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23<sup>rd</sup> Ordinary General Meeting on July 1, 2015

**Report by the Management Board**

of

**voestalpine AG**

**Linz, company no. FN 66209 t,**

relating to

**Authorization of the Management Board to purchase own shares over the counter and to sell purchased own shares in a manner other than via the stock exchange or by public offer  
(AGENDA ITEM 6)**

The Management Board of voestalpine AG has prepared the following report to the 23<sup>rd</sup> Ordinary General Meeting of voestalpine AG held on July 1, 2015 pursuant to Sec. 65 para. 1b of the Austrian Stock Corporation Act (*Aktiengesetz*, AktG) in conjunction with Sec. 170 para. 2 of the Austrian Stock Corporation Act and Sec. 153 para. 4 sentence 2 of the Austrian Stock Corporation Act.

At the 21<sup>st</sup> Annual General Meeting of voestalpine AG dated July 3, 2013 regarding agenda item 6 a decision was taken with which the Management Board has been authorized to acquire own shares pursuant to Sec. 65 Austrian Stock Corporation Act. This authorization will expire on January 3, 2016.

To authorize the Management Board to acquire own shares not only until January 3, 2016 but also for another period of 30 months starting July 1, 2015, the Management Board and the Supervisory Board propose the following resolution regarding agenda item 6 for adoption by the 23<sup>rd</sup> Annual General Meeting of the Company on July 1, 2015:

- a) *The resolution adopted in the 21<sup>st</sup> Annual General Meeting of voestalpine AG dated July 3, 2013 to authorize the Management Board to acquire own shares pursuant to Sec. 65 Austrian Stock Corporation Act taken shall be revoked in as far as the authorization is unused.*
- b) *Pursuant to Sec. 65 para. 1 No. 4 and No. 8 as well as para. 1a and 1b of the Austrian Stock Corporation Act, that the Management Board shall be authorized to purchase both via the stock exchange and over the counter bearer shares of the Company in a volume of up to 10% of the share capital of the Company for a period of validity of 30 months from July 1, 2015, whereby the lowest transaction value may be not more than 20% below and the highest transaction value may be not more than*

*10% above the average closing price on the stock exchange for the last three trading days prior to purchase of the shares. Trade in own shares is excluded as an object of purchase. The said authorization may be exercised wholly or in part or also by way of several part amounts and pursuing one or several objects by the Company, by a subsidiary (Sec. 228 para. 3 of the Austrian Business Enterprise Code (Unternehmensgesetzbuch, UGB)) or for the account of the Company by third parties. In case of a purchase of bearer shares over the counter excluding pro rata disposal rights which may accompany such an acquisition (reverse exclusion of subscription rights) shall be possible.*

- c) For a period of five years with effect from July 1, 2015, the Management Board shall be authorized pursuant to Sec. 65 para. 1b of the Austrian Stock Corporation Act to determine with regard to the sale or appropriation of own shares a different type of sale from that on a stock exchange or via a public offer, in a context of analogous application of the provisions relating to exclusion of shareholders' subscription rights, and to stipulate the conditions of sale. Authorization may be exercised wholly or in part or by way of several part amounts and in pursuit of one or several objects by the Company, by a subsidiary (Sec. 228 para. 3 of the Austrian Business Enterprise Code) or for the account of the Company by third parties, in particular (i) for the purpose of implementing a programme for employee participation including members of the Management Board and executive officers of the Company or of its associates or (ii) by way of consideration in the context of acquiring entities, business operations, parts of business operations or shares in one or several companies at home or abroad.*
- d) Furthermore, the Management Board is authorized, as required, to decrease the share capital of the Company according to Sec. 65 para. 1 no. 8 last sentence in connection with Sec. 192 of the Austrian Stock Corporation Act without any further resolution by the Annual General Meeting. The Supervisory Board is authorized to resolve upon the amendments of the Articles of Association as a consequence of the redemption of shares.*
- e) The Supervisory Board is involved on the basis of the Austrian Stock Corporation Act.*

With regard to the possibility of own shares purchased pursuant to Sec. 65 para. 1 of the Austrian Stock Corporation Act being sold pursuant to Sec. 65 para. 1b of the Austrian Stock Corporation Act in a manner other than via a stock exchange or by public offer, the Management Board must present a written report on the reason for the related exclusion of preferential subscription rights, pursuant to Sec. 65 para. 1b of the Austrian Stock Corporation Act in conjunction with Sec. 170 para. 2 of the Austrian Stock Corporation Act and Sec. 153 para. 4 sentence 2 of the Austrian Stock Corporation Act. In addition, in

respect of the possibility of over the counter purchase of own shares pursuant to Sec. 65 para. 1 no. 4 of the Austrian Stock Corporation Act and Sec. 65 para. 1 no. 8 of the Austrian Stock Corporation Act, this report deals with the exclusion of the pro-rata selling right related to such purchase (reverse exclusion of preferential subscription rights).

