



Pflaiderer Finance B.V.

(a private limited liability company incorporated under the laws of The Netherlands)

EUR 275,000,000 Undated Subordinated Fixed to Floating Rate Securities of 2007

Issue Price: 100 %

unconditionally and irrevocably guaranteed, on a subordinated basis, by

Pflaiderer Aktiengesellschaft

(a stock corporation incorporated under the laws of the Federal Republic of Germany)

Pflaiderer Finance B.V. (the "**Issuer**") will issue EUR 275,000,000 aggregate principal amount of Undated Subordinated Fixed to Floating Rate Securities (the "**Securities**") on 27 April 2007 (the "**Issue Date**") at an issue price of 100 % of the principal amount of such Securities. Pflaiderer Aktiengesellschaft (the "**Guarantor**" and "**Pflaiderer AG**") has given a subordinated unconditional and irrevocable guarantee dated 27 April 2007 (the "**Subordinated Guarantee**") for the due payment of principal and interest under the Securities.

The Securities will bear interest from and including the Issue Date to but excluding 14 August 2014 at a rate of 7.125 % per annum, payable annually in arrear (for the first seven years) on August 14 in each year, commencing on August 14, 2007. Thereafter, unless previously redeemed, the Securities will bear interest at a rate of the Euro-zone inter-bank offered rate for three-month Euro deposits plus a margin of 4.23 %, payable quarterly in arrear on 14 August, 14 November, 14 February and 14 May in each year (each a "**Floating Interest Payment Date**").

On each Optional Payment Date (as defined in the terms and conditions of the Securities (the "**Terms and Conditions**")), the Issuer may elect to defer any interest payment (in whole or in part) scheduled to be paid in respect of the Securities on such Optional Payment Date. The Terms and Conditions provide that accrued interest not paid on an Optional Payment Date on account of such election of the Issuer shall constitute "Arrears of Interest". Arrears of Interest may only be settled through the Alternative Coupon Settlement Mechanism (ACSM) and may be cancelled under certain circumstances as set out in § 4 of the Terms and Conditions. The Issuer may pay Arrears of Interest at any time and must pay Arrears of Interest under certain circumstances described in the Terms and Conditions. Arrears of Interest will not bear interest.

The Securities are undated and the holders of the Securities (the "**Holders**") shall have no right to call for their redemption.

The Securities may be redeemed at the option of the Issuer (in whole but not in part) at the Redemption Amount, on the First Call Date or on any Floating Interest Payment Date thereafter. The Securities may be redeemed at the option of the Issuer at any time before the First Call Date at the Redemption Amount following either a Change of Control Event, a Gross-up Event or for reasons of minimal outstanding amounts. The Issuer may redeem the Securities at the Early Redemption Amount following either a Capital Event, a Tax Event an Accounting Event or a Rating Withdrawal.

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

This prospectus in respect of the Securities (the "**Prospectus**") constitutes a prospectus for the purpose of Directive 2003/71/EC of the European Parliament and of the Council (the "**Prospectus Directive**").

Application has been made to the *Commission de Surveillance du Secteur Financier* in Luxembourg (the "**CSSF**") for approval of this Prospectus for the purposes of the Prospectus Directive and relevant implementing measures in Luxembourg as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with respect to the issue of the Securities. Application has been made to list the Securities on the official list of the Luxembourg Stock Exchange and to admit the Securities to trading on the regulated market of the Luxembourg Stock Exchange (Regulated Market "**Bourse de Luxembourg**"). The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Investment Services Directive 93/22/EEC.

The Securities will be issued in bearer form in denominations of EUR 50,000.

The Securities and the Subordinated Guarantee will be governed by the laws of the Federal Republic of Germany (save for the subordination provision of the Securities which will be governed by Dutch law).

Prospective investors should have regard to the factors described under the section headed "**Risk Factors**" in this Prospectus.

The Securities and the Subordinated Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**") and the Securities are subject to U.S. tax law requirements. Subject to certain exceptions, the Securities and the Subordinated Guarantee may not be offered, sold or delivered within the United States.

Structuring Advisors and Joint Bookrunners

ABN AMRO

Barclays Capital

The date of this Prospectus is April 25, 2007.

Responsibility Statement

Each of the Issuer with its registered seat in Deventer, the Netherlands, and the Guarantor with its registered seat in Neumarkt, Federal Republic of Germany, accepts responsibility for the information contained in this Prospectus and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its importance.

Each of the Issuer and the Guarantor further confirms that (i) this Prospectus contains all information with respect to the Issuer and the Guarantor as well as to the Guarantor and its subsidiaries and affiliates taken as a whole (hereinafter referred to as "**Pfleiderer**", the "**Pfleiderer Group**" or the "**Group**") and to the Securities and the Subordinated Guarantee which is material in the context of the issue and offering of the Securities, including all information which, according to the particular nature of the Issuer and of the Securities and the Subordinated Guarantee is necessary to enable investors and their investment advisors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor and the Pfleiderer Group and of the rights attached to the Securities and the Subordinated Guarantee; (ii) the statements contained in this Prospectus relating to the Issuer, the Guarantor, the Pfleiderer Group, the Securities and the Subordinated Guarantee are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the Guarantor, the Pfleiderer Group, the Securities or the Subordinated Guarantee the omission of which would, in the context of the issue and offering of the Securities, make any statement in the Prospectus misleading in any material respect and (iv) reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

Some of the information regarding Pergo AB (publ) ("**Pergo**") has been sourced from Pergo's homepage (www.pergo.com). Each of the Issuer and the Guarantor confirms that this information has been accurately reproduced and that as far as the Issuer and the Guarantor, respectively, is aware and is able to ascertain from information published by Pergo, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Notice

No person is authorised 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 authorised by or on behalf of the Issuer 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 Issuer 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 Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. This Prospectus does not constitute an offer of Securities or an invitation by or on behalf of the Issuer or the Managers to purchase any Securities. Neither this Prospectus nor any other information supplied in connection with the Securities should be considered as a recommendation by the Issuer or the Managers to a recipient hereof and thereof that such recipient should purchase any Securities.

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 authorised or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Securities and the distribution of this Prospectus in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. In particular, the Securities and the Subordinated Guarantee 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 U.S. tax law requirements. Subject to certain limited exceptions, the Securities 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 of the Securities where the legally binding language is the German language.

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, BARCLAYS BANK PLC AS STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT SECURITIES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF SECURITIES ALLOTTED DOES NOT EXCEED 105% OF THE AGGREGATE PRINCIPAL AMOUNT OF THE SECURITIES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT BARCLAYS BANK PLC (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE SECURITIES 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 SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SECURITIES. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL LAWS, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.

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SUMMARY

The following constitutes the summary (the "**Summary**") of the essential characteristics of, and risks associated with, the Securities and the Issuer and the Guarantor. This Summary should be read as an introduction to this Prospectus. It does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision by an investor to invest in the Securities should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled this Summary including any translation thereof, and applied for its notification, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Words and expressions defined in "Terms and Conditions of the Securities" below shall have the same meanings in this section.

Summary in respect of the Securities

Issuer:	Pfleiderer Finance B.V., Pikeursbaan 2, 7411 GV Deventer, The Netherlands
Guarantor:	Pfleiderer Aktiengesellschaft, Ingolstädter Straße 51, 92318 Neumarkt, Germany
Principal Amount:	EUR 275,000,000.
Managers:	ABN AMRO Bank N.V., Barclays Bank PLC
Principal Paying Agent and Calculation Agent:	Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany
Listing Agent and Paying Agent in Luxembourg:	Deutsche Bank Luxembourg S.A., Luxembourg
Issue Price:	100 %.
Denomination:	The Securities will be issued in a denomination of EUR 50,000 each.
Form of Securities:	The Securities are in bearer form and are issued pursuant to U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(C) (the " TEFRA C Rules "). The Securities are represented by a global bearer security (the " Global Security ") without coupons which is deposited with a common depositary to Clearstream Banking, société anonyme, Luxembourg and Euroclear S.A./N.V. (together, the " Clearing System "). Definitive Securities and interest coupons will not be issued. The notes may be transferred in book-entry form only.
Maturity:	The Securities have no final maturity date.
Redemption at the Option of the Issuer:	The Securities are subject to redemption (in whole, but not in part) at their principal amount plus accrued interest, if any, (the " Redemption Amount ") at the option of the Issuer on 14 August 2014 (the " First Call Date ") or on any Floating Interest Payment Date thereafter.
Redemption upon Occurrence of a Gross-up Event, a Capital Event, a Tax Event, an Accounting Event, a Change of Control or a Rating Withdrawal:	<p>If prior to the First Call Date either a Gross-up Event, a Capital Event, a Tax Event, an Accounting Event, a Change of Control or a Rating Withdrawal (each as defined in the Terms and Conditions) occurs, the Issuer may call and redeem the Securities (in whole but not in part) at any time:</p> <ul style="list-style-type: none"> (i) upon the occurrence of a Gross-up Event or a Change of Control at the Redemption Amount; and (ii) upon the occurrence of a Capital Event, a Tax Event, an Accounting Event or a Rating Withdrawal at the Early Redemption Amount. <p>The "Early Redemption Amount" per Security will be the greater of the</p>

Denomination and the Make-Whole Amount (as defined in the Terms and Conditions) of a Security (as determined by the Calculation Agent), in each case plus any interest accrued in respect of such Security to but excluding the date of redemption.

***Redemption in case of
Minimal Outstanding Amount:***

The Issuer may also redeem the Securities at the Redemption Amount in case the Issuer has redeemed or purchased Securities in the open market equal to or in excess of 75% of the aggregate principal amount of the Securities initially issued.

Replacement at Redemption:

It is the intention of the Guarantor that the Securities will constitute permanent funding of the Group of the Guarantor. In case of a redemption of the Securities, the Guarantor intends to make available to the Issuer for the purposes of such redemption proceeds raised through the issuance or sale of shares and/or the issuance of new hybrid capital securities either by the Guarantor or a finance entity of the Group of the Guarantor, in each case with an aggregate equity credit (as defined by Fitch Ratings Ltd or any other Leading Rating Agency which, at the relevant time, assigns a Credit Rating to the Guarantor) at least equal to the aggregate equity credit then ascribed to the Securities. within a period of six months prior to the redemption date of the Securities.

Interest:

The Securities bear interest from and including the Issue Date to but excluding 14 August 2014 at a rate of 7.125 % per annum on their aggregate principal amount, payable annually in arrear (for the first seven years) on 14 August of each year (each, a "**Fixed Interest Payment Date**"), commencing on 14 August, 2007. Thereafter, unless previously redeemed, the Securities will bear interest at the Euro-zone inter-bank offered rate for three-month Euro deposits plus a margin of 4.23 % per annum, payable quarterly in arrear on 14 August, 14 November, 14 February and 14 May of each year (each, a "**Floating Interest Payment Date**"). In case of a Change of Control Event and/or a Rating Withdrawal, the margin will be increased by 5% per annum from and including the 60th calendar day following the date on which such event has occurred unless the Issuer has elected to redeem the securities prior thereto.

Deferral of Interest Payments:

On any Interest Payment Date which is not a Compulsory Interest Payment Date (such date an "**Optional Payment Date**"), the Issuer may elect to defer (in whole or in part) any interest payment scheduled to be paid in respect of the Securities on such Optional Payment Date.

Any interest in respect of the Securities not paid on an Optional Interest Payment Date pursuant to such election shall constitute "**Arrears of Interest**". Arrears of Interest will not themselves bear interest. The Issuer may only settle Arrears of Interest by way of the ACSM (as defined below).

***Payment of Arrears of
Interest:***

The Issuer must pay Arrears of Interest by way of the ACSM within one year after the earlier of the calendar date (subject to postponement upon occurrence of a Market Disruption Event (as defined in § 4(f) of the Terms and Conditions):

- (i) on which the ordinary general meeting of shareholders (*ordentliche Hauptversammlung*) of the Guarantor validly resolves on any Distribution or the Guarantor pays or makes any Distribution;
- (ii) on which the Issuer or the Guarantor validly resolves on, pays or makes, or causes a Group Entity to validly resolve on, pay or make, (directly or indirectly) any dividend, interest or other distribution or payment (including for the purposes of a redemption) in respect of any Parity Instrument or Junior Instrument;
- (iii) on which the Issuer or the Guarantor repurchases or otherwise acquires, or causes a Group Entity to repurchase or otherwise acquire,

(directly or indirectly) any Security of this issue, any Parity Instrument or Junior Instrument or shares of the Guarantor which qualify as "equity" pursuant to the Applicable Accounting Standards (except in connection with any present or future stock option plan) for a consideration;

(iv) the due date for redemption of the Securities;

(v) the date on which the Issuer or the Guarantor enters into liquidation (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer or the Guarantor, as the case may be).

The Issuer may pay Arrears of Interest by way of the ACSM at any time in whole or in part.

Alternative Coupon Settlement Mechanism (ACSM)

"ACSM" means the settlement of Arrears of Interest with Eligible Funds.

"Eligible Funds" means cash proceeds made available to the Issuer by the Guarantor which the Guarantor, in accordance with § 4(d) of the Terms and Conditions, has generated by either (i) issuing new shares of the Guarantor and/or selling treasury shares of the Guarantor and/or (ii) issuing Eligible Securities.

"Eligible Securities" means Parity Instruments and/or Junior Instruments (each as defined in § 4(f) of the Terms and Conditions) which:

(A) are issued by the Guarantor or by the Issuer or any other wholly-owned direct or indirect finance subsidiary of the Guarantor, in each case with the benefit of a guarantee from the Guarantor;

(B) have no maturity;

(C) are not redeemable (other than for tax reasons or the occurrence of certain other special events pursuant to conditions similar to those set forth in § 5 of the Terms and Conditions) before five years after their issue date if such Eligible Securities do not provide for a step-up or before ten years after their issue date if such Eligible Securities provide for an increase in the rate of interest applicable to them;

(D) provide for a mandatory cancellation of cash interest payments; and

(E) contain a provision similar to § 5(f) of the Terms and Conditions.

Subordinated Undertaking

In the Issuer becomes obliged to settle Arrears of Interest by means of ACSM, the Guarantor has unconditionally and irrevocably undertaken in the Subordinated Undertaking to generate Eligible Funds in accordance with the requirements of § 4(d) of the Terms and Conditions and to make the cash proceeds therefrom available to the Issuer through the issuance of new shares of the Guarantor and/or sale of treasury shares of the Guarantor and/or the issuance of Eligible Securities.

Further Limitations on ACSM

According to the provisions of the Subordinated Undertaking, the Guarantor is only obliged to generate Eligible Funds through the issuance of new shares and/or sale of treasury shares and provide these to the Issuer if and to the extent that:

(i) the Guarantor holds treasury shares itself (under the provisions of the Subordinated Undertaking, the Guarantor shall, however, not be obliged to buy back its own shares in order to generate Eligible Funds); or

(ii) the Guarantor can for the purpose of generating Eligible Funds issue new shares, provided that

(x) the number of shares issued for such purpose is, for each period of continuing deferral of Arrears of Interest, not in excess of 2.00 per cent. of the Guarantor's aggregate amount of the relevant outstanding shares,

and

(y) such issuance of new shares is authorised pursuant to the Guarantor's articles of association (*Satzung*) or a resolution by its shareholders' meeting (*Hauptversammlung*) to increase the share capital; and

(iii) the Guarantor's supervisory board (*Aufsichtsrat*), in each case, has declared its consent thereto; and

(iv) the Guarantor is not subject to any restriction (for any legal reason or de facto) with respect to selling treasury shares or the issuance of new shares; and

(v) in the light of market conditions then prevailing the issuance of new shares of the Guarantor and/or sale of treasury shares of the Guarantor can be reasonably expected (*zumutbar*) from the Guarantor.

According to the provisions of the Subordinated Undertaking, the Guarantor is only obliged to generate Eligible Funds through the issuance of Eligible Securities and to provide these to the Issuer if and to the extent that:

(i) the Guarantor or its respective finance subsidiary is not subject to any restriction (for any legal reason or de facto) with respect to such issuance; and

(ii) the sum of (x) all payments out of Eligible Funds to be raised by the issuance of such Eligible Securities, (y) all payments out of Eligible Funds raised through Eligible Securities previously issued during the term of the Securities, (in each case as calculated per Security) does not exceed 25 per cent. of the principal amount per Security; and

(iii) the Guarantor's supervisory board (*Aufsichtsrat*) has given its consent thereto; and

(iv) in the light of market conditions then prevailing the issuance of Eligible Securities can be reasonably expected (*zumutbar*) from the Guarantor.

Holders are notified that the Guarantor may be prevented by compulsory provisions of German stock corporation law or otherwise from issuing new shares and/or selling treasury shares of the Guarantor and/or issuing Eligible Securities for the purposes of generating Eligible Funds.

Partial Settlement and Cancellation of Arrears of Interest

If the Issuer has not received sufficient Eligible Funds from the Guarantor to settle all Arrears of Interest (including, but not limited to, on account of the limitations set out in § 4(d) of the Terms and Conditions) by the calendar date falling one year after the occurrence of the Mandatory Settlement Event (subject to postponement upon occurrence of a Market Disruption Event), the Issuer shall pay the Eligible Funds actually received by it to Holders on a pro rata basis. In such case any claims for the payment of the remaining part of the relevant Arrears of Interest shall be cancelled. In such case, the Guarantor's obligation under the Subordinated Undertaking to further perform corporate actions for the generation of Eligible Funds will also end in accordance with its terms. Claims to damages (if any) for culpably (*schuldhaft*) not having made available Eligible Funds shall remain unaffected.

Reduction and Ranking of Claim for Arrears of Interest in case of Insolvency;

In the event of the liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of the Issuer or the Guarantor, each Holder shall, for each Security, have a direct claim against

Cancellation of Remainder

the Issuer to receive a pro rata payment on account of Arrears of Interest (to the extent not previously cancelled in accordance with § 4(c)(ii) of the Terms and Conditions) per Security up to an amount corresponding to (A) 25 per cent. of the principal amount per Security less (B) the sum of all payments made up to such point out of Eligible Funds raised through the issuance of Eligible Securities (in each case as calculated per Security). Such claim shall constitute an unsecured and subordinated obligation of the Issuer ranking *pari passu* with the Securities. The remaining claim for settlement of Arrears of Interest shall be cancelled.

Taxation:

All payments in respect of the Securities (including payments by the Guarantor under the Subordinated Guarantee) will be made free and clear of, and without deduction or withholding at source for or on account of any present or future taxes, duties, assessments or governmental charges of any nature whatsoever imposed, levied, withheld, assessed or collected by or on behalf of the Netherlands or the Federal Republic of Germany or by or on behalf of any political subdivision or authority thereof having power to tax, unless such deduction or withholding is required by law. In such event, the Issuer or the Guarantor (as applicable) shall pay such additional amounts necessary for the Holders to receive net amounts after such deduction or withholding, which are equal to the amounts which would have been received by them without such deduction or withholding, subject to customary exceptions as set out more fully in the Terms and Conditions of the Securities.

Status of the Securities:

The obligations of the Issuer under the Securities constitute direct, (except for the Subordinated Guarantee) unsecured and subordinated obligations of the Issuer ranking

- (i) senior to the Issuer's share capital,
- (ii) *pari passu* among themselves and
- (iii) junior to all other present and future unsubordinated and subordinated obligations of the Issuer (except for obligations of the Issuer that are expressed to rank *pari passu* with its obligations under the Securities),

except in each case as otherwise required by mandatory provisions of law.

In the event of the liquidation, dissolution or insolvency of the Issuer or a composition or other proceedings for the avoidance of insolvency of the Issuer, no amounts shall be payable in respect of the Securities until the claims of all unsubordinated and subordinated creditors of the Issuer (except for claims against the Issuer that are expressed to rank *pari passu* with its obligations under the Securities) shall have first been satisfied in full.

No security is, or shall at any time be, granted by the Issuer or (except for the Subordinated Guarantee) any other person securing rights of the Holders under the Securities.

Prohibition of Set-Off:

The Holders may not set off any claim arising under the Securities against any claim 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 Securities.

Subordinated Guarantee:

The Guarantor has given a subordinated unconditional and irrevocable guarantee for the due and timely payment of principal and interest Securities and any other amounts payable under the Securities by the Issuer as and when they fall due (the "**Subordinated Guarantee**").

The obligations of the Guarantor under the Subordinated Guarantee constitute unsecured and subordinated obligations of the Guarantor ranking

- (i) senior to the Guarantor's share capital,

- (ii) *pari passu* among themselves, and
- (iii) junior to all other present or future unsubordinated and subordinated obligations of the Guarantor (except for obligations of the Guarantor that are expressed to rank *pari passu* with its obligations under the Subordinated Guarantee),

except in each case as otherwise required by mandatory law.

In the event of the dissolution, liquidation, insolvency or any proceeding for the avoidance of the insolvency of the Guarantor no amounts shall be payable under the Subordinated Guarantee until the claims of all unsubordinated and subordinated creditors of the Guarantor (except for claims against the Guarantor that are expressed to rank *pari passu* with its obligations under the Subordinated Guarantee) shall first have been satisfied in full.

The Holders may set off any claims arising under the Subordinated Guarantee against any claims that the Guarantor may have against any of them. The Guarantor may not set-off any claims it may have against any Holder against any of its obligations under the Subordinated Guarantee.

No security is, or shall at any time be, provided by the Guarantor or any other person securing rights of the Holders under the Subordinated Guarantee.

Negative Pledge: The Terms and Conditions of the Securities do not contain a negative pledge provision.

Cross Default: The Terms and Conditions of the Securities do not contain a cross default clause.

Governing Law: The Securities and the Subordinated Guarantee will be governed by German law (save for the subordination provision of the Securities which will be governed by Dutch law).

Rating: The Securities are expected to be rated B 1 (stable outlook) by Moody's and BB- (stable outlook) by Fitch upon issuance.

Listing and Admission to Trading: Application has been made for listing of the Securities on the official list and for admission to trading on the market of the Luxembourg Stock Exchange (Regulated Market "*Bourse de Luxembourg*")

Selling Restrictions: There will be specific restrictions on the offer and sale of Securities and the distribution of offering materials in the European Economic Area, the United States of America, the United Kingdom of Great Britain and Northern Ireland and Italy.

Jurisdiction: Non-exclusive place of jurisdiction for any legal proceedings arising under the Securities is Frankfurt am Main, Germany.

Clearance and Settlement: The Securities have been accepted for clearing through Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V.

ISIN: XS0297230368

Common Code 029723036

Summary in respect of Risk Factors

Risk Factors in respect of the Securities

An investment in the Securities involves certain risks associated with the characteristics of the Securities which could lead to substantial losses the Holders would have to bear in the case of selling their Securities or with regard to receiving interest payments. Risks especially arise due to the fact that the Issuer has no obligation to redeem the Securities and the Holders have no right to call for their redemption, that the Issuer may defer interest payments if certain requirements are satisfied, that the payment obligations of the Issuer under the Securities and of the Guarantor under the Subordinated Guarantee constitute subordinated obligations of the Issuer and the

Guarantor, respectively, that the Securities may be subject to early redemption at the option of the Issuer following a Gross-up Event, a Capital Event, a Tax Event, an Accounting Event, a Change of Control, a Rating Withdrawal or for reason of minimal outstanding amounts, that there are no express events of default in the Terms and Conditions of the Securities, that there is no restriction on the amount of debt which the Issuer or the Guarantor may issue, and that there are certain risks in connection with the Securities due to the specific conditions on the capital markets.

Risk Factors in respect of the Issuer

The Issuer is a finance company that raises finance and on-lends moneys to companies within the Pfeiderer Group by way of intra-group loans. In the event that a group company fails to make a payment under an intra-group loan, the Issuer may not be able to meet its payment obligations under the Securities issued by it in order to fund the afore-mentioned loans.

Risk Factors in respect of the Guarantor

The Guarantor is the central holding company within the Pfeiderer Group, which is internationally active in the production and distribution of engineered wood products, including laminate flooring products. Pfeiderer Group has sold its former business divisions not relating to the engineered wood business area and now focuses exclusively on the engineered wood business. By acquiring the companies of the former Kunz group in November 2005 and of Pergo Group in March 2007, Pfeiderer Group enhanced its presence in the North American and European engineered wood markets, particularly in the laminate flooring markets. The engagement in these business segments comprises several economic and other risks, such as dependence on the economic situation in the respective markets, competition and price pressure, dependence on raw materials, energy and customers, dependence on adequate financing, dependence on the economic and legal environment at the group's production sites, risks resulting from legal disputes (for example in the area of intellectual property rights), and possibly insufficient insurance coverage. Additional risks are associated with Pfeiderer Group's acquisition of certain companies of the Kunz group and the Pergo Group, such as unexpectedly high costs of the acquisition and the possible realization of unknown risks associated with the acquired businesses. If a part or all of the above-mentioned risks materialize, this could have a material adverse effect on the Pfeiderer Group's financial conditions and results of operation and the ability of the Issuer and the Guarantor to perform their respective obligations under the Securities and the Subordinated Guarantee, respectively.

Summary in respect of the Issuer

<i>Activities:</i>	The Issuer is a finance company that raises finance and on-lends moneys to companies within the Pfeiderer Group by way of intra-group loans. The Issuer's corporate purpose also includes other activities such as establishing and managing undertakings and companies as well as acquiring and holding participations in such undertakings and companies, the provision of services, issuing warranties and guarantees, and other activities.
<i>Foundation and registered office:</i>	The Issuer is a private limited liability company (<i>besloten vennootschap</i>) incorporated in the Netherlands under Dutch law on March 15, 1993. The registered office of the Issuer is Pikeursbaan 2, 7411 GV Deventer, the Netherlands, telephone number +31 570 644092. The Issuer is registered in the trade register of the Chambers of Commerce under the No. 38021373.
<i>Share Capital:</i>	The share capital of the Issuer amounts to EUR 453,780.22. The sole shareholder of the Issuer is the Guarantor, Pfeiderer AG.
<i>Management Board:</i>	Robertus Franziscus Gerhardus Antonius Sekhuis (Managing Director).
<i>Supervisory Board:</i>	Michael Ernst, Derrick G. Noe.
<i>Employee:</i>	As of December 31, 2006, the Issuer employed one employee in addition to the Managing Director.
<i>Auditors:</i>	KPMG Accountants N.V., Zuiderzeelaan 33, 8017 JV Zwolle, the Netherlands.

Accounting and reporting of the Issuer is performed in accordance with Dutch GAAP. The following table sets forth the key historical financial information about the Issuer:

PFLEIDERER FINANCE B.V.

(in EUR million)	2006	2005
Income Statement Data		
Gross Margin	- 0.2	1.5
Operating Income	- 0.3	1.1
Net income	- 0.2	0.8
Balance Sheet Data		
Current assets	132.1	462.1
Total assets	132.1	462.1
Equity	0.2	1.2
Non-current liabilities	95.2	139.8
Current liabilities	36.7	321.1
Total equity and liabilities	132.1	462.1

Summary in respect of the Guarantor

Overview of the business activities of the Pfeiderer Group

Based on production capacity the Pfeiderer Group considers that it is a major global manufacturer of engineered wood and one of the world's leading system suppliers of engineered wood for the furniture industry and interior fittings. Pfeiderer has steadily expanded its position in the engineered wood sector over the last years, *inter alia* by acquiring companies held by Kunz Holding GmbH & Co. KG and their affiliates (the "**Kunz Group**") in November 2005, and Pergo AB (publ) including its subsidiaries (the "**Pergo Group**") in March 2007. The Kunz Group and the Pergo Group are also engaged in the production, manufacture and sale of engineered wood products, particularly in the area of laminate flooring. After the sale of several non-wood business activities, the most recent being its rail track sleeper business (Track Systems), Pfeiderer now focuses exclusively on the engineered wood sector.

By acquiring the engineered wood business of the Kunz Group and the Pergo Group, Pfeiderer significantly expanded its market share in the engineered wood sector and the laminate flooring market, and enhanced its access to these lucrative markets in North America.

Including the activities of the former Kunz Group, in the financial year 2006 Pfeiderer achieved sales revenue of about EUR 1,415 million, EBITDA of EUR 208 million and EBIT of EUR 133 million. As of December 31, 2006, Pfeiderer operated 20 production sites in Germany, Poland, Russia, Canada and the USA. Its product portfolio is divided into carriers (raw particleboard, MFP board, tongue-and-groove board, medium and high density fiberboard) and surfaced products (coated carrier material, post-forming elements, laminates/laminated flooring, films). In addition, Pfeiderer, through Pfeiderer Grajewo S.A., took over Silekol Sp. z o.o., a Polish producer of wood adhesives, in January 2006.

In fiscal year 2006, the newly acquired Pergo Group achieved sales of SEK 2,950 million (EUR 318.8 million) and EBIT of approximately SEK 73 million (EUR 7.9 million). As of December 31, 2006, Pergo operates four production sites in Sweden and in the USA. Pergo's product portfolio centers on laminate flooring products. Pergo's business will gradually be integrated into the Pfeiderer Group.

The Pfeiderer Group has its own research and development department and holds several patents and trademarks. Except for one license for the manufacture of laminate board, it does not depend on any particular licenses.

Other essential information about the Guarantor

Foundation and registered office:

The Guarantor was incorporated in 1992 as NIBA Beteiligungs Aktiengesellschaft. The Guarantor later moved its registered

office to Neumarkt/Oberpfalz and it is now registered under the name "Pfleiderer Aktiengesellschaft" in the Commercial Register of the local court (*Amtsgericht*) in Nürnberg under HRB 14555.

Registered capital and shares:

EUR 136,514,816 divided into 53,326,100 shares. Each share equals one vote in the Annual General Shareholders' Meeting. As of December 31, 2006, Pfleiderer AG held 90,450 of its own shares.

Managing Board:

Hans H. Overdiek (Spokesman of the Managing Board), Michael Ernst, Derrick G. Noe, and Dr. Robert Hopperdietzel.

Supervisory Board:

Ernst-Herbert Pfleiderer (Chairman), Wolfgang Rhode, Dr. Manfred Scholz, Hanno C. Fiedler, Reinhard Hahn, Wolfgang Haupt, Robert J. Koehler, Frank Kratzsch, Friedhelm Päfgen, Josef Rugge-Fechtelpeter, Manfred Schmidt, Rainer Stracke.

Employees:

As of December 31, 2006, the Pfleiderer Group had 5,207 employees.

Main shareholders:

To the Guarantor's knowledge, based on reports submitted to it pursuant to the German Securities Trading Act (*Wertpapierhandelsgesetz*), the following shareholders have a 3% or greater share in the Guarantor's registered capital:

- Schroders plc, London, UK (4.15 %)
- Members of the Pfleiderer family (in total 10.25%, held personally through various asset management and holding companies).

Auditors:

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Klingelhöferstr. 18, 10785 Berlin, Germany.

Selected Financial Information

Accounting and reporting of the Pfeiderer Group is performed in accordance with the International Financial Reporting Standards (IFRS). The following table sets forth the key historical financial information about the Pfeiderer Group:

PFLEIDERER GROUP

(in EUR million)	2006	2005
Income Statement Data		
Revenues	1,415.3	829.3
EBIT (earnings before interest and taxes)	133.0	55.4
Financial result	-40.3	-21.9
Net income	83.9	28.8
Balance Sheet Data		
Non-current assets	1,042.1	1,002.8
Current assets	330.6	439.5
Total assets	1,372.7	1,442.3
Equity	542.3	275.1
Non-current liabilities	450.0	488.0
Current liabilities	380.4	679.2
Total equity and liabilities	1,372.7	1,442.3

The Pfeiderer Group will continue to publish its annual consolidated accounts in accordance with IFRS on the www.pfleiderer.com website.

Furthermore, the Pfeiderer Group is prepared to provide investors with access to regular investor conference calls, during which the Pfeiderer Group will discuss its revenue development and any questions investors may raise during the call. The details of such investor conference calls will be made available to investors interested in participating in the call on the Guarantor's website at www.pfleiderer.com, or can be requested from the Guarantor at its headquarters (contact: Mr. Richard Berg, telefax no. +49 (0) 9181 28606 or telephone no. +49 (0) 9181 28 8144).

RISK FACTORS

The following is a summary of certain risk factors with respect to the Securities and the financial situation of the Issuer and the Guarantor which prospective investors should consider before deciding to purchase the Securities. The sequence in which the following risk factors are listed is not an indication of their likelihood to occur or of the extent of their commercial consequences. Prospective investors should carefully consider the risk factors described below, in addition to the other information in this Prospectus or incorporated by reference into this Prospectus and consult with their own professional advisors if they consider it necessary.

Words and expressions defined in "Terms and Conditions of the Securities " below shall have the same meanings in this section.

Risk Factors in respect of the Securities

Perpetual securities

The Securities have no stated final maturity date and the Issuer is under no obligation to redeem the Securities at any time. The Holders have no right to call for their redemption.

The Securities may be redeemed at the option of the Issuer (in whole but not in part) at the Redemption Amount, on the First Call Date or on any Floating Interest Payment Date thereafter. The Securities may be redeemed at the option of the Issuer at any time before the First Call Date at the Redemption Amount following either a Change of Control Event, a Gross-up Event or for reasons of minimal outstanding amounts. The Issuer may redeem the Securities at the Early Redemption Amount following either a Capital Event, a Tax Event, an Accounting Event or a Rating Withdrawal.

Deferral of Interest Payments

Subject to limited exceptions, the Issuer does not have obligation to pay interest on any Interest Payment Date if it does not elect to do so and any such failure to pay interest does not constitute a default of the Issuer or any other breach of obligations under the Securities or for any other purpose. Interest so deferred will constitute Arrears of Interest. Arrears of Interest will not bear interest and may only be settled through the Alternative Coupon Settlement Mechanism (ACSM) as set out in § 4(b)–(d) of the Terms and Conditions. All payments through ACSM may only be made if and to the extent that such settlement can be made out of funds raised by the Guarantor from the issuance and/or sale of shares of the Guarantor or the issuance of securities having equivalent characteristics as the Securities. All corporate actions for the generation of such funds are subject to certain restrictions and prerequisites further described in § 4(d) of the Terms and Conditions. In particular, investors should be aware of the fact that the Guarantor may be prevented by compulsory provisions of German stock corporation law or otherwise from generating funds for the settlement of Arrears of Interest and, accordingly, interest deferred at the election of the Issuer may not be settled at all and investors face the risks that their claims for payment thereof are cancelled.

Subordination

The obligations of the Issuer under the Securities constitute direct, (except for the Subordinated Guarantee) unsecured and subordinated obligations of the Issuer ranking (i) senior to the Issuer's share capital, (ii) *pari passu* among themselves and (iii) junior to all other present and future unsubordinated and subordinated obligations of the Issuer (except for obligations of the Issuer that are expressed to rank *pari passu* with its obligations under the Securities), except in each case as otherwise required by mandatory provisions of law. In the event of the liquidation, dissolution or insolvency of the Issuer or a composition or other proceedings for the avoidance of insolvency of the Issuer, no amounts shall be payable in respect of the Securities until the claims of all unsubordinated and subordinated creditors of the Issuer (except for claims against the Issuer that are expressed to rank *pari passu* with its obligations under the Securities) shall have first been satisfied in full. In any such proceedings of the Issuer or the Guarantor, the Holders may recover proportionately less than the holders of unsubordinated and other subordinated liabilities of the Issuer or the Guarantor (as applicable).

Unsubordinated liabilities of the Issuer and the Guarantor may also arise from events that are not reflected on the balance sheet of the Issuer or the Guarantor (as applicable), 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 Issuer or the

Guarantor (as applicable) that in winding-up or insolvency proceedings of the Issuer or the Guarantor (as applicable), will need to be paid in full before the obligations under the Securities or the Subordinated Guarantee (as applicable) may be satisfied.

No Limitation on Issuing Debt

There is no restriction on the amount of debt which the Issuer or the Guarantor may issue which ranks senior to the obligations under or in connection with the Securities or the Subordinated Guarantee or on the amount of debt, which the Issuer or the Guarantor may issue, which ranks equal to the obligations under or in connection with the Securities or the Subordinated Guarantee (as applicable). Such issuance of further debt may reduce the amount recoverable by the Holders upon insolvency or winding-up of the Issuer or the Guarantor (as applicable) or may increase the likelihood that the Issuer may elect to defer payments of interest under the Securities.

No Express Events of Default

The Holders should be aware that the Terms and Conditions of the Securities do not contain any express events of default.

No Prior Market for the Securities; Liquidity Risk

There is currently no secondary market for the Securities. Application has been made to list the Securities on the official list and to admit to trading on the market of the Luxembourg Stock Exchange (Regulated Market "Bourse de Luxembourg"). However, there can be no assurance that a secondary market for the Securities will develop or, if it develops, that it will continue. In an illiquid market, an investor might not be able to sell his Securities at any time at fair market prices. The possibility to sell the Securities might additionally be restricted due to country specific reasons.

Fixed Rate Securities

From and including the Issue Date to but excluding August, 14, 2014 the Securities bear interest at a fixed rate. A holder of a fixed interest rate security is exposed to the risk that the price of such security falls as a result of changes in the market interest rate. While the nominal interest rate of a fixed interest rate security is fixed during the life of such security 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 security changes in the opposite direction. If the market interest rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the market interest rate. If the market interest rate falls, the price of a fixed interest rate security typically increases, until the yield of such security is approximately equal to the market interest rate. Holders should be aware that movements of the market interest rate can adversely affect the price of the securities and can lead to losses for the Holders if they sell securities during the period in which the interest rate of the securities is fixed.

Floating Rate Securities

From and including August 14, 2014 the Securities bear interest at a floating rate. A holder of a security with a floating interest rate is exposed to the risk of fluctuating interest rate levels. Fluctuating interest rate levels make it impossible to determine the yield of such securities in advance.

Risk Factors in respect of the Issuer

The Issuer is a finance company for the Pfleiderer Group. As such, it raises finance and on-lends moneys to companies within the Pfleiderer Group by way of intra-group loans. Typically, the terms of such intra-group loans match the payment obligation of the Issuer under Securities issued by it to fund those loans. In the event a group company fails to make a payment under an intra-group loan, the Issuer may not be able to meet its payment obligations under the Securities it has issued.

Risk Factors in respect of the Guarantor – Risks related to the business of the Guarantor and the Pfleiderer Group

The economic situation in general, and a potentially weak economic outlook in the markets in which the Group's customers operate, may result in a decline in revenues and may affect Pfleiderer's financial condition

The engineered wood products produced and distributed by Pfleiderer in Western and Eastern Europe, particularly in Germany and Poland, and in North America are primarily used in the furniture industry, in specialized trade, interior design, DIY business and to a lesser extent in the construction sector. Both the general economic situation and the economic outlook in the furniture industry and the construction sector in particular, strongly influence the general business situation in the engineered wood industry and have a direct effect on the demand for the products produced by the Pfleiderer Group. Since Pfleiderer's main markets are located in Western and Eastern Europe and in North America, economic developments in these regional markets have a pronounced effect on demand.

Intense competition and price pressure could adversely affect Pfleiderer's revenues and financial condition

Pfleiderer operates in a market characterized by intense competition. A future decline in demand could result in considerable margin pressure in the engineered wood industry. In the years 2002 to 2004, the German market, in particular, was characterized by strong competitive pressure and a price decline. In contrast, during 2005 and 2006, the engineered wood market experienced a price increase. Pfleiderer's competitors may react to a future decline in prices by offering engineered wood products at lower prices in order to secure or strengthen their own competitive position, which could have a material adverse impact on Pfleiderer's revenues and financial condition. In addition, there can be no guarantee that, in the event of a decline in demand, Pfleiderer will succeed in adjusting production capacity on a timely basis to meet actual demand and maintain its sales volumes, or that it will be able to pass price increases on to its customers in order to ensure its profitability.

In North America, during 2005 and 2006, five plants were closed, which resulted in further significant changes in the supplier structure for particleboard, especially in Eastern Canada, an important sales region for Pfleiderer. Despite these closures, supply of particleboard and MDF currently matches demand, but demand remains volatile. The current construction of new manufacturing capacity for laminated flooring could again cause increased price pressure on laminate flooring. In addition, continuing market consolidation could increase competition and price pressure and, as a consequence, reduce Pfleiderer's revenues. Each of these factors could have a negative impact on Pfleiderer's financial condition and ability to fulfil its obligations under the Securities.

Dependence on raw materials, energy and customers as well as currency fluctuations could negatively impact Pfleiderer's business operations and financial condition

Aside from salaries and wages, the Pfleiderer Group's costs of sales relate mainly to raw materials and energy. Due to the energy intensive nature of its production processes and its dependence on raw materials, particularly wood and various chemical substances used in the process of gluing particleboard and MDF, (the prices of which depend on the price of oil), Pfleiderer is exposed to the risk of further increases in raw material procurement costs and energy costs. Whilst most of the raw materials that Pfleiderer uses can be purchased from several different suppliers, in some cases Pfleiderer is dependent on a limited number of suppliers. As a result, increases in raw material procurement prices and energy prices combined with supply shortages could have a negative impact on the Group's revenue and cost of sales. Some customers have considerable bargaining power due to their scale and importance for the industry. Should trade relations with one or more major customers be interrupted and the Pfleiderer Group not be able to sell its production elsewhere at comparable terms, this could have a negative impact on the Group's sales and financial condition.

Part of Pfleiderer's revenue, earnings, and expenses is denominated in various foreign currencies, in particular in the Polish Zloty, the Swedish Krona, the US Dollar, and the Canadian Dollar. Since expenses and earnings in each particular currency do not fully balance out during a certain period, continued fluctuations in the exchange rates of these currencies, both towards one another and towards the Euro, could have a material adverse effect on the Pfleiderer Group's financial condition.

Pfleiderer may not be able to acquire adequate financing to meet its financing needs as they arise

Pfleiderer may be dependant on its ability to borrow capital or to raise capital on the equity markets in order to finance its current operations, investment expenses, debt repayments and other needs. Therefore, the financial stability and the financing of its business depend on the preservation of the credit lines that the Group has at its disposal.

Certain financing arrangements of the Pfleiderer Group contain financial covenants in line with market practice. These include the obligation to maintain a specified ratio of consolidated total net liabilities to consolidated EBITDA (net leverage) and a specified ratio of consolidated total net liabilities to total equity (gearing). If the Pfleiderer Group should be in breach of any of these financial covenants, certain financing arrangements may be

terminated and the Pfeiderer Group may not be able to obtain refinancing at comparable terms, which may have a material adverse impact on its solvency or financial condition in general.

