expense in the amount of 110.0 MEUR is determined by multiplying the Earnings Before Taxes in the amount of 439.6 MEUR by the applicable tax rate of 25% for ANDRITZ AG:

(in MEUR)	2021	2020
Earnings Before Taxes (EBT)	439.6	280.9
Calculated tax expense (25% in 2021 and 25% in 2020)	-110.0	-70.2
Increase (-)/Decrease (+) of tax expense by:		
Non-tax-deductible expenses	-24.9	-21.1
Tax allowances and tax-exempted income	6.5	12.9
Foreign tax rate differential arising from foreign fiscal jurisdictions	20.1	14.1
Effects of changes in tax rates	-2.1	-1.4
Taxes for prior years	-2.7	6.4
Change in valuation allowance; non-recognition of deferred tax assets	15.8	-6.0
Non-deductible impairment of goodwill	-1.2	-1.3
Non-allowable withholding taxes; foreign operating site taxes	-18.6	-11.6
Others	-0.8	1.0
Effective tax expense	**-117.9**	**-77.2**
in % of EBT	-26.8%	-27.5%

The nominal income tax rates applicable for subsidiaries abroad are between 9.0% and 34.0% (2020: 9.0% and 34.0%) in the financial year.

The changes of deferred taxes in the statement of financial position are as follows:

(in MEUR)	2021	2020
Deferred tax assets	207.7	179.5
Deferred tax liabilities	-145.0	-159.7
Balance as of January 1	**62.7**	**19.8**
Deferred taxes recognized in income statement	59.1	56.5
Deferred taxes recognized in other comprehensive income	-3.4	-4.8
Changes in consolidation scope	-4.1	-0.1
Currency translation adjustments	3.7	-8.7
Balance as of December 31	**118.0**	**62.7**
Thereof:		
Deferred tax assets	241.9	207.7
Deferred tax liabilities	-123.9	-145.0

The following deferred tax assets and liabilities are the result of the following temporary valuation differences between the book values of the consolidated statement of financial position according to IFRS and the relevant tax bases as of December 31:

	2021		2020	
	Deferred taxes		Deferred taxes	
(in MEUR)	Assets	Liabilities	Assets	Liabilities
Intangible assets other than goodwill	6.5	-41.1	7.7	-50.9
Property, plant, and equipment	9.9	-81.2	8.5	-89.1
Financial assets	10.6	-4.2	8.4	-3.0
Inventories	243.2	-8.0	228.4	-3.3
Receivables and other assets	62.4	-278.9	87.0	-188.4
	332.6	**-413.4**	**340.0**	**-334.7**
Provisions	139.2	-38.6	147.5	-17.1
Liabilities	196.3	-136.5	142.3	-251.1
	335.5	**-175.1**	**289.8**	**-268.2**
Tax loss carry forwards	191.1	0.0	199.2	0.0
Deferred taxes before non-recognition and netting	**859.2**	**-588.5**	**829.0**	**-602.9**
Non-recognized deferred tax assets	-152.7	0.0	-163.4	0.0
	706.5	**-588.5**	**665.6**	**-602.9**
Netting	-464.6	464.6	-457.9	457.9
Net deferred tax assets and liabilities	**241.9**	**-123.9**	**207.7**	**-145.0**

On the balance sheet date, the loss carry forwards (gross values) are as follows:

	2021			2020		
(in MEUR)	Germany	USA	Others	Germany	USA	Others
Corporate income tax	280.0	144.7	188.5	298.5	151.6	267.1
Trade tax	259.9	0.0	0.0	288.7	0.0	0.0

Non-recognition of deferred tax assets apply to the following (gross values):

(in MEUR)	2021	2020
Deductible temporary differences	167.8	146.6
Tax loss carry forwards	397.8	460.8

The unrecognized tax loss carry forwards (gross values) include an amount of 8.3 MEUR (2020: 11.4 MEUR), which are subject to expiration within the next five years. Tax groups in Germany avail of frozen loss carry forwards for corporate income tax of 2.7 MEUR (2020: 2.7 MEUR) and for trade tax of 3.2 MEUR (2020: 3.2 MEUR).

The deductible temporary partial write-downs (amounts for outstanding sevenths from tax write-downs on investments) calculated in accordance with Austrian tax law amounted to 1.0 MEUR (2020: 1.8 MEUR). For this amount, deferred tax assets of 0.3 MEUR (2020: 0.5 MEUR) were recognized.

Regarding investments in subsidiaries, branches, and associated companies as well as in interests in joint arrangements no deferred tax liabilities were recognized for temporary differences in the amount of 360.1 MEUR (2020: 306.5 MEUR).

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

Estimates of the future realization of deferred tax assets are decisive in assessing the recognition and recoverability of deferred tax assets. This realization is dependent on the generation of future taxable profits during the periods in which taxable temporary differences reverse and tax loss carry forwards can be utilized. This assessment takes account of the probability of the deferred tax liabilities being reversed as well as the future taxable profits. It could have adverse effects on the assets, financial, and earnings situation, if the actual results deviate from these estimates or if these estimates need to be adjusted in future periods. Effects of uncertain tax positions include the best estimation of the expected tax payment. In the future, new information could be available causing the management to change the assumptions.

17. Earnings per share

Basic earnings per share (as stated subsequently in the consolidated income statement) were calculated by dividing the net income attributable to owners of the parent by the weighted average number of no-par value shares outstanding during the period.

Diluted earnings per share were calculated by dividing the net income attributable to owners of the parent by the weighted average number of no-par value shares outstanding with consideration of share options.

(in MEUR)	2021	2020
Net income attributable to owners of the parent	325.5	207.1
Weighted average number of no-par value shares	99,274,435	99,470,414
Effect of potential dilution of share options	245,573	0
Weighted average number of no-par value shares and share options	99,520,008	99,470,414
Basic earnings per no-par value share (in EUR)	3.28	2.08
Diluted earnings per no-par value share (in EUR)	3.27	2.08

D) NON-CURRENT ASSETS AND LIABILITIES

18. Property, plant, and equipment

ACCOUNTING POLICIES

Property, plant, and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When an asset is sold or retired, its cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included as other income or as other expenses in the income statement. The cost of property, plant, and equipment comprises its purchase price including import duties and non-refundable purchase taxes as well as any directly attributable costs of bringing it to the appropriate location for its intended use and putting the asset into working condition. The production costs of self-constructed assets contain direct material and production costs as well as adequate indirect material and production costs. Expenditure incurred after the fixed assets have been put into operation, such as maintenance and repair, is charged to the income statement in the period in which the costs are incurred.

Assets under construction are items of property, plant, and equipment not yet ready for use and are stated at cost.

Depreciation is calculated on a straight-line basis predominantly using the following estimated useful lives:

Buildings	20 - 50 years
Technical equipment and machinery	4 - 10 years
Tools, office equipment, and vehicles	3 - 10 years

The useful lives and the depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant, and equipment.

Property, plant, and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the net book value of an asset may be higher than the amount recoverable (the higher amount of fair value less costs to sell and value in use of an asset or of a cash generating unit). Whenever the net book value of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash generating unit.

Government grants

Government grants related to assets are deducted from the cost of the asset.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are generally capitalized as part of the cost of the asset. All other costs of borrowing are expensed in the period in which they are incurred.

Property, plant, and equipment is as follows:

(in MEUR)	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
COST					
Balance as of December 31, 2019	**1,036.6**	**894.4**	**246.9**	**43.8**	**2,221.7**
Additions	37.3	30.2	22.6	36.4	126.5
Disposals	-32.0	-27.8	-20.2	-0.6	-80.6
Reclassification	9.6	23.8	3.3	-37.8	-1.1
Currency translation adjustments	-33.2	-39.6	-10.0	-1.3	-84.1
Reclassification as held for sale	0.7	0.8	0.0	0.0	1.5
Balance as of December 31, 2020	**1,019.0**	**881.8**	**242.6**	**40.5**	**2,183.9**
Additions	49.0	31.5	21.9	51.7	154.1
Disposals	-29.3	-37.1	-22.0	0.4	-88.0
Reclassification	5.7	28.0	2.4	-39.3	-3.2
Currency translation adjustments	26.9	26.4	4.7	2.0	60.0
Changes in consolidation scope	9.3	1.0	0.1	0.0	10.4
Reclassification as held for sale	-15.2	-0.8	-0.1	0.0	-16.1
Balance as of December 31, 2021	**1,065.4**	**930.8**	**249.6**	**55.3**	**2,301.1**
ACCUMULATED DEPRECIATION					
Balance as of December 31, 2019	**-276.0**	**-497.8**	**-152.7**	**0.0**	**-926.5**
Depreciation	-58.5	-69.5	-33.9	0.0	-161.9
Impairment losses	-6.4	-4.7	-0.3	0.0	-11.4
Reversal of impairment losses	0.6	0.0	0.0	0.0	0.6
Disposals	16.3	20.3	15.2	0.0	51.8
Currency translation adjustments	7.3	18.8	6.5	0.0	32.6
Reclassification as held for sale	1.0	0.0	0.0	0.0	1.0
Balance as of December 31, 2020	**-315.7**	**-532.9**	**-165.2**	**0.0**	**-1,013.8**
Depreciation	-59.9	-69.2	-30.8	0.0	-159.9
Impairment losses	-3.7	0.0	-1.4	0.0	-5.1
Disposals	14.0	31.5	20.7	0.0	66.2
Reclassification	0.5	0.0	0.1	0.0	0.6
Currency translation adjustments	-8.5	-14.8	-3.2	0.0	-26.5
Changes in consolidation scope	-0.1	1.0	0.1	0.0	1.0
Reclassification as held for sale	6.6	0.5	0.0	0.0	7.1
Balance as of December 31, 2021	**-366.8**	**-583.9**	**-179.7**	**0.0**	**-1,130.4**
NET BOOK VALUE					
Balance as of December 31, 2020	703.3	348.9	77.4	40.5	1,170.1
Balance as of December 31, 2021	698.6	346.9	69.9	55.3	1,170.7

a) Collateral securities

As of December 31, 2021, property, plant, and equipment amounting to 6.1 MEUR was pledged as collateral security (as of December 31, 2020: 13.7 MEUR).

b) Commitments

The commitments arising from contracts for expenditure on property, plant, and equipment are only within the ordinary scope of business. As of December 31, 2021, these commitments amounted to 41.1 MEUR (as of December 31, 2020: 19.1 MEUR).

c) Borrowing costs

No borrowing costs relating to qualifying assets were capitalized in the financial years 2021 and 2020 as the amounts were immaterial.

d) Government grants

In the 2021 financial year, government grants amounting to 0.5 MEUR (2020: 0.4 MEUR) were received for capital expenditure in property, plant, and equipment and were offset against costs.

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

The anticipated useful lives of property, plant, and equipment are subject to estimates. If the current estimate of the useful lives differs significantly from the previous ones, these will be adjusted accordingly.

The impairment analyses for property, plant, and equipment are primarily based on discounted estimated future cash flows to be expected from the continued use and disposal of an asset at the end of its useful life. Factors such as lower than anticipated sales and resulting decreases of net cash flows as well as changes in the discount rates used, could lead to an impairment.

ANDRITZ has set targets for reducing CO_2, water consumption, and waste as part of the “We Care” sustainability strategy. Appropriate measures to achieve these goals are currently being evaluated. No significant effects on property, plant, and equipment are currently expected, but in individual cases there could be adjustments to useful lives or replacement investments.

19. Right of use assets from lease contracts and lease liabilities

ACCOUNTING POLICIES

A lease is an agreement in which the lessor grants the lessee the right to use an asset for an agreed period in return for one payment or a series of payments. IFRS 16 defines a comprehensive model for the identification of leasing agreements and their treatment in the financial statement of lessees and lessors. Lessees make a distinction between service and leasing. ANDRITZ only records the lease payments on the balance sheet, the service payments are recorded directly as an expense. Lessors distinguish between finance and operating leases.

The lessee records the leases and the associated right of use assets and lease liabilities on the balance sheet. Exceptions for the recognition of leases can be applied. ANDRITZ uses some practical expedients. Leasing contracts that involve an intangible asset are not recorded. This also applies to contracts for assets that are of low value or contracts that have a short term. A uniform discount rate was used for portfolios with similarly structured leasing contracts. Several leasing components and non-leasing components can exist within a contract. ANDRITZ has decided to separate these components and to balance them based on the relative individual selling prices.

Lessee

At inception of a contract, ANDRITZ assesses whether a contract is, or contains, a lease. A lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The lease term is the non-cancellable period for which a lessee has the right to use an underlying asset plus, if applicable, periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and/or periods covered by an option to terminate the lease if the lessee is reasonably certain to not exercise that option.

At initial recognition, ANDRITZ recognizes a lease liability for the obligation to make lease payments in the future and capitalizes a right to use the underlying asset:

- The lease liability is measured at present value of the lease payments not paid at the commencement date, discounted by the interest rate implicit in the lease or if not readily determined the incremental borrowing rate. The borrowing rates were determined based on a reference interest rate plus a risk premium.

- Lease payments comprise fixed payments, including in-substance fixed payments and variable lease payments that depend on an index or a rate. Variable payments based on the future performance of the asset are not defined as lease payments. Further included are amounts expected to be payable under a residual value guarantee, the exercise price of a purchase option that is reasonably certain to be exercised, lease payments in an optional renewal period if it is reasonably certain to exercise an extension option and penalties for early termination of a lease if it is reasonably certain to terminate early.

- The right of use asset is measured at cost and comprises the initial amount of the lease liability adjusted for any advance payments plus initial direct costs incurred and an estimate of costs of dismantling and removing or restoring the underlying asset or the site on which it is located, less any lease incentives received.

At subsequent measurement the right of use asset is depreciated using the straight-line method from the commencement date to the end of the lease term. In case the ownership of the underlying asset is transferred to ANDRITZ at the end of the lease term or the cost of the right of use asset reflects that a purchase option will be exercised, the underlying asset is depreciated until the end of the useful life. The general depreciation rules according to IAS 16 and impairment rules according to IAS 36 are applied.

The lease liability is measured using the effective interest method. A revaluation of the interest rate takes place if the future lease payments change due to an adjustment of the index or the (interest) rate used, the term of the lease or the amounts payable under a residual value guarantee change. When the lease liability is remeasured in this way, the corresponding adjustment is made to the carrying amount of the right of use asset.

Lessor

ANDRITZ only has entered into operating leases as lessor. With operating leasing, the main opportunities and risks associated with the use of the asset remain with the lessor. Leasing income is recorded on a straight-line basis over the term of the respective lease. The initial direct costs involved in negotiating and brokering an operating lease are added to the book value of the leased asset and are recognized on a straight-line basis over the lease term.

a) ANDRITZ as lessee

The Group has entered into various lease agreements for real estate, machinery, vehicles, and other assets as lessee. They are presented in the item property, plant, and equipment shown in the consolidated statement of financial position and comprise the following categories of right of use assets:

(in MEUR)	2021	2020
Land and buildings	178.7	171.1
Cars	14.2	14.6
Technical equipment and machinery	4.3	5.0
Other equipment, factory and office equipment	1.7	2.2
	198.9	**192.9**

Additions to the right of use assets amounted to 47.5 MEUR in the financial year 2021 (2020: 44.1 MEUR). Cash outflow for leases amounted to 53.0 MEUR in the financial year 2021 (2020: 54.0 MEUR).

In the income statement, the following amounts were recorded:

(in MEUR)	2021	2020
Expenses for variable lease payments that were not included in the calculation of the lease liability	4.0	3.6
Expenses for short-term leases that were not included in the calculation of the lease liability	10.6	12.6
Lease expenses on low value assets that were not included in the calculation of the lease liability	4.3	3.6
Interest expense for lease liabilities	4.5	5.1
Depreciation of right of use assets	45.6	44.4
thereof land and buildings	33.1	32.0
thereof cars	9.1	9.3
thereof technical equipment and machinery	2.4	2.0
thereof other equipment, factory and office equipment	1.0	1.1

The average weighted interest rate on the lease liabilities was at 1.37% during the 2021 financial year (2020: 2.07%) The leasing agreements contain no restrictions on the Group's activities regarding dividends or additional debts. There are no significant subleases. Lease payments for leases that the lessee has entered into but have not yet started amount to 0.3 MEUR in 2021 (2020: 0.2 MEUR).

Information on material leases

Land and buildings

ANDRITZ leases land and buildings for office space, production, and storage. The leases for land and buildings have an average term of 6.2 years in 2021 (2020: 7.4 years). In several cases, leases provide for additional payments based on changes of local price indices.

Some leases for land and buildings contain extension options that the Group can exercise up to one year before the end of the non-cancellable term of the contract. The Group endeavors to include extension options in new leasing contracts if this is practicable to ensure operational flexibility. The extension options held can only be exercised by the Group and not by the lessors. At the start of the lease, the Group assesses whether the exercise of the extension options is reasonably certain. The Group evaluates whether it is possible to exercise the options with sufficient certainty if there is a significant event or change in the circumstances over which it has an influence. The Group estimates that the potential future lease payments, if the extension options are exercised, would lead to a lease liability of 0.9 MEUR as of December 31, 2021 (2020: 0.9 MEUR).

Other leases

In the vehicles category, ANDRITZ mainly leases cars for employees with an average leasing period of 2.8 years in the 2021 financial year (2020: 4.1 years). The leased technical equipment includes machinery and other vehicles that are used in factories and warehouses. The usual average contract term for this category of right of use assets is 4.6 years in 2021 (2020: 4.9 years).

In addition, other equipment, factory, and office equipment are leased for the use of employees. The usual average contract term for this category of right of use assets is 4.2 years in 2021 (2020: 5.4 years). Many contracts in this category comprise low value items which are expensed immediately.

ANDRITZ monitors the usage of these vehicles and equipment and reviews the estimated amount to be paid as part of the residual value guarantees as of the balance sheet date in order to revaluate the lease liabilities and the right of use assets. As of December 31, 2021 ANDRITZ estimates the expected remaining guarantee amounts are not material.

b) ANDRITZ as lessor

In the financial year 2021, leasing income of 10.1 MEUR (2020: 9.3 MEUR) was recognized. The contracts largely refer to real estate. The future minimum lease payments from the non-cancellable leases are as follows:

(in MEUR)	2021	2020
Not exceeding 1 year	5.6	7.3
1 to 2 years	1.5	3.3
2 to 3 years	1.5	2.9
3 to 4 years	1.1	2.6
4 to 5 years	1.0	2.2
More than 5 years	5.1	8.2
Total undiscounted lease payments	**15.8**	**26.5**

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

When applying the appropriate accounting methods for classifying leases, management makes critical judgments.

Impairment tests for right of use assets are mainly based on estimated discounted net future cash flows that can be expected from the continued use of an asset and its disposal at the end of its useful life. Factors such as lower revenue, the resulting lower net cash flows and changes in the discounting factors used can lead to an impairment.

Discretionary decisions are made when interpreting the options and defining the original price of items of low value. The threshold for low value items regarding leasing is 5 TEUR.

The determination of the term of the lease is an essential criterion when applying IFRS 16. The useful lives of the right of use assets are usually defined by contract. If not, the expected useful lives of the right of use assets are subject to discretionary decisions and are reviewed periodically. In addition to the usual useful lives of the leased assets, other factors influence the critical judgment. These include extension options, early termination options, additions or extensions to the leased asset and economic effects of contract changes. If the current estimate of the useful lives differs significantly from the previous ones, these are adjusted accordingly.

ANDRITZ has set targets for reducing CO_2, water consumption, and waste as part of the “We Care” sustainability strategy. Appropriate measures to achieve these goals are currently being evaluated. No significant effects on the existing leasing contracts are currently expected, but in individual cases there could be adjustments to the useful life or replacement investments.

20. Goodwill

ACCOUNTING POLICIES

Goodwill is measured as the residual of the cost of the business combination after recognizing the acquired identifiable assets, liabilities, and contingent liabilities at fair value. Following a review of the amounts stated, the resulting value from the comparison of cost and fair value of the net assets of the acquired negative goodwill is recognized immediately in the income statement.

Goodwill is not amortized but tested for impairment. This test is performed at least annually or more frequently if events or changes in circumstances indicate a need for impairment. ANDRITZ performs the annual goodwill impairment test as of September 30 of each business year. In determining whether the recognition of an impairment loss is required, goodwill is allocated to the cash generating units that are expected to benefit from the synergies of the business combination. In case the composition of the original cash generating units changes over time due to reorganizations or changes in the reporting structure, the goodwill is reallocated accordingly. If the net book value exceeds the value in use, which is determined by using a discounted cash flow (DCF) calculation, and the fair value less costs of disposal is not higher, an impairment loss is recognized. An impairment loss recognized for goodwill will not be reversed in a subsequent period.

The planning is carried out at the level of each cash generating unit comprising the next three years. Future payment surpluses are based on internal forecasts, which are prepared in detail for the next financial year and with simplifications for the subsequent two years and reflecting the historical performance and best estimates on future developments. After this detailed planning horizon, a normalized development is assumed.

