

Annual Report

2002

## Investments 2002<sup>1</sup>

	Turnover	EBIT	Result before tax	Dividend per share	Dividend	Employees
	EUR m	EUR m	EUR m	EUR	EUR m	Average
Austrian Airlines <sup>2</sup>	2,204.4	41.4	4.2	–	–	7,358
BÖHLER-UDDEHOLM <sup>2</sup>	1,441.2	111.9	82.1	2.3	24.1	9,296
OMV <sup>2</sup>	7,079.4	494.8	473.9	3.5	94.0	5,748
Telekom Austria <sup>2</sup>	3,908.2	323.5	43.8	–	–	15,714
voestalpine <sup>2</sup>	4,391.9	223.0	122.0	1.2	47.4	21,738
VA TECH <sup>2</sup>	3,871.6	83.3	–90.7	–	–	17,725 <sup>3</sup>
ÖIAG-Bergbauholding	65.8	3.6	8.1	<sup>4</sup>	3.2	419
Österreichische Post	1,571.7	–7.6	–1.9	<sup>4</sup>	36.3	29,558
Österreichische Postbus	199.3	–4.8	–5.0 <sup>5</sup>	<sup>4</sup>	–	2,807

<sup>1</sup> voestalpine AG: Financial Year 2002/2003 (April 1, 2002 – March 31, 2003)

<sup>2</sup> Listed

<sup>3</sup> As at December 31, 2002

<sup>4</sup> Information irrelevant for non-listed companies

<sup>5</sup> Ordinary business result

# Investment and privatisation management for the Republic of Austria

Österreichische Industrie Holding AG is the investment and privatisation agency of the Austrian Republic.

In line with its governmental mandate, ÖIAG employs a double strategy. On the one hand, it stimulates increases in the value of the investments for which it is responsible and on the other, it continually examines exit scenarios with the aim of achieving the partial or complete privatisation of those companies for which privatisation is envisaged.

Both strategies are implemented simultaneously, in order to achieve maximum independence and the corresponding privatisation successes. Apart from the maximisation of returns, the securing of jobs represents a major privatisation criterion.

ÖIAG regards itself as an organisation that operates in close cooperation with industry and outside the political sphere. Its portfolio currently contains eight companies and corporate groups.

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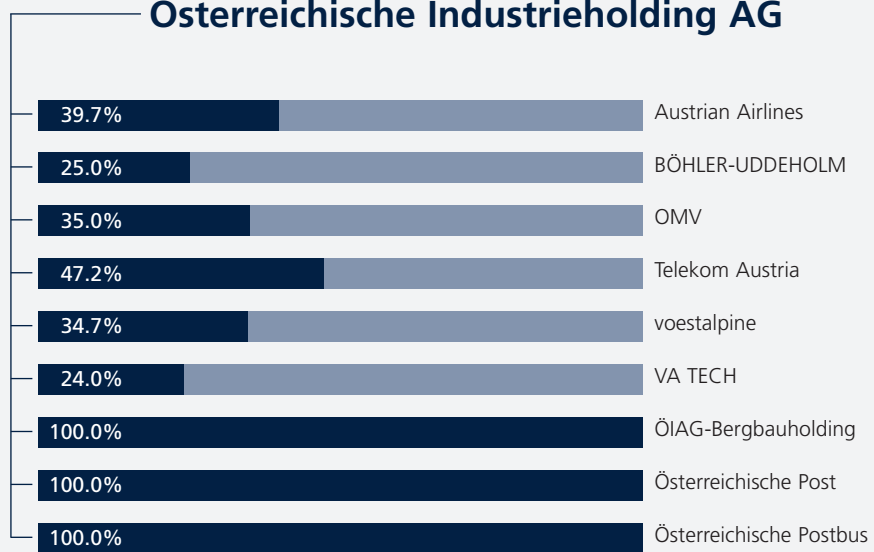
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## Österreichische Industrieholding AG



# ÖIAG

Annual Report 2002

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# Events 2002

## January

Peter Michaelis assumes the Supervisory Board chairmanship of the Österreichische Post and initiates restructuring.

## February

## March

100% disposal of Strohal Rotationsdruck GmbH to the Invest Equity Group.

## April

Capital increase at voestalpine – share capital raised from EUR 239.8 million to EUR 287.8 million; ÖIAG investment reduced from 37.8% to 34.7%.

## May

Rainer Wieltch appointed to the Managing Board.

## June

Telekom Austria purchases Telecom Italia Mobile's 25% interest in mobilkom Austria with the active assistance of ÖIAG.

## July

Distribution of the Supervisory Board mandates:  
**Peter Michaelis:** Telekom Austria, Österreichische Post, Österreichische Postbus, VA TECH (*Chairman*);  
**BÖHLER-UDDEHOLM, OMV (Vice-Chairman),**  
 voestalpine (*Member*)

## August

**Rainer Wieltch:** Austrian Airlines, OMV, ÖIAG-Bergbauholding (*Chairman*); voestalpine, Österreichische Post, Österreichische Postbus (*Vice-Chairman*), Telekom Austria, VA TECH, BÖHLER-UDDEHOLM (*Member*)

## September

Contract signed for the sale of Österreichische Postbus to ÖBB – contractual period of one year.

## October

## November

## December

New corporate structure agreed for VA TECH.

# Twin strategy comprised of value added and privatisation



Rainer Wieltisch

Peter Michaelis

## Interview with the ÖIAG Managing Board members, Peter Michaelis and Rainer Wieltisch

*»Largely as a result of the subdued economic and stock exchange situation, ÖIAG was unable to carry out any major privatisations during 2002. Therefore, from your perspective what were the main ÖIAG highlights and achievements during the past financial year? «*

### Peter Michaelis:

»Apart from Telekom Austria, the “old” privatisation mandate was already completed at the end of 2001. Therefore, as contractually agreed in 2001, during 2002 we only sold off the Strohal printing house, although this alone provided proceeds of EUR 27.8 million.

Nonetheless, in 2002 we can point to a series of successes and we have laid the foundation stone for future steps towards privatisation. In this connection, I am thinking of the repurchase of mobilkom austria by Telekom Austria, which we negotiated, the sale of Postbus AG to ÖBB, the successful introduction of the restructuring of Österreichische Post AG and the implementation of a new corporate structure at VA TECH. BÖHLER-UDDEHOLM also did very well in a difficult environment.«

### Rainer Wieltisch:

»Moreover, as far as the companies are concerned where I belong to the Supervisory Board, or am the Chairman, during the past year Austrian Airlines did some excellent work regarding restructuring and created the platform for a sustained turnaround. In 2002, OMV also progressed along its route to become a top player in the CEE oil and gas industry. voestalpine carried out a capital increase in order to finance acquisitions in the motion division. ÖIAG also took part in this capital increase, which represents a sign of its confidence in the company’s successful approach. Finally, at the end of the year, a new Bergbauholding CEO was appointed, who will rapidly implement the planned measures in the mining area.«

*»Our investments all achieved respectable results, despite a genuinely, problematic economic scenario.«*

*»In other words, developments were positive despite the generally negative economic situation?«*

**Rainer Wieltsch:**

»Yes, our investments all achieved respectable results, despite a genuinely, problematic economic scenario.

In a ranking list published by the Financial Times during the summer of 2002, the listed ÖIAG investments were among the top enterprises in their respective industries.

This fact is reflected in an impressive manner by the value development of the ÖIAG portfolio. Our listed investments maintained their value of around EUR 3.2 billion between 2000 and 2003, while, e.g. during the same period the DAX fell by around 70%. All in all, our investments have a current value of EUR 4.5 up to EUR 4.8 billion.«

»We manage and control our investments in a manner targeted on increased value.«

*»Apart from privatisation, value management is one of the most important ÖIAG activities?«*

**Peter Michaelis:**

»Yes, because privatisation can only be a real success, if the company offered is genuinely attractive. Therefore, the privatisation mandate, both the new and the old, envisaged value management as the second central ÖIAG task. We take this assignment extremely seriously and regard it as a challenge to manage and control our investments in a manner targeted on increased value.

With this in view, since 2001 we have been using the EVA (Economic Value Added) management and remuneration system developed by Stern Stewart & Co. This provides a perfect springboard for value oriented company management through the combination of result development

and capital components. Naturally, we do not restrict ourselves to purely numerical targets and controls, but closely examine the strategies and plans of our investments. In addition, within the scope of our responsibilities as Supervisory Board members, we also regularly play a decisive role in the approval process for major projects.

In the meantime, the EVA system has been implemented throughout the ÖIAG and remuneration at all investments contains incentive components, either directly on the basis of EVA, or using an accompanying EVA calculation. We intend to further intensify this programme during 2003, in order to secure comprehensive implementation.«

**Rainer Wieltsch:**

»One can certainly discuss the merits of the various value management systems, but unanimity exists between analysts and managers on one point. Namely, that a company must earn its capital costs on a sustainable basis, a principle that represents the main element in the Economic Value Added concept.

During 2002, we were able to achieve EVA growth of around EUR 200 million in the ÖIAG portfolio. In relative terms this is a notable improvement, although from an absolute viewpoint, considerable potential remains among individual investments.«

»During 2002, we were able to achieve EVA growth of around EUR 200 million in the ÖIAG portfolio.«

*»What is the situation with regard to debt repayments?«*

**Peter Michaelis:**

»In the past three years, ÖIAG debt has been cut from around EUR 6.3 billion to about EUR 2.6 billion. This means that today, ÖIAG is no longer a

burden on the taxpayers, as with the dividends from its investments and investment income, it is able to pay the interest on its debts and finance its own operations.

If the net debt totalling EUR 2 billion is offset against the total value of our investments, which are worth EUR 4.5 up to EUR 4.8 billion, coverage is exceeded by a factor of 2.8.«

## »Finding the correct balance between earnings maximisation and the justified wish for the upholding of Austrian interests.«

*»How does this measure up with the dividend payment of EUR 300 million required by the finance minister for the legislative period? «*

**Rainer Wieltsch:**

»Up to now, the legislative situation excluded the payment of a dividend prior to the complete redemption of ÖIAG's debts and this was the reason why no dividends were distributed in the past. However, the new ÖIAG Act now makes dividend payments legally possible and on this basis, in 2003 ÖIAG will deliver a dividend of EUR 200 million from the result for 2002. In 2004, a dividend of EUR 100 million will be paid from the result for 2003.«

*»At the end of March, the new federal government agreed on a new privatisation mandate. How is ÖIAG to develop?«*

**Peter Michaelis:**

»No major changes have occurred in our concepts as far as the two main elements in our activities, value management and privatisation subject to the criteria of job security and income maximisation, are concerned. However, logically the list of companies to be privatised is new.«

**Rainer Wieltsch:**

»Finding the correct balance between earnings maximisation and the justified wish for the uphold-

ing of Austrian interests, particularly those relating to the national capital market, is certain to remain a tough task. Moreover, it should not be forgotten that EU standards must be adhered to during privatisation and therefore our exits should occur within the framework of open processes.«

*»Who is on the list of "privatisation candidates"? «*

**Peter Michaelis:**

»The new privatisation mandate allotted to us by the government envisages the complete sale of the state's investment in BÖHLER-UDDEHOLM, VA TECH, voestalpine and ÖIAG-Bergbauholding, Telekom Austria, in which we have a 47.2% interest, is to be privatised "up to 100%". A strategic partner is to be sought for Österreichische Post AG and this will represent an initial step towards privatisation.«

**Rainer Wieltsch:**

»Austrian Airlines and OMV will therefore remain in our portfolio for the foreseeable future. As far as Austrian Airlines is concerned, restructuring remains the main priority and it will take at least a couple of years to ascertain whether a sale is possible and beneficial against the background of the position in the Star Alliance. In addition, questions relating to the aviation rights have to be considered. Together with IPIC, we will also continue to accompany OMV on its successful course and a sale at present would certainly be inopportune. At the end of the legislative period we will draw up a balance and assess whether OMV has attained its targets under its own steam. We will then consider further privatisation in co-ordination with IPIC.«

*»In concrete terms what do your privatisation concepts for the individual companies look like?«*

**Peter Michaelis:**

»The first priority is a targeted evaluation, which we will complete rapidly, but with all the necessary care. Basically, during all privatisation steps, we weigh up the chances of finding a strategic partner, or whether the investment should be sold via the stock exchanges. These recommendations are then implemented in agreement with the owner.

The **Österreichische Post** was completely restructured in 2002 and thus prepared for privatisation. Business was divided into five divisions with clear responsibility for results. At the same time, a reduction in the number of post offices led to a tangible reduction in costs. In combination with a current quality offensive and the expansion of regional logistics centres, these measures mean that despite a reform backlog dating back almost a decade, the **Österreichische Post** is definitely on the right track. Here, we are looking to make a statement at the first possible opportunity as to whether the restructuring has facilitated a stand-alone solution, or if the company needs reinforcement in the shape of a strategic partner.

As far as **Telekom Austria** is concerned, which in recent years has achieved a marked improvement in its operative performance, strategic investors have signalled their interest. At the same time, in line with a dual track approach, we are also examining the option of selling our investment via the stock exchanges. This is an especially sensitive matter with regard to this company and thus we are moving with great care, e.g. in relation to our liquidity agreement with **Telecom Italia**. Following the repurchase of **mobilkom Austria**, which we negotiated and that has initiated the general withdrawal of **Telecom Italia**, **Telekom Austria** has gained far greater flexibility with regard to the shape of its future development.

At the end of the past year, **VA TECH** received a completely new corporate structure and is thus far better equipped for activities in its core **Metallurgy**, **Hydro Power Generation** and **Power Transmission and Distribution Divisions**. In the coming years, the company will concentrate on the implementation of these restructuring measures. The main problem requiring solution in order that **VA TECH** can translate its good market positions in other areas into corresponding results, relates to the **Water Systems Division**. Here, we will certainly be conducting discussions with any interested parties.

This also applies to **BÖHLER-UDDEHOLM**. Here, a main Austrian shareholder already exists, which means that a relatively short-term, orderly exit strategy might well be possible.

