

Annual Report

2010

# Investment and privatisation management for the Republic of Austria

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

In line with its government mandate, ÖIAG carries out the following tasks. On the one hand, it stimulates increases in the value of the investments for which it is responsible and on the other, where a privatisation mandate exists, it completes partial or full company privatisation. No privatisation mandate exists for the current legislative period.

At present, the ÖIAG portfolio contains three listed companies, Österreichische Post AG, OMV AG and Telekom Austria AG, as well as GKB-Bergbau GmbH and FIMBAG Finanzmarkteteiligung Aktiengesellschaft des Bundes.

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## Listed investments 2010

	Revenues	EBIT	Result before tax	Dividend per share	Employees
	EUR m	EUR m	EUR m	EUR	Full-time basis
Österreichische Post AG	2,351.1	156.9	148.7	1.60	24,969 <sup>1</sup>
OMV AG	23,323.4	2,333.8	1,960.6	1.00	32,335 <sup>1</sup>
Telekom Austria AG	4,650.8	437.9	241.6	0.75	16,501 <sup>2</sup>

<sup>1</sup> Average

<sup>2</sup> As at Dec. 31

## Österreichische Industrieholding AG

Investments as at December 31, 2010



# ÖIAG

Annual Report 2010

ÖJAG

# Introduction of the Managing Director

2010 was characterised by both the retention of the value of the ÖIAG asset portfolio and its sustained increase. Accordingly, the strategic orientation of the corporate investments was subject to ongoing evaluations. The corporate investments are supported by the ÖIAG representatives in the various supervisory boards through business model monitoring and by means of consulting and assessment in connection with investment projects. As a result, excellent general conditions are guaranteed for company performance, that are beyond the realm of day-to-day political interests. The ÖIAG sees its assignment as involving the increase of the competitiveness of its companies and the maintenance of their long-term ability to pay dividends, which is secured through the independence of its participation management.

2010 saw important events in all the corporate investments, which have paved the way for the future. OMV took over the Turkish company Petrol Ofisi with the aim of developing Turkey as a third core market alongside Central and South-Eastern Europe. Further acquisitions were subjected to in-depth evaluation, in order to facilitate the dynamic growth of the Austrian lead company in years to come. In 2010, Telekom Austria completed the rapid and efficient integration of its Fixed Network and Mobile Communications activities in Austria, as well as its transformation into a convergent supplier of telecommunications in the CEE through acquisitions in the fixed network area in Bulgaria, which were concluded at the beginning of 2011. In Austria the company invested over half a billion euros in telecommunications infrastructure. A considerable percentage of this sum flowed into the development of the "Next Generation Network". During the past year, Österreichische Post had to face massive challenges owing to changed general conditions. Therefore, the strategic further development of the company against the background of the electronic substitution of letters and imminent market liberalisation at the beginning of 2011 attained special significance. In the course of this process, the implementation of the Post@2011 strategic programme, launched at the beginning of 2009, was continued.

These multifarious activities were mirrored by the pleasing business results of our corporate investments, which permitted a continuation of our dividends policy. Consequently ÖIAG will be able to pay a dividend of EUR 190 million to the Republic of Austria. This means that since 2003, ÖIAG will have provided dividends amounting to EUR 2,020 million and these will surpass the two billion euro mark.

These successes were made possible due to the specialist knowledge and commitment of the ÖIAG team and therefore at this juncture, I would like to thank the entire staff for their high levels of personal endeavour. Together, we have been able to complete our assignments efficiently and in the interests of Austria's taxpayers.

Vienna, May 27, 2011



Peter Michaelis

# Investment management

Sustained  
increases in value

Active Corporate Governance aimed at the maintenance or sustained increase of the value of the asset portfolio constitutes the basic principle underlying ÖIAG corporate investment management. The value-oriented evaluation of the strategic orientation of the corporate investments forms the framework for the ongoing monitoring of their business models and the assessment of company investment projects through investment management. The promotion of the durable development of the corporate investment beyond party political interests is understood as being a prerequisite for securing company cash flow and the retention of their long-term ability to pay dividends. This is made possible through independent investment management.

In 2010, the ÖIAG corporate investment portfolio again achieved positive Economic Value Added (EVA®) amounting to EUR 121.0 million.<sup>1</sup> This constituted an increase of EUR 391.4 million over the preceding year and since 2001, when this key indicator was introduced, EVA growth has totalled EUR 547.7 million. The main value drivers were the higher oil price, the efficient use of capital and successful restructuring measures.

Focal points  
in 2010

During the 2010 financial year, OMV established a framework for the expansion of integrated business activities in the growing Turkish market with the takeover of Petrol Ofisi A.S., a leading, national mineral oil company in the filling station and customer service segment. The aim is that Turkey and its neighbours should evolve into the OMV's third core market alongside Austria and Romania. The takeover process was

furnished with intensive support within the scope of investment management. Other focal points of activity in 2010 were provided by the evaluation of acquisition objects in the Exploration and Production business area, the continuation of measures aimed at raising cost efficiency in the Refineries and Marketing segment and the examination of projects in the Gas and Power growth area.

At Telekom Austria, in 2010 attention focused on the reaching of a decision concerning rapid and efficient integration of Fixed Network and Mobile Communications activities in Austria and the subsequent monitoring of this process, as well as the transformation into a convergent supplier of telecommunications in CEE through acquisitions in the Fixed Network sector in Bulgaria. In Austria, EUR 515.7 million were invested in fixed assets, which represented an increase of 21.5 per cent over the preceding year. This rise can be traced largely to spending on the "Next Generation Network", which is the object of constant evaluation with regard to value added. In addition, the effects of regulation on the Telekom Austria business model and possible strategic measures for its securing were also scrutinised.

The central issues relating to Österreichische Post in 2010 involved the strategic further development of the company against the background of the electronic substitution of letters, complete market deregulation with effect from January 1, 2011 and the volume growth and high levels of competitive intensity in the

<sup>1</sup> This value has been adjusted for the IFRS-related, one-off effect derived from the purchase of a majority holding in the Turkish company Petrol Ofisi by OMV.

parcel service segment. The realisation of the Post@2011 programme, launched at the end of 2009, as well as the Österreichische Post participation strategy was subjected to ongoing monitoring. Other important activities involved the surveillance of the proactive structural change in the branch network, the renewed cooperation with BAWAG P.S.K. as well as the joint venture between meiller direct GmbH, which is owned by Österreichische Post, and the direct mail business area of Swiss Post Solutions.

The ongoing transfer of civil servants from Telekom Austria and Österreichische Post to federal ministries was also examined in detail according to value-oriented and legal criteria.

With effect from July 1, 2010, Jacobus Huijskes, an internationally experienced exploration and production expert, assumed the management of OMV's Exploration and Production Division. In this post he followed Helmut Langanger, who after over eight years as the divisional head, left the company on September 30, 2010. In addition, during December 2010 a successor to Gerhard Roiss was found for the Refineries and Marketing Division. This change was necessary due to his appointment as the OMV AG Chairman with effect from April 1, 2011. Manfred Leitner, who has served in various positions within OMV since 1985, was promoted to the Board on April 1, 2011 as head of Refineries and Marketing Division.

At the ordinary Supervisory Board meeting of the Österreichische Post held on November 16, 2010, Peter Umundum was appointed as the Board member with responsibility for the Parcels & Logistics Division. In this position, he follows Carl-Gerold Mende, who resigned from the Board with effect from March 31, 2011. Peter Umundum has been given an Österreichische Post Board mandate for a period of three years and took up his duties on April 1, 2011.

Board changes  
at OMV and  
Österreichische  
Post

# Corporate bodies

## Supervisory Board

**Peter MITTERBAUER**

*Chairman*

CEO, Miba AG

**Siegfried WOLF**

*First Vice-Chairman*

Chairman of the Board of Directors,  
Russian Machines OJSC

**Klaus STURANY**

*Second Vice-Chairman*

Member of various Supervisory Boards

**Wolfgang BERNHARD**

Member of the Board of Management,  
Daimler AG

**Brigitte EDERER**

Member of the Management Board,  
Siemens AG

**Michael ENZINGER**

Lawyer

**Stephan KOREN**

Deputy Managing Director, BAWAG PSK AG  
(since May 12, 2010)

**Wolfgang PFARL**

President, Austropapier

**Alexander RIKLIN**

Managing Director, Alcar Holding GmbH

**Maria-Elisabeth SCHAEFFLER**

Partner, INA-Holding Schaeffler GmbH & Co. KG

**Stefan K. ZAPOTOCKY**

Sole Managing Director and co-owner,  
BAST AG Value & Invest Development  
(until May 12, 2010)

### Extract from the ÖIAG Act 2000

§4 (1) Ten members of the Supervisory Board shall 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 para 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 shall be undertaken immediately.