The discount rate used for the DCF calculation corresponds to that interest rate that represents the current market estimates on the interest rate as well as the specific risks of the asset. A discount rate before tax is applied with consideration of the applicable currency and risk profile.

Goodwill developed as follows:

(in MEUR)	2021	2020
COST		
Balance as of January 1	**959.1**	**986.3**
Changes in consolidation scope	12.4	0.0
Disposals	0.0	-4.7
Currency translation adjustments	21.9	-22.5
Balance as of December 31	**993.4**	**959.1**
ACCUMULATED IMPAIRMENT		
Balance as of January 1	**-199.1**	**-209.4**
Impairment loss	-4.8	-4.7
Disposals	0.0	4.7
Currency translation adjustments	-11.2	10.3
Balance as of December 31	**-215.1**	**-199.1**
NET BOOK VALUE		
Balance as of January 1	760.0	776.9
Balance as of December 31	778.3	760.0

Goodwill is allocated to the business areas as follows:

(in MEUR)	2021	2020
Pulp & Paper	376.7	356.4
Metals	263.3	261.0
Hydro	108.6	112.9
Separation	29.7	29.7
	778.3	**760.0**

a) Remeasurement from acquisitions

In the 2021 financial year, no remeasurement in accordance with IFRS 3 was carried out.

b) Impairment loss

In the 2021 financial year, an impairment loss of goodwill was recorded in the amount of 4.8 MEUR because the business did not develop as expected. The impairment relates to the cash generating unit Compact Hydro (HCH) assigned to the Hydro business area. The recoverable amount of the cash generating unit corresponds to its values in use. In 2020, impairment losses of 4.7 MEUR were recorded in the Metals business areas.

c) Cash generating units

The following tables show the significant cash generating units and groups of cash generating units (CGU), respectively:

2021

CGU	Business area	Goodwill	Discount rate before tax	Non-current growth rate	Description
		(in MEUR)	(in %)	(in %)	
Xerium (PFR)	PP	219.5	11.40	2.26	Manufacturing and supply of machine clothing (forming fabrics, press felts, drying fabrics) and roll covers for paper, tissue, and board machines
Schuler (ME-F)	ME	215.1	9.27	2.12	Presses, automation, dies, process know-how, and services in the forming equipment field
Nonwoven (KNW)	PP	61.1	11.54	2.64	Production technologies and services for the nonwovens and textile industry in the area of air-through bonding, airlay, needlepunch, spunlace, spunbond, wetlaid/Wetlace, converting, textile finishing, textile recycling, and natural fiber processing
Large Hydro (HLH)	HY	47.7	12.57	2.09	Turnkey electromechanical equipment and services for the installation of large new hydropower plants (“water to wire”) and components, including installation beyond the compact hydro range
Service Rehab (HSR)	HY	43.9	10.98	2.26	Modernization, rehabilitation, and capacity increases of electromechanical systems and services for hydropower plants
Separation (SES)	SE	24.5	10.28	2.21	Mechanical technologies such as centrifuges, filters, screens, thickeners or separators, and thermal technologies such as dryers or coolers as well as service
Mill Solutions (MMS)	ME	16.4	8.60	2.25	Turnkey systems for the production and processing of hot- and cold-rolled strip made of stainless steel, coated metals, nonferrous metals, and materials
Other CGUs		150.1			
		778.3			

In the 2021 financial year, the CGU Diatec was integrated into the CGU Nonwoven (KNW): The subsidiary Diatec was acquired in the 2018 financial year and has been tested independently of its associated division so far. As Diatec is now fully integrated into the KNW division, the reallocation has been carried out. In the financial year, goodwill was tested according to both the old and the new structure.

The goodwill from the Laroche acquisition in the amount of 12.4 MEUR was allocated to the existing CGU Nonwoven (KNW) upon acquisition in the 2021 financial year.

The goodwill of the HMI subsidiary acquired in fiscal year 2018 was allocated to the Large Hydro (HLH) and Service Rehab (HSR) CGUs, since HMI is now fully integrated into the respective divisions. In the financial year, the goodwill was tested according to both the old and the new structure.

2020

CGU	Business area	Goodwill	Discount rate before tax	Non-current growth rate	Description
		(in MEUR)	(in %)	(in %)	
Schuler (ME-F)	ME	215.1	9.38	2.01	Presses, automation, dies, process know-how, and services in the forming equipment field
Xerium (PFR)	PP	213.6	10.76	2.25	Manufacturing and supply of machine clothing (forming fabrics, press felts, drying fabrics) and roll covers for paper, tissue, and board machines
Large Hydro (HLH)	HY	45.7	12.43	1.99	Turnkey electromechanical equipment and services for the installation of large new hydropower plants ("water to wire") and components, including installation beyond the compact hydro range
Service Rehab (HSR)	HY	41.9	10.57	2.36	Modernization, rehabilitation, and capacity increases of electromechanical systems and services for hydropower plants
Diatec	PP	33.9	16.22	3.00	Production technologies and services for the nonwovens and textile industry in the area of air-through bonding, airlay, needlepunch, spunlace, spunbond, wetlaid/Wetlace, converting, textile finishing, textile recycling, and natural fiber processing
Separation (SES)	SE	24.5	10.90	2.29	Mechanical technologies such as centrifuges, filters, screens, thickeners or separators, and thermal technologies such as dryers or coolers as well as service
Mill Solutions (MMS)	ME	16.1	9.99	2.68	Turnkey systems for the production and processing of hot- and cold-rolled strip made of stainless steel, coated metals, nonferrous metals, and materials
Compact Hydro (HCH)	HY	15.0	11.06	1.98	Products and services for small and medium-sized hydroelectric power plants and solutions for mini hydro power plants
Other CGUs		154.2			
		760.0			

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

Climate-related risks were considered in the plans, if relevant, at the level of the individual cash generating units based on the best estimates of future developments. There was no impairment due to climate-related indicators in the financial year.

The impairment test for goodwill requires estimations regarding the development of future revenue and margins, and their resulting cash flows as well as assumptions for determining the discount rates used and therefore includes certain inherent uncertainties.

The following changes of significant assumptions in percentage points would result in a match of the book value of the goodwill and its value in use, if all other parameters remained unchanged:

2021

CGU	Goodwill	Discount rate	Planned growth rates	Planned cash flows
	(in MEUR)	(in %)	(in %)	(in %)
Xerium (PFR)	219.5	0.29%	-4.40%	-3.64%
Schuler (ME-F)	215.1	0.89%	-15.43%	-11.80%
Nonwoven (KNW)	61.1	367.44%	-113.77%	-94.23%
Large Hydro (HLH)	47.7	2.58%	-28.62%	-18.09%
Service Rehab (HSR)	43.9	7.02%	-38.62%	-48.47%
Separation (SES)	24.5	17.61%	-61.16%	-70.86%
Mill Solutions (MMS)	16.4	3.37%	-16.18%	-46.88%

2020

CGU	Goodwill	Discount rate	Planned growth rates	Planned cash flows
	(in MEUR)	(in %)	(in %)	(in %)
Schuler (ME-F)	215.1	0.34%	-6.18%	-4.81%
Xerium (PFR)	213.6	0.12%	-1.91%	-1.44%
Large Hydro (HLH)	45.7	3.77%	-23.29%	-30.39%
Service Rehab (HSR)	41.9	8.94%	-43.51%	-55.11%
Diatec	33.9	4.21%	-33.94%	-24.84%
Separation (SES)	24.5	10.88%	-55.64%	-59.69%
Mill Solutions (MMS)	16.1	2.20%	-28.22%	-23.78%
Compact Hydro (HCH)	15.0	1.45%	-18.48%	-12.68%

21. Intangible assets other than goodwill

ACCOUNTING POLICIES

Intangible assets are accounted for at cost. After initial recognition, intangible assets are accounted for at cost less accumulated amortization and any accumulated impairment losses. Intangible assets have a finite useful life and therefore are amortized on a straight-line basis over the best estimate of their useful lives. The estimated useful lives are as follows:

Acquired technology and similar rights	
Order backlog	1 - 3 years
Customer relationships	3 - 10 years
Brand names	7 - 15 years
Technology	4 - 10 years
Other intangible assets	
Concessions, industrial rights, and similar rights	3 - 15 years
Development cost	3 - 5 years

The useful lives and the amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits of the items of intangible assets.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the net book value of an asset may be higher than the recoverable amount (the higher amount of fair value less costs to sell and value in use of an asset or of a cash generating unit). Whenever the net book value of an asset exceeds its recoverable amount, an impairment loss is recognized.

Research expenditures are expensed as incurred. Development costs are capitalized if the recognition criteria of IAS 38 are met. The company capitalizes the development expenditures at production costs. The costs include all costs directly attributable to the development process as well as proportionate overhead costs. If the conditions are not met the expenses are recorded in the year in which they incur.

(in MEUR)	Acquired customer- and technology-related intangible assets	Other intangible assets	Total
COST			
Balance as of December 31, 2019	**511.6**	**88.6**	**600.2**
Additions	1.0	4.2	5.2
Disposals	-20.8	-2.4	-23.2
Reclassification	0.0	1.1	1.1
Currency translation adjustments	-18.5	-1.7	-20.2
Balance as of December 31, 2020	**473.3**	**89.8**	**563.1**
Additions	0.1	6.0	6.1
Disposals	-12.2	-4.9	-17.1
Reclassification	0.0	3.2	3.2
Currency translation adjustments	17.9	1.5	19.4
Changes in consolidation scope	17.8	-0.2	17.6
Reclassification as held for sale	-1.8	0.0	-1.8
Balance as of December 31, 2021	**495.1**	**95.4**	**590.5**
ACCUMULATED AMORTIZATION			
Balance as of December 31, 2019	**-221.9**	**-69.0**	**-290.9**
Amortization	-63.0	-6.1	-69.1
Impairment losses	-9.0	-0.6	-9.6
Disposals	20.5	2.4	22.9
Currency translation adjustments	6.1	1.3	7.4
Balance as of December 31, 2020	**-267.3**	**-72.0**	**-339.3**
Amortization	-62.1	-6.7	-68.8
Impairment losses	0.0	-0.1	-0.1
Disposals	12.2	4.3	16.5
Reclassification	0.0	-0.6	-0.6
Currency translation adjustments	-8.1	-0.7	-8.8
Changes in consolidation scope	0.0	0.2	0.2
Reclassification as held for sale	1.3	0.0	1.3
Balance as of December 31, 2021	**-324.0**	**-75.6**	**-399.6**
NET BOOK VALUE			
Balance as of December 31, 2020	206.0	17.8	223.8
Balance as of December 31, 2021	171.1	19.8	190.9

a) Research and development costs

Expenses for research and development costs non-capitalized amounted to 106.6 MEUR in the 2021 financial year (2020: 101.0 MEUR). Development costs at 0.0 MEUR (2020: 2.0 MEUR) were capitalized as internally generated intangible assets in the item “other intangible assets” in the 2021 financial year.

b) Collateral securities

As of December 31, 2021, disposal limitations arising due to the granting of collateral securities for intangible assets amounted to 0.0 MEUR (as of December 31, 2020: 0.1 MEUR).

! SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

The anticipated useful lives of intangible assets are subject to estimates. If the current estimate of the useful lives differs significantly from the previous ones, these will be adjusted accordingly.

The impairment analyses for intangible assets are primarily based on estimated future discounted cash flows to be expected from the continued use and disposal of an asset at the end of its useful life. Factors such as lower than anticipated revenue and resulting decreases of net cash flows as well as changes in the discount rates used, could lead to an impairment.

ANDRITZ has set targets for reducing CO_2, water consumption, and waste as part of the “We Care” sustainability strategy. Appropriate measures to achieve these goals are currently being evaluated. No significant effects on the intangible assets are currently expected, but in individual cases there could be adjustments to the useful lives.

22. Personnel-related provisions (employee benefits)

ACCOUNTING POLICIES

Some Group companies provide defined benefit pension plans. Provisions for pension obligations are recorded for benefits payable in the form of retirement, disability, and surviving dependents’ pensions. The benefits offered vary according to the legal, fiscal, and economic conditions in each country. Benefits are dependent on years of service and, in some cases, on the respective employee’s compensation.

In some countries there is a legal obligation to make severance payments in certain cases of termination of employment. Appropriate provisions are recognized for severance payment obligations.

The obligations are valued every year by professionally qualified and independent actuaries by using the projected unit credit method, different discount rates for different countries, and different average terms, respectively. This method assumes that in each year of service an additional part of the final benefit entitlement is earned and assesses each of these separately to build up the final obligation. The plan assets are deducted at fair value from the gross obligation. This results in the net debt and the net asset value to be reported. Due to the net interest approach, the Group determines the net interest cost (net interest income) by multiplying the net debt (net asset value) at the beginning of the period by the interest rate based on the discounting of the performance-related gross obligation at the beginning of the period. The net interest component resulting from obligations and plan assets is recognized as interest expenses in the consolidated income statement. Remeasurement effects regarding pensions and severance payments are recorded in other comprehensive income for the year, whereas those regarding anniversary bonuses and other long-term benefits are recorded in income statement. The remeasurement component includes the actuarial gains and losses from measurement of the performance-related gross obligation on the one hand and the difference between actually realized return on plan assets and the typically assumed return at the beginning of the period on the other hand. In the event that the plan has been overfunded, the remeasurement component also contains the change in net asset value from applying the asset ceiling as far as this has not been considered in the net interest component. If the present value of a defined benefit obligation changes as a result of plan amendments or curtailments, ANDRITZ shows the resulting effects in profit or loss for the period. Past service costs are generally recognized at the time the plan amendment occurs.

In some Group companies defined contribution plans exist. The related costs are expensed as they occur.

Personnel-related provisions are as follows:

(in MEUR)	2021	2020
Pensions	281.4	313.5
Severances	99.4	106.5
Others	32.8	33.9
	413.6	**453.9**

Other long-term employee benefits mainly consist of anniversary bonuses and partial retirement.

a) Pensions

(in MEUR)	2021	2020
EXPENSES FROM DEFINED BENEFIT PLANS		
Current service cost	8.6	10.0
Past service cost	-0.8	-1.0
Effects of plan curtailments and settlements	0.8	-0.7
EXPENSES FROM DEFINED CONTRIBUTION PLANS		
Payments to defined contribution plans	40.9	33.4
	49.5	**41.7**

According to IAS 19, the defined benefit plans for pensions are broken down according to the different geographic locations. The pension plans largely relate to Germany, Austria, and Switzerland. The “Others” category primarily comprises pension plans in the USA, Canada, and the United Kingdom.

The basic actuarial assumptions for the calculation of the pension obligations as of December 31 are as follows:

2021

		Germany and Austria	Switzerland	Others
Discount rate	in %	0.54 - 1.47	0.31 - 0.35	0.30 - 7.30
Wage and salary increases	in %	2.00	0.50	0.00 - 6.33
Retirement benefit increases	in %	1.50	0.00	0.00 - 4.75
Average term of the benefit obligation	in years	5.70 - 18.19	13.75 - 17.90	7.40 - 17.29

2020

		Germany and Austria	Switzerland	Others
Discount rate	in %	0.32 - 1.08	0.12 - 0.15	0.32 - 7.30
Wage and salary increases	in %	0.00 - 2.00	0.50	0.00 - 6.33
Retirement benefit increases	in %	1.50	0.00	0.00 - 4.75
Average term of the benefit obligation	in years	6.48 - 17.06	14.05 - 18.40	8.00 - 17.84

The following mortality tables were primarily used:

	2021	2020
Austria	AVÖ 2018-P	AVÖ 2018-P
Germany	Heubeck "Richttafeln 2018 G"	Heubeck "Richttafeln 2018 G"
Switzerland	BVG 2020 Generationentafel	BVG 2020 Generationentafel

The following tables show the development of the pension benefit obligation from January 1 to December 31:

2021

(in MEUR)	Germany and Austria	Switzerland	Others	Total
Defined benefit obligation as of January 1	**306.5**	**222.8**	**183.9**	**713.2**
Current service cost	2.7	4.9	1.0	8.6
Past service cost	0.0	0.0	-0.8	-0.8
Effects of plan curtailments and settlements	-0.3	0.7	-24.2	-23.8
Interest expense	3.1	0.3	3.8	7.2
Actuarial gains (-) and losses (+) from change in demographic assumptions	0.0	0.0	0.4	0.4
Actuarial gains (-) and losses (+) from change in financial assumptions	-11.2	-2.3	-11.5	-25.0
Actuarial gains (-) and losses (+) from change in experience adjustments	2.7	-4.5	-1.3	-3.1
Benefits paid	-13.7	-9.3	-8.7	-31.7
Contributions by the plan participants	2.3	2.5	0.0	4.8
Currency translation adjustments	0.0	9.8	12.2	22.0
Other changes	0.0	0.2	0.2	0.4
Defined benefit obligation as of December 31	**292.1**	**225.1**	**155.0**	**672.2**
Fair value of plan assets	-47.4	-238.2	-142.4	-428.0
Reduction of assets	0.0	24.9	12.3	37.2
Defined benefit liability as of December 31	**244.7**	**11.8**	**24.9**	**281.4**

2020

(in MEUR)	Germany and Austria	Switzerland	Others	Total
Defined benefit obligation as of January 1	**297.7**	**232.9**	**206.2**	**736.8**
Current service cost	3.6	5.4	1.1	10.1
Past service cost	0.0	-1.3	0.3	-1.0
Effects of plan curtailments and settlements	0.3	0.4	-18.7	-18.0
Interest expense	2.6	0.5	5.1	8.2
Actuarial gains (-) and losses (+) from change in demographic assumptions	-0.1	-4.7	-0.4	-5.2
Actuarial gains (-) and losses (+) from change in financial assumptions	9.2	4.2	15.0	28.4
Actuarial gains (-) and losses (+) from change in experience adjustments	2.8	1.2	-0.8	3.2
Benefits paid	-12.6	-19.8	-10.4	-42.8
Contributions by the plan participants	3.0	2.8	0.0	5.8
Currency translation adjustments	0.0	1.2	-13.5	-12.3
Defined benefit obligation as of December 31	**306.5**	**222.8**	**183.9**	**713.2**
Fair value of plan assets	-46.5	-215.9	-144.6	-407.0
Reduction of assets	0.0	4.7	2.6	7.3
Defined benefit liability as of December 31	**260.0**	**11.6**	**41.9**	**313.5**

Out of the total pension benefit obligation of 672.2 MEUR (2020: 713.2 MEUR), 378.7 MEUR (2020: 403.9 MEUR) are covered entirely or partly by investments in funds.

The following tables reconcile the fair value of the plan assets:

2021

(in MEUR)	Germany and Austria	Switzerland	Others	Total
Fair value of plan assets as of January 1	**46.5**	**215.9**	**144.6**	**407.0**
Interest income	0.7	0.3	2.9	3.9
Return on plan assets (excl. interest income)	2.0	14.1	5.1	21.2
Effects of plan curtailments and settlements	-0.2	0.7	-25.1	-24.6
Benefits paid	-2.2	-9.4	-8.2	-19.8
Contributions by the employer	0.6	3.4	12.2	16.2
Contributions by the plan participants	0.0	2.5	0.0	2.5
Currency translation adjustments	0.0	10.5	10.7	21.2
Other changes	0.0	0.2	0.2	0.4
Fair value of plan assets as of December 31	**47.4**	**238.2**	**142.4**	**428.0**

2020

(in MEUR)	Germany and Austria	Switzerland	Others	Total
Fair value of plan assets as of January 1	**47.8**	**217.9**	**162.6**	**428.3**
Interest income	0.6	0.5	4.0	5.1
Return on plan assets (excl. interest income)	-0.3	9.2	10.5	19.4
Effects of plan curtailments and settlements	-0.1	0.5	-18.4	-18.0
Benefits paid	-2.0	-19.9	-9.9	-31.8
Contributions by the employer	0.5	3.8	6.4	10.7
Contributions by the plan participants	0.0	2.8	0.0	2.8
Currency translation adjustments	0.0	1.1	-10.6	-9.5
Fair value of plan assets as of December 31	**46.5**	**215.9**	**144.6**	**407.0**

The plan assets are invested as follows:

2021

(in MEUR)	Germany and Austria	Switzerland	Others	Total
Equity instruments	**9.1**	**46.5**	**29.7**	**85.3**
thereof listed on an active market	9.0	46.5	29.7	85.2
Debt instruments	**9.7**	**62.2**	**102.3**	**174.2**
thereof listed on an active market	9.2	62.2	102.3	173.7
Property, plant, and equipment	**1.2**	**53.6**	**0.0**	**54.8**
thereof listed on an active market	0.2	0.0	0.0	0.2
Other assets	**27.4**	**75.9**	**10.4**	**113.7**
thereof listed on an active market	20.4	63.6	5.6	89.6
	47.4	**238.2**	**142.4**	**428.0**

2020

(in MEUR)	Germany and Austria	Switzerland	Others	Total
Equity instruments	**9.1**	**38.4**	**65.9**	**113.4**
thereof listed on an active market	5.6	38.4	65.9	109.9
Debt instruments	**12.6**	**62.0**	**66.7**	**141.3**
thereof listed on an active market	12.0	62.0	66.7	140.7
Property, plant, and equipment	**1.0**	**50.9**	**0.2**	**52.1**
thereof listed on an active market	0.1	0.0	0.2	0.3
Other assets	**23.8**	**64.6**	**11.8**	**100.2**
thereof listed on an active market	20.4	53.3	6.0	79.7
	46.5	**215.9**	**144.6**	**407.0**

In 2021, the actual investment result from plan assets amounted to 5.77% (2020: 5.48%).

