

## PROSPECTUS

### voestalpine AG

(a stock corporation in Austria, registered number FN 66209 t with the Commercial Court of Linz)

#### Up to €1,000,000,000 Subordinated Perpetual Fixed to Floating Rate Callable Bonds

voestalpine AG (“voestalpine” or the “Company” or the “Issuer”, and, together with its subsidiaries, the “voestalpine Group” or the “Group”) is offering up to €1,000,000,000 aggregate principal amount subordinated perpetual fixed to floating rate callable bonds with a denomination of €1,000 (the “Bonds”) on or about 31 October 2007 (the “Issue Date”) (the “Offering”).

The Bonds will entitle to interest from and including 31 October 2007 to but excluding 31 October 2014 at a rate of ●% per annum, payable annually in arrears on 31 October of each year, commencing 31 October 2008. Thereafter, unless previously redeemed, the Bonds will entitle to interest at a rate of 2.50% per annum above the Euro-zone inter-bank offered rate for three-month euro deposits, payable quarterly in arrears on 31 October, 31 January, 30 April and 31 July in each year (each a “Floating Interest Payment Date” as defined in the “Terms and Conditions”). The Bonds will be issued in bearer form in denominations of €1,000.

The Company shall, subject to payment of interest on a Compulsory Interest Payment Date (as defined in the “Terms and Conditions”), have no obligation to pay interest during the Interest Period (as defined in the “Terms and Conditions”) unless it does elect to do so and any such failure to pay interest shall not constitute a default of the Company or any other breach of obligations under the Bonds or for any other purpose. Any unpaid interest shall constitute Arrears of Interest (as defined in the “Terms and Conditions”). Arrears of Interest will not bear interest.

The Company undertakes to make payment (in full but not in part) of any Arrears of Interest under certain conditions (as defined in the “Terms and Conditions – Payment of Arrears of Interest”). The Company may pay outstanding Arrears of Interest at any time at its own discretion in full or in part under certain conditions (as defined in the “Terms and Conditions – Payment of Arrears of Interest”).

The Bonds are redeemable in full but not in part at the option of the Company (i) prior to the First Call Date at the Special Make-Whole Redemption Price (as defined in the “Terms and Conditions”), (ii) on 31 October 2014 and on any Floating Interest Payment Date thereafter (iii) at any time before 31 October 2014 following a Gross up Event, a Tax Event or an Accounting Event (in each case, as defined in the “Terms and Conditions”), (iv) if the outstanding principal amount of the Bonds has fallen at any time below 25% or less of the aggregate principal amount of the Bonds; or (v) if a Change of Control (as defined in the “Terms and Conditions”) has occurred.

The obligations of the Issuer under the Bonds constitute unsecured and subordinated obligations of the Issuer ranking (i) senior to the Issuer's share capital, (ii) *pari passu* among themselves and Parity Securities (as defined in the “Terms and Conditions”), and (iii) junior to all other present or future unsubordinated obligations of the Issuer and subordinated obligations of the Issuer that are expressed to rank senior to the Bonds, except in each case as otherwise required by mandatory provisions of law. In the event of liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of the Issuer no amounts shall be payable in respect of the Bonds until the claims of all unsubordinated and subordinated creditors of the Issuer, the claims of which are expressed to rank senior to the Bonds shall have been satisfied in full.

**An investment in the Bonds carries a high degree of risk. See “Risk Factors” beginning on page 22 to read about factors that should be considered before buying the Bonds. The Bonds are of a specialist nature and should only be bought and traded by persons knowledgeable in investment matters.**

The Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and are subject to United States tax law requirements. The Bonds are being offered outside the United States by the Lead Managers (as defined in “Subscription and Sale”) in accordance with Regulation S under the Securities Act (“Regulation S”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

This Prospectus has been approved by the Financial Market Authority (*Finanzmarktaufsichtsbehörde*) (the “Regulatory Authority”), has been filed with the said authority and will be published on or about 5 October 2007. It will also be available upon request at the specified office of the Paying Agent in Vienna and at the office of the Issuer.

Application will be made to the Vienna Stock Exchange for the Bonds to be admitted to trading on the Official Market (*Amtlicher Handel*).

The Company will request the Regulatory Authority to provide the competent authority in the Federal Republic of Germany and the Netherlands with a certificate of approval attesting that the Prospectus has been drawn up in accordance with Commission Regulation (EC) No 809/2004 of 29 April 2004 (“Notification”). The Company may request the Regulatory Authority to provide competent authorities in additional host Member States within the European Economic Area with a Notification.

*Joint Lead Managers and Bookrunners*

**Dresdner Kleinwort**

**Erste Bank**

**UBS Investment Bank  
(Structuring Advisor)**

*Co – Lead Managers*

**CALYON Crédit Agricole CIB**

**Morgan Stanley**

**The Royal Bank of Scotland**

The date of this Prospectus is 5 October 2007

## RESPONSIBILITY STATEMENT

The Company with its registered office in Linz, Austria, accepts responsibility for the information contained in this Prospectus (the "Prospectus") and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

## NOTICE

No person is authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by or on behalf of the Company or the managers set forth on the cover page (each a "Manager" and together, the "Managers"). Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or any of its affiliates since the date of this Prospectus, or that the information herein is correct at any time since the date of this Prospectus.

Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Company. This Prospectus does not constitute an offer of Bonds or an invitation by or on behalf of the Company or the Managers to purchase any Bonds. Neither this Prospectus nor any other information supplied in connection with the Bonds should be considered as a recommendation by the Company or the Managers to a recipient hereof and thereof that such recipient should purchase any Bonds.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Bonds and the distribution of this Prospectus in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus comes are required by the Company and the Managers to inform themselves about and to observe any such restrictions. In particular, the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and the Bonds are subject to U. S. tax law requirements. Subject to certain limited exceptions, the Bonds may not be offered, sold or delivered within the United States or to U. S. persons. The legally binding language of this Prospectus is the English language; except for the Terms and Conditions where the legally binding language is the German language.

Application will be made to the Vienna Stock Exchange for the Bonds to be admitted to trading on the Official Market (*Amtlicher Handel*). The Official Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.

## STABILIZATION

IN CONNECTION WITH THE ISSUE OF THE BONDS, UBS LIMITED (THE STABILIZING MANAGER) (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT BONDS (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF BONDS ALLOTTED DOES NOT EXCEED 105% OF THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT UBS LIMITED (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. SUCH STABILIZING SHALL BE IN COMPLIANCE WITH ALL LAWS, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

### **Financial Statements**

This Prospectus contains (i) the audited consolidated financial statements for the voestalpine Group as of, and for the years ended, March 31, 2006 and 2007 (including the notes thereto, the “Audited Annual Consolidated Financial Statements”), which are incorporated by reference into this Prospectus and (ii) the unaudited interim consolidated financial statements for the voestalpine Group at, and for the three months ended, June 30, 2007, including comparable figures for 2006 (including the notes thereto, the “Interim Consolidated Financial Statements”), which are incorporated by reference into this Prospectus. See “Incorporation by Reference” and “Index to the Financial Statements and Financial Information”. For the avoidance of doubt, the Audited Annual Consolidated Financial Statement and the Interim Consolidated Financial Statements pertain solely to the voestalpine Group and do not include any financial information of Böhler-Uddeholm AG. See “Business – Special Steel Division – The Böhler-Uddeholm Group”. The Audited Annual Consolidated Financial Statements were audited by Grant Thornton Wirtschaftsprüfungs- und Steuerberatungs-GmbH. The voestalpine Group has prepared the Audited Annual Consolidated Financial Statements contained herein in accordance with the International Financial Reporting Standards, as adopted by the European Union (“IFRS”).

The auditor of the Company for the fiscal year 2007/2008 is Grant Thornton Wirtschaftsprüfungs- und Steuerberatungs-GmbH.

Certain numerical information and other amounts and percentages presented in this Prospectus may not sum due to rounding. In addition, certain figures in this Prospectus have been rounded to the nearest whole number.

### **DEFINITIONS**

In this Prospectus, references to the “Prospectus” are to this document, references to “voestalpine”, the “voestalpine Group” or the “Group” are to voestalpine AG together with its consolidated subsidiaries, and references to the “Company” or the “Issuer” are to voestalpine AG.

### **INCORPORATION BY REFERENCE**

The following documents are incorporated by reference into this Prospectus: (i) the audited consolidated financial statements for the voestalpine Group as of, and for the year ended March 31, 2006 (including the notes thereto), (ii) the audited consolidated financial statements for the voestalpine Group as of, and for the year ended March 31, 2007 (including the notes thereto) and (iii) the unaudited interim consolidated financial statements for the voestalpine Group at, and for the three months ended, June 30, 2007, including comparable figures for 2006 (including the notes thereto). The documents incorporated by reference into this Prospectus are available at the Company’s registered office in voestalpine-Straße 1, 4020 Linz, Austria (Tel: +43-50304-15-0), during usual business hours for 12 months from the date of this Prospectus, and may be inspected on the Company’s website ([www.voestalpine.com](http://www.voestalpine.com)). See “Available Information”.

## **FORWARD-LOOKING STATEMENTS**

This Prospectus includes forward-looking statements. Forward-looking statements may be, but are not necessarily, identified by words such as “believe”, “expect”, “anticipate”, “intend”, “target”, “estimate”, “plan”, “assume”, “may”, “will”, “could” and similar expressions. These forward-looking statements are based on the Company's current expectations and projections about future events and are subject to risks, uncertainties and assumptions about the Company and its business, including, amongst other things:

- those discussed under “Risk factors”;
- the Company's ability to implement and finance its strategy of downstream expansion through acquisitions;
- the Company's ability to implement and finance its capital expenditure program;
- the Company's ability to integrate its downstream acquisitions;
- the Company's ability to enhance operational performance and profitability and reduce costs through its “Continuous Improvement Programme” and otherwise;
- the Company's ability to expand in current and new markets and successfully open new facilities;
- the Company's reliance on particular countries and/or markets; market trends and volumes; the Company's anticipated future sales revenues, earnings or profits;
- the economic outlook for steel and steel products demand in the future; market prices for the Company's products;
- the risk of increased competition;
- the prices and availability of raw materials used by the Company;
- the Company's ability to effect changes in its product mix; costs and yield issues associated with initiating production with new equipment;
- unanticipated developments with respect to environmental matters and litigation;
- trade restrictions and other regulatory actions; and
- changes in tax regimes.

These risks, uncertainties and assumptions may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Moreover, potential investors should not interpret statements regarding past trends or activities as representations that these trends and activities will continue in the future.

The Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **AVAILABLE INFORMATION**

Copies of the following documents will be available at the Company's registered office in voestalpine-Straße 1, 4020 Linz, Austria (Tel: +43-50304-15-0), during usual business hours for 12 months from the date of this Prospectus:

- the Company's Articles of Association;
- the Audited Annual Consolidated Financial Statements; and
- the Interim Consolidated Financial Statements.

Copies of this Prospectus will be available at the following addresses during usual business hours from the date of publication of this Prospectus (expected to be 5 October 2007):

- at the Company's registered office in voest Alpine-Straße 1, 4020 Linz, Austria; and
- at the following offices of: Erste Bank der oesterreichischen Sparkassen AG  
Graben 21, 1010 Vienna, Austria

In addition, the following documents may be inspected on the Company's website ([www.voestalpine.com](http://www.voestalpine.com)):

- the Company's Articles of Association;
- the Audited Annual Consolidated Financial Statements; and
- the Interim Consolidated Financial Statements.

These documents and any other information displayed on the Company's website do not form a part of this Prospectus nor are they incorporated by reference in this Prospectus, unless explicitly stated in this Prospectus.

## TABLE OF CONTENTS

INCORPORATION BY REFERENCE .....	3
SUMMARY .....	7
RISK FACTORS .....	22
TERMS AND CONDITIONS OF THE BONDS .....	28
USE OF PROCEEDS AND EXPENSES OF THE OFFERING .....	55
GENERAL INFORMATION ABOUT THE ISSUER.....	56
RECENT DEVELOPMENTS .....	60
BUSINESS .....	62
MAJOR SHAREHOLDERS .....	96
MANAGEMENT.....	97
SELECTED FINANCIAL INFORMATION OF THE ISSUER .....	102
CAPITALISATION AND INDEBTEDNESS.....	108
TAXATION.....	109
SUBSCRIPTION AND SALE.....	116
GENERAL INFORMATION.....	119
STATEMENT PURSUANT TO COMMISSION REGULATION (EC) NO 809/2004 OF APRIL 29, 2004 AND PURSUANT TO SECTION 8 PARA 1 CAPITAL MARKET ACT.....	121

## SUMMARY

*This summary must be read as an introduction to this Prospectus, and any decision to invest in the Bonds should be based on a consideration of this Prospectus as a whole, including the Annual Consolidated Financial Statements and the matters set out under “Risk Factors”. Where a claim relating to the information contained in this Prospectus is brought before a court, a plaintiff investor might, under the national legislation of the relevant member state of the EU, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. In the event that such legal proceedings are initiated before a court in Austria, a German translation of the Prospectus will be required, and the costs thereof will have to be borne initially by the plaintiff investor and ultimately by the party held to be responsible therefore in the legal proceedings. Civil liability attaches to those persons who have tabled this summary and applied for its notification, but only if this summary is misleading, inaccurate or inconsistent when read together with the other sections of this Prospectus.*

*Words and expressions defined in the Terms and Conditions shall have the same meanings in this section.*

### **Summary regarding the Issuer**

voestalpine perceives itself as a leading manufacturer and distributor of a wide range of steel products, primarily serving customers in the European automotive, construction & building, general manufacturing and white goods industries and in the railway industry worldwide. The Company believes that its steel-making operations are, by EBITDA margin, among the most profitable in Europe.

voestalpine is the parent company of the Group with operations in the following Divisions: Steel Division, Special Steel Division, Railway Systems Division, Automotive Division and Profilform Division. As a holding company, voestalpine has no business operations of its own, but is responsible for management and support functions for the Group, including overall strategy and planning, investment and finance, budgets, treasury, legal services, mergers and acquisitions and investor and public relations.

### ***The Group’s Business Strengths***

*Strong technology and know-how.* voestalpine believes that it is an industry leader in terms of technological sophistication, production know-how and research and development, and that its products are—and are perceived by customers to be—of very high quality. The Company's extensive experience and know-how, its wide variety of machinery and its deep understanding of steel allow voestalpine to provide its customers with a broad range of sophisticated, high-value added steel products and solutions. In addition, the Company is committed to its research and development efforts in order to be able to continue to produce and develop innovative steel products and solutions. These high-end products and processes provide higher margins than ordinary steel products, and the Company believes that they permit voestalpine to serve the needs of its customers more directly and completely than bulk producers of lower-end steel products.

*Organisational efficiency and operating excellence.* voestalpine believes that its decentralized structure translates into operational flexibility. For example, in the Profilform Division, the small size and independence of the Division's operating companies allows them to focus on the complex, high-end shapes that offer limited tonnages but command high margins, and to re-tool quickly and efficiently to prepare for the production of new shapes, thus optimising running times. Co-ordination of the companies through their respective Division, meanwhile, allows them to share information as to best practice and industry trends and fosters continuous operating improvements. At the same time, the Company believes that it is an industry leader in terms of productivity and operating efficiency and it is rigorously focused on maintaining this position. An example of this effort is the Group's Continuous Improvement Programme, which has delivered incremental annual cost savings (in reduced personnel and material costs and productivity gains) that the Company estimates are on the order of approximately 1% of annual sales.

*Close customer relationships.* voestalpine seeks to differentiate itself from its competitors through its superior customer service. The Group's organisational structure and operational flexibility allow its companies to respond quickly to the needs of their customers. voestalpine has maintained and nurtured a number of long-standing relationships with important customers who provide the Group with a stable market for its products and services. Wherever possible, the Group looks to develop close relationships with customers, to act as a partner and steel solutions provider rather than a mere supplier of steel products. The Group believes that these relationships are a source of competitive advantage for voestalpine: for example, in the Profilform Division, when customers rely on the Group's companies to provide not only high-end steel products but also related steel solutions, they effectively outsource more of their own manufacturing operations to voestalpine, thereby deepening their ties to the Group and making it more difficult for competitors to present themselves as a viable alternative source of supply.

*Strong downstream presence.* voestalpine believes that its strong downstream expansion offers a number of significant potential advantages. First, in response to structural overcapacity in the steel industry and increased competitive pressures, consolidation in the European steel sector has led to the creation of a number of very large bulk producers of steel, each with greater financial resources and more extensive global operations than voestalpine. As a niche producer of processed and higher value-added steel products, the Group can limit the extent of its direct competition with these larger producers. Second, processed and higher value-added steel products generally offer higher margins, and are less sensitive to price changes associated with the steel cycle, than ordinary hot rolled steel. The Group believes that its downstream expansion should thus translate into further increases in profitability and further reductions in volatility of earnings, relative to other steel producers. Finally, steel processing operations are generally far less capital intensive than steel production itself. By pursuing its downstream strategy and due to limited scope for further capacity increase in its existing facility at Linz, voestalpine is in the process of evaluating not only opportunities for adding steel processing facilities but also for establishing steel making facilities in Austria as well as abroad, especially in Central and Eastern Europe.

*Successful acquisition track record.* voestalpine has a strong track record in acquiring and integrating businesses and activities in pursuit of its downstream expansion strategy. In recent years, the Group has been able to acquire many of the businesses it needed to bolster its downstream presence, and the integration of these businesses has proceeded without any material difficulties.

### **Group Strategy**

voestalpine aims to be a leading supplier of processed steel products in each of its targeted market segments while maintaining and consolidating its position within profitable producers of steel in Europe by EBITDA margin. By increasing its less capital-intensive activities to leverage return on capital employed and by combining external and internal growth, the Company seeks to continue on its path of profitable growth. The following points are the main elements of voestalpine's strategy at the Group level:

- *Continued downstream expansion in high quality market segments.* voestalpine seeks to continue its emphasis on downstream expansion through both acquisitions and organic growth, in order to strengthen its position in high quality market segments. Over the last several years, the Company has implemented this strategy through a series of acquisitions. The Group is now integrating the acquired activities into its business operations, while at the same time actively seeking other acquisition targets to complement its existing downstream activities. In support of the expansion of its downstream activities, the Company is also in the process of evaluating opportunities for adding steel making facilities.
- *Focus on high-value-added steel products and on steel processing.* voestalpine seeks to progressively increase the proportion of its steel producing activities that involve higher value-added products requiring further processing (for example, various types of specially treated and coated steel products). The Group plans to continue to move from basic materials to sophisticated systems and modules, with a particular focus on providing innovative products and solutions.
- *Maintain and enhance customer relationships.* The Group believes that its strong and long-standing customer relationships are one of its main competitive advantages, and it seeks to further intensify these relationships, for example by providing its customers in the auto and rail industry with “one-stop shopping” steel solutions.

### **Recent Developments**

#### **Public Takeover of Böhler-Uddeholm AG**

On 27 March 2007, voestalpine reached an agreement in principle with the shareholders of BU Industrieholding GmbH (“**BUI**”) on the basis of which and subject to approval by voestalpine's supervisory board, it acquired all of the shares in BUI, and thereby indirectly 10,686,340 shares of BÖHLER-UDDEHOLM AG (“Böhler-Uddeholm”, and together with its subsidiaries, the “Böhler-Uddeholm Group”), representing approximately 20.95% of its outstanding share capital.

On 29 March 2007, the Company's management board (the “Management Board”) decided to launch a voluntary public takeover bid to the shareholders of Böhler-Uddeholm at €9.00 per share and the Company's supervisory board (the “Supervisory Board”) approved both, the acquisition of BUI and such voluntary public takeover bid.

On 26 April 2007, the Company published a voluntary public takeover bid pursuant to Section 25a of the Austrian Takeover Act (*Übernahmegesetz*) to acquire all shares in Böhler-Uddeholm, the shares of which are admitted to trading on the Official Market (*Amtlicher Handel*) on the Vienna Stock Exchange for a bid price of €9.00 (“**Bid**”) and on 19 May 2007, the Company published a

modification preceded by a press release on 18 May 2007 of the terms of the Bid by increasing the bid price to €73.00 for each Böhler-Uddeholm share and extending the acceptance period until 4 June 2007.

On 6 June 2007, the Company published the result of the Bid. During the acceptance period, the Bid had been accepted in respect of 17,172,034 Böhler-Uddeholm shares, corresponding to approximately 33.7% of the equity capital of Böhler-Uddeholm. As of 18 June 2007, voestalpine acquired, including Böhler-Uddeholm shares acquired through parallel purchases and indirectly through the acquisition of BUI 28,902,762 Böhler-Uddeholm shares, representing approximately 56.6% of the aggregate share capital of Böhler-Uddeholm. The Company subsequently confirmed by means of a self-committing declaration that there would be no share purchases at a price higher than €73.00 per Böhler-Uddeholm share until 6 June 2008 and thus no further bid price increase.

As of 6 September 2007, the Company holds a total amount of 40.401.130 shares in Böhler-Uddeholm corresponding to approximately 79.2% of the equity capital of Böhler-Uddeholm. This comprises acquisitions of shares from shareholders accepting the Bid, acquisitions through parallel purchases by way of direct and open market purchases as well as the Böhler-Uddeholm shares transferred from BUI to the Company as a consequence of corporate restructuring measures.

The Company expects the costs associated with the Bid to amount to approximately €3.75 billion for 100% of the shares of Böhler-Uddeholm AG. The Company has secured sufficient means of financing in order to cover all expenses and costs associated with the Bid. For further information regarding the Public Takeover of Böhler-Uddeholm AG, see “Recent Developments – Public Takeover of Böhler-Uddeholm AG”, “Business – Special Steel Division – The Böhler- Uddeholm Group”, “Business - Material Contracts” and “Use of Proceeds”.

### Summary regarding the Bonds of this Offering

<b>Issuer</b> .....	voestalpine AG.
<b>Issue Size</b> .....	Up to €1,000,000,000.
<b>Issue Price</b> .....	The Issue Price of the Bonds will be fixed by the Joint Lead Managers and Bookrunners together with the Issuer after conclusion of the bookbuilding procedure.
<b>Denominations</b> .....	€1,000
<b>Issue Date</b> .....	31 October 2007.
<b>Maturity</b> .....	The Bonds do not have a final maturity date.
<b>Interest</b> .....	The Bonds will entitle to interest from and including 31 October 2007 to but excluding 31 October 2014 at a rate of ●% per annum, payable annually in arrears on 31 October of each year, commencing on 31 October 2008.
<b>Interest after Year 7</b> .....	From and including 31 October 2014, unless previously redeemed, the Bonds will entitle to interest at a rate equal to the Euro-zone inter-bank offered rate for three-month euro deposits plus the Margin (as defined below), payable quarterly in arrears on 31 October, 31 January, 30 April and 31 July of each year.
<b>Margin</b> .....	●% per annum.
<b>Payment and deferral of interest</b> .....	The Issuer shall, subject to payment of interest on a Compulsory Interest Payment Date (as defined in the “Terms and Conditions”), have no obligation to pay interest which accrues during an Interest Period (as defined in the “Terms and Conditions”) ending on an Optional Interest Payment Date (as defined in the “Terms and

Conditions”) if it does not elect to do so and any such failure to pay interest shall not constitute a default of the Issuer or any other breach of obligations under the Bonds or for any other purpose. Any such unpaid interest shall constitute Arrears of Interest (as defined in the “Terms and Conditions”). Arrears of Interest will not bear interest.

**Payment of Arrears of Interest.....** The Issuer may pay outstanding Arrears of Interest (in whole or in part) at any time.

The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the earlier of: (i) the next Interest Payment Date on which the Issuer elects to pay interest (in whole or in part); (ii) the next Compulsory Interest Payment Date; (iii) the date on which the Bonds fall due for redemption; (iv) the date on which the Issuer enters into a liquidation and winding up or dissolution (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer).

**Early Redemption.....** The Issuer may (i) call the Bonds (in whole but not in part) with effect from 31 October 2014 or on any Floating Interest Payment Date (as defined in the “Terms and Conditions”) thereafter at their principal amount, in each case on the date fixed for redemption in the call notice plus any interest accrued to but excluding such date and all outstanding Arrears of Interest to the date of redemption; or (ii) call the Bonds (in whole but not in part) at any time prior to the First Call Date at the Special Make-Whole Redemption Price (as defined in the “Terms and Conditions”). The Issuer shall not be entitled to call and redeem the Bonds if any Arrears of Interest are outstanding.

**Early Redemption upon certain events .....** If prior to 31 October 2014 either a Gross up Event (as defined in the “Terms and Conditions”), a Tax Event (as defined in the “Terms and Conditions”) or an Accounting Event (as defined in the “Terms and Conditions”) occurs, the Issuer may call and redeem the Bonds (in whole but not in part) at their Early Redemption Amount (as defined in the “Terms and Conditions”). The Issuer shall not be entitled to call and redeem the Bonds if any Arrears of Interest are outstanding.

**Early Redemption in Case of Small Outstanding Principal Amount .....** If the outstanding principal amount of the Bonds has fallen at any time below 25 % or less of the aggregate principal amount of the Bonds, the Issuer may call and redeem the Bonds (in whole but not in part) at their Early Redemption Amount. The Issuer shall not be entitled to call and redeem the Bonds if any Arrears of Interest are outstanding.

**Change of Control .....** The Fixed Interest Rate or the Margin, as applicable, will be increased by 5.00% per annum from the day (inclusive) falling 61 days after the day, on which a Change of Control (as defined in the “Terms and Conditions”) has occurred.

If a Change of Control has occurred, the Issuer may call and redeem the Bonds (in whole but not in part) at their principal amount, plus any accrued interest until the redemption date (exclusive).

**Applicable Law.....** The Bonds will be governed by Austrian law.

**Ranking.....** The obligations of the Issuer under the Bonds constitute unsecured and subordinated obligations of the Issuer ranking (i) senior to the Issuer's share capital, (ii) *pari passu* among themselves and Parity Securities (as defined in the “Terms and Conditions”), and (iii) junior to all other present or future unsubordinated obligations of the Issuer and subordinated obligations of the Issuer that are expressed to rank senior to the Bonds, except in each case as otherwise required by mandatory provisions of law. In the event of liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of the Issuer no amounts shall be payable in respect of the Bonds until the claims of all unsubordinated and subordinated creditors of the

Issuer the claims of which are expressed to rank senior to the Bonds shall have been satisfied in full.

**Negative Pledge**..... The Terms and Conditions do not contain a negative pledge provision.

**Cross-Default**..... The Terms and Conditions do not contain a cross-default clause.

**Listing**..... Application will be made to the Vienna Stock Exchange for the Bonds to be admitted to trading on the Official Market (*Amtlicher Handel*).

**Clearing and Settlement**..... The Bonds will be accepted for clearing through Oesterreichische Kontrollbank Aktiengesellschaft.

#### **International Securities**

##### **Identification Number**

**(ISIN)**..... AT0000A069T7

#### **Summary of Risk Factors**

##### ***Summary of Risk Factors Relating to the Issuer***

- The Group's business may be affected by cyclical industry and economic conditions.
- The Group is exposed to the automotive and other industry sectors.
- The Group is dependent on raw materials.
- The future success of the Group depends on its ability to attract and to retain highly qualified management and skilled staff.
- The business of the Group has grown significantly and, therefore, depends on its ability to manage growth.
- The Group is exposed to various challenges in connection with the Public Takeover Bid of Böhler-Uddeholm AG.
- The Group operates in highly competitive markets.
- The Group operates complex manufacturing facilities and any manufacturing or business interruptions could harm the Group's business.
- The Group is subject to numerous national, local and EU environmental laws and regulations and may be exposed to environmental liabilities as a result of its operations.
- Group is subject to currency-related risks.
- The Group has not been assigned a credit rating.

##### ***Summary of Risk Factors Relating to the Bonds of this Offering***

An investment in the Bonds involves certain risks associated with the characteristics of the Bonds which could lead to substantial losses the Holders of the Bonds would have to bear in the case of selling their Bonds or with regard to receiving remuneration payments. Risks especially arise due to the following facts:

- The Bonds are securities without final maturity and Holders of the Bonds may only declare the Bonds due and payable in case of liquidation, winding up or dissolution of voestalpine.
- The Company may redeem the Bonds under certain circumstances. If the Bonds are redeemed, a Holder of a Bond is exposed to the risk that due to early redemption his investment will have a lower than expected yield.
- The Company may defer payments of interest under the Bonds.
- Holders of the Bonds may not receive payment of Arrears of Interest.
- The right to receive payments on the Bonds is subordinated to the rights of all existing and future creditors.
- The Company is not limited to incur additional indebtedness ranking senior or *pari passu* with the Bonds.
- An active trading market may not develop for the Bonds.
- Fixed rate bonds have a market risk.
- Floating rate bonds may suffer a decline in interest rate.

## Summary Consolidated Financial Data

The following information and data have been extracted without material adjustment (except as described below) from, and are only a summary of, the Audited Annual Consolidated Financial Statements which are incorporated by reference into this Prospectus. Potential investors are encouraged to read the entire Prospectus, including the Audited Annual Consolidated Financial Statements, the other financial information included in the Prospectus before making any investment decision. See "Presentation of Financial and Other Information". The Audited Annual Consolidated Financial Statements have been prepared in accordance with IFRS.

The following financial information solely pertains to voestalpine Group and does not include consolidated financial information of the Böhler-Uddeholm Group. Investors should therefore be aware that future prospects of voestalpine Group may not be inferred from the following financial information.

### Income Statement

	March 31, 2007 (audited)	March 31, 2006 (audited)
	in TEUR <sup>(1)</sup>	in TEUR
Revenues .....	7,049,817	6,230,603
Cost of goods sold .....	-5,243,084	-4,780,448
<b>Gross profit</b> .....	<b>1,806,733</b>	<b>1,450,155</b>
Other operating income .....	190,198	163,192
Distribution costs .....	-467,637	-414,071
Administrative expenses .....	-353,872	-297,557
Other operating expenses .....	-162,737	-177,645
<b>Profit from operations (EBIT)</b> .....	<b>1,012,685</b>	<b>724,074</b>
Share of profit of associates .....	16,461	13,865
Finance income .....	65,262	48,060
Finance costs .....	-117,198	-111,749
<b>Profit before income tax (EBT)</b> .....	<b>977,210</b>	<b>674,250</b>
Income tax expense .....	-221,526	-154,520
<b>Consolidated profit after income tax before earnings from discontinued operations</b> .....	<b>755,684</b>	<b>519,730</b>
Profit/loss from discontinued operations less tax .....	9,212	6,183
<b>Consolidated profit for the year</b> .....	<b>764,896</b>	<b>525,913</b>
<b>Attributable to minority interests</b> .....	<b>7,493</b>	<b>6,452</b>
<b>Attributable to equity holders of the parent</b> .....	<b>757,403</b>	<b>519,461</b>
<b>Cash flow data:</b>		
Cash flow from operating activities .....	970,172	860,089
Cash flow from investing activities .....	-594,471	-633,280
Cash flow from financing activities .....	-536,476	113,532
<b>Change in cash and cash equivalents</b> .....	<b>-160,775</b>	<b>340,341</b>
<b>Basic earnings per share</b>		
<b>From continuing operations (euros)</b> .....	<b>4.77</b>	<b>3.25</b>
<b>Diluted earning per share</b>		
<b>From continuing operations (euros)</b> .....	<b>4.42</b>	<b>3.10</b>

<sup>(1)</sup> "TEUR" means Euros in units of thousands

*The following German translation of the Summary is a separate document and forms an annex to this Prospectus. It does not form part of this Prospectus and has not been approved by the Austrian Financial Market Authority. Furthermore, the Austrian Financial Market Authority has not verified that the German translation conforms to the English version.*

*Die folgende deutsche Übersetzung der Zusammenfassung ist ein separates Dokument und bildet einen Anhang zu diesem Prospekt. Sie ist selbst kein Teil dieses Prospekts und wurde nicht von der Finanzmarktaufsichtsbehörde gebilligt. Auch die Übereinstimmung der deutschen Übersetzung mit der englischen Fassung der Zusammenfassung wurde nicht durch die Finanzmarktaufsichtsbehörde überprüft.*

## ZUSAMMENFASSUNG

*Diese Zusammenfassung ist als Einleitung zu diesem Prospekt zu lesen, und jede Entscheidung zur Anlage in die Schuldverschreibungen ist unter Berücksichtigung dieses Prospektes insgesamt zu treffen, einschließlich der geprüften Konzernjahresabschlüsse und der Angaben unter „Risikofaktoren“. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der Angaben in diesem Prospekt geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften des betreffenden Mitgliedstaates der EU verpflichtet sein, die Kosten für eine Übersetzung des Prospekts vor Prozessbeginn zu tragen. Sollte ein solches Gerichtsverfahren in Österreich eröffnet werden, ist eine deutsche Übersetzung des Prospektes erforderlich, deren Kosten zunächst von dem als Kläger auftretenden Anleger und letztlich von der in dem Verfahren für haftbar befundenen Partei zu tragen sind. Zivilrechtlich haftbar sind diejenigen Personen, die diese Zusammenfassung erstellt und ihre Meldung beantragt haben, jedoch nur sofern sie irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird.*

*In den Emissionsbedingungen definierte Begriffe und Ausdrücke haben in diesem Abschnitt dieselbe Bedeutung.*

### **Zusammenfassung bezüglich der Emittentin**

voestalpine betrachtet sich selbst als einen führenden Hersteller und Lieferanten einer umfangreichen Palette von Produkten und Anwendungen aus Stahl und beliefert in erster Linie europäische Kunden der Branchen Automobil, Bau, Haushaltsgeräte und der allgemein verarbeitenden Industrie sowie weltweit Kunden aus der Eisenbahnbranche. Die Gesellschaft ist der Ansicht, dass sie im Bereich Stahlproduktion gemessen an der EBITDA-Marge zu den ertragreichsten in ganz Europa zählt.

voestalpine ist das Mutterunternehmen des Konzerns mit den Divisionen Stahl, Edelstahl, Bahnsysteme, Automotive und Profilform. Als Holdinggesellschaft verfügt voestalpine über keinen eigenen Geschäftsbetrieb, sondern ist für das Management und unterstützende Funktionen verantwortlich. Hierzu zählen Strategie und Konzernentwicklung, Investitionsplanung und Finanzierung, Budgetierung, Treasury, Recht und Merger&Acquisitions sowie Investor Relations und Public Relations.

### **Geschäftliche Stärken des Konzerns**

*Hervorragende Positionierung im Bereich Technologie und Know-how.* voestalpine ist nach eigener Einschätzung Branchenführer in den Bereichen Technologie-, Produktions- und Verarbeitungskompetenz sowie Forschung und Entwicklung und ist der Ansicht, dass ihre Produkte—auch nach Auffassung ihrer Kunden—qualitativ äußerst hochwertig sind. Die umfangreiche Erfahrung und das Know-how der Gesellschaft, ihre umfangreichen Produktionsanlagen und ihre eingehenden Kenntnisse des Werkstoffes Stahl erlauben es voestalpine, ihren Kunden eine breite Palette hochentwickelter und hochwertiger Produkte und Komponenten vorwiegend aus dem Werkstoff Stahl zu liefern. Daneben engagiert sich die Gesellschaft stark in der Forschung und Entwicklung, um auch in Zukunft innovative Produkte und Lösungen entwickeln und produzieren zu können. Diese technologisch hochwertigen Produkte und Anwendungen bieten längerfristig höhere Margen als Standardstahlprodukte; dies ermöglicht es voestalpine nach eigener Ansicht, die Bedürfnisse ihrer Kunden konkreter und umfangreicher zu erfüllen, als dies bei Massenherstellern von Stahlprodukten im Standardsegment der Fall ist.

*Effiziente Unternehmensstruktur.* voestalpine ist der Auffassung, dass ihre dezentrale Struktur zu erhöhter betrieblicher Flexibilität führt. So ermöglicht beispielsweise die mittelständische Struktur der Unternehmen der Division Profilform, eine Fokussierung auf Profile mit komplexen Formen und begrenzten Volumina, die hohe Margen bieten, sowie eine schnelle und effiziente Umstellung der Produktionsanlagen auf neue Produktformen, wodurch die Durchlaufzeiten optimiert werden. Zudem ermöglicht die Koordination der Unternehmen der jeweiligen Division einen Austausch von Informationen über best practices und Branchentrends und führt somit zu ständigen betrieblichen Verbesserungen. Basierend darauf ist die Gesellschaft der Meinung Branchenführer bei Produktivität und betrieblicher Effizienz zu sein und ist äußerst bestrebt, diese Position zu halten. Als Beispiel hierfür dient das ständige Verbesserungsprogramm des Konzerns, das zu zunehmenden Kosteneinsparungen (bei geringeren

Personal- und Materialkosten und höherer Produktivität) geführt hat. Die Gesellschaft schätzt diese Effekte auf rund 1 % des Jahresumsatzes.

*Nachhaltiger Kundenservice.* voestalpine versucht sich von Mitbewerbern durch besseren Kundenservice abzugrenzen. Die organisatorische Struktur und die betriebliche Flexibilität des Konzerns ermöglichen es seinen Unternehmen, schnell auf die Bedürfnisse ihrer Kunden einzugehen. voestalpine unterhält eine Reihe langjähriger Beziehungen mit wichtigen Kunden, die dem Konzern einen stabilen Markt für seine Produkte und Dienstleistungen bieten. Der Konzern versucht soweit wie möglich, mit Kunden enge Beziehungen als Anbieter und Entwicklungspartner von Anwendungen aus Stahl einzugehen und nicht nur als bloßer Lieferant von Stahlprodukten zu fungieren. Der Konzern vertritt die Ansicht, dass diese Kundenbeziehungen für voestalpine einen Vorteil im Wettbewerb darstellen: Kunden der Division Profilform lagern beispielsweise effektiv einen Teil ihrer eigenen Produktion an voestalpine aus, wenn voestalpine nicht nur qualitativ hochwertige Produkte aus Stahl, sondern auch damit verbundene Anwendungen bis hin zu installationsfertigen Modulen liefert; dies erschwert Mitbewerbern den Zugang zu Kunden der voestalpine.

*Fokussierung auf Verarbeitung.* voestalpine ist der Ansicht, dass ihre starke Expansion in eine tiefere Wertschöpfung eine Reihe erheblicher potenzieller Vorteile bietet. Infolge struktureller Überkapazitäten in der Stahlbranche und des höheren Wettbewerbsdrucks führte die Konsolidierung in der europäischen Stahlbranche zum Entstehen einiger sehr großer Massenproduzenten, deren finanzielle Kapazitäten und globale Tätigkeiten jene von voestalpine übertreffen. Als Nischenproduzent und Verarbeiter hochwertigerer Stahlprodukte kann der Konzern seinen direkten Wettbewerb mit diesen Massenproduzenten beschränken. Verarbeitete, hochwertigere Stahlprodukte bieten darüber hinaus grundsätzlich höhere Margen und sind weniger anfällig für zyklische Preisschwankungen als Standardstahlprodukte wie z.B. warmgewalzter Massenstahl. Nach Auffassung des Konzerns sollte seine Expansion in die Verarbeitung des Werkstoffs Stahl deshalb zu einer weiteren Steigerung der Rentabilität und gleichzeitig geringeren Schwankungen bei den Erträgen im Vergleich zu anderen Stahlproduzenten führen. Schließlich ist die Verarbeitung von Stahl grundsätzlich weniger kapitalintensiv als die Stahlproduktion selbst. In Verfolgung der Expansionsstrategie in eine tiefere Wertschöpfung und aufgrund der Kapazitätsgrenzen der bestehenden Produktionsstätte in Linz, evaluiert voestalpine jedoch nicht nur Wachstumsmöglichkeiten in der Verarbeitung des Werkstoffs Stahl, sondern auch in der Produktion von Stahl in Österreich und im Ausland, insbesondere in Zentral- und Osteuropa.

*Erfolgreiche Akquisitionsstrategie.* voestalpine hat in Verfolgung ihrer Expansionsstrategie im Bereich Verarbeitung in den letzten Jahren zahlreiche Unternehmen erfolgreich akquiriert, die dem Ausbau ihrer Position in diesem Bereich diene. Die Integration dieser akquirierten Unternehmen verlief ohne nennenswerte Probleme.

### **Konzernstrategie**

voestalpine verfolgt das Ziel, führender Anbieter verarbeiteter Stahlprodukte und Anwendungen in allen Zielmarktsegmenten zu sein und dabei ihre Position unter den profitablen, gemessen an der EBITDA-Marge, Stahlproduzenten in Europa zu behaupten und festigen. Durch den Ausbau ihrer weniger kapitalintensiven Geschäftsaktivitäten zur Steigerung der Rentabilität und durch die Kombination aus endogenem und exogenem Wachstum versucht die Gesellschaft, weiter profitabel zu wachsen. Die Hauptelemente der Strategie von voestalpine auf Konzernebene sind:

- *Weiteres Wachstum entlang der Wertschöpfungskette im Hochqualitätssegment.* voestalpine versucht, sich durch Unternehmensakquisitionen und organisches Wachstum weiter auf die Expansion im Bereich Verarbeitung zu konzentrieren, um ihre Position in qualitativ anspruchsvollen Marktsegmenten zu stärken. Während der letzten Jahre hat die Gesellschaft diese Strategie durch eine Reihe von Übernahmen erfolgreich umgesetzt. Der Konzern integriert aktuell die übernommenen Bereiche in seinen Geschäftsbetrieb, während er gleichzeitig aktiv nach weiteren Übernahmeziele sucht, um die bestehenden Aktivitäten im Verarbeitungssegment weiter auszubauen und zu ergänzen. Zur Unterstützung der Expansionsstrategie in eine tiefere Wertschöpfung evaluiert die Gesellschaft auch Möglichkeiten, die Produktion von Stahl zu erhöhen.
- *Konzentration auf hochwertige Stahlprodukte und die Stahlverarbeitung.* voestalpine versucht, den Anteil ihrer Stahlproduktion im Bereich weiterverarbeiteter, höherwertiger Produkte sukzessiv zu erhöhen (wie z.B. verschiedene Arten spezialbehandelter und beschichteter Stahlprodukte). Der Konzern plant, sich weiter von einem Materiallieferanten hin zu einem Anbieter technisch anspruchsvoller Systeme und Module zu entwickeln und sich dabei vor allem auf innovative Produkte und Lösungen basierend auf dem Werkstoff Stahl zu konzentrieren.
- *Ausbau und Vertiefung von Kundenservice.* Der Konzern ist der Auffassung, dass seine engen und langjährigen Kundenbeziehungen zu seinen Hauptvorteilen im Wettbewerb zählen, und versucht, diese Beziehungen weiter zu

intensivieren, indem er z.B. seinen Kunden aus der Automobil- und Bahnbranche Stahlprodukte und Anwendungen aus einem Haus bietet.

## **Jüngste Entwicklungen**

### *Öffentliche Übernahme der Böhler-Uddeholm*

Am 27. März 2007 erzielte voestalpine eine Grundsatzvereinbarung mit den Gesellschaftern der BU Industrieholding GmbH („**BUI**“), auf deren Grundlage voestalpine, vorbehaltlich der Zustimmung durch ihren Aufsichtsrat, sämtliche Geschäftsanteile der BUI und damit indirekt 10.686.340 Aktien der BÖHLER-UDDEHOLM AG („Böhler-Uddeholm“ und zusammen mit ihren Tochtergesellschaften die „Böhler-Uddeholm-Gruppe“) erwarb, was rund 20,95 % des Grundkapitals der Böhler-Uddeholm entspricht.

Am 29. März 2007 hat der Vorstand der Gesellschaft beschlossen, den Aktionären von Böhler-Uddeholm ein freiwilliges öffentliches Übernahmeangebot in Höhe von €69,00 pro Aktie vorzulegen. Der Aufsichtsrat der Gesellschaft hat am gleichen Tag sowohl die Übernahme der BUI als auch das freiwillige öffentliche Übernahmeangebot gebilligt.

Am 26. April 2007 hat die Gesellschaft ein freiwilliges öffentliches Übernahmeangebot gemäß § 25a Übernahmegesetz zum Erwerb sämtlicher Aktien der Böhler-Uddeholm, deren Aktien zum amtlichen Handel an der Wiener Börse zugelassen sind, zum Angebotspreis von €69,00 abgegeben („**Angebot**“); am 19. Mai 2007 hat die Gesellschaft nach einer Medieninformation am 18. Mai 2007 eine Änderung der Bedingungen des Angebots veröffentlicht und dabei den Angebotspreis auf €73,00 für jede Böhler-Uddeholm-Aktie erhöht und die Annahmefrist bis zum 4. Juni 2007 verlängert.

