MANAGEMENT BOARD REPORT
in accordance with Sec. 174 para. 4 in combination with Sec. 153 para. 4 AktG for Agenda Items 9 and 10 of the General Meeting of voestalpine AG (Authorisation of the Management Board to exclude shareholder pre-emption rights when issuing the financial instruments specified in Sec. 174 AktG)

All members of the Management Board of voestalpine AG, with registered office in Linz, hereby submit the following Management Board Report in accordance with Sec. 174 para. 4 in combination with Sec. 153 para. 4 AktG (Austrian Stock Corporation Act) to the 22nd Annual General Meeting of voestalpine AG on 2 July 2014.

The voestalpine AG Management Board submitted the following resolution proposal for Agenda Item 9:

1) The Management Board shall be authorised, subject to approval by the Supervisory Board, to issue financial instruments within the meaning of Sec. 174 AktG in one or more tranches and in different combinations on or before 30 June 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.
2) The Management Board can use contingent capital or treasury shares or a combination of contingent capital and treasury shares to fulfil the obligations arising from the conversion and/or subscription rights.
3) The Management Board shall set the issuing price and issuing terms of the financial instruments, subject to approval by the Supervisory Board, with the issuing price being determined using a recognised pricing procedure based on recognised financial mathematics methods and the share price of the Company.
4) The Management Board shall be authorised, subject to Supervisory Board approval, to exclude shareholder pre-emption rights to acquire the financial instruments within the meaning of Sec. 174 AktG.

The voestalpine AG Management Board submitted the following resolution proposal for Agenda Item 10:

"Resolution on

a) cancellation of the contingent capital in accordance with Sec. 159 para. 2 no. 1 AktG that was approved by a General Meeting resolution of 1 July 2009,

b) approval of a contingent share capital increase of up to EUR 31,330,923.02 in accordance with Sec. 159 para. 2 no. 1 AktG that can be used to issue up to 17,244,916 new no-par value bearer ordinary shares to holders of financial instruments within the meaning of Sec. 174 AktG and the General Meeting resolution of 2 July 2014 that are issued in the future by the Company or affiliated companies based on the authorisation granted in this General Meeting, with the capital increase permitted only to the extent that these financial instrument holders exercise their conversion and/or subscription rights to acquire shares of the Company. The Management Board shall determine the issuing price and conversion ratio using a recognised pricing procedure based on recognised financial mathematics methods and the share price of the Company. The new shares issued under the contingent capital increase shall have the same dividend rights as the previously existing shares of the Company. The Management Board shall be authorised, subject to Supervisory Board approval, to set the other details for performance of the contingent capital increase. The Supervisory Board shall be authorised to approve amendments to the Articles of Association arising from the issue of shares from contingent capital.

   [Contingent Capital 2014]

c) corresponding amendments to Sec. 4 para. 6 of the Articles of Association (Share Capital and Shares), which shall read as follows:

   '(6) The share capital of the Company shall be increased by up to EUR 31,330,923.02 in accordance with Sec. 159 para. 2 no. 1 AktG that can be used to issue up to 17,244,916 new no-par value bearer ordinary shares to holders of financial instruments within the meaning of the General Meeting resolution of 2 July 2014 that are issued in the future by the Company or an affiliated company based on the authorisation granted in this General Meeting. This capital increase may only be performed to the extent that the holders of the financial instruments exercise their subscription or conversion rights to acquire shares of the Company. The Management Board shall determine the issuing price and conversion ratio using a recognised pricing procedure based on recognised financial mathematics methods and the share price of the Company. The new shares issued under the contingent capital increase shall have the same dividend rights as the previously existing shares of the Company. The Management Board shall be authorised,

subject to Supervisory Board approval, to set the other details for performance of the contingent capital increase. The Supervisory Board shall be authorised to approve amendments to the Articles of Association arising from the issue of shares from contingent capital.
[Contingent Capital 2014]'"

Exclusion of pre-emption rights and reasons

Shareholder pre-emption rights to acquire the financial instruments specified in Sec. 174 AktG that are issued under this authorisation, in particular convertible bonds, warrant-linked bonds, income bonds and participation rights, may be excluded subject to Supervisory Board approval.