Furthermore, is not certain that certain financing arrangements Pfeiderer has entered into can be refinanced upon maturity, or that the Pfeiderer Group will be able to negotiate the same or more favourable terms in future financing agreements. If, in future, the Pfeiderer Group's financing agreements would not be renewed or were terminated, or if the interest liability from the existing loans should significantly increase, this may substantially impair Pfeiderer's financial condition.

The economic and legal environment at the Group's production sites has a direct impact on its financial condition

The economic and legal environment (including labour and taxation laws) at the Pfeiderer Group's production sites have a considerable influence on production costs at these sites and thus on the financial condition of the Pfeiderer Group. The Pfeiderer Group currently has production sites in Germany, Poland, Russia, Canada and the USA. Upon closing of the Tender Offer for Pergo, Pfeiderer has acquired further production sites in the USA and in Sweden. High direct and indirect labour costs at its German and Swedish sites may force the Group to relocate production capacities to foreign countries, especially to Poland and Russia, resulting in potential additional costs.

Higher transportation costs caused by rising energy prices may limit the Group's flexibility to carry out a relocation that would result in greater distance to suppliers and sales markets. Maintaining unprofitable production sites, or delaying their closure, as well as the necessity of designing more cost-effective production processes and relocating production sites abroad are likely to involve considerable costs and may have a material adverse impact on Pfeiderer's financial condition.

Legal disputes or the loss or contest of intellectual property rights could adversely affect Pfeiderer's financial condition

The companies of the Pfeiderer Group are involved in a variety of legal disputes resulting from ordinary business activities as well as from the reorganization and concentration on Pfeiderer's core business. An unfavourable outcome of any or all of these legal actions could have a material adverse impact on Pfeiderer's business and financial condition.

Furthermore, there is a risk that Pfeiderer's intellectual property rights essential to its business operations could be contested or infringed or that Pfeiderer could lose such rights or be unable to acquire alternative rights at comparable costs, or that such legal disputes will result in other consequences financially detrimental to Pfeiderer. Pfeiderer holds a license related to the gluefree placement of laminated flooring where the ownership of technology is disputed amongst various manufacturers supplying the North American market. It cannot be ruled out that this license may expire as a result of the expiration of the intellectual property rights of the licensor, which could have a material adverse impact on Pfeiderer's business and financial condition.

The acquisition of Pergo may result in the termination of license agreements entered into by Pergo Group as a result of the change of control, as well as to further conflicts with respect to Pergo Group's and Pfeiderer Group's patents and licenses. It cannot be ruled out that the loss of licenses or patents, import restrictions and lawsuits resulting from the infringement of intellectual property rights might adversely affect Pfeiderer's business and financial condition.

Pfeiderer's insurance coverage could turn out to be insufficient

Pfeiderer endeavours to cover any foreseeable substantial risks by insurance. However, it cannot be ruled out that in individual cases the existing insurance coverage may be inadequate. Moreover, it may turn out that for certain risks there is no adequate insurance protection or that such insurance is not available on reasonable terms. This applies in particular to insurance protection against fire, explosion or environmental damage at one of the production sites where inflammable substances are used in procedures which involve the risk of explosion. Any such incident could result in considerable personal injury and damage that may not be fully covered by the existing insurance coverage. Further costs incurred in fulfilling possible obligations under the German Act Against Environmental Damages (*Umweltschadengesetz*), which is to be enacted soon to implement a corresponding EU directive might not yet be covered by Pfeiderer's insurance. Furthermore, in North America Pfeiderer chose not to obtain insurance against the risk connected with the collection of receivables. Should any of these risks materialize without sufficient insurance coverage, there would be a material adverse impact on Pfeiderer's financial condition.

Risk Factors in respect of the Guarantor - Risks associated with the Pfeiderer Group's acquisition of certain companies of the Kunz Group and the Pergo Group

The acquisition of the engineered wood activities of former competitors may cause higher than expected costs

The integration of the Pergo Group into the Pfeiderer Group presents considerable financial, organizational and staff-related challenges for the latter. The implementation of new processes may lead to the incurrence of costs. It is possible that the anticipated benefits from the acquisition will not materialize to the full extent or that their materialization will take longer or will require higher expenditures than expected. In particular, it is to be expected that the integration of the Pergo Group's activities will take up considerable management time, which may impair management's availability to supervise normal daily operations of the Pfeiderer Group. The difficulties may be aggravated by the fact that the integration process of the Kunz Group that was acquired in 2005, although almost fully completed, is in its final stages. If the integration of Pergo cannot be realized in the manner or time frame Pfeiderer has expected, this could have material adverse impacts on Pfeiderer's financial condition.

Unknown risks may appear which exist in relation to the newly acquired businesses, or risks not known to Pfeiderer at the time of these acquisitions may materialize

In the process of acquiring the Kunz Group and the Pergo Group, legal, environmental and business due diligence were performed with external assistance. Since the examinations of the Kunz Group and the Pergo Group were performed by external advisors within a limited period, it cannot be ruled out that the due diligence process did not identify certain risks or did not recognize their full extent. If there were such unrecognized risks and such risks should materialize, this could have a material adverse impact on Pfeiderer's business and financial condition.

TERMS AND CONDITIONS OF THE SECURITIES

*The German version of the Terms and Conditions of the Securities is the only legally binding version.
The English translation is for convenience only.*

Emissionsbedingungen der Wertpapiere (die "Emissionsbedingungen")	Terms and Conditions of the Securities (the "Terms and Conditions")
§ 1 Nennbetrag und Verbriefung	§ 1 Denomination and Form
(a) Währung und Nennbetrag	(a) Currency and Denomination
<p>Die Pfleiderer Finance B.V. (die "Emittentin") begibt am 27. April 2007 (der "Begebungstag") garantierte, nachrangige, zunächst fest- und danach variabel verzinsliche Wertpapiere ohne Endfälligkeit (die "Wertpapiere") im Nennbetrag von je € 50.000 (der "Nennbetrag") und im Gesamtnennbetrag von € 275.000.000.</p>	<p>Pfleiderer Finance B.V. (the "Issuer") issues on 27 April 2007 (the "Issue Date") guaranteed subordinated undated fixed to floating rate securities (the "Securities") in a principal amount of € 50,000 each (the "Denomination") in the aggregate principal amount of € 275,000,000.</p>
(b) Verbriefung	(b) Form
<p>Die Wertpapiere sind als Inhaberwertpapiere ausgestaltet.</p>	<p>The Securities are issued in bearer form.</p>
<p>Die Wertpapiere sind in einer Inhaber-Globalurkunde (die "Globalurkunde") ohne Zinsscheine verbrieft, die bei einer gemeinsamen Verwahrstelle für Clearstream Banking, société anonyme, Luxemburg und Euroclear S.A./N.V. (zusammen das "Clearingsystem") hinterlegt ist. Einzelurkunden und Zinsscheine werden nicht ausgegeben. Kopien der Globalurkunde können von jedem Inhaber von Wertpapieren (jeweils ein "Wertpapiergläubiger" und gemeinsam die "Wertpapiergläubiger") bei der Hauptzahlstelle bezogen werden.</p>	<p>The Securities are represented by a global bearer security (the "Global Security") without coupons which is deposited with a common depositary to Clearstream Banking, société anonyme, Luxembourg and Euroclear S.A./N.V. (together, the "Clearing System"). Definitive Securities and interest coupons will not be issued. Copies of the Global Security are available for each holder of Securities (each a "Holder" and, collectively, the "Holders") at the Principal Paying Agent.</p>
<p>Die Globalurkunde wird solange vom oder im Namen des Clearingsystems verwahrt und darf vom Clearingsystem nicht herausgegeben werden, bis sämtliche Verbindlichkeiten der Emittentin aus den Wertpapieren erfüllt sind.</p>	<p>The Global Security will be kept in custody by or on behalf of the Clearing System and may not be surrendered by the Clearing System until all obligations of the Issuer under the Securities have been satisfied.</p>
<p>Den Wertpapiergläubigern stehen Miteigentumsanteile bzw. -rechte an der Globalurkunde zu, die nach Maßgabe des anwendbaren Rechts und der Regeln und Bestimmungen des Clearingsystems übertragen werden können.</p>	<p>The Holders are entitled to proportional co-ownership participations or rights in the Global Security, which are transferable in accordance with applicable law and the rules and regulations of the Clearing System.</p>
§ 2 Status, Nachrangige Garantie und Nachrangige Verpflichtungserklärung	§ 2 Status, Subordinated Guarantee and Subordinated Undertaking
(a) Status der Wertpapiere; Aufrechnungsverbot	(a) Status of the Securities; No right to set-off
<p>Die Wertpapiere begründen direkte, (mit</p>	<p>The obligations of the Issuer under the</p>

Ausnahme der Nachrangigen Garantie) nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die (i) vorrangig gegenüber dem Stammkapital der Emittentin sind, (ii) untereinander im Rang gleich stehen und (iii) allen anderen bestehenden und zukünftigen nicht nachrangigen und nachrangigen Verbindlichkeiten der Emittentin (mit Ausnahme von Verbindlichkeiten der Emittentin, die als mit ihren Verbindlichkeiten aus den Wertpapieren gleichrangig vereinbart sind) im Rang nachgehen, soweit zwingende gesetzliche Bestimmungen jeweils nichts anderes vorschreiben. Im Fall der Liquidation, der Auflösung oder der Insolvenz der Emittentin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz der Emittentin dienenden Verfahrens erfolgen Zahlungen auf die Wertpapiere solange nicht, wie die Ansprüche aller nicht nachrangigen und nachrangigen Gläubiger der Emittentin (mit Ausnahme von Ansprüchen gegen die Emittentin, die als mit ihren Verbindlichkeiten aus den Wertpapieren gleichrangig vereinbart sind) nicht zuvor vollständig erfüllt sind.

Für die Rechte der Wertpapiergläubiger aus den Wertpapieren ist diesen keine Sicherheit durch die Emittentin oder (mit Ausnahme der Nachrangigen Garantie) durch Dritte gestellt; eine solche Sicherheit (mit Ausnahme der Nachrangigen Garantie) wird auch zu keinem Zeitpunkt gestellt werden.

Die Wertpapiergläubiger sind nicht berechtigt, Forderungen aus den Wertpapieren gegen etwaige Forderungen, welche die Emittentin gegen sie hat, aufzurechnen, und die Emittentin ist nicht berechtigt, etwaige Forderungen, welche sie gegen einen Wertpapiergläubiger hat, gegen Forderungen dieses Wertpapiergläubigers aus den Wertpapieren aufzurechnen.

(b) Nachrangige Garantie

Die Pfeleiderer Aktiengesellschaft (die "**Garantin**") hat in einer nachrangigen Garantie vom 27. April 2007 (die "**Nachrangige Garantie**") die unbedingte und unwiderrufliche Garantie auf nachrangiger Basis für die fristgerechte Zahlung von Kapital, Zinsen und sonstigen aus den Wertpapieren zu zahlenden Beträgen, wenn und soweit diese nach Maßgabe dieser Emissionsbedingungen fällig werden, übernommen. Die Nachrangige Garantie ist ein Vertrag

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

No security is, or shall at any time be, granted by the Issuer or (except for the Subordinated Guarantee) any other person securing rights of the Holders under the Securities.

The Holders may not set off any claim arising under the Securities against any claim 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 Securities.

(b) Subordinated Guarantee

Pfeleiderer Aktiengesellschaft (the "**Guarantor**"), has, pursuant to a subordinated guarantee dated 27 April 2007 (the "**Subordinated Guarantee**"), given an unconditional and irrevocable guarantee on a subordinated basis for the payment of principal of, and interest on, and any other amounts expressed to be payable under the Securities as and when due under these Terms and Conditions. The Guarantee constitutes a contract for the benefit of the Holders from time to time as third party

zugunsten jedes Wertpapiergläubigers als begünstigtem Dritten gemäß § 328 Absatz 1 BGB, der das Recht begründet, die Garantin unmittelbar aus der Nachrangigen Garantie auf Erfüllung in Anspruch zu nehmen und Ansprüche aus der Nachrangigen Garantie unmittelbar gegen die Garantin durchzusetzen.

(c) Nachrangige Verpflichtungserklärung

Die Garantin hat sich in einer nachrangigen Verpflichtungserklärung (die "**Nachrangige Verpflichtungserklärung**") gegenüber der Hauptzahlstelle gemäß den dort enthaltenen Bestimmungen zugunsten der Wertpapiergläubiger und der Emittentin verpflichtet, bestimmte Kapitalmaßnahmen für den Fall (und in dem Umfang) durchzuführen, dass die Emittentin nach Maßgabe von § 4(c) der Emissionsbedingungen zur Zahlung von Zinsrückständen mittels ACZM verpflichtet ist. Gemäß den Bedingungen der Nachrangigen Verpflichtungserklärung werden die Wertpapiergläubiger in einem solchen Fall allerdings nicht berechtigt sein, die Begebung oder den Verkauf von Aktien der Garantin oder die Begebung von Statthaften Wertpapieren (wie in § 4(f) der Emissionsbedingungen definiert) zu erzwingen.

Die Nachrangige Verpflichtungserklärung ist ein Vertrag zugunsten jedes Wertpapiergläubigers als begünstigtem Dritten gemäß § 328 Absatz 1 BGB, der das Recht begründet, die Garantin unmittelbar aus der Nachrangigen Verpflichtungserklärung auf Erfüllung in Anspruch zu nehmen und Ansprüche aus der Nachrangigen Verpflichtungserklärung unmittelbar gegen die Garantin durchzusetzen, wobei ein solches Recht in jedem Fall nur dann (und nur in dem Umfang) entsteht und besteht, wie Zahlungen von Zinsrückständen unter den Wertpapieren nicht (oder nicht im entsprechenden Umfang) durch die Emittentin bei Fälligkeit erfolgten.

(d) Status der Nachrangigen Garantie und der Nachrangigen Verpflichtungserklärung

- (i) Die Verbindlichkeiten der Garantin aus der Nachrangigen Garantie und der Nachrangigen Verpflichtungserklärung sind direkte, nicht besicherte, nachrangige Verbindlichkeiten der Garantin, die (i) vorrangig gegenüber dem Aktienkapital der Garantin sind,

beneficiaries in accordance with § 328 paragraph 1 of the German Civil Code (*Bürgerliches Gesetzbuch*), giving rise to the right of each Holder to require performance under the Guarantee directly from the Guarantor and to enforce the Guarantee directly against the Guarantor.

(c) Subordinated Undertaking

In a subordinated undertaking (the "**Subordinated Undertaking**"), the Guarantor has undertaken to the Principal Paying Agent for the benefit of the Holders and the Issuer to perform, in accordance with the terms thereof, certain corporate actions if (and to the extent) the Issuer, in accordance with § 4(c) of the Terms and Conditions, becomes obliged to settle Arrears of Interest by means of ACSM. Under the terms of the Subordinated Undertaking, the Holders will, however, not be entitled in such case to enforce the sale or issuance of shares of the Guarantor or the issuance of Eligible Securities (as defined in § 4(f) of the Terms and Conditions).

The Subordinated Undertaking constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with § 328 paragraph 1 of the German Civil Code (*Bürgerliches Gesetzbuch*), giving rise to the right of each Holder to require performance under the Subordinated Undertaking directly from the Guarantor and to enforce the Subordinated Undertaking directly against the Guarantor, in each case only if (and only to the extent) payments of Arrears of Interest under the Securities have not been made (or not been made in full) by the Issuer when due.

(d) Status of the Subordinated Guarantee and the Subordinated Undertaking

- (i) The obligations of the Guarantor under the Subordinated Guarantee and the Subordinated Undertaking constitute direct, unsecured and subordinated obligations of the Guarantor which rank (i) senior to the Guarantor's share capital, (ii) *pari passu* among

(ii) untereinander gleichrangig sind und (iii) allen anderen bestehenden und zukünftigen nicht nachrangigen und nachrangigen Verbindlichkeiten der Garantin (mit Ausnahme von Verbindlichkeiten der Garantin, die als mit ihren Verbindlichkeiten aus der Nachrangigen Garantie und der Nachrangigen Verpflichtungserklärung gleichrangig vereinbart worden sind) im Rang nachgehen, soweit jeweils zwingende gesetzliche Bestimmungen nichts anderes vorschreiben. Im Fall der Liquidation, der Auflösung oder der Insolvenz der Garantin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz der Garantin dienenden Verfahrens werden Zahlungen auf die Nachrangige Garantie und die Nachrangige Verpflichtungserklärung solange nicht erfolgen, wie die Ansprüche aller nicht nachrangigen und nachrangigen Gläubiger der Garantin (mit Ausnahme von Ansprüchen gegen die Garantin, die als mit ihren Verbindlichkeiten aus der Nachrangigen Garantie und der Nachrangigen Verpflichtungserklärung gleichrangig vereinbart worden sind) nicht zuvor vollständig erfüllt sind.

- (ii) Die Wertpapiergläubiger sind nicht berechtigt, Forderungen aus der Nachrangigen Garantie oder der Nachrangigen Verpflichtungserklärung gegen etwaige Forderungen der Garantin gegen sie aufzurechnen, und die Garantin ist nicht berechtigt, etwaige Forderungen, welche sie gegen einen Wertpapiergläubiger hat, gegen Forderungen dieses Wertpapiergläubigers aus der Nachrangigen Garantie oder der Nachrangigen Verpflichtungserklärung aufzurechnen.
- (iii) Mit Erfüllung einer Verpflichtung der Garantin zugunsten eines Wertpapiergläubigers aus der Nachrangigen Garantie bzw. der Nachrangigen Verpflichtungserklärung erlischt das jeweilige garantierte Recht des betreffenden Wertpapiergläubigers aus diesen Emissionsbedingungen.

§ 3 Zinsen

- (a) Festzinszeitraum
 - (i) Im Zeitraum ab dem 27. April 2007 (einschließlich) bis zum 14.

themselves, and (iii) junior to all other present or future unsubordinated and subordinated obligations of the Guarantor (except for obligations of the Guarantor that are expressed to rank *pari passu* with its obligations under the Subordinated Guarantee and the Subordinated Undertaking), except in each case as otherwise required by mandatory provisions of law. In the event of the liquidation, dissolution or insolvency of the Guarantor or a composition or other proceedings for the avoidance of insolvency of the Guarantor, no amounts shall be payable in respect of the Subordinated Guarantee and the Subordinated Undertaking until the claims of all unsubordinated and subordinated creditors of the Guarantor (except for claims against the Guarantor that are expressed to rank *pari passu* with its obligations under the Subordinated Guarantee and the Subordinated Undertaking) shall have first been satisfied in full.

- (ii) The Holders may not set off any claim arising under the Subordinated Guarantee or the Subordinated Undertaking against any claim that the Guarantor may have against any of them. The Guarantor may not set off any claims it may have against any Holder against any claims of such Holder under the Subordinated Guarantee or the Subordinated Undertaking.
- (iii) Upon discharge of any obligation of the Guarantor subsisting under the Subordinated Guarantee or the Subordinated Undertaking in favour of any Holder, the relevant guaranteed right of such Holder under these Terms and Conditions will cease to exist.

§ 3 Interest

- (a) Fixed interest period
 - (i) For the period from and including 27 April 2007 to but excluding 14 August

August 2014 (dem "**Ersten Rückzahlungstermin**") (ausschließlich) werden die Wertpapiere bezogen auf den Gesamtnennbetrag mit 7,125 % per annum verzinst. Während dieses Zeitraums sind Zinsen nachträglich am 14. August eines jeden Jahres fällig, erstmals am 14. August 2007 (jeweils ein "**Festzinszahlungstag**"), sofern die Emittentin nicht von ihrem Recht gemäß § 4(a)(i) zur Aussetzung der Zinszahlung Gebrauch macht.

- (ii) Der vorstehende Zinssatz erhöht sich um 5,00% per annum (i) ab dem Kalendertag, der 60 Tage nach dem Eintritt eines Kontrollwechsels (wie in § 5(e) definiert) liegt (einschließlich) oder (ii) ab dem Kalendertag, der 60 Tage nach dem Eintritt eines Rating-Wegfalls (wie in § 5(f) definiert) liegt (einschließlich).
- (iii) Sind Zinsen im Hinblick auf einen Zeitraum zu berechnen, der kürzer als eine Festzinsperiode ist, so werden sie berechnet auf der Grundlage der tatsächlichen Anzahl der Tage im jeweiligen Zeitraum vom unmittelbar vorhergehenden Festzinszahlungstag (einschließlich) (oder, falls keiner, vom Begebungstag) bis zum Tag, an dem die Zinszahlung fällig wird (ausschließlich), 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 jeden Zeitraum ab dem Begebungstag (einschließlich) bis zum ersten Festzinszahlungstag und nachfolgend ab jedem Festzinszahlungstag (einschließlich) bis zu dem jeweils nächstfolgenden Festzinszahlungstag (ausschließlich).

(b) Variabler Zinszeitraum

(i) Variable Verzinsung

Im Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zum Tag der Rückzahlung (ausschließlich) werden die Wertpapiere, bezogen auf ihren Gesamtnennbetrag, in Höhe des

2014 (the "**First Call Date**") the Securities bear interest on their aggregate principal amount at the rate of 7.125 per cent. per annum. During such period, interest shall be payable annually in arrear on 14 August of each year commencing on 14 August 2007 (each a "**Fixed Interest Payment Date**"), unless the Issuer exercises its right pursuant to § 4(a)(i) to defer an interest payment.

- (ii) The aforementioned interest rate will be increased by 5.00 per cent. per annum (i) from and including the day which falls 60 calendar days after the day on which a Change of Control (as defined in § 5(e)) has occurred or (ii) from and including the day which falls 60 calendar days after the day on which a Rating Withdrawal (as defined in § 5(f)) has occurred.
- (iii) Where interest is to be calculated in respect of a period which is shorter than a Fixed Interest Period the interest will 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 Issue 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 each period from and including the Issue Date to but excluding the first Fixed Interest Payment Date and thereafter from and including each Fixed Interest Payment Date to but excluding the next following Fixed Interest Payment Date.

(b) Floating rate interest period

(i) Floating Rate Interest

In the period from and including the First Call Date to but excluding the date of redemption the Securities shall bear interest on their aggregate principal amount at the Floating Rate of Interest for the relevant Floating

Variablen Zinssatzes für die betreffende Variable Zinsperiode verzinst. Zinsen werden jeweils vierteljährlich nachträglich an jedem Variablen Zinszahlungstag fällig, erstmals an dem Variablen Zinszahlungstag, der unmittelbar auf den Ersten Rückzahlungstermin folgt, sofern die Emittentin nicht von ihrem Recht gemäß § 4(a)(i) zur Aussetzung der Zinszahlung Gebrauch macht.

- (ii) Variable Zinszahlungstage und Variable Zinsperioden

"Variabler Zinszahlungstag" bezeichnet den 14. August, 14. November, 14. Februar und 14. Mai eines jeden Jahres. Falls ein Variabler Zinszahlungstag auf einen Tag fällt, der kein Geschäftstag ist, wird dieser Variable Zinszahlungstag auf den nächstfolgenden Geschäftstag verschoben, es sei denn, er würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall wird der betreffende Variable Zinszahlungstag auf den unmittelbar vorausgehenden Geschäftstag vorgezogen.

"Variable Zinsperiode" bezeichnet jeden 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).

- (iii) Variabler Zinssatz

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

- (iv) In diesen Emissionsbedingungen bezeichnet:

"Bildschirmseite" die Reuters-Seite EURIBOR01 (oder eine andere

Interest Period. Interest will be payable quarterly in arrear on each Floating Interest Payment Date, 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 § 4(a)(i) to defer an interest payment.

- (ii) Floating Interest Payment Dates and Floating Interest Periods

"Floating Interest Payment Date" means 14 August, 14 November, 14 February and 14 May in each year. If any Floating Interest Payment Date would otherwise fall on a day which is not a Business Day, it 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.

"Floating Interest Period" means 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.

- (iii) Floating Rate of Interest

The rate of interest for the relevant Floating Interest Period (the **"Floating Rate of Interest"**) will be the offered quotation (expressed as a percentage rate per annum) for three-month deposits in Euro for that Floating Interest Period which appears on the Screen Page as of 11:00 a.m. (Brussels time) on the Interest Determination Date plus the Margin, all as determined by the Calculation Agent.

- (iv) In these Terms and Conditions:

"Screen Page" means Reuters Page EURIBOR01 (or such other screen

Bildschirmseite von Reuters oder einem anderen Informationsanbieter als Nachfolger, die die Reuters-Seite EURIBOR01 zur Anzeige solcher Sätze ersetzt). Sollte die Bildschirmseite nicht zur Verfügung stehen, wird die Berechnungsstelle von fünf von ihr zu bestimmenden Referenzbanken deren jeweilige Angebotssätze (jeweils als Prozentsatz per annum ausgedrückt) für Dreimonatseinlagen in Euro für die betreffende Variable Zinsperiode 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 Variable Zinsperiode das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste ein Tausendstel Prozent, wobei 0,0005 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;

"Geschäftstag" einen Tag, an dem alle maßgeblichen Stellen des Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) Systems Geschäfte tätigen;

"Marge" 4,23 % per annum. Die vorstehende Marge erhöht sich um 5,00% per annum (i) ab dem Kalendertag, der 60 Tage nach dem Eintritt eines Kontrollwechsels (wie in § 5(e) definiert) liegt (einschließlich) oder (ii) ab dem Kalendertag, der 60 Tage nach dem Eintritt eines Rating-Wegfalls (wie in § 5(f) definiert) liegt (einschließlich);

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

page of Reuters or such other information service, which is the successor to Reuters Page EURIBOR01 for the purpose of displaying such rates). If the Screen Page is not available the Calculation Agent shall request five Reference Banks 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 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. As long as two or more of the selected Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest 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 being rounded upwards) plus the Margin. If the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest 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;

"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;

"Margin" means 4.23 per cent. per annum. The aforementioned Margin will be increased by 5.00 per cent. per annum (i) from and including the day which falls 60 calendar days after the day on which a Change of Control (as defined in § 5(e)) has occurred or (ii) from and including the day which falls 60 calendar days after the day on which a Rating Withdrawal (as defined in § 5(f)) has occurred;

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

angezeigt wurde;

"Zinsfestsetzungstag" den zweiten Geschäftstag, der dem Beginn der maßgeblichen Variablen Zinsperiode vorangeht; und

"Zinstagequotient" im Hinblick auf die Berechnung des Zinsbetrages für eine Variable Zinsperiode oder einen Teil davon (der **"Zinsberechnungszeitraum"**) die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum geteilt durch 360.

(v) Aufgaben der Berechnungsstelle

Die Berechnungsstelle wird zu oder baldmöglichst nach jedem Zeitpunkt, an dem der Variable Zinssatz zu bestimmen ist, den auf die Wertpapiere fälligen Zinsbetrag (der **"Zinsbetrag"**) für die entsprechende Variable Zinsperiode berechnen. Die Berechnungsstelle ermittelt den Zinsbetrag, indem sie den Zinssatz und den Zinstagequotient auf den Gesamtnennbetrag der Wertpapiere anwendet, wobei sie den resultierenden Betrag auf den nächstliegenden Cent auf- oder abrundet (wobei 0,5 solcher Einheiten aufgerundet werden).

Die Berechnungsstelle wird veranlassen, dass der Zinssatz, der Zinsbetrag für die jeweilige Variable Zinsperiode, die jeweilige Variable Zinsperiode und der relevante Variable Zinszahlungstag der Emittentin und, sofern dies von den jeweiligen Wertpapierbörsen, an denen die Wertpapiere notiert sind, vorgesehen ist, der jeweiligen Wertpapierbörse sowie den Wertpapiergläubigern 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 Wertpapierbörsen, an denen die Wertpapiere zu diesem

"Interest Determination Date" means the second Business Day prior to the commencement of the relevant Floating Interest Period; and

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

(v) Duties of the Calculation Agent

The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the **"Interest Amount"**) payable on the Securities for the relevant Floating Interest Period. The Calculation Agent will calculate the Interest Amount by applying the Rate of Interest and the Day Count Fraction to the aggregate principal amount of the Securities and rounding the resultant figure to the nearest cent, with 0.5 or more of a cent being rounded upwards.

The Calculation Agent will cause the Rate of Interest, 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 Securities 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 relevant Floating Interest Period thereafter. 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 Securities are then listed and to the

Zeitpunkt notiert sind, sowie den Wertpapiergläubigern gemäß § 11 bekannt gemacht.

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

Holders in accordance with § 11.

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

(c) Ende der Verzinsung und Verzugszinsen

Die Verzinsung der Wertpapiere endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Sollte die Emittentin eine Zahlung von Kapital auf diese Wertpapiere bei Fälligkeit nicht leisten, endet die Verzinsung der Wertpapiere mit Beginn des Tages der tatsächlichen Zahlung. Der in einem solchen Fall jeweils anzuwendende Zinssatz wird gemäß diesem § 3 zuzüglich 5% per annum bestimmt.

(c) End of interest accrual and default interest

The Securities shall cease to bear interest from the beginning of the day they are due for redemption. If the Issuer fails to make any payment of principal under the Securities when due, the Securities shall cease to bear interest from the beginning of the day on which such payment is made. In such case the applicable rate of interest shall be determined pursuant to this § 3 plus 5 per cent. per annum.

§ 4 Aufschub von Zinszahlungen, Zinsrückstände

(a) Fälligkeit von Zinszahlungen; Wahlweiser Aufschub von Zinszahlungen

(i) Zinsen, die während eines Zeitraumes auflaufen, der an einem Obligatorischen Zinszahlungstag (ausschließlich) endet, werden an diesem Obligatorischen Zinszahlungstag fällig.

(ii) Zinsen, die während eines Zeitraumes auflaufen, der an einem Fakultativen Zinszahlungstag (ausschließlich) endet, werden an diesem Fakultativen Zinszahlungstag nur fällig, wenn und soweit sich die Emittentin für eine solche Zahlung entscheidet.

Wenn sich die Emittentin an einem Fakultativen Zinszahlungstag nicht für eine Zahlung aufgelaufener Zinsen entscheidet oder nur für eine teilweise Zahlung der aufgelaufenen Zinsen entscheidet, dann ist sie nicht verpflichtet, an dem betreffenden Fakultativen Zinszahlungstag Zinsen zu zahlen bzw. ist sie nur verpflichtet, den Teil der aufgelaufenen Zinsen zu leisten, für dessen Zahlung sie sich

§ 4 Deferral of interest payments, Arrears of Interest

(a) Due date for interest payments; Optional deferral of interest payments

(i) Interest which accrues during a period ending on but excluding a Compulsory Interest Payment Date shall be due and payable on such Optional Interest Payment Date.

(ii) Interest which accrues during a period ending on but excluding an Optional Interest Payment Date shall be due and payable on that Optional Interest Payment Date only if and to the extent the Issuer so elects.

If the Issuer does not elect to pay, or elects to only partially pay, accrued interest on an Optional Interest Payment Date, then it shall not have any obligation to pay interest on such Optional Interest Payment Date or shall only be obliged to pay such part of the accrued interest it elects to pay, respectively. Any such failure to pay interest shall not constitute a default of the Issuer or any other breach of its

entscheidet. Eine Nichtzahlung aus diesem Grunde begründet keinen Verzug der Emittentin und keine anderweitige Verletzung ihrer Verpflichtungen aufgrund dieser Wertpapiere oder für sonstige Zwecke.

Soweit sich die Emittentin entscheidet, an einem Fakultativen Zinszahlungstag die aufgelaufenen Zinsen nicht oder nur teilweise zu zahlen, hat sie dies den Wertpapiergläubigern gemäß § 11 unter Einhaltung einer Frist von mindestens acht und höchstens fünfzehn Geschäftstagen vor diesem Fakultativen Zinszahlungstag (dem "**Zinsaufschubtag**") bekannt zu machen.

- (iii) Nach Maßgabe von § 4(a)(ii) nicht fällig gewordene Zinsen sind Zinsrückstände (die "**Zinsrückstände**").

Zinsrückstände (A) werden nicht verzinst und (B) dürfen von der Emittentin ausschließlich im Wege des ACZM geleistet werden.

(b) Freiwillige Zahlung von Zinsrückständen

- (i) Die Emittentin ist berechtigt, ausstehende Zinsrückstände jederzeit ganz oder teilweise nach Bekanntmachung an die Wertpapiergläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als acht und nicht mehr als fünfzehn Geschäftstagen im Wege des ACZM zu zahlen, wobei eine solche Bekanntmachung unwiderruflich ist und (x) den Betrag an Zinsrückständen, der im Wege des ACZM gezahlt werden soll, und (y) den für diese Zahlung festgelegten Termin (der "**Freiwillige Nachzahlungstermin**") enthalten muss. Nach einer solchen Bekanntmachung wird der darin angegebene Betrag an Zinsrückständen am angegebenen Freiwilligen Nachzahlungstermin fällig, soweit die Emittentin tatsächlich ausreichend Statthafte Mittel zur Verfügung hat, und die Emittentin ist verpflichtet, diesen Betrag an Zinsrückständen am angegebenen Freiwilligen Nachzahlungstermin im Wege des ACZM zu zahlen.

- (ii) Die Emittentin beabsichtigt (ohne hierfür eine Rechtspflicht in

obligations under the Securities or for any other purpose.

If the Issuer elects not to or to only partially pay the accrued interest on an Optional Interest Payment Date, the Issuer shall notify the Holders in accordance with § 11 not less than eight and not more than fifteen Business Days prior to such Optional Interest Payment Date (the "**Interest Deferral Date**").

- (iii) Interest not due and payable in accordance with § 4(a)(ii) shall constitute arrears of interest ("**Arrears of Interest**").

Arrears of Interest (A) shall not bear interest and (B) may only be paid by the Issuer by way of the ACSM.

(b) Optional payment of Arrears of Interest

- (i) The Issuer is entitled to pay outstanding Arrears of Interest (in whole or in part) at any time by way of the ACSM on giving not less than eight and not more than fifteen Business Days' notice to the Holders in accordance with § 11 which notice shall be irrevocable and shall specify (x) the amount of Arrears of Interest to be paid by way of the ACSM and (y) the date fixed for such payment (the "**Optional Settlement Date**"). Upon such notice being given, the amount of Arrears of Interest specified therein shall, to the extent the Issuer actually has sufficient Eligible Funds available, become due and payable on the specified Optional Settlement Date, and the Issuer will be obliged to pay such amount of Arrears of Interest by way of the ACSM on the specified Optional Settlement Date.
- (ii) The Issuer intends (without assuming any legal obligation to this effect) to

irgendeiner Form zu übernehmen), ausstehende Zinsrückstände freiwillig im Wege des ACZM spätestens an dem Zinszahlungstag zu leisten, der auf den fünften Jahrestag des Zinsaufschubtags folgt.

(c) Pflicht zur Zahlung von Zinsrückständen

- (i) Die Emittentin verpflichtet sich, vorbehaltlich der Einschränkungen des § 4(c)(ii), ausstehende Zinsrückstände (vollständig, und nicht nur teilweise) innerhalb eines Jahres nach dem Eintritt eines Pflichtnachzahlungsereignisses im Wege des ACZM zu zahlen.

Ein **"Pflichtnachzahlungsereignis"** liegt jeweils an dem früheren der folgenden Kalendertage vor,

- (A) an dem die ordentliche Hauptversammlung der Garantin eine Ausschüttung wirksam beschließt oder die Garantin eine Ausschüttung zahlt oder erbringt; oder
- (B) an dem die Emittentin oder die Garantin Dividenden, Zinsen oder sonstige Ausschüttungen oder Zahlungen (einschließlich zum Zwecke der Rückzahlung) auf ein Gleichrangiges Instrument oder ein Nachrangiges Instrument wirksam beschließt, zahlt oder erbringt (direkt oder indirekt) oder eine Konzerngesellschaft veranlasst, dies zu tun; oder
- (C) an dem die Emittentin oder die Garantin ein Wertpapier dieser Emission, ein Gleichrangiges Instrument oder ein Nachrangiges Instrument oder Aktien der Garantin, die nach Maßgabe der Anwendbaren Rechnungslegungsvorschriften als "Eigenkapital" qualifiziert sind, (außer im Zusammenhang mit derzeit bestehenden oder zukünftig geschaffenen Aktienoptionsplänen) gegen Gewährung einer Gegenleistung zurückkauft oder anderweitig erwirbt (direkt oder indirekt) oder eine Konzerngesellschaft

settle outstanding Arrears of Interest voluntarily by way of the ACSM no later than on the Interest Payment Date immediately following the fifth anniversary of the Interest Deferral Date.

(c) Mandatory payment of Arrears of Interest

- (i) Subject to the restrictions of § 4(c)(ii), the Issuer undertakes to pay outstanding Arrears of Interest (in whole, but not in part) by way of the ACSM within one year after the occurrence of a Mandatory Settlement Event.

A **"Mandatory Settlement Event"** shall, in each case, have occurred on the earlier of the calendar dates:

- (A) on which the ordinary general meeting of shareholders (*ordentliche Hauptversammlung*) of the Guarantor validly resolves on any Distribution or the Guarantor pays or makes any Distribution; or
- (B) on which the Issuer or the Guarantor validly resolves on, pays or makes, or causes a Group Entity to validly resolve on, pay or make, (directly or indirectly) any dividend, interest or other distribution or payment (including for the purposes of a redemption) in respect of any Parity Instrument or Junior Instrument; or
- (C) on which the Issuer or the Guarantor repurchases or otherwise acquires, or causes a Group Entity to repurchase or otherwise acquire, (directly or indirectly) any Security of this issue, any Parity Instrument or Junior Instrument or shares of the Guarantor which qualify as "equity" pursuant to the Applicable Accounting Standards (except in connection with any present or future stock option plan) for a consideration; or

veranlasst, dies zu tun; oder

- (D) an dem die Emittentin Zinsen auf die Wertpapiere dieser Emission ganz oder teilweise leistet, die während eines Zeitraumes aufgelaufen sind, der an einem Fakultativen Zinszahlungstag (ausschließlich) endet; oder
- (E) an dem die Wertpapiere gemäß § 5 zur Rückzahlung fällig sind.
- (ii) Falls die Emittentin, vorbehaltlich von § 4(c)(iii), bis zu dem Kalendertag, der ein Jahr nach dem Eintritt des Pflichtnachzahlungsereignisses liegt (der "**Pflichtnachzahlungstag**"), nicht ausreichende Statthafte Mittel von der Garantin erhalten hat, um die gesamten Zinsrückstände nachzahlen zu können (insbesondere aufgrund der in § 4(d) aufgeführten Beschränkungen), wird die Emittentin die von ihr tatsächlich erhaltenen Statthaften Mittel anteilmäßig (*pro rata*) an die Wertpapiergläubiger auszahlen. In diesem Fall erlöschen alle Ansprüche auf Zahlung des verbleibenden Teils der betreffenden Zinsrückstände. In diesem Fall endet nach Maßgabe der Bestimmungen der Nachrangigen Verpflichtungserklärung auch die Verpflichtung der Garantin, weiterhin Kapitalmaßnahmen zur Beschaffung Statthafter Mittel durchzuführen. Etwaige Schadensersatzansprüche wegen der schuldhaften Nichtzurverfügungstellung der Statthaften Mittel bleiben unberührt.
- (iii) Falls in den letzten 60 Geschäftstagen vor dem Pflichtnachzahlungstag eine oder mehrere Marktstörungen eintreten, beträgt die Frist zur Beschaffung Statthafter Mittel durch die Garantin und zur Zahlung ausstehender Zinsrückstände durch die Emittentin 60 Geschäftstage nach dem Ende der letzten Marktstörung, und die Rechtsfolgen des § 4(c)(ii) treten erst nach Ablauf des sechzigsten Geschäftstages nach dem Ende der letzten Marktstörung ein. Die Emittentin wird den Wertpapiergläubigern sowohl den Eintritt einer Marktstörung als auch den Zeitpunkt, an dem keine Marktstörung mehr vorliegt, gemäß § 11 bekannt machen. Das Vorliegen
- (D) on which the Issuer pays interest on the Securities of this issue (in whole or in part), which has accrued during a period ending on but excluding an Optional Interest Payment Date; or
- (E) which is the due date for redemption of the Securities pursuant to § 5.
- (ii) If, subject to § 4(c)(iii), the Issuer has not received sufficient Eligible Funds from the Guarantor to settle all Arrears of Interest (including, but not limited to, on account of the limitations set out in § 4(d)) by the calendar date falling one year after the occurrence of the Mandatory Settlement Event (the "**Mandatory Settlement Date**"), the Issuer shall pay the Eligible Funds actually received by it to Holders on a pro rata basis. In such case any claims for the payment of the remaining part of the relevant Arrears of Interest shall be cancelled. In such case, the Guarantor's obligation under the Subordinated Undertaking to further perform corporate actions for the generation of Eligible Funds will also end in accordance with its terms. Claims to damages (if any) for culpably (*schuldhaft*) not having made available Eligible Funds shall remain unaffected.
- (iii) If during the last 60 Business Days immediately preceding the Mandatory Settlement Date one or more Market Disruption Events occur, the period for the generation of Eligible Funds by the Guarantor and for the payment of outstanding Arrears of Interest by the Issuer shall correspond to 60 Business Days following the end of the last Market Disruption Event, and the legal consequences pursuant to § 4(c)(ii) shall take effect after the sixtieth Business Day following the end of the last Market Disruption Event. The Issuer shall give notice to the Holders pursuant to § 11 of both the occurrence of a Market Disruption Event and the date on which the Market Disruption Event no longer exists. No additional

einer Marktstörung führt nicht zu einem zusätzlichen Verzinsungsanspruch der Wertpapiergläubiger im Hinblick auf die Überlassung von Geldbeträgen.