Am 6. Juni 2007 hat die Gesellschaft das Ergebnis des Angebots veröffentlicht. Während der Annahmefrist wurde das Angebot für 17.172.034 Böhler-Uddeholm-Aktien angenommen, was rund 33,7 % des Grundkapitals von Böhler-Uddeholm entspricht. Bis zum 18. Juni 2007 hat voestalpine, einschließlich Parallelerwerbe und die indirekt durch den Erwerb der BUI erworbenen Aktien, 28.902.762 Böhler-Uddeholm-Aktien erworben, was rund 56,6 % des gesamten Grundkapitals von Böhler-Uddeholm entspricht. In weiterer Folge hat die Gesellschaft in einer bindenden Stellungnahme erklärt, bis zum 6. Juni 2008 keine Aktien zum Preis von mehr als €73,00 pro Böhler-Uddeholm-Aktie zu kaufen und somit den Angebotspreis nicht zu erhöhen.

Mit 6. September 2007 hat die Gesellschaft insgesamt 40.401.130 Aktien an Böhler-Uddeholm gehalten, was rund 79,2 % des Grundkapitals von Böhler-Uddeholm entspricht. Darin enthalten sind Aktien, die von Aktionären erworben wurden, die das Angebot angenommen haben, Parallelerwerbe sowie die von der BUI infolge von Umstrukturierungsmaßnahmen auf die Gesellschaft übergegangenen Böhler-Uddeholm-Aktien.

Die Gesellschaft schätzt die Kosten des Angebots auf rund €3,75 Mrd. für 100 % der Aktien der Böhler-Uddeholm. Die Gesellschaft hat ausreichende Finanzierungsmittel, um sämtliche Aufwendungen und Kosten in Verbindung mit dem Angebot abzudecken. Weitere Informationen über das öffentliche Angebot der Böhler-Uddeholm finden sich unter „Jüngste Entwicklungen – Öffentliche Übernahme der Böhler-Uddeholm AG“, „Business – Special Steel Division – The Böhler- Uddeholm Group“, „Business - Material Contracts“ und „Use of Proceeds“.

### **Zusammenfassung der Schuldverschreibungen dieses Angebots**

<b>Emittentin</b> .....	voestalpine AG.
<b>Emissionsvolumen</b> .....	Bis zu €1,000,000,000.
<b>Emissionspreis</b> .....	Der Emissionspreis wird nach Abschluss des Bookbuilding-Verfahrens von den Joint Lead Managern und Bookrunnern gemeinsam mit der Gesellschaft festgelegt.
<b>Stückelungen</b> .....	€1.000
<b>Ausgabetag</b> .....	31. Oktober 2007.

<b>Fälligkeit</b> .....	Die Schuldverschreibungen haben keinen Endfälligkeitstag.
<b>Verzinsung</b> .....	Die Schuldverschreibungen gewähren Anspruch auf Verzinsung ab einschließlich 31. Oktober 2007 bis ausschließlich 31. Oktober 2014 in Höhe von ●% pro Jahr, die ab 31. Oktober 2008 jährlich nachträglich am 31. Oktober jedes Jahres zahlbar ist.
<b>Verzinsung nach Jahr 7</b> .....	Ab einschließlich 31. Oktober 2014 berechtigen die Schuldverschreibungen, sofern nicht zuvor zurückgezahlt, auf eine Verzinsung in Höhe des Interbanken-Angebotssatzes im Euroraum für dreimonatige Euro-Einlagen zuzüglich der Marge (wie nachfolgend definiert), die vierteljährlich nachträglich am 31. Oktober, 31. Jänner, 30. April und 31. Juli jedes Jahres zahlbar ist.
<b>Marge</b> .....	●% pro Jahr.
<b>Zahlung und Stundung von Zinsen</b> .....	Die Emittentin hat vorbehaltlich der Zahlung von Zinsen an einem Obligatorischen Zinszahlungstag (gemäß der Definition in den „Emissionsbedingungen“) keine Verpflichtung zur Zahlung von Zinsen, die während einer Zinsperiode (wie in den „Emissionsbedingungen“ definiert) auflaufen, die an einem Optionalen Zinszahlungstag (wie in den „Emissionsbedingungen“ definiert) endet; eine Nichtzahlung begründet keinen Verzug der Emittentin und keine sonstige Verletzung ihrer Verpflichtungen aufgrund dieser Schuldverschreibungen oder für sonstige Zwecke. Die nicht gezahlten Zinsen stellen Zinsrückstände (gemäß der Definition in den „Emissionsbedingungen“) dar. Zinsrückstände werden nicht verzinst.
<b>Zahlung von Zinsrückständen</b> .....	Die Emittentin kann ausstehende Zinsrückstände jederzeit (vollständig oder teilweise) zahlen.  Die Emittentin muss ausstehende Zinsrückstände (ganz, jedoch nicht nur teilweise) am früheren der folgenden Zeitpunkte zahlen: (i) am nächsten Zinszahlungstag, an dem sich die Emittentin entschließt, Zinsen ganz oder teilweise zu zahlen; (ii) am nächsten Obligatorischen Zinszahlungstag; (iii) an dem Tag, an dem die Schuldverschreibungen zur Rückzahlung fällig werden; (iv) an dem Tag, an dem die Emittentin in die Liquidation geht und abgewickelt oder aufgelöst wird (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin noch zahlungsfähig ist und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt).
<b>Vorzeitige Rückzahlung</b> .....	Die Emittentin kann (i) die Schuldverschreibungen zu ihrem Nennbetrag (vollständig, jedoch nicht nur teilweise) mit Wirkung vom 31. Oktober 2014 oder zu jedem nachfolgenden Variablen Zinszahlungstag (wie in den „Emissionsbedingungen“ definiert) kündigen, und zwar in jedem Fall an dem in der Kündigungserklärung festgelegten Rückzahlungstag, zuzüglich der bis (ausschließlich) zu diesem Tag aufgelaufenen Zinsen und aller ausstehenden Zinsrückstände bis zum Tag der Rückzahlung; oder (ii) die Schuldverschreibungen (vollständig, jedoch nicht nur teilweise) jederzeit vor dem Ersten Rückzahlungstermin zum Speziellen Abgezinsten Marktpreis (wie in den „Emissionsbedingungen“ definiert) kündigen. Der Emittentin steht ein Kündigungsrecht nicht zu, soweit Zinsrückstände ausstehen.
<b>Vorzeitige Rückzahlung bei bestimmten Ereignissen</b> .....	Bei Eintritt eines Gross up Ereignisses (wie in den „Emissionsbedingungen“ definiert), eines Steuerereignisses (wie in den „Emissionsbedingungen“ definiert) oder eines Rechnungslegungsereignisses (wie in den „Emissionsbedingungen“ definiert) vor dem 31. Oktober 2014 ist die Emittentin

berechtigt, die Schuldverschreibungen jederzeit (insgesamt, jedoch nicht nur teilweise) zum Vorzeitigen Rückzahlungsbetrag (wie in den „Emissionsbedingungen“ definiert) zu kündigen und zurückzuzahlen. Der Emittentin steht ein Kündigungsrecht nicht zu, soweit Zinsrückstände ausstehen.

<b>Vorzeitige Kündigung bei geringfügigem ausstehenden Nennbetrag.....</b>	Wenn zu irgendeinem Zeitpunkt der auf die Schuldverschreibungen ausstehende Nennbetrag 25 % oder weniger des Gesamtnennbetrags der Schuldverschreibungen beträgt, kann die Emittentin die Schuldverschreibungen (vollständig aber nicht in Teilbeträgen) zu ihrem Vorzeitigen Rückzahlungsbetrag kündigen und zurückzahlen. Der Emittentin steht ein Kündigungsrecht nicht zu, soweit Zinsrückstände ausstehen und nicht nachgezahlt wurden.
<b>Kontrollwechsel .....</b>	Der Festzinssatz oder die Marge, wie anwendbar, erhöht sich ab einschließlich dem Kalendertag, der 61 Tage nach dem Eintritt eines Kontrollwechsels (wie in den „Emissionsbedingungen“ definiert) liegt, um 5,00 % per annum.  Bei Eintritt eines Kontrollwechsels kann die Emittentin die Schuldverschreibungen vollständig, aber nicht in Teilbeträgen zum Nennbetrag der Schuldverschreibungen zuzüglich bis (ausschließlich) zum Rückzahlungstag aufgelaufener Zinsen kündigen und zurückzahlen.
<b>Anwendbares Recht.....</b>	Die Schuldverschreibungen unterliegen österreichischem Recht.
<b>Status der Schuldverschreibungen.....</b>	Die Schuldverschreibungen begründen nicht besicherte und nachrangige Verbindlichkeiten der Emittentin, die (i) vorrangig zum Eigenkapital der Emittentin stehen, (ii) untereinander und mit Gleichrangigen Wertpapieren (wie in den „Emissionsbedingungen“ definiert) im Rang gleich stehen und (iii) nachrangig allen anderen bestehenden und zukünftigen nicht nachrangigen Verbindlichkeiten der Emittentin und nachrangigen Verbindlichkeiten der Emittentin sind, die ausdrücklich den Verbindlichkeiten aus den Schuldverschreibungen im Rang vorgehen, soweit zwingende gesetzliche Bestimmungen nichts anderes vorschreiben. Im Fall der Liquidation, der Auflösung oder der Insolvenz der Emittentin oder eines Ausgleichs oder eines anderen der Abwendung der Insolvenz der Emittentin dienenden Verfahrens erfolgen Zahlungen auf die Schuldverschreibungen solange nicht, wie die Ansprüche aller nicht nachrangigen und nachrangigen Gläubiger, die ausdrücklich den Verbindlichkeiten der Emittentin aus den Schuldverschreibungen im Rang vorgehen, gegen die Emittentin nicht zuerst vollständig erfüllt sind.
<b>Negativklärung.....</b>	Die Emissionsbedingungen enthalten keine Negativklärung.
<b>Drittverzug.....</b>	Die Emissionsbedingungen enthalten keine Drittverzugsklausel.
<b>Börsennotierung .....</b>	Die Zulassung der Schuldverschreibungen zum amtlichen Handel an der Wiener Börse wird beantragt.
<b>Clearing und Abrechnung.....</b>	Die Schuldverschreibungen werden zum Clearing durch die Oesterreichische Kontrollbank Aktiengesellschaft zugelassen.
<b>International Securities Identification Number (ISIN) .....</b>	AT0000A069T7

## **Zusammenfassung der Risikofaktoren**

### ***Zusammenfassung der Risikofaktoren bezüglich der Emittentin***

- Das Geschäft des Konzerns kann von zyklischen Branchen- und Wirtschaftsbedingungen betroffen sein.
- Der Konzern ist wirtschaftlichen Entwicklungen der Automobilbranche sowie anderen Branchen ausgesetzt.
- Der Konzern ist von Rohstoffen abhängig.
- Der künftige Erfolg des Konzerns hängt von seiner Fähigkeit ab, hochqualifizierte Mitarbeiter für Managementfunktionen und Fachleute zu gewinnen und zu binden.
- Das Geschäft des Konzerns ist erheblich gewachsen und hängt deshalb von dessen Fähigkeit ab, das Wachstum zu managen.
- Der Konzern sieht sich verschiedenen Herausforderungen in Verbindung mit dem Öffentlichen Übernahmeangebot für die Böhler-Uddeholm ausgesetzt.
- Der Konzern ist an Märkten mit extrem hohem Wettbewerb tätig.
- Der Konzern betreibt komplexe Produktionsanlagen; jede Unterbrechung der Produktion oder des Geschäfts könnte das Geschäft des Konzerns schädigen.
- Der Konzern unterliegt zahlreichen Umweltgesetzen und -vorschriften auf nationaler, kommunaler und EU-Ebene und ist infolge seines Betriebs möglicherweise Umwelthaftungen ausgesetzt.
- Der Konzern ist Währungsrisiken ausgesetzt.
- Der Konzern verfügt über keine Bonitätseinstufung (credit rating).

### ***Zusammenfassung der Risikofaktoren der Schuldverschreibungen dieses Angebots***

Eine Anlage in den Schuldverschreibungen ist mit bestimmten, sich aus den Eigenschaften der Schuldverschreibungen ergebenden Risiken verbunden, die zu erheblichen Verlusten führen könnten, die von den Gläubigern der Schuldverschreibungen zu tragen wären, wenn sie diese Schuldverschreibungen verkaufen, sowie mit Risiken bezüglich Vergütungsleistungen. Risiken ergeben sich insbesondere aus folgenden Tatsachen:

- Bei den Schuldverschreibungen handelt es sich um Wertpapiere ohne Endfälligkeitstermin, und die Schuldverschreibungsgläubiger können die Schuldverschreibungen nur bei einer Liquidation, Abwicklung oder Auflösung von voestalpine kündigen.
- Die Gesellschaft kann die Schuldverschreibungen unter bestimmten Umständen zurückkaufen. Werden die Schuldverschreibungen zurückgekauft, besteht für den Gläubiger das Risiko, dass seine Anlage aufgrund der vorzeitigen Rückzahlung einen geringeren Ertrag erbringt als erwartet.
- Die Gesellschaft kann Zinszahlungen auf die Schuldverschreibungen stunden.
- Die Schuldverschreibungsgläubiger erhalten möglicherweise keine Zahlung von Zinsrückständen.
- Das Recht auf Zahlungen auf die Schuldverschreibungen ist den Rechten aller derzeitigen und künftigen Gläubiger nachgeordnet.

- Die Gesellschaft kann weitere Schulden eingehen, die den Schuldverschreibungen im Rang vorgehen oder gleichgestellt sind.
- Ein liquider Markt mit den Schuldverschreibungen wird sich möglicherweise nicht entwickeln.
- Festverzinsliche Schuldverschreibungen sind einem Marktrisiko ausgesetzt.
- Bei variabel verzinslichen Schuldverschreibungen sinkt unter Umständen der Zinssatz.

## Zusammenfassung der konsolidierten Finanzdaten

Die folgenden Angaben und Daten wurden ohne wesentliche Anpassung (außer in dem nachstehend beschriebenen Umfang) dem Geprüften Konzernjahresabschluss, der durch Verweis in diesen Prospekt aufgenommen ist, entnommen und stellen lediglich eine Zusammenfassung des Geprüften Konzernjahresabschlusses dar. Potentiellen Anlegern wird empfohlen, den gesamten Prospekt zu lesen, einschließlich des Geprüften Konzernjahresabschlusses und der übrigen in dem Prospekt enthaltenen Finanzinformationen, bevor sie eine Anlageentscheidung treffen. Siehe „Presentation of Financial and Other Information“. Der Geprüfte Konzernjahresabschluss wurde gemäß den IFRS aufgestellt.

Die folgenden Finanzinformationen beziehen sich ausschließlich auf die voestalpine-Gruppe und enthalten keine konsolidierten Finanzinformationen der Böhler-Uddeholm-Gruppe. Die Anleger sollten deshalb beachten, dass die folgenden Finanzinformationen nicht auf die künftigen Aussichten der voestalpine-Gruppe schließen lassen.

### Income Statement

	<b>31. März 2007</b> <b>(geprüft)</b>	<b>31. März 2006</b> <b>(geprüft)</b>
	in TEUR <sup>(1)</sup>	in TEUR
Umsatzerlöse .....	7.049.817	6.230.603
Umsatzkosten .....	-5.243.084	-4.780.448
<b>Bruttoergebnis</b> .....	<b>1.806.733</b>	<b>1.450.155</b>
Sonstige betriebliche Erträge .....	190.198	163.192
Vertriebskosten .....	-467.637	-414.071
Verwaltungskosten .....	-353.872	-297.557
Sonstige betriebliche Aufwendungen.....	-162.737	-177.645
<b>Ergebnis der betrieblichen Aufwendungen (EBIT)</b> .....	<b>1.012.685</b>	<b>724.074</b>
Ergebnisse von assoziierten Ergebnissen.....	16.461	13.865
Finanzerträge.....	65.262	48.060
Finanzaufwendungen.....	-117.198	-111.749
<b>Ergebnis vor Steuern (EBT)</b> .....	<b>977.210</b>	<b>674.250</b>
Steuern vom Einkommen und vom Ertrag.....	-221.526	-154.520
<b>Ergebnis der fortgeführten Geschäftsbereiche</b> .....	<b>755.684</b>	<b>519.730</b>
Ergebnis des aufgegebenen Geschäftsbereichs.....	9.212	6.183
<b>Ergebnis nach Steuern (Jahresüberschuss)</b> .....	<b>764.896</b>	<b>525.913</b>
<b>Zuzurechnen den Anteilseignern des Mutterunternehmens</b> .....	<b>7.493</b>	<b>6.452</b>
<b>Zuzurechnen den Minderheitsgesellschaftern</b> .....	<b>757.403</b>	<b>519.461</b>
<b>Konzern-Kapitalflussrechnung:</b>		
Cash-flow aus der Betriebstätigkeit.....	970.172	860.089
Cash-flow aus der Investitionstätigkeit .....	-594.471	-633.280
Cash-flow aus der Finanzierungstätigkeit .....	-536.476	113.532
<b>Verminderung/Erhöhung der Zahlungsmittel und Zahlungsmitteläquivalente</b> .....	<b>-160.775</b>	<b>340.341</b>
<b>Unverwässertes Ergebnis je Aktie der fortgeführten Geschäftsbereiche (EUR)</b> .....	<b>4,77</b>	<b>3,25</b>
<b>Verwässertes Ergebnis je Aktie der fortgeführten Geschäftsbereiche (EUR)</b> .....	<b>4,42</b>	<b>3,10</b>

## RISK FACTORS

*In addition to the other information set forth in this Prospectus, in particular the information contained in “Business” and “Terms and Conditions of the Bonds”, prospective investors should consider carefully the information set forth below before making an investment in the Bonds. If these risks materialize, individually or together with other circumstances, they may materially impair the voestalpine Group’s business and may have a material adverse effect on the voestalpine Group’s financial condition and results of operations. The risks described below do not purport to be exhaustive and these risks do not constitute the only risks to which the voestalpine Group is exposed. The order in which the individual risks are presented does not provide an indication of the likelihood of their occurrence nor of the severity or significance of the individual risks. The following investment considerations and risk factors constitute the main risks in the opinion of the Company, however other risks and aspects may be of significance of which the voestalpine Group is currently unaware or which it does not currently consider to be material but which may also have a material adverse effect on the voestalpine Group’s business and business prospects, on its financial condition and results of operations and on its ability to fulfill its obligations under the Bonds of this Offering.*

### **Risks Relating to the Group's Business**

***The Group’s business may be affected by cyclical industry and economic conditions.***

Demand for most of the Group's products, as for steel products generally, is cyclical in nature and sensitive to general economic conditions. This means that demand for steel and the prices at which steel can be sold fluctuate considerably. These characteristics are reinforced by the storage cycles of wholesalers, service centres and end users, who typically overstock steel during periods of economic recovery and draw on these stocks during periods of economic decline, thus accelerating reductions in demand.

Despite its global market presence and comprehensive range of products, the voestalpine Group is affected by the economic conditions in its primary markets and developments and in its major customer industries. Weak global economic conditions (including as a result of a crisis such as the current U.S. sub-prime mortgage business), an economic downturn (including as a result of terrorist attacks), or the failure to recover one or more market areas or industries important to the voestalpine Group following such events, could result in a reduction of the Group’s sales volume or margins and therefore, have a material adverse effect on the Group’s financial condition and results of operations.

While voestalpine attempts to mitigate such risks, the Group is still significantly affected by changes associated with the steel cycle, and it anticipates that these changes will periodically have an adverse effect on the Group's business, financial condition and results in the future. Due to the soaring demand (especially from China) for steel in the last years, most companies in the steel industry are highly profitable at the moment. This may change once the demand for steel levels off or decreases, following a possible overheating of the Chinese economy.

***The Group is exposed to the automotive and other industry sectors.***

A significant proportion of the Company's sales are attributable to the construction, automotive, railway, oil and white goods industries. A sustained downturn in any one of these industries could negatively affect the Group's financial position and strategic goals. In addition, one facet of the Company's strategy aims to progressively increase the Group's steel-processing activities directed at the automotive sector, not only through the Automotive Division, but also in the Steel, the Special Steel and Profiform Divisions. Although demand and price fluctuations in the automotive cycle tend to be less pronounced than those that affect steel, to the extent that this strategy is successful, the Group's results will be more exposed to this cycle. In addition, the tendency towards consolidation among original equipment manufacturers (OEMs) and the tendency of OEMs to (re-)insource orders, previously placed to outside suppliers in order to better utilize their own manpower and facilities could weaken voestalpine's position as an automotive supplier and lead to increased dependence on certain automotive customers.

***The Group is dependent on raw materials.***

The voestalpine Group consumes large volumes of raw materials in its operations. Most important amongst these materials are iron ore, coke, coal, scrap and ferro-alloys, whose prices have increased considerably over the last years. As a result of recent consolidation on the supply side, the market for iron ore is, according to the Company’s own estimates, now significantly influenced by a relatively small number of large producers. This has begun to be reflected in generally higher prices for iron ore, and increasingly in a lack of connection between prices for iron ore and changes associated with the steel cycle. Because of environmental impacts associated with the production of coke, relatively few new coke plants have been built in recent years in Europe.

The Company anticipates that, over time, limits on the availability of coke may cause prices to rise. The Steel Division produces most of the coke required in its blast furnace operations at Linz in its own on-site coking plant but also relies on third party coke deliveries due to recent capacity increases. Blast furnace operations in the Railway Systems Division's facility at Donawitz completely rely on coke from outside sources. Continued high ore and coke prices would increase the Group's costs and could adversely affect its operating result, especially to the extent that these prices remain high in periods when steel prices and demand for steel are low.

The land-locked position of the Company's major production sites places it at a relative disadvantage compared to its competitors who are located near coastal sites, as it increases the costs of raw material transports. The Company may not be able to offset these higher raw materials transportation costs through lower transportation costs of its finished products to its customers.

Many of the raw materials that the Group uses are non-renewable resources. By their nature, coal and ore reserves become gradually depleted. The Company believes that its current suppliers' reserves are sufficient for the medium term. Nevertheless, if and as the Group needs to locate alternative sources for raw materials, it may become exposed to higher raw materials prices.

Further, sustained increases in prices for raw materials and manufactured products that cannot be passed on to voestalpine Group's customers would have a material adverse effect on its business, financial condition and results of operations. In addition, there could be a decrease in demand for the Group's products, as customers wait for lower prices before issuing their purchase orders.

***The future success of the Group depends on its ability to attract and to retain highly qualified management and skilled staff.***

The Company believes that its continued success and ability to implement its strategy will depend significantly upon its ability to attract highly skilled management, technical, marketing and support personnel. Competition for such personnel is intense. The Company may from time to time experience difficulties in locating candidates with appropriate qualifications. Moreover, the Company must be able to retain such personnel and ensure that they remain abreast of technical developments in the steel production and processing fields. The Company expends considerable effort and financial resources to recruit and train new and existing personnel. Failure to attract and retain qualified personnel could have a material adverse effect on the Company's business, financial condition and results of operations.

***The business of the Group has grown significantly and, therefore, depends on its ability to manage growth.***

The Company's growth strategy relies to a great extent on its ability to complete strategic acquisitions and to integrate the acquired activities into its operations successfully. The Company is currently in the process of integrating and consolidating recent acquisitions, and it is actively seeking other acquisition opportunities, particularly in its Special Steels, Automotive, Railway Systems and Profilform Divisions. There can be no assurance, however, that the Company will be able to identify a sufficient number of acquisition targets of sufficient size and attractiveness to allow it to achieve its strategic aims, or that having done so, it will be able to negotiate acceptable acquisition terms or raise the financing necessary to complete those acquisitions. To the extent that the Company is successful in pursuing its acquisition strategy, it expects to incur substantial additional debt, which will negatively affect its gearing ratio and increase its interest expense, potentially limiting its operational and financial flexibility.

Moreover, integrating and consolidating the Group's acquired operations, personnel and information systems following an acquisition requires the dedication of management resources that may distract attention from the day-to-day business of the Company and may disrupt key operating activities, difficulties that may be increased by the necessity of co-ordinating geographically separated organisations. These problems may be exacerbated where a relatively large number of relatively small businesses is acquired, as may be the case in connection with the Company's acquisition programme. Finally, the benefits of an acquisition may often take considerable time to develop, and the Company cannot guarantee that any acquisition or series of acquisitions will in fact produce the intended benefits.

***The Group is exposed to various challenges in connection with the Public Takeover Bid for Böhler-Uddeholm AG***

With respect to the Böhler-Uddeholm AG acquisition, voestalpine has, as of 6 September 2007, secured approximately 79.2% of the shares of Böhler-Uddeholm AG by way of a public tender offer and by way of direct and open market purchases. voestalpine may be prevented from fully integrating Böhler-Uddeholm AG in all respects for as long as it has not secured 100% of its shares and it can not be predicted if and when voestalpine will be in a position to own all of the Böhler-Uddeholm AG shares.

While voestalpine expects to raise synergies from the Böhler-Uddeholm AG acquisition in an amount exceeding €65million, it can not be guaranteed that these synergies will fully or partially materialize within the expected time frame.

The acquisition of Böhler-Uddeholm AG presents the voestalpine Group with significant challenges in successfully integrating the operations of Böhler-Uddeholm AG with its own business operations. Measures in connection with the integration of Böhler-Uddeholm AG within the voestalpine Group will require the voestalpine Group to incur significant costs and there can be no assurance that such measures will be carried out successfully.

Further risks and unexpected problems may arise which the Company is currently unable to assess and as a result of which the acquisition and integration of Böhler-Uddeholm AG could prove to be more difficult, time-consuming and expensive than expected. In particular, it cannot be ruled out that risks have not (or have not been to a sufficient degree) recognized by voestalpine until the end of the takeover proceedings and will only be identified and correctly assessed during the integration process of Böhler-Uddeholm AG. Each of the above factors could thus have a material adverse effect on the business operations of the voestalpine Group and on its financial condition and results of operations.

***The Group operates in highly competitive markets and might be adversely affected.***

The European steel market is highly competitive. Due to high fixed costs related to the steel production, steel producers tend to, and may have to, make full use of the production capacity of their facilities. During periods of economic decline or fluctuations in demand, this may result in a significant oversupply of steel and thus a concurrent decline in steel prices. Specific local and regional economic downturns could trigger an additional reduction in demand and decline in prices for steel products.

The highly competitive nature of the European steel market is also due to external factors. These include the developments in China, the increasing consolidation of steel suppliers and customers, the globalisation of the steel market and the relocation of steel customers to other European countries or other continents.

In response to these factors, recent consolidation in the European steel sector has led to the creation of a number of very large producers of steel, each with greater financial resources and more extensive global operations than the Company. Furthermore, a number of its major competitors are pursuing strategies to limit the dependence on sales of commodity steel products, where competitive pressures are most acute. As a result, there can be no assurance that competition will not adversely affect the Company's business, financial condition or results in the future.

On 1 May 2004 and on 1 January 2007, the European Union expanded to include a number of Central and Eastern European countries. The EU expects its expansion to continue over the near to medium term as additional nations may become EU member states. Among the countries that joined the EU in the first wave of expansion are Central European nations—Poland, the Czech Republic, Slovakia and Hungary—that have relatively highly developed industrial systems. As member states, these countries have free access to the entire EU market. Industrial labour costs tend to be lower in Central and Eastern Europe than in Austria and other Western European countries. Although, the Company believes that steel producers and processors in these countries could not offer products and services at a quality level equal to the Group's without significant investment and capital expenditure, entry into the EU facilitates inward investment into these countries. If producers in these countries develop the ability to compete directly with the Group while enjoying lower costs for inputs, the Group's competitive position and results of operations could suffer material adverse effects.

***The Group operates complex manufacturing facilities and any manufacturing or business interruptions could harm the Group's business.***

Steel production and processing may be disrupted by a variety of risks and hazards that are beyond the control of the Group, including environmental hazards, industrial accidents, strikes, technical failures, extended interruptions due to fires, explosions, acts of terrorism other accidents and other events causing stoppages, which could lead to shutdowns in operations. While the Group maintains insurance, covering various types of damage to its production facilities and certain business interruptions, such insurance may not fully cover the costs associated with such occurrences. Any damage to the Group's facilities beyond the amounts of coverage available to the Group at any time, or prolonged delay in the operations of the facilities for repairs or for other reasons, could have a material adverse effect on the Group's business, financial condition and results.

In addition, with regard to certain steel-making processes, particularly hot wide strip rolling, the Company operates "single-line" production facilities and thus is particularly vulnerable to the effects of stoppages, including short-term interruptions. To the extent that the Group is unable to shift interrupted operations to another site, such interruptions could have a disproportionately harmful effect on production, reducing the volumes the Group is able to ship and increasing costs.

***The Group is subject to numerous national, local and EU environmental laws and regulations and may be exposed to environmental liabilities as a result of its operations.***

The Group is subject to numerous national, local and EU environmental laws and regulations concerning, amongst other things, waste water discharges and solid and hazardous waste disposal. Due to the type and size of its operations, the Group is continuously involved in numerous administrative proceedings (such as those concerning building permissions, operations licenses and water regulatory issues), which in part concern issues of environmental compliance. In recent years, the Group has implemented numerous measures in order to address environmental issues at its most important sites, in particular Linz and Donawitz. Nonetheless, costs and obligations in connection with environmental matters are inherent in the Group's past, present and future operations. Moreover, future developments in environmental regulations may require the Group to increase capital expenditure for environmental compliance beyond the levels currently anticipated, or have other unanticipated effects. Accordingly, there can be no assurance that environmental costs and liabilities will not have a material adverse effect on the Group's business, financial condition or results.

Austria is a signatory to the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the "Kyoto Protocol"), in the context of which the European Union has agreed to lower emissions of carbon dioxide by 8% in the years 2008 to 2012 in comparison to the year 1990. Within the EU, Austria has agreed to lower its CO<sub>2</sub> emissions by 13%. In order to fulfil the obligations arising out of the Kyoto Protocol, the European Union established an emission trading system (see "Business—Emission Allowances"). For the first period of emission trading from 1 January 2005 until 31 December 2007, sufficient emission certificates have been allocated to the Company. However, in the second period of emission trading lasting from 1 January 2008 until 31 December 2012, pursuant to the second Austrian National Allocation Plan, the Company is expected to be under allocated by approximately 2 million tons of emission certificates per annum. To the extent this underallocation cannot be remedied by further emission reductions, the Company will need to purchase additional emission certificates on the market which may - depending on the market price for emission allowances for this period – have a material adverse effect on the Group's business, financial condition or results of operation.

***The Group is subject to currency-related risks.***

The Group is exposed to currency exchange rate risks, primarily to the exchange rate between the Euro and the US dollar. In the 2006/2007 financial year, the Group's US dollar costs (relating mainly to raw materials) exceeded the Group's US dollar revenues by approximately \$200 million. In the past and currently, this risk is hedged to a significant extent. Accordingly, exchange rate movements have had little impact on the Group's results. Nevertheless, there can be no assurance that fluctuation in exchange rates, particularly between the € and the US dollar, will not adversely affect the Company. Increasing disparity between costs and revenue resulting from exchange rate fluctuation could affect the relative prices at which the Group and its competitors sell products in the same market as well as the cost of materials the Group requires for its operations. In addition, fluctuations in currency exchange rates may have a negative impact on demand in major end markets, such as automotive.

***The Group has not been assigned a credit rating.***

Currently, no credit rating exists for voestalpine. However, implied ratings like research publications or analyst reports could create the impression that voestalpine has been assigned a non-investment grade rating. This could result in a misinterpretation of potential investors of risks associated with voestalpine or the Bonds.

***The Group may be exposed to risks in connection with force majeure.***

Investors should take into consideration that certain risks exist for losses which can not be insured (such as acts of war) or which are not economically sound to be insured (such as losses due to natural disasters, acts of terrorism etc.).

***The Issuer may be subject to increases in operating and other expenses beyond its control.***

The Issuer's operating and other expenses could increase without corresponding increases in turnover due to factors such as increases in the rate of inflation and currency fluctuations, increases in payroll expenses and energy costs, increase in the cost of services provided by third party suppliers or changes in laws, regulation or governmental policies resulting in increased costs for compliance with such laws, regulations or policies. Such increases could have a material adverse effect on the Issuer's financial position and its ability to meet its obligations under financing agreements.

## **Risks Relating to the Bonds of this Offering**

***The Bonds are securities without final maturity and Holders of the Bonds may only declare the Bonds due and payable in very limited circumstances.***

The Bonds have no final maturity and the Holders of the Bonds have no right to call for their redemption. Any Holder of the Bonds may declare its Bonds due and payable, only if the Company enters into a liquidation and winding up or dissolution (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Company). Therefore, Holders of the Bonds should be aware that they may be required to bear the financial risks of an investment in the Bonds for an indefinite time.

***The Company may redeem the Bonds under certain circumstances.***

Holders of the Bonds should be aware that the Bonds may be redeemed at the option of the Company prior to the First Call Date at the Special Make-Whole Redemption Price or on 31 October 2014 or on any Floating Interest Date thereafter at their principal amount, plus any remuneration accrued until the redemption date (exclusive). The Bonds are also subject to redemption (in whole but not in part) (i) at their principal amount, plus any remuneration accrued until the redemption date (exclusive) in case of a Gross up Event and Change of Control, and (ii) at the Early Redemption Amount in case of an Accounting Event, a Tax Event or if the outstanding principal amount of the Bonds has fallen at any time to 25% or less of the aggregate principal amount of the Bonds. If Bonds are redeemed prior to maturity, a Holder of a Bond is exposed to the risk that his investment will have a lower than expected yield due to early redemption.

***The Company may defer payments of interest under the Bonds.***

The Company will, subject to payment of interest on a Compulsory Interest Payment Date, not have any obligation to pay interest during any Interest Period if it does not elect to do so and any such failure to pay interest shall not constitute a default of the Company or any other breach of obligations under the Bonds or for any other purpose. Interest deferred will constitute Arrears of Interest. Arrears of Remuneration will not bear interest. The Company may pay such Arrears of Interest in full or in part at any time upon due notice to the Holders of the Bonds.

***Holders of the Bonds may not receive payment of Arrears of Interest***

Holders of the Bonds should be aware that the Company undertakes to make payments of outstanding Arrears of Interest (in whole but not in part) merely on the earlier of: (i) the next Interest Payment Date on which the Issuer elects to pay interest (in whole or in part); (ii) the next Compulsory Interest Payment Date; (iii) the date on which the Bonds fall due for redemption; (iv) the date on which the Issuer enters into a liquidation and winding up or dissolution (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer). The Holders of the Bonds are exposed to the risk that Arrears of Interest will be paid in limited circumstances only.

***The right to receive payments on the Bonds is subordinated to the rights of all existing and future creditors.***

The obligations of the Issuer under the Bonds constitute unsecured and subordinated obligations of the Issuer ranking (i) senior to the Issuer's share capital, (ii) *pari passu* among themselves and Parity Securities, and (iii) junior to all other present or future unsubordinated obligations of the Issuer and subordinated obligations of the Issuer that are expressed to rank senior to the Bonds, except in each case as otherwise required by mandatory provisions of law.. In the event of the liquidation, dissolution, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of the Company, the obligations of the Company under the Bonds will be subordinated to the claims of all unsubordinated and subordinated creditors of the Company so that in any such event no amounts shall be payable in respect of the Bonds until the claims of all unsubordinated and subordinated creditors of the Company shall have first been satisfied in full.

Unsubordinated liabilities of the Company may also arise from events that are not reflected on the balance sheet of the Company, including, without limitation, the issuance of guarantees or the incurrence of other contingent liabilities on an unsubordinated basis. Claims made under such guarantees or such other contingent liabilities will become unsubordinated liabilities of the Company that in a winding-up or bankruptcy proceeding of the Company will need to be paid in full before the obligations under the Bonds may be satisfied.

***The Company is not limited to incur additional indebtedness ranking senior or pari passu with the Bonds.***

There is no restriction in the Terms and Conditions of the Bonds on the amount of debt which the Company may issue which ranks senior to the obligations under or in connection with the Bonds or on the amount of debt which the Company may issue which ranks equal to the obligations under or in connection with the Bonds. Such issuance of further debt may reduce the amount recoverable by the Holders of the Bonds upon bankruptcy or winding up of the Company or may increase the likelihood that the Company may defer payments of remuneration under the Bonds.

***An active trading market may not develop for the Bonds.***

There is currently no secondary market for the Bonds. Application will be made to list the Bonds on the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange. However, there can be no assurance that a secondary market for the Bonds will develop or, if it develops, that it will continue. In an illiquid market, an investor might not be able to sell the Bonds at any time at fair market prices. Individual jurisdictions may place further selling and transfer restrictions on the Bonds.

***Fixed rate bonds have a market risk.***

The Bonds will carry fixed interest rate until 31 October 2014. A holder of a fixed interest rate bond is exposed to the risk that the price of such bond falls as a result of changes in the market interest rate. While the nominal interest rate of a fixed interest rate bond is fixed during the life of such bond or during a certain period of time, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of such bond changes in the opposite direction. If the market interest rate increases, the price of such bond typically falls, until the yield of such bond is approximately equal to the market interest rate. If the market interest rate falls, the price of a fixed interest rate bond typically increases, until the yield of such bond is approximately equal to the market interest rate. Holders of the Bonds should be aware that movements of the market interest rate can adversely affect the price of the Bonds and can lead to losses for the Holders of the Bonds if they sell Bonds during the period in which the interest rate of the Bonds is fixed. The issue price and the interest of the Bonds is dependent on the rating and the solvency of the Company.

***Floating rate bonds may suffer a decline in remuneration rate.***

If not redeemed by 31 October 2014, until their redemption, the Bonds will thereafter carry variable interest. Floating rate bonds tend to be volatile investments. A holder of a bond with a floating interest rate is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of such bonds in advance.

## TERMS AND CONDITIONS OF THE BONDS

THE GERMAN TEXT OF THE TERMS AND CONDITIONS OF THE BONDS IS LEGALLY BINDING  
THE ENGLISH TRANSLATION IS FOR CONVENIENCE ONLY

*Die englische Übersetzung der Emissionsbedingungen der Schuldverschreibungen ist ein separates Dokument und bildet einen Anhang zu diesem Prospekt. Sie ist selbst kein Teil dieses Prospekts und wurde nicht von der Finanzmarktaufsichtsbehörde gebilligt. Auch die Übereinstimmung mit den deutschen Emissionsbedingungen wurde nicht durch die Finanzmarktaufsichtsbehörde überprüft.*

Diese Emissionsbedingungen (die **Emissionsbedingungen**) sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

### § 1

#### **Nennbetrag und Stückelung; Verbriefung; Übertragbarkeit**

(1) *Nennbetrag und Stückelung.*

voestalpine AG (die **Emittentin**) begibt nachrangige zunächst fest und später variabel verzinsliche Inhaberschuldverschreibungen ohne Fälligkeitstag (die **Schuldverschreibungen**) im Nennbetrag von je Euro 1.000 (der **Nennbetrag**) und im Gesamtnennbetrag von Euro ● (in Worten: Euro ● Millionen) am 31. Oktober 2007 (**Ausgabetag**).

(2) *Vorläufige Globalurkunde — Austausch.*

- (a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die **Vorläufige Globalurkunde**) ohne Kupon verbrieft. Die vorläufige Globalurkunde wird gegen eine Dauerglobalurkunde (die **Dauerglobalurkunde**) (die vorläufige Globalurkunde und Dauerglobalurkunde werden zusammen als die **Globalurkunden** bezeichnet) ohne Kupon ausgetauscht. Die Vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die eigenhändigen Unterschriften ausreichend

*The English translation of the terms and conditions of the Bonds is a separate document and forms an annex to the Prospectus. It does not form part of this Prospectus and has not been approved by the Austrian Financial Market Authority. Furthermore, the Austrian Financial Market Authority has not verified that the English translation conforms to the German version.*

These terms and conditions of the bonds (the **Terms and Conditions**) are written in the German language and provided with an English language translation. The German text shall be the legally binding version. The English language translation is provided for convenience only.

### § 1

#### **Principal Amount and Denomination; Form; Transferability**

(1) *Principal Amount and Denomination.*

voestalpine AG (the **Issuer**) issues subordinated fixed to floating rate bearer bonds without maturity (the **Bonds**) in a denomination of Euro 1,000 each (the **Denomination**) in the aggregate principal amount of Euro ● (in words: Euro ● million) on 31 October 2007 (the **Issue Date**).

(2) *Temporary Global Bond – Exchange.*

- (a) The Bonds are initially represented by a temporary global bond (the **Temporary Global Bond**) without coupons. The Temporary Global Bond will be exchangeable for a permanent global bond (the **Permanent Global Bond**) (the Temporary Global Bond and the Permanent Global Bond together referred to as the **Global Bonds**) without coupons. The Temporary Global Bond and the Permanent Global Bond shall each be signed manually by sufficiently duly authorized

und ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind jeweils von der Hauptzahlstelle (wie in § 9(1) (a) definiert) oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelkunden und Kupons werden nicht ausgegeben.

- (b) Die Vorläufige Globalurkunde wird an einem Tag (der **Austauschtag**) gegen die Dauerglobalurkunde ausgetauscht, der nicht mehr als 180 Tage nach dem Ausgabetag liegt. Der Austausch darf nicht weniger als 40 Tage nach dem Ausgabetag liegen. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der Schuldverschreibungen keine U. S.-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten) (die **Bescheinigung**). Solange die Schuldverschreibungen durch die Vorläufige Globalurkunde verbrieft sind, werden Zinszahlungen erst nach Vorlage solcher Bescheinigungen vorgenommen. Eine gesonderte Bescheinigung ist für jede solche Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Ausgabetag eingeht, wird als ein Ersuchen behandelt werden, die Vorläufige Globalurkunde gemäß diesem § 1(2)(b) auszutauschen. Schuldverschreibungen, die im Austausch für die Vorläufige Globalurkunde geliefert werden, dürfen nur außerhalb der Vereinigten Staaten geliefert werden.

(3) *Wertpapiersammelstelle.*

Die Globalurkunden werden bei der Oesterreichischen Kontrollbank Aktiengesellschaft als Wertpapiersammelbank (die **Wertpapiersammelbank**) verwahrt, bis sämtliche Verbindlichkeiten der Emittentin aus den Schuldverschreibungen erfüllt sind.

(4) *Übertragbarkeit.*

Den Inhabern der Schuldverschreibungen (die **Schuldverschreibungsgläubiger** und jeder ein **Schuldverschreibungsgläubiger**) stehen Miteigentumsanteile oder -rechte an der Globalurkunde zu, die gemäß den allgemeinen Geschäftsbedingungen der Wertpapiersammelbank und außerhalb der Republik Österreich gemäß den Vorschriften der Clearstream Banking, société anonyme, Luxemburg und Euroclear Bank S.A./N.V.,

representatives of the Issuer and shall each be authenticated by or on behalf of the Principal Paying Agent (as defined in § 9(1)(a)). Definitive Bonds and coupons shall not be issued.

- (b) The Temporary Global Bond shall be exchanged for the Permanent Global Bond on a date (the **Exchange Date**) not later than 180 days after the Issue Date. The Exchange Date will not be earlier than 40 days after the Issue Date. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Bonds is not a U.S. person (other than certain financial institutions or certain persons holding Bonds through such financial institutions (the **Certifications**)). Payment of interest on Bonds represented by a Temporary Global Bond shall be made only after delivery of such Certifications. A separate Certification shall be required in respect of each such payment of interest. Any such Certification received on or after the 40<sup>th</sup> day after the Issue Date shall be treated as a request to exchange the Temporary Global Bond pursuant to this § 1(2)(b). Any Bonds delivered in exchange for the Temporary Global Bond shall be delivered only outside of the United States.

(3) *Central Securities Depository.*

The Global Bonds will be deposited with Oesterreichische Kontrollbank Aktiengesellschaft as central securities depository (the **Central Securities Depository**) until all obligations of the Issuer under the Bonds have been satisfied.

(4) *Transferability.*

The holders of the Bonds (the **Holder**s, and each a **Holder**) will receive co-ownership participations or rights in the Global Bonds that are transferable in accordance with the general business conditions of the Central Securities Depository and outside of the Republic of Austria in accordance with the provisions of Clearstream Banking, société anonyme, Luxemburg and Euroclear Bank S.A./N.V., Brussels, Belgium (the **Clearing**

Brüssel, Belgien (das *Clearing System*) übertragen werden können.

*system*).