As of December 31, 2021, there were no extraordinary risks specific to the company or to the plan, or any substantial risk concentrations.

Expected payments to the pension funds for defined benefit plans are estimated at 19.6 MEUR for 2022.

! SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

For the valuation of the various pension plans a method is applied, where parameters such as the expected discount rate, increases of salary and pension payments as well as the return on plan assets are used. If the relevant parameters develop significantly differently than expected, this can have a material impact on the provision and, subsequently, on the Group's related expenses.

The sensitivity analysis of the existing provisions for pensions is based on key actuarial assumptions. A change of +/- 0.5 percentage points in the discount factor, +/- 0.5 percentage points in the salary increase, +/- 0.5 percentage points in pension benefits, and +/- 1 year in life expectancy would have the following effects on the present value of the pension obligation, if all other parameters remained unchanged:

2021

(in MEUR)		Germany and Austria	Switzerland	Others	Total
Discount rate	+0.5%	-17.7	-15.2	-9.3	-42.2
	-0.5%	16.4	17.3	10.6	44.3
Wage and salary increases	+0.5%	0.7	1.6	0.3	2.6
	-0.5%	-0.7	-1.6	0.0	-2.3
Retirement benefit increases	+0.5%	11.3	5.1	2.9	19.3
	-0.5%	-10.4	0.0	-2.5	-12.9
Life expectancy	+1 year	11.0	7.7	6.2	24.9
	-1 year	-11.0	-7.8	-6.2	-25.0

2020

(in MEUR)		Germany and Austria	Switzerland	Others	Total
Discount rate	+0.5%	-18.8	-17.5	-11.7	-48.0
	-0.5%	21.1	14.9	11.2	47.2
Wage and salary increases	+0.5%	0.6	1.6	0.5	2.7
	-0.5%	-0.5	-1.6	-0.5	-2.6
Retirement benefit increases	+0.5%	12.6	8.7	3.1	24.4
	-0.5%	-11.5	0.0	-2.4	-13.9
Life expectancy	+1 year	13.0	5.2	6.8	25.0
	-1 year	-12.3	-9.9	-5.7	-27.9

b) Severances

(in MEUR)	2021	2020
EXPENSES FROM DEFINED BENEFIT PLANS		
Current service cost	3.2	4.3
EXPENSES FROM DEFINED CONTRIBUTION PLANS		
Payments to defined contribution plans	3.4	3.9
	6.6	**8.2**

In the financial year 2021, contributions of 2.2 MEUR (2020: 2.2 MEUR) to employees severance funds (MVK) in Austria, are included in the severance expenses, which represent defined contribution plans.

A breakdown of severance obligations to the various geographical locations has not been disclosed because these obligations relate to about 90% to Austria.

The actuarial assumptions used for Austria to determine the severance obligations as of December 31 are as follows:

(in %)		2021	2020
Discount rate	in %	0.90 - 1.20	0.62 - 0.90
Wage and salary increases	in %	2.00	2.00
Average term of the benefit obligation	in years	9.21 - 12.86	9.24 - 13.37

The following table shows the development of defined benefit obligations from January 1 to December 31:

(in MEUR)	2021	2020
Defined benefit obligation as of January 1	**108.3**	**114.2**
Current service cost	3.2	4.3
Interest expense	1.1	0.9
Actuarial gains (-) and losses (+) from change in demographic assumptions	-0.2	-0.9
Actuarial gains (-) and losses (+) from change in financial assumptions	-1.6	1.7
Actuarial gains (-) and losses (+) from change in experience adjustments	0.5	-1.2
Benefits paid	-10.5	-10.4
Currency translation adjustments	0.4	-0.3
Changes in consolidation scope	0.9	0.0
Defined benefit obligation as of December 31	**102.1**	**108.3**
Fair value of plan assets	-2.7	-1.8
Defined benefit liability as of December 31	**99.4**	**106.5**

The following table reconciles the fair value of plan assets:

(in MEUR)	2021	2020
Fair value of plan assets as of January 1	**1.8**	**2.0**
Interest income	0.1	0.1
Benefits paid	-0.2	-0.2
Contributions by the employer	0.2	0.0
Currency translation adjustments	0.1	-0.1
Changes in consolidation scope	0.7	0.0
Fair value of plan assets as of December 31	**2.7**	**1.8**

The plan assets are invested as follows:

(in MEUR)	2021	2020
Debt instruments	**1.1**	**1.0**
thereof listed on an active market	0.0	0.0
Other assets	**1.6**	**0.8**
thereof listed on an active market	1.1	0.2
	2.7	**1.8**

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

For the valuation of employee benefits a method is used, where parameters such as the expected discount rate, increases of salary and pension payments as well as the return on plan assets are used. If the relevant parameters develop significantly differently than expected, this can have a material impact on the provision and, subsequently, on the Group's related expenses.

The sensitivity analysis of the existing provisions for severances is based on key actuarial assumptions. A change of +/- 0.5 percentage points in the discount factor, and +/- 0.5 percentage points in the salary increase would have the following effects on the present value of the severance obligation, if all other parameters remained unchanged:

(in MEUR)		2021	2020
Discount rate	+0.5%	-3.9	-4.9
	-0.5%	5.1	5.8
Wage and salary increases	+0.5%	4.5	5.0
	-0.5%	-4.4	-4.2

23. Provisions

ACCOUNTING POLICIES

A provision is recognized when the company has a current obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made regarding the amount of the obligation. Provisions are measured at the expected settlement amount. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Order-related provisions include provisions for warranties, and other order-related risks as well as onerous contracts with customers. The first mentionend are based on past experience and individual assessments, they represent the legal and contractual warranty obligations as well as voluntary commitments to customers. Provisions for onerous contracts with customers are set up if the unavoidable costs of fulfilling the contractual obligations by ANDRITZ are higher than the expected sales. Onerous contracts are identified through cost and benefit forecasts and estimates are updated on an ongoing basis.

The provisions for restructuring and personnel adjustments mainly contain benefits to employees resulting from termination of the employment and are based on a detailed plan agreed between management and employee representatives.

(in MEUR)	Order-related provisions	Restructuring and personnel adjustments	Others	Total
Balance as of January 1, 2021	**558.3**	**91.8**	**40.9**	**691.0**
Additions	219.0	8.9	15.7	243.6
Usage	-55.7	-48.1	-12.6	-116.4
Release	-143.2	-20.5	-1.2	-164.9
Currency translation adjustments	9.9	0.7	0.7	11.3
Changes in consolidation scope	-1.3	-0.1	1.2	-0.2
Balance as of December 31, 2021	**587.0**	**32.7**	**44.7**	**664.4**
Non-current	96.1	6.3	17.7	120.1
Current	490.9	26.4	27.0	544.3

ANDRITZ expects the non-current provisions to usually result in cash outflows during the next two to three years. Current provisions are expected to result in cash outflows within the next fiscal year.

The provisions for restructuring and personnel adjustments relate primarily to the optimization of the value chain in the Metals (Metals Forming) and Hydro business areas. To ensure future competitiveness, further personnel adjustments were carried out, mainly in Germany. The remaining part of the resulting cash outflows due to the implementation of the measures from provisions set up in 2020, is expected in 2022.

Other provisions include the current portion of other long-term employee benefits (anniversary bonuses and partial retirement) as well as provisions for legal disputes that are not related to the sales business.

! SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

Provisions are recognized and measured based on estimates of the extent and probability of future events. As far as possible, these are based on past experience. Sometimes, however, reliable estimates can only be made with appropriate judgments, because litigation may concern complex legal issues. Therefore, in such cases, the assessment is made with the involvement of internal and external lawyers.

Read more in Note 38. Contingent assets and liabilities.

E) NET WORKING CAPITAL

24. Trade accounts receivable

Trade accounts receivable are as follows:

(in MEUR)	2021	2020
Gross amount of trade accounts receivable	1,001.4	880.5
Valuation allowance	-64.6	-62.2
TRADE ACCOUNTS RECEIVABLE	**936.8**	**818.3**

All trade accounts receivable are classified as current. The disposal limitations arising due to the granting of collateral securities amounted to 4.3 MEUR (2020: 4.7 MEUR). The parties receiving collateral security have no rights allowing them to sell or repledge the collateral securities provided.

Read more details on valuation in Note 30. Financial assets and liabilities.

Read more on payments overdue and development of impairment in Note 35. Risk management – Risks relating to financial instruments.

25. Other receivables and assets

(in MEUR)	2021	2020
Receivables from public institutions	179.0	167.7
Bills of exchange receivable	47.2	27.3
Prepayments, deferred charges, and interest accruals	44.2	36.7
Derivatives	38.2	73.4
Plan assets in excess of DBO	35.7	7.3
Schuldscheindarlehen	20.0	30.0
Receivables from associated companies, joint ventures, and non-consolidated companies	11.8	9.9
Contract costs	9.8	13.7
Miscellaneous	74.1	57.2
	460.0	**423.2**
thereof current	373.3	377.2
thereof non-current	86.7	46.0

Miscellaneous other receivables and assets include, but are not limited to, receivables from deposits and suppliers with debit balances.

26. Inventories

ACCOUNTING POLICIES

Inventories, including work in progress and unfinished services, are valued at the lower of purchase or production cost and net realizable value after valuation allowances for obsolete and slow-moving items. The net realizable value is the selling price in the ordinary course of business minus costs of completion, marketing, and distribution. Cost is determined by the average method. For processed inventories, cost also includes the applicable allocation of fixed and variable overhead costs. Inventories no longer usable are fully written-off. Changes in inventories of finished goods and work in progress serve to neutralize expenses for inventories still in stock on the balance sheet date.

Inventories consist of the following:

(in MEUR)	2021	2020
Materials and supplies	342.3	290.6
Work in progress and unfinished services	432.2	359.1
Finished goods and merchandise	130.5	111.5
	905.0	**761.2**

The write-down of inventories recognized as an expense amounted to -1.8 MEUR (2020: -9.5 MEUR). In the financial year, no substantial reversal of write-down was captured as a reduction of cost of materials. The book value of inventories carried at net realizable value amounted to 309.4 MEUR (2020: 289.4 MEUR). The carrying amount of inventories pledged as security for liabilities amounted to 4.1 MEUR (2020: 7.4 MEUR).

27. Advance payments made

The advance payments made and presented in the consolidated statement of financial position relate to procurement processes for both, customer orders and general inventories.

28. Trade accounts payable

ACCOUNTING POLICY

Supply chain financing (reverse factoring)

ANDRITZ offers a Supply Chain Financing Agreement (SCF), within which suppliers can choose to receive earlier payment of their invoices from a bank by selling receivables from ANDRITZ (factoring). In this agreement, the bank agrees to pay invoice amounts owed by the group to participating suppliers and later receive compensation for this from the group. The purpose of this agreement is to enable efficient payment processes and allow participating suppliers to sell their receivables from ANDRITZ to a bank before the due date.

ANDRITZ has not derecognized the original liabilities underlying this arrangement as no legal exemption was obtained nor the liability was materially modified by entering into the arrangement. From the Group’s perspective, the agreement does not significantly extend the payment period compared to normal periods with other non-participating suppliers. The Group does not incur any additional interest for paying the supplier liabilities to the bank. The amounts factored by the suppliers are therefore reported under trade payables, since the nature and function of the financial liability corresponds to the other trade payables. All liabilities underlying the SCF are classified as current as of December 31, 2021, and 2020, respectively.

Payments to the bank are included in cash flow from operating activities because they remain part of the Group's normal operating cycle and their essential nature remains operational, i.e. payments for the purchase of goods and services.

Read more in Note 30. Financial Assets and liabilities.

(in MEUR)	2021	2020
Trade accounts payable to related companies and persons	8.7	5.1
Trade accounts payable – Supply Chain Financing arrangements	45.9	39.0
Other trade accounts payable	756.5	705.6
	811.1	749.7

29. Other liabilities

(in MEUR)	2021	2020
Accruals and outstanding order-related costs	602.1	498.4
Unused vacation and other personnel-related accruals	288.7	245.6
Liabilities to public institutions	95.0	106.9
Derivatives	65.6	44.6
Liabilities due to employees	27.8	26.9
Liabilities from commissions	21.1	17.3
Earn out and contingent considerations	9.5	24.4
Miscellaneous	50.9	46.8
	1,160.7	**1,010.9**
thereof current	1,138.0	982.5
thereof non-current	22.7	28.4

Miscellaneous other liabilities include, but are not limited to, accrued interest and customers with credit balances.

F) FINANCIAL AND CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS, AND RISK MANAGEMENT

30. Financial assets and liabilities

ACCOUNTING POLICIES

A financial instrument is a contract that gives rise to both a financial asset for one entity and a financial liability or equity instrument for another entity. Financial instruments are accounted for on the trading day. Financial assets and financial liabilities included in the balance sheet comprise cash and cash equivalents, investments and other financial assets, trade receivables and trade payables as well as a portion of other receivables and other liabilities, bank and other financial liabilities, issued bonds, and Schuldscheindarlehen.

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the Group becomes a party to the contractual arrangements of the financial instrument. Initial recognition is at fair value plus transaction costs. This does not apply to financial assets categorized as "at fair value through profit or loss". For these instruments the initial recognition is made at fair value without consideration of transaction costs. Financial instruments are netted if the Group has a legally enforceable right to netting and intends to settle either only the balance or both the receivable and the liability at the same time.

Categories and subsequent measurement of financial assets

For all recognized financial assets, subsequent measurement is carried out at amortized cost or at fair value, depending on the classification category. The classification and measurement approach for financial assets takes the business model into account in which the assets are held as well as the characteristic of the cash flows. The following three classification categories for financial assets are distinguished:

- valued at amortized cost
- valued at fair value through profit and loss (FVTPL)
- valued at fair value through other comprehensive income (FVTOCI)

The classification category is determined by type of instrument: derivatives, equity instrument, and debt instrument.

Upon subsequent measurement, **derivatives** are valued at FVTPL.

Read more details about measurement in Note 34. Derivatives.

A **debt instrument** is measured at **amortized cost** if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective it is to hold assets in order to collect contractual cash flows; and
- its contractual terms lead to cash outflows on certain dates, which are solely principal and interest payments on the outstanding principal amount.

In the Group, trade receivables, loans, and other receivables with fixed or determinable payments that are not quoted on an active market belong to this category. These assets are measured at amortized cost using the effective interest method. The amortized costs are reduced by impairment losses. Interest income, foreign exchange gains and losses, derecognition effects, and impairments are recognized in profit or loss.

A **debt instrument** is valued at **FVTOCI** if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective it is both, to collect contractual cash flows and to sell financial assets; and
- its contractual terms lead to cash outflows on certain dates, which are solely principal and interest payments on the outstanding principal amount.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairments are recognized in profit or loss. Other net gains and losses are recognized in OCI. Upon derecognition, the cumulative gains and losses in OCI are reclassified to the income statement. In the Group, no instrument is assigned to this category in the financial year.

All **debt instruments** that are not measured at amortized cost or FVTOCI, as described above, are measured at **FVTPL**. In addition, upon initial recognition, the Group may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or at FVTOCI to be measured at FVTPL if it eliminates or substantially reduces an accounting mismatch. This option is not exercised within the Group. This category includes financial instruments acquired either mainly for the purpose of being sold or bought back at short notice. Debt instruments to obtain profits from short-term fluctuations in the market price or from the trader's margin are not held. Any gain, including interest, or loss resulting from the valuation is recognized in profit or loss.

An **equity investment** is generally measured at **FVTPL** because it is held for trading or because it is irrevocably decided upon initial recognition to not present subsequent changes in fair value in OCI but in the income statement. This choice is made for each investment individually. Equity instruments that are held to gain profits from short-term fluctuations in the market price or from the trader's margin are not held. Any gain, including dividend income, or loss resulting from the valuation is recognized in profit or loss.

The Group has decided to measure individual **equity investments** at **FVTOCI**. These assets are subsequently measured at fair value. Dividends are recognized in profit or loss unless the dividend is clearly a reimbursement of part of the investment cost. Other net gains and losses are recognized in OCI and are not reclassified to profit or loss.

Categories and subsequent measurement of financial liabilities

The valuation of financial liabilities depends on their classification in certain categories, which are distinguished and explained as follows:

- valued at fair value through profit or loss (FVTPL)
- valued at amortized cost

The Group measures its financial liabilities at **fair value through profit or loss** if the financial liability is held for trading or if it is a derivative that has not been designated as a hedging instrument and is not effective as such.

Read more details about measurement in Note 34. Derivatives.

Other financial liabilities, including taken out loans, are initially recognized at fair value less transaction costs. As part of subsequent measurement, other financial liabilities are measured at **amortized cost** in accordance with the effective interest method, whereby the interest costs are recognized in profit or loss corresponding with the effective interest rate.

Fair value

The fair value is the price that would be received in an orderly transaction between market participants on the measurement date for the sale of an asset or for the transfer of a liability. The measurement of financial instruments at fair value follows a three-level hierarchy and is based on the proximity of the applied measurement factors to an active market.

- **Level 1:** Financial instruments are valued according to level 1 if they have a quoted price in an active market for an identical asset or liability accessible for an entity. Quoted prices represent the fair value.
- **Level 2:** If the valuation according to level 1 is not accomplishable, level 2 valuation uses directly or indirectly observable inputs for determining the fair value.
- **Level 3:** If inputs are not observable, level 3 valuation uses unobservable inputs for determining the fair value.

Valuation techniques

Class	Valuation techniques for the determination of fair values
Derivatives, investments, miscellaneous other financial assets, Schuldscheindarlehen, bank loans, and other financial liabilities and lease liabilities	The fair value is basically calculated using stock market prices. If no stock market prices are available, the valuation is carried out using customary valuation methods taking specific parameters into account. The valuation model takes the present value of the expected cash flows into account, discounted with a risk-adjusted discount rate applicable for the remaining term.
Trade accounts receivable, other receivables and assets, cash and cash equivalents, time deposits included in "investments", trade accounts payable, and other liabilities	These classes of financial assets and liabilities are accounted for at their book value, which is a reasonable approximation of their fair value due to the fact that their residual maturity is essentially short.
Other shares, equity instruments included in "investments", and contingent considerations	There are no prices quoted on an active market for these financial instruments. The valuation is made via valuation parameters that are not observable on the market.

a) Levels and fair values

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

As of December 31, 2021

(in MEUR)							Net book value				Fair value
	Note	Hedge accounting at fair value	Mandatory at FVTPL	Equity instruments - FVTOCI	At amortized costs	No IFRS 9 valuation category	Total	Level 1	Level 2	Level 3	Total
Time deposits included in "investments"	31.				475.0		475.0				
Other investments	31.		258.1	22.4			280.5	258.1		22.4	280.5
Shares in non-consolidated companies and other shares	31.			0.6		17.2	17.8			0.6	0.6
Derivatives	34.	15.5	22.7				38.2		38.2		38.2
Miscellaneous other financial assets	31.				1.2		1.2		1.3		1.3
Trade accounts receivable	24.				936.8		936.8				
Other receivables and assets	25.				177.2	224.6	401.8				
Schuldscheindarlehen	25.				20.0		20.0		20.0		20.0
Cash and cash equivalents	32.				1,087.0		1,087.0				
FINANCIAL ASSETS		**15.5**	**280.8**	**23.0**	**2,697.2**	**241.8**	**3,258.3**				
Derivatives	34.	19.7	45.9				65.6		65.6		65.6
Bank loans and other financial liabilities	36.				185.2		185.2		184.4		184.4
Lease liabilities	19./36.				231.2		231.2		230.4		230.4
Trade accounts payable	28.				811.1		811.1				
Earn out and contingent considerations	29.				9.5		9.5			9.2	9.2
Schuldscheindarlehen	36.				951.5		951.5		960.3		960.3
Other liabilities	29.				99.5	986.1	1,085.6				
FINANCIAL LIABILITIES		**19.7**	**45.9**		**2,288.0**	**986.1**	**3,339.7**				

As of December 31, 2020

(in MEUR)							Net book value				Fair value
	Note	Hedge accounting at fair value	Mandatory at FVTPL	Equity instruments - FVTOCI	At amortized costs	No IFRS 9 valuation category	Total	Level 1	Level 2	Level 3	Total
Time deposits included in "investments"	31.				336.6		336.6				
Other investments	31.		177.3	10.1			187.4	177.3		10.1	187.4
Shares in non-consolidated companies and other shares	31.			0.6		19.1	19.7			0.6	0.6
Derivatives	34.	32.5	40.9				73.4		73.4		73.4
Miscellaneous other financial assets	31.				7.0		7.0		7.0		7.0
Trade accounts receivable	24.				818.3		818.3				
Other receivables and assets	25.				115.6	204.2	319.8				
Schuldscheindarlehen	25./31.				50.0		50.0		50.0		50.0
Cash and cash equivalents	32.				1,158.0		1,158.0				
FINANCIAL ASSETS		**32.5**	**218.2**	**10.7**	**2,485.5**	**223.3**	**2,970.2**				
Derivatives	34.	12.9	31.7				44.6		44.6		44.6
Bank loans and other financial liabilities	36.				226.7		226.7		229.6		229.6
Lease liabilities	19./36.				232.7		232.7		240.9		240.9
Trade accounts payable	28.				749.7		749.7				
Earn out and contingent considerations	29.		0.6		23.8		24.4			24.2	24.2
Schuldscheindarlehen	36.				1,073.6		1,073.6		1,110.5		1,110.5
Other liabilities	29.				92.8	849.1	941.9				
FINANCIAL LIABILITIES		**12.9**	**32.3**		**2,399.3**	**849.1**	**3,293.6**				

b) Reconciliation of level 3 measurement at fair value

The table below contains only financial assets:

(in MEUR)	2021	2020
Balance as of January 1	**10.7**	**7.1**
Gains / Losses recognised in other comprehensive income	7.9	-0.2
Acquisitions / Disposals	4.4	3.8
Balance as of December 31	**23.0**	**10.7**

c) Equity instruments at fair value through other comprehensive income

The equity instruments listed in the table below were designated as at fair value through OCI. These shares represent long-term strategic investments, which is why ANDRITZ considers this valuation category to be appropriate. No strategic investments were sold in the financial year. With regard to these investments, no accumulated gains or losses were transferred within equity.