I. Authorization of the Management Board to sell own shares acquired pursuant to Sec. 65 para. 1 of the Austrian Stock Corporation Act in a manner other than via a stock exchange or via a public offer.

1. Sale of own shares as consideration for business acquisitions

The own shares acquired pursuant to Sec. 65 para. 1 of the Austrian Stock Corporation Act may be sold in a manner other than via the stock exchange or via public offer if the sale of the shares is consideration for the acquisition of entities, business operations, parts of business operations or shares in one or several companies, i.e. also through the introduction of equity interests, entities, business operations and parts thereof by way of contribution in kind.

voestalpine AG intends in principle to continue growing both at home and abroad. The said growth may also take place in the form of the acquisition of other entities or business operations. The acquisition of entities, business operations or parts thereof may be structured in legal terms both as a purchase of certain assets (and liabilities) of an entity, business operation or part thereof (so-called "asset deal") or as the purchase of shares in a company (so-called "share deal"). Both types of acquisition of a business operation or of part thereof, namely asset deal and share deal, are hereinafter together referred to as a business acquisition.

With a business acquisition, the consideration may consist not only of money, but also shares of the acquiring entity. This may be both in the interests of voestalpine AG as buyer and in the interests of the seller. While in the case of the purchase of a business operation through payment of a cash purchase price the Company may incur a significant outflow of liquidity, if a business acquisition takes place in which own shares are granted as consideration (hereinafter "contribution in kind"), the acquiring entity (voestalpine AG) incurs no liquidity outflow, but on the contrary, there is a de facto increase in equity. There may also be instances in which, for strategic reasons too, it is necessary and expedient for the seller of the entity to take a small shareholding in voestalpine AG, or for the seller to demand a shareholding in the Company in return.

On the basis of the restrictions surrounding the acquisition of own shares – namely to a total (for almost all cases pursuant to Sec. 65 of the Austrian Stock Corporation Act) of 10% of the nominal capital of the Company – on the basis of this transaction, a seller cannot acquire any significant interest in voestalpine AG. In so far as the Company has acquired own shares at an earlier date and a price increase has since arisen, when appropriating own shares, the Company receives a saving by way of consideration for a business acquisition; for when assessing the consideration for the business acquisition, the own shares to be granted as (part of) the consideration are generally reported at the current (average) market value or intrinsic value, whichever is the higher, and not at the lower historical acquisition cost.

Business acquisition in such form that the business or parts thereof are introduced into the Company against contribution in kind to the exclusion of the preferential subscription right of the other shareholders is generally acknowledged as objective justification for the exclusion of preferential subscription rights. With a view to the planned growth of voestalpine AG, the Company has an interest in enabling a business acquisition through contribution in kind to the exclusion of preferential subscription rights and at the same time preserving the Company's liquidity. Allowing a consideration in own shares permits the Company to act in such transactions with the required speed and flexibility.

The sale of own shares in a manner other than via the stock exchange or public offer is necessary in the context of a business acquisition for the reason that, firstly, the Company can in the case of a business acquisition against contribution in kind only in this manner ensure acquisition of the business operation without a liquidity outflow, and secondly because the seller is frequently only willing to transfer a business operation or part thereof if, for his part, he receives an interest of equivalent value in the Company. From the perspective of voestalpine AG, for strategic reasons or reasons of corporate organization, it may be necessary to include the seller as shareholder in the Group. Where a business acquisition takes place through contribution in kind, the seller as contributor in kind may only achieve the interest sought by him if he exclusively receives the new shares, for a seller seeks to achieve a (percentage) share in voestalpine AG corresponding to the proportion of the value of his business operation compared with the business value of voestalpine AG and which grants him corresponding voting rights (and thus participation rights) in the Company.

The exclusion of preferential subscription rights/sale of own shares in a manner other than over the stock exchange or through public offer is ultimately proportionate because voestalpine AG generally has a particular interest in acquiring the business operation in

question or shares in the business operation in question. Safeguarding the interests of existing shareholders is ensured in that, when a business acquisition takes place, shares are awarded on a proportionate basis – generally following conduct of a business valuation. The value of the business operation to be introduced or of the shares in such business operation is set against the value of voestalpine AG; the contributor in kind receives own shares acquired by the company in the same proportion. The existing shareholders further participate in future profits of the business operation acquired. Through the use of own shares as consideration for the business operation acquired, voestalpine AG avoids a corresponding outflow of liquid funds, which thus remain with the shareholders.