In the opinion of the Management Board, the exclusion of pre-emption rights in connection with this resolution authorising the issue of the financial instruments specified in Sec. 174 AktG can be justified based on the overriding interests of the Company, or, in any case indirectly, the interests of the Company's current shareholders. In accordance with applicable statutory provisions, the Management Board provides the following report on the legal and economic reasons and justification for the exclusion of pre-emption rights.

The exclusion of pre-emption rights for the financial instruments specified in Sec. 174 AktG must be viewed in terms of the following four key factors: comparatively low and therefore attractive financing costs for the Company, optimisation resulting in a high conversion price, acquisition of new investor groups, and raising capital directly at the location in the Group where the funds are actually used.

Exclusion of shareholder pre-emption rights to the financial instruments specified in Sec. 174 AktG that are issued by the Company can be necessary for these reasons.

A More favourable financing opportunities

I. CONVERTIBLE BONDS

Investors receive interest on convertible bonds and bear a comparatively low risk with respect to repayment of the capital invested. At the same time, they are granted the right to purchase shares of the Company in the future at a price set at the time the convertible bond is issued or based on a pre-specified price formula ("conversion price"), allowing the creditors to also participate in the net assets and earnings power of the Company after conversion.

Issuing convertible bonds is an appropriate way for the Company to keep its cost of capital as low as possible. The features mentioned above, namely a high level of security for bond creditors and the possibility of participating in price increases by exercising the conversion right to purchase shares, gives the Company the flexibility to quickly access attractive financing terms that are generally below the level for (pure) debt instruments.

Normal capital market terms for convertible bonds allow the conversion price for the issued shares to be set above the price of the Company's shares at the time that the convertible bond is issued ("conversion premium") so that the Company can obtain a higher issue price than it would if a capital increase were immediately performed. In other words, this allows the Company to acquire additional capital.

The value of a convertible bond has two components, a bond component and an option component that grants the right to convert the bond into shares. Due to the convertible bond's option component, whose value depends on the price path of the shares, investors generally accept a lower interest rate than they would for traditional corporate bonds. The conversion premium also includes the value of the option component, whose price depends not only on maturity and the level of interest rates, but also depends greatly on the price path and volatility of the shares. In the calculation methods normally used in the market, high volatility (and the possibility of price increases that it represents) has the effect of increasing the value of the option component, which in turn leads to a comparatively lower interest rate for the convertible bond. In particular, therefore, convertible bonds also offer the possibility of using price volatility, which is also shown by voestalpine AG shares, to the benefit of the Company, thereby lowering the Company's cost of capital.

Experience has shown that better terms can generally be achieved for issues where shareholder pre-emption rights are excluded, as the immediate placement this allows enables price risks detrimental to the Company that result from changes in the market situation to be avoided. This is due to the structure of rights issues, which are required by law to have a minimum two-week subscription period. Therefore, if shareholder pre-emption rights are excluded and the market situation is correctly assessed, the Company can generate comparatively higher proceeds with a lower number of shares issued upon exercise of the conversion rights. This the reason that the exclusion of pre-emption rights has become standard practice when issuing convertible bonds in the capital market.

II. WARRANT-LINKED BONDS

In the case of a warrant-linked bond, in addition to the right to interest payments and repayment of the face value of the bond, investors are also granted the right to purchase a certain number of shares of the company at a specified price during a specified period. As a rule, this option is certificated in a separate warrant and includes the right to detach the warrant from the bond and transfer it separately.

This financing instrument offers investors a return that can be calculated from fixed interest payments and repayment of face value, together with the opportunity to use the option speculatively. If the share price rises, the option can be exercised to purchase shares at an attractive price, or the warrants can be sold at a price that rises faster than the share price. This leverage effect increases as the number of shares that can be purchased per warrant increases, and as the option price decreases.

