FINANCIAL REPORT 2020

ANDRITZ

ENGINEERED SUCCESS

Key financial figures at a glance

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KEY FINANCIAL FIGURES OF THE ANDRITZ GROUP

	Unit	2020	2019	2018	2017	2016
Order intake	MEUR	6,108.0	7,282.0	6,646.2	5,579.5	5,568.8
Order backlog (as of end of period)	MEUR	6,774.0	7,777.6	7,084.3	6,383.0	6,789.2
Revenue	MEUR	6,699.6	6,673.9	6,031.5	5,889.1	6,039.0
Return on sales	%	4.7	3.6	5.3	6.8	6.4
EBITDA	MEUR	571.1	537.6	498.0	541.7	542.4
EBITA[1)]	MEUR	391.7	343.2	394.3	444.0	442.1
Earnings Before Interest and Taxes (EBIT)	MEUR	315.0	237.9	321.6	399.3	385.8
Earnings Before Taxes (EBT)	MEUR	280.9	180.9	304.2	400.6	398.4
Net income (including non-controlling interests)	MEUR	203.7	122.8	219.7	265.6	274.8
Net income (without non-controlling interests)	MEUR	207.1	127.8	222.0	263.0	274.6
Cash flow from operating activities	MEUR	461.5	821.6	7.8	246.5	366.6
Capital expenditure	MEUR	131.8	157.1	137.0	116.8	119.5
Free cash flow	MEUR	329.7	664.5	-129.2	129.7	263.7
Free cash flow per share	EUR	3.3	6.4	-1.2	1.2	2.5
Employees (as of end of period; without apprentices)	-	27,232	29,513	29,096	25,566	25,162
Non-current assets	MEUR	2,497.5	2,705.5	2,629.5	1,860.8	1,913.7
Current assets	MEUR	4,559.2	4,528.6	4,289.1	4,404.5	4,284.9
Total equity	MEUR	1,255.7	1,219.6	1,330.8	1,325.4	1,344.2
Provisions	MEUR	691.0	1,083.1	1,017.7	1,066.1	1,118.9
Liabilities	MEUR	5,110.0	4,931.4	4,570.1	3,873.8	3,735.5
Total assets	MEUR	7,056.7	7,234.1	6,918.6	6,265.3	6,198.6
Equity ratio	%	17.8	16.9	19.2	21.2	21.7
Return on equity	%	22.4	14.8	22.9	30.2	29.6
Return on investment	%	4.5	3.3	4.6	6.4	6.2
Liquid funds	MEUR	1,719.3	1,609.8	1,279.7	1,772.3	1,507.1
Net liquidity	MEUR	420.9	244.9	-99.6	908.0	945.3
Net debt	MEUR	35.1	205.7	568.1	-530.6	-550.2
Net working capital	MEUR	-48.8	-134.0	160.5	-121.0	-215.8
Capital employed	MEUR	1,345.1	1,470.4	1,665.6	801.9	772.2
Gearing	%	2.8	16.9	42.7	-40.0	-40.9
EBITDA margin	%	8.5	8.1	8.3	9.2	9.0
EBITA margin	%	5.8	5.1	6.5	7.5	7.3
EBIT margin	%	4.7	3.6	5.3	6.8	6.4
Net income/sales	%	3.0	1.8	3.6	4.5	4.6
ROE	%	16.2	10.1	16.5	20.0	20.4
EV/EBITDA	-	6.1	7.0	8.6	7.4	7.4
Depreciation and amortization/sales	%	3.8	4.1	2.7	2.3	2.4

1) Amortization and impairment of identifiable assets acquired in a business combination and recognized separately from goodwill amount to of 72.0 MEUR (2019: 76.2 MEUR); impairment of goodwill amounts to 4.7 MEUR (2019: 29.1 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	2020	2019	2018	2017	2016
Order intake	MEUR	2,961.1	3,632.5	2,571.9	2,033.4	1,919.5
Order backlog (as of end of period)	MEUR	2,591.0	3,164.3	2,421.1	1,787.0	1,803.3
Revenue	MEUR	3,339.0	2,869.5	2,233.2	2,059.7	2,094.4
EBITDA	MEUR	399.6	351.4	258.4	221.5	207.7
EBITDA margin	%	12.0	12.2	11.6	10.8	9.9
EBITA	MEUR	322.7	271.0	222.1	194.9	182.2
EBITA margin	%	9.7	9.4	9.9	9.5	8.7
Capital expenditure	MEUR	64.1	63.3	33.8	42.1	34.1
Employees (as of end of period; without apprentices)	-	11,127	11,984	11,435	8,002	7,522

Metals

	Unit	2020	2019	2018	2017	2016
Order intake	MEUR	1,143.6	1,582.2	1,931.8	1,606.5	1,551.5
Order backlog (as of end of period)	MEUR	1,181.6	1,532.7	1,591.6	1,309.7	1,369.0
Revenue	MEUR	1,420.5	1,636.9	1,635.1	1,643.5	1,598.4
EBITDA	MEUR	5.5	-1.5	57.8	129.7	141.7
EBITDA margin	%	0.4	-0.1	3.5	7.9	8.9
EBITA	MEUR	-46.7	-73.8	27.3	98.6	115.2
EBITA margin	%	-3.3	-4.5	1.7	6.0	7.2
Capital expenditure	MEUR	26.5	30.8	36.1	29.7	49.1
Employees (as of end of period; without apprentices)	-	6,513	7,485	7,818	7,573	7,608

Hydro

	Unit	2020	2019	2018	2017	2016
Order intake	MEUR	1,335.4	1,350.2	1,445.8	1,317.2	1,500.3
Order backlog (as of end of period)	MEUR	2,587.9	2,661.0	2,667.9	2,921.8	3,269.6
Revenue	MEUR	1,296.0	1,470.7	1,517.5	1,583.1	1,752.4
EBITDA	MEUR	98.5	134.1	142.4	154.1	167.2
EBITDA margin	%	7.6	9.1	9.4	9.7	9.5
EBITA	MEUR	62.0	105.9	113.8	123.0	127.6
EBITA margin	%	4.8	7.2	7.5	7.8	7.3
Capital expenditure	MEUR	29.7	51.8	57.9	36.3	26.1
Employees (as of end of period; without apprentices)	-	6,941	7,202	7,002	7,237	7,260

Separation

	Unit	2020	2019	2018	2017	2016
Order intake	MEUR	667.9	717.1	696.7	622.4	597.5
Order backlog (as of end of period)	MEUR	413.5	419.6	403.7	364.5	347.3
Revenue	MEUR	644.1	696.8	645.7	602.8	593.8
EBITDA	MEUR	67.5	53.6	39.4	36.4	25.8
EBITDA margin	%	10.5	7.7	6.1	6.0	4.3
EBITA	MEUR	53.7	40.1	31.1	27.5	17.1
EBITA margin	%	8.3	5.8	4.8	4.6	2.9
Capital expenditure	MEUR	11.5	11.2	9.2	8.7	10.2
Employees (as of end of period; without apprentices)	-	2,651	2,842	2,841	2,754	2,772

MANAGEMENT REPORT

GENERAL ECONOMIC CONDITIONS

The global Covid-19 pandemic and the resulting restrictions on large areas of public and economic life led to a significant downturn in the global economy in 2020. There was a substantial increase in unemployment and a considerable decline in economic performance in all of the world's larger economic regions. Both Western industrialized countries and also emerging countries like Brazil and India were and still are being affected – some of them quite severely. The economic recovery and rescue packages (e.g. tax cuts, short working hours, direct subsidies towards overhead costs, etc.) implemented by many governments were able to cushion the downturn in the economy to a certain extent, but market researchers still expect a drop of at least 4% in the global GDP in 2020 compared to the previous year. China was also initially severely impacted by the pandemic, however the economy recovered again slightly – particularly in the second half of 2020 – and achieved slight growth during the reporting period compared to 2019.

Source: Research reports by various banks, OECD

MARKET DEVELOPMENT

The markets served by ANDRITZ were negatively impacted by the Covid-19 crisis and the resulting economic weakness in 2020 – albeit to different extents. Some medium-sized and larger investment projects and sales contracts have been delayed by the customer or postponed until further notice. This applied to the capital business in particular, but the service business was also affected by global travel restrictions imposed due to Covid-19 and by access restrictions to individual customer and project locations in some areas.

Pulp & Paper

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

Metals

In the Metals Forming sector for the automotive and automotive supplying industry, project and investment activity during the reporting period remained at the low level of the previous year due to the global economic downturn and the structural weakness of the international automotive market. There were only a few larger investments (from the electromobility sector) by automotive manufacturers and suppliers.

Project activity in the Metals Processing sector (equipment for the production and processing of stainless strip, carbon steel strip, and of aluminum strip) declined significantly during the reporting year due to the low demand in the global steel and stainless steel industry as a result of the economic environment.

Hydro

Global investment and project activity for electromechanical equipment for hydropower plants was unchanged during the 2020 business year. As a result of the continuing moderate investment activities by energy utilities – due to the low electricity prices – many modernization and rehabilitation projects for hydropower stations are still postponed or on hold until further notice, particularly in Europe. However, some larger orders to supply equipment for hydropower plants were awarded selectively during the reporting period, particularly in Asia and North America. Satisfactory project activity was noted in the pumps sector.

Separation

The global markets for solid/liquid separation equipment developed satisfactorily overall during the 2020 business year. The environmental (municipal and industrial sewage sludge dewatering and drying) and food sectors saw solid project activity. Satisfactory project activity was noted in the feed & biofuels technologies 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

The order intake of the Group reached a solid level of 6,108.0 MEUR in the 2020 business year in spite of the global economic downturn and was thus only 16.1% below the record figure for the previous year (2019: 7,282.0 MEUR), which included some major orders in the Pulp & Paper business area.

The business areas' development in detail:

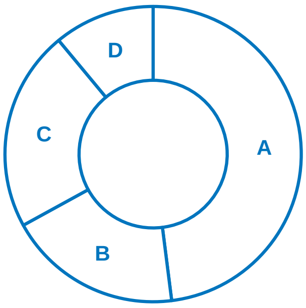
- Pulp & Paper: Order intake amounted to 2,961.1 MEUR and was thus 18.5% below the record level of the previous year (2019: 3,632.5 MEUR), which included some large-scale pulp mill orders from South America (Brazil). As a result of the worldwide travel restrictions and partial production constraints at customers due to the Covid-19 pandemic, service business also saw a decline in order intake in the 2020 business year.

- Metals: At 1,143.6 MEUR the order intake was significantly below the level of the previous year (-27.7% versus 2019: 1,582.2 MEUR). Both the Metals Forming (Schuler) and the Metals Processing sectors were confronted with very low investment activity by automotive and steel producers due to the economic environment. Additionally, in the Metals Forming sector, the continued structural weakness of the global automotive market had a negative impact on the development of order intake.

- Hydro: In a market environment characterized by unchanged moderate investment activity, the order intake at 1,335.4 MEUR reached practically the same level as the previous year (-1.1% versus 2019: 1,350.2 MEUR). Some larger orders were awarded selectively in Asia and North America during the reporting period.

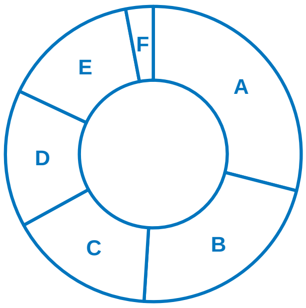
- Separation: Order intake amounted to 667.9 MEUR and was thus 6.9% below the level for the previous year (2019: 717.1 MEUR). While the feed & biofuels technologies sector reached a solid level, development of order intake in the solid/liquid separation sector declined.

**Order intake by business area
2020 (2019) in %**



A	Pulp & Paper	48	(50)
B	Metals	19	(22)
C	Hydro	22	(18)
D	Separation	11	(10)

**Order intake by region
2020 (2019) in %**



A	Europe	29	(33)
B	North America	22	(21)
C	China	16	(11)
D	South America	15	(20)
E	Asia (without China)	15	(12)
F	Africa, Australia	3	(3)

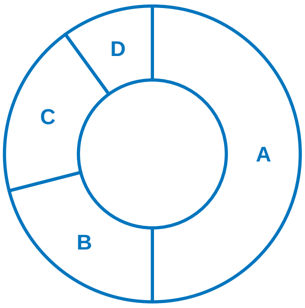
Revenue

Revenue of the ANDRITZ GROUP amounted to 6,699.6 MEUR in the 2020 business year, reaching a new record level (+0.4% versus 2019: 6,673.9 MEUR) in spite of the difficult economic conditions. This record figure is attributable to the Pulp & Paper business area, which was able to increase revenue significantly (+16.4%) compared to the previous year – particularly due to processing of large-scale capital orders received in the preceding quarters. Revenue in the Metals (-13.2%) and Hydro (-11.9%) business areas declined significantly compared to the previous year due to the sharp decline in order intake in the past few quarters and years, respectively. Revenue in the Separation business area also declined (-7.6%).

The business areas' sales development at a glance:

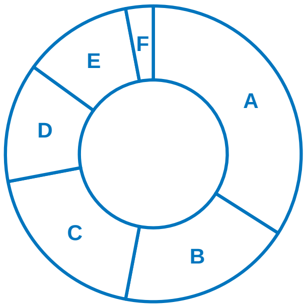
	Unit	2020	2019	+/-
Pulp & Paper	MEUR	3,339.0	2,869.5	+16.4%
Metals	MEUR	1,420.5	1,636.9	-13.2%
Hydro	MEUR	1,296.0	1,470.7	-11.9%
Separation	MEUR	644.1	696.8	-7.6%

Revenue by business area 2020 (2019) in %



A	Pulp & Paper	50	(43)
B	Metals	21	(25)
C	Hydro	19	(22)
D	Separation	10	(10)

Revenue by region 2020 (2019) in %



A	Europe	34	(35)
B	North America	19	(21)
C	South America	19	(12)
D	Asia (without China)	13	(13)
E	China	12	(15)
F	Africa, Australia	3	(4)

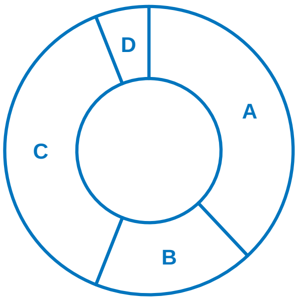
Share of service sales of Group and business area sales in %

	2020	2019
ANDRITZ GROUP	36	40
Pulp & Paper	41	51
Metals	24	27
Hydro	34	32
Separation	48	45

Order backlog

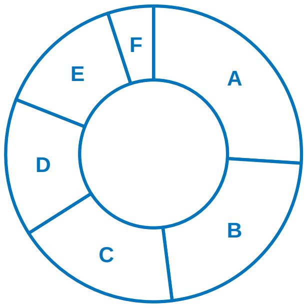
As of December 31, 2020, the order backlog of the ANDRITZ GROUP amounted to 6,774.0 MEUR (-12.9% versus December 31, 2019: 7,777.6 MEUR).

Order backlog by business area as of 31.12.2020 (31.12.2019) in %



A	Pulp & Paper	38	(41)
B	Metals	18	(20)
C	Hydro	38	(34)
D	Separation	6	(5)

Order backlog by business area as of 31.12.2020 (31.12.2019) in %



A	Europe	26	(30)
B	Asia (without China)	22	(18)
C	China	18	(14)
D	North America	15	(19)
E	South America	14	(14)
F	Africa, Australia	5	(5)

Earnings

The operating result (EBITA) reached a favorable level due to good revenue development in combination with strict cost discipline and rose to 391.7 MEUR (+14.1% versus 2019: 343.2 MEUR). Profitability (EBITA margin) increased to 5.8% (2019: 5.1%). This result includes provisions of around 79 MEUR for capacity adjustments, especially for the Metals Forming and Hydro business areas and, to a lesser extent, for the other business areas. Excluding these extraordinary effects, the EBITA of the Group amounted to 471.1 MEUR and was thus slightly higher than the reference figure for the previous year excluding extraordinary effects (2019: 456.0 MEUR). The adjusted EBITA margin increased to 7.0% (2019: 6.8%).

Development of profitability by business area:

- In the Pulp & Paper business area, profitability reached a very favorable level once again at 9.7% (2019: 9.4%), with very positive developments in both capital and service business. The adjusted EBITA margin amounted to 9.9% (2019: 9.8%).

- The EBITA margin in the Metals business area remained negative at -3.3% (2019: -4.5%), mainly due to the above-mentioned measures in Metals Forming. In addition, execution of low-margin orders as a result of the unchanged, strong competition had a negative impact on the development of earnings and profitability. Excluding the restructuring expenses, the EBITA margin amounted to -0.8% (2019: 0.5%).

- The EBITA margin in the Hydro business area declined significantly to 4.8% (2019: 7.2%). The main reasons for the drop in profitability compared to the previous year were provisions for capacity adjustments – as in the Metals business area – and execution of some low-margin orders. The adjusted EBITA margin amounted to 7.0% (2019: 8.1%).

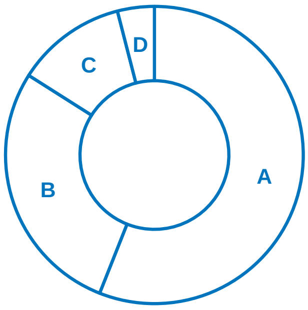
- In the Separation business area, the EBITA margin continued to develop very favorably and increased to 8.3% (2019: 5.8%). The adjusted EBITA margin increased significantly to 9.4% (2019: 6.6%).

Consolidated income statement

(in MEUR)	2020	2019	+/-
Revenue	**6,699.6**	**6,673.9**	**+0.4%**
Changes in inventories of finished goods, work in progress and capitalized cost of self-constructed assets	-26.4	-28.2	+6.4%
Other income	85.9	96.2	-10.7%
Cost of materials	-3,632.4	-3,305.2	-9.9%
Personnel expenses	-1,790.3	-2,015.2	+11.2%
Other expenses	-765.3	-883.9	+13.4%
EBITDA	**571.1**	**537.6**	**+6.2%**
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	-251.4	-270.6	+7.1%
Impairment of goodwill	-4.7	-29.1	+83.8%
EBIT	**315.0**	**237.9**	**+32.4%**
Financial result	**-34.1**	**-57.0**	**+40.2%**
EBT	**280.9**	**180.9**	**+55.3%**
Income taxes	-77.1	-58.2	-32.5%
NET INCOME	**203.7**	**122.8**	**+65.9%**
Net income attributable to owners of the parent	207.1	127.8	+62.1%
Net income allocated to non-controlling interests	-3.4	-5.0	+32.0%
Basic earnings per no-par value share (in EUR)	2.08	1.27	+63.8%

Allocation of expenses in %

Distribution of total expenses 2020 (2019) in %



A	Cost of materials	56	(51)
B	Personnel expenses	28	(31)
C	Other expenses	12	(14)
D	Depreciation	4	(4)

56.4% of total expenses were attributable to material expenses in 2020 (2019: 51.0%). The material expenses to sales ratio increased to 54.2% (2019: 49.5%). The share of personnel expenses, at 27.8%, was thus below the level of the previous year (2019: 31.1%), the personnel expenses to sales ratio declined to 26.7% (2019: 30.2%).

Other expenses amounted to 765.3 MEUR in the reporting period (2019: 883.9 MEUR) and mainly include sales expenses, repairs and maintenance, travel expenses as well as legal, consulting, and audit expenses. Other income, at 85.9 MEUR, was below the level for the previous year (2019: 96.2 MEUR) and mainly includes government grants, rental income, and profits on disposal of intangible assets and property, plant, and equipment.

The depreciation and amortization of intangible assets and of property, plant, and equipment amounted to 251.4 MEUR in 2020 (2019: 270.6 MEUR). Thereof 69.1 MEUR (2019: 82.5 MEUR) are attributable to depreciation and amortization of intangible assets and 161.9 MEUR (2019: 168.7 MEUR) to depreciation and amortization of property, plant, and equipment.

In 2020, the Group's goodwill impairment amounted to 4.7 MEUR (2019: 29.1 MEUR), and the impairment charges for intangible and tangible assets were 20.9 MEUR (2019: 19.4 MEUR). The goodwill impairment relates to the Metals business area, where the business did not develop as expected. Impairment of intangible and tangible assets mainly relates to technologies, customer relationship, and plant.

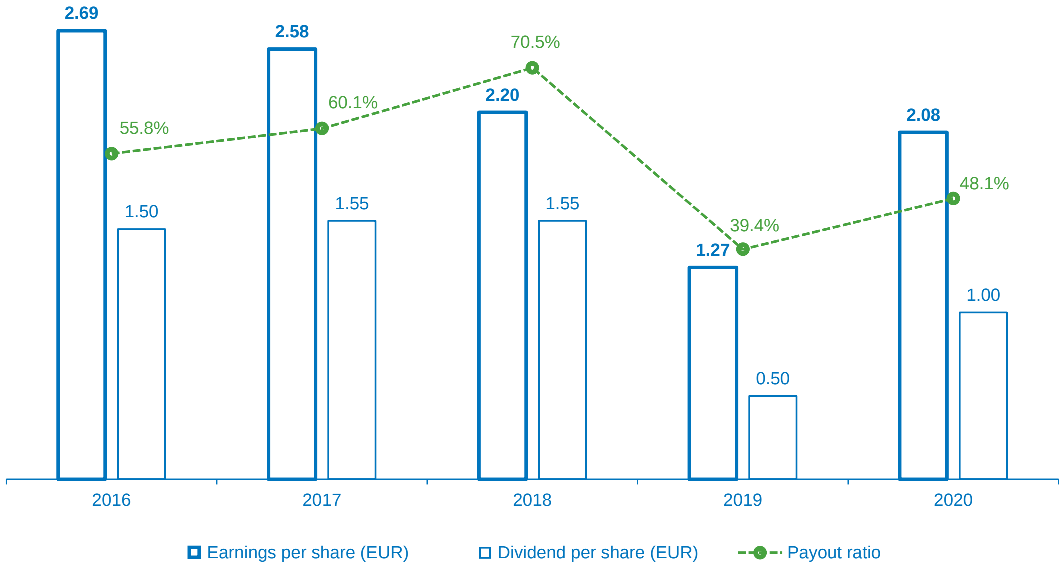
The financial result increased significantly to -34.1 MEUR (2019: -57.0 MEUR). This is mainly due to a decrease in interest expenses in connection with the repayment of financial liabilities and to an increase in other financial result (i.a. valuation of intercompany loans and bank balances in foreign currencies (FX) on the balance sheet date).

The tax rate decreased due to consequent management of tax groups and the associated recognition of loss carryforwards to 27.5% (2019: 32.1%); see also notes to the consolidated financial statements, chapter C) 16. Income taxes.

The net income (including non-controlling interests) amounted to 203.7 MEUR (+65.9% versus 2019: 122.8 MEUR). Thereof 207.1 MEUR (2019: 127.8 MEUR) are attributable to the shareholders of the parent company and -3.4 MEUR (2019: -5.0 MEUR) to non-controlling interests (see also notes to the consolidated financial statements, chapter F) 32. Equity.

The earnings per share increased significantly to 2.08 EUR (2019: 1.27 EUR). At the Annual General Meeting on March 24, 2021, the Executive Board will propose a dividend of 1.00 EUR per share (2019: 0.50 EUR) for the 2020 business year. This is equal to a payout ratio of around 48.1% (2019: around 39.4%). The payout ratio, which is somewhat lower than in previous years, results from the goal of strengthening the equity ratio and net liquidity of the Group.

Earnings and dividend per share/payout ratio



Dividend for 2020: Proposal to the Annual General Meeting.

Treasury shares

As of December 31, 2020, the company held 4,744,104 treasury shares, i.e. 4.6% of the share capital, with a market value of 177.8 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) 32. Equity.

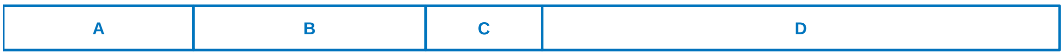
Net worth position and capital structure

Total assets amounted to 7,056.7 MEUR (December 31, 2019: 7,234.1 MEUR). The equity ratio amounted to 17.8% (December 31, 2019: 16.9%).

Assets

A	Long-term assets: 35%	2,497.5 MEUR
B	Short-term assets: 42%	2,914.9 MEUR
C	Cash and cash equivalents and marketable securities: 23%	1,644.3 MEUR

Shareholders' equity and liabilities



A	Shareholders' equity incl. non-controlling interests: 18%	1,255.7 MEUR
B	Financial liabilities: 22%	1,533.0 MEUR
C	Other long-term liabilities: 11%	780.4 MEUR
D	Other short-term liabilities: 49%	3,487.6 MEUR

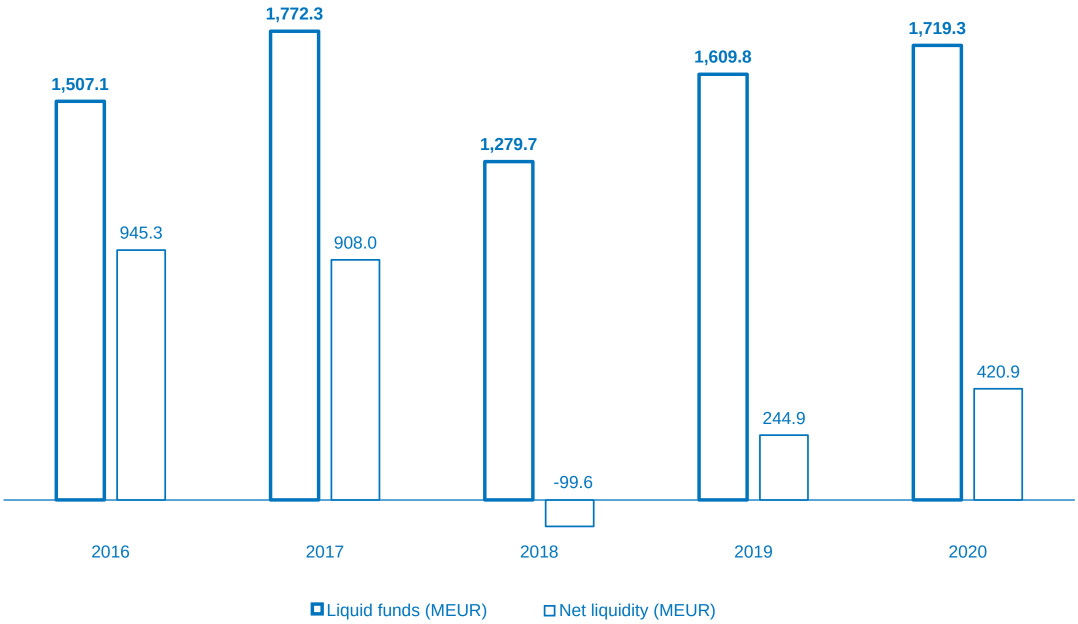
On the asset side, property, plant, and equipment (1,170.1 MEUR), goodwill (760.0 MEUR), and intangible assets other than goodwill (223.8 MEUR) were the most important items in non-current assets (2,497.5 MEUR). The most important items in the other current assets, amounting to 2,914.9 MEUR, are trade accounts receivable and contract assets in the amount of 1,613.9 MEUR as well as inventories (761.2 MEUR).

On the liabilities side, the other current liabilities (3,487.6 MEUR) mainly include contract liabilities from sales recognized over time in the amount of 895.7 MEUR, provisions (537.9 MEUR), and trade accounts payable (749.7 MEUR). The most important items in other liabilities (982.5 MEUR) are accruals and outstanding order-related costs (498.4 MEUR), as well as unused vacation and other personnel-related accruals (245.6 MEUR). Non-current liabilities, at 780.4 MEUR, largely contain provisions for employee benefits (453.9 MEUR), other provisions (153.1 MEUR), and deferred tax liabilities (145.0 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 1,719.3 MEUR (December 31, 2019: 1,609.8 MEUR), while net liquidity increased significantly to 420.9 MEUR (December 31, 2019: 244.9 MEUR).



