

Annual Report

2004

ÖIAG Annual Report

2004

Investment and privatisation management for the Republic of Austria

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

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

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

At present, the ÖIAG portfolio currently contains seven companies and corporate groups.

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Investments 2004¹

	Turnover	EBIT	Result before tax	Dividend per share	Dividend	Employees
	EUR m	EUR m	EUR m	EUR	EUR m	Average
Austrian Airlines ²	2,224.7	79.4	53.4	–	–	7,662
OMV ²	9,880.2	926.0	954.1	4.4 ⁴	131.4 ⁴	6,232 ³
Telekom Austria ²	4,056.3	452.7	350.1	0.24 ⁴	118.5 ⁴	13,638
voestalpine ²	4,188.6	340.2	302.8	– ⁵	– ⁵	23,143 ⁶
VA TECH ²	4,072.6	–44.2	–65.7	–	–	16,562 ⁶
GKB-Bergbau	23.6	13.8	21.8	– ⁷	50.0	139
Österreichische Post	1,722.0	63.4	81.2	– ⁷	40.0	26,342

¹ voestalpine: first three quarters of 2004/2005 (April 1, 2004 – December 31, 2004)

² Listed

³ Petrom employees excluded. As at December 31, 2004, these numbered 51,005

⁴ Proposal to the Annual General Meeting

⁵ Not reported unless for a full financial year

⁶ As at December 31, 2004

⁷ Information irrelevant for non-listed companies

Österreichische Industrieholding AG



¹ Investment corresponds with the reduction in the voestalpine shareholding through the ongoing exchange of the exchangeable bond up to March 31, 2005. As at December 31, the investment amounted to 15%.

² The sale of the VA TECH investment within the scope of the takeover bid by Siemens AG Österreich is planned subject to approval by the EU anti-trust authorities as per July 2005.

ÖIAG

Annual Report 2004

Events 2004

August	ÖIAG-Bergbauholding AG: sale of 26% investment in BMG Metall and Recycling GmbH to the majority owner Ecobat
September	Specification of the federal government's privatisation mandate with regard to VA Technologie AG Merger of ÖIAG-Bergbauholding AG with GKB-Bergbau GmbH
December	Sale of 17% of Telekom Austria shares via the Vienna stock exchange in the course of an accelerated bookbuilt offering Privatisation of VOEST-ALPINE Erzberg GmbH through the sale and transfer of the ÖIAG shares into the Erzberg Private Trust Public takeover bid by Siemens AG Österreich for the entire stock of VA Technologie AG; ÖIAG accepted the improved offer made in January 2005 by Siemens AG Österreich on January 28, 2005

■ Distribution of Supervisory Board appointments with effect from the end of March 2005:

Peter Michaelis

Chairman: Telekom Austria, Österreichische Post, VA TECH

Vice-Chairman: OMV

Member: Austrian Airlines

Rainer Wieltsch

Chairman: Austrian Airlines, OMV

Vice-Chairman: voestalpine, Österreichische Post

Member: Telekom Austria, VA TECH

Government privatisation and investment management mandate clearly fulfilled



Peter Michaelis

Rainer Wieltisch

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

In 2004 major milestones were again passed in the history of Austrian privatisation. How do you evaluate the activities of ÖIAG in the past year?

Peter Michaelis:

»In recent years, ÖIAG has transformed itself from the former "debt holding" into a profitable holding company. In concrete terms, following the conversion of the exchangeable notes on Telekom Austria and voestalpine shares, which will mature in the autumn of 2006, ÖIAG will be practically debt-free. In addition, we have succeeded in raising the value of our portfolio from EUR 5 billion at the beginning of 2000 to EUR 5.5 billion at the end of 2004. If the privatisations completed and the dividend payments to the federal government made during the same period are taken into account, we have created value added of around EUR 3.0 billion. Accordingly, in the past year we have clearly fulfilled the mandate allotted to us by the federal government in the areas of privatisation and portfolio management.«

Which privatisation projects were actually realised during 2004?

Peter Michaelis:

»2004 demonstrated both the variety of our range of activities and the numerous differing interests and demands that we have to accommodate within the scope of our privatisation mandate.

»In recent years, ÖIAG has transformed itself from the former ›debt holding‹ into a profitable holding company.«

The sale of another 17% of Telekom Austria shares must be seen in this light. In terms of the premium achieved, with this placement we completed the most successful European transaction of the year 2004. In the course of an accelerated bookbuilding, at the beginning of December, 85 million shares were placed with national and international investors within just four hours. Of special note with regard to this transaction was the high placement price of EUR 13.05, which contained a premium of around 1.3% on the closing price of the previous day. All in all, with this transaction we successfully protected both

the interests of the Telekom Austria management and enhanced the attractiveness of the Austrian capital market. At the same time, we were able to achieve considerable, additional proceeds for the Republic of Austria through the good sales price. This privatisation, which was the object of international recognition, resulted in proceeds of some EUR 1.1 billion. «

In the meantime, the share price has risen to a far higher level, which prompts the question as to whether the sale might have been premature?

Rainer Wieltsch:

»Certainly not. We found the ideal window of opportunity for this transaction as confirmed by the aforementioned premium. A post-privatisation increase in share value was also evident after all the other privatisations and merely indicates that the capital market has honoured ÖIAG's withdrawal. As was the case with the other privatisations, the increase in free float derived from the sale of Telekom Austria shares constituted a prerequisite for further positive share price development.«

Intensive negotiations with Swisscom continued well into the summer. In the retrospective, how do you see this attempted privatisation?

Peter Michaelis:

»When preparing for privatisation we always consider a number of options and in the case of Telekom Austria, apart from further privatisation via the stock exchange, these considerations included the introduction of a strategic partner. As far as the Swisscom/Telekom Austria project is concerned, we never made a secret of the fact that we were fully behind this excellent industrial solution. However, the extensive concessions that we sought to negotiate, which would have secured the long-term future of Telekom Austria, proved unacceptable at the level of the Swisscom advisory board. Therefore, the Swiss partner did not adhere to their original commitments and thus the realisation of the complete project was hindered. This was also due to the fact that the very narrow timeframe made it impossible to lay the necessary political foundations through a change in the ÖIAG

Act. Hence our immediate withdrawal from the negotiations.«

Would this solution have been better for Telekom Austria than the sale via the stock exchange?

Peter Michaelis:

»Such a retrospective question is futile. Telekom Austria is a high-potential company that is seeking to expand on the basis of its own resources. Swisscom support would certainly have allowed the more rapid realisation of these growth plans in tandem with the securing of the Austrian headquarters and strategic approach, as well as the preservation of comprehensive ÖIAG rights with regard to control and nominations.«

»The past year illustrated clearly the diversity of our activities.«



A broad consensus was reached concerning the privatisation of the Erzberg. In this case, a highly innovative solution was created with the trust model.

Rainer Wieltsch:

»As already mentioned, the past privatisation year clearly illustrated the diversity of our activities. If we established international benchmarks with Telekom Austria, the primary task with the Erzberg was to secure both the strong local interests and jobs. We achieved this in a very successful manner, as with the Erzberg Private Trust, we have implemented a privatisation concept, which not only caters ideally for the individual needs of VOEST-ALPINE Erzberg GmbH, but also meets the aspirations of the entire region. As a result of the involvement of

»In line with our government mandate, above all, we must bear industrial policy responsibility.«



voestalpine, both mining activities and thus employment have been secured for an extended period. At the same time, the Styrian provincial government has committed itself to ensuring that following the exhaustion of the iron ore reserves, the Erzberg will be preserved for the province and the region as an industrial monument. Last, but by no means least, a purchase price remains for ÖIAG and hence the Republic that is both fair and equitable. The transaction as such was an especially positive example of efficient teamwork between federal and provincial government and industry in the achievement and securing of a superordinated objective.«

By contrast, the takeover bid by Siemens Österreich for VA TECH stock was the source of controversy.

Peter Michaelis:

»In line with our government mandate, above all, we bear industrial policy responsibility and during steps towards privatisation also have to consider overriding interests. The solution for VA TECH corresponds precisely with these requirements. The takeover by Siemens Österreich will create one of the largest and economically most successful industrial enterprises in Austria. The merger of the business activities of Siemens Österreich and VA TECH will enhance the international competitiveness of both compa-

nies and in the final analysis, that of Austria as both an industrial location and a hub for the rapidly expanding CEE markets. As far as the role of ÖIAG is concerned with regard to the takeover process, its industrial political responsibilities naturally result in a fundamental difference of approach as compared to other investors. This explains why we did not participate actively in the "price poker" played by many other shareholders. Rather our intention was to contribute to the realisation of the takeover process by the adoption of a clear position at an early stage. However, it was evident that the decision to part with the VA TECH stock was taken subject to the premise that Siemens would improve its offer to the benefit of all shareholders, who naturally include ÖIAG.«

What effect have these privatisations had on ÖIAG's general situation?

Rainer Wieltisch:

»During the past year, we were able to obtain proceeds from privatisation amounting to around EUR 1.1 billion and the sale of the ÖIAG holding in VA TECH will probably bring a further EUR 146 million. Following the conversion of the exchangeable notes on Telekom Austria and voestalpine shares, which mature in the autumn of 2006, we will have succeeded in rendering ÖIAG practically debt-free.

However, in order to better assess our activities one should compare the value development of our portfolio with current ÖIAG net debt. This is a ratio that we have continually improved over the years and from such a perspective we achieved a positive balance of around EUR 4.8 billion at the end of 2004, which corresponds with sevenfold coverage of the net debt by participation equity. At the end of 2003, net assets amounted to around EUR 2.8 billion, which constituted a surplus cover factor of 2.6.«

Peter Michaelis:

»At the same time, on the basis of improved investment earnings, positive asset results and naturally, the notable reduction in debt, we have again attained a satisfactory result, which at EUR 101 million sets a new benchmark. As a consequence, for the 2004 financial year, we have been able to once more pay a respectable dividend amounting to EUR 255 million. We also issued a strong signal with regard to efficiency and cost-consciousness by moving into new office accommodation, which is far less expensive than our previous premises.«

Let us continue on the topic of value added. Here, ÖIAG was able to distinguish itself in 2004 with strong share price rises.

Rainer Wieltsch:

»With the purchase of the Romanian company Petrom, OMV took a major step towards achieving a position as Central Europe's leading oil and gas company. Apart from excellent operational performance, the successful capital increase, related rise in free float and issue of a convertible bond made 2004 a very special year in the history of the company. The capital market honoured this development appropriately.

In spite of an explosion in fuel costs and a generally difficult market situation, Austrian Airlines was also able to push forward with its expansion strategy by means of strict cost management. As a result, during recent years the Austrian Airlines Group has shown itself to be resilient to crisis.«

The government mandate would seem to have been largely fulfilled. What tasks remain to be completed up to the end of the legislative period?

Peter Michaelis:

»If we include the exchangeable notes issued in 2003, we currently hold a 30% investment in Telekom Austria. At present, there is neither a strategic nor a corporate policy need for further privatisation steps. Of course, it is our task to examine interesting offers, but we are not under any time pressure.

