FINANCIAL REPORT 2022

2022

ANDRITZ

ENGINEERED SUCCESS

KEY FINANCIAL FIGURES OF THE ANDRITZ GROUP

	Unit	2022	2021	2020	2019	2018
Order intake	MEUR	9,263.4	7,879.7	6,108.0	7,282.0	6,646.2
Order backlog (as of end of period)	MEUR	9,976.5	8,165.8	6,774.0	7,777.6	7,084.3
Revenue	MEUR	7,542.9	6,463.0	6,699.6	6,673.9	6,031.5
Return on sales	%	7.6	7.4	4.7	3.6	5.3
EBITDA	MEUR	825.5	718.3	571.1	537.6	498.0
EBITA[1)]	MEUR	648.5	546.5	391.7	343.2	394.3
Earnings Before Interest and Taxes (EBIT)	MEUR	572.7	479.6	315.0	237.9	321.6
Earnings Before Taxes (EBT)	MEUR	540.9	439.6	280.9	180.9	304.2
Net income (including non-controlling interests)	MEUR	402.6	321.7	203.7	122.8	219.7
Net income (without non-controlling interests)	MEUR	409.6	325.5	207.1	127.8	222.0
Cash flow from operating activities	MEUR	710.8	529.6	461.5	821.6	7.8
Capital expenditure	MEUR	184.4	160.1	131.8	157.1	137.0
Free cash flow	MEUR	526.4	369.5	329.7	664.5	-129.2
Free cash flow per share	EUR	5.3	3.7	3.3	6.4	-1.2
Employees (as of end of period; without apprentices)	-	29,094	26,804	27,232	29,513	29,096
Non-current assets	MEUR	2,571.2	2,585.2	2,497.5	2,705.5	2,629.5
Current assets	MEUR	5,920.6	5,087.6	4,559.2	4,528.6	4,289.1
Total equity	MEUR	1,834.7	1,567.3	1,255.7	1,219.6	1,330.8
Provisions	MEUR	958.3	1,078.0	1,144.9	1,083.1	1,017.7
Liabilities	MEUR	5,698.8	5,027.5	4,656.1	4,931.4	4,570.1
Total assets	MEUR	8,491.8	7,672.8	7,056.7	7,234.1	6,918.6
Equity ratio	%	21.6	20.4	17.8	16.9	19.2
Return on equity	%	29.5	28.0	22.4	14.8	22.9
Return on investment	%	6.7	6.3	4.5	3.3	4.6
Liquid funds	MEUR	2,051.1	1,837.9	1,719.3	1,609.8	1,279.7
Net liquidity	MEUR	983.0	703.3	420.9	244.9	-99.6
Net debt	MEUR	-672.9	-287.7	35.1	205.7	568.1
Net working capital	MEUR	-324.4	-150.1	-48.8	-134.0	160.5
Capital employed	MEUR	1,049.5	1,211.5	1,345.1	1,470.4	1,665.6
Gearing	%	-36.7	-18.4	2.8	16.9	42.7
EBITDA margin	%	10.9	11.1	8.5	8.1	8.3
EBITA margin	%	8.6	8.5	5.8	5.1	6.5
EBIT margin	%	7.6	7.4	4.7	3.6	5.3
Net income/sales	%	5.3	5.0	3.0	1.8	3.6
ROE	%	21.9	20.5	16.2	10.1	16.5
EV/EBITDA	-	5.6	5.6	6.1	7.0	8.6
Depreciation and amortization/sales	%	3.2	3.6	3.8	4.1	2.7

1) Amortization and impairment of identifiable assets acquired in a business combination and recognized separately from goodwill amount to of 65.6 MEUR (2021: 62.1 MEUR); impairment of goodwill amounts to 10.2 MEUR (2021: 4.8 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	2022	2021	2020	2019	2018
Order intake	MEUR	4,378.7	3,774.7	2,961.1	3,632.5	2,571.9
Order backlog (as of end of period)	MEUR	4,248.4	3,377.2	2,591.0	3,164.3	2,421.1
Revenue	MEUR	3,591.1	3,070.6	3,339.0	2,869.5	2,233.2
EBITDA	MEUR	471.0	423.4	399.6	351.4	258.4
EBITDA margin	%	13.1	13.8	12.0	12.2	11.6
EBITA	MEUR	387.8	346.0	322.7	271.0	222.1
EBITA margin	%	10.8	11.3	9.7	9.4	9.9
Capital expenditure	MEUR	105.5	90.6	64.1	63.3	33.8
Employees (as of end of period; without apprentices)	-	13,525	11,668	11,127	11,984	11,435

Metals

	Unit	2022	2021	2020	2019	2018
Order intake	MEUR	2,008.6	1,778.8	1,143.6	1,582.2	1,931.8
Order backlog (as of end of period)	MEUR	1,938.1	1,541.7	1,181.6	1,532.7	1,591.6
Revenue	MEUR	1,621.2	1,366.1	1,420.5	1,636.9	1,635.1
EBITDA	MEUR	100.9	81.7	5.5	-1.5	57.8
EBITDA margin	%	6.2	6.0	0.4	-0.1	3.5
EBITA	MEUR	62.3	38.4	-46.7	-73.8	27.3
EBITA margin	%	3.8	2.8	-3.3	-4.5	1.7
Capital expenditure	MEUR	31.8	25.5	26.5	30.8	36.1
Employees (as of end of period; without apprentices)	-	6,085	5,930	6,513	7,485	7,818

Hydro

	Unit	2022	2021	2020	2019	2018
Order intake	MEUR	1,956.6	1,565.2	1,335.4	1,350.2	1,445.8
Order backlog (as of end of period)	MEUR	3,165.5	2,747.8	2,587.9	2,661.0	2,667.9
Revenue	MEUR	1,539.0	1,345.1	1,296.0	1,470.7	1,517.5
EBITDA	MEUR	156.0	133.0	98.5	134.1	142.4
EBITDA margin	%	10.1	9.9	7.6	9.1	9.4
EBITA	MEUR	114.7	95.4	62.0	105.9	113.8
EBITA margin	%	7.5	7.1	4.8	7.2	7.5
Capital expenditure	MEUR	29.7	28.7	29.7	51.8	57.9
Employees (as of end of period; without apprentices)	-	6,751	6,628	6,941	7,202	7,002

Separation

	Unit	2022	2021	2020	2019	2018
Order intake	MEUR	919.5	761.0	667.9	717.1	696.7
Order backlog (as of end of period)	MEUR	624.5	499.1	413.5	419.6	403.7
Revenue	MEUR	791.6	681.2	644.1	696.8	645.7
EBITDA	MEUR	97.6	80.2	67.5	53.6	39.4
EBITDA margin	%	12.3	11.8	10.5	7.7	6.1
EBITA	MEUR	83.7	66.7	53.7	40.1	31.1
EBITA margin	%	10.6	9.8	8.3	5.8	4.8
Capital expenditure	MEUR	17.4	15.3	11.5	11.2	9.2
Employees (as of end of period; without apprentices)	-	2,733	2,578	2,651	2,842	2,841

MANAGEMENT REPORT

GENERAL ECONOMIC CONDITIONS

In the 2022 business year, economic development in the world's main economic regions was marked by the war in Ukraine and the related sanctions by the West. Continuing high prices for energy and raw materials, bottlenecks and delays in the global supply chains as well as the resulting record inflation rates placed a burden on economic development in most industries and had a restraining effect on consumer demand from private households.

In Europe, economic growth slowed down significantly during the reporting period compared to the previous year. The inflation rate in the euro zone increased to a new record level of more than 10% in the course of the 2022 business year. In view of the high inflation rate, the European Central Bank (ECB) initiated a reversal in interest rates in the euro zone and raised the key interest rate substantially to 2.5%. In addition, it indicated more interest rate hikes in 2023. Thereby the ECB made it clear that it was determined to bring back the inflation rate to the medium-term goal of 2.0% as quickly as possible.

In the USA, economic growth also lost some momentum during the reporting period. Private consumption, which plays a key role in the US economy and accounts for approximately 70% of the gross domestic product, declined due to the high inflation rate during the reporting period. The labor market, on the other hand, remained very robust, with the unemployment rate at a level of approximately 3.6% in 2022. In view of the high inflation rate, the US Federal Reserve (FED) raised the key interest rate substantially during the reporting period. It now ranges between 4.25% and 4.5%. Moreover, the FED announced more interest rate hikes to over 5% in order to continue fighting the pressure from inflation, which is already easing.

The negative effects of high energy prices and global supply bottlenecks were also felt in most of the emerging markets, leading to a significant decline in economic growth. In addition, the FED's tight monetary policy strengthened the US dollar, above all to the disadvantage of heavily indebted and low-income emerging economies.

Source: Research reports by various banks, OECD

MARKET DEVELOPMENT

Pulp & Paper

The Pulp & Paper business area saw very good project and investment activity for pulping equipment during the reporting period – both for modernization of existing pulp mills and for construction of greenfield pulp mills (especially in Asia and South America). In the paper sector, many orders were awarded for tissue production lines and for board production equipment. In the power boiler sector, the good project and investment activity of the previous years continued, particularly in Asia (above all Japan).

Metals

The Metals Forming (Schuler) sector for the automotive and automotive supplying industry saw good project and investment activity during the reporting period. Orders for press lines in both the middle and the higher price as well as quality segments were awarded by international car manufacturers and their suppliers. Some important orders for plants to produce components for electric vehicles (battery housings, electric motors, car bodies) were also awarded in the growing electromobility market.

Project activity in the Metals Processing sector (equipment for the production and processing of stainless steel strip, carbon steel strip, and of aluminum strip) was very favorable during the reporting year due to the good liquidity and earnings situation of many customers as a result of the high prices for steel and raw materials.

Hydro

The global investment and project activity for electromechanical equipment for hydropower stations saw a strong upward trend in the 2022 business year, primarily due to the good earnings situation of many customers as a result of the rise in global energy prices. Some medium- and large-scale modernization and new contracts to supply equipment for hydroelectric power stations were awarded during the reporting period – particularly in Asia, Africa, and Central America. Good project activity was also noted in the pumps sector.

Separation

The global markets for solid/liquid separation equipment developed very favorably during the 2022 business year. Very good project and investment activity was noted in the Separation sector (dewatering and drying of municipal and industrial sewage sludge dewatering and drying) as well as in the Feed & Biofuel sector.

BUSINESS DEVELOPMENT

Change in the Consolidation Group

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

Order intake

The order intake of the Group developed very favorably during the 2022 business year and reached a new record level of 9,263.4 MEUR (+17.6% versus 2021: 7,879.7 MEUR). All business areas were able to increase their order intake significantly compared to the previous year.

The business areas' development in detail:

- Pulp & Paper: Order intake reached a new record level at 4,378.7 MEUR and was thus 16.0% higher than the figure for the previous year's reference period (2021: 3,774.7 MEUR). Both the capital business, whose order intake included a large order to supply highly resource-saving and advanced technologies for a new pulp mill in Asia, and the service business succeeded in increasing their order intake substantially compared to the previous year.

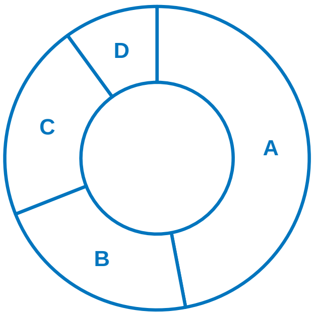
- Metals: The business area also achieved a new record order intake of 2,008.6 MEUR (+12.9% versus 2021: 1,778.8 MEUR) during the reporting year. This significant increase is primarily attributable to the Metals Forming sector (Schuler), which succeeded in booking some larger press line orders, among others, in the e-mobility sector.

- Hydro: The order intake reached a very favorable level at 1,956.6 MEUR and increased by 25.0% compared to the previous year's reference figure (2021: 1,565.2 MEUR). The business area secured several larger orders to supply electromechanical equipment for new hydropower plants and to modernize existing hydropower power plants.

- Separation: At 919.5 MEUR, order intake reached its highest level ever (+20.8% versus 2021: 761.0 MEUR). Both the solid/liquid separation and the feed & biofuel sectors showed very good development during the reporting period.

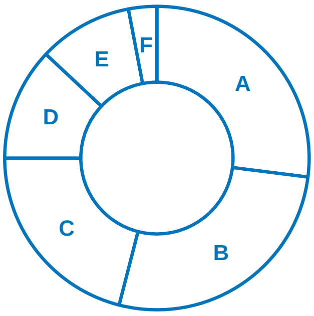
	Unit	2022	2021	+/-
Pulp & Paper	MEUR	4,378.7	3,774.7	+16.0%
Metals	MEUR	2,008.6	1,778.8	+12.9%
Hydro	MEUR	1,956.6	1,565.2	+25.0%
Separation	MEUR	919.5	761.0	+20.8%

**Order intake by business area
2022 (2021) in %**



A	Pulp & Paper	47	(48)
B	Metals	22	(22)
C	Hydro	21	(20)
D	Separation	10	(10)

**Order intake by region
2022 (2021) in %**



A	North America	27	(23)
B	Europe	27	(31)
C	Asia (without China)	21	(12)
D	China	12	(13)
E	South America	10	(17)
F	Africa, Australia	3	(4)

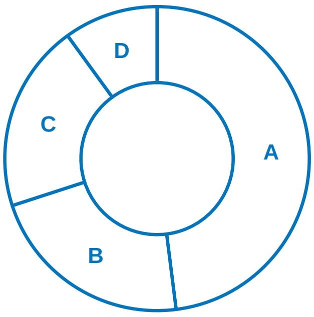
Revenue

Revenue of the ANDRITZ GROUP developed very favorably in the 2022 business year and reached a new record level of 7,542.9 MEUR (+16.7% versus 2021: 6,463.0 MEUR). All four business areas were able to significantly increase their revenue compared to the previous year.

The business areas' revenue development at a glance:

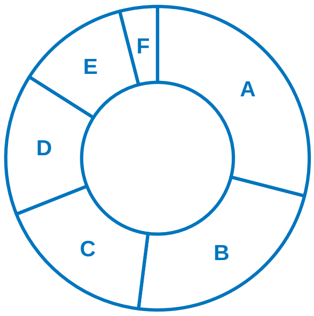
	Unit	2022	2021	+/-
Pulp & Paper	MEUR	3,591.1	3,070.6	+17.0%
Metals	MEUR	1,621.2	1,366.1	+18.7%
Hydro	MEUR	1,539.0	1,345.1	+14.4%
Separation	MEUR	791.6	681.2	+16.2%

Revenue by business area
2022 (2021) in %



A	Pulp & Paper	48	(48)
B	Metals	22	(21)
C	Hydro	20	(21)
D	Separation	10	(10)

Revenue by region
2022 (2021) in %



A	Europe	29	(33)
B	North America	23	(20)
C	Asia (without China)	17	(12)
D	South America	15	(14)
E	China	12	(17)
F	Africa, Australia	4	(4)

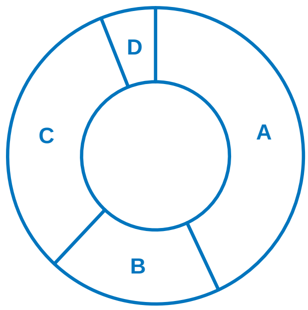
Share of service revenue of Group and business area revenue in %

	2022	2021
ANDRITZ GROUP	40	40
Pulp & Paper	46	45
Metals	25	25
Hydro	37	39
Separation	48	49

Order backlog

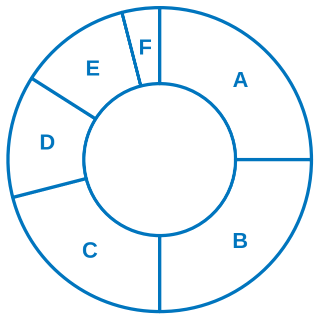
As of December 31, 2022, the order backlog of the ANDRITZ GROUP amounted to 9,976.5 MEUR (+22.2% versus December 31, 2021: 8,165.8 MEUR). All business areas recorded a significant increase in order backlog compared to end of last year.

Order backlog by business area as of 31.12.2022 (31.12.2021) in %



A	Pulp & Paper	43	(41)
B	Metals	19	(19)
C	Hydro	32	(34)
D	Separation	6	(6)

Order backlog by business area as of 31.12.2022 (31.12.2021) in %



A	Asia (without China)	25	(19)
B	North America	25	(20)
C	Eurpoe	21	(24)
D	South America	13	(18)
E	China	12	(14)
F	Africa, Australia	4	(5)

Earnings

The operating result (EBITA) increased in line with revenue and reached a new record level of 648.5 MEUR (+18.7% versus 2021: 546.5 MEUR), as did revenue. All four business areas recorded an – in some cases – significant increase in operating result. Profitability (EBITA margin) increased to 8.6% (2021: 8.5%).

Excluding extraordinary effects, the EBITA of the Group amounted to 644.3 MEUR and thus was also significantly higher than the reference figure for the previous year excluding extraordinary effects (2021: 549.9 MEUR). The adjusted EBITA margin remained unchanged compared to the previous year at 8.5% (2021: 8.5%).

Development of profitability by business area:

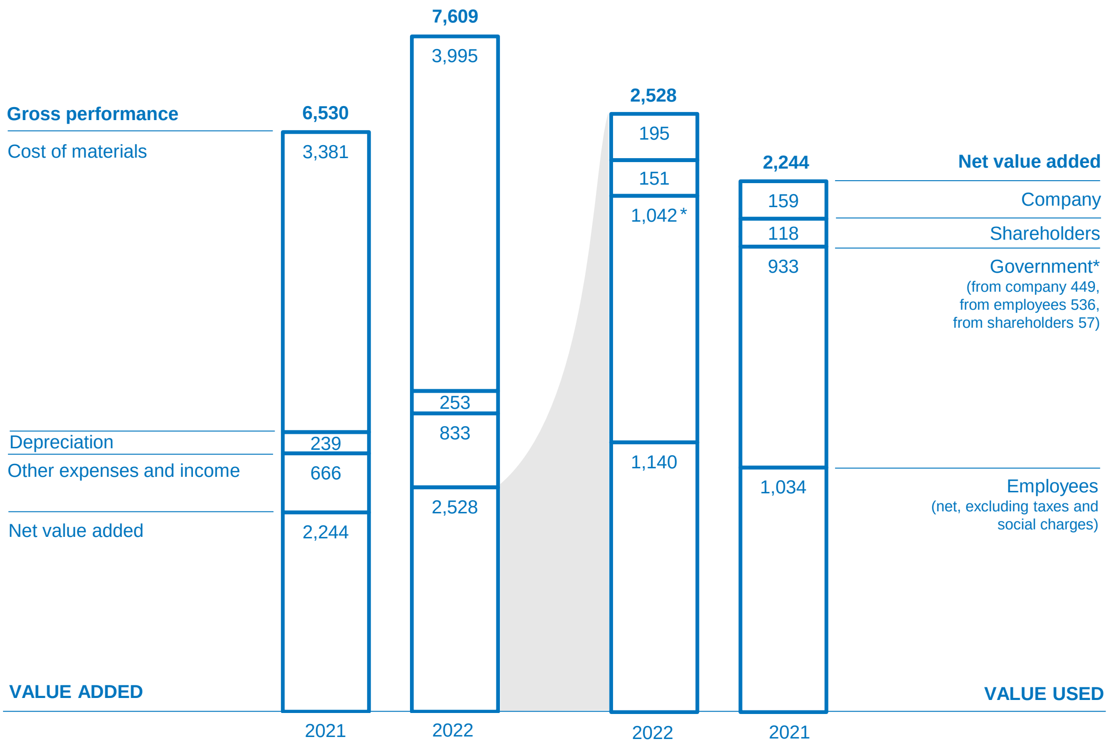
- In the Pulp & Paper business area, profitability amounted to 10.8% and was thus below the high reference figure for the previous year (2021: 11.3%). The slightly lower profitability compared to the previous year is largely attributable to the changed order mix (higher proportion of large projects). The adjusted EBITA margin amounted to 11.0% (2021: 11.6%).
- The EBITA margin in the Metals business area increased to 3.8% (2021: 2.8%), thus continuing its upward trend. This is mainly due to the positive profitability development in the Metals Forming (Schuler) sector. The adjusted EBITA margin amounted to 3.7% (2021: 1.9%).
- Profitability in the Hydro business area reached a solid level at 7.5% (2021: 7.1%). The adjusted EBITA margin amounted to 7.0% (2021: 7.4%). The lower adjusted EBITA margin compared to the previous year is attributable to the processing of individual lower-margin contracts.
- In the Separation business area, the EBITA margin continued to develop very favorably and increased to 10.6% (2021: 9.8%). The adjusted EBITA margin amounted to 10.6% (2021: 9.8%).

Consolidated income statement

(in MEUR)	2022	2021	+/-
Revenue	**7,542.9**	**6,463.0**	**+16.7%**
Changes in inventories of finished goods, work in progress and capitalized cost of self-constructed assets	66.3	67.1	-1.2%
Other income	139.3	123.1	+13.2%
Cost of materials	-3,995.2	-3,381.0	-18.2%
Personnel expenses	-1,986.8	-1,804.1	-10.1%
Other expenses	-941.0	-749.8	-25.5%
EBITDA	**825.5**	**718.3**	**+14.9%**
Depreciation, amortization, and impairment of property, plant, and equipment and intangible assets	-242.6	-233.9	-3.7%
Impairment of goodwill	-10.2	-4.8	-112.5%
EBIT	**572.7**	**479.6**	**+19.4%**
Financial result	**-31.8**	**-40.0**	**+20.5%**
EBT	**540.9**	**439.6**	**+23.0%**
Income taxes	-138.3	-117.9	-17.3%
NET INCOME	**402.6**	**321.7**	**+25.1%**
Net income attributable to owners of the parent	409.6	325.5	+25.8%
Net income allocated to non-controlling interests	-7.0	-3.8	-84.2%
Basic earnings per no-par value share (in EUR)	4.14	3.28	+26.2%

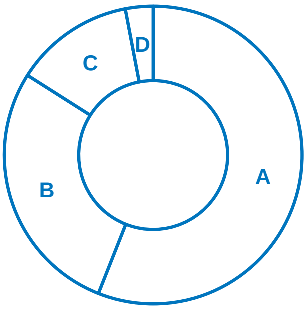
Value added

Net value added increased by 12.7% in the 2022 business year to 2,528 MEUR (2021: 2,244 MEUR). In the use of value added among the main stakeholders, 1,140 MEUR (2021: 1,034 MEUR) were attributable to employees. Based on the dividend proposal for the 2022 business year, the share attributable to shareholders increased to 151 MEUR (2021: 118 MEUR). The state and the social security systems participate in the value added through taxes and social charges with 1,042 MEUR (2021: 993 MEUR). The remaining share of value added in the Group amounted to 195 MEUR (2021: 159 MEUR).



Allocation of expenses in %

Distribution of total expenses 2022 (2021) in %



A	Cost of materials	56	(55)
B	Personnel expenses	28	(29)
C	Other expenses	13	(12)
D	Depreciation	3	(4)

Material expenses amounted to 3,995.2 MEUR in the 2022 business year and were thus significantly above the level of the previous year (2021: 3,381.0 MEUR). The material expenses to revenue ratio increased to 53.0% (2021: 52.3%). Personnel expenses, at 1,986.8 MEUR, were thus significantly above the level of the previous year (2021: 1,804.1 MEUR), the personnel expenses to revenue ratio decreased to 26.3% (2021: 27.9%).

Other expenses amounted to 941.0 MEUR in the reporting period (2021: 749.8 MEUR) and mainly include sales expenses, legal, consulting, and audit expenses, travel expenses as well as repairs and maintenance. Other income, at 139.3 MEUR, was above the level for the previous year (2021: 123.1 MEUR) and mainly includes government grants (mainly research bonus), profits on disposal of intangible assets and property, plant, and equipment, income from scrap material as well as rental income.

The depreciation of property, plant, and equipment and amortization of intangible assets and amounted to 242.6 MEUR in 2022 (2021: 233.9 MEUR). Thereof 72.0 MEUR (2021: 68.8 MEUR) are attributable to amortization of intangible assets and 163.5 MEUR (2021: 159.9 MEUR) to depreciation of property, plant, and equipment.

In 2022, the Group's goodwill impairment amounted to 10.2 MEUR (2021: 4.8 MEUR), and the impairment charges for intangible and tangible assets were 7.1 MEUR (2021: 5.2 MEUR). The goodwill impairment relates to the Hydro business area, where the business in the Compact Hydro sector did not develop as expected. Impairment of intangible and tangible assets mainly relates to buildings and technical equipment.

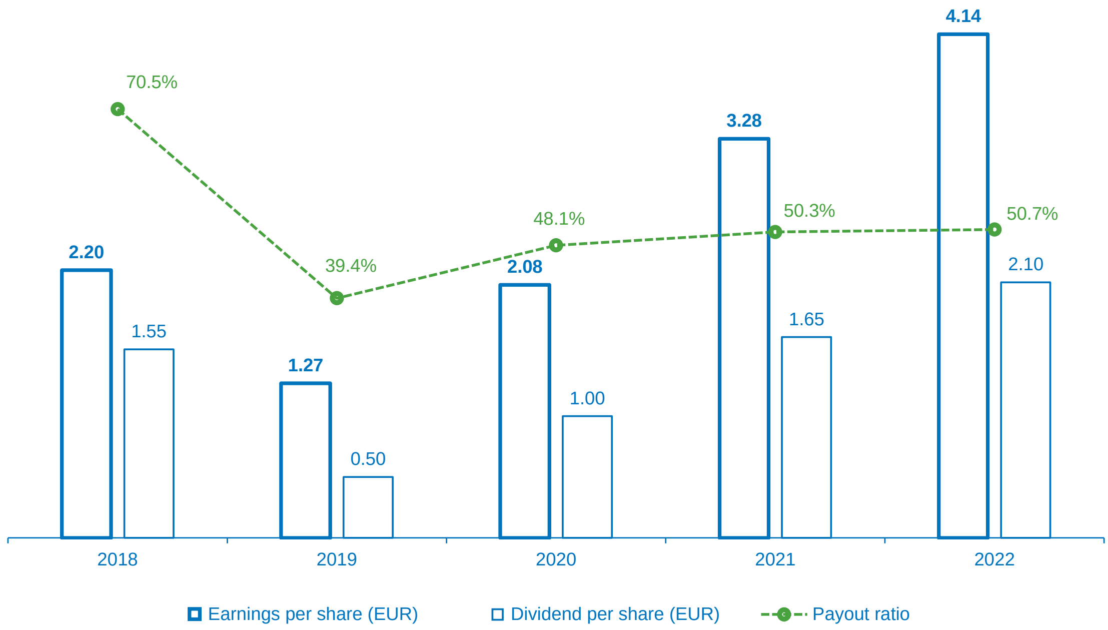
The financial result improved to -31.8 MEUR (2021: -40.0 MEUR). Net interest result increased, on the one hand, due to active treasury management (early redemption of an additional Schuldscheindarlehen tranche with variable interest rates in the amount of 58.0 MEUR in 2022 (2021: 122.5 MEUR) and, on the other hand, due to significantly higher gross liquidity compared to the previous year (2,051.1 MEUR versus 2021: 1,837.9 MEUR), which could be invested at a much better interest rate as a result of the very positive interest rate environment. The significant decrease in other financial result is mainly attributable to the valuation of bank balances and loans in foreign currencies (FX) as well as securities on the balance sheet date.

The tax rate decreased due to consequent management of tax groups and the associated recognition of loss carryforwards to 25.6% (2021: 26.8%); see also notes to the consolidated financial statements, chapter C) 16. Income taxes.

The net income (including non-controlling interests) amounted to 402.6 MEUR (+25.1% versus 2021: 321.7 MEUR). Thereof 409.6 MEUR (2021: 325.5 MEUR) are attributable to the shareholders of the parent company and -7.0 MEUR (2021: -3.8 MEUR) to non-controlling interests (see also notes to the consolidated financial statements, chapter F) 33. Equity.

The earnings per share increased significantly to 4.14 EUR (2021: 3.28 EUR). At the Annual General Meeting on March 29, 2023, the Executive Board will propose a dividend of 2.10 EUR per share (2021: 1.65 EUR) for the 2022 business year. This is equal to a payout ratio of 50.7% (2021: around 50.3%).

Earnings and dividend per share/payout ratio



Dividend for 2022: Proposal to the Annual General Meeting.

Treasury shares

As of December 31, 2022, the company held 5,096,411 treasury shares, i.e. 4.9% of the share capital, with a market value of 272.9 MEUR – mainly for servicing stock option programs and issuing shares to employees.

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

Net worth position and capital structure

Total assets amounted to 8,491.8 MEUR (December 31, 2021: 7,672.8 MEUR). The equity ratio increased to 21.6% (December 31, 2021: 20.4%).

Assets

A	Non-current: 30%	2,571.2 MEUR
B	Current: 46%	3,889.7 MEUR
C	Cash and cash equivalents and marketable securities: 24%	2,030.9 MEUR

Shareholders' equity and liabilities

A	Shareholders' equity incl. non-controlling interests: 22%	1,834.7 MEUR
B	Financial liabilities: 15%	1,288.3 MEUR
C	Other non-current liabilities: 8%	647.7 MEUR
D	Other current liabilities: 55%	4,721.1 MEUR

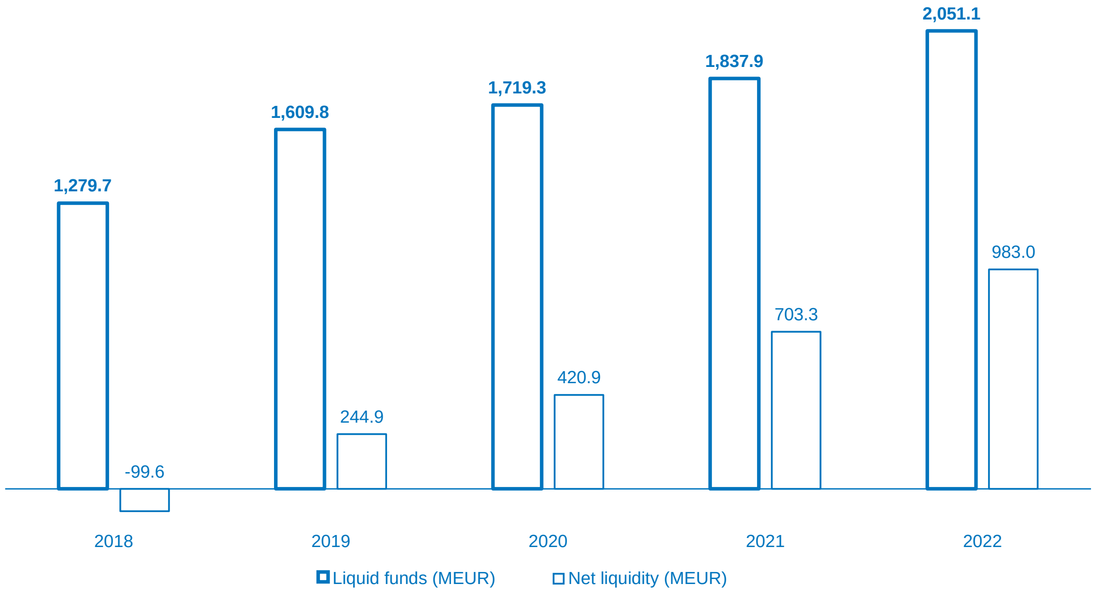
On the asset side, property, plant, and equipment (1,213.8 MEUR), goodwill (787.0 MEUR), deferred tax assets (239.7 MEUR), and intangible assets other than goodwill (160.1 MEUR) were the most important items in non-current assets (2,571.2 MEUR). The most important items in the other current assets, amounting to 3,889.7 MEUR, are trade accounts receivable and contract assets in the amount of 2,112.6 MEUR as well as inventories (1,135.5 MEUR).

On the liabilities side, the other current liabilities (4,721.1 MEUR) mainly include contract liabilities from sales recognized over time in the amount of 1,547.5 MEUR, trade accounts payable (983.0 MEUR), and provisions (460.5 MEUR). The most important items in other liabilities (1,223.8 MEUR) are accruals and outstanding order-related costs (634.6 MEUR), as well as unused vacation and other personnel-related accruals (320.4 MEUR). Non-current liabilities, at 647.7 MEUR, largely contain provisions for employee benefits (312.4 MEUR), other provisions (185.4 MEUR), and deferred tax liabilities (121.3 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 2,051.1 MEUR (December 31, 2021: 1,837.9 MEUR), while net liquidity increased significantly to 983.0 MEUR (December 31, 2021: 703.3 MEUR).



In the 2022 business year, ANDRITZ AG has made an early repayment of variable Schuldscheindarlehen in the amount of 58.0 MEUR (2021: 122.5 MEUR) due to the very good liquidity situation.