(in MEUR)	Fair value as of December 31, 2021	Fair value as of December 31, 2020	Dividend income of 2021	Dividend income of 2020
JVP VIII, L.P.	21.0	8.8	0.0	0.3
Others	2.0	1.9	0.1	0.1
	23.0	**10.7**	**0.1**	**0.4**

d) Net gains and losses

2021

(in MEUR)	Derivatives	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Financial assets measured at amortized costs	Financial liabilities measured at amortized costs
Interest result	-5.2		2.6	16.9	-26.7
Dividends		1.0	0.1		
Valuation	-26.1	-1.5		-4.2	
Net gains/losses recognized in net income	**-31.3**	**-0.5**	**2.7**	**12.7**	**-26.7**
Net gains/losses recognized in other comprehensive income	-22.9		7.9		
NET GAINS/LOSSES	**-54.2**	**-0.5**	**10.6**	**12.7**	**-26.7**

2020

(in MEUR)	Derivatives	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Financial assets measured at amortized costs	Financial liabilities measured at amortized costs
Interest result	-10.1		1.2	15.7	-25.0
Dividends		1.1	0.4		
Valuation	15.4	-0.3		-10.4	
Net gains/losses recognized in net income	**5.3**	**0.8**	**1.6**	**5.3**	**-25.0**
Net gains/losses recognized in other comprehensive income	22.4		-0.2		
NET GAINS/LOSSES	**27.7**	**0.8**	**1.4**	**5.3**	**-25.0**

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

To assess the fair value of financial instruments for which there is no active market, alternative valuation methods are used that are subject to estimation uncertainties. The parameters used in the assessment are to some extent based on future-oriented assumptions and the selection of suitable parameters requires assumptions about their comparability.

In accordance with the disclosure requirements for financial instruments, certain assumptions are made regarding the future cash inflows and outflows of the instruments concerned.

31. Investments and other financial assets

ACCOUNTING POLICIES

Non-current investments and other financial assets consist primarily of non-current securities, Schuldscheindarlehen, shares in non-consolidated companies, and other shares.

The current investments consist mainly of government bonds, bonds of top-rated banks, money market funds, and time deposits. They are held for the purpose of investing liquid funds and are not generally intended to be retained on a long-term basis.

Read more details on valuation in Note 30. Financial assets and liabilities.

Non-current investments and other financial assets are as follows:

(in MEUR)	2021	2020
Investment securities	84.8	37.7
Shares in non-consolidated companies	17.2	19.1
Other shares	0.6	0.6
Schuldscheindarlehen	0.0	20.0
Miscellaneous	1.2	7.0
	103.8	**84.4**

The item „Investment securities" contains time deposits in the amount of 60.2 MEUR (2020: 25.2 MEUR). The shares in non-consolidated companies did not include a restricted right of use in 2021 or 2020, respectively.

Current investments consist of the following:

(in MEUR)	2021	2020
Time deposits	414.8	311.4
Funds	128.2	56.6
Bank bonds	107.6	95.9
Government bonds	20.1	22.4
	670.7	**486.3**

32. Cash and cash equivalents

ACCOUNTING POLICIES

Cash includes cash in hand and cash at banks. Cash equivalents comprise short-term investments that have original maturities of three months or less and are subject to an insignificant risk of changes in value e.g. time deposits.

Read more details on valuation in Note 30. Financial assets and liabilities.

Cash and cash equivalents are as follows:

(in MEUR)	2021	2020
Cash in banks	856.9	786.5
Time deposits	230.1	371.5
	1,087.0	**1,158.0**

The cash and cash equivalents in the consolidated statement of financial position correspond to cash and cash equivalents in the consolidated statement of cash flows.

In various countries exchange restrictions and other legal restrictions exist. As a result, the availability of these funds of cash and cash equivalents to ANDRITZ AG as the parent company might be restricted.

33. Equity

ACCOUNTING POLICIES

Share capital

Only ordinary shares exist and all shares have been issued and have the same rights. The share capital of ANDRITZ AG amounts to 104 MEUR, divided into 104 million shares of no-par value.

Capital reserves

The capital reserves include additional payments from shareholders on the issue of shares.

Retained earnings

Retained earnings predominantly include retained income, fair value reserve, actuarial gains and losses, and currency translation adjustments.

Fair value reserve

The fair value reserve contains the following components:

- **Reserve for cash flow hedging (hedging reserve)**
  This reserve comprises the effective part of the cumulative net changes in the fair value of hedging instruments used to hedge cash flows until they are subsequently recognized in profit or loss or are recognized directly in the acquisition costs or the carrying amount of a non-financial asset or a non-financial debt.

- **Reserve for the cost of hedging**
  This reserve shows gains and losses of the portion that is excluded from the designated hedging transaction that relates to the forward element of a forward exchange transaction. The cost of hedging are initially recognized in other comprehensive income and accounted for similar to the gains and losses in the reserve for cash flow hedging.

- **Reserve from changes in the fair value of financial assets**
  This reserve relates to the cumulative net changes in the fair value of equity instruments designated as valuated at FVTOCI.

a) Other comprehensive income

The amounts attributable to components of other comprehensive income are as follows:

(in MEUR)			2021			2020
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Changes in fair values	47.8	-8.9	38.9	-4.3	2.3	-2.0
Remeasurement of defined benefit plans	**47.8**	**-8.9**	**38.9**	**-4.3**	**2.3**	**-2.0**
Changes in fair values	7.9	-2.0	5.9	-0.2	0.1	-0.1
Equity instruments - FVTOCI	**7.9**	**-2.0**	**5.9**	**-0.2**	**0.1**	**-0.1**
Changes in fair values	62.5	0.0	62.5	-96.8	-0.1	-96.9
Transfers to income statement	0.0	0.0	0.0	-0.5	0.0	-0.5
Currency translation of foreign operations	**62.5**	**0.0**	**62.5**	**-97.3**	**-0.1**	**-97.4**
Changes in fair values	-19.8	6.3	-13.5	34.4	-11.0	23.4
Transfers to income statement	-4.1	1.6	-2.5	-2.0	0.7	-1.3
Cash flow hedges (hedging reserve)	**-23.9**	**7.9**	**-16.0**	**32.4**	**-10.3**	**22.1**
Changes in fair values	-4.5	1.3	-3.2	-9.8	3.2	-6.6
Transfers to income statement	5.5	-1.7	3.8	-0.2	0.0	-0.2
Cash flow hedges (cost of hedging)	**1.0**	**-0.4**	**0.6**	**-10.0**	**3.2**	**-6.8**
	95.3	**-3.4**	**91.9**	**-79.4**	**-4.8**	**-84.2**

b) Dividends

For 2021, a dividend of 1.65 EUR per outstanding share is proposed by the Executive Board.

The dividend of 99.3 MEUR for 2020, which is equal to 1.00 EUR per share, was proposed by the Executive Board and approved by the 114th Annual General Meeting on March 24, 2021. The dividend was paid to the shareholders on March 30, 2021.

c) Treasury shares

Based on an authorization given by the Annual General Meeting and with approval from the Supervisory Board, the Executive Board has decided on a share buyback and share resale program. It includes the purchase of up to 1,000,000 shares, each, in the period from August 2, 2019 to February 3, 2020, from March 4, 2020 to October 5, 2020 as well as from November 5, 2020 to February 1, 2021.

In 2021, 105,250 shares were bought back at an average price of 44.27 EUR per share. No shares were sold to authorized executives as part of the management share option plan for executives. 40,039 shares were transferred to employees of ANDRITZ as part of employee participation programs. As of December 31, 2021, the company held 4,809,315 treasury shares with a market value of 218.2 MEUR. It is planned to use these shares to service options under the management share option plan and the employee participation programs.

The following table shows the changes in the number of shares outstanding:

	Shares outstanding	Treasury shares	Total
Balance as of December 31, 2019	**99,867,390**	**4,132,610**	**104,000,000**
Purchase of treasury shares	-661,501	661,501	0
Used to cover share options and employee participation programs	50,007	-50,007	0
Balance as of December 31, 2020	**99,255,896**	**4,744,104**	**104,000,000**
Purchase of treasury shares	-105,250	105,250	0
Used to cover share options and employee participation programs	40,039	-40,039	0
Balance as of December 31, 2021	**99,190,685**	**4,809,315**	**104,000,000**

d) Management share option programs

ACCOUNTING POLICIES

Share Option Program 2020

The 113th Annual General Meeting on July 7, 2020 approved another share option program for managers and members of the Executive Board. The number of options granted per authorized manager can be up to 20,000, depending on the area of responsibility, and up to 37,500 for the members of the Executive Board. The options are to be drawn from the pool of shares bought back under the corporate share buy-back program. One share option entitles the holder to the purchase of one share.

In order to exercise a share option, the beneficiary must have been in an active employment relationship with a company belonging to the ANDRITZ GROUP from September 1, 2020 until the date of exercise of an option. Another requirement is a personal investment in ANDRITZ shares of at least 5 TEUR for junior executives for future top management posts, at least 20 TEUR for senior executives and at least 40 TEUR for members of the Executive Board.

Up to 90% of the options can be exercised between May 1, 2023, and April 30, 2027 (i.e. period of exercise), provided that the average unweighted closing price of the ANDRITZ share over 20 consecutive trading days within the period from May 1, 2022 to April 30, 2023 is at least 10% above the exercise price and the EBITA margin for the 2021 or 2022 business year is within the EBITA-corridor; or the average unweighted closing price of the ANDRITZ share over 20 consecutive trading days within the period from May 1, 2023 to April 30, 2024 is at least 15% above the exercise price and the EBITA margin for the 2022 or 2023 business year is within the EBITA-corridor. The EBITA corridor is defined the following way: With an EBITA margin between 6.5% and 7.9% the aliquot exercise of options is possible depending on the level of the EBITA margin, and with an EBITA margin of 8% or higher 90% of the options can be exercised.

10% of the options can be exercised between May 1, 2023 and April 30, 2027 and only if the "Accident Frequency Rate (AFR) > 3 days absence" is <= 3.5 in 2021, 2022 or 2023.

If the conditions of exercise are met, 50% of the options can be exercised immediately, 25% after three months, and the remaining 25% after a further three months. Share options can only be exercised by way of written notification to the company. The share options are not transferable. The shares purchased under the share option program are not subject to a ban on sales over a certain period.

The calculation of fair value was based on an option pricing model; applying methods scientifically recognized. The share price at the time of granting the options was the closing price of the ANDRITZ share on September 1, 2020, and amounted to 27.64 EUR. The exercise price of the option is the unweighted average closing price of ANDRITZ shares in the four calendar weeks following the 113th Annual General Meeting on July 7, 2020 and amounted to 31.20 EUR. The expected volatility and the expected dividend were calculated based on historical data of ANDRITZ.

Share Option Program 2018

The 111th Annual General Meeting on March 23, 2018 approved another share option program for managers and members of the Executive Board. The number of options granted per authorized manager can be up to 20,000, depending on the area of responsibility, and up to 37,500 for the members of the Executive Board. The options are to be drawn from the pool of shares bought back under the corporate share buy-back program. One share option entitles the holder to the purchase of one share.

In order to exercise a share option, the beneficiary must have been in an active employment relationship with a company belonging to the ANDRITZ GROUP from May 1, 2018, until the date of exercise of an option. Another requirement is a personal investment in ANDRITZ shares of at least 20 TEUR for managers and at least 40 TEUR for members of the Executive Board.

The options can be exercised between May 1, 2021, and April 30, 2023 (i.e. period of exercise), provided that the average unweighted closing price of the ANDRITZ share over 20 consecutive trading days within the period from May 1, 2020 to April 30, 2021 is at least 10% above the exercise price 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 the ANDRITZ share over 20 consecutive trading days within the period from May 1, 2021 to April 30, 2022 is at least 15% above the exercise price 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.

If the conditions of exercise are met, 50% of the options can be exercised immediately, 25% after three months, and the remaining 25% after a further three months. Share options can only be exercised by way of written notification to the company. The share options are not transferable. The shares purchased under the share option program are not subject to a ban on sales over a certain period.

The calculation of fair value was based on an option pricing model; applying methods scientifically recognized. The share price at the time of granting the options was the closing price of the ANDRITZ share on June 1, 2018, and amounted to 43.00 EUR. The exercise price of the option is the unweighted average closing price of ANDRITZ shares in the four calendar weeks following the 111th Annual General Meeting on March 23, 2018 and amounted to 46.01 EUR. The expected volatility and the expected dividend were calculated based on historical data of ANDRITZ.

Due to the fact that the management share option programs do not include cash settlements, corresponding expenses are recorded directly in equity, according to the International Financial Reporting Standards.

975,000 options were granted from the 2018 stock option program. The fair value of the options at the time they were granted amounted to 4,5 MEUR, of which 0,6 MEUR were recognized in expenses in 2021. 948,500 options were granted from the 2020 stock option program. The fair value of the options at the time they were granted amounted to 2,1 MEUR, of which 0,8 MEUR were recognized in expenses in 2021.

Movements in options under the share option plans for the 2021 and 2020 financial years were as follows:

	2021		2020	
	Number of options	Average exercise price per option (in EUR)	Number of options	Average exercise price per option (in EUR)
Balance as of January 1	**1,847,500**	**38.41**	**909,000**	**46.01**
Options granted	0	0.00	948,500	31.20
Options exercised	0	0.00	0	0.00
Options expired and forfeited	-55,500	42.41	-10,000	46.01
Balance as of December 31	**1,792,000**	**38.28**	**1,847,500**	**38.41**
Exercisable at year-end	0		0	

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The share option plans are measured based on the fair value of the options on the grant date. The fair value of the options is based on parameters such as volatility, interest rate, share price, duration of the options, and expected dividends. The interpretation of market information necessary for the estimation of fair values also requires a certain degree of subjective judgment. This can result in a difference between the amounts recorded and values subsequently realized in the market.

e) Non-controlling interests

ACCOUNTING POLICIES

The share attributable to non-controlling interests is shown separately in equity of the consolidated statement of financial position, in the consolidated income statement, and in the consolidated statement of other comprehensive income. The purchase method was applied for all companies acquired. Companies purchased or sold during the year were included in the consolidated financial statements as from the date of their purchase or up to the date of their sale.

(in MEUR)	Main office	Proportion of ownership interests and voting rights held by non-controlling interests		Net income allocated to non-controlling interests		Non-controlling interests	
		2021	2020	2021	2020	2021	2020
OTORIO LTD	Tel Aviv, Israel	49.99%	49.99%	-4.5	-2.6	-9.0	-3.6
PT. ANDRITZ HYDRO	Jakarta, Indonesia	49.00%	49.00%	0.7	0.6	1.7	2.0
Schuler Aktiengesellschaft (Teilkonzern)	Göppingen, Germany	-	-	0.0	-1.1	0.0	0.0
Dabaki Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	Mainz, Germany	6.00%	6.00%	0.0	0.0	0.0	0.0
ANDRITZ Fabrics and Rolls AG	Düren, Germany	-	0.45%	0.0	0.0	0.0	0.0
Andritz Rolls (Xi'an) Co., Ltd.	Xi'an, China	-	10.00%	0.0	-0.3	0.0	-0.3
				-3.8	**-3.4**	**-7.3**	**-1.9**

f) Additional capital disclosures

ANDRITZ is committed to maintain a strong financial profile, characterized by a conservative capital structure that provides financial flexibility. As of December 31, equity and total assets amounted to the following:

(in MEUR)	2021	2020
Total equity	1,567.3	1,255.7
Total assets	7,672.8	7,056.7
Equity ratio	20.4%	17.8%

ANDRITZ is not subject to any statutory capital requirements. The company has obligations to sell or issue shares in connection with existing share-based payment plans. In recent years, commitments from share-based payments have primarily been satisfied through buy-back of the company’s shares.

The goal in capital management is on the one hand to ensure the going concern of the group entities and on the other hand to maximize the return to shareholders by optimizing the debt and equity balance. In the past Schuldscheindarlehen (in 2017, 2018, and 2019) were issued to safeguard the financial stability and to provide the basis for further growth of the ANDRITZ GROUP. The capital structure of the Group consists of debt, cash, and equity attributable to shareholders of the parent, comprising share capital, capital reserves, and retained earnings.

The capital structure is reviewed on an ongoing basis. The cost of capital and the risks associated with each class of capital are taken into account. The Group will continue to optimize its capital structure through the payment of dividends, share buy-backs as well as the issue and redemption of debt.

The Group's overall strategy remains unchanged from 2020.

34. Derivatives

ACCOUNTING POLICIES

The Group uses derivatives to hedge interest rate and foreign currency risks arising from operational, financing, and investment activities. Financial liabilities to obtain profits from short-term fluctuations in the market price or from the trader's margin are not held.

Accounting for derivatives, that are not designated as a hedging relationship
Derivatives that are not designated as a hedging relationship are classified as held for trading in accordance with IFRS 9 and recorded at fair value. As of the balance sheet date, the fair value of open derivatives is calculated as the present value of future cash flows using currency and interest rate quotations. The own credit risk as well as the credit risk of the contractual partner are included. Any gain or loss resulting from the valuation is recognized in the income statement.

Hedge Accounting
In order to better present the economic effects of the risk management activities, ANDRITZ applies the regulations on the accounting of hedging transactions according to IFRS 9.

At inception of the hedge, ANDRITZ documents the economic relationship between the hedging instrument and the hedged underlying transaction, including the risk management objectives and the underlying corporate strategy. The essential conditions of the payments from the underlying transactions and hedging instruments (in particular nominal and payment dates) are basically identical or behave in opposite directions ("critical terms match").

Derivatives are initially recorded at fair value at the time a derivative contract is concluded and are measured at fair value at the end of each reporting period. Depending on the fair value (positive or negative), the derivative financial instruments are recorded as other receivables or other liabilities. The instruments are classified as non-current if the remaining terms exceed 12 months and current if the remaining terms are 12 months or less. The changes in fair value are recorded differently depending on the type of hedging relationship:

Fair value hedge
In connection with the hedge of the fair value of a recognized asset or recognized liability, the change in fair value of the hedging instrument and the underlying transaction are recognized in the income statement.

Cash flow hedge
If a derivative is designated as a cash flow hedge, the effective part of the change in fair value is recognized in other comprehensive income and accumulated in the reserve for cash flow hedges (hedging reserve). The effective part of the changes in fair value that is recognized in other comprehensive income is limited to the cumulative change in the fair value of the hedged underlying (calculated based on the present value) since the inception of the hedge. An ineffective portion of the changes in the fair value of the derivative is recognized immediately in income statement.

The Group only records the change of the fair value of the spot component of currency forwards as a hedging instrument in the hedging reserve. The change in the fair value of the forward element of forward exchange transactions (forward points) or the basis spread of swaps is accounted for separately as cost of hedging and is allocated in a reserve for cost of hedging in equity.

If the cash flow hedge leads to an asset or a liability, the amounts that have been accrued in equity are recognized in the income statement at the point at which the hedged item affects the result. If the hedging of an expected transaction results in the recognition of a non-financial asset or a non-financial liability, the amounts recognized in other comprehensive income become part of the acquisition costs at the time the non-financial asset or non-financial liability is recognized.