Thanks to a policy of systematic restructuring, in the meantime Österreichische Post has also developed into a successful company. The continuing pursuit of this strategy, cooperation and partnerships at business area level, further expansion in the CEE states in both the parcel and letter areas, as well as intensive qualification and product innovation activities, should further enhance the company's competitiveness. Against the background of the privatisation mandate and the generally positive perspectives, a stock exchange float would appear to be a thoroughly attractive variation, which first and foremost, should create a marked strengthening of the Österreichische Post. However, initial consid-

»Following the conversion of the exchangeable notes on Telekom Austria and voestalpine shares we will have succeeded in rendering ÖIAG practically debt-free.«



erations in this direction can first take on concrete shape when the preconditions in the form of an amendment to the Post Office Act have been established, the company has finished its "homework" and the basis for an attractive equity story has reached the required stock exchange maturity.«

Transactions in 2004 in detail

Privatisation proceeds: EUR 1.1 bn

The measures initiated by ÖIAG in 2004 represented a further milestone in the fulfilment of its privatisation mandate. With the conversion of exchangeable notes on Telekom Austria and voestalpine shares in the second half of 2006 and the proceeds from the sale of the interest in VA TECH, ÖIAG will be practically debt-free.

As a result of the further partial privatisation of Telekom Austria and the sale of the Erzberg, privatisation revenues of around EUR 1.1 billion were achieved in 2004. Above all, the Telekom Austria transaction generated important impulses for both the company and the Austrian capital market. This transaction, which took place within the framework of accelerated bookbuilding, was the most successful placing completed in Europe during the year under review.

Largest ever Vienna Stock Exchange transaction

The professional preparations and the selection of the optimum placing date played a key role in the success of this privatisation. Above all, it should be stressed that this transaction was completed with a premium of 1.3% over the closing price of the preceding day and was concluded within just a few hours. In addition, the transaction was the largest ever to be completed on the Vienna Stock Exchange.

Consideration of local interests

While ÖIAG established international benchmarks with this privatisation, the sale of the Erzberg largely took local interests into account. Long-term ore mining for use by voestalpine has been secured through the placing of the entire company stock in a private trust, final beneficiary of which is the federal province of Styria. This guarantees the retention of the Erzberg as an industrial history monument for the future.

Subject to anti-trust approval, a further significant advance was made with the takeover of VA TECH by Siemens Österreich. Against the background of its industrial policy responsibility, through the sale of its shares, ÖIAG was able to fulfil its privatisation mandate to a large degree.

In detail, the privatisation transactions in 2004 were as follows:

Sale of 17% of Telekom Austria AG shares in the course of an accelerated bookbuilt offering

At the beginning of December, ÖIAG placed a total of 17% of Telekom Austria shares via the stock exchange. During the course of an accelerated bookbuilding process, 85 million Telekom Austria shares were sold to national and international institutional investors within one day at a price of EUR 13.05. This placing brought ÖIAG gross proceeds of EUR 1,109.3 million and the offer was extremely well received with a four-fold oversubscription. As a result of the excellent demand, the share placing was concluded in just four hours and a premium of 1.3% over the closing price of the previous day was achieved. On the day after the placing, the share price rose by 3.7% to EUR 13.35.

Industrial policy responsibility

Proceeds: EUR 1,109.3 m

VOEST-ALPINE Erzberg GmbH: placing of the ÖIAG shares in the Erzberg Private Trust

Proceeds:
EUR 10 m

In December 2004, the Erzberg Private Trust was founded by ÖIAG and voestalpine with the aim of securing long-term iron ore mining and the future use of the Erzberg by the federal province of Styria. During the creation of this private trust, ÖIAG gave up 24.9% of its stock in VOEST-ALPINE Erzberg GmbH. In return for the shares and an obligation to place its remaining stock in the private trust, ÖIAG received a sum of EUR 10 million. As a result of this agreement, all VOEST-ALPINE Erzberg GmbH stock is held by the Erzberg Private Trust, which has the purpose of supporting and implementing the corporate goals of VOEST-ALPINE Erzberg GmbH. According to the trust charter, following the closure of mining operations, the province of Styria will receive all the assets including the entire real estate belonging to VOEST-ALPINE Erzberg GmbH. In addition, the structure of the trust means that domination by the donors, ÖIAG and voestalpine, is excluded.

Takeover offer by Siemens AG Österreich for all VA Technologie AG stock

Probable
proceeds:
EUR 146.25 m

On January 28, 2005, ÖIAG accepted the public offer made by Siemens Österreich in December 2004 for the purchase of VA Technologie AG stock. All in all, 2.25 million shares were tendered at an improved offer price of EUR 65. By the end of the takeover bid period on February 25, 2005, Siemens Österreich controlled 97.15% of VA Technologie stock, subject to anti-trust approval by the EU. Should the judgment, which is awaited in July 2005, prove to be positive, ÖIAG will receive privatisation proceeds of EUR 146.25 million.

Corporate bodies

Supervisory Board

Alfred H. HEINZEL

Chairman

CEO, Heinzl Holding GmbH

Jürgen HUBBERT

First Vice-Chairman

Member of the Managing Board,
Daimler Chrysler AG

Veit SORGER

Second Vice-Chairman

Chairman of the Supervisory Board,
Mondi Packaging AG
President of the Confederation of
Austrian Industry

Paul ACHLEITNER (*until June 18, 2004*)

Member of the Managing Board, Allianz AG

Karl BÜCHE

Chairman of the Managing Board,
BRAU UNION AG

Michael ENZINGER

Lawyer

Astrid GILHOFER

Partner and CEO,
CI Projektmanagement GmbH

Alexander RIKLIN

Partner and CEO, Alcar Holding GmbH

Klaus STURANY (*since June 18, 2004*)

Member of the Managing Board,
RWE AG

Erich WIESNER

Partner and CEO,
Wiesner-Hager Baugruppe Holding GmbH

Siegfried WOLF

Executive Vice-Chairman,
Magna International Europe AG

Employee representatives

Leopold ABRAHAM
Chairman of the Central Staff Council,
OMV AG

Anton BENEDER
Chairman of the Central Staff Council,
VA Technologie AG

Gerhard FRITZ
Chairman of the Central Committee,
Österreichische Post AG

Michael KOLEK
Chairman of the Central Committee,
Telekom Austria AG

Helmut OBERCHRISTL
Chairman of the Staff Council,
voestalpine Stahl GmbH

Managing Board

Peter MICHAELIS

Rainer WIELTSCH

Extract from the ÖIAG Act 2000

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

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

The
Invest

ments

The portfolio at a glance

	Austrian Airlines AG¹	OMV AG¹	Telekom Austria AG¹	voestalpine AG¹
Area of activity	Austria's national carrier, scheduled, charter and freight business	Leading CEE oil and natural gas group	Austria's largest supplier of telecommunications	Production and upgrading of steel, engineering and processing
ÖIAG investment (%)	39.7	31.5	30.2	< 10.0 ²
Share price year-end 2004 (EUR)	9.66	221,69	13.95	57.15
Turnover 2004 ⁴ (EUR m)	2,224.7	9,880.2	4,056.3	4,188.6
EBIT 2004 ⁴ (EUR m)	79.4	926.0	452.7	340.2
Result before tax 2004 ⁴ (EUR m)	53.4	954.1	350.1	302.8
Dividend per share 2004 ⁴ (EUR)	–	4.4 ⁵	0.24 ⁵	– ⁶
Dividend 2004 ⁴ (EUR m)	–	131.4 ⁵	118.5 ⁵	– ⁶
Employees 2004 ⁴ (average)	7,662	6,232 ⁸	13,638	23,143 ⁹

¹ Listed

² Investment corresponds with the reduction in the voestalpine shareholding through the ongoing exchange of the exchangeable bond up to March 31, 2005. As per December 31, the investment amounted to 15%.

³ The sale of the VA TECH investment is planned within the framework of the Siemens AG Österreich takeover bid, subject to EU anti-trust authority approval by July 2005.

⁴ voestalpine AG: first three quarters of 2004/2005 (April 1, 2004 – December 31, 2004)

⁵ Proposal to the Annual General Meeting

⁶ Not reported unless for a full financial year

⁷ Information irrelevant for non-listed companies

⁸ Petrom employees excluded. As at December 31, 2004, these numbered 51,005.

⁹ As at December 31, 2004

VA Technologie AG¹	GKB-Bergbau GmbH	Österreichische Post AG
Global technology and services group	Management of remaining ÖIAG mining activities	Austria's no.1 supplier of postal services
14.7 ³	100.0	100.0
58.50	–	–
4,072.6	23.6	1,722.0
–44.2	13.8	63.4
–65.7	21.8	81.2
–	– ⁷	– ⁷
–	50.0	40.0
16,562 ⁹	139	26,342

Austrian 


OMV


TELE
KOM
AUS
TRIA

voestalpine
AKTIENGESELLSCHAFT

VATECH


GKB


Post.at

Austrian Airlines AG

Key indicators	2003	2004	
Turnover (EUR m)	2,040.1	2,224.7	↗
EBITDA (EUR m)	355.9	244.6	↘
EBIT (EUR m)	63.3	79.4	↗
Result before tax (EUR m)	25.7	53.4	↗
Profit for the year (EUR m)	45.8	40.2	↘
Dividend (EUR m)	–	–	–
Dividend per share (EUR)	–	–	–
Fixed asset investments (EUR m)	201.0	205.7	↗
Balance sheet total (EUR m)	3,546.1	3,460.9	↘
Equity (EUR m)	604.5	630.9	↗
Net debt (EUR m) ¹	1,311.9	1,244.5	↘
Gearing (%)	217.0	197.3	↘
ROCE (%)	3.6	3.0	↘
CVA (EUR m)	–194.8	–207.0	↘
CVA change (EUR m)	–85.0	–12.2	↗
Full-time employees (average)	7,167	7,662	↗

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

The company

Austrian,
Austrian arrows,
Lauda Air,

With the three airline brands, Austrian, Austrian arrows and Lauda Air, the Austrian Airlines Group unites practically the entire Austrian airline market in a dynamic, quality-oriented group. The Group's production companies, Austrian Airlines and Tyrolean Airways, deal with technical-operative handling of flight traffic.

In line with the needs of its customers, the Group covers all areas of the aviation industry, from scheduled to chartered flights and freight business.

As the clear market leader in its domestic, Austrian market, the Austrian Airlines Group is known for its excellent product quality, friendly



ÖIAG investment
39.7%

service and first class comfort. Customers around the world hold the Group's high standards in great esteem, a fact impressively confirmed by numerous, international awards. With the "Focus East" specialisation strategy the Group has intensified its business focus on the CEE states and the Far East.

"Focus East"

Since March 2000, the Austrian Airlines Group has been part of the Star Alliance, the world's largest and most successful global airline grouping. Together with its partners in the Alliance, the Austrian Airlines Group offers its customers links to around 795 destinations in 139 countries.

Member of the
Star Alliance

Highlights 2004

- Turnaround programme continued in a systematic manner.
- Net gearing improved from 217.0% to 197.3%.
- High oil prices lead to a massive increase in fuel costs of EUR 94.9 million.
- EBIT nonetheless 25.4% higher at EUR 79.4 million (2003: EUR 63.3 million).
- Further reduction in unit costs of 6.6%.
- Passenger drive in Central and Eastern Europe results in a plus of 24% and a consolidation of market leadership in West-East transfers.
- Successful expansion of long-haul flights to the Far East, passenger growth of 30%.