## § 2 Status

## § 2 Status

### (1) *Status der Schuldverschreibungen.*

### (1) *Status of the Bonds.*

Die Schuldverschreibungen begründen nicht besicherte und nachrangige Verbindlichkeiten der Emittentin, die (i) vorrangig zum Eigenkapital der Emittentin stehen, (ii) untereinander und mit Gleichrangigen Wertpapieren (wie in §3(5) definiert) im Rang gleich stehen und (iii) nachrangig allen anderen bestehenden und zukünftigen nicht nachrangigen Verbindlichkeiten der Emittentin und nachrangigen Verbindlichkeiten der Emittentin sind, die ausdrücklich den Verbindlichkeiten aus den Schuldverschreibungen im Rang vorgehen, soweit zwingende gesetzliche Bestimmungen nichts anderes vorschreiben. Im Fall der Liquidation, der Auflösung oder der Insolvenz der Emittentin oder eines Ausgleichs oder eines anderen der Abwendung der Insolvenz der Emittentin dienenden Verfahrens erfolgen Zahlungen auf die Schuldverschreibungen solange nicht, wie die Ansprüche aller nicht nachrangigen und nachrangigen Gläubiger, die ausdrücklich den Verbindlichkeiten der Emittentin aus den Schuldverschreibungen im Rang vorgehen, gegen die Emittentin nicht zuerst vollständig erfüllt sind. Für die Rechte der Schuldverschreibungsgläubiger aus den Schuldverschreibungen ist diesen keine Sicherheit durch die Emittentin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden.

The obligations of the Issuer under the Bonds constitute unsecured and subordinated obligations of the Issuer ranking (i) senior to the Issuer's share capital, (ii) *pari passu* among themselves and Parity Securities (as defined in §3(5)), and (iii) junior to all other present or future unsubordinated obligations of the Issuer and subordinated obligations of the Issuer that are expressed to rank senior to the Bonds, except in each case as otherwise required by mandatory provisions of law. In the event of the liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of the Issuer no amounts shall be payable in respect of the Bonds until the claims of all unsubordinated and subordinated creditors of the Issuer whereby the claims of the subordinated creditors have to be expressed to rank senior to the Bonds shall have been satisfied in full. No security is, or shall at any time be, granted by the Issuer or any other person securing rights of the Holders under the Bonds.

### (2) *Aufrechnungsverbot.*

### (2) *No right to set-off.*

Die Schuldverschreibungsgläubiger sind nicht berechtigt, Forderungen aus den Schuldverschreibungen gegen mögliche Forderungen der Emittentin gegen sie aufzurechnen. Die Emittentin ist nicht berechtigt, mögliche Forderungen gegenüber Schuldverschreibungsgläubigern gegen Verpflichtungen aus den Schuldverschreibungen aufzurechnen.

The Holders may not set off any claims arising under the Bonds against any claims that the Issuer may have against any of them. The Issuer may not set off any claims it may have against any Holder against any claims of such Holder under the Bonds.

**§ 3**  
**Verzinsung**

- (1) *Festzinsperiode.*
- (a) Vorbehaltlich der nachstehenden Ausnahmen werden die Schuldverschreibungen ab 31. Oktober 2007 (der **Zinslaufbeginn**) einschließlich bis zum Ersten Rückzahlungstermin (wie in § 4(2)(i) definiert) mit • Prozent per annum (der **Festzinssatz**) bezogen auf den Gesamtnennbetrag verzinst. Während dieses Zeitraums sind Zinsen nachträglich am 31. Oktober eines jeden Jahres fällig, erstmals am 31. Oktober 2008 (jeweils ein **Festzinszahlungstag**), sofern die Emittentin nicht von ihrem Recht gemäß § 3(3)(a) zur Aussetzung der Zinszahlung Gebrauch macht.
- (b) Der Festzinssatz erhöht sich ab dem Kalendertag, der 61 Tage nach dem Eintritt eines Kontrollwechsels (wie in § 4(5) definiert) liegt (einschließlich) um 5.00 % p.a.
- (c) Die Zinsen für die Festzinsperiode (wie nachstehend definiert) werden nach der tatsächlichen Anzahl der Tage dividiert durch 365 oder 366 berechnet werden. Sind Zinsen im Hinblick auf einen Zeitraum zu berechnen, der kürzer als eine Festzinsperiode ist, so werden die Zinsen auf der Grundlage der tatsächlichen Anzahl der verstrichenen Tage im jeweiligen Zeitraum vom unmittelbar vorhergehenden Festzinszahlungstag (einschließlich) (oder, falls kein solcher vorhergeht, vom Zinslaufbeginn) bis zum Tag, an dem die Zinszahlung fällig wird (ausschließlich) berechnet, dividiert durch die Anzahl der Tage in der Festzinsperiode, in die der jeweilige Zeitraum fällt (einschließlich des ersten solchen Tages, aber ausschließlich des letzten).

**Festzinsperiode** bezeichnet den Zeitraum ab dem Zinslaufbeginn (einschließlich) bis zu dem ersten Festzinszahlungstag (ausschließlich) und danach von jedem Festzinszahlungstag (einschließlich) bis zu dem nächstfolgenden Festzinszahlungstag (ausschließlich).

- (2) *Variable Verzinsung.*
- (a) Vorbehaltlich der nachstehenden Ausnahmen werden die Schuldverschreibungen ab dem

**§ 3**  
**Interest**

- (1) *Fixed Interest Period.*
- (a) Subject to certain exceptions as described below, the Bonds bear interest on their aggregate principal amount from and including 31 October 2007 (the **Interest Commencement Date**) to but excluding the First Call Date (as defined in § 4(2)(i)) at the rate of • per cent. per annum (the **Fixed Interest Rate**). During such period, interest shall be payable annually in arrears on 31 October of each year commencing on 31 October 2008 (each a **Fixed Interest Payment Date**), unless the Issuer exercises its right pursuant to § 3(3)(a) to defer an interest payment.
- (b) The Fixed Interest Rate will be increased by 5.00 % p.a. from the day (inclusive) falling 61 days after the day on which a Change of Control (as defined in § 4(5)) has occurred.
- (c) The interest for any Fixed Interest Period (as defined below) shall be calculated by the actual number of days divided by 365 or 366. Where interest is to be calculated in respect of a period which is shorter than a Fixed Interest Period the interest shall be calculated on the basis of the actual number of days elapsed in the relevant period, from and including the most recent Fixed Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the date on which it falls due, divided by the number of days in the Fixed Interest Period in which the relevant period falls (including the first such day but excluding the last).

**Fixed Interest Period** means the period from and including the Interest Commencement Date to but excluding the first Fixed Interest Payment Date and thereafter from and including any Fixed Interest Payment Date to but excluding the next following Fixed Interest Payment Date.

- (2) *Floating Interest Rate.*
- (a) Subject to certain exceptions as described below, the Bonds shall bear interest on their

Ersten Rückzahlungstermin (einschließlich) bis zum Tag der Rückzahlung (wie in § 4(2)(i) definiert) (ausschließlich), bezogen auf ihren Gesamtnennbetrag, zu dem von der Berechnungsstelle bestimmten Variablen Zinssatz (wie nachstehend definiert) verzinst. Zinsen werden jeweils vierteljährlich nachträglich an jedem Variablen Zinszahlungstag (wie nachstehend definiert) fällig, erstmals an dem Variablen Zinszahlungstag, der unmittelbar auf den Ersten Rückzahlungstermin folgt, sofern die Emittentin nicht von ihrem Recht gemäß § 3(3)(a) zur Aussetzung der Zinszahlung Gebrauch macht.

(b) **Variable Zinszahlungstag** bezeichnet den 31. Oktober, 31. Jänner, 30 April, und 31. Juli eines jeden Jahres. Falls ein Variabler Zinszahlungstag auf einen Tag, der kein Geschäftstag ist, fällt, wird dieser Variable Zinszahlungstag auf den nächstfolgenden Geschäftstag verschoben, es sei denn, jener würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall wird der Variable Zinszahlungstag auf den unmittelbar vorausgehenden Geschäftstag vorgezogen. Jeder Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zum ersten Variablen Zinszahlungstag und nachfolgend ab jedem Variablen Zinszahlungstag (einschließlich) bis zu dem jeweils nächstfolgenden Variablen Zinszahlungstag (ausschließlich) wird als **Variable Zinsperiode** bezeichnet.

(c) Der **Variable Zinssatz** für die jeweilige Variable Zinsperiode berechnet sich aus dem Angebotssatz (ausgedrückt als Prozentsatz per annum) für Dreimonatseinlagen in Euro für einen dieser Variablen Zinsperiode entsprechenden Zeitraum, der am Zinsfestsetzungstag um 11:00 Uhr vormittags (Brüsseler Ortszeit) auf der Bildschirmseite angegeben wird, zuzüglich der Marge (wie nachstehend definiert), wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

**Bildschirmseite** bezeichnet die Seite EURIBOR01 des Reuters Monitors (die **EURIBOR Bildschirmseite**) oder eine Reuters Bildschirmseite bzw. andere Bildschirmseite, die zum Zwecke der Anzeige solcher Angebotssätze als Nachfolger von EURIBOR01 eingesetzt wurde.

Die **Marge** beträgt • Prozent per annum. Die

aggregate principal amount from and including the First Call Date (as defined in § 4(2)(i)) to but excluding the date of redemptions of the Bonds at the Floating Interest Rate (as defined below) determined by the Calculation Agent. Interest will be payable quarterly in arrears on each Floating Interest Payment Date (as defined below), the first such payment to be made on the Floating Interest Payment Date immediately following the First Call Date, unless the Issuer exercises its right pursuant to § 3(3)(a) to defer an interest payment.

(b) **Floating Interest Payment Date** means 31 October, 31 January, 30 April and 31 July in each year. If any Floating Interest Payment Date would otherwise fall on a day which is not a Business Day, such Floating Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the Floating Interest Payment Date shall be the immediately preceding Business Day. Each period from and including the First Call Date to but excluding the first Floating Interest Payment Date and thereafter from and including each Floating Interest Payment Date to but excluding the next following Floating Interest Payment Date is a **Floating Interest Period**.

(c) **Floating Interest Rate** for each Floating Interest Period will be the offered quotation (expressed as a percentage rate per annum) for three-month deposits in Euro for a period equal to that Floating Interest Period displayed on the Screen Page as of 11:00 a.m. (Brussels time) on the Interest Determination Date plus the Margin (as defined below), all as determined by the Calculation Agent.

**Screen Page** means page EURIBOR01 on the Reuters Monitor (the **EURIBOR Screen Page**) or such other screen page of Reuters or such other information service, which has been designated as the successor to EURIBOR01 for the purpose of displaying such rates.

**Margin** means • per cent per annum. The

Marge erhöht sich ab dem Kalendertag, der 61 Tage nach dem Eintritt eines Kontrollwechsels (wie in § 4(5) definiert) liegt (einschließlich) um 5.00 % p.a..

**Zinsfestsetzungstag** bezeichnet den zweiten Geschäftstag, der dem Beginn der maßgeblichen Variablen Zinsperiode vorangeht.

Sollte die maßgebliche Bildschirmseite nicht zur Verfügung stehen, wird die Berechnungsstelle von jeder der von ihr bestimmten fünf Referenzbanken (wie nachstehend definiert) deren jeweilige Angebotssätze (jeweils als Prozentsatz per annum ausgedrückt) für Dreimonatseinlagen in Euro für einen der betreffenden Variablen Zinsperiode entsprechenden Zeitraum gegenüber führenden Banken im Interbanken-Markt der Euro-Zone um ca. 11.00 Uhr (Brüsseler Ortszeit) am Zinsfestsetzungstag anfordern. Falls zwei oder mehr Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, ist der Zinssatz für die betreffende Zinsperiode das arithmetische Mittel (falls erforderlich, auf oder abgerundet auf das nächste ein Tausendstel Prozent, wobei 0,0005 oder mehr aufgerundet wird) dieser Angebotssätze zuzüglich der Marge. Falls der Variable Zinssatz nicht gemäß der oben definierten Bestimmungen ermittelt werden kann, ist der Zinssatz der Angebotssatz bzw. das arithmetische Mittel der Angebotssätze auf der Bildschirmseite an dem letzten Tag vor dem Zinsfestsetzungstag, an dem diese Angebotssätze angezeigt wurden, zuzüglich der Marge.

**Referenzbanken** bezeichnet diejenigen Banken, deren Angebotssätze zur Ermittlung des maßgeblichen Angebotssatzes zu dem Zeitpunkt benutzt wurden, als solch ein Angebot letztmals auf der Bildschirmseite angezeigt wurde.

- (d) Die Berechnungsstelle soll zu oder baldmöglichst nach jedem Zeitpunkt, an dem der Variable Zinssatz zu bestimmen ist, den auf die Schuldverschreibungen fälligen Zinsbetrag (der **Zinsbetrag**) für die entsprechende Variable Zinsperiode berechnen. Der Zinsbetrag ergibt sich aus der Multiplikation des Variablen Zinssatzes mit dem Vergütungstagequotient (wie nachstehend definiert) und dem Nennbetrag je Schuldverschreibung, wobei der resultierende Betrag auf den nächstliegenden

Margin will be increased by 5.00 per cent per annum from the day (inclusive) 61 calendar days after the day on which a Change of Control (as defined in § 4(5)) has occurred.

**Interest Determination Date** means the second Business Day prior to the commencement of the relevant Floating Interest Period.

If the Screen Page is not available the Calculation Agent shall request the five Reference Banks (as defined below) selected by it to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for three-month deposits in Euro for a period equal to the relevant Floating Interest Period to leading banks in the interbank market of the Euro-Zone at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date. If two or more of the selected Reference Banks provide the Calculation Agent with such offered quotations, the Floating Interest Rate for such Floating Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 or more being rounded upwards) plus the Margin. If the Floating Interest Rate cannot be determined in accordance with the foregoing provisions, the Floating Interest Rate shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page on the last day preceding the Interest Determination Date on which such quotations were offered, plus the Margin.

**Reference Banks** means those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Screen Page.

- (d) The Calculation Agent shall, on or as soon as practicable after each time at which the Floating Interest Rate is to be determined, determine the Floating Interest Rate and calculate the amount of interest (the **Interest Amount**) payable on the Bonds for the relevant Floating Interest Period. The Interest Amount shall be calculated by multiplying the Floating Interest Rate and the Day Count Fraction (as defined below) to the principal amount of each Bond and rounding the resulting figure to the nearest cent, with 0.5 or

Cent auf- bzw. abgerundet wird wobei 0,5 oder mehr eines Eurocents aufgerundet werden.

**Vergütungstagequotient** bezeichnet im Hinblick auf die Berechnung des Zinsbetrages für eine beliebige Variable Zinsperiode oder einen Teil davon (der **Zinsberechnungszeitraum**) die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 360.

(e) Die Berechnungsstelle wird veranlassen, dass der Variable Zinssatz, der Zinsbetrag für die jeweilige Variable Zinsperiode, die jeweilige Variable Zinsperiode und der relevante Variable Zinszahlungstag der Emittentin und, sofern dies von jeder Börse, an denen die Schuldverschreibungen notiert sind, vorgesehen ist, der jeweiligen Wertpapierbörse sowie den Schuldverschreibungsgläubigern durch Bekanntmachung gemäß § 11 baldmöglichst, aber keinesfalls später als zu Beginn der maßgeblichen nächstfolgenden Variablen Zinsperiode, bekannt gemacht wird. Im Fall einer Verlängerung oder Verkürzung der Variablen Zinsperiode kann der mitgeteilte Zinsbetrag und Variable Zinszahlungstag ohne Vorankündigung nachträglich angepasst (oder andere geeignete Anpassungsregelungen getroffen) werden. Jede solche Anpassung wird umgehend allen Börsen, an denen die Schuldverschreibungen zu diesem Zeitpunkt notiert sind, sowie den Schuldverschreibungsgläubigern gemäß § 11 bekannt gemacht.

(f) Alle Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieses § 3(2) gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht ein offensichtlicher Irrtum vorliegt) für die Emittentin, die Zahlstelle und die Schuldverschreibungsgläubiger bindend.

(3) *Zahlung und Aufschub von Zinsen.*

(a) *Optionale Zahlung von Zinsen.*

Vorbehaltlich § 3 (3)(b) und (4)(b) hat die Emittentin keine Verpflichtung zur Zahlung von Zinsen, die während einer Zinsperiode (wie nachstehend definiert) auflaufen, die an einem Optionalen Zinszahlungstag (wie nachstehend definiert) endet; eine

more of a cent being rounded upwards.

**Day Count Fraction** means, in respect of the calculation of the Interest Amount for any Floating Interest Period or any part thereof (the **Calculation Period**), the actual number of days in the Calculation Period divided by 360.

(e) The Calculation Agent will cause the Floating Interest Rate, each Interest Amount for each Floating Interest Period, each Floating Interest Period and the relevant Floating Interest Payment Date to be notified to the Issuer and, if required by the rules of any stock exchange on which the Bonds are from time to time listed, to such stock exchange, and to the Holders by notice in accordance with § 11 as soon as possible after their determination, but in no event later than at the beginning of the immediately following Floating Interest Period. Each Interest Amount and Floating Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements may be made by way of adjustment) without notice in the event of an extension or shortening of the Floating Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Bonds are then listed and to the Holders in accordance with § 11.

(f) All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3(2) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Paying Agent and the Holders.

(3) *Payment and deferral of interest.*

(a) *Optional payment of interest.*

Subject to §3(3)(b) and (4)(b), the Issuer shall have no obligation to pay interest which accrues during an Interest Period (as defined below) ending on an Optional Interest Payment Date (as defined below) if it does not elect to do so and any such failure to pay

Nichtzahlung begründet keinen Verzug der Emittentin und keine sonstige Verletzung ihrer Verpflichtungen aufgrund dieser Schuldverschreibungen oder für sonstige Zwecke. Soweit sich die Emittentin entscheidet die Zinsen nicht zu zahlen, die während einer Zinsperiode auflaufen, die an einem Optionalen Zinszahlungstag endet, hat die Emittentin dies den Schuldverschreibungsgläubigern gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen vor dem betreffenden Optionalen Zinszahlungstag bekannt zu machen. Eine solche Bekanntmachung ist unwiderruflich. Die nicht gezahlten Zinsen stellen Zinsrückstände (jeweils ein **Zinsrückstand**) dar. Zinsrückstände werden nicht verzinst.

(b) *Obligatorische Zahlung von Zinsen.*

Die Emittentin ist verpflichtet, Zinsen, die während einer Zinsperiode auflaufen, die an einem Obligatorischen Zinszahlungstag (wie nachstehend definiert) (ausschließlich) endet, an dem betreffenden Obligatorischen Zinszahlungstag zu zahlen.

(4) *Zahlung von Zinsrückständen.*

(a) *Optionale Zahlung von Zinsrückständen.*

Die Emittentin kann ausstehende Zinsrückstände jederzeit ganz oder teilweise nachzahlen. Soweit sich die Emittentin entscheidet, Zinsrückstände demgemäß nachzuzahlen, hat sie dies den Schuldverschreibungsgläubigern durch Bekanntmachung gemäß § 11 bei Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen vor dem in der Bekanntmachung festgelegten Zahlungstag mitzuteilen. Die Bekanntmachung muss den Betrag der zahlbaren Zinsrückstände je Schuldverschreibung nennen. Eine solche Bekanntmachung ist unwiderruflich und verpflichtet die Emittentin, die betreffenden Zinsrückstände an dem in dieser Bekanntmachung festgelegten Zahlungstag zu zahlen.

(b) *Obligatorische Zahlung von Zinsrückständen.*

Die Emittentin ist verpflichtet ausstehende Zinsrückstände (ganz, jedoch nicht nur teilweise) zu zahlen (maßgebend ist das früheste Ereignis):

interest shall not constitute a default of the Issuer or any other breach of obligations under the Bonds or for any other purpose. If the Issuer decides not to pay interest which accrues during an Interest Period ending on an Optional Interest Payment Date the Issuer shall notify the Holders by giving not less than 10 and not more than 15 Business Days' notice in accordance with § 11 prior to the Optional Interest Payment Date. Such notice will be irrevocable. Any such unpaid interest shall constitute arrears of interest (each an **Arrear of Interest**). Arrears of Interest shall not bear interest.

(b) *Mandatory payment of interest.*

The Issuer shall pay interest which accrues during an Interest Period ending on but excluding any Compulsory Interest Payment Date (as defined below) on that Compulsory Interest Payment Date.

(4) *Payment of Arrears of Interest.*

(a) *Optional payment of Arrears of Interest.*

The Issuer may pay outstanding Arrears of Interest (in whole or in part) at any time. If the Issuer decides to so pay any outstanding Arrears of Interest, it shall give not less than 10 and not more than 15 Business Days' notice prior to the payment date to be specified in such notice to the Holders in accordance with § 11. The notice shall state the amount of Arrears of Interest to be paid per Bond. Such notice will be irrevocable and will oblige the Issuer to pay the relevant Arrears of Interest on the payment date specified in that notice.

(b) *Mandatory payment of Arrears of Interest.*

The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the earlier of:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>(i) am nächsten Zinszahlungstag, an dem sich die Emittentin entschließt, gemäß § 3(3)(a) Zinsen ganz oder teilweise zu zahlen;</li> <li>(ii) am nächsten Obligatorischen Zinszahlungstag;</li> <li>(iii) an dem Tag, an dem die Schuldverschreibungen gemäß § 4 oder § 7 zur Rückzahlung fällig werden; und</li> <li>(iv) an dem Tag, an dem die Emittentin in die Liquidation geht und abgewickelt oder aufgelöst wird (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin noch zahlungsfähig ist und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt).</li> </ul> | <ul style="list-style-type: none"> <li>(i) the next Interest Payment Date on which the Issuer elects to pay interest (in whole or in part) pursuant to § 3(3)(a);</li> <li>(ii) the next Compulsory Interest Payment Date;</li> <li>(iii) the date on which the Bonds fall due for redemption pursuant to § 4 or § 7; and</li> <li>(iv) the date on which the Issuer enters into a liquidation and winding up or dissolution (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer).</li> </ul> |
|---|---|

(5) *Definitionen.*

**Geschäftstag** ist ein Tag, an dem alle maßgeblichen Stellen des Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) Systems Geschäfte tätigen.

**Obligatorischer Zinszahlungstag** bedeutet jeder Zinszahlungstag, an dem zumindest eine der folgenden Bedingungen erfüllt ist:

- (i) jegliche Dividende, andere Ausschüttung oder Zahlung (inklusive Zahlung für den Zweck eines Aktienrückkaufs ausgenommen dies geschieht im Zusammenhang mit bestehenden oder zukünftig geschaffenen Aktienoptionsprogrammen, Wandelschuldverschreibungen oder Mitarbeiterbeteiligungsprogrammen) wurde gültig beschlossen oder bezahlt in Bezug auf jegliche Aktiegattung der Emittentin oder einer Konzerngesellschaft (wie in § 4(7) definiert) innerhalb der letzten zwölf (12) Monate unmittelbar vor einem solchen Zinszahlungstag (wie nachstehend definiert) (ausgenommen Dividenden, andere Ausschüttungen oder Zahlungen zwischen Konzerngesellschaften); oder
- (ii) jegliche Dividende, Zinsen, andere

(5) *Definitions.*

**Business Day** means a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system are operational.

**Compulsory Interest Payment Date** means an Interest Payment Date in respect of which the following criteria are met:

- (i) any dividend, other distribution or payment (including payments for the purposes of a repurchase of shares except when this occurs in connection with any present or future stock option plan, convertible bond or employee share ownership programme) was validly resolved on, paid or made in respect of any class of shares of the Issuer or any of its Group Entities (as defined in § 4(7)) since the last twelve (12) months immediately preceding such Interest Payment Date (as defined below) (except such dividend, other distribution or payment is made between Group Entities); or
- (ii) any dividend, interest, other

Ausschüttungen oder Zahlung (inklusive Zahlung für einen Rückzahlungszweck oder Rückkauf ausgenommen dies geschieht im Zusammenhang mit bestehenden oder zukünftig geschaffenen Aktienoptionsprogrammen, Wandelschuldverschreibungen oder Mitarbeiterbeteiligungsprogrammen) wurde gültig beschlossen oder bezahlt in Bezug auf Gleichrangige Wertpapiere oder Nachrangige Wertpapiere (wie nachstehend definiert), bei denen die Dividende innerhalb der letzten 12 Monate unmittelbar vor einem Zinszahlungstag im Ermessen der Emittentin ist (ausgenommen solche Zinsen, andere Ausschüttungen oder Zahlungen zwischen den Konzerngesellschaften).

**Zinsperiode** bedeutet jede Festzinsperiode bzw. Variable Zinsperiode

**Zinszahlungstag** ist jeder Festzinszahlungstag bzw. Variable Zinszahlungstag.

**Nachrangige Wertpapiere** bezeichnet jedes Wertpapier (x) der Emittentin, welches im Verhältnis zu den Schuldverschreibungen nachrangig (oder als im Rang nachstehend bezeichnet wird) ist oder (y) einer Konzerngesellschaft unter einer Garantie oder sonstigen Haftungsübernahme der Emittentin, sofern die Wertpapieremission bzw. die Garantie oder sonstige Haftungsübernahme im Verhältnis zu den Schuldverschreibungen gemäß § 2(1) nachrangig (oder als im Rang nachrangig bezeichnet wird) ist.

**Optionaler Zinszahlungstag** jeder Zinszahlungstag, der kein Obligatorischer Zinszahlungstag ist.

**Gleichrangige Wertpapiere** bezeichnet eine andere Ausgabe von Wertpapieren (x) der Emittentin, die im Rang (oder als im Rang gleichrangig bezeichnet wird) gleichrangig mit den Schuldverschreibungen stehen oder (y) einer Konzerngesellschaft unter einer Garantie oder sonstigen Haftungsübernahme der Emittentin, sofern die Wertpapieremission bzw. die Garantie oder sonstige Haftungsübernahme im gleichen Rang mit den Schuldverschreibungen gemäß § 2(1) (oder als im gleichen Rang stehend bezeichnet wird) steht.

distribution or payment (including payments for the purposes of a redemption or repurchase except this occurs in connection with any present or future stock option plan, convertible bond or employee share ownership) has been validly resolved on, paid or made in respect of any Parity Securities or Junior Securities (as defined below) where the dividend is at the discretion of the Issuer since the last twelve (12) months immediately preceding such Interest Payment Date (except such interest, other distribution or payment is made between Group Entities).

**Interest Period** means each Fixed Interest Period or Floating Interest Period.

**Interest Payment Date** means each Fixed Interest Payment Date or Floating Interest Payment Date.

**Junior Securities** means any securities (x) of the Issuer that rank (or are expressed to rank) junior to the Bonds or (y) any of its Group Entities under a guarantee or other support undertaking by the Issuer if such issue of securities, guarantee or other support undertaking ranks (or are expressed to rank) junior, to the Bonds pursuant to § 2(1).

**Optional Interest Payment Date** means an Interest Payment Date which is not a Compulsory Interest Payment Date.

**Parity Securities** means any other issue of securities which have been issued by (x) the Issuer and rank (or are expressed to rank) *pari passu* with the Bonds or (y) any of its Group Entities under a guarantee or other support undertaking by the Issuer if such issue of securities, guarantee or other support undertaking ranks (or are expressed to rank) *pari passu* with the Bonds pursuant to § 2(1).

(6) *Ende der Verzinsung und Verzugszinsen.*

Die Verzinsung der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden, oder, sollte die Emittentin die bei Fälligkeit aus diesen Schuldverschreibungen zu leistende Rückzahlung bei Fälligkeit nicht leisten, mit Beginn des Tages der tatsächlichen Zahlung. Der im Falle eines solchen Verzuges anzuwendende Zinssatz entspricht dem gesetzlichen Verzugszinssatz.

**§ 4  
Rückzahlung und Rückkauf**

(1) *Keine Endfälligkeit.*

Die Schuldverschreibungen haben keinen Endfälligkeitstag und werden, außer nach Maßgabe der Bedingungen in § 4(2) bis (8), nicht zurückgezahlt.

(2) *Rückzahlung nach Wahl der Emittentin.*

Die Emittentin ist berechtigt, durch unwiderrufliche Bekanntmachung an die Schuldverschreibungsgläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen,

- (i) die Schuldverschreibungen zu ihrem Nennbetrag (vollständig, jedoch nicht nur teilweise) mit Wirkung zum 31. Oktober 2014 (der **Erste Rückzahlungstermin**) und zu jedem nachfolgenden Variablen Zinszahlungstag zu kündigen;

im Falle einer solchen Kündigung hat die Emittentin die Schuldverschreibungen an dem in der Kündigungserklärung festgelegten Rückzahlungstag zuzüglich der bis zu diesem Tag (ausschließlich) aufgelaufenen Zinsen (der **Rückzahlungsbetrag**) zurückzuzahlen; oder

- (ii) die Schuldverschreibungen (vollständig, jedoch nicht nur teilweise) jederzeit vor dem Ersten Rückzahlungstermin zum Speziellen Abgezinsten Marktpreis (wie nachstehend definiert) zu kündigen.

Der Emittentin steht ein Kündigungsrecht gemäß diesem § 4(2) nicht zu, soweit

(6) *Cessation of interest and default interest.*

Interest on the Bonds shall cease to accrue from the beginning of the day they are due for redemption, or, in case the Issuer fails to make the relevant redemption payment under the Bonds when due, from the beginning of the day on which such payment is made. In the case of such failure to pay (*Verzug*), the respective rate of interest shall be equal to the statutory applicable default interest rate.

**§ 4  
Redemption and Purchase**

(1) *No scheduled redemption.*

The Bonds have no final maturity date and shall not be redeemed except in accordance with the conditions set out in § 4(2) to (8) below.

(2) *Redemption at the option of the Issuer.*

The Issuer may, upon giving not less than 30 nor more than 60 days' irrevocable notice to the Holders in accordance with § 11,

- (i) call the Bonds (in whole but not in part) with effect from 31 October 2014 (the **First Call Date**) or on any Floating Interest Payment Date thereafter at their principal amount;

in each case such call notice is given, the Issuer shall redeem the Bonds on the date fixed for redemption in the call notice plus any interest accrued to but excluding such date to the date of redemption (the **Redemption Amount**); or

- (ii) call the Bonds (in whole but not in part) at any time prior to the First Call Date at the Special Make-Whole Redemption Price (as defined below).

The Issuer shall not be entitled to call and redeem the Bonds in accordance with this

Zinsrückstände ausstehen.

§ 4(2) if any Arrears of Interest are outstanding.

Der **Spezielle Abgezinst Marktpreis** wird von der Berechnungsstelle errechnet und entspricht der Summe der auf den in der Kündigungserklärung festgelegten Rückzahlungstag Speziell Abgezinsten Werte (wie nachstehend definiert) (i) des Nennbetrags der Schuldverschreibungen und (ii) jeder ausstehenden Zinszahlungen auf solche Schuldverschreibungen bis zum (aber ausschließlich) Ersten Rückzahlungstermin.

The **Special Make-Whole Redemption Price** per Bond will be calculated by the Calculation Agent, and will equal the sum of the Special Present Values (as defined below), as at the date of redemption as published in the call notice, of (i) the principal amount of the Bonds and (ii) of any remaining scheduled payments of interest on such Bond to but excluding the First Call Date.

Die Berechnungsstelle ermittelt die **Speziell Abgezinsten Werte**, indem sie am 4. Geschäftstag vor dem Rückzahlungstag den Nennbetrag der Schuldverschreibungen und die verbleibenden vorgesehenen Zinszahlungen bis zum Ersten Rückzahlungstermin auf jährlicher Basis unter Zugrundelegung eines Jahres mit 365 bzw. 366 Tagen und der Zahl der tatsächlich in dem Jahr verstrichenen Tage und der Speziell Angepassten Vergleichbaren Rendite (wie nachstehend definiert) zuzüglich • Prozent abzinst.

The **Special Present Values** will be calculated by the Calculation Agent on the fourth Business Day prior to the redemption date by discounting the principal amount of the Bonds and the remaining interest payments to the First Call Date on an annual basis, assuming a 365-day year or a 366-day year, as the case may be, and the actual number of days elapsed in such year, and using the Special Adjusted Comparable Yield (as defined below) plus • per cent.

Die **Speziell Angepasste Vergleichbare Rendite** ist die Rendite, die am Tag der Rückzahlung für eine Referenz Staatsanleihe mit Euro- Zinssatz zu zahlen wäre, die die Berechnungsstelle unter Berücksichtigung einer vergleichbaren Laufzeit mit der Restlaufzeit der Schuldverschreibungen bis zum Ersten Rückzahlungstermin bestimmt hat und welche zum Zeitpunkt der Bestimmung gemäß marktüblicher Praxis als Berechnungsgrundlage für die Preisbestimmung bei Neuemissionen von Unternehmensanleihen mit vergleichbarer Laufzeit bis zum Ersten Rückzahlungstermin dienen könnte.

The **Special Adjusted Comparable Yield** will be the yield at the date of redemption on the Euro government benchmark security selected by the Calculation Agent as having a maturity comparable to the remaining term of the Bonds to the First Call Date that could be utilised, at the time of selection and in accordance with market practice, in pricing new issues of corporate debt securities of comparable maturity to the First Call Date.

- (3) **Kündigungsrecht der Emittentin und vorzeitige Rückzahlung aus einem Gross up Ereignis, Steuer oder Rechnungslegungsgründen.**
- (3) **Issuer Call Right and Early Redemption due to a Gross up Event, a Tax Event or an Accounting Event.**
- (a) Bei Eintritt eines Gross up Ereignisses, eines Rechnungslegungsereignisses oder eines Steuerereignisses (wie nachstehend definiert) vor dem 31. Oktober 2014, ist die Emittentin berechtigt, die Schuldverschreibungen jederzeit (insgesamt, jedoch nicht teilweise) zum Vorzeitigen Rückzahlungsbetrag (wie nachstehend definiert) zu kündigen und zurückzuzahlen. Der Emittentin steht ein Kündigungsrecht gemäß diesem § 4(3) nicht
- (a) If prior to 31 October 2014, either a Gross up Event, a Tax Event or an Accounting Event (as defined below) occurs, the Issuer may call and redeem the Bonds (in whole but not in part) at their Early Redemption Amount (as defined below). The Issuer shall not be entitled to call and redeem the Bonds in accordance with this § 4(3) if any Arrears of Interest are outstanding.

zu, soweit Zinsrückstände ausstehen.

- (b) Ein **Gross up Ereignis** liegt vor, wenn (i) die Emittentin verpflichtet ist oder verpflichtet sein wird, Zusätzliche Beträge gemäß § 6 als Folge einer Änderung oder Ergänzung der Gesetze (oder von aufgrund dieser Gesetze erlassener Bestimmungen oder Vorschriften) der Republik Österreich oder einer ihrer Gebietskörperschaften oder Behörden der oder in der Republik Österreich oder einer Änderung oder Ergänzung der offiziellen Auslegung oder Anwendung solcher Gesetze, Verordnungen oder Vorschriften zu zahlen, welche Änderung oder Ergänzung oder Durchführung am oder nach dem Ausgabedatum geltend gemacht wird und (ii) die Emittentin dieses Risiko nicht durch das Ergreifen zumutbarer Maßnahmen vermeiden kann.
- (b) A **Gross up Event** shall occur if (i) the Issuer has or will become obliged to pay Additional Amounts pursuant to § 6 as a result of any change in, or amendment to, the laws (or any rules or regulations thereunder) of the Republic of Austria or any political subdivision or any authority of or in the Republic of Austria or any change in or amendment to any official interpretation or application of those laws or rules or regulations which amendment or change or execution becomes effective on or after the Issue Date, and (ii) that obligation cannot be avoided by the Issuer, taking reasonable measures available to it.

Im Fall eines Gross up Ereignisses kann die Emittentin die Schuldverschreibungen wie folgt kündigen:

In the case of a Gross up Event, the Issuer may call the Bonds by:

- (i) Bekanntmachung einer Kündigungsmittelung gemäß § 11, welche nicht früher als 90 Tage vor dem ersten Tag gemacht werden darf, an dem die Emittentin erstmals verpflichtet wäre, die jeweiligen zusätzlichen Beträge gemäß § 6 auf die Schuldverschreibungen zu zahlen; und
- (i) giving an irrevocable notice of redemption to the Holders in accordance with § 11 not earlier than 90 days prior to the earliest date on which the Issuer would be for the first time obliged to pay the Additional Amounts pursuant to § 6; and
- (ii) vor Abgabe einer solchen Kündigungsmittelung Übermittlung an die Hauptzahlstelle
- (ii) delivering, prior to giving any such notice of redemption, to the Principal Paying Agent:
- (i) eines Gutachtens eines unabhängigen und angesehenen Rechtsanwaltes, der zumindest seit 5 Jahren in die Liste der Österreichischen Rechtsanwaltskammer eingetragen ist und als solcher praktiziert, aus dem hervorgeht, dass die Emittentin verpflichtet ist oder verpflichtet sein wird, die betreffenden zusätzlichen Beträge als Folge einer entsprechenden Änderung im Gesetz zu zahlen.
- (i) an opinion of an independent legal advisor of recognised standing, who has been registered in the list of the Austrian Chamber of Attorneys at Law for a minimum of 5 years and practicing as such to the effect that the Issuer has or will become obliged to pay the Additional Amounts in question as a result of the relevant change in law; and
- (ii) einer von ausreichend und ordnungsgemäß bevollmächtigten Vertretern der Emittentin unterzeichneten Bescheinigung, die bestätigt, dass die Emittentin berechtigt ist, die maßgebliche Rückzahlung vorzunehmen, und
- (ii) a certificate signed by duly authorized representatives of the Issuer stating that the Issuer is entitled to effect such redemptions and setting out a statement of facts showing that the conditions precedent to the exercise of the

aus der die Tatsachen hervorgehen, auf deren Grundlage die Voraussetzungen für das Rückzahlungsrecht der Emittentin eingetreten sind.

right of the Issuer to redeem have been satisfied.

- (c) Im Falle eines Steuerereignisses oder Rechnungslegungsereignisses ist die Emittentin berechtigt, jederzeit durch Bekanntmachung an die Schuldverschreibungsgläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen, die Schuldverschreibung zu kündigen (vollständig, jedoch nicht nur teilweise). Falls solch eine Kündigung bekannt gemacht wird, ist die Emittentin berechtigt, die Schuldverschreibungen zum vereinbarten Datum in der Kündigungsbekanntmachung für die Rückzahlung zum Vorzeitigen Rückzahlungsbetrag (wie nachstehend definiert) zurückzuzahlen.
- (d) Ein **Steuerereignis** liegt vor, wenn ein Gutachten eines angesehenen unabhängigen Steuerberaters der Hauptzahlstelle übergeben wird, aus dem hervorgeht, dass am oder nach dem Ausgabetag, als Folge von:
- (i) einer Änderung oder Ergänzung der Gesetze (oder von aufgrund dieser Gesetze erlassener Bestimmungen oder Vorschriften) der Republik Österreich oder einer ihrer Gebietskörperschaften oder Steuerbehörden, die an oder nach dem Ausgabetag erlassen, verkündet oder wirksam wird; oder
  - (ii) einer Änderung oder Ergänzung der offiziellen Auslegung solcher Gesetze oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht, eine Regierungsstelle oder eine Aufsichtsbehörde (einschließlich des Erlasses von Gesetzen sowie der Bekanntmachung gerichtlicher oder aufsichtsrechtlicher Entscheidungen), die an oder nach dem Ausgabetag erlassen, verkündet oder wirksam wird, oder
  - (iii) einer allgemein anwendbaren offiziellen Auslegung oder Verkündung, die an oder nach dem Ausgabetag erlassen oder verkündet wird, und nach der die Rechtslage im Hinblick auf diese Gesetze oder Vorschriften von der früheren allgemein anerkannten Rechtslage
- (c) In case of a Tax Event or an Accounting Event, the Issuer may, upon giving not less than 30 nor more than 60 days' notice to the Holders in accordance with § 11, call the Bonds (in whole but not in part) at any time. In the case such call notice is given, the Issuer shall redeem the Bonds on the date fixed for redemption in the call notice at their Early Redemption Amount (as defined below).
- (d) A **Tax Event** shall occur if an opinion by an independent tax counsel of recognized standing is delivered to the Principal Paying Agent, stating that on or after the Issue Date, as a result of:
- (i) any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Republic of Austria or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or effective on or after the Issue Date; or
  - (ii) any amendment to, or change in, an official interpretation of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or effective on or after the Issue Date; or
  - (iii) any generally applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the previous generally accepted position which is issued or announced on or after the Issue Date, remuneration payable by the Issuer on the Bonds is

abweicht, Vergütungen, die von der Emittentin in Bezug auf die Schuldverschreibungen zahlbar sind, von der Emittentin für die Zwecke der österreichischen Ertragssteuern (insbesondere für Zwecke der Körperschaftsteuer) nicht mehr in mindestens demselben Umfang wie bei der Begebung der Schuldverschreibungen abzugsfähig sind, bzw. innerhalb von 90 Tagen nach dem Datum dieses Gutachtens nicht mehr abzugsfähig sein werden; und die Emittentin dieses Risiko nicht durch das Ergreifen zumutbarer Maßnahmen vermeiden kann.

no longer, or within 90 days of the date of that opinion will no longer be, deductible by the Issuer for Austrian taxes on earnings (including corporate income tax) to at least the same degree as upon issue of the Bonds; and such risk cannot be avoided by the Issuer taking reasonable measures available to it.

- (e) Ein **Rechnungslegungsereignis** liegt vor, wenn der Hauptzahlstelle ein Gutachten einer anerkannten zur Wirtschaftsprüfung in der Republik Österreich befugten Person übergeben worden ist, aus dem hervorgeht, dass die Emittentin die durch die Ausgabe der Schuldverschreibungen aufgenommenen Mittel nicht oder nicht mehr als "Eigenkapital" im Sinne der International Financial Reporting Standards (IFRS), oder derjenigen Rechnungslegungsvorschriften die IFRS nachfolgen, wie sie in der EU oder in der Republik Österreich anzuwenden sind, welche die Emittentin zur Erstellung ihres Konzernjahresabschlusses für das jeweilige Geschäftsjahr anwendet, in einem Konzernjahresabschluss der Emittentin auszuweisen berechtigt ist.

- (e) An **Accounting Event** shall occur if an opinion of a recognised person authorised to provide auditing services in the Republic of Austria has been delivered to the Principal Paying Agent stating that the funds raised through the issuance of the Bonds must not or must no longer be recorded as "equity" pursuant to the International Financial Reporting Standards (IFRS), or such other accounting standards which succeed IFRS, as adopted by the EU or by the Republic of Austria, applied by the Issuer for drawing up its consolidated financial statements for the relevant financial year.

(4) *Definitionen.*

Der **Vorzeitige Rückzahlungsbetrag** je Schuldverschreibung (i) entspricht im Falle eines Gross up Ereignisses, dem Nennbetrag der Schuldverschreibungen zuzüglich den aufgelaufenen Zinsen bis zum Datum der Rückzahlung oder (ii) wird im Falle eines Steuerereignisses oder Rechnungslegungsereignisses berechnet als das Höhere von (x) dem Nennbetrag der Schuldverschreibungen und (y) dem Abgezinsten Marktpreis der Schuldverschreibungen, in jedem Fall zuzüglich der aufgelaufenen Zinsen zum aber nicht inklusive das Rückzahlungsdatum.

Der **Abgezinsten Marktpreis** wird von der Berechnungsstelle errechnet und entspricht der Summe der auf den in der Kündigungserklärung festgelegten Rückzahlungstag Abgezinsten Werte (wie nachstehend definiert) (i) des Nennbetrages

(4) *Definitions.*

The **Early Redemption Amount** will per Bond (i) upon the occurrence of a Gross up Event, equal the principal amount of the Bonds, plus accrued interest until the date of redemption or (ii) upon the occurrence of a Tax Event or an Accounting Event, be calculated as the greater of (x) the principal amount of the Bonds and (y) the Make-Whole Redemption Price of the Bonds, in each case plus accrued interest to but not including the redemption date.

The **Make-Whole Redemption Price** per Bond will be calculated by the Calculation Agent, and will equal the sum of the Present Values (as defined below), as at the date of redemption as published in the call notice, of (i) the principal amount of the Bonds and (ii)

der Schuldverschreibungen und (ii) der verbleibenden vorgesehenen Zinszahlungen je Schuldverschreibung bis zum Ersten Rückzahlungstermin (ausschließlich).

Die Berechnungsstelle ermittelt die **Abgezinsten Werte**, indem sie am 4. Geschäftstag vor dem Rückzahlungstag den Nennbetrag der Schuldverschreibungen und die verbleibenden vorgesehenen Zinszahlungen bis zum Ersten Rückzahlungstermin auf jährlicher Basis unter Zugrundelegung eines Jahres mit 365 bzw. 366 Tagen und der Zahl der tatsächlich in dem Jahr verstrichenen Tage und der Angepassten Vergleichbaren Rendite (wie nachstehend definiert) zuzüglich • Prozent abzinst.