## Employee representatives on the Supervisory Board

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

**Gerhard FRITZ**  
Chairman of the Central Employees' Committee,  
Österreichische Post AG  
*(until October 18, 2010)*

**Markus HINKER**  
Chairman of the Central Employees' Committee,  
Telekom Austria AG  
*(from March 19, 2010 to December 31, 2010)*

**Walter HOTZ**  
Chairman of the Central Employees' Committee,  
A1 Telekom Austria AG  
*(since February 1, 2011)*

**Helmut KÖSTINGER**  
Chairman of the Central Employees' Committee,  
Österreichische Post AG  
*(since December 3, 2010)*

**Michael KOLEK**  
Chairman of the Central Employees' Committee,  
Telekom Austria AG  
*(until February 10, 2010)*

**Werner LUKSCH**  
Vice-Chairman of the Central Employees'  
Committee, A1 Telekom Austria AG

**Markus SIMONOVSKY**  
Chairman of the Works Council, OMV Austria  
Exploration & Production GmbH

As at April 13, 2011

## Managing Board

Peter MICHAELIS<sup>1</sup>

<sup>1</sup> Within the scope of his activities as the ÖIAG Managing Director, Peter Michaelis serves as the Chairman of the Supervisory Boards of APK Pensionskasse AG, Österreichische Post AG, OMV AG and Telekom Austria AG.

The  
Invest

ments

ments

# The portfolio at a glance

<b>Key indicators 2010</b>	<b>Österreichische Post AG</b>	<b>OMV AG</b>	<b>Telekom Austria AG</b>
Area of activity	Austria's leading supplier of postal services	Leading energy group in Central and South-Eastern Europe	Austria's largest supplier of telecommunications
ÖIAG investment (%)	52.85	31.50	28.42
Share price year-end 2010 (EUR)	24.73	31.10	10.52
Revenues (EUR m)	2,351.1	23,323.4	4,650.8
EBIT (EUR m)	156.9	2,333.8	437.9
Result before tax (EUR m)	148.7	1,960.6	241.6
Dividend per share (EUR)	1.60	1.00	0.75
Employees (Full-time basis)	24,969 <sup>1</sup>	32,335 <sup>1</sup>	16,501 <sup>2</sup>

<sup>1</sup> Average  
<sup>2</sup> As at Dec. 31

# Österreichische Post AG

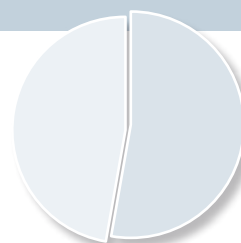
Key indicators	2009	2010	
Revenues (EUR m)	2,356.9 <sup>1</sup>	2,351.1	↘
Revenues on a comparable basis (EUR m)	2,343.5 <sup>1</sup>	2,351.1	↗
EBITDA (EUR m)	269.2	262.1	↘
EBIT (EUR m)	149.4	156.9	↗
Result before tax (EUR m)	124.8	148.7	↗
Profit for the year (EUR m)	79.7	118.4	↗
Dividend per share (EUR)	1.50	1.60	↗
Fixed asset investments (EUR m)	65.6	45.5	↘
Balance sheet total (EUR m)	1,775.3	1,715.1	↘
Equity (EUR m)	673.7	690.8	↗
Net debt (EUR m)	-231.2	-126.6	↘
ROCE (%)	16.5	19.3	↗
Average number of employees (Full-time basis)	25,921	24,969	↘

<sup>1</sup> Changed revenues reporting in the case of prepaid phone cards: still included in revenues in 2009

## The company

Austria's leading supplier of postal services

Österreichische Post AG, Austria's leading supplier of postal services, is organised in the three divisions Mail, Parcels & Logistics and Branch Network. The Mail Division incorporates the Letter Mail, Infomail and Media Post business areas. Core business consists of the receipt, sorting and delivery of letters, postcards, addressed and unaddressed advertising mailings, newspapers and regional media. This range is supplemented by new business services along the value added chain for business mail. The Parcels & Logistics Division incorporates all parcel and express services such as packages, combined freight and temperature-managed logistics. The Branch Network Division is responsible for the group's outlets and offers high-quality products and services in the postal, banking and telecommunications segments.



ÖIAG investment  
**52.85%**

## The postal market

The market environment in the three traditional core markets of Österreichische Post AG comprised by communications, logistics and retail is subject to differing general conditions. The increasing digitalisation of communications and business processes, the liberalisation of the letter market, and fundamental, structural upheavals all serve to confront the postal companies with fresh challenges. The substitution of letters by electronic media as a major market trend of recent years continued, although by contrast, addressed and unaddressed advertising mail showed a positive tendency in 2010. This was mirrored in the parcel and logistics areas, where a steady rise in volume was registered.

A market in transition

## Highlights 2010

- Revenues on a comparable basis up by 0.3 per cent over the preceding year (Mail: -0.5 per cent, Parcels & Logistics: +4.4 per cent)
- EBIT 5.0 per cent higher at EUR 156.9 Mio million, EBITDA of EUR 262.1 million (-2.6 per cent)
- Free cash flow of EUR 153.6 million allows an attractive dividend of EUR 1.60 per share
- Outlook 2011: revenue growth of 1-2 per cent and an EBITDA margin of 10-12 per cent as targets

## Business development 2010

Positive course  
of business

In 2010, Österreichische Post revenues developed in a highly satisfactory manner. The success of the strategy adopted was reflected by the positive result trend. As a consequence, the generally downward tendency with regard to addressed letter volume was more than compensated for by additional proceeds, which above all, derived from parcel and logistics business. On a comparable basis, revenues increased by 0.3 per cent to EUR 2,351.1 million and EBIT was raised by 5.0 per cent to EUR 156.9 million.

## Divisional development

During 2010, Mail Division revenues fell slightly by 0.5 per cent and the trend towards the electronic substitution of letters and the decline in high-quality letter mail continued. However, these tendencies were counteracted by intensive efforts aimed at attracting customers, in tandem with special factors such as election dates and an additional working day during the year, as well as the growth in advertising mail.

Parcel business  
growth

The Parcels & Logistics Division developed in a positive manner in 2010 and in spite of a tense price situation, additional volume and new customers were both captured. On the one hand, this resulted in an overall increase in revenues of 4.4 per cent (in Austria even 9.6 per cent and in Germany, on a comparable basis, around 8.5 per cent) and on the other, in a result turnaround. Consequently, EBIT in 2010 stood at EUR 10.5 million following EUR -9.3 million in the preceding year.

Changed consumer behaviour patterns are reflected in the Branch Network Division by the reductions in the letter volume, telecommunications transactions and banking services handled via post offices. Therefore, the restructuring of the branch network was continued as planned. Since the end of 2010, Post Partners offer their services at 1,117 locations (418 at the end of 2009) and the total number of branches has been raised from 1,552 to 1,850.

## Outlook 2011

A continuation of the international, macroeconomic developments of 2010 is anticipated for 2011. The electronic substitution of letters, deregulation effects and increased parcel service volumes will again represent the main influences on business development during the year ahead. On the basis of these market trends, in 2011 Österreichische Post is looking for an increase in revenues of 1–2 per cent at group level. A further series of operative measures will be initiated in the course of the implementation of the strategy programme, in order to both exploit opportunities for sales revenue growth and to realise savings potential on the costs side. The objective is to attain an EBITDA margin at the top end of a 10–12 per cent target range.

Revenue growth  
sought

Österreichische Post paid a dividend of EUR 1.60 per share for the 2010 financial year. Subject to the proviso of a solid balance sheet structure and the obtaining of appropriate cash flows, this existing attractive dividend policy will also be maintained in the medium-term. Österreichische Post plans that dividends shall develop further in line with the consolidated result.

# OMV AG

Key indicators	2009	2010	
Revenues (EUR m)	17,917.3	23,323.4	↗
EBITDA (EUR m)	2,733.7	3,899.0	↗
EBIT (EUR m)	1,409.9	2,333.8	↗
Result before tax (EUR m)	1,181.8	1,960.6	↗
Profit for the year (EUR m)	716.9	1,214.1	↗
Profit for the year after taking of minority interests (EUR m)	571.7	920.6	↗
Dividend per share (EUR)	1.00	1.00	→
Fixed asset investments (EUR m)	2,009.3	2,071.2	↗
Balance sheet total (EUR m)	21,415.2	26,403.8	↗
Equity (EUR m)	10,034.8	11,312.3	↗
Net debt (EUR m)	3,313.5	5,166.7	↗
Gearing (%)	33.0	45.7	↗
ROACE (%)	6.0	10.0	↗
Average number of employees (Full-time basis)	37,485	32,335	↘

## The company

Central and South-Eastern Europe's leading energy group

The OMV Group is Central and South-Eastern Europe's leading energy group. In addition to Exploration and Production (E&P), the Group's core business areas also incorporate Refineries and Marketing, including petrochemical production (R&M), and Gas and Power (G&P). In 2010, the company had daily production of around 318,000 boe and possessed proven reserves amounting to around 1.2 billion boe. At the end of 2010, OMV had refinery capacity of 25.8 million tonnes and operated in 2010 a network of over 2,291 filling stations in twelve central and south-eastern European states (excluding Petrol Ofisi). Moreover, apart from the operation of gas storage facilities with a capacity of around 2.4 billion cubic metres, 89 billion cubic metres of natural gas were transported in 2010. Sales of natural gas amounted to roughly 18 billion cubic metres.