- Increase in network performance raises the transfer share at the Vienna hub to 56% (2003: 53%).
- Enhanced production flexibility.
- Growth secured by new collective wage and salary agreement.
- Strategic fleet shakeout in the short- and medium-range sectors largely completed.

Strategy

Complete value orientation

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

Market image relaunch

The repositioning of the Group via the relaunch of the Austrian Airlines Group's market image and an update of the entire marketing mix initiated in 2003 was systematically pursued in 2004. In this connection, the Group is banking on its excellent product and service quality, a modern fleet, an attractive route network with a focus on the European and Asian regions, as well as its 50% market share at the highly efficient Vienna Airport hub.

Systematic value orientation

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

Business development 2004

Austrian Airlines exploited the marked improvement in the demand for flights in the first three quarters of 2004 in the form of increased volume and the capture of additional market shares. However, the dramatic increase in fuel prices and a slump in demand during the fourth quarter had a negative effect on results. Nonetheless, Group EBIT was raised markedly from EUR 63.3 mil-

lion to EUR 79.4 million. The Austrian Airlines Group also continued its systematic cost savings strategy, which led to a further cut in unit costs. The balance sheet structure of the Group also improved against the background of a considerable reduction in the volume of interest-bearing loans. Despite the retention of a restrictive investment policy, in 2004 the Group was able to largely complete the harmonisation of its fleet in the short- and medium-range aircraft areas, which has been continuing since 2001.

Result improved despite unfavourable climate

Flight turnover rose in 2004 by 9.5% to EUR 2,087.0 million, EBIT improved over 2003 by EUR 16.1 million to EUR 79.4 million and unit costs fell by around 6.6%. Equity in 2004 also demonstrated growth of 18.2%, rising to EUR 630.9 million, while net gearing improved from 217.0% to 197.3%.

Improved turnover and EBIT

In 2004, the Austrian Airlines share demonstrated a 48.2% rise in value and again clearly outperformed the MSCI Europe Airlines Index, which is relevant for the company's peer group.

Share value up

Outlook 2005

Against the background of continued high fuel prices, as well as the surplus capacity in the European market, an exacerbation of the competitive situation can be anticipated in 2005. The Austrian Airlines Group will maintain the "Focus East" specialisation strategy launched successfully in 2004 and thus further consolidate its leading position with regard to destinations offered in Central and Eastern Europe. At the same time, in the long-haul segment, the Group is focusing on profitable routes with high point-to-point potential and high levels of transfer volume.

Focus on Central and Eastern Europe

OMV Aktiengesellschaft

Key indicators	2003	2004	
Turnover (EUR m)	7,644.4	9,880.2	↗
EBITDA (EUR m)	1,076.0	1,439.3	↗
EBIT (EUR m)	643.6	926.0	↗
Result before tax (EUR m)	596.5	954.1	↗
Profit for the year (EUR m)	393.1	642.0	↗
Dividend (EUR m)	107.5	131.4 ¹	↗
Dividend per share (EUR)	4.0	4.4 ¹	↗
Fixed asset investments (EUR m)	666.6	567.5	↘
Balance sheet total (EUR m)	7,516.7	12,949.9	↗
Equity (EUR m)	2,685.3	5,380.8	↗
Net debt (EUR m)	1,081.0	747.6	↘
Gearing (%)	40	14	↘
ROCE (%)	12	16	↗
Full-time employees (average)	6,091	6,232 ²	↗

¹ Proposal to the Annual General Meeting on May 18, 2005

² Petrom employees excluded. As at December 31, 2004, these numbered 51,005

The company

Leading oil and natural gas group in Central Europe

With consolidated turnover of EUR 9.88 billion, OMV is the largest, listed industrial enterprise in Austria and the leading oil and natural gas enterprise in Central Europe. The OMV Group is active globally in the exploration and production fields (E & P) and in Austria, occupies a leading role as a European natural gas system hub. At the same time, OMV has a solid marketing platform for its own refineries (R & M) in the shape of an extensive filling station network throughout Central and Eastern Europe and holds some important investments. Moreover, among the Group's integrated chemicals and plastics companies are leading global suppliers of melamine and polyolefins.

Strategy

The main strategic target of the OMV Group of achieving a doubling of its 2001 company size



ÖIAG investment
31.5%

by 2008 has largely been attained in many areas with the purchase of the Romanian oil and gas company, Petrom. Accordingly, as opposed to 2001, oil and natural gas production has been more than quadrupled from around 80,000 boe/d to some 345,000 boe/d. The ratio of oil and natural gas produced to refinery capacity of 0.64:1 also clearly exceeds the target of 0.50:1. With a share of 18% in the relevant Danube region market, OMV has made major progress towards its 20% target for 2008. The objective of raising the volumes sold and traded in Austria and neighbouring countries to 10 bn m³ by 2008, should be achieved as planned, for in 2004, OMV was already at the 8,4 bn m³ mark. The start of test operation at the new melamine plant in Piesteritz during 2004 has created the preconditions for an increase in annual sales volumes in the chemicals division to 200,000 t.

Doubling of company size by 2008

A strong market position in Central Europe and advanced integration between the E & P and R & M segments provide a platform for further profitable OMV growth. Even after the Petrom acquisition, due to strong cash flow and a successful capital increase, the financial strength of the company continues to offer a solid basis for additional expansion.

Further growth

In 2005, the management focus will be on the development and integration of Petrom. In future, OMV also wishes to grow using its own resources with the aim of creating value added for its shareholders. In the case of average mar-

ROACE of 13%

ket parameters, a ROACE of 13% should also be sought in the coming years.

Highlights 2004

- Purchase of a 51% holding in Romania's largest company, Petrom S.A.
- Acquisition of the remaining 50% share in the OMV Istrabenz joint venture.
- Streamlining of the exploration and production portfolio.
- Successful integration of the Preussag and Bayernoil/BP acquisitions.
- Stable results following gas market liberalisation.
- Melamine plant in Piesteritz (Germany) goes into operation on schedule.
- Capital increase (EUR 657 m) and convertible bond (EUR 550 m) issued successfully; new OMV ownership structure: 50.9% free float, 31.5% ÖIAG and 17.6% IPIC.

Business development 2004

Excellent result

2004 was a record year for OMV. As a result of growth in the E & P and R & M divisions, as well as the proceeds from asset sales, a 44% increase in the operating result (EBIT) to EUR 926 million was achieved along with a 63% rise in the profit for the year to EUR 642 million. These results were supported by the positive development in crude oil prices, bigger gas production volumes in E & P and high bulk yield quantities and margins, a larger price difference between low-sulphur and sulphur-rich crude oil, as well as higher income from investments and asset sales. Conversely, the strength of the euro against the US dollar and very poor marketing margins had a negative effect. EBIT prior to one-off effects, excluding the sales proceeds from exploration activities in Sudan and personnel restructuring costs, as well as partial value adjustments in Australia and Ecuador, therefore rose by 39% to EUR 979 million. The profit for the year prior to one-off effects increased by 56% to EUR 678 million, largely as a result of good results from investments.

Outlook 2005

2005 will be characterised by a focus on core business. The integration of the Petrom acquisition will tie down considerable management resources. It is expected that crude oil prices will remain at a high level in the E & P area with a weaker US dollar and lower production volumes due to asset sales. In the R & M area, OMV expects high refinery margins, but at a level lower than that in the record year 2004. A six-week shutdown at the Schwechat refinery will also have a negative effect on the result. Progress is anticipated with the Nabucco gas pipeline project. A further positive effect should also derive from the new melamine plant in Germany.

Acquisition integration

All in all, for 2005 OMV expects a result at the same level as in the preceding year. The contribution of the newly acquired Petrom should compensate for the weaker market situation. In the three years to come, OMV plans annual investments of EUR 1.3 billion, of which EUR 400 million will be spent on Petrom, with the aim of consolidation and the generation of additional growth. On this basis it should be possible to attain long-term ROACE of 13%.

Petrom contribution to compensate for weaker market situation

Telekom Austria AG

Key indicators	2003	2004	
Turnover (EUR m)	3,969.8	4,056.3	↗
EBITDA (EUR m)	1,509.8	1,568.8	↗
EBIT (EUR m)	369.8	452.7	↗
Result before tax (EUR m)	232.6	350.1	↗
Profit for the year (EUR m)	134.2	227.3	↗
Dividend (EUR m)	65.0	118.5 ¹	↗
Dividend per share (EUR)	0.13	0.24 ¹	↗
Fixed asset investments (EUR m)	588.6	505.6	↘
Balance sheet total (EUR m)	7,896.3	7,242.5	↘
Equity (EUR m)	2,639.4	2,741.6	↗
Net debt (EUR m)	2,637.3	1,973.9	↘
Gearing (%)	99.9	72.0	↘
ROCE (%)	6.7	9.1	↗
Full-time employees (average)	14,657	13,638	↘

¹ Proposal to the Annual General Meeting on May 25, 2005

The company

Austria's largest telecommunications company

With sales of around EUR 4.1 billion and 13,638 employees, Telekom Austria is Austria's largest telecommunications company. Since November 2000, Telekom Austria AG has been listed on the Vienna and New York Stock Exchanges.

Wireline and Wireless organisational structure

Since the beginning of 2003, Telekom Austria has been divided into two segments. The Wireline Division incorporates the former business segments' terrestrial networks, data communications and Internet, the Wireless Division, mobile communications. Beyond Austria's borders, Telekom Austria is active in the mobile communications area in Croatia, Slovenia and Liechtenstein and in the Czech Republic in Internet business. In total, around 2.9 million customers in the Wireline sector and some 4.9 million in the mobile communications sector receive Telekom Austria Group services.



ÖIAG investment
30.2%

Strategy

The main target of Telekom Austria is a concentration on core business in tandem with the penetration of new business areas and regions. The strategic orientation is based on several cornerstones, which have the shared purpose of a sustained increase in corporate value. Accordingly, the achievement of a stable cash flow remains the number one priority in the Wireline segment. By contrast, in the Wireless business segment, at the domestic level a minimum moderate sales and earnings growth is being sought, while in existing Wireless activities in other countries, the target is to realise growth potential on a sustainable basis.

Increase in corporate value

Future Telekom Austria expansion will focus on the mobile communications market in South-Eastern Europe. The financial flexibility needed for this purpose has already been created by means of the consolidation endeavours of recent years.

Expansion

In order to achieve the ambitious targets in both the Wireline and Wireless segments, Telekom Austria is to continue its efforts towards a consolidation of profitability through strict cost management. At the same time, further improvements in efficiency are expected from the ongoing improvement of operative core processes.

Measures for increased efficiency

Highlights 2004

- Market leadership in Austria further strengthened in 2004.
- Operative turnaround in the Wireline segment despite a difficult market climate.
- Growth in revenues and results in all Wireless segment activities.
- Conclusion of a purchase option for the takeover of Mobiltel, Bulgaria's largest mobile telecommunications company.
- Net result up by 69.4% at EUR 227.3 million.
- Increase of the payout ratio facilitates a dividend of 24 cents per share.
- Continued debt reduction in the amount of EUR 663.4 million to EUR 1,973.9 million.
- Free float rises to 69.8%.