Die **Angepasste Vergleichbare Rendite** ist die Rendite, die am Tag der Rückzahlung für eine Referenz Staatsanleihe mit Euro-Zinssatz zu zahlen wäre, die die Berechnungsstelle unter Berücksichtigung einer vergleichbaren Laufzeit mit der Restlaufzeit der Schuldverschreibungen bis zum Ersten Rückzahlungstermin bestimmt hat und welches zum Zeitpunkt der Bestimmung gemäß marktüblicher Praxis als Berechnungsgrundlage für die Preisbestimmung bei Neuemission von Unternehmensanleihen mit vergleichbarer Laufzeit bis zum Ersten Rückzahlungstermin dienen könnte.

(5) *Vorzeitige Rückzahlung nach Kontrollwechsel.*

(a) Bei Eintritt eines Kontrollwechsels (wie nachstehend definiert) kann die Emittentin die Schuldverschreibungen vollständig, aber nicht in Teilbeträgen zum Nennbetrag der Schuldverschreibungen zuzüglich bis zum Rückzahlungstag (ausschließlich) aufgelaufener Zinsen mit unwiderruflicher Kündigungsmitteilung an die Schuldverschreibungsgläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen kündigen und mit Wirkung bis spätestens 60 Tage nach Eintritt eines Kontrollwechsels zurückzahlen. Der Emittentin steht ein Kündigungsrecht gemäß diesem § 4(5)(a) nicht zu, soweit Zinsrückstände ausstehen. Die Emittentin hat den Schuldverschreibungsgläubigern den Eintritt eines Kontrollwechsels unverzüglich gemäß § 11 anzuzeigen.

of any remaining scheduled payments of interest on such Bond to but excluding the First Call Date.

The **Present Values** will be calculated by the Calculation Agent on the fourth Business Day prior to the redemption date by discounting the principal amount of the Bonds and the remaining interest payments to the First Call Date on an annual basis, assuming a 365-day year or a 366-day year, as the case may be, and the actual number of days elapsed in such year, and using the Adjusted Comparable Yield plus • per cent.

The **Adjusted Comparable Yield** will be the yield at the date of redemption on the Euro government benchmark security selected by the Calculation Agent as having a maturity comparable to the remaining term of the Bonds to the First Call Date that could be utilised, at the time of selection and in accordance with market practice, in pricing new issues of corporate debt securities of comparable maturity to the First Call Date.

(5) *Early redemption following a Change of Control.*

(a) If a Change of Control (as defined below) has occurred, the Issuer may call and redeem the Bonds (in whole but not in part) at their principal amount, plus any accrued interest until the redemption date (exclusive) on the giving of not less than 30 and not more than 60 days' irrevocable notice to Holders in accordance with § 11 with the redemption becoming effective no later than 60 days following the occurrence of a Change of Control. The Issuer shall not be entitled to call and redeem the Bonds in accordance with § 4(5)(a) if any Arrears of Interest are outstanding. Immediately after the occurrence of a Change of Control the Issuer has to publish a notice to Holders in accordance with § 11.

- (b) **Kontrollwechsel** gemäß § 4(5) findet statt, wenn eine oder mehrere gemeinsam vorgehende Personen oder eine Drittperson oder Personen, welche im Namen einer solchen Person oder solcher Personen handeln, zu irgendeiner Zeit direkt oder indirekt eine kontrollierende Beteiligung im Sinne des Österreichischen Übernahmegesetzes (Anteile über 30% der Stimmrechtsaktien) erwerben, welche ein Pflichtangebot auslöst.
- (b) **Change of Control** in this § 4(5) shall be deemed to have occurred if any person or persons acting in concert or any third person or persons acting on behalf of such person(s) at any time acquire(s) directly or indirectly a controlling participation pursuant to the Austrian Takeover Act (*Übernahmegesetz*) (participation exceeding 30 per cent of the voting shares) which triggers a mandatory take over bid.
- (6) *Substitution und Änderung.*
- (6) *Substitution and Variation.*
- (a) Wenn ein Rechnungslegungsereignis, ein Gross up Ereignis oder ein Steuerereignis stattgefunden hat und weiterhin besteht, dann ist die Emittentin berechtigt, anstatt eine Bekanntmachung der Kündigung der Schuldverschreibungen gemäß § 4(2) oder (3) vorzunehmen, eine Substitution zu jeder Zeit aller, aber nicht einzelner Schuldverschreibungen oder eine Änderung der Emissionsbedingungen durch Bekanntmachung an die Hauptzahlstelle und die Schuldverschreibungsgläubiger gemäß § 11 in nicht weniger als 30 und nicht mehr als 60 Tagen (diese Bekanntmachung ist unwiderruflich) vorzunehmen, wonach (i) falls ein Rechnungslegungsereignis eingetreten ist, nach solch einer Substitution oder Änderung, kein Rechnungslegungsereignis vorliegt; (ii) falls ein Gross up Ereignis eingetreten ist, nach solch einer Substitution oder Änderung, kein Gross up Ereignis vorliegt oder (iii) falls ein Steuerereignis stattgefunden hat, nach der Substitution oder Änderung kein Steuerereignis vorliegt; in jedem dieser Fälle haben die substituierten oder geänderten Schuldverschreibungen Qualifizierende Schuldverschreibungen (wie nachfolgend definiert) zu bleiben oder werden (wie der Fall sein mag).
- (a) If an Accounting Event, a Gross up Event or a Tax Event has occurred and is continuing, then the Issuer may, instead of giving notice to redeem the Bonds in accordance with § 4(2) or (3), give not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with § 11, to the Holders (which notice shall be irrevocable) and effect a substitution at any time of all, but not some only, of the Bonds for, or a variation of the terms of the Bonds with the effect that (i) if an Accounting Event has occurred, no Accounting Event exists after such substitution or variation; (ii) if a Gross up Event has occurred, no Gross up Event exists after such substitution or variation; or (iii) if a Tax Event has occurred, no Tax Event exists after such substitution or variation; in each case so that they remain or become (as the case may be) Qualifying Bonds (as defined below).
- (b) Nach Ablauf solch einer Bekanntmachung hat die Emittentin die Bedingungen gemäß § 4(6) abzuändern oder zu substituieren. Im Zusammenhang damit werden jegliche ausständige Zinsrückzahlungen gemäß § 5 befriedigt. Im Zusammenhang mit einer Substitution oder Abänderung gemäß § 4(6) hat die Emittentin die Regeln jeder Börse, an der die Schuldverschreibungen dann börsennotiert oder zum Handeln zugelassen sind einzuhalten.
- (b) Upon expiry of such notice, the Issuer shall vary the terms of or, as the case may be, substitute the Bonds in accordance with this § 4(6). In connection therewith, any outstanding Arrears of Interest will be satisfied in full in accordance with the provisions of § 5. In connection with any substitution or variation in accordance with this § 4(6), the Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.
- (c) In diesen Emissionsbedingungen, sind
- (c) In these Terms and Conditions, **Qualifying**

**Qualifizierende Schuldverschreibungen,**  
Wertpapiere:

- (i) deren Bedingung für Investoren Im Wesentlichen Gleich Günstig (wie nachstehend definiert) wie die Schuldverschreibungen sind (wie von der Emittentin vernünftigerweise bestimmt) und vorausgesetzt, dass eine von ausreichend und ordnungsgemäß bevollmächtigten Vertretern der Emittentin unterzeichneten Bestätigung über diese Beurteilung (einschließlich einer Bestätigung, wonach die Bedingungen wie nachstehend in (i) bis (ii) beschrieben erfüllt sind) gegenüber der Hauptzahlstelle (auf die Bestätigung sich die Hauptzahlstelle absolut verlassen kann) vor der Substitution oder Änderung der Schuldverschreibungen abgegeben wird; vorausgesetzt, dass die Qualifizierten Schuldverschreibungen (i) von der Emittentin oder von einer 100 prozentigen direkten oder indirekten Tochtergesellschaft der Emittentin mit einer Garantie der Emittentin begeben werden; (ii) (oder soweit zutreffend, die vorstehend beschriebene Garantie der Emittentin) gleichrangig mit den Schuldverschreibungen sind und Bedingungen vorsehen, welche dem Zinssatz der Schuldverschreibungen entsprechen und wesentlich äquivalente Bedingungen (wie von der Emittentin angemessen bestimmt) wie die Schuldverschreibungen bezüglich Fälligkeit, Nennwert, Zins, Festzinszahlungstage und optionale Rückzahlungstage;

- (ii) die (i) im amtlichen Handel an der Wiener Börse oder (ii) auf solch einem geregelten Markt einer anderen Börse wie von der Emittentin gewählt und genehmigt notieren und zum Handel zugelassen sind.

**Im Wesentlichen Gleich Günstig** bedeutet bezüglich einer vorgeschlagenen Substitution oder Änderung der Schuldverschreibungen gemäß § 4(6), Bedingungen zu beinhalten und in einer Weise emittiert zu werden, welche den Investoren in allen wesentlichen kommerziellen Aspekten mindestens die gleichen Vergütungsbedingungen und wirtschaftlichen Rechte und Leistungen wie die Schuldverschreibungen

**Bonds** means securities that:

- (i) have terms that are Materially as Favourable to an investor as the Bonds (as reasonably determined by the Issuer), and provided that a certification signed by duly authorised representatives of the Issuer to such effect (and confirming that the conditions set out in (i) to (ii) below have been satisfied) shall have been delivered to the Principal Paying Agent prior to the substitution or variation of the relevant securities upon which certificate the Principal Paying Agent shall rely absolutely), provided that (i) they are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of the Issuer; and (ii) they (or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* with the Bonds and shall contain terms which provide for the same Interest Rate from time to time applying to the Bonds and substantially equivalent terms (as reasonably determined by the Issuer) to the Bonds with respect to maturity, principal amount, interest, interest payment dates and optional redemption dates; and

- (ii) are (i) listed on the Official Market (*Amtlicher Handel*) and admitted to trading on the Vienna Stock Exchange or (ii) listed on such regulatory market of another stock exchange at that time as selected by the Issuer and approved by the Issuer.

**Materially as Favourable** means, with respect to any proposed substitution or variation of the Bonds pursuant to this § 4(6), having terms, and being issued in a manner, which provide investors in all material commercial respects with at least the same pricing terms and economic rights and benefits as are attached to the Bonds.

verschaffen.

(7) *Rückkauf.*

Die Emittentin oder eine der Konzerngesellschaften (wie nachstehend definiert) können jederzeit Schuldverschreibungen auf dem freien Markt zu jedem beliebigen Preis kaufen. Derartig erworbene Schuldverschreibungen können eingezogen, gehalten oder wieder veräußert werden.

**Konzerngesellschaft** ist jedes mit der Emittentin verbundene Unternehmen im Sinne des § 15 des Aktiengesetzes.

(8) *Kündigung und vorzeitige Rückzahlung bei geringfügigem ausstehenden Nennbetrag.*

Wenn durch Rückkäufe der Emittentin oder ihrer Konzerngesellschaften zu irgendeinem Zeitpunkt der auf die Schuldverschreibungen ausstehende Nennbetrag 25 % oder weniger des in § 1(1) genannten Gesamtnennbetrags der Schuldverschreibungen beträgt, kann die Emittentin die Schuldverschreibungen (vollständig aber nicht in Teilbeträgen) zum Nennbetrag zuzüglich aufgelaufener Zinsen nach unwiderruflicher Kündigungsmitteilung an die Schuldverschreibungsgläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen kündigen und zurückzahlen. Der Emittentin steht ein Kündigungsrecht gemäß diesem § 4(8) nicht zu, soweit Zinsrückstände ausstehen und nicht nachgezahlt wurden.

**§ 5  
Zahlungen**

(1) *Zahlungen über das Clearing System.*

Die Emittentin verpflichtet sich, Kapital und Zinsen auf die Schuldverschreibungen sowie alle sonstigen auf die Schuldverschreibungen zahlbaren Beträge bei Fälligkeit in Euro zu zahlen. Die Zahlung von Kapital und Zinsen sowie alle sonstigen auf die Schuldverschreibungen zahlbaren Beträge erfolgt, vorbehaltlich geltender steuerrechtlicher und sonstiger gesetzlicher Regelungen und Vorschriften, an die Hauptzahlstelle zur Weiterleitung an das Clearing System oder an dessen Order zur Gutschrift für die jeweiligen Kontoinhaber.

(7) *Repurchase.*

The Issuer or any of its Group Entities (as defined below) may at any time purchase Bonds in the open market or otherwise at any price. Such acquired Bonds may be held, cancelled or resold.

**Group Entities** means any of the Issuer's affiliated enterprises within the meaning of Section 15 of the Austrian Stock Corporation Act (*Aktiengesetz*).

(8) *Issuer Call Right and Early Redemption in case of small outstanding principal amount.*

If, by reason of purchases made by the Issuer or any of its Group Entities, the outstanding principal amount of the Bonds has fallen at any time below 25 % or less of the aggregate principal amount of the Bonds set forth in § 1(1), the Issuer may call and redeem the Bonds (in whole but not in part) at their equal to the principal amount of the Bonds, plus accrued interest until the date of redemption on the giving of not less than 30 and not more than 60 days' irrevocable notice to the Holders in accordance with § 11. The Issuer shall not be entitled to call and redeem the Bonds in accordance with this § 4(8) if any Arrears of Interest are outstanding.

**§ 5  
Payments**

(1) *Payments to the Clearing system.*

The Issuer undertakes to pay, as and when due, principal and interest as well as all other amounts payable on the Bonds in Euro. Payment of principal and interest as well as all other amounts payable on the Bonds shall be made, subject to applicable fiscal and other laws and regulations, through the Principal Paying Agent for on-payment to the Clearing system or to its order for credit to the respective account holders. Any reference in these Terms and Conditions to principal or interest will be deemed to include any Additional Amounts as set forth in § 6.

Eine Bezugnahme in diesen Emissionsbedingungen auf Kapital oder Zinsen schließt jegliche Zusätzlichen Beträge gemäß § 6 ein. Die Zahlung an das Clearing System oder an dessen Order, vorausgesetzt, die Schuldverschreibungen werden noch durch das Clearing System gehalten, befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen.

Payments to the Clearing system or to its order shall, to the extent of amounts so paid and provided Bonds are still held on behalf of the Clearing system, constitute the discharge of the Issuer from its corresponding obligations under the Bonds.

(2) *Zahlungen an Geschäftstagen.*

Falls ein Fälligkeitstag für die Zahlung von Kapital und/oder Zinsen kein Geschäftstag ist, erfolgt die Zahlung erst am nächstfolgenden Geschäftstag (außer im Fall von § 3(2)(b)). Die Schuldverschreibungsgläubiger sind nicht berechtigt, Zinsen oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

(2) *Payment on Business Days.*

If the due date for any payment of principal and/or interest is not a Business Day, payment shall be effected only on the next Business Day (except as provided in § 3(2)(b)). The Holders shall have no right to claim payment of any interest or other indemnity in respect of such delay in payment.

**§ 6  
Steuern**

(1) Sämtliche Zahlungen von Kapital und Zinsen in Bezug auf die Schuldverschreibungen werden ohne Einbehalt oder Abzug von Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren jedweder Art (die **Steuern**) geleistet, die von der Republik Österreich oder einer ihrer Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In einem solchen Falle wird die Emittentin, vorbehaltlich der Bestimmungen dieses § 6 solche zusätzlichen Beträge (die **Zusätzlichen Beträge**) zahlen, so dass die Schuldverschreibungsgläubiger die Beträge erhalten, die sie ohne Einbehalt oder Abzug erhalten hätten.

(2) *Solche Zusätzlichen Beträge sind jedoch nicht zahlbar wegen solcher Steuern:*

- (i) denen ein Schuldverschreibungsgläubiger wegen einer anderen Beziehung zur Republik Österreich unterliegt als der bloßen Tatsache, dass er der Inhaber der betreffenden Schuldverschreibungen ist; oder

**§ 6  
Taxation**

(1) All payments of principal and interest in respect of the Bonds will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed, levied, collected, withheld or assessed by the Republic of Austria or any political subdivision or any authority of or in the Republic of Austria that has power to tax, unless the Issuer is compelled by a law or other regulation to make such withholding or deduction. In that event, the Issuer will pay, subject to the provisions of this § 6, such additional amounts (the **Additional Amounts**) as will result in receipt by the Holders of the same amounts as they would have received if no such withholding or deduction had been required.

(2) *However, no such Additional Amounts shall be payable with respect to such Taxes:*

- (i) to which a Holder is liable because of a relationship with the Republic of Austria other than the mere fact of his being the holder of the relevant Bonds; or

- |   |  |
|---|--|
| <p>(ii) deren Einbehalt oder Abzug auf eine Zahlung an eine natürliche Person erfolgt und zwar auf der Grundlage der (i) Richtlinie 2003/48/EG der Europäischen Union oder einer anderen Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge, die die Beschlüsse der ECOFIN-Versammlung vom 26. bis 27. November 2000 umsetzt oder (ii) ein internationaler Vertrag oder ein Abkommen betreffend solch einer Besteuerung und zu welcher die Republik Österreich oder die Europäische Union ein Vertragspartner ist oder (iii) aufgrund eines Gesetzes, das in Umsetzung oder Entsprechung einer solchen Richtlinie, Verordnung, Vertrag oder Abkommen erlassen wurde; oder</p> <p>(iii) denen der Schuldverschreibungsgläubiger nicht unterläge, wenn dieser seine Schuldverschreibungen binnen 30 Tagen nach Fälligkeit bzw., falls die notwendigen Beträge der Hauptzahlstelle bei Fälligkeit nicht zur Verfügung gestellt worden sind, ab dem Tag, an dem diese Mittel der Hauptzahlstelle zur Verfügung gestellt worden sind und dies gemäß § 11 bekannt gemacht wurde, zur Zahlung vorgelegt hätte; oder</p> <p>(iv) die von einer Zahlstelle einbehalten oder abgezogen werden, wenn die Zahlung von einer anderen Zahlstelle in einem Mitgliedsstaat der Europäischen Union ohne den Einbehalt oder Abzug hätte vorgenommen werden können; oder</p> <p>(v) die von einer Depotbank oder als Inkassobeauftragter des Schuldverschreibungsgläubigers handelnden Person oder auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt.</p> | <p>(ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to (i) European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, (ii) any international treaty or understanding relating to such taxation and to which the Republic of Austria or the European Union is a party, (iii) or any law implementing or complying with, or introduced in order to conform to, such Directive, Regulation, treaty or understanding; or</p> <p>(iii) to which the Holder would not be subject to if he had presented his Bonds for payment within 30 days from the due date for payment, or, if the necessary funds have not been provided to the Principal Paying Agent when due, from the date on which such funds have been provided to the Principal Paying Agent, and a notice to that effect has been published in accordance with § 11; or</p> <p>(iv) which are withheld or deducted by a Paying Agent if payment could have been made by another Paying Agent in a Member State of the European Union without such deduction or withholding; or</p> <p>(v) which are withheld by a securities custodian or a person acting as collection agent for the Holder or which are levied otherwise than by the Issuer's making a withholding or deduction from any amounts of principal or interest payable by it.</p> |
|---|--|

Die österreichische Kapitalertragssteuer ist keine Steuer für die seitens der Emittentin Zusätzliche Beträge zu bezahlen sind.

Austrian withholding tax (*Kapitalertragsteuer*) does not constitute tax for which the Issuer is obliged to pay Additional Amounts.

**§ 7  
Kündigungsgründe**

Ein Schuldverschreibungsgläubiger kann seine Schuldverschreibungen durch schriftliche Mitteilung an die Emittentin, die bei der Emittentin oder bei der Hauptzahlstelle abzugeben ist,

**§ 7  
Events of Default**

Any Holder may, by written notice addressed to the Issuer and delivered to the Issuer or the Principal Paying Agent, declare its Bonds due and payable, whereupon such Bonds shall become

kündigen, woraufhin seine Schuldverschreibungen sofort zu ihrem Rückzahlungsbetrag (wie in § 4(2)(i) definiert), ohne weitere Handlungen oder Formalitäten fällig und zahlbar werden, wenn die Emittentin in die Liquidation geht und abgewickelt oder aufgelöst wird (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin noch zahlungsfähig ist und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt).

**§ 8  
Verjährung**

Die Verjährungsfrist aus Ansprüchen auf das Kapital beträgt zehn Jahre und aus Ansprüchen auf Zinsen drei Jahre, jeweils ab Fälligkeit.

**§ 9  
Hauptzahlstelle und Berechnungsstelle**

(1) *Hauptzahlstelle und Berechnungsstelle.*

(a) Die Erste Bank der oesterreichischen Sparkassen AG ist die anfängliche Hauptzahlstelle (die *Hauptzahlstelle* oder eine *Zahlstelle*).

(c) Die Erste Bank der oesterreichischen Sparkassen AG ist die Berechnungsstelle (die *Berechnungsstelle*).

immediately due and payable at their Redemption Amount (as defined in §4(2)(i)) without further action or formality, if the Issuer enters into a liquidation and winding up or dissolution (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer).

**§ 8  
Limitation**

The limitation period for claims in respect of principal of the Bonds shall be ten years, and in respect of interest three years respectively, in each case after due date.

**§ 9  
Principal Paying Agent and Calculation Agent**

(1) *Principal Paying Agent and Calculation Agent.*

(a) Erste Bank der oesterreichischen Sparkassen AG shall be the initial principal paying agent (the *Principal Paying Agent* or the *Paying Agent*).

(c) Erste Bank der oesterreichischen Sparkassen AG shall be the calculation agent (the *Calculation Agent*).

(2) *Änderung oder Beendigung der Bestellung.*

Die Emittentin behält sich das Recht vor, jederzeit die Benennung der Hauptzahlstelle zu verändern oder zu beenden und Nachfolger bzw. zusätzliche Zahlstellen zu ernennen.

Den Schuldverschreibungsgläubigern werden Änderungen in Bezug auf die Zahlstellen, deren angegebene Geschäftsstellen oder die Berechnungsstelle umgehend gemäß § 11 bekanntgemacht. Die Emittentin wird dafür sorgen, dass stets eine Hauptzahlstelle und eine Berechnungsstelle ernannt ist. Die Emittentin wird ferner dafür sorgen, dass, so lange die Schuldverschreibungen an einer Wertpapierbörse notiert sind und die Regularien dieser Börse dies verlangen, eine Zahlstelle (die die Hauptzahlstelle sein kann) mit einer benannten Geschäftsstelle an dem von der betreffenden Börse vorgeschriebenen Ort ernannt ist.

(3) *Rechtsverhältnisse der Zahlstellen und der Berechnungsstelle.*

Die Hauptzahlstelle bzw. gegebenenfalls weitere Zahlstellen und die Berechnungsstelle handeln ausschließlich als Beauftragte der Emittentin und übernehmen keine Verpflichtungen gegenüber den Schuldverschreibungsgläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Schuldverschreibungsgläubigern begründet.

**§ 10  
Aufstockung**

Die Emittentin kann ohne Zustimmung der Schuldverschreibungsgläubiger weitere Wertpapiere begeben, die in jeder Hinsicht (oder in jeder Hinsicht mit Ausnahme, des Emissionspreises, des Zinszahlungsdatums, der ersten Vergütungszahlung) die gleichen Emissionsbedingungen wie diese Schuldverschreibungen haben und die zusammen mit diesen Schuldverschreibungen eine einzige Emission bilden.

**§ 11  
Mitteilungen**

(1) *Mitteilungen in elektronischer Form.*

Falls die Schuldverschreibungen zum Handel an einer Börse zugelassen werden, gelten sämtliche Mitteilungen an die Schuldverschreibungsgläubiger als

(2) *Variation or Termination of Appointment.*

The Issuer reserves the right at any time to vary or terminate the appointment of any Principal Paying Agent and to appoint successor or additional paying agents. Notice of any change in the paying agents or in the specified office of any Paying Agent or Calculation Agent will promptly be given to the Holders pursuant to § 11. The Issuer will procure that there will at all times be a Principal Paying Agent and a Calculation Agent. The Issuer will also procure that, so long as the Bonds are listed on a stock exchange, there will at all times be a paying agent (which may be the Principal Paying Agent) with a specified office in such city as may be required by the rules of the relevant stock exchange.

(3) *Paying Agents and Calculation Agent legal matters.*

The Principal Paying Agent, any additional Paying Agents, if any, and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Holders.

**§ 10  
Increase**

The Issuer may from time to time, without the consent of the Holders, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue price, the interest commencement date and the first payment of interest) so as to form a single series with the Bonds.

**§ 11  
Notices**

(1) *Notices via electronic means.*

If the Bonds are admitted for trading on any stock exchange, notices to the Holders will be valid if published through electronic means having general circulation within the

ordnungsgemäß bekannt gemacht, wenn sie durch elektronische Mitteilungsformen mit Verbreitung innerhalb der Europäischen Union und in dem Staat einer jeden Wertpapierbörse, an der Schuldverschreibungen notiert sind, durch elektronische Veröffentlichung mit landesweiter Verbreitung veröffentlicht werden, solange diese Notierung fort dauert und die Regeln der jeweiligen Börse dies erfordern. Jede Mitteilung gilt mit dem Tag der ersten Veröffentlichung als bekannt gemacht; falls eine Veröffentlichung in mehr als einer elektronischen Mitteilungsform vorgeschrieben ist, ist der Tag maßgeblich, an dem die Mitteilung erstmals in allen erforderlichen elektronischen Mitteilungsformen erfolgt ist.

European Union and in the jurisdiction of any stock exchange on which the Bonds may be listed from time to time, for so long as the Bonds are listed on the respective exchange and the rules of any such exchange so require. Any such notice shall be deemed to have been given on the date of the first publication or, when required to be published by more than one electronic means, on the date on which the notice has first been published by all required electronic means.

(2) *Mitteilung an das Clearing System.*

Mitteilungen an die Schuldverschreibungsgläubiger können (vorbehaltlich anwendbarer Börsenvorschriften bzw. -regeln) anstelle der Veröffentlichung durch elektronische Mitteilungsform nach Maßgabe des §11(1) durch Abgabe der entsprechenden Mitteilung an das Clearing System zur Weiterleitung an die Schuldverschreibungsgläubiger ersetzt werden, solange eine die Schuldverschreibungen verbriefte Globalurkunde durch das Clearing System gehalten wird.

(2) *Notice to the Clearing system.*

Notices to Holders may (subject to applicable stock exchange rules and requirements), so long as any Global Bond representing the Bonds is held on behalf of the Clearing system, be given *in lieu* of publication by electronic means pursuant to § 11(1) by delivery of the relevant notice to the Clearing system for communication to the Holders.

**§ 12  
Ersetzung**

(1) *Ersetzung.*

Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Schuldverschreibungsgläubiger, eine andere Gesellschaft, die direkt oder indirekt von der Emittentin kontrolliert wird, als neue Emittentin für alle sich aus oder im Zusammenhang mit den Schuldverschreibungen ergebenden Verpflichtungen mit schuldbefreiender Wirkung für die Emittentin an die Stelle der Emittentin zu setzen (die **Neue Anleiheschuldnerin**), sofern

- (i) die Emittentin sich nicht mit einer fälligen Zahlung auf die Schuldverschreibungen in Verzug befindet;
- (ii) die Neue Anleiheschuldnerin sämtliche Verpflichtungen der Emittentin aus oder

**§ 12  
Substitution**

(1) *Substitution.*

The Issuer may at any time, without the consent of the Holders, substitute any other company which is directly or indirectly controlled by the Issuer as new issuer (the **New Issuer**) in respect of all obligations arising under or in connection with the Bonds, with the effect of releasing the Issuer of all such obligations, if

- (i) the Issuer is not in default of any payment due under the Bonds;
- (ii) the New Issuer assumes all obligations of the Issuer arising under or in connection

im Zusammenhang mit den Schuldverschreibungen übernimmt;

- (iii) die Neue Anleiheschuldnerin sämtliche für die Schuldnerersetzung und die Erfüllung der Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen erforderlichen Genehmigungen erhalten hat;
- (iv) die Neue Anleiheschuldnerin in der Lage ist, sämtliche zur Erfüllung der aufgrund der Schuldverschreibungen bestehenden Zahlungsverpflichtungen erforderlichen Beträge in Euro an Clearing Systeme oder die Hauptzahlstelle zu zahlen, und zwar ohne Abzug oder Einbehalt von Steuern oder sonstigen Abgaben jedweder Art, die von dem Land (oder Ländern), in dem (in denen) die Neue Anleiheschuldnerin ihren Sitz oder Steuersitz hat, auferlegt, erhoben oder eingezogen werden;
- (v) die Neue Anleiheschuldnerin oder die Emittentin sich verpflichtet haben, die Schuldverschreibungsgläubiger hinsichtlich solcher Steuern, Abgaben oder behördlicher Gebühren freizustellen, die den Schuldverschreibungsgläubigern bezüglich der Ersetzung auferlegt werden;
- (vi) die Emittentin unbedingt und unwiderruflich die Verpflichtungen der Neuen Anleiheschuldnerin garantiert oder einen Ergebnisübernahmevertrag mit der Neuen Anleiheschuldnerin abgeschlossen oder die ordnungsgemäße Erfüllung der Verpflichtungen sonst in vollem Umfang wirtschaftlich sichergestellt hat; und
- (vii) der Hauptzahlstelle ein oder mehrere Rechtsgutachten von unabhängigen und angesehenen Rechtsanwälten, die zumindest seit 5 Jahren in die Liste der Österreichischen Rechtsanwaltskammer eingetragen ist und als solche praktizieren, die bestätigen, dass die Voraussetzungen in den vorstehenden Unterabsätzen (ii) bis (vi) erfüllt wurden.

(2) *Bezugnahmen.*

Im Fall einer Schuldnerersetzung nach Maßgabe von § 12(1) gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin als eine solche auf die Neue

with the Bonds;

- (iii) the New Issuer has obtained all authorisations and approvals necessary for the substitution and the fulfilment of the obligations arising under or in connection with the Bonds;
- (iv) the New Issuer is in the position to pay to the Clearing systems or to the Principal Paying Agent in Euro and without deducting or withholding any taxes or other duties of whatever nature imposed, levied or deducted by the country (or countries), in which the New Issuer has its domicile or tax residence, all amounts required for the performance of the payment obligations arising from or in connection with the Bonds;
- (v) the New Issuer or the Issuer has agreed to indemnify the Holders against such taxes, duties or governmental charges as may be imposed on the Holders in connection with the substitution;
- (vi) the Issuer has unconditionally and irrevocably guaranteed the obligations of the New Issuer or has entered into a profit and loss assumption agreement with the New Issuer or has ensured proper and full performance of the obligations by other economic means;
- (vii) there shall have been delivered to the Principal Paying Agent an opinion or opinions of independent attorneys at law of recognized standing and being registered in the list of the Austrian Chamber of Attorneys at Law for a minimum of 5 years and practicing as such to the effect that subparagraphs (ii) and (vi) above have been satisfied.

(2) *References.*

In the event of a substitution pursuant to § 12(1), any reference in these Terms and Conditions to the Issuer shall be a reference to the New Issuer and, subject to § 14(3), any

Anleiheschuldnerin und, vorbehaltlich des § 14(3), jede Bezugnahme auf die Republik Österreich als eine solche auf den Staat, in welchem die Neue Anleiheschuldnerin steuerlich ansässig ist. In §4 und §6, falls solch eine Bezugnahme fehlen sollte als Folge des vorausgehenden Satzes, gilt eine alternative Bezugnahme auf die Republik Österreich als inkludiert zuzüglich der Bezugnahme gemäß dem vorangehenden Satz auf den Staat, in welchem die Neue Anleiheschuldnerin steuerlich ansässig ist.

(3) *Bekanntmachung und Wirksamwerden der Ersetzung.*

Die Ersetzung der Emittentin ist gemäß § 11 bekannt zu machen. Mit der Bekanntmachung der Ersetzung wird die Ersetzung wirksam und die Emittentin und im Falle einer wiederholten Anwendung dieses § 12 jede frühere Neue Anleiheschuldnerin von ihren sämtlichen Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen frei. Im Falle einer solchen Ersetzung werden die Wertpapierbörsen informiert, an denen die Schuldverschreibungen notiert sind und ein zusätzliches Prospekt wird vorbereitet, falls nötig, welches die neue Emittentin beschreibt.

**§ 13  
Keine Gesellschafterrechte**

Die Schuldverschreibungen vermitteln den Schuldverschreibungsgläubigern keinerlei Gesellschafterrechte in Bezug auf die Emittentin. Insbesondere verbriefen die Schuldverschreibungen keinerlei Berechtigung der Schuldverschreibungsgläubiger auf einen Anteil am Liquidationserlös der Emittentin.

**§ 14  
Anwendbares Recht und Gerichtsstand**

(1) *Anwendbares Recht.*

Die Schuldverschreibungen unterliegen österreichischem Recht.

(2) *Gerichtsstand.*

Für sämtliche Rechtsstreitigkeiten, die aus oder im Zusammenhang mit den Schuldverschreibungen entstehen, ist das Handelsgericht Wien ausschließlich zuständig. Die Gerichtsstandsvereinbarung

reference to the Republic of Austria shall be a reference to the New Issuer's country of domicile for tax purposes. In § 4 and § 6, if such reference would be missing as a result of the foregoing sentence, an alternative reference to the Republic of Austria shall be deemed to have been included in addition to the reference according to the preceding sentence to the New Issuer's country of domicile for tax purposes.

(3) *Notice and Effectiveness of Substitution.*

Notice of any substitution of the Issuer shall be given by publication in accordance with § 11. Upon such publication, the substitution shall become effective, and the Issuer, and, in the event of a repeated application of this § 12, any previous New Issuer shall be discharged from any and all obligations under the Bonds. In case of such substitution, the stock exchange(s), if any, on which the Bonds are then listed will be notified and a supplemental prospectus describing the New Issuer will be prepared, if required.

**§ 13  
No Shareholders' Rights**

The Bonds do not confer any shareholder's rights with respect to the Issuer to the Holders. In particular, the Holders will not be entitled to share in any liquidation proceeds of the Issuer under the Bonds.

**§ 14  
Governing Law and Jurisdiction**

(1) *Governing law.*

The Bonds are governed by the laws of the Republic of Austria.

(2) *Place of Jurisdiction.*

For all disputes which may arise out or in connection with the Bonds, the Commercial Court of Vienna (*Handelsgericht Wien*) shall have exclusive jurisdiction. The submission to the jurisdiction of the courts of Vienna

beschränkt nicht das Recht eines Schuldverschreibungsgläubigers (und wird auch nicht dahingehend ausgelegt), Verfahren vor einem anderen zuständigen Gericht anzustrengen. Ebenso wenig schließt die Einleitung von Verfahren an einem oder mehreren Gerichtsständen die Einleitung von Verfahren an einem anderen Gerichtsstand aus (gleichgültig, ob diese gleichzeitig geführt werden oder nicht), falls und soweit dies rechtlich zulässig ist.

(3) *Erfüllungsort.*

Erfüllungsort ist Wien, Republik Österreich.

**§ 15  
Sprache**

Diese Emissionsbedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung ist unverbindlich.

shall not (and shall not be construed so as to) limit the right of any Holder to take proceedings in any other court of competent jurisdiction, nor shall the taking up of proceedings in any one or more jurisdictions preclude the taking up of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(3) *Place of Performance.*

Place of performance shall be Vienna, Republic of Austria.

**§ 15  
Language**

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be the only legally binding version. The English language translation is provided for convenience only.

## **USE OF PROCEEDS AND EXPENSES OF THE OFFERING**

The Company intends to use the net proceeds from the sale of the Bonds in connection with the Offering to repay outstanding debt incurred in connection with the public take-over bid of Böhler-Uddeholm AG by the Company.

## GENERAL INFORMATION ABOUT THE ISSUER

### General

voestalpine AG is a joint stock company under Austrian law with its registered seat in Linz and its business address at voestalpine-Straße 1, A-4020, Linz, Austria. Its telephone number is +43-50304-0. It was founded on 22 November 1993. The Company was registered with the commercial register on 10 December 1993 under the registration number FN 66209t under the name of VOEST-ALPINE STAHL Aktiengesellschaft and, effective as of 3 September 2002, changed its legal name to voestalpine AG. The Company is also known under the commercial name "voestalpine". The Company's financial year ends on 31 March of each calendar year. Pursuant to the Articles of Association, notices of the Company shall be made by publication in the Official Gazette attached to the Wiener Zeitung (*Amtsblatt zur Wiener Zeitung*).

### History and Development

#### *From a state-owned company to a publicly-quoted corporation*

In October 1995, VOEST-ALPINE STAHL Aktiengesellschaft's privatisation successfully started by virtue of an initial public offering (IPO). Since then, the shares of voestalpine AG have been listed on the Vienna Stock Exchange and traded on its Official Market (*Amtlicher Handel*). Following the IPO, the stake of the Republic of Austria held in voestalpine AG through Oesterreichische Industrieholding AG amounted to less than 40%.

In 2001, the Company decided to pursue a new strategy. The strategy represented the vision: "*not more steel but more from steel*". This strategy aimed at profitable growth downstream along the value-creation chain in defined processing areas, not just increases in steel production.

By implementing the new strategy, the Company was divided into four divisions (the "Divisions"):

- Division Steel (flat-rolled products and processing)
- Division Railway Systems (rails, points, railway infrastructure and industrial partnerships)
- Division Automotive (originally 'motion', supply to the automotive industry)
- Division Profilform (production and processing of tubes and special profiles)

In 2003 it was decided to fully privatise voestalpine AG and consequently the Republic of Austria divested itself of the remaining stake held in the Company through Oesterreichische Industrieholding AG and completed in 2005, when the residual stake of 15% of voestalpine's shares was delivered to holders of an exchangeable bond issued by Oesterreichische Industrieholding AG in exchange for such bonds.

Since then, voestalpine continued to grow organically and through a series of international acquisitions. Simultaneously, its steel basis in Linz has been expanded through one of the largest industrial investment programmes in Austrian history named "Linz 2010". The successful implementation of the investment programme and the Company's acquisitions are reflected in the Company's results: The financial year 2006/2007, which ended on 31 March 2007, was the most successful financial year in the Group's history measured by operating and net profits.

In 2007, voestalpine acquired a majority stake in Böhler-Uddeholm AG, which represents the largest acquisition of voestalpine in its history. See "Recent Developments – Public Takeover of Böhler-Uddeholm AG". The acquisition is not only aimed to ensure the continuation of the Group's growth but is a clear step to further downstream as Böhler-Uddeholm – like voestalpine – developed over the last years from a steel producing company towards a steel processing company with a clear focus on complex shaping and finishing of steel products in the highest quality segments globally. The Böhler-Uddeholm Group is in the process of being integrated in the Group as a further Division named "Special Steel Division". See "Business – Special Steel Division – The Böhler-Uddeholm Group".

### Corporate Purpose

Section 2 of the Company's articles of association (the "Company's Articles of Association") provide for the corporate purpose. voestalpine's objectives of business are:

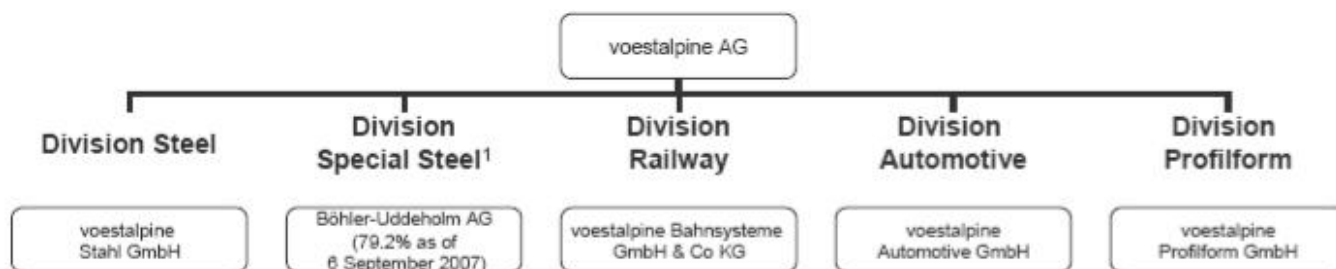
- To exercise the function of a holding company with regard to the central management of the companies which have been combined to form a group within the meaning of Section 15 of the Austrian Joint Stock Corporation Act (*Aktiengesetz*).
- The objectives of the Group are, in particular, research and development in the areas of metallurgy, metal processing, and materials technology; the manufacture, processing and distribution of materials, in particular steel and steel products; the exploration and development of new production technologies; trading and the provision of commercial, technical and organisational services.
- The Company may also collect and process personal data with computerised support.
- The Company is entitled to establish branch operations in Austria and abroad, to establish participations with other types of companies in Austria and abroad, to purchase, establish and sell such companies and enter into any transactions which are appropriate to further, directly or indirectly, the interests of the Company or the Group.

### Significant Subsidiaries

The Company considers the lead companies of its five Divisions, voestalpine Stahl GmbH, Böhler-Uddeholm AG, voestalpine Bahnsysteme GmbH & Co. KG, voestalpine Profilform GmbH and voestalpine Automotive GmbH, to be its significant subsidiaries. Each of these companies is incorporated and organised under the laws of Austria. Except for Böhler-Uddeholm AG, which is listed on the Vienna Stock Exchange and of which voestalpine, as of 6 September 2007, holds approximately 79.2% of the shares, all other lead companies are wholly owned, directly or indirectly, by the Company.

### Organisational Structure

voestalpine is the holding company of the Group's five Divisions: Steel, Special Steel, Railway Systems, Automotive and Profilform. The Company is responsible for certain Group-wide management and support function for the Group, including overall strategy and planning, investment and finance, budgets, treasury, legal services, mergers and acquisitions and investor and public relations. Except for the CEO of Böhler-Uddeholm AG, who is not yet a member of the Company's Management Board, the heads of the Divisions are also members of the Company's Management Board. The chart below shows the organisational structure of the Group, at the top of which is voestalpine AG as the Group's holding company.



<sup>1</sup> The Division Special Steel was established as of 1 July 2007 as a consequence of the acquisition of the majority of Böhler-Uddeholm AG and its initial consolidation in the Company's consolidated accounts as of this date.

### Share Capital

#### *Issued Share Capital*

As of the date of this Prospectus, the nominal share capital of the Company, including issued conditional capital in the amount of €10,971,841.1 and divided into 6,039,033 shares not yet registered with the commercial register (*Firmenbuch*), amounts to €298,756,264.42 and is divided into 164,439,033 shares of no par value (the "Shares"), each Share representing €1.82 (in rounded terms) of the nominal share capital.

The nominal share capital is fully paid up.

### ***Authorised and Conditional Share Capital***

In the shareholders' meeting on 30 June 2005, the Management Board was authorised until 30 June 2010 to issue convertible bonds (*Wandelschuldverschreibungen*) with an aggregate principal amount of up to €250,000,000, which entitle to the subscription of and/or conversion into up to 3,960,000 shares of the Company. The issue can also be made in several tranches. In order to satisfy the subscription and/or conversion rights the Management Board shall use either the Company's own shares or new shares from conditional capital or a combination of both. The issue price and the conditions of the issue are to be established by the Management Board, and the issue price shall be calculated according to the volume weighted average price of the Company's shares on the Vienna Stock Exchange on the day of the allocation of the convertible bond between start of trading and pricing plus a premium of 30% or more, based on the expected share price development of the Company and similar transactions on the relevant market as compared by term, interest and volume. The Management Board is authorised to exclude the subscription rights of the shareholders with regard to the convertible bonds with the consent of the Supervisory Board.

In connection with the authorisation to issue convertible bonds, a conditional capital increase was resolved. Pursuant to sec 159 (2) 1 of the Austrian Stock Corporation Act (*Aktiengesetz*) the Company's nominal share capital was conditionally increased by up to €28,778,442.33 corresponding to up to 3,960,000 no par value bearer shares in order to issue these shares to holders of convertible bonds upon conversion of the convertible bonds. The capital increase shall only be implemented to the extent that the holders of convertible bonds exercise their subscription and/or conversion rights with regard to the Company's shares. The new shares shall be entitled to dividends to the same extent as the then existing shares. The Supervisory Board shall be entitled to amend the Company's Articles of Association following the issue of shares from conditional capital. The same applies, if the authorisation to issue convertible bonds is not used or if no conditional capital is issued. Subscription rights may be fully or partly excluded. The written report as to the reasons for the exclusion of the subscription rights was presented to the shareholders' meeting on 30 June 2005.

The Management Board resolved on 14 July 2005 to issue Bonds with an aggregate principal amount of up to €250 million which entitle to the subscription of and/or conversion into up to 3,960,000 shares of the Company. Subscription rights have been fully excluded. The Supervisory Board approved the issue on 14 July 2005.