A warrant-linked bond is particularly attractive to the Company in terms of cost as its speculative component allows this form of financing instrument to be placed at a fixed interest rate below the market terms that would otherwise apply.

The discussion in the convertible bond section applies analogously here.

III. INCOME BONDS

In addition to a certain monetary claim, the terms of these bonds also include other payments that are calculated according to the profit shares received by shareholders such that an interest payment depending on company profit is made in addition to or instead of a fixed interest payment. In such a case, the additional interest payment or entire interest payment is cancelled if no profit is earned or making these payments would result in or increase the net accumulated losses shown on the balance sheet. A right to make up these missed payments from future profits can also be stipulated.

The Company is free to determine the repayment terms and maturity of the bond, which may be extended without limit to create a "perpetual bond". A mixed form of income bond and convertible bond or warrant-linked bond is also possible.

As a result, income bonds also offer the Company attractive financing alternatives, depending on how they are structured, and avoid in particular the risk of bond servicing when there is insufficient profit, which benefits the Company and, therefore, the shareholders.

Due to the many ways in which their terms can be structured, the demand for income bonds typically comes primarily from institutional investors, which is why the exclusion of pre-emption rights can prove to be an advantage.

IV. PARTICIPATION RIGHTS

The main advantage of participation rights used to raise capital is that they have flexible terms and can combine elements of equity and debt. On the one hand, they grant no membership rights, while on the other hand participation rights capital can be structured so that it is attributable to equity.

Participation certificates used to raise capital are typically bearer certificates with a specific par value. They are issued against payment of a cash contribution and provide an annual distribution whose size generally depends on the dividend distributed. The terms can stipulate a fixed interest rate, preferential rights to profits as is the case for preferred shares, or participation in liquidation proceeds or losses.

The terms of participation rights can also include the right of conversion into shares, or an option to purchase shares of the Company (convertible or option participation rights). The repayment conditions and maturity can be chosen freely.

When they are structured appropriately, the Company receives "share-equivalent" capital that does not diminish shareholder control rights and, in the case of capped profit-based servicing, also does not encroach on shareholder property rights. Even in the case of profit-based interest payments or subordinated participation in liquidation proceeds, the fact that participation rights are not in competition with shareholder property rights, but only with the asset-related risks of shareholders justifies the exclusion of pre-emption rights.

B Issuing price and conversion price

In accordance with international capital market practice, the issuing price of the shares issued to warrant-linked or convertible bond holders or subscribers of income bonds or participation rights with conversion or subscription rights (conversion or subscription price) upon exercise of their conversion and/or subscription rights is calculated as the price of the Company's shares at the time the financial instrument is allotted, plus a premium that is appropriate for the estimate of the future price path of the Company's shares given the premiums for comparable capital market transactions in the relevant market.

Since the share price at the time of issue is an important factor for structuring the terms of a warrant-linked or convertible bond, it is in the Company's interest to have as much "control" as possible over the reference price of the Company's shares at the time of allotment applicable to the structuring of the terms.

If one considers the price fluctuations in equity markets in general that resulted, for example, from the US subprime crisis, and volatility – which also affected voestalpine AG shares – it is clear in particular that both the price path and the market assessment could be subject to considerable change over the two-week subscription period that would be required if pre-emption rights were not excluded.

In contrast, if pre-emption rights have been excluded for an issue, the Company has the flexibility to quickly choose an allotment date that it considers to be favourable.

This gives the Company the flexibility to set attractive issue terms for a date that it considers optimal during the authorisation period, thereby optimising its conversion or financing terms in the interests of all shareholders. At the same time, the expected assessment of the share price path can be taken into account, and attention given to the customary terms and practices in international financial markets on the issue date.

The issuing price of the other financial instruments specified in Sec. 174 AktG, such as income bonds and participation rights that do not include a right to conversion into shares, is determined using a recognised pricing procedure based on recognised methods of financial mathematics.