Business development 2004

to EUR 505.6 million. On the basis of the strong cash flow in the 2004 financial year, there was also a further reduction in net debt by EUR 663.4 million to EUR 1,973.9 million.

Outlook 2005

For the 2005 financial year, the Telekom Austria Group expects at least a flat trend with regard to both sales revenues and adjusted EBITDA, whereby a decline in the Wireline segment should be counterbalanced by improvement in the Wireless segment. The unchanged downward tendency in the depreciation area permits the expectation of a further improvement in the operating result. As a consequence of a reduction in the tax burden due to Austrian tax reform and a fall in interest expenses, it is expected that the net result will rise by around 25%.

Further improvement of net result

Turnover growth

In 2004, total Telekom Austria turnover rose by 2.2% to EUR 4,056.3 million. This positive development was not only due to the anticipated sales growth in the Wireless segment, but also resulted out of a stable Wireline business. Both segments made a positive contribution to growth with the result that adjusted EBITDA increased by 3.9% to EUR 1,568.8 million.

The Telekom Austria Group operating result rose by 22.4% to EUR 452.7 million. This was the result of the increase in sales revenues, lower operating expenses and a fall in expenses on depreciation in the Wireline segment.

A consolidation of the Austrian mobile communications market cannot be assumed for the beginning of 2005 and therefore a continuation of price competition is set to continue. In view of this scenario, the Wireless sector will focus on the marketing of its data services portfolio, which is not exposed to competition. The anticipated increase in sales revenues, adjusted EBITDA and operating result will nonetheless derive to a large extent from international activities.

Increase in profit distribution

Increase in the net result

Against this backdrop, the profit for the year increased by 69.4% as compared to 2003, rising to EUR 227.3 million, the result per share also rising from EUR 0.27 to EUR 0.46. In view of this positive development, the Managing Board is to propose to the Annual General Meeting that a dividend of EUR 0.24 per share be paid. This represents an increase of 84.6% over the preceding year.

Reduction in asset additions and net debt

In line with its strategic target of cash flow maximisation, during 2004 Telekom Austria continued its efforts aimed at a reduction in asset growth. All in all, asset additions fell by 14.1%

voestalpine AG

Key indicators	2003/04 ¹	2004/05 ¹	
Turnover (EUR m)	3,401.5	4,188.6	↗
EBITDA (EUR Mio)	416.2	569.3	↗
EBIT (EUR Mio)	196.3	340.2	↗
Result before tax (EUR m)	171.6	302.8	↗
Profit for the period (EUR m)	106.8	210.3	↗
Dividend (EUR m)	– ²	– ²	–
Dividend per share (EUR)	– ²	– ²	–
Fixed asset investments (EUR m)	333.6	369.8	↗
Balance sheet total (EUR m)	4,533.4	5,153.5	↗
Equity (EUR m)	1,846.1	2,053.5	↗
Net debt (EUR m)	723.1	793.1	↗
Gearing (%)	39.2	38.6	↘
ROCE (%)	– ²	– ²	–
Employees (without apprentices) as per December 31	22,707	23,143	↗

¹ Financial year from April 1–March 31; figures only relate to the first three quarters (April–December)

² Not reported unless for a full financial year

The company

Steel production and processing

The Austrian-based voestalpine Group is an international player in the areas of steel, processing and services with production and sales locations in more than 30 countries. The focal point of its activities consists of top quality steel products and the processing of steel and other materials into components and complete systems. The product range centres on the area of mobility. Around 60% of Group sales derive from deliveries to the automotive and railway industries. Some 40% of the Group workforce is employed in production and development centres outside Austria, a figure that shows an upward trend due to growth largely based on acquisitions.

motion, Profilform, Bahnsysteme, Stahl

The four operative units in the voestalpine Group all number among the leading suppliers in their respective core segments. In this connection, special reference should be made to the Division Bahnsysteme, which is the European mar-



ÖIAG investment
< 10.0%³

³ Investment corresponds with the reduction in the voestalpine shareholding through the ongoing exchange of the exchangeable bond up to March 31, 2005. As at December 31, the investment amounted to 15%.

ket leader in the rails segment and the no.1 in the global turnout and turnout systems market, Division Profilform as Europe's most successful manufacturer of special tubes and sections and Division Stahl, which numbers among the top suppliers to the European automotive and domestic appliance industries. In addition, the automotive area, division motion, which has been built up over the past four years has established itself as a leading partner to the automotive industry in special areas such as precision and body-in-white components.

Strategy

Since a reorientation in 2001, the voestalpine Group has systematically pursued a growth strategy aimed at providing both customers and shareholders with greater value. In the face of increasing concentrations among the competition, the strategic aim is to implement a policy of differentiation by means of an extended value added chain. In order to achieve this objective, it is planned to expand the processing segments, primarily by means of growth through acquisitions outside Austria. At the same time, the core area of steel production and processing should also grow organically (i.e. via investments in working depth, the product mix and further production optimisation at the Linz location).

A further focal point in a geographical regard envisages increased activities in the CEE markets,

Continuing growth

Raise earnings power

while Group earnings power, which in branch terms is already above-average, is to be further enhanced. This will be achieved primarily by the targeted strengthening of market positions in focal point branches and an increased orientation towards complete system competence.

Highlights 2004

- By far the most successful financial year in the history of the voestalpine Group with new record sales and results.
- The successful completion of the initial phase of the "Linz 2010" investment programme involving around EUR 1 billion.
- Consolidation of market leadership in the turnout segment of the Division Bahnsysteme through acquisitions in North America and India.
- Further expansion in the processing divisions and a strengthening of market presence through acquisitions in Western and Eastern Europe.
- Reinforcement of the position in the new and future EU member states through investments/acquisitions in the Czech Republic, Poland and Romania.
- The securing of exclusive access to the Styrian Erzberg as an important source of raw materials in the course of privatisation, thus ensuring long-term ore supplies.
- An all-time share price high. The voestalpine share increased in value by around 60% in the course of the financial year and since the IPO in 1995 has more than trebled its worth.

Business development 2004/05

Significant improvement in all divisions

With a company-issued forecast of an operating result (EBIT) of around EUR 500 million, during 2004/05 the voestalpine Group not only doubled its result of the preceding year (EUR 248 million), but also surpassed by far the previous records set in 2000/01 (around EUR 258 million). There has also been a marked improvement in the other main Group result and financial indicators. At the end of the first three quarters of the 2004/05 financial year, all four voestalpine Group divi-

sions had achieved partially sizeable growth in their sales and results.

Outlook (for the complete 2004/05 financial year)

With sales well in excess of EUR 5.5 billion and EBIT of around EUR 500 million, 2004/05 will be by far the most successful financial year in the history of the voestalpine Group. Sales and results will rise in all four divisions, the biggest increases being in Stahl, Profilform and Bahnsysteme. All other relevant corporate indicators will also improve to a significant degree.

Sizeable sales and result growth

Current trends/projects

- Beginning of the second phase of the "Linz 2010" programme in the Division Stahl, the implementation of which commenced in 2005 and will be largely completed by 2007.
- Major investments at the Division Bahnsysteme location in Donawitz, where the completion of the world's most modern rail rolling mill is progressing as planned. Start-up is scheduled for 2006.
- Further acquisitions in the Bahnsysteme, Profilform and motion Divisions.
- Expansion of the market presence of all four divisions in the new EU member states.

VA Technologie AG

Key indicators	2003	2004	
Turnover (EUR m)	3,827.5	4,072.6	↗
EBITDA (EUR m)	123.4	64.6	↘
EBIT (EUR m)	5.4	-44.2	↘
Result before tax (EUR m)	-19.4	-65.7	↘
Profit/loss for the year (EUR m)	-15.4	-67.8	↘
Profit/loss for the year before one-off effects (EUR m)	14.3	32.7	↗
Dividend (EUR m)	-	-	-
Dividend per share (EUR)	-	-	-
Fixed asset investments (EUR m)	50.6	60.6	↗
Balance sheet total (EUR m)	3,582.6	3,430.4	↘
Equity (EUR m)	477.0	392.1	↘
Net debt (EUR m)	238.4	252.2	↗
Gearing (%)	-50.0	-64.3	↘
ROCE (%)	2.4	0.9	↘
Employees as at December 31	17,478	16,562	↘

The company

Global technology and services group

In the course of the past five years, VA Technologie AG (VA TECH) has evolved from an engineering conglomerate with a multifaceted product programme into a focused, global technology and services group, which is active in the areas of metallurgy, power generation, power transmission and distribution, and infrastructure.

Successful focusing

During restructuring, VA TECH disposed of non-core businesses such as conventional thermal power generation, environmental engineering (waste incineration, gas cleaning), mechanical plant building, transport and assembly systems. As a consequence of this process of change, 75% of VA TECH business activities now relate to energy and infrastructure and 25% to metallurgy.

Top positions in core areas

Today, VA TECH occupies leading international positions in its four key business areas of metallurgical engineering, power generation and power transmission and infrastructure.



ÖIAG investment
14.7%¹

¹ The sale of the VA TECH investment within the scope of the takeover bid by Siemens AG Österreich is planned subject to approval by the EU anti-trust authorities as per July 2005.

On this basis, VA TECH has developed into Austria's largest globally active technology and services group. Austria is home to both the most important Group competence centres and management. In addition, VA TECH is represented by 240 offices and companies in over 50 countries.

In regional terms, the European domestic market dominated with around 56% of annual order intake. The new EU member states and the entire CIS represented important sources of impetus in this regard.

European domestic market

Strategy and financial targets

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

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

The following long-term financial goals result:

- Business growth via market growth.
- Best in the class profitability.
- Sustained generation of free cash flow.

Highlights 2004

- Order intake up by 7% at EUR 4,634 million.
- An increase in order backlog of 9% to EUR 4,695 million.
- 6% rise in sales to EUR 4,073 million.
- Scheduled completion of the restructuring programme.
- Consolidated result prior to one-off effects more than doubled to EUR 32.7 million.
- Net liquidity raised further to EUR 252 million.

Business development 2004

Completion of the restructuring programme

For VA TECH the 2004 financial year was characterised by a steadily improving global economy, extremely positive market developments in the iron and steel industry, as well as marked growth impulses for the capital goods industry. Against this background, the preconditions for a sustained turnaround were created with the scheduled completion of a comprehensive restructuring programme in the transformer and water technology segments.

Order intake and backlog clearly up

The general economic upturn led to a highly positive order situation for the VA TECH Group, which continued throughout the year. All in all, during 2004, VA TECH was able to raise its order intake by 7% from EUR 4,336 million to EUR 4,634 million. As at December 31, 2004, order backlog stood at the very high level of EUR 4,695 million (2003: EUR 4,314 million). This represents full use of Group capacity for more than a year.