- (iv) Die Emittentin hat die Wertpapiergläubiger unverzüglich gemäß § 11 über eine teilweise Erfüllung bzw. deren Ausfall nach § 4(c)(ii) zu unterrichten. In der Mitteilung ist eine etwaige anteilmäßige Zahlung von Zinsrückständen mit Statthaften Mitteln und der etwaige erloschene Betrag der Zinsrückstände je Wertpapier zu benennen.
- (d) Beschränkungen für die Beschaffung Statthafter Mittel durch die Garantin
 - (i) Die Garantin hat sich in der Nachrangigen Verpflichtungserklärung dazu verpflichtet, bei Eintritt eines Pflichtnachzahlungsereignisses Statthaftige Mittel unter den Voraussetzungen und vorbehaltlich der Beschränkungen dieses § 4(d) zu erlösen und diese der Emittentin, vorbehaltlich der Anpassungen gemäß § 4(c)(iii), spätestens an dem Kalendertag zur Verfügung zu stellen, der ein Jahr nach Eintritt des betreffenden Pflichtnachzahlungsereignisses liegt.
 - (ii) Gemäß der Nachrangigen Verpflichtungserklärung ist die Garantin nur verpflichtet, Statthaftige Mittel durch die Ausgabe neuer Aktien der Garantin und/oder den Verkauf eigener Aktien der Garantin zu beschaffen und der Emittentin zur Verfügung zu stellen, wenn und soweit
 - (A) die Garantin selbst eigene Aktien hält (nach Maßgabe der Nachrangigen Verpflichtungserklärung ist die Garantin allerdings nicht verpflichtet, zur Beschaffung Statthafter Mittel zuvor eigene Aktien zu erwerben); oder
 - (B) die Garantin neue Aktien zum Zweck der Beschaffung Statthafter Mittel ausgeben kann, mit der Maßgabe, dass
 - (x) die Anzahl der zu diesem Zweck auszugebenden Aktien der Garantin in

interest for the making available of funds shall be payable due to the occurrence of a Market Disruption Event.

- (iv) The Issuer shall promptly notify the Holders in accordance with § 11 of any partial settlement or non-settlement pursuant to § 4(c)(ii) and must specify in such notice the relevant Arrears of Interest, the pro rata payment per Security out of Eligible Funds (if any) and the cancelled amount of Arrears of Interest per Security (if any).
- (d) Limitations for the generation of Eligible Funds by the Guarantor
 - (i) Upon the occurrence of a Mandatory Settlement Event, the Guarantor has undertaken in the Subordinated Undertaking to generate Eligible Funds in accordance with, and subject to the limitations of, this § 4(d) and to make such Eligible Funds available to the Issuer, at the latest, by the calendar date falling one year after the occurrence of such Mandatory Settlement Event, subject to the adjustments pursuant to § 4(c)(iii).
 - (ii) According to the provisions of the Subordinated Undertaking, the Guarantor is only obliged to generate Eligible Funds through the issuance of new shares of the Guarantor and/or the sale of treasury shares of the Guarantor and provide these to the Issuer if and to the extent that
 - (A) the Guarantor holds treasury shares itself (under the provisions of the Subordinated Undertaking, the Guarantor shall, however, not be obliged to buy back its own shares in order to generate Eligible Funds); or
 - (B) the Guarantor can for the purpose of generating Eligible Funds issue new shares, provided that
 - (x) the number of shares issued for such purpose is, for each period of continuing deferral

keinem Zeitraum eines fortdauernden Aufschubs der Fälligkeit von Zinsrückständen 2,00% der jeweils bereits ausstehenden Aktien der Garantin überschreitet, und	of Arrears of Interest, not in excess of 2.00 per cent. of the Guarantor's aggregate amount of the relevant outstanding shares, and
(y) die Ausgabe der neuen Aktien auf Grundlage einer Ermächtigung in der Satzung der Garantin oder aufgrund eines Beschlusses ihrer Hauptversammlung über die Erhöhung des Grundkapitals zulässig ist; und	(y) such issuance of new shares is authorised pursuant to the Guarantor's articles of association (<i>Satzung</i>) or a resolution by its shareholders' meeting (<i>Hauptversammlung</i>) to increase the share capital; and
(C) die Zustimmung des Aufsichtsrates der Garantin jeweils dazu vorliegt; und	(C) the Guarantor's supervisory board (<i>Aufsichtsrat</i>), in each case, has declared its consent thereto; and
(D) die Garantin keinen (rechtlichen oder tatsächlichen) Beschränkungen hinsichtlich des Verkaufs eigener Aktien oder der Ausgabe neuer Aktien unterliegt; und	(D) the Guarantor is not subject to any restriction (for any legal reason or de facto) with respect to selling treasury shares or the issuance of new shares; and
(E) die Ausgabe neuer Aktien der Garantin bzw. der Verkauf von eigenen Aktien der Garantin im Rahmen der dann bestehenden Marktverhältnisse für die Garantin zumutbar ist.	(E) in the light of market conditions then prevailing the issuance of new shares of the Guarantor and/or sale of treasury shares of the Guarantor can be reasonably expected (<i>zumutbar</i>) from the Guarantor.
(iii) Gemäß der Nachrangigen Verpflichtungserklärung ist die Garantin nur verpflichtet, Statthafte Mittel durch die Ausgabe von Statthaften Wertpapieren zu beschaffen und der Emittentin zur Verfügung zu stellen, wenn und soweit	(iii) According to the provisions of the Subordinated Undertaking, the Guarantor is only obliged to generate Eligible Funds through the issuance of Eligible Securities and to provide these to the Issuer if and to the extent that:
(A) die Garantin bzw. ihre jeweilige Finanzierungstochtergesellschaft insoweit keinen (rechtlichen oder tatsächlichen) Beschränkungen unterliegt; und	(A) the Guarantor or its respective finance subsidiary is subject to any restriction (for any legal reason or de facto) with respect to such issuance; and
(B) die Summe aus (x) allen Zahlungen mit aus den auszugebenden Statthaften Wertpapieren zu beschaffenden Statthaften Mitteln, (y) allen Zahlungen mit aus bereits zuvor während der Laufzeit der Wertpapiere ausgegebenen Statthaften Wertpapieren beschafften Statthaften Mitteln	(B) the sum of (x) all payments out of Eligible Funds to be raised by the issuance of such Eligible Securities, (y) all payments out of Eligible Funds raised through Eligible Securities previously issued during the term of the Securities, (in each case as calculated per Security) does not exceed 25 per cent. of the

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| <p>(jeweils bezogen auf ein Wertpapier) 25% des Nennbetrages je Wertpapier nicht übersteigt; und</p> <p>(C) dies mit Zustimmung des Aufsichtsrates der Garantin erfolgt; und</p> <p>(E) die Ausgabe Statthafter Wertpapiere im Rahmen der dann bestehenden Marktverhältnisse für die Garantin zumutbar ist.</p> <p>(iv) Die Wertpapiergläubiger werden darauf hingewiesen, dass die Garantin durch zwingende Bestimmungen des deutschen Aktienrechts oder aus sonstigen Gründen an der Ausgabe neuer Aktien und/oder dem Verkauf eigener Aktien der Garantin und/oder der Ausgabe Statthafter Wertpapiere zum Zwecke der Beschaffung Statthafter Mittel gehindert sein kann.</p> <p>(e) Zahlung von Zinsrückständen im Falle der Liquidation oder Insolvenz</p> <p>(i) Ausstehende Zinsrückstände werden, in dem in § 4(e)(ii) angegeben Umfang, an dem Kalendertag fällig, an dem ein Beschluss oder eine Verfügung hinsichtlich (x) der Liquidation, Auflösung oder Abwicklung der Emittentin oder der Garantin oder (y) der Eröffnung des Insolvenzverfahrens über das Vermögen der Emittentin oder der Garantin oder (z) der Eingehung eines Vergleichs oder Eröffnung eines anderen, der Abwendung der Insolvenz der Emittentin oder der Garantin dienenden Verfahrens ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin bzw. die Garantin noch zahlungsfähig ist und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin bzw. der Garantin übernimmt).</p> <p>(ii) In einem solchen Fall steht jedem Wertpapiergläubiger je Wertpapier ein direkter Anspruch gegen die Emittentin auf Erhalt der auf ein Wertpapier</p> | <p>principal amount per Security; and</p> <p>(C) the Guarantor's supervisory board (<i>Aufsichtsrat</i>) has given its consent thereto; and</p> <p>(E) in the light of market conditions then prevailing the issuance of Eligible Securities can be reasonably expected (<i>zumutbar</i>) from the Guarantor.</p> <p>(iv) Holders are notified that the Guarantor may be prevented by compulsory provisions of German stock corporation law or otherwise from issuing new shares and/or selling treasury shares of the Guarantor and/or issuing Eligible Securities for the purposes of generating Eligible Funds.</p> <p>(e) Payment of Arrears of Interest in the case of liquidation or insolvency</p> <p>(i) Outstanding Arrears of Interest shall become due and payable, to the extent specified in § 4(e)(ii), on the calendar date on which a resolution or an order is made for (x) the liquidation, dissolution or winding-up of the Issuer or the Guarantor or (y) the commencement of insolvency proceedings in respect of the Issuer or the Guarantor or (z) the entering into a composition or the commencement of other proceedings for the avoidance of insolvency of the Issuer or the Guarantor (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer or the Guarantor (as applicable)).</p> <p>(ii) In such case, each Holder shall, for each Security, have a direct claim against the Issuer to receive a pro rata payment on account of Arrears of</p> |
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entfallenden anteiligen Zinsrückstände (soweit der Anspruch hierauf nicht zuvor nach Maßgabe von § 4(c)(ii) erloschen ist) in Höhe von bis zu (A) 25% des Nennbetrages je Wertpapier abzüglich (B) der Summe aus allen bis zu diesem Zeitpunkt geleisteten Zahlungen mit aus der Begebung Statthafter Wertpapiere beschafften Statthaften Mitteln (jeweils bezogen auf ein Wertpapier) zu. Dieser Anspruch begründet eine unbesicherte und nachrangige Verbindlichkeit der Emittentin, die mit den Wertpapieren im Rang gleich steht. Der über diesen Betrag hinausgehende Anspruch auf Zahlung von Zinsrückständen erlischt.

(f) In diesen Emissionsbedingungen bezeichnet:

"**ACZM**" die Leistung von Zinsrückständen mit Statthaften Mitteln;

"**Anwendbare Rechnungslegungsvorschriften**" die International Financial Reporting Standards (IFRS) bzw. andere anerkannte Rechnungslegungsstandards, die die Garantin für die Erstellung ihres konsolidierten Jahresabschlusses zukünftig anwendet;

"**Ausschüttung**" jede Dividende, Abschlagszahlung auf den Bilanzgewinn, andere Ausschüttung oder Zahlung, die von der Hauptversammlung der Garantin beschlossen oder von der Garantin anderweitig im Hinblick auf eine Aktiengattung der Garantin gezahlt oder vorgenommen wurde;

"**Fakultativer Zinszahlungstag**" jeden Zinszahlungstag, der kein Obligatorischer Zinszahlungstag ist;

"**Gleichrangiges Instrument**" jedes Wertpapier, Namenswertpapier oder jede andere Form von Finanzverbindlichkeit, das oder die nach Maßgabe der Anwendbaren Rechnungslegungsvorschriften als "Eigenkapital" qualifiziert ist und (i) von der Emittentin begeben ist und im Verhältnis zu den Wertpapieren gleichrangig ist, oder (ii) von der Emittentin dergestalt garantiert ist oder für das die Emittentin dergestalt die Haftung übernommen hat, dass die Verpflichtungen der Emittentin aus der maßgeblichen Garantie oder Haftungsübernahme im Verhältnis zu den Verpflichtungen der Emittentin aus den Wertpapieren gleichrangig sind, oder (iii) von der Garantin begeben ist und im

Interest (to the extent not previously cancelled in accordance with § 4(c)(ii)) per Security up to an amount corresponding to (A) 25 per cent. of the principal amount per Security less (B) the sum of all payments made up to such point out of Eligible Funds raised through the issuance of Eligible Securities (in each case as calculated per Security). Such claim shall constitute an unsecured and subordinated obligation of the Issuer ranking *pari passu* with the Securities. The remaining claim for settlement of Arrears of Interest shall be cancelled.

(f) In these Terms and Conditions:

"**ACSM**" means the settlement of Arrears of Interest with Eligible Funds.

"**Applicable Accounting Standards**" means the International Financial Reporting Standards (IFRS) or any other generally accepted accounting standards which the Guarantor may apply in future for the preparation of its consolidated financial statements;

"**Distribution**" means any dividend, payment on account of the balance sheet profit, other distribution or payment resolved on by the general meeting of shareholders (*Hauptversammlung*) of the Guarantor or otherwise paid or made by the Guarantor in respect of any class of shares of the Guarantor;

"**Optional Interest Payment Date**" means each Interest Payment Date which is not a Compulsory Interest Payment Date;

"**Parity Instrument**" means any security, registered security or other form of financial indebtedness which qualifies as "equity" pursuant to the Applicable Accounting Standards and which (i) is issued by the Issuer and ranks *pari passu* with the Securities, or (ii) is guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under the relevant guarantee or other assumption of liability rank *pari passu* with the Issuer's obligations under the Securities, or (iii) is issued by the Guarantor and where the Guarantor's obligations under the securities rank *pari passu* with the Guarantor's obligations under the Subordinated Guarantee, or (iv) is guaranteed

Verhältnis zu den Verpflichtungen der Garantin aus der Nachrangigen Garantie gleichrangig ist, oder (iv) von der Garantin dergestalt garantiert ist oder für das die Garantin dergestalt die Haftung übernommen hat, dass die Verpflichtungen der Garantin aus der maßgeblichen Garantie oder anderweitigen Haftungsübernahme im Verhältnis zu den Verpflichtungen der Garantin aus der Nachrangigen Garantie gleichrangig sind;

"Hauptbörse" jede Börse, an der die Aktien der Garantin zum Handel an einem organisierten Markt zugelassen sind.

"Konzerngesellschaft" jedes mit der Garantin verbundene Unternehmen im Sinne von § 15 ff. AktG;

"Marktstörung" (i) das Eintreten oder Bestehen einer Aussetzung oder Einschränkung des Handels an einer der Hauptbörsen der Garantin (aufgrund von Preisschwankungen über die bei der jeweiligen Hauptbörse (bzw. deren elektronischer Handelsplattform) zugelassenen Grenzen hinaus oder aus sonstigen Gründen) oder von Abwicklungsprozessen für Transaktionen in Aktien der Garantin an der jeweiligen Hauptbörse (bzw. deren elektronischer Handelsplattform); oder (ii) Änderungen der deutschen oder internationalen politischen oder wirtschaftlichen Rahmenbedingungen oder der Finanzmärkte, aufgrund derer davon auszugehen ist, dass ein Angebot und eine erfolgreiche Ausgabe von neuen Aktien der Garantin bzw. ein Verkauf eigener Aktien der Garantin bzw. ein Verkauf von Statthaften Wertpapieren wesentlich beeinträchtigt sein wird.

"Nachrangiges Instrument" jedes Wertpapier, Namenswertpapier oder jede andere Form von Finanzverbindlichkeit oder Beteiligung (mit der Ausnahme von Instrumenten, die von der Garantin oder mit ihr verbundenen Unternehmen gehalten werden), das oder die nach Maßgabe der Anwendbaren Rechnungslegungsvorschriften als "Eigenkapital" qualifiziert ist und (i) von der Emittentin begeben ist und im Verhältnis zu den Wertpapieren nachrangig ist, oder (ii) von der Emittentin dergestalt garantiert ist oder für das die Emittentin dergestalt die Haftung übernommen hat, dass die Verpflichtungen der Emittentin aus der maßgeblichen Garantie oder Haftungsübernahme im Verhältnis zu den

by the Guarantor or for which the Guarantor has otherwise assumed liability and where the Guarantor's obligations under the relevant guarantee or other assumption of liability rank *pari passu* with the Guarantor's obligations under the Subordinated Guarantee;

"Primary Exchange" means each exchange on which the shares of the Guarantor are admitted to trading on the regulated market.

"Group Entity" means any affiliate of the Guarantor pursuant to § 15 et seq. of the German Stock Corporation Act (*Aktiengesetz*);

"Market Disruption Event" means (i) the occurrence or existence of any suspension of or limitation imposed on trading at one of the Primary Exchanges of the Guarantor (by reason of movements in price exceeding limits permitted by such exchange (and/or its electronic trading platform) or other-wise) or on settlement procedures for transactions in the shares of the Guarantor on a Primary Exchange (and/or its electronic trading platform); or, (ii) a change in German or international political or economic conditions or financial markets as are reasonably likely to prejudice materially the success of the issuance of new shares of the Guarantor and/or sale of treasury shares of the Guarantor and/or sale of Eligible Securities.

"Junior Instrument" means any security, registered security or other form of financial indebtedness or interest (except for instruments which are held by the Guarantor or affiliates of the Guarantor) which qualifies as "equity" pursuant to the Applicable Accounting Standards and (i) is issued by the Issuer and ranks junior to the Securities, or (ii) is guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under the relevant guarantee or other assumption of liability rank junior to the Issuer's obligations under the Securities or (iii) is issued by the Guarantor (other than shares in the Guarantor) and where the Guarantor's obligations under the securities rank junior to

Verpflichtungen der Emittentin aus den Wertpapieren nachrangig sind, oder (iii) von der Garantin begeben ist (mit Ausnahme von Aktien der Garantin) und im Verhältnis zu den Verpflichtungen der Garantin aus der Nachrangigen Garantie nachrangig ist, oder (iv) von der Garantin dergestalt garantiert ist oder für das die Garantin dergestalt die Haftung übernommen hat, dass die Verpflichtungen der Garantin aus der maßgeblichen Garantie oder anderweitigen Haftungsübernahme im Verhältnis zu den Verpflichtungen der Garantin aus der Nachrangigen Garantie nachrangig sind;

"Obligatorischer Zinszahlungstag" jeden Zinszahlungstag (wie nachstehend definiert), an dem wenigstens eines der nachfolgend aufgeführten Kriterien eingetreten ist:

- (i) auf der letzten ordentlichen Hauptversammlung der Garantin vor dem betreffenden Zinszahlungstag wurde eine Ausschüttung wirksam beschlossen oder die Garantin hat seit dieser ordentlichen Hauptversammlung der Garantin eine Ausschüttung gezahlt oder erbracht;
- (ii) die Garantin hat seit der letzten ordentlichen Hauptversammlung der Garantin vor dem betreffenden Zinszahlungstag Dividenden, Zinsen oder sonstige Ausschüttungen oder Zahlungen (einschließlich Zahlungen zum Zweck der Rückzahlung) auf ein Nachrangiges Instrument oder auf ein Gleichrangiges Instrument wirksam beschlossen, gezahlt oder erbracht (direkt oder indirekt) oder hat eine Konzerngesellschaft veranlasst, dies zu tun;
- (iii) die Emittentin oder die Garantin hat seit der letzten ordentlichen Hauptversammlung der Garantin vor dem betreffenden Zinszahlungstag Wertpapiere dieser Emission, ein Gleichrangiges Instrument oder Nachrangiges Instrument oder Aktien der Garantin, die nach Maßgabe der Anwendbaren Rechnungslegungsvorschriften als "Eigenkapital" qualifiziert sind, (außer im Zusammenhang mit derzeit bestehenden oder zukünftig geschaffenen Aktienoptionsplänen) gegen Gewährung einer Gegenleistung zurückgekauft oder anderweitig

the Guarantor's obligations under the Subordinated Guarantee, or (iv) is guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability and where the Guarantor's obligations under the relevant guarantee or other assumption of liability rank junior to the Guarantor's obligations under the Subordinated Guarantee;

"Compulsory Interest Payment Date" means any Interest Payment Date (as defined below) in respect of which any of the following criteria is met:

- (i) the most recent ordinary general meeting of shareholders (*ordentliche Hauptversammlung*) of the Guarantor held before that Interest Payment Date has validly resolved on any Distribution, or the Guarantor has paid or made any Distribution following that ordinary General Meeting of shareholders (*ordentliche Hauptversammlung*) of the Guarantor;
- (ii) following the most recent ordinary general meeting of shareholders (*ordentliche Hauptversammlung*) of the Guarantor held before that Interest Payment Date the Guarantor has validly resolved on, paid or made, or has caused a Group Entity to validly resolve on, pay or make, (directly or indirectly) any dividend, interest or other distribution or payment (including payments for the purposes of a redemption) in respect of any Junior Instrument or Parity Instrument;
- (iii) following the most recent ordinary general meeting of shareholders (*ordentliche Hauptversammlung*) of the Guarantor held before that Interest Payment Date the Guarantor has repurchased or otherwise acquired, or has caused a Group Entity to repurchase or otherwise acquire, (directly or indirectly) any Security of this issue or any Parity Instrument or Junior Instrument or shares of the Guarantor which qualify as "equity" pursuant to the Applicable Accounting Standards (except in connection with any present or future stock option plan)

erworben (direkt oder indirekt) oder hat eine Konzerngesellschaft veranlasst, dies zu tun;

"Statthafte Mittel" Barmittel, die die Garantin nach Maßgabe von, und vorbehaltlich der Einschränkungen des, § 4(d) entweder (i) durch Ausgabe neuer Aktien der Garantin und/oder den Verkauf eigener Aktien der Garantin und/oder (ii) durch Ausgabe Statthafter Wertpapiere erlöst hat;

"Statthafte Wertpapiere" Gleichrangige Instrumente und/oder Nachrangige Instrumente, die

- (A) von der Garantin oder von der Emittentin bzw. einer anderen direkten oder indirekten 100%igen Finanzierungsgesellschaft der Garantin jeweils mit einer Garantie der Garantin begeben werden;
- (B) eine unbegrenzte Laufzeit haben;
- (C) nicht vor Ablauf von fünf Jahren (wenn sie keinen Mechanismus zur Erhöhung des Zinssatzes enthalten) oder nicht vor Ablauf von zehn Jahren (wenn sie einen Mechanismus zur Erhöhung des Zinssatzes enthalten) nach Begebung kündbar sind, es sei denn, die Kündigung erfolgt aus steuerlichen Gründen oder aus Gründen des Eintritts anderer, besonderer Ereignisse unter Voraussetzungen, die den in § 5 genannten Bedingungen entsprechen) oder wegen des Verlusts der ursprünglichen Eigenkapitalanrechnung;
- (D) das zwangsweise Erlöschen von durch Barzahlung zu leistenden Zinszahlungen vorsehen; und
- (E) eine dem § 5(f) dieser Emissionsbedingungen entsprechende Regelung vorsehen;

"Zinszahlungstag" jeden Festzinszahlungstag und Variablen Zinszahlungstag.

for a consideration;

"Eligible Funds" means cash proceeds generated by the Guarantor in accordance with, and subject to the limitations of, § 4(d), by either (i) issuing new shares of the Guarantor and/or selling treasury shares of the Guarantor and/or (ii) issuing of Eligible Securities;

"Eligible Securities" means Parity Instruments and/or Junior Instruments which

- (A) are issued by the Guarantor or by the Issuer or any other wholly-owned direct or indirect finance subsidiary of the Guarantor, in each case with the benefit of a guarantee from the Guarantor;
- (B) have no maturity;
- (C) are not redeemable (other than for tax reasons or the occurrence of certain other special events pursuant to conditions similar to those set forth in § 5) before five years after their issue date if such Eligible Securities do not provide for a step-up or before ten years after their issue date if such Eligible Securities provide for an increase in the rate of interest applicable to them;
- (D) provide for a mandatory cancellation of cash interest payments; and
- (E) contain a provision similar to § 5(f) of these Terms and Conditions;

"Interest Payment Date" means any Fixed Interest Payment Date and Floating Interest Payment Date.

§ 5 Rückzahlung und Erwerb

(a) Keine Endfälligkeit

Die Wertpapiere haben keinen Endfälligkeitstag.

(b) Rückzahlung nach Wahl der Emittentin

Die Emittentin ist vorbehaltlich von § 5(e) berechtigt, die Wertpapiere (insgesamt jedoch nicht nur teilweise) durch Bekanntmachung an die Wertpapiergläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen mit Wirkung zum Ersten Rückzahlungstermin (wie in § 3(a) definiert) und zu jedem darauf folgenden Variablen Zinszahlungstag zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Wertpapiere an dem Tag, an dem die Kündigung wirksam wird, zum Nennbetrag je Wertpapier zuzüglich der bis zu diesem Tag (ausschließlich) in Bezug auf dieses Wertpapier aufgelaufenen Zinsen (der "**Rückzahlungsbetrag**") zurückzuzahlen.

(c) Rückzahlung nach Eintritt eines Gross-up-Ereignisses

(i) Wenn ein Gross-up-Ereignis eintritt, dann ist die Emittentin vorbehaltlich der nachstehenden Einschränkungen und von § 5(f) berechtigt, durch Bekanntmachung an die Wertpapiergläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen mit Wirkung zu dem von der Emittentin in der Bekanntmachung festgelegten Rückzahlungstermin zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Wertpapiere am festgelegten Rückzahlungstermin zum Rückzahlungsbetrag je Wertpapier zurückzuzahlen. Die Emittentin wird die Zahlstelle vor dieser Bekanntmachung von der Rückzahlung informieren. Die Bekanntmachung und die Information der Zahlstelle sollen diejenigen Tatsachen enthalten, auf welche die Emittentin ihr Kündigungsrecht stützt.

(ii) Ein "**Gross-up-Ereignis**" liegt vor, wenn (x) aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) der

§ 5 Redemption and Purchase

(a) No Maturity

The Securities have no final maturity date.

(b) Redemption at the Option of the Issuer

Subject to § 5(f), the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with § 11, call the Securities (in whole but not in part) with effect from the First Call Date (as defined in § 3(a)) or on any Floating Interest Payment Date thereafter. In the case such call notice is given, the Issuer shall redeem the Securities on the date on which the call notice takes effect at an amount equal to the Denomination per Security plus any interest accrued in respect of such Security to but excluding such date (the "**Redemption Amount**").

(c) Redemption following a Gross-up Event

(i) Upon the occurrence of a Gross-up Event, the Issuer may, subject to the limitations set forth below to § 5(f), upon giving not less than 30 nor more than 60 days' notice to the Holders in accordance with § 11 call the Securities (in whole but not in part) with effect from the redemption date specified by the Issuer in the notice. In the case such call notice is given, the Issuer shall redeem the Securities at the Redemption Amount per Security on the specified redemption date. The Issuer shall give notice to the Paying Agent about such early redemption before notifying the Holders. Such notices shall set forth the underlying facts of the Issuer's right to early redemption.

(ii) A "**Gross-up Event**" shall occur if as a result of (x) any change in or amendment to the laws (or any rules or regulations thereunder) of the Netherlands or the Federal Republic of

Niederlande oder der Bundesrepublik Deutschland oder einer ihrer jeweiligen Gebietskörperschaften oder Behörden oder (y) aufgrund einer Änderung der amtlichen Auslegung oder Anwendung dieser Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht oder eine Behörde der Niederlande oder der Bundesrepublik Deutschland (A) die Emittentin verpflichtet ist oder verpflichtet sein wird, Zusätzliche Beträge gemäß § 7 zu zahlen, oder (B) die Garantin verpflichtet ist oder verpflichtet sein wird, Zusätzliche Beträge auf fällige Beträge aus der Nachrangigen Garantie zu zahlen, und die Emittentin bzw. die Garantin diese Verpflichtung nicht abwenden kann, indem sie zumutbare Maßnahmen ergreift, die sie nach Treu und Glauben für angemessen hält.

Germany or any political subdivision or any authority of the Netherlands or the Federal Republic of Germany, or (y) any change in or amendment to any official interpretation or application of those laws or rules or regulations of the Netherlands or the Federal Republic of Germany (A) the Issuer has or will become obliged to pay Additional Amounts pursuant to § 7, or (B) the Guarantor has or will become obliged to pay Additional Amounts in respect of amounts due and payable under the Subordinated Guarantee, and that obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking such reasonable measures it, acting in good faith (*nach Treu und Glauben*), deems appropriate.

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| <p>(iii) Die Rückzahlungsbekanntmachung darf nicht früher als 90 Tage vor dem Tag erfolgen, an dem die Emittentin erstmals verpflichtet wäre, Zusätzliche Beträge gemäß § 7 zu zahlen.</p> <p>(iv) Vor einer solchen Rückzahlungsbekanntmachung wird die Emittentin der Hauptzahlstelle folgende Dokumente übergeben oder für deren Übergabe sorgen:</p> <p>(x) eine von der Emittentin unterzeichnete Bescheinigung, in der die Tatsachen dargelegt sind, aus denen deutlich wird, dass die Bedingungen für das Recht der Emittentin zur Rückzahlung gemäß § 5(c)(i) und (ii) erfüllt sind; und</p> <p>(y) ein Gutachten eines angesehenen unabhängigen Rechtsberaters, das bestätigt, dass die Emittentin oder die Garantin verpflichtet ist oder verpflichtet sein wird, die betreffenden Zusätzlichen Beträge als Folge der entsprechenden Änderung zu zahlen, und dass die Emittentin zur Kündigung und Rückzahlung der Wertpapiere berechtigt ist.</p> <p>(d) Rückzahlung nach Eintritt eines Steuerereignisses, eines Kapitalereignisses oder Rechnungslegungs-Ereignisses</p> <p>(i) Wenn ein Steuerereignis, ein</p> | <p>(iii) No such notice of redemption may be given 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 § 7.</p> <p>(iv) Prior to the giving of any such notice of redemption, the Issuer will deliver or procure that there is delivered to the Principal Paying Agent:</p> <p>(x) a certificate signed by the Issuer stating the facts confirming that the conditions precedent to the right of the Issuer so to redeem pursuant to § 5(c)(i) and (ii) have occurred; and</p> <p>(y) an opinion of an independent legal advisor of recognised standing stating that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay the Additional Amounts in question as a result of the relevant change or amendment and that the Issuer is entitled to terminate and redeem the Securities.</p> <p>(d) Redemption following a Tax Event, a Capital Event or an Accounting Event</p> <p>(i) Upon occurrence of a Tax Event, a</p> |
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Kapitalereignis oder ein Rechnungslegungs-Ereignis eintritt, dann ist die Emittentin vorbehaltlich von § 5(f) bis zum Ersten Rückzahlungstermin berechtigt, die Wertpapiere (insgesamt und nicht teilweise) durch Bekanntmachung an die Wertpapiergläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen mit Wirkung zu dem von der Emittentin in der Bekanntmachung festgelegten Rückzahlungstermin zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Wertpapiere am festgelegten Rückzahlungstermin zum Vorzeitigen Rückzahlungsbetrag je Wertpapier zurückzuzahlen. Die Emittentin wird die Zahlstelle vor dieser Bekanntmachung von der Rückzahlung informieren. Die Bekanntmachung an die Wertpapiergläubiger und die Information der Zahlstelle sollen diejenigen Tatsachen enthalten, auf welche die Emittentin ihr Kündigungsrecht stützt.

(ii) Steuerereignis

Ein "**Steuerereignis**" liegt vor, wenn aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) der Niederlande oder der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder einer ihrer Steuerbehörden, oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung solcher Gesetze, Bestimmungen 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), Zinsen, die von der Emittentin auf die Wertpapiere zu zahlen sind oder Beträge, die von der Garantin aus der Garantie zu zahlen sind, von der Emittentin und/oder der Garantin nicht mehr für die Zwecke der niederländischen und/oder deutschen Ertragsteuer voll abzugsfähig sind, bzw. innerhalb von 90 Tagen nach dem Datum des nachstehend beschriebenen Gutachtens nicht mehr voll abzugsfähig sein werden, und die Emittentin und/oder die Garantin

Capital Event or an Accounting Event the Issuer may, up to the First Call Date, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with § 11, subject to § 5(f), call the Securities (in whole but not in part) with effect from the redemption date specified by the Issuer in the notice. In the case such call notice is given, the Issuer shall redeem the Securities at the Early Redemption Amount per Security on the specified redemption date. The Issuer shall give notice to the Paying Agent about such early redemption before notifying the Holders. Such notices to the Holders and the Paying Agent shall set forth the underlying facts of the Issuer's right to early redemption.

(ii) Tax Event

A "**Tax Event**" shall have occurred, if as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Netherlands or the Federal Republic of Germany or any political subdivision or any taxing authority thereof or therein, or as a result of any amendment to, or change in, an official interpretation or application of any such laws, rules 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), interest payable by the Issuer in respect of the Securities or any amount payable by the Guarantor under the Guarantee is no longer, or within 90 days of the date of the opinion described below will no longer be, fully deductible by the Issuer and/or the Guarantor for Dutch and/or German income tax purposes, and that risk cannot be avoided by the Issuer and/or the Guarantor taking reasonable measures it, acting in good faith (*nach Treu und Glauben*), deems appropriate.

dieses Risiko nicht abwenden kann, indem sie zumutbare Maßnahmen ergreift, die sie nach Treu und Glauben für angemessen hält.

Die Emittentin hat der Hauptzahlstelle ein Gutachten eines anerkannten unabhängigen Steuerberaters zu übergeben, das den Eintritt des Steuerereignisses bestätigt.

(iii) Rechnungslegungs-Ereignis

Ein "**Rechnungslegungs-Ereignis**" liegt vor, wenn die Garantin die durch die Ausgabe der Wertpapiere aufgenommenen Mittel nicht, nicht mehr oder nicht mehr im früheren Umfang als "Eigenkapital" im Sinne der Anwendbaren Rechnungslegungsvorschriften in einem Konzernjahresabschluss der Garantin auszuweisen berechtigt ist. Dies gilt nur, wenn die Wertpapiere diese Anforderungen zu einem Zeitpunkt vor dieser Feststellung erfüllt haben.

Die Emittentin hat der Hauptzahlstelle ein Gutachten eines anerkannten unabhängigen Wirtschaftsprüfers zu übergeben, das den Eintritt eines Rechnungslegungsereignisses bestätigt.

(iv) Kapitalereignis

Ein "**Kapitalereignis**" liegt vor, wenn die Emittentin oder die Garantin von einer Führenden Ratingagentur, von der die Garantin zu der betreffenden Zeit ein Credit Rating erhält, die Nachricht erhalten hat, dass die Wertpapiere nicht mehr derselben oder einer höheren Eigenkapitalanrechnungskategorie (wie von dieser Ratingagentur definiert) zuzuordnen sind, der sie bei bzw. in zeitlicher Nähe zu ihrer Begebung (bzw., im Falle einer Führenden Ratingagentur, von der die Garantin bei Begebung der Wertpapiere noch kein Credit Rating erhalten hatte, bei der erstmaligen Erteilung eines Credit Ratings für die Garantin durch die betreffende Führende Ratingagentur) ausweislich entsprechender Veröffentlichungen zugeordnet waren.

"**Führende Ratingagentur**" bezeichnet jeweils Moody's Investors Services Limited, Standard & Poor's Rating

The Issuer must deliver to the Principal Paying Agent an opinion of a recognised independent tax counsel confirming the occurrence of the Tax Event.

(iii) Accounting Event

An "**Accounting Event**" shall have occurred if the funds raised through the issuance of the Securities must not, no longer or not to the previous extent be recorded by the Guarantor as "equity" pursuant to the Applicable Accounting Standards in the consolidated financial statements of the Guarantor. This applies only if at any time prior to such statement the Securities did fulfil such requirements.

The Issuer must deliver to the Principal Paying Agent an opinion of a recognised independent auditor delivered which confirms the occurrence of the Accounting Event.

(iv) Capital Event

A "**Capital Event**" shall have occurred if the Issuer or the Guarantor has received confirmation from any Leading Rating Agency which, at the relevant time, assigns a Credit Rating to the Guarantor, that the Securities will no longer be eligible for the same or higher category of equity credit (as defined by such rating agency) attributed to the Securities as published at or around the date of issuance (or, in the case of a Leading Rating Agency which upon issuance of the Securities had not yet assigned a Credit Rating to the Guarantor, upon the first assignment of a Credit Rating to the Guarantor by the relevant Leading Rating Agency).

"**Leading Rating Agency**" means each of Moody's Investors Services Limited, Standard & Poor's Rating Services (a

Services (eine Abteilung von The McGraw-Hill Companies Inc.), Fitch Ratings Ltd., jede ihrer jeweiligen Nachfolgegesellschaften und jede andere international anerkannte Ratingagentur.

"Credit Rating" bezeichnet ein so genanntes "sponsored" Rating der nicht-nachrangigen unbesicherten Verbindlichkeiten der Garantin durch eine Führende Ratingagentur.

division of The McGraw-Hill Companies Inc.), Fitch Ratings Ltd., any of their respective successor companies and any other rating agency of international standing.

"Credit Rating" means a so-called "sponsored" credit rating of the unsubordinated unsecured obligations of the Guarantor by a Leading Rating Agency.

- (e) Rückzahlung bei geringem ausstehenden Gesamtnennbetrag

Falls die Emittentin, die Garantin oder eine Konzerngesellschaft Wertpapiere im Volumen von 75% oder mehr des ursprünglich begebenen Gesamtnennbetrages der Wertpapiere erworben oder zurückgezahlt hat, ist die Emittentin vorbehaltlich von § 5(f) berechtigt, die verbleibenden Wertpapiere (ganz, jedoch nicht teilweise) durch eine Bekanntmachung an die Wertpapiergläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen mit Wirkung zu dem von der Emittentin in der Bekanntmachung festgelegten Rückzahlungstermin zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Wertpapiere am festgelegten Rückzahlungstermin zum Rückzahlungsbetrag je Wertpapier zurückzahlen. Die Emittentin wird die Hauptzahlstelle vor dieser Bekanntmachung von der Rückzahlung informieren.

- (f) Absicht der Emittentin und der Garantin im Fall der Kündigung gemäß § 5(b), (c), (d) und (e)

Nach Absicht der Emittentin und (ausweislich der Bedingungen der Nachrangigen Garantie) der Garantin sollen die Wertpapiere dauerhafter Bestandteil der Konzernfinanzierung der Garantin sein. Für den Fall der Rückzahlung gemäß § 5(b), (c), (d) und (e) beabsichtigt die Emittentin, die Rückzahlung der Wertpapiere aus Mitteln zu tätigen, die aus der Begebung oder dem Verkauf von Aktien der Garantin oder der Begebung von Ersatzwertpapieren innerhalb von sechs Monaten vor dem Rückzahlungstag der Wertpapiere stammen.

"Ersatzwertpapiere" bezeichnet Gleichrangige Instrumente und/oder Nachrangige Instrumente, die

- (e) Redemption in case of Minimal Outstanding Aggregate Principal Amount

If the Issuer, the Guarantor or any Group Entity has purchased or redeemed Securities equal to or in excess of 75 per cent. of the aggregate Principal Amount of the Securities initially issued, the Issuer may, subject to § 5(f), by giving notice not less than 30 nor more than 60 days' notice to the Holders in accordance with § 11, call the remaining Securities (in whole but not in part) with effect from the redemption date specified by the Issuer in the notice. In the case such call notice is given, the Issuer shall redeem the remaining Securities at the Redemption Amount per Security on the specified redemption date. The Issuer shall give notice to the Principal Paying Agent about such early redemption before notifying the Holders.

- (f) Intention of the Issuer and the Guarantor for a redemption in accordance with § 5(b), (c), (d) and (e)

It is the intention of the Issuer and (as set forth in the terms of the Subordinated Guarantee) the Guarantor that the Securities will constitute permanent funding of the Guarantor's group. In case of redemption of the Securities pursuant to § 5(b), (c), (d) and (e) the Issuer intends to redeem the Securities out of proceeds raised through the issuance or sale of shares of the Guarantor or the issuance of Replacement Securities within a period of 6 months prior to the redemption date of the Securities.

"Replacement Securities" means Parity Instruments and/or Junior Instruments which

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| <p>(A) von der Garantin oder von der Emittentin bzw. einer anderen direkten oder indirekten 100%igen Finanzierungstochtergesellschaft der Garantin jeweils mit einer Garantie der Garantin begeben werden;</p> <p>(B) eine unbegrenzte Laufzeit oder eine Laufzeit von mindestens 60 Jahren haben;</p> <p>(C) nicht vor Ablauf von fünf Jahren (wenn sie keinen Mechanismus zur Erhöhung des Zinssatzes enthalten) oder nicht vor Ablauf von zehn Jahren (wenn sie einen Mechanismus zur Erhöhung des Zinssatzes enthalten) nach Begebung kündbar sind, es sei denn, die Kündigung erfolgt aus steuerlichen Gründen oder aus Gründen des Eintritts anderer, besonderer Ereignisse unter Voraussetzungen, die den in § 5 genannten Bedingungen entsprechen) oder wegen des Verlusts der ursprünglichen Eigenkapitalanrechnung;</p> <p>(D) es der betreffenden Emittentin nach Maßgabe ihrer Bedingungen ermöglichen, Zinszahlungen in der gleichen oder einer ähnlichen Weise wie unter den Wertpapieren aufzuschieben;</p> <p>(E) die gleiche oder eine verbesserte Eigenkapitalanrechnung (wie von jeder Führenden Ratingagentur, von der die Garantin zu der betreffenden Zeit ein Credit Rating erhält, definiert und festgelegt) als die Wertpapiere erhalten; und</p> <p>(F) eine dem § 5(f) dieser Emissionsbedingungen entsprechende Regelung vorsehen;</p> <p>(g) Rückzahlung nach Eintritt eines Kontrollwechsels</p> <p>(i) Wenn ein Kontrollwechsel eintritt, dann ist die Emittentin berechtigt, die Wertpapiere (insgesamt und nicht teilweise) durch eine Bekanntmachung an die Wertpapiergläubiger gemäß § 11 mit Wirkung zu dem von der Emittentin in der Bekanntmachung festgelegten Rückzahlungstermin, der spätestens 60 Tage nach Eintritt des Kontrollwechsels liegen muss, zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Wertpapiere am festgelegten</p> | <p>(A) are issued by the Guarantor or by the Issuer or any other wholly-owned direct or indirect finance subsidiary of the Guarantor, in each case with the benefit of a guarantee from the Guarantor;</p> <p>(B) have no maturity or have a maturity of at least 60 years;</p> <p>(C) are not redeemable (other than for tax reasons or the occurrence of certain other special events pursuant to conditions similar to those set forth in § 5) before five years after their issue date if such Eligible Securities do not provide for a step-up or before ten years after their issue date if such Eligible Securities provide for an increase in the rate of interest applicable to them;</p> <p>(D) permit the relevant issuer in their terms to defer interest payments in the same or a similar manner as under the Securities;</p> <p>(E) have equal or greater equity credit (as defined and determined by any Leading Rating Agency which, at the relevant time, assigns a Credit Rating to the Guarantor) than the Securities; and</p> <p>(F) contain a provision similar to § 5(f) of these Terms and Conditions;</p> <p>(g) Redemption following a Change of Control</p> <p>(i) Upon occurrence of a Change of Control, the Issuer may, by giving notice to the Holders in accordance with § 11, call the Securities (in whole but not in part) with effect from the redemption date specified by the Issuer in the notice, which date shall not be later than 60 days following the occurrence of the Change of Control. If such call notice is validly given, the Issuer shall redeem the Securities at the Redemption Amount per Security on the specified redemption date. The</p> |
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Rückzahlungstermin zum Rückzahlungsbetrag je Wertpapier zurückzahlen. Die Emittentin wird die Zahlstelle vor dieser Bekanntmachung von der Rückzahlung informieren.