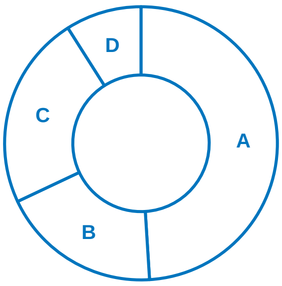
In addition to the high liquid funds, the ANDRITZ GROUP also had the following credit and surety lines for performance of contracts, down payments, guarantees, and so on, at its disposal:

- Credit lines: 324 MEUR, thereof 225 MEUR utilized
- Surety lines: 5,715 MEUR, thereof 2,692 MEUR utilized

Capital expenditure

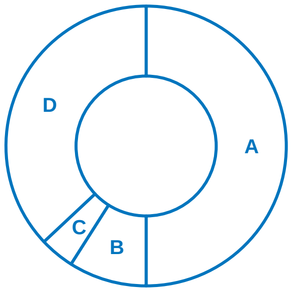
Investments in tangible and intangible assets amounted to 131.8 MEUR in 2020 and were thus significantly below the previous year's level (2019: 157.1 MEUR). Investments breakdown by business area as follows:

Capital expenditure by business area 2020 (2019) in %



A	Pulp & Paper	49	(40)
B	Metals	19	(20)
C	Hydro	23	(33)
D	Separation	9	(7)

Capital expenditure by category 2020 (2019) in %



A	Manufacturing	50	(50)
B	IT	9	(14)
C	Research and Development	4	(2)
D	Others	37	(34)

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

Cash flow

The cash flow from operating activities, at 461.5 MEUR, was significantly below the very high reference figure of the previous year (2019: 821.6 MEUR). The change is mainly due to project related changes in net working capital (-79,0 MEUR in 2020 versus 330.7 MEUR in 2019). Net working capital decreased due to processing of large-scale projects, whereas advance and progress payments have been received in 2019.

The cash flow from investing activities amounted to -236.1 MEUR (2019: -107.9 MEUR). The change compared to the previous year is mainly due to different amounts for payments received and payments made for financial assets.

The cash flow from financing activities amounted to -187.0 MEUR (2019: -365.5 MEUR). The change mainly resulted from lower paid dividends (-49.9 MEUR in 2020 versus -157.1 MEUR in 2019).

In addition, payments were made due to the acquisition of non-controlling interests and payments to former shareholders in the amount of 20.4 MEUR, mainly due to the acquisition of shares in Schuler AG (see paragraph regarding squeeze-out below). In 2019, 79.8 MEUR of payments were made, mainly for contingent consideration paid for the Chinese press and machine tool manufacturer Yangzhou Metal Forming Machine Tool Co., Ltd. (Yadon). In 2020, own shares of 18.1 MEUR were bought back (2019: 39.8 MEUR).

Further important key figures at a glance

	Unit	2020	2019	2018	2017	2016
Return on sales	%	4.7	3.6	5.3	6.8	6.4
EBITDA	MEUR	571.1	537.6	498.0	541.7	542.4
Earnings Before Interest and Taxes (EBIT)	MEUR	315.0	237.9	321.6	399.3	385.8
Earnings Before Taxes (EBT)	MEUR	280.9	180.9	304.2	400.6	398.4
Net income (including non-controlling interests)	MEUR	203.7	122.8	219.7	265.6	274.8
Free cash flow	MEUR	329.7	664.5	-129.2	129.7	263.7
Free cash flow per share	EUR	3.3	6.4	-1.2	1.2	2.5
Return on equity	%	22.4	14.8	22.9	30.2	29.6
Return on investment	%	4.5	3.3	4.6	6.4	6.2
Net debt	MEUR	35.1	205.7	568.1	-530.6	-550.2
Net working capital	MEUR	-48.8	-134.0	160.5	-121.0	-215.8
Capital employed	MEUR	1,345.1	1,470.4	1,665.6	801.9	772.2
Gearing	%	2.8	16.9	42.7	-40.0	-40.9

Squeeze-out/Acquisitions

ANDRITZ Beteiligungsgesellschaft IV GmbH, a wholly-owned subsidiary of ANDRITZ AG and the main shareholder of Schuler AG, took over the shares of the minority shareholders of Schuler AG in November 2020 in a squeeze-out according to the German Stock Corporation Act against cash compensation of 18.32 EUR (18.30 EUR per no-par value share plus interest of 0.02 EUR per no-par value share – total cash compensation: 18.32 EUR per no-par value share) for each no-par value share of Schuler AG issued to a bearer. The transfer resolution was entered in the Commercial Register at the District Court of Ulm on November 18, 2020. Upon entry of the transfer resolution in the Commercial Register, all shares belonging to minority shareholders of Schuler AG legally became the property of ANDRITZ Beteiligungsgesellschaft IV GmbH.

In December 2020, ANDRITZ signed an agreement with Laroche, France, to acquire LM Industries – consisting of 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 in the Pulp & Paper business area. The closing of the transaction is expected in the first half of 2021.

Further information on acquisitions is provided 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 is no guarantee that all risks are identified in time by the monitoring and risk control systems currently in use.

The Covid-19 crisis and its effects on the global economy as well as on the markets served by ANDRITZ present considerable and substantial risks for the business development of the ANDRITZ GROUP. Since neither the further development of the pandemic nor its end can be estimated from today's perspective, it cannot be ruled out that global economic weakness will continue in 2021 and beyond or perhaps even worsen. This could result in further negative effects on the development of order intake, revenue, and earnings of the ANDRITZ GROUP.

In addition to the Covid-19 crisis, there are other risks that could have a negative impact on economic development if they materialize. These include escalating trade disputes between economically relevant nations and increasing political instability. The high national debt of many countries also poses a risk in the medium to long term.

Furthermore, the long-term economic impact of the United Kingdom (UK) leaving the European Union also cannot be estimated yet from today's perspective. However, the ANDRITZ GROUP's direct business volume in the UK can be classified as very small.

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

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.

Strategic risks

Political risks

The countries in which the Group is active include some that are classified as politically risky or very risky. Terrorist 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 medium 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.

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 as well as import duties and 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 duty assessments. As a result, the tax rate can be exposed to either positive or negative fluctuations.

The ANDRITZ GROUP is subject to a variety of legal compliance risks, including compliance with anti-trust and anti-bribery laws, or compliance risks in its supply chain in Austria and other countries where the Group conducts business. The Group has established a Compliance Committee to monitor compliance rules and adopted a number of compliance policies, including policies prohibiting insider trading and violation of the applicable anti-trust and anti-bribery laws, for protection of personal data as well as a global Code of Business Conduct & Ethics and a Supplier Code of Conduct. While the Group attempts to make sure that such policies are observed, there can be no assurance that no violations occur. Any such violation could have a lasting, adverse impact on the financial position and reputation of the Group and may also lead to the cancellation of existing orders.

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. The 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 constant cost optimizations. However, there is 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 successful.

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.

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 applies above all to 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.

The continuing weakness of the international automotive market could have a further 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 have already been implemented in recent years and a further capacity adjustment program was agreed in 2020, the need for additional adjustments that will have a negative effect on the ANDRITZ GROUP's earnings development cannot be ruled out if the market for presses for the automotive industry continues to weaken in future.

Among other things, the Group's future performance depends on whether new contracts can be secured to a sufficient extent. 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 or pandemics (such as the Covid-19 pandemic) or epidemics can also have a negative effect on development of the order intake, the liquidity, and the financial structure of the Group.

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 with worldwide operations since 1990.

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 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 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.

Procurement and manufacturing

The Procurement department regularly checks important suppliers for the ANDRITZ GROUP in order to identify risk potentials (ability to deliver, quality management, financial situation, etc.) and risks at an early stage. This also applies in particular to purchase orders beyond a defined amount. In addition, the capacity utilization of suppliers is reviewed at regular intervals, and possible alternative supply options are checked.

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 largely 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. Internally, ANDRITZ uses flexitime contracts and, especially in Europe, a flexible contingent of temporary workers to better cope with fluctuations in workload. ANDRITZ tries to balance out fluctuations in capacity utilization as flexibly as possible. 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 may impact our suppliers ability to manufacture and deliver supplies ordered by ANDRITZ in a timely fashion causing ANDRITZ to fail to meet its obligations to its customers. Such a failure could adversely impact not only the project in question, but ANDRITZ's ability to win new orders in the future.

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 result in 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.

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 intelligent, digital solutions that provide significant help to customers in achieving their production and corporate goals. These innovative digitization 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 IIoT with focus on smart sensors, big data and augmented reality, Smart services, and Ventures. Metris technologies are the very latest state of the art, and they are subject to constant further development and can be fully 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, in the coming years. However, the speed at which digitalization is progressing also presents a risk if ANDRITZ does not succeed in mastering the challenges relating both to development of products and solutions and to implementation of the necessary internal processes and structures with the appropriate speed. In addition, these digitization solutions may expose ANDRITZ to increased risk of cyberattacks.

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 can shake 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 ANDRITZ share price.

As a publicly listed company, ANDRITZ is regularly assessed 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 intensive 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 was 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 indices, for example the ATX, the leading index of the Vienna Stock Exchange, or other indices. This could result in major changes in the price of the ANDRITZ share.

Operational risks

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. The continuation of the Covid-19 pandemic may impact the Group's ability to meet its contractual 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 at a fixed price to customers without knowing the exact cost of the parts purchased. While ANDRITZ makes estimates using empirical data and quotes from potential suppliers, these estimates may not always be completely accurate. As a result, the Group has experienced considerable 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, construction, and installation. 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 a number of risks together with third parties. While the Group attempts to make sure that risks in such projects are properly allocated, there can be no assurance 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.

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.

Government contracts

A certain amount of the orders are placed by government entities. These projects can involve the performance, liability, and EPC/turnkey contract risks described above. Due to public bid requirements and local laws, it may not always be possible for the Group to obtain its desired contractual safeguards, and thus it may remain more exposed to such risks in connection with these projects.

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, provisions are made 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, chapter G) 37. Contingent Liabilities.

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 placed by group companies are not settled in the respective functional currency, but in other currencies, above all in US dollars. The currencies in these countries are subject to 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).

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 of 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.

Cyber risks, hacker attacks

The increasing digitalization and networking of plants and machinery requires 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. 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 suffer or be held responsible.

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 have been implemented to ensure that the legal requirements are met. In particular, appropriate regulations ensure that complete, timely, and orderly entries in the books and other records are made. 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 best 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 in the event of acquisitions or restructuring – 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 2020 by the auditor of the Group's financial statements.

Consolidated Corporate Governance report

The consolidated Corporate Governance report is available in the section "Consolidated Corporate Governance report" or on the ANDRITZ website andritz.com.

Significant events after the balance sheet date

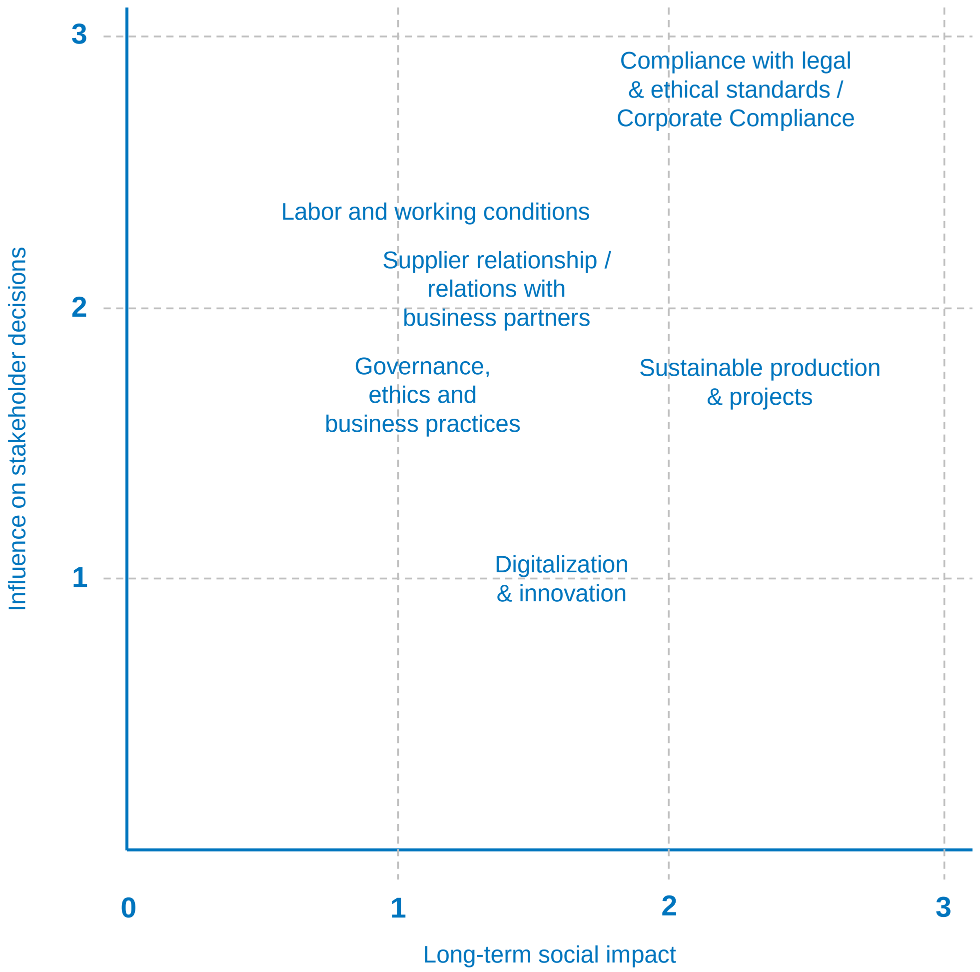
There were no important or extraordinary events after the balance sheet date.

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 available in the consolidated Corporate Governance report.

Materiality analysis

The ANDRITZ GROUP publishes information relating to 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" chapter after the Notes to the Consolidated Financial Statement.



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 results of the analyses conducted in previous years were evaluated once again and discussed with relevant stakeholders in the autumn of 2020. The review showed that the topics that were considered relevant so far continue to be so and are categorized as still equally important.

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

- Compliance with legal and ethical standards – internal compliance
- Fair dealings with suppliers and business partners
- Sustainable production and projects as well as product safety
- Responsible working conditions
- Occupational health and safety
- Digitalization and innovation

The different weighting of the topics is illustrated in the graphic above. These topics are also dealt with in the following non-financial statement.

Sustainability strategy

In the past year, a comprehensive, group-wide sustainability strategy was developed, including specific goals derived from this strategy that were approved by the Executive Board and Supervisory Board. ANDRITZ takes a multi-dimensional, comprehensive and practically oriented approach towards sustainability.

The strategy is divided into important basic and focus topics in the areas "Environment", "Social", and "Governance". The focus topics are selected on the basis of their relevance for ANDRITZ and its stakeholders. In this process, climate protection, sustainable solutions in the product sector, ANDRITZ as a responsible employer, occupational health and safety, risk management, and compliance, including supplier compliance, among other things, were identified as important sustainability topics. Operative and measurable goals were then derived from these topics.

The ecological goals relate to the reduction of greenhouse gases (Scopes 1 and 2), water consumption and waste volumes at the ANDRITZ locations. In addition, the proportion of "green" products contributing directly or indirectly towards environmental protection and sustainability is to be increased to more than 50%. The social goals focus on preventing accidents at work, reducing workforce turnover and increasing diversity, particularly with a larger proportion of female employees. The governance topic relates particularly to best possible management and minimizing of corporate risks as well as improving compliance within the Group and by suppliers.

Non-financial risks

Risk management is an integral part of all business processes and extends over all strategic and operative levels at ANDRITZ. 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 result 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 all stakeholders, but also increasingly due to statutory regulations. The possible consequences of this type of risk are not only of a financial nature, but above all a qualitative nature, such as risks to reputation or the company being less attractive as an employer.

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. Thus, the company considers it important to provide a safe and healthy working environment for 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.

Working conditions that are perceived to be unsatisfactory can lower the motivation and enthusiasm of employees and subsequently have a negative impact on productivity. Increasing sick leave or workforce turnover rates caused by this can result in additional costs for ANDRITZ. Hence, professional promotion and qualification of employees are an important concern at ANDRITZ but can only be achieved when the employees are willing to take on these challenges personally. 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 insufficient opportunities for further professional and personal training for employees, and this may deter potential young employees from applying. As a result, the company has increasingly addressed the topic of changes in the professional world and the new demands by employees for some time now. This also includes more flexible working hours.

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, 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 be a possible consequence of such breach.

This could have a negative effect on order intake and/or on the Group's order backlog. Thus, ANDRITZ endeavors to forge ahead with the implementation of internationally recognized environmental and social standards at suppliers' premises and also to check whether these standards are obeyed. An important step was taken in developing a specific policy for suppliers on the basis of the general code of conduct. In China and India, two auditors monitor local suppliers' adherence to these standards and arrange corrective measures in the event of any deviations. Serious infringements can lead ultimately to termination of the business relationship with a supplier.

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, maintenance errors or other unforeseen and uncontrollable occurrences could lead to serious injury or death – also involving a larger number of people – or to significant property damage if plants are not operated correctly, and ANDRITZ may ultimately be held liable for this.

The ANDRITZ GROUP uses or generates hazardous substances at its manufacturing facilities in some cases. Many manufacturing facilities have waste management plans that have been drawn up and are controlled by professionally qualified waste managers. They 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, the Group could be held liable for property damage, personal or fatal injury, and environmental remediation.

Risks due to climate change

Natural physical impacts of climate change relate to the growing frequency and intensity of extreme weather phenomena, such as heat, storms, flooding or forest fires. These phenomena can have a negative impact on company locations or job sites as well as on suppliers' infrastructure, causing a shortfall in manufacturing capacities and possibly also leading to 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.

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. The environmental goals adopted as part of the sustainability strategy are also focused on these efforts. The proportion of energy costs in the overall amount is 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.

Higher taxation on fossil fuels or CO_2 emissions could also result in additional costs. Hence, several ANDRITZ locations have introduced an environmental management system or already have ISO 14001 certification. As a result of the measures that were implemented last year to increase energy efficiency in manufacturing, cost savings were achieved.

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.

The regulatory risk relates to government measures implemented due to climate change. This can take many forms. 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.

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 ANDRITZ 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 managers' task to instruct their staff properly, while the employees for their part must apply the mandatory measures in their everyday work. They must report risks in the workplace, note safety-critical incidents and attend regular training.

The cause of accidents 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 be taken as a warning sign, and it is important to determine and eliminate the causes quickly. 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).

A global Travel Risk Management Policy defines the key points of the travel safety program. In order to make foreign assignments by ANDRITZ employees as safe as possible, the Corporate Security group function continuously monitors the situation in risk countries to which employees are deployed and provides information on current developments to travelers and project managers. 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 and analyses on current developments in a specific country. These include political unrest or crises, for example, but also pandemics like Covid-19. Travelers are also informed 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 smooth travel conditions.

In addition, a separate, multi-lingual Covid-19 pandemic web site was provided in the group-wide intranet last year. This web site can be used to find the latest information on the spread of the virus, preventive measures, travel restrictions, tests, development of vaccines, and so on. Project managers, site staff and business travelers should be able to prepare their trips as best possible on the basis of the information provided. This contributes in turn towards smooth project execution and customer satisfaction.

The ANDRITZ Medical Helpline and Security Travel Helpline are available to employees around the clock for briefings before departure. In addition, travel medicine specialists, safety experts and situation analysts can answer general queries on the topic of safety when traveling as well as specific questions relating to the destination. In 2020, there were four times as many briefings than in the previous year. The majority dealt with questions relating to Covid-19. The helplines also liaise with medical and local service providers at the traveler's destination or organize classic emergency support and even evacuation in extreme cases. The primary objective is to offer employees comprehensive support to guarantee their safe return home.

Compliance

Premeditated or negligent breach of laws and internal rules and regulations by members of staff or managers bears substantial risks for ANDRITZ. That is why a comprehensive, group-wide compliance management system was implemented many years ago and is certified according to ISO 19600 (Compliance Management System). A second certification (ISO 37001) concerns the Group's anti-corruption management.

An important basis of the compliance management system is 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 Business Conduct and Ethics that applies throughout the Group and on the basis of other policies.

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.

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 has launched a global innovation management scheme (ANDRITZ Innovation Management – AIM) that enables employees to contribute innovative 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 our 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 a substantial amount of financial and human resources has 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.

Data protection

ANDRITZ endeavors to protect its intellectual property and technical knowledge as best possible, for example by means of patents. However, a large part of the company's knowledge and know-how cannot be safeguarded at all 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 keeps the risk of data protection breaches, which not only damage the company's reputation but could also result in expensive penalties, to a minimum. 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 in December 2020 dealing in particular with the collection, processing, storage, and maintenance of personal data. Data protection officers were nominated and trained group-wide. In addition, a data base was set up to document and handle the processes containing personal data. Nevertheless, the risk of infringing this law cannot be excluded. Penalties can be up to four percent of the Group's turnover, which again creates a substantial risk for ANDRITZ.

As a result of the increasing number of incidents in the business world, ANDRITZ is addressing the matter of attacks on computer systems too. 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.

Responsible human resources management

The Human Resources Management (HR) group function is responsible for developing and implementing the global human resources strategy. The 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 tasks involved focus on change management, human resources marketing, succession planning and talent management, organizational and performance management, education and vocational training, global mobility, remuneration 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. In addition, there are global HR business partners working at different locations worldwide.

The team members at the competence centers develop strategies as well as processes, systems and tools with which to implement them 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.

The global HR business partners 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 information relating to human resources and to exchange relevant information with the local HR managers.

Human resources management at times of crisis

In the past year, the main focus of the global and local HR departments was directed towards managing the Covid-19 pandemic, especially towards maintaining operations as best possible while at the same time guaranteeing employees’ safety. This extended from intensive involvement in the emergency committees of the ANDRITZ group companies, including actively contributing to and implementing internal guidelines and safety measures and on to ensuring payroll accounting with split teams.

#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. With the participation of around 700 employees from all over the world, #1ANDRITZway defined the basic behavior principles applying to collaboration. It sets behavior standards for all employees, regardless of the department, function or region to which they belong. The behavior principles should ultimately be integrated into all employee processes, such as recruiting, annual appraisals, and so on, and provide an orientation for managers and staff alike.

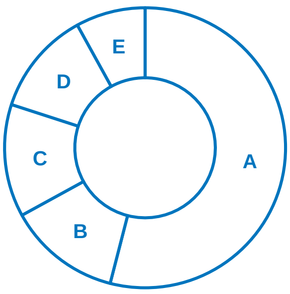
Other major topics in HR are digitalization of global core processes and creating a master data management system (#APeople) for uniform mapping and documenting of all HR data groupwide. This employee master data is needed in many IT systems and is necessary in various process, also as a basis for management decisions. The data are updated on a daily basis and can be viewed on desktop computers and mobile devices.

In addition to master data management, #APeople contains modules for the main processes in HR management. The modules for recruiting and onboarding as well as performance management, including agreed targets, will be introduced at the beginning of March 2021. Modules for succession management, education and vocational training as well as remuneration and benefits will follow by the end of July 2021.

Recruiting has now 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.

Diversity

Employees by region
as of 31.12.2020 (31.12.2019) in %



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

At the end of December 2020, the company had employees from more than 33 different countries. At the moment, 23 different languages are spoken at ANDRITZ. The Group uses this diversity and is committed to a multi-cultural work environment with international career perspectives. This creates positive effects because employees of different origins, religions, cultures, and of different ages can exchange information and practical experience.

The proportion of female employees in 2020 was 16.4% (2019: 16.2%). One of the Group's sustainability goals is to increase the proportion of female employees in the long term. Detailed measures to achieve this are currently being developed.

Employees by gender

	Absolute 2020	Absolute 2019	Percentage 2020	Percentage 2019
Men	22,755	24,733	83.6%	83.8%
Women	4,477	4,780	16.4%	16.2%
TOTAL	**27,232**	**29,513**	**100.0%**	**100.0%**

Education and vocational training

The success of the company is linked directly to the ANDRITZ employees, who are offered a sound education and vocational training as well as international career opportunities. The development programs are intended to encourage all employees to acquire new or extend existing skills, knowledge and perspectives, and they offer training and learning opportunities for different target groups.

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. Employees receive feedback on their current status in their job and also perspectives for the future. At the same time, they have the opportunity to ask questions or make requests. In 2020, annual appraisals to review performance were conducted with 73.7% of the employees (2019: 72.0%).

Talent management and succession planning also plays an important role at ANDRITZ in this context. Talent management is a continuous process that enables managers to gain a better overview of the potential and skills of internal succession candidates and their willingness to take over responsibility. As a result, 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.
The goal of succession planning is to ensure smooth succession for all key positions and provide sufficient management capacities for new business opportunities. That is why 300 key positions were defined worldwide two years ago and potential successors were named. This process is proceeding on an ongoing basis, and an additional priority to increase the proportion of female successors has been set for 2021.

Training of apprentices and collaboration with universities

Training young, skilled workers within the company itself 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 means of English courses, safety, and quality training as well as team-building training. As of the end of 2020, 739 apprentices were being trained at ANDRITZ locations worldwide (2019: 900 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 forms during their courses of study.

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 and LinkedIn).

There is 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 three years due to a large number of measures implemented.

In 2020, 3,026 new employees were recruited, 12% of which were over 50, 61% between 30 and 50, and 27% 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 (2019: 57%), while the proportion of under-thirties is 12% (2019: 14%). 30% of the employees are over 50 years of age (2019: 29%).

ANDRITZ believes it is important to tie its employees to the company in the long term. This is also reflected in the figures: Within the Group, employees stay with the company for an average of 11.6 years. The labor turnover rate amounted to 15.8% or 4,306 employees in 2020 (2019: 11.7% or 3,444 employees). The increase compared to the previous year is primarily due to restructuring and cost-reduction measures that became necessary as a result of the Covid-19 pandemic.

Fluctuation by gender and age group

	Contracts terminated 2020	Contracts terminated 2019	Fluctuation rate 2020	Fluctuation rate 2019*
Men	3,678	2,920	16.0%	11.8%
Women	628	524	14.0%	11.0%
< 30 years old	769	752	23.0%	18.2%
30-50 years	2,184	1,816	14.0%	10.9%
> 50 years old	1,353	876	17.0%	10.2%
TOTAL	**4,306**	**3,444**	**15.8%**	**11.7%**

* 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.

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 worldwide. 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, abolition of forced labor, child labor, and discrimination, as well as fair and performance-based pay.

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 by other 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.

HR expenses and social benefits

Human resources expenses amounted to 1,790.3 MEUR in the past year (2019: 2,015.2 MEUR). ANDRITZ remunerates its employees fairly and in line with the respective collective agreement regulations applying. In countries where there are no collective agreements, remuneration is oriented towards the respective national salary average.

Salaries for women averaged approximately 87% of salaries for men during the reporting period. ANDRITZ also provides child-care 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. The company is also not averse to providing part-time contracts for fathers or other forms of support with child care.

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.

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 man and his 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.

Group supply chain management

The Supply Chain Management group function (GSC) defines the strategy and general conditions for collaboration with around 35,000 suppliers worldwide. Approximately 3,000 of these suppliers cover almost 80% of the external purchasing volume. GSC – together with all relevant stakeholders – supports the entire purchasing and distribution process. The goal is to be incorporated into the business areas' sales and order execution processes at an early stage in order to provide them with the best possible support. In future, GSC will concentrate more on project supply chain management and supplier management in collaboration with team members from the business areas. Global Key Account Management for suppliers simplifies bundling activities, for example. In addition, one of the focuses will lie on drawing up a purchasing strategy for selected projects and suppliers.

In addition to strategic alignment, the department is also responsible for group-wide training and supplier compliance and sustainability. Other tasks are promoting digitalization, innovation and process development, management of materials not required directly in manufacturing operations, and logistics.

The newly introduced Supply Chain Executive Team, made up of the respective purchasing and supply chain managers from the business areas and regions, acts as a decision and implementation committee for the business areas and regions. The committee not only determines the basic processes and minimum standards in the procurement process, but also the consequences and actions to be taken if a supplier departs from the minimum standards agreed.