ÖIAG investment  
**31.50%**

## Strategy

OMV's "3plus Strategy" is built on the combination of Group strengths. With its focus on three integrated business areas (E&P, R&M and G&P), OMV has created an opportunity to profit from synergies across the Group. In addition, OMV is active in three markets (CEE, SEE and Turkey) and the production regions that secure the supply of these markets. OMV company values are also oriented towards the three elements comprised by pioneers, professionals and partners, which form the basis for the development of the portfolio in the direction of sustainability. OMV has a vision of continuing to contribute to the shape of the energy industry in the European growth belt through the strengthening of its downstream positions within its expanding markets, especially in the G&P area, and the securing of links to the supply regions. The company portfolio is being modified through the expansion of E&P and G&P business and selective investments in electricity generation and renewable energies. The leading market position in the R&M field is to be further consolidated. Moreover, cost and earnings synergies will be achieved through an integrated business model and clearly defined cost and capital discipline is to be maintained.

"3plus Strategy"

## Highlights 2010

- Purchase of a further 54.14 per cent holding in Petrol Ofisi concluded with a resultant strengthening of the position in the Turkish growth market
- Purchase of the Petronas exploration and production business in Pakistan
- Signing of a cooperation agreement regarding the Austrian section of the South Stream gas pipeline
- Announcement of the refinancing of the syndicated, revolving credit line to an amount of EUR 1.5 billion
- Wiener Börse takes a 20 per cent interest in the Central European Gas Hub, OMV retains the remaining 80 per cent
- Central European Gas Hub and Wiener Börse launch the CEGH Gas Exchange futures market on the Vienna Stock Exchange one year after the begin of spot market trading

## Business development 2010

Strong overall result in 2010

In 2010, the Group achieved a strong overall result, due primarily to higher oil prices, improved refinery margins and cost savings. At EUR 2,334 million, consolidated EBIT was 66 per cent up on the figure for 2009, while the profit for the year after the taking of minority interests amounted to EUR 921 million and was therefore 61 per cent higher than in the preceding year. EBIT adjusted for positive CCS effects of EUR 187 million and prior to one-off effects following an adjustment for net special expenses (above all E&P write-downs and provisions for personnel restructuring) rose by 74 per cent to EUR 2,470 million. The profit for the year adjusted for CCS effects and after the taking of minority interests and before one-off effects totalled EUR 1,118 million and the appropriately adjusted earnings per share to EUR 3.74, which was 88 per cent above the level of 2009.

As compared to 2009, E&P EBIT prior to one-off effects improved by 38 per cent to EUR 2,099 million, first and foremost due to higher oil price levels and positive currency effects. Following adjustment for inventory effects, R&M EBIT rose

markedly to EUR 225 million, primarily as a result of improved product margins, cost savings and positive effects emanating from restructuring at Petrom. These factors more than compensated for a weaker marketing result, which derived from slacker demand. Before one-off effects, G&P EBIT increased by 9 per cent to EUR 279 million due mainly to a sizeable contribution by logistics business, which profited from higher sales of transport volumes.

## Outlook 2011

In 2011, OMV will continue to systematically pursue its adopted path towards being a fully integrated energy enterprise. A decisive phase in this process is represented by the integration of Petrol Ofisi into the existing OMV organisation. Istanbul is to be established as another regional hub alongside Vienna and Bucharest and provide a base from which Turkey is to be further developed to form the third core market of the integrated business group. In addition, Turkey serves as an important bridge to the resource-rich regions of the Middle East and the Caspian Sea.

Two further important elements in progress towards becoming a fully integrated energy concern are the realisation of the Nabucco gas pipeline project and the building of two gas-fuelled power plants in Romania and Turkey. As far as Nabucco is concerned, the priority is to conclude supply agreements prior to an investment decision, whereby the first gas-fuelled power plant (Brazi in Romania) will start to generate and market electricity at the end of 2011.

Another significant portfolio decision is to allow the bulk of investment in the coming years to flow into the upstream area. The aim is to ensure that in future, this important segment will continue to provide a major contribution to the overall consolidated result. In order to exploit the full potential derived from the integrated position, in future OMV will create a central trading and management organisation for its products and plants.

Integration of Petrol Ofisi

Investments in the upstream area

# Telekom Austria AG

Key indicators	2009	2010	
Revenues (EUR m)	4,802.0	4,650.8	↘
Adjusted EBITDA (EUR m) <sup>1</sup>	1,811.6	1,645.9	↘
EBITDA including restructuring and depreciation expenses (EUR m)	1,441.8	1,503.5	↗
EBIT (EUR m)	343.9	437.9	↗
Result before tax (EUR m)	106.3	241.6	↗
Profit for the year (EUR m)	94.9	195.2	↗
Dividend per share (EUR)	0.75	0.75	→
Investments (EUR m) <sup>2</sup>	711.4	763.6	↗
Balance sheet total (EUR m)	8,498.7	7,555.8	↘
Equity (EUR m)	1,614.1	1,476.9	↘
Net debt (EUR m)	3,614.8	3,305.2	↘
Net debt to adjusted EBITDA	2.0x	2.0x	→
ROCE (%)	4.8	6.2	↗
Employees as at Dec. 31 (Full-time basis)	16,573	16,501	↘

<sup>1</sup> Calculated from the EBITDA, adjusted for restructuring costs and depreciation expenses where appropriate

<sup>2</sup> Excluding additions for obligations derived from the shutdown of fixed assets

## The company

A leading telecommunications supplier

Telekom Austria AG, which is listed on the Vienna Stock Exchange, is a leading telecommunications supplier and serves some 22 million customers in eight CEE nations comprised of Austria (A1 Telekom Austria), Bulgaria (Mobiltel), Croatia (Vipnet), Belarus (velcom), Slovenia (Si.mobil), the Republic of Serbia (Vip mobile), the Republic of Macedonia (Vip operator) and Liechtenstein (mobilkom liechtenstein). In view of the constant increase in demand for convergent products, during 2010 the Telekom Austria Group reoriented its management structure. As a result, segment reporting is now aligned with geographical markets (instead of the previous split into Fixed Network and Mobile Communications activities) and takes place in the five operative segments Austria, Bulgaria, Croatia, Belarus and Other Markets.



ÖIAG investment  
**28.42%**

## Highlights 2010

- Increase in the number of fixed network connections for the first time in 13 years
- Merger and restructuring of Austrian activities to form A1 Telekom Austria
- Initial acquisition of two fixed network suppliers in Bulgaria, in order to create a basis as a convergent supplier
- Addition of around 940,000 customers in the mobile communications markets to give a total of 19.9 million clients
- Successful introduction of UMTS services in Belarus
- As planned, mobile communications activities in the Republic of Serbia reached break-even in 2010 with adjusted EBITDA
- Intensification of investments aimed at increased network infrastructure capacity and modernisation, further optimisation of operating expenses
- Payment of a dividend of EUR 0.75 per share on the basis of the 2010 result

## Business development 2010

In 2010, the Telekom Austria Group made an active and successful response to its business challenges: Innovative, integrated communications solutions with clear customer benefits creating competitive advantages and stand-alone charac-

Slight fall in revenues

teristics in hotly contested markets. The focus on efficiency under the motto “Operational Excellence” counteracted factors with a negative influence on results such as competition-related price pressure and regulation effects. In total, revenues fell by 3.2 per cent to around EUR 4.65 billion and adjusted EBIT dropped by 9.2 per cent to roughly EUR 1.65 billion. Net debt was cut by 8.6 per cent to EUR 3.3 billion, while the ratio of net debt to adjusted EBITDA remained constant at 2.0x.

