

Non-binding courtesy translation of the

## **R E P O R T**

in accordance with § 13 ff of the Austrian Takeover Act

by the Expert

appointed by

**BÖHLER-UDDEHOLM AKTIENGESELLSCHAFT**

**as the Target Company**

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on May 4, 2007
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on May 4, 2007
- 3 General Terms of Reference for the Austrian Certified Public Accounting Professions

## I. Commission and Performance

Tz 1 In a letter dated 2 May 2007 we were appointed by the Management Board of

### **BÖHLER-UDDEHOLM Aktiengesellschaft**

(“BU“ or the “Target Company“)

to serve as the expert pursuant to § 13 ff of the Austrian Takeover Act (“Übernahmegesetz”) and, in this function, to advise the Target Company during the entire takeover process and evaluate the responses of the Management Board and Supervisory Board of BU. The Supervisory Board has approved our appointment as the expert in accordance with the requirement set forth in § 13, last sentence, of the Austrian Takeover Act.

Our company is independent of BU in the sense of the relevant provisions of the Austrian Takeover Act as well as professional directives. The insurance coverage required by § 13 in connection with § 9 (2) a of the Austrian Takeover Act is in force.

It was agreed that the general terms of reference for the Austrian certified public accounting professions would form the basis for the performance of this assignment.

Pursuant to § 14 (2) of the Austrian Takeover Act, the expert appointed by the Target Company is responsible for issuing a written evaluation on the following:

- the takeover bid,
- the response by the Management Board of the Target Company, and
- the response by the Supervisory Board of the Target Company.

The Management Board and Supervisory Board of BU have signed a general letter of representation, which confirms that they have provided us with all available documents that are necessary to evaluate the public takeover bid.

## II. Evaluation of the Takeover Bid

### 1. General information

Tz 2 The information provided in the offer document indicates that voestalpine AG (the "Bidder") acquired all shares in BU Industrieholding GmbH ("BUI") from the shareholders of BUI based on an agreement in principle dated 27 March 2007, and thereby indirectly acquired 10,686,340 shares, or 20.95% of the share capital, of BU. The execution of these share purchases, in particular the finalization of the transfer of the BUI shares to the Bidder, the exercise of all rights connected with these shares and payment of the purchase price to the shareholders of BUI, is subject to the condition precedent of clearance or non-prohibition of the execution of this transaction by the relevant merger control authorities. According to the information provided, the Target Company is not familiar with the text of the contract concluded between the Bidder and the shareholders of BUI.

The Bidder is not legally required to make a takeover bid since it has not acquired a controlling interest in BU as defined by the Austrian Takeover Act. Simultaneously with the acquisition of BUI subject to conditions precedent, the Bidder announced its intention to make a voluntary takeover bid to all other shareholders of BU in order to acquire a controlling interest in the Target Company.

The voluntary takeover bid made by voestalpine AG on 25 April 2007, which was announced on 26 April 2007, is aimed to achieve the acquisition of all shares of BU admitted to the Official Market on the Vienna Stock Exchange, each representing a calculatory pro-rated amount of EUR 2.00. Taking into account the 10,686,340 shares purchased indirectly by the Bidder subject to conditions precedent, this takeover bid therefore effectively aims at the purchase of 40,313,660 shares (representing 79.05% of share capital).

The takeover bid is subject to the following conditions precedent and is limited to the period up to and including 24 May 2007 (5.30 p.m., local time in Vienna):

- Achievement of the statutory minimum acceptance threshold pursuant to § 25a (2) of the Austrian Takeover Act.

- Non-prohibition of the execution, clearance or approval of the contemplated purchase of shares by the Bidder by 31 August 2007 by the relevant merger control authorities of (i) the European Union and (ii) Bosnia and Herzegovina, (iii) Switzerland, (iv) South Africa, (v) South Korea, (vi) Turkey, (vii) Ukraine and (viii) the USA.

## 2. Bid price

- Tz 3 The bid price stated in the offer document is EUR 69.00 per share, excluding the dividend for 2006. The dividend of EUR 2.05 per share recommended by the Management Board for the 2006 fiscal year is, in any event, to be retained by the current shareholders of BU.
- Tz 4 Pursuant to § 26 (1) of the Austrian Takeover Act, the consideration offered in connection with a voluntary bid must meet two conditions:

The price for a voluntary takeover bid may not be less than the highest price paid or granted by the Bidder, or a party acting in concert with the Bidder, within the last twelve months preceding the announcement of the takeover bid for shares in the Target Company (§ 26 (1), 1st sentence, of the Austrian Takeover Act). In accordance with the information provided in Section 2.2.1. of the offer document, the Bidder indirectly purchased or agreed to purchase BU shares for a maximum price of EUR 69.00 during the last twelve months through the acquisition of BUI.