Turnover up on the preceding year

In 2004, VA TECH Group turnover was 6% above that of the previous year at EUR 4,073 million (2003: EUR 3,828 million). Restructuring in the Transformer and Water Systems segments and a cost reduction programme in the switchgear sector influenced the consolidated result significantly. Against this background, earnings before interest, taxation and goodwill amortisation (EBITA) amounted to minus EUR 10.7 million, following EUR 57 million in 2003. The consolidated result fell from minus EUR 15.4 million to minus EUR 67.8 million. This was due primarily to restructuring expenses of EUR 104 million,

which derived mainly from restructuring in the Power Transmission and Distribution Division and Water Systems. If these one-off effects are excluded, the consolidated result more than doubled to EUR 32.7 million. In the 2004 financial year, net liquidity rose to EUR 252 million (2003: EUR 238 million).

Outlook 2005

VA TECH anticipates a continuation of the favourable investment climate in 2005. The economic indicators point upwards in the iron and steel industry, the energy sector and the infrastructure field. Following record order intake in 2004 and on the basis of the sizeable order backlog at the end of the period under review, an increase in turnover can be anticipated for 2005. Over 70% of planned sales in 2005 are already covered by order intake. In addition, VA TECH expects a consolidated profit for the year in excess of EUR 66 million. A decisive factor in this connection is the successful conclusion of the restructuring programme with a resultant marked reduction in the fixed cost basis and the sale or closure of unprofitable units. Furthermore, VA TECH development will also be significantly influenced by a possible takeover by Siemens Österreich. At the end of the takeover offer period on February 25, 2005, Siemens AG Österreich owned or had been tendered 97.15% of VA TECH shares, although the transaction remains subject to approval by the anti-trust authorities in the EU. At present, an estimation of the effects of a possible takeover on VA TECH business development cannot be given.

Clearly positive consolidated result expected

GKB-Bergbau GmbH

Key indicators	2003	2004	
Turnover (EUR m)	42.1	23.6	↘
EBITDA (EUR m)	11.3	14.9	↗
EBIT (EUR m)	10.1	13.8	↗
Result before tax (EUR m)	14.7	21.8	↗
Profit for the year (EUR m)	9.4	20.2	↗
Dividend (EUR m)	11.0	50.0	↗
Fixed asset investments (EUR m)	0.1	0.4	↗
Balance sheet total (EUR m)	162.9	158.1	↘
Equity (EUR m)	69.4	80.9	↗
Net debt (EUR m)	-0.6	0.0	↘
Gearing (%)	0.0	0.0	→
ROCE (%)	7.0	15.0	↗
Full-time employees (average)	225	139	↘

Company and strategy

Merger of
ÖBAG with GKB-
Bergbau GmbH

In accordance with the privatisation mandate from the Austrian federal government, in 2004 significant measures were taken towards the privatisation of ÖIAG-Bergbauholding AG (ÖBAG). Subsidiaries were sold off or subjected to other corporate law changes. In addition, the ÖBAG was converted into a limited company and then merged with GKB-Bergbau GmbH in a downstream merger.

The privatisation and restructuring measures in detail:

- Sale of the 26% investment in BMG Metall und Recycling GmbH (BMG) to the majority owner, Ecobat.
- Merger of ÖBAG-Beteiligungsverwaltung Gesellschaft m.b.H. with ÖBAG.
- Sale resp. placing of ÖIAG shareholding in VOEST-ALPINE Erzberg GmbH in the Erzberg Private Trust.



ÖIAG investment
100.0%

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

Withdrawal of
ÖIAG from the
mining sector

In the case of VOEST-ALPINE Erzberg GmbH, the proceeds from privatisation were realised by ÖIAG. Following the completion of the downstream merger of the Bergbauholding, GKB-Bergbau GmbH pays ÖIAG appropriate dividends on all the other measures listed. The current range of responsibilities of GKB-Bergbau GmbH mainly consists of the workings in the west Styrian Köflach-Voitsberg brown coal field, which were exhausted in 2004, the disused Wies-Eibiswald workings, the former Bleiberger Bergwerksunion (BBU) field including the surface workings and the field of the former Lavanttaler Braunkohlegewinnungsgesellschaft (LAKOG) in Wolfsberg.

Privatisation
proceeds

Highlights 2004

- In view of the termination of the coal supply agreement with VERBUND-Austrian Thermal Power (ATP) at June 30, 2004, and the related closure measures, a social plan was prepared for the employees.
- Within the scope of a mining operations plan prepared for 2003 and 2004, apart from a cut in coal production, the majority of closure and safety measures were dealt with.
- A closure plan was negotiated with the authorities for the outstanding closure, safety and reclamation measures.
- Brown coal from GKB-Bergbau GmbH was largely sold to the ATP Voitsberg 3 power station, along with smaller quantities to the paper industry (Sappi). Following the termination of the supply contract with ATP, the amounts sold only amounted to 0.6 million tonnes.
- The dispute with ATP concerning payment for coal deliveries in 2000 and 2001 was settled out of court and the action at the Vienna Commercial Court was dropped.

During the coming years, GKB-Bergbau GmbH will complete all the measures required with regard to closure, safety and reclamation with a steadily shrinking workforce.

Closure, safety and reclamation measures

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

Following an easing of the process of subsidence, with these measures GKB-Bergbau GmbH will administer the former mining land and subject to mining damage claim waivers by purchasers will sell the land for higher value usage of property.

Business development 2004

Best result ever

As a result of systematic closure measures and turnover of EUR 23.6 million, GKB-Bergbau GmbH achieved the best ordinary business result of EUR 21.8 million, the best in its history. Following accounting measures (reversal of revenue reserves), a dividend of EUR 50.0 million is being paid to ÖIAG. In the wake of rigorous personnel reduction measures, as at December 31, the workforce was down from 211 in 2003 to 122.

Outlook 2005

The supply to the electricity industry (ATP) and the paper industry (Sappi) up to the middle of the year with coal mined as part of closure measures will influence the earnings situation in 2005.

Österreichische Post AG

Key indicators	2003	2004	
Turnover (EUR m)	1,644.6	1,722	↗
EBITDA (EUR m)	145.3	184.3	↗
EBIT (EUR m)	15.7	63.4	↗
Result before tax (EUR m)	28.5	81.2	↗
Profit for the year (EUR m)	16.9	50.0	↗
Dividend (EUR m)	36.0	40.0	↗
Fixed asset investments (EUR m)	59.1	88.5	↗
Balance sheet total (EUR m)	1,617.9	1,795.7	↗
Equity (EUR m)	692.2	704.6	↗
Net debt (EUR m)	-261.1	-489.9	↘
Gearing (%)	-37.7	-69.5	↘
ROCE (%)	2.7	6.3	↗
Full-time employees (average)	27,713	26,342	↘



ÖIAG investment
100.0%

Strategy

In the long-term, a permanent structural change can be expected in the letter mail area, which is currently Österreichische Post AG's most important market, as a consequence of postal market liberalisation throughout the EU, increasing competition, cost reducing measures by the largest letter dispatchers and the substitution of classic letter mail by electronic communications. Furthermore, there is major pressure for change in the existing regulatory framework. All in all, this means an increase in cost pressure that has to be counterbalanced by reductions in expenditure and greater efficiency. Österreichische Post AG has reacted with an intensive cost cutting programme, which is targeted on the highest possible degree of cost flexibility. At the same time, efficiency levels are being raised by already initiated restructuring projects, quality programmes and investments in state-of-the-art technology.

Increased cost pressure

Lower costs, greater flexibility

The company

Austria's leading supplier of postal services

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

Five Divisions

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

Highlights 2004

- Expansion of state-of-the-art logistics centres continues as planned – Villach logistics centre opens in August 2004.
- Reduction in the number of delivery centres from 1,900 to around 400.
- Parcel distribution centre expansion.

- Further improvement in letter post delivery times. The stipulation of the Universal Service Order (95% J+1 delivery = on the first working day after postage) was surpassed on several occasions during the third quarter of 2004. The delivery times for parcels and EMS mail were reduced further.
- A consulting drive, further development of the product portfolio and the redesign of post offices in line with customer needs, underlines the focus on the customer.
- Successful launch of the new product "Meine Marke", which offers flexible design according to customer requirements.

Business development 2004

Higher turnover
in all areas

At EUR 1,722.0 million, Österreichische Post Group turnover in 2004 was again higher than in the preceding year, as was the Group's operating result, which amounted to EUR 1,795.0 million. Turnover was up in all five Divisions, with the largest share of total turnover continuing to derive from the Letter Mail business sector with EUR 769.4 million.

Improved ordinary
business result
and EBIT

The Österreichische Post Group's ordinary business result and EBIT also improved. At EUR 81.2 million, the ordinary business result was 184.8% up on that of the previous year, while EBIT was raised by 304.2% to EUR 63.4 million.

During the period under review, the Österreichische Post Group workforce was reduced by 1,371 and during 2004 consisted on average of 26,342 full-time employees.

Current trends/Projects

Automated
logistics centres

The largest Österreichische Post AG investment project, involving spending of EUR 276 million, consists the completion and expansion of six automated, logistics centres. During the period under review, this project was pursued with unrelenting intensity. In August 2004, a further logistics centre was opened in Villach, which numbers among the most modern in Europe. The period under review also saw decisive progress

with the modernisation of the parcel distribution network, a process that will be concluded in the spring of 2005 with the completion of the Vienna-Inzersdorf distribution centre.

By the end of 2004, the number of delivery bases had been cut by two-thirds to around 400. In addition, parcel deliveries are increasingly being made from the Group's own large centres, in order to reduce costs and to make working procedure organisation more efficient.

Delivery base
reduction

During 2003 Österreichische Post AG launched a company-wide quality drive aimed at reducing letter delivery times and in 2004 this led to considerable improvements. In several months of the year under review, the share of letters delivered on the first working day after posting in Austria was raised to over 95%. The average delivery period for a domestic mail letter in 2004 amounted to 1.07 days.

Quality drive

In the international letter area, during the past year Österreichische Post AG was placed first three times in the letter delivery time rankings prepared monthly after monitoring in 18 countries by the International Post Corporation (IPC).

Best letter delivery
service in Europe

Outlook 2005

Österreichische Post AG is set to systematically continue its approach based on restructuring, economy measures, targeted investments and expansion in growth areas during 2005. Improved quality, market leadership and rationalisation will remain the predominant considerations. Moreover, a further focal point is formed by international networking. With the help of co-operations and segment partnerships, Österreichische Post AG intends to strengthen its presence in important, international markets, in order to be fully equipped for increasingly significant cross-border activities.

Improved quality,
market leadership,
rationalisation

The 20

004

Financial Year

Management Report

ÖIAG assignments

In accordance with the ÖIAG Act 2000 (Federal Law Gazette I No. 24/2000) in amended version from 2003 (Federal Law Gazette I No. 71/2003) during the year under review, the ÖIAG had the following main assignments:

- **Privatisation management** – privatisation of those companies in which the ÖIAG has been allocated a holding.
- **Investment management** – exercise of share rights in companies in which ÖIAG currently has an investment. Under certain circumstances, ÖIAG is entitled to purchase additional shares in its investments, or to participate in capital increases.

The current privatisation mandate for the 2004 financial year was allocated to ÖIAG by the federal government in line with § 7 Section 1 ÖIAG Act 2000 at the Extraordinary General Meeting on May 9, 2003 and then defined at the Extraordinary General Meeting on July 4, 2003 and the Extraordinary General Meeting on September 17, 2004. The privatisation mandate relates to the complete sale of the following companies or interests therein:

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

A 100% privatisation of Telekom Austria AG is to be sought. In an initial step, attempts are to be made to find a strategic partner for Österreichische Post AG.