A good example of the successful implementation of our value management strategy is **Österreichische Postbus AG**. In 2002, this company almost achieved a balanced result and in 2003, it seems highly probable that this goal will be finally attained. In September 2002, a purchase agreement was concluded with **ÖBB** (Austrian Federal Railways), which still awaits anti-trust law approval. Following transfer to **ÖBB**, the privatisation mandate envisages the partial privatisation of the company.«

»We can take the necessary time for the evaluation of what, in line with our allotted mandate, we regard as being the most intelligent exit scenario and are not confronted by the need to sell at any price, in what is currently a difficult market.«

#### Rainer Wieltsch:

»At **voestalpine** an energetic management with an accepted value increase strategy is headed in the right direction. The realisation of this strategy involves acquisitions and their integration into the Group. Incidentally, there are also initial indications that in the case of this company, the key Austrian shareholder referred to in the privatisation mandate has already been found.

Following the end of coal mining in **Graz-Köflach**, **ÖBAG** will be the object of a privatisation project. To this end, mining activities are to be concentrated around the **Erzberg** and privatisation will either take place in a complete or phased manner. We are optimistic that we can complete this project by 2005.«

*»Will privatisation occur in 2003?«*

**Peter Michaelis:**

»There is no hurry to sell-off part investments in order to cover our interest payments, which amount to around EUR 120 million annually. Therefore, we can take the necessary time for the evaluation of what, in line with our allotted mandate, we regard as being the most intelligent exit scenario and are not confronted by the need to sell at any price, in what is currently a difficult market.

Accordingly, a firm commitment as to whether or not an exit can take place this year cannot be given at present. However, you can rest assured that we are working with all speed on the implementation of our governmental assignment. And should a profitable opportunity present itself, then we will certainly seize it.«

*»In general, do you prefer privatisation via the stock exchanges or through a sale to strategic investors?«*

**Rainer Wieltsch:**

»In the final analysis, the question of a sale always relates to the concrete alternatives available for the respective project. Therefore, we examine this aspect of each privatisation project on an individual basis. Above all, the advantageous proceeds resulting from a sale to a strategic investor must be measured against the prescribed protection of Austrian interests and a decision made in close liaison with the owner.

As always, the advantages for the company and in particular, job security and creation, form the predominant factors in our deliberations, along with the maximum return for the taxpayers.«

*»One final question. What do you see as ÖIAG's role in relation to the investment management company planned by the government?«*

**Peter Michaelis:**

»At the moment, our focus is on the fastest possible completion of our privatisation mandate according to the best of our abilities. In this connection we constantly have our tasks of investment and value management in mind.

It can be seen from the privatisation mandate that the investment management company envisaged will be responsible for the remaining ÖIAG investments, Austrian Airlines, OMV and the remaining interests in Telekom Austria and Post AG, as well as ÖBB and ASFINAG (Austrian Motorway and Trunk Road Financing Company). We believe that it would be worthwhile to use the know-how available in ÖIAG for this new company, not least because further privatisation cannot be excluded.

However, for the time being we are concentrated fully on the completion of our current privatisation tasks, namely increasing the value of our portfolio companies and privatisation subject to the going concern principle and the securing of Austrian jobs.«

*»Thank you for the interview.«*

# Corporate bodies

## Supervisory Board

**Alfred H. HEINZEL**

*Chairman*

Managing Director, Heinzel, Bunzl Beteiligungs- und Liegenschaftsverwaltungs (Holding) GmbH

**Jürgen HUBBERT**

*First Vice-Chairman*

Member of the Managing Board, Daimler Chrysler AG, Mercedes-Benz cars and Smart Division

**Hellwig TORGLER**

*Second Vice-Chairman*

Lawyer, Schönherr Practice

**Paul ACHLEITNER**

Member of the Managing Board, Allianz AG

**Karl BÜCHE**

Chairman of the Managing Board, BBAG Österreichische Brau-Beteiligungs-AG (from June 28, 2002<sup>1</sup>)

**Astrid GILHOFER**

Member of the Managing Board, P Beteiligungs AG (from June 28, 2002<sup>1</sup>)

**Cornelius GRUPP**

Chairman of the Supervisory Board, CAG Holding GmbH (until June 28, 2002<sup>1</sup>)

**Franz RAUCH**

Managing Director, RAUCH Fruchtsäfte GmbH (until June 28, 2002<sup>1</sup>)

**Veit SCHALLE**

Chairman of the Managing Board, REWE Austria AG

**Veit SORGER**

Chairman of the Managing Board, Frantschach AG

**Paul TANOS**

Managing Partner, P. TANOS Immo- und Consulting GmbH (until June 28, 2002<sup>1</sup>)

**Erich WIESNER**

Managing Director, Wiesner-Hager Baugruppe GmbH

**Siegfried WOLF**

President & CEO, Magna Steyr AG & Co KG (from June 28, 2002<sup>1</sup>)

<sup>1</sup> Within the course of the regular "self-renewal" of the ÖIAG Supervisory Board (see below), Cornelius Grupp and Franz Rauch left their posts. Their places were taken by Karl Büche and Siegfried Wolf. Paul Tanos withdrew from the ÖIAG Supervisory Board at his own request and was replaced by Astrid Gilhofer.

Extract from the ÖIAG Act 2000 (§4)

(1) Ten members of the Supervisory Board should be appointed for reasons of their achievements as generally recognised entrepreneurs from the world of business, members of the executive management of registered companies, or persons with long experience of commercial life. Appointments and their termination take place in accordance with resolutions passed by this circle of Supervisory Board members.

(3) The appointment of each member of the Supervisory Board pursuant to §4 Section 1 extends up to the Annual General Meeting, which decides on the discharge for the seventh full financial year following election, whereby the year of election is excluded. Unless a member leaves the Board prematurely, two Supervisory Board members resign their posts every second year, while three members leave the Board in each of the sixth and eighth years. Should a member leave the Board prematurely, the election of a replacement for the remainder of the mandatory period must be undertaken immediately.

## Employee Representatives

**Leopold ABRAHAM**  
Chairman of the Central Staff Council, OMV AG

**Anton BENEDER**  
Chairman of the Central Staff Council, VA TECH  
ELIN EBG GmbH (from June 6, 2002)

**Gerhard FRITZ**  
Chairman of the Central Committee,  
Österreichische Post AG

**Erich HUHNDORF**  
Chairman of the Central Committee,  
Telekom Austria AG

**Josef LETTMAIER**  
Chairman of the Salaried Staff Council,  
Elin EBG Elektrotechnik GmbH  
(until March 15, 2002)

**Helmut OBERCHRISTL**  
Chairman of the Staff Council,  
voestalpine Stahl Linz GmbH

## Managing Board

**Peter MICHAELIS**

**Rainer WIELTSCH**  
(from May 1, 2002)

the **Invest**

ments

# The portfolio at a glance

	<b>Austrian Airlines AG<sup>1</sup></b>	<b>BÖHLER- UDDEHOLM AG<sup>1</sup></b>	<b>OMV AG<sup>1</sup></b>	<b>Telekom Austria AG<sup>1</sup></b>
Area of activity	Austria's national carrier, scheduled, charter and freight business	Leading company in the global special steel industry	Leading CEE oil and natural gas group	Austria's largest supplier of telecommunications
ÖIAG investment (%)	39.7	25.0	35.0	47.2
Share price year-end 2002 (EUR)	6.90	44.13	93.58	9.65
Turnover 2002 <sup>2</sup> (EUR m)	2,204.4	1,441.2	7,079.4	3,908.2
EBIT 2002 <sup>2</sup> (EUR m)	41.4	111.9	494.8	323.5
Result before tax 2002 <sup>2</sup> (EUR m)	4.2	82.1	473.9	43.8
Dividend per share 2002 <sup>2</sup> (EUR)	–	2.3	3.5	–
Dividend 2002 <sup>2</sup> (EUR m)	–	24.1	94.0	–
Employees 2002 <sup>2</sup> (average)	7,358	9,296	5,748	15,714
<sup>1</sup> Listed				
<sup>2</sup> voestalpine AG: Financial Year 2002/03 (April 1, 2002 – March 31, 2003)				
<sup>3</sup> Ordinary business result				
<sup>4</sup> Information irrelevant for non-listed companies				
<sup>5</sup> As at December 31, 2002				

voestalpine AG <sup>1</sup>	VA Technologie AG <sup>1</sup>	ÖIAG-Bergbau- holding AG	Österreichische Post AG	Österreichische Postbus AG
Production and upgrading of steel, engineering and processing	Global technology and services group	Branch holding for ÖIAG mining activities	Austria's no.1 supplier of postal services	Austria's largest bus company
34.7	24.0	100.0	100.0	100.0
23.15	15.50	–	–	–
4,391.9	3,871.7	65.8	1,571.7	199.3
223.0	83.3	3.6	–7.6	–4.8
122.0	–90.7	8.1	–1.9	–5.0 <sup>3</sup>
1.2	–	<sup>4</sup>	<sup>4</sup>	<sup>4</sup>
47.4	–	3.2	36.3	–
21,738	17,725 <sup>5</sup>	419	29,558	2,807

# Austrian Airlines AG

Key indicators Austrian Airlines	2001	2002	
Turnover (EUR m)	2,095.6	2,204.4	↗
EBITDA (EUR m)	135.8	384.6	↗
EBIT (EUR m)	-88.9	41.4	↗
Result before tax (EUR m)	-164.1	4.2	↗
Profit/loss for the year (EUR m)	-166.0	42.8	↗
Dividend (EUR m)	-	-	-
Dividend per share (EUR)	-	-	-
Fixed asset investments (EUR m)	400.4	248.7	↘
Balance sheet total (EUR m)	4,157.7	3,829.4	↘
Equity (EUR m)	529.1	557.0	↗
Net debt <sup>1</sup> (EUR m)	1,787.9	1,617.5	↘
Gearing (%)	337.9	290.4	↘
ROCE (%)	-3.5	3.1	↗
Full-time employees (average)	7,954	7,358	↘

<sup>1</sup> The net debt corresponds with the numerator used for the calculation of the gearing key indicator (net debt as compared to equity) and therefore comprises long-term loans subject to interest and other long-term liabilities, less liquid assets. In turn, the latter are defined as liquid assets plus current asset and marketable securities.

## The company

Austrian Airlines,  
Lauda Air,  
Tyrolean Airways

With the three airlines, Austrian Airlines, Lauda Air and Tyrolean Airways, the Austrian Airlines Group unites practically the entire Austrian airline market in a dynamic, quality-oriented group. In line with the needs of its customers, the Group covers all areas of the aviation industry, from scheduled to chartered flights and freight business.

Market leader  
with renowned  
quality

As the clear market leader in its domestic, Austrian market, the Austrian Airlines Group is known for its excellent product quality, friendly service and first class comfort. Customers around the world hold the Group's high standards in great esteem, a fact impressively confirmed by numerous, international awards.



ÖIAG investment  
**39.7%**

Since March 2000, the Austrian Airlines Group has been part of the Star Alliance, the world's largest and most successful global airline grouping. Together with its partners in this alliance, the Austrian Airlines Group offers its customers links to around 630 destinations in some 125 countries.

Member of the  
Star Alliance

As a company listed on the Vienna Stock Exchange with an operating result of around EUR 2.4 billion and a work force of about 7,300, the Austrian Airlines Group represents an important economic factor in Austria.

## Highlights 2002

- Strategic reorientation takes effect.
- Turnaround successfully launched.
- Market image offensive brings increased market share.
- Production and transport performance higher than in 2001.
- Investment stop and savings policy cut costs.
- EBIT clearly improved: EUR 41.4 million after EUR -88.9 million.
- Positive result before tax: EUR 4.2 million after EUR -164.1 million.
- Net gearing cut from 337.9% to 290.4%.

## Strategy

Complete value orientation

On the basis of the new Group strategy, the central element of which is the complete value orientation of all activities, the Austrian Airlines Group first corrected its structural defects, and then systematically seized its market opportunities.

Concentration on niches

The Group has concentrated on the two market niches comprised of West-East/East-West transfer, in which it already occupies a leading position, and the stepping up of profitable flights both to and from Austria. These activities are supported by membership in the Star Alliance, the efficient Viennese transit hub and the clear allocation of responsibility in the form of a production company concept.

Other positive aspects of Group positioning relate to its excellent product and service quality, modern fleet, attractive route network with a focus on Europe and Asia, and a 66% market share in the smoothly operating Vienna Airport hub.

The Group feels obliged to provide its shareholders with sustained corporate success. Accordingly, cash value added (CVA) and the return on total gross assets (ROTGA) were defined as the main benchmarks for the systematic value orientation of the Austrian Airlines Group.

## Business development 2002

Just over a year after its implementation, the new strategy can be regarded as a proven success and the ambitious targets of the Austrian Airlines Group have even been partially exceeded. Thanks to its strong positioning, the Group was able to buck the decline in demand during 2002 and was able to deliver vastly improved results in comparison to the preceding year.

This means that the Austrian Airlines Group has succeeded in using the general crisis within the international airline industry for its own successful turnaround. Among the milestones in this process of transformation were the implementation of the new corporate strategy, the generation of a "new spirit", which is seen as involving a change in corporate culture towards individual initiative and responsibility for the entire Group, as well as the achievement of a sound financial footing.

During 2002, flight turnover rose by 7.6% to EUR 2,055.2 million. As compared to 2001, EBIT increased by EUR 130.3 million to EUR 41.4 million and unit costs were cut by approximately 2.9%. Equity was up in 2002 at EUR 557.0 million, while net gearing improved from 337.9% to 290.4%.

The relative price trend of the Austrian Airlines share also reflected this positive shift and in 2002 it clearly outperformed the MSCI Europe Airlines Index, which is relevant for the company's peer group.

## Outlook 2003

In view of the influences of global economic uncertainty, the Iraq conflict and SARS (Severe Acute Respiratory Syndrome) the 2003 business climate and the resulting fall in demand, will represent a challenge to the entire airline sector. Therefore, following the successful initiation of a turnaround during the 2002 financial year, the Austrian Airlines Group is looking to initiate further extensive cost cutting and profit enhancement programmes in 2003. As before, the Group will continue to focus on the market niches of flights to and from Austria and West-East/East-West transfer.

