

The  
Invest

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# The portfolio at a glance

	<b>Austrian Airlines AG<sup>1</sup></b>	<b>OMV AG<sup>1</sup></b>	<b>Telekom Austria AG<sup>1</sup></b>	<b>GKB-Bergbau GmbH</b>	<b>Österreichische Post AG</b>
Area of activity	Austrian national carrier, scheduled, charter, freight business	Leading CEE oil and natural gas group	Largest telecommunications supplier in Austria	Management of remaining mining activities	Austria's leading supplier of postal services
ÖIAG investment (%)	39.7	31.5	30.1	100.0	100.0
Share price as at year-end 2005 (EUR)	6.57	49.50	19.00	–	–
Turnover 2005 (EUR m)	2,392.9	15,579.7	4,377.3	17.1	1,701.6
EBIT 2005 (EUR m)	–100.0	1,958.4	620.0	9.6	103.0
Result before tax 2005 (EUR m)	–129.6	1,947.7	523.5	14.2	100.9
Dividend per share 2005 (EUR)	–	0.90 <sup>2</sup>	0.55 <sup>2</sup>	– <sup>3</sup>	– <sup>3</sup>
Dividend 2005 (EUR m)	–	268.8 <sup>2</sup>	265.4 <sup>2</sup>	15.0	40.0
Employees 2005 (average) <sup>4</sup>	8,468	55,633	14,403	75	25,192

<sup>1</sup> Listed  
<sup>2</sup> Proposal to the Annual General Meeting  
<sup>3</sup> Information irrelevant for non-listed companies  
<sup>4</sup> Full-time basis

# Austrian Airlines AG

Key indicators	2004 <sup>1</sup>	2005	
Turnover (EUR m)	2,224.7	2,392.9	↗
EBITDA (EUR m)	329.1	237.8	↘
EBIT (EUR m)	74.4	-100.0	↘
Result before tax (EUR m)	48.4	-129.6	↘
Profit/loss for the year (EUR m)	43.9	-129.1	↘
Dividend (EUR m)	-	-	-
Dividend per share (EUR)	-	-	-
Fixed asset investments (EUR m)	267.9	293.4	↗
Balance sheet total (EUR m)	3,303.8	3,199.3	↘
Equity (EUR m)	686.4	565.6	↘
Net debt <sup>2</sup> (EUR m)	1,244.5	1,053.1	↘
Gearing (%)	181.3	186.2	↗
ROCE (%)	3.1	-4.8	↘
CVA <sup>3</sup> (EUR m)	-207.0	-170.4	↗
CVA change <sup>3</sup> (EUR m)	-12.2	36.6	↗
Full-time employees (average)	7,662	8,468	↗

<sup>1</sup> Due to changes in balance sheet reporting during the period under review, the relevant figures from 2004 were also adjusted retrospectively using IAS 8. The details are contained in the Austrian Airlines Annual Report.

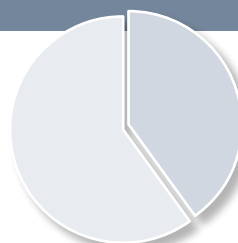
<sup>2</sup> The net debt corresponds with the numerator used for the calculation of the gearing key indicator (net debt as compared to equity) and therefore comprises long-term loans subject to interest and other long-term liabilities, less liquid assets. In turn the latter are defined as liquid assets plus current asset and marketable securities.

<sup>3</sup> Prior to the accommodation of corrections pursuant to IAS 8.

## The company

Austrian, Austrian  
arrows and Lauda  
Air

With the three airline brands, Austrian, Austrian arrows and Lauda Air, the Austrian Airlines Group unites practically the entire Austrian airline market in a dynamic, quality-oriented group. Moreover, following the acquisition of a 62% holding in Slovak Airlines, the Group also has a presence in the Slovakian market. The Group's Austrian production companies, Austrian Airlines and Tyrolean Airways, deal with the technical-operative handling of flight traffic, Slovakian scheduled flights being dealt with by Slovak Airlines.



ÖIAG investment  
**39.7%**

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. In line with its "Focus East" specialisation strategy, the Group has intensified its business focus on the CEE states and the Far East.

"Focus East"

Since March 2000, the Austrian Airlines Group has been part of the Star Alliance, the world's largest and most successful global airline grouping.