Following the Company's share split effective as of 13 July 2006, holders of the Bonds are entitled to subscribe for and/or convert the Bonds of up to 15,840,000 shares.

In the shareholder's meeting on 5 July 2006, the Management Board was authorised to effect a repurchase of shares covering up to 10% of the Company's share capital currently corresponding to 16,443,903 shares. The Management Board resolved to utilise its authorisation to repurchase Shares and as of 30 July 2007, voestalpine repurchased 6,670,912 shares in the context of this share buyback program which is currently still pending. In June and July 2007, the Company transferred 3,757,030 of the bought back shares to the employee share ownership programme and to creditors of the convertible bond issued on 21 July 2005.

By resolution of the shareholders' meeting dated 4 July 2007, the Management Board was authorised to increase the Company's nominal share capital as follows:

Until 30 June 2010, by a maximum nominal amount of €57,556,884.66 through issuance of 31,680,000 new ordinary bearer shares—in one or more tranches—against cash contributions or contributions in kind, in the latter case also by—fully or partially—excluding the subscription rights of current shareholders. The exercise of this authorisation, the issue price and the conditions of the issue (in particular the exclusion of the subscription rights) are subject to the approval of the Supervisory Board.

Until 30 June 2010, by an additional nominal amount of €28,778,442.33 through issuance of 15,840,000 new ordinary bearer shares—in one or more tranches—to employees, key employees and members of the Management Board of the Company in the course of an employee participation or stock option program by excluding the subscription rights of current shareholders. The exercise of this authorisation, the issue price and the conditions of the issue (except the exclusion of the subscription rights) are subject to the approval of the Supervisory Board.

By resolution of the shareholders' meeting on 4 July 2007 the Management Board was further authorised to effect a repurchase of shares (i) in the maximum amount of 10% of the share capital for the purpose to offer those shares to employees, executives, or members of the Management Board of the Company or of an affiliated Company and (ii) to a further maximum amount of 10% of the share capital according to sec 65 (1) 8 of the Austrian Stock Corporation Act (*Aktiengesetz*). The Management Board was also authorised until 30 June 2012 to sell own shares held by the Company in another way than via the stock exchange or by way of a

public offer with the exclusion of the subscription rights of the shareholders. Finally, the Management was authorised to decrease the share capital of the Company by up to €28,778,442,33 by redeeming up to 15.840.000 own shares of the Company without further resolution of the shareholders' meeting.

## RECENT DEVELOPMENTS

### PUBLIC TAKEOVER OF BÖHLER-UDDEHOLM AG

#### *The Public Takeover Bid*

On 27 March 2007, voestalpine reached an agreement in principle with the shareholders of BU Industrieholding GmbH (“**BUI**”) on the basis of which and subject to approval by voestalpine’s supervisory board it acquired all of the shares in BUI, a limited liability company registered under the registration number FN 193960k with its registered office in Vienna, and thereby indirectly 10,686,340 shares of BÖHLER-UDDEHOLM AG (“Böhler-Uddeholm”, and together with its subsidiaries, the “Böhler-Uddeholm Group”), representing approximately 20.95% of its outstanding share capital. The shares in BUI were acquired at terms and conditions that corresponded to an (indirect) acquisition of this company’s Böhler-Uddeholm shares for a price of €9.00 per Böhler-Uddeholm share. The acquisition of the BUI shares and thus the acquisition of its 10,686,340 Böhler-Uddeholm shares were further subject to the same regulatory approvals as the Bid and were consummated on the settlement date of the Bid.

On 29 March 2007, the Company’s management board (the “Management Board”) decided to launch a voluntary public takeover bid to the shareholders of Böhler-Uddeholm at €9.00 per share and the Company’s supervisory board (the “Supervisory Board”) approved both, the acquisition of BUI and such voluntary public takeover bid.

On 26 April 2007, the Company published a voluntary public takeover bid pursuant to Section 25a of the Austrian Takeover Act (*Übernahmegesetz*) to acquire all shares in Böhler-Uddeholm, a company registered under the registration number FN 78568 t and with its registered office in Vienna, the shares of which are admitted to trading on the Official Market (*Amtlicher Handel*) on the Vienna Stock Exchange for a bid price of €9.00 (“**Bid**”). The Bid was subject to the statutory condition precedent of the Company reaching a holding of more than 50% of Böhler-Uddeholm’s voting shares and the obtaining of the relevant merger control approvals. The Bid was made to the shareholders of Böhler-Uddeholm in the Republic of Austria and, among certain other jurisdictions, in the United States of America.

On 7 May 2007, the management board as well as the supervisory board of Böhler-Uddeholm published responses to the Bid pursuant to Section 14 (1) of the Austrian Takeover Act and recommended the acceptance of the Bid.

On 19 May 2007, the Company published a modification preceded by a press release on 18 May 2007 of the terms of the Bid by increasing the bid price to €73.00 for each Böhler-Uddeholm share and extending the acceptance period until 4 June 2007.

On 6 June 2007, the Company published the result of the Bid. During the acceptance period, the Bid had been accepted in respect of 17,172,034 Böhler-Uddeholm shares, corresponding to approximately 33.7% of the equity capital of Böhler-Uddeholm. Including shares acquired through parallel purchases carried out from 6 June 2007 onwards up to and including 18 June 2007 by way of direct and open market purchases as well as the shares acquired indirectly through the acquisition of BUI, the Company, as of 18 June 2007, acquired 28,902,762 Böhler-Uddeholm shares, representing approximately 56.6% of the aggregate share capital of Böhler-Uddeholm. Further, pursuant to Section 19 (3) of the Austrian Takeover Act, the Bid’s acceptance period was extended for the benefit of all Böhler-Uddeholm shareholders who did not accept the Bid within the acceptance period by operation of law for three months from the publication of the result of the Bid, i.e. until 6 September 2007, 5.30 p.m. Vienna local time (“**Sell-Out Period**”).

On 19 June 2007, after fulfilment or waiver of all conditions precedent the Bid became unconditional and fully binding upon the Company and closed, together with the acquisition of the BUI shares on 22 June 2007. Subsequently, the Company modified the Bid another time to carry out an interim settlement on 10 July 2007 for holders of Böhler-Uddeholm shares who accepted the Bid by 5 July 2007, i.e. during but prior to the expiry of the statutory Sell-Out Period on 6 September 2007.

On 2 July 2007, the Company confirmed its statement published on 19 June 2007 that the Company would not increase the bid price for shares of Böhler-Uddeholm. In order to avoid any speculations, the Company clarified at the suggestion of the Austrian Takeover Commission (*Übernahmekommission*) that the Company would not only refrain from increasing the bid price until the end of the statutory Sell-Out Period on 6 September 2007, but also not to acquire Böhler-Uddeholm shares at a price higher than €73.00 during the subsequent nine-months period, within which an acquisition at such higher price would statutorily require payments in the amount of the excess price to be made to all Böhler-Uddeholm shareholders who accepted the Bid so far or might do so until the end of the Sell-Out period. In practice, the Company confirmed by means of a self-committing declaration that there would be no share purchases at a price higher than €73.00 per Böhler-Uddeholm share until 6 June 2008 and thus no further bid price increase.

The final result following the Sell-Out Period was published on 7 September 2007. As of 6 September 2007, the Company holds a total amount of 40.401.130 shares in Böhler-Uddeholm corresponding to approximately 79.2% of the equity capital of Böhler-Uddeholm. This comprises acquisitions of shares from shareholders accepting the Bid, acquisitions through parallel purchases as set out above as well as the Böhler-Uddeholm shares transferred from BUI to the Company as a consequence of corporate restructuring measures.

All relevant notices in connection with the Bid were published in the Official Gazette attached to Wiener Zeitung, on the homepages of Böhler-Uddeholm ([www.boehler-uddeholm.com](http://www.boehler-uddeholm.com)) and of voestalpine ([www.voestalpine.com](http://www.voestalpine.com)), and on the homepage of the Austrian Takeover Commission ([www.takeover.at](http://www.takeover.at)). The Company will publish the final results of the Bid after the end of the statutory Sell-Out Period on 6 September 2007.

#### ***Financing associated with the Public Takeover Bid***

The Company expects the costs associated with the Bid to amount to approximately €3.75 billion for 100% of the shares of Böhler-Uddeholm AG. The Company has secured sufficient means of financing in order to cover all expenses and costs in connection with the Bid. For further information regarding the financing agreements in relation to the Bid, see “Business – Material Contracts” and “Use of Proceeds”.

#### ***The Böhler-Uddeholm Group***

For a detailed description of the Böhler-Uddeholm Group, see “Business – Special Steel Division – The Böhler- Uddeholm Group”.

## BUSINESS

### Overview

Based in Austria, voestalpine perceives itself as a leading manufacturer and distributor of a wide range of steel products, primarily serving customers in the European automotive, construction & building, general manufacturing and the white goods industries and in the railway industry worldwide. The Company believes that its steel-making operations are, by EBITDA margin, amongst the most profitable in Europe.

voestalpine is the parent company of the Group with operations in the following Divisions: Steel Division, Special Steel Division, Railway Systems Division, Automotive Division and Profilform Division. As a holding company, voestalpine has no business operations of its own, but is responsible for management and support functions for the Group, including overall strategy and planning, investment and finance, budgets, treasury, legal services, mergers and acquisitions and investor and public relations. voestalpine had 77 employees as of the end of the 2006/2007 financial year.

The Group's management structure combines central planning with operational decentralisation. Accordingly, while voestalpine's Management Board determines the Group strategy and policy, and approves an annual budget and revolving three-year business plan for each Division, implementation is entirely handled at the divisional level, and the Management Board does not take part in the day-to-day operations of the Divisions. The chief executive officer of each operating Division is also a member of the Management Board to ensure an appropriate connection between the establishment of strategic goals and the operation of the Group's businesses.

Each Division is required to meet individual targets of sales and profitability. Transactions within the Group are market-based and negotiated on an arm's length basis. Potential acquisitions and expansion projects are initially identified and evaluated on the divisional level from an operational perspective, then subsequently examined at the Company's level from an overall strategic point of view including financing implications.

### The Group's Business Strengths

*Strong technology and know-how.* voestalpine believes that it is an industry leader in terms of technological sophistication, production know-how and research and development, and that its products are—and are perceived by customers to be—of very high quality. The Company's extensive experience and know-how, its wide variety of machinery and its deep understanding of steel allow voestalpine to provide its customers with a broad range of sophisticated, high-value added steel products and solutions. In addition, the Company is committed to its research and development efforts in order to be able to continue to produce and develop innovative steel products and solutions. These high-end products and processes provide higher margins than ordinary steel products, and the Company believes that they permit voestalpine to serve the needs of its customers more directly and completely than bulk producers of lower-end steel products. By pursuing its downstream strategy and due to limited scope for further capacity increase in its existing facility at Linz, voestalpine is in the process of evaluating not only opportunities for adding steel processing facilities but also for establishing steel making facilities in Austria as well as abroad, especially in Central and Eastern Europe.

*Organisational efficiency and operating excellence.* voestalpine believes that its decentralized structure translates into operational flexibility. For example, in the Profilform Division, the small size and independence of the Division's operating companies allows them to focus on the complex, high-end shapes that offer limited tonnages but command high margins, and to re-tool quickly and efficiently to prepare for the production of new shapes, thus optimising running times. Co-ordination of the companies through their respective Division, meanwhile, allows them to share information as to best practice and industry trends and fosters continuous operating improvements. At the same time, the Company believes that it is an industry leader in terms of productivity and operating efficiency, and it is rigorously focused on maintaining this position. An example of this effort is the Group's Continuous Improvement Programme, which has delivered incremental annual cost savings (in reduced personnel and material costs and productivity gains) that the Company estimates are on the order of approximately 1% of annual sales. See “—Continuous Improvement Programme” below.

*Close customer relationships.* voestalpine seeks to differentiate itself from its competitors through its customer service. The Group's organisational structure and operational flexibility allow its companies to respond quickly to the needs of their customers. voestalpine has maintained and nurtured a number of long-standing relationships with important customers who provide the Group with a stable market for its products and services. Wherever possible, the Group looks to develop close relationships with customers, to act as a partner and steel solutions provider rather than a mere supplier of steel products. The Group believes that these

relationships are a source of competitive advantage for voestalpine: for example, in the Profilform Division, when customers rely on the Group's companies to provide not only high-end steel products but also related steel solutions, they effectively outsource more of their own manufacturing operations to voestalpine, thereby deepening their ties to the Group and making it more difficult for competitors to present themselves as a viable alternative source of supply.

*Strong downstream presence.* voestalpine believes that its strong downstream expansion offers a number of significant potential advantages. First, in response to structural overcapacity in the steel industry and increased competitive pressures, consolidation in the European steel sector has led to the creation of a number of very large bulk producers of steel, each with greater financial resources and more extensive global operations than voestalpine. As a niche producer of processed and higher value-added steel products, the Group can limit the extent of its direct competition with these larger producers. Second, processed and higher value-added steel products generally offer higher margins, and are less sensitive to price changes associated with the steel cycle, than ordinary hot rolled steel. The Group believes that its downward expansion should thus translate into further increases in profitability and further reductions in volatility of earnings, relative to other steel producers. Finally, steel processing operations are generally far less capital intensive than steel production itself.

*Successful acquisition track record.* voestalpine has a strong track record in acquiring and integrating businesses and activities in pursuit of its downstream expansion strategy. In recent years, the Group has been able to acquire many of the businesses it needed to bolster its downstream presence, and the integration of these businesses has proceeded without any material difficulties.

## **Group Strategy**

voestalpine aims to be a leading supplier of processed steel products in each of its targeted market segments while maintaining and consolidating its position among the most profitable producers of steel in Europe by EBITDA margin. By increasing its less capital-intensive activities to leverage return on capital employed and by combining external and internal growth, the Company seeks to continue on its path of profitable growth. The following points are the main elements of voestalpine's strategy at the Group level:

- *Continued downstream expansion in high quality market segments.* voestalpine seeks to continue its emphasis on downstream expansion through both acquisitions and organic growth, in order to strengthen its position in high quality market segments. Over the last several years, the Company has implemented this strategy through a series of acquisitions. The Group is now integrating the acquired activities into its business operations, while at the same time actively seeking other acquisition targets to complement its existing downstream activities. In support of the expansion of its downstream activities, the Company is also in the process of evaluating opportunities for adding steel making facilities.
- *Focus on high-value-added steel products and on steel processing.* voestalpine seeks to progressively increase the proportion of its steel producing activities that involve higher value-added products requiring further processing (for example, various types of specially treated and coated steel products). The Group plans to continue to move from basic materials to sophisticated systems and modules, with a particular focus on providing innovative products and solutions.
- *Maintain and enhance customer relationships.* The Group believes that its strong and long-standing customer relationships are one of its main competitive advantages, and it seeks to further intensify these relationships, for example by providing its customers in the auto and rail industry with "one-stop shopping" steel solutions.

voestalpine expects that its strategy will allow it to limit the extent of its direct competition with larger steel producers and avoid exposure to the spot market, will permit further increases in profitability and reduced volatility of earnings relative to other European steel producers and will reduce the capital intensiveness of the Group's business overall.

## STEEL DIVISION

The Steel Division is the largest Division of the voestalpine Group in terms of sales and profits, accounting for 49% of the Group's sales revenue and 53.7% of operating profit (EBIT) in the financial year 2006/2007 (not taking into account the Special Steel Division). Located in Linz, Austria, the Steel Division produces high-quality flat steel products primarily for the European automotive, white-goods, building and energy industries as well as for the Group's Divisions, Profilform and Automotive. The Division believes that its steel-making operations are, by EBITDA margin, among the most profitable in Europe.

The Company's other steel production facilities, at Donawitz, Austria, are dedicated to the production of rails and other long products, and are thus included within the Railway Systems Division.

### Business Environment and Divisional Strategy

The European steel industry is highly competitive, characterised in previous years by significant excess capacity. Partly in response to these competitive pressures, the market trend, according to the Company's own estimates, in the European steel sector has moved towards consolidation and the emergence of massive bulk steel producers.

In addition, steel markets tended to be cyclical and sensitive to general economic conditions. Strong fluctuations in price and demand could be observed especially for products such as ordinary hot rolled coil and other commodity steel. Although the market environment changed due to more dominant pricing power of the consolidated steel industry and strong demand in recent years, commodity steel grades still remain subject to strong competition, especially with import materials from low cost countries, such as China. Therefore, commodity steel products are still facing higher volatility, and have a tendency of lower margins.

The Steel Division has responded to this environment by shifting production away from ordinary hot rolled steel into further processed steel products, while seeking to differentiate itself from its competitors through an emphasis on service, quality and production know-how. Given its advantageous location in the heart of one of Europe's most highly industrialised areas, this combination of product mix and customer focus has, according to own estimates of the Company, enabled the Division to develop strong relationships with important clients, particularly in the European automotive, white goods, construction & building industries and energy industries. As a result the Division has continued to operate with lower volatility in earnings compared to its competitors.

The key elements of the Steel Division's strategy are set forth below:

- *Increasing emphasis on further processing and technologically advanced steel products.* The Division intends to continue to decrease the proportion of production sold as ordinary hot rolled strip and to increase the proportion of coated sheets and high and ultra-high strength steels.
- *Targeting investment to increase production of further processed steel products.* The Division believes that there is significant and growing demand for processed steel products. In response, the Division has invested significant resources into the production of further processed steel products and new processing facilities, in particular in the course of its "Linz 2010" programme. Following the completion of the first stage of the programme in March 2005, the Division began implementing a second stage in April 2005, which provided for the construction of a new cold rolling mill, two additional hot dip galvanising plants, a walking beam furnace, a push pickler, additional secondary metallurgical facilities, as well as a number of additional smaller investments, primarily relating to infrastructure and energy supply. As part of the second stage, the Division is aiming to optimise the whole production process according to the significantly enlarged capacities and new production facilities. In addition, considering the limited scope for further capacity increase in its existing facilities at Linz, the Division is in the process of evaluating opportunities for additional steel making and processing facilities in Austria as well as abroad, especially in Central and Eastern Europe.
- *Enhancing customer relationships through service, quality and know-how.* Customer orientation and customer service are among the primary ways in which the Division seeks to differentiate itself from its competitors. The Division's main customers in the automotive and household appliance industries derive most of their business in the premium segment, and the Division strives to provide innovative solutions to the complex production challenges its customer face. For example, the Division is maintaining research and development partnerships with premium car producers to develop high strengths steel grades in order to improve crash performance whilst making the body shell lighter, which helps the automotive industry to decrease the CO<sub>2</sub> – emissions of their cars. Meanwhile, in the white goods sector, amongst other customer-focused initiatives, the Division owns or participates in steel service centres in Austria, Italy and Germany, which cut and deliver materials to customers on a just-in-time basis. The Division believes that such

activities are important in establishing the kind of close and long-standing relationships it enjoys with many of its key customers.

- *Optimising operating efficiency and cost structure.* Maintaining its position among the most profitable steel-making operations in Europe by EBITDA margin is a key strategic priority. The Division believes it is well placed to do so due to the opportunities for cost reduction and other operating synergies provided by the fact that its steel-making facilities are concentrated on a single production site; to its geographic proximity to its customers; and to its commitment to strict cost management and continuous increases in productivity.

## **Production Facilities**

All of the Steel Division's steel-making facilities are located in Linz, Austria. (As noted above, the Company's other steel production facilities, at Donawitz, Austria, are dedicated to the production of rails and other long products, and are thus part of the Railway Systems Division.) The Linz site is, according to own estimates, one of the largest single steel production complexes in Europe. It is a fully integrated metallurgical complex and contains a coking plant, a sintering plant, a high-capacity blast furnace, three smaller blast furnaces (two of which are in continuous operation), an LD steel plant, a hot wide strip rolling mill, a heavy plate rolling mill, two cold rolling mills, four hot dip galvanising plants, one additional currently being under construction, an electrolytical galvanising plant, two organic coating plants and a foundry.

Pig iron is produced in the Linz works in the main, high-capacity blast furnace and in the three conventional blast furnaces, with a total annual capacity of 4.4 million tons. The LD steel plant produces high-grade steel, including IF steel, with a yearly capacity of currently 5.1 million tons. The steel-making shop has three vessels (with volumes of 158 tons each), three ladle furnaces, three vacuum units and one two-strand and three one-strand continuous casters.

The hot wide strip rolling mill at Linz currently has a capacity of 4.2 million tons per annum, and has undergone extensive modernisation in recent years. The quarto heavy plate rolling mill, with a capacity of 720,000 tons per annum, produces high value-added composite sheets and clad sheet products as well as conventional heavy plates.

The cold rolling of strip at the Linz works takes place in two cold-rolling mills, with an annual capacity of 2.61 million tons. For the surface treatment of cold rolled strip, the Division also operates three modern hot dip galvanising plants (one currently in start-up phase and one under construction), with a combined capacity of 1,270,000 tons per annum, and one plant for electrolytic galvanising, with a capacity of 375,000 tons per annum. Organic coating is carried out in 2 plants with a capacity of 450,000 tons per annum.

The Linz site also contains a foundry which together with its subsidiary in Traisen and joint venture in China has an annual capacity of 25,000 tons (with a maximum piece weight of 170 tons).

The Division also owns or participates in steel service centres, at its Linz site and in Italy, Germany and Poland, which cut and deliver steel products, primarily for customers in the appliance industry. Through its steel service centres, the Division offers finishing services to make both quantitative (such as in product unit weight) and qualitative (such as in product dimension, preparation and packaging) adjustments, which are aimed at meeting customers' requirements at short notice. In addition, the steel service centres offer rapid and flexible distribution of these products, including just-in-time deliveries.

## **Raw Materials**

The Division's steel-making activities consume significant amounts of iron ore and coal. Its activities also require smaller amounts of various other ferrous and non-ferrous metals and steel scrap for use in the converters and zinc for use in coating steel. The Division has its own coking plant to transform coal into coke, and produces approximately 80% of the coke required in its blast furnaces operations. Approximately 20% of coke supplies are purchased from sources in the Czech Republic and Poland, mainly on the basis of long-term contracts.

Benchmark prices for the raw materials used in voestalpine's steel production process—primarily coal, coke and iron ore—are established through annual negotiations between major producers and consumers. The location of its production facilities gives the Division access to Central and Eastern European sources of raw materials, which to a certain extent counteracts the disadvantages of its landlocked location. The Division consumed 1.9 million tons of coal in the financial year 2006/2007. Nearly all of the coal used by the Division is sourced from Poland and the Czech Republic. Iron ore consumption for the 2006/2007 financial year was 7 million tons. Approximately 30% of the Division's iron ore is sourced from the Ukraine, with an additional 23% obtained from within Austria. voestalpine is able to use these sources of iron ore which, because of its particular chemistry, poses unique challenges for the steel-making process, requiring special know-how. The Division also has the expertise to switch from these ores to more

conventional materials in its blast furnaces, thereby enhancing its operational flexibility. Brazilian and South African sources supply most of the remainder of the Division's iron ore.

The Company holds a 33.4% stake of an international scrap trading company, Scholz Austria GmbH, which supplies approximately 50% of the Group's scrap consumption. The rest of the scrap demand is supplied through third parties.

The Division's raw materials supply contracts are typically concluded on a long-term basis of up to ten years, with prices set through individual annual negotiations between the Company and its suppliers. These prices are affected by changes in world-wide prices associated with the progress of the steel cycle.

The Division has long-standing relationships with its suppliers of raw materials, particularly in the Ukraine, Poland, the Czech Republic, Brazil and Austria, giving it an unusual degree of stability in input flows. The Division believes that if for any reason, it were unable to continue to source its raw materials from its current suppliers, it would be able to obtain its requirements from alternative suppliers, although probably at increased cost.

The Division is self-sustaining with respect to energy, using the gas created in its blast furnace operations to produce electricity, as is now common practice in the steel industry. The Division operates a limestone quarry with lime-burning kilns approximately 60 kilometres south of Linz with an annual total capacity of approximately 1.1 million tons to assure supply of burnt lime and limestone chips for production in Linz and in Donawitz. Approximately 800,000 tons are supplied to Linz and approximately 50,000 tons to Donawitz.

## Products

The Steel Division produces hot and cold rolled steel, surface-coated steel products (including hot dipped galvanised, electrolytically galvanised and organically coated products) and heavy plate.

Because the Division produces a significant proportion of high quality and processed steel, demand for the Division's products is reasonably constant and the works at Linz operate at maximum capacity. The plant's utilisation rate has remained stable, even during downturns in the steel cycle.

The following chart sets forth the product mix for the Steel Division for the financial year 2005/2006 and 2006/2007 based on total shipments (includes only flat steel products):

<b>Product</b>	<b>Percentage of total shipments<sup>(1)</sup></b>	
	<b>Year ended 31 March</b>	
	<b>2005/2006</b>	<b>2006/2007</b>
Hot rolled strip .....	23	24
Cold rolled strip.....	23	21
Heavy plate .....	13	13
Surface-treated * .....	41	42

\* Surface treated material including sales of hot rolled material to further processing units within the Group.

(1) Including shipments to Group companies.

The Division pursues a strategy of moving into higher value added products. In line with its investment programme "Linz 2010" the breakdown of goods sold changed significantly towards surface treated material (hot dip galvanised, electrolytically galvanised and colour coated sheet) whereas the portion of hot rolled sales was reduced accordingly.

The Division produces heavy plate and clad plate, primarily for customers in the construction, oil and gas and general manufacturing industries. The Division's range of heavy plate products includes to a minor extent standard grade plates but mainly high quality plate of different shapes, depending on its end use. Furthermore, the Division's foundries produce high-quality steel and nodular iron castings for various end-users.

The Division offers mainly higher-grade steel products and only to a minor extent standard grades. Its product range comprises deep drawing and specialty deep drawing grades made of ultra low carbon, vacuum-treated steel grades as well as deep drawing and drawing grades made of aluminium-killed steels. In addition, the Division understands itself as an industrial leader in the development of high strength and ultra high strengths steel grades, mainly for the automotive industry.

## Customers

### *Geographic Distribution of Customers*

The Steel Division's customers are primarily based in Europe, Austria, thereby, representing the Division's largest single market. The following chart sets forth the Steel Division's breakdown by geographic sales for the financial year 2005/2006 and 2006/2007:

<u>Market</u>	<u>Year ended 31 March</u>	
	<u>Percentage of total</u>	
	<u>sales</u>	
	<u>2005/2006</u>	<u>2006/2007</u>
Austria .....	34	32
Germany .....	22	23
Italy.....	12	14
Other Europe.....	24	23
Rest of world.....	8	8

The Steel Division's clear emphasis on European customers both results from and complements its strategic location in the centre of Europe's industrial heartland. Generally speaking, the cost of transporting steel gives local suppliers a natural competitive advantage. A significant number of important users of steel have large manufacturing facilities relatively close to the Linz production site—in particular, major automobile and appliance makers based in Germany, Italy and Central Eastern Europe. The Division has thus found in these customers a natural market for its products. Similarly, the Austrian construction market represents an easily accessible customer base and a stable source of demand. In the financial year 2006/2007, approximately 75% of the Division's deliveries were to customers located within a 500 kilometre radius of Linz.

### *Customers by Industry*

The Steel Division sells its products mainly to customers in the European construction, appliance, automotive and energy industries. The following chart sets forth the breakdown of sales by industry sector for the financial year 2005/2006 and 2006/2007:

<u>Industry Sector</u>	<u>Percentage of total</u>	
	<u>sales<sup>(1)</sup></u>	
	<u>Year ended 31 March</u>	
	<u>2005/2006</u>	<u>2006/2007</u>
Automotive Industry (incl. subsuppliers).....	25	23
Civil and mechanical engineering .....	20	24
Building and construction subsuppliers .....	20	17
White goods <sup>(1)</sup> .....	10	8
Energy industry .....	10	16
Other.....	15	12

(1) Includes sales to steel service centres and intermediate wholesaling companies which primarily serve the appliance industry.

### *Automotive Industry*

The Steel Division perceives itself as a leading supplier to the European automotive industry and plans to focus on growing the percentage of divisional sales to this customer segment. The Division supplies steel products to Audi, BMW and the European automotive operations of DaimlerChrysler, as well as to Fiat, Opel, Skoda and the PSA group, as well as Toyota, Hyundai, Suzuki and KIA.

The Division's strategic focus on the automotive industry reflects the lesser cyclicity of this industry (relative, for example, to construction), as well as the Division's belief that the automotive sector will increasingly come to incorporate further processed and higher grade steel in its car designs and will increasingly look to steel producers to provide innovative solutions to complex production challenges. See "Automotive Division". The Division currently cannot satisfy the demand for its further processed steel products from the automotive industry. The investment programme that is being implemented at Linz is specifically targeted at increasing the output of such products to meet this demand.

The Steel Division supplied the Automotive Division with approximately 120,000 tons of steel in 2006/2007, mainly for the production of laser-welded blanks that are sold to the automotive industry. Prices are market-based and determined on an arm's-length basis.

#### *Construction Industry*

The European construction industry, particularly in Austria, represents the Steel Division's largest market for construction-related goods. The Division is, according to own estimations, the market leader as a provider of steel to this industry in Austria. The Division is particularly active in supplying steel products to Austrian welded tubes and sections manufacturers, and to associated producers of galvanised narrow strip.

Sales to the construction industry mainly consists of hot rolled coil products and organically coated products. The Division also supplies heavy plates to customers in the construction industry.

The Steel Division supplies its sister Division, the Profilform Division, with approximately 320,000 tons of hot rolled and galvanised steel annually for further processing and sale in its operations. Since the products manufactured by the Profilform Division from this steel are mostly used in the building sector, the Steel Division categorises its sales to the Profilform Division as building industry sales. Price negotiations between the Steel and Profilform Divisions take place quarterly. Prices are market-based and determined on an arm's-length basis.

#### *Household Appliance Industry*

The Division perceives itself as a leading supplier to the European household appliance industry, including among its major customers Zanussi/Electrolux, Whirlpool, Siemens/Bosch, Gorenje and Liebherr. Cold rolled steel products, hot rolled steel products and electrical steel account for the largest part of the products delivered to the household appliance industry.

#### **Long-Term Contracts**

The ratio of long-term contracts, defined as contracts for a duration of six months or more, to total customer contracts in the Steel Division has been rising steadily in recent years. This ratio was 45% in financial year 1998 and rose to 71% for the financial year 2006/2007. Furthermore, a growing number of contracts are now exceeding one year.

Long-term contracts entered into by the Steel Division are predominantly for specific quantities and prices. The Division believes that, because they help to fix volume and prices, long-term contracts help reduce earnings volatility, and thus intends to seek to increase the proportion of its sales made under long-term contracts over time.

#### **Competition**

Consolidation in the European steel sector has led to the creation of numerous large bulk producers of steel, including ArcelorMittal (acting globally), ThyssenKrupp (Germany), Riva (Italy), Tata/Corus (India, UK/The Netherlands) and US Steel (Slovakia and Serbia). Other significant steel producers in the region include Salzgitter (Germany), Rautaruukki (Finland) and SSAB (Sweden).

The process of consolidation has provided the Steel Division with new opportunities to gain market share, as steel consumers, particularly in the automotive industry, have sought to establish alternative sources of supply.

Ordinary hot rolled steel, essentially, is a commodity product. Although variations in quality are observable and do provide a basis of competitive advantage, fundamentally, competition with respect to hot rolled steel is price-based. Accordingly, local suppliers have a natural competitive advantage in this area, insofar as transport costs tend to vary according to the distance to be covered. A significant proportion of the Division's deliveries of hot rolled steel goes to its sister Division, Profilform. The Division's remaining hot rolled production is sold pursuant to long-term contracts and thus is not subject to the spot market.

## **SPECIAL STEEL DIVISION – THE BÖHLER-UDDEHOLM GROUP**

### **Overview**

The Division Special Steel is the most recent supplemented Division of the voestalpine Group and is expected, after full integration, be the second largest Division in terms of sales. The Division, consisting of Böhler-Uddeholm Group, is, according to voestalpine's own estimations, one of the largest industrial groups in Austria and, according to voestalpine's own market analysis, one of the world's leading special steel manufacturers. The Böhler-Uddeholm Group is comprised of a leanly staffed holding company based in Vienna and approximately 160 subsidiaries in about 50 countries all over the world. Böhler-Uddeholm operates 15 major production facilities in Europe, China and North, Central and South America. Its products are distributed through the Böhler-Uddeholm Group's own sales and distribution network, which comprises sales locations in roughly 50 countries, and through more than 140 agents worldwide.

Böhler-Uddeholm products are used in a variety of industries, such as the automotive, consumer goods, power generation, petrochemicals, electronics, oil services, mechanical engineering and aircraft industry. Currently, the Böhler-Uddeholm Group employs around 14,300 people, of which approximately 70 per cent are based outside of Austria.

Böhler-Uddeholm was, although still being a listed company on the Vienna Stock Exchange's Official Market (*Amtlicher Handel*), fully consolidated in the voestalpine Group's accounts as of 1 July 2007 and will be managed within the voestalpine Group as a further Division like the other four Divisions. The internal name will be Division Special Steel, while externally the Division will act under the name of Böhler-Uddeholm AG.

For the integration of the Böhler-Uddeholm Group into voestalpine Group an integration team has been established which is reporting to the management boards of both voestalpine and Böhler-Uddeholm. The team consists of members of both Groups working on various integration tasks in dedicated sub-teams. These sub-groups deal with reporting and accounting issues, treasury, purchasing, raw material, R&D, IT, human resources, communication and other relevant issues. The integration team and the sub-teams also have the task of identifying and quantifying synergies and to establish a time-line for raising the synergies which have been identified.

### **Economic Reasons for the Public Takeover of Böhler-Uddeholm AG**

For several years, voestalpine Group has been pursuing a strategy of sustainable and profitable growth. The development of the individual Divisions runs along the value-added chain, and the Group focuses on products of the highest quality in demanding niches and market segments. The Group's objective is technology and quality leadership in its core businesses and to reach or maintain a top 3 market position in Europe and in selected business divisions worldwide.

Böhler-Uddeholm Group is, from voestalpine's point of view, either a world market leader or among the top 3 in most of its business Divisions, which corresponds to the strategic objectives of voestalpine for its Divisions. In addition, the Böhler-Uddeholm Group has been delivering a solid operative performance with considerable growth rates over many years. Böhler-Uddeholm's lower exposure to business cycles as compared to other companies in this industry also corresponds to the objective defined and pursued by the Management Board of voestalpine for the voestalpine Group. A common understanding of the industry, considerably mutual knowledge of the business activities of the respective other group, and the fact that there is little operative overlap will further support a quick and smooth integration of Böhler-Uddeholm into the voestalpine Group.

### **Consolidation of Böhler-Uddeholm AG with voestalpine Group**

Following the acquisition of a majority stake of Böhler Uddeholm AG, voestalpine AG is in the process of consolidating the Böhler Uddeholm Group as its Special Steel Division in its financial reporting beginning with the second quarter of the financial year 2007/08. For accounting purposes, 1 July 2007 is deemed as the acquisition date. Consequently, the Böhler-Uddeholm Group, including all its (substantial) subsidiaries, will be initially disclosed as part of voestalpine Group in voestalpine's (consolidated) interim financial statements for the second quarter of the current financial year with the reporting date 30 September 2007. Thus, the net debt position of Böhler-Uddeholm of approximately €600 million will be part of voestalpine Group's net debt position.

Currently, voestalpine is in the process of allocating the excess of voestalpine's interest in the net fair value of Böhler-Uddeholm's identifiable assets, liabilities and contingent liabilities over cost (so called "purchase price allocation" in accordance with IFRS 3), which was at the end of September 2007 on a provisional basis in order to allow the consolidation of voestalpine Group and Böhler-Uddeholm Group by the end of the second quarter of the financial year 2007/08. In accordance with IFRS 3, the initial accounting of the business combination can be made on a provisional basis and such provisional determinations can be adjusted within twelve months following the acquisition date. Based on the latest annual and quarterly financial statements of

voestalpine and Böhler-Uddeholm, no material intra group revenues or loans, which would have to be eliminated in the course of financial consolidation, were identified. Accordingly, voestalpine does not expect substantial effects on voestalpine's consolidated financial statements arising from the consolidation of intra group revenues or loans of the Böhler-Uddeholm Group.

## **Business Environment and Divisional Strategy**

The major product segments of the Böhler-Uddeholm Group, tool steels, high speed steels and special grade steels, represent a highly specialised niche within the special steel industry which differs significantly from the carbon steel industry and other special steel products due to a highly specialised process technology and small production runs. Distribution and services account for a large proportion of the value added.

Due to customer specific product requirements, high value primary materials, specific process technology and a high level of services provided, prices for the Böhler-Uddeholm Group's products are substantially above prices of carbon steel.

In coming years, the Böhler-Uddeholm Group expects demand for its special steel products to grow, in particular in South America, China, India and South East Asia and Eastern Europe, based in particular on expected growth in the automotive industry in these regions.

Böhler-Uddeholm has a number of key strengths that the management of Böhler-Uddeholm believes distinguish the Böhler-Uddeholm Group from other steelmakers and give it a competitive advantage in the markets in which it operates, which are set forth below:

- *Global presence.* The Böhler-Uddeholm Group's main production facilities are located in Austria, Sweden, Brazil and Germany. Further production sites are located in the United States, Belgium, Italy, Turkey, China, Indonesia and Mexico. In addition to its production facilities, the Böhler-Uddeholm Group has a network of more than 100 fully owned sales and distribution companies around the world.
- *Focus on niche segments in four divisions.* The Böhler-Uddeholm Group is active in the manufacture and distribution of high performance metals (predominantly tool steel, high speed steel, valve steel, nickel based alloys and special grade steels), welding consumables, precision strip steel products and closed die forged products. The Böhler-Uddeholm Group specialises in products in the high quality segment and it claims to be, according to own estimations, one of the globally leading niche players.
- *Strong distribution network and customer service.* The management of Böhler-Uddeholm believes that the Böhler-Uddeholm Group's global decentralised distribution and service network, comprising distribution outlets in roughly 50 countries worldwide, provides it with a significant competitive advantage as it enables the Böhler-Uddeholm Group to provide a high level of service to customers worldwide and to anticipate and react quickly to changing market demands.
- *Strong downstream presence in high performance metals.* In High Performance Metals, the Böhler-Uddeholm Group's largest business unit, Böhler-Uddeholm distinguishes itself through a broad downstream service package. In addition to on-site cutting services that supply customer-specific lot sizes, many distribution locations also offer various kinds of machining and heat treatment services which involve a substantial amount of technological expertise and product-specific know-how.
- *Strong brand loyalty.* In markets where products are often identified and specified by reference to industry norms, the Böhler-Uddeholm Group's distribution network pursued a strategy of establishing brand names for its high quality products and services that the management of Böhler-Uddeholm believes enjoy worldwide recognition and strong customer loyalty that distinguish the Böhler-Uddeholm Group from many of its competitors.
- *Limited cyclicity.* Based on past experience, the management of Böhler-Uddeholm believes that the Böhler-Uddeholm Group's business is generally less cyclical than the carbon steel and general special steel industries. Böhler-Uddeholm's products are used in a variety of industries, which reduces the Böhler-Uddeholm Group's exposure to any individual segment. The geographical diversification of the Böhler-Uddeholm Group's sales reduces the impact of regional economic downturns.
- *Diversified customer base.* With the exception of the Special Forgings business unit, the Böhler-Uddeholm Group has a broad and diversified customer base with more than 100,000 customers worldwide. While it aims to establish strong and

long-term relationships with its customers, no single customer accounts for more than 2% of annual consolidated net sales. As a result, the Böhler-Uddeholm Group's business is not dependent on individual customers and their economic performance. In addition, this diversification minimizes the exposure of the Böhler-Uddeholm Group to the credit risk of its customers.

The overall strategic objective of the Böhler-Uddeholm Group is to strengthen its position as, according to voestalpine's own market analysis, one of the leading special steel makers. In particular, the Böhler-Uddeholm Group intends to pursue profit and growth opportunities through the following specific measures:

- *Leverage of Core Competences and Strengths.*

The management of Böhler-Uddeholm intends to further emphasise Böhler-Uddeholm Group's core competences in order to consolidate the Böhler-Uddeholm Group's position and to build on them as part of the Böhler-Uddeholm Group's long-term strategy of profitable growth. In particular, the Böhler-Uddeholm Group intends to react quickly and efficiently to market changes and technological developments in the future and to secure and consolidate its position in markets where it already enjoys a well-established position. In addition, the management of Böhler-Uddeholm plans to build on these competences and strengths in expanding the Böhler-Uddeholm Group's market share in emerging markets, such as China, India and Eastern Europe, as well as other markets that the Böhler-Uddeholm Group perceives to be growth markets for its products, such as the Americas.

- *Focus on Internal and External Growth*

In 2001, the Böhler-Uddeholm Group changed its long-term strategy from consolidation to growth.

As part of its internal growth strategy, the Böhler-Uddeholm Group will continue to shift its product mix towards higher quality products, in particular premium products such as electroslag remelted (ESR), vacuum arc remelted (VAR) and powder metallurgical (PM) steel products, as well as reallocate and optimise capacity utilisation accordingly. In addition, the Böhler-Uddeholm Group intends to invest in vertical integration, such as machining and heat treatment, to enhance value added, to strengthen its customer relationships and to broaden its product and service offerings to provide complete customer solutions. In emerging markets the Böhler-Uddeholm Group intends to grow its product sales by establishing new distribution outlets keeping local inventories and expand existing ones.

As part of its external growth strategy, Böhler-Uddeholm acquired Brazilian special steel producer Villares Metals in March 2004. As a result of this acquisition, Böhler-Uddeholm became, according to own estimations, a market leader in tool steel and high speed steel in South America and significantly strengthened its worldwide market position in valve steel.

In July 2005, Böhler-Uddeholm acquired Edelstahlwerke Buderus AG, from Buderus AG, an indirect subsidiary of Robert Bosch GmbH. This company was then split into three legal entities which strengthened the Böhler-Uddeholm Group by a complementary product portfolio in several niches of the special steel business. In October 2005, Avesta Welding AB (Sweden) was acquired and in October 2006 the strip steel specialist Helmold in the USA was acquired.

Böhler-Uddeholm intends to continue this strategy by identifying suitable acquisition and investment opportunities for each of its business units.

## **Production Facilities**

### ***High Performance Metals***

The business unit High Performance Metals has seven significant manufacturing facilities located in Austria (Kapfenberg, Bruckbach and Mürzzuschlag), Germany (Wetzlar), Sweden (Hagfors), Brazil (Sumaré) and the United States (South Boston). As part of the Böhler-Uddeholm Group's distribution and service strategy, the business unit operates a substantial number of heat-treatment facilities, predominantly in Asia.

The facility in Wetzlar is the largest, accounting for a substantial part of the business unit's production volume in tons, followed by Kapfenberg, Hagfors and Sumaré with also a major contribution to total volumes, and by Mürzzuschlag, Bruckbach and South Boston as comparatively smaller facilities. Wetzlar, Kapfenberg, Hagfors and Sumaré operate the business unit's melting shops, which use electric arc furnaces. The Kapfenberg, Hagfors and Sumaré also have electro-slag re-melting units. In addition, Kapfenberg and Sumaré operate a vacuum induction melting facility. All four locations have forging facilities and rolling mills are

operated in Kapfenberg, Hagfors and Sumaré. Mürrzuschlag focuses on sheet and plate production, while Bruckbach manufactures profiles. The facility in South Boston produces small quantities of bars and wire.

Overall, management of Böhler-Uddeholm believes that the business unit's facilities operate state-of-the-art technology and that particularly the investment program between 2005 and 2007 will secure and further improve its position in the development, manufacture and distribution of its core specialty steel products.

### ***Welding Consumables***

The business unit Welding Consumables operates seven manufacturing sites in Austria (Kapfenberg), Germany (Hamm, Düsseldorf), Sweden (Avesta) Belgium (Seneffe), Brazil (São Paulo) and Mexico (Tlalnepantla) and, through joint ventures, maintains two production facilities in Italy (Cittadella) and Turkey (Istanbul). The business unit is currently relocating of its São Paulo manufacturing site to an expanded facility in the same area. In addition, the business unit started operations of a manufacturing site in the Suzhou area of China starting in June 2007.

The basic materials for the production of welding consumables are steel wire and steel strip in coils. For the manufacture of stick electrodes, wire of various diameters and grades is cut into various lengths, coated with cladding materials in extrusion presses and then dried in furnaces. For the production of wire electrodes, wire is reduced to its final diameter through a drawing process. Some grades of wire electrodes are copperplated. For flux-cored wire production, metal strips are formed in roll stands and filler materials are poured into the core of the strip during the forming process when finally the diameter is reduced to various sizes applicable.