Issuer shall give notice to the Paying Agent about such early redemption before notifying the Holders.

- (ii) Sofern die Emittentin die Wertpapiere nicht innerhalb von 60 Tagen nach dem Eintritt des Kontrollwechsels zurückzahlt, erhöht sich die Verzinsung entsprechend der Regelungen in § 3(a)(ii) bzw. § 3(b)(iv), worüber die Emittentin die Wertpapiergläubiger gemäß § 11 sowie die Berechnungsstelle unverzüglich zu informieren hat.

- (ii) If the Issuer does not redeem the Securities within 60 days following the occurrence of the Change of Control, the rate of interest will increase in accordance with § 3(a)(ii) and § 3(b)(iv), respectively, which shall be promptly (*unverzüglich*) notified by the Issuer to the Holders in accordance with § 11 and to the Calculation Agent.

(iii) Kontrollwechsel

(iii) Change of Control

Ein "**Kontrollwechsel**" (i) gilt als eingetreten, wenn eine Person oder mehrere Personen, die abgestimmt handeln, oder einer oder mehrere Dritte, die im Auftrag einer solchen Person oder Personen handeln, zu irgendeinem Zeitpunkt mittelbar oder unmittelbar (x) mehr als 50% Aktien der Garantin oder (y) eine solche Anzahl von Aktien der Garantin erworben hat bzw. haben, auf die mehr als 50% der bei Hauptversammlungen der Garantin normalerweise stimmberechtigten Stimmrechte entfallen und (ii) gilt im Falle der vorstehenden Ziffer (i)(x) an dem Tage als eingetreten, an dem die Garantin das Überschreiten der 50%-Grenze gemäß § 26 Absatz 1 Satz 1 des Wertpapierhandelsgesetzes (oder einer etwaigen Nachfolgevorschrift) bekannt gibt.

A "**Change of Control**" (i) will 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 (x) more than 50 per cent. of the shares in the capital of the Guarantor or (y) such number of shares in capital of the Guarantor carrying more than 50 per cent. of the voting rights normally exercisable at general meetings (*Hauptversammlungen*) of the Guarantor and (ii) will, in the case of (i)(x) above, be deemed to have occurred on the day, on which the Guarantor discloses the excess of the 50 per cent. threshold in accordance with § 26 paragraph 1 sentence 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) (or any successor provision thereto).

(h) Rückzahlung nach Eintritt eines Rating-Wegfalls

(h) Redemption following a Rating Withdrawal

- (i) Wenn ein Rating-Wegfall eintritt, dann ist die Emittentin berechtigt, die Wertpapiere (insgesamt und nicht teilweise) durch eine Bekanntmachung an die Wertpapiergläubiger gemäß § 11 mit Wirkung zu dem von der Emittentin in der Bekanntmachung festgelegten Rückzahlungstermin, der spätestens 60 Tage nach Eintritt des Rating-Wegfalls liegen muss, zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Wertpapiere am festgelegten Rückzahlungstermin zum Vorzeitigen Rückzahlungsbetrag je Wertpapier

- (i) Upon occurrence of a Rating Withdrawal, the Issuer may, by giving notice to the Holders in accordance with § 11, call the Securities (in whole but not in part) with effect from the redemption date specified by the Issuer in the notice, which date shall not be later than 60 days following the occurrence of the Rating Withdrawal. In the case such call notice is validly given, the Issuer shall redeem the Securities at the Early Redemption Amount per Security on the specified redemption date. The Issuer shall give notice to the Paying Agent about such

zurückzuzahlen. Die Emittentin wird die Zahlstelle vor dieser Bekanntmachung von der Rückzahlung informieren.

- (ii) Sofern die Emittentin die Wertpapiere nicht innerhalb von 60 Tagen nach dem Eintritt des Rating-Wegfalls zurückzahlt, erhöht sich die Verzinsung entsprechend der Regelungen in § 3(a)(ii) bzw. § 3(b)(iv), worüber die Emittentin die Wertpapiergläubiger gemäß § 11 sowie die Berechnungsstelle unverzüglich zu informieren hat.

- (iii) Rating-Wegfall

Ein "**Rating-Wegfall**" liegt vor, wenn (x) sämtliche Führenden Ratingagenturen, von denen die Garantin zu der betreffenden Zeit ein Credit Rating erhalten hatte, dieses Credit Rating auf Antrag der Emittentin und/oder der Garantin zurückgezogen haben, so dass die Garantin über kein Credit Rating mehr verfügt und (y) die Garantin nicht innerhalb von 60 Tagen nach dieser Rücknahme ein Credit Rating von mindestens einer Führenden Ratingagentur erhält und bekannt gibt.

- (i) Vorzeitiger Rückzahlungsbetrag

Der "**Vorzeitige Rückzahlungsbetrag**" je Wertpapier ist der Aufrechnungsbetrag, mindestens jedoch der Nennbetrag eines Wertpapiers (wie von der Berechnungsstelle bestimmt), jeweils zuzüglich der bis zum Tag der Rückzahlung in Bezug auf dieses Wertpapier aufgelaufenen Zinsen.

Der "**Aufrechnungsbetrag**" je Wertpapier wird durch die Berechnungsstelle vor dem Tag, an dem die Wertpapiere zur Rückzahlung fällig werden, bestimmt und entspricht der Summe aus den Barwerten, bezogen auf den Tag der Rückzahlung, (i) des Nennbetrags je Wertpapier und (ii) der verbleibenden vorgesehenen Zinszahlungen auf dieses Wertpapier bis zum Ersten Rückzahlungstermin (ausschließlich).

Die Berechnungsstelle ermittelt dabei die "**Barwerte**", indem sie den Nennbetrag je Wertpapier und die verbleibenden vorgesehenen

early redemption before notifying the Holders.

- (ii) If the Issuer does not redeem the Securities within 60 days following the occurrence of the Rating Withdrawal, the rate of interest will increase in accordance with § 3(a)(ii) and § 3(b)(iv), respectively, which shall be promptly (*unverzüglich*) notified by the Issuer to the Holders in accordance with § 11 and to the Calculation Agent.

- (iii) Rating Withdrawal

A "**Rating Withdrawal**" shall have occurred if (x) all Leading Rating Agencies, which, at the relevant time had assigned a Credit Rating to the Guarantor, have withdrawn any such Credit Rating at the request of the Issuer and/or Guarantor so that the Guarantor has no Credit Rating anymore and (y) the Guarantor has not obtained and published a Credit Rating from at least one Leading Rating Agency within 60 days of such withdrawal.

- (i) Early Redemption Amount

The "**Early Redemption Amount**" per Security will be the greater of the Denomination and the Make-Whole Amount of a Security (as determined by the Calculation Agent), in each case plus any interest accrued in respect of such Security to but excluding the date of redemption.

The "**Make-Whole Amount**" per Security will be calculated by the Calculation Agent prior to the date on which they fall due for redemption, and will equal the sum of the Present Values, as at the date of redemption, of (i) the Denomination per Security and (ii) the remaining scheduled interest payments on such Security to but excluding the First Call Date.

The Calculation Agent will calculate the "**Present Values**" by discounting the Denomination per Security and the remaining scheduled interest payments

Zinszahlungen auf dieses Wertpapier bis zum Ersten Rückzahlungstermin (ausschließlich) auf jährlicher Basis abzinst; dabei gilt als Berechnungsgrundlage ein Jahr von 365 bzw. 366 Tagen sowie die Zahl der tatsächlich in dem Jahr verstrichenen Tage unter der Verwendung der Angepassten Vergleichsrendite zuzüglich 0,75%.

Die "**Angepasste Vergleichsrendite**" ist die am Rückzahlungs-Berechnungstag bestehende Rendite einer von der Berechnungsstelle ausgewählten Euro-Referenz-Anleihe mit einer mit der verbleibenden Laufzeit der Wertpapiere bis zum Ersten Rückzahlungstermin vergleichbaren Laufzeit. Dabei handelt es sich um die Rendite einer solchen Euro-Referenz-Anleihe, die im Zeitpunkt der Auswahlentscheidung und entsprechend der üblichen Finanzmarktpraxis zur Preisbestimmung bei Neuemissionen von Unternehmensanleihen mit einer mit dem Zeitraum bis zum Ersten Rückzahlungstermin vergleichbaren Laufzeit verwendet würde (üblicherweise eine Bundesanleihe oder eine andere Anleihe anderer öffentlicher deutscher Schuldner überragender Bonität).

"**Rückzahlungs-Berechnungstag**" ist der dritte Geschäftstag vor dem Tag der Rückzahlung für ein Wertpapier.

per Security to but excluding 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 0.75 per cent.

The "**Adjusted Comparable Yield**" shall be equal to the yield at the Redemption Calculation Date on the euro benchmark security selected by the Calculation Agent as having a maturity comparable to the remaining term of the Securities to the First Call Date that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the First Call Date (usually Bunds or Securities of other German issuers in the public sector with excellent creditworthiness).

"**Redemption Calculation Date**" means the third Business Day prior to the date on which the Securities are due for redemption.

(j) Erwerb

Die Emittentin, die Garantin oder jede Konzerngesellschaft können jederzeit Wertpapiere auf dem freien Markt oder anderweitig kaufen. Die erworbenen Wertpapiere können gehalten, eingezogen oder wieder verkauft werden.

(j) Purchase

The Issuer, the Guarantor or any Group Entity may at any time purchase Securities in the open market or otherwise. Any Securities so acquired may be held, cancelled or resold.

§ 6 Zahlungen

(a) Zahlungen

Die Emittentin verpflichtet sich, Kapital und Zinsen auf die Wertpapiere bei Fälligkeit in Euro zu zahlen. Die Zahlung von Kapital und Zinsen erfolgt, vorbehaltlich geltender steuerrechtlicher und sonstiger gesetzlicher Regelungen und Vorschriften, über die Zahlstelle zur Weiterleitung an das Clearingsystem oder nach dessen Weisung

§ 6 Payments

(a) Payments

The Issuer undertakes to pay, as and when due, principal and interest on the Securities in Euro. Payment of principal and interest on the Securities shall be made, subject to applicable fiscal and other laws and regulations, through the Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account

zur Gutschrift für die jeweiligen Kontoinhaber. Die Zahlung an das Clearingsystem oder nach dessen Weisung befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Wertpapieren. Eine Bezugnahme in diesen Emissionsbedingungen auf Kapital oder Zinsen der Wertpapiere schließt jegliche Zusätzlichen Beträge gemäß § 7 ein.

(b) 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(b)(ii)); die Wertpapiergläubiger sind nicht berechtigt, Zinsen oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

§ 7 Besteuerung

(a) Sämtliche Zahlungen von Kapital und Zinsen in Bezug auf die Wertpapiere werden ohne Einbehalt oder Abzug von Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren jedweder Art ("**Steuern**") geleistet, die von der Bundesrepublik Deutschland oder den Niederlanden, oder einer ihrer jeweiligen Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, die Emittentin ist zu einem solchen Einbehalt oder Abzug gesetzlich verpflichtet.

(b) In einem solchen Falle wird die Emittentin zusätzliche Beträge zahlen (die "**Zusätzlichen Beträge**"), so dass die Wertpapiergläubiger oder Dritte in deren Namen die Beträge erhalten, die sie ohne Einbehalt oder Abzug erhalten hätten. Derartige Zusätzliche Beträge sind jedoch nicht zahlbar wegen solcher Steuern,

(i) die anders als durch Einbehalt oder Abzug von Zahlungen, die die Emittentin an den Wertpapiergläubiger leistet, zu entrichten sind; oder

(ii) denen ein Wertpapiergläubiger wegen einer anderen gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung zu der Bundesrepublik Deutschland oder den Niederlanden unterliegt als der bloßen Tatsache, dass er der Inhaber der

holders. Payments to the Clearing System or to its order shall to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Securities. Any reference in these Terms and Conditions of the Securities to principal or interest will be deemed to include any Additional Amounts pursuant to § 7.

(b) 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(b)(ii)). The Holders shall have no right to claim payment of any interest or other indemnity in respect of such delay in payment.

§ 7 Taxation

(a) All payments of principal and interest in respect of the Securities 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 Federal Republic of Germany or The Netherlands, as the case may be, or any political subdivision or any authority of or in the Federal Republic of Germany or The Netherlands that has power to tax, unless the Issuer is required by law to make such withholding or deduction.

(b) In that event, the Issuer will pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Holders or a third party on their behalf of the same amounts as they would have received if no such withholding or deduction had been required. However, no such Additional Amounts shall be payable with respect to such Taxes,

(i) that are payable otherwise than by withholding or deduction from payments made by the Issuer to the Holder; or

(ii) to which a Holder is liable by reason of having, or having had, some personal or business relationship with the Federal Republic of Germany or The Netherlands and not merely by reason of the fact of being the holder of the relevant Securities; or

betreffenden Wertpapiere ist; oder

- (iii) deren Einbehalt oder Abzug auf eine Zahlung an eine natürliche Person erfolgt und zwar auf der Grundlage der Richtlinie 2003/48/EG der Europäischen Union oder einer anderen Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge, die die Beschlüsse der Tagung des ECOFIN-Rates vom 3. Juni 2003 umsetzt oder aufgrund eines Gesetzes, das aufgrund solcher Richtlinie erlassen wurde, ihr entspricht oder eingeführt wurde, um dieser Richtlinie nachzukommen; oder
 - (iv) denen der Wertpapiergläubiger nicht unterläge, wenn er seine Wertpapiere binnen 30 Tagen nach Fälligkeit bzw., falls die notwendigen Beträge der Zahlstelle bei Fälligkeit nicht zur Verfügung gestellt worden sind, nach dem Tag, an dem diese Mittel der Zahlstelle zur Verfügung gestellt worden sind und dies gemäß § 11 bekannt gemacht wurde, zur Zahlung vorgelegt hätte; oder
 - (v) deren Einbehalt oder Abzug ein Wertpapiergläubiger oder ein in dessen Namen handelnder Dritter rechtmäßig vermeiden könnte (ihn aber nicht vermieden hat), indem er die gesetzlichen Vorschriften beachtet (insbesondere die einschlägigen Berichts- und Nachweispflichten bezüglich der Staatsangehörigkeit, des Wohnsitzes oder der Identität des Wertpapiergläubigers) oder sicherstellt, dass jeder im Namen des Wertpapiergläubigers handelnde Dritte die gesetzlichen Vorschriften beachtet, oder indem er eine Nichtansässigkeitserklärung abgibt oder den Dritten veranlasst, eine solche Erklärung abzugeben oder einen anderen Steuerbefreiungsanspruch gegenüber den Steuerbehörden geltend macht; oder
 - (vi) deren Einbehalt oder Abzug ein Wertpapiergläubiger oder ein in dessen Namen handelnder Dritter rechtmäßig vermeiden könnte (ihn aber nicht vermieden hat) durch Vorlage der Wertpapiere zur Zahlung bei einer Zahlstelle in einem anderen Mitgliedstaat der Europäischen Union.
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 3 June 2003 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (iv) to which the Holder would not be subject if he had presented his Securities for payment within 30 days from the due date for payment, or, if the necessary funds have not been provided to the Paying Agent when due, from the date on which such funds have been provided to the Paying Agent, and a notice to that effect has been published in accordance with § 11; or
 - (v) where a Holder or a third party on behalf of a Holder could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party acting on its behalf complies with any statutory requirements (in particular, the applicable information and reporting requirements concerning the nationality, residence or identity of the Holder) or by making or procuring that any such third party makes a declaration of non-residence or other claim for exemption to any tax authority; or
 - (vi) where a Holder or a third party on behalf of a Holder could lawfully avoid (but has not so avoided) such deduction or withholding by presenting the Securities for payment to a paying agent in another Member State of the European Union.

§ 8 Vorlegungsfrist, Verjährung

Die Vorlegungsfrist der Wertpapiere wird auf zehn Jahre reduziert. Die Verjährungsfrist für innerhalb der Vorlegungsfrist zur Zahlung vorgelegte Wertpapiere beträgt zwei Jahre von dem Ende der betreffenden Vorlegungsfrist an.

§ 9 Zahlstelle und Berechnungsstelle

- (a) Die Deutsche Bank Aktiengesellschaft ist die Hauptzahlstelle (die "**Hauptzahlstelle**"). Die Deutsche Bank Luxembourg S.A. ist die Zahlstelle in Luxemburg (gemeinsam mit der Hauptzahlstelle und etwaigen von der Emittentin nach § 9(b) bestellten zusätzlichen Zahlstellen, die "**Zahlstellen**"). Die Deutsche Bank Aktiengesellschaft ist die Berechnungsstelle (die "**Berechnungsstelle**") und gemeinsam mit den Zahlstellen, die "**Verwaltungsstellen**"). Die Geschäftsräume der Verwaltungsstellen befinden sich unter den folgenden Adressen:

Hauptzahlstelle:

Deutsche Bank Aktiengesellschaft
Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany

Zahlstelle in Luxemburg:

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
1115 Luxembourg
Grand Duchy of Luxembourg

Berechnungsstelle:

Deutsche Bank Aktiengesellschaft
Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany

Jede Verwaltungsstelle ist von den Beschränkungen des § 181 BGB und etwaigen gleichartigen Beschränkungen des anwendbaren Rechts anderer Länder befreit.

In keinem Fall dürfen sich die Geschäftsräume einer Zahlstelle innerhalb der Vereinigten Staaten oder ihrer Besitzungen befinden.

- (b) Die Emittentin wird dafür sorgen, dass stets eine Hauptzahlstelle und eine Berechnungsstelle vorhanden sind. Die Emittentin wird ferner dafür sorgen, dass solange die Wertpapiere an der Luxemburger Wertpapierbörse notiert sind und die Regularien dieser Börse dies verlangen, eine Zahlstelle in Luxemburg vorhanden ist. Die Emittentin ist berechtigt, andere international

§ 8 Period for presentation, Prescription

The period for presentation of the Securities will be reduced to 10 years. The period for prescription for Securities presented for payment during the presentation period shall be two years beginning at the end of the relevant presentation period.

§ 9 Paying Agent and Calculation Agent

- (a) Deutsche Bank Aktiengesellschaft will be the principal paying agent (the "**Principal Paying Agent**"). Deutsche Bank Luxembourg S.A. will be the paying agent in Luxembourg (together with the Principal Paying Agent and any additional paying agent appointed by the Issuer in accordance with § 9(b), the "**Paying Agents**"). Deutsche Bank Aktiengesellschaft will be the calculation agent (the "**Calculation Agent**") and together with the Paying Agents, the "**Agents**"). The addresses of the specified offices of the Agents are:

Principal Paying Agent:

Deutsche Bank Aktiengesellschaft
Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany

Paying Agent in Luxembourg:

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
1115 Luxembourg
Grand Duchy of Luxembourg

Calculation Agent:

Deutsche Bank Aktiengesellschaft
Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany

Each Agent will be exempt from the restrictions set forth in § 181 of the German Civil Code (Bürgerliches Gesetzbuch) and similar restrictions of other applicable laws.

In no event will the specified office of a Paying Agent be within the United States or its possessions.

- (b) 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 Securities are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, there will at all times be a Paying Agent in Luxembourg. The Issuer is entitled to appoint other banks of international standing

anerkannte Banken als Zahlstellen zu bestellen. Die Emittentin ist weiterhin berechtigt, die Bestellung einer Bank zur Zahlstelle zu beenden. Im Falle einer solchen Beendigung oder falls die bestellte Bank nicht mehr als Zahlstelle tätig werden kann oder will, bestellt die Emittentin eine andere international anerkannte Bank als Zahlstelle. Eine solche Bestellung oder Beendigung der Bestellung ist unverzüglich gemäß § 11 oder, falls dies nicht möglich sein sollte, durch eine öffentliche Bekanntmachung in sonstiger geeigneter Weise bekannt zu machen. Die Emittentin wird ferner sicherstellen, dass jederzeit eine Zahlstelle in einem Mitgliedsstaat der Europäischen Union, sofern dies in irgendeinem Mitgliedsstaat der Europäischen Union möglich ist, besteht, die nicht gemäß der Richtlinie 2003/48/EG des Rates oder einer anderen die Beschlüsse der Tagung des ECOFIN-Rates vom 3. Juni 2003 umsetzenden Richtlinie der Europäischen Union bezüglich der Besteuerung von Kapitaleinkünften oder gemäß eines Gesetzes, das eine solche Umsetzung bezweckt, zur Einbehaltung oder zum Abzug von Quellensteuern oder sonstigen Abzügen verpflichtet ist.

- (c) Alle Bestimmungen, Berechnungen und Anpassungen durch die Verwaltungsstellen erfolgen in Abstimmung mit der Emittentin und sind, soweit nicht ein offenkundiger Fehler vorliegt, in jeder Hinsicht endgültig und für die Emittentin und alle Wertpapiergläubiger bindend.

Jede Verwaltungsstelle kann den Rat eines oder mehrerer Rechtsanwälte oder anderer Sachverständiger einholen, deren Beratung oder Dienste sie für notwendig hält, und sich auf eine solche Beratung verlassen. Die Verwaltungsstellen übernehmen keine Haftung gegenüber der Emittentin bzw. den Wertpapiergläubigern im Zusammenhang mit Handlungen, die in gutem Glauben in Übereinstimmung mit einer solchen Beratung begangen, unterlassen oder geduldet wurden.

- (d) Jede Verwaltungsstelle ist in dieser Funktion ausschließlich Beauftragte der Emittentin. Zwischen einer Verwaltungsstelle und den Wertpapiergläubigern besteht kein Auftrags- oder Treuhandverhältnis.

§ 10 Weitere Emissionen

Die Emittentin kann ohne Zustimmung der Wertpapiergläubiger weitere Wertpapiere begeben, die in jeder Hinsicht (oder in jeder

as Paying Agents. Furthermore, the Issuer is entitled to terminate the appointment of any Paying Agent. In the event of such termination or such bank being unable or unwilling to continue to act as Paying Agent, the Issuer will appoint another bank of international standing as Paying Agent. Such appointment or termination will be published without undue delay in accordance with § 11, or, should this not be possible, be published in another appropriate manner. The Issuer will at all times maintain a Paying Agent in an EU member state, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 3 June 2003 on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

- (c) All determinations, calculations and adjustments made by any Agent will be made in conjunction with the Issuer and will, in the absence of manifest error, be conclusive in all respects and binding upon the Issuer and all Holders.

Each Agent may engage the advice or services of any lawyers or other experts whose advice or services it deems necessary and may rely upon any advice so obtained. No Agent will incur any liability as against the Issuer or the Holders in respect of any action taken, or not taken, or suffered to be taken, or not taken, in accordance with such advice in good faith.

- (d) Each Agent acting in such capacity, acts only as agent of the Issuer. There is no agency or fiduciary relationship between any Agent and the Holders.

§ 10 Further Issues

The Issuer may, from time to time, without the consent of the Holders, create and issue further securities having the same terms and

Hinsicht mit Ausnahme des Ausgabepreises und des Beginns des Zinslaufs) die gleichen Bedingungen wie die Wertpapiere haben und die zusammen mit den Wertpapieren eine einzige Emission von Wertpapieren bilden.

§ 11 Bekanntmachungen

- (a) Alle Bekanntmachungen, die die Wertpapiere betreffen, werden (solange die Wertpapiere an der Luxemburger Wertpapierbörse notiert sind und die Regularien dieser Börse dies verlangen) entweder in einer führenden Tageszeitung mit allgemeiner Verbreitung in Luxemburg (voraussichtlich in *d'Wort*) oder auf der Internet-Seite der Luxemburger Börse unter www.bourse.lu veröffentlicht. Für das Datum und die Rechtswirksamkeit sämtlicher Bekanntmachungen ist die erste Veröffentlichung maßgeblich.
- (b) Die Emittentin wird zusätzlich alle die Wertpapiere betreffenden Mitteilungen an das Clearingsystem zur Weiterleitung an die Wertpapiergläubiger übermitteln.
- (c) Die Emittentin wird ferner alle die Wertpapiere betreffenden Mitteilungen über eines oder mehrere elektronische Kommunikationssysteme bekanntmachen. Die Bekanntmachungen werden voraussichtlich jeweils auf Bloomberg und Reuters erscheinen.

§ 12 Ersetzung der Emittentin

- (a) Die Emittentin (oder die Nachfolgeschuldnerin) ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen oder einer anderen Zahlung in Bezug auf die Wertpapiere in Verzug befindet, ohne Zustimmung der Wertpapiergläubiger, die Garantin oder jede andere Gesellschaft, deren stimmberechtigte Anteile oder anderen Beteiligungen zu mehr als 75% direkt oder indirekt von der Garantin gehalten werden, an Stelle der Emittentin als Hauptschuldnerin (die "**Nachfolgeschuldnerin**") für alle Verpflichtungen aus und im Zusammenhang mit den Wertpapieren einzusetzen, vorausgesetzt, dass:
 - (i) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin in Bezug auf die Wertpapiere übernimmt;
 - (ii) die Nachfolgeschuldnerin alle erforderlichen behördlichen Genehmigungen erhalten hat und

conditions as the Securities in all respects (or in all respects except for the issue price and the interest commencement date) so as to form a single series with the Securities.

§ 11 Notices

- (a) All notices regarding the Securities shall be published (so long as the Securities are listed on the Luxembourg Stock Exchange and the rules of that exchange so require) either in a leading daily newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*) or on the website of the Luxembourg Stock Exchange on www.bourse.lu. Any notice will become effective for all purposes on the date of the first such publication.
- (b) In addition the Issuer shall deliver all notices concerning the Securities to the Clearing System for communication by the Clearing System to the Holders.
- (c) In addition the Issuer shall publish all notices concerning the Securities by way of one or more electronic communication systems. It is expected that such notices will be communicated through the electronic communication systems of Bloomberg and Reuters.

§ 12 Substitution of Issuer

- (a) The Issuer (or the Substitute Debtor) may, without the consent of the Holders, if no payment of principal or of interest or any other amount in respect of the Securities is in default, at any time substitute for the Issuer, either the Guarantor or any other company more than 75 per cent. of the voting shares or other equity interests of which are directly or indirectly owned by the Guarantor as principal debtor in respect of all obligations arising from or in connection with the Securities (the "**Substitute Debtor**") provided that:
 - (i) the Substitute Debtor assumes all obligations of the Issuer in respect of the Securities;
 - (ii) the Issuer and the Substitute Debtor have obtained all necessary governmental authorisations and may

berechtigt ist, an die Hauptzahlstelle die zur Erfüllung der Zahlungsverpflichtungen auf die Wertpapiere zu zahlenden Beträge in der hierin festgelegten Währung zu zahlen, ohne verpflichtet zu sein, in dem Land, in dem die Nachfolgeschuldnerin ihren Sitz hat, erhobene Steuern oder andere Abgaben jeder Art abzuziehen oder einzubehalten;

(iii) die Nachfolgeschuldnerin sich verpflichtet hat, jeden Wertpapiergläubiger hinsichtlich solcher Steuern, Abgaben oder behördlichen Lasten freizustellen, die diesem Wertpapiergläubiger infolge der Ersetzung auferlegt werden; und

(iv) die Garantin (sofern sie nicht selbst die Nachfolgeschuldnerin ist) unwiderruflich und unbedingt gegenüber den Wertpapiergläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Wertpapiere zu zahlenden Beträge garantiert, und zwar zu Bedingungen, die den Bedingungen der Garantie entsprechen.

(b) Jede Ersetzung ist gemäß § 11 bekanntzumachen. Im Zeitpunkt der Veröffentlichung der Bekanntmachung wird, sofern die Voraussetzungen gemäß § 12(a) erfüllt sind, die Ersetzung wirksam und wird die Emittentin von sämtlichen Verpflichtungen aus den Wertpapieren befreit.

(c) Im Falle einer Ersetzung gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, gilt ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat.

§ 13 Keine Gesellschafterrechte

Die Wertpapiere vermitteln den Wertpapiergläubigern keinerlei Gesellschafterrechte in Bezug auf die Emittentin. Insbesondere verbriefen die Wertpapiere keinerlei Berechtigung der Wertpapiergläubiger auf einen Anteil am Liquidationserlös der Emittentin.

transfer to the Principal Paying Agent in the currency required hereunder and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer has its domicile, all amounts required for the fulfilment of the payment obligations arising under the Securities;

(iii) the Substitute Debtor has agreed to indemnify and hold harmless each Holder against any tax, duty, assessment or governmental charge imposed on such Holder as a result of such substitution; and

(iv) the Guarantor (if the Guarantor is not the Substitute Debtor) irrevocably and unconditionally guarantees in favour of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Securities on terms equivalent to the terms of the Guarantee.

(b) Notice of any such substitution shall be published in accordance with § 11. Upon publication of such notice and provided that the requirements pursuant to § 12(a) have been fulfilled, the substitution shall take effect and the Issuer shall be discharged from any and all obligations under the Securities.

(c) In the event of any such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor.

§ 13 No Shareholders' Rights

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

§ 14 Schlussbestimmungen

(a) Anzuwendendes Recht

Form und Inhalt der Wertpapiere bestimmen sich nach dem Recht der Bundesrepublik Deutschland (ausgenommen der Regelungen des deutschen internationalen Privatrechts), mit Ausnahme von § 2(a) dieser Emissionsbedingungen, der dem Recht der Niederlande unterliegt.

(b) Gerichtsstand

Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus den in diesen Emissionsbedingungen geregelten Angelegenheiten ist, soweit gesetzlich zulässig, Frankfurt am Main, Bundesrepublik Deutschland. Die Emittentin verzichtet unwiderruflich darauf, gegenwärtig oder zukünftig gegen die Gerichte in Frankfurt am Main als Forum für Rechtsstreitigkeiten Einwände zu erheben, und versichert, keines der Gerichte in Frankfurt am Main als ungelegenes oder unangemessenes Forum zu bezeichnen.

(c) Erfüllungsort

Erfüllungsort ist Frankfurt am Main, Bundesrepublik Deutschland.

(d) Geltendmachung von Rechten

Jeder Wertpapiergläubiger kann in Rechtsstreitigkeiten gegen die Emittentin im eigenen Namen seine Rechte aus den ihm zustehenden Wertpapieren geltend machen unter Vorlage der folgenden Dokumente: (a) einer Bescheinigung seiner Depotbank, die (i) den vollen Namen und die volle Anschrift des Wertpapiergläubigers bezeichnet, (ii) den Gesamtnennbetrag der Wertpapiere angibt, die am Ausstellungstag dieser Bescheinigung dem bei dieser Depotbank bestehenden Depot dieses Wertpapiergläubigers gutgeschrieben sind, und (iii) bestätigt, dass die Depotbank dem Clearingsystem und der Zahlstelle eine schriftliche Mitteilung zugeleitet hat, die die Angaben gemäß (i) und (ii) enthält und Bestätigungsvermerke des Clearingsystems sowie des jeweiligen Clearingsystem-Kontoinhabers trägt, sowie (b) einer von einem Vertretungsberechtigten des Clearingsystems oder der Hauptzahlstelle beglaubigten Ablichtung der Globalurkunde.

§ 15 Sprache

Diese Emissionsbedingungen sind in deutscher Sprache abgefasst und mit einer

§ 14 Final Provisions

(a) Applicable Law

The Securities are governed by the laws of the Federal Republic of Germany (other than German conflict of law rules), except for § 2(a) of these Terms and Conditions, which shall be governed by the laws of The Netherlands.

(b) Place of Jurisdiction

To the extent legally permissible, exclusive place of jurisdiction for all proceedings arising from matters provided for in these Terms and Conditions shall be Frankfurt am Main, Federal Republic of Germany. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of Frankfurt am Main being nominated as the forum to hear and determine any proceedings and to settle any disputes, and agrees not to claim that any of those courts is not a convenient or appropriate forum.

(c) Place of Performance

Place of performance shall be Frankfurt am Main, Federal Republic of Germany.

(d) Enforcement of Rights

Any Holder may in any proceedings against the Issuer protect and enforce in its own name its rights arising under its Securities by submitting the following documents: (a) a certificate issued by its depositary bank (i) stating the full name and address of the Holder, (ii) specifying an aggregate principal amount of Securities credited on the date of such certificate to such Holder's securities account maintained with such depositary bank, and (iii) confirming that the depositary bank has given a written notice to the Clearing System as well as to the Paying Agent containing the information pursuant to (i) and (ii) and bearing acknowledgements of the Clearing System and the relevant Clearing System accountholder as well as (b) a copy of the Global Security certified by a duly authorised officer of the Clearing System or the Principal Paying Agent as being a true copy.

§ 15 Language

These Terms and Conditions are written in the German language and provided with an

Übersetzung in die englische Sprache
versehen. Der deutsche Wortlaut ist allein
rechtsverbindlich. Die englische Übersetzung
dient nur zur Information.

English language translation. The German
text shall be the only legally binding version.
The English language translation is provided
for convenience only.

SUBORDINATED GUARANTEE

*The German version of the Guarantee is the only legally binding version.
The English translation is for convenience only.*

Garantie (auf nachrangiger Basis)

der Pfleiderer Aktiengesellschaft, Neumarkt/Oberpfalz, Bundesrepublik Deutschland, zugunsten der Gläubiger der durch die Pfleiderer Finance B.V., Niederlande begebenen garantierten, nachrangigen, zunächst fest- und danach variabel verzinslichen Wertpapiere ohne Endfälligkeit im Gesamtnennbetrag von € 275.000.000, ISIN XS0297230368 (die "**Wertpapiere**").

1

1.1 Die Pfleiderer Aktiengesellschaft (die "**Garantin**") übernimmt hiermit auf nachrangiger Basis gegenüber den jeweiligen Inhabern der Wertpapiere (die "**Wertpapiergläubiger**") die unbedingte und unwiderrufliche Garantie (die "**Nachrangige Garantie**") für die ordnungsgemäße Zahlung von Kapital und Zinsen auf die Wertpapiere in Euro sowie aller sonstigen auf die Wertpapiere fällig werdenden Beträge nach Maßgabe der Emissionsbedingungen der Wertpapiere (die "**Emissionsbedingungen**"). Zahlungen im Zusammenhang mit dieser Nachrangigen Garantie erfolgen ausschließlich gemäß den Emissionsbedingungen.

1.2 Sinn und Zweck dieser Nachrangigen Garantie ist es, sicherzustellen, dass die Wertpapiergläubiger unter allen tatsächlichen und rechtlichen Umständen und unabhängig von Wirksamkeit und Durchsetzbarkeit der Verpflichtungen der Emittentin und unabhängig von sonstigen Gründen, aufgrund derer die Emittentin ihre Verpflichtungen nicht erfüllt, alle zahlbaren Beträge fristgerecht in Übereinstimmung mit den Emissionsbedingungen erhalten.

1.3 Die Garantin kann etwaige von den Gläubigern innerhalb von zwölf Monaten nach Fälligkeit nicht geforderte Beträge an Kapital und Zinsen sowie etwaige sonstige auf die Wertpapiere fällige Beträge bei dem Amtsgericht in Frankfurt am Main hinterlegen. Soweit die Garantin auf das Recht zur Rücknahme der hinterlegten Beträge verzichtet, erlöschen die betreffenden Ansprüche der Wertpapiergläubiger gegen die

Guarantee (on a subordinated basis)

of Pfleiderer Aktiengesellschaft, Neumarkt/Oberpfalz, Federal Republic of Germany in favour of the holders of the guaranteed subordinated undated fixed to floating rate securities in an aggregate principal amount of € 275,000,000 issued by Pfleiderer Finance B.V., The Netherlands, ISIN XS0297230368 (the "**Securities**").

1

1.1 Pfleiderer Aktiengesellschaft (the "**Guarantor**") hereby unconditionally and irrevocably guarantees on a subordinated basis (the "**Subordinated Guarantee**") to the holders of the Securities (the "**Holders**") the due payment in euro of the amounts corresponding to the principal of and interest on, as well as any other amounts due on, the Securities in accordance with the terms and conditions of the Securities (the "**Terms and Conditions**"). Payments under this Subordinated Guarantee are (without limitation) subject to the Terms and Conditions.

1.2 The intent and purpose of this Subordinated Guarantee is to ensure that the Holders under any and all circumstances, whether factual or legal, and irrespective of validity or enforceability of the obligations of the Issuer, or any other reasons on the basis of which the Issuer may fail to fulfil its obligations, receive on the respective due date any and all sums payable in accordance with the Terms and Conditions.

1.3 The Guarantor may deposit with the Lower Court (*Amtsgericht*) in Frankfurt am Main any principal and interest as well as any other amounts due on the Securities, if any, not claimed by the Holders within twelve months after having become due. If the Guarantor waives all rights to withdraw such deposits the respective claims of Holders against the Issuer and the Guarantor shall cease.

Emittentin und die Garantin.

1.4 Die Verbindlichkeiten der Garantin aus dieser Nachrangigen Garantie sind direkte, nicht besicherte, nachrangige Verbindlichkeiten der Garantin, die (i) vorrangig gegenüber dem Aktienkapital der Garantin sind, (ii) untereinander gleichrangig sind und (iii) allen anderen bestehenden und zukünftigen nicht nachrangigen und nachrangigen Verbindlichkeiten der Garantin (mit Ausnahme von Verbindlichkeiten der Garantin, die als mit ihren Verbindlichkeiten aus der Nachrangigen Garantie gleichrangig vereinbart worden sind) im Rang nachgehen, soweit jeweils zwingende gesetzliche Bestimmungen nichts anderes vorschreiben. Im Fall der Liquidation, der Auflösung oder der Insolvenz der Garantin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz der Garantin dienenden Verfahrens werden Zahlungen auf die Nachrangige Garantie solange nicht erfolgen, wie die Ansprüche aller nicht nachrangigen und nachrangigen Gläubiger der Garantin (mit Ausnahme von Ansprüchen gegen die Garantin, die als gegenüber ihren Verbindlichkeiten aus der Nachrangigen Garantie gleichrangig vereinbart worden sind) nicht zuvor vollständig erfüllt sind.

Die Wertpapiergläubiger erkennen ausdrücklich an, dass unter den oben genannten Umständen Zahlungen der Garantin unter der Nachrangigen Garantie auf die Wertpapiere nur unter Wahrung oben stehender Nachrangigkeit erfolgen werden.

Die Wertpapiergläubiger sind nicht berechtigt, Forderungen aus dieser Nachrangigen Garantie gegen etwaige Forderungen der Garantin gegen sie aufzurechnen.

Die Garantin ist nicht berechtigt, etwaige Forderungen, welche sie gegen einen Wertpapiergläubiger hat, gegen Forderungen dieses Wertpapiergläubigers aus dieser Nachrangigen Garantie aufzurechnen.

1.5 Mit Ausnahme der Rechte unter dieser Nachrangigen Garantie ist für die Rechte der Wertpapiergläubiger keine Sicherheit irgendwelcher Art durch die Garantin oder durch Dritte gestellt worden; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden.

1.6 Nachträglich können weder der in dieser Garantie bestimmte Nachrang beschränkt noch die Laufzeit der Nachrangigen Garantie oder die jeweiligen Kündigungsfristen der

1.4 The obligations of the Guarantor under this Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor which rank (i) senior to the Guarantor's share capital, (ii) *pari passu* among themselves, and (iii) junior to all other present or future unsubordinated and subordinated obligations of the Guarantor (except for obligations of the Guarantor that are expressed to rank *pari passu* with its obligations under the Subordinated Guarantee), except in each case as otherwise required by mandatory provisions of law. In the event of the dissolution, liquidation or insolvency of the Guarantor or a composition or other proceedings for the avoidance of insolvency of the Guarantor, no amounts shall be payable in respect of the Subordinated Guarantee until the claims of all unsubordinated and subordinated creditors of the Guarantor (except for claims against the Guarantor that are expressed to rank *pari passu* with its obligations under the Subordinated Guarantee) shall have first been satisfied in full.

Holders explicitly accept that, in the circumstances described above, payments in respect of the Securities will be made by the Guarantor pursuant to the Subordinated Guarantee only in accordance with the subordination described above.

The Holders may not set off any claims arising under this Subordinated Guarantee against any claim that the Guarantor may have against any of them.

The Guarantor may not set off any claims it may have against any Holder against any claims of such Holder under this Subordinated Guarantee.

1.5 Except for the rights created pursuant to this Subordinated Guarantee, no security of whatever kind is, or shall at any time be, provided by the Guarantor or any other person securing rights of the Holders.

1.6 No subsequent agreement may limit the subordination pursuant to the provisions set out in this Subordinated Guarantee or shorten the term of this Guarantee or any applicable notice

Wertpapiere verkürzt werden.

- 1.7 Im Fall einer Ersetzung der Emittentin gemäß § 12 der Emissionsbedingungen erstreckt sich diese Nachrangige Garantie auf sämtliche von der Nachfolgeschuldnerin gemäß den Emissionsbedingungen zahlbaren Beträge.
2. Diese Nachrangige Garantie stellt einen Vertrag zugunsten der jeweiligen Wertpapiergläubiger als begünstigte Dritte gemäß § 328 Absatz 1 BGB dar, die jedem Gläubiger das Recht gibt, Erfüllung der hierin übernommenen Verpflichtungen unmittelbar von der Garantin zu verlangen und diese Verpflichtungen unmittelbar gegen die Garantin durchzusetzen.
3. In Bezug auf Zahlungen der Garantin aufgrund dieser Nachrangigen Garantie gilt § 7 der Emissionsbedingungen ("**Besteuerung**") entsprechend.
4. Ansprüche des Gläubigers nach dieser Nachrangigen Garantie verjähren mit Ablauf von zwei Jahren nach dem jeweiligen Zahlungstag für Zinsen bzw. Rückzahlungstag gemäß den Emissionsbedingungen.
5. Nach Absicht der Garantin und (ausweislich der Emissionsbedingungen) der Emittentin sollen die Wertpapiere dauerhafter Bestandteil der Konzernfinanzierung der Garantin sein. Für den Fall der Rückzahlung der Wertpapiere gemäß § 5 der Emissionsbedingungen beabsichtigt die Emittentin (ausweislich der Emissionsbedingungen), die Rückzahlung der Wertpapiere aus Mitteln zu tätigen, die aus der Begebung oder dem Verkauf von Aktien der Garantin oder der Begebung von Ersatz-Wertpapieren (wie in den Emissionsbedingungen definiert) innerhalb von sechs Monaten vor dem Rückzahlungstag der Wertpapiere stammen.
- 6
- 6.1 Diese Nachrangige Garantie unterliegt ausschließlich dem Recht der Bundesrepublik Deutschland.
- 6.2 Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten mit der Garantin, die sich aus oder im Zusammenhang mit Rechtsverhältnissen ergeben, welche in dieser Nachrangigen Garantie geregelt sind, ist Frankfurt am Main, Bundesrepublik Deutschland.
- 6.3 Die Begriffe, die in dieser Nachrangigen Garantie verwendet werden und in den

period (*Kündigungsfrist*) of the Securities.

