

## **Report by the Executive Board to the Annual General Meeting on item 6 of the Agenda in accordance with Sections 203 (2), 186 (3) and (4) sentence 2 German Stock Corporation Act (AktG):**

To item 6 on the Agenda, the proposal shall be made at the Annual General Meeting on February 24, 2016 that the existing authorization of the Executive Board in accordance with the Articles of Association to increase capital (authorized capital), which has been given until March 2, 2016 be rescinded and a new authorized capital be created for the period of five years until February 24, 2021.

The Management will be able to issue shares to raise further funds, for the acquisition of companies and interests in companies or otherwise in the interests of the Company without having to call an Annual General Meeting each time. In order that the Management may utilize this possibility optimally and flexibly in the interests of the Company, the resolution should give authorization to exclude subscription rights for different purposes listed in the motion:

The authorization to exclude subscription rights in accordance with a) of the authorization (exclusion of fractions) serves the purpose of enabling a smooth and manageable subscription ratio in the event of capital increases, which will facilitate the implementation of the capital measures. The fractional amounts will be valued as highly as possible in each case, however at least at the subscription price.

The proposed authorization planned in letter b) of the proposed resolution to item 6 to exclude subscription rights should, in particular, enable the Company to acquire companies or interests in companies in exchange for the granting of shares. This form of acquisition is becoming more and more common. Practice has shown that, in many cases, the owners of attractive acquisition objects demand shares in the acquiring company, in particular, in exchange for the sale of their shareholding or a company. In order to also be able to acquire such acquisition objects, the Company must have the possibility of increasing its subscribed capital, if necessary very quickly, against a contribution in kind, while excluding the subscription rights of the shareholders. In addition, it will enable the Company to acquire companies, interests in companies and other assets, such as receivables against the company, without having to overtax the Company's liquidity. In so doing, in individual cases, such as for large acquisitions (in particular, already publicly-listed companies), the Company could need a very considerable volume of young shares, the significant extent of which would justify the authorization to exclude subscription rights. However, the proposed authorization to exclude subscription rights for capital increases in kind with the proposed € 23,017,840.64 is clearly less than the legally possible top limit of 50 % of the subscribed capital (corresponding to € 57,544,604.16) in volume. In each individual case of a possible concrete acquisition, the Executive Board will carefully check whether it should make use of the authorization to increase capital with subscription rights excluded. It will then only exclude the subscription right if the acquisition against the issuing of shares in the Company is necessary in the interests of the Company. With consideration of the shareholders' interest in preventing a dilution of their shareholdings, the proposed exclusion of subscription rights in the case of capital increases against assets in kind is limited to a maximum of 20 % of the current subscribed capital.

The exclusion of the subscription right for cash capital increases under c) in the authorization should enable Management to exploit favorable situations on the stock market at short notice. Subscription right issues take much more time than placements with the subscription right excluded due to the necessary organizational measures and the subscription period which must be observed. In addition, such placements can avoid the discounts usual for

issues with subscription rights. The Company's equity capital can therefore be strengthened to a greater extent if subscription rights are excluded than would be the case if subscription rights are recognized. Section 186 (4) German Stock Corporation Act (AktG) declares the exclusion of subscription rights as being acceptable under the provisions of section c) of the proposed resolution to item 6 on the agenda, especially on account of these considerations. The extent of a cash capital increase with subscription rights excluded is, however, limited to 10 % of the subscribed capital entered in the Commercial Register when used for the first time. Due to this restriction, it is not to be feared that existing shareholdings and share voting rights will be diluted (in value). To provide additional protection for the shareholders against loss of influence and dilution of value, this authorization for an exclusion of subscription rights is limited by the fact that other capital measures that have the effects of a cash increase without subscription rights are included in the maximum amount up to which a cash increase can be carried out with exclusion of subscription rights. For example, the authorization intends for any sale of shares that the Company has purchased and sold to third parties due to the authorization of the Annual General Meeting pursuant to Section 71 (1) No. 8 German Stock Corporation Act (AktG) without offering shareholders the option of subscribing these shares to reduce the maximum amount in the same way as a future issue of convertible bonds and/or bonds with warrants if the shareholders are not granted subscription rights to them.