Successful turnaround

Sharp increase in EBIT

Further cost cutting and profit enhancement programmes

# BÖHLER-UDDEHOLM AG

Key indicators BÖHLER-UDDEHOLM	2001	2002	
Turnover (EUR m)	1,509.4	1,441.2	▼
EBITDA (EUR m)	203.3	198.8	▼
EBIT (EUR m)	132.1	111.9	▼
Result before tax (EUR m)	106.9	82.1	▼
Profit/loss for the year (EUR m)	69.6	50.5	▼
Dividend (EUR m)	29.2	24.1	▼
Dividend per share (EUR)	2.7	2.3	▼
Fixed asset investments (EUR m)	139.0	95.1	▼
Balance sheet total (EUR m)	1,600.4	1,508.0	▼
Equity (EUR m)	640.9	609.0	▼
Net debt (EUR m)	359.6	349.9	▼
Gearing (%)	55.5	55.3	▼
ROCE (%)	7.8	6.3	▼
Full-time employees (average)	9,298	9,296	▼



ÖIAG investment  
**25.0%**

and electronics, lumber and sawmill, textile and paper, steel and equipment manufacture and power station and plant building industries. BÖHLER-UDDEHOLM's main sales regions are Europe, the Americas and Asia, with Germany as the largest single market.

BÖHLER-UDDEHOLM's strongest product in terms of turnover is tool steel. This makes the company a classic niche supplier. The global consumption of tool steel represents only around 0.1% of total, annual world steel consumption of around 800 million metric tons. Tool steel is therefore a special product, for which special qualitative characteristics such as durability and hardness, tenacity and pressure resistance, wear and corrosion resistance and polishing capacity are of decisive importance.

Tool steel as strongest product in terms of turnover

## The company

Leading special steel company world-wide

BÖHLER-UDDEHOLM is one of the world's leading special steel companies. Its business activities are divided among the four divisions, High Performance Metals, Precision Strip, Welding Consumables and Special Forgings, which have production centres in Austria, Sweden, Germany, Belgium, USA, Brazil and Mexico.

Strong market position

BÖHLER-UDDEHOLM is the global market leader in the areas of tool steel, bimetal strips, cutting and creasing knives, rule die steel and blades for gas and steam turbines. The company is the world number two for high-speed steel.

BÖHLER-UDDEHOLM sells its products and services to around 100,000 customers in some 100 countries. It has its own sales companies in around a half of these markets and its most important customers are found in the automotive and automotive sub-supplier, tool and machine tool manufacture, aerospace, consumer goods

## Strategy

BÖHLER-UDDEHOLM pursues a clear growth strategy. Apart from the organic growth generated by internal measures, such as investments in production or the strengthening of the sales organisation, the Group is also looking for external expansion through acquisitions or the purchase of interests. In this connection, BÖHLER-UDDEHOLM plans both vertical expansion along the value added chain (downstream) and horizontal activities aimed at the capture of increased market shares. All these measures are targeted on achieving the maximum possible independence

Clear growth strategy

from the classic steel cycle, in order to consolidate the Group's good market position and earnings power even during periods of economic downturn.

#### New interests

Accordingly, during the 2002 financial year, BÖHLER-UDDEHOLM purchased both interests in Asian steel trading companies and a 50% stake in the Danish forming specialist, Dan Spray A/S. It also launched a joint venture with the Italian welding technology company, Fileur S.A. The intention is to continue this deliberate downstream strategy in the coming years with a major emphasis on an expansion of Group capacity in the high-alloyed steel hardening sector, particularly in the Asian market.

### Highlights 2002

- Due to the difficult economic situation, turnover and result fall short of the record levels of 2001.
- At EUR 111.9 million, EBIT is slightly up on the forecast estimates.
- Positive profitability level as compared to the competition is maintained.
- Considerable reduction in inventory.
- Free cash flow considerably higher and gearing improved.
- Attractive, overall dividend, despite reduction in the dividend bonus.

### Business development 2002

Profitability maintained at a high level

In what, from an economic viewpoint, was one of the most difficult years of the recent past, the BÖHLER-UDDEHOLM Group had to accept a fall in turnover and results, but was nonetheless able to maintain its profitability at a high level.

The subdued business atmosphere meant that total turnover in 2002 fell 5% from EUR 1,509.4 million to EUR 1,441.2 million. However, EBITDA was only 2% lower, dropping from EUR 203.3 million to EUR 198.8 million and this led to an increase in the EBITDA margin from 13.5% to 13.8%. EBIT

weakened by 15% from EUR 132.1 million to EUR 111.9 million and therefore, the EBIT margin in the year under review amounted to 7.8%, as opposed to the 8.8% of the record year 2001.

EBIT margin of 7.8%

In 2002, the ordinary business result totalled EUR 82.1 million, which was 23% down on the comparable figure for the preceding year of EUR 106.9 million. Following the deduction of minority interests, the profit for the year fell by 27% from EUR 69.6 million to EUR 50.5 million.

As a consequence, the profit per share for 2002 amounted to EUR 4.7 as compared to EUR 6.3 in the preceding year. The total dividend of EUR 2.30 per share consisted of an unchanged basic dividend of EUR 2.00 and a reduced bonus dividend of EUR 0.30, corresponding with a pay-out ratio of 47.8% and an attractive return of 5.2% (in terms of the year-end share price 2002).

### Outlook 2003

Against the background of a continuation of the difficult economic situation for at least the initial half of 2003, BÖHLER-UDDEHOLM first anticipates a slight easing of the pressures in its markets at the end of the year. This will have only a marginal, positive effect on the overall result for 2003 and the management really only expects a significant recovery in 2004.

Continuation of the difficult economic situation

In order to counteract the generally subdued economic atmosphere, during 2003 BÖHLER-UDDEHOLM will continue to implement the measures, which constituted the main focal points of its activities in the preceding year. These include cost reductions, increases in productivity, a further cut in investment volume, flexibility in the personnel sector, capacity adjustments and a stepping up of efforts aimed at market penetration.

Cost reductions, increases in productivity

# OMV AG

Key indicators OMV	2001	2002	
Turnover (EUR m)	7,736.4	7,079.4	↘
EBITDA (EUR m)	943.5	834.1	↘
EBIT (EUR m)	609.7	494.8	↘
Result before tax (EUR m)	569.7	473.9	↘
Profit/loss for the year (EUR m)	381.7	322.2	↘
Dividend (EUR m)	115.7	94.0	↘
Dividend per share (EUR)	4.3	3.5	↘
Fixed asset investments (EUR m)	391.8	589.4	↗
Balance sheet total (EUR m)	5,771.5	6,148.8	↗
Equity (EUR m)	2,248.4	2,411.2	↗
Net debt (EUR m)	385.9	477.6	↗
Gearing (%)	17	20	↗
ROCE (%)	14	11	↘
Full-time employees (average)	5,705	5,748	↗

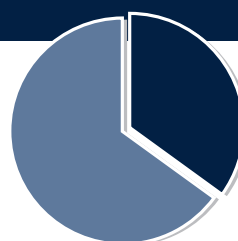
Leading oil and natural gas group in CEE

## The company

OMV is one of the leading oil and natural gas groups in Central and Eastern Europe. Its business activities encompass global exploration and production, a highly efficient oil and natural gas supply system and an extensive network of filling stations throughout the CEE countries. In addition, the world market is supplied with melamine synthetic resin and geotextiles and the CEE region with plant nutrients. Apart from a 25% stake in Europe's second largest polyolefin producer, Borealis A/S, OMV has interests of around 10% in the Hungarian oil and gas group, MOL and 25.1% in Rompetrol Group NV, Romania's largest, privately owned oil company.

## Strategy

The main strategic targets of the OMV Group are to achieve a doubling of its size by 2008 and a return on average capital employed (ROACE) of 13%. The



ÖIAG investment  
**35.0%**

geographical location of the company, its detailed knowledge of the CEE markets and highly motivated work force are competitive advantages that will be utilised for profitable growth with the assistance of increases in efficiency across the Group and cost control systems.

Doubling of Group's size by 2008

In concrete terms, the target is to double the market share of the Marketing Division in the Danube region in tandem with an appropriate dimensioning of refinery capacity (R&M). In the Exploration and Production Division (E&P), oil and gas output is also to be doubled to 160,000 boe/d (barrel of oil equivalent). The Natural Gas Division is to expand its marketing and trading activities in Austria and its neighbouring countries and the Baumgarten gas hub is to be enlarged accordingly. In the fourth division, Chemicals, sales of melamine are to be doubled.

Expansion in all four divisions

## Highlights 2002

- One of the most successful years in company history.
- Strengthening of the E&P portfolio, increase in production to 100,000 boe/d.
- Growth and targeted acquisitions in the Marketing Division (R&M).
- Complete liberalisation of the Austrian natural gas market.
- In the Chemicals Division, construction work begins on a new melamine plant in Germany.

- Future-oriented steps towards growth in the form of new investments by the E&P and R&M Divisions.

## Business development 2002

Challenging market conditions

In the oil branch there are a number of especially important market factors, which can all influence results, e.g. the crude oil price, the dollar exchange rate or refinery margins. As compared to prior years, some of these factors showed a marked weakening during 2002. Unfavourable foreign exchange effects derived from a weak US dollar and the poorest refinery margins for more than ten years, confronted OMV with challenging market conditions, which made a tangible fall in results unavoidable. Against this background, EBIT fell by 19% to EUR 495 million in 2002, which was reflected by a decline in the return on fixed assets to 16%. The profit for the year was down by 16% at EUR 322 million. The interest on the average capital employed also dropped from 14% to 11%. Despite this fact, OMV was still able to achieve the third highest profits in its history.

Third highest profit in company history

The results for the Refineries and Marketing (R&M), Exploration and Production (E&P) and Chemicals Divisions in 2002 were all lower than in the preceding year. By contrast, during the period under review, the Natural Gas Division improved its EBIT. Average annual production in the E&P Division was increased as planned by 7% and new exploration licences in Bulgaria and Pakistan should ensure further growth in years to come. The refinery margins in the R&M Division were very low and only improved in the fourth quarter. During the year, four filling station networks were purchased in Slovakia, the Czech Republic and Germany. In the Natural Gas Division, the steps demanded by complete market liberalisation were implemented and at the beginning of 2003, EconGas GmbH, Austria's most important natural gas supplier, commenced its operations. Sizeable increases in sales were achieved in the Chemicals Division, but prices were well down on those of the previous year.

Production increase in E&P Division

## Outlook 2003

Despite problematic conditions, during 2002, the OMV Group succeeded in optimising its possibilities and positioning itself in such a positive manner that it will be able to counteract the economic uncertainties of 2003. Initial steps towards achieving the strategic goal of a doubling in size by 2008 were already apparent in 2003. The acquisition of the international E&P business of Preussag Energie GmbH from TUI AG at the turn of the year will have a positive effect with regard to additional production volume. At the beginning of February, 313 filling stations in Germany, Hungary and Slovakia were purchased from Deutsche BP AG, along with a 45% stake in BAYERNOIL-Raffinerieverbund and 18% in the TAL oil pipeline, in order to consolidate market leadership in Central and Eastern Europe. The expansion of R&M business is also set to continue in 2003. By contrast, as a consequence of the deregulation of the Austrian gas transport market, further EBIT falls must be anticipated in the Natural Gas Division during 2003. Nonetheless, in spite of the difficult situation, and above all, higher gas prices, a result similar to that of last year can be expected in the Chemicals Division.

Successful acquisitions

Forecasts for the most important parameters such as oil and gas prices, refinery margins and exchange rates in 2003 are characterised by especially high volatility. All in all, an oil price landscape similar to that of the previous year is awaited, as a weak dollar exchange rate is likely. As a marked improvement in refinery bulk margins should occur, from a current perspective, in 2003 OMV expects an improved operating result and profit for the year.

Further EBIT falls in a deregulated gas transport market

Improved operating result and profit for the year

# Telekom Austria AG

Key indicators Telekom Austria	2001	2002	
Turnover (EUR m)	3,859.3	3,908.2	↗
EBITDA (EUR m)	1,474.8	1,514.8	↗
EBIT (EUR m)	158.1	323.5	↗
Result before tax (EUR m)	-200.1	43.8	↗
Profit/loss for the year (EUR m)	-104.6	12.8	↗
Dividend (EUR m)	-	-	-
Dividend per share (EUR)	-	-	-
Fixed asset investments (EUR m)	812.2	662.4	↘
Balance sheet total (EUR m)	7,727.3	8,534.3	↗
Equity (EUR m)	2,500.4	2,509.5	↗
Net debt (EUR m)	3,282.1	3,204.2	↘
Gearing (%)	131.3	127.7	↘
ROCE (%)	2.7	5.6	↗
Full-time employees (average)	17,549	15,714	↘



ÖIAG investment  
**47.2%**

## Strategy

### Wireline

- Continuation of the successful course.
- A focus on customer orientation and service leadership.
- The exploitation of the growth potential derived from new technologies and applications.
- Maximum cost efficiency through a high level of operative performance.
- Consolidation of the top wireline business position through the marketing of customised speech and internet packages.
- Continuation of wide band activities for the securing of increasing customer needs.
- Strengthening of the market position in the media sector through the expansion of internet portal services.

### Wireless

- Further development of the position as the market and innovation leader.
- Securing of profitability through a focus on customer value.
- Creation of resources as future sources of revenue, along with cost and investment structure optimisation.
- Increase in data revenues through the development of user friendly, market-oriented applications.
- Organisational streamlining and a focus on international co-operations.
- Selected expansion in south-eastern Europe aimed at increased value added.

## The company

Austria's largest telecommunications company

With turnover of EUR 3.9 billion and around 15,000 employees, Telekom Austria is Austria's largest telecommunications company. Since November 2000, Telekom Austria AG has been listed on the Vienna and New York Stock Exchanges.

Newly defined organisational structure: Wireline and Wireless

In 2003, the newly defined Telekom Austria AG organisational structure divided the company into two segments. The Wireline Division incorporates the former business segments terrestrial networks, data communications and internet, the Wireless Division, mobile communications. Beyond Austria's borders, Telekom Austria is active in the mobile communications area in Croatia, Slovenia and Liechtenstein and in internet business in the Czech Republic. In total, around 3.1 million customers in the Wireline sector and around 4.5 million in the mobile communications sector receive Telekom Austria Group services.

