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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.¹ 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

¹ 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
A. Fixed assets				
I. Intangible assets				
Licences, rights		64,650.57		66
II. Tangible assets				
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
		2,539,201.68		2,526
III. Financial assets				
1. Investments	1,540,886,059.24			1,540,466
2. Investment securities	26,492,814.42			26,493
		1,567,378,873.66		1,566,959
			1,569,982,725.91	1,569,551
B. Current assets				
I. Receivables and other assets				
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
		220,187.19		86
II. Cash and credit balances at banks		142,126,430.17		120,304
			142,346,617.36	120,390
C. Counterclaims related to liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria			13,375,435.13	22,513
D. Prepaid expenses			18,169.55	14
			1,725,722,947.95	1,712,468

Equity and Liabilities	EUR	As at 31.12.2010 EUR	As at 31.12.2009 TEUR
A. Equity			
I. Share capital	363,365,000.00		363,365
II. Capital reserves			
1. Committed	341,613,797.29		350,751
2. Non-committed	500,000,000.00		500,000
III. Retained earnings			
Statutory reserve	36,336,417.08		36,336
IV. Net profit			
thereof profit carryforward of EUR 167,157,418.57 (2009: TEUR 123,052)	406,408,568.27		367,158
		1,647,723,782.64	1,617,610
B. Provisions			
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
		55,473,363.18	63,081
C. Liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria		13,375,435.13	22,513
D. Liabilities			
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
		9,150,367.00	9,264
		1,725,722,947.95	1,712,468

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
I. Intangible assets				
Licences, rights ¹	886,506.12	46,188.70	3,085.82	929,609.00
II. Tangible assets				
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
	2,429,340.43	0.00	0.00	2,429,340.43
2. Other plant, factory and office equipment ²	1,387,406.66	117,304.46	92,787.38	1,411,923.74
	3,816,747.09	117,304.46	92,787.38	3,841,264.17
III. Financial assets				
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
	2,008,811,031.62	420,084.00	0.00	2,009,231,115.62
Total	2,013,514,284.83	583,577.16	95,873.20	2,014,001,988.79
¹ thereof low-value assets		3,085.82	3,085.82	
² 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
864,958.43	64,650.57	65,807.75	47,345.88
60,906.17	0.00	0.00	0.00
4,298.08	2,364,136.18	2,364,136.18	0.00
65,204.25	2,364,136.18	2,364,136.18	0.00
1,236,858.24	175,065.50	162,330.53	104,569.49
1,302,062.49	2,539,201.68	2,526,466.71	104,569.49
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
441,852,241.96	1,567,378,873.66	1,566,958,789.66	0.00
444,019,262.88	1,569,982,725.91	1,569,551,064.12	151,915.37
			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
6. Sub-total of Items 1–5 (operating result)		-6,004,786.57		-42,686
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
13. Sub-total of Items 7–12 (financial result)		236,121,947.60		256,212
14. Ordinary business result		230,117,161.03		213,526
15. Income taxes		–3,500.00		–3
16. Profit for the year		230,113,661.03		213,523
17. Release of capital reserves pursuant to §14 (5) ÖIAG Act		9,137,488.67		30,583
18. Profit for the year (after release of reserves)		239,251,149.70		244,106
19. Profit carryforward from the previous year		167,157,418.57		123,052
20. Net profit		406,408,568.27		367,158

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)
Total (Total previous year)	0.22 (0.09)

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)
Total (Total previous year)	9.15 (9.26)	0.00 (0.00)	9.15 (9.26)

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
Total	0.33	1.13

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
Total	2.94	3.67

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
Total	3.25	40.01

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
Total	0.40	6.06

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
Total	1.37	0.11

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

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 remuneration¹ 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.

¹ 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 & Co. KG

Stefan K. ZAPOTOCKY

Sole Managing Director and co-owner,

BAST AG Value & 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 & 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.