According to the privatisation mandate from the federal government, the privatisations carried out by ÖIAG should lead to the highest possible increase in the value added of the company and thus either create or retain, long-term, safe employment in Austria, as well as providing the largest, feasible proceeds for the owner. In addition, executive decision-making, research and development capacity of the companies affected are to remain in Austria wherever possible and the interests of the Austrian capital market are to be taken into account.

Since the sale of the remaining shares held by ÖIAG in November 2003, the BÖHLER-UDDEHOLM AG privatisation assignment has been completed in full.

At the Extraordinary General Meeting held on September 17, 2004, the privatisation assignment regarding VA Technologie AG given in 2003 was more closely defined by authorizing ÖIAG to participate in capital increases. The objectives were defined as being the retention of an Austrian core investor structure, the retention of executive decision-making and employment in Austria, the maintenance of company unity and the furtherance of R&D capacity.

Economic conditions

In 2004, the worldwide economic situation improved markedly over the preceding year. There was global economic growth of around 4%, which bolstered the stock markets and led to gains across the board. Against this background, the Vienna Stock Exchange's ATX index registered a notable 50% rise. ÖIAG used this favourable stock market situation for the sale of a Telekom Austria share package in December 2004 and hence a further step towards privatisation.

The ÖIAG investments were largely able to convert the improved economic situation in 2004 into positive business results. In addition, the accession of eight CEE states to the EU in May 2004 had a positive influence on the activities in this region of the companies contained in the ÖIAG portfolio.

Activities in 2004

In December 2004, 17% of Telekom Austria AG stock was sold with the placing of 85 million shares via the stock exchange in the course of an accelerated bookbuilding process. Thus ÖIAG reduced its holding from 47.2% to 30.2%. The proceeds from the sale of these shares amounted to EUR 1,109.3 million at a price of EUR 13.05 per share.

December 2004 also saw the completion of the privatisation assignment for the ÖIAG mining investments through the privatisation of VOEST-ALPINE Erzberg GmbH via a trust solution. The privatisation proceeds amounted to EUR 10.0 million. The solution

in the form of a trust structure secures the longest possible use of the iron ore by voestalpine AG and following the cessation of mining activities, the "Erzberg" will pass as an important industrial monument into the hands of the federal province of Styria as the final beneficiary of the trust. This privatisation step was preceded by restructuring of the ÖIAG mining interests. VOEST-ALPINE Erzberg GmbH was spun-off from the ÖIAG-Bergbauholding and attached to the ÖIAG as a direct subsidiary. Following the conversion of ÖIAG-Bergbauholding AG into a limited company, this was merged with GKB-Bergbau GmbH as the recipient company, whereby GKB-Bergbau GmbH also became a direct ÖIAG subsidiary. Further privatisation of GKB-Bergbau GmbH with regard to the necessary realisation of mining tasks will not occur.

In total, the privatisation of company holdings provided proceeds of EUR 1,119.3 million.

Main events after the balance sheet date

In December 2004, Siemens AG Österreich made a public offer for the purchase of VA Technologie AG stock and in January 2005 raised the original bid price from EUR 55 to EUR 65 per share. On January 28, 2005, ÖIAG accepted this bid for the 2.25 million shares in its possession. The takeover bid closed on February 10, 2005. Subject to approval by the anti-trust authorities in the EU, Siemens AG Österreich is thus the new owner of the company. As it can be expected that the anti-trust examination will be completed by July 2005, it may be anticipated that the transaction can be concluded with privatisation proceeds of EUR 146.25 million.

The exchangeable notes issued in 2003 on voestalpine shares with a period to maturity up to October 2, 2006, grant an exchange right into shares to the note holders by August 10, 2006, at the latest. Since mid-February 2005, a number of investors have exercised this right. Up to the editorial closing date of this report (March 7, 2005) conversions into shares at nominal value totalling EUR 87.2 million had taken place. This corresponds with an interest of around 5.3% in voestalpine AG. The remaining liability derived from the exchangeable note thus amounts to EUR 158 million.

ÖIAG portfolio – net debt

In spite of the sale of a 17% investment in Telekom Austria AG, as compared to 2003, the value of the ÖIAG portfolio in 2004 rose by EUR 0.9 billion. As at December 31, 2004, the ÖIAG portfolio had a total value of around EUR 5.5 billion.

In 2004, the net debt situation improved considerably over the situation in 2003, falling from EUR 1.74 billion to around EUR 0.7 billion. As a result the portfolio value provided surplus cover of net debt amounting to EUR 4.8 billion.

Result 2004

The most important factors in the ÖIAG result for the 2004 financial year were:

- During the year under report, revenues from privatisation amounted to EUR 1,119.3 million (privatisation proceeds 2003: EUR 532.4 million) and derived from Telekom Austria AG and VOEST-ALPINE Erzberg GmbH.
- From the privatisation gains a secondary shareholder loan from the Republic of Austria to the value of EUR 26.3 million was repaid, in addition, pursuant to § 13 Section 2 ÖIAG Act 2000, the Austrian Republic was allocated profit-sharing rights to the value of EUR 578.2 million. This amount corresponded with 95.6% of the privatisation gains, as the right to profit-sharing of the Republic of Austria to 80% of the entire remaining share of privatisation gains (95.6%) had to be raised through the complete repayment and clearing of the shareholder loan. From 2005 onwards, the privatisation gains will be used in their entirety for the repayment of refunding liabilities.
- As a result of the takeover bid for VA Technologie AG, which existed on the balance sheet date, the corresponding investment was revalued by EUR 27.5 million and reported as income.
- The reversal of the provision for bonus shares from the Telekom Austria AG IPO in 2000 resulted in a contribution to results of EUR 3.0 million.
- A provision of EUR 3.25 million was allocated for dividend protection in connection with the exchangeable notes on Telekom Austria shares, as in the case of a conversion into shares, the investor will receive the dividends accruing during the previous period to maturity of the note.
- The transaction costs amounted to 2.3% of the privatisation proceeds.
- During the period under review, the ÖIAG workforce totalled 43, which on average, was five persons less than in the preceding year.

The financial statements of the ÖIAG as at December 31, 2004, showed a profit for the year of EUR 101.0 million (2003: profit for the year of EUR 19.7 million). Following the release of reserves, a net profit of EUR 282.9 million resulted. The Managing Board

proposes to distribute a dividend of EUR 255.0 million for 2004. The remaining EUR 27.9 million should be carried forward.

During 2004, the ÖIAG balance sheet total fell by EUR 687.3 million, or 13%, to EUR 4,587.0 million, while the book value of the investments declined from EUR 2,508.3 million to EUR 2,047.4 million. This was mainly due to the privatisation measures completed during the year under review. The aforementioned revaluation of the investment in VA Technologie AG partly counterbalanced this decline.

During the financial year, the shareholder loan of the Austrian Republic was repaid in full. Liabilities to banks were reduced to EUR 163.9 million by repayments of EUR 90.4 million, while refund liabilities were reduced by EUR 567.6 million to EUR 1,234.8 million. In addition, liabilities totalling EUR 570.2 million derived from the exchangeable notes issued on voestalpine AG and Telekom Austria AG shares and EUR 10.2 million from the debt on other liabilities. Taking into account the available liquidity of EUR 1,269.70 million, total net debt of EUR 709.4 million remains.

With an increase of EUR 1.0 million to EUR 2,451.8 million (2003: EUR 2,450.8 million), equity remained almost unchanged. The equity ratio on the balance sheet date stood at 53% (2003: 46.5%).

Risk management

On the balance sheet date, ÖIAG was running two derivative transactions (interest-currency swaps) as hedging for two loans in Swiss francs belonging to the former PTBG, which are scheduled for repayment in 2005. There are no effects on the assets and income situation as at December 31, 2004. The liabilities subject to a federal government refunding obligation contain a loan in Japanese yen. This liability is counterbalanced by a refunding receivable from the Republic of Austria to the same amount. Therefore, there are no subsequent revaluations. Items in foreign currency are subject to ongoing evaluation within the scope of the internal ÖIAG control system.

Outlook

The assignments of ÖIAG in the 2005 financial year continue to derive from the ÖIAG Act 2000 and the related federal government privatisation mandate for one legislative period.

Of the privatisations envisaged in the mandate allocated by the Austrian federal government in 2003, only the complete sale of the holding in voestalpine AG remains outstanding. However, this

task will be completed by 2006 at the latest, following the planned redemption of the exchangeable notes by delivery of shares.

The privatisation mandate for ÖIAG-Bergbauholding AG was completed during the past financial year. As far as VA Technologie is concerned, a completion of the transaction is expected in July 2005.

The privatisation mandate also foresees the sale of up to 100% of the investment in Telekom Austria AG, in which ÖIAG currently has a 30.2% shareholding. 5% of these shares are subject to the exchangeable notes issued by ÖIAG on Telekom Austria AG shares in 2003, which matures in August 2006. A strategic partner is being sought for Österreichische Post AG. Moreover, alternative concepts, which could lead to an alteration to the privatisation mandate, are also being examined.

ÖIAG is obliged to undertake the sale of the aforementioned investments in accordance with the stipulations of the ÖIAG Act 2000 and the privatisation mandate from the government.

Vienna, April 7, 2005

The Managing Board

Peter Michaelis m.p.

Rainer WIELTSCH m.p.