## Highlights 2002

- Repurchase of the minority stake of Telecom Italia Mobile in mobilkom austria.
- Successful stock flotation in November 2002 – free float increases to 38%, Telecom Italia halves its investment to 14.8%.
- Reorganisation of the former business segments terrestrial networks, data communications and internet in the Wireline Division.
- Strengthening of the market position in all business segments. This also applies to the terrestrial network for the first time since liberalisation in 1998.
- A marked improvement in turnover and results in the mobile communications sector.
- Net debt below that of the preceding year despite the repurchase of mobilkom austria stock.
- A net profit of EUR 12.8 million, the first since 1999.

## Business development 2002

Increase in turnover

On a comparable basis (i.e. the figures for 2001 were adjusted to account for the effect of the offset of transit revenues and expenses completed at the beginning of 2002), total Telekom Austria turnover in 2002 rose by 1.3% to EUR 3,908.2 million.

Significant rise in EBIT

EBITDA increased by 2.7% to EUR 1,514.8 million, largely as a result of the growth in the mobile telecommunications sector, while EBIT was up from EUR 158 million in 2001 to EUR 323.5 million. A reduction in depreciation, particularly in relation to goodwill from Czech On Line, from EUR 145.1 million to EUR 41.9 million in 2002 had a positive effect in this regard. During the 2002 financial year, the negative consolidated result of Telekom Austria AG in 2001 was transformed into a profit of EUR 12.8 million. The result per share showed a corresponding increase to EUR 0.03.

Due to strict investment controls, fixed asset additions in the 2002 financial year were down by 18.4% to EUR 662.4 million. On this basis and due to the improvement in the operative result, as at December 31, 2002, net debt was down by EUR 77.9 million from the 2001 year-end figure to EUR 3,204.2 million. This reduction was achieved despite debts of EUR 693.1 million incurred for the financing of the purchase of the 25.001% stake in mobilkom austria.

Net debt decreased

## Outlook 2003

Following the reverses of recent years, in 2003 Telekom Austria expects a stabilisation of turnover and earnings in the wireline segment as a result of intensive marketing measures and strict cost management. Increased competition can be expected in the Wireless segment as a result of the entry of additional competitors to the Austrian market. Telekom Austria already reacted to this development during the past year through intensive marketing initiatives. Roaming revenues are also set to decline as a consequence of lower charges in 2003. Although higher turnover and income are expected in the wireless segment as a whole, growth rates will not emulate those of the past year.

All in all, Telekom Austria is looking for a slight increase in turnover and EBITDA during 2003 and the net profit should rise in comparison with 2002, not least due to the full consolidation of the results from mobile telecommunications. This should allow the payment of a dividend for 2003.

Increase in turnover and EBITDA

# voestalpine AG

Key indicators voestalpine	2001/2002 <sup>1</sup>	2002/2003 <sup>1</sup>	
Turnover (EUR m)	3,353.7	4,391.9	↗
EBITDA (EUR m)	402.2	516.1	↗
EBIT (EUR m)	159.5	223.0	↗
Result before tax (EUR m)	90.8	122.0	↗
Profit/loss for the year (EUR m)	54.9	78.0	↗
Dividend (EUR m)	47.4	47.4	→
Dividend per share (EUR)	1.2	1.2	→
Fixed asset investments (EUR m)	316.3	622.8	↗
Balance sheet total (EUR m)	4,087.1	4,516.7	↗
Equity (EUR m)	1,563.7	1,785.9	↗
Net debt (EUR m)	624.5	830.6	↗
Gearing (%)	39.9	46.5	↗
ROCE (%)	6.1	7.1	↗
Full-time employees (average)	17,129	21,738	↗

<sup>1</sup> Financial Year from April 1 to March 31

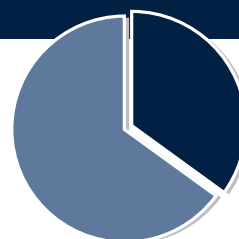
## The company

### Production and upgrading of steel

voestalpine is an Austrian-based group, which is active in the production and upgrading of steel, as well as engineering and the processing of steel and other materials into components and systems. The voestalpine Group currently incorporates more than 240 subsidiaries around the globe.

### Top quality niche products and systems supplier

voestalpine numbers among the leading suppliers to the European automotive, domestic appliance and railway industries. On the one hand, the Group has established itself as a successful international supplier of top quality niche products and on the other, has become a systems supplier that offers its customers complete, specialised solutions. For example, the Division Bahnsysteme (Railway Systems) not only provides rails and turnouts that are globally unique in this quality segment, but also the planning and realisation of sections of track and infrastructure services (such as transport and logistics) on a one-stop-shopping basis. The same applies to the division motion, which is active as an automo-



ÖIAG investment  
**34.7%**

tive industry sub-supplier. In the body-in-white segment, this Division provides its customers with a complete range of competences, which extends from materials, to processing and assembly.

Over 80% of Group turnover derives from exports, whereby the European Union is by far the most important market.

## Strategy

During 2001, the voestalpine Group undertook an organisational and strategic reorganisation. In the classic steel sector, where voestalpine has to battle with what are partially disproportionately large competitors, the Group claim is not to produce more steel, but “more than steel” and thus to extend the value added chain accordingly. As compared to traditional steelmakers this means higher profits and far less dependency on business cycles. With this strategic orientation in view, a new Group structure has been created, which consists of the four operative units, Division Stahl (flat steel products), Division Bahnsysteme (complete permanent way solutions), division motion (automotive sub-supplies with a focus on body-in-white) and Division Profilform (special tubes and sections).

Organisational and strategic reorganisation

“more than steel”

Growth in the direction of further processing

Growth in the direction of further processing, which during the past two years has been pursued by means of acquisitions, is already clearly apparent in the turnover structure. For the first time in Group history, at the end of the financial year on March 31, 2003, over a half of turnover was provided by the processing divisions. This development is planned to continue up to 2005/2006, with an increase in the processing share of total voestalpine Group turnover to around 60%.

### Highlights 2002/2003

- voestalpine group turnover increases by around one third to over EUR 4.3 billion.
- With EBIT well in excess of EUR 200 million, voestalpine AG achieves the second best result in its history.
- Following the completion of the No. 3 hot dip zinc coating plant, the start-up of the first project contained in the "Linz 2010" investment programme is imminent.
- With the purchase of voestalpine Matzner GmbH, division motion acquires comprehensive engineering and prototype know-how and thus becomes a complete supplier in the automotive body-in-white sector.
- Division Bahnsysteme concludes the complete purchase of VAE and already achieves the turnover and strategy targets originally planned for 2005/2006 (complete permanent way supplier) by the end of the 2002/2003 financial year.
- The Bahnsysteme, motion and Profiform Divisions, which are all involved in processing, provide 53% of turnover and thus surpass steel production for the first time.
- Employee participation is raised from 4% to 6.5%.

### Business development 2002/2003

Although confronted by continued economic problems, particularly in Europe and the USA, voestalpine Group business development in the 2002/2003 financial year proved highly successful. Turnover was up by over 30% as compared to the preceding year to more than EUR 4.3 billion. EBIT also rose from EUR 159 million to over EUR 200 million and provided the Group with the second best result in its history. All other key indicators also improved markedly over the past financial year.

Successful business development despite difficult economic climate

### Current trends

"Linz 2010". Within the framework of this investment programme, during the coming years, the Linz plant is to be upgraded into one of Europe's largest and most modern steelmaking centres. Key investments in the first phase, involving the relining and enlargement of the main "A" blast furnace, are planned for 2004.

**Integration and consolidation.** One focal point in the current financial year will be the integration of the companies purchased during the past two years into the voestalpine Group.

### Outlook 2003/2004

From a current perspective, which means subject to the precondition that no further detrimental political or economic developments occur at international level, or that raw materials become substantially more expensive, the voestalpine Group also expects stable turnover and result development in the 2003/2004 financial year.

Stable turnover and result development

# VA Technologie AG

Key indicators VA TECH	2001	2001 <sup>1</sup>	2002	
Turnover (EUR m)	3,998.6	3,868	3,871.6	↗
EBITDA (EUR m)	230.5	151	201.8	↗
EBIT (EUR m)	83.3	7	83.3	↗
Result before tax (EUR m)	41.8	-109	-90.7	↗
Profit/loss for the year (EUR m)	31.9	-113	-93.0	↗
Dividend (EUR m)	7.5	-	-	-
Dividend per share (EUR)	0.5	-	-	-
Fixed asset investments (EUR m)	89.5	-	70.8	↘
Balance sheet total (EUR m)	4,132.8	-	3,646.8	↘
Equity (EUR m)	632.3	-	505.2	↘
Net debt (EUR m)	20.5	-	-83.2	↘
Gearing (%)	3.2	-	-16.5	↘
ROCE (%)	1.9	-	1.2	↘
Employees as at December 31	18,847	-	17,725	↘

<sup>1</sup> In order to provide greater key indicator compatibility, the 2001 results were adjusted with regard to the discontinued operations (VA TECH TMS and the income from the sale of VA TECH VOEST MCE), as well as the book gain derived from the sale of voestalpine shares.

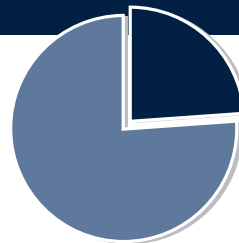
## The company

Global technology  
and services  
company

In the course of the past four years, VA Technologie AG (VA TECH) has evolved from an engineering conglomerate with a multifaceted product programme into a focused, global technology and services company, which is active in the areas of metallurgy, hydro power generation, power transmission and distribution, and infrastructure. As a result of acquisitions and joint ventures, turnover in these core business areas has increased by EUR 1,400 million and 11,000 new employees have joined the Group from around the world.

Successful portfolio  
focusing and  
restructuring

Conversely, in the course of restructuring, VA TECH has disposed of non-core businesses such as conventional thermal power generation, environmental engineering (waste incineration, gas cleaning), mechanical plant building, transport and assembly systems. As a result of the process of change in recent years, 75% of VA TECH business activities now take place in the energy and infrastructure sectors and 25% in the metallurgical field.



ÖIAG investment  
**24.0%**

Today, VA TECH numbers among the leaders in the metallurgical engineering, hydro power generation and high-voltage transmission and distribution markets. In the fields of electromechanical infrastructure engineering and services, VA TECH has a leading position in the regional core markets of Central and Eastern Europe.

Top core  
business position

In regional terms, VA TECH can clearly refer to Europe, where it obtains around 60% of its annual order intake, as a domestic market. Therefore, the planned expansion of the European Union also offers VA TECH interesting longer-term potential.

Europe as a  
domestic market

## Strategy and financial targets

In accordance with the new VA TECH mission statement, "sustainable solutions. for a better life", corporate strategy has the following focal points:

- A concentration on key markets with growth potential.
- Expansion of automation and service business.
- An emphasis on sustained solutions and renewable energies.
- A sustained improvement in earnings power through measures for increased efficiency.

VA TECH's long-term financial goals are also ambitious:

- ROCE of 15%
- An operative margin (ROS – Return on Sales) of 8%
- An equity ratio of 20%
- Sustained generation of free cash flow

## Highlights 2002

- Order intake of EUR 4,125 million with a focus on contracts with solid result quality.
- Turnover of EUR 3,872 million, the level of the preceding year.
- A sizeable improvement in the comparable operative result.
- Following restructuring, the Metallurgy Division on a successful turnaround course.
- Solid business development and result growth in the Hydro Power Generation, Power Transmission and Distribution and Infrastructure Divisions.
- A marked downturn in the Water Systems Division, restructuring currently under completion.
- New Group management structure with interlocking Managing Board and Divisional responsibilities.

## Business development 2002

Focus on results quality

Despite a selective policy, order intake of EUR 4,125 million was achieved in 2002, which represents clear evidence of customer confidence in the capabilities of the VA TECH Group. Order backlog amounted to EUR 3,961 million, or roughly the turnover volume for one year. At EUR 3,872 million, turnover remained at a level comparable to that of the preceding year.

Considerable improvement in operating result

In terms of EBITDA, the VA TECH operating result improved considerably, rising by EUR 70 million over the comparable figure for 2001 to EUR 129 million. EBIT was also up from the comparable EUR 7 million of the preceding year to EUR 83 million and thus emulated the result of the preceding year including all one-off effects. The financial result of

–EUR 174 million contained a sum of EUR 44.4 million derived from the book depreciation on the investment in the bankrupt company, Babcock Borsig Power. All in all, the loss for the year amounted to –EUR 93 million and was thus stabilised at the level of the first nine months of 2002.

Active cash management in all Group companies meant that during 2002, VA TECH net debt was not only reduced, but transformed into positive net liquidity of EUR 83 million (2001: –EUR 21 million). Cash flow also developed in a highly positive manner during 2002. Apart from cash flow from operating activities of EUR 97 million (2001: –EUR 202 million), free cash flow of EUR 101 million (2001: –EUR 82 million) was also most satisfactory.

Net liquidity and cash flow again positive

## Outlook 2003

The international economic scene in 2003 continues to be characterised by political uncertainties and reticence with regard to investment. Above all, the effects of the war in Iraq on the capital goods industry are very difficult to predict.

In 2003, VA TECH expects order intake and turnover on roughly the scale of the preceding year. The main target for the year is the achievement of a sustained improvement in earnings power through additional measures aimed at raising efficiency and cutting costs, as well as the securing of solid Group liquidity.

Raising efficiency and cutting costs

In view of the successful conclusion of the restructuring process in the Metallurgy Division and despite the unfavourable market situation for Water Systems, VA TECH plans a tangible increase in its operative result for 2003 and a clearly positive net result.