Member of the  
Star Alliance

## Highlights 2005

- Austrian network strengthened around the Vienna hub (135 extra connections per week).
- Disproportionate growth in transit traffic.
- Increased focus on secondary markets.
- Market leadership in Central and Eastern Europe successfully defended.
- Expansion in the Middle East (27.1% of all seated kilometres on offer), expansion in the long-haul segment.

"Focus East"  
strategic targets  
implemented

Traffic capacity increased despite difficult conditions

- 10 million passenger barrier broken (+7.6%).
- Planned production growth withdrawn following traffic slump in the first quarter.
- Extremely volatile demand leads to greater production seasonality.
- Use of capacity above that of the preceding year from May onwards – load factor (scheduled) rises to 73.8% (+1.7 percentage points).

Results situation remains tense

- Flight sales up by 8.3%.
- Record oil price causes extra costs of EUR 144.5 million.
- Unit costs slightly up (+3.5%) due to higher fuel costs and increased security charges.
- Personnel productivity down as a result of reduced production growth.
- Adjusted EBIT falls to minus EUR 52.0 million.
- “Turnaround-in-Turnaround” programme initiated.

## Strategy

Complete value orientation

On the basis of Group strategy, the central element of which is the complete value orientation of all activities, the Austrian Airlines Group pursues its market opportunities in an active and thorough manner. In this connection, the Group concentrates on two market niches consisting of West-East transfers, in which it already occupies a leading position, and the stepping up of profitable flights both to and from Austria.

Focus on secondary markets

In line with the “Focus East” specialisation strategy prepared during 2004, the Group’s primary focus is on flights to Central and Eastern Europe, the Middle and Far East, as well as Australia. A major emphasis in this regard is a concentration on attractive secondary markets, i.e. markets with medium-sized passenger volumes, which demonstrate lower competitive intensity. With good positioning in all these markets, the Austrian Airlines Group was able to also attain further improvements in its range and market ranking during 2005. This was achieved by a reliance on excellent product and service quality, a young fleet, an attractive route network and a 60% holding in the highly efficient Vienna Airport hub.

## Business development 2005

A further sharp increase in the cost of crude oil and hence the kerosene price, a slump in demand in the first quarter and disproportionately high levels of seasonality in relation to flight demand, all had a negative effect on the Austrian Airlines Group results for the 2005 financial year. In spite of an increase in traffic performance of 7.6% and of 8.3% in flight sales, the Austrian Airlines Group’s income situation deteriorated markedly. Adjusted EBIT fell from EUR 9.3 million to minus EUR 52.0 million. EBIT also declined from EUR 74.4 million to minus EUR 100.0 million. The end result was a loss for the year of minus EUR 129.1 million (2004: EUR 43.9 million).

As a countermeasure, the “Turnaround-in-Turnaround” programme, consisting of measures aimed at raising income and reducing costs, was immediately initiated. Austrian Airlines Group investment increased by around 9.5% in the year under review, a rise that was partly due to the enlargement of the fleet with new aircraft following long-term orders.

In the past financial year, Group net debt was reduced from EUR 1,244.5 million to EUR 1,053.1 million.

## Outlook 2006

The Austrian Airlines Group is seeking to stabilise its operative performance in spite of the continuing difficulties caused primarily by high oil prices and increasing volatility with regard to the demand for flights. Accordingly, on the basis of the “Turnaround-in-Turnaround” programme initiated last year, a marked improvement in the start situation for 2006 and 2007 should be achieved. A series of measures targeted on increased income and reduced costs will serve this objective and the gradual harmonisation of the fleet continue within the framework of a restrictive investment policy.

Earnings situation deteriorates

“Turnaround-in-Turnaround” programme initiated

Net debt reduced

Marked improvement anticipated for 2006 and 2007

# OMV Aktiengesellschaft

Key indicators	2004 <sup>1</sup>	2005	
Turnover <sup>2</sup> (EUR m)	9,828.8	15,579.7	↗
EBITDA (EUR m)	1,454.9	2,752.4	↗
EBIT (EUR m)	975.0	1,958.4	↗
Result before tax (EUR m)	1,014.6	1,947.7	↗
Profit for the year (EUR m)	690.4	1,495.9	↗
Dividend (EUR m)	131.4	268.8 <sup>4</sup>	↗
Dividend per share (EUR)	0.44 <sup>3</sup>	0.90 <sup>4</sup>	↗
Fixed asset investments (EUR m)	592.6	1,227.1	↗
Balance sheet total (EUR m)	13,236.1	15,451.3	↗
Equity (EUR m)	5,761.8	7,693.5	↗
Net debt (EUR m)	692.0	-126.0	↘
Gearing (%)	12	-2	↘
ROACE (%)	15.4	19.9	↗
Full-time employees (average)	57,237	55,633	↘

<sup>1</sup> The key indicators for 2004 were adjusted retrospectively following the transition from Austrian Accounting Standards to IFRS.