Project and supplier management

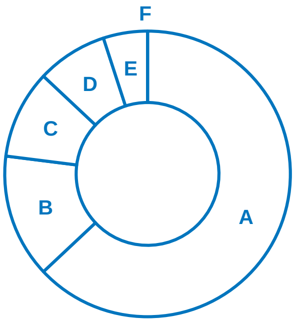
ANDRITZ relies on long-term partnerships and remains in close contact with suppliers at all times, also during the entire execution of a project. In the event of critical components or new suppliers, ANDRITZ also monitors the production process on site in many cases.

In order to collaborate with ANDRITZ as a supplier, it is necessary to comply with strict criteria in terms of quality, costs and on-time performance as well as having 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 2020, the total procurement volume amounted to 4,271.0 MEUR (2019: 4,586.9 MEUR). In execution of its orders, ANDRITZ tries to source its materials near the manufacturing facilities wherever possible.

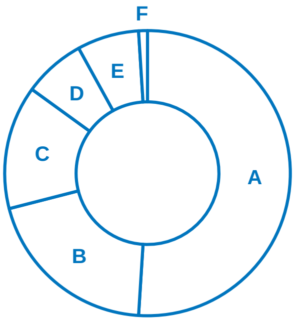
The proportion of services sourced locally and products procured externally in 2020 was 72.6% / 2,170.1 MEUR (2019: 69.3% / 2,266.1 MEUR). 62.4% of the external purchasing volume was generated in Europe, 14.0% in China, and 10.4% in North America.

Purchasing volume by region as of 31.12.2020 (31.12.2019) in %



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

Manufacturing capacity by region as of 31.12.2020 (31.12.2019) in %



A	Europe	51	(53)
B	China	20	(18)
C	North America	14	(14)
D	South America	7	(6)
E	Asia (without China)	7	(8)
F	Rest of the world	1	(1)

Consumption of materials

The largest share of material costs is spent on manufacturing materials such as sheet metal, screens, rods, profiles, or cast and forged parts (40.5%). 38.5% relates to project material and services. This includes mechanical parts, electrical components, structural steel and conveying technology, mechanical structures, installation work, and start-up/commissioning. 21.0% relates to overheads for material, services, and investments.

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.

Sustainability in the supply chain

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 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. As of the end of 2020, such agreement had been provided by existing suppliers covering 63.0 percent of the purchasing volume. The goal is to achieve a further increase by 2025.

Implementation and review of this process is one of the tasks assigned to the Compliance and Sustainability Officer. In addition, the local purchasing organization provides support in terms of supplier compliance and sustainability, monitors the compliance watchlist and blacklisting process, initiates training courses, and coordinates the activities of regional auditors.

Training of suppliers and employees in the ANDRITZ purchasing organization improves their understanding of the content of the Supplier Code of Conduct and the processes in the qualification procedure in supplier relations management (SRM). Webinars and lectures on this topic have also been held regularly for several years.

At the beginning of the year, the process for regional audits was reviewed and then adapted and extended based on the experience gathered during previous years. All audit tools, presentations, and templates were adapted to the Supplier Code of Conduct revised in 2019. On the basis of these revisions, a detailed manual was compiled for performance of the audits.

The past year was also used to develop two eLearning programs. One of these is intended for external business partners. It provides support in preparation of the audits and can be rolled out in the course of so-called “Engagement Meetings”, where the suppliers learn more about the audit process and what is expected. The second eLearning program explains the supplier compliance and sustainability audit program to employees or refreshes their knowledge on this topic.

Due to the special circumstances, these audits were only possible to a very limited extent. The auditors in China and India are thus concentrating on improving supplier compliance on the basis of the corrective actions proposed. The goal is to provide support to suppliers to the extent that they are able to build up and implement their own compliance management system and to live compliance and sustainability (“From audit to compliance”). Collaboration within the team and coordination takes place online only due to the current situation.

Since the regional auditors began their work, 103 audits have been conducted in India, including follow-ups with 79 suppliers (start: December 2016) and 97 audits including follow-ups with 81 suppliers have been conducted in China (start: December 2017).

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 states 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. Employees can access these requirements easily in the company 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, there are 79 locations that have been certified under OHSAS 18001 (occupational health and safety) and ISO 45001 (safety at work) and 74 locations certified according to ISO 14001 (environmental management systems).

As part of the ESG strategy rollout, which also targeted the reduction of emissions, water consumption and waste volumes, more ANDRITZ locations are to be certified under ISO 14001 in the near future.

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 2020, a new tool was developed for easy and uniform documenting and processing of non-conformities. This tool was developed and tested in the Pulp & Paper business area and will also be available to other business areas as from 2021. The aim of this initiative is to report and analyze erosions of gross margin via the non-conformity reporting process in order to learn lessons for new projects. In addition, a large part of the non-conformities are identified on site, with the result that remedial measures can be implemented immediately.

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 this technology in future.

Occupational health and safety and preventive health care

Occupational health and safety have top priority at ANDRITZ. The company's goal is to increase employees' awareness of good health and safety practices. ANDRITZ pursues a zero-accidents target and a pro-active safety culture in order to prevent accidents. All employees have the right to refuse to perform or to stop performing work that they consider unsafe without having to fear disciplinary measures.

The Quality and Safety Management group function defines the strategy and measures to be implemented by the health, safety, and environmental officers together with the business areas' safety officers. In addition, the regional safety officers push this topic forward in the regions. The management is responsible for safety at each company and location.

In addition to the legal requirements, the ANDRITZ health and safety guideline is the minimum standard for all ANDRITZ locations. Additional guidelines can be defined at each location in order to improve safety. 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, guidelines, 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 begins by building up a local network of experts on safety at work, who define and promote a safety culture. 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 issuing 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. Furthermore, injuries that result in absences from work must be documented in a group accident data base, and a "lessons learned" report must be issued and published in the intranet. Lessons learned from actual incidents and near-accidents as well as good/best practices should be collected and used to improve the safety culture.

The accident figures from the past few years are evidence that the initiatives by the ANDRITZ GROUP on the topic of safety are yielding positive results. Accident figures are falling although there is still potential for improvement in individual sectors. There were no fatal accidents in the past year.

Industrial accidents

	2020	2019
Accidents at work (with more than three days of absence)	152	223
Accident frequency (accidents with more than three days of absence per 1 million working hours)	2.8	3.8
Accident frequency (accidents causing one or more days absence per 1 million working hours)	4.8	6.1
Fatal accidents at work	0	0
Severity of accidents (absence periods in hours per accident)	162	166
Number of medical treatment injuries at work	1,189	1,180

A regular check on the efficacy of the safety programs, accident analyses and 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 Group Health and Safety Management Policy. The management must ensure that all employees are aware of the guidelines 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 should be conducted at least quarterly in order to 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. 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 euipped to perform their work safely. Performance by third parties, including their management, is monitored and assessed, feedback is provided, and deficiencies are corrected.

Manufacturing

ANDRITZ produces custom-tailored machines, key components, plants, systems as well as spare and wear parts at around 150 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. Each location manufactures very flexibly for individual projects and orders, usually for one but sometimes also for several business areas. The manufacturing facilities make a substantial contribution towards the success of the Group and concentrate primarily on offering a broad and flexible product portfolio, highly qualified skilled workers, effective capacity management, and deployment of specialists for 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 very flexible employees are essential factors to guarantee short lead times and on-time production.

Investments are concentrated on the one hand on building up and expanding manufacturing capacities in the emerging markets of Asia and South America as well as in Eastern Europe and on modernizing existing locations in Central Europe and North America on the other hand.

Optimization and improvement projects in manufacturing also focus on careful handling of available resources and automation of processes in addition to adapting process management to the exact scheduling. ANDRITZ uses the Manufacturing Execution System (MES) here, which aims to steer, 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 also to be used at other manufacturing locations in the ANDRITZ GROUP.

The ANDRITZ Production System (APS) plays a key role in continuous improvement of the production processes. It defines the basic principles applying group-wide to manufacturing 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 the company's products.

Group Manufacturing Management has provided a comprehensive training program on the topic of APS. Around 270 employees and 50 manufacturing locations have taken part in various APS training courses since 2017 and developed their skills further for the purpose of process improvement. APS lighthouse projects are currently running at a large number of the Group's manufacturing facilities. The locations that implemented such projects achieved very good results, with output increases of 20 to 40% and cost reductions of 10 to 15%. The Celonis data mining software is also used and provides valuable indications of additional improvement potential.

In the past year, there was increased use of the in-house development Metris Remote Assistance (RAS) due to the Covid-19 pandemic and ensuing travel restrictions. RAS offers everything you need 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. Furthermore, a Factory Acceptance Test was conducted online for the very first time with RAS. This was for acceptance of a product at the ANDRITZ manufacturing location in Slovakia, for which representatives of customers from Germany and China joined us online. RAS has provided a new opportunity to conduct factory acceptance tests very flexibly if necessary and without making costly travel arrangements.

Environmental management and key energy figures

The environmental data from the largest ANDRITZ manufacturing locations (covering around 94% of the overall annual manufacturing capacity) is collected and checked on a regular basis. Data from the largest office locations have also been collected since 2019. The key consumption figures for 2020 are based on projected, approximate values as the figures for the fourth quarter of 2020 were not all available at the copy deadline. As a result, there may also be some subsequent changes to the figures from the preceding quarters.

Most of the key figures for the reporting year increased significantly compared to the previous year. This is largely due to ANDRITZ Fabrics & Rolls (formerly Xerium) being included for the first time.

49% of all the manufacturing facilities surveyed are located in Europe, 26% in North America, 11% in South America, 6% in China, and 8% in India and Indonesia. Accordingly, the most electricity is consumed at the locations surveyed in Europe, followed by North America, China, India, and South America.

The Group's overall electricity consumption increased compared to the previous year and amounted to 276,300,564 kWh (2019: 211,554,774 kWh). Around 85% 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.

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).

The sustainability goals recently adopted by the Executive Board and Supervisory Board include a considerable reduction in emissions in the medium term as well as savings in water consumption and waste volumes. Work is currently ongoing to implement a detailed plan of action.

Energy consumption within the organization

The bulk of energy and fuel consumption (heating oil, natural gas, district heating) is used to heat company premises. In addition, a few production processes require oil, for example to heat the presses. Natural gas is needed in production primarily to operate hardening and annealing furnaces. Gasoline and diesel fuel are needed for company vehicles, while liquefied gas is required to operate stacker trucks and, in some countries, also for company vehicles.

Energy consumption within the organization*

	Unit	2020	2019
Externally procured heating	**kWh**	**38,249,792**	**34,235,862**
District heating	kWh	38,249,792	34,235,862
Non-renewable energy carriers for heating	**MJ**	**504,485,712**	**437,918,825**
Light fuel oil	MJ	5,347,826	5,110,838
Natural gas	MJ	499,137,886	437,918,825
Non-renewable energy carriers for process heating	**MJ**	**361,583,010**	**313,264,271**
Oil	MJ	0	827,408
Gasoline	MJ	2,725,783	2,331,046
Diesel	MJ	12,069,935	17,520,565
Diesel for emergency generator**	MJ	2,675,958	3,609,452
Natural gas	MJ	333,725,834	278,580,346
Liquid (petrol) gas	MJ	10,385,500	10,395,454

* 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.
** At two Indian locations for electricity supplys at shortages.

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 very detailed comparisons with previous years difficult.

The direct emissions (Scope 1, primarily from the manufacturing sector) amounted to 25,698 tons of CO_2 equivalents in 2020 (2019: 23,160 tons CO2e), while indirect emissions (Scope 2, from the consumption of purchased electricity, heat or steam) amounted to 108,149 tons of CO_2 equivalents (2019: 75,798 tons CO2e).

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 play all 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.

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

Water consumption

Total water consumption in the past year was 951,660 m^3 (2019: 660,932 m^3). The water supply comes primarily from the public water system, but a few locations also recycle service water or take water from their own wells. 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.

Digitalization

The ANDRITZ Ventures (AV) department assists the business areas with their innovation and digitalization activities. AV reviews and initiates collaborations, strategic partnerships or investments in startups that further strengthen or extend ANDRITZ's technology portfolio.

The focus here lies primarily on technologies in the area of the Industrial Internet of Things (IIoT): From wireless sensors to collection of machine data via artificial intelligence (AI) for data analysis and error detection to communication with the machine/plant operator via chatbot. Thanks to the experience and capacities of the ANDRITZ GROUP, AV is able to offer both solid industry know-how as well as global positioning to support startups and develop market-changing solutions together.

In addition, there are several internal initiatives to promote and support innovations and other undertakings. For example, two ANDRITZ Ventures startup competitions have been held with a total of over 120 entries, and several of the projects are already in the implementation phase. 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 on the market. ANDRITZ Ventures also organizes and stages formats like "hackathons", "makerthons", technology talks and innovation workshops in order to facilitate the development of new business models and push forward the exchange of knowledge on high-tech trends.

Research & development

Sustainable ANDRITZ products and technologies help customers to achieve their sustainability goals and to use resources as economically and efficiently as possible.

The ANDRITZ research and development activities concentrate on launching products and technologies on the market that protect the environment and are economical with resources. In the meantime, a significant share of the company's revenue is achieved with technologies and systems to generate energy from renewable resources and waste products, thus making a contribution towards sustainability. Another important focus of research and development work is digitalization.

In the past few years, the environmental impact that some products or plants generate throughout their entire life cycle was calculated in so-called life cycle analyses (LCAs). Life cycle is understood as being the process of converting resources over the entire lifetime of the product, beginning with the procurement of raw materials, through production, all transport processes, and actual use up to the end of the product life cycle. By considering the entire life cycle, it is impossible to move possible negative impacts to other life cycle phases. These analyses are to be extended in the future and also considered in any 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 101.0 MEUR (2019: 115.0 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 holds approximately 3,300 patent rights. 77% of these patent rights have already been granted, and the remainder is under review. In addition, the Group owns around 2,650 trademarks.

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

Pulp & Paper

The operators of pulp mills are confronted with ever stricter environmental regulations, relating primarily to emissions and unused by-products. In order to meet these growing challenges, a development team was formed in the Recovery and Power division with the task of evaluating existing technologies and developing new ones in order to operate pulp mills in an even more sustainable way.

The strategy is to recycle all chemicals and convert all unused by-products into value-adding products so that pulp can be produced entirely without waste and emissions. In this way, it should be possible to operate highly efficient pulp mills in future with zero emissions and zero waste.

In the fiber technologies sector, the first autonomously operated woodyard cranes worldwide were developed and sold to customers. They feature artificial intelligence, thus optimizing log handling, minimizing wood losses and securing environmentally friendly and cost-effective operation compared to traditional log-handling solutions.

In the recycling sector, a test and research center for the recycling industry was opened in St. Michael, Austria. The ANDRITZ Recycling Technology Center –ART-Center – has been equipped with the latest shredder technology from the ANDRITZ ADuro product line and enables customers to conduct recycling tests under real plant conditions with industrial-scale equipment. As a result, tests are possible with very different waste streams and complete recycling processes can be replicated. The new technology center covers a total area of 3,600 m^2 and is available to recycling customers from different industries as well as to research and development organizations. The same site also accommodates the newly opened Digital Waste Research Lab of the University of Leoben – a research center for waste processing and waste management.

The Nonwoven division developed a fully automatic, high-speed face mask production line that can produce disposable face masks very quickly. The new ANDRITZ D-TECH Face Mask line produces and laminates three or more fabric layers – depending on the type of mask – maintaining the highest quality and hygiene standards. It can produce up to 750,000 face masks per day.

Metals

For many years, reducing CO_2 emissions from motor vehicles has been one of the most important targets for car manufacturers and can be achieved above all by using lightweight materials to reduce the weight of the bodywork. At the same time, efforts are being made to improve crash performance in accident situations. Making motor vehicles lighter and safer also continues to be a strong trend in e-mobility. Thus, one of the main pillars of R&D activities by ANDRITZ Metals is the development of innovative technologies – for example laser welding – to process car body steel and hence, also future generations of high-strength steel and highest aluminum grades.

Other important driving forces in research and development work are sustainable production and the circular economy. In the carbon and stainless steel industries, ANDRITZ offers solutions for recycling of pickling acid and flushing water waste. By using the ECOmode technology for HCl acid regeneration plants, energy consumption, and CO_2 emissions can be reduced by up to 25%. A reduction in NOx emissions is the main goal of the ultra-low NOx burners and DeNOx plants for the stainless steel industry.

The use of hexavalent chromium has been banned by the EU chemicals directive REACH in order to protect human health and the environment. ANDRITZ has developed a new chromium-plating plant that complies with the new EU directives. The process used in the new plant (known as TCCT – trivalent chromium coating technology) for chromium-plating of packaging steel uses trivalent chromium for surface treatment, thus meeting the REACH requirements. The processes used hitherto use hexavalent chromium.

The “Schuler Connect” app developed by the ANDRITZ subsidiary Schuler can create secure video and audio transmissions for the first time to smartphones and also industrial-standard smart glasses from a customer’s plant to the Schuler service experts. Information is superimposed systematically over the image with the aid of augmented reality technologies. Great importance was attached to security during this development work. With the aid of this app, fewer time-consuming and expensive service assignments are needed, thus there is less undesirable downtime. This service will be available to all service customers as from the second quarter of 2021.

Hydro

In order to raise the current test technology for turbine models to a new level, ANDRITZ Hydro has initiated an extensive research and development program centered around a new high-performance test stand. The new test stand will be installed as a sixth test line at the turbine test center in Linz, Austria, and is scheduled to go into operation at the end of 2021.

The head currently possible during tests at ANDRITZ will be doubled to 250 m in the future. In this way, the new high-performance test stand provides the optimum basis for testing any turbine type even more extensively in terms of market requirements. At the same time, it provides a means of securely verifying the guaranteed, project-specific efficiencies during true-scale model tests.

In the development of high-pressure Francis and pump turbines, the test stand provides important results for the design and detailed insights into critical operating ranges for Kaplan turbines.

Construction of the new test stand is being accompanied by an automation initiative leading to an extensive upgrade of the testing facilities for ANDRITZ turbine models. In this process, all test stands are profiting from full integration of the Metris DiOMera operating and maintenance system.

Separation

The Separation business area is focusing its research and development activities above all on the implementation of automation and digitalization technologies in new and existing products.

The Metris addIQ control system, which enables any company with solid-liquid separation processes to optimize performance, is now also available for filter centrifuges. Metris addIQ Connect, with a secure, remote maintenance feature, has proved a vital application in times of travel restrictions.

ANDRITZ Separation bundles comprehensive solutions for its customers under so-called “Service Level Agreements”. Customers have the benefits of increased machine availability and production time, sustainable asset management and calculable maintenance costs. A simple purchase process using the Metris online spare part catalog, reports with pre-defined KPIs, performance checks on the control system, and a hotline all support the internal work flow and the flow of information.

The second version of the C-Press screw press developed by ANDRITZ has become the status quo in the meantime for all applications in municipal and industrial sludge treatment. The overhead filter press A4F was launched and has already been sold to the mining and mineral industry in South Africa. This filter press is designed for heavy-load applications with maximum discharge speed and guarantees efficient filtration, even under the most rugged conditions. The CORES™ vacuum drum filter for highly corrosive applications was also launched on the market successfully. Long-term mechanical tests are producing excellent results.

Automation

ANDRITZ Automation has been operating successfully on the market for plant automation for more than 35 years. In the meantime, the digital solutions from ANDRITZ – sold under the umbrella brand Metris – are 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.

In 2020, Metris Risk-Based Management (RBM) was launched on the market. Building on the functionalities of a classic condition monitoring system, Metris RB calculates the risk of unstable control processes and possible omissions during maintenance work. In addition to considering technical risks and risks relating to production, the Metris RBM system evaluates existing and potential risks in production. The use of artificial intelligence in automation products was another focus of research during the reporting year.

OUTLOOK

After a significant decline in the world economy in 2020 as a result of the Covid-19 pandemic, leading economic researchers and forecasting institutes expect from today's perspective that the global economy will recover in 2021. By far the largest share of global economic growth is expected to take place in China, which was able to escape from the pandemic sooner than all other relevant economic regions. According to economic researchers the extent and speed of economic recovery is difficult to predict at the present time and depends on the availability and effectiveness of vaccines to contain the pandemic. As a result, the outlook and expectations for the ANDRITZ business areas in 2021 are subject to some uncertainty.

From today's perspective, unchanged good project and investment activity is expected in the Pulp & Paper business area. Depending on how the pandemic develops, there could be a certain catch-up effect and hence slightly increased business activity in the course of the year compared to 2020, particularly in the service sector, however this will continue to be strongly dependent on any limitations applying, such as travel and access restrictions to customers' facilities as well as production limitations at customers. Selective award of individual large-scale projects in the pulp industry is also possible.

A continued difficult market environment is expected overall for the Metals business area again in 2021, however leading sector experts expect a slight increase in investment activity for both Metals Processing and Metals Forming (Schuler) in the second half of 2021.

In the Hydro business area, the unchanged moderate project and investment activity is expected to continue. Selective award of individual large-scale projects is likely. In the Separation business area, the satisfactory project and investment activity is also expected to continue in 2021.

Optimization of the organizational and cost structures, particularly in the Metals and Hydro business areas, will be an important focus of the ANDRITZ GROUP in 2021. This is intended to secure the Group's ability to compete in the long term and lay the foundations for a long-range increase in profitability.

From today's perspective, the ANDRITZ GROUP expects – due to a reduced order intake in 2020 – a slight decline in revenue (2020: 6,700 MEUR) compared to 2020 and an increase in EBITA reported (2020: 392 MEUR). EBITA adjusted by extraordinary items is expected to be stable compared to 2020 (EBITA adjusted for 2020: 471 MEUR).

If the global economic recovery expected by market researchers for 2021 does not take place or the pandemic intensifies again, this may result in 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.

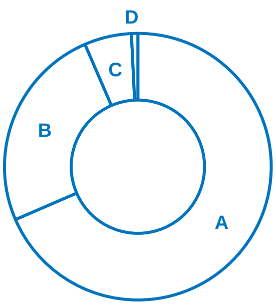
SHARES AND SHAREHOLDER STRUCTURE

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

The capital stock of ANDRITZ AG as of December 31, 2020 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 date of the balance sheet, Custos Vermögensverwaltungs GmbH held 25% plus one share, Cerberus Vermögensverwaltung GmbH 0.77% and Certus Beteiligungs-GmbH 5.72%. 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 31.12.2020 in %



A	Free float	68.51%
B	Custos Vermögensverwaltungs GmbH	25.00% + 1 Share
C	Certus	5.72%
D	Cerberus	0.77%

At present, there is no authorized capital. The Annual General Meeting held on March 23, 2018, authorized the Executive Board to purchase treasury shares up to the maximum amount permitted by law for a period of 30 months as from October 1, 2018, 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 July 1, 2019, the Executive Board and Supervisory Board of ANDRITZ AG adopted a resolution to make use of the authorization from the Annual General Meeting to buy back shares. The resolution states that up to 1,000,000 ANDRITZ shares (equal to 0.96% of the share capital) shall be purchased through the Vienna Stock Exchange between August 2, 2019 and February 3, 2020. On February 3, 2020, the Executive Board of ANDRITZ AG announced that the buy-back program had been concluded as planned as of February 3, 2020. A total of 160,000 ANDRITZ shares (equal to 0.15% of the share capital) were purchased through the Vienna Stock Exchange.

On February 13, 2020, the Executive Board and Supervisory Board of ANDRITZ AG adopted a resolution to make use of the authorization from the Annual General Meeting once again 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 March 4, 2020 and October 5, 2020. On October 5, 2020, the Executive Board of ANDRITZ AG announced that the buy-back program had been concluded as planned as of October 5, 2020. A total of 661,500 ANDRITZ shares (equal to 0.64% of the share capital) were purchased through the Vienna Stock Exchange.

On October 16, 2020, the Executive Board and Supervisory Board of ANDRITZ AG adopted a resolution to make use of the authorization from the Annual General Meeting once again 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 have been bought back between November 5, 2020 and February 1, 2021.

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 exist between the company and members of its Executive Board in the event of a change of control. No such compensation agreements exist for the members of the Supervisory Board or any employees.

Graz, February 19, 2021

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 2020 and in the annual report 2020 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 2020 and the annual report 2020 contain assumptions and forecasts which were based on the information available up to the copy deadline on February 19, 2021. 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 2020 do arise, actual results may vary from the forecasts made in the annual financial report 2020 and the annual report 2020. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

The present report explains the structures, processes, and rules implemented with respect to financial management and towards shareholders, and which ANDRITZ follows in the corporate governance sector. As a publicly listed company with headquarters in Austria, the formal framework for corporate governance is derived from Austrian law, the articles of association, and the rules of procedure for the company boards, as well as the Austrian Code of Corporate Governance. The present report also contains the consolidated Corporate Governance report.

Commitment to the Austrian Code of Corporate Governance

ANDRITZ has adopted the rules of conduct laid down in the Austrian Code of Corporate Governance without restriction and regards the Code as an essential requirement for implementation of responsible company management, which is directed towards creating sustainable and long-term added value and a high degree of transparency for shareholders and other stakeholders. The Executive Board and the Supervisory Board as well as the entire staff of the ANDRITZ GROUP have committed to complying with the Code.

The Austrian Code of Corporate Governance applicable to the business year (January 2021 edition) is publicly accessible and available on the website of the ANDRITZ GROUP at andritz.com as well as on the website of the Austrian Working Group for Corporate Governance at corporate-governance.at.

The Austrian Code of Corporate Governance is based on a voluntary commitment and goes beyond the legal requirements for corporations.

Composition of the Executive Board

The Executive Board of ANDRITZ AG was composed of five members as of December 31, 2020.

Name (date of birth)	Function	Date of first appointment to Executive Board	End of current mandate	Supervisory Board mandates in other companies in Austria and abroad
Wolfgang Leitner (March 27, 1953)	President & CEO	October 1, 1987 (CFO) June 29, 1994 (President & CEO)	June 28, 2023	Schuler AG; ETI Elektroelement d.d.
Humbert Köfler (January 11, 1961)	Member of the Executive Board	April 1, 2007	March 31, 2025	None
Norbert Nettesheim (November 17, 1962)	Chief Financial Officer (CFO)	December 6, 2019	September 30, 2022	Groz-Beckert KG
Joachim Schönbeck (January 30, 1964)	Member of the Executive Board	October 1, 2014	September 30, 2022	Schuler AG
Wolfgang Semper ((March 9, 1958)	Member of the Executive Board	April 1, 2011	March 31, 2024	None

Wolfgang Leitner

Areas of responsibility

Central group functions such as Human Resources Management, Corporate Communications, Investor Relations, Internal Auditing, Information Technology, Manufacturing Management, and Metals Forming

Professional career

Member of the Managing Board of AGIV AG, founder and President of GENERICON Pharma GmbH, Management Consultant at McKinsey & Company, Research Chemist at Vianova/HOECHST

Humbert Köfler

Areas of responsibility

Pulp & Paper (Service), Separation

Professional career

Head of the Paper Mill Services division at ANDRITZ AG, Head of the Mechanical Pulping Systems division at ANDRITZ AG, Regional Sales Manager at ANDRITZ Sprout-Bauer GmbH, Export Marketing Manager at Biochemie GmbH

Norbert Nettesheim

Areas of responsibility

Central group functions such as Controlling, Accounting, Treasury, Order and Project Financing, Legal, Compliance, and Purchasing

Professional career

Management positions in the Voith Group, including that of Commercial Director of the group's Paper Technology Division and of various operating companies within the group, and latterly as head of Group Controlling, Accounting and Investments at Voith GmbH & Co. KGaA.

Joachim Schönbeck

Areas of responsibility

Pulp & Paper (Capital systems), Metals Processing, as well as group-wide Quality and Safety Management

Professional career

Spokesman of SMS Holding GmbH and Chairman of the Management Board of SMS Meer GmbH, management positions at SMS Group, Siemens, and Mannesmann

Wolfgang Semper

Areas of responsibility

Hydro and group-wide Automation

Professional career

President of ANDRITZ HYDRO GmbH and Head of the Large Hydro division of the Hydro business area, management functions at VA TECH VOEST MCE and Voest-Alpine MCE, Technical Calculations Engineer at Voest-Alpine AG

Composition of the Supervisory Board

The ANDRITZ AG Supervisory Board consists of six appointed members representing the shareholders and three members delegated by the works council.