- 1.7 In the event of a substitution of the Issuer pursuant to § 12 of the Terms and Conditions, this Subordinated Guarantee shall extend to any and all amounts payable by the Substitute Debtor pursuant to the Terms and Conditions.
2. This Subordinated Guarantee constitutes a contract in favour of the respective Holders as third party beneficiaries pursuant to § 328(1) of the German Civil Code (Bürgerliches Gesetzbuch) giving rise to the right of each such Holder to require performance of the obligations assumed hereby directly from the Guarantor and to enforce such obligations directly against the Guarantor.
3. In respect of payments made by the Guarantor under this Subordinated Guarantee § 7 of the Terms and Conditions ("**Taxation**") shall apply mutatis mutandis.
4. The period of limitation for any claim by a Holder under this Subordinated Guarantee shall be two years calculated from the relevant Interest Payment Date and the relevant redemption date pursuant to the Terms and Conditions.
5. It is the intention of the Guarantor and (as set forth in the Terms and Conditions) the Issuer that the Securities will constitute permanent funding of the Guarantor's group. In case of the redemption of the Securities pursuant to § 5 of the Terms and Conditions the Issuer intends (as set forth in the Terms and Conditions) to redeem the Securities out of proceeds raised through the issuance or sale of shares of the Guarantor or the issuance of Replacement Securities (as defined in the Terms and Conditions) within a period of 6 months prior to the redemption date of the Securities.
- 6
- 6.1 This Subordinated Guarantee shall be governed exclusively by the laws of the Federal Republic of Germany.
- 6.2 Exclusive court of venue for all litigation with the Guarantor arising from, or in connection with, the legal relations established under this Subordinated Guarantee is Frankfurt am Main, Federal Republic of Germany.
- 6.3 Terms used in this Subordinated Guarantee and defined in the Terms and Conditions shall have

Emissionsbedingungen definiert sind, haben die gleiche Bedeutung in dieser Nachrangigen Garantie wie in den Emissionsbedingungen, soweit sie in dieser Nachrangigen Garantie nicht anderweitig definiert sind.

7. Die Garantin und die Hauptzahlstelle vereinbaren, dass die Hauptzahlstelle nicht als Treuhänderin oder in ähnlicher Eigenschaft für die Wertpapiergläubiger handelt. Die Hauptzahlstelle verpflichtet sich, das Original dieser Nachrangigen Garantie bis zur Erfüllung aller Verpflichtungen aus den Wertpapieren und dieser Nachrangigen Garantie in Verwahrung zu halten.
8. Jeder Wertpapiergläubiger kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine Rechte aus dieser Nachrangigen Garantie auf der Grundlage einer von einer vertretungsberechtigten Person der Hauptzahlstelle als Kopie dieser Nachrangigen Garantie bescheinigten Kopie der Nachrangigen Garantie ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen.
9. Diese Nachrangige Garantie ist in deutscher Sprache mit englischer Übersetzung abgefasst. Die deutsche Fassung ist die rechtlich verbindliche Fassung. Die englische Übersetzung ist zur Erleichterung des Verständnisses beigelegt.

Neumarkt/Oberpfalz, den 25. April 2007

Pfleiderer Aktiengesellschaft

Wir nehmen die oben stehenden Erklärungen zugunsten der Wertpapiergläubiger ohne Obligo, Haftung oder Rückgriffsrechte auf uns an.

Frankfurt am Main, den 25. April 2007

Deutsche Bank Aktiengesellschaft

the same meaning in this Subordinated Guarantee as in the Terms and Conditions unless they are otherwise defined in this Subordinated Guarantee.

7. The Guarantor and the Principal Paying Agent agree that the Principal Paying Agent is not acting as trustee or in a similar capacity for the Holders. The Principal Paying Agent undertakes to hold the original copy of this Subordinated Guarantee in custody until all obligations under the Securities and the Subordinated Guarantee have been fulfilled.
8. On the basis of a copy of this Subordinated Guarantee certified as being a true copy by a duly authorised officer of the Principal Paying Agent, each Holder may protect and enforce in his own name his rights arising under this Subordinated Guarantee in any legal proceedings against the Guarantor or to which such Holder and the Guarantor are parties, without the need for production of this Subordinated Guarantee in such proceedings.
9. This Subordinated Guarantee is drawn up in the German language and provided with an English language translation. The German version shall be the only legally binding version. The English translation is for convenience only.

Neumarkt/Oberpfalz, 25 April 2007

Pfleiderer Aktiengesellschaft

We hereby accept all of the above declarations in favour of the Holders without recourse, warranty or liability on us.

Frankfurt am Main, 25 April 2007

Deutsche Bank Aktiengesellschaft

SUBORDINATED UNDERTAKING

*The German version of the Subordinated Undertaking is the only legally binding version.
The English translation is for convenience only.*

Nachrangige Verpflichtungserklärung

der Pfleiderer Aktiengesellschaft, Neumarkt/Oberpfalz, Bundesrepublik Deutschland, zugunsten der Gläubiger der durch die Pfleiderer Finance B.V., Niederlande begebenen garantierten, nachrangigen, zunächst fest- und danach variabel verzinslichen Wertpapiere ohne Endfälligkeit im Gesamtnennbetrag von € 275.000.000, ISIN XS0297230368 (die "**Wertpapiere**").

1

1.1 Die Pfleiderer Aktiengesellschaft (die "**Gesellschaft**") übernimmt hiermit auf nachrangiger Basis gegenüber der Deutschen Bank Aktiengesellschaft in ihrer Funktion als Hauptzahlstelle in Bezug auf die Wertpapiere (die "**Hauptzahlstelle**"), zugunsten (A) der jeweiligen Inhaber der Wertpapiere (die "**Wertpapiergläubiger**"), sowie (B) der Pfleiderer Finance B.V. (die "**Emittentin**") die unbedingte und unwiderrufliche Verpflichtung (die "**Nachrangige Verpflichtungserklärung**"):

(i) bei Eintritt eines Pflichtnachzahlungsereignisses (wie in den Emissionsbedingungen der Wertpapiere (die "**Emissionsbedingungen**") definiert) Statthafte Mittel gemäß den Bestimmungen dieser Nachrangigen Verpflichtungserklärung, vorbehaltlich der Anpassungen gemäß Ziffer 1.3, bis spätestens zu dem Kalendertag, der ein Jahr nach dem Eintritt des Pflichtnachzahlungsereignisses liegt (der "**Pflichtnachzahlungstag**"), zu erlösen, wenn und soweit die Emittentin gemäß § 4(c) der Emissionsbedingungen zur Zahlung von Zinsrückständen im Wege des ACZM (wie jeweils in den Emissionsbedingungen definiert) verpflichtet ist; und

(ii) der Emittentin, vorbehaltlich der Anpassungen gemäß Ziffer 1.3, bis spätestens zum Pflichtnachzahlungstag Barmittel zum Zwecke der Zahlung von Zinsrückständen zur Verfügung zu stellen, wenn und soweit (x) die Emittentin gemäß § 4(c) der Emissionsbedingungen zur Zahlung solcher Zinsrückstände im Wege des ACZM verpflichtet ist und (y) die Gesellschaft ausreichend Statthafte Mittel dafür erlöst hat.

Die Wertpapiergläubiger werden in einem solchen

Subordinated Undertaking

of Pfleiderer Aktiengesellschaft, Neumarkt/Oberpfalz, Federal Republic of Germany in favour of the holders of the guaranteed subordinated undated fixed to floating rate securities in an aggregate principal amount of € 275,000,000 issued by Pfleiderer Finance B.V., The Netherlands, ISIN XS0297230368 (the "**Securities**").

1

1.1 Pfleiderer Aktiengesellschaft (the "**Company**") hereby unconditionally and irrevocably undertakes on a subordinated basis (the "**Subordinated Undertaking**") to Deutsche Bank Aktiengesellschaft in its capacity as principal paying agent in respect of the Securities (the "**Principal Paying Agent**"), for the benefit of (A) the holders of the Securities from time to time (the "**Holders**"), and (B) Pfleiderer Finance B.V. (the "**Issuer**"):

(i) to generate, upon the occurrence of a Mandatory Settlement Event (as defined in the terms and conditions of the Securities (the "**Terms and Conditions**")), Eligible Funds in accordance with the provisions of this Subordinated Undertaking, at the latest by the calendar date falling one year after the occurrence of such Mandatory Settlement Event (the "**Mandatory Settlement Date**"), subject to the adjustments pursuant to condition 1.3 hereof, if and to the extent that the Issuer has become obliged pursuant to § 4(c) of the Terms and Conditions to settle Arrears of Interest by way of the ACSM (all as defined in the Terms and Conditions); and

(ii) to make cash proceeds available to the Issuer for the purposes of settling Arrears of Interest, at the latest by the Mandatory Settlement Date, subject to the adjustments pursuant to condition 1.3 hereof, if and to the extent that (x) the Issuer has become obliged pursuant to § 4(c) of the Terms and Conditions to pay such Arrears of Interest by way of the ACSM and (y) the Company has generated sufficient Eligible Funds therefore.

The Holders will, however, not be entitled in such

Fall allerdings nicht berechtigt sein, die Begebung oder den Verkauf von Aktien der Garantin oder die Begebung von Statthaften Wertpapieren (wie in Ziffer 1.4 definiert) zu erzwingen.

1.2 Falls die Emittentin, vorbehaltlich von Ziffer 1.3, bis zum Pflichtnachzahlungstag nicht ausreichende Statthafte Mittel von der Gesellschaft erhalten hat, um die gesamten Zinsrückstände nachzahlen zu können (insbesondere aufgrund der in Ziffer 2 dieser Nachrangigen Verpflichtungserklärung aufgeführten Beschränkungen), wird die Emittentin die von ihr tatsächlich erhaltenen Statthaften Mittel anteilmäßig (*pro rata*) an die Wertpapiergläubiger auszahlen. In diesem Fall erlöschen alle Ansprüche auf Zahlung des verbleibenden Teils der betreffenden Zinsrückstände. In diesem Fall endet auch die Verpflichtung der Gesellschaft aus dieser Nachrangigen Verpflichtungserklärung, weiterhin Kapitalmaßnahmen zur Beschaffung Statthafter Mittel durchzuführen. Etwaige Schadensersatzansprüche wegen der schuldhaften Nichtzurverfügungstellung der Statthaften Mittel bleiben unberührt.

1.3 Falls in den letzten 60 Geschäftstagen vor dem Kalendertag, der ein Jahr nach dem Eintritt des Pflichtnachzahlungsereignisses liegt (der "**Pflichtnachzahlungstag**"), eine oder mehrere Marktstörungen eintreten, beträgt die Frist zur Beschaffung Statthafter Mittel durch die Gesellschaft gemäß dieser Nachrangigen Verpflichtungserklärung und zur Zahlung ausstehender Zinsrückstände durch die Emittentin gemäß den Emissionsbedingungen 60 Geschäftstage nach dem Ende der letzten Marktstörung, und die Rechtsfolgen der Ziffer 1.2 dieser Nachrangigen Verpflichtungserklärung treten erst nach Ablauf des sechzigsten Geschäftstages nach dem Ende der letzten Marktstörung ein. Das Vorliegen einer Marktstörung führt nicht zu einem zusätzlichen Verzinsungsanspruch der Wertpapiergläubiger im Hinblick auf die Überlassung von Geldbeträgen.

1.4 In dieser Nachrangigen Verpflichtungserklärung bezeichnet:

"Anwendbare Rechnungslegungsvorschriften" die International Financial Reporting Standards (IFRS) bzw. andere anerkannte Rechnungslegungsstandards, die die Gesellschaft für die Erstellung ihres konsolidierten Jahresabschlusses zukünftig anwendet;

"Gleichrangiges Instrument" jedes Wertpapier, Namenswertpapier oder jede andere Form von Finanzverbindlichkeit, das oder die nach

case to enforce the sale or issuance of shares of the Guarantor or the issuance of Eligible Securities (as defined in condition 1.4 hereof).

1.2 If, subject to condition 1.3 hereof, the Issuer has not received sufficient Eligible Funds from the Company to settle all Arrears of Interest (including, but not limited to, on account of the limitations set out in condition 2 of this Subordinated Undertaking) by the Mandatory Settlement Date, the Issuer shall pay the Eligible Funds actually received by it to Holders on a *pro rata* basis. In such case any claims for the payment of the remaining part of the relevant Arrears of Interest shall be cancelled. In such case, the Company's obligation under this Subordinated Undertaking to further perform corporate actions for the generation of Eligible Funds will also end. Claims to damages (if any) for culpably (*schuldhaft*) not having made available Eligible Funds shall remain unaffected.

1.3 If during the last 60 Business Days immediately preceding the Mandatory Settlement Date one or more Market Disruption Events occur, the period for the generation of Eligible Funds by the Company under this Subordinated Undertaking and for the payment of outstanding Arrears of Interest by the Issuer under the Terms and Conditions shall correspond to 60 Business Days following the end of the last Market Disruption Event, and the legal consequences pursuant to condition 1.2 of this Subordinated Undertaking shall take effect after the sixtieth Business Day following the end of the last Market Disruption Event. No additional interest for the making available of funds shall be payable due to the occurrence of a Market Disruption Event.

1.4 In this Subordinated Undertaking:

"Applicable Accounting Standards" means the International Financial Reporting Standards (IFRS) or any other generally accepted accounting standards which the Company may apply in future for the preparation of its consolidated financial statements;

"Parity Instrument" means any security, registered security or other form of financial indebtedness which qualifies as "equity" pursuant

Maßgabe der Anwendbaren Rechnungslegungsvorschriften als "Eigenkapital" qualifiziert ist und (i) von der Emittentin begeben ist und im Verhältnis zu den Wertpapieren gleichrangig ist, oder (ii) von der Emittentin dergestalt garantiert ist oder für das die Emittentin dergestalt die Haftung übernommen hat, dass die Verpflichtungen der Emittentin aus der maßgeblichen Garantie oder Haftungsübernahme im Verhältnis zu den Verpflichtungen der Emittentin aus den Wertpapieren gleichrangig sind, oder (iii) von der Gesellschaft begeben ist und im Verhältnis zu den Verpflichtungen der Gesellschaft aus der Nachrangigen Garantie gleichrangig ist, oder (iv) von der Gesellschaft dergestalt garantiert ist oder für das die Gesellschaft dergestalt die Haftung übernommen hat, dass die Verpflichtungen der Gesellschaft aus der maßgeblichen Garantie oder anderweitigen Haftungsübernahme im Verhältnis zu den Verpflichtungen der Gesellschaft aus der Nachrangigen Garantie gleichrangig sind;

"Hauptbörse" jede Börse, an der die Aktien der Gesellschaft zum Handel an einem organisierten Markt zugelassen sind.

"Marktstörung" (i) das Eintreten oder Bestehen einer Aussetzung oder Einschränkung des Handels an einer der Hauptbörsen der Gesellschaft (aufgrund von Preisschwankungen über die bei der jeweiligen Hauptbörse (bzw. deren elektronischer Handelsplattform) zugelassenen Grenzen hinaus oder aus sonstigen Gründen) oder von Abwicklungsprozessen für Transaktionen in Aktien der Gesellschaft an der jeweiligen Hauptbörse (bzw. deren elektronischer Handelsplattform); oder (ii) Änderungen der deutschen oder internationalen politischen oder wirtschaftlichen Rahmenbedingungen oder der Finanzmärkte, aufgrund derer davon auszugehen ist, dass ein Angebot und eine erfolgreiche Ausgabe von neuen Aktien der Gesellschaft bzw. ein Verkauf eigener Aktien der Gesellschaft bzw. ein Verkauf von Statthaften Wertpapieren wesentlich beeinträchtigt sein wird.

"Nachrangige Garantie" die von der Gesellschaft auf nachrangiger Basis abgegebene Garantie in Bezug auf gemäß den Emissionsbedingungen der Wertpapiere zu zahlende Beträge;

"Nachrangiges Instrument" jedes Wertpapier, Namenswertpapier oder jede andere Form von Finanzverbindlichkeit (mit der Ausnahme von Instrumenten, die von der Gesellschaft oder mit ihr verbundenen Unternehmen gehalten werden), das oder die nach Maßgabe der Anwendbaren Rechnungslegungsvorschriften als "Eigenkapital" qualifiziert ist und (i) von der Emittentin begeben

to the Applicable Accounting Standards and which (i) is issued by the Issuer and ranks *pari passu* with the Securities, or (ii) is guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under the relevant guarantee or other assumption of liability rank *pari passu* with the Issuer's obligations under the Securities, or (iii) is issued by the Company and where the Company's obligations under the securities rank *pari passu* with the Company's obligations under the Subordinated Guarantee, or (iv) is guaranteed by the Company or for which the Company has otherwise assumed liability and where the Company's obligations under the relevant guarantee or other assumption of liability rank *pari passu* with the Company's obligations under the Subordinated Guarantee;

"Primary Exchange" means each exchange on which the shares of the Company are admitted to trading on the regulated market.

"Market Disruption Event" means (i) the occurrence or existence of any suspension of or limitation imposed on trading at one of the Primary Exchanges of the Company (by reason of movements in price exceeding limits permitted by such exchange (and/or its electronic trading platform) or otherwise) or on settlement procedures for transactions in the shares of the Company on a Primary Exchange (and/or its electronic trading platform); or, (ii) a change in German or international political or economic conditions or financial markets as are reasonably likely to prejudice materially the success of the issuance of new shares of the Company and/or sale of treasury shares of the Company and/or sale of Eligible Securities.

"Subordinated Guarantee" means the guarantee given by the Company on a subordinated basis in respect of sums payable under the Terms and Conditions of the Securities;

"Junior Instrument" means any security, registered security or other form of financial indebtedness (except for instruments which are held by the Company or affiliates of the Company) which qualifies as "equity" pursuant to the Applicable Accounting Standards and (i) is issued by the Issuer and ranks junior to the Securities, or (ii) is guaranteed by the Issuer or for

ist und im Verhältnis zu den Wertpapieren nachrangig ist, oder (ii) von der Emittentin dergestalt garantiert ist oder für das die Emittentin dergestalt die Haftung übernommen hat, dass die Verpflichtungen der Emittentin aus der maßgeblichen Garantie oder Haftungsübernahme im Verhältnis zu den Verpflichtungen der Emittentin aus den Wertpapieren nachrangig sind, oder (iii) von der Gesellschaft begeben ist (mit Ausnahme von Aktien der Gesellschaft) und im Verhältnis zu den Verpflichtungen der Gesellschaft aus der Nachrangigen Garantie nachrangig ist, oder (iv) von der Gesellschaft dergestalt garantiert ist oder für das die Gesellschaft dergestalt die Haftung übernommen hat, dass die Verpflichtungen der Gesellschaft aus der maßgeblichen Garantie oder anderweitigen Haftungsübernahme im Verhältnis zu den Verpflichtungen der Gesellschaft aus der Nachrangigen Garantie nachrangig sind;

"Statthafte Mittel" Barmittel, die die Gesellschaft nach Maßgabe von, und vorbehaltlich der Einschränkungen des, § 4(d) der Emissionsbedingungen entweder (i) durch Ausgabe neuer Aktien der Gesellschaft und/oder den Verkauf eigener Aktien der Gesellschaft und/oder (ii) durch Ausgabe Statthafter Wertpapiere erlöst hat;

"Statthafte Wertpapiere" Gleichrangige Instrumente und/oder Nachrangige Instrumente, die

- (A) von der Gesellschaft oder von der Emittentin bzw. einer anderen direkten oder indirekten 100%igen Finanzierungsgesellschaft der Gesellschaft jeweils mit einer Garantie der Gesellschaft begeben werden;
- (B) eine unbegrenzte Laufzeit haben;
- (C) nicht vor Ablauf von fünf Jahren (wenn sie keinen Mechanismus zur Erhöhung des Zinssatzes enthalten) oder nicht vor Ablauf von zehn Jahren (wenn sie einen Mechanismus zur Erhöhung des Zinssatzes enthalten) nach Begebung kündbar sind, es sei denn, die Kündigung erfolgt aus steuerlichen Gründen oder aus Gründen des Eintritts anderer, besonderer Ereignisse unter Voraussetzungen, die den in § 5 der Emissionsbedingungen genannten Bedingungen entsprechen) oder wegen des Verlusts der ursprünglichen Eigenkapitalanrechnung;
- (D) bei Eintritt bestimmter Ereignisse das zwangsweise Erlöschen von durch Barzahlung zu leistenden Zinszahlungen

which the Issuer has otherwise assumed liability where the Issuer's obligations under the relevant guarantee or other assumption of liability rank junior to the Issuer's obligations under the Securities or (iii) is issued by the Company (other than shares in the Company) and where the Company's obligations under the securities rank junior to the Company's obligations under the Subordinated Guarantee, or (iv) is guaranteed by the Company or for which the Company has otherwise assumed liability and where the Company's obligations under the relevant guarantee or other assumption of liability rank junior to the Company's obligations under the Subordinated Guarantee;

"Eligible Funds" means cash proceeds generated by the Company in accordance with, and subject to the limitations of, § 4(d) of the Terms and Conditions, by either (i) issuing new shares of the Company and/or selling treasury shares of the Company and/or (ii) issuing Eligible Securities;

"Eligible Securities" means Parity Instruments and/or Junior Instruments which

- (A) are issued by the Company or by the Issuer or any other wholly-owned direct or indirect finance subsidiary of the Company, in each case with the benefit of a guarantee from the Company;
- (B) have no maturity;
- (C) are not redeemable (other than for tax reasons or the occurrence of certain other special events pursuant to conditions similar to those set forth in § 5 of the Terms and Conditions) before five years after their issue date if such Eligible Securities do not provide for a step-up or before ten years after their issue date if such Eligible Securities provide for an increase in the rate of interest applicable to them;
- (D) provide for a mandatory cancellation of cash interest payments if certain events or circumstances occur; and

vorsehen; und

- (E) eine dem § 5(f) der Emissionsbedingungen entsprechende Regelung vorsehen;

2

2.1 Die Gesellschaft ist nur verpflichtet, Statthafte Mittel durch die Ausgabe neuer Aktien der Gesellschaft und/oder den Verkauf eigener Aktien der Gesellschaft zu beschaffen und der Emittentin zur Verfügung zu stellen, wenn und soweit

- (A) die Gesellschaft selbst eigene Aktien hält (die Gesellschaft ist allerdings nicht verpflichtet, zur Beschaffung Statthafter Mittel zuvor eigene Aktien zu erwerben); oder

- (B) die Gesellschaft neue Aktien zum Zweck der Beschaffung Statthafter Mittel ausgeben kann, mit der Maßgabe, dass

(x) die Anzahl der zu diesem Zweck auszugebenden Aktien der Gesellschaft in keinem Zeitraum eines fortdauernden Aufschubs der Fälligkeit von Zinsrückständen 2,00% der jeweils bereits ausstehenden Aktien der Gesellschaft überschreitet, und

(y) die Ausgabe der neuen Aktien auf Grundlage einer Ermächtigung in der Satzung der Gesellschaft oder aufgrund eines Beschlusses ihrer Hauptversammlung über die Erhöhung des Grundkapitals zulässig ist; und

- (C) die Zustimmung des Aufsichtsrates der Gesellschaft jeweils dazu vorliegt; und

- (D) die Gesellschaft keinen (rechtlichen oder tatsächlichen) Beschränkungen hinsichtlich des Verkaufs eigener Aktien oder der Ausgabe neuer Aktien unterliegt; und

- (E) die Ausgabe neuer Aktien der Gesellschaft bzw. der Verkauf von eigenen Aktien der Gesellschaft im Rahmen der dann bestehenden Marktverhältnisse für die Gesellschaft zumutbar ist.

2.2 Die Gesellschaft ist nur verpflichtet, Statthafte Mittel durch die Ausgabe von Statthaften Wertpapiere zu beschaffen und der Emittentin zur Verfügung zu stellen, wenn und soweit:

- (A) die Gesellschaft bzw. ihre jeweilige Finanzierungstochtergesellschaft insoweit keinen (rechtlichen oder tatsächlichen)

- (E) contain a provision similar to § 5(f) of the Terms and Conditions;

2

2.1 The Company is only obliged to generate Eligible Funds through the issuance of new shares of the Company and/or the sale of treasury shares of the Company and to provide these to the Issuer if and to the extent that

- (A) the Company holds treasury shares itself (the Company shall, however, not be obliged to buy back its own shares in order to generate Eligible Funds); or

- (B) the Company can for the purpose of generating Eligible Funds issue new shares, provided that

(x) the number of shares issued for such purpose is, for each period of continuing deferral of Arrears of Interest, not in excess of 2.00 per cent. of the Company's aggregate amount of the relevant outstanding shares, and

(y) such issuance of new shares is authorised pursuant to the Company's articles of association (*Satzung*) or a resolution by its shareholders' meeting (*Hauptversammlung*) to increase the share capital; and

- (C) the Company's supervisory board (*Aufsichtsrat*), in each case, has declared its consent thereto; and

- (D) the Company is not subject to any restriction (for any legal reason or de facto) with respect to selling treasury shares or the issuance of new shares; and

- (E) in the light of market conditions then prevailing the issuance of new shares of the Company and/or sale of treasury shares of the Company can be reasonably expected (*zumutbar*) from the Company.

2.2 The Company is only obliged to generate Eligible Funds through the issuance of Eligible Securities and to provide these to the Issuer if and to the extent that:

- (A) the Company or its respective finance subsidiary is not subject to any restriction (for any legal reason or de facto) with respect

Beschränkungen unterliegt; und

- (B) die Summe aus (x) allen Zahlungen mit aus den auszugebenden Statthaften Wertpapieren zu beschaffenden Statthaften Mitteln, (y) allen Zahlungen mit aus bereits zuvor während der Laufzeit der Wertpapiere ausgegebenen Statthaften Wertpapieren beschafften Statthaften Mitteln (jeweils bezogen auf ein Wertpapier) 25% des Nennbetrages je Wertpapier nicht übersteigt; und
- (C) dies mit Zustimmung des Aufsichtsrates der Gesellschaft erfolgt; und
- (E) die Ausgabe Statthafter Wertpapiere im Rahmen der dann bestehenden Marktverhältnisse für die Gesellschaft zumutbar ist.

2.3 Die Wertpapiergläubiger werden darauf hingewiesen, dass die Gesellschaft durch zwingende Bestimmungen des deutschen Aktienrechts oder aus sonstigen Gründen an der Ausgabe neuer Aktien und/oder dem Verkauf eigener Aktien der Gesellschaft und/oder der Ausgabe Statthafter Wertpapiere zum Zwecke der Beschaffung Statthafter Mittel gehindert sein kann.

3

- 3.1** Die Verbindlichkeiten der Gesellschaft aus dieser Nachrangigen Verpflichtungserklärung sind direkte, nicht besicherte, nachrangige Verbindlichkeiten der Gesellschaft, die (i) vorrangig gegenüber dem Aktienkapital der Gesellschaft sind, (ii) untereinander gleichrangig sind und (iii) allen anderen bestehenden und zukünftigen nicht nachrangigen und nachrangigen Verbindlichkeiten der Gesellschaft (mit Ausnahme von Verbindlichkeiten der Gesellschaft, die als mit ihren Verbindlichkeiten aus der Nachrangigen Verpflichtungserklärung gleichrangig vereinbart worden sind) im Rang nachgehen, soweit jeweils zwingende gesetzliche Bestimmungen nichts anderes vorschreiben. Im Fall der Liquidation, der Auflösung oder der Insolvenz der Gesellschaft oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz der Gesellschaft dienenden Verfahrens werden Zahlungen auf die Nachrangige Verpflichtungserklärung bzw. im Zusammenhang mit einer Verletzung oder Nichterfüllung der Verpflichtungen unter der Nachrangigen Verpflichtungserklärung solange nicht erfolgen, wie die Ansprüche aller nicht nachrangigen und nachrangigen Gläubiger der Gesellschaft (mit Ausnahme von Ansprüchen

to such issuance; and

- (B) the sum of (x) all payments out of Eligible Funds to be raised by the issuance of such Eligible Securities, (y) all payments out of Eligible Funds raised through Eligible Securities previously issued during the term of the Securities, (in each case as calculated per Security) does not exceed 25 per cent. of the principal amount per Security; and
- (C) the Company's supervisory board (*Aufsichtsrat*) has given its consent thereto; and
- (E) in the light of market conditions then prevailing the issuance of Eligible Securities can be reasonably expected (*zumutbar*) from the Company.

2.3 Holders are notified that the Company may be prevented by compulsory provisions of German stock corporation law or otherwise from issuing new shares and/or selling treasury shares of the Company and/or issuing Eligible Securities for the purposes of generating Eligible Funds.

3

- 3.1** The obligations of the Company under this Subordinated Undertaking constitute direct, unsecured and subordinated obligations of the Company which rank (i) senior to the Company's share capital, (ii) *pari passu* among themselves, and (iii) junior to all other present or future unsubordinated and subordinated obligations of the Company (except for obligations of the Company that are expressed to rank *pari passu* with its obligations under the Subordinated Undertaking), except in each case as otherwise required by mandatory provisions of law. In the event of the dissolution, liquidation or insolvency of the Company or a composition or other proceedings for the avoidance of insolvency of the Company, no amounts shall be payable in respect of the Subordinated Undertaking or in connection with a violation of or default under the Subordinated Undertaking until the claims of all unsubordinated and subordinated creditors of the Company (except for claims against the Company that are expressed to rank *pari passu* with its obligations under the Subordinated Undertaking) shall have first been satisfied in full.

gegen die Gesellschaft, die als mit ihren Verbindlichkeiten aus der Nachrangigen Verpflichtungserklärung gleichrangig vereinbart worden sind) nicht zuvor vollständig erfüllt sind.

- 3.2** Die Wertpapiergläubiger sind nicht berechtigt, Forderungen aus dieser Nachrangigen Verpflichtungserklärung gegen etwaige Forderungen der Gesellschaft gegen sie aufzurechnen.

Die Gesellschaft ist nicht berechtigt, etwaige Forderungen, welche sie gegen einen Wertpapiergläubiger hat, gegen Forderungen dieses Wertpapiergläubigers aus dieser Nachrangigen Verpflichtungserklärung aufzurechnen.

4

- 4.1** Diese Nachrangige Verpflichtungserklärung stellt einen Vertrag zugunsten der jeweiligen Wertpapiergläubiger als begünstigte Dritte gemäß § 328 Absatz 1 BGB dar, die jedem Wertpapiergläubiger das Recht gibt, Erfüllung der in Ziffer 1.1 dieser Nachrangigen Verpflichtungserklärung übernommenen Verpflichtungen unmittelbar von der Gesellschaft zu verlangen und diese Verpflichtungen unmittelbar gegen die Gesellschaft durchzusetzen, wobei solch ein Recht nur dann (und nur in dem Umfang) entsteht, wie Zahlungen auf die Wertpapiere nicht (oder nicht im entsprechenden Umfang) durch die Emittentin bei Fälligkeit erfolgen.

- 4.2** Im Fall einer Ersetzung der Emittentin gemäß § 12 der Emissionsbedingungen erstreckt sich diese Nachrangige Verpflichtungserklärung auch auf die Nachfolgeschuldnerin.

5

- 5.1** Diese Nachrangige Verpflichtungserklärung unterliegt ausschließlich dem Recht der Bundesrepublik Deutschland.
- 5.2** Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten mit der Gesellschaft, die sich aus oder im Zusammenhang mit Rechtsverhältnissen ergeben, welche in dieser Nachrangigen Verpflichtungserklärung geregelt sind, ist Frankfurt am Main, Bundesrepublik Deutschland.
- 5.3** Die Begriffe, die in dieser Nachrangigen Verpflichtungserklärung verwendet werden und in den Emissionsbedingungen definiert sind, haben die gleiche Bedeutung in dieser Nachrangigen Verpflichtungserklärung wie in den Emissionsbedingungen, soweit sie in dieser Nachrangigen Verpflichtungserklärung nicht

- 3.2** The Holders may not set off any claims arising under this Subordinated Undertaking against any claim that the Company may have against any of them.

The Company may not set off any claims it may have against any Holder against any claims of such Holder under this Subordinated Undertaking.

4

- 4.1** This Subordinated Undertaking constitutes a contract in favour of the respective Holders as third party beneficiaries pursuant to § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*) giving rise to the right of each such Holder to require performance of the obligations pursuant to condition 1.1 of this Subordinated Undertaking directly from the Company and to enforce such obligations directly against the Company, provided that in each case this right shall only arise and exist if (and to the extent) payments under the Securities have not been made by the Issuer when due (or in the amount due).

- 4.2** In the event of a substitution of the Issuer pursuant to § 12 of the Terms and Conditions, this Subordinated Undertaking shall extend to any Substitute Debtor.

5

- 5.1** This Subordinated Undertaking shall be governed exclusively by the laws of the Federal Republic of Germany.
- 5.2** Exclusive court of venue for all litigation with the Company arising from, or in connection with, the legal relations established under this Subordinated Undertaking is Frankfurt am Main, Federal Republic of Germany.
- 5.3** Terms used in this Subordinated Undertaking and defined in the Terms and Conditions shall have the same meaning in this Subordinated Undertaking as in the Terms and Conditions unless they are otherwise defined in this Subordinated Undertaking.

anderweitig definiert sind.

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| <p>6 Die Gesellschaft und die Hauptzahlstelle vereinbaren, dass die Hauptzahlstelle nicht als Treuhänderin oder in ähnlicher Eigenschaft für die Wertpapiergläubiger handelt. Die Hauptzahlstelle verpflichtet sich, das Original dieser Nachrangigen Verpflichtungserklärung bis zur Erfüllung aller Verpflichtungen aus den Wertpapieren und dieser Nachrangigen Verpflichtungserklärung in Verwahrung zu halten.</p> <p>7 Jeder Wertpapiergläubiger kann in jedem Rechtsstreit gegen die Gesellschaft und in jedem Rechtsstreit, in dem er und die Gesellschaft Partei sind, seine Rechte aus dieser Nachrangigen Verpflichtungserklärung auf der Grundlage einer von einer vertretungsberechtigten Person der Hauptzahlstelle als Kopie dieser Nachrangigen Verpflichtungserklärung bescheinigten Kopie der Nachrangigen Verpflichtungserklärung ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen.</p> <p>8 Diese Nachrangige Verpflichtungserklärung ist in deutscher Sprache mit englischer Übersetzung abgefasst. Die deutsche Fassung ist die rechtlich verbindliche Fassung. Die englische Übersetzung ist zur Erleichterung des Verständnisses beigelegt.</p> | <p>6 The Company and the Principal Paying Agent agree that the Principal Paying Agent is not acting as trustee or in a similar capacity for the Holders. The Principal Paying Agent undertakes to hold the original copy of this Subordinated Undertaking in custody until all obligations under the Securities and the Subordinated Undertaking have been fulfilled.</p> <p>7 On the basis of a copy of this Subordinated Undertaking certified as being a true copy by a duly authorised officer of the Principal Paying Agent, each Holder may protect and enforce in his own name his rights arising under this Subordinated Undertaking in any legal proceedings against the Company or to which such Holder and the Company are parties, without the need for production of this Subordinated Undertaking in such proceedings.</p> <p>8 This Subordinated Undertaking is drawn up in the German language and provided with an English language translation. The German version shall be the only legally binding version. The English translation is for convenience only.</p> |
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Neumarkt/Oberpfalz, den 25. April 2007

Neumarkt/Oberpfalz, 25 April 2007

Pfleiderer Aktiengesellschaft

Pfleiderer Aktiengesellschaft

Wir nehmen die oben stehenden Erklärungen zugunsten der Wertpapiergläubiger ohne Obligo, Haftung oder Rückgriffsrechte auf uns an.

We hereby accept all of the above declarations in favour of the Holders without recourse, warranty or liability on us.

Frankfurt am Main, den 25. April 2007

Frankfurt am Main, 25 April 2007

Deutsche Bank Aktiengesellschaft

Deutsche Bank Aktiengesellschaft

GENERAL INFORMATION ABOUT THE ISSUER

Formation and Incorporation

Pfleiderer Finance B.V. (the "**Issuer**") was established for an indefinite time in the form of a private limited liability company (*besloten vennootschap*) under Dutch law on March 15, 1993.

Registered Office

The Issuer's registered office is Pikeursbaan 2, 7411 GV Deventer, the Netherlands, telephone +31 570 644092. The Issuer is incorporated in the Netherlands and registered in the trade register of the Chambers of Commerce and Industries (*Kamers van Koophandel*) for Oost Nederland under No. 38021373.

Fiscal Year

The fiscal year of the Issuer is the calendar year.

Corporate Purpose

According to the articles of association of the Issuer, the corporate purpose of the Issuer is:

- to establish and manage undertakings and companies, as well as to acquire and hold participations in such undertakings and companies;
- to issue warranties and guarantees and to pledge its assets as surety for enterprises and companies affiliated with the Issuer;
- to acquire, sell, administer and make economic use of real estate and assets in general;
- to provide services to enterprises and companies;
- to finance enterprises and companies;
- to take up and to issue loans;
- to make use of patents, rights to brand names, authorizations, know-how and other proprietary rights and to trade therewith; and
- to perform all forms of industrial, commercial and financial activity.

Share Capital

As of the date of this Prospectus the share capital of the Issuer amounts to EUR 453,780.22. As of December 31, 2006, all shares were issued and fully paid in. The sole shareholder of the Issuer is Pfleiderer AG.

Corporate Bodies

Management Board

Robertus Franciscus Gerhardus Antonius Sekhuis, managing director of the Issuer (the "**Managing Director**"), is the sole member of the management board of the Issuer, with his business address at Pikeursbaan 2, 7411 GV Deventer, the Netherlands. There are no conflicting interests of Mr. Sekhuis between any duties to the Issuer and his private interests and/or other duties.

Supervisory Board

The current members of the supervisory board of the Issuer and their respective business addresses and other principal activities are:

Name	Business Address	Other Principal Activities
Michael Ernst	Ingolstädter Straße 51, 92318 Neumarkt, Germany	managing director of Pfeiderer AG
Derrick G. Noe	Ingolstädter Straße 51, 92318 Neumarkt, Germany	managing director of Pfeiderer AG

Both members of the Issuer's supervisory board do not perform any principal activities outside the Pfeiderer Group. Apart from their activities as managing director of Pfeiderer AG, there are no conflicting interests of Mr. Ernst and Mr. Noe between any duties to the Issuer and their private interests and/or other duties. The supervisory board meets on a yearly basis. The last meeting of the supervisory board took place on October 2, 2006.

Shareholders' Meeting

According to the articles of association of the Issuer, its Annual General Meeting of shareholders takes place at the registered office of the Issuer.

Organisational Structure

The Issuer is, as a wholly-owned subsidiary of the Guarantor, a member of the Pfeiderer Group. See "*General Information about the Guarantor – Organisational Structure*" for a description of the structure of the Pfeiderer Group.

Financial Statements and Auditors

The external auditor of the Issuer is KPMG Accountants N.V., Zuiderzeelaan 33, 8017 JV Zwolle, Netherlands ("**KPMG Accountants N.V.**"). KPMG Accountants N.V. are members of the Royal Dutch Institute of Chartered Accountants (*Koninklijke Nederlands Instituut van Registeraccountants*) in the Netherlands. KPMG Accountants N.V. has audited the financial statements for the fiscal years ending December 31, 2005 and December 31, 2006, and issued an unqualified auditors' certificate in respect of each of them.

Employees

As of December 31, 2006, the Issuer employed one employee in addition to the Managing Director.

Litigation

Save as disclosed in this Prospectus, there are no governmental, legal or arbitration proceedings against or affecting the Issuer or any of its subsidiaries or any of their respective assets, nor is the Issuer aware of any pending or threatened proceedings during the period of the last twelve months, which (in either case) may have or have had in the recent past significant effects on the Issuer's financial position or profitability, or which are or might be material in the context of the issue of the Securities.

Material Change

Save as disclosed in this Prospectus (in particular, see "*Acquisition of Pergo AB (Publ) - Impact of the Tender Offer on Financial Ratios of Pfeiderer Group*"), there has been no material adverse change or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise) or the prospects or general affairs of the Issuer and no significant change in the financial or trading position of the Issuer since December 31, 2006 that is material in the context of the issue of the Securities.

GENERAL INFORMATION ABOUT THE GUARANTOR

Formation, Incorporation, and Development of Business Activities

Pfleiderer AG was formed as a shelf company on February 11, 1992 under the name of NIBA Beteiligungs Aktiengesellschaft ("**NIBA**") with its registered office in Frankfurt am Main and a registered share capital of DEM 100,000 and was entered into the commercial register of the Local Court (*Amtsgericht*) of Frankfurt am Main under HRB 35391 on July 22, 1992. On February 4, 1997, all of its shares were acquired by Pfleiderer Unternehmensverwaltung GmbH & Co. KG ("**Pfleiderer Unternehmensverwaltung**") with its registered office in Neumarkt. The Annual General Shareholders' Meeting of NIBA resolved, on February 3, 1997, to move its registered office from Frankfurt am Main to Neumarkt, and, on March 4, 1997, to change the Guarantor's name to Pfleiderer Aktiengesellschaft. The change of location of the registered offices was entered into the commercial register of the Local Court (*Amtsgericht*) of Nuremberg under HRB 14555 on March 10, 1997 and the change in the Guarantor's name on April 8, 1997.

Pfleiderer's current structure was formed by combining the activities of Pfleiderer Bau- und Verkehrssysteme AG and the former Pfleiderer GmbH with Pfleiderer AG. While Pfleiderer Bau- und Verkehrssysteme AG was active in the building, rail traffic systems and insulation technology business and in the production of beer glass mats, Pfleiderer GmbH was active in the supply of services for associated and participating companies, in particular in the area of financing, administration and the use and development of real estate and property. In 1997, these abovementioned companies were contributed to, and merged with, Pfleiderer AG. The shares of Pfleiderer Bau- und Verkehrssysteme AG had been listed for trading since 1991 on the Frankfurt and Munich stock exchanges. After the merger with Pfleiderer AG came into effect, all issued shares of Pfleiderer AG were listed at the Frankfurt Stock Exchange.