<sup>2</sup> Excluding mineral oil tax.

<sup>3</sup> 2004 adjusted in accordance with the 1:10 share split completed in 2005.

<sup>4</sup> Proposal to the Annual General Meeting.

## The company

Leading oil and natural gas group in Central Europe

As the leading oil and natural gas enterprise in Central Europe, the OMV Group is active in the refinery and marketing (R&M) area in 13 countries. In the exploration and production field (E&P), OMV is active in 17 countries on five continents. In the natural gas sector, apart from storage, the transport of around one-third of Russian gas exports to Western Europe numbers among the main assignments. OMV has a 35% holding in Borealis A/S, one of the world's leading producers of polyolefins. Other important investments are 50% in EconGas GmbH, 50% in AMI, 45% in BAYERNOIL-Raffinerieverbund and 10% in the Hungarian MOL.



ÖIAG investment  
**31.5%**

OMV's takeover of a majority holding in Petrom at the end of 2004, created the largest oil and natural gas group in Central Europe with oil and natural gas reserves of around 1.4 billion boe, daily production of around 340,000 boe and refinery capacity of 24.6 million t/y. OMV has 2,451 filling stations in 13 countries and the market share in the R&M sector in the Danube basin amounts to around 18%.

As the purchase of Petrom meant that in many areas, OMV had already achieved its target of a doubling of Group size as compared with 2001 by 2008, in 2005 new and challenging targets were tabulated for 2010. In the coming years, OMV intends to attain further profitable growth and be the most successful oil and natural gas company in the CEE region by exploiting the opportunities offered by "Europe's growth belt". Oil and natural gas production is to be raised from its current level of around 340,000 boe/d to 500,000 boe/d. In addition, there are plans to extend E&P activities to Russia and the Caspian region. OMV also intends to increase its refinery capacity to 500,000 bbl/d in line with E&P growth. With a market share of 18% in the Danube basin, the company has already clearly closed in on its target of 20% for 2010. By 2010, OMV intends to be selling some 20 billion m<sup>3</sup> of natural gas internationally and in Austria.

New targets established for 2010

## Highlights 2005

- Successful implementation of the growth strategy and positive market conditions lead to record results in 2005.
- Operating result before special effects up by 129% at EUR 2.3 billion.
- Dividend raised by 105% to EUR 0.90 per share.
- Notable contribution to results by Petrom in its first year of consolidation.
- Growth target of a doubling of company size by 2008, already achieved three years in advance.
- New strategic targets established in October.
- Initial results of the restructuring programme launched at Petrom already tangible and various successes achieved.
- OMV holding in Borealis raised from 25% to 35%.
- Systematic shakeout of the E&P portfolio, sale of production fields in Australia, Qatar and Ecuador.
- Sale of 50% holding in IPIC chemicals activities.

## Business development 2005

Record result  
in 2005

Assisted by the favourable conditions currently prevailing and the considerable contribution from Petrom, Group EBIT doubled during the 2005 financial year to stand at EUR 1,958 million. In addition, following the deduction of minority interests, the profit for the year rose by 82% to EUR 1,256 million. E&P profited from the marked rise in oil and gas prices, which more than compensated for lower production quantities. The R&M result improved due to increased bulk refinery margins and better results in the marketing and petrochemicals areas. In its first year of consolidation, Petrom already achieved excellent results, the higher prices for mineral oil products having been passed on in the Romanian market. EBIT prior to special effects was up by 129% at EUR 2,305 million, excluding the personnel restructuring costs and restructuring provisions at Petrom, as well as extraordinary depreciation. Due to the improvement in the re-

sult from investments, the adjusted profit for the year rose by 96% to EUR 1,391 million. The adjusted result per share was up 77% at EUR 4.66 and a record dividend of EUR 0.90 per share will be proposed to the Annual General Meeting.