## Strategy

Operational excellence as a basis

In the coming years, the Telekom Austria Group's markets will be characterised by rapid technological transformation and high levels of competitive intensity. In addition, regulatory stipulations with regard to roaming and termination tariffs will also continue to burden the development of revenues and results. In order to secure competitiveness and stabilise future earnings power, the Telekom Austria Group pursues a corporate strategy, which is based on three cornerstones. Operational excellence furnishes a platform for all strategic planning:

- The use of possibilities for consolidation in existing markets
- The convergence of fixed network and mobile communications in Austria and selected foreign markets
- The realisation of wealth creating growth projects within the current scope for action

## Use of funds and outlook 2011

Negative market conditions

The Telekom Austria Group expects that general market conditions in 2011 will continue to be characterised by negative, external influences, intense competition and a slow economic recovery. The problematic external factors relate primarily to the ongoing substitution of fixed network telephony by mobile communications in Austria, additional price and competitive pressure in all the Group's important markets, as well as the consequences of the regulation-related

reduction in roaming tariffs and termination fees. Furthermore, a tax on certain mobile communications services in Croatia constitutes an extra burden.

The Telekom Austria Group anticipates revenues of up to EUR 4.60 billion for 2011 as a whole and adjusted EBITDA of up to EUR 1.60 billion. The company assumes that asset additions of up to EUR 800 million will occur, whereby this figure omits any investments in licences or the purchase of additional frequencies. Operative free cash flow, which is defined as adjusted EBITDA less asset additions, is likely to amount to around EUR 800 million in 2011. These forecasts assume a constant currency basis. The Telekom Austria Group intends to distribute 55 per cent of its free cash flow as a dividend, whereby a bottom dividend limit of EUR 0.76 per share is envisaged for 2011 and 2012. The maintenance of a stable investment grade rating of at least “BBB” (stable outlook) will remain a precondition for the Group's financial profile.

The enlargement of the debt corridor to 2.0x to 2.5x of net debt to adjusted EBITDA will facilitate greater flexibility with regard to the choice of options between share buy-backs and growth projects. The commencement of share repurchasing will depend upon the volume of potential growth projects. Buy-backs will be initiated under all circumstances should the ratio of net debt to adjusted EBITDA fall below 2.0x. A stable business and currency situation remains a fundamental prerequisite for share repurchases.

Enlargement of the debt corridor

# GKB-Bergbau GmbH

## Company and strategy

As the legal successor to the former ÖIAG-Bergbauholding (ÖBAG), GKB-Bergbau GmbH (GKB) is a fully owned ÖIAG subsidiary. GKB is completing ÖIAG's orderly withdrawal from the mining sector and in this capacity is also implementing legally anchored closure and safety procedures, which include recultivation.

In accordance with the privatisation mandate from the Austrian federal government, the ÖBAG companies were subjected to a number of privatisation measures in 2004. Subsequently, the mining holding was amalgamated with GKB as the assimilating company, in a downstream merger. A major share of the gains derived from ÖBAG restructuring was paid to ÖIAG in 2004 and 2005 in the form of dividends.

Since then, GKB has been primarily responsible for the workings in the Voitsberg-Köflach brown coal field, which were exhausted in 2004, the disused Pöfing-Bergla field, as well as the former Bleiberger Bergwerksunion (BBU) field in Bad Bleiburg, including the surface workings in several federal provinces, and the field of the former Lavanttaler Kohlenbergbau Gesellschaft m.b.H. (LAKOG) in Wolfsberg. In addition, GKB handles a number of long-term obligations and liabilities in disused mining areas, which formerly belonged to GKB and ÖBAG and its legal predecessors and are spread across several federal provinces.

## Highlights 2010

- Following the completion of the closure plan for the Oberdorf open cast pit, closure measures were systematically pursued in line with the concluding operational plans for the Karlschacht open cast pit I and II, and the tip removal directive for the Zangtal area.
- The necessary outstanding closure preparations were continued and in parts of the Voitsberg-Köflach and Wies-Eibiswald fields ended with initial mining authorisation terminations.
- In addition to operative closure, recultivation and safety activities in the Voitsberg-Köflach field, extensive safety measures were implemented with regard to the former LAKOG areas. Furthermore, preparations were made for the termination of local mining authorisations for lead and zinc ore through the removal of related obstacles and the solution of problems regarding subsequent use of mine buildings.
- Intensive evaluation and documentation activities in the company's former coal and iron ore mining areas continued, which led to additional insights into the historic workings. During 2010, a focus was placed on the company's slag heaps in view of the inclusion of the mining waste directive in national law. This know-how is essential to the responsible and legally prescribed handling of a mining inheritance that partially dates back centuries and extends over an area of more than 100 square kilometres.

- In close cooperation with the mining authorities, an optimised procedure for the completion of construction work on former mining sites was maintained and backed by comprehensive information of the affected districts.

### Business development 2010

As a result of systematic closure measures and the best possible sales of non-essential assets, in 2010 GKB registered an ordinary business result of EUR 1.5 million. On the basis of a net profit of EUR 3.0 million (including profit carryforward), a dividend of EUR 1.2 million was paid to ÖIAG. As at December 31, 2010, GKB's total assets amounted to EUR 82.9 million. The workforce of twelve (full-time basis) as at December 31, corresponded with that of the preceding year and on average numbered 14 in 2010.

### Outlook 2011

Workforce numbers will remain virtually constant in the coming years. Initially, these employees are essential beyond the period required for the foreseeable completion of closure and

recultivation activities, in order to deal with the critical inheritance partly dating back centuries from former state-owned mining companies, which lie within the areas of responsibility of GKB. GKB is continually reducing the liability risk through the professional completion of measures aimed at repairing mining damage and maintaining safety in problem areas. These activities create the prerequisites needed for the termination of mining authorisations. From a current perspective, the definitive termination of the company's mining authorisations, which might be cancelled, will take place successively in the medium- to long-term. A current focus of activity in this connection is the evaluation of slag heaps in connection with the coming into force of the Mining Waste Act together with the related Mining Waste Directive (national implementation of the EU Mining Waste Directive).

GKB is also pursuing the goal of a sustained increase in the value of its land, which was needed and used for mining. The objective is to sell the revitalised properties for appropriate returns, in line with the Austrian Mineral Raw Materials Act (MinroG) and taking into account the local zoning plan, and subject to mining damage claim waivers on the part of the purchasers.

# FIMBAG Finanzmarkteteiligung Aktiengesellschaft des Bundes

## Company and strategy

ÖIAG founded FIMBAG Finanzmarkteteiligung Aktiengesellschaft des Bundes on November 11, 2008. On the basis of the Financial Market Stability Act (FinStaG), Federal Law Gazette I No. 136/2008, the company has the task of supporting the federal government measures taken for the recapitalisation of banks and domestic insurance companies. To date, this assignment has been carried out through the acceptance in trust of participation capital, which had previously been underwritten by the federal government, and the administration and supervision of the related share rights. In its function as the federal government's trustee, FIMBAG monitors adherence to the conditions and constraints contained in the respective agreements in principle concluded between the federal government and the affected banks, and also supplies the federal government with the necessary reports and information. Furthermore, FIMBAG has to ensure that gains from the share rights are transferred immediately to the federal government and that the tiering of these participations takes place at the best possible moment and subject to optimum conditions.

The acceptance on trust of capital participations of the federal government in banks in the form of ordinary shares would also be possible, but until now was not employed.

## Business development 2010

In 2010, the participation capital of Erste Group Bank AG and BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG was transferred to FIMBAG. Consequently, as at December 31, 2010, FIMBAG held the following participation capital in trust for the Republic of Austria:

	EUR m
Hypo Alpe-Adria-Bank International AG	900
Raiffeisen Bank International AG (RBI) <sup>1</sup>	1,750
Österreichische Volksbanken-AG	1,000
Erste Group Bank AG	1,224
BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG	550

<sup>1</sup> Due to changes in group structure in 2010, participation capital passed from Raiffeisen Zentralbank Österreich AG (RZB) to Raiffeisen Bank International AG (RBI).

As a result, at the end of 2010, participation capital totalling EUR 5,424 million was transferred to FIMBAG, which is reported in the balance as trust assets.

During the 2010 financial year, FIMBAG took up the rights derived from the transfer of this participation capital, especially with regard to the monitoring of the information and reporting obligations of the banks. It reported the results of its analyses on a regular basis to the Federal Ministry of Finance, above all with a special

emphasis on loan business development, quarterly, half-yearly and annual reports, equity and risk development and remuneration system configuration.

### **Outlook 2011**

From a current perspective, no further transfers of participation capital are to be expected. To date, no decision has been made as to whether or not the Republic of Austria will also transfer its shares in Kommunalkredit Austria AG, KA Finanz AG and Hypo Alpe-Adria-Bank International AG to FIMBAG.