### ***Precision Strip***

The business unit has four production plants: in Böhlerwerk and Traismauer, Austria, where it concentrates its production of bimetal strip, steep rules and rule die steel as well as of stone-saw steel blades and circular woodsaw blades. In Munkfors, Sweden, the business unit focuses on the production of steel for wood band saws and for valve blades, razor blades and coaterblades, and in Wetzlar, Germany, the business unit operates facilities for the manufacturing of hot rolled strip and cold rolled strip steels. The Chicago based site in the USA is specialized in the production of steel rules and the manufacturing of tools for the construction of dies for the packaging industry.

### ***Special Forgings***

Specially forged products must satisfy increasingly higher quality requirements and technical specifications, which necessitates the use of technologically advanced equipment and know-how throughout the production process. The business unit's products are manufactured at its forging plants in Kapfenberg, Austria and Wetzlar, Germany. The business unit's core production equipment include two screw presses, with a maximum energy of 10,000 kJ and 5,600 kJ, as well as rotary forging machines, drop forging hammers and open-die hammers. Milling machines handle the mechanical finishing of aircraft components and turbine blades. Quality control of components for which quality is essential, such as aircraft parts, is performed by an automatic ultra-sonic testing unit.

### **Products and Services**

The following chart sets forth information on the product mix for the Böhler-Uddeholm Group for the financial year ended 31 December 2005 and 31 December 2006:

<b><u>Industry Sector Product</u></b>	<b><u>Percentage of total sales</u></b>	
	<b><u>Year ended</u></b>	
	<b><u>31 December</u></b>	
	<b><u>2005</u></b>	<b><u>2006</u></b>
High Performance Metals.....	73	69
Welding Consumables .....	12	13
Precision Strip .....	9	10
Special Forgings .....	6	8

## **High Performance Metals**

High Performance Metals specialises in high grade special steel products, such as special alloys, which require specific physical and chemical characteristics. These characteristics are achieved through the addition of various alloys, special melting techniques, special hot and cold forming processes and through heat treatment. Lower margin products have increasingly been eliminated from the business unit's production portfolio and are purchased from third parties. The business unit offers products in the following seven main categories:

- *Tool steel*, which includes cold and hot work steels and plastic mold steel. *Cold work steel*, which can be used at surface temperatures up to 200°C, is used to manufacture tools such as punching, stamping and cutting tools. *Hot work steel*, which is used at temperatures constantly above 200° C, is required for the production of tools for forging, die casting and the extrusion of metals such as aluminum and copper. *Plastic mold steel* is used for the manufacture of tools for the pressing, extrusion and pressure die casting of plastics and is designed to resist chemically aggressive substances.
- *High-speed steel* used for the production of tools such as twist drills and cutters.
- *Valve Steel* used in combustion engines.
- *Powder metallurgical steel*, which is extremely wear and corrosion resistant and durable and, therefore, increases the life of the tools. It is used both in tool steel and high-speed steel products.
- *Special engineering steel* for the power generation industry (for products such as heavy duty gearboxes).
- *Special grades steel* used for components which must meet specific requirements, such as corrosion resistance, heat resistance and strength at high temperatures. Typical applications are in the aerospace industry, mechanical engineering for the energy industry, medical applications, the oil and gas industry and the automotive industry, particularly engine production.
- *Nickel-based alloys and high-alloy bars, sheets, plates, wire and profiles*. These products represent the high-end of the special steel spectrum and are used for special applications in the aircraft and space industry (rocket engines) and the medical industry as well as for off-shore industries and in the chemical industry. While volumes in these products are very small, they serve as references for the Böhler-Uddeholm Group's reputation as a high quality producer.

In order to offer a full range of products to its customers, the business unit complements its own core production by purchasing significant quantities of certain finished products from selected suppliers outside the Böhler-Uddeholm Group. These third party products have to meet Böhler-Uddeholm's high quality standards but are available from a number of alternative sources and the business unit is not dependent on any particular producer.

In addition to the steel sold, the business unit offers its customers a broad range of machining, heat treatment and etching services at its local distribution companies. These services are a major competitive advantage for the business unit in boosting the sales of its own products and in providing substantial revenues that the business unit derives from these services, which are also offered for products that were not purchased from the Böhler-Uddeholm Group.

This broad range of downstream services offers the customer a comprehensive package of high quality and material and services from a single provider. Heat treatment in particular requires extensive product-specific know-how and plays an important role in defining the quality of the finished tool or other product. The comprehensive service package enables the business unit to build long-term relationships with its customers for the solution of their special steel needs.

## **Welding Consumables**

Welding consumables are materials used in all industrial production processes where metals are joined together and for wear, heat and corrosion resistant applications. The business unit offers a broad portfolio of high-quality welding consumables which are used in both joint welding and surface coating. Medium and high alloyed welding consumables including for repair and maintenance welding typically generate about two-thirds of the business unit's total sales. In order to offer a more complete product range to its customers, the business unit purchases some consumables from third party producers. These additional products are available from a number of suppliers and the business unit does not depend on any individual producer for its purchases.

The business unit's product range includes coated electrodes, solid wires, flux-cored wires for electric arc welding, stick electrodes for gas welding and welding consumables for repair and maintenance applications. Soldering and brazing materials are also becoming a more important product field. In addition, the business unit provides technical advice on customer-specific problems.

### ***Precision Strip***

The Precision Strip business unit produces a wide range of cold rolled and precision strip steel, which is processed into:

- bimetal strip steel and saw steel, used primarily for the production of saws to cut materials, such as wood, stone, plastics, metals and foods;
- rule die steel used for the production of rule dies for the stamping or cutting of leather and textiles into desired shapes;
- cutting and creasing rules used in the paper and packaging industries; and
- coater blades used to put a coated layer on high quality paper, paper and printing doctor blades used in the printing trade to remove excess ink from rolls, ink knives used in ink production, and chocolate knives used to level off chocolate from production rolls.

The business unit also offers special cold rolled strip steel in very thin widths, such as reed steel which is used for the manufacture of weaving reeds for the textile industry and steel used for the manufacturing of valves, razor blades, surgical instruments and needles. In addition, the business unit produces hot rolled strip steel which serves as pre-material for all strip steel products. A part of the hot rolled strip steel is sold to third party cold rolled strip mills.

The management of Böhler-Uddeholm believes that the business unit's strengths lie in the high quality of its bimetal strip steel, which is produced by using a laser beam welding technology, as well as in its strip steel's capability to meet narrow specification ranges regarding width, metallurgical properties, surface texture and easy processing. These qualities are particularly important for the paper and printing industry and multilayer production. Further enhancement of these qualities is a main focus of the business unit's research and development efforts.

### ***Special Forgings***

The business unit offers products in the following main areas:

- *Aircraft structural parts and jet engine parts:* For the aircraft industry, the business unit supplies medium-sized structural parts, such as airframe components, wing components and landing gear components for airplanes and parts for helicopters, as well as forged aero engine discs. These products are made of titanium, nickel-based alloys and special aircraft steel.
- *Steam and gas turbine blades for power generation:* For the energy sector, the business unit's main products are precision forged blades used in stationary steam and gas turbines in the medium to large power ranges.
- *Special Forgings:* The business unit also manufactures a number of special forgings, such as engine and axle components for utility vehicles, marine diesel valves used in marine engine construction, forged components for cable railways and wheels for railroad cars, and high quality niche components for the machinery and plant construction sectors.

### **Customers**

Based on information derived from industry statistics and internal Böhler-Uddeholm Group data and estimates, the management of Böhler-Uddeholm believes Böhler-Uddeholm is one of the world's largest suppliers of tool steel and high-speed steel.

The following chart sets forth a breakdown of the Böhler-Uddeholm Group sales by industry sector for the financial year ended 31 December 2005 and 31 December 2006:

<b>Industry Sector</b>	<b>Percentage of total sales</b>	
	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2005</b>	<b>2006</b>
Automotive .....	36	36
Consumer Goods .....	22	22
Power Generation .....	11	11
Mechanical Engineering .....	10	10
Aircraft.....	6	6
Electronics.....	5	5
Petrochemicals .....	5	5
Others .....	5	5

The following chart sets forth the Böhler-Uddeholm Group breakdown by geographic sales for the financial year ended 31 December 2005 and 31 December 2006:

<b>Market</b>	<b>Percentage of total sales</b>	
	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2005</b>	<b>2006</b>
European Union.....	58	60
N/S America.....	23	20
Asia.....	12	13
Other Europe.....	4	4
Australia.....	2	2
Africa.....	1	1

### **High Performance Metals**

High Performance Metals' most important customers are in the automotive and automotive supplier industries, which account for more than one third of the business unit's total sales, followed by consumer goods, which also contributes a material portion to total sales. Other important customers are the electrical, energy and aircraft industries.

The business unit's customer base is highly diversified and no individual customer accounts for more than 2% of total sales. The business unit's products are also supplied as primary material to Böhler-Uddeholm Group companies in other business units.

The principal geographical markets for High Performance Metals are Europe, primarily Germany and Italy, the United States, South America and Asia.

The business unit sells its products through a global network of local distribution companies in about 50 countries. This local presence close to the customer results in reduced delivery times through local inventories and a product range which, according to own estimates of the management of Böhler-Uddeholm, reflects local market demand. It is also crucial for providing downstream services like machining and heat treatment. The business unit's own distribution companies account for roughly two thirds of total sales, while about one third is made either directly with end users or through independent distributors, particularly in regions where the business unit's own presence is more limited.

### **Welding Consumables**

Welding consumables are used in a variety of industrial applications, such as steel processing works, equipment engineering, automobile manufacturing, heat resistant, high-strength and corrosion resistant welding in power plant and general plant construction; corrosion, acid and heat resistant welding in chemical equipment engineering, applications in the oil and gas pipeline industry, refineries, maintenance and repair workshops. Based on their contribution to total sales, the petrochemical and chemical industry are the business unit's largest customer groups, closely followed by the automotive, power generation and steel works repair sectors. In each of these segments the business unit supplies a large group of customers, none of which accounts for more than 2% of the business unit's total sales. Relationships with customers are on an order-by-order basis or on the basis of framework agreements

pursuant to which customers place individual orders. The welding consumables are sold primarily via the business unit's own sales and distribution network.

### ***Precision Strip***

The business unit supplies its products to customers in the automotive, consumer goods, engineering and construction sectors as well as to the wood, paper, iron and metal processing industries. Based on their contribution to total sales, the consumer goods industry represents by far the largest customer segment, followed by automotive and engineering and construction. With the exception of bimetal strip and special thin strip steel products, where the business unit has a smaller number of customers, the customer base is highly fragmented. The principal geographic markets for the business unit's products are the European Union, North America and Asia. Increased demand also derives from Eastern Europe and South Asia.

### ***Special Forgings***

Business with customers in the aircraft and turbine construction sector is conducted primarily on the basis of long-term framework contracts under which customers place specific orders as their needs arise. Virtually all products are sold directly to the business unit's major customers. Aircraft manufacturers, such as Boeing, Airbus (EADS) and Embraer, and their component suppliers, as well as aero engine disc manufacturers, such as General Electric, Volvo Aero, Snecma, MTU and Rolls Royce, constitute the largest customers for Special Forging's products. Other important customers operate in the turbine construction industry. These include Siemens, Alstom, General Electric, Ansaldo, Mitsubishi and Toshiba. The business unit also sells its products to companies in selected niches of the machinery and plant construction field, such as HSD Engine, Hyundai, Jenbacher and the Austrian federal railways company. Forged components for utility vehicles are sold to customers like DaimlerChrysler, MAN, Scania and RVI (Renault).

### **Competition**

#### ***High Performance Metals***

The market for Böhler-Uddeholm Group's tool steel and high speed steel products is global in nature and is characterised by a small number of significant producers. The business unit's principal competitors in the area of tool steel and high-speed steel are Schmolz + Bickenbach Group, Hitachi, Daido, Erasteel, Industeel/Arcelor, Lucchini and Dongbei Specialty Steel. The management of Böhler-Uddeholm believes that the Böhler-Uddeholm Group is a world leader in tool steel and high-speed steel with a market share of above 25% (by value).

The management of Böhler-Uddeholm believes, according to its own estimates, that the business unit's strong market position is derived from its high-quality products, metallurgical skills, finishing and application expertise and its extensive product range (partly supplemented through third-party products). The business unit also distinguishes itself from its competitors through its multi-brand strategy and strong product brands and its global distribution network which aims for short delivery times and high reliability.

#### ***Welding Consumables***

The welding consumables market is highly fragmented on the global level. The management of Böhler-Uddeholm estimates that the five largest producers account for about 30% of worldwide sales, and that the business unit is the third or fourth largest producer with a market share of roughly 5%. In Western Europe (European Union and Norway) market concentration is greater, where the management of Böhler-Uddeholm estimates the five largest competitors together to hold about 70% market share. The management of Böhler-Uddeholm estimates that the business unit has a 20% market share in Western Europe. In the medium and high alloyed welding consumables field, the management of Böhler-Uddeholm believes the business unit is a Western European leader with approximately 40% of the market.

The business unit competes with several internationally active companies such as Lincoln, ESAB, Air Liquide and Kobelco. In addition, it faces competition from local suppliers, such as Nippon Steel, Hyundai, Kisweld and Golden Bridge. Most of the business unit's main competitors are primarily active in the production and sale of welding machines or industrial gas used in the welding process and sell welding consumables as a supplement to their main products.

The management of Böhler-Uddeholm believes, according to its own estimates, that the fragmented market for welding consumables will consolidate further in the coming years and that the business unit is well positioned to actively participate in this process.

### ***Precision Strip***

Based on its own estimates, the business unit is a globally leading player in the niches of bimetal strip steel, saw steel, rule die steel, steel rules, and paper and printing doctor blades, with a market share of more than approximately 30% based on total sales. The Böhler-Uddeholm Group also believes to be a strong global player in its other product groups. The strip steel industry is one in which a relatively small number of companies play a key role.

One of the Böhler-Uddeholm Group's principal competitors is Sandvik, especially in the areas of steel rules, razor blade, saw and valve steel. In the razor blade and valve steel product group Hitachi is also a competitor. In the bimetal strip steel market, the Böhler-Uddeholm Group faces competition from Theis, Lees and Ergste.

### ***Special Forgings***

Competition in turbine blades market comes primarily from ThyssenKrupp Turbinenkomponenten in Germany and the United States and Pietro Rosa in Italy. In the aircraft business, the most significant competitors are Precision Castparts Corporation, Ladish and Shultz Steel Company in the United States, Fortech/Aubert Duval in France, Firth Rixson in the United Kingdom and Otto Fuchs/Weber Metals in the United States and Germany. In the field of special forgings, Daido in Japan as well as a number of forging companies in Eastern Europe are the business unit's competitors.

Potential new market entrants face significant barriers to entry, especially in the aircraft industry sector where customers value long-term relationships with established suppliers and where it may take several years for a company to become a qualified supplier. The management of Böhler-Uddeholm believes, according to its own estimates, that the business unit has a leading position in the global market for precision forged turbine blades and for mid-sized structural aircraft parts with an estimated market share of above 20%.

## RAILWAY SYSTEMS DIVISION

The Railway Systems Division is focused on railway track material products and systems like rails, turnout systems and related components, and provides product-related added value logistics and services to railway industry customers worldwide, but primarily in Europe.

The Division also comprises other operations of the Group's "former long products" Division, such as production of premium wire rod products, premium seamless tubes for the oil and gas industry and other tube products, as well as semi-finished products (blooms and billets) for non-group steel processing companies. Overall, the Division accounted for 27% of the Group's sales revenue and 33.3% of the Group's operating profit in the financial year 2006/2007 (not taking into account the Special Steel Division).

The Division's steel facilities at Donawitz, Austria, are predominantly engaged in the production of long products for processing and sale by the Railway Systems Division. 88 % of the 1.6 million tons of steel produced and delivered at Donawitz in the financial year 2006/2007 was used by the Division, the remainder being sold to various re-rollers in Italy, Germany and Austria in the form of billets and blooms. All figures in this section with respect to the Division's steel production include only steel produced at the Donawitz site, and exclude flat products produced by the Steel Division in Linz.

In 2005, the Division acquired majority stakes in Contec GmbH Transportation Systems and SST Signal & Systemtechnik GmbH, both located in Germany. Further acquisitions in 2006 included Railcenter Duisburg GmbH, Tens Spolka z.o.o. and VAE Brasil Produtos Ferroviarios Ltda., as well as Drahtwerke Finsterwalde GmbH, a German company producing drawn wire. Following the latter acquisition, the management of the Division Railway Systems claims, according to own estimates, to be European leader in high quality processed wire. In February 2007, the Division made its first successful entry into China by forming a joint venture in China in order to handle the largest project in the Group's history. Along with a Chinese partner, the VAE GmbH Group, according to its own estimates, a leading global supplier of switches and turnout systems, successively set up a local production site for high-speed turnouts based on the high-speed turnout technology of its German subsidiary BWG GmbH & Co KG to complete a large-scale order of several Chinese railway construction companies.

### Business Environment and Divisional Strategy

The railway infrastructure market is the Railway Systems Division's most important target market and constitutes a major part of its divisional strategy. After the railway infrastructure markets weakened in Western Europe (especially in Germany) in 2004 and 2005, the recent years showed a very satisfactory development with strong demand in overseas regions as well as in Western Europe and increased demand in Eastern Europe. In various market segments, such as mixed traffic, heavy-haul, urban transit the volume of passengers and freight increased and are expected to increase further worldwide.

The Division aims to capture an increasing share of the expanding international market for railway infrastructure products and systems. The key elements of the Division's railway infrastructure market strategy, as well as the Division's strategy with respect to other industry sectors to which its products are sold, are set forth below:

- *Extend leadership in ultra-long and head-hardened premium rails in Europe and selected premium markets worldwide.* The Division claims to be a leading producer of grooved, ultra-long and head special hardened rails in Europe. The Division intends to increase the proportion of its rail production that involves special quality rail products and, to this end, is continuing to focus on research and development in this area. The Division has been at the forefront in the development of ultra-long rails and other advanced rail products, and regards this technological and qualitative leadership as a key competitive advantage that it will seek to maintain and extend.
- *Expand leadership in turnout design and manufacturing worldwide through further acquisitions and growth out of existing operations.* The Division claims to be a leading designer and producer of turnouts for all different market segments, like high-speed, mixed traffic, heavy-haul and light rail, worldwide. The Division is constantly expanding its turnout business by making acquisitions and green-field projects in all major railway infrastructure markets worldwide, and has taken its first step into India and China with the establishment of joint ventures in 2004 (India) and 2007 (China). The Division is continuing to focus on research and development in this area to maintain a leading technological position. The Division has been at the forefront in the development of a "plug and play" turnout concept and has developed a new generation of hydraulic switch machines, signalling devices and monitoring systems to support this concept and improve track availability and safety.

- *Offer the SLS-Concept (Supply-Logistics-Service) to railway infrastructure customers. The railway infrastructure market requires competence both in products (rails, turnouts, sleepers, fastening systems) and services and logistics (rail welding, stocking, spare parts management, supply-chain-management, just in time deliveries to construction sites).*
- *Concentrate efforts in the development of its product portfolio by focusing on premium and high quality product segments and profitable market niches in the wire rod activities.*
- *Further increase capacity for drawn wire through acquisitions and investments in existing facilities (main focus cold headed steel).*
- *Further concentrate on the high quality niche for the seamless tubes activities in the OCTG segment, upgrade its proprietary premium connection in the high quality level and extend its local services through licensed repair and threading shops. To additionally increase its standard pipe business in high quality niches in the automotive segment also using synergies with the Company's Automotive Division.*

## **Production Facilities**

### ***Steel***

The Division's steel plant at Donawitz, Austria produces steel and semi-finished steel products both for the Division's constituent companies and, to an increasing limited extent, for sale to third parties. The plant consists of a sintering plant, two blast furnaces and an LD steel plant. The Division's crude steel capacity amounts to 1.6 million tons per annum. The steel-making shop owns two vessels of 67 tons each, modern secondary metallurgical plants, two continuous casters for blooms and a billet mill.

The steel-making plant at Donawitz obtains a significant portion of the iron ore used in its operations from Austrian sources. However, approximately 55% of the Division's iron ore is sourced from Brazil and South Africa. Since no coke oven plants are located at Donawitz, the Division purchases its coke requirements from suppliers in Poland and the Czech Republic. The Company has secured its coke demands via long term contracts with its suppliers, but also employed a coal injection facility at both blast furnaces in 2007, thereby decreasing its coke demand by one third.

### ***Railway Infrastructure Production and Logistic/Service Activities***

The Division's rail-making facilities at Donawitz, Austria and Duisburg, Germany include two rolling mills with a capacity of 1,000,000 tons per annum after the successful ramp up of the new rail rolling mill in Donawitz, based on the actual section mix on which rails can be produced in lengths of up to 120 meters, equipment to produce ready-to-install rails and a fully-automated dispatch facility in Donawitz. Furthermore the Division acquired a 75.1% stake in a stock yard and rail finishing and refurbishing facility in Duisburg to expand the TSTG Schienentechnik GmbH & Co KG's flexibility for just in time deliveries to construction sites in Germany.

The VAE GmbH Group, headquartered in Vienna and Zeltweg, Austria, is the Division's turnout design and manufacturing specialist, with 35 production facilities located throughout the world, in Western, Central and Eastern Europe, North America, South Africa and Australia. VAE plans to further grow with additional turnout plants through acquisitions and joint ventures in important railway markets worldwide. In 2004, it gained, according to own estimates, a market leading position in North America by acquiring the assets of its former competitors Meridian Rail Tracks Products Corporation (three plants) and Rail Products & Fabrication Consolidated LLC (one plant), and is now operating seven plants in North America.

The Division offers the SLS-Concept through its subsidiaries in Germany, Switzerland, the Netherlands, Austria, South-Africa and North America and intends to further develop new markets due to customer demand.

### ***Wire Rod Production***

The Division runs wire production sites in Donawitz, Austria, and Finsterwald, Germany. The latter was acquired in 2006.

The facilities of the wire rod production in Donawitz, Austria, include a high-performance wire rod rolling mill with a capacity of 570,000 tons per annum. The wire rod facilities at Donawitz have the ability to react quickly and efficiently to smaller orders because

of the flexible supply of primary materials from the Donawitz LD plant, which the Division achieves by using the small vessel size of 67 tons.

For wire processing, the Division operates a wire drawing facility in Bruck an der Mur, Austria with an annual capacity of 130,000 tons and acquired Drahtwerk und Stahlhandel Finsterwalde GmbH, now voestalpine Draht Finsterwalde GmbH, in 2006 in Germany with an annual capacity of 140,000 tons.

The Company successfully managed the shift from commodity products to the manufacturing of premium and higher quality wire rod with a special focus on cold headed steel, and constantly invests in the expansion of its heat treatment facilities in Donawitz and in the expansion of its production capacity for cold extrusion wire, focusing on customers in the automotive and fastening supply industries, at the plant in Bruck an der Mur.

### ***Seamless Tube Production***

In Kindberg, Austria, voestalpine Tubulars GmbH & Co. KG (“voestalpine Tubulars”), a 50-50 joint venture between the Division and Grant Prideco, a US based corporation, produces seamless tubes, with an annual capacity of up to 390,000 tons. The plant’s facilities include a hot rolling mill, which incorporates state-of-the-art cross-roll piercing and elongating technology, with a push bench and stretch-reducing mill. The Kindberg site also contains technologically advanced downstream finishing facilities for standard and quality tubes and facilities for the production of finished oil country tubular goods (OCTG). Comparable to the wire rod business unit, voestalpine Tubulars optimises its product portfolio within the segments of premium and high quality OCTG and standard seamless tubes.

### **Products**

The Division produces rails (both special quality and standard), turnouts, wire rod and drawn wire, seamless tubes for the OCTG and the non-OCTG sectors and semi-finished products.

The following chart sets forth information on the product mix for the Railway Systems Division for the two financial year 2005/2006 and 2006/2007:

<b>Product</b>	<b>Percentage of total sales</b>	
	<b>Year ended 31 March</b>	
	<b>2005/2006</b>	<b>2006/2007</b>
Rails and Switches.....	56	56
Wire.....	17	18
Tubes .....	14	15
Semi-Finished Products	12	10
Others .....	1	1

### ***Railway Infrastructure Products***

#### ***Rails***

The manufacture and finishing of rail products is one of the core activities of the Railway Systems Division and accounts for a significant percentage of its sales.

The Division’s product mix with respect to rails has evolved over time, with an increasing proportion of sales attributable to “premium quality” rails. Whereas premium quality rails accounted for only 27% of rail product sales in 1990, approximately two third of rail product sales were related to premium quality rails in the financial year 2006/2007, a trend that is expected to continue.

Premium quality rails include long rails (lengths over 60 meters up to 80 meters) and ultra-long rails (lengths over 80 meters up to 120 meters). Long and ultra-long rails offer numerous advantages to their end users, most notably increased safety and travelling comfort due to a lower number of welded joints and direct just-in-time shipments to installation sites from the production facilities.

Following the acquisition of TSTG Schienentechnik GmbH & Co KG, the Division is Europe’s only producer of 120-meter long rail. In 2006/2007 deliveries of ultra-long rails constituted 50% of total sales of rail products. The Division expects this proportion to rise, following the completion of its new rail rolling mill in 2006, which increased dimensional accuracy and production flexibility, in order to serve track job sites all over Europe with just-in-time deliveries of ultra long rails.

In addition to long and ultra-long rails, the Division offers other special quality rail products. The Division claims, according to own estimates, to be the world's only supplier of rails with head special hardened qualities longer than 36 and up to 120 meters, which are used in high speed and heavy haul railway systems and have a high resistance to wear and fatigue. The Division further claims, according to own estimates, that it is also a technological leader in the production of grooved, or U-shaped, rails, which are used by tramways and cranes. The Division is constantly working on the development of new steel types for rails, such as the so called "bainitic head hardened DOBAIN-Rail" with high resistance against head checks.

### ***Turnout Systems and Turnout components***

With annual sales of approximately €80 million in 2006/2007, VAE GmbH group currently has, according to own estimates, a leading position in the worldwide market for turnout systems. Its product range includes turnout systems for high-speed train operations, heavy haul operations, light rail systems and tramway and metro-operations. VAE GmbH's product range further includes hydraulic switch setting devices and switch machines for grooved rail turnouts, electronic turnout monitoring systems, track based monitoring systems like infrared operated hot-box and hot wheel detectors and special track solutions like expansion joints for big railway bridges or special PU sleepers for noise reduction on metro lines.

VAE GmbH's current product R&D focus is on the so called "plug and play" turnout concept, which enables the assembly of complete turnout systems, including switch machines, signalling devices and monitoring systems at the plant, being then just-in-time delivered to the installation site. These turnout systems enable infrastructure operators and construction companies to shorten installation time significantly, from two or three days to a few hours.

### ***Wire Rod***

The Division's wire rod production includes cold heading steel, rod for welding material, chain steel, ball bearing, spring steel and pre-stressing steel. The ratio of special quality rod as compared to standard quality has increased from 44% in 1990 to more than 80% in 2006/2007.

The wire rod produced by the Division is principally sold to wire processing companies and to customers in the automotive, construction, electrical, fastening, and civil engineering industries in Europe and to an increasing extent further processed in its own drawing facilities in Bruck and Finsterwalde. The Division also supplies cold-headed wire rod to customers throughout Europe in the automotive, aerial ropeway, connection and construction industries.

### ***Seamless Tubes***

Through voestalpine Tubulars GmbH, the Division produces seamless tubes, including finished oil country tubular goods, primarily for use in oil and gas exploration and production. About 90% of the Division's tube shipments are to the oil and gas industry.

The remainder of the Division's tube production consists of mechanical and line pipes for the petro-chemical, the mechanical and automotive industries.

### ***Semi-Finished Products***

The Division also supplies semi-finished products, such as blooms and billets, to a limited number of customers with demand for high-quality steel, in particular re-rollers in Austria and Germany producing for the automotive or automotive supply industry.

### **Customers**

Sales to the railway industry make up the largest part of the Division's activities. Other significant industry segments include oil and gas, the largest market for the Division's seamless tubes, and the automotive industry, an important end user of the Division's wire rod.

The following chart sets forth a breakdown of the Railway Systems Division's sales by industry sector for the financial year 2005/2006 and 2006/2007:

<b><u>Industry Sector</u></b>	<b><u>Percentage of total sales</u></b>	
	<b><u>Year ended 31 March</u></b>	
	<b><u>2005/2006</u></b>	<b><u>2006/2007</u></b>
Railway Infrastructure .....	55	56
Energy industry .....	17	22
Automotive .....	14	12
Building and construction subsuppliers .....	5	3
Civil and mechanical engineering .....	5	5
Other .....	4	2

The following chart sets forth the Railway Systems Division's breakdown by geographic sales for the financial year 2005/2006 and 2006/2007:

<b><u>Market</u></b>	<b><u>Percentage of total sales</u></b>	
	<b><u>Year ended 31 March</u></b>	
	<b><u>2005/2006</u></b>	<b><u>2006/2007</u></b>
Germany .....	22	25
Austria .....	16	13
Benelux .....	12	10
Italy .....	7	6
America .....	15	14
Other Europe .....	17	20
Rest of world .....	11	12

### **Competition**

The Division faces competition in the European market for standard grade rails and the turnout business. The main competitors are large rail producers like Corus, but also smaller ones like Lucchini and Trinec. However, competition is limited with regard to the Division's specialty rail products, in which the Division differentiates itself from its competitors through the technological sophistication and special qualities of its product offering.

Vossloh-Cogifer, being the second largest turnout manufacturer is the main competitor of VAE GmbH in Europe and some overseas markets. But competition also is fierce from numerous smaller manufacturers from the Czech Republic, Spain and the UK. Big European railways, such as Deutsche Bahn, French Railways, Italian Railways and Swiss Railways, still operate their own turnout manufacturing units.

In the field of wire rod manufacturing, the Division faces competition from various large European steel makers, such as Mittal Steel and Saarlöh in Germany and Lucchini in Italy. The relatively small remaining part of the Division's production of commodity wire rod products is aimed at the Austrian market, in which the Division enjoys a natural competitive advantage. The Division also believes that it holds a strong position in the European market for premium and high-quality wire rod products.

The market for seamless tubes is dominated by the Tenaris Group and the Vallourec-Mannesmann Group, which are active world-wide. However, the Division views itself as occupying a profitable niche segment in the overall seamless tubes market, producing premium and high-quality seamless tubes for use in the oil and gas and the automotive sector. In addition, Grant Prideco's ownership interest in voestalpine Tubulars provides an additional volume for the Division's seamless tube production.

## AUTOMOTIVE DIVISION

Having emerged from its start-up phase, the Automotive Division best evidences voestalpine's strategy of downstream expansion into more value-added steel processing activities. The activities of the Division involve the processing of steel and other materials into automotive industry components and modules, in particular automotive upper-body structures ("body-in-white"), structural parts, precision tubes and tailored laser-welded blanks. In the 2006/2007 financial year, the Division accounted for 11% of the Group's consolidated sales revenue (not taking into account the Special Steel Division).

In April 2005, the Division added competence in the further processing of tubes via the acquisition of HTI Maschinen- und Apparatebau GmbH. In the same month, it acquired Vollmer Metallwaren GmbH in Germany, a specialist in complex formed parts in steel and aluminium. Recently, the Automotive Division acquired Gutbrod Stanz- und Umformtechnik GmbH, Hügel GmbH & CoKG, Dancke Stanztechnik GmbH & CoKG (all based in Germany) and Amstutz-Levin & Cie (based in France) to strengthen its position within series structural parts business.

### Business Environment and Divisional Strategy

The auto parts supply industry in Europe is characterised by a large number of small and middle-sized businesses, often family-owned, providing products primarily to local markets. Increasingly, however, automotive manufacturers require more sophisticated products to meet new design and engineering needs and are looking to suppliers to play a more active role in developing solutions. voestalpine believes that smaller companies may find it difficult to meet these requirements, creating opportunities for larger suppliers with greater technological and production resources to gain market share.

Automotive Division is a well-known supplier for almost all European automotive manufacturers. Currently, the Division estimates that European automobile manufacturers meet the bulk of their body-in-white requirements through in-house operations and, especially caused by the current situation in countries, particularly in Western Europe, only outsource 30-40% of this work to independent suppliers. However, the Division believes that, according to own estimates, the role played by independent suppliers in the automotive supply segment will grow, as the number of car model series increases and the volume of cars produced in each series decreases, encouraging manufacturers to outsource manufacturing activities in order to keep pace with faster cycles, especially in the growing markets of countries in Central and Eastern Europe. The increased demand forecast for independently-sourced body-in-white modules creates opportunities for suppliers who have capability at every step in the production chain—materials know-how, tool manufacture, production of semi-finished parts, forming and parts manufacture and assembling. The Division estimates that the total value of body-in-white components production in Europe (including production of automobile manufacturers) is currently on the order of €25-30 billion per year.

The Automotive Division's strategy is designed to position it to capitalise on these developments in the industry by becoming a major player in the production of body-in-white-parts and components, precision parts, tailor welded blanks and safety parts. The key elements of the Division's strategy are set forth below:

- *Focus on body-in-white segment, precision parts and safety parts.* The Division intends to focus its activities on the highest value-added segments of the auto parts industry from the steel-making perspective, such as the production of high quality automotive body structures, precision parts and parts for safety technology. Whereby the Automotive Division also has know-how in other materials such as plastic (hybrid solutions) or aluminium.
- *Quality-orientation combined with material and process know-how.* Through its orientation on quality and a combination of materials and process know-how, the Division plans to strengthen its European top 3 positions in the field of tailored laser-welded blanks and precision and safety parts from tubes and to reach the top 3 also in the structural parts and components business.

### Divisional Operations

#### Overview

The Automotive Division develops and produces body-in-white parts and components, processed precision tubes and tube components and tailored laser-welded blanks.

The Division's facilities for manufacturing and processing auto parts are largely concentrated in Europe. The Division anticipates that as its relationships with auto manufacturers develop and strengthen it will begin to establish additional production

facilities in locations that allow it best to serve its customers' needs. The focus lies on Central Eastern Europe and South Eastern Europe.

The operating companies within the Automotive Division source their steel and other inputs locally. Although, the Division aims at vertical integration within the Group, especially with respect to shared customers, it plans to purchase steel from the Group's production sites at Linz and Donawitz only where such a purchase is feasible from a logistical point of view.

### ***Laser Welded Blanks***

The Division owns voestalpine Europlatinen GmbH, a producer of tailored laser-welded blanks, and through voestalpine Europlatinen GmbH has a 92% stake in voestalpine Euroweld S.r.l., a producer of tailored laser-welded blanks. Together, the two companies produced over 13 million welded blanks in the 2006/2007 financial year.

voestalpine Europlatinen GmbH is located in Linz, Austria and includes among its clients Audi, BMW, DaimlerChrysler, GM, Magna, PSA, Ford and Skoda. The Steel Division's plant at Linz supplied voestalpine Europlatinen with approximately 160.000 tons of steel in the 2006/2007 financial year for further processing into tailored and laser-welded blanks. voestalpine Euroweld S.r.l. is one of three Italian producers of tailored laser-welded blanks for the automotive sector, and sells most of its products to Fiat, Alfa Romeo and Lancia.

Other European producers of tailored laser-welded blanks include steel makers, such as ThyssenKrupp, Arcelor/Noble, Corus and Salzgitter. However, the Division's direct competition with these producers is limited, both because a high percentage of the Division's sales are pursuant to long-term contracts and because the high costs of transporting welded blanks limits their suppliers to regional markets.

### ***Body-in-White***

The Divisional body-in-white activities include structural- and Class-A- parts and components. Key customers are major automobile producers like VW, BMW, DaimlerChrysler, Ford, GM, PSA, Renault and Porsche but also important suppliers like Autoliv, TRW, Johnson Controls and Brose.

### ***Structural Parts***

The Division's structural parts business consists of acquisition of voestalpine Vollmer GmbH & CoKG, and the most recent acquisitions Gutbrod Stanz- und Umformtechnik GmbH, Hügel GmbH & CoKG, Dancke Stanztechnik GmbH & Co.KG (all based in Germany) and Amstutz-Levin & Cie (based in France). Recently, this group of companies has developed a new location in Western Romania to serve customers locally and in existing locations. The companies specialise in highest-quality, complex formed sheet parts made of steel but also of alternative materials such as aluminium, which are used in the car body, the vehicle safety and the engine environment. These companies strengthen the Division's position in the series production of structural parts and safety components.

### ***Class-A and spare parts***

Through voestalpine Polynorm N.V., which was acquired in December 2001, the Division has a prominent position in the market for class-A skin panels and spare parts production. The core activity of voestalpine Polynorm is the engineering and manufacturing of steel, aluminium, plastic and hybrid upper body modules and components for clients in the automotive industry.

Based in The Netherlands, voestalpine Polynorm N.V. has subsidiaries in Germany and the United Kingdom. In Europe, voestalpine Polynorm N.V. is particularly active in the German and Benelux market. The United States based subsidiary voestalpine Polynorm Inc. will be sold (sales procedure still pending).

The Division's competitors in the body-in-white sector operate in a highly fragmented market and include a large number of small, family-owned companies serving local customers beside a couple of large international players. The Division anticipates that there will be further consolidation in the European body-in-white sector, a process already largely completed in the United States, and that this should provide attractive acquisition opportunities.

The Division's larger competitors include ThyssenKrupp, Magna, Wagon, Gestamp, Magnetto, Gedia, Kirchhoff and Laepple.

### ***Precision Parts and Safety Components***

The Division produces precision tubes through voestalpine Rotec GmbH and its subsidiaries. About 80% of voestalpine Rotec's tubes and components are produced for the automotive and automotive sub-suppliers industries, including axles, anti-shock pads, pneumatic suspension systems, air-bag systems and safety belt mechanisms. The balance is sold to customers in the construction and domestic appliance industries as well as to mechanical engineering and hydraulic cylinder producers.

voestalpine Rotec has production or sales operations in Austria, Germany, France, Spain, Sweden, the UK, the United States, Poland and Romania. Its key clients in the automotive industry include the automotive manufacturers Audi, PSA, Volkswagen and Volvo, and the suppliers Autoliv, ZF-Group, Trelleborg, TRW, WOCO, Continental, Vibracoustic and Monroe.

In 2005, voestalpine Rotec GmbH acquired voestalpine HTI GmbH & Co KG, a German based specialist mainly within automotive safety technology (e.g. airbag components).

The market for tubular parts and components suppliers is fragmented and dominated by small, family-owned companies serving local markets. The Division believes, according to own estimates, that its greater size, resources and geographic spread as well as its technological strength allow it to focus on customer service, giving it an advantage over its competitors in this field.

#### **Customers**

The Automotive Division's products are mainly sold to costumers of the automotive industry, accounting for 74% of the sales in the financial year 2006/2007.

The following chart sets forth the Automotive Division's breakdown by geographic sales for the financial year 2005/2006 and 2006/2007:

<b><u>Market</u></b>	<b><u>Percentage of total sales</u></b>	
	<b><u>Year ended 31 March</u></b>	
	<b><u>2005/2006</u></b>	<b><u>2006/2007</u></b>
Germany .....	44	47
France .....	7	9
United Kingdom.....	7	6
Benelux.....	12	12
Other Europe.....	19	21
Rest of world.....	11	5

## PROFILFORM DIVISION

voestalpine's Profilform Division produces light sections, custom-rolled profiles and other steel shapes and welded tubes (hollow sections) for the construction, civil engineering, automotive, general manufacturing and aerospace industries. The Division maintains production facilities in a number of European locations (Austria, Belgium, the United Kingdom, the Czech Republic, Germany, France and the Netherlands), entered the market in the United States at the end of the financial year 1999/2000 with the acquisition of Roll Forming Corporation and made its first step into Russia by acquiring ZAO Arkada Profil in Smolensk in 2006. The Division believes, according to own estimates, that it is one of the largest European suppliers of light and special sections and a European leader in custom roll forming and hollow sections. In the financial year 2006/2007, the Division accounted for 13% of the Group's sales revenue and 14% of operating profit (not taking into account the Special Steel Division). Profilform is, by return on capital employed, the most profitable Division in the voestalpine Group.

### Business Environment and Divisional Strategy

The roll forming and steel shape production industry is generally made up of medium and small companies operating in local or regional markets. Such companies tend to focus on one production technique or range of products and may lack resources, production flexibility and technical sophistication.

The Profilform Division's strategy is designed to position it to capitalise on these industry characteristics. While the Division's operating structure also features mostly smaller, operationally independent companies, these companies are connected, through the Division, both to each other and to the larger voestalpine Group. The Division believes that this structure helps to generate operational flexibility, while allowing the Group companies to share information as to best practice and industry trends, thereby fostering continuous operating improvements. The companies' connection to the rest of the voestalpine Group gives them direct access to steel expertise, allowing them to better assist their customers through knowledge of each step in the steel supply chain. The key elements of the Division's strategy are set forth below:

- *Create value for customers by delivering complex shapes and sophisticated solutions.* The Division believes, according to own estimates, it is an industry leader in terms of its custom roll forming and steel shaping capability. The Division seeks to advise its customers as to how they can derive the greatest possible functionality from the complex shapes it can produce. This strategy helps create value for customers by facilitating design innovation and simplifying production processes. It is also a source of competitive advantage for the Division insofar as customers may increasingly outsource their own manufacturing operations to the Division.
- *Leverage benefits of size and structure.* The Division seeks to continue to leverage the benefits of its structure consisting of small, independent companies that are flexible in their operations but share information and know-how through their ties to the Division and the entire group. To this end, the Division employs a system of internal benchmarking with quarterly reporting between companies of key indicators, such as new product introductions, running times, scrap rates and the like.
- *Expand globally in roll forming to penetrate new markets.* The Division believes, according to own estimates, that there is untapped demand in markets around the world for sophisticated roll forming products and solutions. In recent years, the Division has thus expanded into a number of new markets. Such expansion has occurred through both acquisitions and organic growth, depending on local conditions and the availability of suitable acquisition targets. The Division is aiming to grow both organically and through acquisitions and is actively looking for new acquisition opportunities.

### Divisional Operations

#### Overview

The Profilform Division comprises companies structured into two business units with production facilities in eight European countries and the United States. The business unit "Tubes and Sections", which accounted for 83% of the Division's sales in the financial year 2006/2007, produces roll-formed products: light sections, custom-rolled profiles and other steel shapes. The business unit currently provides pre-finished products ranging from individual components, including pre-punched, pre-coated, laser-cut and bended products, to complete systems, such as ready-to-assemble kits for truck cabins. The second business unit "Storage Equipment" operates through voestalpine Krems Finaltechnik and Nedcon and accounts for roughly 17% of the Divisions' sales.

voestalpine Profilform GmbH was founded in 2004 in Krems as the Division's holding company and is responsible for the general management of the Division, including its budgetary and acquisition policies. The Division's overall operating structure is, however, highly decentralised, and the individual operating companies retain a high degree of independence in their day-to-day operations. Each company is responsible for sourcing the steel used in its operations (unpickled steel for use in welded tubes production, and pickled and galvanised steel, including coated steel, for use in roll-forming activities), generally from local steel producers. Suppliers to the Division include all the major European bulk steel producers and, in the case of the Division's Austrian operations, the Steel Division's production facilities at Linz, among others.

#### ***voestalpine Krems GmbH and voestalpine Krems Finaltechnik GmbH (Austria)***

Through voestalpine GmbH Krems, the Division produces standard and special grade tubes and sections for customers in a wide range of industries. Krems' main customers include DaimlerChrysler, BMW and MAN.

Approximately two-thirds of Krems' products are of standard grade and are delivered to wholesalers and to customers in the construction and automotive and automotive sub-supply industries. The Division intends to maintain the production of standard tubes and sections at current levels.

The remaining one-third of output at Krems is of special grade products, which are divided into special profiles, special tubes, door sections and profile systems. These products have higher margins than the standard grade products, and the Division accordingly intends to focus on improving operating efficiency in order to increase the proportion of its special grade production. The Division's special grade products are primarily sold to customers in the automotive and construction industry, including sub-suppliers, the furniture and light industry sectors and the storage and transport industry.

The other divisional company based in Austria is Krems Finaltechnik GmbH ("Finaltechnik"). Finaltechnik produces high bay warehousing racks (accounting for approximately 59% of Finaltechnik's sales revenue), primarily in connection with specific warehouse projects, road safety rails (approximately 36%) and basic systems (approximately 5%).

Approximately 70% of the steel used in the Division's Austrian operations is sourced from the Steel Division's production facilities at Linz, and purchased at market-based rates negotiated on an arm's-length basis. The remaining 30% is purchased mainly from Eastern European sources.