# ÖIAG-Bergbauholding AG

Key indicators ÖIAG-Bergbauholding	2001	2002	
Turnover (EUR m)	66.5	65.8	↘
EBITDA (EUR m)	9.6	6.4	↘
EBIT (EUR m)	6.7	3.6	↘
Result before tax (EUR m)	12.2	8.1	↘
Profit/loss for the year (EUR m)	9.1	3.6	↘
Dividend (EUR m)	3.0	3.2	↗
Fixed asset investments (EUR m)	1.9	1.7	↘
Balance sheet total (EUR m)	202.1	203.6	↗
Equity (EUR m)	77.7	78.2	↗
Net debt (EUR m)	-12.7	-5.0	↗
Gearing (%)	-6.3	-16.4	↘
ROCE (%)	12.5	4.6	↘
Full-time employees (average)	456	419	↘



ÖIAG investment  
**100.0%**

## Highlights 2002

For ÖBAG, the financial year was characterised by a number of special stabilisation measures:

- A supply contract for the Eisenerz mine was signed with voestalpine for another five years up to December 2007, with supplementary options for the further purchase of domestic ore.
- The 10-year liquidation phase at Bleiberg Berwerksunion AG i.L. (BBU) was rescinded in November 2002. Following the planned transformation of the stock corporation into a limited company, the BBU is to be transferred to VOEST-ALPINE Erzberg GmbH as the take-over company.
- In June 2002, negotiations between GKB-Bergbau GmbH and Austrian Thermal Power (ATP) concerning the Voitsberg mining operations, resulted in the conclusion of an extension to the existing coal delivery agreement from 1977 and hence the legal securing of the mine until mid-2004. This agreement was approved by the ÖBAG Supervisory Board at its meeting on June 18, 2002. The remaining GKB-Bergbau claims against ATP from the period prior to October 2001 remain the object of dispute.

## Company and strategy

Branch holding  
for mining sector

As a branch holding, apart from the production of siderite and brown coal, ÖIAG-Bergbauholding AG (ÖBAG) is also entrusted with the completion of the closure and recultivation procedures required as part of the ÖIAG's orderly withdrawal from the mining sector.

Styrian Erzberg  
and the Voitsberg  
brown coal field

Accordingly, ÖBAG bears primary responsibility for the Styrian Erzberg and the Voitsberg brown coal field. In 2002, the company also held a 100% stake in Bleiberg Bergwerksunion (BBU).

Eisenerz and  
Köflach  
Competence  
Centres

In order to secure long-term competence, all the ÖBAG Group mining authorisations for the iron ore sector were concentrated at the Eisenerz Competence Centre, while the coal sector, including the disused workings of Lavanttaler Kohlebergbau Ges.m.b.H. (LAKOG), is covered by the Köflach Competence Centre.

## Business development 2002

Increase in sales  
at Erzberg

As a result of the favourable increase in demand of the domestic steel company voestalpine with its metallurgical production centres in Linz and Donawitz, the Erzberg was able to increase its sales to over 1.9 million metric tons. The coal from the Köflach field was supplied primarily to the Voitsberg 3 power station belonging to Austrian Thermal Power (ATP). A small amount went to industrial customers in the paper industry. Sales of 1.1 million metric tons were achieved in the period under review. This meant that mining production in the ÖBAG Group remained at roughly the level of the preceding year.

Erzberg and  
Voitsberg results  
permit payment  
of dividend

VOEST-ALPINE Erzberg GmbH was able to increase its turnover to EUR 22.4 million. The operating result was again positive and a dividend of EUR 0.6 million was paid from the ordinary business result (including the financial result). At year's end, the work force numbered 170 and was therefore almost at the low required by the business situation. The services subsidiary, M.S.E., also developed well and had a work force of 61 at the end of the year.

In 2002, GKB-Bergbau GmbH achieved turnover of EUR 43.4 million, while the work force was reduced over the preceding year from 251 to 236. Due to the clearly positive operating result, a business result was achieved, which permitted the payment of a dividend of EUR 2.5 million to ÖBAG.

As anticipated, the minority stake in BMG-Recycling in Arnoldstein provided positive results and a corresponding distribution of profits.

## Outlook 2003

The new financial guarantees relating to both future mining damage and the site rehabilitation and recultivation measures at current and disused mines demanded under the terms of the amendment made to the Austrian Mineral Resources Act (MinroG) by the mining authority of the Federal Economics Ministry in 2001, will place a considerable burden on the ÖBAG group.

In 2003, BBU GmbH is to be merged with VOEST-ALPINE Erzberg GmbH. The 446 mining licences (Bleiberger Hochtal, Südkärnten, Grazer Paläozoikum, Vomp/Lafatsch, etc.) are available for the upcoming liquidation measures.

With the supply of voestalpine, VOEST-ALPINE Erzberg GmbH ensures the medium-term use of domestic iron ore by the Austrian steel industry.

The targeted completion of the safety and recultivation measures required from GKB-Bergbau GmbH were included within the scope of a mining operation plan drawn up for 2003 and 2004.

Considerable  
burden due to  
new financial  
guarantees

Domestic iron ore  
for the Austrian  
steel industry

# Österreichische Post AG

Key indicators Österreichische Post	2001	2002	
Turnover (EUR m)	1,565.2	1,571.7	↗
EBITDA (EUR m)	105.8	100.6	↘
EBIT (EUR m)	2.5	-7.6	↘
Result before tax (EUR m)	25.6	-1.9	↘
Profit/loss for the year (EUR m)	17.5	-2.5	↘
Dividend (EUR m)	29.1	36.3	↗
Fixed asset investments (EUR m)	111.4	105.6	↘
Balance sheet total (EUR m)	1,601.7	1,631.8	↗
Equity (EUR m)	746.1	713.2	↘
Net debt (EUR m)	-253.0	-168.4	↗
Gearing (%)	-33.9	-23.6	↗
ROCE (%)	1.6	0.6	↘
Full-time employees (average)	30,366	29,558	↘



ÖIAG investment  
**100.0%**

result of economy measures and the substitutive shift to electronic communications systems. All in all, this means an increase in cost pressure that has to be counterbalanced by reductions in expenditure and greater efficiency. Österreichische Post AG has reacted with an intensive cost cutting programme, which is targeted on the highest possible degree of cost flexibility. At the same time, efficiency levels are to be raised by already initiated restructuring projects, quality programmes and investments in state-of-the-art technology.

Increase in cost pressure

Cost cutting programme and cost flexibility

## The company

Austria's leading supplier of postal services

Österreichische Post AG is Austria's leading supplier of postal services. It was turned into a legally independent company on March 3, 1999. The main business areas of Österreichische Post AG include letter and parcel services, as well as the completion of financial transactions in co-operation with its long-term partner, Postsparkasse.

New divisional structure with five business areas

Österreichische Post AG has had a divisional structure since 2002 and is divided into five business areas consisting of Letter, Branch Network, Info-Mail, KEP (Kurier.Express.Paket – Courier Express Package) and Media Post. This structure was established to meet the demands of customers, the market and the competition and to provide a well-defined and transparent allocation of responsibility. The five divisions are accountable for their products, customers, turnover and results.

## Strategy

In the long-term, a structural change in the Österreichische Post AG's market is to be expected as a

## Highlights 2002

- New, markedly more flexible operative structure with the five Letter, Branch Network, Infomail, KEP (Kurier.Express.Paket – Courier Express Package) and Media Post Divisions.
- A restructuring of the branch network in line with the market, which has brought sizeable costs cuts and an increase in efficiency through a reduction in the number of post offices from 2,300 to 1,669.
- A full cover service is also secured in thinly populated areas through alternative sales channels.
- A new letter centre for Austria's Eastern region in the shape of one of the largest and most modern sorting offices in Europe.
- Launch of a quality enhancement programme.
- Purchase of a 75% stake less one share in the feibra advertising delivery service.
- Revised Media Post Division product and charges scheme with new contracts involving over 4,200 newspapers.

## Business development 2002

Profit despite falls in parcel and letter volumes

Business has reacted to the continuing economic low with investment reductions and rigid cost cutting programmes. This has also had an effect on Österreichische Post AG, with falls in both parcel, and especially, letter volumes during 2002. Nonetheless, Österreichische Post AG was able to close the 2002 financial year with a profit.

Largest share of turnover held by Letter Division

At EUR 1,571.7 million, Group turnover in 2002 was slightly up on the preceding year. The operating result was only marginally down at EUR 1,629.1 million. Turnover in the Letter, Infomail, KEP (Kurier Express Paket – Courier Express Package) and Media Post Divisions stagnated, or was lower than in the preceding year. Turnover in the Branch Network Division was up. The largest share of total turnover continued to derive from the Letter Division with EUR 710.7 million.

The ordinary business result of the Österreichische Post Group in 2002 amounted to –EUR 1.9 million, EBIT to –EUR 7.6 million.

Reduction in the work force

During the period under review, the Österreichische Post Group work force was reduced by 808 full-time employees and at the end of 2002 numbered on average 29,558. Accordingly, expenditure on personnel also fell to a total of EUR 1,015.0 million.

## Current trends / projects

Six automated sorting offices

The largest current investment project of Österreichische Post AG with a total volume of EUR 276 million involves the completion of six automated sorting offices in Vienna, Linz, Salzburg, Graz, Villach and the Tyrol/Vorarlberg region. Following the start-up of the letter centres in Salzburg, Graz and recently Vienna, the modernisation of the Upper Austrian logistics centre is to be completed during 2003. Construction work on the planned Carinthian logistics centre in Villach-St. Magdalen is to commence in 2003/04. It is highly likely that the Tyrol/Vorarlberg regional logistics centre will be located near Innsbruck. Work started on the evaluation of possible sites in 2002.

Within the scope of its “Distribution New” programme, Österreichische Post AG is currently cutting the number of its delivery bases by two-thirds to around 570. The aim of this restructuring process is to create larger delivery teams, improved vehicle use, time savings during delivery round planning and a resultant, general improvement in quality. This new organisation should be complete in the course of 2003.

“Distribution New” programme

Apart from the optimisation of services in its domestic market, Österreichische Post AG has also expanded to Austria’s neighbouring countries to the south-east and east. 2001 already saw the foundation of the fully owned “Yellogistics d.o.o.” subsidiary in Slovenia, which is mainly active in the national business-to-business service. In Slovakia, Österreichische Post AG established itself as the number two in the courier express package market through the take-over of “Slovak Parcel Service s.r.o.” and “In Time s.r.o.” during 2002. The turnover of the two Slovakian subsidiaries was raised by 13% in 2002.

Expansion in neighbouring countries

## Outlook 2003

For the coming year, Österreichische Post AG has established the superordinated target of a quality offensive for its corporate activities. Following the creation of the organisational and technical preconditions, a further improvement in quality is to be achieved through a range of measures. At the same time, the restructuring programme is to be continued and accelerated.

Quality offensive

# Österreichische Postbus AG

Key indicators Österreichische Postbus	2001	2002	
Turnover (EUR m)	194.2	199.3	↗
EBITDA (EUR m)	15.5	21.0	↗
EBIT (EUR m)	-11.7	-4.8	↗
Ordinary business result (EUR m)	-11.4	-5.0	↗
Profit/loss for the year (EUR m)	-42.1	-12.7	↗
Dividend (EUR m)	-	-	-
Fixed asset investments (EUR m)	15.3	31.2	↗
Balance sheet total (EUR m)	290.9	281.7	↘
Equity (EUR m)	89.3	77.3	↘
Net debt (EUR m)	-	-	-
Gearing (%)	neg.	21.9	↗
ROCE (%)	-9.1	-3.5	↗
Full-time employees (average)	2,915	2,807	↘



ÖIAG investment  
**100.0 %**

- 2002 saw a comprehensive restructuring of the company and the introduction of a completely new organisation, which were completed in tandem with extensive measures aimed at an improvement in Postbus AG's earnings and cost situation. In order to achieve this objective, cost cutting programmes (e.g. "On the Move"), reductions in the vehicle fleet, along with the restructuring and optimisation of company processes (from accounting to a new planning department and targeted vehicle fleet management, up to the transport network sector), have been initiated.

Restructuring

- At the same time, due to the experience gained in the preceding year, 2002 was characterised by a strategic change of direction in the corporate image of Österreichische Postbus AG within the transport networks. As the foundation of the joint, operative transport companies foreseen under the Österreichische Personennah- und Regionalverkehrs-gesetz (ÖPNRV-G/Austrian Local and Regional Passenger Transport Act) has proved extremely difficult due to differing interests and growing competition, economically sensible and efficient teamwork among transport companies within networks would appear to be increasingly unlikely. Therefore, Österreichische Postbus AG decided to focus on partnership with the transport network organisation companies and to develop new co-operations with the federal provinces. The aim is that in future, the company's best customers (the federal provinces, network organisation companies and local authorities) are to be convinced by a new corporate culture, quality and transport

Strategic change within the transport networks

Partnerships and co-operations

## The company

Austria's largest bus company

As Austria's largest bus company, Österreichische Postbus AG provides 700 services and thus guarantees a full-coverage mobility network in all regions of the country. For this purpose, Österreichische Postbus AG uses a fleet of around 1,500 buses, which complete some 85 million kilometres per year. The company has a work force of 2,860 of which the majority are drivers.

Following the coming into effect of the Post Structure Act Amendment 2000 on February 28, 2001, the Österreichische Postbus AG stock held by Österreichische Post AG was transferred to ÖIAG.

## Strategy

For Österreichische Postbus AG, the first year of complete independence from Österreichische Post AG was characterised by extensive, strategic re-orientation:

planning competence. At the same time, Österreichische Postbus AG launched a highly successful negotiating offensive in all the federal provinces, in order to achieve fairer market rates for its services.

## Highlights 2002

- Implementation of the new organisation agreed in October 2001.
- Development of regional management units, as well as the establishment of stand-alone workshops in Innsbruck and Dornbirn.
- First year of complete autonomy from Post AG.
- Marked increase in efficiency through the assumption of various tasks previously completed by Post AG by company personnel.
- Intensive negotiations with the federal provinces and transport networks for the securing of the financing of passenger services for the future.
- Improvements in the earnings and cost situation.

## Business development 2002

Increase in turnover and bus use

In 2002, Österreichische Postbus AG increased its turnover in the passenger transport area by 4.4%. At the same time, additional measures were taken in order to increase productivity and cut costs. These included an increase in the hire quota to 7.3%, improved bus use and a reduction in average costs per kilometre.