The 20

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Financial Year

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Financial Year

# Management Report

## 1. Legal and economic background

### 1.1. ÖIAG assignments – legal framework

The assignments of ÖIAG are regulated by the ÖIAG Act 2000 (Federal Law Gazette I No. 24/2000) in the amended versions from 2003 (Federal Law Gazette I No. 71/2003), 2005 (Federal Law Gazette I No. 103/2005), 2006 (Federal Law Gazette I No. 73/2006) and 2008 (Federal Law Gazette I No. 136/2008). These tasks largely consist of privatisation and investment management with regard to those companies in which the ÖIAG has been, or will be, allocated a holding by federal law or legal transaction. Under certain circumstances, ÖIAG is entitled to purchase additional shares in its investments, or to participate in capital increases. During the 2008 financial year, the tasks relating to the implementation of measures under the terms of the Financial Market Stability Act, which were aimed at the recapitalisation of banks and insurance companies, were transferred to the FIMBAG Finanzmarkteteiligung Aktiengesellschaft des Bundes, a company newly founded by ÖIAG.

ÖIAG privatisations take place in accordance with the stipulations of the ÖIAG Act and in line with the respective privatisation mandate agreed for legislative period by the federal government. 2009 saw the positive conclusion of the privatisation of a 41.56 per cent holding in Austrian Airlines AG. In 2010, no new privatisation mandate was allotted.

### 1.2. Economic conditions

Following the overcoming of the serious recession of 2009, the economic scene in 2010 was characterised by a global recovery, which was supported by fiscal and monetary policy measures. In real terms, world economic performance was raised by 5.0 per cent. Austria saw a rise in GDP of 2.0 per cent, while in Europe (EU 27) the real increase amounted to 1.8 per cent and in the USA to 2.8 per cent.<sup>1</sup> In Europe the economic recovery proceeded in an uneven manner, for although in Germany and countries with economies closely linked to the German export industry there was a marked upturn, southern European states such as Spain and Greece remained in recession.

The global revival in economic activity was overshadowed by the evolving national debt crises in Europe. Following a massive deterioration in the refinancing conditions for both Greece and Ireland, both countries were forced to accept international assistance. The members of the eurozone and the IMF created the EFSF – European Financial Stability Facility, a vehicle with a volume of EUR 750 billion, which can also be used in the future to support European states with financing problems.

On the platform of the global economic recovery, the liquidity policy of the central banks and the excellent profit trend among companies, the international stock markets were also able to gain considerable amounts of ground. On a 12-month basis, the German share index (DAX) rose by some 16 per cent, as did the ATX. At the end of 2010, the crude oil price (Brent listing) had climbed by around 20 per cent to approximately USD 94/bbl.

## 2. Report concerning the course of business and the economic situation

### 2.1. Course of business

As a result of its legal status and function as the largest shareholder in all the listed corporate investments, ÖIAG holds the respective Supervisory Board chairs. In this capacity, a focal point of activities in 2010 was the appointment of Board members at OMV and Österreichische Post. Other central topics were acquisition and cooperation projects, as well as their financial realisation in order to secure profitable growth strategies. Thus the OMV succeeded in purchasing a majority holding in Petrol Ofisi, a leading company in the Turkish filling station and customer service sector, whereby OMV's position as the integrated market leader in Central and South-Eastern Europe was further strengthened. Another main issue was the strategic reorientation of the corporate structure of the Telekom Austria Group. As a result of the merger of its Fixed Network and Mobile Communications activities in a single operative company, A1 Telekom Austria AG, a framework was created for an optimum response to the growing demand for

<sup>1</sup> GDP figures pursuant to the WIFO economic forecast from March 30, 2011

integrated communications solutions and convergent products in the Austrian market.

During the 2010 financial year, all three listed ÖIAG corporate investments were able to achieve excellent results and sizeable increases in their consolidated profits for the year. By contrast, revenue development presented an uneven picture for while OMV achieved double-digit sales growth, Telekom Austria revenues were down on the previous year and those of Österreichische Post marginally higher on a comparable basis.

In 2010, the restructuring measures initiated by the ÖIAG Board during the previous year were concluded successfully. Apart from a reduction in personnel and rented office space, this restructuring also involved changes relating to the structural and procedural organisation, as exemplified by the fact that the operative functions of the treasury and bookkeeping are now purchased from external providers on the basis of service contracts. This package of measures has helped to achieve an adjustment of capacity to the company's reduced range of assignments.

The ÖIAG's internal organisational structure was modified and extended in order to conform to the new procedures and responsibilities. These changes were then implemented in the form of working directives. Commencing with the 2010 financial year, the service-related, internal control system of the treasury provider will be subjected to a special annual examination by an auditor in line with IWP/PE 14 Type 2, which relates to the existence and effectiveness of these internal controls.

## 2.2. Branch report

ÖIAG has no branches in Austria.

## 2.3. Financial performance indicators

### ÖIAG portfolio value and net liquidity

As at December 31, 2010, the ÖIAG portfolio had a value of around EUR 5.18 billion. This increase as compared to December 31, 2009 (EUR 4.86 billion) can be traced to the positive performance of the shares of all three corporate participations.

As at December 31, 2010, cash and cash equivalents provided surplus financial debt coverage of around EUR 0.13 billion (net liquidity).

### Assets and income situation

The most important earnings and expense items in 2010 were:

- Income from investments of EUR 243.87 million, which was lower than in the previous year due mainly to Österreichische Post AG, which paid a special dividend in 2009.
- Interest on income and securities of EUR 2.17 million, which was counterbalanced by interest expenses of EUR 0.79 million.
- Expenses pursuant to §14 para 5 of the ÖIAG Act amounting to EUR 9.14 million. These expenses correspond with the expiry of refunding claims against the federal government in connection with the payment of refunding liabilities to the same amount, completed during the year under report.
- The release of committed capital reserves totalling EUR 9.14 million pursuant to §14 para 5 ÖIAG Act. This release was completed as stipulated in the ÖIAG Act in connection with the aforementioned, obligatory repayment of refunding liabilities to an identical amount.
- During the period under review, the average ÖIAG workforce numbered 22. As at the closing date of December 31, 2010, the workforce numbered 20, which corresponded with a full-time equivalent of around 18 employees.

As at December 31, 2010, equity amounted to EUR 1,647.72 million (December 31, 2009: EUR 1,617.61 million). The equity ratio on the balance sheet date stood at 95.5 per cent (December 31, 2009: 94.5 per cent).

## 2.4. Events after the balance sheet date

There were no events of material significance to ÖIAG after the balance sheet date.

### 3. Report concerning probable company development and risks

#### 3.1. Probable company development

On September 3, 2009, ÖIAG sold its 41.56 per cent holding in Austrian Airlines AG to Deutsche Lufthansa. In addition to the sales proceeds, ÖIAG received a warrant. For takeover law reasons, the maximum payment per share is limited to the offer price for the free float (EUR 4.49 per share) less the purchase price for the ÖIAG. The warrant relates to the accumulated result development of Austrian Airlines from 2009 until 2011, as well as the relative development of the Lufthansa share as compared to comparable companies during the same period.

#### 3.2. Main risks and uncertainties

On the balance sheet date, ÖIAG was not running any derivative transactions or positions in foreign currency.

A default risk exists regarding monetary deposits at banks. This risk is monitored by a credit limit system for all banking partners. As in previous years, the investment of cash and cash equivalents in 2010 was completed in line with credit rating principles regarding the selection of the banking partner and the attainment of a best rate that conforms with the market and corresponds with the investment instrument and investment period. During the selection of the investment instruments, the greatest attention is paid to the liquidity of the invested amounts at any time. As at December 31, 2010 cash and cash equivalents were deposited at Austrian banks in the form of fixed-term deposits.

The liquidity risk is managed according the statutory framework provided by Article III of the ÖIAG Act regarding financing and debt repayments, and takes the form of periodic reporting and the utilisation of planning instruments.

### 4. Report concerning research and development

ÖIAG does not carry out any research and development.

Vienna, April 13, 2011

Managing Director

Peter Michaelis m.p.