## Outlook 2006

During 2006, the focus will again be on the further integration of Petrom into the OMV Group. In the E&P area, OMV continues to expect that the price of crude oil will remain at a constantly high level, although the situation will be considerably less volatile than in 2005, and that the US dollar will weaken slightly. OMV assumes that production volumes in 2006 will be similar to those of the past year. In the R&M sector, the company anticipates a fall in refinery margins from the high levels of last year, which were triggered by the hurricane season. In addition, the targeted increase in volumes will not fully compensate the forecast drop in refinery margins. As far as natural gas is concerned, the most important strategic project will continue to be progress with the Nabucco pipeline for the linkage of gas production in the Middle East to Central Europe. In summary, the aim in 2006 is to achieve a result similar to that of 2005, although in overall terms, OMV sees a somewhat more challenging market climate.

In order to attain the targets for 2010, during the coming years, on average OMV plans investment totalling EUR 1.7 billion, of which around EUR 600 million will go to Petrom. Investment decisions are based on value-oriented key indicators and aimed at achieving a ROACE of 13% over a business cycle with average market indications.

Continuing  
integration of  
Petrom

# Telekom Austria AG

Key indicators	2004	2005	
Turnover (EUR m)	4,056.3	4,377.3	↗
EBITDA (EUR m)	1,568.8	1,757.2	↗
EBIT (EUR m)	452.7	620.0	↗
Result before tax (EUR m)	350.1	523.5	↗
Profit for the year (EUR m)	227.3	417.1	↗
Dividends (EUR m)	117.8	265.4 <sup>1</sup>	↗
Dividend per share (EUR)	0.24	0.55 <sup>1</sup>	↗
Fixed asset investments (EUR m)	505.6	617.9	↗
Balance sheet total (EUR m)	7,242.5	8,411.9	↗
Equity (EUR m)	2,741.6	2,869.5	↗
Net debt (EUR m)	1,973.9	3,082.1	↗
Gearing (%)	72.0	107.4	↗
ROIC (%)	5.2	8.2	↗
Full-time employees (average)	13,638	14,403	↗

<sup>1</sup> Proposal to the Annual General Meeting on May 23, 2006.

## The company

Austria's largest telecommunications company

With sales of around EUR 4.4 billion and some 14,403 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.

Organisational structure – Wireline and Wireless

Telekom Austria is divided into the two segments. The Wireline segment incorporates the former business segments terrestrial networks, data communications and Internet, the Wireless segment, mobile communications. Beyond Austria's borders, Telekom Austria is active in the mobile communications area in Bulgaria, Croatia, Slovenia and Liechtenstein, as well as in Internet business in the Czech Republic. In total, around 3.0 million national and international customers in the Wireline sector and some 9.0 million in the mobile communications sector receive Telekom Austria Group services.



ÖIAG investment  
**30.1%**

## Strategy

The strategic orientation is based on several cornerstones, which have the shared purpose of a sustained increase in corporate value. Accordingly, the achievement of a stable cash flow and the opening up of innovative product areas are the priorities in the Wireline segment. The Wireless business segment seeks to exploit the moderate growth in Austria and the potential of its existing international markets to the full, as well as implementing further value adding investments in south-eastern Europe. A joint unit has been formed in order to utilise the synergy effects in the Wireless segment by means of the co-ordination and promotion of Group factors such as product development and know-how exchange.

Increase in corporate value

Future Telekom Austria expansion will concentrate on the mobile communications market in south-eastern Europe. Serbia and Bosnia are to form the focus of activities aimed at expansion.

Expansion

The achievement of these ambitious targets is to be furthered by the strict management of personnel costs in the Wireline segment in particular and a concentration on cost efficiency throughout the Group. Profitability will be continually optimised through the ongoing improvement of operative core processes.

Measures for greater efficiency

## Highlights 2005

- Market leadership in Austria further strengthened in both segments during 2005.
- Sizeable improvement in the Wireline segment operating result, but slight fall in earnings despite strong broadband business expansion.
- Growth in revenues and results in all Wireless mobile communications segment activities.
- Milestone passed with the purchase of the Bulgarian mobile telecommunications company, Mobiltel.
- Net result up by 83.5% at EUR 417.1 million.
- Increase in the distribution quota to 65% facilitates a dividend of 55 cents per share.<sup>1</sup>
- The Mobiltel purchase leads to an increase in net debt of EUR 1,108.2 million to EUR 3,082.1 million.
- Share repurchasing programme completed, 17.5 million own shares held at year-end.