In the 1990s, the Pfleiderer Group expanded by taking over or by setting up production plants in France, Hungary, Slovenia, Russia, Poland, Spain and the USA, and diversified its activities. In 1999, for example, the Pfleiderer Group acquired the majority holding in two Polish particleboard and coating plants, Pfleiderer Grajewo S.A. and Pfleiderer Prospan S.A.

The sale of the Katz Werke GmbH, Weisenbach, which took effect on June 1, 2000, ended the Pfleiderer Group's activities in the field of paper and cardboard. This was followed by further sales of the Business Divisions Doors & Windows, Insulation Technology and the Business Units Water Systems, Wind Energy, Poles & Towers, Eltec and Blockboard Production. As a result of these sales, starting in 2002, Pfleiderer focused on its Engineered Wood and Infrastructure Technology Business Divisions.

On November 15, 2004, Pfleiderer took over the Nidda MDF plant which was under administration following the insolvency of its previous owner, the Hornitex Group. With MDF, Pfleiderer added a strategic product to its product portfolio. In November 2005, Pfleiderer bought the engineered wood activities Kunz Group with main operations in the USA, Canada and Germany. In April 2006, Pfleiderer has sold the Business Division Track Systems in order to focus its business activities on engineered wood. In the same year, the foundation stone was laid for a new engineered wood plant at Grajewo, Poland. In July 2006, a new production plant started operating in Novgorod, Russia. Following an offer to take over all shares in Pergo on January 23, 2007, Pfleiderer Sweden has, as of March 16, 2007, acquired 52,965,933 shares, i.e. 98.8%, of the shares in the Swedish producer of engineered wood and laminate flooring active in North America, Europe and Asia (see "*Acquisition of Pergo AB (publ)*").

Registered Office, Fiscal Year, Duration

The registered office of Pfleiderer AG is at Neumarkt in der Oberpfalz. Pfleiderer AG is entered in the commercial register of the Local Court (*Amtsgericht*) of Nuremberg under HRB 14555. The Pfleiderer AG's registered office is located at 51 Ingolstädter Strasse, D-92318 Neumarkt, telephone +49 9181 28-0, Internet address: <http://www.pfleiderer.com>.

The Guarantor is subject to German law. The fiscal year is the calendar year.

The Guarantor has been formed for an unlimited period of time.

The Guarantor as well as many of its subsidiaries bear the name "Pfleiderer" for business purposes.

Corporate Purpose

Pursuant to Section 2 Para. 1 of the Guarantor's articles of association, the objective of the Pfeiderer AG is to control a group of companies which operate in the following main areas: products and systems for furniture and buildings, in particular panel materials and surface materials; products and systems for infrastructure for traffic, communications and energy providers. Activities include the development, manufacture and distribution of products, as well as trading in raw, secondary and auxiliary materials, finished and unfinished products and goods. Pfeiderer AG is entitled to undertake all types of transactions and activities which relate to its objective or which directly or indirectly serve that purpose. Pfeiderer AG can also operate directly in the abovementioned areas. Pfeiderer AG is entitled to form other companies, to acquire or to participate in them. This applies in particular to companies whose objectives either fully or partly are within the abovementioned areas. Pfeiderer AG is entitled to consolidate companies in which it participates under a single management, or to limit itself to the mere managing of its participating interest.

Based on a resolution passed on June 13, 2006 by its Annual General Shareholders' Meeting, the Guarantor's articles of association have been revised with respect to its corporate purpose as to include the management of a corporate group particularly active in the business area of products and systems for furniture and buildings, especially panel materials, surface materials, and floor coverings. Pfeiderer's activities comprise the development, manufacture and distribution of products, as well as trading in raw materials, secondary and auxiliary materials, finished and unfinished products and goods, and energy production.

Share Capital

The capital of the Guarantor was increased to the current amount in several stages. On the basis of a resolution of the Annual General Shareholders' Meeting, by way of entry into the commercial register on April 8, 1997, the capital was increased by DEM 164,900,000 in exchange for contribution of all shares in Pfeiderer GmbH and of shares in Pfeiderer Bau-und Verkehrssysteme AG. At that time, Pfeiderer GmbH held all shares in Pfeiderer Holzwerkstoffe GmbH & Co. KG, while Pfeiderer Bau-und Verkehrssysteme held all shares in today's Pfeiderer Infrastrukturtechnik GmbH & Co. KG. In order to implement a merger with Pfeiderer Bau- und Verkehrssysteme AG, the capital of the Guarantor was increased by DEM 12,853,170 to the amount of DEM 177,853,170 with register entry of July 3, 1997. Utilizing authorized capital, the share capital of Pfeiderer AG was increased by DEM 35,571,830 to DEM 213,425,000 by way of entry into the commercial register on October 9, 1997. A further capital increase, increasing the capital by EUR 151,130.26 to EUR 109,273,600, took place out of retained earnings as part of the conversion of the registered capital to Euro, on the basis of an Annual General Shareholders Meeting resolution of December 9, 1999, with register entry of April 11, 2000. Finally, again using authorized capital, the capital of the Guarantor was increased by EUR 27,241,216 (by 10,641,100 shares) to EUR 136,514,816, by way of entry into the commercial register on April 10, 2006. As of December 31, 2006, Pfeiderer AG held 90,450 of its own shares., Pfeiderer AG has announced its intentions to acquire up to 460,000 further shares in the period from March 1, 2007 to April 30, 2007 to fulfil future possible obligations under existing stock option plans. As of March 31, 2007, Pfeiderer held a total of 550,450 own shares.

Corporate Bodies

Managing Board

Pfeiderer AG's managing board (*Vorstand*, the "**Managing Board**") currently has the following members:

Hans H. Overdiek (*born 1952 in Gladbeck): since August 18, 2003, spokesperson of the Managing Board.

Michael Ernst (*born 1948 in Hirsau/Calw): since May 15, 2000, Human Resources Director, departments Personnel, Legal, Risk Management, Insurances and IT.

Derrick G. Noe (*born 1957 in Würzburg): since March 15, 2006, Chief Financial Officer.

Dr. Robert Hopperdietzel (*born 1966 in Münchberg): since September 1, 2006, department Technical, Operations/Plants.

The members of the Managing Board can be reached at the Guarantor address.

On February 22, 2007, Pfeiderer AG reported that Mr. Overdiek was injured in an accident. Since that date, while ensuring the continuity of Pfeiderer's business, Mr. Overdiek's duties on Pfeiderer AG managing board have been assumed by his colleagues on the managing board Mr. Ernst, Mr. Noe and Dr. Hopperdietzel.

As of April 2, 2007, the members of the Managing Board held 149,336 shares in the Guarantor, and 555,044 options. To the extent that members of the Managing Board hold own shares, a special interest in addition to their positions as officers may exist as a result of stock ownership. Otherwise, the members of the Managing Board do not have any conflict of interest arising from their private interests or other duties in relation to the duties to Pfeiderer AG. There are no family relations amongst the members of the Managing Board or with members of the Pfeiderer AG's Supervisory Board.

There are no conflicting interests of the persons listed above between any duties to the Guarantor and their private interests and/or other duties.

Supervisory Board

The names and general duties of the present members of the Pfeiderer AG's supervisory board (*Aufsichtsrat*, the "**Supervisory Board**") are:

Name, place of residence and date of appointment	Occupation	Other administrative, management, or supervisory board positions, or appointments to similar German and foreign supervisory bodies
Ernst-Herbert Pfeiderer, Neumarkt (Chairman) Member since February 3, 1997, re-elected on July 2, 2002	Entrepreneur	CEO of Pfeiderer Unternehmensverwaltung GmbH & Co. KG, Neumarkt CEO of Waldgut Pfeiderer KEG, Karlstift, Austria CEO of EHP Vermögensverwaltung GmbH & Co. KG, Neumarkt CEO of CAP Vermögensverwaltung GmbH & Co. KG, Neumarkt CEO of PAP Vermögensverwaltung GmbH & Co. KG, Neumarkt Director of PF Metal Traders LP, London, UK (since November 28, 2006)
Wolfgang Rhode * Frankfurt (1st Vice-chairman) Member since December 10, 1997, reconfirmed on July 2, 2002	managing director of IG Metall	None
Dr. Manfred Scholz Munich (2nd Vice-chairman) Member since February 3, 1997, re-elected on July 2, 2002	Businessman	CEO of MS Verwaltungs GmbH, Augsburg Member of the supervisory board of Citigroup (Member of the German Advisory Board) Member of the supervisory board of ASSTEL Lebensversicherung AG, Cologne (chairman) Member of the supervisory board of Gothaer Lebensversicherung AG, Göttingen (chairman)

Name, place of residence and date of appointment	Occupation	Other administrative, management, or supervisory board positions, or appointments to similar German and foreign supervisory bodies
		<p>Member of the supervisory board of Gothaer Versicherungsbank VvaG, Cologne</p> <p>Member of the supervisory board of Gothaer Finanzholding AG, Cologne</p> <p>Member of the supervisory board of Medigene AG, Planegg</p>
<p>Hanno C. Fiedler</p> <p>Ratingen</p> <p>Newly elected on July 2, 2002</p>	Businessman	<p>Chairman of the supervisory board of Ball Packaging Europe GmbH, Ratingen</p> <p>Member of the supervisory board of ThyssenKrupp Steel AG, Duisburg</p> <p>Chairman of the supervisory board MAN Roland AG, Offenbach</p> <p>Member of the board of directors of Ball Corporation, Broomfield, USA</p> <p>Member of the advisory board of Dresdner Bank AG, Düsseldorf</p> <p>Member of the advisory board of DPG Deutsche Pfandsystem GmbH, Berlin</p> <p>Member of the advisory board of LIC Langmatz GmbH, Garmisch-Partenkirchen</p>
<p>Reinhard Hahn *</p> <p>Frankfurt</p> <p>First confirmed on July 2, 2002</p>	Labor Secretary for the managing board of IG Metall	None
<p>Wolfgang Haupt</p> <p>Düsseldorf</p> <p>Member since January 1, 2005</p>	Businessman	<p>Member of the supervisory board of HSBC Trinkaus & Burkhardt AG, Düsseldorf</p> <p>Member of the supervisory board of Trinkaus & Burkhardt Immobilien GmbH, Düsseldorf (chairman)</p> <p>Member of the supervisory board of Trinkaus Private Equity Pool I GmbH & Co. KG KGaA, Düsseldorf (chairman)</p> <p>Member of the supervisory board of Trinkaus Secondary GmbH & Co. KGaA, Düsseldorf (chairman)</p> <p>Member of the supervisory board of Trinkaus Private Equity M 3 GmbH & Co. KGaA, Düsseldorf (chairman)</p> <p>Vice-chairman of the shareholders' committee (<i>Gesellschafterausschuss</i>) of Karl Otto Braun GmbH & Co. KG, Wolfstein</p>
<p>Robert J. Koehler</p> <p>Wiesbaden</p>	CFO of the managing board of SGL Carbon AG, Wiesbaden	<p>Member of the supervisory board of Benteler AG, Paderborn (chairman)</p> <p>Member of the supervisory board of DEMAG Cranes AG,</p>

Name, place of residence and date of appointment	Occupation	Other administrative, management, or supervisory board positions, or appointments to similar German and foreign supervisory bodies
Newly elected on July 2, 2002		Düsseldorf Member of the supervisory board of AXA Lebensversicherung AG, Cologne Member of the supervisory board of Heidelberger Druck AG, Heidelberg Member of the supervisory board of Lanxess AG, Leverkusen
Frank Kratzsch * Menden Member since December 10, 1997, re-confirmed on July 2, 2002	Chairman of the works committee (<i>Betriebsrat</i>) of Duropal GmbH, Arnsberg	None
Friedhelm Päfgen Buttenwiesen-Pfaffenhofen Member since June 14, 2005	CFO of the managing board of Surteco AG, Buttenwiesen-Pfaffenhofen	Member of the supervisory board of Schleipen & Erkens AG, Jülich Member of the supervisory board of Döllken-Kunststoffverarbeitung GmbH, Gladbeck
Josef Rugge-Fechtelpeter * Harsewinkel First confirmed on July 2, 2002	Industrial employee of Pfeiderer Holzwerkstoffe GmbH & Co. KG, Arnsberg plant (until June 30, 2006); Clerk technical services Duropal GmbH, Arnsberg (since July 1, 2006)	None
Manfred Schmidt * Postbauer-Heng First confirmed on July 2, 2002	Chairman of the works committee (<i>Betriebsrat</i>) of Pfeiderer Holzwerkstoffe GmbH & Co. KG, Neumarkt plant and of wodego GmbH (since October 1, 2006)	None
Rainer Stracke * Rheda-Wiedenbrück Member since December 10, 1997, re-confirmed on July 2, 2002	Chief project engineer of Pfeiderer Engineering International GmbH (since April 2, 2007); member of the	None

Name, place of residence and date of appointment	Occupation	Other administrative, management, or supervisory board positions, or appointments to similar German and foreign supervisory bodies
	management of Pfeiderer Ltd., Podberesje, Novgorod, Russia, and Works Manager at the Novgorod site (until April 1, 2007).	
* Employee representative		

The members of the Supervisory Board to be chosen by the shareholders will be elected in June 2007 at the Annual General Shareholders' Meeting. The members of the Supervisory Board to be chosen by the employees have been elected by them in 2007 prior to such Annual General Shareholders' Meeting.

The members of the Supervisory Board can be contacted at the registered office of the Guarantor. At present, the members of the Supervisory Board hold a total of 1,822,971 shares in the Guarantor directly or via wholly-owned subsidiaries, and 20,880 stock options. Approximately 7% of the shares in the Guarantor are attributed to Mr. Ernst-Herbert Pfeiderer according to the provisions of the German Securities Trade Act (*Wertpapierhandelsgesetz* – “**WpHG**”).

To the extent that members of the Supervisory Board hold own shares, a special interest in addition to their positions as officers may exist as a result of stock ownership. Otherwise, the members of the Supervisory Board do not have any conflict of interest with regard to their private interests or other duties in relation to the duties to Pfeiderer AG, with the exception of a possible conflict in the management position and status as partner of the chairman of the Supervisory Board, Mr. Ernst-Herbert Pfeiderer, at Pfeiderer Unternehmensverwaltung.

Shareholders' Meeting and Major Shareholders

Since 2004, the Annual General Shareholders' Meeting (*ordentliche Hauptversammlung*) is held, as a rule, in Munich. It may also be called to meet at another place that is the location of a designated German stock exchange. Each share gives one vote in the Annual General Shareholders' Meeting. No limitations exist on the right to vote. The right to vote in respect of a share comes into existence upon full payment of the contribution. In general, the Annual General Shareholders' Meeting decides with a simple majority. Certain decisions have to be taken with a 3/4 majority.

To the knowledge of the Guarantor, based on the reports received by the Guarantor in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz*) or other reporting of shareholders, the following shareholders hold 3% or more of the registered capital in the company:

Schroders plc.	4.15 %
Pfeiderer Family*	10.25%

*The Pfeiderer family, through different asset management and holding companies, holds 10.25% of Pfeiderer AG's registered share capital. Under Sec. 22(2) of the WpHG, these shares are attributed to members of the Pfeiderer family. Mr. Ernst-Herbert Pfeiderer holds an additional 0.38% of Pfeiderer AG's shares, but is prevented from exercising the corresponding voting rights under a life insurance contract.

As for all other shareholders, each share held by the Guarantor's principal shareholders grants the right to one vote.

Organisational Structure of the Pfeiderer Group

The Guarantor is the ultimate parent company of the Pfeiderer Group.

The most important entities of the Pfeiderer Group are described below:

Pfeiderer AG

As Pfeiderer Group's parent company, Pfeiderer AG has the classic duties of a holding company such as strategic corporate development, controlling and risk management for direct and indirect subsidiaries. Operative business activity is exclusively vested in the relevant subsidiaries themselves.

Pfeiderer Holzwerkstoffe GmbH & Co. KG and its European subsidiaries (Business Centre Western Europe)

The Pfeiderer Group's operative activities in the area of engineered wood are concentrated in Pfeiderer Holzwerkstoffe GmbH & Co. KG with its registered offices in Neumarkt, Germany ("**PHW**").

PHW and its German subsidiaries operate Pfeiderer's engineered wood business in Germany and have supporting functions (e.g. JURA Spedition GmbH as a logistics servicer for the Business Centre Western Europe). Pfeiderer Europe GmbH, Neumarkt, a wholly owned subsidiary of PHW, manages the Group's European subsidiaries outside Germany in the field of engineered wood.

Pfeiderer Grajewo S.A. and its subsidiaries (Business Centre Eastern Europe)

Pfeiderer Grajewo S.A., a 65.11% subsidiary of Pfeiderer Service GmbH, is the Polish holding for the Eastern European activities of the Pfeiderer Group. 4.84% of the shares held by Pfeiderer Service GmbH have been provided as collateral to a trustee in connection with a contractual trust arrangement set up to secure certain pension obligations of certain members of the Pfeiderer group. The company owns all shares in OOO Pfeiderer (Russia), 100% of Silekol Sp. z o.o. and 56.79% of Pfeiderer Prospan S.A. Furthermore it owns 50% of the shares in Pfeiderer MDF Sp. z o.o. whilst the other 50% are owned by Pfeiderer Service GmbH. Beside these holdings in production site group entities, Pfeiderer Grajewo S.A. holds 100% of several service and trade companies.

Pfeiderer Canada Inc. and its subsidiaries (Business Centre North America)

Pfeiderer Canada Inc. is the Canadian holding for the North American activities of the Pfeiderer Group. It owns all shares in Uniboard Canada Inc., Laval, Québec, Canada, which is the main operating company of the Business centre North America. Operations are carried out at several production sites by Uniboard Canada Inc. and other group companies.

Pfeiderer Sweden AB

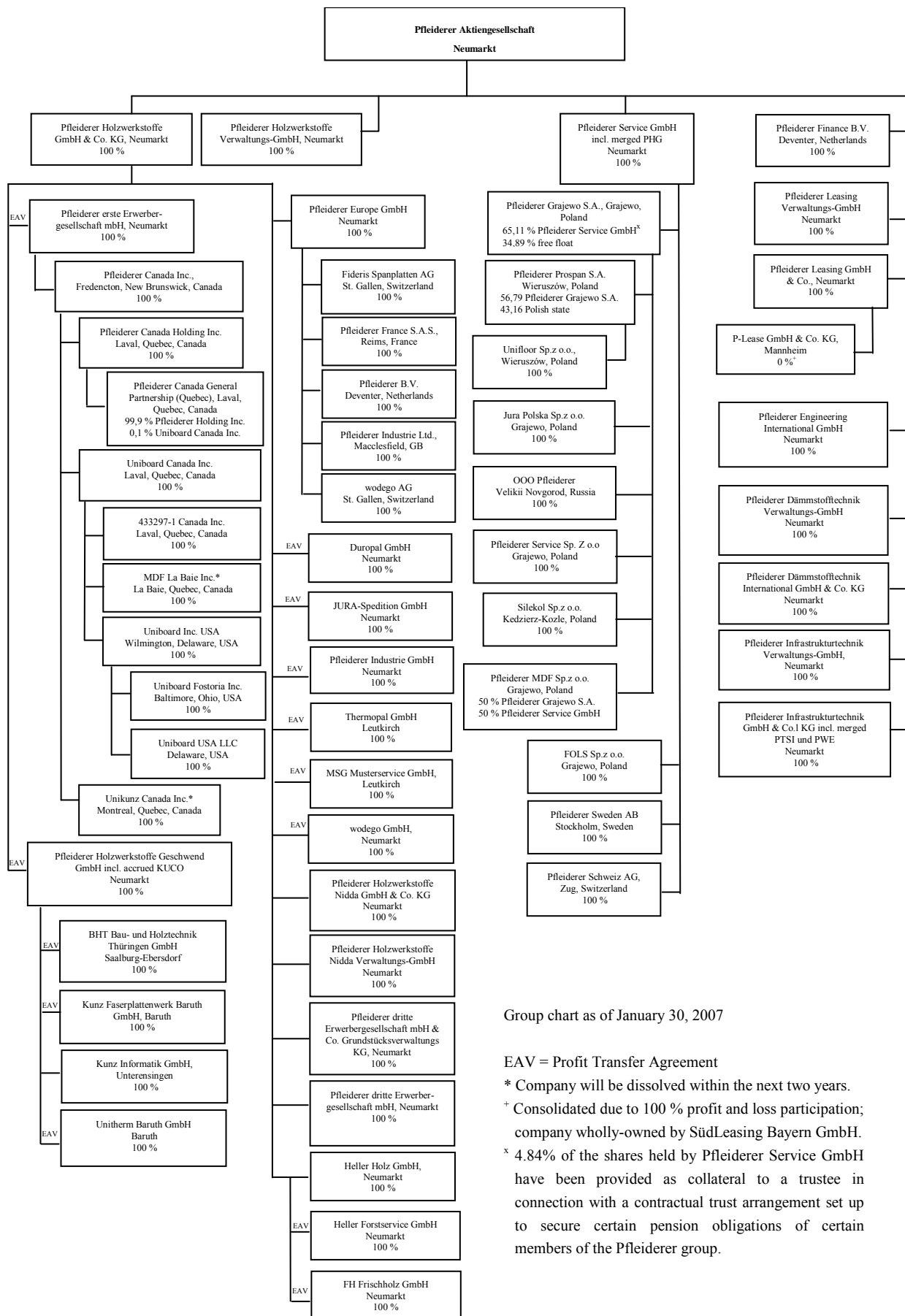
Pfeiderer Sweden AB, a 100% subsidiary of Pfeiderer Service GmbH, is the holding company for the recently acquired Pergo Group. As a result of the acquisition, the undertakings of the Pergo Group will gradually be integrated in the structure of the Pfeiderer Group (see "*Acquisition of Pergo Group AB (publ)*").

Pfeiderer Finance B.V.

Pfeiderer Finance B.V. is a wholly-owned, direct subsidiary of Pfeiderer AG. Pfeiderer Finance B.V. is the issuer of the Securities. It is the finance company within the Pfeiderer Group, which, *inter alia*, enters into long-term loans and passes the resulting proceeds on to the Group subsidiaries.

Overview of the Pfeiderer Group structure

The following organizational chart shows the subsidiaries of Pfeiderer AG as of January 30, 2007, including the respective shareholdings, but excluding the recently acquired companies of the Pergo Group (see "*Acquisition of Pergo AB (publ)*").



Group chart as of January 30, 2007

EAV = Profit Transfer Agreement

* Company will be dissolved within the next two years.

+ Consolidated due to 100 % profit and loss participation; company wholly-owned by SüdLeasing Bayern GmbH.

x 4.84% of the shares held by Pfleiderer Service GmbH have been provided as collateral to a trustee in connection with a contractual trust arrangement set up to secure certain pension obligations of certain members of the Pfleiderer group.

Financial Statements and Auditors

The external auditor of the Guarantor is KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Klingelhöferstraße 18, 10785 Berlin, Germany ("**KPMG AG**"). KPMG AG is a member of the German Chamber of Auditors (*Wirtschaftsprüferkammer*). KPMG AG has audited the financial statements for the fiscal years ending December 31, 2005 and December 31, 2006, and has issued an unqualified auditor's certificate in respect of each of them.

Employees

The following table provides an overview of the number of employees (headcount) with the Pfeiderer Group at December 31, 2005, and December 31, 2006 broken down by Business Centre:

	Business Centre Western Europe	Business Centre Eastern Europe	Business Centre North America	Other	Total
2006	2,484	1,513	1,098	112	5,207
2005	2,538	1,198	1,098	97	4,931

Thereof, as of December 31, 2006, Pfeiderer employed 50 part-time employees. In fiscal year 2006 Pfeiderer employed an average of 67 part-time employees of whom 16 part-time employees were employed outside Germany.

Litigation

Save as disclosed in this Prospectus (see "*Business of the Pfeiderer Group – Litigation/Administrative Proceedings*"), there are no governmental, legal or arbitration proceedings against or affecting the Guarantor or any of its subsidiaries or any of their respective assets, nor is the Issuer aware of any further pending or threatened proceedings during the period of the last twelve months, which (in either case) may have or have had in the recent past significant effects on the Guarantor's financial position or profitability, or which are or might be material in the context of the issue of the Securities.

Material Change

Save as disclosed in this Prospectus (in particular, see "*Acquisition of Pergo AB (publ) - Impact of the Tender Offer on Financial Ratios of Pfeiderer Group*"), there has been no material adverse change or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise) or the prospect or general affairs of the Guarantor and no significant change in the financial or trading position of the Guarantor since December 31, 2006 that is material in the context of the issue of the Securities.

BUSINESS OF THE PFLEIDERER GROUP

Based on production capacity Pfeiderer considers that it is a major global manufacturer of engineered wood and is one of the world's leading system suppliers of engineered wood for the furniture industry and interior fittings. Pfeiderer focuses exclusively on the engineered wood segment. Pfeiderer's product range comprises carrier materials, such as raw particleboard, multi-function board, tongue-and-groove board, medium-and high-density fiberboard, as well as finished products, such as coated carriers, post-forming elements, laminates/laminated flooring, and films.

In the last few years, Pfeiderer has significantly expanded its share in the engineered wood sector through acquisitions. The acquisition of the engineered wood business of the Kunz Group, which was completed at the end of November 2005 provided Pfeiderer with access to markets in North America, in particular for laminated flooring, as well as the opportunity to take advantage of synergies and economies of scale. In January 2006, Pfeiderer took over Silekol Sp. z o.o., a Polish glue manufacturer. The acquisition of Pergo Group with four production sites for laminate flooring in Sweden and in the United States further extends Pfeiderer's share in the North American as well as in the European laminate flooring market. (see "*Acquisition of Pergo AB (publ)*").

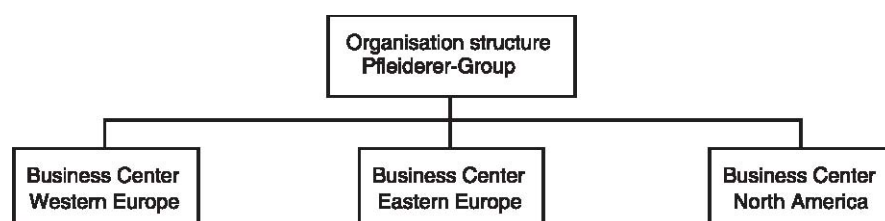
In the fiscal year 2006, Pfeiderer achieved consolidated sales of approximately EUR 1,415.3 million and an EBITDA of the continued operations of approximately EUR 208.1 million.

Business organization of the Pfeiderer Group

With the acquisition of the Kunz Group in November 2005 a new organizational structure was created in order to efficiently combine the operative structures and processes of the two businesses and to further promote the operational independence of the various units. Since January 1, 2006, the new organization has gradually been implemented. Operative units, the Business Units, are assembled under the umbrella of the three regional Business Centre Western Europe, Eastern Europe and North America, and are designed to independently address the specific customer groups and characteristic product and service strengths at the local level. The heads of the new Business Units have overall responsibility for production, logistics and marketing in those units. Each plant is assigned to a Business Unit in order to improve its profitability, as well as its links to the sales and marketing department. Each Business Unit is supported in areas such as finance, human resources, legal matters and purchasing by management and support functions headquartered in the Business Centre. The Business Units of the Business Centre Western Europe also make use of some separately operating subsidiaries, e.g. for freight forwarding and vehicles (JURA Spedition GmbH), for service protocol and design as well as for IT.

Following the acquisition of the Pergo Group, the undertakings of the Pergo Group will gradually be integrated into the organizational structure set out below (see "*Acquisition of Pergo AB (publ)*").

The following illustration shows the current organizational structure of the Pfeiderer Group following the operative merger of the Pfeiderer and Kunz Group activities:



Business Centre Western Europe

The Business Centre Western Europe comprises Pfeiderer's German production and sales, particularly in respect of the Western European market. This Business Centre operates eight sites – Arnsberg, Baruth, Gütersloh, Gschwend, Leutkirch, Neumarkt, Nidda and Saalburg-Ebersdorf– where it manufactures raw particleboard, direct-coated particleboard (MFC), high-pressure laminate (HPL), post-forming elements, MDF and HDF panels. The Business Centre Western Europe currently employs 2,484 people and achieved 39% of its sales from raw particleboard and MDF and 57% from finished and decorative elements in fiscal year 2006. In fiscal year 2006, the Business Centre Western Europe achieved internal and external revenues of approximately EUR 781.5 million and an EBITDA of approximately EUR 103.6 million.

The structure of the Business Centre Western Europe has been modified as part of the acquisition of the Kunz Group. The Business Unit Thermopal (Leutkirch plant), the Business Unit Duropal (Arnsberg plant) and the Business Unit wodego (Neumarkt plant) entered into independent operation in 2006. The Business Unit Pfeiderer Industrie entered into independent operation on January 1, 2007. The business activities of the former Kunz Group in Germany at its three production plants in Baruth, Saalburg-Ebersdorf and Gschwend will initially carry on operating as a separate Business Unit and dealing independently with its customers.

After the acquisition of the laminate flooring manufacturer Pergo Group, the Swedish business of the former Pergo Group could be integrated into the Business Centre Western Europe. Pfeiderer is in the process of preparing for the integration of Pergo into the Pfeiderer Group, but has not yet taken final decisions in this regard (see "*Acquisition of Pergo AB (publ) – Integration of Pergo into the Pfeiderer Group*").

Business Centre Eastern Europe

The Business Centre Eastern Europe includes the Polish production plants in Grajewo, Wieruszów and Kedzierzyn-Kozle, as well as the Russian production plant in Novgorod, which entered full operation in the course of the third quarter of 2006. On the sales and marketing side, the Business Centre Eastern Europe primarily focuses on Eastern European markets. As of December 31, 2006, the Business Centre Eastern Europe employed 1,513 employees.

In the fiscal year 2006, Pfeiderer produced raw particleboard, MFC, foil-coated particleboard, coatings and various worktops and other products as well as various types of glue at the Polish production plants Grajewo, Wieruszów and Kedzierzyn-Kozle through its Polish subsidiaries Pfeiderer Grajewo S.A., Pfeiderer Prospan S.A., Silekol Sp. z o.o. and OOO Pfeiderer for its production site in Novgorod, Russia. The management of Pfeiderer AG estimates that Pfeiderer is the market leader in Poland in terms of particleboard production capacity. The Business Centre Eastern Europe achieved about EUR 300.3 million in internal and external revenues in the fiscal year 2006 and an EBITDA of EUR 56.5 million.

The Business Centre Eastern Europe is organized in four Business Units, namely the Business Unit Panel Poland (Production of raw particleboard, MFC and coatings at the Grajewo and Wieruszów plants), the Business Unit Panel Russia (particleboard plant at Novgorod), the Business Unit Silekol (glue production in Kedzierzyn-Kozle), and the Business Unit MDF (MDF plant in Grajewo; still under construction). The Business Unit MDF is expected to begin producing and selling MDF panels in the first half of 2007.

Business Centre North America

Following the acquisition of the Kunz Group's engineered wood activities, Pfeiderer operates six Canadian production sites in Québec at La Baie/, Lac-des-Îles/, Laval/, Mont-Laurier/, Sayabec/ and Val d'Or/ and one US site in Fostoria/Ohio. In the fiscal year 2005, the Kunz Group in North America, with its subsidiary Uniboard Canada Inc. and their affiliates employed approximately 1,098 people and produced raw particleboard, raw MDF, coatings and laminated flooring. The Business Centre North America currently employs approximately 1,098 people. During the fiscal year 2006, the Business Centre North America generated revenues of EUR 349.6 million and an EBITDA of EUR 52.5 million.

The Business Centre North America is organized in two Business Units, namely the Business Unit Panel (particleboard, MDF and HDF production plants at La Baie and Val d'Or and Sayabec, in Canada and Fostoria, in the USA) and the Business Unit Flooring (production sites Lac-des-Îles, Mont-Laurier, Laval, Canada). Pfeiderer's North American product portfolio comprises particleboard, laminated particleboard, laminated flooring and MDF/HDF sold under the brand names Panfibre, Forpan and Panval for the Business Unit Panel and Unibest and MultiLook, as well as under various house brands for the Business Unit Flooring.

During the restructuring phase of 2005 a particleboard plant in New Liskeard was permanently closed, while a particleboard line and several short cycle presses in Sayabec were temporarily idled and restarted in mid 2006 as the market balance improved and the costs were well controlled.

Following the acquisition of the Pergo Group, Uniboard's Flooring Business Unit could in the medium term be merged with the Pergo business to create a leading integrated laminate flooring producer. This unit would then continue to sell under two distinct brand identities catering both for the higher value and mid market segments (See "*Acquisition of Pergo AB (publ) – Integration of Pergo into the Pfeiderer Group*").

Customers, Marketing and Sales

Pfleiderer's sales and marketing operations are organized according to the Business Centers (Western Europe, Eastern Europe, North America). Generally, Group companies do not conclude long-term contracts with customers.

Business Centre Western Europe

During the fiscal year 2006 Pfleiderer sold products of the Business Centre Western Europe to industrial customers (approximately 61%), to trade customers (approximately 34%) and to other customers (approximately 5%). By targeting specific customers in the industry, trade and processing sectors with its products and services, it is intended to offer contemporary solutions and reliable delivery.

Pfleiderer markets carrier materials of particleboard and MDF/HDF as a raw product as well as with various surface finishes (HPL and MFC), targeted to various groups of buyers in wood trading, interior fittings, the furniture industry and construction industries, through its Business Units and the associated brands "**wodego**", "**Thermopal**", "**Duropol**", "**Kunz**" and "**Pfleiderer**".

While only raw products for the construction industry, laminated flooring manufacturers and furniture manufacturers that face panels themselves are sold under the Kunz brand, Pfleiderer's brand offerings include products in decorative configurations for the furniture industry. The engineered wood activities of the former Kunz Group sell their products under the brands Kucospan (particleboard), Livingboard (panels for wood construction, including parts for prefabricated houses), Formboard (formwork panels), Styleboard (MDF), and Powerboard (HDF). Pfleiderer services its key industrial customers within its "**Key Account**" organization of the Business Units Industry and Kunz. The result is that such customers are given individual attention by highly qualified central sales staff who has built up a long-term partnership with them. Only engineered wood for Business Unit Kunz's wood construction is sold via a network of independent sellers of wood and construction materials.

Most products are marketed under the wodego brand. An important part of the wodego family is formed by decorative products for interior fittings. Marketing under the brand name of wodego takes place in close cooperation with around 140 chosen distributors using a flexible logistics and service system. After being launched on the German market in 2003, the wodego brand was extended to the markets in France, the UK and the Benelux countries in 2004.

The premium brand of Thermopal comprises a high-quality product range with decor and structure match based on 15 carrier materials, more than 275 decors and 15 surfaces, ranging from real-metal coated surfaces and decorative panels to anti-slip and non-electrically conductive coatings as well as individually designed motifs on a high-pressure laminate base. The appearance of the Thermopal brand was revised in 2004. As a means of distinguishing itself more sharply from its competitors, the special focus on the customer and the above-average diversity in terms of design and structure have been highlighted.

The Duropol brand specializes in HPL faced panels and elements, including kitchen worktops and elements for interior decoration. Duropol sells these products in Germany, the Netherlands, the UK, Austria, and Switzerland. HPL faced panels are exported to even greater distances.

Since the newly acquired Pergo Group markets its laminate flooring products under existing Pergo brands, Pfleiderer will decide in the future how to proceed with these brands. As Pergo is one of the strongest brands in the laminate flooring industry, Pfleiderer plans to maintain the Pergo brand and to continue marketing Pergo's products under the existing brand. (See "*Acquisition of Pergo AB (publ) – Integration of Pergo into the Pfleiderer Group*").

Business Centre Eastern Europe

In the Business Centre Eastern Europe, Pfleiderer produces particleboard as a raw product and with various surface finishes. In the fiscal year 2006, 28% of the sales by the Business Centre Eastern Europe were achieved from exports of goods to the Eastern European countries (Russia, Lithuania, Latvia, Estonia, Kazakhstan etc.). In Poland, Pfleiderer sells laminated flooring under the brand UniFloor and all other products under the brand Pfleiderer. Customers are mainly in the furniture industry. In the fiscal year 2006 approximately half of the products were sold to industry or trade customers. With the majority of these products sold directly ex-works to medium and large furniture manufacturers. The sales take place in close consultation with direct customers, so that their requirements for quantities and schedules can be met. The other part of production is marketed via a

network of authorized dealers within the "**Pfleiderer Partner Program**" and via twelve further wholesalers outside this program to smaller furniture manufacturers and individual customers. One of the strengths of this network is that the distributors have their head offices close to urban communities and the centers of the Polish furniture industry. Pfleiderer's regular clientele at Business Centre Eastern Europe is very fragmented with a certain concentration of individual customers in the direct customer segment, which, in fiscal year 2006, generated about 22% of the total sales. (see "*Risk Factors – Risk Factors in respect of the Guarantor – Risks related to the business of the Guarantor and the Pfleiderer Group*").

Business Centre North America

In addition to particleboard, MDF/HDF and the corresponding finished products, Pfleiderer produces laminated flooring in North America.

The products are distributed under the brands Panval (melamine faced particleboard and MDF), Panfibre (MDF/HDF as a raw product) and Forpan (raw particleboard). Approximately 40% of these engineered woods were sold in the fiscal year 2006 via distributors and around 60% as OEM products to the office furniture, shopfitting, kitchen furniture and flat-pack furniture segments. Pfleiderer also markets products in product and colour match ranges to manufacturers of high-pressure laminates under the name of Integra (Integrated Decorative Collection).

Pfleiderer's laminated flooring products are marketed under the brands "**Unibest**", "**Multilook**", "**Allegria**", "**Lock´n Seal**", "**Home Expressions**", "**Activlife**", "**Smartlife**" and other housebrands. In the fiscal year 2006, 15% of sales were made to manufacturers of branded goods in the form of OEM products, 60% via chains of wholesalers, 21% via the DIY market and 4% via the specialized timber and building materials trade. Uniboard Canada Inc. earns approximately 28% of its revenue in the floor coverings segment, and 72% in the panel segment. Approximately 18% of Uniboard Canada Inc.'s total revenues were achieved with its three biggest customers. If supplier relationships with one or more of these customers are terminated and the Pfleiderer Group cannot sell the products elsewhere under comparable conditions, this could have negative repercussions for the revenue and margins of the Pfleiderer Group.

Historical Sales Breakdown, Former Business Divisions and Business Units, and Discontinued Operations

The Pfleiderer Group has undergone significant changes during the past years. The former Business Divisions and Business Units have an impact on the historical breakdown of sales which has to be taken into account, and are discussed after the description of sales breakdown.

Historical Sales Breakdown

The following tables show the Pfleiderer Group's sales in fiscal years 2006 and 2005, broken down by current Business Centers. The subsidiaries of Pfleiderer AG in Germany belong to the Business Centre Western Europe. The Business Centre Eastern Europe comprises the subsidiaries in Poland and Russia, and the Business Centre North America consists of the subsidiaries in Canada and the USA.

	January 1 to December 31	
	- audited –	
	(IFRS excluding discontinued operations)	
Sales Figures (internal and external) in EUR million (rounded)	2006	2005
Business Centre Western Europe	781.5	560.4
Business Centre Eastern Europe	300.5	247.8
Business Centre North America	349.6	22.9
Consolidation	- 16.2	- 1.8
Total Pfleiderer Group	1,415.2	829.3

Former Business Divisions/Business Units and Discontinued Operations

In 2005 and 2006, Pfleiderer sold and transferred the Business Unit Water Systems and the Business Division Track Systems. The remaining engineered wood activities were restructured in the course of purchasing the Kunz Group.

Business Unit Water Systems. The former Business Unit Water Systems produced cable, support pipes, support and offered solutions for water extraction, water storage, filtration and waste water for use in private, industrial and agricultural settings. In the fiscal year 2004, the Business Unit Water Systems at its site in Neumarkt employed 32 people and achieved sales of approximately EUR 6.1 million. The Business Unit Water Systems was sold with effect as of January 1, 2005. The parties agreed on the purchaser's claims after a mediation procedure (see "*Material contracts - Sale of Business Divisions/Business Units. Sale of Water Systems*").

Business Unit Track Systems. In April 2006, Pfleiderer completed the sale of its former Business Division Track Systems. Track Systems was active in the production and distribution of concrete standard railway sleepers and turnout sleepers under the Rheda 2000 and GETRAC brands, as well as in the poles business. In the fiscal year 2005, Track Systems' sales amounted to approximately EUR 146.3 million, which were reported as discontinued operation (see "*Material contracts - Sale of Business Divisions/Business Units. Sale of Water Systems*").

Interwood GmbH. In the second quarter of 2006, Pfleiderer decided to discontinue its marginal activities in the wood supply to third parties, which were concentrated in its subsidiary Interwood GmbH ("**Interwood**"). Interwood's remaining activities have since been reported as discontinued operation. Interwood GmbH was sold effective as of December 29, 2006. Before the sale, Pfleiderer's wood sourcing activities, which were also part of Interwood, were transferred to other entities of the Pfleiderer Group, mainly to PHW (see "*Material contracts – Sale of Interwood GmbH*").

Dependence on Various Contracts

Approximately 95% of the wood required by the German production site at Baruth is supplied by a single supplier. Around 60% of MDF/HDF production at Baruth is supplied to the neighbouring company, W. Classen GmbH & Co. KG. One large furniture manufacturer purchases over 35% of the products manufactured in Saalburg-Ebersdorf.

The Business Centre Eastern Europe obtains approximately 35% of the wood required for its production from the Polish state and another 40% of the wood is supplied by suppliers who in turn get their supplies from the Polish state. 50% of its paper also comes from three major Polish suppliers (see also *Risk Factors – Risk Factors in respect of the Guarantor – Risks related to the business of the Guarantor and the Pfleiderer Group*).

The external resin needs of the companies are largely supplied from a single supplier. The supply agreement with this supplier will expire at the end of 2008. These companies are also dependent on a single partner for the transportation of the chemicals needed for production. Business Unit North America sources the majority of its impregnated paper supplies from one supplier with several production sites under a three year supply contract ending in 2010. Equally, Pfleiderer faces concentration in the supply of rail-freight services, electricity and gas, whereby the latter two are subject to provincial regulation.

Investments

The following table shows the Pfeiderer Group's investments in fiscal years 2006 and 2005, broken down by current Business Centers:

	January 1 to December 31 – audited – (IFRS excluding discontinued operations)	
Investments in EUR million (rounded)	2006	2005
Business Centre Western Europe	26.2	19.5
Business Centre Eastern Europe	66.3	74.0
Business Centre North America	22.3	4.0*
Consolidation	-4.4	-13.0
Total Pfeiderer Group	110.4	84.5

* only December 2005, after acquisition of the Kunz Group.