## Balance Sheet as at December 31, 2010

Assets	EUR	EUR	As at 31.12.2010 EUR	As at 31.12.2009 TEUR
<b>A. Fixed assets</b>				
<b>I. Intangible assets</b>				
Licences, rights		64,650.57		66
<b>II. Tangible assets</b>				
1. Land, rights equivalent to real property and buildings, including buildings on third-party land	2,364,136.18			2,364
2. Other plant, factory and office equipment	175,065.50			162
		<b>2,539,201.68</b>		<b>2,526</b>
<b>III. Financial assets</b>				
1. Investments	1,540,886,059.24			1,540,466
2. Investment securities	26,492,814.42			26,493
		<b>1,567,378,873.66</b>		<b>1,566,959</b>
			<b>1,569,982,725.91</b>	<b>1,569,551</b>
<b>B. Current assets</b>				
<b>I. Receivables and other assets</b>				
1. Trade accounts receivable	15,492.72			27
2. Receivables from associated companies	20,721.49			20
3. Other receivables and assets	183,972.98			39
		<b>220,187.19</b>		<b>86</b>
<b>II. Cash and credit balances at banks</b>		142,126,430.17		120,304
			<b>142,346,617.36</b>	<b>120,390</b>
<b>C. Counterclaims related to liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria</b>			<b>13,375,435.13</b>	<b>22,513</b>
<b>D. Prepaid expenses</b>			<b>18,169.55</b>	<b>14</b>
			<b>1,725,722,947.95</b>	<b>1,712,468</b>

Equity and Liabilities	EUR	As at 31.12.2010 EUR	As at 31.12.2009 TEUR
<b>A. Equity</b>			
<b>I. Share capital</b>	363,365,000.00		363,365
<b>II. Capital reserves</b>			
1. Committed	341,613,797.29		350,751
2. Non-committed	500,000,000.00		500,000
<b>III. Retained earnings</b>			
Statutory reserve	36,336,417.08		36,336
<b>IV. Net profit</b>			
thereof profit carryforward of EUR 167,157,418.57 (2009: TEUR 123,052)	406,408,568.27		367,158
		<b>1,647,723,782.64</b>	<b>1,617,610</b>
<b>B. Provisions</b>			
1. Provisions for severance payments	831,578.00		929
2. Provisions for pensions	2,233,689.00		2,330
3. Other provisions	52,408,096.18		59,822
		<b>55,473,363.18</b>	<b>63,081</b>
<b>C. Liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria</b>		<b>13,375,435.13</b>	<b>22,513</b>
<b>D. Liabilities</b>			
1. Trade accounts payable	359,734.34		158
2. Liabilities to associated companies	8,083,182.02		8,943
3. Other liabilities thereof relating to taxes EUR 668,222.57 (2009: TEUR 121), thereof relating to social security EUR 34,410.49 (2009: TEUR 36)	707,450.64		163
		<b>9,150,367.00</b>	<b>9,264</b>
		<b>1,725,722,947.95</b>	<b>1,712,468</b>

## Schedule of fixed assets

pursuant to §226 para 1 of the Austrian Commercial Code as at December 31, 2010

	Acquisition/Production costs			
	As at 1.1.2010	Additions	Disposals	As at 31.12.2010
	EUR	EUR	EUR	EUR
<b>I. Intangible assets</b>				
Licences, rights <sup>1</sup>	<b>886,506.12</b>	<b>46,188.70</b>	<b>3,085.82</b>	<b>929,609.00</b>
<b>II. Tangible assets</b>				
1. Land, rights equivalent to real property and buildings, including buildings on third-party land				
a) Developed land				
Value of buildings	60,906.17	0.00	0.00	60,906.17
b) Undeveloped land	2,368,434.26	0.00	0.00	2,368,434.26
	<b>2,429,340.43</b>	<b>0.00</b>	<b>0.00</b>	<b>2,429,340.43</b>
2. Other plant, factory and office equipment <sup>2</sup>	1,387,406.66	117,304.46	92,787.38	1,411,923.74
	<b>3,816,747.09</b>	<b>117,304.46</b>	<b>92,787.38</b>	<b>3,841,264.17</b>
<b>III. Financial assets</b>				
1. Investments	1,982,283,217.20	420,084.00	0.00	1,982,703,301.20
2. Investment securities	26,527,814.42	0.00	0.00	26,527,814.42
	<b>2,008,811,031.62</b>	<b>420,084.00</b>	<b>0.00</b>	<b>2,009,231,115.62</b>
<b>Total</b>	<b>2,013,514,284.83</b>	<b>583,577.16</b>	<b>95,873.20</b>	<b>2,014,001,988.79</b>
<sup>1</sup> thereof low-value assets		3,085.82	3,085.82	
<sup>2</sup> thereof low-value assets pursuant to §13 of the Austrian Income Tax Act		11,887.71	11,887.71	

Accumulated depreciation	Book values		Depreciation in the year under review
	As at 31.12.2010	As at 31.12.2009	
EUR	EUR	EUR	EUR
<b>864,958.43</b>	<b>64,650.57</b>	<b>65,807.75</b>	<b>47,345.88</b>
60,906.17	0.00	0.00	0.00
4,298.08	2,364,136.18	2,364,136.18	0.00
<b>65,204.25</b>	<b>2,364,136.18</b>	<b>2,364,136.18</b>	<b>0.00</b>
1,236,858.24	175,065.50	162,330.53	104,569.49
<b>1,302,062.49</b>	<b>2,539,201.68</b>	<b>2,526,466.71</b>	<b>104,569.49</b>
441,817,241.96	1,540,886,059.24	1,540,465,975.24	0.00
35,000.00	26,492,814.42	26,492,814.42	0.00
<b>441,852,241.96</b>	<b>1,567,378,873.66</b>	<b>1,566,958,789.66</b>	<b>0.00</b>
<b>444,019,262.88</b>	<b>1,569,982,725.91</b>	<b>1,569,551,064.12</b>	<b>151,915.37</b>
			3,085.82
			11,887.71

## Income statement

for the period from January 1 to December 31, 2010

	2010		2009	
	EUR	EUR	TEUR	TEUR
1. Revenues		8,175.69		29
2. Other operating income				
a) Gains on the disposal of assets other than financial assets	5,000.00		10	
b) Gains on the release of provisions	36,081.21		210	
c) Other	291,468.84		911	
		332,550.05		1,131
3. Personnel expenses				
a) Salaries	2,745,057.06		2,852	
b) Expenses for severance payments	1,359,847.57		102	
c) Expenses for contributions to employee pension funds	8,775.56		10	
d) Expenses for pensions	-1,823,275.72		128	
e) Expenses for compulsory social security contributions and payroll taxes	524,756.06		460	
f) Other social expenditure	126,662.26		115	
		-2,941,822.79		-3,667
4. Depreciation of intangible and tangible fixed assets		-151,915.37		-171
5. Other operating expenses				
a) Taxes not included in Item 15	17,808.74		14	
b) Other	3,233,965.41		39,994	
		-3,251,774.15		-40,008
<b>6. Sub-total of Items 1–5 (operating result)</b>		<b>-6,004,786.57</b>		<b>-42,686</b>
7. Income from investments		243,874,219.25		278,188
8. Income from other securities and financial asset loans		986,136.96		1,008
9. Other interest and similar income		1,188,273.17		8,496
10. Gains on the disposal of financial assets		0.00		1,547
11. Expenses relating to §14 (5) ÖIAG Act		-9,137,488.67		-30,583
12. Interest and similar expenses		-789,193.11		-2,444

	2010		2009	
	EUR	EUR	TEUR	TEUR
<b>13. Sub-total of Items 7–12 (financial result)</b>		<b>236,121,947.60</b>		<b>256,212</b>
<b>14. Ordinary business result</b>		<b>230,117,161.03</b>		<b>213,526</b>
15. Income taxes		–3,500.00		–3
<b>16. Profit for the year</b>		<b>230,113,661.03</b>		<b>213,523</b>
17. Release of capital reserves pursuant to §14 (5) ÖIAG Act		9,137,488.67		30,583
<b>18. Profit for the year (after release of reserves)</b>		<b>239,251,149.70</b>		<b>244,106</b>
19. Profit carryforward from the previous year		167,157,418.57		123,052
<b>20. Net profit</b>		<b>406,408,568.27</b>		<b>367,158</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 ÖIG 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 Telekombeteiligungsverwaltungsgesellschaft (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 Federal Law Gazette I No. 71/2003, Federal Law Gazette I No. 103/2005, Federal Law Gazette I No. 73/2006 and Federal Law Gazette I No. 136/2008, as well as the federal law concerning the transfer of federal government investments to the ownership of ÖIAG (AUA Act) in the Federal Law Gazette I No. 18/2009 version.

Pursuant to §1 para 2 of the ÖIAG Act 2000, the principal tasks of the company involve the disposal of shares (privatisation management), the holding, administration and exercise of ownership interests (investment management) in companies in which ÖIAG has investments, or in which such ownership interests are to be transferred by federal law, or legal transaction (holdings), and the acquisition of ownership interests in accordance with §9 para 3 and 4 of the ÖIAG Act 2000. As a result of the amendment to the ÖIAG Act pursuant to the Federal Law Gazette I No. 136/2008 from October 26, 2008, ÖIAG was assigned the task of completing the realisation of measures in line with §2 para 1 items 1 to 3 and 6 of the Financial Market Stability Act (FinStaG) as the authorised agent of the federal government, and purchasing investments in legal entities pursuant to §1 of the FinStaG in accordance with §2 para 1 items 4 and 5 of the FinStaG. In 2008, in line with §1 para 2a, these responsibilities were allotted to the FIMBAG Finanz-

marktbeteiligung Aktiengesellschaft des Bundes, which was newly founded by ÖIAG.