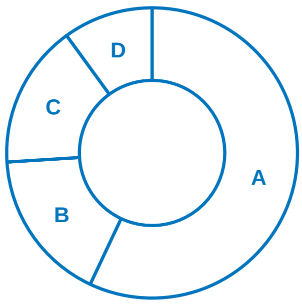
In addition to the high liquid funds, the ANDRITZ GROUP also had the following credit and surety lines for performance of contracts, down payments, guarantees, and so on, at its disposal:

- Credit lines: 299.5 MEUR, thereof 170.2 MEUR utilized
- Surety lines: 6,296.7 MEUR, thereof 3,273.2 MEUR utilized

Capital expenditure

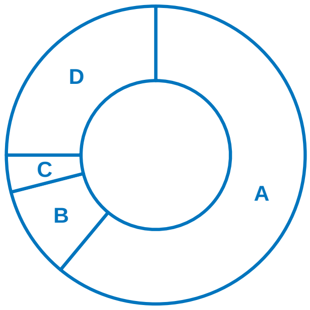
Investments in property, plant, and equipment and intangible assets amounted to 184.4 MEUR in the 2022 business year and were thus significantly above the previous year's level (2021: 160.1 MEUR). Investments breakdown by business area as follows:

Capital expenditure by business area 2022 (2021) in %



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

Capital expenditure by category 2022 (2021) in %



A	Manufacturing	61	(46)
B	IT	10	(9)
C	Research and Development	4	(4)
D	Others	25	(41)

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

Cash flow

The cash flow from operating activities, at 710.8 MEUR, was significantly above the reference figure of the previous year (2021: 529.6 MEUR). The increase is mainly due to the increase in net income and to project related changes in net working capital (151.1 MEUR in 2022 versus 16.0 MEUR in 2021). The change in net working capital mainly relates to an increased receipt of advance and progress payments for large-scale projects.

After deduction of investments in property, plant, and equipment and intangible assets in the amount of 184.4 MEUR (2021: 160.1 MEUR) the free cash flow amounted to 526.4 MEUR (2021: 369.5 MEUR).

The cash flow from investing activities amounted to -190.5 MEUR (2021: -290.6 MEUR). The change compared to the previous year is mainly due to higher payments received for disposal of non-current and current financial assets as well as higher investments in property, plant, and equipment and higher payments made for non-current and current financial assets.

The cash flow from financing activities amounted to -301.3 MEUR (2021: -355.4 MEUR). The change mainly resulted from lower loan repayments (-90.3 MEUR in 2022 versus -237.8 MEUR in 2021), but higher paid dividends (-163.8 MEUR in 2022 versus -100.3 MEUR in 2021). In 2021, non-controlling interests of 34.5 MEUR have been purchased. In 2022, own shares of 16.0 MEUR were bought back (2021: 4.7 MEUR).

Further important key figures at a glance

	Unit	2022	2021	2020	2019	2018
Return on sales	%	7.6	7.4	4.7	3.6	5.3
EBITDA	MEUR	825.5	718.3	571.1	537.6	498.0
Earnings Before Interest and Taxes (EBIT)	MEUR	572.7	479.6	315.0	237.9	321.6
Earnings Before Taxes (EBT)	MEUR	540.9	439.6	280.9	180.9	304.2
Net income (including non-controlling interests)	MEUR	402.6	321.7	203.7	122.8	219.7
Free cash flow	MEUR	526.4	369.5	329.7	664.5	-129.2
Free cash flow per share	EUR	5.3	3.7	3.3	6.4	-1.2
Return on equity	%	29.5	28.0	22.4	14.8	22.9
Return on investment	%	6.7	6.3	4.5	3.3	4.6
Net debt	MEUR	-672.9	-287.7	35.1	205.7	568.1
Net working capital	MEUR	-324.4	-150.1	-48.8	-134.0	160.5
Capital employed	MEUR	1,049.5	1,211.5	1,345.1	1,470.4	1,665.6
Gearing	%	-36.7	-18.4	2.8	16.9	42.7

Acquisitions

ANDRITZ signed an agreement to acquire the Bonetti Group, headquartered in Milan, Italy, in June 2022. Bonetti is a global manufacturer and supplier of doctor, creping and coater blades, as well as blade holders, and also provides services for paper machines. This acquisition extends and strengthens ANDRITZ's aftermarket business and supplements the company's current Paper Machine Service portfolio (Pulp & Paper business area). The company, with around 150 employees, has annual revenue of around 25 MEUR and runs five production locations, two of which are in Italy and one each in the USA, Germany, and Canada.

In August 2022, ANDRITZ signed a contract to acquire J. Parpala Oy, a player in the maintenance and repair of environmental equipment for industrial production and power generation plants in Finland. This acquisition strengthens ANDRITZ's air pollution control activities (Pulp & Paper business area) in Finland, making it the leading service provider for inspections, maintenance, mechanical upgrades, spare parts, and workshop repair activities related to filters, scrubbers, flue gas ducts, fans, conveyors, and other equipment in operation between the boiler and the stack.

Schuler signed a contract to acquire the Sovema Group in August 2022. Based in Villafranca di Verona, Italy, with further sites in the USA and China, Sovema is one of the leading international suppliers of equipment for the production of top-quality battery cells. Furthermore, Sovema is the only supplier worldwide of automated, turnkey plants for the mass production of lead-acid batteries. The acquisition extends the product portfolio of the Metals Forming sector (Metals business area). The company, with around 170 employees, generates annual revenue of approximately 50 MEUR.

In October 2022, ANDRITZ signed a contract to acquire Đuro Đaković Termoenergetska postrojenja d.o.o, Croatia. Đuro Đaković is a European leader in the production of customized pressure parts and boiler accessories. In the renewable energy sector, Đuro Đaković manufactures and delivers complete power stations on a turnkey basis with an output of over 2 MWel, producing electricity and heat from renewable biomass sources. The acquisition further strengthens ANDRITZ's market position for renewable energy equipment (Pulp & Paper business area), especially in grate technology, and enhances the company's manufacturing capacity and quality for pressure parts and boiler accessories. Đuro Đaković has annual revenue of approximately 60 MEUR and employs around 870 people at its two locations in Slavonski Brod and Lužani (both in Croatia).

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

RISK MANAGEMENT

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

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

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

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

The war in Ukraine and the resulting sanctions against Russia led to a sharp price increase and high volatility, respectively, in energy and of many raw materials and industrial semi-finished products in the course of the reporting year. As a result, the inflation rate rose significantly in many countries. If the prices for raw materials, energy and sub-supplies – and consequently inflation – continue to rise, this could have a negative impact on the financial development of the ANDRITZ GROUP.

Russia's stopping of gas supplies to Europe has caused a substantial increase in the price of gas and of other energy sources temporarily. The ANDRITZ GROUP's expenditure for energy is low compared to its total expenditure and is in the mid double-digit million euros range. ANDRITZ only uses gas for production of process heat and to heat company buildings at some locations in Austria and Germany. Most of the ANDRITZ locations concerned changed from gas to alternative energy sources during the 2022 business year.

The hazards and adverse effects of the corona pandemic have been reduced significantly towards the end of 2022. State-imposed restrictions have been lifted for the most part. However, the possible emergence of new Covid-19 variants could lead once again to various statutory measures being implemented, for example further lockdowns in individual countries or regions, and thus to an economic downturn. Resulting delays in the main international supply chains and transport routes could lead to delays in the execution of orders on the one hand and further price increases for many raw materials and industrial semi-finished products on the other hand.

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

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

1. Risks relating to financial instruments

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

A detailed description of all financial risks of the ANDRITZ GROUP is provided in chapter F) 35. Risk management – Risks relating to financial instruments of the notes to the consolidated financial statements.

2. Strategic risks

a) Political risks

The countries in which the Group is active include some that are classified as politically risky or very risky. Terrorist activities or acts of war 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. Changes to legislation in individual countries could lead to changed production conditions and different investment behavior. Risks related to deliveries to countries with average to very high political risks are typically covered by insurance. However, the prerequisites for full hedging of these risks are not always available. The measures and procedures in this respect are specified in the credit risk policy applying throughout the Group.

b) Regulatory risks

Regulatory risks include both tax risks and compliance risks.

The ANDRITZ group companies are subject to local tax laws in the respective countries and have to pay income taxes 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 burdens. As a result, taxes and customs duties can be exposed to either positive or negative fluctuations.

In Austria and other countries where the ANDRITZ GROUP conducts business, there are a variety of legal regulations to be observed, including anti-trust and anti-bribery laws or compliance rules in the supply chain.

The Group has established a Compliance Committee to monitor compliance with these regulations and adopted a number of compliance policies, including policies prohibiting insider trading and violation of the applicable anti-trust and anti-bribery laws, for the protection of personal data, and also a global Code of Business Conduct and Ethics. While the Group strives with a large number of measures to make sure that such policies are observed, there can be no assurance that violations will be committed due to individual misconduct. Any such violation could impact the financial position and reputation of the Group and may also lead to the cancellation of existing orders.

c) Competitive position

The ANDRITZ GROUP does business in highly competitive markets in which only a few large suppliers bid for only a few large orders. In addition, there are many small companies competing locally that have a comparatively low-cost base. This competitive situation or a possible change in the competition structure can have a negative effect on order intake and on sales margins of the Group.

The Group counters this risk with continuous research and development work, product innovations and regular cost optimizations. There is, however, no guarantee that the Group can also maintain its current market position in the future.

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

d) Customer concentration

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

e) Volatility of order intake

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

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

f) Acquisition and integration of complementary business segments

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

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

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

g) Procurement and manufacturing

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

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

Essential success factors to ensure short lead times and on-time production in manufacturing are precise planning as well as high commitment and flexibility on the part of employees. ANDRITZ uses a flexible contingent of temporary workers, especially in Europe, to better cope with fluctuations in workload. However, there is no guarantee that ANDRITZ will always be able to compensate immediately for larger fluctuations in capacity utilization, and failure to do so could, in turn, have a negative impact on the earnings development of the Group.

Global crises, pandemics or epidemics can result in suppliers not being able to manufacture and deliver the goods ordered by ANDRITZ on schedule, which, in turn, could lead to ANDRITZ being unable to fulfill its obligations towards customers on time. Such shortfalls could have a negative effect, not only on the respective project but also on ANDRITZ's chances of securing new contracts in the future.

h) Human resources

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

i) Digitalization

Based on extensive and long-term experience as a supplier of technologies and systems for various branches of industry, ANDRITZ offers a broad portfolio of smart, digital solutions. These solutions help customers substantially in achieving their production, sustainability, and corporate goals.

These innovative digitalization solutions from ANDRITZ that have been tested worldwide in many reference plants are combined under the technology brand Metris-ANDRITZ Digital solutions. Metris is based on three strategic pillars with the main topics classic automation, digital solutions, and advanced performance services. Metris technologies are the very latest state of the art, and they are subject to constant further development and can be tailored to individual customer requirements. ANDRITZ considers digitalization to be a vital growth sector for the future and hence will continue to focus strongly on development of digital products and solutions, including data security.

However, the rapid developments in the digitalization sector also present a risk if ANDRITZ is not able to succeed in developing and offering the products and solutions demanded by the market with the necessary speed. In addition, a higher degree of digitalization can lead to a greater risk of cyber attacks on ANDRITZ.

j) Capital market risks

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

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

The high level (just under 70%) of public free float of ANDRITZ's total outstanding shares and its 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 indexes, for example the ATX, the leading index of the Vienna Stock Exchange, or other indexes. This could result in major changes in the price of the ANDRITZ share.

3. Operational risks

a) Project risks

In conjunction with the delivery of equipment and services, the ANDRITZ GROUP is under contractual obligation in most 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 tiered penalties 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. Another widespread Covid-19 outbreak and the resulting potential delays in the most important international supply chain and transport routes could affect the Group's ability to meet its contract deadlines.

Many of ANDRITZ's projects are based on long-term, fixed price contracts. The sales and operating margins realized in a fixed price contract may vary from original estimates as a result of changes in costs (especially fluctuating material costs and sharply rising energy prices), particularly on projects that include engineering and/or construction of complete plants, and where labor services have to be sourced from third parties. ANDRITZ was largely able to make up for the sharply rising raw material and material prices in the 2022 business year by implementing various operative measures. Dealing with rising costs for materials and outsourced components is and will continue to be a challenge and could have a negative effect on the Group's financial development in the future if raw material prices continue to increase substantially.

As certain parts of systems to be supplied are outsourced, the Group may be forced to quote to customers at a fixed price without the exact cost of the parts purchased being stated in advance. While ANDRITZ makes estimates using empirical data and quotes from potential suppliers, these estimates may not always be quite exact. This is the reason why 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. Lessons learned in the past form the basis of ongoing development of existing tools for consistent use in future projects.

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 of the plants.

Additionally, the Group is exposed to the risks inherent in managing the third parties providing construction, installation, and engineering services on these projects (such as strikes and other labor disruptions, which can lead to delays in start-up or failure to meet deadlines). The Group has put risk management procedures in place, including insurance programs, contract policies, and project management discipline, to reduce these EPC-related risks (EPC: Engineering, Procurement, Construction) as far as contracts allow.

Nevertheless, there is no guarantee that these procedures are sufficient to prevent negative financial consequences. The Group has experienced significant losses on certain past projects in this regard, and similar difficulties and losses may occur in the future in a way that would adversely affect the Group's financial condition.

The ANDRITZ GROUP participates in many EPC- and other projects together with third parties with whom it shares a series of risks. While the Group attempts to make sure that risks in such projects are properly allocated, there can be no guarantee that this will always be successful. Moreover, the inability of one of the Group's consortium partners to fulfill its obligations, including indemnity obligations towards the Group, may have an adverse effect on the financial results and the liquidity of the Group.

b) Limitations of liability

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

c) Government contracts

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

d) Legal proceedings

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

In product liability, there are a number of cases alleging injuries and/or death resulting from exposure to asbestos. Details are available in the notes to the consolidated financial statements, chapter G) 39. Contingent Assets and Liabilities.

e) Currencies

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

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

Although the Group attempts to hedge the net currency exposure of those orders, not invoiced in the respective functional currency of the group company, with 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 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 equity as well as on the revenue and earnings development of the ANDRITZ GROUP (translation effect).

f) Insurance

While the ANDRITZ GROUP maintains insurance programs to cover typical insurable risks related to its business, there can be no guarantee that this insurance can fully cover potential losses, that the insurers will be liable to pay damages, nor that the amount of the Group's insurance will be adequate. Moreover, the Group is involved in certain industries (for example the space and nuclear industries) for which risks are uninsurable or cannot be insured against in full, or where it is not always possible to comply with all 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.

g) Cyber risks, hacker attacks

The increasing digitalization and networking of plants and machinery require highly effective and efficient solutions to maintain data security. Unauthorized access to or copying of sensitive company data as well as insufficient system availability as a result of hacker attacks are substantial risks to which ANDRITZ is increasingly exposed. This may not only affect ANDRITZ's own systems, but also Industrial-Internet-of-Things (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.

To further reduce unauthorized accessing of IT systems, penetration tests are conducted in addition and at regular intervals. Cyber attacks should be detected at an early stage with the aid of an optimized IT infrastructure so that they can be repelled successfully. However, unauthorized access to and loss of sensitive and confidential data both at ANDRITZ and at its customers' premises as a result of cyber attacks cannot be ruled out, nor can any resulting enormous financial losses for which ANDRITZ may be held responsible. Moreover, major damage or outage of the IT systems can disrupt ANDRITZ's ongoing business operations. Special online training is provided to avert possible cyber attacks and raise employees' awareness further.

4. Internal control and risk management system

The international business activities by ANDRITZ not only provide opportunities but also involve risks in the short, medium, and long term. ANDRITZ thus has a group-wide internal control and steering system (ICS) whose main task is to identify nascent risks at an early stage and – if possible – to implement countermeasures promptly. This system is an important element of active corporate management. However, there is no guarantee that these monitoring and control systems are effective enough.

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

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

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

These measures and rules include segregation of functions, signature authorization matrices, and signatory powers for authorizing payments applying on a collective basis only and being 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.

Group-wide uniform accounting and valuation principles for the recording, posting, and accounting of business transactions are regulated in the ANDRITZ GROUP IFRS Accounting Policy and are binding for all group companies. Automatic controls in the consolidation and reporting system are in use in order to avoid misrepresentation as effectively as possible, as are numerous manual checks. The control measures range from review and discussion of interim results by the management to specific reconciliation of accounts.

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

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

The auditor of the Group's financial statements assesses the risk management functionality in the ANDRITZ GROUP and reports on it to the Supervisory Board and the Executive Board. The risk management functionality was checked in 2022 by the auditor of the Group's financial statements.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

The consolidated corporate governance report for the business year 2022 is available on the ANDRITZ website andritz.com/governance-en.

EVENTS AFTER THE REPORTING DATE

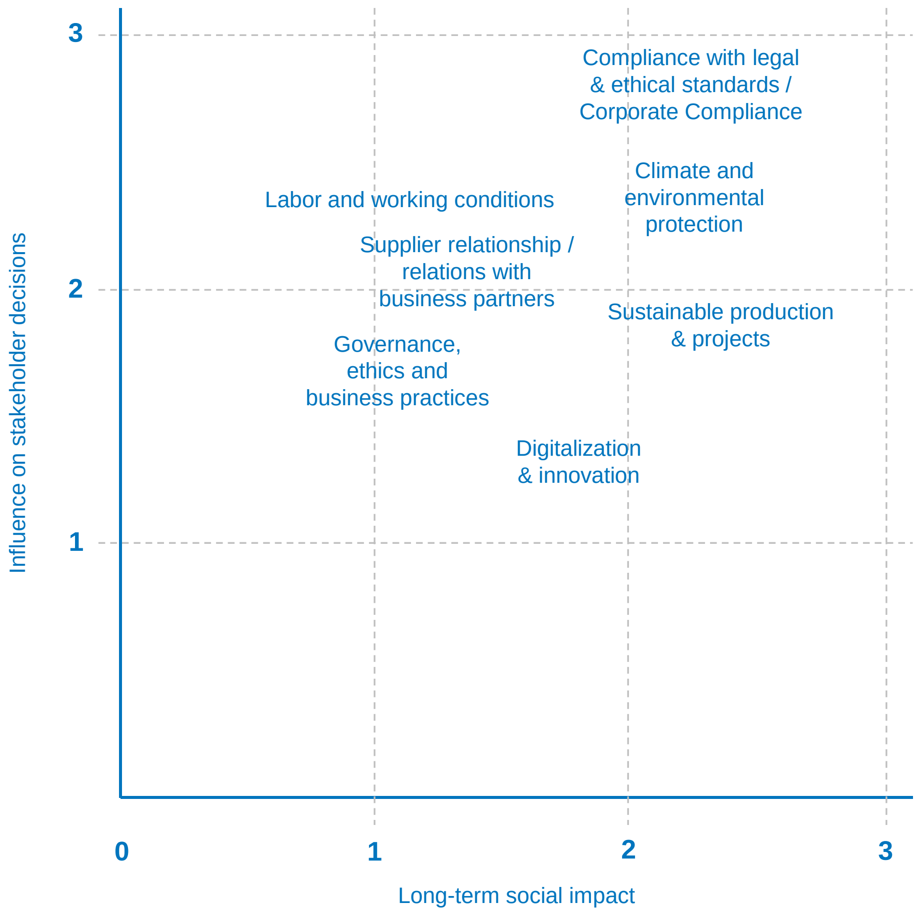
There were no events of material significance after the balance sheet date.

CONSOLIDATED NON-FINANCIAL STATEMENT

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

1. Materiality analysis

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



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

Stakeholder surveys and interviews with relevant stakeholders have already been conducted several times in order to establish the main reporting topics and relevant fields of activity for the ANDRITZ GROUP.

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

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

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

2. We Care – the ANDRITZ sustainability program

ANDRITZ has set comprehensive, ambitious environmental, social, and governance targets as part of its "We Care" sustainability program presented in June 2021, which will enable ANDRITZ to make the greatest contribution to a sustainable future for all stakeholders. The main focus in the Environmental sector lies on climate protection, conservation of resources, and offering sustainable solutions and products. ANDRITZ as an attractive employer as well as occupational health and safety are the main topics in the Social focus area. In the Governance sector, the focus lies on fair and ethical business practices, comprehensive risk management and scrupulous supplier management.

In the reporting year, a number of measures were implemented to achieve the targets, the effects of which are clearly evident.

Environmental goals

Goal	Measuring variable	Base year 2019	2021	2022	Goal 2025
Reduce CO_2 emissions (scope 1+2) by 50%*	Tons CO_2e/ Million EUR revenue	23.4	23.2	14.4 (corresponds to -38.5% vs. 2019)	11.7
Reduce water consumption by 10%*	m^3/Million EUR revenue	158.3	180.6	153.6 (corresponds to -3.0% vs. 2019)	142.5
Reduce waste volume by 10%*	Tons/Million EUR revenue	10.7	7.8	7.0 (corresponds to -34.6% vs. 2019)	9.6
Increase revenue from sustainable solutions and products to over 50% of revenue	% of total reveneue	46**	42	45	>50

Note: Only the revenue of the included locations was used.

* Compared to base year 2019
** The value refers to 2020, as no comparable data is available for 2019

ANDRITZ has taken a major step forward in **reducing CO_2 emissions**. Compared to the base year 2019, emissions in relation to revenue have already been reduced by around 40%. The largest reduction was achieved by switching the German ANDRITZ sites to electricity from renewable energy sources. In addition, the switch to LED lighting was further accelerated at many sites. ANDRITZ has planned further measures to achieve its ESG goals. These include the installation of photovoltaic systems at 18 sites, the switch to LED lighting and the expansion of ISO 14001, ISO 45001, and ISO 9001 certifications to all sites by 2025. A multi-site certification is planned for 2023.

ANDRITZ joined the **Science Based Targets initiative (SBTi)** at the beginning of 2023 to demonstrate its determination to contribute to the 1.5°C target of the Paris Agreement. The commitment to SBTi provides ANDRITZ with the opportunity to have greenhouse gas reduction targets evaluated and validated by an independent organization based on the findings of climate science. Under the SBTi commitment, ANDRITZ will develop comprehensive greenhouse gas emission reduction targets that will contribute to halving global emissions by 2030.

Water consumption in relation to revenue was reduced by 3% in the reporting year compared with 2019, and the **waste volume**, also in relation to revenue, was reduced by 35%. Work is already underway on a catalogue of measures to further reduce water consumption. All sites have a waste management concept with the primary goal of waste prevention.

Sustainable products and solutions accounted for 45% of revenue in the reporting year. ANDRITZ has developed or launched a number of new products in the areas of decarbonization, renewable energies, recycling, and e-mobility in 2022, whose share of total revenue is expected to increase significantly in the coming years.

Social goals

Goal	Measuring variable	Base year 2019	2021	2022	Goal 2025 resp. % p.a.
Reduce annual accident frequency rate (> 1 day's absence) by 30% compared to the preceding year	Accidents causing one or more days of absence per 1 million working hours	6.8	3.1	2.8	-30% p.a.
Reduction of the voluntary fluctuation rate	% of total employees	6.0	6.5	6.0	<4.5
Increase the proportion of female employees	% of total employees	16.2	16.6	16.4	20

In the social sector, the **lost time accident frequency rate** in 2022 was further reduced compared to the previous year, although the goal of reducing the accident frequency rate by 30% compared to the previous year was not achieved. ANDRITZ has implemented many initiatives and measures on occupational safety in recent years, which are reflected in a significant reduction in the accident frequency rate by almost 60% compared with the baseline value in 2019.

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

At 6%, the **voluntary turnover rate** in the reporting year was slightly lower than in 2021, but still well above the 2025 goal of 4.5%. ANDRITZ has taken several measures in this area to convincingly communicate ANDRITZ's added value as an employer, to build up an appealing employer brand, and thus to present the company as attractive as possible on the recruiting market.

The **proportion of female employees** was largely unchanged year-on-year at 16.4%. Measures to increase the proportion of women in the long term include increased promotion of women for management positions and increased support in reconciling work and family life.

Governance goals

Goal	Measuring variable	2019	2021	2022	Goal 2025
No event-driven profit warnings	Number of event-driven profit warnings	0	0	0	0
No compliance violations	Number of incidents of corruption	0	0	0	0
	Number of antitrust violations	0	0	0	0
Coverage of 85% of the supply volume* by audited suppliers by 2025	% of supply volume with audited suppliers	78**	82	82	85

* Cumulative external purchasing volume by suppliers with an average annual purchasing volume of more than EUR 250,000
** The figure relates to 2020, as no comparable data is available for 2019

As in previous years, there were no **event-driven profit warnings** in 2022. Furthermore, there were **no cases of corruption or antitrust violations** within the ANDRITZ GROUP. In the reporting year, there was one case of fraud in which employees colluded with suppliers and ANDRITZ was noticeably damaged by inflated purchase prices. However, the case was detected by ANDRITZ's effective internal control system, and damage-limiting measures were taken immediately.

ANDRITZ is also well on track for the ESG governance goal in the area of **supplier compliance** in relation to the target of 85% set for 2025. In 2022, 82% of suppliers were audited in the Supplier Relationship Management (SRM) tool.

3. EU Taxonomy

The EU Taxonomy Regulation 2020/852 as of June 18, 2020, is part of the EU Sustainable Finance Action Plan and aims to define sustainable economic activities. Thus, it is a significant regulatory step towards promoting transparency in the sustainability sector. It is intended to direct investment flows towards a sustainability transformation in line with the European Green Deal.

Pursuant to Article 8 of the Regulation, since 2021 ANDRITZ is subject to an obligation to report on the form and extent of the economic activities that qualify as environmentally sustainable according to the EU Taxonomy classification system.

According to Article 10 of the supplementary Delegated Act as of July 6, 2021, the EU Commission only requires simplified reporting in the first year of application. Hence, in the first year the reporting undertaking must only disclose the proportion of taxonomy-eligible and taxonomy-non-eligible economic activities in the overall turnover and in the capital expenditure and operating expenditure of the undertaking for the two environmental objectives climate change mitigation and climate change adaptation. In the current reporting year, the reporting must additionally include information on taxonomy alignment for the identified taxonomy-eligible economic activities.

While for the identification of taxonomy eligibility a match of the activity descriptions in the Delegated Regulation 2021/2139 with the economic activities of the own company was sufficient, taxonomy alignment requires the fulfillment of the technical screening criteria relevant for the economic activity. These are to ensure that the taxonomy-eligible economic activity makes a substantial contribution to one of the six environmental objectives, does no significant harm to the remaining five environmental objectives, and meets minimum social safeguards. Only with the cumulative fulfillment of all three requirements is the economic activity taxonomy-aligned.

Taxonomy eligibility

As in 2021, ANDRITZ classifies individual product groups (described below under 3. a)) as taxonomy-eligible according to the definition of economic activities 3.1. Manufacture of renewable energy technologies and 3.6. Manufacture of other low carbon technologies.

Taxonomy alignment

After applying and reviewing the technical screening criteria, ANDRITZ classifies the products assigned to economic activity 3.1. as taxonomy-aligned. For details, see 3. b).

For the products assigned to economic activity 3.6., it is not possible for ANDRITZ to demonstrate taxonomy alignment at this stage, as the technical screening criteria (especially the criteria for a significant contribution to climate change mitigation) have not yet been clearly defined by the EU Commission. To make a substantial contribution to climate change mitigation, the technologies must be shown to result in substantial life-cycle greenhouse gas emissions savings, according to the currently available definition. To date, there is no clear definition of the term "substantial". In addition, to meet taxonomy alignment, the technology must be better than the best performing alternative technology available on the market in terms of greenhouse gas emissions. Here, too, it is currently not possible to prove that ANDRITZ's technologies meet these criteria, as there is as yet no international database on which to base these checks.

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

Opportunities and challenges of the EU Taxonomy

At the time of publication of this annual financial report, some contents and regulations of the EU Taxonomy are still under development. All information from ANDRITZ is based on the status of the definitions and interpretation of the EU Taxonomy at the time this report is published.

Before providing more details on the taxonomy-eligible and taxonomy-aligned economic activities, ANDRITZ wishes to point out that the EU Taxonomy cannot be equated with ANDRITZ's own definition of sustainable products and solutions, that was published before the release of the EU Taxonomy, not least because only two out of a total of six environmental objectives are considered in the taxonomy. ANDRITZ's own definition of sustainable products and solutions includes equipment, technologies, and systems that help customers achieve their sustainability goals. They help protect the environment, contribute towards decarbonization, reduce the consumption of valuable resources such as water, recycle and foster a circular economy.

In contrast, the EU Taxonomy concentrates in its definitions of the first two climate objectives primarily on industrial economic activities that are energy-intensive and emit large quantities of CO_2, without taking the respective supply chains into full consideration. For these activities, the EU Taxonomy contains very precise descriptions and technical screening criteria to determine the conditions under which an economic activity can be classified as taxonomy-eligible or taxonomy-aligned.

As a supplier of technologies and systems that enable and push forward the green transformation, ANDRITZ believes it has not been taken into consideration sufficiently in the first two climate objectives of the EU Taxonomy. The ANDRITZ product portfolio contains a large number of technologies that make a significant contribution towards climate neutrality in many industries. In addition, a Delegated Act on the four other environmental objectives – sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems – has still not been published. It is currently assumed that further ANDRITZ products and technologies will fall within these objectives.

a) Identification of taxonomy-eligible turnover

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

Finally, based on the published delegated regulations and the FAQs of the EU Commission, the following product groups were classified by ANDRITZ as taxonomy-eligible in pursuit of the environmental goal of climate change mitigation:

Economic activity 3.1. Manufacture of renewable energy technologies:

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

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

Economic activity 3.6. Manufacture of other low carbon technologies:

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

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

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

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

Explanation of the business areas

Hydro

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

The business area offers a complete product portfolio with turbines, generators and additional equipment of all types and sizes – "from water to wire" – for large and also small hydro applications, pumped storage power stations and tidal energy turbines for marine energy projects. As hydropower and pumped storage power stations are also designed for hydraulic and environmental conditions specific to the location, the associated electromechanical equipment is also planned and designed accordingly. Virtually every turbine, every generator and the general plant layout are in general "project-specific individual solutions". ANDRITZ supplies products and systems that form an integral part of a hydropower plant. Therefore, the contractual scope of supply usually includes the planning, engineering, delivery, installation, and commissioning of the equipment and are therefore grouped together as an integrated performance obligation under IFRS 15 and collectively under economic activity 3.1 in the EU Taxonomy.

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

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

Pulp & Paper

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

The Pulp & Paper business area contains a large number of products and technologies that can contribute towards the environmental objectives of the EU's Green Deal. However, they do not all correspond to the economic activities defined and descriptions of the two environmental objectives climate change mitigation and climate change adaptation.

The following section explains which products from the Pulp & Paper business area can be classified as economic activities within the meaning of the environmental objective climate protection:

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

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

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

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

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

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

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

As in the Hydro business area, the sale of these products and services are also integrated performance obligations within the meaning of IFRS 15 and fall under economic activities 3.1 and 3.6 in the EU Taxonomy.

Metals

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

The sale of these products and services is an integrated performance obligation within the meaning of IFRS 15 and therefore is also grouped together in the EU Taxonomy under economic activity 3.6.

b) Identification of taxonomy-aligned turnover

In identifying the taxonomy-aligned product groups for the environmental goal of climate change mitigation, ANDRITZ closely followed the wording of the technical screening criteria of the economic activities according to Delegated Regulation 2021/2139.

Finally, on the basis of the published Delegated Regulations and the FAQs of the EU Commission, the following ANDRITZ product groups were classified as taxonomy-aligned when pursuing the environmental goal of climate change mitigation:

Economic activity 3.1. Manufacture of renewable energy technologies:

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

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

Review of the technical screening criteria for the products in economic activity 3.1

A substantial contribution to climate change mitigation is given if the economic activity produces renewable energy technologies. This is the case for all products classified by ANDRITZ in economic activity 3.1.

The following section explains in more detail how ANDRITZ has demonstrated that the economic activity does no significant harm to the remaining five environmental objectives. In addition to the products, the sites that produce the taxonomy-eligible products were analyzed in greater detail.

Environmental Goal	Avoidance of significant impairment
Climate change adaptation	Climate risk and vulnerability assessments were carried out at all ANDRITZ manufacturing sites that produce taxonomy-eligible products assigned to economic activity 3.1. Chronic and acute climate risks were assessed today, 10 years from now, and 30 years from now. The risk of climatic hazards for the analyzed manufacturing sites is currently assessed as low. Therefore, it was also not necessary to define adaptation measures.
Sustainable use and protection of water and marine resources	All relevant sites operate an environmental management system in accordance with ISO 14001. In this, the water resource management plays a central role. In addition, a valid permit has been issued for all sites, and any requirements and stipulations imposed by the authorities regarding water have been implemented.
Transition to a circular economy	The products assigned to economic activity 3.1. are largely made of steel, a material that can be recycled again and again. The products are also designed to last for several decades. Repairs, refurbishments, or modernizations can be carried out without any problems. All relevant sites have a waste management concept and follow the waste hierarchy (avoidance, reuse, recycling, recovery, disposal). ANDRITZ reports all substances of very high concern (SVHCs) to the European Chemicals Agency (ECHA) and to customers via the SCIP database.
Pollution prevention and control	Parts lists are available for all self designed products. The metallic materials used are stored in the ANDRITZ Material Code (AMC) system, which provides information on the composition of the materials. From this it can be concluded, for example, that self designed components do not contain mercury. ANDRITZ reports all substances of very high concern (SVHCs) to the European Chemicals Agency (ECHA) via the SCIP database, and to customers if ANDRITZ receives this information from suppliers. This is currently the case for lead in metallic materials. ANDRITZ does not use any substances subject to authorization according to Annex XIV. The requirements for restricted substances (Annex XVII) currently affect ANDRITZ in part. Audits were conducted last year for compliance with the content requirements for substances of very high concern. ANDRITZ's goal is to eliminate and substitute SVHCs in all products by the end of 2023. Suppliers are also expected to report SVHCs to ANDRITZ. This is required in the order forms.
Protection and restoration of biodiversity and ecosystems	All relevant sites operate an environmental management system in accordance with ISO 14001. In addition, a valid permit has been issued for all of them and any conditions imposed by the authorities with regard to biodiversity have been implemented. No Environmental Impact Assessment (EIA) has been requested by the Authority for any of the relevant sites in the past. However, in the course of reviewing the DNSH criterion, an EIA screening was again conducted. This assessment also concluded that an EIA was not necessary. Furthermore, no site is located in or near biodiversity sensitive areas.