## Business development 2005

### Sales growth

In 2005, total Telekom Austria sales rose by 7.9% to EUR 4,377.3 million. There was a fall in sales in the Wireline segment due to a drop in both speech and data business, but this was more than compensated for by the Wireless segment. The Wireless segment achieved an excellent result as a consequence of the contribution of Mobiltel to the consolidated financial results for the period from July 12 to December 31, 2005, and higher sales revenues derived from increased customer numbers and stringent data business.

As far as the operating result is concerned, Telekom Austria was able to achieve an improvement of 37.0% to EUR 620.0 million. Adjusted EBITDA rose by 12.0% to EUR 1,757.2 million, whereby profitable Wireless segment growth more than compensated for the marginal fall in the Wireline segment. As compared to the previous year, profitability measured in terms of the adjusted EBITDA margin was up by 1.4 percentage points at 40.1%.

<sup>1</sup> Proposal to the Annual General Meeting on May 23, 2006.

The Telekom Austria Group profit for the 2005 financial year amounted to EUR 417.1 million, which constitutes an increase of 83.5% over the preceding year. In 2005, the result per share stood at EUR 0.85, as compared to EUR 0.46 in the preceding year.

Net result improved

In view of this positive development, the Managing Board is to propose to the Annual General Meeting that a dividend of EUR 0.55 per share be paid (2004: EUR 0.24). This will raise the distribution quota to 65%.

As compared to the preceding year, Group asset additions rose by 22.2% to EUR 617.9 million. In 2005, net debt increased by EUR 1,108.2 million to EUR 3,082.1 million, largely as a result of the purchase of Mobiltel. Accordingly, in an annual comparison, net gearing rose from 72.0% to 107.4% at year-end.

Increase in asset additions and net debt

## Outlook 2006

For the 2006 financial year, the Telekom Austria Group expects sales revenue growth of around 5%, while adjusted EBITDA should increase by roughly 10%. Although in the comparative period, depreciation is only expected to rise slightly due to the consolidation of Mobiltel, Telekom Austria is working on the assumption of an increase in the operating result and net profit of around 20%. This permits the expectation of a constant distribution quota of 65% and a further rise in the dividend.

Asset additions will increase in the Wireless segment due to the consolidation of Mobiltel for 12 months and larger investments in UMTS and HSDPA technologies. This increase cannot be counterbalanced by lower investments in the Wireline segment. If possible acquisitions are ignored, strong cash flow will probably permit a reduction in net debt, in spite of the continuation of the share repurchasing programme and a likely rise in tax payments.

# GKB-Bergbau GmbH

Key indicators	2004	2005	
Turnover (EUR m)	23.6	17.1	↘
EBITDA (EUR m)	14.9	10.2	↘
EBIT (EUR m)	13.8	9.6	↘
Result before tax (EUR m)	21.8	14.2	↘
Profit for the year (EUR m)	20.2	12.4	↘
Dividend (EUR m)	50.0	15.0	↘
Fixed asset investments (EUR m)	0.4	0.4	→
Balance sheet total (EUR m)	158.1	111.4	↘
Equity (EUR m)	80.9	46.3	↘
Net debt (EUR m)	0.0	-13.8	↘
Gearing (%)	0.0	0.0	→
ROCE (%)	15.0	24.3	↗
Full-time employees (average)	139	75	↘

## Company and strategy

Withdrawal of ÖIAG from the mining area

GKB-Bergbau GmbH is the legal successor to ÖIAG-Bergbauholding AG and is thus a fully owned ÖIAG subsidiary. GKB-Bergbau GmbH is pursuing the completion of legally anchored closure and safety procedures, including recultivation, and will thus conclude ÖIAG's orderly withdrawal from the mining sector. In the course of the privatisation of VOEST-ALPINE Erzberg GmbH, the post-mining activities of the former Bleiberger Bergwerksunion have been transferred to GKB-Bergbau.