The main focus of investment was the Business Centre Eastern Europe, including investments of EUR 27.9 million invested in the Group's new plant in Grajewo, Poland, for the production of MDF. Investments in the Group's German plants mainly related to the mere maintenance of these plants. In North America, the main investments were made for the expansion of flooring capacities and an environmental investment at Mont-Laurier, as well as the modernization of the press at this plant.

The Group predicts that investments will amount to over EUR 150 million in the fiscal year 2007. Major projects in the Business Centre Western Europe include modernized wood handling systems and increased capacities for recycled wood utilization. In the Business Centre Eastern Europe, large investments are budgeted for the new MDF plant in Grajewo and the planned capacity increase for glue production at the Silekol plant. In North America major projects include new modernised resin capacity as well as wood recycling and cleaning equipment. On March 23, 2007, Pfeiderer announced an investment program "**Future BC West**" with an aggregate amount of EUR 30 million for the period 2007-2009 in order to increase profitability in the Business Centre Western Europe's mid-term to EBITDA margins to over 15%. Approximately EUR 10 million will already be spent in 2007, partly on new machinery such as a new continuous laminate press at one plant in Germany.

Production, Logistics and Real Estate

The Pfeiderer Group currently operates eight production sites in Germany, three production sites in Poland, one in Russia, six in Canada and one in the USA. Particleboard is produced at the German sites in Neumarkt, Gütersloh, Leutkirch, Saalburg-Ebersdorf and Gschwend, in Poland at the production sites of Grajewo and Wieruszów, in Novgorod, Russia, and at the Canadian production sites of Sayabec/Québec and Val d'Or/Québec. Pfeiderer produces MDF/HDF at the German sites of Nidda (only MDF) and Baruth (MDF and HDF) as well as the Canadian sites of La Baie/Québec (MDF/HDF) and Mont-Laurier/Québec (MDF/HDF). The Arnsberg plant in Germany only produces HPL and furniture elements. MFC is manufactured at the Group's production sites in Gütersloh, Neumarkt and Leutkirch, as well as at the North American production sites of Lac-des-Îles/Québec, Fostoria/Ohio and Sayabec/Québec. Melamine faced MDF panels are manufactured in Nidda, Lac-des-Îles/Québec, and Fostoria/Ohio. The Leutkirch plant manufactures HPL-faced panels and furniture parts in addition to particleboard and melamine surfaced panels. The Canadian plants at Laval/Québec and Lac-des-Îles/Québec also produce laminated flooring. Formaldehyde and glue are produced at the plant in Kedzierzyn-Kozle, Poland and at the Canadian site in Val d'Or/Québec. The impregnation lines at the leased facility in Drummondville/Québec were sold in February 2007.

Thermal energy required for the energy-intensive board production is generated by biomass cogeneration plants at the Group's production sites in Neumarkt, Gütersloh and Baruth. The Business Centre Western Europe operates its own shipping company, JURA Spedition GmbH. In the Business Centre Eastern Europe there is a

similar system with Jura Polska Sp. z o.o. Pfleiderer uses external shipping companies for export and for longer-distance shipping.

The real estate of the Pfleiderer sites is either owned by Pfleiderer Group or subject to long-term leasing agreements. The administration building in Neumarkt and the biomass power plant operated by Unitherm Baruth GmbH in Baruth are also leased.

Environment

The Pfleiderer Group's production processes involve the utilization, storage, transport and disposal of materials and substances that are subject to environmental regulations. The production equipment at the Pfleiderer Group's production sites is subject to licensing under the law on emissions. Extensive, complex and steadily evolving environmental legislation as well as the technical regulations and standards governing its implementation apply to the production sites and systems. The existing environmental requirements may result in Pfleiderer being obligated to remove contamination, deposits or other pollution from the sites affected, or to limit their impact on the environment. The increasing stringency of environmental legislation limiting pollutant emissions may in the future render it necessary for Pfleiderer to undertake measures to reduce emissions as well as other measures to adapt to the legal requirements at its individual production sites. There are comparable requirements for the adaptation of existing equipment to strengthened environmental standards at the North American production sites that Pfleiderer acquired from the Kunz Group during 2005. The acquisition agreements regarding the Kunz Group give the Group various indemnification claims against the Vendor (as defined under "*Material Contracts – Purchase of Companies/Businesses*" below) in relation to these obligations. According to Pfleiderer's estimates, sufficient financial reserves have also been created for the expected expenditures.

The current hazardous-materials classification of formaldehyde is presently under review within the European Union. Formaldehyde is used as a bonding additive in the manufacture of panel materials. Currently, the substance is considered to be potentially carcinogenic. The EU member states are discussing to change the classification to carcinogenic. The collective opinion of the affected industries (besides the wood industry, these are mainly the cosmetics industry, the chemical industry, and the textile industry) is that the conditions for such a classification have not been met. In the event of such a change of the hazardous-materials classification, it cannot be ruled out that additional substantial requirements for emissions reduction of production facilities will be established in the near future, which could result in environmental investments of several million euros for the affected Pfleiderer locations in Europe; and that this could have a substantial effect on the business results of the Company. However, Pfleiderer assumes that the requested change in the hazardous-materials classification will not find the necessary majority of the member states, and is convinced that, even if such a change were to be made, the necessary retrofitting measures, which would affect the entire engineered wood industry, would be limited to reasonable measures.

Research and Development, Patents, Licenses and Trademarks

Research and Development

The research and development activities of the Pfleiderer Group are focused on steadily optimizing and developing its existing product range and production processes. During the fiscal year 2006 the Pfleiderer Group employed 27 (including operations control) full-time employees and one part-time employee in connection with its research and development activities. These include graduate chemists, engineers, lab technicians, chemical and application engineers. The research and development expenditure of the Pfleiderer Group amounted to EUR 0.9 million in the fiscal year 2005, and to EUR 0.9 million in 2006. One of the most important research and development projects from the past two fiscal years is a new type of melamine surface with anti-bacterial effect, which has been registered under the trademark micro PLUS and is intended for use in, *inter alia*, Pfleiderer's kitchen worktop products.

Patents, Licenses and Trademarks

Pfleiderer owns a limited number of patents covering the German market and various foreign markets. The patents include the development of the bio-MDF (a process, in which the conventional gluing process using synthetic urea and formaldehyde-based resins is replaced by entirely biological bonding processes that use enzymes), for which a patent was granted in various countries including Western European countries, Canada and the USA. Pfleiderer has also obtained the protection of an internationally valid patent for a recycling procedure, pursuant to which used chipboard furniture is broken down to its components in a continuous process using a thermohydrolytic procedure (through the use of water vapor) and the wood chips obtained are processed

and directly reused. Pfleiderer's subsidiary Thermopal GmbH also holds patents for certain production procedures for engineered wood production.

Pfleiderer typically does not grant licenses and is not dependent to a significant degree on licenses from third parties. Several manufacturers compete in the North American market for flooring that can be laid without glue, and have secured their market position by obtaining various intellectual property rights, including patents. The validity of these rights is a matter of dispute amongst the competitors, and the scope of the various patent families is unclear. Thus, the legal situation regarding these intellectual property rights as a whole is uncertain. Some companies in the industry, including Pergo, vigorously assert their patents against competitors requesting damages and cease and desist orders both in and out of court (see "*Acquisition of Pergo AB (publ) – Patents*"). The Pfleiderer Group is not involved in any legal disputes relating to intellectual property. However, an unusually broad general exclusion order issued in January 2007 by the U.S. International Trade Commission (ITC) may complicate imports into the United States by Uniboard Canada Inc. However, since Uniboard Canada Inc. does not infringe any valid claims of the patents cited in the order such complications should be of temporary nature.

Trademarks are registered in various countries for the important brands of the Pfleiderer Group, in particular those of "**Pfleiderer**", "**wodego**", "**Thermopal**", "**Duropol**" and "**Duropol solid**". The Pfleiderer brand and logo were transferred in July 2005 from Pfleiderer Unternehmensverwaltung to the Guarantor. The brand has been successfully transferred to most countries in which the mark and logo are registered. Only in the USA and in India, the transfer proceedings are still pending.

Insurance

Companies in the wood processing industry are subject to risks including the risk of fires and explosions, which could cause damage to machinery and systems as well as possible losses through breaks in production. Such risks are therefore covered by appropriate industrial insurance. The combined liability cap for each damage event for fire and business interruption amounts to over EUR 300 million, which is subject to a low participation by Pfleiderer. The premium amounts to EUR 4.4 million annually. To allow for warranty claims arising from its operational activities, Pfleiderer has set aside provisions and covers part of the risks through appropriate insurance. Pfleiderer also has credit insurance in Germany and Poland, but not in North America, to protect it against the risk of default arising from customer insolvencies. The Group provides members of the Managing Board, the Supervisory Board and the other managers of its subsidiaries with director and officer insurance protection through an insurance policy arranged by AXA Corporate Solutions, Cologne, German Branch of AXA Corporate Solutions Assurance, Paris. This policy provides a basic cover of EUR 50 million. A suitable deductible has been arranged for members of the Managing Board and Supervisory Board. Additionally, the Group entered into limited legal protection insurance contracts covering claims against officers of Pfleiderer group entities for compensation of third party financial losses (*Vermögensschadenrechtsschutzversicherung*). The investment in the Group's new plant in Novgorod, Russia, has been insured against political risks. Pfleiderer AG has accident protection insurance which provides for professional, and, to an extent, personal, insurance cover.

Litigation/Administrative Proceedings

The Group is not aware of any pending or threatened litigation or administrative proceedings, other than those described below, which could have any material adverse effects on the Group's business activities or have done so during the last fiscal year. The companies in the Pfleiderer Group are involved in a series of court cases, arbitration and administration proceedings in Germany and in its foreign locations, both in the course of normal business operations and as a result of the reorganization and concentration on Pfleiderer's core business. Though the outcome of these proceedings is uncertain, the Group does not anticipate that an unfavourable outcome of such proceedings for the Group would have a material adverse impact on its business operations.

Request for arbitration by Kunz Holding GmbH & Co. KG under the Kunz Acquisition Agreement

On December 20, 2006, Kunz Holding GmbH & Co. KG as plaintiff filed a request for arbitration against several entities of the Pfleiderer Group as defendants under the sale and purchase agreement relating to the acquisition of the Kunz engineered wood business by Pfleiderer Group entities in 2005 (the "**Kunz Acquisition Agreement**"). Kunz Holding GmbH & Co. KG is claiming for a payment of EUR 23.4 million including interest since January 1, 2005.

In the Kunz Acquisition Agreement, the parties agreed on the payment of the purchase price in two instalments. The second instalment, amounting to EUR 23.4 million (including interest as from January 1, 2005) and subject matter of the current claim, was due and payable on November 30, 2006. The defendants refused to make this

payment arguing – inter alia – that they are entitled to set off certain claims for purchase price adjustment as well as certain claims for misrepresentation and indemnification under the Kunz Acquisition Agreement against the second instalment of the purchase price.

Clauses 4.3 et seq. of the Kunz Acquisition Agreement provides for a possible purchase price adjustment. The parties' views differ as to the amount of a potential purchase price reduction on the basis of these provisions. The accountants in charge of the calculation of the purchase price under the Kunz Acquisition Agreement came to differing results as to the amount of the adjustment since they could – among others – not agree on an unanimous opinion with respect to the question whether the liabilities of the North-American Kunz companies to Brookfield Bridge Lending Fund, Inc. (formerly Brscan Bridge Lending Fund, Inc.) and to Fonds de solidarité des travailleurs du Québec are qualifying as liabilities to credit institutions pursuant to Sec. 266 (3) C 2 of the German Commercial Code (*Handelsgesetzbuch*, "HGB") (see "*Material contracts – Financing agreements of the Canadian companies*"). These liabilities have meanwhile been repaid.

At this point, Pfeleiderer is unable to provide a reliable estimate of the risks involved in such proceedings. This is because the facts of the case have not yet been fully determined, and, therefore, the final decision on the amount of the purchase price adjustment and the claims for misrepresentation and indemnification cannot be predicted. The Pfeleiderer Group defendants, however, intend to defend their case.

In its pre-trial correspondence with the defendants, the plaintiff has reserved the right to terminate the Kunz Acquisition Agreement and to reverse the transfer of the Kunz engineered wood business. In addition, the plaintiff believes to be entitled to claim compensation for further damages against the defendants. While the legal basis of the right to terminate the Kunz Acquisition Agreement and the claims for further damages is subject to further review, a reliable estimate of the risks involved in the arbitration is not possible at this point. The right to terminate the Kunz Acquisition Agreement and claims against Pfeleiderer cannot be excluded.

Arbitration Proceedings with Uralita S.A.

Pfeleiderer AG and a number of its subsidiaries sold the Pfeleiderer Group's Business Centre Insulation Technology to the Spanish company Uralita S.A. and its German subsidiary, URSA Germany GmbH (hereinafter together, "**Uralita**") in 2002. In the wake of the transaction, Uralita asserted claims arising from the alleged infringement of warranties set out in the purchase contract. In 2006, the arbitral tribunal rendered a partial award acknowledging claims in the amount of approximately EUR 0.2 million. Furthermore, Pfeleiderer AG was ordered to compensate Uralita for damages resulting from the fact that it could not use two machines due to third party patent rights. However, up to date, no claims were made against Pfeleiderer AG in this regard. In 2007, upon request by the parties, the arbitral tribunal rendered a final award under which Pfeleiderer AG paid a lump sum of EUR 525,000 to Uralita in exchange for the settlement of all other claims.

Litigation by Interwood GmbH against Harpen

Under a contract dated April 2002, Interwood GmbH agreed to supply used wood to a Harpen Energie Contracting GmbH biomass power plant in Bergkamen, which at the time of the conclusion of the agreement had yet to be built, and to dispose of the ash generated from energy production. Fixed prices for the fuel and the disposal of ash were stipulated for a ten-year period from commencement of the power plant's regular operation. In July 2002, Interwood GmbH made a comparable contract for the supply and disposal of fuel and ash for a biomass power plant in Berlin with Harpen Energie Kommunaltechnologie GmbH ("**EKT**"). The change since that time in the composition of the fuel, primarily consisting of used wood, and the price increase for used wood and ash disposal led to an ongoing dispute between the contracting parties regarding the need to adjust the contract with regard to long-term agreed fixed prices, which could not be calculated due to the extreme fluctuations in the prices for used wood and the cost of ash disposal. Interwood GmbH cancelled the contract with EKT with immediate effect at the end of 2005 due to a delay in the commissioning of the Berlin power plant. EKT objected to the cancellation. With the sale of Interwood (see "*Material Contracts – Sale of Business Divisions/Business Units*"), Pfeleiderer transferred possible liabilities based on claims against Interwood to the purchaser. Claims against Pfeleiderer may in principle only arise on the basis of a patronage provision contained in the contract with EKT. However, the validity of this provision is subject to the dispute between the parties.

Litigation involving Wind Solutions GmbH

Pfeleiderer Wind Energy GmbH which concluded a contract with Wind Solutions GmbH for the sale and purchase of six wind energy plants in January 2003, assigned its claim for payment of approximately EUR 230,000 against Wind Solutions GmbH arising under this contract to a collection service. This collection service subsequently took legal action against Wind Solutions GmbH. The defendant objected that the wind

energy plants have defects and in March 2006 the defendant claimed a set-off against the payment claim because of alleged costs of EUR 235,000 incurred in the removal of defects. The defendant also filed a counterclaim against Pfeleiderer Wind Energy GmbH for payment of an amount of approximately EUR 900,000 to cover the alleged costs of removal of defects. The Group disputes the amounts claimed in the counterclaim and the set-off. At the moment the outcome of the litigation proceedings is uncertain. The parties are currently trying to negotiate a settlement, which may result in costs of around EUR 1.3 million or slightly more.

Administrative and Administrative Court Proceedings Relating to Building and Pollution Control Environmental Permits

All environmental permits granted to Pfeleiderer Group companies for production sites in Germany are enforceable. In the past, individual permits granted to Pfeleiderer Holzwerkstoffe GmbH & Co. KG in respect of its plants in Gütersloh und Neumarkt were subject to administrative proceedings due to objections or suits filed by third parties against the permits. In one such case, another company filed a third-party opposition against the building permit for the new construction of the processing plant in Gütersloh during the administrative procedure, although these opposition proceedings have since been settled. The pollution permits granted for the plant in Neumarkt since 1994 have been challenged by two Neumarkt citizens, in two complaints before administrative courts. These proceedings have also been fully settled. None of the suits filed against the permits was successful. One of the North American sites was not granted the required operating license. Pfeleiderer anticipates that the permits will be granted in 2007 at earliest. There are no pending administrative court proceedings in which Pfeleiderer Group companies are involved.

Talks with the competent authorities about remedies to implement the technology updated since granting of the permit, for example to implement requirements under German Technical Code of Practice (*TA Luft* from 2002, "**TA Luft 2002**")), involve general, refitting measures for the industry, for which the Group has been granted time limits for implementation. For example, TA Luft 2002 partially contains lower emissions thresholds than those set in the previously granted permits, or stricter requirements for the storage of dust-producing goods and emissions monitoring, which the responsible authorities can add to the permits through a subsequent order. However, when doing so, the authorities must grant the time required for implementation. In individual cases, implementing these measures may entail substantial expenditures.

For the Gütersloh and Nidda sites, talks are currently underway with the authorities regarding refitting measures. Given the status of these talks, the Group assumes that these involve implementation deadlines of the end of 2007 or the end of 2010. For the Gütersloh site, the Group agreed with the authorities on a time plan to implement measures to adapt the plants to the new requirements in handling water-hazardous substances by 2007/2008. The Group has made financial provision for the resulting expenditures.

It cannot be ruled out that the authorities of the individual sites will require the companies to take refitting measures in the future, the implementation deadlines of which have not yet been established. This could result in substantial expenditures for the Group (see also "*Environment*").

Regulatory

Pfeleiderer is subject to the applicable laws and regulations of each country in which it operates. These include in particular rules on technical safety and protection of the environment, building regulations, employment laws, labour laws and work safety laws. The wood-processing industry is also governed by the DIN or DIN-EN standards introduced by building inspection authorities and building permits issued by the German Institute for Technical Approvals in the Construction Sector (*Deutsches Institut für Bautechnik*).

Pfeleiderer's business operations are significantly impacted by environmental laws and regulations (see "*Environment*").

The regulatory framework for companies in the wood-processing and related industries is constantly becoming more stringent in order to adapt to technical progress and the increasing importance attributed by the public to environmental protection at both the community and the national level. Such increasing stringency may have negative effects on Pfeleiderer's production costs.

In 2005, the reductions in logging quotas in the Province of Québec, which are coming into effect in progressive steps to 2008, led to a significant reduction in the wood cut by Pfeleiderer pursuant to its existing permit. There was also a reduction in the amount of wood cut by wood suppliers, which led to an increase in wood prices.

MATERIAL CONTRACTS

Purchase of Companies/Businesses

In the Kunz Acquisition Agreement signed on July 15, 2005 (amended through further contracts signed on October 11, 2005 and November 30, 2005), Pfeiderer AG acquired through two acquisition companies the Kunz Group from Kunz Holding GmbH & Co. KG, together with its affiliated companies (jointly referred to here as "**Vendor**"). The Kunz Group comprised a group of companies in the USA, Canada, and Germany, which manufacture and distribute engineered wood products – in particular, particleboard, MDF and HDF panels. The transactional documents were executed on November 30, 2005. However, the acquisition of the Kunz Group became effective retrospectively as of January 1, 2005. The cash purchase price amounted to EUR 147.9 million, including interest, and was divided into two instalments. The first instalment has already been paid. The second instalment, which amounted to EUR 23.4 million including interest, was due November 30, 2006, but was subject to possible adjustments of the purchase price on the basis of the agreed provisions in the Kunz Acquisition Agreement (see "*Litigation/Administrative Proceedings – Request for Arbitration by Kunz Holding GmbH&Co. KG under the Kunz Acquisition Agreement*").

At the time of the acquisition, a company of the Kunz Group, Uniboard Canada Inc., held 50% of the shares plus one further share in the Kunz company MDF La Baie Inc. In March 2006, Uniboard Canada Inc. concluded agreements with the other stockholders of MDF La Baie Inc. to acquire all shares held by the other stockholders. These agreements have since been closed. In addition to the agreements entered into with the Vendor, Pfeiderer has signed a contract with W. Classen GmbH & Co. KG ("**Classen**") – the previous minority partner in Kunz Faserplattenwerk Baruth GmbH – under which Pfeiderer acquired a 40% share in the registered capital of Kunz Faserplattenwerk Baruth GmbH that the vendor did not own, at a price of EUR 45 million including interest. At the closing of this transaction, on December 7, 2005, all shareholdings in Kunz Faserplattenwerk Baruth GmbH were transferred to Pfeiderer. Under the agreement, Classen is exempted from any restrictions on competition arising from its partnership in Kunz Faserplattenwerk Baruth GmbH.

On January 2, 2006, Pfeiderer, through Pfeiderer Grajewo S.A., took over Silekol Sp. z o.o., a Polish glue manufacturer for approximately PLN 23.2 million (EUR 5.9 million).

Sale of Business Divisions/Business Units

Sale of Water Systems

With economic effect as of January 1, 2005, Pfeiderer Infrastrukturtechnik GmbH & Co. KG sold Pfeiderer water systems GmbH to Pfeiderer Invest Veranlagungs GmbH, Vienna, as well as to Dr. Wernher Behrendt, and, in this context, also assigned debt claims against Pfeiderer water systems to the purchasers. The purchase price was a low six-figure amount. Pfeiderer Infrastrukturtechnik GmbH & Co. KG is obligated pursuant to usual representations and warranties, in particular with regard to potential environmental damage. Moreover, the purchaser is liable to the sellers for pending litigation. The contractual liability is limited to EUR 700,000. Pfeiderer water systems GmbH may use the name "**Pfeiderer**" free of charge in perpetuity, to the extent that the name is used in relation to products of the transferred business units. An exception from this is the Pfeiderer logo and lettering, for which use rights were set to expire on December 31, 2005. In relation to the sale, the parties concluded several lease agreements concerning real estate previously used by Pfeiderer water systems GmbH. A service agreement concerning services to be provided on site was concluded with Pfeiderer Service GmbH. The purchasers of Pfeiderer water systems GmbH raised a claim to purchase price adjustment/reimbursement in the amount of about EUR 361,000. After mediation proceedings, the parties agreed on October 6, 2005 that all claims arising out of the purchase agreement known at that time to the parties would be fully satisfied by payment of a low six-figure amount.

Sale of Track Systems

On March 6, 2006, Pfeiderer concluded a sale and transfer agreement for its Track Systems business division with the AXA Group. In the Business Division Track Systems, Pfeiderer had concentrated its concrete sleeper activities and railway infrastructure business. The transaction closed and the business division transferred on April 13, 2006. Track Systems was sold by means of a combined asset and share deal. The sale and transfer agreement contained a comprehensive catalogue of representations and warranties concerning the legal and economic position of Track Systems. The liability of Pfeiderer Infrastrukturtechnik GmbH & Co. KG arising out of these warranties is generally limited to 15% of the purchase price. Furthermore, the parties indemnify and

hold each other harmless for all damage arising out of the refusal of one party to approve the transfer of an existing contractual relationship with Pfeiderer Infrastrukturtechnik GmbH & Co. KG to the purchasers. Liability for environmental guarantees and contamination is limited to EUR 8 million. Pfeiderer additionally generally indemnifies the purchaser for all taxes related to the period ending December 31, 2005. The parties are involved in discussions on certain activities undertaken by Track Systems before the closing of the sale and transfer agreement. At this point, it cannot be excluded that Axa Group will initiate legal proceedings against Pfeiderer.

With regard to certain matters concerning events occurring prior to execution, Pfeiderer agreed to indemnify the purchaser without limitation (including without limitation almost all representations and warranties and products liability claims arising out of products and services delivered prior to execution of the contract and claims related to the sale of Swiss Track Systems AG, a former subsidiary of German track systems Projektgesellschaft GmbH) and to a limited extent with regard to a duty to decontaminate related to historical preservation at the Kirchmöser site. With regard to the business of Track Systems, Pfeiderer is subject to the usual three-year covenant not to compete.

Sale of Interwood

In the second quarter of 2006, Pfeiderer decided to discontinue its marginal activities in wood supply to third parties, which were concentrated in its subsidiary Interwood. In a first step, Interwood transferred its wood supply activities for Pfeiderer Group companies to PHW and another Pfeiderer Group entity, Heller Holz GmbH. Interwood was then sold to DELTA DREIHUNDERTNEUNUNDVIERZIG Unternehmensverwaltungs-GmbH (now A-Z Beteiligungs-GmbH) effective as of December 29, 2006 for a purchase price of EUR 1. The purchaser agreed to take over all outstanding liabilities of Interwood. Pfeiderer will provide certain funds to Interwood which will enable Interwood to operate for a certain period of time. Claims against Pfeiderer may in principle only arise on the basis of a patronage provision contained in the contract with EKT. However, the validity of this provision is subject to the dispute between the parties (see "*Litigation/Administrative Proceedings – Litigation of Harpen against Interwood GmbH*").

Sale of Drummondville Assets

On February 1, 2007, Uniboard Canada Inc. divested four impregnation channels located at leased facilities in Drummondville/Canada to Coveright Surfaces Inc (Québec) for a low one-digit million Euro amount. Both parties have entered into a multi-year supply agreement.

Financing Agreements

Pfeiderer AG Credit Agreement

On November 23, 2005 Pfeiderer AG concluded a syndicated loan agreement with a credit line totaling EUR 790 million. This loan agreement served to finance the purchase price of the acquisition of Kunz Group. Following the sale of Track Systems the amount outstanding under this loan agreement was significantly reduced and therefore and as a consequence of the positive development of the financial situation of the Pfeiderer Group in 2006 a new deal was negotiated in December 2006. The new loan agreement with a credit line of EUR 400 million and approximately CAD 269 million was concluded on December 5, 2006 (the "**Loan Agreement**"). This Loan Agreement refinanced the drawings under the old loan agreement of November 2005 (i.e. purchase price for Kunz Group) and provides for revolving credit lines in the aggregate amount of EUR 257 million to cover working capital needs (Euro tranche term until December 5, 2011 and the CAD tranche until January 5, 2012). As per December 31, 2006, an amount of EUR 299.25 million (EUR 128.43 million and CAD 261.25 million) has been outstanding under the Loan Agreement none of which is allocated under the revolving facilities. The amount of CAD 261.25 million converts into EUR 170.82 million as of December 31, 2006. The term loan proportion of the Loan Agreement (EUR 143 million and CAD 269 million) is amortizing provided that an amount of CAD 202 million is payable at the expiry of the Loan Agreement. The Loan Agreement is, except for guarantees given by certain Pfeiderer Group entities, unsecured and except for the requirement to comply with certain structural formalities it does not contain any restrictions with respect to acquisitions and the incurrence of further financial indebtedness. The Loan Agreement includes certain financial covenants which must be maintained during the term of the Loan Agreement. These covenants include compliance with a predetermined ratio of consolidated total net liabilities to consolidated EBITDA (net leverage) and consolidated total net liabilities to total equity (gearing). If Pfeiderer cannot comply with the agreed-upon financial covenants, and such breach is not cured, or the consortium lenders do not waive their respective rights, this would give rise to a termination right under the terms of the agreement, which would entitle the consortium

lenders, *inter alia*, to require immediate repayment of the loans. With respect to the calculation of these financial covenants the Loan Agreement provides that any amounts considered as equity under IFRS are treated as "equity" and not as debt for the calculation of the financial covenants irrespective of their legal nature. Thus, when calculating the financial covenants, any amount outstanding under the Securities will not be considered to constitute financial indebtedness.

With respect to the financing of the purchase price for the acquisition of Pergo and certain related costs and payments to be made to Pergo in connection with the acquisition, Pfeiderer has obtained a bridge loan facility in the amount of EUR 350 million from a separate bank consortium which will be repaid from the proceeds received in connection with the issuance of the Securities (see "*Use of Proceeds*").

Several German banks make short-term working capital credit lines available to Pfeiderer AG in a total amount of EUR 45 million.

Credit Agreements of Pfeiderer Grajewo S.A. and Pfeiderer Prospan S.A.

The Polish group companies Pfeiderer Grajewo S.A. and Pfeiderer Prospan S.A. have eleven different general credit agreements with six Polish banks totalling PLN 1,033 million (corresponding to a value of about EUR 266 million according to the exchange rate on February 27, 2007). The credit agreements are partly of a long term and short term duration. Currently, the final maturity date is in the year 2015.

Four of the credit agreements are common to Pfeiderer Grajewo S.A. and Pfeiderer Prospan S.A., but the use by Pfeiderer Prospan S.A. is limited to a part of the facilities. The rest of the above-mentioned credit agreements is granted to Pfeiderer Grajewo S.A. only. Collateral was not agreed upon. These agreements include standard financial covenants (equity/assets ratio, cash ratio, leverage).

Pfeiderer OOO Credit Agreement

In the context of the project financing for the particleboard plant in Podberezje, Pfeiderer OOO, Novgorod, Russia, concluded a credit agreement dated December 28, 2005 with the European Bank for Reconstruction and Development ("**EBRD**") in the amount of EUR 35 million. This redemption loan has a term lasting until October 11, 2013. In addition, the EBRD will invest EUR 7 million in the registered capital of Pfeiderer OOO. Related to this loan, Pfeiderer Grajewo S.A. concluded with the EBRD on the same date a subscription agreement for shares in Pfeiderer OOO to be issued in the future, a put-and-call option agreement, and a guarantee and indemnity agreement independent of the existence of the loan obligation. For the equity share in Pfeiderer OOO, Pfeiderer Grajewo S.A. obtained insurance to secure political risks. Furthermore, ZAO Raiffeisenbank Austria makes a short-term working capital line of credit available to Pfeiderer OOO in the amount of EUR 14 million.

Credit Agreements of Pfeiderer MDF Sp. z o.o.

On January 15, 2007 the subsidiary Pfeiderer MDF Sp. z o.o. and PKO Bank Polski S.A. concluded a credit agreement that provides for an investment credit to be used for the construction of an MDF production plant in Grajewo, comprising PLN 102,800,000 and the PLN equivalent of EUR 34,300,000 as well as a working capital credit of PLN 60,000,000 for the financing of VAT liabilities during the construction period and day-to-day operations following the launch of the plant. The value of the agreement as at the date of its execution was PLN 295,784,530. The agreement provides for the repayment of the investment credit in instalments over eight years, while the working capital credit is to be repaid in full after three years from the date of the credit agreement. The credits are secured on the assets of Pfeiderer MDF Sp. z o.o.; the agreement does not provide for any sureties or guarantees by Pfeiderer MDF Sp. z o.o.'s shareholders.

Financing Agreements of the Canadian Companies

The Canadian companies of the Kunz Group had entered into several financing agreements, which were partially taken over or partially discharged by Pfeiderer Canada Inc. as part of the acquisition of the Kunz engineered wood business by Pfeiderer AG. These financing agreements included a debenture from *Fonds de solidarité des travailleurs du Québec* and credit agreements with Brookfield Bridge Lending Funds (formerly: Brascan Bridge Lending Funds). As these agreements were discharged or taken over, respectively, by Pfeiderer Group entities, and no Canadian company of the Pfeiderer Group is subject to any obligations under these third party financing anymore.

The Canadian companies of the Pfeleiderer Group have access to the revolving facilities under the above-mentioned facilities agreement of Pfeleiderer AG. Furthermore the drawn CAD-facility has been made available to Pfeleiderer Canada Inc. as described above.

HSBC makes a short-term working capital line of credit available to Uniboard Canada Inc. in the amount of CAD 10 million.

Factoring Agreements

The three wood sales companies of Business Centre Western Europe, wodego GmbH, Thermopal GmbH, and Pfeleiderer Industrie GmbH ("**Factoring Recipients**") concluded factoring agreements on June 1/29, 2004 with Coface Finanz GmbH ("**Factor**"). The factoring agreements have a term lasting until June 30, 2010 inclusive, and automatically extend for one year respectively if they are not terminated by month's end upon three months' notice. The Factoring Recipients have a one-time right of termination on June 30, 2008. The Factor has a right to termination without notice in case the economic position of Pfeleiderer AG or PHW substantially worsens.

The parties agreed on a total maximum amount of EUR 50 million, which can be increased by agreement amongst the parties to EUR 70 million. Pfeleiderer AG, PHW, and the Factoring Recipient individually guarantee up to the respective maximum amount. Furthermore, Pfeleiderer AG is bound to positive covenants with regard to minimum equity and minimum earnings before tax (EBT). If the covenant amounts are not met, the Factor is entitled to reduce the total maximum amount or to adjust the interest rate for the claims sold to the Factor but still outstanding.

Pfeleiderer is currently assessing the possibility of replacing the factoring agreements with other instruments, such as asset-backed securities transactions.

Commercial Paper Program

In December 2002, Pfeleiderer AG concluded an agreement concerning the establishment of a program for the issuance of short-term debentures in a total nominal amount of up to EUR 200 million with Bayerische Hypo- und Vereinsbank Aktiengesellschaft as arranger and various other banks as dealers. Pursuant to the conditions of the program, the debentures do not accumulate interest, and are granted on a discount basis (zero coupon securities). The term of the debentures expires one year after the issue date, but the issue date is not fixed. The tranches of the debentures issued under the program are each subject to a current market interest rate. At its peak and as of March 30, 2007, EUR 108 million and EUR 103 million, respectively, were outstanding.

Leasing Agreements

General Agreement of P.Lease GmbH & Co. KG

The main leasing agreements of the Pfeleiderer Group were concluded based on a general leasing agreement dated December 18, 2000 between P.Lease GmbH & Co. KG as lessor and, *inter alia*, several group companies as lessees.

P.Lease GmbH & Co. KG is a leasing company of SüdLeasing Bayern GmbH, and has been included in the group financial statements of Pfeleiderer AG since 2005 pursuant to the IFRS standards. Pursuant to the partnership agreement Articles of Association of P.Lease GmbH & Co. KG, 100% of its profits and losses will be transferred to Pfeleiderer Leasing GmbH & Co., which is a general partner of P.Lease GmbH & Co. KG, but holds no share in the equity. The purpose of P.Lease GmbH & Co. KG is the execution of the leasing agreements described below.

Under this general agreement, Pfeleiderer Industrie GmbH, wodego GmbH and Duropal GmbH, as lessees, have concluded agreements including leasing agreements concerning among others the cogeneration facilities and drying facilities at the Neumarkt and Guetersloh locations. The monthly rent payable under these agreements amounts to approximately EUR 0.5 million.

Leasing of a Biomass Power Plant (Real Estate Leasing)

Under a real estate leasing arrangement, Unitherm Baruth GmbH has rented a biomass power plant (cogeneration facility to supply Kunz Faserplattenwerk Baruth GmbH with thermal energy; the electrical energy created is fed into the public power grid pursuant to the German Energy Feed Act (*Energieeinspeisungsgesetz*) at the Baruth location from the real estate holdings company Jasmin Grundstücksverwaltungsgesellschaft mbH. The base rental period is 13.5 years, ending on December 31, 2015. The annual payments amount to EUR 4.1

million. The refinancing of Jasmin Grundstücksverwaltungsgesellschaft mbH is carried out using funds of the German Federal Reconstruction Credit Institution (*Kreditanstalt für Wiederaufbau*, the "**KfW**", KfW Mittelstand Leasing, KfW Umwelt Leasing), and through Landesbank Baden-Württemberg.

ACQUISITION OF PERGO AB (PUBL)

Tender Offer

On January 15, 2007, Pfeiderer, through a wholly-owned Swedish acquisition vehicle Pfeiderer Sweden AB ("**Pfeiderer Sweden**"), announced a recommended public cash offer (the "**Tender Offer**") for all shares in the publicly listed laminate flooring manufacturer Pergo AB (publ). On January 23, 2007, Pfeiderer Sweden published the announced Tender Offer in compliance with Swedish law. The acceptance period ran from January 25, 2007 to February 23, 2007. The offer price amounted to SEK 51 (approximately EUR 5.58 based on an exchange rate of EUR/SEK of 9.14) per Pergo share, which leads to a total volume of SEK 2,732 million (approximately EUR 300 million) for the 53,569,685 shares in Pergo. The Tender Offer did not extend to existing stock options which will be subject to redemption against cash consideration.

Prior to the Tender Offer, Pfeiderer was able to conduct a due diligence of Pergo's business. The total transaction costs, excluding social security charges (which vary by country), for Pergo in relation to the Tender Offer are estimated to amount to approximately SEK 74 million (approximately EUR 8 million). These costs included, but were not limited to, change in control agreements for key employees of Pergo, as well as advisor costs.

The board of directors of Pergo unanimously recommended to accept the Tender Offer. The shareholders Laxey Partners Ltd., M2 Capital Management LP and Nove Capital Fund, which represented a total of 41.9% of the shares in Pergo, irrevocably and unconditionally committed to tender their shares to Pfeiderer and granted an option to Pfeiderer to acquire the shares according to the terms of the offer. Nordea Fonder, which represented 6.9% of the share capital, communicated to support the Tender Offer.

In the Tender Offer, Pfeiderer has reserved the right to acquire shares outside the offer. These acquisitions may not be made at prices higher than the offer or on more favourable terms, unless the offer price is increased accordingly. The completion of the Tender Offer is contingent, *inter alia*, upon an acceptance threshold of 90% of the shares in Pergo. All conditions of the Tender Offer were met. If one or more of the conditions had not been fulfilled, Pfeiderer Sweden would have been entitled to withdraw the Tender Offer. Pfeiderer Sweden reserved the right to waive any or all conditions, including the acceptance threshold, and to extend the acceptance period. Therefore, Pfeiderer Sweden extended the offer period until March 9, 2007. The acceptance threshold had been met during the first acceptance period. Other conditions were not waived.

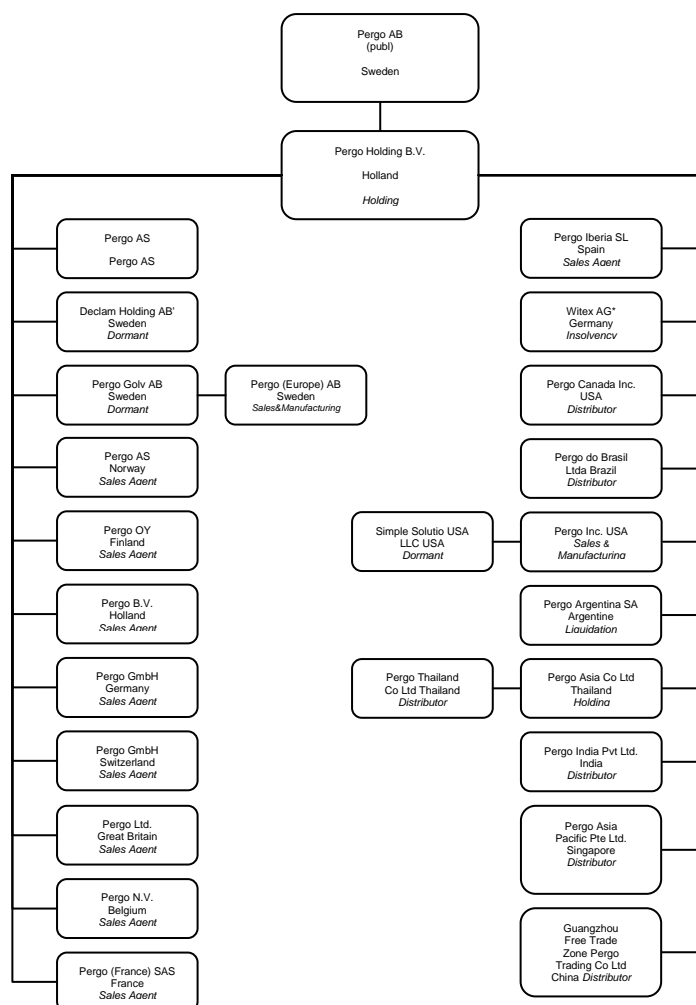
On February 23, 2007, the Tender offer had been accepted for 40,371,157 shares in Pergo, which equals 75.3% of the share capital of Pergo. In addition, Pfeiderer acquired 10,850,247 shares in Pergo equal to 20.2% of the share capital via the stock exchange until February 23, 2007. The settlement regarding these shares and further shares acquired via the stock exchange until February 28, 2007, has taken place on March 6, 2007.

During the extended offer period until March 9, 2007, the offer had been accepted for further 1,798,529 shares, equal to 3.4% of the share capital. In addition, Pfeiderer Sweden acquired further shares via the stock exchange. The settlement with respect to these shares has taken place on March 16, 2007. As a result, Pfeiderer Sweden now owns 98.9% in Pergo, i.e. 52,965,933 shares.

Business Overview of Pergo Group

The following information is based on publicly available documents on the website of Pergo under www.pergo.com and on information made available to the Guarantor by Pergo.

Pergo Group is a flooring manufacturer with prominent market positions in Europe and North America, which is also expanding to Asia and other countries. Pergo Group produces high quality laminate flooring for home and commercial environments. Pergo Group consists of three main segments, namely Pergo North America, Pergo Europe and Others, the latter including Pergo's Asian business as well as intellectual property and headquarter expenses. The former parent company of Pergo, Perstorp Group, invented laminate flooring in 1977 and later launched the Pergo-brand in Europe (1989), in North America (1994) and in Asia-Pacific (1995). In 2001, the Pergo shares were listed on the Stockholm Stock Exchange for the first time. The following organizational chart shows the subsidiaries of Pergo as of November 2006:



All companies 100% owned, except
Pergo India 50% and Witex AG 25, 1%

* Since 2003, Witex AG operates under
insolvency protection.

Pergo's business model is to buy boards from external board manufacturers and paper from paper mills and printers. The paper is impregnated by external suppliers in the U.S. or in the company's own impregnation plant in Perstorp, Sweden. The impregnated paper is then shipped to the direct lamination (DL) operation in Garner, North Carolina, or to the high pressure laminate (HPL) production line in Trelleborg. Thereafter, it is shipped to Pergo's bonding operation. The bonded elements are cut and milled in the Garner and Trelleborg plants. Pergo owns a total of four production sites two of which are located in Garner, North Carolina (laminare flooring plant and molding plant), and one in Trelleborg, Sweden, and in Perstorp, Sweden, respectively. A global product development team in Garner, North Carolina, and in Trelleborg, Sweden, focuses on designs and formats, surface properties and installation technologies. Pergo uses different local entities to distribute its products in Europe, Asia and South America.