Compliance with minimum safeguard requirements

The so-called minimum safeguards pursuant to Article 18 of the EU Taxonomy Regulation (EU) 2020/852 are intended to ensure that an economic activity is only taxonomy-aligned if it also meets international human rights standards and regulations on bribery and corruption, taxation, and fair competition. The minimum safeguard requirements are specified at the ANDRITZ GROUP level.

Topics	Minimum safeguards
Human rights	ANDRITZ gives top priority to the protection of human rights in its business activities. Compliance with the requirements of the UN Global Compact and the OECD Guidelines for Multinational Enterprises is therefore laid down in the ANDRITZ Code of Conduct and Ethics as well as in the Code of Conduct and Ethics for Suppliers. All ANDRITZ suppliers must complete a mandatory compliance and sustainability questionnaire during the onboarding process and receive a rating. If this is too low, measures are taken together with the supplier or no business relationship is established. In addition, compliance and sustainability audits incl. follow-ups are carried out on site at suppliers in China and India. Human rights violations automatically lead to non-compliance. Within ANDRITZ, compliance with the Code of Conduct and Ethics is verified by internal audits. Human rights violations can also be reported anonymously by both employees and all other stakeholders via the online-based whistleblowing system “Speak UP!”. There are no final convictions in this area.
Bribery and corruption	ANDRITZ has an Anti-Corruption and Anti-Bribery Policy. Employees must regularly complete online training on these topics. There are no final convictions in this area.
Taxation	ANDRITZ companies are subject to the local tax laws of the respective countries and must pay income and other taxes. As part of the ANDRITZ Code of Conduct, all business transactions must fully and clearly comply with legal and other regulations. Tax risks are identified, analyzed, and taken into account appropriately. ANDRITZ's handling of tax risk is integrated into the Group-wide monitoring and control system (ICS), whose main task is to identify emerging risks at an early stage and – if possible – to take countermeasures. This is an important element of active corporate management. The ANDRITZ Executive Board is responsible for implementing and monitoring the ICS. Binding regulations and guidelines/policies have been implemented throughout the Group for this purpose. There are no final convictions in this area.
Fair competition	ANDRITZ has a Global Competition and Antitrust Compliance Policy. Employees who have external contact with customers, suppliers or competitors must regularly complete online training on this topic. There are no final convictions in this area.

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

Turnover

Turnover in the denominator includes the turnover reported in accordance with IAS 1.82(a) and corresponds to the turnover according to the consolidated income statement (see notes to the consolidated financial statements).

Turnover in the numerator consists of turnover generated by the provision of services and the supply of goods in the definition area of activity 3.1 Manufacturing of renewable energy technologies. The typical contractual scope of supply under Activity 3.1 typically includes the design, engineering, delivery, installation, and commissioning of the equipment and are therefore aggregated under IFRS 15 as an integrated performance obligation and in the EU Taxonomy as a whole under Activity 3.1. The performance obligations identified in accordance with the provisions of IFRS 15.22 et seq. were reviewed for consistency with the EU Taxonomy. A separation of integrated performance obligations within the meaning of IFRS 15.29 has not been made for EU Taxonomy purposes.

Declaration form: Proportion of **turnover** from goods or services related to taxonomy-aligned economic activities – disclosure for the year 2022

				Substantial contribution criteria						DNSH criteria										
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover Year N (18)	Taxonomy-aligned proportion of turnover Year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)																				
3.1. Manufacture of renewable energy technologies	C.25, C.27, C.28	1,749.7	23.2	100							Y	Y	Y	Y	Y	Y	**23.2**	N/A	E	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																				
3.6. Manufacture of other low carbon technologies	C.28	354.4	4.7	100							N	N	N	N	N	Y			E	
Total (A.1 + A.2)		**2,104.1**	**27.9**																	
B. Taxonomy-non-eligible activities																				
Turnover of Taxonomy-non-eligible activities (B)		5,438.8	72.1																	
Total (A+B)		7,542.9	100																	

Capital expenditure (CapEx)

Capital expenditure as defined in the EU Taxonomy comprises additions to intangible assets other than goodwill and also additions to property, plant, and equipment, including right of use assets from lease arrangements plus additions to assets from acquisitions. Acquired assets from company acquisitions were also taken into account. Details are provided in the notes to the consolidated financial statements in chapter B) Non-current assets and liabilities, under sub-section 18. Property, plant, and equipment, sub-section 19. Right of use assets from lease arrangements, and sub-section 21. Intangible assets other than goodwill.

All investments in the taxonomy-eligible product groups described above have been considered in the taxonomy-eligible capital expenditure. Furthermore, the following individual, sustainable capital expenditures that enable ANDRITZ to reduce its own greenhouse gas emissions and lower its consumption of water and energy were included in accordance with the EU Taxonomy:

- Water treatment and waste management (5.2. Renewal of water collection, treatment, and supply systems)
- Electrically powered vehicles (6.5. Transport by motorbikes, passenger cars and light commercial vehicles)
- Sustainable renovation and maintenance of buildings (7.2. Renovation of existing buildings)
- Charging stations for electric vehicles (7.4. Installation, maintenance, and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- Installation of photovoltaic systems (7.6. Installation, maintenance, and repair of renewable energy technologies)

All investments in the taxonomy-aligned product groups described above have been considered in the taxonomy-aligned capital expenditure. Furthermore, no other individual sustainable capital expenditures were included in accordance with the EU Taxonomy.

To avoid double counting in the CapEx KPI (and OpEx KPI), these capital or operating expenditures related to purchased output and individual measures already considered under "Category a" (i.e., capital or operating expenditures related to assets or processes associated with revenue-generating economic activities, this relates in particular to our production buildings) were only reported once.

Declaration form: Proportion of **CapEx** from goods or services related to taxonomy-aligned economic activities – disclosure for the year 2022

				Substantial contribution criteria						DNSH criteria										
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned prportion of CapEx Year N (18)	Taxonomy-aligned prportion of CapEx Year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)																				
3.1. Manufacture of renewable energy technologies	C.25, C.27, C.28	60.1	24.2	100							Y	Y	Y	Y	Y	Y	**24.2**	N/A	E	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																				
3.6. Manufacture of other low carbon technologies	C.28	44.4	17.9	100							N	N	N	N	N	Y			E	
5.2. Renewal of water collection, treatment and supply systems	E36.00, F42.99	0.2	0.1	100							N	N	N	N	N	Y				
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39, N77.11	0.6	0.3	100							N	N	N	N	N	Y				T
7.2. Renovation of existing buildings	F41, F43	0.2	0.1	100							N	N	N	N	N	Y				T
7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F42, F43, M71, C16, C17, C22, C23, C25,	1.0	0.4	100							N	N	N	N	N	Y			E	

	C27, C28																			
7.6. Installation, maintenance and repair of renewable energy technologies	F.42, F.43, M.71, C.16, C.17, C.22, C.23, C.25, C.27, C.28	0.3	0.1	100							N	N	N	N	N	Y			E	
Total (A.1 + A.2)		**106.9**	**43.0**																	
B. Taxonomy-non-eligible activities																				
CapEx of Taxonomy-non-eligible activities (B)		141.5	57.0																	
Total (A+B)		248.4	100																	

Operating expenditure (OpEx)

Operating expenditures according to the Delegated Regulation 2021/2178 include direct as well as non-capitalized costs that ensure maintaining the functionality of the fixed assets[1]. Accordingly, the following operating expenditures are to be included in the denominator for the OpEx KPI[2]:

- Maintenance materials and supplies
- Personnel costs incurred for the repair of machinery
- Personnel costs incurred due to the cleaning of machines
- IT costs incurred as a result of maintenance
- Expenses for short-term leases

The numerator reflects those operating expenditures associated with the processes or assets of taxonomy-aligned economic activities. This includes training and other adjustment requirements within the workforce as well as research and development costs. Also, for investments that are still in the planning stage and aim to expand taxonomy-aligned economic activities, the OpEx calculation must take into account the operating expenditures just mentioned[3].

With respect to the business model of the ANDRITZ GROUP, operating expenditure essentially in the form of research and development and also maintenance falls into this category. All operating expenditure in the taxonomy-eligible product groups and investments described above have been considered in the taxonomy-eligible operating expenditure. The total amount of non-capitalized research and development expenses included in the income statement is reported in the notes to the consolidated financial statements in chapter B) 21. Intangible assets other than goodwill reported under a) Research and development costs. Descriptions of ANDRITZ's research and development activities can also be found in the above-mentioned chapter.

ANDRITZ GROUP IFRS Accounting Policy defines that expenses from the research phase are not suitable for capitalization but are recorded directly as expenditure. Expenses in the development phase must be capitalized if strict criteria are met.

---

[1] Delegated Regulation 2021/2178, p. 10, available at: https://eur-lex.europa.eu/legal-content/DE/TXT/PDF/?uri=CELEX:32021R2178&from=EN
[2] FAQ on Delegated Regulation 2021/2178, available at: https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-article-8-report-eligible-activities-assets-faq-part-2_en.pdf
[3] Delegated Regulation 2021/2178, p. 10, available at: https://eur-lex.europa.eu/legal-content/DE/TXT/PDF/?uri=CELEX:32021R2178&from=EN

Declaration form: Proportion of **OpEx** from goods or services related to taxonomy-aligned economic activities – disclosure for the year 2022

				Substantial contribution criteria						DNSH criteria										
Economic activities (1)	Code(s) (2)	Absolute OpEx (3) MEUR	Proportion of OpEx (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of OpEx Year N (18)	Taxonomy-aligned proportion of OpEx Year N-1 (19)	Category (enabling activity) (20) E	Category (transitional activity) (21) T
A. OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)																				
3.1. Manufacture of renewable energy technologies	C.25, C.27, C.28	46.4	19.3	100							Y	Y	Y	Y	Y	Y	**19.3**	N/A	E	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																				
3.6. Manufacture of other low carbon technologies	C.28	9.4	3.9	100							N	N	N	N	N	Y			E	
Total (A.1 + A.2)		**55.8**	**23.2**																	
B. Taxonomy-non-eligible activities																				
OpEx of Taxonomy-non-eligible activities (B)		185.1	76.8																	
Total (A+B)		240.9	100																	

4. Non-financial risks

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

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

a) Human resources

The ANDRITZ GROUP's goal is to tie its employees to the company in the long term. Hence, it attaches great importance to being an attractive employer. This includes providing a safe and healthy working environment for all employees, applying the principle of equal treatment and avoiding any form of discrimination, harassment or retaliation. ANDRITZ respects the values and cultures of other nations and appreciates the differences in their way of thinking and backgrounds. However, it is impossible to exclude the possibility of some employees feeling that they have not been treated equally or have been treated unfairly.

There are different means of lodging a complaint in such cases, for example to the respective local HR organization, the Works Council, or using the online group-wide whistleblower system "Speak UP!".

Working conditions that are perceived to be unsatisfactory can lower the motivation and enthusiasm of employees and subsequently have a negative impact on productivity. Resulting increases in sick leave or fluctuation rates could incur additional costs for ANDRITZ.

Hence, ANDRITZ attaches great importance to professional promotion and raising the level of employees' skills. However, these goals can only be achieved if each individual employee is willing to commit to them personally. Consequently, a lack of willingness to undertake further training can result in employees not being adequately qualified. ANDRITZ could become less attractive as an employer if there are also insufficient opportunities for further professional and personal training, and this may deter potential employees from applying for jobs. As a result, the company tries increasingly to address the topic of changes in the professional world and the new demands by employees. This includes creating a good work-life balance, for example, to which ANDRITZ contributes by providing more flexible working hours.

b) Supply chain management

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

Thus, ANDRITZ endeavors to forge ahead with the implementation of internationally recognized environmental and social standards (such as ISO 14001, the recommendations of the ILO, laws to prevent modern slavery, the OECD standards for multinationals, the UN Global Compact Initiative or the Global Reporting Initiative) and also to monitor whether these standards are obeyed. An important step was taken when the ANDRITZ Supplier Code of Conduct and Ethics, based on the general Code of Conduct, was introduced.

In China and India, two auditors monitor local suppliers' adherence to these standards and take corrective action in the event of any deviations from the code. Serious infringements can lead ultimately to termination of the business relationship with a supplier.

c) Environmental protection inside and outside the company

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

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

d) Risks due to climate change

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

Climate changes in the longer term and their consequences, such as temperature changes, rising sea levels, water shortages or a loss of biological diversity, can also have a negative impact on ANDRITZ. Hence, there is a need to implement long-term corrective measures. In accordance with the EU Taxonomy Directive, climate risk and vulnerability analyses were conducted at the manufacturing locations producing taxonomy-eligible goods. Both chronic and acute hazards were assessed today, in 10 years and in 30 years. The risk of climate hazards for the analyzed manufacturing sites is currently considered low.

The climate changes in evidence worldwide in the past few years have also resulted in extreme price volatility for some raw materials. Other changes in climate could lead to rising input prices for production, energy, transport and insurance. Measures have already been implemented at individual ANDRITZ locations to enhance energy efficiency, particularly in the production process, and increase the proportion of renewable energy sources. Photovoltaic systems will be installed at some manufacturing locations in 2023. At the moment, the proportion of energy costs in the ANDRITZ GROUP's total costs is low. However, climate change could increase energy consumption by the ANDRITZ GROUP in the longer term due to a need for more heating or air conditioning.

Transition risks occur due to the move to a climate-resilient economy with low CO_2 emissions. Higher taxation on fossil fuels or CO_2 emissions could result in additional costs. Hence, almost all ANDRITZ locations have introduced an environmental management system or already have ISO 14001 certification.

On the product side, climate change causes a risk of certain products possibly no longer being sold successfully or even becoming unsaleable. ANDRITZ addresses these risks with a broad product portfolio in the sustainable technologies segment. The company already generates around 45% of its total revenue from products and solutions that contribute towards production of renewable energy, environmental protection, the circular economy, and e-mobility. This percentage is to be increased further in the future. A regulatory risk can also arise relating to government measures implemented due to climate change. This can happen in many different ways, and it is often difficult for companies to take long-term investment and operational decisions because climate policy at national, EU, and international level changes frequently.

e) Work and travel safety

The safety of the employees always has highest priority at ANDRITZ, particularly as work in manufacturing shops and on job sites involves a number of safety risks. Under certain circumstances, the Group can be held liable in the event of industrial accidents suffered by ANDRITZ employees or persons working on behalf of the company or if third parties are hurt in accidents. Even if there are strict regulations in the internal rules and standards, it is not always possible to prevent accidents.

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

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

The travel safety program is controlled by a group-wide travel risk management policy. The primary objective of this program is to ensure that assignments abroad can be performed as smoothly as possible and that employees return home safely. For this purpose, Group Corporate Security constantly monitors and analyzes the situation in high-risk countries and provides support to project managers and travelers in the form of prevention and contingency plans. In turn, this helps to minimize disruptions in operations (productivity fluctuations) and thus to also increase customer satisfaction. As a result, all international staff were also able to remain in Ukraine in 2022 to perform all services contracted and still leave the country safely before the war began.

In addition, travelers and project managers have several tools and services at their disposal. A country portal that can also be accessed via a smartphone app offers country-specific information, risk analyses, and practical tips on the topics of travel health care and safety as well as updates on current developments. For example, these include information on political unrest or health risks. Travelers are also informed here at short notice of any sudden or imminent events (political unrest, strikes, difficult weather conditions, airport closures, outbreaks of disease, etc.) that may have an impact on project execution or travel.

Project managers, site managers and travelers should be able to make the best possible travel preparations with the information provided and be ready for a changed situation on site. There are currently also multilingual information pages on the conflict between Russia and Ukraine, the Ebola outbreak in Uganda, and also the Covid-19 pandemic

Travel Helplines are another important service. The experts at the ANDRITZ Medical Travel Helpline and Security Travel Helpline are available to employees around the clock to answer any questions before departure and during the journey. The helplines also liaise with local transport companies or service providers at the traveler's destination or organize classic emergency support and even evacuation in extreme cases.

f) Compliance

Premeditated or negligent breach of laws, internal rules or regulations by members of staff or executives bears a substantial risk for ANDRITZ. In order to prevent this, the individual departments monitor compliance with the laws and internal policies. In addition, the group-wide Compliance Management System (CMS) implemented by Group Corporate Compliance focuses on measures relating to prevention of insider trading, compliance measures in the areas of anti-trust law, anti-bribery, data protection, export controls and equal opportunities/non-discrimination, and on supplier compliance. The ANDRITZ CMS is certified according to ISO 37301 and the anti-corruption management system according to ISO 37001.

An important foundation of the CMS is the systematic detection of compliance risks. Such risks are analyzed constantly by a compliance cockpit in order to implement measures to reduce them to a minimum. In addition, regular training is conducted on the basis of the Code of Conduct and Ethics and other policies that apply throughout the Group.

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

g) Innovation

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

h) Data protection

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

On the other hand, data protection also involves protecting the data of third parties. Appropriate protection of the personal data of customers, suppliers, employees, and all other ANDRITZ stakeholders minimizes the risk of data protection breaches that can not only damage the company's reputation but also result in expensive penalties.

In order to comply with the statutory requirements and also define specific instructions and precise internal regulations, a group-wide guideline on the subject of data protection was published dealing in particular with the collection, processing, storage, and maintenance of personal data.

In addition, data protection coordinators, who are responsible for compliance with the relevant requirements of the EU General Data Protection Regulation (GDPR) in the business areas, group functions and subsidiaries, have been appointed and trained, as required by the GDPR.

In Brazil and China, a data protection process was introduced and optimized, respectively, during the reporting year on the basis of the current legislation, and two appendices were added to the data protection directive. In addition, the data base set up to document and handle the processes containing personal data underwent a quality check. Nevertheless, the risk of infringing this law cannot be excluded. Penalties can be up to 4% of the Group's revenue, which again creates a substantial risk for ANDRITZ.

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

5. Responsible human resources management

The Group Human Resources Management (HR) function is responsible for developing and implementing the global human resources strategy. GHR's aim is to provide the best possible support on human resources issues to all areas of the ANDRITZ GROUP and hence contribute towards achieving the long-term corporate goals. The main areas of focus include succession planning, talent management, change management, employer branding, talent acquisition, organization and service management, further development of the corporate culture (#1ANDRITZway, ONE ANDRITZ), education and vocational training, global mobility, the remuneration strategy, digitalization, and achieving the ESG goals of the social focus.

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, Bratislava, Porto Alegre, and the USA. The team members at the competence centers develop strategies as well as processes, systems, and tools to implement these strategies in their respective special fields together with international HR specialists. In this way, they can provide services for the entire organization, especially for the local HR organizations.

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

a) Human resources management 2022

In the first half of 2022, the main focus of the global and local HR departments was directed once again towards managing the Covid-19 pandemic, especially towards guaranteeing employees' safety while at the same time maintaining operations as best possible. In the second half of 2022, the focus was on talent management, succession planning, employer branding and recruiting, as well as international skills development in HR.

b) #1ANDRITZway – core behavior principles

The #1ANDRITZway initiative is a further development of the identity-building ONE ANDRITZ campaign that has been running within the group for some years. #1ANDRITZway defines four basic behavior principles applying to collaboration within the ANDRITZ GROUP: customer orientation, sense of responsibility, joint commitment, and openness. The initiative was rolled out even more broadly in the ANDRITZ GROUP in 2022. Significant improvements are evident in some areas, including international project collaboration and business success.

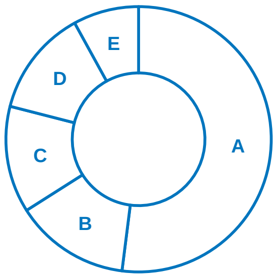
Other major topics are digitalization of global core processes and further developing a master data management system (#APeople) for uniform mapping and documenting of all HR data group-wide. This employee master data is needed in many IT systems and is necessary in various process, also as a basis for management decisions. In addition to master data management, #APeople contains various modules for the main processes in HR management. In 2022, the modules for recruitment (#ARecruiting), onboarding (#AOnboarding) and performance management, including target agreements (#APerformance), were enhanced.

Thanks to the standardized recruiting process and improvements in quality, vacant jobs were filled more successfully.

c) Diversity

At the end of December 2022, ANDRITZ had employees from more than 39 countries. 24 languages are spoken in the company. ANDRITZ uses this diversity and is committed to a multi-cultural working environment with international career perspectives. The exchange of knowledge and experience between employees of different origins, religions, and cultures as well as different ages creates positive effects for the Group.

Employees by region
as of 31.12.2022 (31.12.2021) in %



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

The proportion of female employees in 2022 was 16.4% (2021: 16.6%). One of the Group's ESG goals is to continuously increase this proportion. By the end of 2025, the proportion of women should be 20%. Measures to achieve this goal include increased promotion of women for management positions and increased support in reconciling work and family life.

Employees by gender

	Absolute 2022	Absolute 2021	Percentage 2022	Percentage 2021
Men	24,332	22,353	83.6%	83.4%
Women	4,762	4,451	16.4%	16.6%
TOTAL	**29,094**	**26,804**	**100.0%**	**100.0%**

d) Education and vocational training

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

The most important tool to enhance personal development and good collaboration at the company locations is the performance review that is usually conducted once a year – in some areas several times per year. This employee performance review is used to discuss work content and goals, and future development is one of the central themes. Feedback is provided on the current job status, to #1ANDRITZway as well as perspectives for the future.

At the same time, the employees' questions and concerns can be discussed. Performance reviews were conducted with 68.8% (2021: 71.8%) of the staff during the reporting year. With the successful introduction of #APerformance, the employee performance review module, a significant increase will be evident in the coming years.

In this context, talent management and succession planning also play an important role at ANDRITZ. Talent management is a continuous process that enables managers to gain a better overview of the potential and skills of internal succession candidates and of their willingness to take on responsibility. The company has used different programs to develop future managers within the company for many years now – for example, the ANDRITZ Global Talent Program or the ANDRITZ Global Leadership Program. Following the restrictions needed due to the pandemic in the past two years, which were bridged with digital training elements, more training could be conducted in this sector again in 2022. Further expansion of talent programs, particularly regionalization, is planned for 2023.

The goal of ANDRITZ succession planning is to ensure smooth succession for all key positions and sufficient management capacities for new business opportunities. 300 key positions were defined worldwide for this purpose, and potential successors were named. This process is continuing on an ongoing basis. In 2022, the focus on the proportion of women was further strengthened.

e) Training of apprentices and collaboration with universities

Training of young, skilled workers has a long tradition at ANDRITZ – for example, apprentices have been trained at the Graz location ever since 1922. The young people receive both theoretical and also practical training, and they are also better prepared for their future careers by attending English courses, safety, and quality training as well as team-building training. As of the end of 2022, 629 apprentices were being trained at ANDRITZ locations worldwide (2021: 638 apprentices).

In addition, ANDRITZ has the opportunity to address highly qualified young talents through collaboration with universities and other educational institutions. Efforts are made to attract and secure them for the company in the long term. Students also receive support for their final theses and are employed in various ways during their courses of study. Cooperation between ANDRITZ and universities / technical colleges was intensified in 2022.

f) Employer branding – ANDRITZ as an attractive employer

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

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

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

In 2022, 5,141 new employees were recruited, 13% of which were over 50, 58% between 30 and 50, and 29% under 30 years old. Age distribution in the Group has been very well balanced for many years. The average age is 44. More than half of the employees (58%) are between 30 and 50 years old (2021: 58%). The proportion of under-thirties is 12% (2021: 11%). 30% of the employees are over 50 years of age (2021: 31%).

ANDRITZ believes it is important to tie its employees to the Group in the long term. This is also reflected in the figures. The average period of employment within the Group is 12.6 years. The staff fluctuation rate amounted to 12.0% or 3,471 employees in 2022 (2021: 13.3% or 3,570 employees). Of these, 6.0% or 1,732 employees (2021: 6.5% or 1,741 employees) left the company voluntarily and 3.9% or 1,119 employees (2021: 4.7% or 1,251 employees) had their employment terminated.

Fluctuation by gender and age group

	Contracts terminated 2022	Contracts terminated 2021	Fluctuation rate 2022*	Fluctuation rate 2021*
Men	2,969	3,013	12.6%	13.5%
Women	502	557	10.8%	12.7%
< 30 years old	706	680	21.5%	22.6%
30-50 years	1,847	1,749	11.3%	11.2%
> 50 years old	918	1,141	10.6%	14.1%
TOTAL	**3,471**	**3,570**	**12.0%**	**13.3%**

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

g) Equal treatment and fairness towards all employees

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

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

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

h) Personnel expenses and social benefits

Personnel expenses amounted to 1,986.8 MEUR in the reporting year (2021: 1,804.1 MEUR). ANDRITZ remunerates its employees fairly and in line with the respective wage or collective agreement regulations applying. In countries where there are no wage or collective agreements, remuneration is oriented towards the respective relevant national salary average.

Average salaries for women amounted to approximately 87% of average salaries for men during the reporting period. This difference results from the fact that the proportion of women in management positions and higher-paid clerk and specialist positions is below 50%. Targeted measures have been taken to change this situation. 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. In addition, the company is not averse to providing part-time contracts for fathers or other forms of support with child care. ANDRITZ allows employees to work from home during and after the Covid-19 pandemic, contributing not only towards protecting its employees but also to making the demands of family working life easier to deal with.

One focus is on increasing the proportion of women and underrepresented groups, particularly in succession planning.

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

i) Respecting human rights in the execution of projects

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

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

Before participating in large-scale projects, due diligence audits are conducted in order to determine their potential effects on human beings and their environment. The resulting data and findings are evaluated and analyzed. Participation in projects is then decided on this basis. Furthermore, as a member of the IHA (International Hydropower Association), ANDRITZ Hydro is fully committed to the San José Declaration on Sustainable Hydropower, which includes a stop to new hydropower projects in UNESCO World Heritage Sites, and also supports the worldwide establishment of the Hydropower Sustainability Standard.

6. Supply chain management

The Supply Chain Management group function (GSC) defines the strategy and general conditions for collaboration with around 36,000 ANDRITZ GROUP suppliers worldwide. Approximately 3,100 of these suppliers cover almost 80% of the external purchasing volume. GSC supports the entire purchasing and distribution process together with all relevant stakeholders (purchasing managers in the regions and divisions as well as the respective management personnel). To be able to support the business units in the best possible way, it is important to involve GSC in sales and order processing at an early stage – with a focus on project supply chain management. Global key account management for suppliers makes it easier to bundle purchases and allows a transparent and coordinated approach with regard to new or alternative suppliers. Another important focus is the development of a future strategy for selected projects and suppliers.

In addition to strategic alignment, the department is also responsible for group wide supply chain training as well as supplier compliance and sustainability. Other fields of activities are promoting digitalization, innovation, process development, management of material not needed directly in manufacturing and of all services relevant for all business areas (e.g. energy, IT or business travel), and logistics.

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

The year 2022 presented Group Supply Chain Management with a number of challenges. In addition to the Covid-19 pandemic, which mainly affected China, the war in Ukraine and high inflation also led to shortages on the international raw material and product purchasing markets, huge price increases and supply bottlenecks.

To keep ANDRITZ's supply chains stable, GSC is responding with various measures. This includes in particular the diversification of the supplier base. Through cooperation between the divisions (adaptation of technical specifications) with GSC (flexible supplier management and adapted regionalization/localization) and the sales teams (increase in transparency and flexibility in supply chain design as early as the bidding phase), it was possible to reduce dependence on individual suppliers or purchasing chains and activate alternative production and supply options in other regions.

In addition, inventories of special materials and standard parts were built up to a reasonable extent in order to ensure the supply of customers. Supply chain risk management processes were also improved to increase transparency and identify potential supply bottlenecks even earlier. This enabled appropriate measures to be taken in the Group as quickly as possible. There was also a focus on balancing stable and resilient supply chains through long-term partnerships while maintaining flexibility. The latter was promoted by expanding the current supplier base for specific material or purchasing fields.

A particular success factor for effective and flexible supply chain management in 2022 was the clear and close partnership focus on successful supply chains within ANDRITZ. The ONE-ANDRITZ program supported the opening up to alternative technical solutions, the development of new markets, and holistic coordination between the functions and divisions in order to share resources and information and jointly develop solutions for the project, product, and machine business. This enabled a timely response to volatile supply chains and manufacturing markets.

ANDRITZ expects high inflation and the associated high energy prices to continue to play a major role in supply chains in 2023.

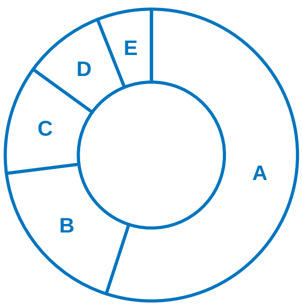
a) Project and supplier management

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

The requirement for being an ANDRITZ supplier is compliance with strict criteria in terms of quality, costs and on-time performance as well as an appropriate stance towards occupational health and safety, compliance and sustainability. All suppliers must agree to and sign the contents of the ANDRITZ Supplier Code of Conduct and Ethics.

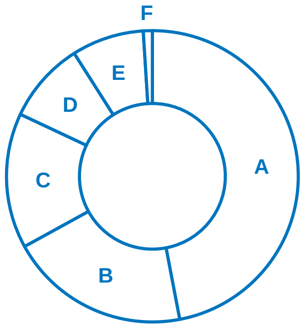
In procurement of materials, ANDRITZ tries to source goods from suppliers near its manufacturing facilities and which are also manufactured locally. This means that long transport routes can be largely avoided. This is also reflected in both diagrams. In 2022, 55% of the external purchasing volume was generated in Europe, 18% in China, and 12% in North America. Manufacturing capacity in Europe was 47%, in China 20% and in North America 15%.

Purchasing volume by region as of 31.12.2022 (31.12.2021) in %



A	Europe	55	(62)
B	China	18	(14)
C	North America	12	(11)
D	South America	9	(7)
E	Asia (without China)	6	(5)
F	Rest of the world	0	(1)

Manufacturing capacity by region as of 31.12.2022 (31.12.2021) in %



A	Europe	47	(46)
B	China	20	(21)
C	North America	15	(15)
D	South America	9	(9)
E	Asia (without China)	8	(8)
F	Rest of the world	1	(1)

b) Consumption of materials

Project materials and services account for the largest share of materials required (41.4%) – measured on the basis of the external costs. This includes mechanical parts, electrical components, structural steel and conveying technology, mechanical structures, installation work, and start-up/commissioning. 38.1% is spent on manufacturing materials such as sheet metal, screens, bars, profiles, or cast and forged parts. 20.5% relates to overheads for material, services, and investments.

c) Logistics

The logistics team 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 are not reported in any detail.

d) Sustainability in the supply chain

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

New suppliers must deal with the topic of compliance and sustainability during the qualifying process. Collaboration with ANDRITZ is only possible after the supplier has agreed in writing to the content of the ANDRITZ Supplier Code of Conduct, which was compiled in 2015 on the basis of the general Code of Business Conduct and Ethics and is continuously updated. During the onboarding process, suppliers must also complete a mandatory compliance and sustainability questionnaire. The ANDRITZ Supplier Relationship Management (SRM) tool is used to handle this process. All suppliers are reviewed, approved/qualified and documented with this tool.

As part of the ANDRITZ sustainability strategy, the goal was defined in 2021 of covering 85% of the supply volume by end of 2025 with suppliers who have been audited in the SRM tool. 82.3% was achieved by the end of 2022.

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

Supplier compliance and sustainability management in China and India

In 2017, ANDRITZ launched the Supplier Compliance and Sustainability Audit (SCSA) program in China and India, focusing on conducting audits and deriving corrective measures at suppliers. Since the regional auditors began their work, 139 audits have been conducted in India, including follow-ups with 96 suppliers (2022: 23 audits) and 165 audits including follow-ups with 142 suppliers have been conducted in China (2022: 34 audits).

In China and India, on-site supplier compliance and sustainability audits were resumed in 2022 after being severely restricted in the previous year due to the Covid-19 pandemic. Due to the continued limited ability to conduct audits in China, the focus there in 2022 was primarily on remote audits. These are a very promising alternative to compensate for travel restrictions, save costs, and increase efficiency. As a result, they are to be conducted in future in addition to local audits. The project was also to continue to support suppliers to the point that they are able to build up and implement their own compliance management system and to live compliance and sustainability (“From audit to compliance”). In 2023, this is to be reinforced by means of classroom training and eLearning as well as individual support.

German Supply Chain Due Diligence Act (LkSG)

The so-called Supply Chain Due Diligence Act was passed in Germany in 2021 and will enter into force in stages as of 2023. A similar law, the Corporate Sustainability Due Diligence Directive, is also being prepared at EU level. Among other things, the laws are intended to improve the international human rights situation by defining the requirements of responsible supply chain management. In order to implement the German Supply Chain Due Diligence Act (LkSG), it is planned to evaluate all ANDRITZ suppliers even more intensively than before, with regard to any risks related to compliance with human rights, starting in 2023. Any risks identified in this process would then be discussed together with the respective supplier and suitable improvement measures would be developed. A finding of serious violations would lead to immediate termination of the business relationship, as has already been the practice in the past.