Workshop capacity optimised

The negative trend in the order situation in the workshops, which was primarily due to the decline in Post and Telekom revenues, continued during the past year, but was somewhat less acute. In particular, workshop capacity has been more precisely adjusted to meet internal requirements and original surplus capacity has been largely eradicated.

The Österreichische Postbus AG operating result in the 2002 financial year amounted to EUR 216.5 million, while expenditure totalled EUR 221.3 million. Accordingly, Österreichische Postbus AG attained an operating result of –EUR 4.8 million, while the ordinary business result stood at –EUR 5.0 million. Turnover per employee amounted to TEUR 70.4. Österreichische Postbus AG cash flow from the result in the 2002 financial year totalled EUR 3.3 million.

EBIT and ordinary business result up on preceding year

During the 2002 financial year, Österreichische Postbus AG invested EUR 31.1 million in intangible and fixed assets. Against the background of offensive restructuring, investments clearly exceeded those of the preceding year. Equity ratio fell by three percentage points to 29.5% in the 2002 financial year.

Significant rise in investments

## Outlook 2003

Future corporate development will be decisively affected by the creation of a competitive cost structure, as well as active countermeasures against the turnover stagnation caused by a fall in passenger numbers, particularly in the schoolchildren sector.

Österreichische Postbus AG is holding intensive negotiations to this end with the federal government, provinces and transport networks. At the same time the company is to implement active marketing measures and seek to raise the public awareness levels. Agreement with the transport networks is being sought with regard to the provision of new funding through negotiation based on the optimisation of services. In return, Österreichische Postbus AG will undertake to make public passenger transport more attractive through the implementation of new transport concepts.

Active marketing

New transport concepts

The 2000

# 02 Financial

Financial year

# Management Report

## ÖIAG assignments

In accordance with the ÖIAG Act 2000 (Federal Law Gazette I No. 24/2000), during the year under review, the ÖIAG had the following main assignments:

- **Privatisation management** (selling of shares at the best possible price, taking into account the interests of the companies and the Austrian people).
- **Investment management** (holding and exercise of share rights in companies in which ÖIAG currently has an investment, or may receive such ownership interests through transfers).
- The purchase of investments and participation in capital increases in order to maintain company influence.

The actual, prior privatisation mandate, which was allocated by the federal government in accordance with §7 Section 1 ÖIAG Act 2000 at the Annual General Meeting on May 17, 2000, related to the complete sale of the following companies or interests therein:

- Österreichische Staatsdruckerei GmbH
- Dorotheum Auktions-, Versatz- und Bank-Gesellschaft mbH
- Print Media Austria AG
- Flughafen Wien AG
- Österreichische Postsparkasse AG
- Telekom Austria AG
- Austria Tabak AG

With the exception of Telekom Austria AG, which has been privatised apart from an ÖIAG investment of 47.2%, all the companies and interests listed above have been sold off in their entirety.

In addition, ÖIAG must examine the possibility of privatising additional companies or interests and exercise this option when possible and expedient.

## Economic conditions

The economic situation generated virtually no positive impulses for the activities of ÖIAG in 2002. Neither the business climate, nor the situation on the international capital markets was conducive to further privatisation. The vacuum in domestic politics between the new elections in 2002 and the formation of a government in 2003 also placed severe limitations on the ÖIAG's room for manoeuvre.

As a result of the global recession, the ÖIAG investments, which in international terms are all SMEs, were all faced by testing challenges. However, these were mostly successfully mastered, something that in the final analysis was indicated by the value of the ÖIAG portfolio, which despite the unfavourable conditions remained stable in 2002.

## Activities in 2002

In April 2002, voestalpine AG completed a capital increase of EUR 214.5 million. ÖIAG participated in this transaction, taking up 1,247,400 shares on the basis of its subscription rights at a purchase price of EUR 32.5 per share and with a total value of EUR 40.5 million. As the ÖIAG only used 50% of its subscription entitlement, its stake fell from 37.8% to 34.7%.

At the end of June 2002 an important milestone was passed in the future development of Telekom Austria AG and mobilkom austria. With the active assistance of ÖIAG, Telekom Austria AG repurchased the 25% stake of Telecom Italia Mobile in mobilkom austria for around EUR 690 million and is now the sole owner of the company. This also represented the start of the general withdrawal of Telecom Italia from its involvement in Telekom Austria and to this end a contract was signed, on the basis of which, in November 2002 Telecom Italia cut its interest in Telekom Austria AG from 29.8% to 14.8% during the course of a stock exchange issue. This notable transaction had an extremely positive effect on the price of the Telekom Austria share. It also constituted the end of the syndication agreement between ÖIAG and Telecom Italia.

In line with its privatisation mandate, in March 2002 (closing) ÖIAG sold off Strohal Rotationsdruck GmbH, the parent company of which, Print Media Austria AG, had been merged with ÖIAG in a contract dating from June 8, 2001. The income from this privatisation amounted to EUR 27.8 million.

During September 2002, a contract was signed concerning the sale of Österreichische Postbus AG to the ÖBB (Austrian Federal Railways). At the time this report was going to print, the transaction was undergoing anti-trust law examination. Should approval be granted by the fair trading authorities, it is expected that the sale will take effect in 2003.

During the period under review, ÖIAG's investment management initiatives aimed at increasing the value of the individual companies in its portfolio proved highly successful. In co-operation with the internationally respected consultancy company, Stern Stewart & Co., the EVA (Economic Value Added) management and remuneration system, which had already been installed at some companies during 2001, was expanded still further. The value added strategy systematically pursued by the investments resulted in an EVA increase of over EUR 200 million in the ÖIAG portfolio during 2002.

### Value of ÖIAG portfolio remains stable

In spite of the negative trend of the international stock markets and unfavourable economic conditions, the ÖIAG portfolio has retained its value during the past two years.

As at December 31, 2002, the portfolio of all ÖIAG investments had a total value of around EUR 4.7 billion. This was counterbalanced by net debt of around EUR 2 billion. The result was surplus cover of EUR 2.7 billion or 135%.

### Result 2002

The most important factors in the ÖIAG result for the 2002 financial year were:

- Income from privatisation related exclusively to the sale of Strohal Rotationsdruck GmbH for EUR 27.8 million (privatisation income 2001: EUR 925.0), as well as some items of real estate.
- As a result of a fall in share price, the investment in VA TECH was written down by a total of EUR 33.1 million. In addition, the IMIB interest was devalued by EUR 1.5 million in view of the necessity of a shareholder loan, which was granted with backdated effect to December 31, 2002. This was required in order that IMIB did not report negative equity.
- The offset of additional obligations to the Allgemeine Pensionskasse (APK) for performance-related pension commitments derived from the former nationalised industry sector had a negative effect on the result of around EUR 20 million.
- Site rehabilitation measures at the disused LAKOG mine workings required an additional balance sheet provision of around EUR 7 million.
- During the period under review, a positive effect derived from the reduction in the ÖIAG work force, which with an average of 50 people in 2002 was some 7% smaller than in 2001. Consequently, current personnel expenses (excluding expenses for pensions) were reduced by EUR 1.3 million or around 17%.
- Operating expenditure in the period under review, particularly consulting costs, was well down, falling by around 30% as compared to the figure for the preceding year.

In view of these factors, ÖIAG reported a net loss of EUR 79.8 million as at December 31, 2002 (2001: net profit of EUR 187.2 million).

In the course of 2002, the ÖIAG balance sheet total fell by EUR 136.0 million or 2%. The balance structure remained largely unchanged.

All in all, the book value of the investments changed from EUR 2,865.4 million to EUR 2,826.7 million.

Liabilities to banks were reduced by around EUR 53 million over the preceding year by means of loan repayments.

On the basis of results in 2002, equity fell from EUR 2,710.7 million to EUR 2,631.1 million. Consequently, the equity ratio on the balance sheet date stood at 48.2% (31.12.2001: 48.4%).

## Outlook

The assignments of ÖIAG in the 2003 financial year continue to derive from the ÖIAG Act and the related, federal government privatisation mandate for one legislative period.

On April 1, 2003, the federal government allocated ÖIAG a privatisation mandate for the new legislative period, which envisages the complete sale of the following companies:

- BÖHLER-UDDEHOLM AG,
- VA Technologie AG,
- voestalpine AG, and
- ÖIAG-Bergbauholding AG.

Moreover, the privatisation mandate also foresees the sale of up to 100% of the investment in Telekom Austria AG and the search for a strategic partner for Österreichische Post AG as a first step towards privatisation.

ÖIAG has the task of selling these companies subject to the rider of the greatest possible protection of certain Austrian interests. These consist primarily of a maximisation of privatisation returns and the securing of employment.

As in the past, within the scope of investment management, the successful value added strategy will be maintained, which means that a further sizeable increase in EVA can be anticipated for the ÖIAG portfolio in 2003.

Depending on the volume and sequence of future privatisations, as well as changes to the ÖIAG Act, ÖIAG will continue on its path towards debt reduction.

Vienna, July 3, 2003

The Managing Board

Peter Michaelis m.p.

Rainer Wieltsch m.p.

# Balance sheet

as at December 31, 2002

Assets			As at	As at
	EUR	EUR	31.12.2002	31.12.2001
			EUR	TEUR
<b>A. Fixed assets</b>				
<b>I. Intangible assets</b>				
1. Licences, rights	385,730.75			118
2. Prepayments made	0.00			187
		<b>385,730.75</b>		<b>305</b>
<b>II. Tangible assets</b>				
1. Land, rights equivalent to real property and buildings, including buildings on third-party land, thereof real property value of EUR 3,197,604.08 (2001: TEUR 3,586)	3,197,604.08			4,950
2. Other plant, factory and office equipment	732,134.22			645
3. Prepayments made and construction in progress	0.00			159
		<b>3,929,738.30</b>		<b>5,754</b>
<b>III. Financial assets</b>	2,826,657,104.73			2,865,427
1. Investments	25,558,804.22			24,839
2. Investment securities	31,915.46			54
3. Other loans		<b>2,852,247,824.41</b>		<b>2,890,320</b>
			<b>2,856,563,293.46</b>	<b>2,896,379</b>
<b>B. Current assets</b>				
<b>I. Receivables and other assets</b>				
1. Trade accounts receivable	34,047.14			6,042
2. Receivables from associated companies	352,288.60			295
3. Other receivables and assets	10,026,309.34			7,729
		<b>10,412,645.08</b>		<b>14,066</b>
<b>II. Securities and interests</b>				
1. Other securities and interests		213,711,111.84		167,648
<b>III. Cash and credit balances at banks</b>		405,429,187.39		544,355
			<b>629,552,944.31</b>	<b>726,069</b>
<b>C. Counterclaims related to liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria</b>			1,977,872,348.43	1,977,872
<b>D. Prepaid expenses</b>				
1. Discounts, capital procurement costs		15,328.88		21
2. Other		33,573.58		9
			<b>48,902.46</b>	<b>30</b>
			<b>5,464,037,488.66</b>	<b>5,600,350</b>

Equity and liabilities			As at	As at
	EUR	EUR	31.12.2002 EUR	31.12.2001 TEUR
<b>A. Equity</b>				
I. Share capital		363,365,000.00		363,365
II. Capital reserves				
1. Committed	1,780,062,343.28			1,780,062
2. Uncommitted	190,244,037.85			190,244
		<b>1,970,306,381.13</b>		<b>1,970,306</b>
III. Retained earnings (statutory reserve)		36,336,417.08		36,337
IV. Net profit				
thereof carryforward of EUR 340,707,937.30 (2001: TEUR 152,613)		261,096,877.76		340,708
			<b>2,631,104,675.97</b>	<b>2,710,716</b>
<b>B. Other untaxed reserves</b>			35,552.79	190
<b>C. Provisions</b>				
1. Provisions for severance payments		1,347,837.00		1,414
2. Provisions for pensions		1,730,699.00		1,716
3. Other provisions		121,967,498.82		119,068
			<b>125,046,034.82</b>	<b>122,198</b>
<b>D. Liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria</b>		1,977,872,348.43		1,981,619
thereof not recovered by counterclaims		0.00		-3,747
			<b>1,977,872,348.43</b>	<b>1,977,872</b>
<b>E. Liabilities</b>				
1. Subordinated shareholder loan		67,619,305.34		67,986
2. Bonds		0.00		2,180
3. Liabilities to banks		611,659,288.94		664,555
4. Trade accounts payable		2,899,620.09		3,874
5. Liabilities to associated companies		29,573,096.82		25,539
6. Other liabilities				
thereof relating to taxes EUR 11,436.00 (2001: TEUR 41)				
thereof relating to social security EUR 65,526.72 (2001: TEUR 66)		18,227,565.46		25,240
			<b>729,978,876.65</b>	<b>789,374</b>
			<b>5,464,037,488.66</b>	<b>5,600,350</b>
Contingent Liabilities			0.00	3,724

## Schedule of fixed assets

pursuant to §226 Section 1 of the Austrian Commercial Code as at December 31, 2002

	Carryforward	Additions	Acquisition/Production cost	
	1.1.2002		Reclassifications	Disposals
	EUR	EUR	EUR	EUR
<b>Fixed assets</b>				
<b>I. Intangible assets</b>				
1. Licences, rights	231,555.31	263,876.27	187,015.26	9,940.67
2. Prepayments made	187,015.26	0.00	-187,015.26	0.00
	<b>418,570.57</b>	<b>263,876.27</b>	<b>0.00</b>	<b>9,940.67</b>
<b>II. Tangible assets</b>				
1. Land, rights equivalent to real property and buildings, including buildings on third-party land				
a) Developed land				
Real property value	224,541.85	0.00	0.00	224,541.85
Value of buildings	8,335,082.44	0.00	0.00	8,217,693.88
b) Undeveloped land	3,401,052.06	0.00	0.00	188,423.93
	<b>11,960,676.35</b>	<b>0.00</b>	<b>0.00</b>	<b>8,630,659.66</b>
2. Technical plant and machinery	673,040.17	0.00	0.00	673,040.17
3. Other plant, factory and office equipment	2,956,293.46	235,943.12	159,168.00	394,799.53
4. Prepayments made and construction in progress	159,168.00	0.00	-159,168.00	0.00
	<b>15,749,177.98</b>	<b>235,943.12</b>	<b>0.00</b>	<b>9,698,499.36</b>
<b>III. Financial assets</b>				
1. Investments	3,993,954,327.01	42,040,500.00	0.00	56,656,118.03
2. Investment securities	25,912,694.60	0.00	0.00	0.00
3. Other loans	54,444.05	0.00	0.00	22,528.59
	<b>4,019,921,465.66</b>	<b>42,040,500.00</b>	<b>0.00</b>	<b>56,678,646.62</b>
	<b>4,036,089,214.21</b>	<b>42,540,319.39</b>	<b>0.00</b>	<b>66,387,086.65</b>