Name (date of birth)	Function	Date of first appointment	End of current mandate	Supervisory Board mandates in other (stock-exchange listed) companies in Austria and abroad
APPOINTED MEMBERS				
Christian Nowotny (July 23, 1950)	Chairman of the Supervisory Board	December 29, 1999	Until the Annual General Meeting in 2022	Schuler AG
Alexander Leeb (May 16, 1959)	Deputy Chairman of the Supervisory Board	March 27, 2019	Until the Annual General Meeting in 2023	Mayr-Melnhof Karton AG
Wolfgang Bernhard (September 3, 1960)	Member of the Supervisory Board	July 7, 2020	Until the Annual General Meeting in 2025	AMAG Austria Metall AG
Jürgen Hermann Fechter (November 30, 1962)	Member of the Supervisory Board	March 30, 2016	Until the Annual General Meeting in 2021	None
Alexander Isola (July 24, 1957)	Member of the Supervisory Board	March 30, 2016	Until the Annual General Meeting in 2021	None
Monika Kircher (July 8, 1957)	Member of the Supervisory Board	March 21, 2014	Until the Annual General Meeting in 2023	RWE AG
DELEGATED MEMBERS				
Georg Auer (October 12, 1974)	Member of the Supervisory Board	July 1, 2011		None
Andreas Martiner (November 11, 1964)	Member of the Supervisory Board	February 14, 2001		None
Monika Suppan (January 26, 1974)	Member of the Supervisory Board	January 1, 2018		None

Information relating to the independence of the Supervisory Board members

Regarding the independence criteria, the Supervisory Board of ANDRITZ AG follows the guidelines laid down in the Corporate Governance Code. According to these guidelines, it is assumed that members are not independent if they belong to the Supervisory Board for more than 15 years. This applies to Christian Nowotny. Nevertheless, he has confirmed that he performs his duties entirely independently and does not have any legal or economic relationship with the company or its executive bodies that could compromise his independence. The Supervisory Board is independent of the company and its executive bodies. No member of the Supervisory Board of ANDRITZ AG holds more than 10% of the total shares. The requirements of C-rules 53 and 54 of the Austrian Code of Corporate Governance are thus met.

Working procedures for the Executive Board and the Supervisory Board

Allocation of competencies in the Executive Board

The Executive Board of ANDRITZ AG holds board meetings at regular intervals on essential, group-relevant topics and individual business areas. The competencies and responsibilities of the individual Executive Board members are listed in the notes on the Executive Board members in this Corporate Governance report. The rules of procedure for the Executive Board contain a comprehensive catalog of those business transactions requiring the prior approval of the Supervisory Board in addition to those stated in the mandatory regulations in the Austrian Corporation Act.

The Executive Board and Supervisory Board, particularly their chairmen, maintain ongoing contact to discuss the company's development and strategy beyond the scope of the discussions at the Supervisory Board meetings.

Supervisory Board committees

The Supervisory Board of ANDRITZ AG has established an audit committee that held two meetings to deal with the annual and consolidated financial statements for 2020, prepare the review of the annual and consolidated financial statements for 2020 and of the proposal for distribution of profits, additionally to deal with matters concerning the auditor, and implementation of the internal control and risk management system in the ANDRITZ GROUP. As a financial expert, Monika Kircher chairs the audit committee.

The Supervisory Board has also established a nomination and remuneration committee that held two meetings in 2020 and whose scope of activities includes the remuneration paid to the Executive Board members and the content of their employment contracts, as well as appointments to Executive and Supervisory Board positions that become vacant, and succession planning matters.

The ANDRITZ AG Supervisory Board held five regular meetings (four regular meetings, one constituent meeting) in 2020. All members attended all meetings. Due to the Covid-19 restrictions, some of the meetings were held virtually with the consent of all members. The focus of these meetings were monitoring of the current business development of the ANDRITZ GROUP, including possible deviations from the budget, the development of earnings on major orders, the strategic goals, medium-term planning for the individual business areas, as well as specific topics such as company acquisitions, granting of joint procurations, and other business subject to approval. The chairman and deputy-chairman receive a monthly report on the main developments. One business area is presented at each of the regular Supervisory Board meetings and this business area's strategy is discussed. A comprehensive report on group-wide compliance is provided at one of the Supervisory Board meetings; this meeting also deals with the results of internal audits, and any measures resulting from these audits are presented and discussed.

Pursuant to the requirement of the Austrian Code of Corporate Governance (C-rule 36), the Supervisory Board conducted a self-evaluation in the past business year and discussed the efficiency of its activities, especially its organizational structure and working methods.

Committee	Members
Audit committee	▪ Monika Kircher (Chairwoman) ▪ Christian Nowotny (Deputy-Chairman) ▪ Alexander Leeb ▪ Andreas Martiner
Nomination and remuneration committee	▪ Christian Nowotny (Chairman) ▪ Alexander Leeb (Deputy-Chairman) ▪ Alexander Isola

Auditors

At the 113th Annual General Meeting of ANDRITZ AG held on July 7, 2020, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was selected as independent auditor for the 2020 financial statements and the consolidated financial statements.

Measures to promote the appointment of women

The main criteria in selecting the members of the Supervisory Board are professional qualifications and personal skills, as well as long-term experience in management positions. However, various diversity aspects, such as the internationality of the members, representation of both men and women, and the age structure, are also taken into account. The Supervisory Board has two female members, thus the proportion of women is approximately 22%.

The members of the Supervisory Board are aged between 46 and 70 on the reporting date. Two members are not Austrian citizens and have knowledge and experience gained as former executive board members of large German corporations operating globally.

The Executive Board has no female members; there are two female members on the Supervisory Board. There are women in management functions at the first and second reporting levels in numerous sectors. The proportion of women in the total workforce was 16.4% (2019: 16.2%) as of December 31, 2020.

The ANDRITZ GROUP supports and encourages the appointment of women, particularly in technical sectors. In many countries however, ANDRITZ is frequently confronted with the situation that there are still far fewer women than men in technical professions or graduating in technical subjects.

Thus, ANDRITZ supports various initiatives to encourage women to opt for a technical profession or take a degree in a technical subject. These initiatives include participating regularly in various events like recruiting and job orientation days for young women at universities. ANDRITZ also takes measures and makes investments to improve employees' work-life balance. The company-run kindergarten set up beside the headquarters of the ANDRITZ GROUP in Graz as well as at the Vienna location and the flexible working hours available to employees with young children are examples of these measures. When creating office space as part of new building projects, establishing child care facilities for the children of employees is always considered as well. In addition, a strict equal opportunities policy is considered very important in the recruitment process. However, in its efforts to promote female employees, ANDRITZ will refrain from any measures that would discriminate against male employees.

Diversity concept

One of the Supervisory Board's most important tasks is to prepare and secure appointments to the Supervisory Board and Executive Board, as corporate bodies, that are appropriate to the company. The Executive Board and Supervisory Board of ANDRITZ AG should be formed by personalities who have the necessary knowledge, abilities, and the individual competences and experience that management and supervision of a globally operating company oriented towards the capital market and working in the mechanical and industrial plant engineering industry require and guarantee.

The Supervisory Board (nominations committee) defines the following goals for composition of the Supervisory Board and the Executive Board:

The **members of the Supervisory Board** should have the following special knowledge, skills and professional experience relating to the structure and business segment of the company as a whole:

- The Supervisory Board should have shareholder representatives as members with international experience or special expertise in one or several of the company's most important markets outside Austria.
- The Supervisory Board should contain personalities from the industry sector, science, technology or research who have gained experience in areas of major significance for ANDRITZ.
- Furthermore, as representative of the shareholders, the Supervisory Board should contain personalities who have gained experience in management and/or controlling of another publicly listed company.
- In seeking out qualified personalities for the Supervisory Board and who strengthen the board as a whole as best possible with professional and management skills, it is also important to ensure there is diversity. In preparing suggestions for possible candidates, consideration should be given to achieving an appropriate distribution of both men and women in the Supervisory Board in addition to mutually complementary professional profiles as well as professional and life experience.
- At least one member of the Supervisory Board should have special expertise in the field of accounting or auditing.
- None of the members of the Supervisory Board should hold an executive function or a consulting position for the company's main competitors or its suppliers.

The goal is to achieve an appropriate proportion of women in the Supervisory Board independently of any legal obligation in this respect.

The Supervisory Board ensures long-term succession planning for positions on the Executive Board. When screening candidates for position on the Executive Board, the basic suitability criteria from the perspective of the Supervisory Board should be the candidates' professional qualifications for the purview envisaged, convincing management skills, performance so far, as well as knowledge of the company. When weighing up which personality would best complement the Executive Board, diversity is also one of the criteria influencing the Supervisory Board's decision. Diversity means different, mutually complementary profiles, professional and life experience, also in the international field, as well as appropriate representation of men and women alike.

The Supervisory Board takes the following aspects into consideration when taking its decision:

- The members of the Executive Board should have many years of management experience as well as experience from different professions if possible.
- The members should have experience in international management.
- At least one member of the Executive Board should have a technical education or many years of technical, professional experience.
- The Executive Board as a whole should have many years of experience in the fields of development, production, sales, finance, and human resources management.
- No target number has been defined for the proportion of women in the Executive Board. The Supervisory Board decides who holds the position of Executive Board member in the interests of the company and exclusively in acknowledgment of their professional and personal qualifications in each case. The Executive Board reports at regular intervals to the nominations committee on the percentage and development of female senior management, particularly those reporting to the top executives and at the first management level.

The Supervisory Board will observe an age limit of seventy years for the members of the Executive Board; an adequate mix of age groups should be considered in the composition of the Executive Board.

Compliance at ANDRITZ

Compliance is the basis of responsible company management. ANDRITZ defined the conduct guidelines for ethically correct behavior in business over ten years ago in the Code of Business Conduct and Ethics. The basic reference document is available in 14 languages, and important passages on the topics of human rights and environmental protection were added at regular intervals over the past few years. A training video explains the main content of the code for all of the company’s employees in a way that is simple, but effective. In addition, the relevant compliance topics are also conveyed in a booklet available in numerous languages and handed over to each employee when they start working for the Group.

A Group Compliance Committee chaired by the Group Compliance Officer has been set up for the Compliance group function. This committee is responsible for the development and implementation of the Compliance program and reports directly to the Executive Board. Operationally, the Compliance department is divided into experts with special fields of professional expertise (anti-corruption, anti-trust, human rights, export controls, supplier compliance, data protection, and insider trading) and compliance officers with regional competencies. In the business areas, compliance officers are used for specific tasks in efforts to prevent corruption. In addition, the implementation of a regional compliance network directly in the individual ANDRITZ companies and at business area level is currently being prepared.

All processes ensuring that the applicable laws, internal regulations and rules of conduct are obeyed come together in the ANDRITZ Compliance Management System (CMS). It builds trust, transparency and clarity, reduces liability risks and provides a good overview for all employees. Both this and the ANDRITZ anti-corruption management system have ISO certifications (ISO 19600 – Compliance Management System and ISO 37001 – Anti-Corruption Management Systems). The ISO certifications were reviewed last year in a surveillance audit, and recertification is due in 2021. Obeying the compliance regulations is also a regular topic in the audit process when internal audits are performed on Group companies.

Work processes, tools and training

Within the compliance management system, several different work processes have been defined throughout the Group for which there are also tools in use: the whistleblower system that both employees and external stakeholder can use to report compliance-related incidents anonymously, the Global Sales Network that deals with the qualification process and approval of sales agents, the eLearning platform and related databases, databases to examine third parties in connection with sanctions and export controls, an instrument providing information on the ownership structure of companies, and a database in connection with the GDPR (General Data Protection Regulation) that documents the processes and information on personal data.

ANDRITZ offers interactive, mandatory training for all employees in numerous languages on different topics. A training course consists of several modules which create a greater awareness of compliance topics. The number of modules to be completed is defined on the basis of an employee's job description, however all employees must complete the basic training.

In the 2020 business year, training was rolled out on 11 compliance-related topics to a total of 4,770 employees; the completion rate was 74%. Due to the special circumstances caused by the Covid-19 pandemic, no refresher courses were assigned, and face-to-face training was barely possible due to international travel restrictions. In addition, 6,228 non-mandatory training modules (explanatory and instruction videos) were rolled out.

Main topics in 2020

The time of the Covid-19 pandemic was used to explore strategic ideas relating to the compliance organization, among other things, but also to revise parts of the internal standards – four policies were adapted and new versions published (anti-corruption, anti-trust, ANDRITZ sales agents, Russia sanctions) and a fifth – a new policy on the topic of data protection – was also adopted.

In the past year, a great deal of attention was also paid to the general conditions for collaboration with external business partners who provide sales support to ANDRITZ. First of all, the policy defining the basic principles of collaboration was revised. Before external parties are given the opportunity to enter into a business partnership with ANDRITZ, they are scrutinized on the basis of a checklist. Since last year, these checks are repeated automatically after a period of two years. If the requirements are not (or no longer) met or some of the information needed is missing, collaboration with the party concerned can also be terminated. All of the internal ANDRITZ policies relating to compliance certainly also apply to external business partners. All information is documented in a database. Further training on this topic is on the agenda for the internal sales organizations at ANDRITZ. This training is based on a risk-related needs assessment.

Export controls

An automated and software-based process guarantees compliance with all legal provisions for export controls (in particular the terror, goods and embargo lists as well as usage restrictions).

During the reporting year, a risk assessment was conducted throughout the entire Group on general information and information relevant to export controls (e.g. sales figures, number of employees, export quota, delivery countries, etc.) in order to find any potential for improvement in the export control process. As a result, projects on this topic have been conducted at the relevant companies since the autumn of 2018 – starting with the D-A-CH countries (Germany, Austria, Switzerland). As a result of the Covid-19 pandemic, there were some interruptions and delays in the group-wide rollout project that extend the original schedule by around three to six months.

Data protection

In addition to organizational changes, a new data protection policy was drawn up. As a result of the so-called "Schrems II" judgment by the European Court of Justice, the transfer of personal data to the USA by countries in the European Union (by data privacy shield) was declared invalid. As a result, existing data processing agreements had to be changed and the standard processing agreement for new data processors updated. In this context, the cookie banners on the company website were updated, and an appropriate policy was published. In the coming year, there are plans to fine-tune the ANDRITZ data protection process and data processing tasks as well to train data protection coordinators on a continuous basis.

Internal auditing

The Internal Auditing group function conducts comprehensive audits on ANDRITZ subsidiaries and group functions, focusing on financial and operational topics. In suspicious cases, event-driven audits are also conducted without prior notice. The purpose of the audits is to ensure compliance with internal policies and the fundamental principles of profitability and to highlight potential areas for improvement in the operation workflows. Other tasks handled by this group function are identification of risks and dealing with them in an appropriate way.

The department reports directly to the Chairman of the Executive Board, and the audit reports are also presented to the Executive Board and in summarized form to the members of the Supervisory Board. A total of 30 audits were conducted in the 2020 business year, comprising 26 company audits and two partial and compliance audits each (2019: 37 audits). The improvement measures proposed in these audits are aligned directly with the management of the company or group function under audit. As system to track the implementation of agreed improvement measures was implemented.

External evaluation of the corporate governance report

The Austrian Code of Corporate Governance requires regular external evaluation of the company's compliance with this code. The last evaluation of this kind was conducted in 2020 for the 2019 business year by BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. This evaluation was based on the official questionnaire issued by the Austrian Working Group for Corporate Governance. Based on this evaluation, the auditors found that ANDRITZ AG had adhered to the C-rules of the Austrian Code of Corporate Governance. The full report on the external evaluation is available on the ANDRITZ web site andritz.com.

Changes after the reporting date

There were no major changes between the reporting date and the date of issue of the Corporate Governance Report.

Graz, February 2021

The Executive Board of ANDRITZ AG

Wolfgang Leitner m.p. (President and CEO)	Humbert Köfler m.p.	Norbert Nettesheim m.p. (CFO)	Joachim Schönbeck m.p.	Wolfgang Semper m.p.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board and the Executive Board held five meetings (four regular meetings, one constituent meeting) during the reporting period for in-depth discussions on the economic situation and strategic development of the company as well as on major events, capital expenditures and possible acquisitions. On account of the Covid-19 restrictions, some virtual meetings were held with the consent of all members. Similarly, the Annual General Meeting was held as a virtual meeting The Executive Board and the Supervisory Board chairman always met jointly.

In the course of regular reporting and in all meetings, the Executive Board informed the Supervisory Board extensively in writing and verbally, by means of detailed reports, on the business and financial situation of the Group and its affiliates as well as on topics concerning human resources, medium-term planning, capital expenditure, and acquisition projects. At one meeting, the Supervisory Board discussed safety at work and corresponding measures. The Executive Board reported regularly and in detail on the impact of Covid-19 on the individual business areas and the employees, as well as reporting on the respective measures implemented. Compliance was one of the main points on the agenda at one meeting.

At individual meetings, the medium-term planning of the individual business areas was also discussed with the Executive Board, mainly focusing on the Metals and Hydro business areas. An important item on the agenda was to review relevant acquisitions and whether the expectations that formed the basis of the purchase decision had been met, and if not, what were the reasons for this and what conclusions can be drawn from this. ANDRITZ has now taken over all minority shares in its subsidiary Schuler AG according to the provisions of the German Stock Corporation Act and thus holds 100 percent of the shares. The resolutions required for this purpose were not contested and were entered in the Companies' Register in November 2020.

In addition, information was provided on special procedures. Furthermore, the Chairman of the Supervisory Board and the Chief Executive Officer were in regular contact to discuss the company's strategy and business development. There are plans for the Supervisory Board to conduct a self-assessment of its activities and discuss the result during its meeting in the first quarter of 2021. The self-assessment for 2019 was presented and analyzed during the meeting on May 27, 2020. In November 2019, an external review was commissioned on compliance with the rules of the Austrian Corporate Governance Code (ÖCKG). The report on this topic submitted by the external auditor confirmed that all regulations in the Code are obeyed.

At the Supervisory Board meeting on May 27, 2020, the Supervisory Board passed a resolution for the first time to adopt a remunerations policy due to the amendment to the Austrian Stock Corporation Act and presented the policy to the Annual General Meeting for approval. The Supervisory Board discussed the comments thereon, some of which voiced criticism, and deliberated on possible amendments.

The Presidium of the Supervisory Board acted on behalf of the company in matters concerning the Executive Board. The nomination and remunerations committee discussed matters relating to the Executive Board during two meetings and several discussions and discussed a successor to a seat on the Supervisory Board.

Fritz Oberlerchner stepped down from the Supervisory Board when his mandate expired. Sincerest thanks to him for his many years on the board and the profound advice he offered with great commitment at all times.

Following deliberations and consultations on potential successors, the nomination committee proposed Wolfgang Bernhard for election to the Supervisory Board. This proposal was made particularly in view of his experience as a former executive board member of a listed German company operating in the automotive sector. The Annual General Meeting elected Wolfgang Bernhard as member of the Supervisory Board for five years on July 7, 2020.

The following resolution was passed as a result of Fritz Oberlerchner stepping down: Alexander Leeb will become deputy chairman. The chairman, his deputy and Alexander Isola are members of the remunerations and nomination committee. The audit committee is chaired by Monika Kircher, and also comprises the Supervisory Board chairman, his deputy, and Andreas Martiner.

All members of the Supervisory Board attended all meetings.

In two meetings, the audit committee dealt in particular with the proposal for appointment of the auditor of the financial statements and consolidated financial statements, the quality of the internal control system relating to accounting work, the risk management program, reporting by the Internal Auditing department, and the measures to safeguard the independence of the annual auditor when providing non-audit services permitted. In addition, individual topics such as risk analysis, IT security to prevent external attacks, and the topics announced by the inspection body for 2020 were discussed and reports thereon were provided to the Supervisory Board. All members of the audit committee attended all committee meetings.

At the audit committee meeting on December 3, 2020, the committee members – with the auditor also present – discussed the organization, scheduling and auditing of the 2020 financial statements and consolidated financial statements (particularly with regard to the circle of subsidiaries to be fully consolidated) as well as a report by the Executive Board on the form and mode operation of the internal control system and Internal Auditing department. The committee also passed a resolution giving limited permission for the provision of non-audit services up to completion of the audit for the 2020 financial year.

In dealing with the financial statements for 2020, the audit committee called in the annual auditor to attend its meeting on March 2, 2021 in order to review the financial statements, consolidated financial statements, the management report, and the Executive Board's proposal for distribution of profits. The auditor also attended the preparatory meeting in December 2020. In addition, a proposal was prepared for appointment of the auditor of the financial statements and consolidated financial statements for the 2021 business year, the auditor's relationship with the ANDRITZ GROUP and the members of its company bodies was reviewed, and the fee for the company audit was negotiated. Further items on the agenda were the auditor's report on the function of the company's risk management system, a report on the Internal Auditing department, the compliance report and the sustainability report.

The financial statements and management report of ANDRITZ AG and the consolidated financial statements for 2020 drawn up according to IFRS were audited (including the accounts) and certified by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, who had been appointed as auditors by the Annual General Meeting. The management report, which is now required by law, was also the subject of the discussions and completeness check. The Supervisory Board examined the documents in accordance with § 96 of the Austrian Stock Corporation Act (AktG) as well as the management report and the corporate governance report and also endorsed the motions submitted to the Annual General Meeting and approved the financial statements, which are hereby approved in accordance with §96 (4) AktG. Similarly, the Supervisory Board reviewed and approved the Executive Board's proposal for distribution of profits. The final results of the audits conducted did not give rise to any objections.

Graz, February 2021

Christian Nowotny m.p.
Chairman of the Supervisory Board

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CONSOLIDATED INCOME STATEMENT

FOR THE 2020 FINANCIAL YEAR

(in TEUR)	Note	2020	2019
Revenue	**9.**	**6,699,584**	**6,673,896**
Changes in inventories of finished goods and work in progress		-30,095	-34,675
Other own work capitalized		3,709	6,462
Other income	10.	85,937	96,201
Cost of materials	11.	-3,632,436	-3,305,190
Personnel expenses	12.	-1,790,253	-2,015,220
Other expenses	13.	-765,376	-883,912
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)		**571,070**	**537,562**
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	14.	-251,354	-270,554
Impairment of goodwill	20.	-4,674	-29,122
Earnings Before Interest and Taxes (EBIT)		**315,042**	**237,886**
Result from investments accounted for using the equity method	6.	-4,335	-125
Interest income		17,061	21,246
Interest expenses		-46,194	-69,267
Other financial result		-710	-8,824
Financial result	**15.**	**-34,178**	**-56,970**
Earnings Before Taxes (EBT)		**280,864**	**180,916**
Income taxes	16.	-77,146	-58,163
NET INCOME		**203,718**	**122,753**
Net income attributable to owners of the parent		207,120	127,804
Net income allocated to non-controlling interests	31.	-3,402	-5,051
Basic earnings per no-par value share (in EUR)	17.	2.08	1.27
Diluted earnings per no-par value share (in EUR)	17.	2.08	1.27
Proposed or paid dividend per no-par value share (in EUR)	31.	1.00	0.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 2020 FINANCIAL YEAR

(in TEUR)	Note	2020	2019
NET INCOME		**203,718**	**122,753**
Remeasurement of defined benefit plans	22.	-1,973	-21,045
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	28.	-124	-3,111
Other comprehensive income (after income taxes) that will not be reclassified to the income statement in subsequent periods		**-2,097**	**-24,156**
Currency translation of foreign operations		-97,516	-3,670
Cash flow hedges	32.	15,359	-3,651
Share of other comprehensive income of investments accounted for using the equity method	6.	-4	0
Other comprehensive income (after income taxes) which can be reclassified to the income statement in subsequent periods		**-82,161**	**-7,321**
OTHER COMPREHENSIVE INCOME (AFTER INCOME TAXES)		**-84,258**	**-31,477**
TOTAL COMPREHENSIVE INCOME		**119,460**	**91,276**
Total comprehensive income attributable to owners of the parent		123,013	96,794
Total comprehensive income allocated to non-controlling interests		-3,553	-5,518

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020

(in TEUR)	Note	2020	2019
ASSETS			
Property, plant, and equipment	18./19.	1,170,132	1,295,238
Goodwill	20.	760,028	776,915
Intangible assets other than goodwill	21.	223,751	309,197
Investments accounted for using the equity method	6.	5,464	4,802
Investments and other financial assets	30.	84,392	109,241
Other receivables and assets	25.	45,959	30,685
Deferred tax assets	16.	207,750	179,457
Non-current assets		**2,497,476**	**2,705,535**
Inventories	26.	761,220	842,389
Advance payments made	27.	143,444	137,833
Trade accounts receivable	24.	818,286	931,804
Contract assets	9.	795,638	734,146
Current tax assets		17,509	30,293
Other receivables and assets	25.	377,238	336,017
Investments	30.	486,290	304,045
Cash and cash equivalents	31.	1,158,027	1,200,794
Assets held for sale	36.	1,596	11,238
Current assets		**4,559,248**	**4,528,559**
TOTAL ASSETS		**7,056,724**	**7,234,094**
EQUITY AND LIABILITIES			
Share capital		104,000	104,000
Capital reserves		36,476	36,476
Retained earnings and other reserves		1,117,118	1,066,111
Equity attributable to owners of the parent		**1,257,594**	**1,206,587**
Non-controlling interests		-1,855	12,972
Total equity	**32.**	**1,255,739**	**1,219,559**
Bank loans and other financial liabilities	35.	1,205,125	1,227,044
Lease liabilities	19.	184,368	213,714
Provisions for employee benefits	22.	453,941	453,425
Provisions	23.	153,086	139,842
Other liabilities	28.	28,356	43,164
Deferred tax liabilities	16.	145,014	159,662
Non-current liabilities		**2,169,890**	**2,236,851**
Bank loans and other financial liabilities	35.	95,159	132,437
Lease liabilities	19.	48,311	46,394
Trade accounts payable		749,709	668,934
Contract liabilities from sales recognized over time	9.	895,700	1,230,276
Contract liabilities from sales recognized at a point in time	9.	256,612	231,962
Provisions	23.	537,921	489,847
Current tax liabilities		65,218	37,830
Other liabilities	28.	982,465	935,028
Liabilities relating to assets held for sale	36.	0	4,976
Current liabilities		**3,631,095**	**3,777,684**
TOTAL EQUITY AND LIABILITIES		**7,056,724**	**7,234,094**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 2020 FINANCIAL YEAR

(in TEUR)	Note	2020	2019
Net income		**203,718**	**122,753**
Income taxes		77,146	58,163
Interest result	15.	29,133	48,021
Depreciation, amortization, and impairment of intangible assets, goodwill as well as property, plant, and equipment		256,028	299,676
Result from investments accounted for using the equity method	15.	4,335	125
Changes in provisions		71,300	28,220
Gains/losses from disposal of fixed and financial assets		-8,435	-6,241
Other non-cash income/expenses		23,899	36,514
Gross cash flow		**657,124**	**587,231**
Change in net working capital	35.	-79,037	330,689
Interest received		15,241	20,599
Interest paid		-40,261	-41,606
Dividends received		1,583	3,092
Income taxes paid		-93,170	-78,428
CASH FLOW FROM OPERATING ACTIVITIES	**35.**	**461,480**	**821,577**
Payments made for property, plant, and equipment and for intangible assets		-87,893	-122,036
Payments received for disposals of property, plant, and equipment and intangible assets		21,391	8,708
Payments made for non-current and current financial assets		-372,607	-259,182
Payments received for disposal of non-current and current financial assets		207,996	276,607
Payments made for investments accounted for using the equity method		-5,000	-4,898
Net cash flow from company acquisitions	35.	0	-7,091
CASH FLOW FROM INVESTING ACTIVITIES	**35.**	**-236,113**	**-107,892**
Payments made for the redemption of bonds	35.	0	-350,000
Payments received from bank loans and other financial liabilities	35.	21,715	347,581
Payments made for bank loans, other financial liabilities, and lease liabilities	35.	-120,213	-86,458
Dividends paid	32.	-49,889	-157,093
Purchase of non-controlling interests and payments to former shareholders	35.	-20,492	-79,761
Purchase of treasury shares	32.	-18,118	-39,776
CASH FLOW FROM FINANCING ACTIVITIES	**35.**	**-186,997**	**-365,507**
CHANGES IN CASH AND CASH EQUIVALENTS		**38,370**	**348,178**
Currency translation adjustments		-80,943	-4,975
Changes in consolidation scope		-82	-1,146
Valuation allowance		-112	-21
Cash and cash equivalents at the beginning of the period	31.	1,200,794	858,758
Cash and cash equivalents at the end of the period	31.	1,158,027	1,200,794

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 2020 FINANCIAL YEAR

									Attributable to owners of the parent	Non-controlling interests	Total equity
(in TEUR)	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, 2019		**104,000**	**36,476**	**1,442,338**	**8,531**	**-82,140**	**-66,326**	**-130,934**	**1,311,945**	**15,504**	**1,327,449**
Net income				127,804					127,804	-5,051	122,753
Other comprehensive income					-6,761	-20,435	-3,814		-31,010	-467	-31,477
Total comprehensive income				**127,804**	**-6,761**	**-20,435**	**-3,814**		**96,794**	**-5,518**	**91,276**
Dividends	32.			-156,492					-156,492	-601	-157,093
Change in treasury shares	32.			-184				-38,049	-38,233		-38,233
Change from share option programs	32.			-3,922					-3,922		-3,922
Transfers and other changes				3,907	-7,026	-305	-81		-3,505	3,587	82
BALANCE AS OF DECEMBER 31, 2019		**104,000**	**36,476**	**1,413,451**	**-5,256**	**-102,880**	**-70,221**	**-168,983**	**1,206,587**	**12,972**	**1,219,559**
BALANCE AS OF JANUARY 1, 2020		**104,000**	**36,476**	**1,413,451**	**-5,256**	**-102,880**	**-70,221**	**-168,983**	**1,206,587**	**12,972**	**1,219,559**
Net income				207,120					207,120	-3,402	203,718
Other comprehensive income					15,235	-1,971	-97,371		-84,107	-151	-84,258
Total comprehensive income				**207,120**	**15,235**	**-1,971**	**-97,371**		**123,013**	**-3,553**	**119,460**
Dividends	32.			-49,719					-49,719	-170	-49,889
Change in treasury shares	32.			-547				-16,147	-16,694		-16,694
Change from share option programs	32.			1,748					1,748		1,748
Changes in ownership interests, without loss of control	32.			-6,148		-1,153	-88		-7,389	-11,104	-18,493
Transfers and other changes				48					48		48
BALANCE AS OF DECEMBER 31, 2020		**104,000**	**36,476**	**1,565,953**	**9,979**	**-106,004**	**-167,680**	**-185,130**	**1,257,594**	**-1,855**	**1,255,739**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

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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 and are acknowledged by the Supervisory Board and the Annual General Meeting. On February 19, 2021, the Executive Board approved the consolidated financial statements for the year ending on December 31, 2020.