## 2. Sale of own shares by issue to convertible bond holders

The Management Board was authorized during the General Meeting of July 2, 2014 to issue, subject to approval by the Supervisory Board, financial instruments within the meaning of Sec. 174 of the Austrian Stock Corporation Act in one or more tranches and in different combinations on or before June 30, 2019, in particular convertible bonds, income bonds and participation rights with a total nominal amount of up to EUR 1,000,000,000.00 that can also convey subscription and/or conversion rights to acquire up to 34,400,000 shares of the Company and/or are structured so that they can be reported as equity, including indirect issuance by means of a guarantee for an issue by a company affiliated with the Company of financial instruments with conversion and/or subscription rights to acquire shares of the Company.

No use has been made of this authorization to date. If the Management Board makes use of this authorization and issues convertible bonds based on the General Meeting resolution of July 2, 2014, then the holders of the convertible bonds will have the right to subscribe to shares of the Company by exercising the rights conveyed to them by the bonds to convert the bonds to shares of the Company. Under the General Meeting resolution of July 2, 2014, the Management Board can use contingent capital or own shares or a combination of contingent capital and own shares to satisfy these subscription rights.

The convertible bond holders with subscription rights do not have the same relationship with the Company as the shareholders, which means that equal treatment of the shareholders and convertible bond holders with subscription rights does not appear either economically or legally appropriate or required. In fact, the different treatment of existing shareholders and convertible bond holders is a simple consequence of the

subscription rights for shares of the Company that are associated with the convertible bonds. For example, performing a contingent capital increase to satisfy the subscription rights conveyed by convertible bonds that are issued inherently requires exclusion of shareholder subscription rights.

Therefore, in the view of the Management Board, issuing own shares to convertible bond holders who exercise their conversion or subscription rights to acquire shares of the Company and the indirectly associated exclusion of shareholder subscription rights is a justified alternative to performing a contingent capital increase.

3. With regard to the sale of own shares purchased pursuant to Sec. 65 para. 1 of the Austrian Stock Corporation Act in a manner other than via a stock exchange or public offer, the Management Board must publish a report at the latest two weeks prior to the resolution of the Supervisory Board (which must consent to sale in a manner other than via the stock exchange by public offer), in which report inter alia, the selling price of the shares must also be substantiated (Sec. 65 para. 1b in conjunction with Sec. 171 para. 1 of the Austrian Stock Corporation Act).
- II. Authorization of the Management Board to purchase own shares in accordance with Sec. 65 para. 1 no. 4 and no. 8 of the Austrian Stock Corporation Act over-the-counter and consequently to exclude pro rata disposal rights which may accompany such an acquisition (reverse exclusion of subscription rights).
1. -- With regard to future business acquisitions, the Management Board is to be granted a high degree of flexibility and the ability to act quickly. For this purpose, it may be necessary to be able to draw at short notice on the requisite acquisition currency in the required amount and therefore to acquire own shares in a package over the counter. The swift availability of the acquisition currency in the form of own shares for the purposes as stated above in the present report constitutes the objective justification for the reverse exclusion of preferential subscription rights, i.e. the exclusion of the pro-rata selling right of shareholders.
  2. The same necessity of acquiring own shares if required swiftly and without influencing the stock-market price may also arise within the framework of employee participation programmes.

### III. Miscellaneous

1. -- Finally, it is stated that (i) the granting of authorization to the Management Board to purchase own shares over the counter or to sell own shares purchased as appropriate in a manner other than via the stock exchange or via public offer, respectively for the purpose of issuing shares in consideration of a business purchase or (ii) the granting of authorization to the Management Board to sell own shares in a manner other than via the stock exchange or via public offer to satisfy convertible bond conversion rights, is a usual and generally-recognized operation in the case of numerous stock-market-listed Austrian (and German) companies. This is also expressed in Sec. 5 para. 2 no. 7 of the Austrian Publication Ordinance (*Veröffentlichungsverordnung, VeröffentlV*), according to which the publication to be undertaken at a given time must indicate the nature and purpose of the repurchase and/or sale of own shares, in particular whether the repurchase and/or sale is to take place on a stock exchange and/or over the counter.
2. The priority issue of shares to employees, executive officers and members of the Management Board or Supervisory Board of the Company or one of its associates constitutes sufficient reason for exclusion of preferential subscription rights pursuant to Sec. 153 para. 5 of the Austrian Stock Corporation Act.
3. The Supervisory Board is involved on the basis of the Austrian Stock Corporation Act.
4. In conclusion, the Management Board of voestalpine AG determines that the granting authorization to the Management Board of the Company to purchase own shares over the counter or, pursuant to Sec. 65 para. 1 of the Austrian Stock Corporation Act, to sell own shares purchased with the involvement of the Supervisory Board as required under the Austrian Stock Corporation Act as appropriate in a manner other than via the stock exchange or by way of public offer fully accords with the statutory rules.

Linz, dated June 1, 2015

The Management Board of  
voestalpine AG