The German version of this report shall be binding. The English translation is for information purposes only.

REPORT BY THE MANAGEMENT BOARD

IN ACCORDANCE WITH § 174 PARA. 4 TOGETHER WITH § 153 PARA. 4 AUSTRIAN STOCK CORPORATION ACT (AKTIENGESETZ) WITH REGARD TO ITEM 9 AND 10 OF THE AGENDA OF THE 17th ANNUAL GENERAL MEETING OF VOESTALPINE AG
(Authorization to exclude shareholder subscription rights when issuing financial instruments in accordance with § 174 Austrian Stock Corporation Act)

The voestalpine AG Management Board makes the following motion with respect to agenda item 9:

Resolution on the authorization of the Management Board to issue – also in several tranches and in different combinations, such as indirectly as a guarantee for the issuance of financial instruments which grant the right of conversion or subscription of shares of the Company by a company affiliated with the Company – during a period of five years from the day of this resolution financial instruments pursuant to § 174 of the Austrian Joint Stock Corporation Act (Aktiengesetz), thus convertible bonds, participation bonds or participation rights, with a total nominal amount of up to EUR 1,000,000,000 which grant the right of conversion and/or subscription of total of up to 80,000,000 shares of the Company or are structured in a way to be shown as equity contribution. To serve the conversion or subscription rights the Management Board may either use the Conditional Capital or own Shares or a combination of the Conditional Capital and own Shares. The Management Board shall determine the issue price, the terms and conditions as well as the exclusion of subscription right of shareholders, if any, in accordance with the Supervisory Board.

The voestalpine AG Management Board makes the following motion with respect to agenda item 10:

Resolution

a) on the conditional increase of the Share Capital of the Company according to § 159 para. 2 no. 1 of the Austrian Joint Stock Corporation Act by up to EUR 145,345,668.35 by issuing up to 80,000,000 new ordinary bearer shares with no par value in order to serve holders of financial instruments in accordance with

§ 174 of the Austrian Joint Stock Corporation Act pursuant to the resolution of the Annual General Meeting as of July 1, 2009, which have been issued by the Company or a company affiliated with the Company by making use of the authorization of this Annual General Meeting, as far as that holders of financial instruments exercise their conversion and/or subscription right with respect to Shares of the Company. The issue price and the exchange ratio is calculated on the basis of generally accepted financial mathematics as well as the share price of the Shares of the Company by applying a generally accepted pricing method. The newly issued Shares of the conditional capital increase shall be entitled to dividends to the same extent as already existing Shares of the Company. The Supervisory Board is authorized to resolve upon the amendments of the Articles of Association resulting from the issuance of shares of the conditional capital stock.

b) to add a new para. 7 to § 4 of the Articles of Association (Share Capital and Shares) to reflect the above mentioned conditional increase of the Share Capital of the Company

Exclusion of subscription rights and reasons

Shareholder subscription rights to acquire financial instruments in accordance with § 174 Austrian Stock Corporation Act that are issued under this authorization, 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 subscription rights in connection with this resolution authorising the issue of financial instruments in accordance with § 174 Austrian Stock Corporation Act can be 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 provisions of the law, the Management Board provides the following report on the legal and economic reasons and justification for the exclusion of subscription rights.

The exclusion of subscription rights for financial instruments in accordance with § 174 Austrian Stock Corporation Act must be viewed in terms of the following four key fac-

tors: 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 subscription rights to financial instruments in accordance with § 174 Austrian Stock Corporation Act 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 or price formula set at the time the convertible bond is issued ("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 strongly 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 subscription rights are excluded, as the immediate placement allows price risks detrimental to the Company resulting 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 subscription 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 subscription 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 assign it separately.

This financing instrument offers investors a calculable return 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 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 similarly 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 this 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 subscription 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 certain 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 for preferred shares, or participation in liquidation proceeds or losses.

The terms of participation rights can also include the right to conversion into shares, or an option to purchase shares of the Company (”Convertible or Warrant-Linked 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 represent an encroachment 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 subscription rights.

B Issuing amount and conversion price

In accordance with international capital market practice, the issuing amount of the shares issued to warrant-linked or convertible bond holders or to holders of income bonds or participation rights with subscription or conversion rights (conversion respectively 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 bond 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 subscription rights were not excluded.

In contrast, if subscription 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 authorization 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 amount of other financial instruments in accordance with *§* 174 Austrian Stock Corporation Act, 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

Financial instruments in accordance with *§* 174 Austrian Stock Corporation Act are normally only subscribed by institutional investors that specialise in these forms of investment and find an issue, based on this authorization, of securities in accordance with § 174 Austrian Stock Corporation Act 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, due to the use of structuring or allotment mechanisms that are not usual in the market and/or the market risks investors are exposed to during the minimum two-week subscription period, an issue of financial instruments with subscription rights would not appeal to these investors, or would only generate low issue proceeds.

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 promptly covered using short-term opportunities available in the market, and new domestic and foreign investors can be acquired.
In summary, the possibility of excluding subscription 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 designed, issues of financial instruments in accordance with § 174 Austrian Stock Corporation Act that are exclusively aimed at institutional investors (and therefore have subscription rights excluded) may also be issued without an issuing prospectus. This significantly reduces issue costs compared to a prospectus issue.

D Guarantees for financial instruments issued by affiliated companies

The authorization moved by the Management Board also includes the possibility of a company affiliated with voestalpine AG, issuing financial instruments in accordance with § 174 Austrian Stock Corporation Act, with the issue guaranteed by the Company and the holders of the financial instruments granted the right to convert the instruments into or subscribe for ordinary shares of voestalpine AG.

On the one hand, this allows 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, the main reason is 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 to raise capital for the Group by performing a placement directly at the location where funds raised by the Company would also have been used and/or where financing could otherwise only be raised with a considerably higher interest rate spread, which in the end increases the

financing costs of the Company and the Group. By raising capital through a subsidiary in combination with the right 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 for a traditional loan or corporate bond due to their risk profile or business orientation.

Summary of the balance of interests

The proposed ability to exclude subscription 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 subscription rights is also appropriate and necessary because the orientation of financial instruments in accordance with § 174 Austrian Stock Corporation Act 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 subscription 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 financial instruments in accordance with § 174 Austrian Stock Corporation Act with subscription rights excluded, and that this benefit clearly outweighs the (potential) decrease in percentage ownership interest of the shareholders whose subscription rights are excluded. In summary, after consideration of all of the circumstances listed above, it can be concluded that the exclusion of subscription rights within the limits described is necessary, appropriate and fair, and is objectively justified and necessary in the overriding interests of the Company.

Linz, June 2009

The Management Board