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

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 2020. All interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), which also have to be observed for 2020, 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, 2020:

Standard/Interpretation	Title	Effective for annual financial statements for periods beginning on or after	Endorsement by EU
IAS 1 and IAS 8	Amendment: Definition of materiality	January 1, 2020	November 29, 2019
	Amendments to references to the conceptual framework in IFRS Standards	January 1, 2020	November 29, 2019
IAS 39, IFRS 9, and IFRS 7	Amendment: Interest rate benchmark reform	January 1, 2020	January 15, 2020
IFRS 3	Amendment: Definition of a business	January 1, 2020	April 21, 2020

The amendments to **IAS 1** and **IAS 8** create a uniform definition of the materiality of financial information.

In **changing the references to the conceptual framework**, the European Financial Reporting Advisory Group (EFRAG) has made editorial adjustments to the previous references to the framework in various standards. This affects IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 32.

With the amendment to **IFRS 3**, the IASB clarifies that a business comprises a group of activities and assets that contain at least one resource input and a substantial process, which together significantly contribute to the ability to produce output.

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

The amendment to **IAS 39, IFRS 9 and IFRS 7** affects the hedge accounting requirements regarding recognition, valuation, and disclosure. The Group has retrospectively applied the changes from the interest rate benchmark reform to the hedging relationships designated after January 1, 2020, insofar as they are affected by the reform. These changes shall also apply to the profit or loss accumulated in the cash flow hedge reserve. The amendments aim to ensure that accounted hedging relationships can continue despite the expected replacement of various benchmark interest rates for the period of uncertainty. The details of the accounting policies and related disclosures with regard to risks and the accounting for hedging transactions can be found in chapters 33 - Derivates and 34 - Risk management - Risks relating to financial instruments.

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 2021 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
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
IAS 16	Amendment: Proceeds before intended use	January 1, 2022	open
IAS 37	Amendment: Onerous contracts – Costs of fulfilling a contract	January 1, 2022	open
IFRS 3	Amendment: Reference to the framework	January 1, 2022	open
IFRS 1, IFRS 9, IFRS 16, IAS 41	Annual improvements to IFRS (Cycle 2018-2020)	January 1, 2022	open
IAS 1	Amendment: Change in presentation and Amendment: Disclosure of accounting principles	January 1, 2023	open
IAS 8	Amendment: Definition of accounting estimates	January 1, 2023	open
IFRS 17	Insurance contracts incl. amendments of IFRS 17	January 1, 2023	open

The amendment to **IFRS 16** relating to Covid-19 rental facilities, grant lessees an exemption from the assessment of whether rental 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 an 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 plans to apply the changes from January 1, 2021 and does not expect any material impact on the consolidated financial statements as of now.

The amendment to **IAS 16** clarifies that it is not permitted to deduct income from the cost 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. Analyses done so far do not indicate a significant impact on the financial statements.

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. Analyses done so far do not indicate a significant impact on the financial statements.

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

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 change in the presentation with regard to **IAS 1** affects the adjustment of the assessment criteria for the classification of debt as short-term or long-term. Analyses done so far do not indicate a significant impact on the financial statements. The change in the disclosure of the accounting principles in relation to IAS 1 is intended to support the decision on which accounting policies must be disclosed in the financial statements.

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

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

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

c) Changes in accounting policies

Derivatives and hedge accounting

ANDITZ has accounted for existing hedging relationships in accordance with the regulations of IAS 39. In order to better reflect the economic effects of risk management activities, ANDRITZ decided to apply the rules on the accounting treatment of hedging instruments in accordance with IFRS 9 as of January 1, 2020. With regard to the Group's risk management strategy, reference is made to the information in Chapter F – Financial and capital structure, financial instruments, and risk management. Derivatives that do not meet the criteria for hedge accounting according to IFRS 9 are classified and recognized at fair value through profit or loss in accordance with IFRS 9.

Hedging transactions are accounted for in accordance with IFRS 9.6.4. with regard to the requirements for permitted underlyings and hedging transactions as well as the effectiveness of the hedging relationships. The principles of hedge accounting according to IFRS 9 are applied prospectively from the start of the documentation of the hedging relationship. The existing hedge accounting relationships accounted for in accordance with IAS 39 also meet the requirements for hedge accounting in accordance with IFRS 9. Therefore, these hedging relationships can be seen as ongoing hedging relationships in accordance with IFRS 9.7.2.24.

The principles of hedge accounting within IFRS 9 are also used to hedge individual risk components for non-financial underlyings.

Cash flow hedges

In the ANDRITZ GROUP, cashflows from purchase orders and procurement transactions are hedged through foreign currency forwards or foreign currency swaps. This is to hedge future transactions in foreign currency that are expected and likely to occur as part of the project calculation. ANDRITZ uses cash flow hedge accounting to hedge a transaction that is highly probable and hedges itself against future effects in income statement from cash flow fluctuations. In addition, ANDRITZ hedges the interest rate risk of future cash flows from financial liabilities through interest rate swaps.

In connection with the hedging of future cash flows from a recognized receivable or liability or a transaction which is likely to occur in the future, the effective part of the change in fair values is recognized in other comprehensive income and the ineffective part is immediately recognized in the income statement. The Group only records the change in the fair value of the spot component of foreign currency forwards as a hedging instrument in the cash flow hedge reserve. The change in the fair value of the forward element of forward points is accounted for separately as a cost item of the hedging relationship and recorded in the cost of hedging reserve in equity.

If the cash flow hedge results in an non-financial asset or a non-financial liability, the amounts recognized in other comprehensive income become part of the acquisition costs at the time of acquisition of the non-financial asset or the non-financial liability. In all other cases the amounts accrued in equity are recognized in the income statement at the point in time at which the hedged item affects the income statement.

Government grants

Starting with financial year 2020, the presentation in the income statement 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. Until financial year 2019, all grants related to income were presented as other income.

The presentation of the prior year' figures was not adjusted, as it primarily included grants for R&D activities only. This kind of government grants is shown as other income in both, the new and the old presentation option.

Due to the Covid-19 pandemic, subsidies for personnel costs were claimed. These grants are presented as a reduction in personnel expenses. More information is presented in chapter 12. Personnel expenses. The reason for the change in the presentation is the increased informative value of the individual expense categories.

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 and changes described in chapter 2. c) Changes in accounting policies, 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 drawn up by group-wide standards and in accordance with IFRS regulations. Intercompany receivables, liabilities, and internal service charges, 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 major exchange rates used for foreign currency translation are as follows:

In number of units per 1 EUR		Rate at reporting date		Average rate for year	
Currency		**December 31, 2020**	**December 31, 2019**	**2020**	**2019**
BRL	Brazilian real	6.37	4.52	5.89	4.41
CAD	Canadian dollar	1.56	1.46	1.53	1.49
CHF	Swiss franc	1.08	1.09	1.07	1.11
CNY	Chinese renminbi yuan	8.02	7.82	7.87	7.74
DKK	Danish kroner	7.44	7.47	7.45	7.47
GBP	British pound	0.90	0.85	0.89	0.88
INR	Indian rupee	89.66	80.19	84.64	78.84
SEK	Swedish kronor	10.03	10.45	10.48	10.59
USD	US dollar	1.23	1.12	1.14	1.12

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 change 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. These 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.

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. The Group 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:

		2020		2019
	Full consolidation	Equity method	Full consolidation	Equity method
Balance as of January 1	**183**	**4**	**190**	**3**
New foundations			1	1
Disposals due to a change in consolidation type	-1		-5	
Mergers and liquidations	-6		-3	
Balance as of December 31	**176**	**4**	**183**	**4**
Thereof attributable to:				
Domestic companies	7	0	7	0
Foreign companies	169	4	176	4

44 companies (2019: 45) controlled by ANDRITZ were not consolidated; 7 associated companies (2019: 8) were not accounted for at-equity because of quantitative and qualitative considerations.

Disposals due to a change in consolidation type

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 85 TEUR and is included in the result before interest, income taxes and depreciation.

In the financial year 2019, ANDRITZ no longer consolidated the following companies because of non-fulfillment of the materiality criteria or because of a loss of control:

- ANDRITZ Biax SAS, France
- ANDRITZ Ritz Pte. Ltd., Singapore
- POWERLASE TECHNOLOGIES HOLDINGS LIMITED, United Kingdom
  - POWERLASE TECHNOLOGIES LIMITED, United Kingdom
  - Powerlase Technologies Inc, USA

The disposal of these subsidiaries resulted in a gain of 4,826 TEUR and was included in earnings before interest, taxes, depreciation, and amortization (EBITDA) in 2019. The valuation allowance of a loan due from one of these companies is included in the financial result of 2019 and amounted to 6,530 TEUR.

Read more in Note 41. 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 Group has the option of using a “concentration test” which provides a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met, if the fair value of the gross assets acquired is basically concentrated in a single identifiable asset or a group of similar identifiable assets.

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.

In 2020, ANDRITZ GROUP has acquired a 100% stake in Enviroburners Oy, Finland. Enviroburners engages in design, manufacture, and production of burner solutions, such as waste fuel, biofuel and wood dust burners, and project planning, site supervision, and services related thereto. The acquisition expands the product portfolio in the Pulp & Paper business area. The closing of the transaction took place in September 2020. Due to the minor importance for the assets, liabilities, financial position, and profit or loss the company will not be included in the consolidation scope.

ANDRITZ has signed an agreement with Laroche, based in Cours, France, to acquire LM Industries - consisting of Laroche SA and Miltec SA, France. The signing for the acquisition of all Laroche companies and their global business took place in December 2020. The closing of the transaction is expected in the first half of 2021.

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 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. Analogous 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.

6. Investments accounted for using the equity method

ACCOUNTING POLICIES

Associated companies are those 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 the net assets of the agreement.

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

Company	Main office	Business area	Category	2020	2019
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 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 TEUR)	2020		2019	
	Associated companies	Joint ventures	Associated companies	Joint ventures
DISCLOSURES ON FINANCIAL POSITION				
Assets	8,199	126,675	5,714	43,077
Liabilities	5,220	118,000	4,222	42,104
DISCLOSURES ON THE INCOME STATEMENT				
Revenue	4,020	0	3,441	0
Result for the year	1,500	-2,297	-407	-27

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

(in TEUR)			2020			2019
	Associated companies	Joint ventures	Total	Associated companies	Joint ventures	Total
Share of net income	380	-1,149	-769	-104	-13	-117
Share of other comprehensive income	-4	0	-4	0	0	0
Share of total comprehensive income	**376**	**-1,149**	**-773**	**-104**	**-13**	**-117**
thereof not recognized in the consolidated financial statements	2	0	2	8	0	8
thereof recognized in the consolidated financial statements	**374**	**-1,149**	**-775**	**-112**	**-13**	**-125**
Elimination of interim profit	0	-3,560	-3,560	0	0	0
Result from investments accounted for using the equity method	**374**	**-4,709**	**-4,335**	**-112**	**-13**	**-125**
Aggregate carrying amount of the shares in companies accounted for using the equity method	**4,686**	**778**	**5,464**	**4,315**	**487**	**4,802**

Non-recognized losses of the financial year amount to 0 TEUR (2019: 0 TEUR). The cumulative unrecognized losses amount to -988 TEUR (2019: -989 TEUR). 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 48,927 TEUR (2019: 20,597 TEUR). The equity of the joint venture was increased by a contribution of 5,000 TEUR each by both shareholders.

7. Related parties

Under IAS 24 – Related Party Disclosures, related party transactions have to be disclosed with persons and with entities, as far as they are not already included as consolidated companies in the consolidated financial statements of ANDRITZ AG. The members of the Executive Board and the Supervisory Board 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 direct or indirect 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 entities 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 TEUR)	2020	2019
SALES AND OTHER INCOME	**43,987**	**26,080**
with non-consolidated companies	9,668	23,410
with associated companies and joint ventures	34,319	2,670
EXPENSES	**-21,186**	**-20,519**
with non-consolidated companies	-21,186	-20,508
with associated companies and joint ventures	0	-11
TRADE AND OTHER RECEIVABLES	**16,494**	**15,172**
from non-consolidated companies	**16,224**	**15,136**
Gross amount	32,896	36,640
Valuation allowance	-16,672	-21,504
with associated companies and joint ventures	**270**	**36**
Gross amount	710	476
Valuation allowance	-440	-440
LIABILITIES	**6,171**	**8,296**
to non-consolidated companies	6,171	3,268
with associated companies and joint ventures	0	5,028

The related companies are mainly sales companies. The joint venture Smart Press GmbH & Co KG is also categorized as a related company, which was founded jointly by Schuler Aktiengesellschaft and Dr. Ing. H. c. F. Porsche Aktiengesellschaft. The purpose is the highly flexible production of sophisticated chassis parts with pioneering technologies.

b) Related persons

Executive Board

The Executive Board of ANDRITZ AG was composed of five members as of December 31, 2020:

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)	June 28, 2023
Humbert Köfler	Member of the Executive Board	April 1, 2007	March 31, 2025
Norbert Nettesheim	Chief Financial Officer	December 6, 2019	September 30, 2022
Joachim Schönbeck	Member of the Executive Board	October 1, 2014	September 30, 2022
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 the President and CEO and other members of the Executive Board amounted to 195 TEUR in 2020 (2019: 652 TEUR). As of December 31, 2020, a liability to this company amounting to 0 TEUR (2019: 0 TEUR) was recognized in this regard. These and other business relations with companies in which members of the Supervisory Board or the Executive 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 AG Supervisory Board.

Custos Vermögensverwaltungs GmbH owns 25% plus one share, while Cerberus Vermögensverwaltung GmbH holds 0.77%. Some of 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. Certus Beteiligungs-GmbH, whose shares are owned indirectly by Manile Privatstiftung, holds 5.72%. The Takeover Commission has decided that, pursuant to section 23 (2), line 1 Takeover Act, the shares of Certus Beteiligungs-GmbH are attributable to Custos Privatstiftung.

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 remuneration 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 profit. 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 relate primarily to taxable benefits in kind for company cars.

Participation in all share option programs for managerial staff and the Executive Board since the Initial Public Offering (IPO), was contingent on investing at least 20 TEUR in ANDRITZ shares for managerial staff and 40 TEUR for members of the Executive Board no later than the allocation date of the options; for the share option program 2020 also at least 5 TEUR for junior executives. This investment must be maintained continuously until exercise of the options by those persons subscribing to the option program and evidence thereof must be brought when the options are exercised. There is a waiting period of three years before options can be exercised if the contract of employment is still in force (exception: end of employment contract as scheduled according to contract provisions).

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 almost entirely with the Austrian Code of Corporate Governance.

The following expenses have been recognized for the Executive Board:

(in TEUR)	2020	2019
Short-term benefits	8,205	7,153
Post-employment benefits	547	506
Share-based payments	325	-657
	9,077	**7,002**

In 2019, the share-based payments include the release of the 2016 management share option program to the income statement due to the non-achievement of the performance conditions.

A provision of 6,031 TEUR in 2020 (2019: 6,660 TEUR) was recorded for pensions of former members of the Executive Board and their dependents. Expenses for these pensions amounted to 81 TEUR in 2020 (2019: 182 TEUR).

ANDRITZ AG took out Directors' and Officers' liability insurance (D&O insurance) for 2020. 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 290 TEUR (2019: approximately 290 TEUR).

Supervisory Board

The ANDRITZ AG Supervisory Board consists of six appointed members and three delegated members by the employee representative organizations as of December 31, 2020:

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 2021
Alexander Isola	Member of the Supervisory Board	March 30, 2016	Until the Annual General Meeting in 2021
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	
Monika Suppan	Member of the Supervisory Board	January 1, 2018	

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 2020 business year amount to a total of 315 TEUR (2019: 313 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 AG Supervisory Board and received a remuneration amounting to 25 TEUR (excluding attendance fees) for the 2020 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 & Pitkowitz 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 2020 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 2020 was around 800 TEUR (2019: 500 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 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. 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, 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 Technologies business area for which the Executive Board obtains a separate reporting. As the thresholds of the Feed & Biofuel Technologies business area are below the limits, both business areas are condensed to one reportable segment. According to the internal reporting structure, all sales and 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

2020

(in TEUR)	PP	ME	HY	SE	Total
Revenue	3,338,985	1,420,501	1,295,970	644,128	6,699,584
EBITDA	399,555	5,520	98,490	67,505	571,070
EBITA	322,677	-46,672	61,990	53,691	391,686
Capital expenditure	64,105	26,493	29,725	11,494	131,817
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	112,499	86,435	38,469	13,951	251,354
Result from investments accounted for using the equity method	3	-4,709	371	0	-4,335
Carrying amount of investments accounted for using the equity method	0	778	4,686	0	5,464

2019

(in TEUR)	PP	ME	HY	SE	Total
Revenue	2,869,458	1,636,861	1,470,746	696,831	6,673,896
EBITDA	351,393	-1,516	134,087	53,598	537,562
EBITA	270,991	-73,822	105,877	40,118	343,164
Capital expenditure	63,327	30,783	51,727	11,246	157,083
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	124,561	101,791	30,722	13,480	270,554
Result from investments accounted for using the equity method	-12	-13	-100	0	-125
Carrying amount of investments accounted for using the equity method	0	487	4,315	0	4,802

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

Information according to geographical segments

2020

(in TEUR)	Europe	North America	South America	China	Asia (without China)	Rest of the world and consoli-dation	Total
External revenue	2,279,191	1,302,297	1,237,104	822,637	831,596	226,759	6,699,584
Non-current assets	867,789	246,406	74,842	159,686	34,801	816,346	2,199,870
Capital expenditure	78,223	18,011	6,156	24,906	4,076	445	131,817

2019

(in TEUR)	Europe	North America	South America	China	Asia (without China)	Rest of the world and consoli-dation	Total
External revenue	2,327,419	1,416,581	770,640	979,297	899,055	280,904	6,673,896
Non-current assets	879,277	272,763	86,977	162,312	42,532	968,174	2,412,035
Capital expenditure	81,420	36,504	11,995	17,843	7,122	2,199	157,083

Non-current assets (as reportet 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, reported above.

External revenue in Europe includes an amount of 152,926 TEUR (2019: 169,800 TEUR) recognized in Austria. Non-current assets of 321,880 TEUR (2019: 319,725 TEUR) are located in Austria.

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 large 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. 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. 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.

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 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 package, 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 according to IFRS 15 for revenue recognition over time 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 2020, there were neither contracts nor financing commitments implied by terms of payment, which have 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 contingent 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 TEUR)	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
REGIONS										
Europe	1,012,671	936,871	651,028	696,408	412,176	473,267	203,316	220,873	2,279,191	2,327,419
North America	541,565	613,207	339,117	349,860	236,017	271,769	185,598	181,745	1,302,297	1,416,581
South America	1,071,426	568,866	24,104	47,062	80,255	91,798	61,319	62,914	1,237,104	770,640
Asia (without China)	366,889	335,029	56,584	91,637	324,183	374,559	83,940	97,830	831,596	899,055
China	288,805	314,730	334,125	436,928	119,768	126,963	79,939	100,676	822,637	979,297
Others	57,629	100,754	15,543	14,966	123,571	132,390	30,016	32,793	226,759	280,904
	3,338,985	**2,869,458**	**1,420,501**	**1,636,861**	**1,295,970**	**1,470,746**	**644,128**	**696,831**	**6,699,584**	**6,673,896**
TIMING OF REVENUE RECOGNITION										
Over time	2,126,633	1,595,905	940,533	1,028,403	1,042,302	1,177,771	231,733	247,694	4,341,201	4,049,773
At a point in time	1,212,352	1,273,553	479,968	608,458	253,668	292,975	412,395	449,137	2,358,383	2,624,123
	3,338,985	**2,869,458**	**1,420,501**	**1,636,861**	**1,295,970**	**1,470,746**	**644,128**	**696,831**	**6,699,584**	**6,673,896**
REVENUE CATEGORIES										
Capital systems	1,998,518	1,434,293	1,083,900	1,197,402	837,471	994,305	336,999	381,626	4,256,888	4,007,626
Service	1,340,467	1,435,165	336,601	439,459	458,499	476,441	307,129	315,205	2,442,696	2,666,270
	3,338,985	**2,869,458**	**1,420,501**	**1,636,861**	**1,295,970**	**1,470,746**	**644,128**	**696,831**	**6,699,584**	**6,673,896**

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 2020, cumulative impairment on contract assets was reduced by 471 TEUR (2019: was reduced by 617 TEUR). Due to acquisitions, contract assets increased by 0 TEUR (2019: 13,840 TEUR). Amounts originally presented as contract assets are reclassified to trade receivables at the time when rights become unconditional. This usually happens when the invoice is issued to the customer.

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

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 830,050 TEUR (2019: 724,276 TEUR). Due to acquisitions, contract liabilities increased by 0 TEUR (2019: 26,208 TEUR).

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, 2020 with expected revenue recognition in the following periods:

(in TEUR)	2021	2022 and later	Total
Pulp & Paper	1,933,985	657,002	2,590,987
Metals	970,503	211,057	1,181,560
Hydro	1,110,146	1,477,842	2,587,988
Separation	393,751	19,744	413,495
	4,408,385	**2,365,645**	**6,774,030**

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 13,726 TEUR as of December 31, 2020 (2019: 11,614 TEUR). According to the project progress, 4,352 TEUR were amortized in the financial year 2020 (2019: 4,532 TEUR). 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 estimates 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

(in TEUR)	2020	2019
Government grants	30,659	25,621
Profit on disposal of intangible assets and property, plant, and equipment	10,955	8,934
Rental income	9,314	8,498
Income from scrap material	5,429	5,792
Insurance income	3,903	9,452
Exchange rate gains	0	3,096
Miscellaneous	25,677	34,808
	85,937	**96,201**

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.

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

11. Cost of materials

(in TEUR)	2020	2019
Expenses for raw materials, supplies, and goods purchased	2,974,286	2,574,373
Expenses for services purchased	658,150	730,817
	3,632,436	**3,305,190**

12. Personnel expenses

(in TEUR)	2020	2019
Wages and salaries	1,413,532	1,601,154
Expenses for social security and others	283,527	316,203
Termination expenses	43,267	41,390
Pension expenses	41,722	48,781
Severance expenses	8,205	7,692
	1,790,253	**2,015,220**

In the financial year 2020, government grants for personnel cost of 28,889 TEUR (2019: 0 TEUR) were recorded as a reduction of expenses.

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

(headcount)	2020	2019
Employees (as of end of period; without apprentices)	27,232	29,513
Employees (average; without apprentices)	28,026	29,519

13. Other expenses

(in TEUR)	2020	2019
Sales expenses	214,773	195,456
Administrative and consulting expenses	133,153	154,693
Repairs and maintenance	105,934	112,915
Travel expenses	87,674	176,345
Expenses for energy and water	43,455	46,720
Insurance premiums and charges	38,770	41,127
Rents and lease expenses	30,040	32,322
Other taxes and charges	23,282	22,546
Bank charges, guarantees, and similar expenses	22,079	22,331
Exchange rate losses	11,662	0
Expenses for valuation allowance and bad debt losses for receivables	11,066	9,611
Miscellaneous	43,488	69,846
	765,376	**883,912**

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 intangible assets and property, plant, and equipment

(in TEUR)	2020	2019
Intangible assets other than goodwill		
Amortization	69,112	82,507
Impairment losses	9,583	89
Property, plant, and equipment		
Depreciation	161,904	168,688
Impairment losses	11,355	19,270
Reversal of impairment losses	-600	0
	251,354	**270,554**

Impairment losses on intangible assets were mainly recorded for customer relationships and technologies in Germany and Chile. The main impairment losses on property, plant, and equipment were recognized for buildings in Germany. These impairment losses are attributable to the Metals and Hydro business areas.

15. Financial result

The financial result comprises the following:

(in TEUR)	2020	2019
Result from investments accounted for using the equity method	-4,335	-125
Interest income	17,061	21,246
Interest expense	-46,194	-69,267
Other financial result	-710	-8,824
	-34,178	**-56,970**

Interest expense contain 5,854 TEUR (2019: 8,939 TEUR) for interest expense on obligations for pensions, severance payments, and jubilee payments as well as expected return on plan assets and interest expense on leases of 5,096 TEUR (2019: 5,541 TEUR).

The item “Other financial result” includes gains and losses from disposal of securities of -30 TEUR (2019: -186 TEUR), and exchange rate gains and losses on loans and cash accounts of 1,278 TEUR (2019: -3,694 TEUR), as well as dividend income from investments of 1,583 TEUR (2019: 3,092 TEUR). The prior year’s figures included an amount of 6,530 TEUR, a one-time effect due to the impairment of a loan from an entity deconsolidated.

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.

Income taxes comprise the following:

(in TEUR)	2020	2019
Current taxes	-133,665	-85,384
Deferred taxes	56,519	27,221
	-77,146	**-58,163**

The reconciliation of the calculated income tax expense to the effective tax expense is depicted below. The calculated tax expense in the amount of 70,216 TEUR is determined by multiplying the Earnings Before Taxes in the amount of 280,864 TEUR by the applicable tax rate of 25% for ANDRITZ AG:

(in TEUR)	2020	2019
Earnings Before Taxes (EBT)	280,864	180,916
Calculated tax expense (25% in 2020 and 25% in 2019)	-70,216	-45,229
Increase (-)/Decrease (+) of tax expense by:		
Non-tax-deductible expenses	-21,135	-11,747
Tax allowances and tax-exempted income	12,924	8,715
Foreign tax rate differential arising from foreign fiscal jurisdictions	14,095	4,958
Effects of changes in tax rates	-1,425	-1,236
Taxes for prior years	6,404	23,513
Change in valuation allowance; non-recognition of deferred tax assets	-5,970	-25,781
Non-deductible impairment of goodwill	-1,304	-7,731
Non-allowable withholding taxes; foreign operating site taxes	-11,634	-9,236
Tax-exempted income from changes in consolidation scope	0	1,320
Others	1,115	4,291
Effective tax expense	**-77,146**	**-58,163**
in % of EBT	-27.5%	-32.1%

The nominal income tax rates applicable for subsidiaries abroad are between 9.0% and 34.0% (2019: 9.0% and 34.0%) in the financial year.