If a hedging instrument expires, is terminated or the hedge no longer meets the criteria for hedge accounting, all cumulative gains or losses and the accrued cost of hedging remain in equity until the forecasted transaction takes place. If the forecasted transaction is no longer expected, the cumulative gains or losses and the cost of the hedging are immediately reclassified to the income statement.

Reform of the reference interest rate (IBOR reform)

The Group determines the existence of an economic relationship between the hedging instrument and the hedged underlying transaction based on reference interest rates, terms, interest adjustment dates and maturities as well as notional or nominal amounts. If a hedging relationship is directly affected by the uncertainty resulting from the IBOR reform, the Group assumes for this purpose that the reference interest rate will not be changed because of the reform of the reference interest rate.

ANDRITZ will apply the changes to IFRS 9 of phase 1 as long as the uncertainties resulting from the IBOR reform exist with regard to the timing and amount of the underlying cash flows. The Group assumes that the uncertainties will only end when the Group's contracts, which refer to existing reference interest rates, are changed and include the date on which the existing reference interest rate is replaced by an alternative interest rate plus a fixed spread.

ANDRITZ retains the accumulated amounts in the cash flow hedge reserve for hedged IBOR cash flows even if there are uncertainties regarding the timing and amount of the cash flows due to the IBOR reform. If ANDRITZ is of the opinion that the hedged future cash flows are no longer expected for reasons other than the IBOR reform, the cumulative amount is immediately reclassified to the income statement.

At the time the description of the underlying transaction is adjusted due to the IBOR reform, the amount accumulated in the cash flow hedge reserve, is considered to be based on the alternative interest rate on which the future cash flows are determined.

Hedging relationships that are affected by the IBOR reform can become ineffective due to a temporary mismatch between the underlying transaction and the hedging instrument with regard to the transition from IBOR.

In the ANDRITZ GROUP, cash flows from purchases and sales in the operating business are hedged by use of foreign currency forwards and foreign currency swaps. This is intended to secure the expected and highly likely future transactions in foreign currencies.

ANDRITZ also uses interest rate swaps to hedge against the interest rate risk of future cash flows from financial liabilities. In the 2017 to 2019 financial years, Schuldscheindarlehen were issued in ten tranches with a total nominal value of 1,075.0 MEUR. The tranches were concluded with terms of five to ten years and have variable or fixed interest rates.

To hedge the interest rate risk of future cash flows, four interest rate swaps were concluded. The future cash flows expected from the floating-rate nominal amount of 190.5 MEUR were defined as the underlying. Combined with the related interest rate swaps it was designated as a cash flow hedge relationship. In 2021, an early redemption of two variable-interest Schuldscheindarlehen tranches with a total nominal value of 122.5 MEUR was made. The associated interest rate swaps have been terminated as well. The underlying transaction can only be converted from EURIBOR to an equivalent successor with mutual agreement, so the Group can amend the corresponding hedging transactions analogously.

The following overview shows the nominal values and fair values by type of forward contract:

2021

(in MEUR)	Remaining terms nominal values			Fair value		
	not exceeding 1 year	more than 1 year	Total	positive	negative	Total
Foreign exchange forward contracts	2,243.4	603.5	2,846.9	38.2	63.9	-25.7
thereof hedge accounting	1,039.8	513.5	1,553.3	15.5	18.0	-2.5
Interest rate swaps	0.0	68.0	68.0	0.0	1.7	-1.7
thereof hedge accounting	0.0	68.0	68.0	0.0	1.7	-1.7
	2,243.4	**671.5**	**2,914.9**	**38.2**	**65.6**	**-27.4**

2020

(in MEUR)	Remaining terms nominal values			Fair value		
	not exceeding 1 year	more than 1 year	Total	positive	negative	Total
Foreign exchange forward contracts	2,128.6	453.9	2,582.5	73.4	36.0	37.4
thereof hedge accounting	841.7	357.2	1,198.9	32.5	4.3	28.2
Interest rate swaps	0.0	192.5	192.5	0.0	8.6	-8.6
thereof hedge accounting	0.0	192.5	192.5	0.0	8.6	-8.6
	2,128.6	**646.4**	**2,775.0**	**73.4**	**44.6**	**28.8**

The net gains/losses from forwards contracts, that do not qualify as hedging relationship, contained in other gains/losses are shown in the table in chapter 30. d) Net gains and losses. These hedging instruments are included in the balance sheet items “Other receivables and assets” and “Other liabilities”.

a) Information on hedge accounting derivatives

The hedging instruments designated as a hedging relationship are included in the balance sheet items “Other receivables and assets” and “Other liabilities”. Information on nominal values, book values, and conditions of the hedge accounting derivatives is provided below:

2021

	Nominal value	Book value - receivables	Book value - liabilities	Book value - net	Hedging period until	Average hedging rate	Change in fair value used to calculate ineffectiveness
	(in MEUR)	(in MEUR)	(in MEUR)	(in MEUR)			(in MEUR)
Currency risk							
EUR / USD	496.2	1.2	-4.8	-3.6	January 2022 - December 2026	1.2	-1.9
EUR / CNY	152.6	4.3	-1.6	2.7	January 2022 - November 2026	7.6	-1.4
EUR / BRL	23.0	0.7	-0.1	0.6	January 2022 - March 2023	6.7	0.9
EUR / INR	46.1	1.1	-1.4	-0.3	January 2022 - May 2025	90.6	-0.1
EUR / CHF	10.8	0.3	-0.2	0.1	January 2022 - October 2025	1.1	0.2
EUR / AUD	80.0	0.2	-1.7	-1.5	January 2022 - October 2025	1.6	0.0
USD / CNY	35.0	0.8	0.0	0.8	January 2022 - September 2023	6.5	-0.4
USD / INR	22.2	0.4	-0.2	0.2	January 2022 - February 2025	77.8	-0.2
USD / BRL	73.9	0.7	-1.0	-0.3	January 2022 - September 2024	5.8	-0.4
USD / EUR	166.6	0.4	-2.9	-2.5	January 2022 - August 2027	0.9	-20.4
CNY / EUR	26.9	0.1	-0.3	-0.2	January 2022 - December 2023	0.1	-0.4
SEK / EUR	88.7	0.1	-1.2	-1.1	January 2022 - December 2024	0.1	0.0
MXN / USD	141.7	2.2	0.0	2.2	January 2022 - December 2027	0.0	0.0
CHF / EUR	25.4	0.4	-0.4	0.0	January 2022 - December 2027	0.9	-0.1
Others	164.2	2.6	-2.2	0.4	January 2022 - December 2026	-	2.6
	1,553.3	**15.5**	**-18.0**	**-2.5**			
Interest risk							
USD / EUR	68.0	0.0	-1.7	-1.7	May 2023 - May 2026	-	1.8
	68.0	**0.0**	**-1.7**	**-1.7**			

2020

	Nominal value	Book value - receivables	Book value - liabilities	Book value - net	Hedging period until	Average hedging rate	Change in fair value used to calculate ineffectiveness
	(in MEUR)	(in MEUR)	(in MEUR)	(in MEUR)			(in MEUR)
Currency risk							
EUR / BRL	25.7	0.1	-0.5	-0.4	January 2021 - January 2022	6.4	-0.3
EUR / CHF	17.4	0.0	-0.1	0.0	January 2021 - October 2025	1.1	-0.1
EUR / CNY	102.7	0.5	-1.2	-0.7	January 2021 - April 2024	8.1	0.3
EUR / INR	382.5	0.4	-0.1	0.2	January 2021 - September 2024	89.4	0.2
EUR / USD	371.3	22.5	-1.0	21.5	January 2021 - January 2025	1.2	1.1
USD / BRL	17.5	0.7	-0.1	0.6	January 2021 - October 2022	5.5	0.2
USD / CNY	33.2	1.7	0.0	1.7	January 2021 - October 2022	6.9	1.8
USD / EUR	63.0	1.1	-0.1	1.1	January 2021 - March 2023	0.8	31.2
USD / INR	22.1	0.2	-0.1	0.1	January 2021 - August 2023	77.1	0.2
CHF / EUR	21.7	0.0	-0.1	0.0	January 2021 - December 2027	0.9	-0.1
CNY / EUR	18.0	0.2	-0.1	0.1	January 2021 - May 2022	0.1	0.4
SEK / EUR	20.2	0.3	-0.3	0.1	January 2021 - December 2023	0.1	-0.2
Others	103.4	4.8	-0.9	4.0	January 2021 - September 2024	-	2.1
	1,198.9	**32.5**	**-4.3**	**28.2**			
Interest risk							
USD / EUR	192.5	0.0	-8.6	-8.6	May 2023 - May 2026	-	-2.4
	192.5	**0.0**	**-8.6**	**-8.6**			

b) Development of the cash flow hedge reserve

Development of the cumulative other comprehensive income from hedging relationships shown in the fair value reserve, broken down by risk component and cost of hedging:

(in MEUR)	Currency risk	Interest risk	Total hedging reserve	Cost of hedging	Total cashflow hedge reserve
Balance as of December 31, 2019	**0.0**	**-4.7**	**-4.7**	**0.0**	**-4.7**
Changes in fair values	36.8	-2.4	34.4	-9.8	24.6
Transfers to income statement	-2.0	0.0	-2.0	-0.2	-2.2
Tax effect	-10.9	0.6	-10.3	3.2	-7.1
Balance as of December 31, 2020	**23.9**	**-6.5**	**17.4**	**-6.8**	**10.6**
Changes in fair values	-21.6	1.8	-19.8	-4.5	-24.3
Transfers to income statement	-9.2	5.1	-4.1	5.5	1.4
Tax effect	9.6	-1.7	7.9	-0.4	7.5
Balance as of December 31, 2021	**2.7**	**-1.3**	**1.4**	**-6.2**	**-4.8**

Transfers to income statement are mainly to revenue but there are also unmaterial transfers to inventories and fixed assets included.

c) Information on ineffectiveness

When assessing the ineffectiveness of the hedging of currency risks, the default risk of a counterparty, significant changes in the credit risk of a contracting party in the hedging relationship or the change in the payment date of the hedged item, a reduction in the total invoice amount or the price of the hedged item are used. With regard to the interest rate risk, the effectiveness of the hedging relationship is determined using the cumulative dollar offset method based on forward rates.

The ineffectiveness of the designated underlying transactions is as follows:

			2021			2020
(in MEUR)	Change in fair value used to calculate ineffectiveness	Ineffectiveness	Change in fair value recorded in other result	Change in fair value used to calculate ineffectiveness	Ineffectiveness	Change in fair value recorded in other result
Currency risk						
Foreign exchange forward contracts - purchase and sale	-21.6	0.0	-21.6	36.8	0.0	36.8
Interest risk						
Interest rate swaps - variable rate Schuldscheindarlehen	1.8	0.0	1.8	-2.4	0.0	-2.4

The result of the calculation of the ineffectiveness from hedging currency and interest rate risk is recorded in the item "other financing expenses" in the income statement.

d) Offsetting

The Group concludes derivatives in accordance with the Global Netting Agreements (Framework Agreement) of the International Swaps and Derivative Association (ISDA) and similar agreements. These agreements do not meet the criteria for netting in the balance sheet. This is because at present the Group has no legal entitlement to offset the amounts recognized. In the case of a termination of the framework agreement or an early termination of the outstanding contracts, the net amounts of the market values of all contracts to be terminated would be compensated.

The following table sets out the book values of the financial instruments that are subject to the arrangements described:

(in MEUR)		2021		2020
	positive	negative	positive	negative
Gross and net amounts (in the statement of financial position)	**38.2**	**-65.6**	**73.4**	**-44.6**
Netting (potential effects)	-4.9	4.9	-1.1	1.1
NET AMOUNTS	**33.3**	**-60.7**	**72.3**	**-43.5**

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Assumptions are made about the fair values of derivatives, in particular derivatives in foreign currencies, as of the balance sheet date, which essentially reflect the future cash inflows or outflows from such instruments.

35. Risk management – Risks relating to financial instruments

As a global company serving a variety of different markets and customers, the Group is subject to risks relating to financial instruments as well as strategic and operational risks. ANDRITZ has implemented an established Group-wide control and risk management system with the main task of identifying emerging risks at an early stage and quickly taking countermeasures. This system is an important element in the active risk management system within the Group. Despite having this control and risk management system in place, it cannot be guaranteed that all risks will be identified at an early stage. Consequently, assets, liabilities, financial position, and profit or loss of the Group could be adversely affected. In order to minimize the financial risks at the best possible rate and to enhance monitoring, control, and assessment of its financial and liquidity position, the ANDRITZ GROUP has implemented comprehensive policies and a transparent information system. The individual risks relating to financial instruments are described below.

For ANDRITZ there are no financial risks resulting from climate risks. ANDRITZ does not have any loan agreements that include carbon emission targets, so climate-related covenants cannot be breached. Lenders have not included environmental aspects into pricing of loans that would result in a discount on the interest rate when certain climate-related targets are met, and thereby triggering accounting for an embedded derivative.

a) Credit risks

ACCOUNTING POLICIES

The impairment model applies to the following assets:

- Financial assets valued at amortized cost
- Debt instruments valued at FVTOCI
- Contract assets

The impairment model of "expected credit losses" (ECL) is applied. This model requires significant judgment to what extent the expected credit losses are affected by changes in economic factors. This assessment is determined based on weighted probabilities. One of the following principles serves as a basis:

- 12-month credit losses: These are the expected credit losses due to possible defaults within 12 months after the balance sheet date.
- Lifetime credit losses: These are expected credit losses due to all possible defaults during the expected lifetime of a financial instrument.

General approach

If an asset does not yet show an impairment loss at the time of acquisition, it is assessed based on the concept of 12-month credit loss at initial recognition. In principle, this assessment is retained for the following balance sheet dates. If the credit risk of a financial asset has increased significantly on the balance sheet date since initial recognition, the valuation is based on the concept of lifetime credit loss. When determining if the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers appropriate and supportable information that is relevant and available without disproportional effort. This includes both quantitative and qualitative information and analysis, based on the historical experience of the Group and forward-looking information as well as a substantiated credit rating.

The Group assumes that the credit risk of a financial asset has **significantly increased** if

- the financial asset is more than 30 days past due, unless there are reasonable causes or

- an instrument needs to be renegotiated and stricter requirements (e.g. increase in collateral, etc.) are applied or
- there is a significant change in credit spreads, credit default swap rates for borrowers, etc. for a given or similar instrument.

At each balance sheet date, the Group assesses whether the respective assets are **credit-impaired**. This is the case when one or more events that adversely affect estimated future cash flows have occurred. A corresponding impairment reduces the gross book value of the assets. The following indicators are used in order to be able to judge, after reasonable assessment, that a significant change in credit risk has occurred and that it cannot be realized:

- The borrower is unlikely to fully offset his credit commitments to the Group without the Group taking any action such as the realization of collateral (if any) or
- the financial asset is more than 90 days overdue, unless there are reasonable causes or
- the rating no longer meets the notation "investment grade". The Group defines this as Baa3 respectively BBB- or higher (Cash and cash equivalents and time deposits included in “Investments“ deposited at banks; or financial institutions are generally rated from Aaa to Ba1 by the rating agency Moody's and from AA+ to BB+ by Standard & Poor’s and Fitch).

Simplified approach

For **trade receivables** and **contract assets** that do not have a material financing component, the lifetime credit losses concept always applies. ANDRITZ has also decided to apply this method to contract assets with a material financing component and other receivables. In addition to considering single valuation allowances, the estimated expected credit losses are calculated based on experience of actual credit losses over the past five years. Credit risk within the Group is segmented by common default risk characteristics such as credit risk assessment. Actual credit losses are adjusted using scaling factors to reflect the differences between the economic conditions at the time the historical data was collected, the current conditions as well as the Group’s view of economic conditions over the expected life of the receivables. The scaling factor is based on the gross domestic product (GDP) and the unemployment rate forecasts as well as the industry outlook and is around 2%.

When recognizing the impairments, special disclosure requirements must be considered. There is a differentiation depending on the type of financial instrument and the level of the impairment model to which a financial instrument is assigned:

- Impairment losses on financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.
- If, for instance, there are objective indications of impairment at the time of acquisition, the expected credit loss is priced into the interest rate. At the time of acquisition, a separate disclosure of the valuation allowance is not necessary. For changes after initial recognition, a separate valuation allowance is required.

Risk minimization strategies

The risk of a possible default (insolvency) by individual or several counterparties is minimized by means of an internal counterparty limit system. In this system, the maximum investment limit for each individual counterparty is determined in view of the respective counterparty’s credit rating (by international rating agencies such as Moody’s, Standard & Poor’s, Fitch) and the credit default swap spreads (CDS spreads – indicator of the probability of the counterparty defaulting). The counterparty limit is adjusted on a monthly basis so that it is possible to react quickly in the event of credit rating changes at short notice. If there are larger, short-term changes in CDS spreads or counterparty ratings, the counterparty exposure is reduced immediately.

Credit risks and the risk of a delay in payment by counterparties are controlled by the use of credit approvals, credit limits, and monitoring procedures. If appropriate, the Group obtains guarantees from governmental export agencies or similar private institutions to reduce the risk of a counterpart defaulting.

Without considering risk minimization strategies as described above, the carrying values of financial assets recorded in the financial statements represent the Group's maximum exposure to credit risk.

Valuation allowances are included for all known risks. The possibility of a future shortfall in payment exceeding the recorded valuation allowance cannot be avoided with certainty.

(in MEUR)	Trade accounts receivable	Contract assets	Other receivables and assets	Cash and cash equivalents	Investments	Total
Balance as of December 31, 2019	**-62.1**	**-3.7**	**-9.0**	**-0.2**	**-0.4**	**-75.4**
Charged to expenses	-12.0	0.0	0.0	-0.1	-0.2	-12.3
Usage	6.7	0.0	0.6	0.0	0.0	7.3
Release	0.0	0.5	6.4	0.0	0.0	6.9
Currency translation adjustments	5.0	0.1	0.0	0.0	0.0	5.1
Changes in consolidation scope	0.2	0.0	0.0	0.0	0.0	0.2
Balance as of December 31, 2020	**-62.2**	**-3.1**	**-2.0**	**-0.3**	**-0.6**	**-68.2**
Charged to expenses	-2.8	0.0	-3.7	0.0	0.0	-6.5
Usage	2.7	0.0	0.4	0.0	0.0	3.1
Release	0.0	1.7	0.0	0.3	0.4	2.4
Currency translation adjustments	-2.3	0.0	0.0	0.0	0.0	-2.3
Balance as of December 31, 2021	**-64.6**	**-1.4**	**-5.3**	**0.0**	**-0.2**	**-71.5**

Already in the bidding phase, customer credit assessments are carried out and corresponding credit limits are set. In order to minimize the risk related to bad debts, collateral is agreed with customers and the risk of default is largely covered by public or private insurances, respectively. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as ones with similar characteristics if they are related entities. There is no revenue from transactions with a single external customer that amount to 10% or more of the Group's revenue. On an overall basis, there is no significant concentration of credit risk.

To ensure transparency with respect to financial risks on projects and to enable immediate countermeasures a quarterly credit risk reporting to the Executive Board has been implemented. The reporting shows the maximum expected unsecured credit risk for orders with a value of over one million euros as well as customer ratings.

Changes in gross book values that contribute to changes in impairment are mainly due to the project portfolio and regional distributions. For assets that were assessed according to the concept of 12-month credit losses at inception, there was no significant increase in default risk since initial recognition. Therefore, there was no change to the valuation to the concept of lifetime credit losses.

The following tables show the gross book values and value adjustments of the assets included in the impairment model of IFRS 9, separated by risk category. The risk classes are based on the method of determining the valuation allowance.

Trade accounts receivable

In order to control the credit risks from outstanding trade receivables effectively, the ANDRITZ GROUP has established a uniform risk management process and compiled an appropriate Group-wide policy. In the ANDRITZ subsidiaries, the respective credit risk managers are responsible for conducting regular credit rating analyses concerning customers and project risk analyses, including the valuation of collateral securities. In particular, collateral securities include credit insurance, advance payments, letters of credit, and guarantees.

In addition to single valuation allowances, the estimated expected credit losses are calculated based on experience with actual credit defaults over the last five years and the inclusion of a scaling factor separated into days overdue and risk classes.

2021

(in MEUR)	Average weighted loss rate - risk category 1	Average weighted loss rate - risk category 2	Gross amount	Impairment loss	Net amount
Not due	0.03%	0.23%	704.2	-0.8	703.4
Up to 60 days past due	0.17%	1.27%	129.9	-0.7	129.2
61 to 120 days past due	0.52%	3.80%	43.4	-0.8	42.6
More than 120 days past due	1.39%	10.13%	56.7	-3.3	53.4
Individually impaired			67.2	-59.0	8.2
			1,001.4	**-64.6**	**936.8**

2020

(in MEUR)	Average weighted loss rate - risk category 1	Average weighted loss rate - risk category 2	Gross amount	Impairment loss	Net amount
Not due	0.04%	0.33%	597.9	-1.0	596.9
Up to 60 days past due	0.26%	1.32%	131.1	-0.8	130.3
61 to 120 days past due	0.79%	3.97%	33.5	-0.9	32.6
More than 120 days past due	2.09%	10.58%	58.9	-4.1	54.8
Individually impaired			59.1	-55.4	3.7
			880.5	**-62.2**	**818.3**

Contract assets

Based on internal credit risk reporting, contract assets are valued differently, depending on whether there is collateral or not.