GKB-Bergbau as the legal successor to ÖBAG

In accordance with the 2003 privatisation mandate from the Austrian federal government, various measures were taken in 2004 in respect of the privatisation of the companies of the former ÖIAG-Bergbauholding (ÖBAG). These measures included the transfer of ÖIAG shares in VOEST-ALPINE Erzberg GmbH to the Erzberg Private Trust. Furthermore, in an interim final privatisation step, ÖBAG was merged with GKB-Bergbau GmbH in a downstream merger.



ÖIAG investment  
**100.0%**

The current range of responsibilities of GKB-Bergbau GmbH mainly consists of the workings in the west Styrian Köflach-Voitsberg brown coal field, which were exhausted in 2004, the former Pöfing-Bergla field, the disused workings of the former Bleiberger Bergwerksunion (BBU), including the surface workings, and the field of the former Lavanttaler Kohlbergbau Gesellschaft (LAKOG) in Wolfsberg.

A considerable part of the restructuring proceeds of the mining holding were paid to the ÖIAG with the GKB-Bergbau dividend of EUR 50 million approved for the 2004 financial year. A further EUR 15 million has also been agreed as a dividend for ÖIAG in 2005.

Restructuring proceeds

## Highlights 2005

- Continued progress was made with the operational plan required for the necessary closure, safety and recultivation measures. Among other activities the cavities at the Köflacher Karlschacht, which have no run-offs, were filled in and the slopes at the former Oberdorf open cast mine secured.
- Following the delivery of the remaining coal stored on the GKB-Bergbau site, amounting to approximately 900,000 t, the installations were removed for scrap and the related area of some 20 hectares reclaimed.

Restructuring proceeds

- In addition to the closure of mining operations in the Köflach-Voitsberger field, additional information was obtained concerning the old workings by further reassessment of the mining authorisations for the Pöfing-Bergla field, the former LAKOG field in Wolfsberg and the fields of the former BBU. This will allow the fuller assumption of responsibility for the coal and ore mines, which are partially several hundred years old.

### Business development 2005

Satisfactory result trend

As a result of systematic closure measures and turnover of EUR 17.1 million, GKB-Bergbau GmbH achieved a highly positive ordinary business result of EUR 14.2 million. On the basis of this result, a dividend of EUR 15.0 million was paid to ÖIAG. In the wake of rigorous personnel reduction measures, as at December 31, the workforce was down from 122 to 47.

### Outlook 2006

Closure, safety and reclamation

The next two years will also witness further reductions in the GKB-Bergbau workforce. From 2007 onwards only 15 people will be employed for the completion of essential closure, safety, storage and reclamation measures.

In addition to an ongoing reduction in its liability risk, GKB-Bergbau is pursuing the goal of a sustained increase in the value of its property.

Following the end of subsidence, with these measures GKB-Bergbau intends to put the former mining sites to use and in return for appropriate payment and subject to mining damage waivers on the part of the land purchasers will sell it for higher value purposes.

In the medium- to long-term this will create the preconditions for the termination of the mining authorisations. However, from a current perspective, definitive termination will take some time.

# Österreichische Post AG

Key indicators	2004	2005	
Turnover (EUR m)	1,654.4	1,701.6	↗
EBITDA (EUR m)	203.1	223.8	↗
EBIT (EUR m)	82.2	103.0	↗
Result before tax (EUR m)	76.7	100.9	↗
Profit for the year (EUR m)	50.0	99.9	↗
Dividend (EUR m)	40.0	40.0	→
Fixed asset investments (EUR m)	88.5	73.6	↘
Balance sheet total (EUR m)	1,795.7	1,563.0	↘
Equity (EUR m)	712.5	762.1	↗
Net debt (EUR m)	96.5	-28.0	↘
Full-time employees (average)	26,342	25,192	↘



ÖIAG investment  
**100.0%**

## The company

Austria's leading supplier of postal services

Österreichische Post AG is Austria's leading supplier of postal services. In 2005, the operational portfolio was split into the three divisions Letters, Parcels & Logistics and Branch Network. While the Letters Division incorporates the Letter Post (letters, postcards), Infomail (addressed and un-addressed advertising mailings) and Media Post (delivery of newspapers and magazines) business areas, the Parcels & Logistics Division is responsible for all parcel and express services. The Branch Network Division has one of the largest sales and distribution networks in Austria with 1,338 own and 612 external outlets. This segmentation, which is ideally suited to the market, forms a transparent basis for the clear allocation of accountability for products and customers, sales and area results, which lie with the individual business units.