#### ***SADEF N.V. (Belgium)***

The Division's Belgian operation, SADEF N.V., is divided into three product lines: building components, proprietary roll-formed steel sections and truck rails. Sections are produced to customer specifications in a wide variety of grades of steel including stainless and pre-coated steel. SADEF's further fabrication facilities turn roll-formed sections into ready-for-assembly components and apply surface treatment by e-coat or powder coat.

SADEF's building components business unit specialises in the design and the development of structural components for industrial pre-engineered buildings and residential housing. SADEF expects, according to own estimates, sustainable market growth in this segment, particularly in Central and Eastern Europe.

The custom roll-forming unit focuses on processing activities, with an increasing emphasis on the production of goods for the automotive industry, such as cassettes and roller tubes for luggage compartment covers.

SADEF's major customers include DAF, DaimlerChrysler and Volvo.

#### ***Metsec plc. (UK)***

The Division's UK subsidiary, Metsec plc. ("Metsec"), manufactures engineering products and building products for customers including Mabey & Johnson. Metsec's engineering products comprise manipulated sections, window components and custom roll-formed products.

In the building products area, Metsec produces purlins and "C" sections, framing systems, lattice beams, dry lining and ceiling systems and strut and cable ladders.

### ***Roll Forming Corporation (USA)***

The Division's US-based subsidiary, Roll Forming Corporation, is engaged in standard and customized roll forming and profiles production, using carbon steel and aluminium. Roll Forming Corporation operates through four production units: office systems, custom roll-forming, hollow shapes and aerospace.

Roll Forming Corporation's aerospace unit has competence in advanced processing techniques and specialises in the development of in-line technologies to enhance product quality and meet customer requirements. Customers of Roll Forming Corporation include Boeing, Gulfstream, Cessna and EADS Casa.

The company's office systems unit works closely with its customers, some of the world's largest office systems manufacturers such as Steelcase and Herman Miller, to provide design assistance in developing new products and improving existing ones. The products that the office systems unit delivers include connector posts, drawer pulls, hanger frames, shelves and wire troughs.

Roll Forming Corporation's custom roll-forming unit produces a wide variety of goods, including parts for electrical connectors, electrical enclosures, store fixtures and bleacher systems, manufactured from a range of steel grades.

The company's hollow shapes unit produces roll-formed profiles for conveyors, fork lifts, cranes, agricultural equipment, heavy equipment, high bay storage and concrete formworks.

### ***Nedcon Groep N.V. (Netherlands)***

Nedcon, the Division's operation in the Netherlands, is active in designing, producing and installing standard racking systems, industrial high-rise racking systems and custom-made industrial steel constructions. Up-to-date production facilities are operated in Doetinchem (Netherlands) and Pardubice (Czech Republic). The company also operates a joint venture in Russia to serve the local market.

The company was the logical horizontal extension for voestalpine in its storage technology market. Products and geographical markets are largely complementary.

Nedcon's standard racking systems, industrial high-rise racking systems, are used by customers from different industries such as Volkswagen, Ahold or Walmart.

### ***ZAO voestalpine Arkada Profil***

In 2006, the Division Profilform acquired 80% of the enterprise ZAO Arkada Profil as well as the option for the purchase of the remaining 20% within five years. The focus of the company is the production and sale of light steel sections, particularly for the building industry and for use in infrastructure applications. Arkada has a production facility in Jarveco near Smolensk and in addition sales offices in Moscow, Chelabinsk, Krasnodar, St. Petersburg and Moscow, as well as a national sales organisation through partners. With this acquisition Division Profilform is accompanying the very dynamic growth of the Russian market in this sector, which is estimated at ratios of 15-20% annually.

### ***Profil à froid and Societe Automatique de Profilage***

In 2006, the Division Profilform took over all shares in the two companies Profil à froid (Profilafröid) and Société Automatique de Profilage (SAP), two manufacturers of steel sections in France and strengthened its presence in Western Europe.

According to the Division's own estimates, Profilafröid and SAP are together the leading French providers of light steel sections—primarily for the building and the automotive industries. About 90% of sales revenues of the two companies based in Gisors (SAP) and Bailleul-sur-Thérain (Profilafröid), north of Paris, are accounted for by customers in France.

### ***Other Operations***

The Division's two other European companies are voestalpine Präzisionsprofil GmbH ("Präzisionsprofil") in Germany and voestalpine Profilform s.r.o. in the Czech Republic. Präzisionsprofil is a wholly owned subsidiary of voestalpine Profilform GmbH. It has expanded its cold profile sector by acquiring and integrating the cold rolled profile business of the German bright steel manufacturer Schmolz + Bickenbach. voestalpine Profilform s.r.o. in the Czech Republic was formed by the Division in 1997 to establish a presence in Eastern Europe. The two companies produce cold rolled and special sections, products such as partition walls and purlins for the construction and civil engineering industries, and special sections for the automotive industry.

## Customers

The Profilform Division has long-standing relationships with many key customers, giving it stability in sales and enabling it to focus on the more profitable specialty steel products that require a close working relationship with end users.

### *Geographic Distribution of Customers*

The companies in the Profilform Division largely deliver to customers within their own geographic regions, since transport costs make it less competitive to ship products at very long distances. Since each of the Division's company's serves a predominantly local market, the geographic distribution of sales accords with the relative sizes of the Division's production facilities from place to place. The following chart sets forth the Division's breakdown by geographic sales for the financial year 2005/2006 and 2006/2007:

<u>Market</u>	<u>Percentage of total sales</u>	
	<u>Year ended 31 March</u>	
	<u>2005/2006</u>	<u>2006/2007</u>
Germany .....	22	19
United Kingdom.....	20	18
Austria .....	11	8
France	6	11
Benelux	12	12
North America.....	10	8
Rest of Europe.....	17	21
Rest of World.....	2	3

### *Customers by Industry*

The Profilform Division's products are used primarily by the construction, automotive, transport and storage and furniture industries.

The following chart sets forth a breakdown of the Division's sales by industry sector for the financial year 2005/2006 and 2006/2007:

<u>Industry Sector</u>	<u>Year ended 31 March</u>	
	<u>Percentage of total sales</u>	
	<u>2005/2006</u>	<u>2006/2007</u>
Building an construction subsuppliers .....	37	36
Automotive .....	16	18
Civil and mechanical engineering .....	7	3
Liogistic solutions .....	25	16
Other.....	15	27

## Competition

The Division's roll-forming operations face competition in the European market from small, family-owned companies, as well as from a few larger companies including Welser in Austria and Germany. The competitive environment is regional and fragmented. The Division sees little risk of increased competition from larger European steel producers, as the operational challenges and limited tonnages that characterise the roll-forming sector make it an unattractive market for such producers. However, there are signs of consolidation among the Division's European competitors, particularly in the German market. The Division's roll-forming operations in the United States face a similar competitive environment, characterised by a high degree of fragmentation and small, regional competitors.

Competition with respect to welded tubes is primarily regional, reflecting the importance of transport costs. The market for standard grade welded tubes in Europe is dominated by large bulk steel producers, such as Corus, and a few smaller steel processors. The Division, however, believes that its competitive position is stable. With regard to special grade tubes, the Division competes primarily with small and mid-sized firms.

## **CONTINUOUS IMPROVEMENT PROGRAMME**

The Company believes, according to own estimates, that it is an industry leader in terms of productivity and operating efficiency, and it places a high priority on maintaining this position. A key element in this effort is the Group's Continuous Improvement Programme (CIP). Originally developed with the help of outside consultants shortly before the Company's privatisation and conceived as a one-time initiative, the programme has since been adapted, as its name implies, to be a permanent feature of the Group's operations.

The programme operates at the line level in the Group's facilities. Its aim is to elicit ideas for operational improvements and cost savings from employees active in all aspects of the Group's processes. The Company believes that widespread employee participation is a major factor in the success of the programme.

Employees within each operating facility are grouped according to function, and meetings are held on-site at regular intervals. Each Group is responsible for generating ideas to reach a specified cost savings target. A computerised record is created for each of these ideas, which are then rated according to their expected costs and benefits and the likelihood that they can be implemented successfully. Approval of each idea is obtained from managers with a wide range of responsibilities prior to implementation in an effort to avoid unanticipated obstacles. Progress and success in implementation are periodically monitored through a formal evaluation and reporting process. Ultimately, a quantitative estimate is made of the benefits of each idea that has been implemented.

The Company estimates that annual cost savings attributable to the programme (relating to personnel and material costs and productivity gains) have been of the order of 1% of annual sales in each of the last five financial years. However, over the longer term it can not be guaranteed that such savings can be maintained in the same amount.

The Company started an additional initiative under the name "Ready4Future" to improve transportation and warehousing costs. The Company expects to identify significant potentials in these areas, which the Company believes will have a positive effect on the Group's cost structure. Forty-one Group companies (not including any companies of Böhler-Uddeholm AG) participate in this programme.

## **INTELLECTUAL PROPERTY**

Where appropriate, the Company covers its new products and processes by patent applications in relevant jurisdictions. As of 31 March 2007, the Group held approximately 2712 intellectual property rights (patents/patent applications/utility models) and various trademarks for its products. According to the necessity of the business, the Division Railways holds 81% of the total number of intellectual property rights.

## **INVESTMENTS**

Total capital expenditures by voestalpine amounted to €66 million and €96 million, in the 2005/06 and 2006/07 financial year, respectively. For the current financial year, the Company expects total capital expenditures for investments to be on a slightly lower level than the year before (not taking into account the Böhler-Uddeholm acquisition). The focal point of the Company's investment activities has been the programme "Linz 2010", which was implemented with the goal of expanding the Linz site in order to meet the growing customer demand (particularly in the auto industry) for specially treated and/or coated sheets and highest-grade steels. The Linz 2010 Project now is in the final stage of its implementation. In addition, to the programme "Linz 2010", a new investment programme called "L6" is in preparation in order to optimize the whole production process according to the significantly enlarged capacities and new production facilities at the Linz site. For this programme, the Company projected capital expenditures in the amount of approximately €700 million.

The Steel Division spent €95 million and €469 million, respectively for investments, in the last two financial years. The second phase of the Linz 2010 programme, provides for the construction of a new cold rolling mill, two additional hot dip galvanising lines, a walking beam furnace for the hot strip mill, a push pickler, a new colour coating line, a blast furnace, additional secondary metallurgical facilities as well as a number of smaller investments, primarily relating to the infrastructure and energy supply. Apart from the Linz 2010 programme, the capacity of Steel Service Center/Linz was extended and a new Steel Service Center was established in Poland.

Total capital expenditures by the Railway Systems Division amounted to €134 million and €173 million, in the 2005/06 and 2006/07 financial years, respectively. They were mainly caused by construction of a new rail rolling mill and the extension of annealing capacity. There was, further, a number of additional smaller investments for the improvement of cost position and environmental protection. The last two financial years saw also a string of acquisitions in the railway system division. Companies like CONTEC GmbH Transportation Systems, SST Signal & System Technik GmbH, voestalpine Railcenter Duisburg GmbH, VAE

Brasil Produtos Ferroviarios Ltda and TENS Spolka z.o.o. joined the Group. For the current financial year the division is planning a new rail quenching line and the expansion of finishing lines at TSTG and Rail Donawitz.

Total investments by the Automotive Division amounted to €15 million and €16 million, in the 2005/06 and 2006/07 financial years, respectively. These expenditures provided for the construction of a cathaphoretic painting line, a 1,600 t press, a laser welding line as well as for the modernisation and expansion of the production facilities for airbag components. There was also a string of acquisitions in the Division during the last two financial years. Object to these recent acquisitions were voestalpine Vollmer GmbH & Co KG, voestalpine HTI GmbH & Co KG, Hügel GmbH & Co KG, Gutbrod Stanz- und Umformtechnik GmbH, Amstutz Levin & Cie and Dancke Stanztechnik GmbH & Co KG. In the financial statements as of 30 September 2007, a provisional purchase price allocation will be adjusted within twelve months after the acquisition date. This projected adjustment is, from the Group's financial point of view, expected to be immaterial.

Investments in the Profilform Division amounted to €6 million and €1 million, in the 2005/06 and 2006/07 financial years, respectively. Major projects were the capacity extensions of section production lines in Europe, new system-profiles for construction purposes at ZAO voestalpine Arkada Profil and investments in special sections from Aluminium and Titanium for aerospace industry at the Roll Forming Corporation. Technology and market-leadership were extended through recent acquisitions like ZAO voestalpine Arkada Profil, Societe Automatique de Profilage and Societe Profilafröid.

## ENVIRONMENTAL MATTERS

The steel-making process results in the release of pollutants into the environment. The Company devotes significant energies to reducing the release of such pollutants and, more generally, to better protecting the environment.

The Company sets and monitors quantitative targets for recycling and emissions reduction. These targets are applied at the different production sites of the Group, each entity or facility having its own on-site control mechanisms. During the last decade, the Company has been able to stabilise emissions at all production sites at low levels, although fluctuations are possible due to variation of the processes or materials employed. The Company also uses advanced technology to make secondary raw materials' by-products, such as scrap and slag, available for its own and third-party use. All of the environmental protection systems at the Company's environmental relevant sites represent state-of-the-art technology and are administered by skilled and well-trained employees with precisely delineated responsibilities. This helps ensure that regulations and legal requirements are adhered to, even under difficult production conditions.

Increasing environmental protection requirements translate into higher costs for the Company, costs that usually cannot be passed on to its customers. The cost for the Company in implementing environmental protection measures has two principal components:

- investment in new equipment aimed at reducing pollution, which amounted to approximately €47 million in the 2006/2007 financial year (based on Austrian production sites as of 31 March 2007). This investment is not expected to increase over the 2007/2008 financial year.
- control and operating expenses, which amounted to approximately €89 million in the 2006/2007 financial year (based on Austrian production sites as of 31 March 2007) and are expected to rise slightly in 2007/2008.

As of 31 March 2007, the Company had recorded total environmental provisions of €2 million on its consolidated balance sheet. Since 31 March 2007, no environmental matter has come to the attention of the Company which would require it to make a provision that would have a material impact on the Group's consolidated financial position.

The Company is not involved in any legal proceedings and is not aware of any claims or potential liability concerning environmental matters which could have a material adverse impact on the Group's consolidated financial condition. However, the risk of substantial environmental costs and liabilities is inherent in the Group's past and present operations, and there can be no assurance that significant costs and liabilities will not be incurred in the future. Moreover, it is possible that other developments, such as increasingly strict environmental laws, regulations and enforcement policies, could result in substantially increased costs and liabilities in the future. For example, the Group is unable to predict the costs and liabilities it will incur in connection with the under allocation of emission certificates for the second period of emission trading lasting from 1 January 2008 until 31 December 2012. See "Risk Factors—Risks Relating to the Group's Business—Environmental Matters".

## EMPLOYEES

As of 31 March 2007, the Group employed 39,934 employees (not including apprentices) worldwide, of which approximately 37% work in its Austrian operations. The table below shows the allocation of the Group's employees among Divisions as of 31 March 2007.

	<b>As of 31 March 2007</b>	
<b><u>Employees by Division</u></b>	<b><u>Number</u></b>	<b><u>% of total</u></b>
	<b><u>of</u></b>	<b><u>employees</u></b>
	<b><u>employees</u></b>	<b><u>employees</u></b>
Steel Division.....	9,592	24.02%
Special Steel Division .....	14,608	36.58%
Railway Systems Division .....	7,523	18.84%
Automotive Division .....	4,500	11.27%
Profilform Division .....	3,314	8.30%
<b>Total.....</b>	<b>39,537</b>	<b>99,01%<sup>(1)</sup></b>

(1) 0.99% of the employees are not employed by any company of a Division of the Group but are employed by the Company and its direct subsidiaries not being part of any Division such as voestalpine Informationstechnologie GmbH and IVM Industrierversicherungsmakler GmbH.

## REGULATORY ENVIRONMENT

### *EU Regulatory Regime*

The EU steel industry is regulated by the rules of the European Community ("EC") as set out in the Treaty Establishing the European Community, as amended (the "Treaty of Rome"), and by the European Economic Area Agreement ("EEA Agreement"). The Treaty of Rome now also incorporates the rules for the majority of steel products that have previously been covered by the Treaty of Paris, establishing the European Coal and Steel Community ("ECSC"), which ceased to have effect on 23 July 2002. The European Commission is responsible for implementing the objectives of the Treaty of Rome while for the European Free Trade Association ("EFTA") Surveillance Authority ("ESA") is responsible for monitoring, together with the European Commission, the fulfilment of obligations under the EEA Agreement.

### *State Aid*

Both the Treaty of Rome and the EEA Agreement, in general, prohibit state aid that distorts or threatens to distort competition in the EU and the EEA, respectively. With the expiration of the Treaty of Paris, the generally rigorous EC/EEA rules on state aid also apply to the steel sector. Anti-dumping and countervailing measures that have been adopted under the old ESCS rules and were still in force on 23 July 2002 and shall be continued.

Under the EC/EEA rules, state aid to steel firms is, with certain defined and limited exceptions, generally prohibited. In the "*Communication—Rescue and restructuring aid and closure aid for the steel sector*," the European Commission states that rescue aid and restructuring aid for firms in difficulty in the steel sector are not compatible with the Common Market. In contrast thereto, aid to cover payments payable by steel firms to workers made redundant or accepting early retirement as well as aid to steel firms which permanently cease production of steel products may under certain circumstances be approved. Also, state aid for research and development and state aid for environmental protection may under certain circumstances be held compatible with the Common Market. In the "*Communication—Multisectoral framework on regional aid for large investment projects*", the European Commission states that regional aid for the steel industry will also in the future be held incompatible with the Common Market. The Treaty of Accession with Romania which became effective on 1 January 2007 expects certain state aid measures by Romania, in particular with respect to the steel sector, for certain transitional periods. This could lead to transitory competitive disadvantages for the Company. The Company does not expect any significant detrimental effects arising from these exceptions.

The European Commission and the ESA investigate notifications of financial injections by governments of EU/EEA Member States and pursue allegations of direct and indirect subsidies made against the governments of these Member States.

## ***Anti-trust***

The Treaty of Rome and the EEA Agreement contain provisions prohibiting anti-competitive practices and agreements which relate, *inter alia*, to the fixing or determination of prices, the restriction or control of production or the sharing of markets subject, in certain cases, to block or individual exemptions. In addition, both instruments contain provisions prohibiting the abuse of a dominant position. With the expiration of the Treaty of Paris, the system requiring price lists and conditions of sale to be notified to the European Commission and made public has been abolished. Therefore, the undertakings concerned can make use of such data without prior communication to the European Commission, unless the general EC/EEA rules provide otherwise.

The implementation of EC Regulation 1/2003 replaced the system of prior notification and centralised authorisation with a directly applicable exception system based on decentralised application of the rules on competition and on reinforcement of *ex post* control. This System enhances the role of national authorities and courts and could lead to an increased number of trials in connection with competition rules.

In addition to the competition rules of the Treaty of Rome and the EEA Agreement, voestalpine Group's operations are subject to national competition laws, including Austrian competition laws. The Austrian Antitrust Act (*Kartellgesetz*) prohibits anti-competitive practices and agreements and abuse of dominant market position.

## ***Sanctions***

The European Commission and the ESA have powers to proceed against anti-competitive agreements, concerted practices and abusive behaviour by imposing fines and making orders to stop such illegal practices. The maximum level of fines amounts to 10% of the worldwide turnover of each of the undertakings involved. The European Commission and ESA may act *ex officio* or upon application by third parties. Third parties may, in certain circumstances, also bring proceedings in national courts to obtain injunctions to restrain Treaty of Rome or EEA Agreement infringements or to obtain damages to compensate them for losses caused by Treaty of Rome or EEA Agreement infringements. The Austrian Cartel Court (*Kartellgericht*) may, upon application by the Austrian antitrust authorities, control anti-competitive behaviour by imposing fines of up to 10% of the worldwide turnover of the undertakings involved and issuing orders to stop illegal practices.

## ***Concentrations***

The European Commission and ESA have powers to control concentrations between undertakings, by prohibiting anti-competitive mergers or—under certain conditions—by requiring appropriate disposals. The Austrian Cartel Court has the power to control concentrations, if the turnover of the parties reaches certain thresholds, but remains below the thresholds for concentrations which must be notified to the European Commission or ESA. Relevant transactions of the voestalpine Group may also be subject to the merger control laws of other jurisdictions.

## ***Trade Associations and Other Voluntary Arrangements***

Due to historic reasons, there has been close co-operation among steel companies, the European Commission and governments within the European steel industry. European steel producers individually and through trade associations have played an important part in conjunction with both the European Commission and governments in the process of attempting to resolve problems of excess capacity, its causes and its consequences.

The voestalpine Group is a member of Eurofer. Eurofer is an association to which all major steel producers in the EU belong and some steel producers from Central and Eastern Europe are associated, either directly or through national trade associations. Eurofer, through its main committees, supplies and co-ordinates advice and information to its members and in turn represents the views of its members to, amongst others, the European Commission. These representations cover a wide range of issues where there is a need for a common industry voice, and include international trade policies (see following section), social and environmental control issues, research and development matters, market conditions and various aspects of the sale and marketing of steel products.

The voestalpine Group is also a member of other trade associations and other industry groups in respect of its other products and activities. Members of these trade associations and other Groups co-operate with respect to various aspects of the sale, promotion and marketing, and technical development of, related metal products.

## ***International Trade Restrictions***

Steel is an internationally traded material. Such trade is governed by the rules of the World Trade Organization (WTO), which allow for trade remedies such as anti-dumping (AD) and countervailing (CVD) actions to be taken against unfairly traded imports.

As of the date of this Prospectus, no such actions are pending against the Company and the Company is not aware of any such actions to be initiated against the Company in the near future.

### ***Emission Allowances***

Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003, as amended by Directive 2004/101/EC, establishing a scheme for greenhouse gas emission allowance trading was implemented in Austria by the Emission Allowance Act (*Emissionszertifikatengesetz*, EZG). Production facilities which are subject to this law may only be operated if the emission of greenhouse gas was authorised by the competent authority.

As determined by the European Commission, the amount of emission rights for the years 2008 to 2012 is in general 6.4% lower compared to the amount of such rights as set forth in the allocation plan for the years 2005 to 2007. The Company is expected to be underallocated by approximately 2 million tons of the Group per annum. See “Risk Factors – Risks Relating to the Group’s Business”.

### ***Environmental Regulations***

The Group is subject to extensive regulation under national, local and EU environmental laws and regulations concerning, amongst other things, air emissions, waste water discharges and solid and hazardous waste disposal. Environmental EU regulations applicable to certain production facilities encompass, in particular the so-called “Seveso II” Directive 96/82/EC relating to the prevention of industrial accidents and IPPC-Directive 96/61/EC concerning integrated pollution prevention and controls with regard to certain industrial installations. Subject to applicable environmental regulations, the Group may be required to provide for technical measures and investments ensuring compliance with mandatory emission limit thresholds or other environmental quality standards.

## **LEGAL MATTERS**

The voestalpine Group is from time to time involved in litigation and proceedings relating to its operations. However, the voestalpine Group is not and has not been party to any legal or arbitration proceedings that may have or have had during the 12 months preceding the date of the Prospectus, a material adverse effect on the business or financial condition of the voestalpine Group, nor, so far as management is aware, are any such proceedings threatened or pending.

## **INSURANCE**

The voestalpine Group maintains insurance in such amounts and with such coverages and deductibles as the management believes are reasonable and prudent. The principal risks that the Company insures against are general liability, including product liability and professional liability, property damage and business interruption and directors and officer’s liability.

## **MATERIAL CONTRACTS**

### ***Convertible Bond***

On 21 July 2005, the Company issued convertible bonds, convertible into ordinary bearer shares of the Company (the “Convertible Bonds”) in the aggregate nominal amount of €250,000,000 with a maturity date of 21 July 2010. The Convertible Bonds bear interest at an annual rate of 1.50%, payable annually in arrear on 21 July each year, commencing on 21 July 2006. The obligations under the Convertible Bonds constitute direct, unconditional and unsecured obligations of the Company and rank *pari passu* with all other unsecured and unsubordinated obligations of the Company, subject to any mandatory exceptions under applicable law. The terms and conditions of the Convertible Bonds include undertakings by the Company that are customary for such convertible bonds, including, amongst others, customary anti-dilution and event of default provisions. The negative pledge provides that, for as long as the Convertible Bonds remain outstanding, the Company will not (i) encumber any of its future obligations, assets or income to secure any obligation resulting from securities which are admitted to trading on, or included in, a securities exchange, a regulated market or over-the-counter market; and (ii) to use its influence over its material subsidiaries so that they will not so encumber any of their future obligations, assets or income, without, in each case, at the same time taking all necessary measures to ensure that the amounts payable by the Company under the Bonds are secured by such encumbrance in the same manner.

The Convertible Bonds can be converted at any time commencing on 30 August 2005 and ending on 7 July 2010 into common bearer shares of the Company at an initial conversion price of €74.98 per share. Due to a split of voestalpine’s shares by 1:4 at the 13 July 2006 the initial conversion price of the Convertible Bonds has been adjusted to €18.75 per share.

The Company can redeem the Convertible Bonds, if the shares trade at least at 130% above the applicable conversion price on not less than 20 of 30 consecutive trading days, commencing on or after 1 January 2009. The Company can also redeem the Convertible Bonds, if 15% or less than 15% of the aggregate nominal amount of the Convertible Bonds originally issued remain outstanding.

The Company may purchase at any time Convertible Bonds at the market.

As of the date of this Prospectus, the Company bought back Convertible Bonds in an amount of €6,500,000 and Convertible Bonds equalling an amount of €151,939,000 have been converted into Shares. Consequently, Convertible Bonds in the amount of €71,561,000 remain outstanding.

#### ***Financing contracts in connection with the Public Takeover of Böhler-Uddeholm AG***

In connection with the Public Takeover of Böhler-Uddeholm AG, the voestalpine Finanzierungs GmbH, Linz through its branch in Zurich has entered into 4 financing agreements with national and international credit institutions in total amount of €3.68 billion in order to finance the transaction costs and associated expenses. As of the date of this Prospectus, a total amount of €2.920 billion was drawn under the financing agreements. Under the terms and conditions of the financing agreements, outstanding funds are repayable on 31 October 2007, with an option of voestalpine Finanzierungs GmbH to prolong the term until 17 June 2008 and, thereafter, for an additional period of 180 days. voestalpine AG has issued a guarantee in favour of the lenders in order to secure the obligations of voestalpine Finanzierungs GmbH under the financing agreements.

#### **MATERIAL CHANGES AND TREND INFORMATION**

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements. The Issuer is not aware of any information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year.

Subject to a total amount of €2.920 billion drawn under the financing agreements in connection with the Public Takeover of Böhler-Uddeholm (see Business – Material Contracts – Financing contracts in connection with the Public Takeover), there has not been any significant change in the financial or trading position of the Group since the date of the last audited financial statements as of 31 March 2007.

## MAJOR SHAREHOLDERS

The Austrian Stock Exchange Act (*Börsegesetz*) requires holders of shares of companies having their registered seat in Austria and listed on the Official Market (*Amtlicher Handel*) or the Second Regulated Market (*geregelter Freiverkehr*) of an Austrian stock exchange to notify the company, the Financial Market Authority (FMA) and the stock exchange within two trading days of any acquisition or disposal that results in such shareholder's voting rights equaling, exceeding or falling below thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 75% and 90% of the voting securities of such company. The listed company is obliged to publish any such event by way of an electronic network or a platform of electronic networks, the details of which are regulated by the FMA, and to notify the FMA and the Issuer Information Center at the OeKB (*Oesterreichische Kontrollbank AG*) thereof within two trading days of being notified thereof.

According to the announcements made available to the Company in accordance with the notification provisions of the Austrian Stock Exchange Act, the principal shareholders of the Company as of 30 September 2007 were:

<u>Name of Shareholder</u>	<u>Percentage of shares (%)</u>
Raiffeisenlandesbank Oberösterreich Invest GmbH & Co OG .....	> 15
voestalpine – Arbeitnehmer-Privatstiftung <sup>(1)</sup> .....	10.7
Oberbank AG .....	> 5
AXA Group.....	> 5

(1) voestalpine – Arbeitnehmer-Privatstiftung is the private foundation of voestalpine employees.

The Company's principal shareholders do not have different voting rights from those of the Company's other shareholders.

The Company is not aware that it is being controlled by any person within the meaning of the Austrian Takeover Act (*Übernahmegesetz*).

Company transactions with principal shareholders or companies with which they are associated are entered into on the basis of general market conditions.

## MANAGEMENT

*This summary does not purport to be complete and is qualified in its entirety by reference to the Company's Articles of Association (Satzung) and Austrian law.*

The Company has a two-tier management structure, consisting of a Management Board (*Vorstand*) and a Supervisory Board (*Aufsichtsrat*). Day-to-day management of the Company is vested in the Management Board, which represents the Company externally. The Supervisory Board is vested with the authority to appoint and remove the members of the Management Board and to supervise the business conducted by the Management Board and the general affairs of the Company. Although, the Supervisory Board does not actively manage the Company, both the Austrian Joint Stock Corporation Act (*Aktiengesetz*) and the Company's Articles of Association require the consent of the Supervisory Board before the Management Board takes certain actions.

### Management Board (*Vorstand*)

voestalpine AG is represented externally by and through the members of its Management Board. Under the Articles of Association, any two members of the Management Board, or any one member of the Management Board jointly with one authorised signatory holding a general power-of-attorney (*Prokurist*) or any two authorised signatories holding a general power-of-attorney may, to the extent permitted by law, legally bind the Company through certain actions.

The Company's Management Board consists of six members appointed by the Supervisory Board for a term of up to five years each with the exception of Mr. Raidl who has been appointed for a term of 3 years. Management Board members may be reappointed for one or more additional terms of up to five years each. Under certain circumstances, such as a serious breach of duty or a vote of no confidence by the shareholders' meeting, a member of the Management Board may be removed by the Supervisory Board prior to the expiry of his or her term. The Supervisory Board also appoints the chairman and deputy chairman of the Management Board.

Decisions of the Management Board are made by simple majority of the votes cast. According to the standing orders of the Management Board (*Geschäftsordnung für den Vorstand*), at least four members of the Management Board must be present in order to constitute a quorum. If the chairman and the deputy chairman are absent, the Board will only have a quorum with regard to urgent affairs. The chairman casts the deciding vote in case of a tie.

The Management Board manages the Company on a day-to-day basis within the limitations set forth by law, the Articles of Association, the Management Board's standing orders, the Supervisory Board and specific shareholders' resolutions. The Company's management has the duty to act in the best interests of the Company while also taking into account the interests of its shareholders, employees and the public and, in carrying out this duty, must exercise the standard of care of a diligent and prudent business person.

In addition to exercising management functions, the Management Board is responsible for the financial books and records of the Company. The Management Board must report to the Supervisory Board on a regular basis, describing the state of the Company's business and the overall situation of the Group. The Management Board also reports to the chairman of the Supervisory Board on important matters, when necessary.

The current members of the Management Board are:

<u>Name</u>	<u>Initial appointment to Management Board</u>	<u>End of current term</u>	<u>Area of responsibility</u>	<u>Outside activities</u>
Wolfgang Eder .....	1995	2009	Chairman of the Board	Member of the Supervisory Board of Oberbank AG and Allianz Elementar Versicherungs-AG
Wolfgang Spreitzer .....	2001	2009	Member of the Board	Member of the Supervisory Board of Gemeinnützige Donau-Ennstaler Siedlungs-AG
Josef Mülner.....	2003	2009	Member of the Board	Chairman of the Supervisory Board of VA Intertrading AG and Member of the Supervisory Board of VA Erzberg GmbH

Franz Hirschmanner .....	2003	2009	Member of the Board	–
Robert Ottel.....	2004	2009	Member of the Board	Member of the Supervisory Board of VA Intertrading AG, Josef Manner & Comp. AG and APK-Pensionskasse AG
Claus J. Raidl	2007	2010	Member of the Board	Member of the Supervisory Board of Wiener Börse AG, Donau Allgemeine Versicherungs-Aktiengesellschaft and Wienerberger AG

**Wolfgang Eder** was born in Steinbach, Upper Austria, in 1952. Mr. Eder graduated from the University of Salzburg, Faculty of Law in 1976 and then worked as a scientific assistant at the IMAS market research institute. He joined voestalpine in 1978 and was appointed Secretary General in 1991. Since 1995, Mr. Eder has served as a member of the Management Boards of the Company and voestalpine Eurostahl GmbH, becoming vice chairman of the Management Board of the Company in September 2001 and was elected chairman of the Management Board in 2003. Mr. Eder has also served as chairman of the Management Board of voestalpine motion gmbh from 2001 till 2004 and since 1999 has served as chairman of voestalpine Stahl GmbH. Mr. Eder currently serves as chairman of the supervisory board of Böhler-Uddeholm AG and as a member of the supervisory boards of Allianz Elementar Versicherungs-AG and of Oberbank AG. As a member of the Management Board of the Company Mr. Eder has operating responsibility for the Steel Division and is further responsible for Group development, strategic personnel management, public relations, legal matters and M&A, investor relations, marketing and internal auditing.

Born in Linz in 1951, **Wolfgang Spreitzer** received an MBA in marketing and accounting from the University of Linz in 1976. Mr. Spreitzer joined the Company in 1971 and became head of sales at voestalpine Krems GmbH in 1986. Mr. Spreitzer was appointed to the Management Board of voestalpine AG in 2001. Since 1991, Mr. Spreitzer has operating responsibility for the Profilform Division. He serves as managing director of voestalpine Profilform GmbH and also serves as chairman or member of the supervisory and advisory boards of various Group companies. Mr. Spreitzer is also a member of the supervisory board of Böhler-Uddeholm AG and Gemeinnützige Donau-Ennstaler Siedlungs-AG. As a member of the Management Board of the Company Mr. Spreitzer besides his responsibility for the Profilform Division is responsible for information technology.

**Josef Mülner** was born in 1947 in Zeltweg. He graduated in mechanical engineering from the Technical University of Graz in 1974 with a specialisation in metallurgy and business administration. Mr. Mülner joined voestalpine in 1974 and, prior to joining the Management Board, was most recently a member of the managing board of VAE responsible for marketing, sales and engineering. He was one of the driving managers in the internationalisation strategy of VAE and was personally involved in the acquisition and establishment of 21 production sites world-wide. He currently serves as chairman or member of the supervisory boards of a number of Group and associated companies. He is also a member of the supervisory board of Böhler-Uddeholm AG and VA Erzberg GmbH, and chairman of the supervisory board of VA Intertrading AG. As a member of the Management Board of the Company, Mr. Mülner has operating responsibility for the Railway Division and is further responsible for the Group's sourcing strategy including raw material purchases.

**Franz Hirschmanner** was born in Breitenau bei Mixnitz in 1953 and graduated from the Technical University of Vienna with a degree in mechanical engineering in 1978. In the same year he joined voestalpine. Prior to joining the Management Board, Mr. Hirschmanner served in a number of positions within the Group, including as director of the hot rolled production department of voestalpine Stahl GmbH, technical director of voestalpine Krems GmbH and director of voestalpine Stahl GmbH. He also serves as chairman or member of the supervisory and managing boards of several Group and associated companies. He is also a member of the supervisory board of Böhler-Uddeholm AG. Mr. Hirschmanner has operating responsibility for the Automotive Division and is further responsible for research and development and innovation strategy.

Born in Vienna in 1967, **Robert Ottel** graduated in mechanical engineering from the Technical University in Vienna in 1991 and received a MBA from the University of Economics in Vienna in 1994. Mr. Ottel joined the Company in 1997 and since 2004 Mr. Ottel serves as member of the Management Board of voestalpine AG and also serves as member of the supervisory boards of a number of Group and associated companies. He is also member of the supervisory board of Böhler-Uddeholm AG, Josef Manner & Comp. AG, APK-Pensionskasse AG and of VA Intertrading AG. Mr. Ottel is responsible for accounting, controlling, treasury, tax, management information systems and risk management.

**Claus J. Raidl** was born in Kapfenberg, Austria in 1942. After an AFS scholarship to the United States (Diploma of Duxbury High School, Duxbury/Mass,) he studied at the University of Economics and Business Administration (*Hochschule für Welthandel*), Vienna, and received a MBA and a PhD degree. Thereafter he worked as an assistant at the Institute for Social and Economic Research in Vienna. He then served in a bank, in an auditing company and in an insurance company. In 1981 he was appointed

member of the management board of the Wiener Holding, a holding company for various business owned by the City of Vienna. Two years later, Mr. Raidl joined the Management Board of ÖIAG, the holding company of the state-owned Austrian industry. In 1986 he became Senior Executive Vice President and Vice Chairman of the Management Board of Voest-Alpine AG and Voest-Alpine Stahl AG. From 1993 he was Member of the Management Board of Austrian Industries AG. In 1991, Claus J. Raidl was appointed chairman of the Management Board of Böhler-Uddeholm AG. As Member of the Management Board of the Company, Mr. Raidl has operating responsibility for the Special Steel Division.

The business address for each of the members of the Management Board is voestalpine-Straße 1, 4020 Linz, Austria.

### **Supervisory Board (*Aufsichtsrat*)**

The Articles of Association require that the Supervisory Board consists of not less than three and not more than ten members elected at the shareholders' meeting, as well as members appointed by voestalpine Group's works councils under mandatory provisions of the Austrian Labour Constitutional Act (*Arbeitsverfassungsgesetz*).

The Austrian Labour Constitutional Act mandates that the works council(s) may appoint one of its members for each two members elected at the shareholders meeting, and—in case of an uneven number of elected members—another works council member. These works council members have substantially the same rights and obligations as the other members of the Supervisory Board. Should the works councils fail to fill some or all of their allotted seats on the Supervisory Board, these seats will remain vacant. The works council members of the Supervisory Board can only be removed by the works council itself. Any works council member of the Supervisory Board who ceases for any reason to be a member of the works council will also lose his or her position on the Supervisory Board. Unlike the members of the Supervisory Board elected by the shareholders' meeting, the members appointed by the works council are employees of voestalpine.

No elected member of the Supervisory Board may be appointed for a longer period than until the annual shareholders' meeting deciding on the discharge of the board members for the fourth financial year following the financial year of their appointment. If elected members of the Supervisory Board retire before the end of their term of office, the election of a replacement member is required immediately only if the number of elected members of the Supervisory Board falls below three. The term of appointment of such a replacement member shall last until the end of the term of office of the Board member whom he or she replaced. If all members of the Supervisory Board resign, new members will be elected for the period specified above. Members of the Supervisory Board whose terms of office have ended may be re-elected.

The Supervisory Board elects one chairman and one or two deputies. The Company's Articles of Association require that at least half of the members of the Supervisory Board, and in any event at least three members, including the Board's chairman or deputy chairman, be present at a meeting in order to constitute a quorum. Resolutions of the Supervisory Board are passed by a simple majority of the votes cast. The chairman casts the deciding vote in case of a tie.

The Supervisory Board oversees the Management Board and can at any time request a report concerning Company matters. The Supervisory Board may inspect and review all books and documents as well as assets, namely cash accounts, security holdings and stock in trade of the Company. In exercising their duties, the members of the Supervisory Board must adhere to the standard of a diligent and prudent business person.

According to the Company's Articles of Association the Supervisory Board has set up an audit committee (*Prüfungsausschuss*), which consists of the Chairman of the Supervisory Board Mr. Lemppenau, the Vice-Chairman of the Supervisory Board, Mr. Scharinger and the members of the Supervisory Board Mr. Gasselsberger, Mr. Krenner, Mr. Kronister and Mr. Sulzbacher. The Executive Committee (*Präsidialausschuss*) which simultaneously constitutes the Nominating Committee and the Compensation Committee of the Supervisory Board is, among others, also responsible for remuneration matters with respect to the members of the Management Board and consists of the Chairman of the Supervisory Board Mr. Lemppenau, and the Vice-chairman of the Supervisory Board, Mr. Scharinger, and Mr. Kronister. However, in its function for remuneration matters with respect to the members of the Management Board members of the works councils are not represented and thus in respect of remuneration matters the committee consists of the Chairman of the Supervisory Board Mr. Lemppenau, and the Vice-chairman of the Supervisory Board, Mr. Scharinger. The committees operate under the same rules that apply for the Supervisory Board.

The current members of the Supervisory Board are:

<u>Name</u>	<u>Initial appointment to Supervisory Board</u>	<u>End of current term</u>	<u>Principal occupation</u>
Joachim Lemppenau (Chairman).....	1999	2009	Retired Chairman of the Management Board of Volksfürsorge Versicherungsgruppe
Ludwig Scharinger (Vice Chairman) .....	1994	2009	CEO of Raiffeisenlandesbank Oberösterreich AG
Franz Gasselsberger.....	2004	2009	CEO of Oberbank AG
Peter Hagen.....	2007	2009	Member of the Management Board of Wiener Städtische Allgemeine Versicherung AG
Stefan Kralik .....	1999	2009	Notary public
Josef Krenner .....	2004	2009	Financial Director of the Government of Upper Austria
Michael Kutschera.....	2004	2009	Attorney at law
Ewald Nowotny.....	2006	2009	Chairman of the Management Board of BAWAG / PSK
Josef Peischer .....	2004	2009	Director of the Chamber of Labour of Upper Austria
Michael Schwarzkopf .....	2004	2009	Chairman of the Management Board of Plansee Holding AG
Josef Gritz.....	2000	2009	Chairman of the Works Council of voestalpine Stahl Donawitz GmbH
Johann Heiligenbrunner .....	2000	2009	Chairman of the Works Council of the Company
Josef Kronister .....	2000	2009	Chairman of the Central Works Council of voestalpine Stahl GmbH
Fritz Sulzbacher.....	1993	2009	Chairman of the Employees' Works Council of voestalpine Stahl GmbH
Hans Karl Schaller.....	2005	2009	Chairman of the Works Council of voestalpine Stahl GmbH

The business address for each of the members of the Supervisory Board is voestalpine-Straße 1, 4020 Linz, Austria.

### Conflicts of Interest

In respect of each member of the Supervisory Board and the Management Board, there are no conflicts of interest or potential conflicts of interest between any duties which they have to the Company and any private interests and/or duties which they may also have.

### Austrian Corporate Governance Code

The Austrian Code of Corporate Governance (the “Code”) was published by the Austrian Working Group on Corporate Governance, a Group of private organisations and individuals, in 2002. This voluntary self-regulatory initiative is designed to reinforce the confidence of investors by improving reporting transparency, and the quality of cooperation between supervisory board, managing board and shareholders, to provide for accountability and promote sustainable, long-term value.

The Code primarily applies to Austrian stock market-listed companies that undertake to adhere to its principles. The Code is based on statutory provisions of Austrian corporate law, securities law and capital markets law (“Legal Requirements”). In addition, the Code contains rules considered to be a part of common international practice, such as the principles set out in the OECD Principles of Corporate Governance. Non-compliance with some of these rules must be explained at the shareholders’ meeting (“Comply or Explain”). However, the Code also contains rules that are voluntary and do not require explanation in the case of deviations (recommendations). Overall, successful implementation of the Code depends on self-regulation by companies. The Code was amended in February 2005 to reflect changes in the Austrian Stock Exchange Act and the Austrian Commercial Code, in January 2006 to reflect the corporate governance recommendations of the European Commission and the changes in the Austrian

Stock Corporation Act effective from 1 January 2006 and, most recently, effective as of June 2007, to reflect changes following the implementation of the Transparency Directive by virtue of amending the Austrian Stock Exchange Act.

The principal rules and recommendations of the Code include:

- equal treatment of shareholders under the same conditions;
- the management board's information and reporting duties should be determined by the supervisory board;
- remuneration for the members of the management board should comprise fixed and business performance related components (based on long-term indicators);
- stock option plans should be approved by the shareholders' meeting and be based on objective parameters to be defined in advance; subsequent changes of the parameters should be avoided;
- conflicts of interests of members of the management board and the supervisory board should be disclosed in the annual financial statements;
- supervisory board committees should be established, in particular an audit committee (for accounting and auditing issues), a remuneration committee (for remuneration and other issues with management board members) and a nomination committee;
- supervisory board members may not assume any functions on the boards of other enterprises that are competitors of the company;
- the number of members of the supervisory board (excluding employees' representatives) should be ten or less; supervisory board members should not sit on the supervisory boards of more than eight other listed companies (chairperson counts twice);
- annual and quarterly financial statements (drawn up according to internationally recognised accounting standards) should be published in a timely manner (within four and two months, respectively);
- communication structures should be established to meet information needs of shareholders in a timely and adequate manner, in particular by using the internet; dates essential for shareholders should be communicated sufficiently in advance; consolidated financial statements and interim reports should be published on the company's website in German and English;
- any director's dealings should be disclosed on the company's website directly or by referring to the website of the FMA;
- prior to appointing independent auditors, the supervisory board should receive a statement disclosing any relationship between the auditors (including related parties) and the company and its management board;
- the independent auditors should make regular assessments of the company's risk management; and
- an annual report regarding compliance with the Code should be included in the annual financial statements posted on the company's website.

voestalpine AG already resolved in 2003 its support for the Austrian Corporate Governance Code and commit to observance of its rules with the following exception: Rule 57: Neither the Articles of Association nor the rules of procedure of the Management Board or the Supervisory Board contain specific age limits, because the appointment of members is guided solely by their personal qualification.