The federal government's existing guarantee for ÖIAG liabilities will remain in effect until all such liabilities have been honoured.

### Accounting and valuation principles

#### General principles

The financial statements as at December 31, 2010 have been prepared in accordance with the financial reporting requirements of the Austrian Commercial Code as amended.

The financial statements, prepared under the accounting principles generally accepted in Austria, present a true and fair view of the assets and liabilities, the financial situation of the company as well as of the results of its operations (§222 para 2 Austrian Commercial Code).

Accounting and valuation methods are based on generally accepted accounting principles. §201 para 2 Austrian Commercial Code was adhered to, as were the provisions on classification and valuation of the balance sheet and income statement items under §§195 to 211 and 222 to 235 of the Austrian Commercial Code. The income statement was prepared using the total cost format.

Otherwise, the preparation of the financial statements took place in accordance with the ÖIAG Act 2000.

## Fixed assets

**Intangible assets** are generally reported at acquisition cost and subjected to scheduled, straight-line depreciation using rates of 33.3 per cent.

**Tangible assets** are reported at the acquisition/production cost less scheduled depreciation, which is principally determined using the straight-line method. Extraordinary depreciation is applied in cases where lasting value impairment 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 an addition and disposal.

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

Plant and equipment	10–33.3 per cent
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**Corporate investments** are generally reported at the cost of acquisition. Permanent value impairments are taken into account through extraordinary depreciation.

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

## Current assets

**Receivables and other assets** are capitalised at nominal value, funds at the acquisition value. Recognisable risks are accounted for through the creation of appropriate provisions.

## 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 3.0 per cent. The amount of the **provisions for pensions** is established using actuarial principles bearing an interest rate of 3.0 per cent and the discount value method. The AVÖ 2008-P (salaried staff) tables are utilised as a basis for this calculation. A notional retirement age of 62 is assumed for both men and women for the calculation of the provisions for severance payments and pensions.

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

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

## 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 (enclosure to the Notes).

Obligations arising from the use of tangible assets not reported in the balance sheet amount to EUR 0.32 million in the following financial year (2009: EUR 0.37 million). The total amount for the following five years adds up to EUR 1.65 million (2009: EUR 1.91 million).

### b. Financial assets

Movements in the financial assets are presented in detail in the schedule of fixed assets (enclosure to the Notes).

In accordance with the fair value principle, an audit of the value of the holdings in listed corporate investments showed a positive difference between the book values and the investments valued at market prices as per December 30, 2010, amounting to EUR 3.64 billion (2009: EUR 3.32 billion).

The value of unlisted investments, as well as of fixed asset securities, corresponds with the book values reported as at December 31, 2010, as laid down by the fair value principle. The same applies to the rights contained in the fixed assets.

### c. Receivables and other assets

Items	Balance sheet value EUR m
Trade accounts receivable (previous year)	0.02 (0.03)
Receivables from associated companies (previous year)	0.02 (0.02)
Other receivables and assets (previous year)	0.18 (0.04)
<b>Total (Total previous year)</b>	<b>0.22 (0.09)</b>

The item "Receivables from associated companies" consists largely of services charged to IMIB Immobilien und Industriebeteiligungen GmbH, Telekom Austria Aktiengesellschaft and Österreichische Post Aktiengesellschaft.

The item "Other receivables and assets" contains income of EUR 0.18 million (2009: EUR 0.04 million), which was first recognised after the balance sheet date.

All receivables are short-term.

### d. Cash and credit balances at banks

The amount reported under this item refers primarily to fixed-term deposits at Austrian banks.

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

Pursuant to §14 para 5 of the ÖIAG Act 2000, the refunding obligation of the federal government expires, insofar as following the complete repayment of those obligations derived from the merger that were transferred to ÖIAG (liabilities from PTBG and PTA) in accordance with Article II, ÖIAG disposes over liquid assets (cash and cash equivalents) derived from privatisation revenues that can be employed for the repayment of liabilities for which the federal government is obliged to refund interest and repayments. The reduction in the counterclaims of the federal government in 2010 can be traced to the scheduled repayment of refunding liabilities amounting to EUR 9.14 million completed on the basis of §14 para 5 of the ÖIAG Act (2009: scheduled repayments of EUR 30.58 million).

#### **f. Prepaid expenses and accrued income**

The reported prepaid expenses relate to amounts paid prior to December 31, 2010, insofar as they represent expenses for a particular period after this date.

#### **g. Equity**

The share capital of EUR 363,365,000 is composed of 5,000 shares. In line with a resolution passed by the Annual General Meeting on May 12, 2010, a dividend of EUR 200.00 million was paid to the federal government from the net profit for 2009 and an amount of EUR 167.16 million was carried forward to new account.

The change in committed capital reserves relates to §14 para 5 of the ÖIAG Act. Committed capital reserves totalling EUR 9.14 million (2009: EUR 30.58 million) were released. This amount corresponds to the deletion of claims against the federal government in connection with the obligatory repayment of refunding liabilities and interest.

#### **h. Provisions**

The item "Other provisions" largely consists of provisions for the topping-up of obligations for pensions and provisions for unconsumed leave, long-service bonuses and other personnel expenses totalling EUR 18.35 million (2009: EUR 25.13 million) and other provisions (especially for investments) of EUR 32.65 million (2009: EUR 33.25 million).

#### **i. 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 13.37 million (2009: EUR 22.51 million). The reduction as compared to December 31, 2009 resulted from the aforementioned repayments.

(Liabilities maturing < 1 year: EUR 8.70 million (2009: EUR 9.14 million); maturing in 1–5 years: EUR 4.67 million (2009: EUR 13.37 million); due > 5 years: EUR 0.00 million (2009: EUR 0.00 million))

**j. Liabilities**

Items	With a residual term of less than one year EUR m	With a residual term of more than one year EUR m	Balance sheet value EUR m
Trade accounts payable (previous year)	0.36 (0.16)	0.00 (0.00)	0.36 (0.16)
Liabilities to associated companies (previous year)	8.08 (8.94)	0.00 (0.00)	8.08 (8.94)
Other liabilities (previous year)	0.71 (0.16)	0.00 (0.00)	0.71 (0.16)
<b>Total (Total previous year)</b>	<b>9.15 (9.26)</b>	<b>0.00 (0.00)</b>	<b>9.15 (9.26)</b>

The item “Liabilities to associated companies” consists of trade accounts payable (EUR 0.03 million GKB-Bergbau GmbH), liabilities from investments with IMIB Immobilien und Industriebeteiligungen GmbH (EUR 3.05 million), and liabilities from shareholder’s grants (EUR 5.00 million from IMIB Immobilien und Industriebeteiligungen GmbH).

The item “Other liabilities” contains expenses of EUR 0.71 million (2009: EUR 0.16 million) first recognised after the balance sheet date.

## C. Notes to the income statement

### a. Other operating income

	2010 EUR m	2009 EUR m
Gains on the disposal of fixed assets other than financial assets	0.00	0.01
Gains on the release of provisions	0.04	0.21
Other	0.29	0.91
<b>Total</b>	<b>0.33</b>	<b>1.13</b>

As in the past year, the remaining other operating income includes, amongst other items, various cost repayments and rent earnings.

### b. Personnel expenses

	2010 EUR m	2009 EUR m
Salaries	2.74	2.85
Expenses for severance payments and contributions to employee pension funds	1.37	0.11
Expenses for pensions	-1.82	0.13
Expenses for compulsory social security contributions and payroll taxes	0.52	0.46
Other social expenditure	0.13	0.12
<b>Total</b>	<b>2.94</b>	<b>3.67</b>

The movements in the provisions for the pension obligations outsourced to APK Pensionskasse Aktiengesellschaft are reported under the expenses for pensions.

### c. Other operating expenses

	2010 EUR m	2009 EUR m
Taxes, excluding income taxes	0.02	0.01
Other	3.23	40.00
<b>Total</b>	<b>3.25</b>	<b>40.01</b>

Reported under other operating expenses are operating and administrative costs for property, rents, fees, consulting expenses and other expenditure.

### d. Interest result

	2010 EUR m	2009 EUR m
Other interest and similar income	1.19	8.50
Interest and similar expenses	-0.79	-2.44
<b>Total</b>	<b>0.40</b>	<b>6.06</b>

### e. Expenses relating to §14 para 5 ÖIAG Act

The amount reported, totalling EUR 9.14 million (2009: EUR 30.58 million) relates to the deletion of refunding claims against the federal government in connection with the repayment of liabilities, for which the Austrian Republic is liable for refunding interest and repayment. In accordance with §14 para 5 of the ÖIAG Act, committed capital reserves had to be released to the same amount.