According to the Financial Results for 2006 announced on February 20, 2007, Pergo's net sales amounted to SEK 2,950 million (approximately EUR 322.8 million) in 2006, which represents a decline of SEK 65 million (approximately EUR 7.1 million) compared with the net sales of SEK 3,015 million (approximately EUR 329.9 million) in 2005. Pergo's operating income (EBIT) decreased from SEK 174 million (approximately EUR 19.0 million) in 2005 to SEK 73 million (approximately EUR 8.0 million) in 2006. The operating income (EBIT) in 2005 is affected by non-recurring items of some SEK 93 million (approximately EUR 10.2 million). These results are mainly attributed to delays of scheduled new products, lower inventory restocking commitments, softer consumer demand especially in the North American market and currency translation effects.

Pergo sells most of its products in its own name, which enjoys some of the highest consumer recognition of all laminate flooring brands in the US. SimpleSolutions is a brand used for the patented 4in1 mouldings as well as laminate flooring sales of Pergo to warehouse clubs.

Regional Strategies

North America. According to Pergo, Pergo brand is one of the best known and most trusted consumer flooring brands in North America. In North America, sales mainly originate from the residential consumer market. Products are primarily distributed through the home improvement channels and more than 5,000 independent specialty retailers. Besides laminate flooring, which is distributed in several collections under different trademarks, Pergo also distributes hardwood flooring and accessories like moldings and underlayments including patented floor mouldings sold by a subsidiary Simple Solutions.

Pergo's net sales in this area amounted to SEK 1,802 million (approximately EUR 197.2 million) in 2006, thus slightly less than the 2005 net sales of SEK 1,847 million (approximately EUR 202 million). The reduction of the North American sales by 2.4% also led to a reduced profitability as well as a lower return on capital employed (ROCE).

According to the forecasts for 2007, more than three fourths of sales in North America will be generated with three main customers. More than half of sales are generated with one customer. This also leads to increasing account receivables due to extended payment terms.

Europe. Pergo's net sales in Europe declined from SEK 1,064 million (approximately EUR 116.4 million) in 2005 to SEK 1,062 million (approximately EUR 116.1 million) in 2006, which was attributed to increased material costs and lower machinery utilization rates. Nevertheless, Pergo's European operations generated a substantially higher margin despite a flat year-on-year sales development.

The European business underwent restructuring and savings programs, among other reasons due to overcapacity and reduced North American demand for HPL. The saving resulted mainly from headcount lay-offs and legal savings. In the course of the restructuring, volumes were shifted from Europe to North America.

Pergo's European business does not face any problems relating to customer dependency, since the top ten customers represent only about one third of the segment's total sales.

Asia. Pergo's net sales in Asia amounted to SEK 86 million (approximately EUR 9.4 million) in 2006 compared to SEK 104 million (approximately EUR 11.4 million) in 2005. Pergo distributes its products in Asia via subsidiaries in Thailand, India, China and Singapore and especially targets the value-added segment. Pergo's business strategy for Asia is currently under review. In Taiwan and Japan market opportunities shall be investigated.

Management of Pergo

The board of directors of Pergo consists of Bertil Villard (Chairman of the Board), Jan Söderberg, Katarina Wendt Englund, Theodor Dalenson, Roger Buehler (left the board in February 2007), Henry Guy and David Marcus, and Robert Engman, Lars Ohlert, Christer Jönsson and Göran C. Karlsson as members elected by the employees. Senior executives of Pergo are Tony Sturru (President and CEO of Pergo AB), Cristian Stenström (Senior Vice President & President Europe), Frida Rosenholm (Senior Vice President General Counsel), John Armel (Senior Vice President Finance & Group Controller), and Bengt Lundgren (Vice President Product and Business Development). The management of Pergo can be reached at the company address under Pergo AB, Head office, Strandridaregatan 8, P.O Box 1010, SE 231 25 Trelleborg, Sweden, Tel: +46 (0) 8 790 3884.

Some managers are entitled to retention bonuses and/or change of control bonuses triggered by a change of control of Pergo following a public offer. The bonuses could entail additional costs for Pergo in a substantial double-digit million SEK amount plus any social benefit costs payable for individual persons plus costs related to the stock option plan. It is likely that some of the employment contracts of the top executives include pension and other benefits that go beyond the benefits granted to employees.

Employees

The following table provides an overview of the number of employees (headcount) in the Pergo Group as of the end of the year.

	Europe	North America	Asia	Total
2005	379	275	49	703
2006	315	249	58	622

In Sweden, Pergo applies an ITP pension plan for white collar employees and the SAF-LO pension plan for blue collar employees. The ITP pension plan is the regular Swedish pension plan for white collar employees in the private sector, which includes benefits like old age pension, survivor's pension and disability pension. It is a result of a collective bargaining agreement. The SAF-LO plan is a defined contribution scheme with no significant financial risks. The ITP pension plan is a defined benefit scheme, but is accounted for as defined contribution, because the insurance company can not provide sufficient information regarding the amount of liability or plan asset. Therefore, this plan bears the risk that in the future it will be accounted for as defined benefit and the defined benefit obligation minus plan assets should be recognized in the balance sheet.

In the US, employees are covered by health insurance, a disability benefit and a life insurance, and are entitled to a paid company leave of eleven holidays. In addition, the employees can contribute to a pension plan (401k).

Patents

Pergo's intellectual property portfolio comprises approximately 300 trademarks and trademark applications, almost 500 granted patents and pending patent applications, an extensive list of copyrights and 55 domain names. The Pergo® trademark is one of Pergo's most valuable assets and Pergo is one of the most recognized brands in the international flooring industry. Pergo's patent portfolio covers important Pergo inventions, such as glueless mechanically locking joints, the 'embossed in register' technology, as well as the '4in1' moldings and 'TitanX' surface technology. Pergo continues to innovate, which led to the creation of numerous new intellectual properties in 2006.

Pergo grants licenses to its intellectual properties in exchange for license payment and asserts its patents against infringing competitors. Pergo has initiated a program to re-evaluate its intellectual property strategy, in order to generate greater revenue from its intellectual property portfolio.

Pergo is a party to several license agreements. It is possible that some of these license agreements will terminate in connection with Pfeiderer's acquisition of Pergo. Since several manufacturers have obtained patents relating to flooring products and the scope and validity of the patents have not been settled by final and conclusive court decisions, it cannot be excluded that Pergo will be involved in legal disputes relating to patents in the future. As with any patent infringement litigation, such disputes may bear risks, but also opportunities for Pergo.

Pergo is party to only two significant legal disputes: one "offensive" US litigation in which Pergo has sued Armstrong World Industries, Alloc Inc. and Berry Finance NV for infringement on Pergo's mechanically locking patents and one "defensive" US litigation in which Välinge Innovation AB, Alloc Inc. and Berry Finance NV have sued Pergo and Unilin for infringement on Välinge's mechanically locking patents. Pergo AB and Välinge Innovation AB, being the owner of the patents asserted against Pergo in the "defensive" US litigation, have entered into a patent settlement and cooperation agreement on February 5, 2007. The parties agreed on cross-licensing of the parties' basic patents related to basic locking technology and new advanced locking systems, as well as an a cooperation regarding technology development and utilization. However, as further parties besides Välinge Innovation AB and Pergo are involved in the US litigation, the lawsuits continue to be pending and are moving slowly through the US legal system. No reservations were made in Pergo's books for 2006 relating to these disputes as they are not expected to result in negative consequences for Pergo.

Integration of Pergo into the Pfeiderer Group

In order to integrate Pergo into the organizational structure of the Pfeiderer Group and its existing Business Centre Organization, Pfeiderer has initiated the integration process. A Steering Committee, composed of Members of the Executive Board of Pfeiderer, presides over an Integration Management Team to which 5 management members of Pergo and Pfeiderer belong Both the Integration Management Team and the Steering Committee meet for intensive workshops on a regular basis in order to define and execute integration projects, design the joint market approach in North America, define the organizational structure of Pergo within Pfeiderer's Business Centre Organization and initiate new projects and control the integration process.

The integration process aims at integrating Pergo fast and smoothly into the Pfeiderer organization with respect to technical and cultural aspects order to create a joint corporate culture that helps realizing the existing synergetic potentials. Over 30 integration projects have already been identified which are initiated and executed step by step. By the end of 2007, most of the integration projects will be completed; only those projects with a longer runtime i.e. IT-integration, will last until 2008.

With regard to the Business Centre North America, Pfeiderer and Pergo will merge into a combined unity whereas Pergo's business in Europe will be run as a separate unit Laminate Flooring to expand Western European Laminate Flooring activities with high speed and to accelerate entry into the new Eastern European Laminate Flooring markets.

Financing of the Tender Offer

The purchase price for the acquisition of the Pergo shares and certain related costs and payments to be made by Pfeiderer Sweden AB in connection with the acquisition will amount to approximately EUR 316 million (based on exchange rate of EUR/SEK 9.14 on February 14, 2007). Pfeiderer has obtained a bridge loan facility in the amount of up to EUR 350 million from a bank consortium. The loan has to be repaid in July 2008 at the latest. Pfeiderer up to now has drawn under this loan EUR 236,500,000. The remainder of the purchase price has been funded from other sources. The loan will be repaid from the proceeds received in connection with the issuance of the Securities (see "*Use of proceeds*" and "*Material contracts – Financing agreements*") and any remaining amount will be repaid from an increase of Pfeiderer's factoring program of currently only EUR 50,000,000 to approximately EUR 90,000,000.

Reasons for the Tender Offer and Strategy

Pfeiderer's management expects the acquisition to enhance Pfeiderer's position in the North American laminate flooring market and accelerate Pfeiderer's move into the European laminate flooring market. With this consolidation Pfeiderer can strengthen its position in the North American market, which according to Pergo's estimate in the recommendation regarding the Tender offer is growing significantly by at least 9%, and provide a platform for further organic growth. Other synergies can be generated from overhead reduction, better use of intellectual property rights and licenses and from improved logistics. In North America, Pfeiderer and Pergo combined will be a major North American laminate flooring producer with state of the art integrated production facilities and a complete product range. With synergies relating to market channels, the highly recognized brands Pergo and Uniboard, which will both be maintained, are better exploitable. Regarding the manufacturing process, there is synergy potential in the combination of licenses, optimized use of production facilities and in capacity optimizations. In procurement, synergies are targeted not only by larger quantities, but also by insourcing of previously purchased goods and services. On the other hand, there is also a significant risk of cannibalization effects, especially in relation to one mutual important customer.

After the acquisition of the shares in Pergo, Pfeiderer will call for compulsory purchase of the minority shares. The shares in Pergo have been delisted as of March 30, 2007. This will also save certain overhead costs.

Impact of the Tender Offer on Financial Ratios of Pfeiderer Group

Based on preliminary figures, Pfeiderer Aktiengesellschaft reported on February 28, 2007, Pfeiderer Group revenues of EUR 1,415 million with earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 208.1 million for FY 2006. Net debt for Pfeiderer amounts to EUR 414.6 million as of December 31, 2006. It is calculated as the balance of cash and cash equivalents amounting to EUR 35.4 million plus the deposits with financial institutions that have a maturity of more than three month and are included in the balance sheet position "receivables and other assets" amounting to EUR 7.6 million less current financial debt and non-current financial debt amounting to together EUR 457.6 million.

Based on financial results reported from Pergo AB on February 20, 2007 and based on an exchange rate EUR/SEK of 9.24 on February 20, 2007, Pergo AB's revenues for FY 2006 amounted to EUR 319 million. EBITDA for FY 2006 came in at EUR 25.9 million. As of December 31, 2006 Pergo AB had a net debt position of EUR 23.8 million.

Pro forma, Pfeiderer Aktiengesellschaft and Pergo AB as a combined group would have generated revenues of EUR 1,734.3 million in FY 2006 and an EBITDA of EUR 234 million. Pro forma net debt position and ex offer value for the transaction, the combined group's net debt would have amounted to EUR 438,4 million. Including the offer value net of transaction cost of 295.6 million, net debt as of December 31, 2006 would have amounted

to EUR 734.0 million. Deducting EUR 269 million following the issue of the hybrid bond (net proceeds), net debt position would have reached EUR 465 million, i.e. 1.99 times pro forma EBITDA in 2006.

USE OF PROCEEDS

The net proceeds from the issuance of the Securities, amounting to approximately EUR 269 million, will be used to repay a bridge loan of EUR 236.5 million granted to the Guarantor with respect to the acquisition of Pergo AB (publ) and to further finance this acquisition.

SELECTED FINANCIAL INFORMATION

The following selected financial data for the years 2006 and 2005 are excerpted from the financial statements of the Issuer and the consolidated financial statements of the Guarantor as of December 31, 2006 and December 31, 2005, which have been audited by KPMG Accountants N.V. and KPMG AG, respectively, the statutory auditors during these periods. Accounting and reporting of the Issuer and the Guarantor is performed in accordance with Dutch GAAP and IFRS, respectively.

Investors should read the information below together with the consolidated financial statements of Pfeiderer, including the notes thereto, the interim reports, and the other financial information that is incorporated into this Prospectus by reference (see "*Incorporated by Reference*").

The financial year of both the Issuer and the Guarantor is the calendar year.

Selected financial information about the Issuer

Statements of Income of Pfeiderer Finance B.V. (Dutch GAAP)

(in EUR million)	2006	2005
Interest income	18.9	12.9
Interest expense	- 19.1	- 11.4
Gross margin	- 0.2	1.5
Administration Expenses	-0.2	-0.3
Other income/expenses	0.1	- 0.1
Operating Income	- 0.3	1.1
Income taxes	0.1	- 0.3
Earnings for the period	- 0.2	0.8

Balance Sheet of Pfeiderer Finance B.V. (Dutch GAAP)

(in EUR million)	2006	2005
Assets	132.1	462.1
Current assets	132.1	462.1
Receivables and other assets	132.1	462.1
Current income tax receivable	0.6	0.0
Equity and Liabilities	132.1	462.1
Equity	0.2	1.2
Subscribed capital	0.5	0.5
Capital reserve including Loss carry forward and net profit	- 0.2	0.7
Non-current liabilities	95.2	139.8
Financial debt	95.2	139.8
Other liabilities	0.0	0.0
Current liabilities	36.7	321.1
Financial debt	36.6	320.5
Other liabilities	0.1	0.6

Selected financial information about the Guarantor

Consolidated Statements of Income of Pfeiderer AG (IFRS)

(in EUR million)	2006	2005
Revenues	1,415.3	829.3
Cost of sales	- 1,036.0	-596.6
Gross Margin	379.3	232.7
Sales and Distribution Expenses	-170.5	-111.8
Administration Expenses	-103.8	-67.8
Research and Development Expenses	-0.9	-0.9
Other income/expenses	28.6	5.1
Operating Income	132.6	57.3
Interest income	5.5	4.8
Interest expenses	-46.3	-24.9
Other financial expenses	0.5	-1.8
Financial result	-40.3	-21.9
Income taxes	-25.2	3.2
Earnings from continuing operations	67.2	38.6
Earnings from discontinued operations	50.0	8.4
Income taxes on discontinued operations	-16.3	-3.4
Earnings for the period	101.0	43.6
Minority interests	-17.1	-14.7
Net earnings for the group	83.9	28.8

Consolidated Balance Sheet of Pfeiderer AG (IFRS)

(in EUR million)	2006	2005
Assets	1,372.7	1,442.3
Non-current assets	1,042.1	1,002.7
Goodwill	268.8	260.4
Other intangible assets	12.3	15.7
Property, plant and equipment	689.3	648.1
Financial Assets	5.6	9.3
Other accounts receivable and other current assets	8.1	2.9
Deferred tax assets	58.0	66.3
Current assets	330.6	439.5
Liquid funds	35.4	74.3
Receivables and other assets	124.4	99.0
Inventories, net	156.7	154.1
Current income tax receivable	4.3	4.2
Sundry Assets	6.5	5.6
Assets of discontinued Operation	3.3	102.3
Equity and Liabilities	1,372.7	1,442.3
Equity	542.3	275.1
Subscribed capital	136.5	109.3
Capital reserve including Loss carry forward and net profit	302.3	61.9
Treasury shares	-1.2	-2.4
Other comprehensive income	-1.7	6.2
Shareholders' equity	435.9	175.0
Minority interest	106.4	100.1
Non-current liabilities	450.0	488.0
Provisions for pensions and similar obligations	16.5	62.7
Other provisions	19.8	23.0
Deferred tax liabilities	35.4	45.7
Financial debt	376.4	355.7
Other liabilities	1.9	0.9
Current liabilities	380.4	679.2
Other provisions	44.3	43.5
Financial debt	81.2	346.1
Liabilities and other liabilities	212.8	220.2
Other liabilities	1.0	2.2
Income tax liabilities	0.3	2.2
Liabilities of discontinued operations	40.8	65.0

Consolidated Cash Flow Statement of Pfeiderer AG (IFRS)

(in EUR million)	2006	2005
EBIT	133.0	55.4
Dilution valuation CTA	-26.9	0
Taxes paid	-11.8	-6.6
Depreciation and write-ups of non-current assets	75.2	48.7
Capital gains/losses	0.5	0.4
Change in provisions for pensions	0.2	1.9
Change in current assets	-17.5	-3.1
Change in sundry non-current assets	-5.8	0.7
Change in current liabilities excluding financial liabilities	-16.2	16.5
Change in non-current liabilities excluding financial liabilities	-6.9	-5.9
Other non-cash expenses	-12.4	-0.8
Cash flow from operating activities	111.4	107.2
Investments in:		
– intangible assets	-1.1	-2.5
– property, plant and equipment	-110.1	-78.2
– other investments and financial assets	-0.4	-0.7
Acquisition of consolidated and repurchase of treasury shares	-45.9	-185.9
Proceeds from disposal of non-current assets	11.0	2.4
Funding of CTA	-30.0	0
Cash flow from investing activities	-176.5	-264.9
Change in financial liabilities	-240.8	144.0
Change in externally factored receivables	-4.5	14.5
Dividend to minority shareholders	-6.2	-8.2
Dividends shareholders	-8.0	0
Capital increase	192.0	0
Interest paid	-30.6	-22.5
Purchase of treasury shares	0	-2.4
Interest received	3.7	4.8
Other financial activities	0.3	0.3
Cash flow from financing activities	-94.1	130.5
Change in cash and cash equivalents	-159.2	-27.2
Changes in cash and cash equivalents from discontinued operations	118.3	-6.9
Change in cash and cash equivalents from first time consolidation	1.0	26.6
Cash and cash equivalents at the beginning of the period	74.3	80.1
Change in cash and cash equivalents from exchange rate changes	1.0	1.7
Cash and cash equivalents at the end of the period	35.4	74.3

Distribution of Consolidated Revenues by Geographical Regions

(in %)	2006	2005
Germany	32,2	40,1
Other Countries	67,8	59,9

Revenues by Corporate Divisions (internal and external revenues)

(in EUR million)	2006	2005
Business Centre Western Europe	781.5	560.4
Business Centre Eastern Europe	300.3	247.8
Business Centre North America	349.6	22.9
Consolidation/Other	-16.1	-1.8
Total group	1,415.3	829.3

Results Breakdown

(in EUR million)	2006	2005
Operating EBIT by Divisions		
Business Centre Western Europe	64.1	36.6
Business Centre Eastern Europe	40.9	35.3
Business Centre North America	33.6	-2.0
Total divisions	138.6	69.9
Corporate/Consolidation	-5.6	-14.5
Group Operating EBIT	133.0	55.4

TAXATION

The following is a general discussion of certain Netherlands, German and Luxembourg tax consequences of the acquisition and ownership of Securities. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Securities. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of the Kingdom of the Netherlands, the Federal Republic of Germany and the Grand-Duchy of Luxembourg currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF SECURITIES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF SECURITIES, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES, UNDER THE TAX LAWS OF THE NETHERLANDS, GERMANY, LUXEMBOURG AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS.

Taxation in the Netherlands

The following is a summary of certain material Netherlands tax consequences of purchasing, owning and disposing of the Securities. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or dispose of the Securities. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary does not allow any conclusions to be drawn with respect to issues not specifically addressed. This summary is based on the laws of the Netherlands currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

In the following, it is assumed that the holders of the Securities do not hold a substantial interest in the Issuer. Generally speaking, an interest in the share capital of the Issuer should not be considered a substantial interest if the holder of such interest, and, if the holder is a natural person, his or her spouse, (registered) partner, certain other relatives or certain persons sharing the holders' household alone or together, does or do not hold, whether directly or indirectly, the ownership of, or certain rights over, shares or rights resembling shares representing five percent or more of the total issued and outstanding capital, or the issued and outstanding capital of any class of shares of the Issuer.

Also, it is assumed that the Securities and income received or capital gains derived therefrom, are not attributable to employment activities of the holder of the Securities.

Furthermore, it is assumed that the holders of the Securities are not residents of the Netherlands, not deemed to be residents of the Netherlands and have not opted to be treated as residents of the Netherlands.

Withholding tax

All payments made by the Issuer under the Securities may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, except where the Securities are issued under such terms and conditions that such Securities can be classified as equity of the Issuer for Netherlands tax purposes or actually function as equity of the Issuer within the meaning of article 10 paragraph 1, letter d of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

Taxes on income and capital gains

A holder of Securities will not be subject to Netherlands taxes on income or capital gains in respect of any payment under the Securities or in respect of any gain realised on the disposal or deemed disposal of the Securities, provided that:

- (i) such holder does not have an enterprise nor a co-entitlement to the net worth of such enterprise other than as a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Securities are attributable; and

- (ii) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands that exceed regular asset management (*normaal actief vermogensbeheer*).

A holder of Securities will not become subject to Netherlands taxation on income or capital gains by reason only of the issue of the Securities or the performance by the Issuer of its obligations thereunder.

Gift, estate and inheritance taxes

No Netherlands gift, estate or inheritance taxes will arise on the transfer of Securities by way of gift by, or on the death of, a holder of Securities who is neither resident nor deemed to be resident in the Netherlands, unless:

- (i) 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 the Securities are or were attributable; or
- (ii) in the case of a gift of the Securities 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.

Turnover tax

No Netherlands turnover tax will arise in respect of any payment in consideration for the issue or transfer of the Securities or with respect to any payment by the Issuer of principal, interest or premium (if any) on the Securities.

Other taxes

No Netherlands registration tax, transfer tax, stamp duty or any other similar documentary tax or duty will be payable by the holders of the Securities in respect of or in connection with the issue of the Securities or the performance by the Issuer of its obligations thereunder.

Taxation in the Federal Republic of Germany

Tax Residents

Payments of interest on the Securities to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to German personal or corporate income tax (plus solidarity surcharge (*Solidaritätszuschlag*) thereon). Such interest may also be subject to trade tax if the Securities form part of the property of a German trade or business.

Upon the disposition of a Security carrying interest a holder of the Security will also have to include in his taxable income any consideration invoiced separately for such portion of the interest of the current interest payment period which is attributable to the period up to the disposition of the Note (*Stückzinsen*, "**Accrued Interest**"). Accrued Interest paid upon the acquisition of the Securities may be declared as negative income if the Security is held as a non-business asset.

If for the determination of the issue price of the Security the redemption amount is reduced by a discount or if the redemption amount is increased as compared with the issue price of the Security (as, for example, in the case of a discounted Security or a Security with accrued interest added), the difference between the redemption amount and the issue price of the Security ("**Original Issue Discount**") realized when a Security held as a non-business asset is redeemed to its initial subscriber will be taxable investment income, however, only if the Original Issue Discount exceeds certain thresholds; in such case, the Security qualifies as a financial innovation under German tax law.

If the Security qualifies as a financial innovation (*Finanzinnovation*) (including, among other things, zero coupon notes or other discounted notes or notes with accrued interest added) and is disposed of while outstanding or redeemed at maturity, such portion of the proceeds from the disposition of the Security or of the redemption amount of the Security which equals the yield to maturity of the Security attributable to the period over which the holder has held such Security, minus interest, including Accrued Interest, already taken into account, will be subject to income tax (plus solidarity surcharge thereon), provided the holder of the Security is

an individual. The yield to maturity is determined by taking into account the Original Issue Discount. If the Securities do not have a predetermined yield to maturity (*Emissionsrendite*) or the holder does not give proof thereof, the difference between the proceeds from the disposition, assignment or redemption and the issue or purchase price of the Security (*Marktrendite*) is subject to income tax (plus solidarity surcharge thereon) in the year of the disposition, assignment, or redemption of the Security. Where a Security forms part of the property of a German trade or business, in each fiscal year the yield to maturity of the Security to the extent attributable to such period has to be taken into account as interest income by the initial subscriber of the Security and is subject to personal or corporate income tax (plus solidarity surcharge thereon) and trade tax.

Capital gains from the disposition of Securities, other than income described in the preceding paragraph, are only taxable to a German tax-resident individual if the Securities are disposed of within one year after their acquisition or form part of the property of a German trade or business. In the latter case the capital gains may also be subject to trade tax. Capital gains derived by German-resident corporate holders of Securities will be subject to corporate income tax (plus solidarity surcharge) and trade tax, even if the Securities do not qualify as financial innovations.

If the Securities are held in a custodial account which the Security-Holder maintains with a German branch of a German or non-German bank or financial services institution (*auszahlende Stelle*, "**Disbursing Agent**") a 30% withholding tax on interest payments (*Zinsabschlag*), plus 5.5% solidarity surcharge on such tax, will be levied, resulting in a total tax charge of 31.65% of the gross interest payment. Withholding tax is also imposed on Accrued Interest. If the Securities qualify as financial innovations, as explained above, withholding tax at the aforementioned rate will also be withheld from the difference between the proceeds from the disposition, assignment or redemption and the issue or purchase price of the Securities if the Security has been kept in a custodial account with such Disbursing Agent since the time of issuance or acquisition, respectively. If the Securities have been transferred into the custodial account of the Disbursing Agent only after such point in time, withholding tax at the aforementioned rate will be levied on a lump-sum basis on 30% of the proceeds from the disposition, assignment or redemption of the Securities. In computing the tax to be withheld the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest paid by the holder of a Security to the Disbursing Agent during the same calendar year. In general, no withholding tax will be levied if the holder of a Security is an individual (i) whose Security does not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property, and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Security together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the holder of the Security has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

Withholding tax and the solidarity surcharge thereon are credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts overwithheld will entitle the holder of a Security to a refund, based on an assessment to tax.

Non-Residents

Interest, including Accrued Interest and (in the case of financial innovations) Original Issue Discount, and capital gains are not subject to German taxation, unless (i) the Securities form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder of a Security or (ii) the interest income otherwise constitutes German source income (such as income from the letting and leasing of certain German-situs property). If the non-resident of Germany is subject to German taxation with income from the Securities, a tax regime similar to that explained above at "**Tax Residents**" applies; capital gains from the disposition of Securities are, however, only taxable in the case of (i).

Nonresidents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Securities are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above at "**Tax Residents**".

Proposal for the Introduction of a Flat Tax on Investment Income and certain Private Capital Gains

According to a draft bill issued by the German Federal Ministry of Finance on February 5, 2007, it is envisaged to introduce a flat tax (*Abgeltungssteuer*) on certain investment income and certain private capital gains as elements of a corporate income tax reform.

The flat tax would generally be levied by German paying agents as a withholding tax. It would subject, *inter alia*, interest income and capital gains from the disposal of debentures held as non-business assets, irrespective of any holding period. The flat tax would satisfy any income tax liability of the investor in respect of such investment income or private capital gains. The envisaged flat tax would be levied at a rate of 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax) of the relevant gross income. However, taxpayers would be entitled to apply for a tax assessment, *i.e.* to include all investment income and private capital gains in their taxable income if the resulting tax is lower. The latter would be the case if the personal income tax rate of the investor was lower than the flat tax rate. However, even in this case, the investment income and private capital gains would have to be taken into account at their gross amount, *i.e.* any income-related expenses except for a small lump-sum tax allowance would not be deductible from the investor's tax base.

According to the draft bill, the flat tax would become effective as of January 1, 2009 but would only be imposed on private capital gains from assets acquired after December 31, 2008, unless the assets qualify as financial innovations in which case the new tax regime would be applicable even if the assets were acquired prior to January 1, 2009.

It remains unclear whether and in which form the envisaged legislative changes will become effective.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Security will arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Security is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Securities. Currently, net assets tax is not levied in Germany.

Taxation in Luxembourg

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Luxembourg and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of this section it has been assumed that the Securities would be considered as debt instruments under Luxembourg tax law. Prospective purchasers of the Securities are advised to consult their own Luxembourg tax advisors as to the tax consequences of a purchase of a Security including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of Securities or any interest therein.

The summaries set out below are based upon Luxembourg tax law as in effect on the date of this prospectus and are subject to any change in such law that may take effect after such date. References in this section to holders of Securities include the beneficial owners of the Securities.

Under existing Luxembourg laws, payments of interest or similar income on Securities may currently be made free of withholding tax or deduction for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Grand Duchy of Luxembourg or any political subdivision or taxing authority thereof or therein, subject to (i) the laws of June 21, 2005 implementing the European Union Savings Directive (as defined below) and ratifying certain agreements (the "**Agreements**") concluded with dependent and associated territories of certain European Union Member States (see "*European Union Savings Directive*" below) and (ii) the law of December 23, 2005 introducing a withholding tax on certain payments of interest made to certain Luxembourg resident holders of Securities (the "**Law**"). Subject to the laws of June 21, 2005 implementing the European Union Savings Directive and ratifying the Agreements and the Law, there is no Luxembourg withholding tax upon repayment of principal or upon redemption or exchange of the Securities.

Payments of interest or similar income on the Securities made or deemed made by a paying agent (within the meaning of the Law) established in Luxembourg to or for the benefit of an individual resident of Luxembourg who is the beneficial owner of such payment will be subject to a withholding tax at a rate of 10%. Such withholding tax will be in full discharge of income tax if the individual beneficial owner acts in the course of the

management of his/her private wealth. The Luxembourg paying agent will be responsible for the withholding and the payment of the tax.

Under the European Union Savings Directive and the laws of June 21, 2005 implementing the European Union Savings Directive and ratifying the Agreements, a Luxembourg based paying agent (within the meaning of the European Union Savings Directive) is required to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State of the European Union or a residual entity within the meaning of article 4. 2. of the European Union Savings Directive ("**Residual Entities**") established in another Member State of the European Union, unless the beneficiary of the interest payments elects for an exchange of information or otherwise complies with the relevant procedures. The same regime applies to payments to individuals or Residual Entities resident in any of the following territories: the Netherlands Antilles, Aruba, Guernsey, Jersey, the Isle of Man, Montserrat and the British Virgin Islands.

The withholding tax rate is initially 15%, increasing to 20% and then to 35%. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries (the transitional period may therefore never end).

All payments qualified as interest or similar income received by a holder of Securities who is a resident of Luxembourg for tax purposes or who has a fixed place of business, permanent establishment or permanent representative in Luxembourg, to which the Securities are attributable, are subject to Luxembourg income tax.

Gains realized by an individual holder of Securities, who is a resident of Luxembourg for tax purposes and who acts in the course of the management of his/her private wealth, on the sale or disposal, in any form whatsoever, of Securities are not subject to Luxembourg income tax, provided the sale or disposal took place six months after the acquisition of the Securities. However, the portion of the gain corresponding to accrued but unpaid interest in respect of the Securities must be included in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement governing the sale or disposal of the Securities.

Gains realized by an individual holder of securities acting in the course of the management of a professional or business undertaking, or a corporate holder of Securities, who is a resident of Luxembourg for tax purposes or who has a fixed place of business, permanent establishment or permanent representative in Luxembourg to which the Securities are attributable, is subject to Luxembourg income tax on the sale or disposal, in any form whatsoever, of Securities. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Securities sold or redeemed.

A non-resident holder of Securities, not having a fixed place of business, permanent establishment or permanent representative in Luxembourg to which the Securities are attributable, is not subject to Luxembourg income taxes neither on interest received or accrued on the Securities. Any gain realized by such non-resident holder, on the sale or disposal, in any form whatsoever, of Securities is also not subject to Luxembourg income taxes.

Luxembourg net wealth tax is levied on a Luxembourg holder of Securities if such holder is an entity subject to net wealth tax in Luxembourg (net wealth tax has been abolished in respect of natural persons from 1 January 2006) or if the Securities are attributable to an enterprise which is carried on through a permanent establishment, fixed place of business or permanent representative in Luxembourg. Net wealth tax is levied annually at 0.5% on the net wealth of such entity or Luxembourg permanent establishment, fixed place of business or permanent representative of such enterprise.

There is no stamp duty, registration duty, transfer duty or other similar duty or tax levied in Luxembourg in respect of the issuance, transfer, assignment, sale or disposal of the Securities.

Under present Luxembourg tax law, where a holder of Securities is a resident for tax purposes of Luxembourg at the time of his/her death, the Securities are included in his or her taxable estate for inheritance tax purposes. Gift tax may be due on a gift or donation of the Securities, if the gift is recorded in a Luxembourg deed.

European Union Savings Directive

On June 3, 2003, the Council of the European Union approved a directive regarding the taxation of interest income (the "**European Union Savings Directive**"). Accordingly, each EU Member State must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of this state details of the payment of interest made to any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying

agent (within the meaning of the European Union Savings Directive) is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

For a transitional period, Austria, Belgium and Luxembourg may opt instead to withhold tax from interest payments within the meaning of the European Union Savings Directive at a rate of 15% for the first three years from application of the provisions of such directive, of 20% for the subsequent three years, and of 35% from the seventh year after application of the provisions of such directive.

In conformity with the prerequisites for the application of the European Union Savings Directive, Switzerland, Liechtenstein, San Marino, Monaco and Andorra have confirmed that from July 1, 2005 they will apply measures equivalent to those contained in such directive, in accordance with agreements entered into by them with the European Community. It has also been confirmed that certain dependent or associated territories (the Channel Islands, the Isle of Man and certain dependent or associated territories in the Caribbean) will apply from that same date an automatic exchange of information or, during the transitional period described above, a withholding tax in the described manner. Consequently, the Council of the European Union noted that the conditions have been met to enable the provisions of the European Union Savings Directive to enter into force as of July 1, 2005.

By legislative regulations dated January 26, 2004 the Federal Government enacted the provisions for implementing the European Union Savings Directive into German law. These provisions apply as of July 1, 2005.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated April 25, 2007 (the "**Subscription Agreement**") between the Issuer, the Guarantor, ABN AMRO Bank N.V. and Barclays Bank PLC (together the "**Managers**"), the Issuer has agreed to sell to the Managers, and the Managers have agreed, subject to certain customary closing conditions, to purchase, the Securities on April 27, 2007 at a price of 100% of their principal amount (equivalent to EUR 50,000 per Security) (the "**Issue Price**"). The Issuer has furthermore agreed to reimburse the Managers for certain expenses incurred in connection with the issue of the Securities.

The Subscription Agreement will provide that the Managers are entitled, under certain circumstances, to terminate the Subscription Agreement. In such event, no Securities will be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Securities.

The Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Pfleiderer Group, for which the Managers or their affiliates have received or will receive customary fees and commissions.

Selling Restrictions

United States of America and its Territories

The Securities and the Subordinated Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**") and the Securities are subject to U.S. tax law requirements. Subject to certain exceptions, the Securities and the Subordinated Guarantee may not be offered, sold or delivered within the United States. Each Manager has agreed that it will not offer, sell or deliver any Securities or the Subordinated Guarantee within the United States.

In addition, until 40 days after the commencement of the offering of the Securities and the Subordinated Guarantee, an offer or sale of the Securities or the Subordinated Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom of Great Britain and Northern Ireland

Each Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act of 2000 (the "**FSMA**") received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Italy

Each Manager has acknowledged that the offer of the Securities has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") (the Italian Securities and Exchange Commission) pursuant to Italian securities legislation and, accordingly, Securities may not be offered, sold or delivered, nor may copies of this document or of any other document relating to the Securities be distributed in the Republic of Italy in a solicitation to the public at large (*sollecitazione all'investimento*) within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree no. 58 of 24 February 1998, unless an exemption applies. Accordingly, in the Republic of Italy, the Securities:

- (a) shall only be offered or sold to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998, as amended and effected in compliance with the terms and procedures provided therein ("**Regulation No. 11522**"); or
- (b) shall only be offered or sold in circumstances which are exempted from the rules on solicitations of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the "**Financial**

Services Act") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Moreover, and subject to the foregoing, each Manager has acknowledged that any offer, sale or delivery of the Securities or distribution of copies of this document or any other document relating to the Securities in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**"), Regulation No. 11522 and any other applicable laws and regulations; and
- (ii) in compliance with any other applicable laws and regulations including any relevant limitations which may be imposed by CONSOB or the Bank of Italy.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the Prospectus Directive, such requirements shall be replaced by the applicable requirements under the Prospectus Directive or the relevant implementing provisions.

General

In addition to the specific restrictions set out above, the Managers have severally agreed that they will observe all applicable provisions of law in each jurisdiction in or from which it may offer Securities or distribute any offering material in respect of the Securities.

GENERAL INFORMATION

Authorisation

The creation and issue of the Securities has been authorised by a resolution of the management board of the Issuer on April 20, 2007 and approved by resolutions of the supervisory board and the shareholder of the Issuer, each dated April 23, 2007. The working committee of the supervisory board (*Arbeitsausschuss des Aufsichtsrats*) of the Guarantor has approved the issuance of the Securities and the granting of the Subordinated Guarantee and the Subordinated Undertaking on April 25, 2007. The managing board (*Vorstand*) of the Guarantor has approved the issuance of the Securities and the granting of the Subordinated Guarantee and the Subordinated Undertaking on April 25, 2007.

Payment Information

Payments and transfers of the Securities will be settled through Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking. Société anonyme ("**Clearstream Luxembourg**"), as described herein. The Securities have been accepted for clearing by Euroclear and Clearstream Luxembourg.

Notices to Holders

As described in § 11 of the Terms and Conditions, all notices to the Holders shall be

- (i) published (so long as the Securities are listed on the Luxembourg Stock Exchange and the rules of that exchange so require) either in a leading daily newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*) or on the website of the Luxembourg Stock Exchange on www.bourse.lu. Any notice will become effective for all purposes on the date of the first such publication; and
- (ii) delivered to the Clearing System for communication by the Clearing System to the Holders.

Luxembourg Listing and Admission to Trading

Application has been made for the Securities to be listed on the official list and to be admitted to trading on the market of the Luxembourg Stock Exchange (Regulated Market "*Bourse de Luxembourg*"). The Paying Agent in Luxembourg will act as intermediary between the Issuer and the Holders admitted to trading on the market of the Luxembourg Stock Exchange. For as long as the Securities are listed on the Luxembourg Stock Exchange, the Issuer will maintain a Paying Agent in Luxembourg.

Clearing Codes

The Securities have been accepted for clearing by Euroclear and Clearstream Luxembourg with the following security identification number:

ISIN Code: XS0297230368
Common Code: 029723036

Rating

The securities are expected to be rated B 1 (stable outlook) by Moody's and BB- (stable outlook) by Fitch upon issuance.

Publication of Documents

This Prospectus will be made available to the public by publication in the electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Availability of Documents

For so long as any Security is outstanding, copies of the following documents may be inspected during normal business hours at the specified office of the Principal Paying Agent and as long as the Securities are listed on the Luxembourg Stock Exchange the documents set out under (d), (e), (f) and (h) below will be available on the

website of the Luxembourg Stock Exchange (www.bourse.lu) and (free of charge) at the head office of the Paying Agent in Luxembourg:

- (a) the agency agreement in respect of the Securities;
- (b) the Subordinated Guarantee;
- (c) the Subordinated Undertaking;
- (d) the articles of association of the Issuer;
- (e) the articles of association (*Satzung*) of the Guarantor;
- (f) this Prospectus;
- (g) the confirmation of the authorisation of the issue of the Securities by the Issuer and the giving of the Subordinated Guarantee by the Guarantor; and
- (h) documents incorporated by reference into this Prospectus.

Expenses of the Issue

The expenses of the issue of the Securities will amount to approximately EUR 6 million.

INCORPORATION BY REFERENCE

The following documents which have been published previously and filed with CSSF shall be incorporated in and form part of, this Prospectus:

- (a) the audited annual financial statements of Pfleiderer Finance B.V. for the financial year ended December 31, 2006 (in German)
 - Balance Sheet (page 4);
 - Income Statement (page 5);
 - Cash Flow Statement (pages 6 to 7);
 - Notes (pages 8 to 18);
 - Auditor's report (pages 19 to 20);
- (b) the audited annual financial statements of Pfleiderer Finance B.V. for the financial year ended December 31, 2005 (in German)
 - Balance Sheet (page 3);
 - Income Statement (page 4);
 - Notes (page 5 to 12);
 - Auditor's report (page 13);
- (c) the audited consolidated annual financial statements of Pfleiderer Group for the financial year ended December 31, 2006, to be found in the Annual Report 2006 of Pfleiderer Group (pages 16 to 129, in German)
 - Group Management Report (pages 16 to 66);
 - Consolidated Balance Sheet (pages 68 to 69);
 - Consolidated Income Statement (page 70);
 - Consolidated Cash Flow Statement (page 71);
 - Notes (pages 76 to 129);
 - Auditor's Report (pages 136 to 137).
- (d) the audited consolidated annual financial statements of Pfleiderer Group for the financial year ended December 31, 2005, to be found in the Annual Report 2005 of Pfleiderer Group (pages 20 to 127, in German)
 - Group Management Report (pages 20 to 60)
 - Consolidated Balance Sheet (pages 62 to 63)
 - Consolidated Income Statement (page 64)
 - Consolidated Cash Flow Statement (page 65)
 - Notes (pages 70 to 125)
 - Auditor's Report (pages 126 to 127)

Any information not listed in the above list but included in the documents incorporated by reference is given for information purposes only.

The documents incorporated by reference are available on the website of the Luxembourg Stock Exchange (www.bourse.lu) and may be inspected and are available free of charge at the specified office of the Paying Agent in Luxembourg as long as any Securities are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require.

ISSUER

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GUARANTOR

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Trust & Securities Services
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Germany

LISTING AGENT AND PAYING AGENT IN LUXEMBOURG

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Grand Duchy of Luxembourg

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TO THE GUARANTOR

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TO THE GUARANTOR

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As to the laws of Germany

**Hengeler Mueller
Partnerschaft von Rechtsanwälten**

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*As to the laws of the Netherlands (except for the tax
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Linklaters

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