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

(in TEUR)	2020	2019
Deferred tax assets	179,457	167,157
Deferred tax liabilities	-159,662	-184,368
Balance as of January 1	**19,795**	**-17,211**
Deferred taxes recognized in income statement	56,519	27,221
Deferred taxes recognized in other comprehensive income	-4,869	9,618
Changes in consolidation scope	-71	-667
Currency translation adjustments	-8,638	834
Balance as of December 31	**62,736**	**19,795**
Thereof:		
Deferred tax assets	207,750	179,457
Deferred tax liabilities	-145,014	-159,662

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:

	2020		2019	
	Deferred taxes		Deferred taxes	
(in TEUR)	Assets	Liabilities	Assets	Liabilities
Intangible assets other than goodwill	7,652	-50,869	5,525	-73,990
Property, plant, and equipment	8,509	-89,105	12,812	-99,734
Financial assets	8,427	-3,060	6,675	-4,947
Inventories	228,435	-3,292	216,822	-3,009
Receivables and other assets	86,995	-188,409	80,952	-163,452
	340,018	**-334,735**	**322,786**	**-345,132**
Provisions	147,518	-17,144	137,052	-25,442
Liabilities	142,306	-251,038	105,133	-209,092
	289,824	**-268,182**	**242,185**	**-234,534**
Tax loss carry forwards	199,197	0	210,204	0
Deferred taxes before non-recognition and netting	**829,039**	**-602,917**	**775,175**	**-579,666**
Non-recognized deferred tax assets	-163,386	0	-175,714	0
	665,653	**-602,917**	**599,461**	**-579,666**
Netting	-457,903	457,903	-420,004	420,004
Net deferred tax assets and liabilities	**207,750**	**-145,014**	**179,457**	**-159,662**

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

	2020			2019		
(in TEUR)	Germany	USA	Others	Germany	USA	Others
Corporate income tax	298,523	108,853	309,761	227,073	180,332	343,951
Trade tax	288,663	0	0	212,246	0	0

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

(in TEUR)	2020	2019
Deductible temporary differences	146,618	114,333
Tax loss carry forwards	460,808	549,833

The unrecognized tax loss carry forwards (gross values) include an amount of 11,376 TEUR (2019: 15,541 TEUR), 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 2,704 TEUR (2019: 10.422 TEUR) and for trade tax of 3,195 TEUR (2019: 7,860 TEUR).

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 1,826 TEUR (2019: 2,703 TEUR). For this amount, deferred tax assets of 456 TEUR (2019: 676 TEUR) 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 306,538 TEUR (2019: 266,755 TEUR).

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 carryforwards 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 ordinary 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 ordinary shares outstanding with consideration of share options.

(in TEUR)	2020	2019
Net income attributable to owners of the parent	207,120	127,804
Weighted average number of no-par value shares	99,470,414	100,411,757
Effect of potential dilution of share options	0	0
Weighted average number of no-par value shares and share options	99,470,414	100,411,757
Basic earnings per no-par value share (in EUR)	2.08	1.27
Diluted earnings per no-par value share (in EUR)	2.08	1.27

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 TEUR)	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
COST					
Balance as of December 31, 2018	**787,921**	**897,810**	**212,488**	**46,364**	**1,944,583**
Change in accounting policies	203,140	5,942	19,619	0	228,701
Additions	41,351	31,793	33,662	42,791	149,597
Disposals	-23,437	-34,375	-23,269	-82	-81,163
Reclassification	18,770	22,263	4,472	-45,674	-169
Currency translation adjustments	7,261	2,781	574	416	11,032
Changes in consolidation scope	371	812	-57	0	1,126
Adjustments in the measurement period of IFRS 3	718	-12,323	-483	0	-12,088
Reclassification as held for sale	-2,786	-20,476	-1,481	0	-24,743
Balance as of December 31, 2019	**1,033,309**	**894,227**	**245,525**	**43,815**	**2,216,876**
Additions	37,324	30,207	22,593	36,426	126,550
Disposals	-32,049	-27,777	-20,160	-626	-80,612
Reclassification	9,664	23,793	3,268	-37,811	-1,086
Currency translation adjustments	-33,085	-39,668	-9,914	-1,327	-83,994
Reclassification as held for sale	654	779	-31	0	1,402
Balance as of December 31, 2020	**1,015,817**	**881,561**	**241,281**	**40,477**	**2,179,136**
ACCUMULATED DEPRECIATION					
Balance as of December 31, 2018	**-215,688**	**-459,430**	**-137,331**	**0**	**-812,449**
Depreciation	-58,382	-74,441	-35,865	0	-168,688
Impairment losses	-5,369	-13,774	-128	1	-19,270
Disposals	7,480	30,173	21,106	-1	58,758
Currency translation adjustments	-814	-812	-356	-1	-1,983
Reclassification as held for sale	0	16,229	1,087	0	17,316
Changes in consolidation scope	138	-176	73	1	36
Adjustments in the measurement period of IFRS 3	-19	4,555	106	0	4,642
Balance as of December 31, 2019	**-272,654**	**-497,676**	**-151,308**	**0**	**-921,638**
Depreciation	-58,515	-69,512	-33,877	0	-161,904
Impairment losses	-6,406	-4,712	-237	0	-11,355
Reversal of impairment losses	594	6	0	0	600
Disposals	16,258	20,352	15,171	0	51,781
Currency translation adjustments	7,317	18,837	6,346	0	32,500
Reclassification as held for sale	951	30	31	0	1,012
Balance as of December 31, 2020	**-312,455**	**-532,675**	**-163,874**	**0**	**-1,009,004**
NET BOOK VALUE					
Balance as of December 31, 2019	760,655	396,551	94,217	43,815	1,295,238
Balance as of December 31, 2020	703,362	348,886	77,407	40,477	1,170,132

a) Collateral securities

As of December 31, 2020, property, plant, and equipment amounting to 13,681 TEUR was pledged as collateral security (as of December 31, 2019: 47,846 TEUR).

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, 2020, these commitments amounted to 19,057 TEUR (as of December 31, 2019: 20,181 TEUR).

c) Borrowing costs

No borrowing costs relating to qualifying assets were capitalized in the financial years 2020 and 2019 as the amounts were immaterial.

d) Government grants

In the 2020 financial year, government grants amounting to 440 TEUR (2019: 334 TEUR) 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 critical judgment. 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 based primarily 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 sales and resulting decreases of net cash flows as well as changes in the discount rates used, could lead to an impairment.

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 TEUR)	2020	2019
Land and buildings	171,064	195,339
Cars	14,617	16,674
Technical equipment and machinery	4,959	5,727
Other equipment, factory and office equipment	2,237	2,382
	192,877	**220,122**

Additions to the right of use assets amounted to 44,110 TEUR in the financial year 2020 (2019: 47,454 TEUR). Total cash outflow for leases amounted to 53,998 TEUR in the financial year 2020 (2019: 51,524 TEUR).

In the income statement, the following amounts were recorded:

(in TEUR)	2020	2019
Expenses for variable lease payments that were not included in the calculation of the lease liability	3,598	3,167
Expenses for short-term leases that were not included in the calculation of the lease liability	12,595	14,099
Lease expenses on low value assets that were not included in the calculation of the lease liability	3,552	4,284
Interest expenses for lease liabilities	5,096	5,541
Depreciation of right of use assets	44,407	45,692
thereof land and buildings	32,033	33,604
thereof cars	9,261	8,927
thereof technical equipment and machinery	2,026	1,743
thereof other equipment, factory and office equipment	1,087	1,418

The average weighted interest rate on the lease liabilities was at 2.07% during the 2020 financial year (2019: 2.16%) The leasing agreements contain no restrictions on the Group's activities regarding dividends or additional debts. There are no significant subleases under operating and finance leases. Lease payments for leases that the lessee has entered into but have not yet started amount to 176 TEUR in 2020 (2019: 1,963 TEUR).

Information on material leases

Land and Buildings

ANDRITZ leases land and buildings for office space, production, and storage. The leases for land and buildings generally have an average term of 7.4 years in 2020 (2019: 9.1 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 937 TEUR as of December 31, 2020 (2019: 918 TEUR).

Other leases

In the vehicles category, ANDRITZ mainly leases cars for employees with an average leasing period of 4.1 years in the 2020 financial year (2019: 3.6 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 4.9 years in 2020 (2019: 5.6 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 5.4 years in 2020 (2019: 5.0 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, 2020 ANDRITZ estimates the expected remaining guarantee amounts are not material.

b) ANDRITZ as lessor

In the financial year 2020, leasing income of 9,314 TEUR (2019: 8,498 TEUR) was recognized. The contracts largely refer to real estate. The future minimum lease payments from the non-cancellable leases are as follows:

(in TEUR)	2020	2019
Not exceeding 1 year	7,263	6,222
1 to 2 years	3,349	3,381
2 to 3 years	2,874	2,687
3 to 4 years	2,588	2,319
4 to 5 years	2,214	2,319
More than 5 years	8,237	10,141
Total undiscounted lease payments	**26,525**	**27,069**

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 regading 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.

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 at 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 and 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 TEUR)	2020	2019
COST		
Balance as of January 1	**986,302**	**1,034,378**
Changes in consolidation scope	0	827
Remeasurement from acquisitions	0	16,976
Disposals	-4,674	-71,969
Currency translation adjustments	-22,568	6,090
Balance as of December 31	**959,060**	**986,302**
ACCUMULATED IMPAIRMENT		
Balance as of January 1	**-209,387**	**-249,788**
Impairment loss	-4,674	-29,123
Disposals	4,674	71,969
Currency translation adjustments	10,355	-2,445
Balance as of December 31	**-199,032**	**-209,387**
NET BOOK VALUE		
Balance as of January 1	776,915	784,590
Balance as of December 31	760,028	776,915

Goodwill is allocated to the business areas as follows:

(in TEUR)	2020	2019
Pulp & Paper	356,404	366,740
Metals	261,055	267,031
Hydro	112,854	113,404
Separation	29,715	29,740
	760,028	**776,915**

a) Remeasurement from acquisitions

In the 2020 financial year, no remeasurement in accordance with IFRS 3 was carried out.

b) Impairment loss

In the 2020 financial year, an impairment loss of goodwill was recorded in the amount of 4,674 TEUR because the business did not develop as expected. The impairment relates to a cash generating unit assigned to the Metals business area. The recoverable amounts of the cash generating units correspond to their values in use. In 2019, impairment losses of 29,123 TEUR 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, respectively:

2020

CGU	Year of purchase	Business area	Goodwill	Discount rate before tax	Non-current growth rate	Description
			(in TEUR)	(in %)	(in %)	
Schuler (ME-F)	2013	ME	215,061	9.38	2.01	Presses, automation, dies, process know-how, and services in the forming equipment field
Xerium (PFR)	2018	PP	213,549	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)	2006	HY	45,736	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)	2006-2014	HY	41,906	10.57	2.36	Modernization, rehabilitation, and capacity increases of electromechanical systems and services for hydropower plants
Diatec	2018	PP	33,925	16.22	3.00	Special machines and technological solutions, mainly for the production of baby diapers and other absorbent hygiene products
Separation (SES)	2004-2012	SE	24,542	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)	1997-2014	ME	16,069	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)	2006	HY	15,000	11.06	1.98	Products and services for small and medium-sized hydroelectric power plants and solutions for mini hydro power plants
Other CGUs			154,240			
			760,028			

In the financial year 2020, the composition of CGUs has been adjusted due to changes of the internal reporting structure. The CGU Kraft & Paper Mill Services (PKP) was allocated to three CGUs. The CGU Engineered Wear Parts (PEW) was allocated to two CGUs. Therefore, the two CGUs PKP and PEW, both, are not disclosed separately anymore. The goodwill was tested based on both compositions, the new as well as of the old one**.**

2019

CGU	Year of purchase	Business area	Goodwill	Discount rate before tax	Non-current growth rate	Description
			(in TEUR)	(in %)	(in %)	
Xerium (PFR)	2018	PP	220,139	10.87	2.19	Manufacturing and supply of machine clothing (forming fabrics, press felts, drying fabrics) and roll covers for paper, tissue, and board machines
Schuler (ME-F)	2013	ME	215,061	9.53	2.09	Presses, automation, dies, process know-how, and services in the forming equipment field
Large Hydro (HLH)	2006	HY	45,868	11.11	1.93	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)	2006-2014	HY	42,087	9.15	2.28	Modernization, rehabilitation, and capacity increases of electromechanical systems and services for hydropower plants
Diatec	2018	PP	33,925	12.43	3.06	Special machines and technological solutions, mainly for the production of baby diapers and other absorbent hygiene products
Kraft & Paper Mill Services (PKP)	2000-2011	PP	30,710	9.56	2.43	Production systems and services for sawmills, wood yards, fiberlines, pulp drying plants, chemical recovery operations, and power island
Separation (SES)	2004-2012	SE	24,542	10.38	2.42	Mechanical technologies such as centrifuges, filters, screens, thickeners or separators, and thermal technologies such as dryers or coolers as well as service
Engineered Wear Parts (PEW)	1999-2003	PP	18,680	9.99	2.33	Engineered wear products for the pulp & paper industry
Mill Solutions (MMS)	1997-2014	ME	16,641	9.61	2.28	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)	2006	HY	15,000	10.30	1.96	Products and services for small and medium-sized hydroelectric power plants and solutions for mini hydro power plants
Other CGUs			114,262			
			776,915			

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

The impairment test for goodwill requires estimations regarding the development of future sales 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:

2020

CGU	Goodwill	Discount rate	Planned growth rates	Planned cash flows
	(in TEUR)	(in %)	(in %)	(in %)
Schuler (ME-F)	215,061	0.27%	-4.92%	-3.87%
Xerium (PFR)	213,549	0.12%	-1.91%	-1.44%
Large Hydro (HLH)	45,736	3.77%	-23.29%	-30.39%
Service Rehab (HSR)	41,906	8.94%	-43.51%	-55.11%
Diatec	33,925	4.21%	-33.94%	-24.84%
Separation (SES)	24,542	10.88%	-55.64%	-59.69%
Mill Solutions (MMS)	16,069	2.20%	-28.22%	-23.78%
Compact Hydro (HCH)	15,000	1.45%	-18.48%	-12.68%

2019

CGU	Goodwill	Discount rate	Planned growth rates	Planned cash flows
	(in TEUR)	(in %)	(in %)	(in %)
Xerium (PFR)	220,139	0.06%	-0.92%	-0.73%
Schuler (ME-F)	215,061	0.55%	-9.00%	-8.08%
Large Hydro (HLH)	45,868	4.77%	-29.12%	-37.86%
Service Rehab (HSR)	42,087	9.73%	-46.58%	-62.31%
Diatec	33,925	0.70%	-8.50%	-7.57%
Separation (SES)	24,542	6.30%	-40.13%	-50.54%
Mill Solutions (MMS)	16,641	24.43%	-70.56%	-81.88%
Compact Hydro (HCH)	15,000	6.92%	-47.57%	-52.42%

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.

Intangible assets are as follows:

(in TEUR)	Acquired customer- and technology-related intangible assets	Other intangible assets	Total
COST			
Balance as of December 31, 2018	**524,654**	**85,919**	**610,573**
Additions	0	6,992	6,992
Disposals	-25,120	-11,976	-37,096
Reclassification	0	169	169
Currency translation adjustments	4,604	186	4,790
Changes in consolidation scope	7,412	24	7,436
Balance as of December 31, 2019	**511,550**	**81,314**	**592,864**
Additions	1,012	4,229	5,241
Disposals	-20,844	-2,430	-23,274
Reclassification	0	1,086	1,086
Currency translation adjustments	-18,457	-1,639	-20,096
Balance as of December 31, 2020	**473,261**	**82,560**	**555,821**
ACCUMULATED AMORTIZATION			
Balance as of December 31, 2018	**-170,437**	**-67,215**	**-237,652**
Amortization	-76,160	-6,347	-82,507
Impairment losses	0	-89	-89
Disposals	25,120	11,979	37,099
Currency translation adjustments	-418	-78	-496
Changes in consolidation scope	0	-22	-22
Balance as of December 31, 2019	**-221,895**	**-61,772**	**-283,667**
Amortization	-62,985	-6,127	-69,112
Impairment losses	-8,985	-598	-9,583
Disposals	20,492	2,381	22,873
Currency translation adjustments	6,097	1,322	7,419
Balance as of December 31, 2020	**-267,276**	**-64,794**	**-332,070**
NET BOOK VALUE			
Balance as of December 31, 2019	289,655	19,542	309,197
Balance as of December 31, 2020	205,985	17,766	223,751

a) Research and development costs

Expenses for research and development costs non-capitalized amounted to 100,959 TEUR in the 2020 financial year (2019: 114,973 TEUR). Development costs at 2,039 TEUR (2019: 3,786 TEUR) were capitalized as internally generated intangible assets in the item “other intangible assets” in the 2020 financial year.

b) Collateral securities

As of December 31, 2020, disposal limitations arising due to the granting of collateral securities for intangible assets amounted to 50 TEUR (as of December 31, 2019: 120 TEUR).

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

The anticipated useful lives of intangible assets are subject to critical judgment. 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.

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.

Some Group companies provide defined contribution plans for certain employees. The related costs are expensed as they occur.

Personnel-related provisions are as follows:

(in TEUR)	2020	2019
Pensions	313,543	310,834
Severances	106,516	112,236
Others	33,882	30,355
	453,941	**453,425**

Other personnel-related provisions mainly consist of anniversary bonuses.

a) Pensions

(in TEUR)	2020	2019
EXPENSES FROM DEFINED BENEFIT PLANS		
Current service cost	10,042	9,151
Past service cost	-1,044	-96
Effects of plan curtailments and settlements	-666	81
EXPENSES FROM DEFINED CONTRIBUTION PLANS		
Payments to defined contribution plans	33,390	39,645
	41,722	**48,781**

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 and Canada.

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

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 - 2.50	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

2019

		Germany and Austria	Switzerland	Others
Discount rate	in %	0.62 - 1.42	0.25 - 0.29	0.33 - 7.50
Wage and salary increases	in %	0.00 - 2.50	0.50 - 1.00	0.00 - 6.33
Retirement benefit increases	in %	1.75	0.00	0.00 - 4.75
Average term of the benefit obligation	in years	6.06 - 18.25	14.51 - 20.10	8.30 - 17.86

The following mortality tables were primarily used:

	2020	2019
Austria	AVÖ 2018-P	AVÖ 2018-P
Germany	Heubeck "Richttafeln 2018 G"	Heubeck "Richttafeln 2018 G"
Switzerland	BVG 2020 Generationentafel	BVG 2015 Generationentafel

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

2020

(in TEUR)	Germany and Austria	Switzerland	Others	Total
Defined benefit obligation as of January 1	**297,653**	**232,886**	**206,252**	**736,791**
Current service cost	3,598	5,361	1,083	10,042
Past service cost	0	-1,348	304	-1,044
Effects of plan curtailments and settlements	273	464	-18,732	-17,995
Interest expenses	2,585	593	5,110	8,288
Actuarial gains (-) and losses (+) from change in demographic assumptions	-60	-4,738	-366	-5,164
Actuarial gains (-) and losses (+) from change in financial assumptions	9,178	4,191	15,024	28,393
Actuarial gains (-) and losses (+) from change in experience adjustments	2,814	1,243	-803	3,254
Benefits paid	-12,638	-19,848	-10,389	-42,875
Contributions by the plan participants	3,091	2,808	0	5,899
Currency translation adjustments	0	1,222	-13,592	-12,370
Defined benefit obligation as of December 31	**306,494**	**222,834**	**183,891**	**713,219**
Fair value of plan assets	-46,536	-215,913	-144,573	-407,022
Plan assets in excess of DBO	0	4,704	2,642	7,346
Defined benefit liability as of December 31	**259,958**	**11,625**	**41,960**	**313,543**

2019

(in TEUR)	Germany and Austria	Switzerland	Others	Total
Defined benefit obligation as of January 1	**261,367**	**216,521**	**197,539**	**675,427**
Current service cost	2,943	4,613	1,595	9,151
Past service cost	0	0	-96	-96
Effects of plan curtailments and settlements	-85	175	64	154
Interest expenses	5,320	2,016	6,412	13,748
Actuarial gains (-) and losses (+) from change in demographic assumptions	-62	-7,916	-1,755	-9,733
Actuarial gains (-) and losses (+) from change in financial assumptions	22,957	17,339	22,330	62,626
Actuarial gains (-) and losses (+) from change in experience adjustments	3,094	-516	1,109	3,687
Benefits paid	-14,840	-10,511	-8,849	-34,200
Contributions by the plan participants	3,881	2,782	43	6,706
Currency translation adjustments	0	8,383	10,444	18,827
Changes in consolidation scope	-3,683	0	0	-3,683
Other changes	16,761	0	-22,584	-5,823
Defined benefit obligation as of December 31	**297,653**	**232,886**	**206,252**	**736,791**
Fair value of plan assets	-47,813	-217,948	-162,576	-428,337
Reduction of assets	0	0	2,380	2,380
Defined benefit liability as of December 31	**249,840**	**14,938**	**46,056**	**310,834**

Out of the total pension benefit obligation of 713,219 TEUR (2019: 736,791 TEUR), 403,855 TEUR (2019: 440,624 TEUR) are covered entirely or partly by investments in funds.

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

2020

(in TEUR)	Germany and Austria	Switzerland	Others	Total
Fair value of plan assets as of January 1	**47,813**	**217,948**	**162,576**	**428,337**
Interest income	552	548	4,032	5,132
Return on plan assets (excl. interest income)	-298	9,151	10,530	19,383
Effects of plan curtailments and settlements	-99	445	-18,353	-18,007
Benefits paid	-2,011	-19,892	-9,928	-31,831
Contributions by the employer	579	3,828	6,370	10,777
Contributions by the plan participants	0	2,808	0	2,808
Currency translation adjustments	0	1,077	-10,654	-9,577
Fair value of plan assets as of December 31	**46,536**	**215,913**	**144,573**	**407,022**

2019

(in TEUR)	Germany and Austria	Switzerland	Others	Total
Fair value of plan assets as of January 1	**45,628**	**199,488**	**136,913**	**382,029**
Interest income	959	1,906	4,962	7,827
Return on plan assets (excl. interest income)	2,105	12,474	17,819	32,398
Effects of plan curtailments and settlements	-85	158	0	73
Benefits paid	-3,702	-10,511	-8,532	-22,745
Contributions by the employer	2,908	3,769	5,066	11,743
Contributions by the plan participants	0	2,782	5	2,787
Currency translation adjustments	0	7,882	7,802	15,684
Other changes	0	0	-1,459	-1,459
Fair value of plan assets as of December 31	**47,813**	**217,948**	**162,576**	**428,337**

The plan assets are invested as follows:

2020

(in TEUR)	Germany and Austria	Switzerland	Others	Total
Equity instruments	**9,086**	**38,409**	**65,891**	**113,386**
thereof listed on an active market	5,642	38,409	65,891	109,942
Debt instruments	**12,603**	**62,001**	**66,691**	**141,295**
thereof listed on an active market	12,033	62,001	66,692	140,726
Property, plant, and equipment	**1,033**	**50,857**	**215**	**52,105**
thereof listed on an active market	96	0	215	311
Other assets	**23,814**	**64,646**	**11,776**	**100,236**
thereof listed on an active market	20,444	53,279	6,046	79,769
	46,536	**215,913**	**144,573**	**407,022**

2019

(in TEUR)	Germany and Austria	Switzerland	Others	Total
Equity instruments	**11,518**	**39,066**	**71,223**	**121,807**
thereof listed on an active market	7,832	39,066	71,223	118,121
Debt instruments	**11,522**	**64,565**	**82,717**	**158,804**
thereof listed on an active market	11,492	64,565	82,716	158,773
Property, plant, and equipment	**795**	**49,995**	**314**	**51,104**
thereof listed on an active market	131	0	314	445
Other assets	**23,978**	**64,322**	**8,322**	**96,622**
thereof listed on an active market	21,771	53,142	1,943	76,856
	47,813	**217,948**	**162,576**	**428,337**

In 2020, the actual investment result from plan assets amounted to 5.48% (2019: 9.07%). As of December 31, 2020, 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 23,045 TEUR for 2021.

! 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:

2020

(in TEUR)		Germany and Austria	Switzerland	Others	Total
Discount rate	+0.5%	-18,753	-17,532	-11,660	-47,945
	-0.5%	21,060	14,942	11,151	47,153
Wage and salary increases	+0.5%	619	1,636	533	2,788
	-0.5%	-537	-1,614	-520	-2,671
Retirement benefit increases	+0.5%	12,593	8,743	3,077	24,413
	-0.5%	-11,530	0	-2,375	-13,905
Life expectancy	+1 year	12,973	5,169	6,824	24,966
	-1 year	-12,305	-9,953	-5,657	-27,915

2019

(in TEUR)		Germany and Austria	Switzerland	Others	Total
Discount rate	+0.5%	-21,416	-16,680	-13,406	-51,502
	-0.5%	24,121	19,067	15,025	58,213
Wage and salary increases	+0.5%	668	1,719	622	3,009
	-0.5%	-620	-1,748	-589	-2,957
Retirement benefit increases	+0.5%	14,144	9,254	3,745	27,143
	-0.5%	-12,909	0	-3,091	-16,000
Life expectancy	+1 year	13,663	6,982	6,669	27,314
	-1 year	-13,463	-7,078	-6,626	-27,167

b) Severances

(in TEUR)	2020	2019
EXPENSES FROM DEFINED BENEFIT PLANS		
Current service cost	4,314	3,729
EXPENSES FROM DEFINED CONTRIBUTION PLANS		
Payments to defined contribution plans	3,891	3,963
	8,205	**7,692**

In the financial year 2020, contributions of 2,218 TEUR (2019: 2,257 TEUR) 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 %)		2020	2019
Discount rate	in %	0.53 - 1.00	0,84 - 1,61
Wage and salary increases	in %	2.00 - 2.50	0,00 - 2,50
Average term of the benefit obligation	in years	7.51 - 15.00	8.22 - 15.00

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

(in TEUR)	2020	2019
Defined benefit obligation as of January 1	**114,233**	**113,026**
Current service cost	4,314	3,729
Interest expenses	935	1,926
Actuarial gains (-) and losses (+) from change in demographic assumptions	-860	-709
Actuarial gains (-) and losses (+) from change in financial assumptions	1,664	6,994
Actuarial gains (-) and losses (+) from change in experience adjustments	-1,252	-1,011
Benefits paid	-10,409	-9,807
Currency translation adjustments	-364	85
Defined benefit obligation as of December 31	**108,261**	**114,233**
Fair value of plan assets	-1,745	-1,997
Defined benefit liability as of December 31	**106,516**	**112,236**

The following table reconciles the fair value of plan assets:

(in TEUR)	2020	2019
Fair value of plan assets as of January 1	**1,997**	**1,911**
Interest income	134	151
Return on plan assets (excl. interest income)	-21	-29
Effects of plan curtailments and settlements	4	0
Benefits paid	-192	-763
Contributions by the employer	31	740
Currency translation adjustments	-208	-13
Fair value of plan assets as of December 31	**1,745**	**1,997**

The plan assets are invested as follows:

(in TEUR)	2020	2019
Debt instruments	**1,024**	**1,228**
thereof listed on an active market	0	0
Other assets	**721**	**769**
thereof listed on an active market	200	214
	1,745	**1,997**

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 TEUR)		2020	2019
Discount rate	+0.5%	-4,932	-5,456
	-0.5%	5,805	5,833
Wage and salary increases	+0.5%	5,004	5,629
	-0.5%	-4,242	-5,244

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 TEUR)	Order-related provisions	Restructuring and personnel adjustments	Others	Total
Balance as of January 1, 2020	**511,923**	**73,292**	**44,473**	**629,688**
Additions	229,630	49,244	11,720	290,594
Usage	-60,310	-22,008	-8,804	-91,122
Release	-108,994	-7,055	-3,324	-119,373
Currency translation adjustments	-13,987	-1,684	-3,098	-18,769
Changes in consolidation scope	0	-11	0	-11
Balance as of December 31, 2020	**558,262**	**91,778**	**40,967**	**691,007**
Non-current	110,327	24,299	18,460	153,086
Current	447,935	67,479	22,507	537,921

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 are carried out, mainly in Germany. A large part of the resulting cash outflows due to the implementation of the measures is expected in 2021.