The inclusion mentioned above shall nevertheless be eliminated again if, after an issue of convertible bonds and/or bonds with warrants in corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (AktG) which led to an inclusion in the maximum amount, the Annual General Meeting passes a resolution for a new authorization to issue convertible bonds and/or bonds with warrants with the option of simplified exclusion of subscription rights in corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (AktG) or the Annual General Meeting issues an authorization to purchase and utilize own shares with the option of simplified exclusion of subscription rights in corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (AktG) once again. In these cases, the Annual General Meeting has once again made a decision about the authorization to simplified exclusion of subscription rights, so the reason for the inclusion in the maximum amount is eliminated again. If own shares or convertible bonds and/or bonds with warrants can be issued under simplified exclusion of subscription rights again, the authorization to simplified exclusion of subscription rights for the (residual) term of the authorization should, in other words, be in place again for the issue of new shares from the authorized capital. Specifically, with the entry into force of the new authorization of simplified exclusion of subscription rights, the suspension regarding the issue of new shares from the authorized capital arising from the issue of own shares pursuant to Section 71 (1) No. 8 and Section 186 (3) sentence 4 German Stock Corporation Act (AktG) or arising from the issue of convertible bonds and/or bonds with warrants with the option of excluding subscription rights corresponding to Section 186 (3) sentence 4 German Stock Corporation Act (AktG) is eliminated. Since the majority requirements for this type of resolution are identical to those for a resolution about the authorization to issue new shares from the authorized capital under simplified exclusion of subscription rights corresponding to Section 186 (3) sentence 4 German Stock Corporation Act (AktG), the resolution of the Annual General Meeting about the creation of a new authorization to exclude subscription rights pursuant to Section 186 (3) sentence 4 German Stock Corporation Act (AktG) in the scope of selling own shares or of a new authorization to issue convertible bonds and/or bonds with warrants with the option of excluding subscription rights corresponding to Section 186 (3) sentence 4 German Stock Corporation Act (AktG) is also a confirmation regarding the resolution for the authorization to issue new shares from the authorized capital pursuant to Section 203 (2) and Section 186 (3) sentence 4 German Stock Corporation Act (AktG).

If an authorization to exclude subscription rights is exercised again in direct or corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (AktG), the inclusion shall be carried out again. Ultimately, this arrangement leads to the result that (i) the Executive Board can only utilize the simplified exclusion of subscription rights pursuant to or corresponding to Section 186 (3) sentence 4 German Stock Corporation Act (AktG) one time in total without the passing of a new resolution at the Annual General Meeting during the (residual) term of the authorization and (ii) if a new resolution is passed at the Annual General Meeting, the Executive Board is free to decide during the (residual) term of the authorization whether they make use of the simplifications of Section 186 (3) sentence 4 German Stock Corporation Act (AktG) within the legal limits in connection with cash capital increases from authorized capital.

The subscription right exclusion in accordance with d) of the authorization to be resolved (subscription right exclusion in favor of holders or creditors of warrants and convertible bonds) should enable the holders or creditors of warrants and convertible bonds to be reasonably protected from dilution in the event of capital increases. The warrant holders and creditors of convertible bonds can be protected from the dilution of their conversion and option rights by a reduction in the respective warrant exercise price, the cash adjustments or by granting a subscription right for new shares. The Management will decide at the time of using the authorized capital which of the possibilities is most suitable for the individual case. In order not to be limited from the outset to the alternatives of the reduction in the warrant exercise price or the cash adjustments, an authorization is generally given to exclude the shareholders' subscription right to new shares insofar as it is necessary in order to grant warrant holders and creditors of convertible bonds a subscription right to the extent that they would be entitled if they had made use of their subscription rights before the respective resolution on the capital increase. This authorization is limited to a maximum of 20 % of the current subscribed capital.

The authorization to exclude subscription rights is necessary in all four cases to the described extent and in the interests of the Company due to the preceding explanations.

The Supervisory Board will only give its required approval to the use of the authorized capital with the exclusion of the subscription right if the described and all legal requirements have been fulfilled. The Executive Board will inform the Annual General Meeting about any exclusion of subscription rights that is carried out.

Hamburg, January 2016

Aurubis AG

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