2021

(in MEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	0.0	0.0	0.0
Unsecured proportion	0.93%	95.1	-0.7	94.4
Secured proportion	0.08%	841.3	-0.7	840.6
		936.4	**-1.4**	**935.0**

2020

(in MEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	0.0	0.0	0.0
Unsecured proportion	0.47%	69.4	-0.3	69.1
Secured proportion	0.37%	729.3	-2.8	726.5
		798.7	**-3.1**	**795.6**

Other receivables

In addition to single valuation allowances, the estimated expected credit losses are calculated based on experience with actual credit defaults over the last five years and the inclusion of a scaling factor.

2021

(in MEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	54.1	-4.9	49.2
Lump sum impaired	0.35%	128.4	-0.4	128.0
		182.5	**-5.3**	**177.2**

2020

(in MEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	31.1	-1.2	29.9
Lump sum impaired	0.91%	86.5	-0.8	85.7
		117.6	**-2.0**	**115.6**

Cash and cash equivalents and investments

ANDRITZ pursues a risk-averse investment strategy. Cash is largely invested in low-risk financial assets, such as government bonds, government-guaranteed bonds, senior bank bonds, money market funds, investment funds to cover pension obligations, Schuldscheindarlehen insured by a certificate of deposit or time deposits. However, turbulences on the international financial markets may lead to unfavorable price developments for various securities or make them non-tradable. This could have an adverse effect on the ANDRITZ GROUP's financial result or shareholders' equity due to necessary impairment or valuation allowances. On a monthly basis the Executive Board is informed about the extent and volume of current risk exposure and the respective counterparty limits in the ANDRITZ GROUP.

Credit risk related to cash and cash equivalents and time deposits included in “investments“ is low, since a conservative investment strategy determines a preferably wide diversification with minimum criteria for the counterparty's credit rating of the investment. Bank balances and time deposits are assessed based on ratings.

2021

(in MEUR)	External rating	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Low risk	AAA to BBB-	0.02%	1,449.3	-0.2	1,449.1
Medium risk	BB+ to BB-	0.01%	111.2	0.0	111.2
High risk	B+ to D	0.15%	1.7	0.0	1.7
			1,562.2	**-0.2**	**1,562.0**

2020

(in MEUR)	External rating	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Low risk	AAA to BBB-	0.07%	1,346.9	-0.9	1,346.0
Medium risk	BB+ to BB-	0.01%	145.9	0.0	145.9
High risk	B+ to D	0.04%	2.7	0.0	2.7
			1,495.5	**-0.9**	**1,494.6**

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

The valuation allowance based on the model of "expected credit losses" comprises to a considerable extent assessments and judgments that are based on the creditworthiness of individual groups, the current economic developments as well as the analysis of historical bad debts and future-oriented forecasts. The parameters used in the model are updated regularly and adjusted according to the current circumstances in the Covid-19 pandemic.

The value adjustment of individual dubious claims also includes the assessment of the creditworthiness of the respective customer.

When assessing whether a transition from the 12-month credit losses to the lifetime credit losses is to be used in individual cases, considerable judgment of the management is required and existing customer and market information is taken into account.

b) Liquidity risks

In order to minimize the financial risks at the best possible rate and to enhance monitoring, control, and assessment of its financial and liquidity position, the ANDRITZ GROUP has implemented comprehensive policies and a transparent information system. The Group manages liquidity risks especially by holding adequate financial reserves, by issuing Schuldscheindarlehen, by requiring customer advances, and by reconciling maturity date profiles of financial assets, receivables, and liabilities. A rolling liquidity forecast based on a fixed planning horizon, the quarterly update of this forecast as well as existing and unused credit lines are intended to ensure the necessary liquidity supply for the ANDRITZ GROUP.

The Group endeavors to mitigate the risk of payment failure by customers at the best possible rate by means of bank guarantees and export insurance. Further information can be found in chapter 35. a) Credit risks. However, it cannot be excluded that there will not be any individual payment default that will have a substantial negative impact on development of earnings and liquidity of the Group in the event of occurrence.

The ANDRITZ GROUP's position in terms of liquidity is very good and it has high liquidity reserves. The Group avoids dependence on a single bank or a few banks. In order to ensure independence, only a certain volume of each major financial product (cash and cash equivalents, financial liabilities, securities, guarantees, and derivatives) is handled by only one bank at a time. In the ANDRITZ GROUP, liquidity not only means the ability to meet financial obligations in the narrower sense, but also the availability of sureties. Operative business requires that bid bonds, contract performance guarantees, downpayment guarantees as well as performance and warranty bonds are provided on a continuous basis. As a result, financial flexibility is also determined by sufficient surety lines. With this diversification, ANDRITZ is seeking to minimize the counterparty risk at the best possible rate.

As described in Note 28. Trade accounts payables, ANDRITZ offers a Supply Chain Financing Agreement (SCF), the purpose of which is to enable more efficient payment processing of supplier invoices. The agreement allows ANDRITZ to centralize payments of trade payables to the bank instead of paying each supplier individually. Although the agreement does not significantly extend payment terms from normal terms with other non-participating suppliers, it does help to better forecast cash outflows.

Despite fundamental differences between IBORs and alternative interest rates, the IBOR reform did not lead to any significant additional liquidity risk. IBORs are forward-looking maturity rates published for a period beginning at the beginning of that period and include an interbank credit spread. The alternative interest rates are risk-free overnight rates that are published at the end of the day without a credit spread. The Group's liquidity risk management policy has been updated and sufficient liquid funds are available to cover any overnight interest rate increases.

There are no substantial credit delays by the ANDRITZ GROUP; in general, all financial liabilities are settled on due date. The following tables show the undiscounted future contractual cash flows from financial liabilities:

2021

(in MEUR)	Net book value	Contractual cash flows			
		Not exceeding 1 year	1 to 5 years	More than 5 years	Total
Bank loans and other financial liabilities	185.2	78.0	78.0	35.5	191.5
Lease liabilities	231.2	49.5	123.1	72.8	245.4
Trade accounts payable	811.1	811.1	0.0	0.0	811.1
Earn out and contingent considerations	9.5	0.2	9.2	0.0	9.4
Schuldscheindarlehen	951.5	13.3	812.9	175.9	1,002.1
Other liabilities	1,085.6	1,073.3	12.1	0.2	1,085.6
Non-derivative financial liabilities	**3,274.1**	**2,025.4**	**1,035.3**	**284.4**	**3,345.1**
Derivatives	65.6	50.5	15.3	0.0	65.8
Derivative financial liabilities	**65.6**	**50.5**	**15.3**	**0.0**	**65.8**
	3,339.7	**2,075.9**	**1,050.6**	**284.4**	**3,410.9**

2020

(in MEUR)	Net book value	Contractual cash flows			
		Not exceeding 1 year	1 to 5 years	More than 5 years	Total
Bank loans and other financial liabilities	226.7	99.4	82.2	53.4	235.0
Lease liabilities	232.7	52.7	124.9	71.9	249.5
Trade accounts payable	749.7	749.7	0.0	0.0	749.7
Earn out and contingent considerations	24.4	24.4	0.0	0.0	24.4
Schuldscheindarlehen	1,073.6	14.9	764.0	366.2	1,145.1
Other liabilities	941.9	936.3	5.4	0.2	941.9
Non-derivative financial liabilities	**3,249.0**	**1,877.4**	**976.5**	**491.7**	**3,345.6**
Derivatives	44.6	34.7	10.5	0.0	45.2
Derivative financial liabilities	**44.6**	**34.7**	**10.5**	**0.0**	**45.2**
	3,293.6	**1,912.1**	**987.0**	**491.7**	**3,390.8**

c) Market risks

Market risk comprises the risk that market prices, for example exchange rates, interest rates or share prices, change and that this will affect the Group's earnings or the value of the financial instruments held. The aim of market risk management is to steer and control the market risk within acceptable ranges and at the same time to optimize the return. The main market risks for the ANDRITZ GROUP include currency risks and interest rate risks.

In order to manage market risks, the Group purchases and sells derivatives or enters into financial liabilities. All transactions are carried out within the guidelines of the Risk Management Committee. If possible, the accounting of hedging transactions should be used to control earnings volatility.

Currency risks

The Group’s risk management policy is to hedge 75 to 85% of its estimated foreign currency exposure in respect of forecasted sales and purchases over the following 12 months at any point in time. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. The Group's risk management strategy was not adjusted due to the Covid-19 pandemic.

The currency risks of the Group occur due to the fact that the Group operates worldwide in different countries that do not have Euro as their local currency. The Group enters into foreign exchange forward contracts and swaps in order to exclude or minimize the foreign exchange risk (hedging) resulting from orders that are concluded in foreign currency. Currency risks resulting from the recognition of equity are not hedged. Foreign exchange forward contracts are concluded exclusively with first-class national or international banks whose credit rating is checked continuously by Group Treasury in order to avoid a “cluster risk”. The necessary measures and rules in connection with the hedging of customer or supplier orders that were not concluded in the respective functional currency of the group company are regulated in the group-wide Treasury Policy.

The sensitivity analysis provides an approximate quantification of the risk exposure in the event that certain specified parameters were to be changed under a specific set of assumptions. Currency risks occur particularly with the US dollar (USD), Chinese renminbi yuan (CNY), Canadian dollar (CAD) and Swedish kronor (SEK). The following details describe the sensitivity to a rise or fall in the above noted currencies against the Euro (EUR) from the Group’s point of view. The change shows the amount applied in internal reporting of foreign currency risk and reflects the Group’s assessment of a possible change in foreign exchange rates. Currency risks in the meaning of IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature. Translation differences from converting the financial statements of foreign Group companies into the Group currency are disregarded. The sensitivity analysis includes the material financial instruments of the ANDRITZ GROUP outstanding on the balance sheet date.

The impact on net income is as follows:

(in MEUR)		2021		2020	
		Net income	Other comprehensive income	Net income	Other comprehensive income
EUR/USD	+10%	-50.6	2.1	-35.3	-2.5
	-10%	50.6	-2.1	35.3	2.5
EUR/CNY	+10%	12.7	2.5	9.7	4.0
	-10%	-12.7	-2.5	-9.7	-4.0
EUR/CAD	+10%	-4.7	0.0	-5.7	0.2
	-10%	4.7	0.0	5.7	-0.2
EUR/SEK	+10%	6.0	-1.3	1.3	0.1
	-10%	-6.0	1.3	-1.3	-0.1

The changes compared to the net income reported are mainly due to the market valuation of foreign exchange forward contracts at new rates, which are used to hedge plan items and are not included in any hedge relationship according to IFRS 9. These changes in fair values of derivatives are offset by the hedged order backlog.

Interest rate risks

The ANDRITZ GROUP estimates that the exposure to interest rate risk of financial assets and liabilities is low due to the risk-averse strategy; besides the hedging instruments mentioned in chapter 34. no additional significant derivatives for hedging of interest rate risks are used. The interest rate risks are managed by internal Cash-flow-at-Risk (CfaR) and Value-at-Risk (VaR) calculations as well as by prespecified limits. The limits for CfaR and VaR are set by using a benchmarking approach. Observation of the defined limits is monitored on a quarterly basis.

The weighted average interest rates, referred to the remaining terms of the respective financial asset or financial liability, were as follows at the balance sheet date:

2021

(in %)	EUR	USD	BRL	CNY
FINANCIAL ASSETS				
Cash on current accounts	-0.1	0.2	0.0	1.5
Current deposits	-0.1	0.4	8.0	3.1
Investments - current	0.1	0.0	0.0	2.2
Investments - non-current	0.1	0.0	0.0	0.0
FINANCIAL LIABILITIES				
Lease liabilities	1.4	1.5	4.6	3.1
Current loans	0.8	0.0	0.0	0.0
Non-current loans	1.3	5.8	0.0	0.0
Schuldscheindarlehen - non-current	1.4	0.0	0.0	0.0

2020

(in %)	EUR	USD	BRL	CNY
FINANCIAL ASSETS				
Cash on current accounts	0.0	0.2	0.0	1.8
Current deposits	0.0	0.0	1.7	2.9
Investments - current	0.4	0.0	0.0	2.3
Investments - non-current	0.4	0.0	0.0	0.0
FINANCIAL LIABILITIES				
Lease liabilities	1.9	1.8	7.9	3.2
Current loans	1.2	0.0	6.8	4.7
Non-current loans	1.3	0.0	0.0	0.0
Schuldscheindarlehen - non-current	1.4	0.0	0.0	0.0

Dealing with the reform of the reference interest rates and the associated risks

A fundamental reform of the most important reference interest rates is being carried out worldwide. The reform of the IBOR reference interest rates (IBOR: Interbank Offered Rates) essentially means that the method used to determine the IBOR reference interest rates will be changed and replaced by alternative, virtually risk-free reference rates (RFR: Risk free Rate). The previous fixing of the IBOR reference interest rates is largely based on expert estimates from various large banks (panel banks). The previous IBOR reference rates will either be reformed by the end of 2021 or gradually replaced by RFRs. Since October 2019, alternative reference interest rates have been published for all major currency areas, such as €STR (Euro Short Term Rate) in the EUR area and SOFR (Secured Overnight Financing Rate) in the USD area.

The Group assumes that the IBOR reform will not have a material impact on risk management and the accounting of hedging transactions. The ANDRITZ GROUP endeavors to implement any adjustments required by the IBOR reform in a timely manner in order to ensure a smooth transition to the new reference interest rates. The Group endeavors to successfully conclude bilateral negotiations with the contractual partners before the IBORs are discontinued, so that there are no uncertainties regarding the applicable interest rate. Care is taken to prevent any interest base risk that could arise if non-derivative financial instruments switch to alternative interest rates at other times than the derivatives that are used to manage the interest rate risk of the non-derivative financial instruments and, if necessary, conclude additional base interest rate swaps.

SOURCE OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS

Interest rate sensitivity is assumed at 100 basis points in internal reporting on the interest rate risk. This reflects the Group's estimate with respect to a possible change in the interest rate.

A rise in the interest level by 100 basis points, while simultaneously keeping all other variables constant, would have led to an increase in the interest result of 3.9 MEUR in the 2021 financial year (2020: increase of 2.5 MEUR). A decline in the interest level would have led to a decrease in the interest result in the same amount.

G) OTHER INFORMATION

36. Consolidated statement of cash flows

ACCOUNTING POLICIES

In the consolidated statement of cash flows, cash flows are separated into cash inflows and outflows from operating activities, investing activities, and financing activities, irrespective of how the items are classified in the consolidated statement of financial position.

Cash flow from operating activities is derived indirectly based on the net income, which is adjusted for non-cash expenses (primarily depreciation and amortization) and income as well as changes in provisions. Cash flow from operating activities is calculated considering the changes in net working capital as well as interest received, interest paid, dividends received, and income taxes paid.

Investing activities mainly comprise payments for intangible assets and property, plant, and equipment as well as payments received, and payments made for non-current and current financial assets and payments for the acquisition of subsidiaries. The payments made for intangible assets as well as property, plant, and equipment include capital expenditures (additions to intangible assets and property, plant, and equipment) for the fiscal year to the extent that they already had an effect on cash.

Financing activities include not only cash flows from the redemption or issue of bank loans and other financial liabilities as well as lease liabilities, but also dividend payments and payments made for buy-back of treasury shares and payments made to non-controlling interests.

Non-cash transactions encompass mainly the capitalization of right of use assets as property, plant, and equipment by means of a lease or the acquisition of intangible assets or property, plant, and equipment by assuming directly related liabilities (sale on credit).

The changes of the items in the consolidated statement of financial position shown in the consolidated statement of cash flows cannot be derived directly as among other things effects of currency conversion, companies not fully consolidated in prior periods or no longer consolidated in the current period as well as assets classified as held for sale do not result in cash flows.

a) Cash flow from operating activities

The cash flow from operating activities, at 529.6 MEUR, was above the high reference figure of the previous year (2020: 461.5 MEUR). The change is mainly due to project related changes in net working capital (16,0 MEUR in 2021 compared to -79,0 MEUR in 2020) mainly to the receipt of advance and progress payments of large-scale projects.

The change in net working capital is as follows:

(in MEUR)	2021	2020
Changes in inventories	-100.7	42.5
Changes in advance payments made	-6.7	-9.7
Changes in receivables	-128.1	-21.6
Changes in contract assets	-119.2	-93.5
Changes in contract liabilities from sales recognized over time	174.7	-285.6
Changes in contract liabilities from sales recognized at a point in time	82.6	35.9
Changes in liabilities	113.5	253.0
Change in net working capital	**16.0**	**-79.0**

b) Cash flow from investing activities

The cash flow from investing activities amounted to -290.6 MEUR (2020: -236.1 MEUR). The change compared to the previous year is mainly due to the higher investments in property, plant, and equipment and payments for acquisitions. Investments in financial assets were comparable to the previous year's level.

The net cash flow from company acquisitions breaks down as follows:

(in MEUR)	2021	2020
Net assets	**36.1**	**0.0**
Goodwill	12.4	0.0
CONSIDERATION TRANSFERRED	**48.5**	**0.0**
Cash and cash equivalents acquired	-8.8	0.0
Payables from purchase price not yet paid (incl. contingent consideration)	-9.2	0.0
NET CASH FLOW FROM COMPANY ACQUISITIONS	**30.5**	**0.0**

Read more details in Note 5. Acquisitions.

c) Cash flow from financing activities

The cash flow from financing activities amounted to -355.4 MEUR (2020: -187.0 MEUR). The change mainly resulted from early redemption of Schuldscheindarlehen at 122.5 MEUR and higher dividends paid (100.3 MEUR in 2021 compared to 49.9 MEUR in 2020).

In 2021, own shares in the amount of 4.7 MEUR were bought back compared to 18.1 MEUR in 2020.

The carrying amounts of the financial liabilities shown in the cash flow from financing activities, broken down by cash and non-cash changes, developed as follows in the reporting year:

(in MEUR)	Lease liabilities	Schuldschein-darlehen	Bank loans and other financial liabilities	Total
Balance as of December 31, 2019	**260.1**	**1,073.2**	**286.3**	**1,619.6**
Payments received	0.0	0.0	21.7	21.7
Payments made	-48.9	0.0	-71.3	-120.2
Other non-cash changes	29.2	0.4	-0.2	29.4
Currency translation adjustments	-7.5	0.0	-9.8	-17.3
Changes in consolidation scope	-0.2	0.0	0.0	-0.2
Balance as of December 31, 2020	**232.7**	**1,073.6**	**226.7**	**1,533.0**
Payments received	0.0	0.0	70.4	70.4
Payments made	-48.5	-122.5	-115.3	-286.3
Other non-cash changes	36.9	0.4	-0.1	37.2
Currency translation adjustments	6.5	0.0	3.5	10.0
Changes in consolidation scope	3.6	0.0	0.0	3.6
Balance as of December 31, 2021	**231.2**	**951.5**	**185.2**	**1,367.9**

37. Assets held for sale

ACCOUNTING POLICIES

The requirements of IFRS 5 for classification as held for sale are met if assets can be sold in their current condition, the sale is highly probable, and the sale is expected to be completed within one year of the reclassification. The assets that are shown as held for sale contain individual assets and directly associated liabilities. Assets held for sale are recognized at their fair value less costs to sell, if this amount is lower than the book value. An assessment takes place immediately before the initial classification as held for sale. Any resulting impairment losses are recognized in the income statement.

The following assets and directly associated liabilities are reported as held for sale:

(in MEUR)	2021	2020
Intangible assets other than goodwill	0.5	0.0
Property, plant, and equipment	10.5	1.6
ASSETS HELD FOR SALE	**11.0**	**1.6**

In the Metals business area, the sale of property, plant, and equipment (land and buildings) in Germany was initiated at the end of 2021. Assets of 6.5 MEUR were classified as held for sale and no impairment losses were recorded. The sale is expected to be completed in the first half of 2022.

In the Pulp & Paper business area, the sale of a production facility in the USA was initiated in October 2021. The sale will be completed within a year. Assets in the amount of 1.7 MEUR were classified as held for sale and no impairment losses were recorded from the preceding valuation.

In the Metals business area, the sale of machines in the USA was initiated in 2020. The sale was completed in the first half of 2021. It did not result in a material gain or loss. In 2021, the sale of further tangible assets (land and buildings) and intangible assets was initiated. Assets in the amount of 1.5 MEUR were recognized as held for sale. Impairment losses of 0.4 MEUR were recognized in 2021 from the preceding valuation. The sale is expected to be completed in the first half of 2022.

Also included are assets from the Pulp & Paper business area in Canada and the Metals business area in the USA. Assets from the Hydro business area in Brazil which were reported as held for sale in the previous year were returned to fixed assets because there was no longer an intention to sell.