7. Quality management

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

The most important instrument in the ANDRITZ quality organization is the business process manual, which defines the structure of the management system for the entire group. It defines the processes and responsibilities for process management and provides guidelines for implementation of the individual steps. In 2022, work began on updating the business process manual in order to meet the requirements of a growing company.

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

Quality management accompanies a project from its award to its completion. There are also guidelines for support tasks such as IT or communications. External verifications confirm consistent and effective implementation of the standards. In the meantime, 95% (2021: 90%) of the employees are covered according to ISO 9001 (quality management systems), 75% (2021: 65%) according to ISO 14001 (environmental management systems), and 70% (2021: 62%) according to ISO 45001 (occupational health and safety). As part of the ESG strategy at ANDRITZ, the company has set itself the goal of being as fully certified as possible according to ISO 9001, ISO 14001, and ISO 45001 by 2025.

In order to achieve this comprehensive certification, ANDRITZ began preparations in 2022 for multi-site certification in 2023. This means that all ANDRITZ GROUP companies operate with a single certificate. In this way, we are seeking to contribute towards practical implementation of our #1ANDRITZ core behavior principles and strengthen the exchange of information via management systems. All small companies will also be included systematically as a result.

Furthermore, all products and processes are certified internally and externally (Machinery Directive, ASME, GB 150, ISO 3834, ANSI, EN, DIN and ISO norms). Hence, they meet the highest standards and are reviewed regularly for possible impacts on health, safety, and the environment.

An instrument developed by ANDRITZ to improve quality control for sub-supplies was launched during the reporting year This instrument makes it easier to plan the quality resources needs, enables inspections to be conducted on time, and provides an overall picture of the quality situation on projects.

As in the preceding years, all quality audits that do not require the auditor to be physically present were conducted with the aid of remote technology, e.g. HoloLenses.

a) Occupational safety, health care and environmental protection

Occupational safety, health care and environmental protection have top priority at ANDRITZ. The goal is to create a safe and healthy working environment for all employees and for all other stakeholders. ANDRITZ pursues a zero-accidents target and a pro-active safety culture in order to prevent accidents. Environmental protection, including the avoidance of environmental pollution and conservation of natural resources, is also an important concern and goal at ANDRITZ.

The Group Quality and Safety Management (GQS) function defines the strategy and measures to be implemented by the quality, health and safety, and environmental managers. The health, safety and environmental team provides support in implementation and ensures that the rules and regulations are observed. The management is responsible for safety at each company and location. The employees have a duty to comply with applicable policies, rules and instructions such as the basic ANDRITZ rules for health, safety and the environment as well as to use the safety equipment provided and complete the safety training assigned. All employees have the right to refuse to perform or to stop performing work that they consider unsafe without having to fear disciplinary measures.

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

Safety in day-to-day work

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

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

The ANDRITZ GROUP’s initiatives on the topic of safety are having a positive effect: The accident figures have fallen in previous years, the accident frequency rate (accidents with one or more days of absence per 1 million working hours) has improved by 10% compared to the previous year, and there were also no fatal accidents at work in 2022.

Industrial accidents

	2022	2021
Accidents at work (with one or more days of absence)	152	163
Accidents at work (with more than three days of absence)*	125	119
Accident frequency (accidents causing one or more days absence per 1 million working hours)	2.8	3.1
Accident frequency (accidents with more than three days of absence per 1 million working hours)	2.3	2.3
Fatal accidents at work (in production and on construction site)	0	0
Severity of accidents (absence periods in hours per accident)	165	176
Number of medical treatment injuries at work	494	741

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

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

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

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

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

8. Environmental management and key energy figures

The environmental data for the ANDRITZ GROUP include manufacturing and office sites owned by ANDRITZ. 48% of all the manufacturing facilities surveyed are located in Europe, 27% in North America, 11% in Asia, 9% in South America, 4% in China, and 1% in Australia. The key consumption figures for 2022 are based on approximate values for some sites, as the figures for the fourth quarter of 2022 were not all available yet at the editorial deadline. As a result, there may be subsequent adjustments to the figures for the previous periods.

All six main groups of manufacturing processes are used at all ANDRITZ production sites 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).

a) Energy consumption

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

The amount of purchased electricity remained relatively constant compared to 2021 and amounted to 292,611,189 kWh (2021: 290,813,140 kWh). 43% of the electricity purchased already comes from renewable energy sources. ANDRITZ aims to further increase the share of purchased electricity from renewable energy sources and to promote its own electricity production through photovoltaic plants. The installation of several photovoltaic systems is planned for 2023.

Energy consumption*

	Unit	2022	2021
Externally procured heating	**kWh**	**49,939,421**	**55,274,409**
District heating	kWh	49,939,421	55,274,409
Non-renewable energy carriers for heating	**kWh**	**150,981,523**	**162,627,003**
Fuel oil	kWh	2,985,174	3,344,238
Natural gas	kWh	147,996,349	159,282,765
Non-renewable energy carriers for process heating	**kWh**	**132,638,129**	**108,800,580**
Gasoline	kWh	274,227	348,432
Diesel	kWh	1,275,563	6,630,519
Diesel for emergency generator	kWh	1,314,319	1,051,055
Natural gas	kWh	106,200,010	91,039,699
Liquid (petrol) gas	kWh	23,574,010	9,730,875

* The key consumption figures are based on projected approximate values to maintain comparability as the complete figures for the 4th quarter of 2022 were not all available before the copy deadline. Due to adjustments made to the consumption figures, the retrospective changes have resulted.

An important goal of the ANDRITZ sustainability program "We Care" is that of reducing greenhouse gas emissions (Scope 1 + 2) by 50% compared to 2019. Direct emissions (Scope 1, primarily from the manufacturing sector) amounted to 20,102 t of CO_2e in 2022 (2021: 28,205 t CO_2e). Indirect emissions (Scope 2, from the use of purchased electricity, heat or steam) dropped to 82,341 t of CO_2e in 2022 (2021: 104,513 t CO_2e). This is mainly due to the switch of the German sites to electricity from renewable sources.

b) Water consumption

Total water consumption in the recording year was 1,249,825 m^3 (2021: 1,017,286 m^3). The water supply comes primarily from the public water system, but a few locations also use surface water or groundwater. The water is recirculated to third parties only, for example to the municipal wastewater disposal service. Water consumption consists of process water for production plants (including cooling water) as well as water for drinking and for hygiene purposes. A small amount is also needed for hydraulic test stands. Some industrial water is used to generate steam or cool annealing furnaces, or it evaporates in air-conditioning systems.

c) Waste

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

The largest share of waste comes from steel used in the manufacturing process. Metal waste is separated into different types and then recycled. Other recyclable materials like plastic from packaging, waste from wooden crates, cardboard packaging, and wastepaper are collected and recycled. Non-hazardous residual waste and hazardous waste are collected according to the legal provisions and taken away by disposal companies. Special attention is paid to observing all official regulations and record-keeping obligations, particularly when disposing of hazardous substances. All in all, 47,866,224 kg of waste was produced during the reporting year (2021: 45,114,939 kg). 67% of this waste was recycled.

A detailed list of consumption figures can be found in the ESG Data Overview 2022 on the ANDRITZ website andritz.com.

9. Manufacturing

ANDRITZ produces custom-tailored machines, key components, plants, systems, as well as spare and wear parts at around 145 service and manufacturing locations worldwide. Around two-thirds of these locations are in Europe and North America and one third in Asia and South America. The majority of the locations manufacture on an order-related basis for one business area, while a few locations manufacture for several or all business areas. The manufacturing facilities focus on order execution in conformity with the contract, highest production quality, highly qualified and skilled workers employed in manufacturing, proactive capacity management, and assigning specialists to product design and quality management.

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

Focus in the optimization and improvement projects in manufacturing also lies on careful handling of available resources and automation of processes in addition to adapting process management to exact scheduling.

ANDRITZ uses the Manufacturing Execution System (MES) here to control and monitor manufacturing in real time. With this system, it is possible to link all important information on planning, lead time and costs as well as machinery and operating data on one platform, and the system can also be adapted to local requirements if necessary. MES was implemented as a pilot project at the Manufacturing department in Graz and is currently being rolled out in North America and other manufacturing locations in Europe.

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

The Group Manufacturing Management department offers comprehensive training on the APS. Around 300 employees at 50 manufacturing locations have taken part in various APS training courses since 2017 and developed their process improvement skills further. The improvement projects implemented in the course of the trainings led to significant productivity increases or cost reductions. They will be included as "best practice" in the new oneAPS platform to share and further expand knowledge between sites. The platform can be used by all employees of the ANDRITZ GROUP.

Due to the Covid-19 pandemic and associated travel restrictions, the APS training program was redesigned to include virtual training methods and content. During the reporting period, a first APS Lean Leadership Training with the new methodology was successfully completed. For the first time, the new oneAPS platform was used, which teaches APS lean methods in an interactive form using videos, games, exercises, and training documents.

10. Innovation management and digitalization initiatives

ANDRITZ Ventures (AV), which is a part of the Group Business Development function, provides support to all ANDRITZ GROUP business areas in their innovation and digitalization activities. The vision behind this is to help the business areas achieve technological leadership in their respective market segments.

As the central point of contact for open innovation activities, AV reviews and initiates collaborations, strategic partnerships or investments in startups that are intended to strengthen or extend ANDRITZ’s technology portfolio sustainably. Furthermore, AV maintains a broad network of innovation partners from the business sector, universities and other organizations with the aim of linking internal and external stakeholders, promoting the exchange of ideas and knowledge, and creating sustainable added value for the ANDRITZ GROUP by means of inspiration and collaboration.

Here, the focus lies mainly on technologies intended to pave the way for the energy transition and more sustainable management in rapidly growing markets. This includes, in particular, technologies for the production of biofuels and green hydrogen as well as carbon capture and energy storage solutions. However, there is also a focus on autonomous plant operation by means of visual detection and artificial intelligence for industrial applications (e.g. the autonomous logyard), augmented and virtual reality applications for digital services and remote start-ups, simulation/digital twins, digital solutions for supply chain management, operational technology (OT), cyber security to safeguard customers’ plants, as well as performance monitoring and improvement and preventive maintenance with smart sensors.

In addition, there are several internal initiatives to promote and support innovations and other intrapreneurs. For example, three startup competitions have been held so far, with a total of over 170 entries, from which several projects have already been implemented successfully and further developed as internal startups. These startups are supported with more process orientation in order to move more quickly from the prototype to the scaling phase and thus establish new product groups within the ANDRITZ GROUP. One successful example of this is A-Recovery+ in the chemical pulp sector.

The AV startup competition is a structured program that invites all employees to submit innovative suggestions of products, services, and business models, to develop them, and finally, to launch them successfully on the market. Here, the focus topic of each individual competition is closely aligned with the ANDRITZ GROUP's strategic goals. At the moment, staff are working on innovative solutions in the areas of sustainability by means of green products, green hydrogen, biofuels, reducing CO_2 emissions, and customer relationship management 4.0. As part of the program, there is also a strong focus on networking in joint training courses, on innovation journeys and on sustainable personnel development.

In addition, various education and training opportunities are available with targeted measures to promote the skills of ANDRITZ employees in the field of modern innovation techniques and innovation management. These opportunities are to be extended further in 2023 and supplemented by additional modules and training sessions.

The development of new, external models to support the ANDRITZ GROUP's strategic innovation projects was a special focus during the reporting year. By implementing these formats in 2023, more new innovation projects are to be initiated and the speed of implementation further increased by means of standardization.

11. Research and development

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

In the past few years, so-called life cycle assessments (LCAs) were conducted for several products and plants in order to analyze their impact on the environment over their entire life cycle. This includes, production, the utilization phase, and disposal, as well as all related processes before and after (e.g. production of materials and supplies).

Considering the entire life cycle prevents possible negative impacts being moved to other life cycle phases. These analyses are to be extended in the future and also considered in the product development phase. On the other hand, product development can also influence the production and installation processes through design of the products. In addition, better use is to be made of materials during production in order to produce less waste.

The ANDRITZ GROUP spent 113.8 MEUR (2021: 106.6 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 6,600 patent rights. 80% of these patent rights have already been granted, and the remainder is under review. In addition, the Group owns around 2,500 trademarks.

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

a) Pulp & Paper

CO_2 neutrality, reducing emissions, avoiding fossil fuels, and increasing energy efficiency in pulp and paper production are the focus areas of the business area's research and development activities, with the aim of helping customers achieve their sustainability goals. This is why the CircleToZero™ program was launched, with the aim of developing value-added solutions for pulp and paper mills by minimizing fresh water consumption, reducing waste, and utilizing side streams.

To achieve this, all research and development activities follow the “Reduce, Reuse, Refine” principle. "Reduce" means causing as few emissions as possible by optimizing existing processes. A new concept, that significantly reduces emissions from recovery boilers, and is already in the product development phase, was presented at one mill site. "Reuse" means that side streams can be reused by converting them into new products needed in pulp mill processes. One example is the SulfoLoop sulfuric acid plant, in which commercially available concentrated sulfuric acid is produced in the pulp mill itself. The ANDRITZ SulfoLoop solution is based on Wet gas Sulfuric Acid (WSA) technology for the conversion of wet sulfur-rich gases and elemental sulfur into sulfuric acid. "Refine" aims at the conversion of side streams that are normally burned in the recovery boiler, such as methanol. The ANDRITZ KraftAnol biomethanol plant offers kraft pulp mills the most direct and cost-efficient way to produce commercial grade biomethanol. In the future, it should be possible to operate highly efficient pulp mills with zero emissions and zero waste, and thus CO_2 neutral.

In the paper industry, ANDRITZ R&D activities focus on technologies and services for sustainable fiber treatment and sustainable tissue, paper, and board production. Based on the five pillars of energy, fiber, water, and chemical savings as well as digitalization, intensive research and testing is being carried out in the Fiber R&D Centers (Austria, China, USA), the Tissue Innovation and Application Center (PrimeLineTIAC, Austria), and the Paper Technology Center (Germany). The developments deal with the use of alternative raw materials, fiber savings, carbon reduction in tissue paper production, electrical drying and drying without fossil fuels.

Due to new European regulations to be implemented by 2025 for the recycling of textile waste, many textile manufacturers are increasingly asking for new technologies for textile recycling. ANDRITZ covers several segments in the textile industry value chain: from technologies for textile fiber preparation by shredding or tearing, to complete mechanical recycling lines for nonwovens and yarns, to chemical recycling solutions and complete nonwovens roll good production lines for processing recycled fibers. In addition, ANDRITZ is active in numerous research and development activities, often also in partnerships. In addition, ANDRITZ offers technologies for the production of textile fibers from wood.

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

The Air Pollution Control sector focused its research and development activities on technologies to reduce emissions (particulate matter and gaseous pollutants) from industrial processes. In view of increasingly stringent emission regulations, ANDRITZ offers its customers various solutions to meet their individual requirements, including carbon capture technologies that enable new and existing plants to operate profitably and reduce their carbon footprint.

b) Metals

In the Metals business area, research focuses on the reduction of greenhouse gas emissions (mainly CO_2) from the plants supplied, on the avoidance of pollutants through regeneration concepts of end products from the process chains, and also on the catalytic conversion of gaseous pollutants such as NOx.

The CO_2 reduction is to be achieved by electrifying the plants (instead of operating with gas) and using hydrogen as an energy carrier. Furthermore, the further development of digital products helps customers to operate plants efficiently and thus as economically as possible. In addition, work is being done to continuously minimize the thermal losses of the plants through special lining concepts and energy recovery systems.

Among the most important innovation projects within the existing product portfolio is the "Green Steel CGL" (Continuous Galvanizing Line). The continuous galvanizing lines currently available on the market contain radiant tube heating that is operated with gas-fired radiant tubes and emits large quantities of CO_2. As a first step, the gas-fired jet pipes are to be replaced by electric jet pipes that can be powered by green electricity. This leads to a drastic reduction in local CO_2 emissions. Other advantages are elimination of NOx emissions, a 40% increase in efficiency, and a much simpler process as there are no more gas pipes. Many galvanizing lines also have a directly fired furnace section. The burners installed there are currently operated with fossil fuel as well. In a second stage, the fossil fuel is to be replaced by green hydrogen. By developing ANDRITZ hydrogen burners for the furnace section, CO_2 emissions can be reduced too. Furthermore, work is continuing on the development of hybrid systems that combine electric heating (using renewable energy sources) and gas heating (e.g. biogas or hydrogen) for pre-heating and heat treatment furnaces. This allows the customer to be provided with customized heating systems for each mode of operation.

The business area is also directing a large R&D focus towards electrolyzers for generating green hydrogen from renewable energy. This project was initially started as a start-up within the ANDRITZ GROUP and is now being continued and expanded as a separate division within the business area. Priority is given to the development of systems based on PEM (Proton Exchange Membrane) and AEL (Alkaline Electrolysis) technologies. Furthermore, the SOEL (Solid Oxide Electrolysis) technology for high-temperature electrolysis is being investigated.

In the hydrogen sector, work is continuing on welding and press technology to develop the mass production of fuel cells (used to generate energy from hydrogen) in order to power buses and trucks. ANDRITZ Soutec and the ANDRITZ affiliate Schuler have been part of a collaboration project to develop plant equipment for serial manufacture of fuel cells on a large scale. For the first process step in the production line, Schuler is supplying the metal forming equipment for stamping and cutting the bipolar plate halves. Thanks to the innovative transfer system “IntraTrans”, both bipolar plate halves – anode and cathode – can be produced at the same time with one press stroke. In the subsequent process stage, the bipolar plates undergo gas-tight precision welding by means of remote laser welding equipment. ANDRITZ Soutec developed SOUCELL for this purpose, the most productive laser welding system worldwide for modern manufacture of bipolar plates (BPP).

c) Hydro

As the world shifts to renewable energy sources, hydropower is becoming an increasingly important part of the energy mix. ANDRITZ's innovative HyBaTec battery storage solution enables hydropower plants to adapt quickly to changing grid conditions. By combining the advantages of hydropower and battery technology, this solution enables faster response and more flexible operation of power stations, making them a reliable and efficient source of renewable energy while significantly reducing mechanical stress.

Another research and development focus was on fish protection. ANDRITZ turbine design incorporates the latest findings for maximum reduction of negative impacts on fish passing through the running turbines. These findings are primarily based on two new techniques: computer-based simulations and experiments at the test rig. Field measurements of fish passage conditions in HPPs conducted in 2021-2022 have successfully validated our design predictions.

With the Metris DiOMera software platform, ANDRITZ offers a solution for further digitalization of hydropower plant operation and maintenance. It supports targeted maintenance work, taking into account the life cycle management of the power plant, in order to define the right scope and timing for maintenance and thus maximize the service life of the plant.

d) Separation

ANDRITZ Separation business area is focusing its R&D activities on sustainable separation solutions and technologies that help customers achieve their sustainability goals. Various products and process solutions were again successfully introduced to the market in the recording year.

With the development of Turbex, ANDRITZ provides an efficient extraction solution to produce high-quality extracts from botanicals and natural products. This enables customers to optimize their processes and even use waste streams such as orange peel or brewer’s spent grain (BSG) for revenue-generating nutrients. With up to 50% higher yield and requiring up to 30% less energy than conventional extraction methods, ANDRITZ Turbex has a faster return on investment and less environmental impact, because food waste is reduced.

The LiKOSET thickener presents a perfect solution for efficient clarification of liquids and recovery of slurry. Focus is on highly efficient and sustainable processing of lithium needed for the expansion of e-mobility as well as applications in the agricultural industry and for the chemical industry. The modular design enables a short delivery time and provides efficient start up time. The LiKOSET can be combined with the control system Metris addIQ ACE from ANDRITZ also to create a fully integrated automation solution that enables maximum operational efficiency.

Efficient operation and reduced downtimes are provided by the new ANDRITZ screen scroll centrifuge HX. It is designed for improved product quality and maintainability and can process bulk chemicals, minerals, agrochemicals, and food, even under difficult feeding conditions. The introduced features minimize production and maintenance costs and maximize uptime.

e) Automation

ANDRITZ Automation has been operating successfully in the plant automation sector for over 35 years. In the meantime, the digital solutions from ANDRITZ Digital Solutions – 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, very challenging start-ups of complex plants and machinery were completed successfully during the reporting year.

Work continued in 2022 on the development of solutions for future autonomous plant operation based on artificial intelligence. With the aid of these automated solutions, it is possible to optimize the raw material input, lower the related emissions accordingly and reduce any additional manual intervention needed to a corresponding minimum. A main focus lies here on helping customers in their efforts to make their production processes more sustainable. In addition, research work also concentrated on further developing digital twin technologies for online/offline simulation and on predicting future production scenarios.

OUTLOOK

Economic experts expect a weakening of the global economy in 2023. High prices – particularly for energy and raw materials – and rising interest rates are putting a strain on global economic growth, which is expected to slow down, especially in Europe and the USA.

Despite the difficult overall economic conditions, the outlook and expectations compared to the previous year remain largely unchanged for the ANDRITZ business areas in 2023. At the moment, ANDRITZ has no specific indications that the general conditions described above will have a significant negative impact in 2023 on project and investment activity by the markets and customers that ANDRITZ serves.

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

- Metals: In the Metals Forming (Schuler) sector, the slight increase in project and investment activity is expected to continue. Particularly in the area of e-mobility, the award of individual medium-sized and larger contracts is expected. In the Metals Processing sector, a solid market environment is anticipated in 2023.

- Hydro: In the Hydro business area, the favorable project and investment activity seen in the previous year is expected to continue. The worldwide initiative to promote renewable energy sources – for example lowering Europe's dependency on fossil fuels imported from Russia – and the increasing need to store large quantities of energy in order to balance out volatile peaks in demand should have a positive impact in the medium term. Individual medium- or large-scale orders may also be awarded selectively.

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

Due to the continued good business development and the high order intake in the past fiscal year, ANDRITZ currently expects to continue on its growth path in fiscal year 2023 and anticipates an increase in both revenue and earnings compared to 2022.

However, if the global economic weakening, that is forecasted by market researchers, for 2023 intensifies, this could have negative effects on processing of orders and on order intake, and hence, a negative impact on ANDRITZ's financial development. In particular, this could necessitate capacity adjustments, which would require financial provisions for all or individual business areas and could have a negative impact on the ANDRITZ GROUP's earnings.

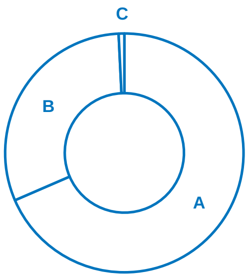
SHARES AND SHAREHOLDER STRUCTURE

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

The capital stock of ANDRITZ AG as of December 31, 2022, 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, a member of the ANDRITZ AG Supervisory Board, respectively. 30.72% belongs to Custos Vermögensverwaltungs GmbH and 0.77% to Cerberus Vermögensverwaltung GmbH. With a free float of around 68.5%, national and international institutional investors and private investors make up the majority of the shareholders. Most of the institutional investors come from the UK, Austria, and Germany, while the bulk of the private investors are from Austria and Germany.

Shareholder structure as of December 31, 2022 in %



A	Free float	68.51%	
B	Custos Vermögensverwaltungs GmbH	30.72%	Wolfgang Leitner Member of the Supervisory Board
C	Cerberus Vermögensverwaltung GmbH	0.77%	

At present, there is no authorized capital. The Annual General Meeting held on March 24, 2021, authorized the Executive Board to purchase treasury shares up to the maximum amount permitted by law for a period of 30 months as from April 1, 2021, and to cancel these company shares where appropriate with the approval of the Supervisory Board without having to consult the Annual General Meeting again beforehand. 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 December 2, 2021, the Executive Board and Supervisory Board of ANDRITZ AG adopted a resolution to make use once again of the authorization from the Annual General Meeting to buy back shares. Up to 1,000,000 ANDRITZ shares (equaling 0.96% of the share capital) were to be repurchased through the Vienna Stock Exchange between December 13, 2021, and February 6, 2022. On February 7, 2022, the Executive Board of ANDRITZ AG announced that the buy-back program had been concluded as planned as of February 6, 2022. 450,000 ANDRITZ shares (equal to 0.43% of the share capital) were repurchased between December 13, 2021 and February 6, 2022.

As far as is known to the company, there are no holders of shares with special controlling rights. 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" documents issued in June 2017, August 2018 and May 2019, all lenders are entitled to accelerate maturity of the amount corresponding to their contributions 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 for the event of a change of control. No such compensation agreements exist for the members of the Supervisory Board or any employees.

Graz, February 23, 2023

The Executive Board of ANDRITZ AG

Joachim Schönbeck President & CEO	Domenico Iacovelli	Humbert Köfler	Norbert Nettesheim CFO	Wolfgang Semper

Disclaimer:
Certain statements contained in the annual financial report 2022 and in the annual report 2022 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 2022 and the annual report 2022 contain assumptions and forecasts which were based on the information available up to the copy deadline on February 23, 2023. 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 2022 do arise, actual results may vary from the forecasts made in the annual financial report 2022 and the annual report 2022. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.

Consolidated financial statements 2022 of the ANDRITZ GROUP

CONSOLIDATED INCOME STATEMENT

FOR THE 2022 FINANCIAL YEAR

(in MEUR)	Chapter	2022	2021
Revenue	**9.**	**7,542.9**	**6,463.0**
Changes in inventories of finished goods and work in progress		61.7	65.3
Other own work capitalized		4.6	1.8
Other income	10.	139.3	123.1
Cost of materials	11.	-3,995.2	-3,381.0
Personnel expenses	12.	-1,986.8	-1,804.1
Other expenses	13.	-941.0	-749.8
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)		**825.5**	**718.3**
Depreciation, amortization, and impairment of property, plant, and equipment and intangible assets	14.	-242.6	-233.9
Impairment of goodwill	20.	-10.2	-4.8
Earnings Before Interest and Taxes (EBIT)		**572.7**	**479.6**
Result from investments accounted for using the equity method	6.	0.8	-3.7
Interest income		41.0	19.3
Interest expense		-32.3	-40.0
Other financial result		-41.3	-15.6
Financial result	**15.**	**-31.8**	**-40.0**
Earnings Before Taxes (EBT)		**540.9**	**439.6**
Income taxes	16.	-138.3	-117.9
NET INCOME		**402.6**	**321.7**
Net income attributable to owners of the parent		409.6	325.5
Net income allocated to non-controlling interests	33.	-7.0	-3.8
Basic earnings per no-par value share (in EUR)	17.	4.14	3.28
Diluted earnings per no-par value share (in EUR)	17.	4.13	3.27
Proposed or paid dividend per no-par value share (in EUR)	33.	2.10	1.65

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 2022 FINANCIAL YEAR

(in MEUR)	Chapter	2022	2021
NET INCOME		**402.6**	**321.7**
Remeasurement of defined benefit plans	22.	26.3	38.9
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	30.	-1.8	5.9
Other comprehensive income (after income taxes) that will not be reclassified to the income statement in subsequent periods		**24.5**	**44.8**
Currency translation of foreign operations		14.6	62.5
Cash flow hedges	34.	1.6	-15.4
Other comprehensive income (after income taxes) which can be reclassified to the income statement in subsequent periods		**16.2**	**47.1**
OTHER COMPREHENSIVE INCOME (AFTER INCOME TAXES)		**40.7**	**91.9**
TOTAL COMPREHENSIVE INCOME		**443.3**	**413.6**
Total comprehensive income attributable to owners of the parent		449.3	418.2
Total comprehensive income allocated to non-controlling interests		-6.0	-4.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2022

(in MEUR)	Chapter	2022	2021
ASSETS			
Property, plant, and equipment	18./19.	1,213.8	1,170.7
Goodwill	20.	787.0	778.3
Intangible assets other than goodwill	21.	160.1	190.9
Investments accounted for using the equity method	6.	13.7	12.9
Investments and other financial assets	31.	71.9	103.8
Other receivables and assets	25.	85.0	86.7
Deferred tax assets	16.	239.7	241.9
Non-current assets		**2,571.2**	**2,585.2**
Inventories	26.	1,135.5	905.0
Advance payments made	27.	219.9	152.6
Trade accounts receivable	24.	1,065.1	936.8
Contract assets	9.	1,047.5	935.0
Current tax assets		36.6	16.2
Investments	31.	728.9	670.7
Cash and cash equivalents	32.	1,302.0	1,087.0
Other receivables and assets	25.	380.1	373.3
Assets held for sale	37.	5.0	11.0
Current assets		**5,920.6**	**5,087.6**
TOTAL ASSETS		**8,491.8**	**7,672.8**
EQUITY AND LIABILITIES			
Share capital		104.0	104.0
Capital reserves		36.5	36.5
Retained earnings and other reserves		1,708.1	1,434.1
Equity attributable to owners of the parent		**1,848.6**	**1,574.6**
Non-controlling interests		-13.9	-7.3
Total equity	**33.**	**1,834.7**	**1,567.3**
Bank loans and other financial liabilities	36.	827.5	1,061.8
Lease liabilities	19.	162.6	185.6
Provisions for employee benefits	22.	312.4	413.6
Provisions	23.	185.4	120.1
Other liabilities	29.	28.6	22.7
Deferred tax liabilities	16.	121.3	123.9
Non-current liabilities		**1,637.8**	**1,927.7**
Bank loans and other financial liabilities	36.	253.4	74.9
Lease liabilities	19.	44.8	45.6
Trade accounts payable	28.	983.0	811.1
Contract liabilities from sales recognized over time	9.	1,547.5	1,094.1
Contract liabilities from sales recognized at a point in time	9.	400.5	366.5
Provisions	23.	460.5	544.3
Current tax liabilities		105.8	103.3
Other liabilities	29.	1,223.8	1,138.0
Current liabilities		**5,019.3**	**4,177.8**
TOTAL EQUITY AND LIABILITIES		**8,491.8**	**7,672.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 2022 FINANCIAL YEAR

(in MEUR)	Chapter	2022	2021
Net income		**402.6**	**321.7**
Income taxes		138.3	117.9
Interest result	15.	-8.7	20.7
Depreciation, amortization, and impairment of intangible assets, goodwill as well as property, plant, and equipment		252.8	238.7
Result from investments accounted for using the equity method	15.	-0.8	3.7
Gains/losses from disposal of fixed and financial assets		-34.5	-12.3
Other non-cash income/expenses		93.3	123.3
Change in net working capital	36.	151.1	16.0
Changes in provisions and other assets and liabilities		-131.3	-142.5
Interest received		32.6	17.9
Interest paid		-19.1	-36.3
Dividends received		1.7	1.2
Income taxes paid		-167.2	-140.4
CASH FLOW FROM OPERATING ACTIVITIES	**36.**	**710.8**	**529.6**
Payments made for property, plant, and equipment and intangible assets		-155.0	-110.3
Payments received for disposals of property, plant, and equipment and intangible assets		46.2	32.2
Payments made for non-current and current financial assets		-636.5	-579.8
Payments received for disposal of non-current and current financial assets		616.8	409.0
Payments made for investments accounted for using the equity method		0.0	-11.2
Net cash flow from company acquisitions	36.	-62.0	-30.5
CASH FLOW FROM INVESTING ACTIVITIES	**36.**	**-190.5**	**-290.6**
Payments received from bank loans and other financial liabilities	36.	28.2	70.4
Payments made for bank loans and other financial liabilities	36.	-90.3	-237.8
Payments made for the the redemption of lease liabilities	36.	-59.3	-48.5
Dividends paid	33.	-163.8	-100.3
Purchase of non-controlling interests and payments to former shareholders	36.	-0.1	-34.5
Purchase of treasury shares	33.	-16.0	-4.7
CASH FLOW FROM FINANCING ACTIVITIES	**36.**	**-301.3**	**-355.4**
CHANGES IN CASH AND CASH EQUIVALENTS		**219.0**	**-116.4**
Currency translation adjustments		-4.0	44.7
Changes in consolidation scope		0.2	0.4
Valuation allowance		-0.2	0.3
Cash and cash equivalents at the beginning of the period	32.	1,087.0	1,158.0
Cash and cash equivalents at the end of the period	32.	1,302.0	1,087.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 2022 FINANCIAL YEAR

									Attributable to owners of the parent	Non-controlling interests	Total equity
(in MEUR)	Chapter	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, 2021		**104.0**	**36.5**	**1,566.0**	**9.9**	**-106.0**	**-167.7**	**-185.1**	**1,257.6**	**-1.9**	**1,255.7**
Net income				325.5					325.5	-3.8	321.7
Other comprehensive income					-9.5	38.9	63.3		92.7	-0.8	91.9
Total comprehensive income				**325.5**	**-9.5**	**38.9**	**63.3**		**418.2**	**-4.6**	**413.6**
Dividends	33.			-99.3					-99.3	-1.1	-100.4
Change in treasury shares	33.							-3.1	-3.1		-3.1
Change from share option programs	33.			1.4					1.4		1.4
Changes in ownership interests, without loss of control				-0.2					-0.2		-0.2
Transfers and other changes				-0.9			0.9			0.3	0.3
BALANCE AS OF DECEMBER 31, 2021		**104.0**	**36.5**	**1,792.5**	**0.4**	**-67.1**	**-103.5**	**-188.2**	**1,574.6**	**-7.3**	**1,567.3**
BALANCE AS OF JANUARY 1, 2022		**104.0**	**36.5**	**1,792.5**	**0.4**	**-67.1**	**-103.5**	**-188.2**	**1,574.6**	**-7.3**	**1,567.3**
Net income				409.6					409.6	-7.0	402.6
Other comprehensive income					-0.2	26.3	13.6		39.7	1.0	40.7
Total comprehensive income				**409.6**	**-0.2**	**26.3**	**13.6**		**449.3**	**-6.0**	**443.3**
Dividends	33.			-163.1					-163.1	-0.6	-163.7
Change in treasury shares	33.			-0.2				-13.7	-13.9		-13.9
Change from share option programs	33.			-2.0					-2.0		-2.0
Hyperinflation	38.			3.7					3.7		3.7
Transfers and other changes				-0.5		0.8	-0.3		0.0		0.0
BALANCE AS OF DECEMBER 31, 2022		**104.0**	**36.5**	**2,040.0**	**0.2**	**-40.0**	**-90.2**	**-201.9**	**1,848.6**	**-13.9**	**1,834.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

A — General information and legal bases

B — Information on the structure of ANDRITZ

C — Result of the year

D — Non-current assets and liabilities

E — Net working capital

F — Financial and capital structure, financial instruments, and risk management

G — Other information

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 operating segments: Pulp & Paper, Metals, Hydro, and Separation.