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 37. Contingent assets and liabilities.

E) NET WORKING CAPITAL

24. Trade accounts receivable

Trade accounts receivable are as follows:

(in TEUR)	2020	2019
Gross amount of trade accounts receivable	880,456	993,878
Valuation allowance	-62,170	-62,074
TRADE ACCOUNTS RECEIVABLE	**818,286**	**931,804**

All trade accounts receivable are classified as current. The disposal limitations arising due to the granting of collateral securities amounted to 4,650 TEUR (2019: 10,809 TEUR). 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 29. Financial assets and liabilities.

Read more on payments overdue and development of impairment in Note 34. Risk management – Risks relating to financial instruments.

25. Other receivables and assets

(in TEUR)	2020	2019
Receivables from public institutions	167,699	158,098
Derivatives	73,368	40,084
Prepayments, deferred charges, and interest accruals	36,713	33,144
Schuldscheindarlehen	30,000	30,000
Bills of exchange receivable	27,289	20,402
Contract costs	13,726	11,614
Receivables from associated companies, joint ventures, and non-consolidated companies	9,910	4,871
Plan assets in excess of DBO	7,346	0
Miscellaneous	57,146	68,489
	423,197	**366,702**
thereof current	377,238	336,017
thereof non-current	45,959	30,685

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 TEUR)	2020	2019
Materials and supplies	290,609	317,112
Work in progress and unfinished services	359,122	405,498
Finished goods and merchandise	111,489	119,779
	761,220	**842,389**

The write-down of inventories recognized as an expense amounted to -9,509 TEUR (2019: -21,703 TEUR). 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 289,436 TEUR (2019: 273,065 TEUR). The carrying amount of inventories pledged as security for liabilities amounted to 7,440 TEUR (2019: 8,498 TEUR).

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. Other liabilities

(in TEUR)	2020	2019
Accruals and outstanding order-related costs	498,401	436,347
Unused vacation and other personnel-related accruals	245,639	255,667
Liabilities to public institutions	106,866	111,077
Derivatives	44,560	51,780
Liabilities due to employees	26,878	26,434
Earn out and contingent considerations	24,419	26,466
Liabilities from commissions	17,338	15,087
Miscellaneous	46,720	55,334
	1,010,821	**978,192**
thereof current	982,465	935,028
thereof non-current	28,356	43,164

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

29. 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 33. 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 33. 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, bonds, 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 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, 2020

(in TEUR)							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"	30.				336,609		336,609				
Other investments	30.		177,277	10,088			187,365	177,277	8,835	1,253	187,365
Shares in non-consolidated companies and other shares	30.			606		19,133	19,739			606	606
Derivatives	33.	32,504	40,864				73,368		73,368		73,368
Miscellaneous other financial assets	30.				6,969		6,969		7,024		7,024
Trade accounts receivable	24.				818,286		818,286				
Other receivables and assets	25.				115,645	204,184	319,829				
Schuldscheindarlehen	25./30.				50,000		50,000		50,001		50,001
Cash and cash equivalents	31.				1,158,027		1,158,027				
FINANCIAL ASSETS		**32,504**	**218,141**	**10,694**	**2,485,536**	**223,317**	**2,970,192**				
Derivatives	33.	12,906	31,654				44,560		44,560		44,560
Bank loans and other financial liabilities	35.				226,730		226,730		229,637		229,637
Lease liabilities	22./35.				232,679		232,679		240,915		240,915
Trade accounts payable					749,709		749,709				
Earn out and contingent considerations	28.		644		23,775		24,419			24,170	24,170
Schuldscheindarlehen	35.				1,073,554		1,073,554		1,110,533		1,110,533
Other liabilities	28.				92,699	849,143	941,842				
FINANCIAL LIABILITIES		**12,906**	**32,298**		**2,399,146**	**849,143**	**3,293,493**				

As of December 31, 2019

(in TEUR)							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"	30.				236,948		236,948				
Other investments	30.		94,386	6,457			100,843	94,386	5,108	1,349	100,843
Shares in non-consolidated companies and other shares	30.			606		17,188	17,794			606	606
Derivatives	33.		40,084				40,084		40,084		40,084
Miscellaneous other financial assets	30.				7,701		7,701		7,788		7,788
Trade accounts receivable	24.				931,804		931,804				
Other receivables and assets	25.				105,982	190,636	296,618				
Schuldscheindarlehen	25./30.				80,000		80,000		80,081		80,081
Cash and cash equivalents	31.				1,200,794		1,200,794				
FINANCIAL ASSETS			**134,470**	**7,063**	**2,563,229**	**207,824**	**2,912,586**				
Derivatives	33.	6,253	45,527				51,780		51,780		51,780
Bank loans and other financial liabilities	35.				286,272		286,272		283,952		283,952
Lease liabilities	22./35.				260,108		260,108		266,335		266,335
Trade accounts payable					668,934		668,934				
Earn out and contingent considerations	28.		2,691		23,775		26,466			25,548	25,548
Schuldscheindarlehen	35.				1,073,209		1,073,209		1,087,586		1,087,586
Other liabilities	28.				96,385	803,561	899,946				
FINANCIAL LIABILITIES		**6,253**	**48,218**		**2,408,683**	**803,561**	**3,266,715**				

b) 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 TEUR)	Fair value as of December 31, 2020	Fair value as of December 31, 2019	Dividend income of 2020	Dividend income of 2019
JVP VIII, L.P.	8,835	5,108	294	0
Others	1,859	1,955	142	0
	10,694	**7,063**	**436**	**0**

c) Net gains and losses

2020

(in TEUR)	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	-10,118		1,188	15,704	-24,957
Dividends		1,137	446		
Valuation	15,416	-293		-10,356	
Gains and losses from sale and disposal		-30			
Net gains/losses recognized in net income	**5,298**	**814**	**1,634**	**5,348**	**-24,957**
Net gains/losses recognized in other comprehensive income	22,504		-165		
NET GAINS/LOSSES	**27,802**	**814**	**1,469**	**5,348**	**-24,957**

2019

(in TEUR)	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			1,609	19,623	-54,764
Dividends		3,003	89		
Valuation	-289	476	36	-16,907	3,234
Gains and losses from sale and disposal		-186			
Net gains/losses recognized in net income	**-289**	**3,293**	**1,734**	**2,716**	**-51,530**
Net gains/losses recognized in other comprehensive income	-4,868		-11,975		
NET GAINS/LOSSES	**-5,157**	**3,293**	**-10,241**	**2,716**	**-51,530**

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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.

30. 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 29. Financial assets and liabilities.

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

(in TEUR)	2020	2019
Investment securities	37,684	33,746
Schuldscheindarlehen	20,000	50,000
Shares in non-consolidated companies	19,133	17,188
Other shares	606	606
Miscellaneous	6,969	7,701
	84,392	**109,241**

The item „Investment securities” contains time deposits in the amount of 25,185 TEUR (2019: 24,960 TEUR). The shares in non-consolidated companies did not include a restricted right of use in 2020 or 2019, respectively.

Current investments consist of the following:

(in TEUR)	2020	2019
Time deposits	311,424	211,988
Bank bonds	95,945	50,282
Funds	56,552	36,699
Government bonds	22,369	5,076
	486,290	**304,045**

31. 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 29. Financial assets and liabilities.

Cash and cash equivalents are as follows:

(in TEUR)	2020	2019
Cash in banks	786,560	785,928
Time deposits	371,467	414,866
	1,158,027	**1,200,794**

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.

32. 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 104,000 TEUR, 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 an 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 TEUR)			2020			2019
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Changes in fair values	-4,314	2,341	-1,973	-29,278	8,233	-21,045
Remeasurement of defined benefit plans	**-4,314**	**2,341**	**-1,973**	**-29,278**	**8,233**	**-21,045**
Changes in fair values	-165	41	-124	-3,218	107	-3,111
Equity instruments - FVTOCI	**-165**	**41**	**-124**	**-3,218**	**107**	**-3,111**
Changes in fair values	-96,937	-47	-96,984	-3,722	54	-3,668
Transfers to income statement	-473	-59	-532	-9	7	-2
Investments accounted for using the equity method	-4	0	-4	0	0	0
Currency translation of foreign operations	**-97,414**	**-106**	**-97,520**	**-3,731**	**61**	**-3,670**
Changes in fair values	34,422	-10,984	23,438	-4,868	1,217	-3,651
Transfers to income statement	-1,961	665	-1,296	0	0	0
Cash flow hedges (hedging reserve)	**32,461**	**-10,319**	**22,142**	**-4,868**	**1,217**	**-3,651**
Changes in fair values	-9,748	3,150	-6,598	0	0	0
Transfers to income statement	-209	24	-185	0	0	0
Cash flow hedges (cost of hedging)	**-9,957**	**3,174**	**-6,783**	**0**	**0**	**0**
	-79,389	**-4,869**	**-84,258**	**-41,095**	**9,618**	**-31,477**

b) Dividends

For 2020, a dividend of 1.00 EUR per outstanding share is proposed by the Executive Board.

The dividend of 49,719 TEUR for 2019, which is equal to 0.50 EUR per share, was proposed by the Executive Board and approved by the 113th Annual General Meeting on July 7, 2020. The dividend was paid to the shareholders on July 13, 2020.

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 2020, 661,501 shares were bought back at an average price of 27.39 EUR per share. No shares were sold to authorized executives as part of the management share option plan for executives. 50,007 shares were transferred to employees of ANDRITZ as part of employee participation programs. As of December 31, 2020, the company held 4,744,104 treasury shares with a market value of 177,809 TEUR. 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, 2018	**100,976,502**	**3,023,498**	**104,000,000**
Purchase of treasury shares	-1,149,500	1,149,500	0
Used to cover share options and employee participation programs	40,388	-40,388	0
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**

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 options can be exercised aliquotly 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 4,475 TEUR, of which 1,492 TEUR were recognized in expenses in 2020. 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 2,055 TEUR, of which 257 TEUR were recognized in expenses in 2020.

Movements in options under the share option plans for the 2020 and 2019 financial years were as follows:

	2020		2019	
	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	**909,000**	**46.01**	**1,799,500**	**46.83**
Options granted	948,500	31.20	0	0.00
Options exercised	0	0.00	0	0.00
Options expired and forfeited	-10,000	46.01	-890,500	47.67
Balance as of December 31	**1,847,500**	**38.41**	**909,000**	**46.01**
Exercisable at year-end	0		0	

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

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 TEUR)	Main office	Proportion of ownership interests and voting rights held by non-controlling interests		Net income allocated to non-controlling interests		Non-controlling interests	
		2020	2019	2020	2019	2020	2019
OTORIO LTD	Tel Aviv, Israel	49.99%	49.99%	-2,616	-942	-3,648	-1,062
PT. ANDRITZ HYDRO	Jakarta, Indonesia	49.00%	49.00%	580	617	2,046	1,644
POWERLASE TECHNOLOGIES HOLDINGS LIMITED	West Sussex, United Kingdom	-	-	-	-554	-	0
Schuler Aktiengesellschaft (Subgroup)	Göppingen, Germany	0.00%	3.38%	-1,125	-4,201	-2	12,338
ANDRITZ Fabrics and Rolls AG	Düren, Germany	0.45%	0.45%	3	2	3	1
Andritz Rolls (Xi'an) Co., Ltd.	Xi'an, China	10.00%	10.00%	-244	27	-254	51
				-3,402	**-5,051**	**-1,855**	**12,972**

In November 2020, ANDRITZ Beteiligungsgesellschaft IV GmbH, a wholly-owned subsidiary of ANDRITZ AG and main shareholder of Schuler Aktiengesellschaft, acquired the shares of the minority shareholders (3.38%) in

Schuler Aktiengesellschaft and conducted a procedure for transferring the shares of the minority shareholders of Schuler Aktiengesellschaft (so-called squeeze-out procedure under German stock corporation law).

The resolution of the transfer was entered in the commercial register of the District Court in Ulm, Germany, on November 18, 2020. With the entry of the resolution, all shares of the minority shareholders of Schuler Aktiengesellschaft have become the property of ANDRITZ Beteiligungsgesellschaft IV GmbH. ANDRITZ Beteiligungsgesellschaft IV GmbH granted cash compensation in the amount of 18,492 TEUR (EUR 18.32 per no-par value share) for the transfer of the shares to the minority shareholders of Schuler Aktiengesellschaft. Individual minority shareholders have initiated an arbitration lawsuit where the amount of the compensation is to be verified.

ANDRITZ now holds 100% of the shares in Schuler Aktiengesellschaft. There are still minorities within the subgroup, however, due to its immateriality, detailed information on the Schuler subgroup will no longer be disclosed as of this financial year; only the comparative figures from the previous year are disclosed, as these were still significant in the comparative period. Therefore, the summarized financial information of the subsidiaries with material non-controlling interests is as follows:

Schuler Aktiengesellschaft (Subgroup)

(in TEUR)	2019
Current assets	745,298
Non-current assets	502,585
Current liabilities	-486,252
Non-current liabilities	-295,739
Non-controlling interests of subgroup	-45,660
Net assets	**420,232**
Proportion of ownership interests and voting rights held by non-controlling interests	**3.38%**
Net book value of non-controlling interests	**14,197**
Sales	**1,136,333**
Result for the year	-132,280
Other comprehensive income	-10,046
Total comprehensive income	**-142,326**
Thereof attributable to:	
Total comprehensive income attributable to owners of the parent	-137,518
Total comprehensive income allocated to non-controlling interests	-4,808
Dividends paid to non-controlling interest holders and former shareholders	**0**
Cash flow from operating activities	108,379
Cash flow from investing activities	-22,751
Cash flow from financing activities	-21,183
Total	**64,445**

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 TEUR)	2020	2019
Total equity	1,255,739	1,219,559
Total assets	7,056,724	7,234,094
Equity ratio	17.8%	16.9%

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 2019.

33. 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 present the economic effects of the risk management activities better, ANDRITZ decided to apply the regulations on the accounting of hedging transactions according to IFRS 9 as of January 1, 2020. The regulations of hedge accounting according to IFRS 9 are applied prospectively from the beginning of the documentation of the hedging relationship.

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 reseve. 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 1,075,000 TEUR. 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 190,500 TEUR were defined as the underlying. Combined with the related interest rate swaps it was designated as a cash flow hedge relationship. 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:

2020

(in TEUR)	Remaining terms nominal values			Fair value		
	not exceeding 1 year	more than 1 year	Total	positive	negative	Total
Foreign exchange forward contracts	2,128,605	453,904	2,582,509	73,368	35,990	37,378
thereof hedge accounting	841,728	357,186	1,198,914	32,504	4,336	28,168
Interest rate swaps	0	192,500	192,500	0	8,570	-8,570
thereof hedge accounting	0	192,500	192,500	0	8,570	-8,570
	2,128,605	**646,404**	**2,775,009**	**73,368**	**44,560**	**28,808**

2019

(in TEUR)	Remaining terms nominal values			Fair value		
	not exceeding 1 year	more than 1 year	Total	positive	negative	Total
Foreign exchange forward contracts	2,545,516	180,322	2,725,838	40,084	45,527	-5,443
thereof hedge accounting	0	0	0	0	0	0
Interest rate swaps	0	192,500	192,500	0	6,253	-6,253
thereof hedge accounting	0	192,500	192,500	0	6,253	-6,253
	2,545,516	**372,822**	**2,918,338**	**40,084**	**51,780**	**-11,696**

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 29. c) 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:

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 TEUR)	(in TEUR)	(in TEUR)	(in TEUR)			(in TEUR)
Currency risk							
EUR / BRL	25,650	126	-536	-410	January 2021 - January 2022	6.4	-334
EUR / CHF	17,428	16	-57	-41	January 2021 - October 2025	1.1	-63
EUR / CNY	102,728	475	-1,196	-721	January 2021 - April 2024	8.1	287
EUR / INR	382,542	359	-134	225	January 2021 - September 2024	89.4	160
EUR / USD	371,308	22,467	-953	21,514	January 2021 - January 2025	1.2	1,145
USD / BRL	17,534	668	-70	598	January 2021 - October 2022	5.5	219
USD / CNY	33,230	1,705	0	1,705	January 2021 - October 2022	6.9	1,759
USD / EUR	63,041	1,148	-55	1,093	January 2021 - March 2023	0.8	31,229
USD / INR	22,084	175	-58	117	January 2021 - August 2023	77.1	155
CHF / EUR	21,682	44	-75	-31	January 2021 - December 2027	0.9	-56
CNY / EUR	18,048	168	-78	90	January 2021 - May 2022	0.1	353
SEK / EUR	20,247	336	-259	77	January 2021 - December 2023	0.1	-185
Others	103,392	4,817	-865	3,952	January 2021 - September 2024	-	2,104
	1,198,914	**32,504**	**-4,336**	**28,168**			
Interest risk							
USD / EUR	192,500	0	-8,570	-8,570	May 2023 - May 2026	-	-2,351
	192,500	**0**	**-8,570**	**-8,570**			

2019

	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 TEUR)	(in TEUR)	(in TEUR)	(in TEUR)			(in TEUR)
Interest risk							
USD / EUR	192,500	0	-6,253	-6,253	May 2023 - May 2026	-	-4,868
	192,500	**0**	**-6,253**	**-6,253**			

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 TEUR)	Currency risk	Interest risk	Total hedging reserve	Cost of hedging	Total cashflow hedge reserve
Balance as of December 31, 2018	**0**	**-1,094**	**-1,094**	**0**	**-1,094**
Changes in fair values	0	-4,868	-4,868	0	-4,868
Tax effect	0	1,217	1,217	0	1,217
Balance as of December 31, 2019	**0**	**-4,745**	**-4,745**	**0**	**-4,745**
Changes in fair values	36,773	-2,351	34,422	-9,748	24,674
Transfers to income statement	-1,961	0	-1,961	-209	-2,170
Tax effect	-10,906	588	-10,318	3,174	-7,144
Currency translation adjustments	-18	0	-18	0	-18
Balance as of December 31, 2020	**23,888**	**-6,508**	**17,380**	**-6,783**	**10,597**

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:

			2020			2019
(in TEUR)	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	36,773	0	36,773			
Interest risk						
Interest rate swaps - variable rate Schuldscheindarlehen	-2,351	0	-2,351	-4,868	0	-4,868

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 TEUR)	2020		2019	
	positive	negative	positive	negative
Gross and net amounts (in the statement of financial position)	**73,368**	**-44,560**	**40,084**	**-51,780**
Netting (potential effects)	-1,133	1,133	-1,056	1,056
NET AMOUNTS	**72,235**	**-43,427**	**39,028**	**-50,724**

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

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.

34. 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.

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 **increased significantly** 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 B1 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 TEUR)	Trade accounts receivable	Contract assets	Other receivables and assets	Cash and cash equivalents	Investments	Total
Balance as of December 31, 2018	**-58,264**	**-4,307**	**-10,464**	**-216**	**-539**	**-73,790**
Charged to expenses	-5,833	0	-598	-21	-12	-6,464
Usage	1,980	0	471	0	0	2,451
Release	0	617	1,590	0	179	2,386
Currency translation adjustments	43	11	-8	0	0	46
Balance as of December 31, 2019	**-62,074**	**-3,679**	**-9,009**	**-237**	**-372**	**-75,371**
Charged to expenses	-12,029	0	0	-112	-182	-12,323
Usage	6,681	0	594	0	0	7,275
Release	0	471	6,413	0	0	6,884
Currency translation adjustments	5,060	71	3	0	0	5,134
Changes in consolidation scope	192	0	4	0	0	196
Balance as of December 31, 2020	**-62,170**	**-3,137**	**-1,995**	**-349**	**-554**	**-68,205**

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.

2020

(in TEUR)	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%	597,810	-935	596,875
Up to 60 days past due	0.26%	1.32%	131,115	-812	130,303
61 to 120 days past due	0.79%	3.97%	33,507	-911	32,596
More than 120 days past due	2.09%	10.58%	58,890	-4,090	54,800
Individually impaired			59,134	-55,422	3,712
			880,456	**-62,170**	**818,286**

2019

(in TEUR)	Average weighted loss rate - risk category 1	Average weighted loss rate - risk category 2	Gross amount	Impairment loss	Net amount
Not due	0.03%	0.34%	645,615	-1,062	644,553
Up to 60 days past due	0.23%	1.24%	157,051	-1,064	155,987
61 to 120 days past due	0.69%	3.73%	44,526	-875	43,651
More than 120 days past due	1.81%	9.95%	89,764	-5,475	84,289
Individually impaired			56,922	-53,598	3,324
			993,878	**-62,074**	**931,804**

Contract assets

Based on internal credit risk reporting, contract assets are valued differently, depending on whether there is collateral or not.

2020

(in TEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	0	0	0
Unsecured proportion	0.47%	69,463	-346	69,117
Secured proportion	0.37%	729,312	-2,791	726,521
		798,775	**-3,137**	**795,638**

2019

(in TEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	2,026	-1,434	592
Unsecured proportion	0.43%	71,071	-269	70,802
Secured proportion	0.31%	664,728	-1,976	662,752
		737,825	**-3,679**	**734,146**

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.

2020

(in TEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	31,114	-1,243	29,871
Lump sum impaired	0.91%	86,526	-752	85,774
		117,640	**-1,995**	**115,645**

2019

(in TEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	26,268	-8,227	18,041
Lump sum impaired	0.92%	88,723	-782	87,941
		114,991	**-9,009**	**105,982**

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, 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.

2020

(in TEUR)	External rating	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Low risk	AAA to BBB-	0.07%	1,346,897	-887	1,346,010
Medium risk	BB+ to BB-	0.01%	145,888	-15	145,873
High risk	B+ to D	0.04%	2,754	-1	2,753
			1,495,539	**-903**	**1,494,636**

2019

(in TEUR)	External rating	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Low risk	AAA to BBB-	0.03%	1,328,459	-383	1,328,076
Medium risk	BB+ to BB-	0.21%	107,611	-221	107,390
High risk	B+ to D	0.23%	2,281	-5	2,276
			1,438,351	**-609**	**1,437,742**

! **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 34. 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.

No significant additional liquidity risk is expected from the IBOR reform. There are basic differences between the IBORs and the various alternative interest rates: The IBORs are forward-looking maturity rates for a certain period that are published at the beginning of this period and contain an interbank credit spread whereas the alternative interest rates are risk-free overnight money rates that are published at the end of the day without a credit spread. These differences lead to uncertainty with regard to variable interest payments, but the Group's requirements for liquidity risk management have been updated and sufficient liquid funds are available for unexpected increases in overnight rates.

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:

2020

(in TEUR)	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	226,730	99,426	82,200	53,442	235,068
Lease liabilities	232,679	52,718	124,922	71,931	249,571
Trade accounts payable	749,709	749,709	0	0	749,709
Earn out and contingent considerations	24,419	24,419	0	0	24,419
Schuldscheindarlehen	1,073,554	14,925	763,978	366,189	1,145,092
Other liabilities	941,842	936,286	5,365	191	941,842
Non-derivative financial liabilities	**3,248,933**	**1,877,483**	**976,465**	**491,753**	**3,345,701**
Derivatives	44,560	34,678	10,458	26	45,162
Derivative financial liabilities	**44,560**	**34,678**	**10,458**	**26**	**45,162**
	3,293,493	**1,912,161**	**986,923**	**491,779**	**3,390,863**

2019

(in TEUR)	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	286,272	136,095	87,856	71,235	295,186
Lease liabilities	260,108	51,035	141,159	89,758	281,952
Trade accounts payable	668,934	668,934	0	0	668,934
Earn out and contingent considerations	26,466	2,691	23,775	0	26,466
Schuldscheindarlehen	1,073,209	14,925	548,791	596,303	1,160,019
Other liabilities	899,946	893,188	6,696	62	899,946
Non-derivative financial liabilities	**3,214,935**	**1,766,868**	**808,277**	**757,358**	**3,332,503**
Derivatives	51,780	39,677	12,103	0	51,780
Derivative financial liabilities	**51,780**	**39,677**	**12,103**	**0**	**51,780**
	3,266,715	**1,806,545**	**820,380**	**757,358**	**3,384,283**

c) Market risks

Market risk is 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 measures and regulations needed in connection with hedging of orders not concluded in the respective functional currencies of the Group companies are stated 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), Swiss franc (CHF), and Canadian dollar (CAD). 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 TEUR)		2020		2019	
		Net income	Other comprehensive income	Net income	Other comprehensive income
EUR/USD	+10%	-35,251	-2,500	-26,003	0
	-10%	35,251	2,500	26,003	0
EUR/CNY	+10%	9,673	4,005	16,349	0
	-10%	-9,673	-4,005	-16,349	0
EUR/CHF	+10%	4,530	783	4,721	0
	-10%	-4,530	-783	-4,721	0
EUR/CAD	+10%	-5,681	192	-3,784	0
	-10%	5,681	-192	3,784	0

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 33. 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:

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

2019

(in %)	EUR	USD	BRL	CNY
FINANCIAL ASSETS				
Cash on current accounts	0.0	0.8	0.0	1.8
Current deposits	0.1	0.0	5.5	1.9
Investments - current	0.1	0.0	0.0	2.4
Investments - non-current	0.4	0.0	0.0	0.0
FINANCIAL LIABILITIES				
Overdrafts on current accounts	1.9	1.7	7.5	3.2
Current loans	0.1	0.0	6.6	5.8
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 a increase in the interest result of 2,459 TEUR in the 2020 financial year (2019: decrease of 310 TEUR). A decline in the interest level would have led to an decrease in the interest result in the same amount.

G) OTHER INFORMATION

35. 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. 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 bonds and other debts, 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 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 461,480 TEUR, was significantly below the very high reference figure of the previous year (2019: 821,557 TEUR). The change is mainly due to project related changes in net working capital at -79,037 TEUR in 2020 compared to 330,689 TEUR in 2019. Net working capital decreased due to processing of large-scale projects, whereas advance and progress payments have been received in 2019.

The change in net working capital is as follows:

(in TEUR)	2020	2019
Changes in inventories	42,499	18,230
Changes in advance payments made	-9,722	-22,583
Changes in receivables	-21,626	26,699
Changes in contract assets	-93,458	71,452
Changes in contract liabilities from sales recognized over time	-285,626	212,661
Changes in contract liabilities from sales recognized at a point in time	35,866	-60,657
Changes in liabilities	253,030	84,887
Change in net working capital	**-79,037**	**330,689**

b) Cash flow from investing activities

The cash flow from investing activities amounted to -236,113 TEUR (2019: 107,892 TEUR). The change compared to the previous year is mainly due to different amounts for payments received and payments made for financial assets.

c) Cash flow from financing activities

The cash flow from financing activities amounted to -186,997 TEUR (2019: -365,507 TEUR). The change mainly resulted from lower dividends paid (-49,889 TEUR in 2020 compared to -157,093 TEUR in 2019).

In addition, payments were made due to the acquisition of non-controlling interests and payments to former shareholders of -20,492 TEUR, mainly due to the acquisition of shares in Schuler AG (more information in chapter 32. e) Non-controlling interests) In 2019, payments were made in the amount of -79,761 TEUR mainly for contingent consideration paid for the Chinese press and machine tool manufacturer Yangzhou Metal Forming Machine Tool Co., Ltd. (Yadon).