As at 31.12.2002 EUR	Accumulated depreciation EUR	Net book value 31.12.2002 EUR	Net book value 31.12.2001 EUR	Depreciation in the year under review EUR	Write-ups EUR
672,506.17	286,775.42	385,730.75	118,308.23	180,200.10	0.00
0.00	0.00	0.00	187,015.26	0.00	0.00
<b>672,506.17</b>	<b>286,775.42</b>	<b>385,730.75</b>	<b>305,323.49</b>	<b>180,200.10</b>	<b>0.00</b>
0.00	0.00	0.00	224,541.85	0.00	0.00
117,388.56	117,388.56	0.00	1,363,234.62	163,634.08	0.00
3,212,628.13	15,024.05	3,197,604.08	3,361,859.57	0.00	0.00
<b>3,330,016.69</b>	<b>132,412.61</b>	<b>3,197,604.08</b>	<b>4,949,636.22</b>	<b>163,634.08</b>	<b>0.00</b>
0.00	0.00	0.00	0.00	0.00	0.00
2,956,605.05	2,224,470.83	732,134.22	645,008.20	307,127.77	0.00
0.00	0.00	0.00	159,168.00	0.00	0.00
<b>6,286,621.74</b>	<b>2,356,883.44</b>	<b>3,929,738.30</b>	<b>5,753,812.42</b>	<b>470,761.85</b>	<b>0.00</b>
3,979,338,708.98	1,152,681,604.25	2,826,657,104.73	2,865,426,916.01	34,584,000.00	0.00
25,912,694.60	353,890.38	25,558,804.22	24,838,518.83	18,242.50	738,527.89
31,915.46	0.00	31,915.46	54,444.08	0.00	0.00
<b>4,005,283,319.04</b>	<b>1,153,035,494.63</b>	<b>2,852,247,824.41</b>	<b>2,890,319,878.92</b>	<b>34,602,242.50</b>	<b>738,527.89</b>
<b>4,012,242,446.95</b>	<b>1,155,679,153.49</b>	<b>2,856,563,293.46</b>	<b>2,896,379,014.83</b>	<b>35,253,204.45</b>	<b>738,527.89</b>

## Income statement

for the period from January 1, 2002 to December 31, 2002

	2002 EUR	2002 EUR	2001 TEUR	2001 TEUR
1. Turnover		183,475.05		232
2. Other operating income				
a) Gains on the disposal and write-up of fixed assets other than financial assets	13,080,470.01		695	
b) Gains on the release of provisions	268,329.46		3,547	
c) Other	2,595,026.23	15,943,825.70	4,608	8,850
3. Personnel expenses				
a) Wages	0.00		56	
b) Salaries	4,979,944.58		5,088	
c) Expenses for severance payments	343,771.22		1,307	
d) Expenses for pensions	19,971,606.13		11,238	
e) Expenses for compulsory social security contributions and payroll taxes	870,491.34		1,072	
f) Other social expenditure	113,342.91	-26,279,156.18	101	-18,862
4. Depreciation of intangible and tangible fixed assets		-650,961.95		-1,169
5. Other operating expenses				
a) Taxes not included in Item 20	17,325.02		50	
b) Other	22,490,258.01	-22,426,583.03	30,064	-30,114
6. Sub-total of Items 1–5 (operating result)		<b>-33,229,400.41</b>		<b>-41,063</b>
7. Income from investments		98,594,809.37		472,256
8. Income from other securities and financial asset loans		1,139,888.83		1,121
9. Other interest and similar income		26,996,559.38		31,148
10. Gains on the disposal and write-up of financial assets and current asset securities		813,315.18		834,267
11. Expenses relating to the Republic of Austria's profit-sharing rights		0.00		-626,101
12. Expenses for exchange rate losses		-8,749,395.96		-11,475
13. Expenses relating to financial assets and current asset securities				
a) Depreciation	18,242.50		8	
b) Expenses relating to investments	34,584,000.00	-34,602,242.50	262,620	-262,628
14. Interest and similar expenses		-130,725,634.96		-197,947
15. Sub-total of Items 7–14 (financial result)		<b>-46,532,700.66</b>		<b>240,641</b>
16. Ordinary business result		<b>-79,762,101.07</b>		<b>199,578</b>

	2002 EUR	2002 EUR	2001 TEUR	2001 TEUR
17. Extraordinary income		0.00		30,276
18. Extraordinary expenses		0.00		-42,622
19. Extraordinary result		0.00		-12,364
20. Income taxes		-3,500.00		-3
<b>21. Profit/loss for the year</b>		<b>-79,765,601.07</b>		<b>187,229</b>
22. Release of untaxed reserves		154,541.53		866
<b>Net profit/loss for the year</b>		<b>-79,611,059.54</b>		<b>188,095</b>
23. Profit carryforward from the previous year		340,707,937.30		152,613
<b>24. Net profit</b>		<b>261,096,877.76</b>		<b>340,708</b>

## Movements in untaxed reserves

	As at 1.1.2002 EUR	Write-back EUR	As at 31.12.2002 EUR
<b>Investment allowance pursuant to §10 of the Austrian Income Tax Act</b>			
1998	96,936.34	96,936.34	0.00
1999	93,036.98	57,546.33	35,490.65
2000	121.00	58.86	62.14
	<b>190,094.32</b>	<b>154,541.53</b>	<b>35,552.79</b>

# Notes to the Financial Statements

## A. General remarks

The company is under the sole ownership of the Republic of Austria.

The company was formed in accordance with the ÖIAG Act, published in the Federal Law Gazette No. 23/1967, as amended in the Federal Law Gazette No. 439/1984. There followed several legislative changes that affected the legal basis of the company.

The company received a changed statutory basis through a new federal law concerning the revised legal relationship between Österreichische Industrieholding Aktiengesellschaft and Post und Telekombeteiligungsgesellschaft (ÖIAG Act 2000, published in the Federal Law gazette I No. 24/2000).

The annual financial statements are based on the amended ÖIAG Act 2000 contained in the Budget Accompanying Act 2003. From a current perspective, it is anticipated that the legal change already approved by the Austrian National Council will come into force in August 2003.

Pursuant to §1 Section 2 of the ÖIAG Act 2000, the principal tasks of the company are the disposal of shares (privatisation management), the holding, administration and exercise of ownership interests (investment management) in companies in which ÖIAG holds shares, or in which such ownership interests are to be transferred by act of parliament or legal transaction (holdings), and the acquisition of ownership interests in accordance with §9, Sections 2 and 3 of the ÖIAG Act 2000.

The ÖIAG Act 2000 gives the Republic of Austria a mandatory claim to 80% of the profits derived from the privatisation of holdings. This mandatory claim is limited by counterclaims relating to liabilities for which the Republic of Austria refunds interest and repayments to ÖIAG. 20% of the profits are employed to service the subordinated shareholder loan shown in ÖIAG's balance sheet. Once the subordinated shareholder loan has been repaid, the Republic of Austria's claim increases to 100% of the profits generated by the privatisation of holdings.

The Republic of Austria's existing guarantee for ÖIAG and Post und Telekombeteiligungsgesellschaft liabilities remains in effect until all such liabilities have been honoured.

In accordance with its privatisation assignment, during 2002 ÖIAG sold off Strohal Rotationsdruck GmbH and made preparations for the privatisation of other companies.

### Accounting and valuation principles

Accounting and valuation are undertaken according to the going concern principle, exercising due diligence and the principle of impartiality of realisation. The presentation complies with the legal stipulations and retains previous accounting and valuation practices. There was no change in the valuation methods employed during the year under review as compared to the preceding year. No accounting aids were employed.

### Fixed assets

**Intangible assets** are reported at purchase cost and subjected to scheduled, straight-line depreciation using rates of 25–33.3%.

**Tangible assets** are reported at the acquisition/production cost less scheduled depreciation, which is determined using the straight-line method. Extraordinary depreciation is applied in cases where a lasting reduction in value is probable.

**Low value assets** (cost of acquisition/production of up to EUR 400) are written off entirely during the year of purchase and reported as a disposal.

The following rates are applied to the scheduled depreciation of tangible fixed assets:

<b>Buildings</b>	<b>1.7–10%</b>
<b>Factory and office equipment</b>	<b>10–25%</b>

**Investments in subsidiaries** are reported at the cost of acquisition. Long-term reductions in value are taken into account through extraordinary depreciation.

**Investment securities** are reported at the cost of acquisition, or in the case of a reduction in value, at the lower value quoted on the closing date.

**Other loans** are reported at their nominal value, or at the lower cash value on the balance sheet date.

### Current assets

**Receivables and other assets** are capitalised at nominal value. Recognisable risks are accounted for through the appropriate provisions. Non-interest-bearing or low-interest receivables are discounted.

### Provisions and liabilities

**Provisions for severance payments** as at the balance sheet date are reported according to the amount calculated using actuarial methods. The discount value method is employed at an interest rate of 6% p.a. The amount of the **provisions for pensions** is established using an interest rate of 3.5% and the discount value method. The AVÖ 1999-P (salaried staff) tables are utilised as a basis for this calculation.

**Other provisions** take into account all identifiable risks on the balance sheet date, as well as non-quantifiable liabilities.

**Liabilities** are reported at the amount repayable.

Amounts in foreign currencies are reported according to the lowest or highest value method.

## B. Notes to the balance sheet

### a. Intangible and tangible assets

Movements in the intangible and tangible assets are shown in the Schedule of fixed assets.

Obligations arising from the use of tangible assets not reported in the balance sheet amount to EUR 0.43 million in the following financial year. The total amount for the following five years adds up to EUR 2.16 million

### b. Financial assets

Movements in the financial assets are presented in detail in the Schedule of fixed assets.

Securities include shares in investment funds as security cover for the provisions for severance payments, pensions and long-service bonuses, as well as for any subsequent obligations arising from provisions transferred to the APK pension fund.

Other loans on the balance sheet date contain a long-term loan of EUR 0.03 million, of which EUR 0.02 million is repayable within one year.

### c. Receivables and other assets

Items	Balance sheet value
	EUR m
Trade accounts receivable	0.03
(previous year)	(6.04)
Receivables from associated companies	0.35
(previous year)	(0.29)
Other receivables and assets	10.03
(previous year)	(7.73)
<b>Total</b>	<b>10.41</b>
<b>(Total previous year)</b>	<b>(14.06)</b>

### d. Counterclaims related to liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria

In accordance with §14 Section 5 of the ÖIAG Act 2000, the obligation on the Republic of Austria to refund interest and repayments is reduced to the extent that its rights to shares in ÖIAG profits from privatisation can be offset pursuant to §13 Section 2 (§1348 of the Austrian Civil Code). The Republic of Austria made no profit-sharing claims in 2002. Therefore, the counterclaims as at December 31, 2002 remained unchanged at EUR 1,977.87 million.

### e. Prepaid expenses

The reported prepaid expenses relate to amounts paid prior to December 31, 2002, insofar as they represent expenses for a particular period after this date.

### f. Share capital

The share capital of EUR 363,365,000 is composed of 5,000 shares.

### g. Provisions

Other provisions mainly consist of provisions for holdings of EUR 26.16 million, provisions for unconsumed leave and long-service bonuses (EUR 39.34 million) and a provision for the compensation fund (EUR 33.34 million).

#### h. Liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria

On the balance sheet date, these liabilities amounted to EUR 1,977.87 million.

#### i. Liabilities

Items	With a residual term of less than one year	With a residual term of more than one year	Balance sheet value
	EUR m	EUR m	EUR m
Subordinated shareholder loan (previous year)	67.62 (67.99)	0.00 (0.00)	67.62 (67.99)
Bonds (previous year)	0.00 (2.18)	0.00 (0.00)	0.00 (2.18)
Liabilities to banks (previous year)	345.47 (61.64)	266.19 (602.91)	611.66 (664.55)
Trade accounts payable (previous year)	2.90 (3.87)	0.00 (0.00)	2.90 (3.87)
Liabilities to associated companies (previous year)	29.57 (25.54)	0.00 (0.00)	29.57 (25.54)
Other liabilities (previous year)	18.23 (25.24)	0.00 (0.00)	18.23 (25.24)
<b>Total</b>	<b>463.79</b>	<b>266.19</b>	<b>729.98</b>
<b>(Total previous year)</b>	<b>(186.46)</b>	<b>(602.91)</b>	<b>(789.37)</b>

§13 Section 1 of the ÖIAG Act 2000 requires that 20% of the profits derived from the privatisation of holdings be used to repay the subordinated shareholder loan. Accordingly, the period remaining until the maturity of the loan depends on the level of profit made from privatisation.

EUR 19.88 million of the liabilities to banks are due after December 31, 2007.

The liabilities to banks amounting to EUR 611.66 million, which were transferred to ÖIAG in the course of the merger resulting from the ÖIAG Act 2000, are offset by shares and bank balances totalling EUR 619.13 million. According to the ÖIAG Act, these amounts are not only to be used for repayments, but also for the payment of interest in 2003 on the liabilities for which the Republic of Austria is obliged to make a refund.

## C. Notes to the income statement

### a. Turnover

	2002	2001
	EUR m	EUR m
Allocation	0.07	0.07
Other	0.11	0.16
<b>Revenues from domestic sales</b>	<b>0.18</b>	<b>0.23</b>

### b. Other operating income

	2002	2001
	EUR m	EUR m
Gains on the disposal of fixed assets other than financial assets	13.08	0.69
Gains on the release of provisions	0.27	3.55
Other	2.59	4.61
	<b>15.94</b>	<b>8.85</b>

Other operating income in 2002 originated largely from ongoing income such as rent and cost reimbursements.