As the expert appointed by BU, we had no insight into documents held by the Bidder or other parties acting in concert with the Bidder that could be used to evaluate this information. In accordance with the information provided in the offer document, the bid price is consistent with this minimum limit.

Furthermore, the bid price must equal or exceed the average stock exchange price of the share, weighted by the relevant trading volumes, during the last six months prior to the date on which the intention to launch the bid was announced. This announcement was made after the takeover bid on 29 March 2007.

The average stock exchange price of the BU share, weighted by the relevant trading volumes, during the last six months prior to the date on which the intention to launch the bid was announced, which was 28 March 2007, equals EUR 57.33 per share. Therefore,

the bid price of EUR 69.00 per share ex 2006 dividend is consistent with the minimum price specified in § 26 (1), 2nd sentence, of the Austrian Takeover Act.

Tz 5 We evaluated the economic appropriateness of the bid on the basis of the following factors, since the Target Company did not prepare a separate enterprise valuation.

3. Analysis of equity as shown in the books

Tz 6 BU prepared consolidated financial statements as of 31 December 2006 in accordance with IFRS. These consolidated financial statements received an unqualified opinion from BDO Auxilia Treuhand GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, the auditor of the consolidated financial statements, on 19 February 2007. The Group equity of BU totaled approximately EUR 1,227.1 million as of 31 December 2006 (2005: EUR 1,105.9 mill.). Excluding the dividend recommended by the Management Board of BU, equity per share equals EUR 24.06 (2005: EUR 21.68)<sup>1</sup>. Taking the recommended dividend for 2006 into account, equity per share equals EUR 22.01. The bid price exceeds this amount by EUR 44.94 (after the dividend: EUR 46.99).

According to information provided in the directors' report for 2006, the management of BU expects sales and earnings for the 2007 fiscal year will at least equal the prior year level. At the present time, no interim financial reports were available after the closing date on 31 December 2006.

4. Analysis of the average stock exchange prices

Tz 7 The average stock exchange prices, weighted by the relevant trading volumes, for the last three, six, twelve and twenty-four calendar months prior to the date on which the intention to launch the bid was announced are as follows:

(in EUR )	3 months	6 months	12 months	24 months
Weighted average price	61,25	57,33	50,02	42,45
Bid price	69,00	69,00	69,00	69,00
Premium	7,75	11,67	18,98	26,55
Premium as a % of the average price	12,65	20,36	37,94	62,54

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<sup>1</sup> Also including the effects of the stock split carried out in June 2006.

BU carried out a 1:4 stock split in June 2006. The weighted average stock exchange prices shown here also include the effects of the stock split in periods prior to the stock split. These figures represent pro-forma data that are intended to improve comparability.

Therefore, the bid price of EUR 69.00 exceeds the average stock exchange price, weighted by the relevant trading volumes, for the last six months prior to the date on which the intention to launch the bid was announced.

On 28 March 2007, the day before the intention to launch the bid was announced, the stock exchange price of the BU share equaled EUR 72.00 and exceeded the bid price by EUR 3.00. Taking the EUR 2.05 dividend recommended by the Management Board into account, the stock exchange price equals EUR 69.95 after the dividend. This calculatory price exceeds the bid price by EUR 0.95.

#### 5. Valuation of the Target Company

Tz 8 As explained above, only the Bidder carried out an enterprise valuation. The results of this valuation indicate that the bid price is appropriate, according to information provided by the Bidder.

Based on the activities of BU as a worldwide producer of specialty steels and specialty steel materials, it cannot be excluded that the earnings recorded by BU may exceed results reported in the past and this could lead to an increase in the value of the company. At the same time it cannot be excluded that, due to adverse development, profits will not reach the expected level and this could lead to a deterioration of the growth in earnings.

#### 6. Conditions of the takeover bid

Tz 9 Pursuant to Austrian law (§ 25a (2) of the Austrian Takeover Act), the takeover bid is subject to the conditions precedent that the Bidder receives declarations of acceptance that comprise more than 50% of the permanent voting shares which are the subject of this takeover bid within the acceptance period. If the Bidder or parties acting in concert with the Bidder purchase permanent voting stock parallel to the bid, these purchases will be added to the declarations of acceptance pursuant to § 25a (2) of the Austrian Takeover Act. Upon publication of its intention to launch the bid and subject to a condition precedent, the Bidder acquired all shares in BUI and hence indirectly 10,686,340 BU

shares that represent 20.95% of the share capital of Böhler-Uddeholm. In order to fulfill the condition pursuant to § 25a (2) of the Austrian Takeover Act, the Bidder must acquire at least 25,500,001 BU shares by the end of the acceptance period. Taking into account the 10,686,340 BU shares indirectly acquired by the Bidder, the Bidder must therefore receive declarations of acceptance for at least 14,813,661 shares.