Balance Sheet as at December 31, 2004

Assets	EUR	EUR	As at 31. 12. 2004 EUR	As at 31. 12. 2003 TEUR
A. Fixed assets				
I. Intangible assets				
Licences, rights		125,379.96		301
II. Tangible assets				
1. Land, rights equivalent to real property and buildings, including buildings on third-party land, thereof real property value of EUR 2,529,560.54 (2003: TEUR 3,171)	2,529,560.54			3,171
2. Other plant, factory and office equipment	521,405.36			508
3. Prepayments made and construction in progress	0.00			8
		3,050,965.90		3,687
III. Financial assets				
1. Investments	2,047,367,992.69			2,508,259
2. Investment securities	25,912,694.60			25,518
3. Other loans	0.0			9
		2,073,280,687.29		2,533,786
			2,076,457,033.15	2,537,774
B. Current assets				
I. Receivables and other assets				
1. Trade accounts receivable	127,513.73			33
2. Receivables from associated companies	30,458.21			48
3. Other receivables and assets	180,944,127.51			178,447
		181,102,099.45		178,528
II. Other securities and interests		436,255,171.90		327,709
III. Cash and credit balances at banks		658,343,001.58		417,181
			1,275,700,272.93	923,418
C. Counterclaims related to liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria			1,234,830,052.56	1,813,041
D. Prepaid expenses				
1. Discounts, capital procurement costs		5,109.12		10
2. Other		16,970.33		26
			22,079.45	36
			4,587,009,438.09	5,274,269

Equity and Liabilities	EUR	EUR	As at 31. 12. 2004 EUR	As at 31. 12. 2003 TEUR
A. Equity				
I. Share capital		363,365,000.00		363,365
II. Capital reserves				
1. Committed	1,769,202,805.69			1,780,062
2. Uncommitted	0.00			171,040
		1,769,202,805.69		1,951,102
III. Retained earnings (statutory reserve)		36,336,417.08		36,337
IV. Net profit thereof carryforward of EUR 0.00 (2003: TEUR 0)		282,900,000.00		100,000
			2,451,804,222.77	2,450,804
B. Other untaxed reserves			0.00	0¹
C. Provisions				
1. Provisions for severance payments		1,796,937.00		1,837
2. Provisions for pensions		2,817,725.35		2,813
3. Other provisions		122,985,313.31		122,971
			127,599,975.66	127,621
D. Liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria		1,245,063,646.70		
thereof not covered by refund claims		-10,233,594.14		
			1,234,830,052.56	1,812,635
E. Liabilities				
1. Subordinated shareholder loan		0.00		26,269
2. Bonds (exchangeable notes)		570,200,000.00		570,200
3. Liabilities to banks		163,874,596.95		254,261
4. Trade accounts payable		437,477.98		1,939
5. Liabilities to associated companies		16,984,094.24		19,396
6. Other liabilities thereof relating to taxes EUR 10,226.94 (2003: TEUR 11) thereof relating to social security EUR 53,415.96 (2003: TEUR 62)		21,279,017.93		11,144
			772,775,187.10	883,209
			4,587,009,438.09	5,274,269

¹ Minor amount

Schedule of fixed assets

pursuant to § 226 Section 1 of the Austrian Commercial Code as at December 31, 2004

	Acquisition/Production cost				
	As at 1. 1. 2004	Additions	Reclassi- fications	Disposals	As at 31. 12. 2004
	EUR	EUR	EUR	EUR	EUR
Fixed assets					
I. Intangible assets					
Licences, rights	754,809.46	24,381.76	0.00	4,599.89	774,591.33
II. Tangible assets					
1. Land, rights equivalent to real property and buildings, including buildings on third-party land					
a) Developed land					
Value of buildings	117,388.56	0.00	0.00	56,482.39	60,906.17
b) Undeveloped land	3,185,832.78	0.00	0.00	641,248.19	2,544,584.59
	3,303,221.34	0.00	0.00	697,730.58	2,605,490.76
2. Other plant, factory and office equipment	2,959,724.89	473,307.66	8,610.00	1,423,336.66	2,018,305.89
3. Prepayments made and construction in progress	8,610.00	0.00	-8,610.00	0.00	0.00
	6,271,556.23	473,307.66	0.00	2,121,067.24	4,623,796.65
III. Financial assets					
1. Investments	3,650,687,935.12	283,468.61	0.00	488,634,608.09	3,162,336,795.64
2. Investment securities	25,912,694.60	35,000.00	0.00	0.00	25,947,694.60
3. Other loans	9,386.90	0.00	0.00	9,386.90	0.00
	3,676,610,016.62	318,468.61	0.00	488,643,994.99	3,188,284,490.24
Total	3,683,636,382.31	816,158.03	0.00	490,769,662.12	3,193,682,878.22

Accumulated depreciation	Net book value 31. 12. 2004	Net book value 31. 12. 2003	Depreciation in the year under review	Write-ups
EUR	EUR	EUR	EUR	EUR
649,211.37	125,379.96	300,809.48	199,811.28	0.00
60,906.17	0.00	0.00	0.00	0.00
15,024.05	2,529,560.54	3,170,808.73	0.00	0.00
75,930.22	2,529,560.54	3,170,808.73	0.00	0.00
1,496,900.53	521,405.36	507,785.88	0.00	0.00
0.00	0.00	8,610.00	354,391.39	0.00
1,572,830.75	3,050,965.90	3,687,204.61	354,391.39	0.00
1,114,968,802.95	2,047,367,992.69	2,508,258,910.55	37,290.92	27,497,512.54
35,000.00	25,912,694.60	25,518,271.14	35,000.00	394,423.46
0.00	0.00	9,386.90	0.00	0.00
1,115,003,802.95	2,073,280,687.29	2,533,786,568.59	72,290.92	27,891,936.00
1,117,225,845.07	2,076,457,033.15	2,537,774,582.68	626,493.59	27,891,936.00

Income statement

for the period from January 1, 2004 to December 31, 2004

	2004		2003	
	EUR	EUR	TEUR	TEUR
1. Turnover		243,028.93		305
2. Other operating income				
a) Gains on the disposal and write-up of fixed assets other than financial assets	382,878.47		32	
b) Gains on the release of provisions	3,343,255.84		370	
c) Other	848,062.98	4,574,197.29	2,571	2,973
3. Personnel expenses				
a) Salaries	5,309,849.55		5,447	
b) Expenses for severance payments	648,174.69		600	
c) Expenses for contributions to employee pension funds	2,651.06		1	
d) Expenses for pensions	3,333,951.05		6,859	
e) Expenses for compulsory social security contributions and payroll taxes	764,841.71		924	
f) Other social expenditure	130,428.47	-10,189,896.53	119	-13,950
4. Depreciation of intangible and tangible fixed assets		-554,202.67		-520
5. Other operating expenses				
a) Taxes not included in Item 17	22,471.04		37	
b) Other	11,272,896.61	-11,295,367.65	26,545	-26,582
6. Sub-total of Items 1–5 (operating result)		-17,222,240.63		-37,774
7. Income from investments		123,024,364.11		95,466
8. Income from other securities and financial asset loans		1,128,403.23		1,146
9. Other interest and similar income		23,769,412.97		17,451
10. Gains on the disposal and write-up of financial assets and current asset securities		644,647,096.68		218,312
11. Expenses relating to the Republic of Austria's profit-sharing rights		-578,210,934.77		-164,831
12. Gains/losses relating to exchange rates		0.00		17,651
13. Expenses relating to financial assets and current asset securities				
a) Depreciation	72,290.92		61	
b) Expenses relating to investments	3,250,000.00		10,092	
c) Other expenses	284,966.98	-3,607,257.90	0	-10,153
14. Interest and similar expenses		-92,524,925.80		-117,366
15. Sub-total of Items 7–14 (financial result)		118,226,158.52		57,676
16. Ordinary business result		101,003,917.89		19,902
17. Income taxes		-3,500.00		-238
18. Profit for the year		101,000,417.89		19,664
19. Release of untaxed reserves		62.14		35
20. Release of capital reserves		181,899,519.97		19,204
21. Release of revenue reserves		0.00		61,097

	EUR	2004 EUR	TEUR	2003 TEUR
Profit for the year		282,900,000.00		100,000
22. Profit carryforward from the previous year		0.00		0
23. Net profit		282,900,000.00		100,000

Movements in untaxed reserves

	As at 1. 1. 2004 EUR	Release EUR	As at 31. 12. 2004 EUR
Investment allowance pursuant to § 10 of the Austrian Income Tax Act			
2000	62.14	62.14	0.00

Notes to the Financial Statements

A. General remarks

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

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

The company received a changed statutory basis through a new federal law concerning the revised legal relationship between Österreichische Industrieholding Aktiengesellschaft and Post und 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 Budget Accompanying Act 2003.

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

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

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

In accordance with its privatisation mandate, during 2004 ÖIAG sold off 17% of its investment in Telekom Austria AG and also concluded the complete divestment of VOEST-ALPINE Erzberg GmbH.

On December 31, 2003, for the second balance sheet date in succession, ÖIAG no longer exceeded two annual, average benchmarks relating to sales and employees contained in § 221 Section 1. The legal consequences of these size benchmarks, i.e. small stock corporation, take effect from the 2004 financial year onwards.

Accounting and valuation principles

Accounting and valuation are undertaken according to the principles of prudence of imparity of realisation. The presentation complies with the legal stipulations and retains previous accounting and valuation practices.

Due to the possibility that ÖIAG may cease to operate at the end of 2006, in accordance with the prudence principle and on the basis of actuarial calculations, provisions were made in the personnel sector of a scale that would accommodate the closure scenario. To this extent, there was a divergence from the going concern principle.

In line with the fair value guideline, financial asset values are assessed (refer to item B.b.).

Fixed assets

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

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

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

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

Factory and office equipment	10 – 33,3%
------------------------------	------------

Investments in subsidiaries are generally reported at the cost of acquisition. Permanent reductions in value are taken into account through extraordinary depreciation.

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

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

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

Liabilities are reported at the amount repayable.

Amounts in foreign currencies are reported according to the lowest or highest value method. Two loans in Swiss francs assumed in the course of the merger with the former PTBG are hedged with swaps and were valued at the rate hedge quotation.

Current assets

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

Provisions and liabilities

Provisions for severance payments as at the balance sheet date are reported according to the amount calculated using actuarial methods. The discount value method is employed at an interest rate of 3.5%. The amount of the provisions for pensions is established using an interest rate of 3.0% and the discount value method. The AVÖ 1999–P (salaried staff) tables are utilised as a basis for this calculation.

B. Notes to the balance sheet

a. Intangible and tangible assets

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

Obligations arising from the use of tangible assets not reported in the balance sheet amount to EUR 0.47 million in the following financial year. The total amount for the following five years adds up to EUR 0.87 million.

b. Financial assets

Movements in the financial assets are presented in detail in the Schedule of Fixed Assets.

The amount reported under additions to investments relates to the recovery in the value of the shareholding in VA Technologie AG, while the addition to the investment securities derives from R32 Raiffeisen fund shares.

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

In line with the fair value guideline, an audit of the value of listed investments showed a positive difference between the book values and the investments valued at the market prices as at December 31, 2004, amounting to EUR 3.1 billion. The value of unlisted investments, as well as of fixed asset securities, corresponded with the book values reported as at December 31, 2004, as laid down in the fair value guideline. 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)	0.13 (0.03)
Receivables from associated companies (previous year)	0.03 (0.05)
Other receivables and assets (previous year)	180.94 (178.45)
Total (Total previous year)	181.10 (178.53)

Residual term up to 2006

Other receivables	175.00
Securities	305.00
Total receivables and securities	480.00

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

In accordance with § 14 Section 4 of the ÖIAG Act 2000, the obligation of the Republic of Austria to refund interest and repayments is reduced to the extent that its rights to shares in ÖIAG profits from privatisation can be offset pursuant to § 13 Section 2 (§ 1348 of the Austrian Civil Code). In 2004, the Republic of Austria had profit-sharing rights amounting to EUR 578.21 million. Therefore, the counterclaims as at December 31, 2004, fell to EUR 1,234.83 million.

e. Prepaid expenses and accrued income

The reported prepaid expenses relate to amounts paid prior to December 31, 2004, insofar as they represent expenses for a particular period after this date.

f. Share capital

The share capital of EUR 363,365,000 is composed of 5,000 shares. Following the Annual General Meeting of June 18, 2004, a sum of EUR 100.00 million was paid to the Austrian Republic from the net profit. As at December 31, 2004, EUR 181.90 million were released with the result that a net profit of EUR 282.90 million is reported.

g. Provisions

Other provisions mainly consist of provisions for the compensation fund (EUR 36.34 million, 2003: EUR 36.34 million), unconsumed leave, long-service bonuses and other personnel expenses (EUR 39.70 million, 2003: EUR 39.88 million) and a provision for holdings of EUR 38.86 million (2003: EUR 39.00 million).