## SELECTED FINANCIAL INFORMATION OF THE ISSUER

The following information and data have been extracted without material adjustment (except as described below) from, and are only a summary of, the Audited Annual Consolidated Financial Statements which are incorporated by reference into this Prospectus. Potential investors are encouraged to read the entire Prospectus, including the Audited Annual Consolidated Financial Statements, the other financial information included in the Prospectus before making any investment decision. See "Presentation of Financial and Other Information". The Audited Annual Consolidated Financial Statements have been prepared in accordance with IFRS.

The following financial information solely pertains to voestalpine Group and does not include consolidated financial information of the Böhler-Uddeholm Group. Investors should therefore be aware that future prospects of voestalpine Group may not be inferred from the following financial information.

### Income Statement

	March 31, 2007 (audited) in TEUR <sup>(1)</sup>	March 31, 2006 (audited) in TEUR
Revenues	7,049,817	6,230,603
Cost of goods sold	-5,243,084	-4,780,448
<b>Gross profit</b>	<b>1,806,733</b>	<b>1,450,155</b>
Other operating income	190,198	163,192
Distribution costs	-467,637	-414,071
Administrative expenses	-353,872	-297,557
Other operating expenses	-162,737	-177,645
<b>Profit from operations (EBIT)</b>	<b>1,012,685</b>	<b>724,074</b>
Share of profit of associates	16,461	13,865
Finance income	65,262	48,060
Finance costs	-117,198	-111,749
<b>Profit before income tax (EBT)</b>	<b>977,210</b>	<b>674,250</b>
Income tax expense	-221,526	-154,520
<b>Consolidated profit after income tax before earnings from discontinued operations</b>	<b>755,684</b>	<b>519,730</b>
Profit/loss from discontinued operations less tax	9,212	6,183
<b>Consolidated profit for the year</b>	<b>764,896</b>	<b>525,913</b>
<b>Attributable to minority interests</b>	<b>7,493</b>	<b>6,452</b>
<b>Attributable to equity holders of the parent</b>	<b>757,403</b>	<b>519,461</b>
<b>Cash flow data:</b>		
Cash flow from operating activities	970,172	860,089
Cash flow from investing activities	-594,471	-633,280
Cash flow from financing activities	-536,476	113,532
<b>Change in cash and cash equivalents</b>	<b>-160,775</b>	<b>340,341</b>
<b>Basic earnings per share</b>		
<b>From continuing operations (euros)</b>	<b>4.77</b>	<b>3.25</b>
<b>Diluted earning per share</b>		
<b>From continuing operations (euros)</b>	<b>4.42</b>	<b>3.10</b>

(1) "TEUR" means Euros in units of thousands

## Statement of Cash Flows

	March 31, 2007 (audited) in TEUR <sup>(1)</sup>	March 31, 2006 (audited) in TEUR
<b>Operating activities</b>		
Profit for the period .....	764,896	525,913
Adjustments .....	354,472	319,971
Change in working capital .....	-149,196	14,205
<b>Investing activities</b>		
Additions of other intangible assets, property, plant and equipment .....	-583,418	-485,497
Income from disposals of assets .....	24,047	24,240
Cash flows from changes in the consolidation range and acquisitions of minority interest .....	-47,272	-37,037
Additions of other financial assets .....	12,172	-134,986
<b>Cash flows from investing activities .....</b>	<b>-594,471</b>	<b>-633,280</b>
<b>Financing activities</b>		
Dividends paid .....	-122,743	-83,006
Dividends paid to minority interest/other change in equity .....	-4,363	-3,628
Acquisitions/disposals of own shares, convertible bond .....	-225,675	-258
Borrowing/repayment of financial liabilities .....	-183,695	200,424
<b>Cash flows from financing activities .....</b>	<b>-536,476</b>	<b>113,532</b>
<b>Net decrease/increase in cash and cash equivalents .....</b>	<b>-160,775</b>	<b>340,341</b>
Cash and cash equivalents, beginning of year .....	513,228	177,489
Net exchange differences .....	3,682	-4,602
<b>Cash and cash equivalents, end of year .....</b>	<b>356,135</b>	<b>513,228</b>

(1) "TEUR" means Euros in units of thousands

## Consolidated balance sheet

Assets	March 31, 2007 (audited) in TEUR <sup>(1)</sup>	March 31, 2006 (audited) in TEUR
<b>A. Non-current assets</b>		
Property, plant and equipment .....	2,660,781	2,318,991
Goodwill .....	312,829	247,214
Other intangible assets .....	105,526	58,066
Investments in associates .....	85,967	63,820
Other financial assets .....	81,250	100,381
Deferred tax assets .....	116,060	104,348
	<b>3,362,413</b>	<b>2,892,820</b>
<b>B. Current assets</b>		
Inventories .....	1,422,647	1,275,671
Trade and other receivables .....	1,293,773	1,143,719
Other financial assets .....	389,871	333,201
Cash and cash equivalents .....	356,135	513,228
	<b>3,462,426</b>	<b>3,265,819</b>
<b>Total assets .....</b>	<b>6,824,839</b>	<b>6,158,639</b>
<b>Equity and liabilities</b>		
<b>A. Equity</b>		
Share capital .....	287,784	287,784
Capital reserves .....	442,939	470,843
Other reserves .....	-179,702	8,606
Retained earnings .....	2,321,931	1,718,918
Equity attributable to equity holders of the parent .....	2,872,952	2,486,151
Minority interests .....	53,348	61,138
	<b>2,926,300</b>	<b>2,547,289</b>
<b>B. Non-current liabilities</b>		
Pensions and other employee benefits .....	566,093	551,581
Provisions .....	20,989	24,693
Deferred tax liabilities .....	85,273	67,191
Financial liabilities .....	739,583	832,332
	<b>1,411,938</b>	<b>1,475,797</b>
<b>C. Current liabilities</b>		
Provisions .....	409,546	428,192
Financial liabilities .....	629,564	512,891
Trade and other payables .....	1,447,491	1,194,470
	<b>2,486,601</b>	<b>2,135,553</b>
<b>Total equity and liabilities .....</b>	<b>6,824,839</b>	<b>6,158,639</b>

<sup>(1)</sup> "TEUR" means Euros in units of thousands

## Financial Information of the First Quarter for the Financial Year 2007/2008

The following financial information solely pertains to voestalpine Group and does not include consolidated financial information of the Böhler-Uddeholm Group. Investors should therefore be aware that future prospects of voestalpine Group may not be inferred from the following financial information.

### Income Statement

	<b>June 30, 2007</b> <b>(unaudited)</b>	<b>June 30, 2006</b> <b>(unaudited)</b>
	in TEUR <sup>(1)</sup>	in TEUR
Revenues.....	1,960,861	1,708,256
Cost of goods sold .....	-1,442,784	-1,312,003
<b>Gross profit</b> .....	<b>518,077</b>	<b>396,253</b>
Other operating income .....	48,039	31,007
Distribution costs .....	-125,824	-110,211
Administrative expenses .....	-81,450	-68,837
Other operating expenses .....	-45,673	33,650
<b>Profit from operations (EBIT)</b> .....	<b>313,169</b>	<b>214,561</b>
Share of profit of associates .....	5,308	3,798
Finance income .....	13,483	13,033
Finance costs .....	-30,331	-29,212
<b>Profit before tax (EBT)</b> .....	<b>301,630</b>	<b>202,181</b>
Income tax expense .....	-59,627	-51,717
<b>Consolidated profit after income tax before earnings from discontinued operations</b> .....	<b>242,003</b>	<b>150,464</b>
Profit/loss from discontinued operations less tax.....	88	2,631
<b>Consolidated profit for the year</b> .....	<b>242,091</b>	<b>153,095</b>
Attributable to		
<b>Equity holders of the parent</b> .....	<b>239,690</b>	<b>150,957</b>
<b>Minority interest</b> .....	<b>2,401</b>	<b>2,138</b>
Basic earnings per share (Euro) .....	1.56	0.94
Diluted earnings per share (Euro) .....	1.45	0.87

<sup>(1)</sup> "TEUR" means Euros in units of thousands

## Statement of Cash Flows

	<b>June 30, 2007</b> <b>(unaudited)</b> in TEUR <sup>(1)</sup>	<b>June 30, 2006</b> <b>(unaudited)</b> in TEUR
<b>Operating activities</b>		
Profit for the period .....	242,091	153,095
Adjustments .....	117,013	91,601
Change in working capital .....	-112,220	-51,346
<b>Cash flows from operating activities .....</b>	<b>246,884</b>	<b>193,350</b>
<b>Cash flows from investing activities .....</b>	<b>-2,447,036</b>	<b>-208,303</b>
<b>Cash flows from financing activities .....</b>	<b>1,948,320</b>	<b>-19,942</b>
<b>Net decrease/increase in cash and cash equivalents .....</b>	<b>-251,832</b>	<b>-34,896</b>
Cash and cash equivalents .....	356,135	513,228
Net exchange differences .....	-141	1,620
<b>Cash and cash equivalents, end of period .....</b>	<b>104,162</b>	<b>479,952</b>

## Changes in equity

	<b>30.06.2007</b> <b>(unaudited)</b> in TEUR	<b>30.06.2006</b> <b>(unaudited)</b> in TEUR
Equity at April 1 .....	2,926,300	2,547,289
Profit for the period .....	242,091	153,095
Purchase of minority interests .....	-40,487	0
Convertible Bond .....	33,999	0
Dividends .....	-761	-2,904
Stock Options .....	2,896	0
Own share acquired/disposed .....	-26,808	0
Currency translation .....	769	-7,237
Hedge accounting .....	1,129	5,022
Other changes .....	-285	1,175
<b>Equity at June 30<sup>(2)</sup> .....</b>	<b>3,138,843</b>	<b>2,696,440</b>

<sup>(1)</sup> "TEUR" means Euros in units of thousands  
<sup>(2)</sup> "Incl. minority interest"

## Balance Sheet

	<b>June 30, 2007</b> <b>(unaudited)</b> in TEUR <sup>(1)</sup>	<b>June 30, 2006</b> <b>(unaudited)</b> in TEUR
<b>ASSETS</b>		
<b>A. Non-current assets</b>		
Property, plant and equipment .....	2,697,024	2,334,165
Goodwill .....	327,230	247,214
Other tangible assets .....	111,145	59,377
Investment in associates .....	83,405	61,687
Other financial assets .....	2,208,762	101,729
Deferred tax assets .....	108,591	101,107
	<b>5,536,157</b>	<b>2,905,280</b>
<b>B. Current assets</b>		
Inventories .....	1,505,369	1,233,538
Trade and other receivables .....	1,542,178	1,298,832
Other financial assets .....	386,912	351,603
Deferred tax assets .....	104,162	479,952
	<b>3,538,620</b>	<b>3,363,925</b>
<b>Total assets .....</b>	<b>9,074,777</b>	<b>6,269,205</b>
<b>EQUITY AND LIABILITIES</b>		
<b>A. Equity</b>		
Share capital .....	287,784	287,784
Capital reserves .....	379,808	470,843
Retained earnings and other reserves .....	2,412,634	1,876,481
<b>Equity attributable to equity holders to the parent .....</b>	<b>3,080,227</b>	<b>2,635,109</b>
Minority interest .....	58,616	61,332
	<b>3,138,843</b>	<b>2,696,440</b>
<b>B. Non-current liabilities</b>		
Pensions and other employee obligations .....	568,798	552,705
Provisions .....	20,971	25,065
Deferred tax liabilities .....	88,985	67,278
Financial liabilities .....	689,067	818,231
	<b>1,367,821</b>	<b>1,463,279</b>
<b>C. Current liabilities</b>		
Provisions .....	350,739	422,730
Financial liabilities .....	2,697,084	513,988
Trade and other payables .....	1,520,291	1,172,768
	<b>4,568,113</b>	<b>2,109,486</b>
<b>Total equity and liabilities .....</b>	<b>9,074,777</b>	<b>6,269,205</b>

<sup>(1)</sup> "TEUR" means Euros in units of thousands

## CAPITALISATION AND INDEBTEDNESS

*The following financial information solely pertains to voestalpine Group and does not include consolidated financial information of the Böhler-Uddeholm Group. Investors should therefore be aware that future prospects of voestalpine Group may not be inferred from the following financial information.*

The following table sets forth the consolidated capitalisation of the Group as of 31 March, 2007 and 30 June, 2007:

	<b>March 31, 2007</b> <b>(audited)</b> in TEUR <sup>(1)</sup>	<b>June 30, 2007</b> <b>(unaudited)</b> in TEUR
<b>Total current debt</b> .....		
Bank loans .....	1,131,735	3,229,926
Liabilities from finance lease .....	59,372	59,526
Liabilities from affiliated companies .....	11,387	11,105
Liabilities from other investments .....	96,259	13,115
Other payable and other liabilities .....	70,394	65,479
<b>Total current liabilities</b> .....	<b>1,369,147</b>	<b>3,379,151</b>
therof:		
Long-term liabilities .....	739,583	682,067
Short-term liabilities .....	629,564	2,697,084
<b>Net financial debt</b> .....	<b>1,369,147</b>	<b>3,379,151</b>
<b>Shareholder's equity</b>		
Share capital .....	287,784	287,784
Reserves .....	2,638,516	2,851,059
<b>Equity</b> .....	<b>2,926,300</b>	<b>3,138,843</b>
<b>Total capitalization</b> .....	<b>6,824,839</b>	<b>9,074,777</b>

<sup>(1)</sup> "TEUR" means Euros in units of thousands

## TAXATION

### TAXATION IN AUSTRIA

**Investors should be aware that this overview cannot be used as a substitute for individual tax advice and is not intended to be definitive. There can be no guarantee that the Austrian tax authorities will adopt the same interpretation of the matters as set out below and due to changes in the settled practice of Austrian tax authorities or Austrian case law, the tax treatment of alternative investments may, even retroactively, vary and lead to different results than those set out herein. Prospective investors should consult their own independent advisers as to the implications of their subscribing for, purchasing, holding, switching or disposing of the Bonds under the laws of the jurisdictions in which they may be subject to tax. The discussion of certain Austrian taxes set forth below is included for information purposes only.**

#### General

The tax treatment of perpetual bonds has not yet been finally clarified by the Austrian Federal Ministry of Finance (*Bundesministerium für Finanzen*, BMF) or decisions of the Austrian Supreme Administrative Court (*Verwaltungsgerichtshof*, VwGH). Perpetual bonds should qualify as debt instrument for Austrian tax purposes if the perpetual bond does not provide for a participation in the issuer's profits and its liquidation profits, i.e. if the bonds are substantially comparable to other debt instruments.

#### Austrian tax resident individual investors

Interest received by an individual investor resident in Austria for tax purposes (i.e., the individual has its tax residence/domicile and/or its habitual place of abode in Austria) is subject to Austrian income tax.

If the interest is paid by an Austrian coupon paying agent, withholding tax at a rate of 25% is triggered. Such withholding tax is final (i.e., the investor does not have to include such income in the income tax return) provided that the Bond is both legally and actually publicly offered (BMF, EStR 2000 para 7799). If the investor's applicable average income tax rate is below 25%, the investor may file an income tax return including the interest income and apply for assessment of his income tax liability based on his income tax return.

In the absence of an Austrian coupon paying agent, the investor has to include the interest income in the income tax return and Austrian income tax at the special rate of 25% is due (§ 37(8) of the Austrian Income Tax Act (*EStG*)).

A deduction of expenses that are directly economically connected to the Bonds, if the income received thereunder is subject to flat and final withholding tax or to the special income tax rate of 25%, is not available.

Capital gains from the sale of the Bonds, held by a private investor, are only taxable if the Bond is sold prior to or at the end of one year after its acquisition (so called "speculative transaction"). Income tax at the regular rates of up to 50% would be due if the aggregate amount of profits from speculative transactions realised by the private investor in a given calendar year exceeds €440. Losses from a speculative transaction realised within the calendar year may not be compensated with other income of the private investor other than speculation profits realised in that specific calendar year.

If the Bond is held as a business asset, capital gains from the sale of the Bond are taxable income irrespective of any holding period.

#### Austrian tax resident corporate investor

A corporation that is subject to unlimited corporate income tax liability in Austria (i.e., a corporation that has its seat or place of effective management in Austria) receiving such income will be subject to Austrian corporate income tax at a rate of 25%. The 25% Austrian withholding tax may be triggered but is creditable against the corporate investor's Austrian corporate income tax liability. Corporate investors may avoid triggering Austrian withholding tax on interest by filing a declaration of exemption (§ 94(5) of the Austrian Income Tax Act (*EStG*)).

Capital gains from the sale of the Bond, held as a business asset, are taxable income irrespective of any holding period.

A specific tax rate (12.5%; so called interim taxation) applies to interest income earned by an Austrian private-law foundation

(*Privatstiftung*). That interim corporate income tax may be credited against tax due on distributions of the private-law foundation.

### **Non-Austrian tax resident investors**

Interest income derived from the Bonds by investors that are not resident in Austria for tax purposes and do not maintain an Austrian permanent establishment to which such interest is attributable should not be taxable in Austria. If Austrian withholding tax on investment income has been deducted by the coupon paying agent, the non-Austrian tax resident investor may reclaim the withholding tax within five calendar years following the date of the imposition of the withholding tax. Non-Austrian tax resident investors may avoid the deduction of the Austrian withholding tax, if the Bonds are deposited with an Austrian bank and evidence in writing is forwarded to the bank, confirming, among others, that the investor neither has his tax residence nor his habitual place of abode in Austria (BMF, EStR 2000 para 7775). Non-Austrian resident corporations may avoid the deduction of the Austrian withholding tax at source, if the Bonds are deposited with an Austrian bank and the evidence in writing is forwarded to the bank, confirming that the corporation is the beneficial owner of the Bonds and neither has statutory seat nor a place of management in Austria (BMF, KStR 2001 para 1464).

Under the Austrian EU-Source Tax Act (*EU-QuStG*; implementing Directive 2003/48/EC of 3 June 2003), interest paid by an Austrian coupon-paying agent to an individual beneficial owner resident in another EU member state is subject to EU source tax at a rate of currently 15% (as of 1 July 2008: 20%; as of 1 July 2011: 35%). Interest within the meaning of the EU-QuStG are, among others, interest paid or credited to an account, relating to debt claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and, in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures.

An exemption from EU source taxation applies, among others, if the beneficial owner of the interest forwards to the Austrian paying agent documentation issued by the tax office where the tax payer is resident, stating (i) the beneficial owner's name, address and tax identification number (in the absence of a tax identification number the beneficial owner's date and place of birth), (ii) the paying agent's name and address (iii) the beneficial owner's address and account number or the security identification number. Further, EU source tax is not triggered if interest within the meaning of the EU-QuStG is paid to an institution within the meaning of § 4(2) EU-QuStG resident in another EU Member State and this institution agrees upon written request of the Austrian paying agent to enter into a simplified information exchange procedure with the Austrian paying agent.

### **Inheritance and gift tax**

Inheritance and gift tax is levied on inheritances, gifts and special purpose donations if either the beneficiary or the deceased/donor is resident in Austria for inheritance tax purposes. The inheritance and gift tax rate varies from 2% to 60%, depending on the value of the Bonds transferred and on the relationship of the beneficiary to the deceased or the donor. Bonds held by private investors are exempt from inheritance tax (not from gift tax), if they qualify for final income taxation or for the special 25% income tax rate

Recently, the Austrian Constitutional Court ruled the Austrian inheritance and gift tax on transfers *mortis causa* and donations unconstitutional. Austrian inheritance and gift tax on transfer *mortis causa* and donations will lapse, unless repaired or otherwise re-enacted by the Austrian legislator until 1 August 2008. It remains to be seen whether the Austrian legislator will re-enact an inheritance and gift tax in Austria and under what terms.

## **TAXATION IN THE FEDERAL REPUBLIC OF GERMANY**

### **General**

The following discussion of the tax consequences of an investment in the Bonds is based on (except as outlined under "Tax treatment") the laws in force on the date of this Prospectus. The Issuer emphasizes that the tax implications can be subject to change due to future law changes.

Although this discussion reflects the Issuer's opinion, it should not be misunderstood as a guarantee in an area of law which is not free from doubt. Further, this discussion is not intended as the sole basis for an investment in the Bonds as the individual tax position of the investor needs to be investigated. Therefore, this statement is confined to a general discussion of certain German income tax consequences.

## German resident investors

### *Current interest*

Any payments of current interest including interest having accrued up to the sale of the Bonds and credited separately (accrued interest) are subject to German personal or corporate income tax (plus 5.5% solidarity surcharge thereon). Such interest is also subject to trade tax if the Bonds are held as business assets. Accrued interest paid upon purchase of the Bonds qualifies as negative income if the Bonds are held as non-business assets.

Current interest paid to a (corporate or private) investor resident in Germany is subject to German withholding tax on interest (*Zinsabschlag*), if the Bonds are held in custody with a German credit institution or financial services institution (including a German permanent establishment of such foreign institution) as disbursing agent (*inländische auszahlende Stelle*). The disbursing agent has to deduct withholding tax on interest at a rate of 30% (plus 5.5% solidarity surcharge thereon).

The Issuer of the Bonds is – to the extent it does not qualify as disbursing agent – under German tax law not obliged to deduct any withholding tax from interest payments.

Any withholding tax on interest is credited against the investor's final corporate or personal income tax liability. Any potential excess of the withholding tax on interest over the investor's final corporate or personal income tax liability is refunded.

### *Gains from the sale or redemption*

Any gain from the sale or redemption of the Bonds held as private assets is considered as investment income by the revenue and is subject to personal income tax plus solidarity surcharge thereon. Conversely, the revenue holds the view, that if the Bonds are held as private assets, losses are deductible as negative investment income. The Federal Fiscal Court (*Bundesfinanzhof*), however, recently accepted the deduction of losses from the sale or redemption of financial innovations or the taxation of gains from financial innovations only within narrow boundaries, cf. BFH of 13.12.2006 VIII R 79/03, DStR 2007, p. 286; BFH of 13.12.2006 VIII R 97/02, DStR 2007, p. 601; BFH of 13.12.2006 VIII R 62/04, DStR 2007, p. 338, BFH of 11.07.2006 VIII R 67/04, DStR 2007, p. 106. According to the above jurisprudence of the Federal Fiscal Court, gains and losses from the sale or redemption of the Bonds may be taxable only as gains/losses from private sales transactions within the meaning of Sec. 23 Income Tax Act ("*EStG*", *Einkommensteuergesetz*).

In case the Bonds are held as domestic business assets, gains and losses from the sale or redemption must be recognised for (corporate) income tax and trade tax purposes.

If the Bonds are held in custody with a German credit institution or financial services institution (including a German permanent establishment of a foreign institution) upon sale or redemption, withholding tax on interest is imposed at a rate of 30 % (plus solidarity surcharge at a rate of 5,5 % thereon) on the excess of the proceeds arising from the sale or redemption over the purchase price paid for the Bonds, if the Bonds were held in custody by such institution since the acquisition of the Bonds. If custody has changed since the acquisition of the Bonds, withholding tax on interest will be due on an amount equal to 30% of the proceeds arising from the sale or redemption of the Bonds (plus solidarity surcharge at a rate of 5,5 % thereon). Withholding tax on interest will be credited against the investor's final (corporate) income tax liability. Any potential surplus will be refunded.

The Issuer of the Bonds is – to the extent it does not qualify as disbursing agent (*auszahlende Stelle*) – under German tax law not obliged to deduct any withholding tax on sale or redemption proceeds.

## Foreign tax residents

Investors not resident in Germany are generally not taxable in Germany, and no withholding tax on interest is imposed (even if the Bonds are held in custody with a German credit institution or financial services institution). Exemptions apply e.g. where the Bonds are held as business assets in a German permanent establishment of the Investor.

## EU Directive on the Taxation of Savings Income

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income (2003/48/EG). The directive has been implemented in Germany by the decree on the taxation of interest income (*Zinsinformationsverordnung*) which applies from 1 July 2005 on. Under the directive, each Member State is required to provide the tax authorities of another Member State with details of interest payments or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State. Austria, Belgium and Luxembourg may instead apply a

withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%.

### **Tax treatment from 1 January 2009 onwards**

The German parliament (*Bundestag*) and the German Federal Council (*Bundesrat*) agreed on 25 May 2007 and 6 July 2007 respectively on the Business Tax Reform Act 2008 which i.a. changes the taxation of capital investment income for German tax resident private investors significantly. However, the taxation of German and foreign business investors should – in principle – remain unchanged.

#### *Private investors*

Capital gains from the sale or redemption of the Bonds qualify as investment income pursuant to Sec. 20 para. 2 No. 7 EStG (new) and are subject to personal income tax plus solidarity surcharge. Losses from the sale or redemption of the Bonds can only be off-set against other investment income. In the event that an off-set is not possible in the assessment period in which the losses have been realized, such losses can be carried forward into future assessment periods only and can be off-set against investment income generated in future assessment periods.

Further, any current interest from the Bonds qualifies as investment income pursuant to Sec. 20 para. 1 No. 7 EStG (new) and is subject to personal income tax plus solidarity surcharge.

#### *Withholding Tax*

If the Bonds are held in custody with or administered by a German credit institution, financial services institution (including a German permanent establishment of such foreign institution), securities trading company or securities trading bank (“*paying agent*”), a tax at a rate of 25% (plus solidarity surcharge thereon) is withheld by such institution upon sale or redemption of the Bonds. The withholding tax is imposed on the excess of the proceeds from the sale or redemption over the purchase price paid for the Bonds, if the Bonds were held in custody by such institution since their acquisition. If custody has changed since the acquisition and the acquisition data is not proved, the tax at a rate of 25% (plus solidarity surcharge) will be imposed on an amount equal to 30% of the proceeds from the sale or redemption of the Bonds.

Further, interest payments are subject to a flat withholding tax at a rate of 25% (plus solidarity surcharge). By contrast, the Issuer of the Bonds, unless it qualifies as paying agent, is not obliged under German law to withhold any withholding tax (*Quellensteuer*) upon the sale or redemption of the Bonds or from interest payments.

For private investors the withholding tax is definitive (flat tax; *Abgeltungssteuer*). Private investors having a lower personal income tax rate may include the capital investment income in their personal income tax return to achieve a lower tax rate. Income not subject to a definitive withholding tax (e.g. since there is no German custodian institution) will be subject to a special tax rate of 25% (plus solidarity surcharge) upon assessment.

In terms of business investors any withholding tax withheld is credited against the investor's personal or corporate income tax liability in the course of the tax assessment procedure. Any potential surplus for the benefit of the investor will be paid out to the investor.

#### *Transition Rules*

The above flat tax regime applies to interest payments and gains or losses from the sale or redemption of the Bonds accrued after 31 December 2008 (otherwise the tax regime applicable until 31 December 2008 is authoritative).

***Prospective investors are recommended to consult their own tax advisors as to the tax consequences to them of the investment.***

## **TAXATION IN THE NETHERLANDS**

The following summary outlines certain principal Netherlands tax consequences in connection with the acquisition, ownership and disposal of Bonds, but does not purport to present any comprehensive or complete description of all Netherlands tax aspects that could be of relevance to a holder of Bonds, who may be subject to special tax treatment under any applicable law. The summary is based on the current law and practice of the Netherlands, which is subject to changes that could prospectively or retrospectively affect the stated tax consequences. The summary does not address the tax consequences of a holder of Bonds who is an individual

and who has a substantial interest in Issuer. Generally, a holder of Bonds will have a substantial interest in Issuer if he, whether alone or together with his spouse or partner and/or certain other close relatives, holds directly or indirectly,

(a) (x) the ownership of, (y) certain other rights, such as usufruct, over, or (z) rights to acquire (whether or not already issued), shares representing 5 per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of Issuer; or

(b) (x) the ownership of, or (y) certain other rights, such as usufruct over, profit participating certificates (“*winstbewijzen*”) that relate to 5 per cent. or more of the annual profit of Issuer or to 5 per cent. or more of the liquidation proceeds of Issuer.

In addition, a holder of Bonds has a substantial interest in Issuer if he, whether alone or together with his spouse or partner and/or certain other close relatives, has the ownership of, or other rights over, shares in, or profit certificates issued by, Issuer that represent less than 5 per cent. of the relevant aggregate that either (a) qualified as part of a substantial interest as set forth above and where shares, profit certificates and/or rights there over have been, or are deemed to have been, partially disposed of, or (b) have been acquired, as part of a transaction that qualified for non-recognition of gain treatment. Prospective holders of Bonds should consult their own professional tax adviser with respect to the tax consequences of any acquisition, ownership or disposal of Bonds in their individual circumstances.

#### *Withholding Tax*

All payments under the Bonds may be made free of withholding or deduction of or for any taxes of whatever nature imposed, levied withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

#### *Taxes on Income and Capital Gains*

##### *Holder of Bonds resident in the Netherlands: individuals*

A holder of Bonds, who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands for Netherlands income tax purposes, will be subject to regular Netherlands income tax on the income derived from and the gains realised upon the Bonds at progressive rates with a maximum of 52%, if:

(a) such holder of Bonds has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Bonds are attributable; and/or

(b) such income or capital gain forms “a benefit from miscellaneous activities” (“*resultaat uit overige werkzaamheden*”) which, for instance, would be the case if the activities with respect to the Bonds exceed “normal active asset management” (“*normaal, actief vermogensbeheer*”).

If the above-mentioned conditions (a) or (b) do not apply, the holder of Bonds who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident of the Netherlands, will not be subject to taxes on income and capital gains in the Netherlands. Instead, the individual holder is taxed at a flat rate of 30% on deemed income from “savings and investments” (“*sparen en beleggen*”). This deemed income amounts to 4% of the average of the individual’s “yield basis” (“*rendementsgrondslag*”), generally, at the beginning of the calendar year and the individual’s “yield basis” at the end of the calendar year (minus a tax-free threshold).

##### *Holder of Bonds resident in the Netherlands: corporate entities*

A holder of Bonds that is resident or deemed to be resident in the Netherlands for corporate income tax purposes, and that is:

- (a) a corporation;
- (b) another entity with a capital divided into Bonds;
- (c) a cooperative (association); or
- (d) another legal entity that has an enterprise or an interest in an enterprise to which the Bonds are attributable,

but which is not:

- (e) a qualifying pension fund;
- (f) a qualifying investment fund (“*fiscale beleggingsinstelling*”); or
- (g) another entity exempt from corporate income tax,

will in general be subject to corporate income tax, generally levied at a rate of 25.5% (20% over profits up to €25,000 and 23.5% over profits between €25,000 and €60,000), on the income derived from the Bonds and the gains realised upon the disposal, deemed disposal or exchange of the Bonds by the holder thereof.

*Holder of Bonds outside the Netherlands: individuals*

A holder of Bonds who is an individual, not resident or deemed to be resident of the Netherlands, and who has not elected to be taxed as a resident of the Netherlands for Netherlands income tax purposes, will not be subject to any Netherlands taxes on any income derived from and capital gain realised upon the Bonds, unless:

(a) such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (“*vaste inrichting*”) or a permanent representative (“*vaste vertegenwoordiger*”) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Bonds are attributable; and/or

(b) such income or capital gain forms a “benefit from miscellaneous activities in the Netherlands” (“*resultaat uit overige werkzaamheden in Nederland*”) which would for instance be the case if the activities in the Netherlands with respect to the Bonds exceed “normal active asset management” (“*normaal, actief vermogensbeheer*”).

If either of the above-mentioned conditions (i) or (ii) applies, any income derived from and/or any capital gain realised upon the Bonds will in general be subject to Netherlands income tax at the progressive rates.

*Holder of Bonds resident outside the Netherlands: legal and other entities*

A holder of Bonds that is a legal entity, another entity with a capital divided into shares, an association, a foundation or a fund or trust, not resident or deemed to be resident in the Netherlands, will not be subject to any Netherlands taxes on any income and/or any capital gain realised upon the Bonds, unless such holder of Bonds has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (“*vaste inrichting*”) or a permanent representative (“*vaste vertegenwoordiger*”) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Bonds are attributable.

Such holder of Bonds will in general be subject to regular corporate income tax, generally levied at a rate of 25.5% (20% over profits up to €25,000 and 23.5% over profits between €25,000 and €60,000) over any income derived from and/or any capital gain realised upon the Bonds.

## **Gift, Estate and Inheritance Taxes**

*Holders of Bonds resident in the Netherlands*

Gift tax may be due in the Netherlands with respect to an acquisition of Bonds by way of a gift by a holder of Bonds who is resident or deemed to be resident in the Netherlands. Inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of Bonds by way of an inheritance or bequest on the death of a holder of Bonds who is resident or deemed to be resident in the Netherlands, or by way of a gift within 180 days before his death by a holder of Bonds who is resident or deemed to be resident in the Netherlands at the time of his death.

For purposes of Netherlands gift and inheritance tax, (i) an individual with the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death, and (ii) any individual will be deemed to be resident in the Netherlands if so requested by the beneficiary(y)(ies) of the gift or estate, and provided certain conditions are met.

For purposes of Netherlands gift tax, an individual not holding the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

*Holders of Bonds resident outside the Netherlands*

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition or deemed acquisition of Bonds by way of a gift by, or on the death of, a holder of Bonds who is neither resident nor deemed to be resident in the Netherlands, unless:

(a) such holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Bonds are or were attributable; or

(b) in the case of a gift of Bonds by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

**Other Taxes**

No Netherlands turnover tax, capital tax, registration tax, customs duty, transfer tax, stamp duty or any other similar tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the offering and the issue of the Bonds by the Issuer or the holding of the Bonds.

## SUBSCRIPTION AND SALE

Pursuant to a subscription agreement to be entered into on or about 29 October 2007 (the "Subscription Agreement") between the Company and the Managers, the Managers will agree, subject to certain conditions, to subscribe and pay for the Bonds at the Issue Price, less certain management commissions. The conditions as referred to in the first sentence of this paragraph will be customary closing conditions as set out in the Subscription Agreement. The Company has, furthermore, agreed to reimburse the Managers for certain expenses incurred in connection with the issue of the Bonds.

The Subscription Agreement entitles the Managers to terminate their obligations, thereunder, in certain circumstances prior to the payment of the purchase price of the Bonds. The Company has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds.

The Managers may from time to time provide investment banking, commercial banking, financial advisory and/or similar services to members of the Group on a regular basis, and maintain normal business relationships with the Group in their capacity as credit institutions or as lenders under loan facilities to members of the Group, for which they have received and may continue to receive customary fees and expenses.

There are no interests of natural and legal persons involved in the issue, including conflicting ones that are material to the issue.

The public offer of the Bonds (as defined in the Prospectus Directive and the relevant implementing measures) will end on the later of (i) the issue date of the Bonds and (ii) the date on which the Bonds begin trading on the regulated market of the Vienna Stock Exchange.

The subscription period for non-institutional investors is expected to be in the period from 18 October 2007 to 19 October 2007. The Issuer and the offering banks have reserved the right to shorten the subscription period. The Bonds will be offered to institutional investors during a book building procedure after a road show in Vienna and other European cities. Advertisements to be published in newspapers are planned. Settlement date for the Bonds is on or about 31 October 2007.

The minimum amount for the subscription corresponds to the minimum denomination of the Bonds which is €1,000. For the Bonds no maximum subscription amount has been set.

The Issue Price is expected to be between 97.00% and 103.00% of the principal amount of the Bonds. The Bonds will entitle investors to a fixed interest until (and excluding) 31 October 2014 at a rate which is expected to be in the range of 6.00% and 9.00% per annum and thereafter at a floating rate based on Euribor plus a Margin. Following a book building procedure, the Fixed Interest Rate, the Margin, the Adjusted Yield as well as the Special Adjusted Yield (each as defined in the Terms and Conditions of the Bonds) will be determined on or about 17 October 2007 and published thereafter.

The book building procedure serves the purpose of recording the demand of institutional investors, like credit institutions, insurance companies and funds, by the banks of the syndicate. In the course of a book building procedure, the Joint Lead Managers and Bookrunners will accept within a limited period of time binding book-building orders from institutional investors. Subsequently, the Joint Lead Managers and Bookrunners together with the Issuer determine the Issue Size, the Issue Price, the Fixed Interest Rate (coupon), the Margin, the Adjusted Yield as well as the Special Adjusted Yield at which the Bonds are issued.

The Issue Price at which the Bonds are offered to retail investors by the offering banks and at which retail investors may buy the Bonds during the subscription period is calculated on the basis of the re-offer price, which is the price at which institutional investors may buy the Bonds, plus an extra charge of 2.00%. This amount shall be charged by retail investors only and paid to the offering banks but not to the Issuer. The Issue Size and the Issue Price will be published prior to the subscription period in accordance with applicable laws in Austria.

## SELLING RESTRICTIONS

### *United States of America*

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered, or sold within the United States or to, or for the account and benefit of, U. S. persons except to certain persons on offshore transactions in reliance on Regulation S under the Securities Act. Each Manager has represented and agreed that it has offered and sold the Bonds, and will offer and sell the Bonds (i) as part of its distribution at anytime and (ii) otherwise until 40 days after the completion of the distribution of all the Bonds only in accordance with Rule 903 of the Regulation S under the Securities

Act. Neither the Managers, their affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds, and it and they have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. Each Manager has also agreed that at or prior to confirmation of sale of Bonds, it will have sent to each distributor, dealer, or person receiving a selling concession, fee or other remuneration that purchases Bonds from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Bonds covered hereby have not been registered under the U. S. Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U. S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Bonds as determined and certified by each Manager, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them in Regulation S under the Securities Act.”

Terms used in the preceding paragraphs have the meaning given to them in Regulation S under the Securities Act.

In addition, each Manager has represented and agreed that:

- (a) except to the extent permitted under U.S Treas. Reg. Section 1.163-5 (c)(2)(i)(D) (the “TEFRA D Rules”), (i) it has not offered or sold, and during the restricted period will not offer or sell, directly or indirectly, Bonds in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Bonds in bearer form that are sold during the restriction period;
- (b) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bonds in bearer form are aware that such Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if it was considered a United States person that is acquiring the Bonds for purposes of resale in connection with their original issuance it agrees that if it retains Bonds in bearer form for its own account, it will only do so in accordance with the requirements of the TEFRA D Rules; and
- (d) with respect to each affiliate that acquires from it Bonds in bearer form for purposes of offering or selling such Bonds during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c), or (ii) obtain from such affiliate for the benefit of the Company the representations and agreements contained in sub-clauses (a), (b) and (c).

Terms used in the preceding paragraph have the meanings given to them Revenue Code and regulations thereunder, including the TEFRA D Rules.

### ***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Bonds to the public in that Relevant Member state prior to the publication of a prospectus in relation to the Bonds which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets, or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last fiscal year; (2) a total balance sheet of more than €43,000,000 and (3) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe to the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2004/809/EC and includes any relevant implementing measure in each Relevant Member State.

#### ***United Kingdom of Great Britain and Northern Ireland***

Each Manager has represented and agreed that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Bonds other than to persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Company;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 (1) of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21 (1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

#### ***General***

In addition to the specific restrictions set out above, the Managers agree that they will observe all applicable provisions of law in each jurisdiction in or from which it may offer Bonds or distribute any offering material.

## GENERAL INFORMATION

### Authorisation

The creation and issue of the Bonds has been authorised by resolutions of the Management Board of the Company dated 20 June 2007 and the Supervisory Board of the Company dated 4 July 2007. The Issue Price and the fixed interest rate of the Bonds is expected to be authorised by resolutions of the Management Board of the Company and the Audit Committee on behalf of the Supervisory Board of the Company on or about 17 October 2007.

### Issue Date

On or about 31 October 2007.

### Increase

The Company may, from time to time and without the consent of the Holders of the Bonds create and issue further bonds having the same Terms and Conditions as the Bonds in all respects (or in all respects, except for the first payment of remuneration) so as to form a single series with the Bonds.

### Independent Auditors

The consolidated financial statements of the Company as of 31 March 2006 and 2007 and for the years then ended, included in this Prospectus, have been audited by Grant Thornton Wirtschaftsprüfungs- und Steuerberatungs-GmbH, independent auditors, as stated in their reports appearing herein. The address of Grant Thornton Wirtschaftsprüfungs- und Steuerberatungs-GmbH is Auhofstraße 1/10, 1130 Vienna, Austria. Grant Thornton Wirtschaftsprüfungs- und Steuerberatungs-GmbH is a member of the Austrian Chamber of Certified Public Accountants.

Apart from the Audited Consolidated Financial Statements, no information in this Prospectus has been audited.

The auditor of the Company for the fiscal year 2007/2008 is Grant Thornton Wirtschaftsprüfungs- und Steuerberatungs-GmbH.

### Application for Listing

Application will be made to the Vienna Stock Exchange to list the Bonds on its Official Market (*Amtlicher Handel*). It is expected that the Bonds will commence trading on the Official Market (*Amtlicher Handel*) on or about 31 October 2007.

### Clearing and Settlement

The Bonds are intended to be deposited with Oesterreichische Kontrollbank Aktiengesellschaft, Am Hof 4, 1010 Vienna, Austria, and will be cleared by either Clearstream Banking, société anonyme, Luxembourg, 42 Avenue JF Kennedy, L-1855 Luxembourg, or Euroclear Bank S.A./N.V. as operator of the Euroclear system (the *Clearing System*).

### Securities Identification Numbers

ISIN: AT0000A069T7

### Paying Agent

Erste Bank der österreichischen Sparkasse AG is appointed as Paying Agent for the Bonds.

### Information based on third party sources

Certain information in the “Business – Special Steel Division – The Böhler-Uddeholm Group” section of this Prospectus is based on third party sources, such sources being press releases, the annual report of Böhler-Uddeholm AG for the year ended 31 December 2006 and the interim report of Böhler-Uddeholm AG for the first quarter of its 2007 financial year. Information which is based on third party sources has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

**Legend on the Global Bonds**

The Temporary Global Bond and the Permanent Global Bond will each bear the following legend:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Section 165(j) and 1287(a) of the Internal Revenue Code”.

**Yield on the Bonds**

Not applicable, as the Bonds partly bear remuneration at a floating rate.

**Rating**

No rating has currently been assigned to the Company and/or the Bonds of this Offering.

**STATEMENT PURSUANT TO COMMISSION REGULATION (EC) NO 809/2004 OF APRIL 29, 2004 AND PURSUANT TO SECTION 8 PARA 1 CAPITAL MARKET ACT**

voestalpine AG, with its corporate seat in Linz, Austria, assumes responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

voestalpine AG  
as Issuer (*als Emittent*)  
Linz, 5 October 2007

---

Wolfgang Eder

---

Robert Ottel

## **ISSUER**

**voestalpine AG**  
voestalpine-Straße 1  
A-4020 Linz  
Austria

## **LEGAL ADVISOR TO THE ISSUER**

**Binder Grösswang Rechtsanwälte OEG**  
Sterngasse 13  
1010 Vienna  
Austria

## **JOINT LEAD MANAGERS AND BOOKRUNNERS**

### **Dresdner Bank AG London Branch**

30 Gresham Street  
EC2P 2XY London  
United Kingdom

### **Erste Bank der oesterreichischen Sparkassen AG**

Börsegasse 14  
1010 Vienna  
Austria

### **UBS Investment Bank**

100 Liverpool Street  
London EC2M 2RH  
United Kingdom

## **CO – LEAD MANAGERS**

### **CALYON Crédit Agricole CIB**

9 quai du Président Paul Doumer  
92920 Paris La Défense, France

### **Morgan Stanley & Co. International plc**

25 Cabot Square, Canary Wharf,  
London E14 4QA  
United Kingdom

### **The Royal Bank of Scotland plc**

135 Bishopsgate  
London EC2M 3UR  
United Kingdom

## **LEGAL ADVISOR TO THE MANAGERS**

### **Freshfields Bruckhaus Deringer**

Seilergasse 16  
A-1010 Vienna  
Austria

## **AUDITORS**

### **Grant Thornton Wirtschaftsprüfungs- und Steuerberatungs-GmbH**

Auhofstraße 1/10  
1130 Vienna  
Austria