Tz 10 Furthermore, the takeover bid is subject to the condition precedent that the merger control authorities specified in the offer document issue a non-prohibition of the execution or clearance of the contemplated purchase of BU shares by the Bidder within the framework of this takeover bid by 31 August 2007.

#### 7. Stock exchange listing

Tz 11 The offer document expressly states that the Bidder initially intends to acquire the absolute majority of voting rights, which represents at least 25,500,001 BU shares. Furthermore, the offer document indicates that the Bidder plans to acquire a higher interest in BU and, in connection with the most efficient integration of BU into the voestalpine Group, this could lead to a subsequent squeeze-out of the remaining BU shareholders and a delisting of BU.

The Bidder has expressly noted that the BU share may only remain in the Prime Market Segment if the free float component of shares does not fall below the minimum requirement of 25%.

#### 8. Summary evaluation of the bid

Tz 12 As the expert appointed by BU, we can confirm the formal completeness of the offer document. It contains the minimum information required by § 7 of the Austrian Takeover Act is contained and provides sufficient information for the recipients of the takeover bid (§ 3 (2) of the Austrian Takeover Act). The bid price meets legal requirements and exceeds the pro-rated share of equity.

### III. Evaluation of the Response by the Management Board

Tz 13 The response by the Management Board of the Target Company must contain, in particular, the following information pursuant to § 14 (1) of the Austrian Takeover Act:

- An assessment of whether the consideration offered and the other terms of the takeover bid adequately reflect the interests of all shareholders
- An indication of the probable effects of the takeover bid on the Target Company, especially with respect to employees, creditors and the public interest.

If the Management Board is unable to make a final recommendation, it must in any event outline the arguments for accepting or rejecting the takeover bid and highlight the most important aspects.

Tz 14 On 4 May 2007 the Management Board released a response to the voluntary takeover bid by voestalpine AG pursuant to §14 (1) of the Austrian Takeover Act (“Response by the Management Board”). In summary, this response indicated the following:

- The Management Board welcomes the plans by the Bidder for BU to preserve its market appearance, maintain and further develop its four divisions, continue the capital expenditure and acquisition policies and preserve BU as an Austrian specialty steel group with a global presence as well as the exclusion of an exit for both the BU Group and its individual divisions.
- The Management Board states that, according to the offer document, there are no plans to close or transfer sites. It is also noted that the Bidder does not plan to reduce the workforce. Based on statements made by the Bidder that no concrete changes in employment conditions or changes in the management team are contemplated, the Management Board has concluded that the takeover bid will not result in a deterioration for employees.
- The announced intention to preserve BU as an Austrian specialty steel group accommodates the interests of the public. The Management Board believes that no effect on creditors of the company will arise in connection with the takeover bid.
- Reference is also made to the statements in the bid that explain the impact on future stock market trading.

- Tz 15 In connection with the conditions of the bid, the response by the Management Board also indicates that
- the non-fulfillment of the condition pursuant to § 25 a Austrian Takeover Act means that the purchase of shares under the public takeover bid will not take place;
  - it may be necessary to obtain the clearance of merger control authorities in other countries;
  - the execution of the share purchases without the relevant clearance or contrary to a possible decision of prohibition by merger control authorities may also lead to the nullity of the share purchase agreement or the obligation to rescind this transaction;
  - the waiver of the fulfillment of outstanding clearances by merger control authorities before all such clearances have been obtained (section 2.3.1. of the takeover bid) may not violate a possible prohibition on the execution of this transaction that could lead to the nullity of the sale of shares.

- Tz 16 It is noted that, due to the large number of procedures, it is not certain that all necessary clearances or approvals will be received from the relevant merger control authorities before the 31 August 2007 deadline that is specified in the offer document. Although BU has no concrete evidence that a subsequent prohibition by a merger control authority not named in the offer document may lead to (subsequent) nullity of the purchase of shares or the rescission of the purchase of shares, this possibility cannot be fully excluded.