### f. Release of capital reserves

Pursuant to §14 para 5 of the ÖIAG Act, committed capital reserves totalling EUR 9.14 million (2009: EUR 30.58 million) were released. This amount corresponded to the deletion of claims against the federal government in connection with the obligatory repayment of refunding liabilities and interest.

### g. Net profit

Including the release of reserves and the profit carryforward from the preceding year, the net profit amounts to EUR 406.41 million (2009: EUR 367.16 million). This includes an amount of EUR 123.05 million, which derives from the write-up of the holding in Österreichische Post AG dating from the 2006 financial year and was unsuitable for distribution as a dividend.

## D. Corporate bodies, employees

a. In 2010, ÖIAG had an average of 22 employees (2009: 23).

### b. Severance payments and pensions

Expenses for severance payments and contributions to employee severance payments funds	2010 EUR m	2009 EUR m
Managing Board and senior executives	0.05	0.06
Other employees	1.32	0.05
<b>Total</b>	<b>1.37</b>	<b>0.11</b>

Expenses for pensions	2010 EUR m	2009 EUR m
Managing Board and senior executives	0.03	-0.92
Other employees	-1.85	1.05
<b>Total</b>	<b>-1.82</b>	<b>0.13</b>

The decline in the amount reported under the expenses for pensions results primarily from the changes to the provision for the topping-up of requirements for pensions, the management of which has been transferred to APK Pensionskasse Aktiengesellschaft.

The liability side topping-up obligations arose from the cover required according to actuarial calculations, minus the probable ÖIAG credits at APK Pensionskasse Aktiengesellschaft on its balance sheet date of December 31, 2010. APK Pensionskasse Aktiengesellschaft will complete the final calculation of ÖIAG

assets with the accounts for the year 2010. The pension obligations (285 recipients as at December 31, 2010, 2009: 300 recipients) derived mainly from the previous mergers of companies (Vereinigte Edelstahlwerke AG/Austrian Industries AG) with ÖIAG.

Expenses for contributions to the employee severance payment fund within the framework of the BMVG ("betriebliches Mitarbeitervorsorgegesetz") are reported separately in the income statement.

c. Emoluments to the Supervisory Board amounted to EUR 0.26 million (2009: EUR 0.23 million).

### d. Managing Board

Peter MICHAELIS

The remuneration<sup>1</sup> paid to the Managing Director during the 2010 financial year amounted to EUR 0.35 million and a variable amount from 2009 of EUR 0.31 million.

The ÖIAG Managing Director has renounced in favour of Österreichische Industrieholding AG all claims to payment and other financial advantages derived from his membership of the APK Pensionskasse AG, OMV AG, Österreichische Post AG and Telekom Austria AG Supervisory Boards.

<sup>1</sup> Excluding any expenses in kind and social expenses

**e. Supervisory Board****Peter MITTERBAUER***Chairman*

CEO, Miba AG

**Siegfried WOLF***First Vice-Chairman*

Chairman of the Board of Directors, Russian Machines OJSC

**Klaus STURANY***Second Vice-Chairman*

Member of various Supervisory Boards

**Wolfgang BERNHARD**

Member of the Board of Management, Daimler AG

**Brigitte EDERER**

Member of the Managing Board, Siemens AG

**Michael ENZINGER**

Lawyer

**Stephan KOREN**

Deputy Managing Director, BAWAG PSK AG

*(since May 12, 2010)***Wolfgang PFARL**

President, Austropapier

**Alexander RIKLIN**

Managing Director, Alcar Holding GmbH

**Maria-Elisabeth SCHAEFFLER**

Partner, INA-Holding Schaeffler GmbH &amp; Co. KG

**Stefan K. ZAPOTOCKY**

Sole Managing Director and co-owner,

BAST AG Value &amp; Invest Development

*(until May 12, 2010)***Leopold ABRAHAM**

Chairman of the Group Staff Council, OMV AG

**Gerhard FRITZ**

Chairman of the Central Employees' Committee,

Österreichische Post AG

*(until October 18, 2010)***Markus HINKER**

Chairman of the Central Employees' Committee,

Telekom Austria AG

*(from March 19, 2010 to December 31, 2010)***Walter HOTZ**

Chairman of the Central Employees' Committee,

A1 Telekom Austria AG

*(since February 1, 2011)***Helmut KÖSTINGER**

Chairman of the Central Employees' Committee,

Österreichische Post AG

*(since December 3, 2010)***Michael KOLEK**

Chairman of the Central Employees' Committee,

Telekom Austria AG

*(until February 10, 2010)***Werner LUKSCH**

Vice-Chairman of the Central Employees' Committee,

A1 Telekom Austria AG

**Markus SIMONOVSKY**

Chairman of the Works Council,

OMV Austria Exploration &amp; Production GmbH

## E. Investments

The information concerning equity and the profit for the year relates to the individual financial statements of the companies.

Company	Reg. office	Year of equity total or result	Equity	Equity holding	Profit for the year
			EUR m	%	EUR m
APK Pensionskasse Aktiengesellschaft	Vienna	2009	29.05	29.6	3.16
FIMBAG Finanzmarkteteiligung Aktiengesellschaft des Bundes	Vienna	2010	0.60	100.0	0.35
IMIB Immobilien und Industriebeteiligungen GmbH	Vienna	2009	9.27	100.0	6.46
GKB-Bergbau GmbH	Bärnbach	2010	32.25	100.0	0.86
Österreichische Post Aktiengesellschaft	Vienna	2010	667.66	52.9	148.58
OMV Aktiengesellschaft	Vienna	2010	6,407.56	31.5	602.58
SCHOELLER-BLECKMANN Gesellschaft m.b.H.	Ternitz	2010	5.46	100.0	0.06
Telekom Austria Aktiengesellschaft	Vienna	2010	4,354.43	28.4	1,694.73

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.

Vienna, April 13, 2011

Managing Director

Peter Michaelis m.p.

# Auditor's Report

We draw attention to the fact that the English translation of this auditor's report is presented for the convenience of the reader only and that the German wording is the only legally binding version.

## Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of Österreichische Industrieholding Aktiengesellschaft, Vienna, for the fiscal year from January 1 to December 31, 2010. These financial statements comprise the balance sheet as of December 31, 2010, the income statement for the fiscal year ended December 31, 2010, and the notes.

## Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles as well as in accordance with the legal framework of the ÖIAG Act 2000. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

## Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2010 and of its financial performance for the fiscal year from January 1 to December 31, 2010 in accordance with Austrian Generally Accepted Accounting Principles.

## Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements.

In our opinion, the management report is consistent with the financial statements.

Vienna, April 13, 2011

PwC Österreich GmbH  
Wirtschaftsprüfungsgesellschaft

signed:

Mag. Gerhard Prachner  
Austrian Certified Public Accountant

Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

# Supervisory Board Report

In meeting its legal commitments, the Supervisory Board held four plenary meetings and three meetings of the auditing committee during the 2010 financial year. The focal points of Supervisory Board activities consisted in particular of consulting and resolutions relating to the investment management, Managing Board vacancies and ÖIAG restructuring. The main topics of investment management related to the preparation of Österreichische Post for liberalisation and the strategic orientation of both OMV and Telekom Austria.

As in past financial years, during 2010 members of the managing boards of subsidiaries and investments, especially those of listed companies, provided the Supervisory Board with reports concerning the current situation in their respective companies.

The Managing Board of ÖIAG informed the Supervisory Board both verbally and in writing on the progress of business and the status of the company, as well as with regard to the investments, 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.

PwC Österreich GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements and the management report.

The Supervisory Board declares its approval of the financial statements for 2010, which were thereby adopted under the terms of §96 para 4 of the Austrian Stock Corporation Act. The Supervisory Board also concurs with the Managing Board's proposal to pay a dividend of EUR 190,000,000.00 from the net profit of EUR 406,408,568.27 and to carry forward the remainder of EUR 216,408,568.27 to new account.

In accordance with §270 para 1 of the Austrian Commercial Code, the Supervisory Board proposes to the Annual General Meeting that PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft be appointed as the auditors of the financial statements for 2011.

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

Vienna, May 27, 2011

**Peter Mitterbauer m.p.**  
Chairman of the Supervisory Board



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## Editorial closing date

May 27, 2011

This Annual Report was prepared with the greatest possible care and the data presented thoroughly checked. However, errors relating to rounding, transmission, typesetting, translation or printing cannot be excluded.