The consolidated financial statements are prepared under the responsibility of the Executive Board of ANDRITZ AG and are acknowledged by the Supervisory Board and the Annual General Meeting. On February 23, 2023, the Executive Board approved the consolidated financial statements for the year ending on December 31, 2022.

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

2. Accounting principles

The financial statements were prepared in accordance with all International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union, whose application have been mandatory for 2022. All interpretations published by the IFRS Interpretations Committee (IFRS IC), which also have to be observed for 2022, 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 IFRS IC for the financial year beginning on January 1, 2022:

Standard/Interpretation	Title	Effective for annual financial statements for periods beginning on or after	Endorsement by EU
IAS 16	Amendment: Property, plant, and equipment – Proceeds before intended use	January 1, 2022	June 28, 2021
IAS 37	Amendment: Onerous contracts – Costs of fulfilling a contract	January 1, 2022	June 28, 2021
IFRS 3	Amendment: Reference to the framework	January 1, 2022	June 28, 2021
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvements to IFRS (Cycle 2018-2020)	January 1, 2022	June 28, 2021

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, except for costs for test runs.

The amendment to **IAS 37** stipulates that the costs of contract performance are made up of the costs that relate directly to the contract. This includes additional costs for the performance of this contract and allocations of other costs that are directly related to the performance of contracts.

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.

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

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

The International Accounting Standards Board (IASB) is working on numerous projects that will only have an impact on business years from 2023 onwards. ANDRITZ has not adopted the following accounting pronouncements that have been issued by the IASB, but are not yet effective:

Standard/Interpretation	Title	Effective for annual financial statements for periods beginning on or after	Endorsement by EU
IAS 8	Amendment: Definition of accounting estimates	January 1, 2023	March 2, 2022
IAS 1	Amendment: Disclosure of accounting policies	January 1, 2023	March 2, 2022
IAS 12	Amendment: Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	August 11, 2022
IFRS 17	Insurance contracts incl. amendments of IFRS 17	January 1, 2023	September 8, 2022
IAS 1	Amendment: Classification of liabilities as current or non-current	January 1, 2024	open
IFRS 16	Amendment: Subsequent measurement of leases as part of a sale-and-lease-back	January 1, 2024	open

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

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

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

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

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

The amendment to **IFRS 16** contains requirements for the subsequent measurement of leases as part of a sale-and-lease-back for seller-lessees. Subsequent measurement of lease liabilities will be standardized to prevent inappropriate profit realization.

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

3. Accounting policies and use of discretionary judgments and estimates

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

a) Accounting policies

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

ACCOUNTING POLICIES

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

Consolidation principles

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

Currency translation

The consolidated financial statements are compiled in euros.

Foreign currency transactions

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

Foreign subsidiaries

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

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

In number of units per 1 EUR		Rate at reporting date		Average rate for year	
Currency		December 31, 2022	December 31, 2021	2022	2021
BRL	Brazilian real	5.64	6.31	5.44	6.38
CAD	Canadian dollar	1.44	1.44	1.37	1.48
CHF	Swiss franc	0.98	1.03	1.00	1.08
CNY	Chinese renminbi yuan	7.36	7.19	7.08	7.63
DKK	Danish kroner	7.44	7.44	7.44	7.44
GBP	British pound	0.89	0.84	0.85	0.86
INR	Indian rupee	88.17	84.23	82.69	87.44
SEK	Swedish kronor	11.12	10.25	10.63	10.15
USD	US dollar	1.07	1.13	1.05	1.18

b) Use of discretionary judgments and estimates

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

ANDRITZ addresses climate-related risks in the respective chapters.

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

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

B) INFORMATION ON THE STRUCTURE OF ANDRITZ

4. Consolidation scope

ACCOUNTING POLICIES

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

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

The consolidation scope has changed as follows:

	2022		2021	
	Full consolidation	Equity method	Full consolidation	Equity method
Balance as of January 1	**165**	**4**	**176**	**4**
Acquisitions of companies	9		3	
New foundations	1		1	
Changes in consolidation type	-2		-1	
Mergers and liquidations	-5		-14	
Balance as of December 31	**168**	**4**	**165**	**4**
Thereof attributable to:				
Domestic companies	7	0	7	0
Foreign companies	161	4	158	4

Due to quantitative and qualitative considerations, 48 companies (2021: 43) controlled by ANDRITZ were not consolidated and 7 associated companies (2021: 7) were not accounted for at-equity, respectively.

Changes in consolidation type

In the financial year 2022, ANDRITZ no longer consolidated the following companies because of non-fulfillment of the materiality criteria or because of a loss of control:

- ANDRITZ Pumps Germany GmbH, Germany
- ANDRITZ HYDRO SAS, France

The disposal of these subsidiaries resulted in a loss of 0.4 MEUR in 2022.

In the comparison period, ANDRITZ no longer consolidated ANDRITZ HYDRO S.L., Spain, and ANDRITZ HYDRO Ltda, Colombia. The disposal of these subsidiaries resulted in a loss of 0.9 MEUR.

In the comparison period, ANDRITZ Sdn. Bhd., Malaysia, was newly included in the consolidation scope.

Read more in chapter 43. Group companies.

5. Acquisitions

ACCOUNTING POLICIES

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

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

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

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

a) Bonetti Group

ANDRITZ has signed an agreement to acquire the Bonetti Group, headquartered in Milan, Italy. The closing of the transaction took place in June 2022. Bonetti is a global manufacturer and supplier of doctor, creping, and coater blades, as well as blade holders, and also provides services for paper machines. This acquisition extends and strengthens ANDRITZ's aftermarket business and supplements the company's current Paper Machine Service portfolio (Pulp & Paper operating segment). The company, with around 150 employees, has annual revenue of approximately 25 MEUR and operates five production facilities, thereof two in Italy and one each in the USA, Germany, and Canada. As a result of this acquisition, six fully consolidated companies entered the consolidation scope of ANDRITZ.

b) J. Parpala Oy

ANDRITZ has signed an agreement to acquire J. Parpala Oy, Finland. The closing of the transaction took place in August 2022. J. Parpala Oy is a player in the maintenance and repair flue gas cleaning systems for industrial production and power generation plants. Due to the insignificance of this acquisition, no fully consolidated companies were included in the ANDRITZ scope of consolidation.

c) Sovema Group

The Schuler subgroup, which is part of the ANDRITZ GROUP, has signed an agreement to acquire Sovema, a group headquartered in Villafranca di Verona, Italy. The closing of the transaction took place in September 2022. Sovema is one of the leading international suppliers of equipment for the production of top-quality battery cells. The company made a name for itself in the automotive sector as well as other industries by building appropriate machines for pilot and laboratory projects, accounting some of the most prominent battery manufactureres worldwide in its customer portfolio. Furthermore, Sovema is the worldwide-only supplier of automated turnkey plants for the mass prduction of lead-acid batteries. The company, with around 170 employees has annual revenue of approximately 50 MEUR and operates subsidiaries in the USA and China. The acquisition expands the existing product range in the Metals operating segment. As a result of this acquisition, two fully consolidated companies entered the consolidation scope of ANDRITZ.

d) Đuro Đaković

ANDRITZ has signed an agreement to acquire Đuro Đaković termoenergetska postrojenja d.o.o., Croatia. The closing of the transaction took place in October 2022. The company focuses on designing and manufacturing boiler facilities, energy islands, and power stations that process biomass and waste on grate technology. In the Sector of renewable energy, Đuro Đaković manufactures and delivers complete power stations on a "turn-key" basis with a power output larger than 2 MWel, producing electricity and heat energy from renewable biomass sources. The acquisition will further expand the product range in the Pulp & Paper operating segment. The company, with 870 employees, generates an annual revenue of approximately 60 MEUR at its two locations in Slavonski Brod and Lužani (both in Croatia). One fully consolidated company was inlcuded in the consolidation scope of ANDRITZ.

e) Preliminary fair values at the acquisition date

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

(in MEUR)	Pulp & Paper	Metals	Total
Intangible assets other than goodwill	19.3	7.7	27.0
Property, plant, and equipment	29.0	13.8	42.8
Deferred tax assets	0.0	0.5	0.5
Inventories	11.8	20.3	32.1
Advance payments made	7.5	0.4	7.9
Trade accounts receivable	8.4	7.4	15.8
Contract assets	35.3	0.0	35.3
Cash and cash equivalents	16.0	18.4	34.4
Current tax assets	0.7	0.5	1.2
Other receivables and assets	8.4	2.9	11.3
Deferred tax liabilities	-4.7	0.0	-4.7
Bank loans and other financial liabilities	-2.8	-4.5	-7.3
Provisions	-19.7	-3.4	-23.1
Trade accounts payable	-12.7	-7.2	-19.9
Contract liabilities from sales recognized over time	-34.6	0.0	-34.6
Contract liabilities from sales recognized at a point in time	-0.1	-10.2	-10.3
Current tax liabilities	-0.2	-1.1	-1.3
Other liabilities	-18.4	-6.3	-24.7
Net assets	**43.2**	**39.2**	**82.4**
Total comprehensive income allocated to non-controlling interests	0.0	0.0	0.0
Goodwill	11.1	1.5	12.6
CONSIDERATION TRANSFERRED	**54.3**	**40.7**	**95.0**

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

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

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

The acquisitions have contributed 28.1 MEUR to the ANDRITZ GROUP’s revenue and -2.5 MEUR to the ANDRITZ GROUP’s EBIT since their first-time consolidation. If the businesses had been acquired at the beginning of the financial year 2022, they would have contributed 143.8 MEUR to the ANDRITZ GROUP’s revenue and 0.0 MEUR to the ANDRITZ GROUP’s EBIT.

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

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

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

Climate-related risks and opportunities were considered in determining the fair value of the acquired intangible assets and property, plant, and equipment, the liabilities assumed at the time of acquisition, and the useful life of the acquired assets and property, plant, and equipment based on the best estimate of future developments according to relevance. Opportunities and risks of environmental issues in acquisitions are already addressed in the purchase process as part of the due diligence. The due diligence performed for Laroche acquisition in 2021 resulted in a deferral of the purchase price of 20% until the 2023 financial year.

6. Investments accounted for using the equity method

ACCOUNTING POLICIES

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

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

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

Company	Main office	Operating segment	Category	2022	2021
Enmas ANDRITZ Pvt. Ltd.	Chennai, India	PP	Associated company	40.00%	40.00%
VA Brazil Oy	Espoo, 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	Halle (Saale), Germany	ME	Joint venture	50.00%	50.00%

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

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

(in MEUR)		2022		2021
	Associated companies	Joint ventures	Associated companies	Joint ventures
DISCLOSURES ON THE FINANCIAL POSITION				
Non-current assets	5.3	133.6	5.3	136.3
Current assets	4.5	25.5	5.5	7.5
thereof cash and cash equivalents	0.2	6.9	0.3	2.1
Assets	**9.8**	**159.1**	**10.8**	**143.8**
Non-current liabilities	0.0	119.5	0.0	.5
Current liabilities	4.5	16.4	5.1	16.3
Liabilities	**4.5**	**135.9**	**5.1**	**121.8**
DISCLOSURES ON THE INCOME STATEMENT				
Revenue	4.9	48.2	5.5	15.9
Depreciation, amortization, and impairment of property, plant, and equipment and intangible assets	-0.2	-5.2	-0.1	-2.6
Interest result	0.0	-2.1	0.0	-1.1
Result for the year	-0.6	1.3	2.8	-9.1

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

(in MEUR)			2022			2021
	Associated companies	Joint ventures	Total	Associated companies	Joint ventures	Total
Share of net income	-0.1	0.6	0.5	0.7	-4.5	-3.8
Share of other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Share of total comprehensive income	**-0.1**	**0.6**	**0.5**	**0.7**	**-4.5**	**-3.8**
thereof not recognized in the consolidated financial statements	0.0	0.0	0.0	0.0	0.0	0.0
thereof recognized in the consolidated financial statements	**-0.1**	**0.6**	**0.5**	**0.7**	**-4.5**	**-3.8**
Elimination of interim profit	0.0	0.3	0.3	0.0	0.1	0.1
Result from investments accounted for using the equity method	**-0.1**	**0.9**	**0.8**	**0.7**	**-4.4**	**-3.7**
Aggregate carrying amount of the shares in companies accounted for using the equity method	**5.2**	**8.5**	**13.7**	**5.4**	**7.5**	**12.9**

Non-recognized losses of the financial year amount to 0.0 MEUR (2021: 0.0 MEUR). The cumulative unrecognized losses amount to -1.0 MEUR (2021: -1.0 MEUR). They belong entirely to Enmas ANDRITZ Pvt. Ltd. A loan from a company accounted for using the equity method is guaranteed in the amount of 59.7 MEUR (2021: 59.9 MEUR). In the current year, the two shareholders of the joint venture did not make any contributions to equity (2021: contribution of 11.2 MEUR each).

7. Related parties

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

a) Related entities

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

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

(in MEUR)	2022	2021
REVENUE AND OTHER INCOME	**31.0**	**26.5**
with non-consolidated companies	29.7	16.0
with associated companies and joint ventures	1.3	10.5
EXPENSES	**-37.6**	**-22.1**
with non-consolidated companies	-35.2	-19.6
with associated companies and joint ventures	-2.4	-2.5
TRADE AND OTHER RECEIVABLES	**19.7**	**20.2**
from non-consolidated companies	**18.9**	**18.4**
Gross amount	57.2	30.5
Valuation allowance	-38.3	-12.1
from associated companies and joint ventures	**0.8**	**1.8**
Gross amount	1.2	2.2
Valuation allowance	-0.4	-0.4
LIABILITIES	**11.1**	**9.8**
to non-consolidated companies	11.0	9.8
to associated companies and joint ventures	0.1	0.0

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

—— **Read more details in chapter 6.** Investments accounted for using the equity method.

b) Related persons

Business relationships with companies in which members of the Executive Board or the Supervisory Board of ANDRITZ AG work are conducted at arm's length terms and are of minor importance, both individually and collectively.

Executive Board

The Executive Board of ANDRITZ AG was composed of five members as of December 31, 2022:

Name	Function	Date of first appointment	End of current mandate
Joachim Schönbeck	President & CEO	October 1, 2014 (Member of Executive Board) April 8, 2022 (President & CEO)	April 7, 2027
Humbert Köfler	Member of the Executive Board	April 1, 2007	March 31, 2025
Norbert Nettesheim	Chief Financial Officer	December 6, 2019	September 30, 2027
Domenico Iacovelli	Member of the Executive Board	April 8, 2022	April 7, 2027
Wolfgang Semper	Member of the Executive Board	April 1, 2011	March 31, 2023

Wolfgang Leitner, who acted as CFO as of October 1, 1987, and as President and CEO of ANDRITZ AG as of June 29, 1994, stepped down from the Executive Board on April 7, 2022, and was elected as member of the Supervisory Board by the Annual General Meeting. Joachim Schönbeck, who acted as member of the Executive Board as of October 1, 2014, was appointed as Wolfgang Leitner's successor in the function of President and CEO by the Supervisory Board as of April 8, 2022. Furthermore, Domenico Iacovelli was appointed to the Executive Board as of April 8, 2022.

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

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

The other remunerations primarily relate to taxable benefits, mainly for company cars and travel expenses, which amount in 2022 to a total of 157 TEUR (2021: 63 TEUR). In addition, ANDRITZ makes insurance contributions for the risk of accidents such as death or disability and for medical expenses. If necessary, ANDRITZ also assumes the costs of keeping two households for up to one year at the start of employment. In the 2022 financial year, the other remuneration components granted amounted to 634 TEUR (2021: 520 TEUR). No advances or loans were granted to members of the ANDRITZ AG Executive Board.

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

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

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

The following expenses have been recognized for the Executive Board:

(in TEUR)	2022	2021
Short-term benefits	16,986	12,522
Post-employment benefits	634	521
Share-based payments	611	334
	18,231	**13,377**

In 2022 a provision of 6,728 TEUR (2021: 5,392 TEUR) was recorded for pensions of former members of the Executive Board and their dependents. Expenses for these pensions amounted to 84 TEUR in 2022 (2021: 89 TEUR). In 2022, 466 TEUR (2021: 423 TEUR) were paid to former members of the Executive Board and their surviving dependents.

ANDRITZ AG took out Directors' and Officers' liability insurance (D&O insurance) for 2022. 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 700 TEUR (2021: approximately 560 TEUR).

Joachim Schönbeck, Wolfgang Leitner, and Norbert Nettesheim waived their remunerations in their function as members of the Supervisory Board of Schuler Group GmbH.

Supervisory Board

The ANDRITZ AG Supervisory Board was composed of six appointed members and three delegated members by the employee representative organizations as of December 31, 2022:

Name	Function	Date of first appointment	End of current mandate
APPOINTED MEMBERS			
Alexander Leeb	Chairman of the Supervisory Board	March 27, 2019	Until the Annual General Meeting in 2024
Wolfgang Leitner	Deputy-Chairman of the Supervisory Board	April 7, 2022	Until the Annual General Meeting in 2026
Wolfgang Bernhard	Member of the Supervisory Board	July 7, 2020	Until the Annual General Meeting in 2025
Jürgen Hermann Fechter	Member of the Supervisory Board	March 30, 2016	Until the Annual General Meeting in 2026
Alexander Isola	Member of the Supervisory Board	March 30, 2016	Until the Annual General Meeting in 2026
Monika Kircher	Member of the Supervisory Board	March 21, 2014	Until the Annual General Meeting in 2024
DELEGATED MEMBERS			
Georg Auer	Member of the Supervisory Board	July 1, 2011	
Andreas Martiner	Member of the Supervisory Board	February 14, 2001	
Alexander Mori	Member of the Supervisory Board	June 30, 2021	

The remuneration scheme of the Supervisory Board is composed of a fixed and an attendance-related portion. The fixed portion is a total sum, which is to be distributed such that the chairman of the Supervisory Board receives double the amount and his deputy one-and-a-half-times the amount paid to the other members. The second portion consists of a lump sum fee paid in respect of each meeting that the member attends. Subject to approval by the Annual General Meeting, the Supervisory Board remunerations for the 2022 business year amount to a total of 328 TEUR (2021: 315 TEUR). No Supervisory Board remuneration was paid to the Supervisory Board members delegated by the employee representative organizations.

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.

In 2022, Custos Vermögensverwaltungs GmbH owns 30.72% and Cerberus Vermögensverwaltung GmbH owns 0.77%. The shares in these companies are held directly and some indirectly by Custos Privatstiftung and by Wolfgang Leitner, deputy chairmen of the Supervisory Board of ANDRITZ AG, respectively. A company controlled by Wolfgang Leitner has ceded operation of a corporate jet aircraft owned by the company to a professional private aviation firm. The related expenses for business trips amounted to 647 TEUR in 2022 (2021: 304 TEUR). As of December 31, 2022, a liability to this company amounting to 26 TEUR (2021: 0 TEUR) was recognized in this regard. Wolfgang Leitner waived his remuneration as member of the Schuler Group GmbH Supervisory Board.

The law firm GRAF ISOLA Rechtsanwälte GmbH, in which the Supervisory Board member Alexander Isola acts as a partner, provided consultancy services as a legal advisor to ANDRITZ AG in 2022. These mandates were settled at the respective applicable hourly rates of the law firm. The total volume of fees incurred in 2022 amounted to 21 TEUR (2021: 0 TEUR).

Until June 2022 the former chairman of the Supervisory Board, Christian Nowotny, was also a member of the Schuler Group GmbH Supervisory Board and received a remuneration amounting to 11 TEUR as well as attendance fees in the amount of 7 TEUR for the 2022 business year (2021: 25 TEUR as well as attendance fees in the amount of 14 TEUR).

C) RESULT OF THE YEAR

8. Segment reporting

a) Operating segments

For management purposes, the Group is divided into four operating segments on a worldwide basis:

ANDRITZ Pulp & Paper (PP)

ANDRITZ Pulp & Paper provides sustainable technology, automation, and service solutions for the production of all types of pulp, paper, board, and tissue. The technologies and services focus on maximum utilization of raw materials, increased production efficiency, lower overall operating costs as well as innovative decarbonization strategies and autonomous plant operation. Boilers for power generation, flue gas cleaning systems, various nonwoven technologies, panelboard (MDF) production systems, as well as recycling and shredding solutions for numerous waste materials also form a part of this operating segment. 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 sector, the operating segment 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 in the dynamically growing global market for renewable energies. With over 180 years of experience and an installed capacity of more than 470 GW output worldwide, the operating segment provides complete solutions for new and existing hydropower plants of all sizes. The services offered range from plant diagnosis, refurbishment, modernization, and upgrade of entire hydropower plants. Pumps for irrigation, water supply and flood control as well as turbo generators are also part of this operating segment's portfolio.

ANDRITZ Separation (SE)

ANDRITZ Separation provides mechanical and thermal technologies as well as services and the related automation solutions for solid/liquid separation, serving the chemical, environmental, food, and the mining and minerals industries. The customized, innovative customer 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 operating segment offers technologies and services to produce animal feed and biomass pellets.

These strategic operating segments 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 operating segment Separation also contains the Feed & Biofuel operating segment for which the Executive Board obtains a separate reporting. As the thresholds of the Feed & Biofuel operating segment are below the limits, both operating segments are condensed to one reportable segment. According to the internal reporting structure, all revenue as well as all direct and indirect expenses (including overhead and administrative costs) are allocated to operating segments and reflect the management structure of the organization and the predominant sources of risks and opportunities. The key measure of operating performance 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 operating segment.

Information by operating segment

2022

(in MEUR)	PP	ME	HY	SE	Total
Revenue	3,591.1	1,621.2	1,539.0	791.6	7,542.9
EBITDA	471.0	100.9	156.0	97.6	825.5
EBITA	387.8	62.3	114.7	83.7	648.5
Capital expenditure	105.5	31.8	29.7	17.4	184.4
Depreciation, amortization, and impairment of property, plant, and equipment and intangible assets	123.6	63.5	41.5	14.0	242.6
Result from investments accounted for using the equity method	0.0	0.9	-0.1	0.0	0.8
Carrying amount of investments accounted for using the equity method	0.0	8.5	5.2	0.0	13.7

2021

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

b) Geographical areas

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

Information by geographical areas

2022

(in MEUR)	Europe	North America	South America	China	Asia (without China)	Rest of the world and consoli-dation	Total
External revenue	2,225.0	1,771.7	1,135.5	872.3	1,261.6	276.8	7,542.9
Non-current assets	847.9	248.4	119.7	201.3	34.5	794.1	2,245.9
Capital expenditure	85.3	23.7	18.6	45.7	8.6	2.5	184.4

2021

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

External revenue in Europe includes an amount of 154.2 MEUR (2021: 129.1 MEUR) recognized in Austria. Non-current assets of 318.7 MEUR (2021: 316.9 MEUR) are located in Austria.

c) Key customers

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

9. Revenue

ACCOUNTING POLICIES

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

The majority of revenues at ANDRITZ are recognized **over time**. Revenue is recognized over time in accordance with performance progress using input- or output-oriented methods. Orders 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 order margins are recorded relative to the ratio of accumulated costs to the estimated total costs to complete. Changes of the total estimated order 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 order is included in the estimated order costs. For expected costs of warranty, provisions are recorded in accordance with the profit realization. Upon completion of an order, the remaining warranty risk is reassessed.

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

Impending losses are recorded when it is probable that the total project costs will exceed the revenue.

Contract balances

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

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

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

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

—— **Read more in chapter 8.** Segment reporting.

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

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

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

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

In the financial year 2022, there were no significant financing components.

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

b) Disaggregation of revenue

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

	Pulp & Paper		Metals		Hydro		Separation		Total	
(in MEUR)	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
REGIONS										
Europe	1,051.6	959.1	538.1	558.1	398.9	409.9	236.4	209.2	2,225.0	2,136.3
North America	673.7	515.6	506.0	338.7	379.7	276.1	212.3	178.3	1,771.7	1,308.7
South America	936.7	685.4	17.4	29.6	93.1	84.4	88.3	68.3	1,135.5	867.7
Asia (without China)	490.9	364.8	333.3	86.0	331.1	261.1	106.3	91.6	1,261.6	803.5
China	360.6	476.6	215.4	339.4	193.5	151.2	102.8	104.1	872.3	1,071.3
Others	77.6	69.1	11.0	14.3	142.7	162.4	45.5	29.7	276.8	275.5
	3,591.1	**3,070.6**	**1,621.2**	**1,366.1**	**1,539.0**	**1,345.1**	**791.6**	**681.2**	**7,542.9**	**6,463.0**
TYPE OF REVENUE RECOGNITION										
Over time	2,106.4	1,807.2	1,012.4	844.0	1,239.3	1,067.9	291.5	235.2	4,649.6	3,954.3
At a point in time	1,484.7	1,263.4	608.8	522.1	299.7	277.2	500.1	446.0	2,893.3	2,508.7
	3,591.1	**3,070.6**	**1,621.2**	**1,366.1**	**1,539.0**	**1,345.1**	**791.6**	**681.2**	**7,542.9**	**6,463.0**
REVENUE CATEGORIES										
Capital systems	1,967.2	1,688.7	1,212.5	1,018.0	954.3	803.6	410.1	344.7	4,544.1	3,855.0
Service	1,623.9	1,381.9	408.7	348.1	584.7	541.5	381.5	336.5	2,998.8	2,608.0
	3,591.1	**3,070.6**	**1,621.2**	**1,366.1**	**1,539.0**	**1,345.1**	**791.6**	**681.2**	**7,542.9**	**6,463.0**

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 2022, cumulative impairment on contract assets was increased by 0.1 MEUR (2021: Reduction of impairment by 1.7 MEUR). Due to acquisitions, contract assets increased by 35.3 MEUR (2021: 0.0 MEUR). Amounts originally presented as contract assets are reclassified to trade accounts receivable at the time when rights become unconditional. This usually happens when the invoices are issued to the customer.

If advance payments received from customer contracts with revenue recognition over time exceed the performance progress, contract liabilities from sales recognized over time are recorded. Revenue recognized in the reporting period that was included in the contract liabilities from sales recognized over time at the beginning of the period amounted to 779.4 MEUR (2021: 696.2 MEUR). Due to acquisitions, contract liabilities increased by 34.6 MEUR (2021: 0.0 MEUR).

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

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

d) Transaction price assigned to the remaining performance obligations

The following overview shows the order backlog as of December 31, 2022 with expected revenue recognition in the following periods:

(in MEUR)	2023	2024 and later	Total
Pulp & Paper	3,143.5	1,104.9	4,248.4
Metals	1,423.1	515.0	1,938.1
Hydro	1,346.6	1,818.9	3,165.5
Separation	557.8	66.7	624.5
	6,471.0	**3,505.5**	**9,976.5**

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 11.2 MEUR as of December 31, 2022 (2021: 9.8 MEUR). According to the performance progress, 5.9 MEUR were amortized in the financial year 2022 (2021: 8.8 MEUR). In the fiscal year, no significant impairment losses were recorded.

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

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

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

10. Other income

ACCOUNTING POLICIES

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

(in MEUR)	2022	2021
Government grants	36.1	30.3
Profit on disposal of intangible assets and property, plant, and equipment	35.6	15.3
Income from scrap material	12.4	8.7
Rental income	10.6	10.1
Insurance income	4.4	5.5
Exchange rate gains	0.0	7.8
Miscellaneous	40.2	45.4
	139.3	**123.1**

Miscellaneous other income includes, among other things, 6.7 MEUR from the reversal of impairment on trade accounts receivable.

11. Cost of materials

(in MEUR)	2022	2021
Expenses for raw materials, supplies, and goods purchased	3,198.5	2,689.3
Expenses for services purchased	796.7	691.7
	3,995.2	**3,381.0**

12. Personnel expenses

(in MEUR)	2022	2021
Wages and salaries	1,610.3	1,465.5
Expenses for social security and others	310.4	283.4
Pension expenses	54.7	49.5
Severance expenses	6.6	6.6
Termination expenses	4.8	-0.9
	1,986.8	**1,804.1**

Government grants for personnel cost of 0.7 MEUR (2021: 8.2 MEUR) were recorded as a reduction of expenses.

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

(headcount)	2022	2021
Waged employees	11,309	10,234
Salaried employees	17,785	16,570
EMPLOYEES (AS OF END OF PERIOD; WITHOUT APPRENTICES)	**29,094**	**26,804**
Waged employees	10,664	10,286
Salaried employees	17,044	16,546
EMPLOYEES (AVERAGE; WITHOUT APPRENTICES)	**27,708**	**26,832**

13. Other expenses

(in MEUR)	2022	2021
Sales expenses	243.4	201.9
Administrative and consulting expenses	140.3	128.6
Travel expenses	131.8	93.3
Repairs and maintenance	125.8	108.4
Expenses for energy and water	62.9	47.4
Insurance premiums and charges	49.1	42.1
Bank charges, guarantees, and similar expenses	34.7	23.0
Rents and lease expenses	32.5	28.5
Other taxes and charges	28.7	24.2
Exchange rate losses	5.8	0.0
Expenses for valuation allowance and bad debt losses for receivables	4.0	5.3
Miscellaneous	82.0	47.1
	941.0	**749.8**

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

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

(in MEUR)	2022	2021
Property, plant, and equipment		
Depreciation	163.5	159.9
Impairment losses	7.1	5.1
Intangible assets other than goodwill		
Amortization	72.0	68.8
Impairment losses	0.0	0.1
	242.6	**233.9**

The main impairment losses on property, plant, and equipment were recognized for buildings and technical equipment in Austria. These impairment losses on property, plant, and equipment were mainly recorded in the Pulp & Paper operating segment.

15. Financial result

The financial result comprises the following:

(in MEUR)	2022	2021
Result from investments accounted for using the equity method	0.8	-3.7
Interest income	41.0	19.3
Interest expense	-32.3	-40.0
Other financial result	-41.3	-15.6
	-31.8	**-40.0**

From obligations for pensions, severance payments, and other long-term employee benefits as well es return on plan assets +4.1 MEUR interest income (2021: -3.8 MEUR interest expense) is included in interest expense as well as interest expense on leases of -4.3 MEUR (2021: -4.5 MEUR).

The item “Other financial result” includes exchange rate gains and losses on loans and cash accounts of -21.1 MEUR (2021: -8.8 MEUR), valuation effects on securities of -8.6 MEUR (2021: -0.5 MEUR), as well as the gain or loss on the net monetary position from hyperinflation of -6.7 MEUR (2021: 0.0 MEUR).

16. Income taxes

ACCOUNTING POLICIES

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

Deferred taxes are recognized for 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.

On January 20, 2022, the eco-social tax reform was passed in the third reading in the plenum of the National Council, which, among other things, provides for a gradual reduction in the corporate income tax rate in Austria from 25% to 24% in 2023 and finally to 23% in 2024. These changes in the corporate tax rate have already been considered in the calculation of deferred taxes.

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 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, two fiscal unities between selected affiliated companies availing of profit and loss absorption agreements exist in Germany. In addition, comparable tax groups exist in the USA, United Kingdom, France, Italy, and the Netherlands.

(in MEUR)	2022	2021
Current taxes	-153.9	-177.0
Deferred taxes	15.6	59.1
	-138.3	**-117.9**

The reconciliation of the calculated income tax expense to the effective tax expense is depicted below. The calculated tax expense in the amount of 135.2 MEUR is determined by multiplying the Earnings Before Taxes in the amount of 540.9 MEUR by the applicable tax rate of 25% for ANDRITZ AG:

(in MEUR)	2022	2021
Earnings Before Taxes (EBT)	540.9	439.6
Calculated tax expense (25% in 2022 and 25% in 2021)	-135.2	-110.0
Increase (-)/Decrease (+) of tax expense by:		
Non-tax-deductible expenses	-19.4	-24.9
Tax allowances and tax-exempted income	6.9	6.5
Foreign tax rate differential arising from foreign fiscal jurisdictions	16.5	20.1
Effects of changes in tax rates	-0.3	-2.1
Taxes for prior years	-7.7	-2.7
Change in valuation allowance; non-recognition of deferred tax assets	25.6	15.8
Non-deductible impairment of goodwill	-2.6	-1.2
Non-allowable withholding taxes; foreign operating site taxes	-18.4	-18.6
Others	-3.7	-0.8
Effective tax expense	**-138.3**	**-117.9**
in % of EBT	-25.6%	-26.8%

The nominal income tax rates applicable for subsidiaries abroad are between 9.0% and 34.0% (2021: 9.0% and 34.0%) in the financial year.