### c. Personnel expenses

	2002	2001
	EUR m	EUR m
Wages		
Salaries	0.00	0.05
Expenses for severance payments	4.98	5.09
Expenses for pensions	0.35	1.31
Expenses for compulsory social security contributions and payroll taxes	19.97	11.24
Other social expenditure	0.87	1.07
	0.11	0.10
	<b>26.28</b>	<b>18.86</b>

### d. Other operating expenses

	2002	2001
	EUR m	EUR m
Taxes, excluding income taxes	0.02	0.05
Other	22.41	30.06
	<b>22.43</b>	<b>30.11</b>

The other operating expenses not only contain expenses relating to the privatisation of holdings, but also operating and administrative costs for real estate, rents, fees and value adjustments.

### e. Income from investments and related expenditure

	2002	2001
	EUR m	EUR m
	98.59	472.26
Dividends	-34.58	-262.63
Expenditure relating to investments	<b>64.01</b>	<b>209.63</b>

### f. Interest income and expenditure

	2002	2001
	EUR m	EUR m
Other interest and similar income	27.00	31.15
Interest payments and similar expenditure	-130.73	-197.95
	<b>-103.73</b>	<b>-166.80</b>

#### g. Gains from the disposal and writing-up of financial assets and from current securities

Gains of EUR 0.81 million derived largely from security write-ups.

#### h. Financial expenses from exchange rate losses

An exchange rate loss amounting to EUR 8.75 million accumulated during the financial year 2002 in connection with liabilities in Swiss francs. This was due to the higher exchange rate as compared to the book rate.

#### i. Net income for the year

Net income amounted to EUR 261.10 million. In accordance with the ÖIAG Act 2000, on the basis of medium- and long-term financial planning, the primary aim is to use liquid funding for the repayment of the subordinated shareholder loan and the refunding claims, as well as for the repayment of the liabilities transferred to ÖIAG in the course of a merger. The net income is subject to the general Stock Corporation Law stipulations concerning the distribution of profits. According to the ÖIAG Act, the Managing Board is obliged to include a forecast in its proposal for the distribution of profits, which will show the extent to which profits from privatisation for the current and subsequent year will be required for interest payments on the basis of cautious financial planning.

## D. Corporate bodies, employees

a. In 2002, ÖIAG had an average of 50 employees (previous year: 54).

#### b. Severance payments and pensions

Expenditure for severance payments	2002 EUR m	2001 EUR m
Managing Board and senior executives	0.19	1.10
Other employees	0.15	0.20
<b>Total</b>	<b>0.34</b>	<b>1.30</b>

Expenditure for pensions	2002 EUR m	2001 EUR m
Managing Board and senior executives	0.56	0.50
Other employees	19.41	10.74
<b>Total</b>	<b>19.97</b>	<b>11.24</b>

The increase in pensions reported under other employees resulted from the topping up of requirements for pensions that have been transferred to APK Pensionskasse AG. The liability side topping-up obligations as at December 31, 2002, arose from the negative result on the investments of the insured parties and the change to the AVÖ 1999-P tables (salaried staff) as a platform for the actuarial calculations. These tables are based on the increased life expectancy of the beneficiaries. The pension obligations (402 recipients as at December 31, 2002) result mainly from the previous mergers of companies (Vereinigte Edelmetallwerke AG/Austrian Industries AG) with ÖIAG.

c. Emoluments to the Supervisory Board amounted to EUR 0.18 million.

#### d. Managing Board

Peter MICHAELIS  
Rainer WIELTSCH (from May 1, 2002)

**e. Supervisory Board****Alfred H. HEINZEL***Chairman*

Managing Director, Heinzl, Bunzl Beteiligungs- und Liegenschafts-  
verwaltungs (Holding) GmbH

**Jürgen HUBBERT***First Vice-Chairman*

Member of the Managing Board, Daimler Chrysler AG,  
Mercedes-Benz cars and Smart Division

**Hellwig TORGGLER***Second Vice-Chairman*

Lawyer, Schönherr Practice

**Paul ACHLEITNER**

Member of the Managing Board, Allianz AG

**Karl BÜCHE**

Chairman of the Managing Board,  
BBAG Österreichische Brau-Beteiligungs-AG  
(from June 28, 2002)

**Astrid GILHOFER**

Member of the Managing Board, P Beteiligungs AG  
(from June 28, 2002)

**Cornelius GRUPP**

Chairman of the Supervisory Board, CAG Holding GmbH  
(until June 28, 2002)

**Franz RAUCH**

Managing Director, RAUCH Fruchtsäfte GmbH  
(until June 28, 2002)

**Veit SCHALLE**

Chairman of the Managing Board, REWE Austria AG

**Veit SORGER**

Chairman of the Managing Board, Frantschach AG

**Paul TANOS**

Managing Partner, P. TANOS Immo- und Consulting GmbH  
(until June 28, 2002)

**Erich WIESNER**

Managing Director, Wiesner-Hager Baugruppe GmbH

**Siegfried WOLF**

President & CEO, Magna Steyr AG & Co KG  
(from June 28, 2002)

**Leopold ABRAHAM**

Chairman of the Central Staff Council, OMV AG

**Anton BENEDER**

Chairman of the Central Staff Council, VA TECH ELIN EBG GmbH  
(from June 6, 2002)

**Gerhard FRITZ**

Chairman of the Central Committee, Österreichische Post AG

**Erich HUHNDORF**

Chairman of the Central Committee, Telekom Austria AG

**Josef LETTMAIER**

Chairman of the Salaried Staff Council, Elin EBG Elektrotechnik GmbH  
(until March 15, 2002)

**Helmut OBERCHRISTL**

Chairman of the Staff Council, voestalpine Stahl Linz GmbH

## E. Investments

Company	Reg. office	Year	Equity EUR m	Equity holding %	Profit (loss) for the year EUR m
APK Pensionskasse AG	Vienna	2001	13.76	27.3	-0.27
Austrian Airlines Österreichische Luftverkehrs AG	Vienna	2002	345.60	39.7	-73.30
BÖHLER-UDDEHOLM AG	Vienna	2002	370.94	25.0	25.71
IMIB AG	Linz	2001	17.63	100.0	-3.32
ÖIAG-Bergbauholding AG	Vienna	2002	14.17	100.0	0.45
Österreichische Post AG	Vienna	2002	671.49	100.0	18.73
Österreichische Postbus AG	Vienna	2002	77.34	100.0	-12.71
OMV AG	Vienna	2002	1,913.87	35.0	219.92
SCHOELLER-BLECKMANN GmbH	Ternitz	2002	3.79	99.0	0.14
Telekom Austria AG	Vienna	2002	2,018.50	47.2	-92.81
VOEST-ALPINE TECHNOLOGIE AG	Linz	2002	400.35	24.0	-15.99
VOEST-ALPINE AG	Linz	2002/2003	1,110.57	34.7	80.32
VOEST-ALPINE Steinel GmbH	Linz	2002	0.12	100.0	0.00

The information relating to equity and profits (losses) for the year relates to the individual financial statements of the companies listed above.

The federal law from April 26, 2000, which came into force on May 17, 2000 (ÖIAG Act 2000), expressly forbids the consolidation of ÖIAG with its investments.

ÖIAG is charged with the tasks of ensuring that companies in which it has a direct majority take all steps necessary to create the most favourable conditions for their privatisation. ÖIAG is only empowered to issue directives and guidelines aimed at achieving this goal.

Vienna, July 3, 2003

The Managing Board

Peter Michaelis m.p.

Rainer WIELTSCH m.p.

# Auditors' Report

We believe that our audit provides a reasonable basis for our opinion. Based on the results of the audit performed by us we issue the following unqualified audit opinion:

"The financial statements were drawn up according to the provisions of the ÖIAG Act 2000, amended by the Budget Accompanying Act 2003. The Budget Accompanying Act 2003 was adopted by the Austrian National Council on June 11, 2003, but has not yet entered into force when this audit opinion was issued. This audit opinion is therefore issued subject to the condition precedent of the ÖIAG Act 2000, amended by the Budget Accompanying Act 2003, which was adopted by the National Council on June 11, 2003, entering into force.

Based on our audit performed in accordance with our professional duties, the accounting records and the financial statements comply with the legal regulations in Austria. The financial statements present, in compliance with Austrian generally accepted accounting principles, a true and fair view of the assets and liabilities, the financial position and the results of operations of the company. The management report corresponds with the financial statements."

Vienna, July 3, 2003

 ERNST & YOUNG

Wirtschaftsprüfungs- und  
Steuerberatungsgesellschaft m.b.H.

Alfred Brogyányi m.p.  
Chartered accountant

Gerhard Schwartz m.p.  
Chartered accountant

# Supervisory Board Report

## Report of the Supervisory Board to the Annual General Meeting on the 2002 financial year

In meeting its legal commitments, the Supervisory Board held six plenary meetings and one committee meeting during the 2002 financial year. The focal points of Supervisory Board activities were provided by the appointment of a second Managing Board member and consulting and resolutions relating to further privatisation measures. In particular, the latter related to the change in the syndication agreement concluded with Telecom Italia regarding the investment in Telekom Austria AG, which represented a major precondition for future steps towards the privatisation of Telekom Austria AG, as well as the participation of ÖIAG in a capital increase by voestalpine AG, the sale of Österreichische Postbus AG and the sale of the property at Rennweg 16, Vienna. Other important consultations took place in connection with a new corporate concept for ÖIAG.

As in past financial years, the Supervisory Board received reports from the managing boards of subsidiaries and investments, especially from the chairpersons of listed enterprises, concerning the situation in their respective companies.

The Managing Board informed the Supervisory Board both verbally and in writing on the progress of business and the status of the company, the investments and the ÖIAG Group as a whole, and obtained the approval of the Supervisory Board for business decisions where this was required in accordance with the articles of association or the company's rules of procedure.

Due to the fact that during the past financial year, the appointments of two members of the Supervisory Board expired and one member resigned, for the first time, the Supervisory Board itself appointed three new members in accordance with §4 ÖIAG Act 2000.

The annual financial statements and the management report were audited by Europa Treuhand Ernst & Young, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft m.b.H., now: Ernst & Young, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft m.b.H.

The Supervisory Board declares its approval of the financial statements for 2002, which are hereby adopted under the terms of §125 Section 2 of the Austrian Stock Corporation Act. The Supervisory Board also concurs with the Managing Board's proposal to pay a dividend of EUR 200,000,000 from the net profit of EUR 261,096,877.76 and to carry the remainder of EUR 61,096,877.76 forward to the reserves.

In accordance with §270 Section 1 of the Austrian Commercial Code, the Supervisory Board proposes to the Annual General Meeting that Ernst & Young, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft m.b.H. be appointed as the auditors of the financial statements for 2003.

The Supervisory Board would like to express its gratitude to the Managing Board and the company's employees for their work during the past financial year.

Vienna, July 10, 2003

**Alfred H. Heinzl m.p.**  
Chairman of the Supervisory Board

Privatisation I

Mandate

sation Mandate

# The Current Privatisation Mandate

## Privatisation mandate allocated by the Austrian federal government in accordance with §7 Section 1 ÖIAG Act 2000

In accordance with a cabinet resolution from April 1, 2003, the Managing Board of Österreichische Industrieholding Aktiengesellschaft was allocated the following privatisation mandate.

Privatisations should lead to the maximum possible increase in corporate value and revenues for the owner. In addition, the following Austrian interests are to be protected:

- Creation and retention of safe employment in Austria.
- Wherever possible, the decision-making bodies of the companies to be privatised should continue to be located in Austria.
- The retention and expansion of existing research and development capacity through the creation of Austrian core shareholder structures by means of syndicates with industrial partners, banks, insurance companies, pension funds, retirement funds, funds, etc.
- The taking into consideration of the Austrian capital market.

Complete privatisation is envisaged for the following companies and interests:

- BÖHLER-UDDEHOLM AG
- VA Technologie AG
- voestalpine AG
- ÖIAG-Bergbauholding AG

Privatisation of up to 100% is planned for Telekom Austria AG. A strategic partner is being sought for Österreichische Post AG as an initial step towards privatisation subject to the precondition that in the interests of taxpayers and consumers, full coverage service quality be maintained and an improvement in the corporate structure be undertaken.

Following the sale of 100% of Österreichische Postbus AG stock to the ÖBB (Austrian Federal Railways), the completion of the fair trading examination process and the fulfilment of any anti-trust stipulations, a large part of the Österreichische Postbus AG is to be sold to private competitors.

The preparation of concrete privatisation concepts by ÖIAG for the individual investments takes place in close co-operation with the Federal Finance Minister.

*Allocated during the Extraordinary General Meeting of ÖIAG on May 9, 2003.*

### **Concrete definition of the privatisation mandate allocated by the federal government to Österreichische Industrieholding AG (ÖIAG) on April 1, 2003 for the privatisation of voestalpine AG**

The report of the Minister of Finance on the privatisation mandate awarded to ÖIAG by the federal government was passed during the cabinet meeting on April 1, 2003.

The privatisation projects to be completed by ÖIAG in accordance with the mandate from the federal government should lead to the maximum possible increase in corporate value and revenues for the owner. In addition, Austrian interests are to be protected as follows:

- Creation and retention of safe employment in Austria.
- Wherever possible, the decision-making bodies of the companies to be privatised should continue to be located in Austria through the creation of Austrian core shareholder structures by means of syndicates with industrial partners, banks, insurance companies, pension funds, severance pay funds, investment funds, etc.
- The retention and expansion of existing research and development capacity.
- The taking into consideration of the Austrian capital market.

The privatisation mandate also stipulates that the 100% privatisation of voestalpine AG should be strived for.

In the more concrete definition of the privatisation mandate, ÖIAG has now been commissioned to examine two privatisation options for voestalpine AG, namely through the stock market and through the acquisition of company stock by financial investors.

The objective is that:

1. The company maintains an Austrian core shareholder structure.
2. The unity of the company is maintained.
3. The research and development capacities are maintained and expanded.
4. The decision-making bodies continue to be located in Austria.

*Allocated during the Extraordinary General Meeting of ÖIAG on July 4, 2003.*

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