C Potential institutional investors

The financial instruments specified in Sec. 174 AktG are normally only subscribed by institutional investors that specialise in these forms of investment and find an issue, based on this authorisation, of securities as specified in Sec. 174 AktG appealing in the above sense. The Company can therefore acquire a new investor base by issuing financial instruments such as these. On the other hand, an issue of financial instruments with subscription rights would not appeal to these investors, or would only generate low issue proceeds due to the use of structuring or allotment mechanisms that are not usual for the market and/or to the market risks investors are exposed to during the minimum two-week subscription period.

It must also be noted that when an issue of financial instruments with subscription rights is valued in accordance with the market (i.e., at the best terms it can obtain in the market), the subscription rights themselves have no economic significance of their own.

By eliminating the time-consuming and therefore costly processing of subscription rights, the capital needs of the Company can be covered quickly using short-term opportunities available in the market, and new domestic and foreign investors can be acquired.

In summary, the possibility of excluding pre-emption rights allows equity to be strengthened and financing costs to be lowered, which is in the interests of the Company and all shareholders.

Finally, if they are appropriately denominated and structured, issues of the financial instruments specified in Sec. 174 AktG that are exclusively aimed at institutional investors (and therefore have pre-emption rights excluded) may also be issued without an issuing prospectus. This considerably reduces issue costs compared to a prospectus issue.

D Guarantees for financial instruments issued by affiliated companies

The authorisation proposed by the Management Board also includes the possibility of a company affiliated with voestalpine AG issuing the financial instruments specified in Sec. 174 AktG, with the Company guaranteeing the issue and the holders of the financial instruments being granted the right to obtain no-par value ordinary shares of voestalpine AG by subscription or conversion of the instruments.

On the one hand, this would allow the Company to choose the location of the issuer to take advantage of favourable tax conditions and double taxation provisions, thereby further optimising financing terms. However, it must also be taken into account that a considerable portion of the financing of the Group is not raised directly by the Company, but by its domestic and foreign subsidiaries, and funds raised by the Company are passed on to these subsidiaries within the Group. The structure described would allow the Company to raise capital for the Group by performing a placement directly at the location where the funds raised would also actually be used and/or where financing could be raised at a significantly lower interest rate. By raising capital through a subsidiary in combination with rights to convert into shares of the Company, the Company hopes (in addition to the reasons mentioned in section A above) to appeal to lenders and/or investor groups that could not be won over by a traditional loan or corporate bond due to their risk profile or business orientation.

Summary of the balance of interests

The proposed option to exclude pre-emption rights is objectively justified by the desired objectives, namely optimisation of the capital structure and a reduction of financing costs, optimisation resulting in a high conversion price, acquisition of new investor groups, raising capital directly at the location in the Group where the funds are actually used, thereby ensuring further consolidation and improvement of the Company's competitive position in the interests of the Company and shareholders.

The exclusion of pre-emption rights is also appropriate and necessary because the orientation of the financial instruments specified in Sec. 174 AktG to specific target groups means that the anticipated supply of debt or equity will replace more cost-intensive capital measures, offer more favourable financing terms, and ensure flexible, long-term business planning and the realisation of planned business objectives for the benefit of the Company and, therefore, of all shareholders. If pre-emption rights are not excluded, the Company will not have the flexibility needed to react comparatively quickly to favourable market terms.

The Management Board of the Company expects all shareholders to profit from the benefit gained by the Company from issuing the financial instruments specified in Sec. 174 AktG with exclusion of pre-emption rights, and expects this benefit to clearly outweigh the (potential) decrease in percentage ownership interest of the shareholders whose pre-emption rights are excluded. In summary, after consideration of all of the circumstances indicated above, it can be concluded that the exclusion of pre-emption rights within the limits described is necessary, appropriate and fair, and is objectively justified and necessary in the prevailing interests of the Company.

Linz, 19 May 2014

The Management Board

W. Eder H. Eibensteiner F. Kainersdorfer R. Ottel F. Rotter