In this connection, the Management Board notes that if the conditions precedent are not fulfilled by 31 August 2007, the shareholders who have accepted the takeover bid will be barred from reacting to any negative changes in the market between the date on which they accept the takeover bid and 31 August 2007.

The Management Board takes a positive stance toward the takeover bid and recommends the acceptance of this bid. It is also expressly noted that the assessment of whether or not the takeover bid is advantageous can only be determined individually by each shareholder on the basis of his/her own situation. Additional details are provided in the attached response by the Management Board.

- Tz 17 We have discussed the arguments with the Management Board, and obtained the necessary evidence and explanations. In connection with the performance of our duties as the expert pursuant to § 13 of the Austrian Takeover Act, we have analyzed the attached response by the Management Board of the Target Company and did not identify any facts

that would provide reasons to doubt the correctness of this response. In our opinion, the arguments presented are logical and place the shareholders of the Target Company in a position to make an independent evaluation of the situation in full knowledge of the facts with respect to the acceptance or rejection of the takeover bid.

#### **IV. Evaluation of the Response by the Supervisory Board**

Tz 18 Similar to the response by the Management Board, the response by the Supervisory Board of the Target Company must contain, in particular, the following information pursuant to § 14 (1) Austrian Takeover Act:

- An assessment of whether the consideration offered and the other terms of the bid adequately represent the interests of all shareholders
- An indication of the probable effects of the takeover bid on the Target Company, especially with respect to employees, creditors and the public interest

If the Supervisory Board is unable to make a final recommendation, it must in any event outline the arguments for accepting or rejecting the takeover bid and highlight the most important aspects.

Tz 19 On 4 May 2007 the Supervisory Board released a response to the voluntary takeover bid by voestalpine AG pursuant to § 14 (1) of the Austrian Takeover Act (“Response by the Supervisory Board”). In summary, this response indicated the following:

- The Supervisory Board agrees with the content of the response of the Management Board and concurs with this response of the Management Board.
- The Supervisory Board also recommends the acceptance of the takeover bid.

Detailed information is provided in the attached response of the Supervisory Board.

Tz 20 We have discussed the arguments with the Supervisory Board, and obtained the necessary evidence and explanations. In connection with the performance of our duties as the expert pursuant to § 13 of the Austrian Takeover Act, we have analyzed the attached response by the Supervisory Board of the Target Company and did not identify any facts that would provide reasons to doubt the correctness of this response. In our opinion, the arguments presented are logical and place the shareholders of the Target Company in a position to make an independent evaluation of the situation in full knowledge of the facts with respect to the acceptance or rejection of the takeover bid.

## V. Summary Remarks

- Tz 21 As the expert appointed by Böhler-Uddeholm Aktiengesellschaft pursuant to § 13 ff of the Austrian Takeover Act, we hereby issue the following evaluation on the voluntary takeover bid made by voestalpine AG pursuant to § 25a of the Austrian Takeover Act, which was announced on April 26, 2007, and on the responses of the Management Board and Supervisory Board of Böhler-Uddeholm Aktiengesellschaft that were released on 4 May 2007:
- Tz 22 Based on our review and the documents provided to us, we consider the offer document prepared by the Bidder to be in conformance with legal regulations. It meets the relevant requirements of the Austrian Takeover Act and permits a comprehensive evaluation of the voluntary takeover bid based on the information presented. The bid price of EUR 69.00 per share of Böhler-Uddeholm Aktiengesellschaft meets the requirements of § 26 (1) of the Austrian Takeover Act and exceeds equity per share as recorded in the books as of 31 December 2006. The administrative bodies did not carry out a future-oriented valuation of earnings. The Management Board and Supervisory Board of the Target Company have recommended the acceptance of the takeover bid in their responses. The responses of the Management Board and Supervisory Board also note that the consideration offered, in accordance with § 26 (1) Austrian Takeover Act, and other terms of the takeover bid take adequate account of the interests of all shareholders considering the factors mentioned in the response by the Management Board. It is also expressly pointed out that the assessment of whether or not the bid is advantageous can only be determined individually by each shareholder on the basis of his/her own situation.

Tz 23 The responses by the Management Board and Supervisory Board of Böhler-Uddeholm Aktiengesellschaft to the voluntary takeover bid – especially the evaluation by the Management Board and Supervisory Board whether the consideration offered in accordance with § 26 (1) Austrian Takeover Act, and other terms of the takeover bid take adequate account of the interests of all shareholders – are logical and appropriate. In total, the stated arguments and information permit a comprehensive evaluation of the bid by the shareholders of Böhler-Uddeholm Aktiengesellschaft.

Vienna, 4 May 2007

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