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

(in MEUR)	2022	2021
Deferred tax assets	241.9	207.7
Deferred tax liabilities	-123.9	-145.0
Balance as of January 1	**118.0**	**62.7**
Deferred taxes recognized in income statement	15.6	59.1
Deferred taxes recognized in other comprehensive income	-13.9	-3.4
Changes in consolidation scope	-4.2	-4.1
Currency translation adjustments	2.9	3.7
Balance as of December 31	**118.4**	**118.0**
Thereof:		
Deferred tax assets	239.7	241.9
Deferred tax liabilities	-121.3	-123.9

The following deferred tax assets and liabilities are the result of the 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:

	2022		2021	
	Deferred taxes		Deferred taxes	
(in MEUR)	Assets	Liabilities	Assets	Liabilities
Intangible assets other than goodwill	8.7	-36.1	6.5	-41.1
Property, plant, and equipment	5.2	-77.4	9.9	-81.2
Financial assets	8.3	-1.5	10.6	-4.2
Inventories	84.3	-8.0	243.2	-8.0
Receivables and other assets	89.5	-207.5	62.4	-278.9
	196.0	**-330.5**	**332.6**	**-413.4**
Provisions	100.0	-17.4	139.2	-38.6
Liabilities	176.8	-84.8	196.3	-136.5
	276.8	**-102.2**	**335.5**	**-175.1**
Tax loss carry forwards and other deductible expenses to be carried forward	192.1	0.0	191.1	0.0
Deferred taxes before non-recognition and netting	**664.9**	**-432.7**	**859.2**	**-588.5**
Non-recognized deferred tax assets	-113.8	0.0	-152.7	0.0
	551.1	**-432.7**	**706.5**	**-588.5**
Netting	-311.4	311.4	-464.6	464.6
Net deferred tax assets and liabilities	**239.7**	**-121.3**	**241.9**	**-123.9**

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

(in MEUR)	2022	2021
Deductible temporary differences	147.2	167.8
Tax loss carry forwards	332.9	397.8

The unrecognized tax loss carry forwards (gross values) include an amount of 3.9 MEUR (2021: 8.3 MEUR), which are subject to expiration within the next five years. Tax groups in Germany avail of frozen loss carry forwards for corporate income tax of 3.3 MEUR (2021: 2.7 MEUR) and for trade tax of 2.6 MEUR (2021: 3.2 MEUR).

The deductible temporary partial write-downs (amounts for outstanding sevenths from tax write-downs on investments) calculated in accordance with Austrian tax law amounted to 0.2 MEUR (2021: 1.0 MEUR). For this amount, deferred tax assets of 0.1 MEUR (2021: 0.3 MEUR) were recognized.

Regarding investments in subsidiaries, branches, and associated companies as well as in interests in joint ventures no deferred tax liabilities were recognized for temporary differences in the amount of 451.2 MEUR (2021: 360.1 MEUR).

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

			2022			2021
(in MEUR)	Germany	USA	Others	Germany	USA	Others
Corporate income tax	252.7	166.7	301.0	280.0	144.7	316.4
Trade tax	235.6	0.0	0.0	259.9	0.0	0.0

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

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

17. Earnings per share

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

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

(in MEUR)	2022	2021
Net income attributable to owners of the parent	409.6	325.5
Weighted average number of no-par value shares	98,916,089	99,274,435
Effect of potential dilution of share options	270,376	245,573
Weighted average number of no-par value shares and share options	99,186,465	99,520,008
Basic earnings per no-par value share (in EUR)	4.14	3.28
Diluted earnings per no-par value share (in EUR)	4.13	3.27

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 MEUR)	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
COST					
Balance as of December 31, 2020	**1,019.0**	**881.8**	**242.6**	**40.5**	**2,183.9**
Additions	49.0	31.5	21.9	51.7	154.1
Disposals	-29.3	-37.1	-22.0	0.4	-88.0
Reclassification	5.7	28.0	2.4	-39.3	-3.2
Currency translation adjustments	26.9	26.4	4.7	2.0	60.0
Changes in consolidation scope	9.3	1.0	0.1	0.0	10.4
Reclassification as held for sale	-15.2	-0.8	-0.1	0.0	-16.1
Balance as of December 31, 2021	**1,065.4**	**930.8**	**249.6**	**55.3**	**2,301.1**
Additions	39.7	36.5	29.2	71.6	177.0
Disposals	-23.3	-11.5	-20.9	0.0	-55.7
Reclassification	22.3	36.7	0.9	-60.8	-0.9
Currency translation adjustments	6.7	5.5	1.5	0.3	14.0
Changes in consolidation scope	34.0	8.9	0.8	1.0	44.7
Reclassification as held for sale	-1.5	0.4	0.0	0.0	-1.1
Balance as of December 31, 2022	**1,143.3**	**1,007.3**	**261.1**	**67.4**	**2,479.1**
ACCUMULATED DEPRECIATION					
Balance as of December 31, 2020	**-315.7**	**-532.9**	**-165.2**	**0.0**	**-1,013.8**
Depreciation	-59.9	-69.2	-30.8	0.0	-159.9
Impairment losses	-3.7	0.0	-1.4	0.0	-5.1
Disposals	14.0	31.5	20.7	0.0	66.2
Reclassification	0.5	0.0	0.1	0.0	0.6
Currency translation adjustments	-8.5	-14.8	-3.2	0.0	-26.5
Reclassification as held for sale	6.6	0.5	0.0	0.0	7.1
Changes in consolidation scope	-0.1	1.0	0.1	0.0	1.0
Balance as of December 31, 2021	**-366.8**	**-583.9**	**-179.7**	**0.0**	**-1,130.4**
Depreciation	-64.1	-69.6	-29.8	0.0	-163.5
Impairment losses	-1.5	-5.6	0.0	0.0	-7.1
Disposals	14.4	6.4	19.8	0.0	40.6
Reclassification	0.3	-2.5	2.3	0.0	0.1
Currency translation adjustments	-1.6	-2.4	-1.1	0.0	-5.1
Reclassification as held for sale	0.3	-0.2	0.0	0.0	0.1
Balance as of December 31, 2022	**-419.0**	**-657.8**	**-188.5**	**0.0**	**-1,265.3**
NET BOOK VALUE					
Balance as of December 31, 2021	698.6	346.9	69.9	55.3	1,170.7
Balance as of December 31, 2022	724.3	349.5	72.6	67.4	1,213.8

a) Collateral securities

As of December 31, 2022, property, plant, and equipment amounting to 2.0 MEUR was pledged as collateral security (as of December 31, 2021: 6.1 MEUR).

b) Commitments

The commitments arising from contracts for expenditure on property, plant, and equipment are only within the ordinary scope of business. As of December 31, 2022, these commitments amounted to 33.4 MEUR (as of December 31, 2021: 41.1 MEUR).

c) Borrowing costs

No borrowing costs relating to qualifying assets were capitalized in the financial years 2022 and 2021 as the amounts were immaterial.

d) Government grants

In the 2022 financial year, government grants amounting to 0.5 MEUR (2021: 0.5 MEUR) were received for capital expenditure in property, plant, and equipment and were offset against costs.

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

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

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

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

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

ACCOUNTING POLICIES

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

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

Lessee

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

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

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

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

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

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

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

Lessor

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

a) ANDRITZ as lessee

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

(in MEUR)	2022	2021
Land and buildings	175.4	178.7
Cars	15.1	14.2
Technical equipment and machinery	4.7	4.3
Other equipment, factory and office equipment	1.4	1.7
	196.6	**198.9**

Additions to the right of use assets amounted to 33.5 MEUR in the financial year 2022 (2021: 47.5 MEUR). Cash outflow for leases amounted to 63.5 MEUR in the financial year 2022 (2021: 53.0 MEUR).

In the income statement, the following amounts were recorded:

(in MEUR)	2022	2021
Expenses for variable lease payments that were not included in the calculation of the lease liability	5.3	4.0
Expenses for short-term leases that were not included in the calculation of the lease liability	12.3	10.6
Lease expenses on low value assets that were not included in the calculation of the lease liability	5.2	4.3
Interest expense for lease liabilities	4.3	4.5
Depreciation of right of use assets	49.9	45.6
thereof land and buildings	37.9	33.1
thereof cars	9.0	9.1
thereof technical equipment and machinery	2.1	2.4
thereof other equipment, factory and office equipment	0.9	1.0

The average weighted interest rate on the lease liabilities amounted to 2.48% during the 2022 financial year (2021: 1.37%) The leasing agreements contain no restrictions on the Group's activities regarding dividends or additional debts. There are no significant subleases. Lease payments for leases that the lessee has entered into but have not yet started amount to 0.2 MEUR in 2022 (2021: 0.3 MEUR).

Information on material leases

Land and buildings

ANDRITZ leases land and buildings for office space, production, and storage. The leases for land and buildings have an average term of 6.2 years in 2022 (2021: 6.2 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 1.0 MEUR as of December 31, 2022 (2021: 0.9 MEUR).

Other leases

In the vehicles category, ANDRITZ mainly leases cars for employees with an average leasing period of 2.7 years in the 2022 financial year (2021: 2.8 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 4.7 years in 2022 (2021: 4.6 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 4.0 years in 2022 (2021: 4.2 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, 2022, ANDRITZ estimates that the expected remaining guarantee amounts are not material.

b) ANDRITZ as lessor

In the financial year 2022, leasing income of 10.6 MEUR (2021: 10.1 MEUR) was recognized. The contracts largely refer to real estate. The future minimum lease payments from the non-cancellable leases are as follows:

(in MEUR)	2022	2021
Not exceeding 1 year	5.8	5.6
1 to 2 years	1.4	1.5
2 to 3 years	1.0	1.5
3 to 4 years	0.9	1.1
4 to 5 years	0.9	1.0
More than 5 years	0.6	5.1
Total undiscounted lease payments	**10.6**	**15.8**

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

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

20. Goodwill

ACCOUNTING POLICIES

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

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

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

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

Goodwill developed as follows:

(in MEUR)	2022	2021
COST		
Balance as of January 1	**993.4**	**959.1**
Changes in consolidation scope	12.6	12.4
Currency translation adjustments	12.7	21.9
Balance as of December 31	**1,018.7**	**993.4**
ACCUMULATED IMPAIRMENT		
Balance as of January 1	**-215.1**	**-199.1**
Impairment loss	-10.2	-4.8
Currency translation adjustments	-6.4	-11.2
Balance as of December 31	**-231.7**	**-215.1**
NET BOOK VALUE		
Balance as of January 1	778.3	760.0
Balance as of December 31	787.0	778.3

Goodwill is allocated to the operating segments as follows:

(in MEUR)	2022	2021
Pulp & Paper	393.0	376.7
Metals	265.8	263.3
Hydro	98.5	108.6
Separation	29.7	29.7
	787.0	**778.3**

a) Remeasurement from acquisitions

In the 2022 financial year, no remeasurement in accordance with IFRS 3 was carried out.

b) Impairment loss

In the 2022 financial year, an impairment loss of goodwill was recorded in the amount of 10.2 MEUR because the business did not develop as expected. The impairment relates to the cash generating unit Compact Hydro (HCH) assigned to the Hydro operating segment. The recoverable amount of the cash generating unit corresponds to its values in use and amounts to 26.3 MEUR. The discount rate before tax for this cash generating unit was 14.61% (2021: 11.15%). In 2021, impairment losses of 4.8 MEUR were recorded in the Hydro operating segment.

c) Cash generating units

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

2022

CGU	Operating segment	Goodwill	Discount rate before tax	Non-current growth rate	Description
		(in MEUR)	(in %)	(in %)	
Xerium (PFR)	PP	224.3	12.95	2.48	Manufacturing and supply of machine clothing (forming fabrics, press felts, drying fabrics) and roll covers for paper, tissue, and board machines
Schuler (ME-F)	ME	216.5	10.49	2.56	Presses, automation, dies, process know-how, and services in the forming equipment field
Nonwoven (KNW)	PP	61.1	13.80	2.52	Production technologies and services for the nonwovens and textile industry in the area of air-through bonding, airlay, needlepunch, spunlace, spunbond, wetlaid/Wetlace, converting, textile finishing, textile recycling, and natural fiber processing
Large Hydro (HLH)	HY	47.6	14.15	2.61	Turnkey electromechanical equipment and services for the installlation of large new hydropower plants ("water to wire") and components, including installation beyond the compact hydro range
Service Rehab (HSR)	HY	44.0	12.12	2.50	Modernization, rehabilitation, and capacity increases of electromechanical systems and services for hydropower plants
Separation (SES)	SE	24.5	13.10	2.64	Mechanical technologies such as centrifuges, filters, screens, thickeners or separators, and thermal technologies such as dryers or coolers as well as service
Mill Solutions (MMS)	ME	16.8	9.70	2.26	Turnkey systems for the production and processing of hot- and cold-rolled strip made of stainless steel, coated metals, nonferrous metals, and materials
Other CGUs		152.2			
		787.0			

2021

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

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

Climate-related risks and opportunities were considered in the revenue and cost of plans, if relevant, at the level of the individual cash generating units based on the best estimates of future developments. Risks for the ANDRITZ GROUP due to climate change include physical risks on the one hand as well as transition risks. Physical risks result from the effects of climate change, in particular, extreme weather phenomena. Changes in climate could have an impact on input prices for production, energy, transport, and insurance. Measures have been implemented at individual ANDRITZ locations to enhance energy efficiency, particularly in the production process, and increase the proportion of renewable energy sources. Photovoltaic systems will be installed at some manufacturing locations in 2023. At the moment, the proportion of energy costs in the ANDRITZ GROUP's total costs is low. Transition risks occur due to the move to a climate-resilient economy with low CO_2 emissions. 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 sustainable technologies segment. The company already generates around 45% of its total revenue from products and solutions that contribute towards production of renewable energy, environmental protection, the circular economy, and e-mobility. This percentage is to be increased further in the future. We currently see no significant risks on the product side, as our products help our customers to achieve their climate goals. There was no impairment due to climate-related indicators in the financial year.

Expected cost volatilities or increases and the corresponding options (e.g. adjustments to sales prices and price escalation clauses) of passing these increases on to customers are shown in the future cash flows.

In the context of the war in Ukraine, the parameters of the goodwill impairment test were carefully reviewed. Internal and external parameters such as market capitalization, market returns, market development, assets and liabilities, business development, and the legal environment have partially changed for the ANDRITZ GROUP as a result of the war in Ukraine. The review did not result in any impairment of goodwill.

The impairment test for goodwill requires estimations regarding the development of future revenues 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 (energy price scenarios are not shown separately due to the low proportion of energy costs in the total costs):

2022

CGU	Goodwill	Discount rate	Planned growth rates	Planned cash flows
	(in MEUR)	(in %)	(in %)	(in %)
Xerium (PFR)	224.3	0.46%	-4.47%	-6.12%
Schuler (ME-F)	216.5	2.22%	-24.58%	-25.84%
Nonwoven (KNW)	61.1	193.55%	-92.98%	-114.39%
Large Hydro (HLH)	47.6	2.73%	-26.67%	-18.33%
Service Rehab (HSR)	44.0	7.63%	-47.51%	-35.23%
Separation (SES)	24.5	19.60%	-68.41%	-66.62%
Mill Solutions (MMS)	16.8	n.a.	-119.71%	-44.66%

2021

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

The absolute headroom at the time of the scheduled impairment test in the financial year 2022 for the cash generating unit Xerium (PFR) was 37.4 MEUR (2021: 26.2 MEUR).

21. Intangible assets other than goodwill

ACCOUNTING POLICIES

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

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

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

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

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

(in MEUR)	Acquired customer- and technology-related intangible assets	Other intangible assets	Total
COST			
Balance as of December 31, 2020	**473.3**	**89.8**	**563.1**
Additions	0.1	6.0	6.1
Disposals	-12.2	-4.9	-17.1
Reclassification	0.0	3.2	3.2
Currency translation adjustments	17.9	1.5	19.4
Changes in consolidation scope	17.8	-0.2	17.6
Reclassification as held for sale	-1.8	0.0	-1.8
Balance as of December 31, 2021	**495.1**	**95.4**	**590.5**
Additions	0.0	7.3	7.3
Disposals	-9.9	-0.9	-10.8
Reclassification	0.0	0.9	0.9
Currency translation adjustments	11.4	-0.2	11.2
Changes in consolidation scope	26.3	0.4	26.7
Balance as of December 31, 2022	**522.9**	**102.9**	**625.8**
ACCUMULATED AMORTIZATION			
Balance as of December 31, 2020	**-267.3**	**-72.0**	**-339.3**
Amortization	-62.1	-6.7	-68.8
Impairment losses	0.0	-0.1	-0.1
Disposals	12.2	4.3	16.5
Reclassification	0.0	-0.6	-0.6
Currency translation adjustments	-8.1	-0.7	-8.8
Reclassification as held for sale	1.3	0.0	1.3
Changes in consolidation scope	0.0	0.2	0.2
Balance as of December 31, 2021	**-324.0**	**-75.6**	**-399.6**
Amortization	-65.6	-6.4	-72.0
Disposals	9.9	0.8	10.7
Reclassification	0.0	-0.1	-0.1
Currency translation adjustments	-4.9	0.1	-4.8
Changes in consolidation scope	0.0	0.1	0.1
Balance as of December 31, 2022	**-384.6**	**-81.1**	**-465.7**
NET BOOK VALUE			
Balance as of December 31, 2021	171.1	19.8	190.9
Balance as of December 31, 2022	138.3	21.8	160.1

a) Research and development costs

Expenses for research and development costs non-capitalized amounted to 113.8 MEUR in the 2022 financial year (2021: 106.6 MEUR). Development costs at 1.6 MEUR (2021: 0.0 MEUR) were capitalized as internally generated intangible assets in the item “other intangible assets” in the 2022 financial year.

b) Collateral securities

As of December 31, 2022, disposal limitations arising due to the granting of collateral securities for intangible assets amounted to 0.0 MEUR (2021: 0.0 MEUR).

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

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

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

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

22. Personnel-related provisions (employee benefits)

ACCOUNTING POLICIES

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

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

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

Personnel-related provisions are as follows:

(in MEUR)	2022	2021
Pensions	204.4	281.4
Severances	79.9	99.4
Others	28.1	32.8
	312.4	**413.6**

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

a) Pensions

(in MEUR)	2022	2021
EXPENSES FROM DEFINED BENEFIT PLANS		
Current service cost	8.0	8.6
Past service cost	0.4	-0.8
Effects of plan curtailments and settlements	-0.2	0.8
EXPENSES FROM DEFINED CONTRIBUTION PLANS		
Payments to defined contribution plans	46.5	40.9
	54.7	**49.5**

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

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

2022

		Germany and Austria	Switzerland	Others
Discount rate	in %	3.89 - 4.14	2.00 - 2.42	0.75 - 7.30
Wage and salary increases	in %	0.00 - 2.50	1.00	0.00 - 6.33
Retirement benefit increases	in %	2.25	0.00	0.00 - 3,70
Average term of the benefit obligation	in years	5.03 - 14.10	11.57 - 15.30	6.24 - 17.29

2021

		Germany and Austria	Switzerland	Others
Discount rate	in %	0.54 - 1.47	0.31 - 0.35	0.30 - 7.30
Wage and salary increases	in %	0.00 - 2.00	0.5	0.00 - 6.33
Retirement benefit increases	in %	1.50	0.00	0.00 - 4.75
Average term of the benefit obligation	in years	5.70 - 18.19	13.75 - 17.90	7.40 - 17.29

The following mortality tables were primarily used:

	2022	2021
Austria	AVÖ 2018-P	AVÖ 2018-P
Germany	Heubeck "Richttafeln 2018 G"	Heubeck "Richttafeln 2018 G"
Switzerland	BVG 2020 Generationentafel	BVG 2020 Generationentafel

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

2022

(in MEUR)	Germany and Austria	Switzerland	Others	Total
Defined benefit obligation as of January 1	**292.1**	**225.1**	**155.0**	**672.2**
Current service cost	2.0	5.1	0.9	8.0
Past service cost	0.0	0.0	0.4	0.4
Effects of plan curtailments and settlements	0.0	0.1	-0.2	-0.1
Interest expense	3.3	0.8	3.8	7.9
Actuarial gains (-) and losses (+) from change in demographic assumptions	0.0	0.0	-0.3	-0.3
Actuarial gains (-) and losses (+) from change in financial assumptions	-69.2	-46.1	-31.7	-147.0
Actuarial gains (-) and losses (+) from change in experience adjustments	5.9	9.5	2.7	18.1
Benefits paid	-13.6	-6.5	-72.0	-92.1
Contributions by the plan participants	2.8	2.7	0.0	5.5
Currency translation adjustments	0.0	10.4	4.3	14.7
Changes in consolidation scope	-0.8	0.0	-0.1	-0.9
Other changes	0.0	0.1	-0.1	0.0
Defined benefit obligation as of December 31	**222.5**	**201.2**	**62.7**	**486.4**
Fair value of plan assets	-41.5	-241.1	-51.0	-333.6
Reduction of assets	0.0	45.2	6.4	51.6
Defined benefit liability as of December 31	**181.0**	**5.3**	**18.1**	**204.4**

2021

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

Out of the total pension benefit obligation of 486.4 MEUR (2021: 672.2 MEUR), 260.2 MEUR (2021: 378.7 MEUR) are covered entirely or partly by investments in funds.

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

2022

(in MEUR)	Germany and Austria	Switzerland	Others	Total
Fair value of plan assets as of January 1	**47.4**	**238.2**	**142.4**	**428.0**
Interest income	0.8	0.8	3.4	5.0
Return on plan assets (excl. interest income)	-3.8	-9.3	-46.1	-59.2
Effects of plan curtailments and settlements	0.0	0.1	0.0	0.1
Benefits paid	-2.6	-6.7	-71.6	-80.9
Contributions by the employer	-0.3	3.7	19.4	22.8
Contributions by the plan participants	0.0	2.7	0.0	2.7
Currency translation adjustments	0.0	11.5	3.5	15.0
Other changes	0.0	0.1	0.0	0.1
Fair value of plan assets as of December 31	**41.5**	**241.1**	**51.0**	**333.6**

2021

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

The plan assets are invested as follows:

2022

(in MEUR)	Germany and Austria	Switzerland	Others	Total
Equity instruments	**7.0**	**42.0**	**2.9**	**51.9**
thereof listed on an active market	6.9	42.0	2.9	51.8
Debt instruments	**6.0**	**66.9**	**19.5**	**92.4**
thereof listed on an active market	5.3	66.9	19.5	91.7
Property, plant, and equipment	**1.2**	**58.7**	**0.0**	**59.9**
thereof listed on an active market	0.2	0.0	0.0	0.2
Other assets	**27.3**	**73.5**	**28.6**	**129.4**
thereof listed on an active market	20.2	60.5	0.1	80.8
	41.5	**241.1**	**51.0**	**333.6**

2021

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

In 2022, the actual investment result from plan assets amounted to -2.05% (2021: 5.77%).

As of December 31, 2022, there were no extraordinary risks specific to the company or to the plan, or any substantial risk concentrations.

Expected payments to the pension funds for defined benefit plans are estimated at 19.2 MEUR for 2023.

! 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 (for a change of +/- 1.0 percentage point a doubling can essentially be assumed):

2022

(in MEUR)		Germany and Austria	Switzerland	Others	Total
Discount rate	+0.5%	-10.7	-11.5	-3.0	-25.2
	-0.5%	11.7	12.6	3.5	27.8
Wage and salary increases	+0.5%	0.4	1.1	0.2	1.7
	-0.5%	-0.3	-1.4	0.1	-1.6
Retirement benefit increases	+0.5%	7.3	4.2	1.0	12.5
	-0.5%	-6.8	-0.4	-0.4	-7.6
Life expectancy	+1 year	134.3	5.4	2.1	141.8
	-1 year	-7.7	-5.7	-2.0	-15.4

2021

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

b) Severances

(in MEUR)	2022	2021
EXPENSES FROM DEFINED BENEFIT PLANS		
Current service cost	3.4	3.2
EXPENSES FROM DEFINED CONTRIBUTION PLANS		
Payments to defined contribution plans	3.2	3.4
	6.6	**6.6**

In the financial year 2022, contributions of 2.3 MEUR (2021: 2.2 MEUR) to employees severance funds (MVK) in Austria, are included in the severance expenses, which represent defined contribution plans.

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

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

(in %)		2022	2021
Discount rate	in %	4.01 - 4.07	0.90 - 1.20
Wage and salary increases	in %	2.50	2.00
Average term of the benefit obligation	in years	8.28 - 11.67	9.21 - 12.86

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

(in MEUR)	2022	2021
Defined benefit obligation as of January 1	**102.1**	**108.3**
Current service cost	3.4	3.2
Interest expense	1.3	1.1
Actuarial gains (-) and losses (+) from change in demographic assumptions	1.6	-0.2
Actuarial gains (-) and losses (+) from change in financial assumptions	-19.6	-1.6
Actuarial gains (-) and losses (+) from change in experience adjustments	3.2	0.5
Benefits paid	-9.5	-10.5
Currency translation adjustments	-0.2	0.4
Changes in consolidation scope	0.8	0.9
Defined benefit obligation as of December 31	**83.1**	**102.1**
Fair value of plan assets	-3.3	-2.7
Reduction of assets	0.1	0.0
Defined benefit liability as of December 31	**79.9**	**99.4**

The following table reconciles the fair value of plan assets:

(in MEUR)	2022	2021
Fair value of plan assets as of January 1	**2.7**	**1.8**
Interest income	0.2	0.1
Benefits paid	-0.2	-0.2
Contributions by the employer	0.7	0.2
Currency translation adjustments	-0.1	0.1
Changes in consolidation scope	0.0	0.7
Fair value of plan assets as of December 31	**3.3**	**2.7**

The plan assets are invested as follows:

(in MEUR)	2022	2021
Debt instruments	**1.6**	**1.1**
thereof listed on an active market	0.0	0.0
Other assets	**1.7**	**1.6**
thereof listed on an active market	1.1	1.1
	3.3	**2.7**

! 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 (for a change of +/- 1.0 percentage point a doubling can essentially be assumed):

(in MEUR)		2022	2021
Discount rate	+0.5%	-3.5	-3.9
	-0.5%	3.6	5.1
Wage and salary increases	+0.5%	3.5	4.5
	-0.5%	-3.5	-4.4

23. Provisions

ACCOUNTING POLICIES

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

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

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

(in MEUR)	Order-related provisions	Restructuring and personnel adjustments	Others	Total
Balance as of January 1, 2022	**587.0**	**32.7**	**44.7**	**664.4**
Additions	185.6	7.5	24.7	217.8
Usage	-90.0	-11.9	-12.1	-114.0
Release	-137.5	-4.6	-1.3	-143.4
Currency translation adjustments	2.7	1.8	1.5	6.0
Changes in consolidation scope	12.8	-0.2	2.5	15.1
Balance as of December 31, 2022	**560.6**	**25.3**	**60.0**	**645.9**
Non-current	157.4	6.4	21.6	185.4
Current	403.2	18.9	38.4	460.5

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.

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 chapter 39. Contingent assets and liabilities.

E) NET WORKING CAPITAL

24. Trade accounts receivable

Trade accounts receivable are as follows:

(in MEUR)	2022	2021
Gross amount of trade accounts receivable	1,114.8	1,001.4
Valuation allowance	-49.7	-64.6
TRADE ACCOUNTS RECEIVABLE	**1,065.1**	**936.8**

All trade accounts receivable are classified as current. The disposal limitations arising due to the granting of collateral securities amounted to 0.0 MEUR (2021: 4.3 MEUR). The parties receiving collateral security have no rights allowing them to sell or repledge the collateral securities provided.

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

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

25. Other receivables and assets

(in MEUR)	2022	2021
Receivables from public institutions	216.4	179.0
Derivatives	71.4	38.2
Prepayments, deferred charges, and interest accruals	48.0	44.2
Bills of exchange receivable	23.6	47.2
Contract costs	11.2	9.8
Receivables from associated companies, joint ventures, and non-consolidated companies	10.5	11.8
Plan assets in excess of defined benefit obligation	4.9	35.7
Schuldscheindarlehen	0.0	20.0
Miscellaneous	79.1	74.1
	465.1	**460.0**
thereof current	380.1	373.3
thereof non-current	85.0	86.7

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

26. Inventories

ACCOUNTING POLICIES

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

Inventories consist of the following:

(in MEUR)	2022	2021
Materials and supplies	476.5	342.3
Work in progress and unfinished services	501.0	432.2
Finished goods and merchandise	158.0	130.5
	1,135.5	**905.0**

The write-down of inventories recognized as an expense amounted to 2.2 MEUR (2021: -1.8 MEUR). In the financial year, no substantial reversal of write-down was captured as a reduction of cost of materials. The book value of inventories carried at net realizable value amounted to 333.5 MEUR (2021: 309.4 MEUR). The carrying amount of inventories pledged as security for liabilities amounted to 0.0 MEUR (2021: 4.1 MEUR).

27. Advance payments made

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

28. Trade accounts payable

ACCOUNTING POLICY

Supply Chain Financing (SCF; reverse factoring)

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

ANDRITZ has not derecognized the original liabilities underlying this arrangement as no legal exemption was obtained nor the liability was materially modified by entering into the arrangement. From the Group's perspective, the agreement does not significantly extend the payment period compared to normal periods with other non-participating suppliers. The Group does not incur any additional interest for paying the supplier liabilities to the bank. The amounts factored by the suppliers are therefore reported under trade payables, since the nature and function of the financial liability corresponds to the other trade payables. All liabilities underlying the SCF are classified as current as of December 31, 2022, and 2021, respectively.

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

Read more in chapter 30. Financial Assets and liabilities.

(in MEUR)	2022	2021
Trade accounts payable to related companies and persons	6.9	8.7
Trade accounts payable – supply chain financing arrangements	47.8	45.9
Other trade accounts payable	928.3	756.5
	983.0	**811.1**

29. Other liabilities

(in MEUR)	2022	2021
Accruals and outstanding order-related costs	634.6	602.1
Unused vacation and other personnel-related accruals	320.4	288.7
Liabilities to public institutions	109.0	95.0
Derivatives	77.0	65.6
Liabilities due to employees	26.6	27.8
Liabilities from commissions	18.2	21.1
Earn out and contingent considerations	9.3	9.5
Miscellaneous	57.3	50.9
	1,252.4	**1,160.7**
thereof current	1,223.8	1,138.0
thereof non-current	28.6	22.7

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

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

30. Financial assets and liabilities

ACCOUNTING POLICIES

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

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

Categories and subsequent measurement of financial assets

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

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

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

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

Read more details about measurement in chapter 34. Derivatives.

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

- it is held within a business model whose objective it is to hold assets 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 chapter 34. Derivatives.

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

Fair value

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

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

Valuation techniques

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

a) Levels and fair values

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

As of December 31, 2022

(in MEUR)	Chapter	Hedge accounting at fair value	Mandatory at FVTPL	Equity instruments - FVTOCI	At amortized costs	No IFRS 9 valuation category	Net book value Total	Level 1	Level 2	Level 3	Fair value Total
Time deposits included in "investments"	31.				497.5		497.5				
Other investments	31.		253.6	29.2			282.8	253.6		29.2	282.8
Shares in non-consolidated companies and other shares	31.			0.6		19.0	19.6			0.6	0.6
Derivatives	34.	55.3	16.1				71.4		71.4		71.4
Miscellaneous other financial assets	31.				0.9		0.9		0.8		0.8
Trade accounts receivable	24.				1,065.1		1,065.1				
Other receivables and assets	25.				133.2	260.5	393.7				
Cash and cash equivalents	32.				1,302.0		1,302.0				
FINANCIAL ASSETS		**55.3**	**269.7**	**29.8**	**2,998.7**	**279.5**	**3,633.0**				
Derivatives	34.	51.3	25.7				77.0		77.0		77.0
Bank loans and other financial liabilities	36.				187.0		187.0		175.7		175.7
Lease liabilities	19./36.				207.4		207.4		188.4		188.4
Trade accounts payable	28.				983.0		983.0				
Earn out and contingent considerations	29.				9.3		9.3			9.3	9.3
Schuldscheindarlehen	36.				893.9		893.9		837.3		837.3
Other liabilities	29.				100.0	1,066.1	1,166.1				
FINANCIAL LIABILITIES		**51.3**	**25.7**		**2,380.6**	**1,066.1**	**3,523.7**				

As of December 31, 2021

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

b) Reconciliation of level 3 measurement at fair value

The table below contains only financial assets:

(in MEUR)	2022	2021
Balance as of January 1	**23.0**	**10.7**
Gains and losses recognised in other comprehensive income	-2.5	7.9
Acquisitions and disposals	9.3	4.4
Balance as of December 31	**29.8**	**23.0**

c) Equity instruments at fair value through other comprehensive income

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

(in MEUR)	Fair value as of December 31, 2022	Fair value as of December 31, 2021	Dividend income of 2022	Dividend income of 2021
JVP VIII, L.P.	22.7	21.0	0.0	0.0
ASTARIS S.p.a.	5.2	0.0	0.0	0.0
Others	1.9	2.0	0.1	0.1
	29.8	**23.0**	**0.1**	**0.1**

d) Net gains and losses

2022

(in MEUR)	Derivatives	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Financial assets measured at amortized costs	Financial liabilities measured at amortized costs
Interest result	-7.8	0.5	1.1	38.4	-23.3
Dividends		0.2	0.1		
Valuation	12.1	-10.0		-32.3	
Net gains and losses recognized in net income	**4.3**	**-9.3**	**1.2**	**6.1**	**-23.3**
Net gains and losses recognized in other comprehensive income	2.0		-2.5		
NET GAINS AND LOSSES	**6.3**	**-9.3**	**-1.3**	**6.1**	**-23.3**

2021

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

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

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

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

31. Investments and other financial assets

ACCOUNTING POLICIES

Non-current investments and other financial assets consist primarily of non-current securities, Schuldschein-darlehen, 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 chapter 30. Financial assets and liabilities.