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

The determination of the fair value less costs to sell includes estimates and assumptions that are subject to a certain degree of uncertainty. The proceeds that actually occur may deviate from the assumptions made.

38. Contingent assets and liabilities

ACCOUNTING POLICIES

A contingent asset is not recognized in the financial statements but is disclosed if an inflow of economic benefit is probable. Contingent liabilities are not recognized in the financial statements. They are only disclosed if the possibility of an outflow of resources embodying economic benefit is not probable but possible or the amount of the obligation cannot be measured with sufficient reliability.

In the course of its business, the ANDRITZ GROUP is party to numerous legal proceedings before both administrative and judicial courts and bodies as well as before arbitration tribunals. The substantial majority of such proceedings is typical for the Group's industry, including contract and project disputes, product liability claims, and intellectual property litigation. The ANDRITZ GROUP records adequate provisions to cover the expected outcome of proceedings to the extent that negative outcomes are likely and reliable estimates can be made. There is no guarantee that these provisions will be sufficient. Given the amounts involved in some of these legal disputes, a negative decision for ANDRITZ in one or several of these disputes may have a material adverse effect on the earnings and liquidity position of the Group. In cases, where a negative outcome is not probable, though seems possible (and is not totally remote), the ANDRITZ GROUP does not record provisions.

The material cases for contingent liabilities are as follows:

The subject area product liability includes a number of cases alleging injuries and/or death resulting from exposure to asbestos. As of December 31, 2021 certain subsidiaries of the ANDRITZ GROUP are defendants in asbestos cases in the USA. All cases relate to claims against multiple defendants. All subsidiaries intend to defend each claim vigorously.

ANDRITZ HYDRO S.A., Brazil, faces tax claims based on allegations of joint and several liability with the Inepar Group arising out of the previous minority holding of Inepar. The tax claim enforcement actions, which were also contested, are not active as a result of Inepar's participation in the governmental tax amnesty program (REFIS). However, certain appeals by ANDRITZ relating to these claims are still active. As Inepar failed to comply with its obligation under the REFIS program, the tax proceedings against ANDRITZ HYDRO S.A. may be resumed.

39. Expenses for services by the group auditor

(in TEUR)	2021	2020
Year-end audits	379	363
Other reviews	15	6
Other services	22	26
	416	**395**

40. Effects of the Covid-19 pandemic

The effects of the Covid-19 pandemic on ANDRITZ GROUP are as follows:

- As there are no uncertainties regarding the going concern of the ANDRITZ GROUP, going concern remains the basis for accounting and valuation of the assets and liabilities.

- Revenue in 2021 was slightly below the comparable figure for the previous year. The decline is due to the reduced order intake in 2020.

- For ANDRITZ, the effects on the cost of materials and other expenses were shown in the form of occasional shortages and price increases on the international raw material and product purchasing markets and in the energy sector. Through various countermeasures, which were developed in cooperation with the relevant interface functions, shortages and price increases could be avoided to a large extent, but not entirely.

- Government grants were received in several countries. If the requirements were met, the grants have been recognized in profit or loss as scheduled. In the reporting period, the ANDRITZ GROUP received less government grants, mainly in connection with short-time work. There were different models in the countries, either direct grants to ANDRITZ or reduced salary payments by ANDRITZ to employees in combination with direct government grants to the employees. (More information on the amount of the grants in chapter 12. Personnel expenses)

- Various expenses, such as travel expenses, could be reduced due to Covid-19 and due to strict cost management measures compared to pre-Covid-19.

- The exemption published in accordance with IFRS 16 about the assessment, whether rental concessions granted due to the Covid-19 pandemic constitute a leasing modification, was not used.

- There is no significant change in financial risks and renegotiation of financial liabilities. To date, the Covid-19 pandemic has not led to any deterioration in the liquidity key performance indicators and no significant measures had to be taken. The main objective of the executive board is and remains to ensure liquidity of the Group, which is considered through comprehensive financial management.

- Due to higher expected credit losses on trade accounts receivable, the ANDRITZ GROUP continuously monitors the general economic conditions and, if necessary, takes measures to limit the credit risk of customers who have been severely affected by the pandemic. The parameters of the future expectations such as the unemployment rate, raw material prices, the automotive market, and economic growth, were adjusted accordingly in the calculation of the lump sum valuation allowance.

- ANDRITZ has assessed whether there is any indication of event-related impairment of assets, such as goodwill. The analysis of internal and external sources such as market capitalization, market returns, market development, and the legal environment have in some cases shown temporary negative effects, which, however, are expected to even up each other in the medium to long term. The effects of the Covid-19 pandemic on assets, results, and cash flows are difficult to predict due to the high degree of uncertainty, especially with regard to duration and scope. In addition, the effects differ depending on region and industry. The assumptions and estimates made when preparing the consolidated financial statements are based on the current state of knowledge and information. The ANDRITZ GROUP proceeds on the assumption that the current situation regarding the Covid-19 pandemic will have short-term effects and, depending on the CGU, negative or positive effects, but will not last in the medium to long term.

- Overall, the ANDRITZ GROUP was able to increase EBIT in the financial year 2021 compared to the previous year.

41. Events after the reporting period

In February 2022, the Ukraine-Russia conflict intensified and threatens to escalate further due to military interventions by Russia and the sanctions by the West. The share of Russia and Ukraine in the business volume of the ANDRITZ GROUP is small and totals around 3%. The risk of deliveries being postponed, and the corresponding realization of revenue is currently classified as low. The payment risk for larger orders is usually covered by export financing agencies.

On January 20, 2022, the eco-social tax reform was passed in the third reading in the plenum of the National Council, which, among other things, provides for a gradual reduction in the corporate income tax rate in Austria from 25% to 24% in 2023 and finally to 23% in 2024. Since this resolution was not passed until January 20, 2022, the corporate income tax rate of 25% was used to calculate the deferred tax assets and liabilities in the consolidated financial statements as of December 31, 2021. The effects of the changes in the tax rate in Austria on deferred taxes are estimated to be in the low single-digit MEUR range and will therefore not have any significant impact on the assets, liabilities, financial position, and results of operations in the future. As a result of the gradual reduction in the corporate income tax rate, a reduction in the current tax expense in relation to earnings before taxes (EBT) is expected in Austria over the next few years.

42. Group companies

		2021		2020	
Company	Main office	Share*	Type of consolidation	Share*	Type of consolidation
Anstalt für Strömungsmaschinen GmbH	Graz, Austria	100.00%	NC	100.00%	NC
ANDRITZ Technology and Asset Management GmbH	Graz, Austria	100.00%	FC	100.00%	FC
ANDRITZ Power & Water GmbH	Vienna, Austria	100.00%	FC	100.00%	FC
ANDRITZ Environment S.r.l.	Milan, Italy	100.00%	NC	100.00%	NC
ANDRITZ Environmental Engineering (Shanghai) Co., Ltd.	Shanghai, China	100.00%	FC	100.00%	FC
ANDRITZ SEPARATION GmbH 2)	Cologne, Germany	100.00%	FC	100.00%	FC
ANDRITZ KMPT Inc.	Florence / Kentucky, USA	-	-	100.00%	FC
LENSER Filtration GmbH 2)	Senden, Germany	100.00%	FC	100.00%	FC
Lenser Asia Sdn. Bhd.	Petaling Jaya, Malaysia	100.00%	FC	100.00%	FC
Modul Systeme Engineering GmbH 2)	Laufen, Germany	100.00%	FC	100.00%	FC
ANDRITZ S.R.L.	Cisnadie, Romania	100.00%	NC	100.00%	NC
ANDRITZ Deutschland Beteiligungs GmbH 2)	Krefeld, Germany	100.00%	FC	100.00%	FC
ANDRITZ Ritz Immobilien GmbH 2)	Krefeld, Germany	100.00%	FC	100.00%	FC
TANIAM GmbH & Co. KG	Pullach im Isartal, Germany	-	-	100.00%	FC
ANDRITZ GmbH 2)	Hemer, Germany	100.00%	FC	100.00%	FC
ANDRITZ Kaiser GmbH 2)	Bretten-Gölshausen, Germany	100.00%	FC	100.00%	FC
ANDRITZ FBB GmbH	Mönchengladbach, Germany	-	-	100.00%	FC
ANDRITZ Metals Germany GmbH 2)	Hemer, Germany	100.00%	FC	100.00%	FC
ANDRITZ Maerz GmbH	Düsseldorf, Germany	-	-	100.00%	FC
ANDRITZ Fiedler GmbH 2)	Regensburg, Germany	100.00%	FC	100.00%	FC
ANDRITZ Fliessbett Systeme GmbH 2)	Ravensburg, Germany	100.00%	FC	100.00%	FC
Lenser Verwaltungs GmbH	Senden, Germany	-	-	100.00%	FC
ANDRITZ HYDRO GmbH 2)	Ravensburg, Germany	100.00%	FC	100.00%	FC
ANDRITZ Küsters GmbH 2)	Krefeld, Germany	100.00%	FC	100.00%	FC
ANDRITZ Kufferath GmbH 2)	Düren, Germany	100.00%	FC	100.00%	FC
AKRE Real Estate GmbH 2)	Düren, Germany	100.00%	FC	100.00%	FC
ANDRITZ Ritz GmbH 2)	Schwäbisch Gmünd, Germany	100.00%	FC	100.00%	FC
ANDRITZ Pumps Germany GmbH 2)	Schwäbisch Gmünd, Germany	100.00%	FC	100.00%	FC
ANDRITZ Ritz Pte. Ltd.	Singapore, Singapore	-	-	100.00%	NC
Ritz Pumps South Africa (Pty) Ltd.	Germiston, South Africa	25.00%	NC	25.00%	NC
ANDRITZ MeWa GmbH 2)	Gechingen, Germany	100.00%	FC	100.00%	FC
ANDRITZ Beteiligungsgesellschaft IV GmbH	Krefeld, Germany	-	-	100.00%	FC
Andritz Deutschland Holding Beteiligungs GmbH	Göppingen, Germany	100.00%	FC	100.00%	FC
Schuler Group GmbH	Göppingen, Germany	100.00%	FC	-	-
Schuler Pressen GmbH	Göppingen, Germany	100.00%	FC	100.00%	FC
Schuler Italia S.r.l.	Turin, Italy	90.00%	NC	90.00%	NC
Schuler (Dalian) Forming Technologies Co. Ltd.	Dalian, China	100.00%	FC	100.00%	FC

Company	Main office	2021 Share*	2021 Type of consolidation	2020 Share*	2020 Type of consolidation
Schuler (China) Co., Ltd.	Shanghai, China	100.00%	FC	100.00%	FC
Yangzhou Metal Forming Machine Tool Co., Ltd.	Yangzhou City, China	100.00%	FC	100.00%	FC
Beutler Nova AG	Gettnau, Switzerland	100.00%	FC	100.00%	FC
Schuler Presses UK Limited	Walsall, United Kingdom	100.00%	FC	100.00%	FC
BCN Technical Services Inc.	Hastings / Michigan, USA	100.00%	FC	100.00%	FC
Pressensysteme Schuler-México, S.A. de C.V.	Puebla, Mexico	100.00%	FC	100.00%	FC
Schuler Thailand Co. Ltd.	Banglamung Chonburi, Thailand	100.00%	NC	100.00%	NC
Gräbener Pressensysteme GmbH & Co. KG [1)]	Netphen, Germany	100.00%	FC	100.00%	FC
Vögtle Service GmbH	Eislingen, Germany	100.00%	FC	100.00%	FC
Schuler France S.A.	Strasbourg, France	100.00%	FC	100.00%	FC
Schuler Inc.	Canton / Michigan, USA	100.00%	FC	100.00%	FC
Prensas Schuler S.A.	São Paulo, Brazil	100.00%	FC	100.00%	FC
Gräbener Pressensysteme-Verwaltungs GmbH	Netphen, Germany	100.00%	NC	100.00%	NC
Graebener Press Systems Inc.	Warwick / Rhode Island, USA	100.00%	NC	100.00%	NC
Schuler Ibérica S.A.U.	Sant Cugat del Vallès, Spain	100.00%	NC	100.00%	NC
Schuler Slovakia Services s.r.o.	Dubnica nad Váhom, Slovakia	100.00%	NC	100.00%	NC
Schuler India Private Limited	Mumbai, India	100.00%	NC	100.00%	NC
Schuler Poland Service Sp. Z.o.o.	Kedzierzyn-Kózle, Poland	100.00%	NC	100.00%	NC
Tianjin GMS Machine Tool Service Co. Ltd.	Tianjin, China	50.00%	NC	50.00%	NC
PRESSE ITALIA - S.p.A.	Naples, Italy	95.00%	NC	95.00%	NC
AWEBA Werkzeugbau GmbH Aue	Aue, Germany	100.00%	FC	100.00%	FC
WVL Werkzeug- und Vorrichtungsbau Lichtenstein GmbH	St. Egidien, Germany	100.00%	FC	100.00%	FC
Dabaki Grundstücksverwaltungs-gesellschaft mbH & Co. Vermietungs KG	Mainz, Germany	94.00%	FC	94.00%	FC
PTW Powertrain Tools Weingarten GmbH	Weingarten, Germany	100.00%	FC	100.00%	FC
Schuler Service Rus Limited Liability Company	Toljatti, Russia	100.00%	NC	100.00%	NC
Farina Presse S.p.A.	Suello, Italy	100.00%	FC	100.00%	FC
Farina Presse S.r.l.	Suello, Italy	100.00%	FC	100.00%	FC
Farina Suisse Sagl	Lugano, Switzerland	-	-	100.00%	NC
Smart Press Shop GmbH & Co KG	Stuttgart, Germany	50.00%	EQ	50.00%	EQ
Smart Press Shop Verwaltungs-GmbH	Stuttgart, Germany	50.00%	NC	50.00%	NC
ANDRITZ SEPARATION AND PUMP TECHNOLOGIES INDIA PRIVATE LIMITED	Chennai, India	100.00%	FC	100.00%	FC
ANDRITZ Slovakia s.r.o.	Humenné, Slovakia	100.00%	FC	100.00%	FC
ANDRITZ HYDRO GmbH	Vienna, Austria	100.00%	FC	100.00%	FC
ANDRITZ HYDRO SAS	Fontaine, France	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Private Ltd.	Mandideep, India	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Nepal Pvt. Ltd.	Kathmandu, Nepal	100.00%	NC	100.00%	NC
Bhutan Automation & Engineering Limited	Chhukha, Bhutan	49.00%	NC	49.00%	NC

Company	Main office	2021 Share*	2021 Type of consolidation	2020 Share*	2020 Type of consolidation
ANDRITZ HYDRO S.L.	Algete, Spain	100.00%	NK	100.00%	FC
ANDRITZ HYDRO S.r.l., Unipersonale	Schio, Italy	100.00%	FC	100.00%	FC
ANDRITZ HYDRO AG	Kriens, Switzerland	100.00%	FC	100.00%	FC
ANDRITZ S.A. de C.V.	Morelia, Mexico	100.00%	FC	100.00%	FC
ANDRITZ HYDRO AS	Jevnaker, Norway	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Ltd. Sti.	Tekeli, Turkey	100.00%	FC	100.00%	FC
PT. ANDRITZ HYDRO	Jakarta, Indonesia	51.00%	FC	51.00%	FC
ANDRITZ HYDRO S.A.	Lima, Peru	100.00%	NC	100.00%	NC
ANDRITZ HYDRO (Pty) Ltd	Kyalami, South Africa	100.00%	NC	100.00%	NC
ANDRITZ HYDRO Ltda.	Bogotá, Colombia	100.00%	NK	100.00%	FC
ANDRITZ HYDRO s.r.o.	Prague, Czech Republic	100.00%	NC	100.00%	NC
ANDRITZ O&M Private Limited	Mandideep, India	100.00%	FC	100.00%	FC
ANDRITZ HYDRO C.A.	Caracas, Venezuela	100.00%	NC	100.00%	NC
ANDRITZ Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00%	VK	100.00%	NC
ANDRITZ HYDRO, Inc.	Makati City, Philippines	100.00%	NC	100.00%	NC
PHP PHILIPPINES HYDRO PROJECT, Inc.	Makati City, Philippines	24.98%	NC	24.98%	NC
ANDRITZ HYDRO Hammerfest AS	Hammerfest, Norway	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Hammerfest (UK) Limited	Glasgow, United Kingdom	100.00%	FC	100.00%	FC
ANDRITZ HYDRO, UNIPESSOAL LDA	Porto, Portugal	100.00%	NC	100.00%	NC
ANDRITZ HYDRO DRC SARL	Kinshasa, Democratic Republic of the Congo	100.00%	NC	100.00%	NC
AH PUMPSTORAGE GmbH	Vienna, Austria	60.00%	NC	60.00%	NC
ANDRITZ HYDRO Beteiligungsholding GmbH	Graz, Austria	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Brasilien Beteiligungsgesellschaft mbH	Graz, Austria	100.00%	FC	100.00%	FC
ANDRITZ HYDRO LTDA.	Barueri, Brazil	100.00%	FC	100.00%	FC
ANDRITZ Construcoes e Montagens Ltda	Barueri, Brazil	100.00%	FC	100.00%	FC
ANDRITZ HYDRO (SU), LDA.	Luanda, Angola	100.00%	NC	100.00%	NC
ANDRITZ VIETNAM COMPANY LIMITED	Hanoi, Vietnam	100.00%	NC	100.00%	NC
ANDRITZ HYDRO NIGERIA LIMITED	Lagos, Nigeria	100.00%	NC	100.00%	NC
ANDRITZ FEED & BIOFUEL A/S	Esbjerg, Denmark	100.00%	FC	100.00%	FC
ANDRITZ Chile Ltda.	Santiago de Chile, Chile	100.00%	FC	100.00%	FC
ANDRITZ CHILE SITE SERVICES SpA	Santiago de Chile, Chile	100.00%	NC	100.00%	NC
ANDRITZ CHILE SERVICES SpA	Santiago de Chile, Chile	100.00%	NC	100.00%	NC
POWERLASE TECHNOLOGIES HOLDINGS LIMITED	West Sussex, United Kingdom	82.00%	NC	82.00%	NC
Powerlase Technologies Inc.	Orlando / Florida, USA	100.00%	NC	100.00%	NC
ANDRITZ (USA) Inc.	Alpharetta / Georgia, USA	100.00%	FC	100.00%	FC
ANDRITZ Inc.	Alpharetta / Georgia, USA	100.00%	FC	100.00%	FC
ANDRITZ SEPARATION Inc.	Arlington / Texas, USA	100.00%	FC	100.00%	FC
ANDRITZ SEPARATION Technologies Inc.	Arlington / Texas, USA	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Corp.	Charlotte / North Carolina, USA	100.00%	FC	100.00%	FC

Company	Main office	2021 Share*	2021 Type of consolidation	2020 Share*	2020 Type of consolidation
ANDRITZ METALS USA Inc.	Canonsburg / Pennsylvania, USA	100.00%	FC	100.00%	FC
Genesis Worldwide II, Inc.	Alpharetta / Georgia, USA	-	-	100.00%	FC
ANDRITZ Herr-Voss Stamco, Inc.	Callery / Pennsylvania, USA	-	-	100.00%	FC
ANDRITZ ASKO Inc.	Homestead / Pennsylvania, USA	-	-	100.00%	FC
ANDRITZ ASKO Emera B.V.	Amsterdam, The Netherlands	100.00%	FC	100.00%	FC
ANDRITZ Metals Netherlands B.V.	Amsterdam, The Netherlands	100.00%	FC	100.00%	FC
SOTEC S.A. de C.V.	San Francisco Cuautlalpan, Mexico	25.00%	NC	25.00%	NC
Andritz Fabrics and Rolls Inc.	Youngsville / North Carolina, USA	100.00%	FC	100.00%	FC
Xerium Asia, LLC	Youngsville / North Carolina, USA	-	-	100.00%	FC
ANDRITZ Fabrics and Rolls Asia Holding Limited	Hong Kong, China	100.00%	FC	100.00%	FC
Beloit Asia Pacific (M) Inc.	Port Louis, Mauritius	100.00%	FC	100.00%	FC
Andritz Fabrics and Rolls (Xi'an) Co. Ltd.	Xi'an, China	-	-	90.00%	FC
Andritz Fabrics and Rolls (Changzhou) Co. Ltd.	Changzhou, China	100.00%	FC	100.00%	FC
Xerium China Co. Ltd.	Kunshan City, China	100.00%	FC	100.00%	FC
Andritz Fabrics and Rolls (Shanghai) Limited	Shanghai, China	100.00%	FC	100.00%	FC
Huyck Wangner (Shanghai) Trading Co. Ltd.	Shanghai, China	100.00%	FC	100.00%	FC
JJ Plank Company, LLC	Neenah / Wisconsin, USA	100.00%	FC	100.00%	FC
Weavexx, LLC	Youngsville / North Carolina, USA	100.00%	FC	100.00%	FC
Xerium Argentina SA	Berazategui, Argentina	100.00%	FC	100.00%	FC
Huyck Licensco Inc.	Youngsville / North Carolina, USA	100.00%	FC	100.00%	FC
Xerium III (US) Limited	Youngsville / North Carolina, USA	-	-	100.00%	FC
Xerium V (US) Limited	Youngsville / North Carolina, USA	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls Ltd.	Kentville, Canada	100.00%	FC	100.00%	FC
ANDRITZ FABRICS AND ROLLS SPA	Coronel, Chile	100.00%	FC	100.00%	FC
Stowe Woodward LLC	Youngsville / North Carolina, USA	100.00%	FC	100.00%	FC
Stowe Woodward Licensco LLC	Youngsville / North Carolina, USA	100.00%	FC	100.00%	FC
Wangner Itelpa I LLC	Youngsville / North Carolina, USA	100.00%	FC	100.00%	FC
Wangner Itelpa Participacoes Ltda	Piracicaba, Brazil	100.00%	FC	100.00%	FC
Wangner Itelpa II LLC	Youngsville / North Carolina, USA	100.00%	FC	100.00%	FC
Xerium IV (US) Limited	Youngsville / North Carolina, USA	100.00%	FC	100.00%	FC
Xerium do Brasil Ltda	Piracicaba, Brazil	100.00%	FC	100.00%	FC