In 2020, own shares in the amount of 18,118 TEUR were bought back compared to 39,776 TEUR in 2019.

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 TEUR)	Bond	Lease liabilities	Schuldschein-darlehen	Bank loans and other financial liabilities	Total
Balance as of December 31, 2018	**343,684**	**29,962**	**898,134**	**140,794**	**1,412,574**
Change in accounting policies	0	244,513	0	0	244,513
Payments received	0	0	175,000	172,581	347,581
Payments made	-350,000	-51,524	0	-29,378	-430,902
Other non-cash changes	6,316	35,589	75	-120	41,860
Currency translation adjustments	0	2,301	0	-579	1,722
Changes in consolidation scope	0	-733	0	2,974	2,241
Balance as of December 31, 2019	**0**	**260,108**	**1,073,209**	**286,272**	**1,619,589**
Payments received	0	0	0	21,715	21,715
Payments made	0	-48,889	0	-71,324	-120,213
Other non-cash changes	0	29,164	345	-111	29,398
Currency translation adjustments	0	-7,525	0	-9,822	-17,347
Changes in consolidation scope	0	-178	0	0	-178
Balance as of December 31, 2020	**0**	**232,679**	**1,073,554**	**226,730**	**1,532,963**

36. 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 of which 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 TEUR)	2020	2019
Property, plant, and equipment	1,596	7,794
Inventories	0	3,200
Other receivables and assets	0	244
ASSETS HELD FOR SALE	**1,596**	**11,238**
Provisions	0	4,184
Other liabilities	0	792
LIABILITIES RELATING TO ASSETS HELD FOR SALE	**0**	**4,976**

In the Hydro business area, the sale of property, plant, and equipment (technical equipment, land, and buildings) in Araraquara, Brazil, was initiated in 2019 and assets of 5,762 TEUR were recognized as held for sale. Thereof, assets totaling 758 TEUR were sold within 2020. This did not result in any significant gain or loss. Assets in the amount of 198 TEUR continue to be reported as held for sale, as the sale was delayed due to the Covid-19 pandemic. However, the plan for the sale is still being adhered to and necessary measures have already been taken to accommodate the changed circumstances. The remaining part of the tangible assets could not be sold and there is no longer any intention to sell. For this reason, these assets were measured at the lower of the carrying amount, corrected for planned depreciation, which would have been recorded without being classified as held for sale, and the recoverable amount of the corresponding asset at the time the asset was no longer classified as held for sale, and returned to fixed assets. This resulted in impairment expenses of 373 TEUR in 2020.

The Pulp & Paper business area includes a production facility in Warwick/Québec, Canada, which was already classified as held for sale in fiscal year 2019. The sale has been further delayed as circumstances have occurred that were previously considered unlikely. The plan for the sale of the production facility will continue to be adhered to and the necessary measures to take the changed circumstances into account have already been taken. The corresponding property, plant, and equipment in the amount of 467 TEUR are still recognized as held for sale.

In the Metals business area, the sale of a production facility in New Ross/Indiana, USA, was initiated in 2020. The sale is expected to be completed in the second half of 2021. Assets in the amount of 804 TEUR were recognized as held for sale; the upstream valuation resulted in impairment losses of 1,258 TEUR.

In 2020, the Metals business area also started selling property, plant, and equipment (machines) in Hastings/Michigan, USA. The sale is expected to be completed in the first half of 2021. Assets of 197 TEUR were recognized as held for sale and no impairment losses were recognized.

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

Provisions are recognized and measured based on estimates of the extent and probability of future events as well as estimates of the discount rate. As far as possible, these are based on past experience.

37. 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, 2020 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.

38. Expenses for services by the group auditor

(in TEUR)	2020	2019
Year-end audits	363	422
Other reviews	6	12
Other services	26	37
	395	**471**

39. Effects of Covid-19

Since the beginning of the financial year, Covid-19 has spread worldwide. The main effects of the 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.
- Despite the overall poor economic conditions, revenue remained stable due to large orders that were largely processed as expected. However, in some cases global travel restrictions and access limitations to customer sites and project locations had partly a negative impact on revenue in the service category.
- Government grants were received in several countries. If the requirements are met, the grants have been recognized in profit or loss as scheduled. In the reporting period, the ANDRITZ GROUP received 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.
- 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 in the Group, which is considered through comprehensive financial management.
- Due to higher expected credit losses on trade receivables, 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 in the calculation of the portfolio valuation allowance, such as the unemployment rate, raw material prices, the automotive market and economic growth, were adjusted accordingly. This led to a slightly higher group valuation allowance.
- ANDRITZ has assessed whether there is any indication of event-related impairment of an asset, 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 offset 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 assumes 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. Based on these assumptions and updated weighted average cost of capital, there was the need for an impairment on a cash-generating unit in the Metals division in the amount of 4,674 TEUR. Besides that, the effects on the consolidated financial statements are not material.

- Overall, the ANDRITZ GROUP was able to increase EBIT in the financial year 2020 compared to the previous year.

40. Events after the balance sheet date

There were no events of material significance after the balance sheet date.

41. Group companies

Company	Main office	2020 Share*	2020 Type of consolidation	2019 Share*	2019 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	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 KMPT GmbH	Vierkirchen, Germany	-	-	100.00%	FC
ANDRITZ FBB GmbH [2)]	Mönchengladbach, Germany	100.00%	FC	100.00%	FC
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	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 Sundwig GmbH [2)]	Hemer, Germany	100.00%	FC	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 [2)]	Senden, Germany	100.00%	FC	100.00%	FC
ANDRITZ S.R.L.	Cisnadie, Romania	100.00%	NC	100.00%	NC
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 Maerz GmbH [2)]	Düsseldorf, Germany	100.00%	FC	100.00%	FC
ANDRITZ Ritz GmbH	Schwäbisch Gmünd, Germany	100.00%	FC	100.00%	FC
ANDRITZ Atro GmbH	Schwäbisch Gmünd, Germany	100.00%	FC	100.00%	FC
ANDRITZ Ritz Pte. Ltd.	Singapore, Singapore	100.00%	NC	100.00%	NC
Ritz Pumps South Africa (Pty) Ltd.	Germiston, South Africa	25.00%	NC	25.00%	NC
Ritz - Verwaltungsgesellschaft mit beschränkter Haftung	Schwäbisch Gmünd, Germany	-	-	100.00%	NC
ANDRITZ MeWa GmbH [2)]	Gechingen, Germany	100.00%	FC	100.00%	FC
ANDRITZ MeWa Kft.	Győr, Hungary	-	-	100.00%	NC
HGI Holdings Limited	Limassol, Cyprus	-	-	100.00%	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

Company	Main office	2020 Share*	2020 Type of consolidation	2019 Share*	2019 Type of consolidation
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
ANDRITZ HYDRO S.L.	Algete, Spain	100.00%	FC	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 HYDRO 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%	FC	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%	NC	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	-	-
ANDRITZ FEED & BIOFUEL A/S	Esbjerg, Denmark	100.00%	FC	100.00%	FC
ANDRITZ FEED & BIOFUEL Brasil Ltda.	Curitiba, Brazil	-	-	100.00%	NC
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 LIMITED	West Sussex, United Kingdom	-	-	100.00%	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

Company	Main office	2020 Share*	2020 Type of consolidation	2019 Share*	2019 Type of consolidation
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
ANDRITZ METALS Inc.	Canonsburg / Pennsylvania, USA	100.00%	FC	100.00%	FC
Genesis Worldwide II, Inc.	Alpharetta / Georgia, USA	100.00%	FC	100.00%	FC
ANDRITZ Herr-Voss Stamco, Inc.	Callery / Pennsylvania, USA	100.00%	FC	100.00%	FC
ANDRITZ ASKO Inc.	Homestead / Pennsylvania, USA	100.00%	FC	100.00%	FC
ANDRITZ ASKO Emera B.V.	Amsterdam, The Netherlands	100.00%	FC	100.00%	FC
ANDRITZ ASKO 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	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	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	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

		2020		2019	
Company	Main office	Share*	Type of consolidation	Share*	Type of consolidation
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
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	Reutlingen, Germany	100.00%	FC	100.00%	FC
Robec Walzen GmbH	Düren, Germany	100.00%	FC	100.00%	FC
Andritz Fabrics and Rolls AG	Düren, Germany	99.55%	FC	99.55%	FC
ANDRITZ Fabrics and Rolls GmbH	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%	FC
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 Selas 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

Company	Main office	2020 Share*	2020 Type of consolidation	2019 Share*	2019 Type of consolidation
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
Viafin Brazil Oy	Teuva, Finland	40.00%	EQ	40.00%	EQ
Enviroburners Oy	Vantaa, Finland	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 Paper Machinery Ltd.	Lachine / Québec, Canada	-	-	100.00%	FC
ANDRITZ AUTOMATION Ltd.	Richmond / British Columbia, Canada	100.00%	FC	100.00%	FC
HMI Canada Inc.	Boucherville / Québec, Canada	-	-	100.00%	FC
HME Consultants Inc.	Boucherville / Québec, Canada	-	-	100.00%	FC
HMI Construction Inc.	Boucherville / Québec, Canada	100.00%	FC	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 Technologies H.K. Ltd.	Hong Kong, China	100.00%	FC	100.00%	FC
ANDRITZ Thermtec Holding B.V.	Rotterdam, The Netherlands	-	-	100.00%	FC
ANDRITZ Thermtec B.V.	Rotterdam, The Netherlands	-	-	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

Company	Main office	2020 Share*	2020 Type of consolidation	2019 Share*	2019 Type of consolidation
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
ANDRITZ Frautech S.r.l.	Schio, Italy	100.00%	FC	100.00%	FC
ProGENF IP GmbH	Wolfsburg, Germany	-	-	30.00%	NC
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	70.00%	FC	70.00%	FC
Psiori GmbH	Freiburg im Breisgau, Germany	25.10%	EQ	25.10%	EQ
ANDRITZ Digital Factory d.o.o.	Zagreb, Croatia	100.00%	NC	-	-
ANDRITZ Beteiligungsgesellschaft IV GmbH	Krefeld, Germany	100.00%	FC	100.00%	FC
Schuler Aktiengesellschaft	Göppingen, Germany	100.00%	FC	96.62%	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
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

Company	Main office	2020 Share*	2020 Type of consolidation	2019 Share*	2019 Type of consolidation
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	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

* 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 19, 2021

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 19, 2021

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 plus fair value of interest rate swaps 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).

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 share-holders 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.

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 2020, 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 2020, 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 2020 amounted to EUR 760,0 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.

This report is a translation of the original report in German, which is solely valid.

- 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 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 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 7 July 2020 and were appointed by the supervisory board on 8 July 2020 to audit the financial statements of Company for the financial year ending on that date.

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, 23. February 2021

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.

GRI INDEX

General standard disclosures

	Short description	Page
Organizational profile		
102-1	Name of organization	Cover
102-2	Activities, brands, products and services	Financial report p. 81f, andritz.com
102-3	Location of the organization's headquarters	Graz, Österreich
102-4	Overview of the organization's locations	andritz.com
102-5	Nature of ownership and legal form	Financial report p. 49f
102-6	Markets served	Financial report p. 5
102-7	Scale of organization	Annual report
102-8	Information on employees and other workers	Financial report p. 168
102-9	Description of organization's supply chain	Financial report p. 36
102-10	Significant changes to the organization and its supply chain	Financial report p. 16
102-11	Precautionary principle or approach	Financial report p. 26ff
102-12	Externally developed harters, principles or other initiatives to which the organization subscribes	Financial report p. 26, p. 35f
102-13	Memberships of associations	Memberships in associations are held by the respective business areas and are not managed centrally
Strategy		
102-14	Statement from the most senior decision-maker of the organization	Annual report
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Financial report p. 57, andritz.com/group-en/about-us
Governance		
102-18	Governance structure and its composition	Financial report p. 53ff
Stakeholder engagement		
102-40	List of stakeholder groups engaged	andritz.com/csr
102-41	Percentage of total employees covered by collective bargaining agreements	Collective bargaining agreements are in place with 46.57% of the workforce. For the rest of the workforce, there are individual agreements based on qualifications and professional experience, as well as legal requirements, which are in line with normal market remuneration. This ensures fair working conditions.
102-42	Identification and selection of stakeholders with whom to engage	Ongoing stakeholder analysis
102-43	Stakeholder engagement	Financial report p. 26
102-44	Key topics and concerns raised through stakeholder engagement	Financial report p. 26
Reporting practice		
102-45	Entities included in the organization's consolidated financial statements	Financial report p. 147ff
102-46	Defining report content and topic boundaries	Financial report p. 26
102-47	List of material topics	Financial report p. 26
102-48	Restatements of information	No restatements
102-49	Changes in reporting	No significant changes
102-50	Reporting period	2020 (2019 in comparison)
102-51	Date of most recent report	March 3, 2021
102-52	Reporting cycle	annual
102-53	Contact point for questions regarding the report	csr@andritz.com
102-54	Claims of reporting in accordance with the GRI Standards	core

	Short description	Page
102-55	GRI content index	Financial report p. 163ff
102-56	External assurance	Within the framework of NaDiVeG

Category: Economic

Material aspects	Topic-specific disclosures	Page	Omissions/ Explanations
GRI 201: Economic performance			
	Management approach disclosures		
201-2	Direct economic value generated and distributed	Financial report p. 6ff	
201-2	Financial implications and other risks and opportunities due to climate change	Financial report p. 28, p. 44ff	
201-3	Defined benefit plan obligations and other retirement plans	Financial report p. 86	
201-4	Financial assistance received from government	Financial report p. 87	
GRI 204: Procurement practices			
	Management approach disclosures	Financial report p. 36	
204-1	Proportion of spending on local suppliers	Financial report p. 36	
GRI 205: Anti-corruption			
	Management approach disclosures	Financial report p. 57, andritz.com/compliance	
205-1	Operations assessed for risks related to corruption		Locations are checked on a regular base regarding Compliance issues / ISO 19601 and 37001 certifications
205-2	Communication and training about anti-corruption policies and procedures	Financial report p. 58	
205-3	Confirmed incidents of corruption and actions taken		Allegations are reviewed and investigated internally. In 2020 no allegations were substantiated on a groupwide level.
GRI 2016: Anti-competitive behaviour			
	Management approach disclosures	Financial report p. 57, andritz.com/compliance	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		No legal actions

Category: Environmental

Material aspects	Topic-specific disclosures	Page	Omissions/ Explanations
GRI 301: Materials			
	Management approach disclosures	Financial report p. 37	
301-1	Materials used by weight or volume	Financial report p. 37	Reported according to share of the purchasing volume
GRI 302: Energy			
	Management approach disclosures	Financial report p. 41	
302-1	Energy consumption within the organization	Financial report p. 42	Reported in Manufacturing, as this is the area with the highest consumption
302-5	Reductions in energy requirement of sold products and services	Financial report p. 44ff	Reported descriptively
GRI 303: Water			
	Management approach disclosures	Financial report p. 43	
303-3	Total water withdrawal by source	Financial report p. 172	Reported in Manufacturing, as this is the area with the highest consumption
GRI 306: Effluents and waste			
	Management approach disclosures	Financial report p. 43	
306-1	Total water discharge	Financial report p. 172	Total water discharge in manufacturing is reported
306-2	Waste by type and disposal method	Financial report p. 173	Reported in Manufacturing
GRI 307: Environmental compliance			
307-1	Non-compliance with environmental laws and regulations		No complaints have been received on a groupwide level in the reporting period
GRI 308: Supplier environmental assessment			
308-1	New suppliers that were screened using environmental criteria	Financial report p. 37	

Category: Social

Material aspects	Topic-specific disclosures	Page	Omissions/ Explanations
GRI 401: Employment			
	Management approach disclosures	Financial report p. 31f	
401-1	New employee hires and employee turnover	Financial report p. 169	Reported according to gender and age only
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Social benefits are available to all employees regardless of their contract of employment and only vary from one country to another as a result of the legal requirements.
401-3	Parental leaves	Financial report p. 169	
GRI 402: Labor/Management relations			
402-1	Minimum notice periods regarding operational changes	Financial report p. 35	Reported descriptively
GRI 403: Occupational health and safety			
	Management approach disclosures	Financial report p. 39	
403-1	Occupational health and safety management system	Financial report p. 39	
403-2	Hazard identification, risk assessment, and incident investigation		The sites must identify workplace hazards and document them. Investigating incidents is an essential part of the "learning from incidents" process. Every accident and safety-critical incident must be analyzed, the cause identified and measures implemented to prevent similar incidents.
403-5	Worker training on occupational health and safety		Basic training on occupational safety is provided regularly throughout the Group for new employees; workplace-related training must be organized by the locations themselves.
403-9	Work-related injuries for all employees	Financial report p. 40	
GRI 404: Training and education			
	Management approach disclosures	Financial report p. 33	
404-1	Average hours of training per year per employee	Financial report p. 169	
404-3	Percentage of employees receiving regular performance and career development reviews	Financial report p. 33	
GRI 405: Diversity and equal opportunity			
	Management approach disclosures	Financial report p. 35	
405-1	Diversity of governance bodies and employees	Financial report p. 56	
405-2	Ratio of basic salary and remuneration of women to men	Financial report p. 35	

Material aspects	Topic-specific disclosures	Page	Omissions/ Explanations
GRI 406: Non-discrimination			
	Management approach disclosures	Financial report p. 35	
406-1	Incidents of discrimination and corrective actions taken		Cases of discrimination are dealt with by the regional compliance officers, sometimes in cooperation with the member of the compliance committee responsible for HR topics. At the moment there are no global records concerning the number of incidents.
GRI 408: Child labor			
	Management approach disclosures	Financial report p. 35	
408-1	Operations and suppliers at significant risk for incidents of child labor		Even if there is a certain risk of child labor in some countries in which ANDRITZ has locations, child labor locations is virtually precluded through strict internal rules and controls.
GRI 409: Forced or compulsory labor			
	Management approach disclosures	Financial report p. 35	
409-1	Operations and suppliers at significant risk for incidents of forced and compulsory labor		Even if there is a certain risk of forced and compulsory labor in some countries in which ANDRITZ has locations, forced and compulsory labor is virtually precluded through strict internal rules and controls.
GRI 412: Human rights assessment			
	Management approach disclosures	Financial report p. 35	
412-2	Employee training on human rights policies or procedures		Employees are trained in human rights aspects in trainings on the Code of Conduct.
GRI 414: Supplier social assessment			
	Management approach disclosures	Financial report p. 37	
414-1	New suppliers that were screened using social criteria	Financial report p. 37f	
GRI 419: Socioeconomic Compliance			
	Management approach disclosures	Financial report p. 57	
419-1	Non-compliance with laws and regulations in the social and economic area		No complaints on a groupwider level in the reporting period

CSR DATA OVERVIEW

Employees

Employees by gender, age group, type of employment and employment contract

	Absolute 2020	Absolute 2019	Percentage 2020	Percentage 2019
Men	22,755	24,733	84%	84%
Women	4,477	4,780	16%	16%
TOTAL	**27,232**	**29,513**	**100%**	**100%**
< 30 years old	3,217	3,989	12%	14%
30-50 years	15,764	16,774	58%	57%
> 50 years old	8,251	8,750	30%	29%
TOTAL	**27,232**	**29,513**	**100%**	**100%**
White-collar workers	16,886	18,011	62%	61%
Blue-collar workers	10,346	11,502	38%	39%
TOTAL	**27,232**	**29,513**	**100%**	**100%**
Full-time	26,036	28,310	96%	96%
thereof male	22,271	24,268	86%	86%
thereof female		4,042	14%	14%
Part-time	1,196	1,203	4%	4%
thereof male	475	453	40%	38%
thereof female	721	750	60%	62%
TOTAL	**27,232**	**29,513**	**100%**	**100%**
Permanent	24,464	26,244	90%	89%
thereof male	20,424	21,984	83%	84%
thereof female	4,040	4,260	17%	16%
Temporary	2768	3269	10%	11%
thereof male	2340	2737	84%	84%
thereof female	428	532	16%	16%
TOTAL	**27,232**	**29,513**	**100%**	**100%**

Employees per region

	Absolute 2020	Absolute 2019	Percentage 2020	Percentage 2019
Europe	14,681	15,845	54%	54%
North America	3,670	4,177	13%	14%
South America	3,452	3,694	13%	12%
China	3,390	3,588	12%	12%
Asia (excluding China)	1,896	2,046	7%	7%
Rest of the world	143	163	1%	1%
TOTAL	**27,232**	**29,513**	**100%**	**100%**

Personnel expenditure

(in MEUR)	2020	2019
TOTAL Expenditure on wages and salaries*	**1,790.5**	**2,015.2**

* Including wages and salaries, social security contributions, pensions, severance payments, and other social expenses.

Newly hired employees by gender and age group

	Absolute 2020	Absolute 2019	Percentage 2020	Percentage 2019
Men	2,657	3,530	88%	85%
Women	368	641	12%	15%
< 30 years old	813	1,191	27%	29%
30-50 years	1,828	2,465	61%	59%
> 50 years old	385	515	12%	12%
TOTAL	**3,026**	**4,171**	**100%**	**100%**

Fluctuation by gender and age group*

	Contracts terminated 2020	Contracts terminated 2019	Fluctuation rate 2020	Fluctuation rate 2019*
Men	3,678	2,920	16.0%	11.8%
Women	628	524	14.0%	11.0%
< 30 years old	769	752	23.0%	18.2%
30-50 years	2,184	1,816	14.0%	10.9%
> 50 years old	1,353	876	17.0%	10.2%
TOTAL	**4,306**	**3,444**	**15.8%**	**11.7%**

* 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.

Parental leave periods by gender

	Absolute 2020	Absolute 2019	Percentage 2020	Percentage 2019
Men	175	191	0.8%	0.7%
Women	211	255	4.7%	5.3%
TOTAL	**386**	**446**	**1.4%**	**1.5%**

* Percentage of the total workforce of the ANDRITZ GROUP

Expenditure on education and training

	2020	2019
TOTAL (in TEUR)	**5,383**	**10,561**
Average expenditure per employee (EUR)	198	357
Total training hours*	242,942	342,897

Employees appraisals

	2020	2019
Men	75%	73%
Women	67%	67%
TOTAL	**74%**	**72%**

* Percentage of the total workforce that took part in employee appraisals during the reported period

Average duration of employment by age group and region

(in years)	Europe 2020	Europe 2019	North America 2020	North America 2019	South America 2020	South America 2019	China 2020	China 2019	Asia (excl. China) 2020	Asia (excl. China) 2019
< 30 years old	4.4	4.2	2.8	2.1	2.4	2.3	3.5	3.1	2.4	2.7
30-50 years	10.7	10.3	7.9	7.4	5.9	5.8	9.7	8.5	8.8	8.5
> 50 years old	21.0	21.4	15.7	14.7	12.4	11.7	20.3	17.6	13.6	14.1
TOTAL	**13.8**	**13.6**	**10.7**	**9.8**	**6.5**	**6.2**	**9.8**	**8.3**	**8.7**	**8.2**

Accident statistics

	2020	2019
Accidents at work (with more than three days of absence)	152	223
Accident frequency (accidents with more than three days of absence per 1 million working hours)	2.8	3.8
Accident frequency (accidents causing one or more days absence per 1 million working hours)	4.8	6.1
Fatal accidents at work	0	0
Severity of accidents (absence periods in hours per accident)	162	166
Number of medical treatment injuries at work	1,189	1,180

Procurement

Purchasing volume

(in MEUR)	2020	2019
TOTAL	**4,271.0**	**4,586.9**
Local percentage of external purchasing volume	72.6%	69.3%

* Percentage of local purchasing volume that was bought in the respective country.

External purchasing volume by region

(in %)	2020	2019
Europe	63	63
China	14	14
North America	10	10
South America	8	7
Asia (excluding China)	5	5
Other	0	1

Environment

Overall electricity consumption*

	Unit	2020	2019
TOTAL	**kWh**	**276,300,564**	**211,554,774**
thereof manufacturing	%	86	83
thereof office buildings	%	14	17
thereof renewable electricity	%	37	38

* 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.

Energy consumption within the organization*

	Unit	2020	2019
Externally procured heating	**kWh**	**38,249,792**	**34,235,862**
District heating	kWh	38,249,792	34,235,862
Non-renewable energy carriers for heating	**MJ**	**504,485,712**	**437,918,825**
Light fuel oil	MJ	5,347,826	5,110,838
Natural gas	MJ	499,137,886	437,918,825
Non-renewable energy carriers for process heating	**MJ**	**361,583,010**	**313,264,271**
Oil	MJ	0	827,408
Gasoline	MJ	2,725,783	2,331,046
Diesel	MJ	12,069,935	17,520,565
Diesel for emergency generator**	MJ	2,675,958	3,609,452
Natural gas	MJ	333,725,834	278,580,346
Liquid (petrol) gas	MJ	10,385,500	10,395,454

* 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.
** At two Indian locations for electricity supplys at shortages

Emissions

(in t CO2e)	2020	2019
Scope 1	25,968	23,160
Scope 2	108,149	75,798

Water consumption and disposal of waste water in manufacturing*

(in m3)	2020	2019
WITHDRAWAL		
Surface water	51,847	14,248
thereof freshwater	51,847	n.a.
thereof other water	0	n.a.
from areas with waterstress, freshwater	0	n.a.
from areas with waterstress, other water	0	n.a.
Ground water*	165,730	134,978
thereof freshwater	131,006	n.a.
thereof other water	0	n.a.
from areas with waterstress, freshwater	34,724	n.a.
from areas with waterstress, other water	0	n.a.
Third-party water / Municipal water supplies	734,083	502,480
thereof freshwater	679,831	n.a.
thereof other water	1,148	n.a.
from areas with waterstress, freshwater	53,104	n.a.
from areas with waterstress, other water	0	n.a.
Rain water	0	9,226
Total water withdrawal	**951,660**	**660,932**
WATER DISCHARGE		
Water discharge to third parties	708,227	607,034
from areas with waterstress, freshwater	72,138	n.a.
Total water discharge	780,365	607,034
TOTAL WATER CONSUMPTION	171,295	53,898

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Waste from manufacturing*

(in kg)	2020	2019
Non-hazardous waste recycled	**33,775,021**	**30,094,831**
thereof waste metal	31,001,469	28,335,329
thereof waste glass	11,693	6,540
thereof waste paper and cardboard	804,982	822,825
thereof plastics	860,778	625,473
thereof cardboard	368,981	304,664
thereof wood waste	727,118	0
Non-hazardous waste incinerated	**4,940,230**	**5,746,600**
thereof waste paper and cardboard	34,612	45,753
thereof cardboard	6,759	10,789
thereof wood waste	1,835,798	3,435,591
thereof plastics	82,312	130,982
thereof residual waste	2,307,656	1,865,083
thereof other non-hazardous waste	115,550	125,992
thereof bulk waste	425,913	33,115
thereof polysterene	400	300
thereof washing / cleaning agents residuals	131,230	98,995
Non-hazardous waste landfill	**6,264,869**	**6,590,714**
thereof waste paper and cardboard	8,455	60,581
thereof cardboard	19,781	10,789
thereof plastics	278,769	30,614
thereof residual waste	5,957,864	6,613,730
Processing of old electrical appliances and electronic devices	**33,602**	**61,343**
E-waste disposal	33,602	61,343
Hazardous waste processing	**157,569**	**175,393**
thereof lamps	2,333	40,837
thereof batteries	155,236	134,556
Hazardous waste incineration	**828,191**	**731,399**
thereof fat remover	348,533	355,708
thereof fat remover	149,244	118,863
thereof mix of solvents	330,414	256,828
Hazardous waste landfill	**1,452,093**	**988,127**
thereof old paints	119,918	126,392
thereof pressurized gas packaging	2,186	2,000
thereof special waster - landfill	55,068	32,939
thereof other hazardous waste	1,274,921	826,796
TOTAL	**47,451,575**	**44,388,407**

* 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.

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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 2020 annual report and in the 2020 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 2020 annual report and the 2020 annual financial report contain assumptions and forecasts based on the information available up to the copy deadline on February 19, 2021. 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 2020 annual financial report do arise, actual results may vary from the forecasts made in the 2020 annual report and in the 2020 annual financial report. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.