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

(in MEUR)	2022	2021
Investment securities	31.2	24.6
Time deposits	20.2	60.2
Shares in non-consolidated companies	19.0	17.2
Other shares	0.6	0.6
Miscellaneous	0.9	1.2
	71.9	**103.8**

The shares in non-consolidated companies did not include a restricted right of use in 2022 or 2021, respectively.

Current investments consist of the following:

(in MEUR)	2022	2021
Time deposits	477.3	414.8
Bank bonds	146.6	107.6
Funds	85.0	128.2
Government bonds	20.0	20.1
	728.9	**670.7**

32. Cash and cash equivalents

ACCOUNTING POLICIES

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

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

Cash and cash equivalents are as follows:

(in MEUR)	2022	2021
Cash in banks	906.4	856.9
Time deposits	395.6	230.1
	1,302.0	**1,087.0**

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

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

33. Equity

ACCOUNTING POLICIES

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

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

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

Fair value reserve
The fair value reserve contains the following components:

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

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

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

a) Other comprehensive income

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

(in MEUR)			2022			2021
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Actuarial gains and losses	40.5	-14.2	26.3	47.8	-8.9	38.9
Remeasurement of defined benefit plans	**40.5**	**-14.2**	**26.3**	**47.8**	**-8.9**	**38.9**
Changes in fair values	-2.5	0.7	-1.8	7.9	-2.0	5.9
Equity instruments - FVTOCI	**-2.5**	**0.7**	**-1.8**	**7.9**	**-2.0**	**5.9**
Currency translation adjustments	14.6	0.0	14.6	62.5	0.0	62.5
Currency translation of foreign operations	**14.6**	**0.0**	**14.6**	**62.5**	**0.0**	**62.5**
Changes in fair values	-28.6	8.9	-19.7	-19.8	6.3	-13.5
Transfers to income statement	22.0	-6.6	15.4	-4.1	1.6	-2.5
Cash flow hedges (hedging reserve)	**-6.6**	**2.3**	**-4.3**	**-23.9**	**7.9**	**-16.0**
Changes in fair values	12.9	-4.0	8.9	-4.5	1.3	-3.2
Transfers to income statement	-4.3	1.3	-3.0	5.5	-1.7	3.8
Cash flow hedges (cost of hedging)	**8.6**	**-2.7**	**5.9**	**1.0**	**-0.4**	**0.6**
	54.6	**-13.9**	**40.7**	**95.3**	**-3.4**	**91.9**

b) Dividends

For 2022, a dividend of 2.10 EUR per outstanding share is proposed by the Executive Board.

The dividend of 163.1 MEUR for 2021, which is equal to 1.65 EUR per share, was proposed by the Executive Board and approved by the 115th Annual General Meeting on April 7, 2022. The dividend was paid to the shareholders on April 13, 2022.

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 November 5, 2020 to February 1, 2021, as well as from December 13, 2021 to February 6, 2022.

In 2022, 344,750 shares were bought back at an average price of 46.43 EUR per share. No shares were sold to authorized executives as part of the management share option plan for executives. 57,654 shares were transferred to employees of ANDRITZ as part of employee participation programs. As of December 31, 2022, the company held 5,096,411 treasury shares with a market value of 272.9 MEUR. It is planned to use these shares to service options under the management share option plan and the employee participation programs.

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

	Shares outstanding	Treasury shares	Total
Balance as of December 31, 2020	**99,255,896**	**4,744,104**	**104,000,000**
Purchase of treasury shares	-105,250	105,250	0
Used to cover share options and employee participation programs	40,039	-40,039	0
Balance as of December 31, 2021	**99,190,685**	**4,809,315**	**104,000,000**
Purchase of treasury shares	-344,750	344,750	0
Used to cover share options and employee participation programs	57,654	-57,654	0
Balance as of December 31, 2022	**98,903,589**	**5,096,411**	**104,000,000**

d) Management share option programs

ACCOUNTING POLICIES

Share Option Program 2022

In June 2022 the Executive Board and the Supervisory Board of ANDRITZ AG decided to offer managers and junior executives a share option program. 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 June 1, 2022 until the date of exercise of an option.

Up to 30% of the options can be exercised between May 1, 2025, and April 30, 2029 (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, 2024 to April 30, 2025 is at least 10% above the exercise price or the average unweighted closing price of the ANDRITZ share over 20 consecutive trading days within the period from May 1, 2025 to April 30, 2026 is at least 15% above the exercise price.

Up to 60% of the options can be exercised between May 1, 2025, and April 30, 2029, provided that the EBITA margin for the 2022, 2023 or 2024 business year is within the EBITA-corridor. The EBITA corridor is defined the following way: With an EBITA margin between 7.5% and 9.0% the aliquot exercise of options is possible depending on the level of the EBITA margin, and with an EBITA margin of 9.0% or higher 100% of the options can be exercised.

10% of the options can be exercised between May 1, 2025, and April 30, 2029, and only if the “Accident Frequency Rate (AFR 1) > 1 days absence” is ≤ 2.4 in 2022, ≤ 1.7 in 2023 or ≤ 1.2 in 2024.

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, 2022, and amounted to 43.56 EUR. The exercise price of the option is the unweighted average closing price of ANDRITZ shares in the four calendar weeks following the 115th Annual General Meeting on April 7, 2022, and amounted to 38.80 EUR. The expected volatility and the expected dividend were calculated based on historical data of ANDRITZ.

Share Option Program 2020

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

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

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

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

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

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

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. Due to the non-fulfillment of the performance conditions for exercising the options, the fair value of the options was reversed in profit or loss in 2022. The reversal resulted in an earnings effect of 4.5 MEUR.

948,500 options were granted from the 2020 stock option program. The fair value of the options at the time they were granted amounted to 2.1 MEUR, of which 0.8 MEUR were recognized in expenses in 2022.

828,485 options were granted from the 2022 stock option program. The fair value of the options at the time they were granted amounted to 8.4 MEUR, of which 1.7 MEUR were recognized in expenses in 2022.

Movements in options under the share option plans for the 2022 and 2021 financial years were as follows:

	2022		2021	
	Number of options	Average exercise price per option (in EUR)	Number of options	Average exercise price per option (in EUR)
Balance as of January 1	**1,792,000**	**38.28**	**1,847,500**	**38.41**
Options granted	828,485	43.56	0	0.00
Options exercised			0	0.00
Options expired and forfeited	-857,000	46.01	-55,500	42.41
Balance as of December 31	**1,763,485**	**37.01**	**1,792,000**	**38.28**
Exercisable at year-end	0		0	

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

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

e) Non-controlling interests

ACCOUNTING POLICIES

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

(in MEUR)	Main office	Proportion of ownership interests and voting rights held by non-controlling interests		Net income allocated to non-controlling interests		Non-controlling interests	
		2022	2021	2022	2021	2022	2021
OTORIO LTD	Tel Aviv, Israel	49.99%	49.99%	-7.8	-4.5	-15.7	-9.0
PT. ANDRITZ HYDRO	Jakarta, Indonesia	49.00%	49.00%	0.8	0.7	1.8	1.7
Dabaki Grundstücksverwaltungs-gesellschaft mbH & Co. Vermietungs KG	Mainz, Germany	6.00%	6.00%	0.0	0.0	0.0	0.0
				-7.0	**-3.8**	**-13.9**	**-7.3**

f) Additional capital disclosures

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

(in MEUR)	2022	2021
Total equity	1,834.7	1,567.3
Total assets	8,491.8	7,672.8
Equity ratio	21.6%	20.4%

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 2021.

34. Derivatives

ACCOUNTING POLICIES

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

Accounting for derivatives, that are not designated as a hedging relationship

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

Hedge Accounting

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

When the cash flow hedge results in the recognition of a non-financial asset or non-financial liability or becomes a firm commitment to which hedge accounting is applied, the amounts recognized in other comprehensive income up to the date of recognition become part of the acquisition cost of the non-financial asset or non-financial liability. In all other cases of cash flow hedges, the amount recognized in other comprehensive income is transferred from equity to the income statement, at the point at which the underlying transaction affects the income statement.

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.

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. From 2017 to 2019, Schuldscheindarlehen were issued in ten tranches with a total nominal value of 1,075.0 MEUR. The tranches were concluded with terms of five to ten years and have variable or fixed interest rates. To hedge the interest rate risk of future cash flows, four interest rate swaps were concluded. The future cash flows expected from the floating-rate nominal amount of 190.5 MEUR were defined as the underlying. Combined with the related interest rate swaps it was designated as a cash flow hedge relationship. In 2022, an early redemption of a variable-interest Schuldscheindarlehen tranche with a total nominal value of 58.0 MEUR was made (2021: two tranches with a total nominal value of 122.5 MEUR). The associated interest rate swaps have been terminated as well.

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

As of December 31, 2022

(in MEUR)	Remaining terms nominal values			Fair value		
	not exceeding 1 year	more than 1 year	Total	positive	negative	Total
Foreign exchange forward contracts	2,566.7	957.6	3,524.3	71.1	76.9	-5.8
thereof hedge accounting	1,528.6	974.9	2,503.5	55.0	51.3	3.7
Interest rate swaps	11.0	3.0	14.0	0.3	0.0	0.3
thereof hedge accounting	11.0	3.0	14.0	0.3	0.0	0.3
Forward contracts - Commodities	2.6	2.1	4.7	0.0	0.1	-0.1
	2,580.3	**962.7**	**3,543.0**	**71.4**	**77.0**	**-5.6**

As of December 31, 2021

(in MEUR)	Remaining terms nominal values			Fair value		
	not exceeding 1 year	more than 1 year	Total	positive	negative	Total
Foreign exchange forward contracts	2,243.4	603.5	2,846.9	38.2	63.9	-25.7
thereof hedge accounting	1,039.8	513.5	1,553.3	15.5	18.0	-2.5
Interest rate swaps	0.0	68.0	68.0	0.0	1.7	-1.7
thereof hedge accounting	0.0	68.0	68.0	0.0	1.7	-1.7
	2,243.4	**671.5**	**2,914.9**	**38.2**	**65.6**	**-27.4**

The net gains and losses from forwards contracts, that do not qualify as hedging relationship, contained in other gains and losses are shown in the table in chapter 30. d) Net gains and losses. These hedging instruments are included in the balance sheet items “Other receivables and assets” and “Other liabilities”.

a) Information on hedge accounting derivatives

The hedging instruments designated as a hedging relationship are included in the balance sheet items “Other receivables and assets” and “Other liabilities”. Information on nominal values, book values, and conditions of the hedge accounting derivatives is provided below:

As of December 31, 2022

	Nominal value	Book value - receivables	Book value - liabilities	Book value - net	Hedging period until	Average hedging rate	Change in fair value used to calculate ineffectiveness
	(in MEUR)	(in MEUR)	(in MEUR)	(in MEUR)			(in MEUR)
Currency risk							
EUR / USD	885.6	15.1	-20.9	-5.8	January 2023 - January 2028	1.1	1.0
EUR / CNY	298.3	3.0	-3.8	-0.8	January 2023 - November 2026	7.3	-6.4
EUR / INR	62.2	0.9	-1.0	-0.1	January 2023 - January 2026	90.0	-1.7
EUR / BRL	60.7	2.0	-1.2	0.8	January 2023 - September 2029	6.4	-1.3
EUR / AUD	57.5	0.1	-1.2	-1.1	January 2023 - October 2025	1.6	-0.7
EUR / CHF	14.8	0.2	-0.2	0.0	January 2023 - October 2025	1.0	0.1
USD / EUR	368.6	12.6	-8.1	4.5	January 2023 - August 2027	0.9	-5.1
USD / BRL	94.0	3.4	-0.8	2.6	January 2023 - June 2026	5.7	-1.4
USD / CNY	92.3	1.5	-1.0	0.5	January 2023 - May 2027	6.8	-2.1
USD / INR	73.8	0.2	-1.3	-1.1	January 2023 - February 2027	84.0	-3.3
CHF / EUR	55.9	0.9	-1.3	-0.4	January 2023 - December 2027	1.0	-1.2
CNY / EUR	33.4	0.1	-0.7	-0.6	January 2023 - June 2024	0.1	0.0
SEK / EUR	140.0	0.8	-5.6	-4.8	January 2023 - June 2025	0.1	-7.3
MXN / USD	91.5	10.9	0.0	10.9	January 2023 - December 2027	0.0	6.1
Übrige	174.9	3.3	-4.2	-0.9	January 2023 - December 2026	-	-5.7
	2,503.5	**55.0**	**-51.3**	**3.7**			
Interest risk							
variable / fixed	14.0	0.3	0.0	0.3	May 2023 - May 2026	-	0.4
	14.0	**0.3**	**0.0**	**0.3**			

As of December 31, 2021

	Nominal value	Book value - receivables	Book value - liabilities	Book value - net	Hedging period until	Average hedging rate	Change in fair value used to calculate ineffectiveness
	(in MEUR)	(in MEUR)	(in MEUR)	(in MEUR)			(in MEUR)
Currency risk							
EUR / USD	496.2	1.2	-4.8	-3.6	January 2022 - December 2026	1.2	-1.9
EUR / CNY	152.6	4.3	-1.6	2.7	January 2022 - November 2026	7.6	-1.4
EUR / BRL	23.0	0.7	-0.1	0.6	January 2022 - March 2023	6.7	0.9
EUR / INR	46.1	1.1	-1.4	-0.3	January 2022 - May 2025	90.6	-0.1
EUR / CHF	10.8	0.3	-0.2	0.1	January 2022 - October 2025	1.1	0.2
EUR / AUD	80.0	0.2	-1.7	-1.5	January 2022 - October 2025	1.6	0.0
USD / CNY	35.0	0.8	0.0	0.8	January 2022 - September 2023	6.5	-0.4
USD / INR	22.2	0.4	-0.2	0.2	January 2022 - February 2025	77.8	-0.2
USD / BRL	73.9	0.7	-1.0	-0.3	January 2022 - September 2024	5.8	-0.4
USD / EUR	166.6	0.4	-2.9	-2.5	January 2022 - August 2027	0.9	-20.4
CNY / EUR	26.9	0.1	-0.3	-0.2	January 2022 - December 2023	0.1	-0.4
SEK / EUR	88.7	0.1	-1.2	-1.1	January 2022 - December 2024	0.1	0.0
MXN / USD	141.7	2.2	0.0	2.2	January 2022 - December 2027	0.0	0.0
CHF / EUR	25.4	0.4	-0.4	0.0	January 2022 - December 2027	0.9	-0.1
Übrige	164.2	2.6	-2.2	0.4	January 2022 - December 2026	-	2.6
	1,553.3	**15.5**	**-18.0**	**-2.5**			
Interest risk							
variable / fixed	68.0	0.0	-1.7	-1.7	May 2023 - May 2026	-	1.8
	68.0	**0.0**	**-1.7**	**-1.7**			

b) Development of the cash flow hedge reserve

Development of the cumulative other comprehensive income from hedging relationships shown in the fair value reserve, broken down by risk component and cost of hedging:

(in MEUR)	Currency risk	Interest risk	Total hedging reserve	Cost of hedging	Total cashflow hedge reserve
Balance as of December 31, 2020	**23.9**	**-6.5**	**17.4**	**-6.8**	**10.6**
Changes in fair values	-21.6	1.8	-19.8	-4.5	-24.3
Transfers to income statement	-9.2	5.1	-4.1	5.5	1.4
Tax effect	9.6	-1.7	7.9	-0.4	7.5
Balance as of December 31, 2021	**2.7**	**-1.3**	**1.4**	**-6.2**	**-4.8**
Changes in fair values	-29.0	0.4	-28.6	12.9	-15.7
Transfers to income statement	20.3	1.7	22.0	-4.3	17.7
Tax effect	2.8	-0.5	2.3	-2.7	-0.4
Balance as of December 31, 2022	**-3.2**	**0.3**	**-2.9**	**-0.3**	**-3.2**

Transfers to income statement are mainly to revenue and interest result 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:

			2022			2021
(in MEUR)	Change in fair value used to calculate ineffectiveness	Ineffectiveness	Change in fair value recorded in other result	Change in fair value used to calculate ineffectiveness	Ineffectiveness	Change in fair value recorded in other result
Currency risk						
Foreign exchange forward contracts - purchase and sale	-29.0	0.0	-29.0	-21.6	0.0	-21.6
Interest risk						
Interest rate swaps - variable rate loans and Schuldscheindarlehen	0.4	0.0	0.4	1.8	0.0	1.8

The result of the calculation of the ineffectiveness from hedging currency and interest rate risk is recorded in the item “other financing expenses” in the income statement.

d) Offsetting

The Group concludes derivatives in accordance with the Global Netting Agreements (Framework Agreement) of the International Swaps and Derivative Association (ISDA) and similar agreements. These agreements do not meet the criteria for netting in the balance sheet. This is because at present the Group has no legal entitlement to offset the amounts recognized. In the case of a termination of the framework agreement or an early termination of the outstanding contracts, the net amounts of the market values of all contracts to be terminated would be compensated.

The following table sets out the book values of the financial instruments that are subject to the arrangements described:

(in MEUR)		2022		2021
	positive	negative	positive	negative
Gross and net amounts (in the statement of financial position)	**71.4**	**-77.0**	**38.2**	**-65.6**
Netting (potential effects)	-9.3	9.3	-4.9	4.9
NET AMOUNTS	**62.1**	**-67.7**	**33.3**	**-60.7**

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.

35. Risk management – risks relating to financial instruments

As a global company serving a variety of different markets and customers, the Group is subject to risks relating to financial instruments as well as strategic and operational risks. ANDRITZ has implemented an established Group-wide control and risk management system with the main task of identifying emerging risks at an early stage and quickly taking countermeasures. It is an important element in the active risk management system within the Group. Despite having this control and risk management system in place, it cannot be guaranteed that all risks will be identified at an early stage. Consequently, assets, liabilities, financial position, and profit or loss of the Group could be adversely affected. In order to minimize the financial risks at the best possible rate and to enhance monitoring, control, and assessment of its financial and liquidity position, the ANDRITZ GROUP has implemented comprehensive policies and a transparent information system. The individual risks relating to financial instruments are described below.

For ANDRITZ there are no financial risks resulting from climate risks. ANDRITZ does not have any loan agreements that include climate-related targets, so climate-related covenants cannot be breached. Lenders have not included environmental aspects into pricing of loans that would result in a discount on the interest rate when certain climate-related targets are met, and thereby triggering accounting for an embedded derivative.

a) Credit risks

ACCOUNTING POLICIES

The impairment model applies to the following assets:

- Financial assets valued at amortized cost
- Debt instruments valued at FVTOCI
- Contract assets

The impairment model of "expected credit losses" (ECL) is applied. This model requires significant judgment to what extent the expected credit losses are affected by changes in economic factors. This assessment is determined based on weighted probabilities. One of the following principles serves as a basis:

- 12-month credit losses: These are the expected credit losses due to possible defaults within 12 months after the balance sheet date.
- Lifetime credit losses: These are expected credit losses due to all possible defaults during the expected lifetime of a financial instrument.

General approach

If an asset does not yet show an impairment loss at the time of acquisition, it is assessed based on the concept of 12-month credit loss at initial recognition. In principle, this assessment is retained for the following balance sheet dates. If the credit risk of a financial asset has increased significantly on the balance sheet date since initial recognition, the valuation is based on the concept of lifetime credit loss. When determining if the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers appropriate and supportable information that is relevant and available without disproportional effort. This includes both quantitative and qualitative information and analysis, based on the historical experience of the Group and forward-looking information as well as a substantiated credit rating.

The Group assumes that the credit risk of a financial asset has **significantly increased** if

- the financial asset is more than 30 days past due, unless there are reasonable causes or

- an instrument needs to be renegotiated and stricter requirements (e.g. increase in collateral, etc.) are applied or
- there is a significant change in credit spreads, credit default swap rates for borrowers, etc. for a given or similar instrument.

At each balance sheet date, the Group assesses whether the respective assets are **credit-impaired**. This is the case when one or more events that adversely affect estimated future cash flows have occurred. A corresponding impairment reduces the gross book value of the assets. The following indicators are used in order to be able to judge, after reasonable assessment, that a significant change in credit risk has occurred and that it cannot be realized:

- The borrower is unlikely to fully offset his credit commitments to the Group without the Group taking any action such as the realization of collateral (if any) or
- the financial asset is more than 90 days overdue, unless there are reasonable causes or
- the rating no longer meets the notation "investment grade". The Group defines this as Baa3 respectively BBB- or higher (Cash and cash equivalents and time deposits included in “Investments“ deposited at banks; or financial institutions are generally rated from Aaa to Ba1 by the rating agency Moody's and from AA+ to BB+ by Standard & Poor’s and Fitch).

Simplified approach

For **trade accounts receivable** and **contract assets** that do not have a material financing component, the lifetime credit losses model 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 individual 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 percent.

When recognizing the impairments, special disclosure requirements must be considered. There is a differentiation depending on the type of financial instrument and the level of the impairment model to which a financial instrument is assigned:

- Impairment losses on financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.
- If, for instance, there are objective indications of impairment at the time of acquisition, the expected credit loss is priced into the interest rate. At the time of acquisition, a separate disclosure of the valuation allowance is not necessary. For changes after initial recognition, a separate valuation allowance is required.

Risk minimization strategies

The risk of a possible default (insolvency) by individual or several counterparties is minimized by means of an internal counterparty limit system. In this system, the maximum investment limit for each individual counterparty is determined in view of the respective counterparty’s credit rating (by international rating agencies such as Moody’s, Standard & Poor’s, Fitch) and the credit default swap spreads (CDS spreads – indicator of the probability of the counterparty defaulting). The counterparty limit is adjusted on a monthly basis so that it is possible to react quickly in the event of credit rating changes at short notice. If there are larger, short-term changes in CDS spreads or counterparty ratings, the counterparty exposure is reduced immediately.

Credit risks and the risk of a delay in payment by counterparties are controlled by the use of credit approvals, credit limits, and monitoring procedures. If appropriate, the Group obtains guarantees from governmental export agencies or similar private institutions to reduce the risk of a counterpart defaulting.

Without considering risk minimization strategies as described above, the carrying values of financial assets recorded in the financial statements represent the Group's maximum exposure to credit risk.

Valuation allowances are included for all known risks. The possibility of a future shortfall in payment exceeding the recorded valuation allowance cannot be avoided with certainty.

(in MEUR)	Trade accounts receivable	Contract assets	Other receivables and assets	Cash and cash equivalents	Investments	Total
Balance as of December 31, 2020	**-62.2**	**-3.1**	**-2.0**	**-0.3**	**-0.6**	**-68.2**
Charged to expenses	-2.8	0.0	-3.7	0.0	0.0	-6.5
Usage	2.7	0.0	0.4	0.0	0.0	3.1
Release	0.0	1.7	0.0	0.3	0.4	2.4
Currency translation adjustments	-2.3	0.0	0.0	0.0	0.0	-2.3
Balance as of December 31, 2021	**-64.6**	**-1.4**	**-5.3**	**0.0**	**-0.2**	**-71.5**
Charged to expenses	-0.6	-0.1	-31.2	-0.2	-0.4	-32.5
Usage	10.2	0.0	0.0	0.0	0.0	10.2
Release	6.5	0.0	0.1	0.0	0.0	6.6
Currency translation adjustments	-1.2	0.0	0.0	0.0	0.0	-1.2
Balance as of December 31, 2022	**-49.7**	**-1.5**	**-36.4**	**-0.2**	**-0.6**	**-88.4**

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 related to the project portfolio and regional distributions. For assets that were assessed according to the model 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 model 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 regularly conducting 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 individual 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. Key parameters in this assessment are the unemployment rate, commodity prices, automotive market, and economic growth.

As of December 31, 2022

(in MEUR)	Average weighted loss rate - risk category 1	Average weighted loss rate - risk category 2	Gross amount	Impairment loss	Net amount
Not due	0.03%	0.25%	764.6	-0.7	763.9
Up to 60 days past due	0.21%	1.39%	200.7	-0.9	199.8
61 to 120 days past due	0.63%	4.16%	37.0	-0.6	36.4
More than 120 days past due	1.68%	11.08%	61.7	-2.9	58.8
Individually impaired			50.8	-44.6	6.2
			1,114.8	**-49.7**	**1,065.1**

As of December 31, 2021

(in MEUR)	Average weighted loss rate - risk category 1	Average weighted loss rate - risk category 2	Gross amount	Impairment loss	Net amount
Not due	0.03%	0.23%	704.2	-0.8	703.4
Up to 60 days past due	0.17%	1.27%	129.9	-0.7	129.2
61 to 120 days past due	0.52%	3.80%	43.4	-0.8	42.6
More than 120 days past due	1.39%	10.13%	56.7	-3.3	53.4
Individually impaired			67.2	-59.0	8.2
			1,001.4	**-64.6**	**936.8**

Contract assets

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

As of December 31, 2022

(in MEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	0.0	0.0	0.0
Unsecured proportion	0.89%	118.5	-1.2	117.3
Secured proportion	0.11%	930.5	-0.3	930.2
		1,049.0	**-1.5**	**1,047.5**

As of December 31, 2021

(in MEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	0.0	0.0	0.0
Unsecured proportion	0.93%	95.1	-0.7	94.4
Secured proportion	0.08%	841.3	-0.7	840.6
		936.4	**-1.4**	**935.0**

Other receivables

In addition to individual 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.

As of December 31, 2022

(in MEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	50.8	-36.1	14.7
Lump sum impaired	0.34%	118.8	-0.3	118.5
		169.6	**-36.4**	**133.2**

As of December 31, 2021

(in MEUR)	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Individually impaired	-	54.1	-4.9	49.2
Lump sum impaired	0.35%	128.4	-0.4	128.0
		182.5	**-5.3**	**177.2**

Cash and cash equivalents and investments

ANDRITZ pursues a risk-averse investment strategy. Cash is largely invested in low-risk financial assets, such as government bonds, government-guaranteed bonds, senior bank bonds, money market funds, investment funds to cover pension obligations, 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 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 the item "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.

As of December 31, 2022

(in MEUR)	External rating	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Low risk	AAA to BBB-	0.05%	1,629.6	-0.8	1,628.8
Medium risk	BB+ to BB-	0.01%	167.0	0.0	167.0
High risk	B+ to D	0.17%	3.7	0.0	3.7
			1,800.3	**-0.8**	**1,799.5**

As of December 31, 2021

(in MEUR)	External rating	Average weighted loss rate	Gross amount	Impairment loss	Net amount
Low risk	AAA to BBB-	0.02%	1,449.3	-0.2	1,449.1
Medium risk	BB+ to BB-	0.01%	111.2	0.0	111.2
High risk	B+ to D	0.15%	1.7	0.0	1.7
			1,562.2	**-0.2**	**1,562.0**

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.

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 model to the lifetime credit losses model is to be used in individual cases, considerable judgment is required and existing information about customer and market is taken into account.

b) Liquidity risks

To minimize the financial risks at the best possible rate and to enhance monitoring, control, and assessment of its financial and liquidity position, the ANDRITZ GROUP has implemented comprehensive policies and a transparent information system. The Group manages liquidity risks especially by holding adequate financial reserves, by issuing Schuldscheindarlehen, by requiring customer advances, and by reconciling maturity date profiles of financial assets, receivables, and liabilities. A rolling liquidity forecast based on a fixed planning horizon, the quarterly update of this forecast as well as existing and unused credit lines are intended to ensure the necessary liquidity supply for the ANDRITZ GROUP.

The Group endeavors to mitigate the risk of payment failure by customers at the best possible rate by means of bank guarantees and export insurance. Further information can be found in chapter 35. a) Credit risks. However, it cannot be excluded that there will not be any individual payment default that will have a substantial negative impact on development of earnings and liquidity of the Group in the event of occurrence.

The ANDRITZ GROUP's position in terms of liquidity is very good and it has high liquidity reserves. The Group avoids dependence on a single bank or a few banks. To ensure independence, only a certain volume of each major financial product (cash and cash equivalents, financial liabilities, securities, guarantees, and derivatives) is handled by only one bank at a time. In the ANDRITZ GROUP, liquidity not only means the ability to meet financial obligations in the narrower sense, but also the availability of sureties. Operative business requires that bid bonds, contract performance guarantees, downpayment guarantees as well as performance and warranty bonds are provided on a continuous basis. As a result, financial flexibility is also determined by sufficient surety lines. With this diversification, ANDRITZ is seeking to minimize the counterparty risk at the best possible rate.

As described in chapter 28. Trade accounts payable, ANDRITZ offers a supply chain financing agreement, the purpose of which is to enable more efficient payment processing of supplier invoices. The agreement allows

ANDRITZ to centralize payments of trade accounts payable to the bank instead of paying each supplier individually. Since the agreement does not extend the payment terms significantly compared to normal terms with other non-participating suppliers, there would be no impact on liquidity if the supply chain financing was no longer available. The supply chain financing arrangement helps to better predict cash outflows.

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:

2022

(in MEUR)	Net book value	Contractual cash flows			
		Not exceeding 1 year	1 to 5 years	More than 5 years	Total
Bank loans and other financial liabilities	187.0	90.8	83.6	17.8	192.2
Lease liabilities	207.4	48.1	112.4	60.1	220.6
Trade accounts payable	983.0	983.0	0.0	0.0	983.0
Earn out and contingent considerations	9.3	9.3	0.0	0.0	9.3
Schuldscheindarlehen	893.9	177.2	712.9	37.5	927.6
Other liabilities	1,166.1	1,160.8	4.7	0.6	1,166.1
Non-derivative financial liabilities	**3,446.7**	**2,469.2**	**913.6**	**116.0**	**3,498.8**
Derivatives	77.0	54.2	27.8	0.4	82.4
Derivative financial liabilities	**77.0**	**54.2**	**27.8**	**0.4**	**82.4**
	3,523.7	**2,523.4**	**941.4**	**116.4**	**3,581.2**

2021

(in MEUR)	Net book value	Contractual cash flows			
		Not exceeding 1 year	1 to 5 years	More than 5 years	Total
Bank loans and other financial liabilities	185.2	78.0	78.0	35.5	191.5
Lease liabilities	231.2	49.5	123.1	72.8	245.4
Trade accounts payable	811.1	811.1	0.0	0.0	811.1
Earn out and contingent considerations	9.5	0.2	9.2	0.0	9.4
Schuldscheindarlehen	951.5	13.3	812.9	175.9	1,002.1
Other liabilities	1,085.6	1,073.3	12.1	0.2	1,085.6
Non-derivative financial liabilities	**3,274.1**	**2,025.4**	**1,035.3**	**284.4**	**3,345.1**
Derivatives	65.6	50.5	15.3	0.0	65.8
Derivative financial liabilities	**65.6**	**50.5**	**15.3**	**0.0**	**65.8**
	3,339.7	**2,075.9**	**1,050.6**	**284.4**	**3,410.9**

c) Market risks

Market risk comprises the risk that market prices, for example exchange rates, interest rates or share prices, change and that this will affect the Group's earnings or the value of the financial instruments held. The aim of market risk management is to steer and control the market risk within acceptable ranges and at the same time to optimize the return. The main market risks for the ANDRITZ GROUP include currency risks and interest rate risks.

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 advance and progress payments received from customers and payments made to suppliers 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 directly due to the war in Ukraine, but the indirect effects are accounted for.

The currency risks of the Group occur since 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 customer 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 to avoid a "cluster risk". The necessary measures and rules in connection with the hedging of customer or supplier orders that were not concluded in the respective functional currency of the group company are regulated in the group-wide Treasury Policy.

The sensitivity analysis provides an approximate quantification of the risk exposure if 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), Swedish Kronor (SEK), Brazilian Real (BRL) and Indian Rupee (INR). 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 impacts on net income and other comprehensive income are as follows:

(in MEUR)			2022		2021
		Net income	Other comprehensive income	Net income	Other comprehensive income
EUR / USD	+10%	-54.8	-11.3	-50.6	2.1
	-10%	54.8	11.3	50.6	-2.1
EUR / CNY	+10%	17.0	-1.0	12.7	2.5
	-10%	-17.0	1.0	-12.7	-2.5
EUR / SEK	+10%	6.3	-3.5	6.0	-1.3
	-10%	-6.3	3.5	-6.0	1.3
EUR / BRL	+10%	-1.8	9.9	-1.2	3.9
	-10%	1.8	-9.9	1.2	-3.9
EUR / INR	+10%	0.1	6.1	3.4	-0.1
	-10%	-0.1	-6.1	-3.4	0.1

The changes compared to the net income reported are mainly due to the market valuation of foreign exchange forward contracts at new rates, which are used to hedge plan items and are not included in any hedge relationship according to IFRS 9. These changes in fair values of derivatives are offset by the hedged order backlog.

Interest rate risks

The ANDRITZ GROUP estimates that the exposure to interest rate risk of financial assets and liabilities is low due to the risk-averse strategy; besides the hedging instruments mentioned in chapter 34. Derivatives 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. The compliance with the defined limits is monitored on a quarterly basis.