Company	Main office	2021 Share*	2021 Type of consolidation	2020 Share*	2020 Type of consolidation
Robec Brazil LLC	Youngsville / North Carolina, USA	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls Industria e Comercio S.A.	Piracicaba, Brazil	100.00%	FC	100.00%	FC
ANDRITZ FABRICS AND ROLLS S.A. de C.V.	Queretaro, Mexico	100.00%	FC	100.00%	FC
Huyck.Wangner Japan Limited	Tokyo, Japan	100.00%	FC	100.00%	FC
Andritz Fabrics and Rolls Germany Holding GmbH [2)]	Reutlingen, Germany	100.00%	FC	100.00%	FC
Robec Walzen GmbH [2)]	Düren, Germany	100.00%	FC	100.00%	FC
Andritz Fabrics and Rolls AG [2)]	Düren, Germany	100.00%	FC	99.55%	FC
ANDRITZ Fabrics and Rolls GmbH [2)]	Reutlingen, Germany	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls AB	Uppsala, Sweden	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls Scandinavia AB	Uppsala, Sweden	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls, S.A.	Madrid, Spain	100.00%	FC	100.00%	FC
ANDRITZ JohnsonFoils Limited	Chachoengsao, Thailand	100.00%	NC	100.00%	NC
ANDRITZ FABRICS AND ROLLS HOLDINGS LIMITED	London, United Kingdom	100.00%	FC	100.00%	FC
Huyck.Wangner UK Limited	Kent, United Kingdom	100.00%	FC	100.00%	FC
Stowe-Woodward (UK) Limited	London, United Kingdom	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls Holdings SAS	Paris, France	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls SAS	Ville-la-grand, France	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls GmbH	Gloggnitz, Austria	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls Oy	Kerava, Finland	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls Holdings. S.p.A.	Milan, Italy	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls S.p.A.	Latina, Italy	100.00%	FC	100.00%	FC
Xerium Technologies Makina Hizmetleri Sanayi LS	Corlu/Tekirdag, Turkey	100.00%	FC	100.00%	FC
ANDRITZ FABRICS AND ROLLS PTY. LIMITED	Geelong, Australia	100.00%	FC	100.00%	FC
ANDRITZ SAS	Châteauroux, France	100.00%	FC	100.00%	FC
ANDRITZ Metals France SAS	Asnières-sur-Seine, France	100.00%	FC	100.00%	FC
ANDRITZ Selas Tianjin Industrial Furnace Equipment Co., Ltd.	Tianjin, China	40.00%	NC	40.00%	NC
Jaybee Eng. (Holdings) Pty. Ltd.	Carrum Downs / Victoria, Australia	100.00%	FC	100.00%	FC
ANDRITZ Pty. Ltd.	Carrum Downs / Victoria, Australia	100.00%	FC	100.00%	FC
ANDRITZ (NZ) Ltd.	Tauranga, New Zealand	100.00%	FC	100.00%	FC
ANDRITZ Ingeniería S.A.	Algete, Spain	100.00%	FC	100.00%	FC
ANDRITZ Brasil Ltda.	Curitiba, Brazil	100.00%	FC	100.00%	FC
ANDRITZ SEPARATION Indústria e Comércio de Equipamentos de Filtraçâo Ltda.	Pomerode, Brazil	100.00%	FC	100.00%	FC
Sindus ANDRITZ Ltda.	Porto Alegre, Brazil	100.00%	FC	100.00%	FC
ANDRITZ Pilão Equipamentos Ltda.	Curitiba, Brazil	100.00%	FC	100.00%	FC
ANDRITZ Oy	Helsinki, Finland	100.00%	FC	100.00%	FC
ANDRITZ Savonlinna Works Oy	Savonlinna, Finland	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Oy	Tampere, Finland	100.00%	FC	100.00%	FC
ANDRITZ Warkaus Works Oy	Varkaus, Finland	100.00%	FC	100.00%	FC
Enmas ANDRITZ Pvt. Ltd.	Chennai, India	40.00%	EQ	40.00%	EQ

Company	Main office	2021 Share*	2021 Type of consolidation	2020 Share*	2020 Type of consolidation
Viafin Brazil Oy	Teuva, Finland	40.00%	EQ	40.00%	EQ
ANDRITZ Enviroburners Oy	Vantaa, Finland	100.00%	NC	100.00%	NC
ANDRITZ HYDRO Canada Inc.	Pointe-Claire / Québec, Canada	100.00%	FC	100.00%	FC
ANDRITZ Ltd.	Lachine / Québec, Canada	100.00%	FC	100.00%	FC
ANDRITZ AUTOMATION Ltd.	Richmond / British Columbia, Canada	100.00%	FC	100.00%	FC
HMI Construction Inc.	Boucherville / Québec, Canada	-	-	100.00%	FC
ANDRITZ Feed and Biofuel Canada Inc.	Blenheim / Ontario, Canada	100.00%	FC	100.00%	FC
ANDRITZ Asselin-Thibeau S.A.S.	Elbeuf, France	100.00%	FC	100.00%	FC
ANDRITZ Gouda B.V.	Waddinxveen, The Netherlands	100.00%	FC	100.00%	FC
S.A.S.J.E. Duprat & Cie	La Roche Blanche, France	100.00%	NC	100.00%	NC
ANDRITZ AB	Örnsköldsvik, Sweden	100.00%	FC	100.00%	FC
ANDRITZ HYDRO AB	Nälden, Sweden	100.00%	FC	100.00%	FC
ANDRITZ Technologies AB	Stockholm, Sweden	51.00%	NC	51.00%	NC
ANDRITZ Ltd.	Newcastle-under-Lyme, United Kingdom	100.00%	FC	100.00%	FC
ANDRITZ (China) Ltd.	Foshan, China	100.00%	FC	100.00%	FC
ANDRITZ (Shanghai) Equipment & Engineering Co., Ltd	Shanghai, China	100.00%	FC	100.00%	FC
ANDRITZ SHENDE (SHANGHAI) FEED & BIOFUEL CO., LTD.	Shanghai, China	100.00%	FC	100.00%	FC
ANDRITZ (Foshan) Intelligent Manufacturing Co., Ltd.	Foshan, China	100.00%	FC	-	-
ANDRITZ Technologies H.K. Ltd.	Hong Kong, China	100.00%	FC	100.00%	FC
ANDRITZ Technologies Pvt. Ltd.	Bangalore, India	100.00%	FC	100.00%	FC
ANDRITZ FEED & BIOFUEL Ltd.	Hull, United Kingdom	100.00%	FC	100.00%	FC
ANDRITZ FEED & BIOFUEL B.V.	Geldrop, The Netherlands	100.00%	FC	100.00%	FC
ANDRITZ B.V.	Den Helder, The Netherlands	100.00%	FC	100.00%	FC
ANDRITZ Singapore Pte. Ltd.	Singapore, Singapore	100.00%	FC	100.00%	FC
ANDRITZ Uruguay S.A.	Fray Bentos, Uruguay	100.00%	FC	100.00%	FC
ANDRITZ Industrias S.A.	Fray Bentos, Uruguay	100.00%	NC	100.00%	NC
ANDRITZ PULP TECHNOLOGIES S.A.	Montevideo, Uruguay	100.00%	FC	100.00%	FC
ANDRITZ K.K.	Tokyo, Japan	100.00%	FC	100.00%	FC
ANDRITZ DELKOR (Pty) Ltd.	Kyalami, South Africa	100.00%	FC	100.00%	FC
GKD Delkor (Pty) Ltd.	Kyalami, South Africa	100.00%	NC	100.00%	NC
PT. ANDRITZ	Jakarta, Indonesia	100.00%	FC	100.00%	FC
LLC ANDRITZ	St. Petersburg, Russia	100.00%	FC	100.00%	FC
LLC ANDRITZ HYDRO	Moscow, Russia	100.00%	NC	100.00%	NC
ANDRITZ Kufferath s.r.o.	Levice, Slovakia	100.00%	FC	100.00%	FC
ANDRITZ Kft.	Tiszakécske, Hungary	100.00%	FC	100.00%	FC
ANDRITZ Perfojet SAS	Montbonnot Saint-Martin, France	100.00%	FC	100.00%	FC
ANDRITZ Biax SAS	Le Bourget du Lac, France	100.00%	NC	100.00%	NC

		2021		2020	
Company	Main office	Share*	Type of consolidation	Share*	Type of consolidation
ANDRITZ SEPARATION ITALY S.R.L.	Schio, Italy	100.00%	FC	100.00%	FC
ANDRITZ COMO S.R.L.	Grandate, Italy	100.00%	NC	100.00%	NC
ANDRITZ Soutec AG	Neftenbach, Switzerland	100.00%	FC	100.00%	FC
EK Finance SAS	Scorbé-Clairvaux, France	100.00%	FC	100.00%	FC
ANDRITZ Euroslot France SAS	Scorbé-Clairvaux, France	100.00%	FC	100.00%	FC
ANDRITZ EUROSLOT INDIA PRIVATE LIMITED	Mumbai, India	100.00%	NC	100.00%	NC
ANDRITZ FZCO	Dubai, United Arab Emirates	100.00%	NC	100.00%	NC
OTORIO LTD	Tel Aviv, Israel	50.01%	FC	50.01%	FC
ANDRITZ Novimpianti S.r.l.	Capannori, Italy	100.00%	FC	100.00%	FC
ANDRITZ Diatec S.r.l.	Collecorvino, Italy	100.00%	FC	70.00%	FC
Psiori GmbH	Freiburg im Breisgau, Germany	25.10%	EQ	25.10%	EQ
Laroche SA	Cours-la-Ville, France	100.00%	FC	-	-
ANDRITZ Digital Factory d.o.o.	Zagreb, Croatia	100.00%	NC	100.00%	NC

* The share is shown as the share of the immediate parent company. If a subsidiary has more than one immediate parent company within the ANDRITZ GROUP the subsidiary is included with its share of the total ANDRITZ GROUP under the parent company with the majority share.

FC ... Full consolidation
EQ ... Equity valuation
NC ... Non-consolidated due to minor importance

1) The exemption rule according to section 264b HGB (German Commercial Code) is applied.
2) The exemption rule according to section 264 paragraph 3 HGB (German Commercial Code) is applied.

Graz, February 25, 2022

Wolfgang Leitner e.h.
(President and CEO)

Humbert Köfler e.h.

Norbert Nettesheim e.h.
(Chief Financial Officer)

Joachim Schönbeck e.h.

Wolfgang Semper e.h.

STATEMENT BY THE EXECUTIVE BOARD

STATEMENT BY THE EXECUTIVE BOARD OF ANDRITZ AG, PURSUANT TO SECTION 124 PARAGRAPH 1 OF THE (AUSTRIAN) STOCK EXCHANGE ACT

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the financial statements of the parent company give a true and fair view of the assets, liabilities, financial position, and profit or loss as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Graz, February 25, 2022

The Executive Board of ANDRITZ AG

Wolfgang Leitner	Humbert Köfler	Norbert Nettesheim	Joachim Schönbeck	Wolfgang Semper
President and CEO	Pulp & Paper (Service), Separation	Chief Financial Officer	Pulp & Paper (Capital Systems), Metals Processing	Hydro

GLOSSARY

ATX
Austrian Traded Index, the leading stock market index of the Vienna stock exchange.

Capital employed
Net working capital plus intangible assets and property, plant, and equipment.

Capital expenditure
Additions to intangible assets and property, plant, and equipment.

CGU
Cash generating unit.

Dividend per share
Part of earnings per share, which is distributed to shareholders.

Earnings per share
Net income (without non-controlling interests)/ weighted average number of shares.

EBIT
Earnings before interest and taxes.

EBITA
Earnings before interest, taxes, amortization of identifiable assets acquired in a business combination and recognized separately from goodwill and impairment of goodwill.

EBITDA
Earnings before interest, taxes, depreciation, and amortization.

EBT
Earnings before taxes.

Employees
Number of employees without apprentices.

Equity ratio
Total equity/total assets.

EV
Enterprise Value: Market capitalization as of end of period minus net liquidity.

Free cash flow
Cash flow from operating activities minus capital expenditure.

Free cash flow per share
Free cash flow/ weighted average number of shares.

FVTOCI
Fair value through other comprehensive income.

FVTPL
Fair value through profit and loss.

Gearing
Net debt/total equity.

HY
Hydro business area.

Liquid funds
Cash and cash equivalents plus investments plus Schuldscheindarlehen.

Market capitalization
Number of shares outstanding at reporting date multiplied by the closing price at reporting date.

ME
Metals business area.

MEUR
Million euros.

Net debt
Interest bearing liabilities including provisions for severance payments, pensions, and other long-term employee benefits less liquid funds.

Net liquidity
Liquid funds less financial liabilities.

Net working capital
Non-current receivables plus current assets (excluding investments, cash and cash equivalents as well as Schuldscheindarlehen) less other non-current liabilities and current liabilities (excluding financial liabilities and provisions).

Non-current assets (as reported internally) consist of property, plant, and equipment, goodwill, intangible assets as well as other non-current receivables and assets. Investments accounted for using the equity method, investments and other financial assets as well as deferred tax assets are not part of the non-current assets.

Order backlog
The order backlog consists of present customer orders at the reporting date and represents the transaction price assigned to the remaining performance obligations. The order backlog at the end of the period is basically calculated by the order backlog at the beginning of the period plus order intake less sales during the reporting period.

Order intake
The order intake is the estimated order sales which have been put into effect in the reporting period considering changes and corrections of the order value; letter of intents are not part of the order intake.

Payout ratio
Part of net income, which is distributed to shareholders and calculated as dividend per share/ earnings per share.

PP
Pulp & Paper business area.

Return on equity
Earnings before taxes/total equity.

Return on investment
Earnings before interest and taxes/total assets.

Return on sales
Earnings before interest and taxes/sales.

ROE
Return On Equity: Net income/total equity.

SE
Separation business area.

Sureties
These contain bid bonds, contract performance guarantees, down payment guarantees as well as performance and warranty bonds at the expense of the ANDRITZ GROUP.

SCF
Supply Chain Financing

TEUR
Thousand euros.

Total equity
Total shareholders' equity including non-controlling interests.

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

We have audited the consolidated financial statements of

Andritz AG,
Graz

and its subsidiaries ("the Group"), which comprise the Consolidated Statement of Financial Position as at 31 December 2021, and the Consolidated Income Statement, Consolidated Comprehensive Income Statement, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Project Accounting

Refer to notes 9 and par. 23

Risk for the Consolidated Financial Statements

A major component of the revenues and net income contribution is derived from the project business. The project business comprises a large number of projects with individual project revenues of more than EUR 100 million and project terms extending over several years. When certain criteria are met, revenue is recognized over time according to the progress of the respective projects, which is measured using the cost to cost method. This method is not applied to projects for which a project loss is expected. Such loss is immediately recognized in the income statement. For completed projects the Group is liable for warranty over a defined period of time. In certain active and completed projects, the Group is involved with customers and/or suppliers with regard to contractual obligations, resulting in potential or active legal proceedings. The Group recognizes provisions for warranty liabilities as well as for potential obligations as a result of legal proceedings. The application of over time revenue recognition, determination of the stage of completion, the estimate of costs to complete as well as the measurement of project provisions require a substantial number of assumptions and forward-looking estimates. Due to the significant volume of project business, this results in a risk of project revenue, net income, and project-related balance sheet items being materially misstated.

Our response

We have assessed the project accounting as follows:

- When performing our audit, we obtained an understanding of the processes and internal controls relevant to project accounting and we tested the effectiveness of selected internal controls. This relates specifically to internal controls with respect to approval of project cost estimates at contract inception, approval of the ongoing cost status reports, the actual cost-to-budget-analysis, the status reports relating to current projects, and estimate of the amount of outstanding or potentially outstanding costs to complete the project. Based on the results of these tests, we have planned additional audit procedures.

- We have applied these procedures to selected current projects and we have assessed management's assumptions regarding those projects. The selection was based on risk criteria such as project volume, low or negative project margin or significant margin changes. Audit procedures mainly included: review of underlying contracts and agreements, a plausibility check on current project information, inquiries of individuals responsible for project execution or project controlling as to the reasonableness of estimates and assumptions used, evaluation of the accuracy of accounting estimates by comparing actual results to prior period estimates, and a reconciliation of the assumptions used for estimates with contract information and other relevant documents.

- In addition, we have evaluated the method used to determine the stage of completion and the proper allocation of contract cost to individual contracts.

- To assess whether the provisions for litigations and claims from costumers are appropriate, we have read the relevant documents, obtained attorney confirmation letters and discussed the cases with personnel involved and inspected their documentation.

- In addition, we have assessed whether the presentation of the project business in the consolidated financial statements as well as the disclosures in the notes are in line with the IFRS 15 requirements.

Valuation of Goodwill

Refer to note 20

Risk for the Consolidated Financial Statements

Goodwill capitalized in the consolidated statement of financial position as of 31 December 2021 amounts to EUR 778,3 million. Once a year, or if a triggering event occurs, Andritz AG conducts an impairment test in order to confirm the valuation of goodwill. The approach for measuring goodwill, the allocation of goodwill to the cash generating units as well as the assumptions used and the results of the impairment tests are described in the notes.

Testing goodwill for impairment requires a considerable number of estimates concerning future development of revenues, earnings, and net cash inflows as well as assumptions on discount rates used and is therefore exposed to significant uncertainty. For the financial statements, this leads to the risk of goodwill being overstated.

Our response

We have assessed the project accounting as follows:

- We have evaluated the reasonableness of forward-looking estimates and significant assumptions as well as the valuation methodologies used, consulting our own valuation experts.

- We have reconciled the revenue and margin projections used for impairment testing to the Group's current business plan as approved by the supervisory board. We have tested the underlying assumptions for reasonableness in discussions with the management and reconciliation to information relating to the current and expected development of the respective cash generating units. We also verified the historical accuracy of the business plan by comparing plans for prior periods with the actual results.

- With regard to the discount rates used, we have tested the underlying assumptions by comparing them to market and industry-specific benchmarks and methodologies, and we have reviewed the respective calculation formula, consulting our own valuation experts. Insofar as there are CGUs with excess returns, we verified the reasons using historical data as well as future market- and economic positions.

- Furthermore, we have assessed whether the entity-prepared impairment test disclosures in the notes are appropriate.

Other Information

Management is responsible for other information. Other information is all information provided in the annual financial report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee

This report is a translation of the original report in German, which is solely valid.

that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

REPORT ON OTHER LEGAL REQUIREMENTS

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

It is our responsibility to determine whether the consolidated non-financial statement has been prepared as part of the group management report, to read and assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 24th March 2021 and were appointed by the supervisory board on 19th May 2021 to audit the financial statements of Company for the financial year ending on 31st December 2021.

We have been auditors of the Company, without interruption, since the consolidated financial statements at 31 December 2016.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

ENGAGEMENT PARTNER

The engagement partner is Mr. Johannes Bauer.

Vienna, 28. February 2022

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Signed by:
Johannes Bauer
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.
The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

ANDRITZ AG

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Produced in-house using firesys

Note

In order to improve readability, the present report does not contain any gender-specific wording. Any personal terms used relate to all genders equally.

Disclaimer

Certain statements contained in the 2021 annual report and in the 2021 annual financial report constitute “forward-looking statements.” These statements, which contain the words “believe”, “intend”, “expect”, and words of a similar meaning, reflect the Executive Board’s beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. The company disclaims any obligation to publicly announce the result of any revisions to the forward-looking statements made herein, except where it would be required to do so under applicable law.

The 2021 annual report and the 2021 annual financial report contain assumptions and forecasts based on the information available up to the copy deadline on February 25, 2022. If the premises for these assumptions and forecasts do not occur, or risks indicated in the chapter “Risk Management” and in the management report in the 2021 annual financial report do arise, actual results may vary from the forecasts made in the 2021 annual report and in the 2021 annual financial report. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.