## The postal market

A clear forwards strategy

During the past year, the Austrian letter market showed slight growth. In line with European statutory requirements, as at January 1, 2006, the next phase of liberalisation was implemented in

Austria and the reserved letter area restricted to letters weighing up to 50g. Against this background, Österreichische Post AG is pursuing an ambitious course aimed at securing a long-term positioning as the national market leader with international specialisation. Following the modernisation of recent years, in the domestic market, Österreichische Post AG has captured an excellent start position for the growing competition, which it intends to consolidate by means of excellent customer relationships, the anchorage provided by complete market coverage and top quality. A basis for these endeavours is provided by an innovative offer portfolio, ongoing service optimisation and the targeted lengthening of the value added chain. Additional potential derives from expansion in the postal and logistics services areas. In this connection, Österreichische Post AG has placed a special focus on entry into B2B business in Austria.

## Highlights 2005

- Positive results in all Divisions.
- Increasing international networking and the conclusion of a co-operation agreement with the German parcels service company trans-o-flex.
- Complete takeover of feibra Österreich (previously around 75%) and acquisition of feibra Hungary in the non-addressed advertising mailings area.
- Continued expansion of highly sophisticated logistics centres as scheduled with the official

opening of the Villach distribution centre in September 2005 and the start-up of the new Vienna South parcels centre. The Post logistics network now numbers among the most advanced in Europe.

- Further improvement in letter post delivery times with over 95% of letters being delivered on the next working day after postage. The delivery times for parcels also improves (94% within two working days).
- Numerous new post partners, service and collection points secure a full service despite a reduction in the number of post office due to market conditions.

### Business development 2005

Increased turnover

At EUR 1,701.6 million, Österreichische Post Group turnover in 2005 was 2.9% up on the preceding year. The Mail Division played a central role in this regard providing 75.8% of total volume.

Strong EBITDA and EBIT growth

The Österreichische Post Group's business results demonstrated an even larger improvement. In 2005, EBITDA stood at EUR 223.8 million, which was 10.2% higher than the figure for the previous year, while at EUR 103.0 million, EBIT was up by 25.3%. The result of the period also rose from EUR 50.0 million (2004) to EUR 99.9 million.

During the period under review, the Österreichische Post Group workforce was reduced by 4.4% and during 2005 consisted on average of 25,192 full-time employees.

### Current projects

Logistic network optimisation

In order to achieve the sustained optimisation and efficient handling of mail from a technical viewpoint, during recent years, Österreichische Post AG has undertaken targeted investments in logistics, the modernisation and building of new distribution centres, and the quality of the delivery service. Indeed, many of the bases involved have been newly built. Using highly advanced letter and parcel distribution centres at a total of nine locations, the Österreichische Post AG logistics

network currently numbers among the most modern in Europe.

In order to optimise both efficiency and costs, since 2001 the Österreichische Post AG branch network has been reduced from 2,300 to 1,338 locations. At the same time, in order to secure complete service coverage at the familiar level of quality, the number of external partners has been raised from 390 to 612. In addition, the Post offers the new and attractive mobile post office service (Post.Mobile) for districts lacking their own post office.

Redimensioning to match the market

Österreichische Post AG continually achieves new records in respect to the speed of its letter and parcel deliveries. For example, in 2005 the share of letters delivered on the first working day after postage in Austria rose to 95%. In the case of parcels, deliveries on the second day after postage also showed a marked improvement in 2005, rising from 91% to 94%.

New delivery records

The Vienna Letters Centre, one of Europe's most sophisticated and largest logistics centres, achieved a new handling record in 2005 and was rewarded with a Certificate of Excellence from the International Post Corporation (IPC). This quality seal has only been awarded to eleven international facilities, a fact that underlines the high efficiency of the Vienna complex.

International award

### Outlook 2006

The objective of the Österreichische Post Group in 2006 is to continue its efforts with regard to the optimisation of internal processes, while at the same time pursuing strategic plans for growth. A further focus will be on the securing of the quality standards attained and additional, international networking through partnerships and acquisitions. Following the conclusion of a co-operation agreement with trans-o-flex in the parcels business area, entry into the Austrian B2B market (parcel transports between companies) will be sought.

Performance optimisation