The weighted average interest rates, referred to the remaining terms of the respective financial assets or financial liabilities, were as follows at the balance sheet date:

2022

(in %)	EUR	USD	BRL	CNY
FINANCIAL ASSETS				
Cash on current accounts	0.5	0.1	0.0	0.1
Current deposits	0.5	2.9	12.5	3.2
Investments - current	0.3	0.0	0.0	1.8
Investments - non-current	0.4	0.0	0.0	0.0
FINANCIAL LIABILITIES				
Lease liabilities	2.5	2.2	6.5	3.0
Current loans	0.1	0.0	0.0	0.0
Non-current loans	1.3	0.0	0.0	0.0
Schuldscheindarlehen - non-current	1.4	0.0	0.0	0.0

2021

(in %)	EUR	USD	BRL	CNY
FINANCIAL ASSETS				
Cash on current accounts	-0.1	0.2	0.0	1.5
Current deposits	-0.1	0.4	8.0	3.1
Investments - current	0.1	0.0	0.0	2.2
Investments - non-current	0.1	0.0	0.0	0.0
FINANCIAL LIABILITIES				
Lease liabilities	1.4	1.5	4.6	3.1
Current loans	0.8	0.0	0.0	0.0
Non-current loans	1.3	5.8	0.0	0.0
Schuldscheindarlehen - non-current	1.4	0.0	0.0	0.0

SOURCE OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS

Interest rate sensitivity is assumed at 100 basis points in internal reporting on the interest rate risk. This reflects the Group’s estimate with respect to a possible change in the interest rate.

A rise in the interest level by 100 basis points, while simultaneously keeping all other variables constant, would have led to an increase in the interest result of 8.8 MEUR in the 2022 financial year (2021: increase of 3.9 MEUR). A decline in the interest level would have led to a decrease in the interest result in the same amount.

G) OTHER INFORMATION

36. Consolidated statement of cash flows

ACCOUNTING POLICIES

In the consolidated statement of cash flows, cash flows are separated into cash inflows and outflows from operating activities, investing activities, and financing activities, irrespective of how the items are classified in the consolidated statement of financial position.

Cash flow from operating activities is derived indirectly based on the net income, which is adjusted for non-cash expenses and income (primarily depreciation and amortization as well as provisions). Cash flow from operating activities is calculated considering the change in net working capital and consumption of provisions as well as interest received, interest paid, dividends received, and income taxes paid.

Investing activities mainly comprise payments for intangible assets and property, plant, and equipment as well as payments received, and payments made for non-current and current financial assets and payments for the acquisition of subsidiaries. The payments made for intangible assets as well as property, plant, and equipment include capital expenditures (additions to intangible assets and property, plant, and equipment) for the fiscal year to the extent that they already had an effect on cash.

Financing activities include not only cash flows from the redemption or issue of bank loans and other financial liabilities as well as lease liabilities, but also dividend payments and payments made for buy-back of treasury shares and payments made to non-controlling interests.

Non-cash transactions encompass mainly the capitalization of right of use assets as property, plant, and equipment by means of a lease or the acquisition of intangible assets or property, plant, and equipment by assuming directly related liabilities (purchase on credit).

The changes of the items in the consolidated statement of financial position shown in the consolidated statement of cash flows cannot be derived directly as among other things effects of currency translation adjustments, additions and releases of valuation allowances, changes in consolidation type of 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 710.8 MEUR, was above the reference figure of the previous year (2021: 529.6 MEUR). The increase is mainly due to the increase of the net income and the change in net working capital (151.1 MEUR in 2022 compared to 2021 at 16.0 MEUR). Predominantly, it applies to the difference in receipts of advance and progress payments of large-scale projects.

The change in net working capital is as follows:

(in MEUR)	2022	2021
Changes in inventories	-193.0	-100.8
Changes in advance payments made	-59.7	-6.7
Changes in receivables	-138.3	-128.1
Changes in contract assets	-70.0	-119.2
Changes in contract liabilities from sales recognized over time	411.9	174.7
Changes in contract liabilities from sales recognized at a point in time	22.3	82.6
Changes in liabilities	177.9	113.5
Change in net working capital	**151.1**	**16.0**

b) Cash flow from investing activities

The cash flow from investing activities amounted to -190.5 MEUR (2021: -290.6 MEUR). The change compared to the previous year mainly resulted from higher payments received for diposal of non-current and current financial assets, however, also higher payments made for property, plant, and equipment and payments made for non-current and current financial assets.

The net cash flow from company acquisitions breaks down as follows:

(in MEUR)	2022	2021
Net assets	**82.4**	**36.1**
Goodwill	12.6	12.4
CONSIDERATION TRANSFERRED	**95.0**	**48.5**
Cash and cash equivalents acquired	-34.4	-8.8
Receivables for purchase price overpaid / Payables from purchase price not yet paid (incl. contingent consideration)	1.4	-9.2
NET CASH FLOW FROM COMPANY ACQUISITIONS	**62.0**	**30.5**

Read more details in chapter 5. Acquisitions.

c) Cash flow from financing activities

The cash flow from financing activities amounted to -301.3 MEUR (2021: -355.4 MEUR). The change mainly resulted from lower payments made for bank loans and other financial liabilities (-90.3 MEUR in 2022 compared to -237.8 MEUR in 2021), however, there were higher dividends paid (-163.8 MEUR in 2021 compared to -100.3 MEUR in 2021). In 2021, non-controlling interests of 34.5 MEUR were purchased. In 2022, own shares in the amount of 16.0 MEUR were bought back compared to 4.7 MEUR in 2021.

The carrying amounts of the financial liabilities shown in the cash flow from financing activities, broken down by cash and non-cash changes, developed as follows in the reporting year:

(in MEUR)	Lease liabilities	Schuldschein-darlehen	Bank loans and other financial liabilities	Total
Balance as of December 31, 2020	**232.7**	**1,073.6**	**226.7**	**1,533.0**
Payments received	0.0	0.0	70.4	70.4
Payments made	-48.5	-122.5	-115.3	-286.3
Other non-cash changes	36.9	0.4	-0.1	37.2
Currency translation adjustments	6.5	0.0	3.5	10.0
Changes in consolidation scope	3.6	0.0	0.0	3.6
Balance as of December 31, 2021	**231.2**	**951.5**	**185.2**	**1,367.9**
Payments received	0.0	0.0	28.2	28.2
Payments made	-63.5	-58.0	-32.3	-153.8
Other non-cash changes	34.9	0.4	0.4	35.7
Currency translation adjustments	2.2	0.0	-3.1	-0.9
Changes in consolidation scope	2.6	0.0	8.6	11.2
Balance as of December 31, 2022	**207.4**	**893.9**	**187.0**	**1,288.3**

37. Assets held for sale

ACCOUNTING POLICIES

The requirements of IFRS 5 for classification as held for sale are met if assets can be sold in their current condition, the sale is highly probable, and the sale is expected to be completed within one year of the reclassification. The assets that are shown as held for sale contain individual assets and directly associated liabilities. Assets held for sale are recognized at their fair value less costs to sell, if this amount is lower than the book value. An assessment takes place immediately before the initial classification as held for sale. Any resulting impairment losses are recognized in the income statement.

The following assets and directly associated liabilities are reported as held for sale:

(in MEUR)	2022	2021
Intangible assets other than goodwill	0.0	0.5
Property, plant, and equipment	5.0	10.5
ASSETS HELD FOR SALE	**5.0**	**11.0**

In the Metals operating segment, the sale of property, plant, and equipment (land and buildings) in Germany was initiated at the end of 2021. Assets of 6.5 MEUR were classified as held for sale and no impairment losses were recorded. In 2022, part of the property, plant, and equipment was sold with a gain of 14.3 MEUR. The sale of the remaining part of property, plant, and equipment worth 3.4 MEUR will probably be completed in 2023.

In the Pulp & Paper operating segment, the sale of a production facility in the USA was initiated in October 2021. Assets in the amount of 1.7 MEUR were classified as held for sale and no impairment losses were recorded from the preceding valuation. The sale was completed in 2022 with a gain of 2.1 MEUR.

In the Metals operating segment, the sale of property, plant and equipment in the Netherlands was initated in 2022. Assets in the amount of 1.0 MEUR were classified as held for sale and no impairment losses were recorded from the preceding valuation. The sale is likely to be completed in 2023.

In 2021, the sale of property, plant, and equipment (land and buildings) and intangible assets was initiated. Assets in the amount of 1.5 MEUR were classified as held for sale. Impairment losses of 0.4 MEUR were recognized in 2021 based on the preceding valuation. The sale was completed in 2022 with a gain of 0.2 MEUR.

Also included are assets from the Pulp & Paper operating segment in Canada. An insignificant part of assets from the Metals operating segment in the USA, which were reported as held for sale in the previous year, were returned to fixed assets because there was no longer an intention to sell.

SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS

The determination of the fair value less costs to sell includes estimates and assumptions that are subject to a certain degree of uncertainty. The proceeds that actually occur may deviate from the assumptions made.

38. Effects of hyperinflation

ACCOUNTING POLICIES

IAS 29 – Financial Reporting in Hyperinflationary Economies is applicable if an entity's functional currency is that of a hyperinflationary economy.

A country is classified as hyperinflationary if, based on inflation rates published by local statistical authorities, cumulative inflation has exceeded 100% over the past three years.

The items of the income statement for the current reporting year have been adjusted to the current price level by applying the change in the general price index. The items are indexed monthly or quarterly by use ofan average monthly or quarterly index. The effects from the first-time application are recognized in equity, the effects on the current year in the financial result.

Argentina has been classified as a hyperinflationary economy since July 1, 2018, and Turkey since March 1, 2022. The adjustment of the application of hyperinflation accounting was not material in the previous years.

The IFRS financial statements of ANDRITZ FABRICS AND ROLLS S.A., Argentina, ANDRITZ HYDRO Ltd. Sti., Turkey, and ANDRITZ FABRICS AND ROLLS TECHNOLOGIES MAKINA HIZMETLERI SANAYI LIMITED SIRKETI, Turkey, have been adjusted due to the change in the purchasing power of the functional currency with regard to material resulting effects and stated in the measurement unit applicable at the reporting date.

Three-year inflation rate Turkey

	2018	2019	2020	2021	2022
Annual inflation rate	20%	12%	15%	36%	64%
Cumulative three-year rate			55%	75%	156%
Price index	1.20	1.12	1.15	1.36	1.64

Three-year inflation rate Argentina

	2018	2019	2020	2021	2022
Annual inflation rate	48%	54%	36%	51%	95%
Cumulative three-year rate			210%	216%	300%
Price index	1.48	1.54	1.36	1.51	1.95

For the 2022 financial year, the effect of the application of IAS 29 on net inome amounted to -5.9 MEUR.

The effects of the first-time application of hyperinflation accounting on the opening balance amounted to -2.5 MEUR and are recognized within equity.

39. 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, 2022, 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 Ltda., Brazil, faces tax claims based on allegations of joint and several liabilities 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 due to a settlement agreement between Inepar Group and the National Treasury Attorney-General's Office (PGFN). At the same time, an appeal is pending to determine that ANDRITZ was never part of the Inepar Group.

40. Expenses for services by the group auditor

(in TEUR)	2022	2021
Year-end audits	430	379
Other reviews	41	15
Other services	36	22
	507	**416**

41. Impacts of the war in Ukraine

The impacts on the 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.
- There have not been changes in the consolidation scope (no loss of control of the fully consolidated Russian subsidiary LLC ANDRITZ, based in St. Petersburg).
- Because of the continuing acts of war and the international sanctions imposed, ANDRITZ has suspended its new business in the field of large-scale projects in Russia. Existing contracts and obligations with customers from Russia as well as Belarus, which were concluded before the invasion by Russia in February 2022, have been or are being processed in compliance with all sanctions. In case the completion of the projects was not or is not possible, a way of terminating the contract was or is being sought together with the customers. According to the current assessment of the affected project portfolio, the order backlog of the ANDRITZ GROUP was reduced by -103.8 MEUR (-1.0%) as of December 31, 2022, and thus amounted to 9,976.5 MEUR. The share of revenue carried out in Russia, Belarus, and Ukraine compared to total revenue in recent years was around 3% and, therefore, has no significant influence on the Group's net assets, liabilities, financial position, and profit or loss.
- ANDRITZ has assessed whether there is any indication of event-related impairment of assets, such as goodwill. More detailed explanations are laid out in chapter D) Non-current assets and liabilities.
- There has not been any significant change in financial risks and renegotiation of financial liabilities. To date, the war in Ukraine has not led directly to any deterioration in the liquidity key performance indicators and no significant measures had to be taken. However, the indirect effects, e.g. high inflation, rise in interest rates, lower prices of securities, are already reflected. The main objective of the Executive Board is and remains to ensure liquidity of the Group, which is considered through comprehensive financial management.

- To be able to account for higher expected credit losses on trade accounts receivable, the ANDRITZ GROUP continuously monitors the general economic conditions and, if necessary, takes measures to limit the credit risk of customers who have been severely affected by the war in Ukraine. The parameters of future expectations such as unemployment rate, prices for raw materials and energy, as well as economic growth, were adjusted accordingly in the calculation of the lump sum valuation allowance.

- Order intake and revenue in 2022 were significantly higher than in the previous year in all four operating segments. Overall, the ANDRITZ GROUP was able to significantly increase EBIT in 2022 compared to 2021 – in summary, it can be said that the war in Ukraine had no noticeable negative impacts on the ANDRITZ GROUP.

- The impacts of the war in Ukraine on assets, results, and cash flows are difficult to predict due to the high degree of uncertainty, especially with regard to duration and scope. The assumptions and estimates made upon preparing the consolidated financial statements are based on the current state of knowledge and information. ANDRITZ continuously monitors the impacts on its business development.

42. Events after the reporting period

There are no extraordinary events after the balance sheet date.

43. Group companies

		2022		2021	
Company	Main office	Share*	Type of consolidation	Share*	Type of consolidation
Anstalt für Strömungsmaschinen Gesellschaft mbH	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.	Monza, 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
LENSER Filtration GmbH 2)	Senden, Germany	100.00%	FC	100.00%	FC
Lenser Asia Sdn. Bhd.	Petaling Jaya, Malaysia	100.00%	FC	100.00%	FC
Modul Systeme Engineering GmbH 2)	Laufen, Germany	100.00%	FC	100.00%	FC
ANDRITZ S.R.L.	Cisnadie, Romania	100.00%	NC	100.00%	NC
ANDRITZ Deutschland Beteiligungs GmbH 2)	Krefeld, Germany	100.00%	FC	100.00%	FC
ANDRITZ Ritz Immobilien GmbH 2)	Krefeld, Germany	-	-	100.00%	FC
Andritz Deutschland Holding GmbH 2)	Göppingen, 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 Metals Germany 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
ANDRITZ HYDRO GmbH 2)	Ravensburg, Germany	100.00%	FC	100.00%	FC
ANDRITZ Küsters GmbH 2)	Krefeld, Germany	100.00%	FC	100.00%	FC
ANDRITZ Kufferath GmbH 2)	Düren, Germany	100.00%	FC	100.00%	FC
AKRE Real Estate GmbH 2)	Düren, Germany	100.00%	FC	100.00%	FC
ANDRITZ Ritz GmbH 2)	Schwäbisch Gmünd, Germany	100.00%	FC	100.00%	FC
ANDRITZ Pumps Germany GmbH 2)	Schwäbisch Gmünd, Germany	100.00%	NC	100.00%	FC
Ritz Pumps South Africa (Pty) Ltd.	Germiston, South Africa	25.00%	NC	25.00%	NC
ANDRITZ MeWa GmbH 2)	Gärtringen, Germany	100.00%	FC	100.00%	FC
Schuler Group GmbH 2)	Göppingen, Germany	100.00%	FC	100.00%	FC
Schuler Pressen GmbH 2)	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

Company	Main office	2022 Share*	2022 Type of consolidation	2021 Share*	2021 Type of consolidation
Schuler Thailand Co. Ltd.	Banglamung Chonburi, Thailand	100.00%	NC	100.00%	NC
Gräbener Pressensysteme GmbH & Co. KG [1]	Netphen, Germany	100.00%	FC	100.00%	FC
Vögtle Service GmbH [2]	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	Pune, 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 [2]	Aue, Germany	100.00%	FC	100.00%	FC
WVL Werkzeug- und Vorrichtungsbau Lichtenstein GmbH [2]	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[2]	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
Farina Presse S.r.l.	Suello, Italy	100.00%	FC	100.00%	FC
Smart Press Shop GmbH & Co KG	Halle (Saale), Germany	50.00%	EQ	50.00%	EQ
Smart Press Shop Verwaltungs-GmbH	Stuttgart, Germany	50.00%	NC	50.00%	NC
SOVEMA GROUP S.p.A.	Villafranca di Verona, Italy	100.00%	FC	-	-
SOVEMA GLOBAL SERVICES Inc.	St. Louis, USA	100.00%	NC	-	-
SOVEMA TIANJIN BATTERY EQUIPMENT Ltd.	Tianjin, China	100.00%	NC	-	-
Bitrode corporation	St. Louis, USA	100.00%	FC	-	-
Bitrode UK Ltd.	Cheltenham, United Kingdom	100.00%	NC	-	-
BITRODE NL B.V.	Rotterdam, The Netherlands	100.00%	NC	-	-
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	Châteauroux, France	100.00%	NC	100.00%	FC
ANDRITZ HYDRO Private Ltd.	Mandideep, India	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Nepal Pvt. Ltd.	Kathmandu, Nepal	100.00%	NC	100.00%	NC
Bhutan Automation & Engineering Limited	Chhukha, Bhutan	49.00%	NC	49.00%	NC
ANDRITZ HYDRO S.L.	Algete, Spain	100.00%	NC	100.00%	NC
ANDRITZ HYDRO S.r.l. Unipersonale	Schio, Italy	100.00%	FC	100.00%	FC

Company	Main office	2022 Share*	2022 Type of consolidation	2021 Share*	2021 Type of consolidation
ANDRITZ HYDRO AG	Kriens, Switzerland	100.00%	FC	100.00%	FC
ANDRITZ S.A. de C.V.	Morelia, Mexico	100.00%	FC	100.00%	FC
ANDRITZ HYDRO AS	Jevnaker, Norway	100.00%	FC	100.00%	FC
ANDRITZ HYDRO AB	Nälden, Sweden	-	-	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%	NC	100.00%	NC
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%	FC	100.00%	FC
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	Jevnaker, 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	Victoria Island, Nigeria	100.00%	NC	100.00%	NC
ANDRITZ Hydro Pty Ltd	Sydney, Australia	100.00%	NC	-	-
ANDRITZ FEED & BIOFUEL A/S	Esbjerg, Denmark	100.00%	FC	100.00%	FC
ANDRITZ Chile Ltda.	Santiago de Chile, Chile	100.00%	FC	100.00%	FC
ANDRITZ CHILE SITE SERVICES SpA	Santiago de Chile, Chile	100.00%	NC	100.00%	NC
ANDRITZ CHILE SERVICES SpA	Santiago de Chile, Chile	100.00%	NC	100.00%	NC
POWERLASE TECHNOLOGIES HOLDINGS LIMITED	West Sussex, United Kingdom	-	-	82.00%	NC
Powerlase Technologies Inc.	Orlando / Florida, USA	-	-	100.00%	NC
ANDRITZ (USA) Inc.	Alpharetta / Georgia, USA	100.00%	FC	100.00%	FC
ANDRITZ Inc.	Alpharetta / Georgia, USA	100.00%	FC	100.00%	FC
ANDRITZ SEPARATION Inc.	Arlington / Texas, USA	100.00%	FC	100.00%	FC
ANDRITZ SEPARATION Technologies Inc.	Arlington / Texas, USA	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Corp.	Charlotte / North Carolina, USA	100.00%	FC	100.00%	FC

		2022		2021	
Company	Main office	Share*	Type of consolidation	Share*	Type of consolidation
ANDRITZ METALS USA Inc.	Callery / Pennsylvania, USA	100.00%	FC	100.00%	FC
ANDRITZ ASKO Emera B.V.	Amsterdam, The Netherlands	100.00%	FC	100.00%	FC
ANDRITZ Metals Netherlands B.V.	Amsterdam, The Netherlands	100.00%	FC	100.00%	FC
SOTEC S.A. de C.V.	San Francisco Cuautlalpan, Mexico	25.00%	NC	25.00%	NC
MFA Risk Solutions Inc.	Vermont, USA	100.00%	FC	-	-
Andritz Fabrics and Rolls Inc.	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 (Changzhou) Co. Ltd.	Changzhou, 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
ANDRITZ FABRICS AND ROLLS S.A.	Buenos Aires, Argentina	100.00%	FC	100.00%	FC
Huyck Licensco Inc.	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
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
ANDRITZ Fabrics and Rolls Limited	Tokyo, Japan	100.00%	FC	100.00%	FC
Andritz Fabrics and Rolls Germany Holding GmbH [2)]	Reutlingen, Germany	100.00%	FC	100.00%	FC
Robec Walzen GmbH [2)]	Düren, Germany	100.00%	FC	100.00%	FC
Andritz Fabrics and Rolls AG [2)]	Düren, Germany	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls GmbH [2)]	Reutlingen, Germany	100.00%	FC	100.00%	FC

		2022		2021	
Company	**Main office**	**Share***	**Type of consolidation**	**Share***	**Type of consolidation**
ANDRITZ Fabrics and Rolls AB	Uppsala, Sweden	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls Scandinavia AB	Uppsala, Sweden	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls, S.A.	Madrid, Spain	100.00%	FC	100.00%	FC
ANDRITZ JohnsonFoils Limited	Chachoengsao, Thailand	100.00%	NC	100.00%	NC
ANDRITZ FABRICS AND ROLLS HOLDINGS LIMITED	London, United Kingdom	100.00%	FC	100.00%	FC
Huyck.Wangner UK Limited	Kent, United Kingdom	100.00%	FC	100.00%	FC
Stowe-Woodward (UK) Limited	London, United Kingdom	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls Holdings SAS	Paris, France	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls SAS	Ville-la-grand, France	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls GmbH	Gloggnitz, Austria	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls Oy	Kerava, Finland	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls Holdings. S.p.A.	Milan, Italy	100.00%	FC	100.00%	FC
ANDRITZ Fabrics and Rolls S.p.A.	Latina, Italy	100.00%	FC	100.00%	FC
ANDRITZ FABRICS AND ROLLS TECHNOLOGIES MAKINA HIZMETLERI SANAYI LIMITED SIRKETI	Corlu / Tekirdag, Turkey	100.00%	FC	100.00%	FC
ANDRITZ FABRICS AND ROLLS PTY. LIMITED	Geelong, Australia	100.00%	FC	100.00%	FC
ANDRITZ SAS	Châteauroux, France	100.00%	FC	100.00%	FC
ANDRITZ Metals France SAS	Asnières-sur-Seine, France	100.00%	FC	100.00%	FC
ANDRITZ Selas Tianjin Industrial Furnace Equipment Co., Ltd.	Tianjin, China	40.00%	NC	40.00%	NC
Jaybee Eng. (Holdings) Pty. Ltd.	Carrum Downs / Victoria, Australia	100.00%	FC	100.00%	FC
ANDRITZ Pty. Ltd.	Carrum Downs / Victoria, Australia	100.00%	FC	100.00%	FC
ANDRITZ (NZ) Ltd.	Tauranga, New Zealand	100.00%	FC	100.00%	FC
ANDRITZ Ingeniería S.A.	Algete, Spain	100.00%	FC	100.00%	FC
ANDRITZ BRASIL LTDA.	Curitiba, Brazil	100.00%	FC	100.00%	FC
ANDRITZ SEPARATION Indústria e Comércio de Equipamentos de Filtraçâo Ltda.	Pomerode, Brazil	100.00%	FC	100.00%	FC
Sindus ANDRITZ Ltda.	Porto Alegre, Brazil	100.00%	FC	100.00%	FC
ANDRITZ Pilão Equipamentos Ltda.	Curitiba, Brazil	100.00%	FC	100.00%	FC
ANDRITZ Oy	Helsinki, Finland	100.00%	FC	100.00%	FC
ANDRITZ Savonlinna Works Oy	Savonlinna, Finland	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Oy	Tampere, Finland	100.00%	FC	100.00%	FC
ANDRITZ Warkaus Works Oy	Varkaus, Finland	100.00%	FC	100.00%	FC
Enmas ANDRITZ Pvt. Ltd.	Chennai, India	40.00%	EQ	40.00%	EQ
VA Brazil Oy	Espoo, Finland	40.00%	EQ	40.00%	EQ
ANDRITZ Enviroburners Oy	Vantaa, Finland	100.00%	NC	100.00%	NC
J. Parpala Oy	Kokkola, 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 AUTOMATION Ltd.	Richmond / British Columbia, Canada	-	-	100.00%	FC

		2022		2021	
Company	**Main office**	**Share***	**Type of consolidation**	**Share***	**Type of consolidation**
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
ANDRITZ AB	Örnsköldsvik, 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
Xerium China Co. Ltd.	Kunshan City, China	100.00%	FC	100.00%	FC
ANDRITZ (Foshan) Intelligent Manufacturing Co., Ltd.	Foshan, China	100.00%	FC	100.00%	FC
ANDRITZ Technologies H.K. Ltd.	Hong Kong, China	100.00%	FC	100.00%	FC
ANDRITZ Technologies Pvt. Ltd.	Chennai, India	100.00%	FC	100.00%	FC
ANDRITZ SEPARATION AND PUMP TECHNOLOGIES INDIA PRIVATE LIMITED	Chennai, India	100.00%	FC	100.00%	FC
ANDRITZ EUROSLOT INDIA PRIVATE LIMITED	Mumbai, India	100.00%	NC	100.00%	NC
ANDRITZ FEED & BIOFUEL Ltd.	Hull, United Kingdom	100.00%	FC	100.00%	FC
ANDRITZ FEED & BIOFUEL B.V.	Geldrop, The Netherlands	100.00%	FC	100.00%	FC
ANDRITZ B.V.	Den Helder, The Netherlands	100.00%	FC	100.00%	FC
ANDRITZ Singapore Pte. Ltd.	Singapore, Singapore	100.00%	FC	100.00%	FC
ANDRITZ Uruguay S.A.	Fray Bentos, Uruguay	100.00%	FC	100.00%	FC
ANDRITZ Industrias S.A.	Fray Bentos, Uruguay	100.00%	NC	100.00%	NC
ANDRITZ PULP TECHNOLOGIES S.A.	Montevideo, Uruguay	100.00%	FC	100.00%	FC
ANDRITZ K.K.	Tokyo, Japan	100.00%	FC	100.00%	FC
ANDRITZ DELKOR (Pty) Ltd.	Kyalami, South Africa	100.00%	FC	100.00%	FC
GKD Delkor (Pty) Ltd.	Kyalami, South Africa	100.00%	NC	100.00%	NC
PT. ANDRITZ	Jakarta, Indonesia	100.00%	FC	100.00%	FC
LLC ANDRITZ	St. Petersburg, Russia	100.00%	FC	100.00%	FC
LLC ANDRITZ HYDRO	Moscow, Russia	100.00%	NC	100.00%	NC
ANDRITZ Kufferath s.r.o.	Levice, Slovakia	100.00%	FC	100.00%	FC
ANDRITZ Kft.	Tiszakécske, Hungary	100.00%	FC	100.00%	FC
ANDRITZ Perfojet SAS	Montbonnot Saint-Martin, France	100.00%	FC	100.00%	FC
ANDRITZ Biax SAS	Le Bourget du Lac, France	100.00%	NC	100.00%	NC
ANDRITZ Separation Italy S.r.l.	Milan, Italy	100.00%	FC	100.00%	FC
ANDRITZ COMO S.R.L.	Grandate, Italy	100.00%	NC	100.00%	NC
ANDRITZ Soutec AG	Neftenbach, Switzerland	100.00%	FC	100.00%	FC
EK Finance SAS	Scorbé-Clairvaux, France	100.00%	FC	100.00%	FC

		2022		2021	
Company	**Main office**	**Share***	**Type of consolidation**	**Share***	**Type of consolidation**
ANDRITZ Euroslot France SAS	Scorbé-Clairvaux, France	100.00%	FC	100.00%	FC
ANDRITZ FZCO	Dubai, United Arab Emirates	100.00%	NC	100.00%	NC
OTORIO LTD	Tel Aviv, Israel	50.01%	FC	50.01%	FC
ANDRITZ Novimpianti S.r.l.	Capannori, Italy	100.00%	FC	100.00%	FC
ANDRITZ Diatec S.r.l.	Collecorvino, Italy	100.00%	FC	100.00%	FC
Psiori GmbH	Freiburg im Breisgau, Germany	25.10%	EQ	25.10%	EQ
ANDRITZ Laroche S.A.S.	Cours-la-Ville, France	100.00%	FC	100.00%	FC
ANDRITZ Digital Factory d.o.o.	Zagreb, Croatia	100.00%	NC	100.00%	NC
ANDRITZ BONETTI HOLDING S.R.L.	Milan, Italy	100.00%	FC	-	-
ANDRITZ BONETTI S.P.A.	Milan, Italy	100.00%	FC	-	-
ANDRITZ BONETTI CO. INC.	Sturtevant, WI, USA	100.00%	FC	-	-
Bonetti GmbH	Hagen, Germany	100.00%	FC	-	-
GIOBONETTI INTERNATIONAL CANADA INC.	Montrèal / Québec, Canada	100.00%	FC	-	-
Bonetti Canada Inc.	Trois-Rivières / Québec, Canada	100.00%	FC	-	-
Đuro Đaković termoenergetska postrojenja d.o.o.	Slavonski Brod, Croatia	100.00%	FC	-	-

* 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 23, 2023

Joachim Schönbeck e.h. Vorstandsvorsitzender	Domenico Iacovelli e.h.	Humbert Köfler e.h.	Norbert Nettesheim e.h. Finanzvorstand	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 23, 2023

The Executive Board of ANDRITZ AG

Joachim Schönbeck President and CEO	Domenico Iacovelli	Humbert Köfler	Norbert Nettesheim CFO	Wolfgang Semper

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 operating segment.

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 operating segment.

MEUR
Million euros.

Net debt
Interest bearing liabilities including provisions for severance payments, pensions, and other long-term employee benefits as well as plan assets in excess of defined benefit obligation less liquid funds.

Net liquidity
Liquid funds less financial liabilities.

Net working capital
Non-current receivables plus current assets (excluding investments, cash and cash equivalents as well as Schuldscheindarlehen) less other non-current liabilities and current liabilities (excluding financial liabilities and provisions as well as plan assets in excess of defined benefit obligation).

Non-current assets (as reported internally) consist of property, plant, and equipment, goodwill, intangible assets as well as other non-current receivables and assets. Investments accounted for using the equity method, investments and other financial assets as well as deferred tax assets are not part of the non-current assets.

Order backlog
The order backlog consists of present customer orders at the reporting date and represents the transaction price assigned to the remaining performance obligations. The order backlog at the end of the period is basically calculated by the order backlog at the beginning of the period plus order intake less revenue during the reporting period.

Order intake
The order intake is the estimated revenue of orders which have been put into effect in the reporting period considering changes and corrections of the order value; letters 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 operating segment.

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 operating segment.

Sureties
These contain bid bonds, contract performance guarantees, down payment guarantees as well as performance and warranty bonds at the expense of the ANDRITZ GROUP.

SCF
Supply Chain Financing.

TEUR
Thousand euros.

Total equity
Total 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, Austria

and its subsidiaries ("the Group"), which comprise the Consolidated Statement of Financial Position as at 31 December 2022, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, 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 comply with the legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, 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, and 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 chapter 9 and 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 projectrelated 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 notes chapter 20

Risk for the Consolidated Financial Statements

Goodwill capitalized in the consolidated statement of financial position as of balance sheet date amounts to EUR 787,0 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.

- We have reconciled the revenue and margin projections used for impairment testing to the Group's current business plan as approved by the supervisory board. We have tested the underlying assumptions for reasonableness in discussions with the management and reconciliation to information relating to the current and expected development of the respective cash generating units. We also verified the historical accuracy of the business plan by comparing plans for prior periods with the actual results.

- With regard to the discount rates used, we have tested the underlying assumptions by comparing them to market and industry-specific benchmarks and methodologies, and we have reviewed the respective calculation formula, consulting our own valuation experts. Insofar as there are CGUs with excess returns, we verified the reasons using historical data as well as future market- and economic positions.

- Furthermore, we have assessed whether the entity-prepared impairment test disclosures in the notes are appropriate.

Other Information

Management is responsible for other information. Other information is all information provided in the annual financial report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee 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. 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.

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 April 2022 and were appointed by the supervisory board on 7 October 2022 to audit the financial statements of Company for the financial year ending on 31 December 2022.

In addition, during the Annual General Meeting, we have been elected as auditors for the following financial year and appointed by the supervisory board.

We have been auditors of the Company, without interruption, since the consolidated financial statements at 31 December 2016.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

ENGAGEMENT PARTNER

The engagement partner is Mr Johannes Bauer.

Vienna, 28 February 2023

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Signed by:
Johannes Bauer
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.
The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

ANDRITZ AG

Stattegger Strasse 18
8045 Graz, Austria
investors@andritz.com

Produced in-house using firesys

Disclaimer

Certain statements contained in the 2022 annual report and in the 2022 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 2022 annual report and the 2022 annual financial report contain assumptions and forecasts based on the information available up to the copy deadline on February 23, 2023. 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 2022 annual financial report do arise, actual results may vary from the forecasts made in the 2022 annual report and in the 2022 annual financial report. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.