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

On the balance sheet date, these liabilities amounted to EUR 1,234.83 million. Following settlement with the federal government as at December 31, 2004, an additional, open repayment obligation of EUR 10.23 million remained, which is reported under "Other liabilities".

(Liabilities maturing < 1 year: EUR 566.71 million; maturing in 1-5 years: EUR 630.02 million; longer than 5 years: EUR 48.33 million).

i. 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
Subordinated shareholder loan (previous year)	0.0 (26.27)	0.0 (0.0)	0.0 (26.27)
Bonds (previous year)	0.00 (0.00)	570.20 (570.20)	570.20 (570.20)
Liabilities to banks (previous year)	134.05 (90.39)	29.82 (163.87)	163.87 (254.26)
Trade accounts payable (previous year)	0.44 (1.94)	0.0 (0.0)	0.44 (1.94)
Liabilities to associated companies (previous year)	16.98 (19.40)	0.0 (0.0)	16.98 (19.40)
Other liabilities (previous year)	21.28 (11.14)	0.0 (0.0)	21.28 (11.14)
Total (Total previous year)	172.75 (149.14)	600.02 (734.07)	772.77 (883.21)

§ 13 Section 1 of the ÖIAG Act 2000 requires that 20% of the profits derived from the privatisation of holdings be used to repay the subordinated shareholder loan. During the period under review, the subordinated shareholder loan was repaid in its entirety.

The bonds consist of two exchangeable notes issues for shares in Telekom Austria AG (EUR 325.00 million or 25 million ordinary shares) and voestalpine AG (EUR 245.20 million or 5.94 million ordinary shares), which mature by 2006 at the latest.

The liabilities to banks contain EUR 9.94 million, which are due after December 31, 2009 (2003: EUR 14.91 million after December

31, 2008). Securities and bank balances totalling EUR 1,094.60 million (2003: EUR 744.89 million) offset the liabilities to banks of EUR 163.87 million (2003: EUR 254.26 million), transferred to ÖIAG in the course of the merger resulting from the ÖIAG Act 2000. According to the ÖIAG Act, these amounts also are to be used for the payment of interest in 2005 on the liabilities for which the Republic of Austria is obliged to make a refund, as well as the redemption of the exchangeable notes due in 2006, where this would not be made in the form of delivery of shares.

C. Notes to the income statement

a. Turnover

	2004 EUR m	2003 EUR m
Allocation	0.06	0.07
Other	0.18	0.24
Revenues from domestic sales	0.24	0.31

b. Other operating income

	2004 EUR m	2003 EUR m
Gains on the disposal of fixed assets other than financial assets	0.38	0.03
Gains on the release of provisions	3.34	0.37
Other	0.85	2.57
	4.57	2.97

Other operating income contains ongoing income such as rent and cost reimbursements.

c. Personnel expenses

	2004 EUR m	2003 EUR m
Salaries ¹	5.31	5.45
Expenses for severance payments	0.65	0.60
Expenses for pensions	3.33	6.86
Expenses for compulsory social security contributions and payroll taxes	0.77	0.92
Other social expenditure	0.13	0.12
	10.19	13.95

¹ Including settlement and payment of share options. As per December 31, 2004, no further option rights exist.

d. Other operating expenses

	2004 EUR m	2003 EUR m
Taxes, excluding income taxes	0.02	0.04
Other	11.27	26.54
	11.29	26.58

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

e. Income from investments and related expenditure

	2004 EUR m	2003 EUR m
Dividends	123.02	95.47
Expenditure relating to investments	-3.25	-10.09
	119.77	85.38

f. Interest income and expenditure

	2004 EUR m	2003 EUR m
Other interest and similar income	23.77	17.45
Interest payments and similar expenditure	-92.52	-117.37
	-68.75	-99.92

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

Gains of EUR 644.65 million derived largely from the privatisation of holdings. This item also includes a write up to investments of EUR 27.5 million and an addition to other fixed asset securities of EUR 0.4 million.

D. Corporate bodies, employees

h. Exchange rate gains/losses

The liabilities in Swiss francs are hedged entirely by swaps with the result that there were no exchange rate gains or losses during the year under review.

i. Net result for the year

Net result amounted to EUR 282.9 million. The net income is subject to the general Stock Corporation Law stipulations concerning the distribution of profits. According to the ÖIAG Act, the Managing Board is obliged to include a forecast in its proposal for the distribution of profits, which will show the extent to which profits from privatisation for the current and subsequent year will be required for interest payments on the basis of cautious financial planning.

a. In 2004, ÖIAG had an average of 43 employees (2003: 48).

b. Severance payments and pensions:

Expenditure for severance payments	2004 EUR m	2003 EUR m
Managing Board and senior executives	0.45	0.19
Other employees	0.20	0.41
Total	0.65	0.60

Expenditure for pensions	2004 EUR m	2003 EUR m
Managing Board and senior executives	0.42	0.64
Other employees	2.91	6.22
Total	3.33	6.86

The expense for pensions reported under "Other employees" resulted from the topping up of requirements for pensions that have been transferred to APK Pensionskasse AG. The liability side topping-up obligations as at December 31, 2004, arose from the cover required according to actuarial calculations minus the probable ÖIAG credits at APK as at December 31, 2004. The investment result could not fully cover ongoing pension payments. The pension obligations (374 recipients as at December 31, 2004) result mainly from the previous mergers of companies (Vereinigte Edelmetalle AG/Austrian Industries AG) with ÖIAG.

c. Emoluments to the Supervisory Board amounted to EUR 0.17 million.

d. Managing Board

Peter MICHAELIS
Rainer WIELTSCH

The remuneration¹ paid to Mr. Michaelis during the 2004 financial year amounted to EUR 0.67 million (comprised of a fixed sum for 2004 of EUR 0.36 million, variable amount remaining from 2002 of EUR 0.03 million and variable partial amounts from 2003 of EUR 0.28 million).

The remuneration¹ paid to Mr. Wieltisch during the 2004 financial year amounted to EUR 0.55 million (comprised of a fixed sum for 2004 of EUR 0.29 million, variable amount remaining from 2002 of EUR 0.03 million and variable partial amounts from 2003 of EUR 0.23 million).

e. Supervisory Board

Alfred H. HEINZEL
Chairman
CEO, Heinzl Holding GmbH

Jürgen HUBBERT
First Vice-Chairman
Member of the Managing Board, Daimler Chrysler AG

Veit SORGER
Second Vice-Chairman
Chairman of the Supervisory Board, Mondi Packaging AG
President of the Confederation of Austrian Industry

Paul ACHLEITNER
Member of the Managing Board, Allianz AG
(until June 18, 2004)

Karl BÜCHE
Chairman of the Managing Board, BRAU UNION AG

Michael ENZINGER
Lawyer

Astrid GILHOFER
Partner and CEO, CI Projektmanagement GmbH

Alexander RIKLIN
Partner and CEO, Alcar Holding GmbH

Klaus STURANY
Member of the Managing Board, RWE AG
(since June 18, 2004)

Erich WIESNER
Partner and CEO, Wiesner-Hager Baugruppe Holding GmbH

Siegfried WOLF
Executive Vice-Chairman, Magna International Europe AG

Leopold ABRAHAM
Chairman of the Central Staff Council, OMV AG

Anton BENEDER
Chairman of the Central Staff Council, VA Technologie AG

Gerhard FRITZ
Chairman of the Central Committee, Österreichische Post AG

Michael KOLEK
Chairman of the Central Committee, Telekom Austria AG

Helmut OBERCHRISTL
Chairman of the Staff Council, voestalpine Stahl GmbH

¹ Excluding any administrative and social expenses

E. Investments

Company	Reg. office	Year of equity total or result	Equity	Equity holding	Profit (loss) for the year
			EUR m	%	EUR m
APK Pensionskasse AG	Vienna	2003	17.00	27.6	3.24
Austrian Airlines Österreichische Luftverkehrs AG	Vienna	2004	259.40	39.7	-25.67
IMIB AG	Vienna	2003	2.49	100.0	1.56
GKB-Bergbau GmbH	Bärnbach	2004	80.95	100.0	20.23
Österreichische Post AG	Vienna	2004	665.83	100.0	47.23
OMV AG	Vienna	2004	3,457.16	31.5	573.00
SCHOELLER-BLECKMANN GmbH	Ternitz	2004	3.80	100.0	0.14
Telekom Austria AG	Vienna	2004	2,736.31	30.2	364.18
VA Technologie AG	Linz	2004	390.08	14.7	-63.59
VOESTALPINE AG	Linz	2003/2004	1,189.15	15.0	125.85
VOEST-ALPINE Steinel GmbH	Linz	2004	0.83	100.0	0.47

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

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

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

Vienna, April 7, 2005

The Managing Board

Peter Michaelis m. p.

Rainer Wieltsch m. p.

Auditor's Report¹

We have audited the financial statements, including the accounting of records, of Österreichische Industrieholding Aktiengesellschaft, Vienna, as at December 31, 2004, which have been prepared in accordance with the applicable regulations of the Austrian Commercial Code. The preparation and content of these financial statements are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the applicable Austrian legal regulations and professional standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes the assessment of the accounting principles used and significant estimates made by the legal representatives of the company, as well as the evaluation of the overall financial statement presentation.

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

“Based on our audit performed in accordance with our professional duties, the accounting records and the financial statements for the fiscal year 2004 comply with the legal regulations in Austria. The financial statements present, in compliance with Austrian generally accepted accounting principles, a true and fair view of the assets and liabilities, the financial position and the results of operations of the company. The management report corresponds with the financial statements.”

Vienna, April 7, 2005

**Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft m.b.H.**

Alfred Brogyányi m. p.  ERNST & YOUNG Gerhard Schwartz m. p.
Certified Public Accountant Certified Public Accountant

¹ If the financial statements are published or transmitted in a version, which differs from the German version (e. g. shortened version or translation) it is neither allowed to quote the audit opinion nor is it allowed to refer to our audit without our prior consent.

Supervisory Board Report

Report of the Supervisory Board to the Annual General Meeting on the 2004 financial year

In meeting its legal commitments, the Supervisory Board held five plenary meetings and two committee meetings during the 2004 financial year. Consulting and resolutions relating to the new government mandate from 2003 and related privatisation measures represented the focal points of Supervisory Board activities.

The most important privatisation procedure during the financial year was the sale of 17% of the shareholding in Telekom Austria AG, which represented the largest stock exchange transaction ever completed in Austria. Another matter of significance, which occupied the Supervisory Board throughout the financial year was the ownership structure of VA Technologie AG, particularly with regard to the takeover bid made for this company. Restructuring of the mining sector and in particular, the spin-off of VOEST-ALPINE Erzberg GmbH to ÖIAG and subsequent placing off the company in a private trust jointly owned with voestalpine AG, as well as the merger of the ÖIAG-Bergbauholding with GKB-Bergbau GmbH, were discussed at length by the Supervisory Board and the appropriate resolutions passed.

Finally, the Supervisory Board studied the work plan 2004-2006, presented by the Managing Board and reappointed the current members of the Managing Board for the period up to June 30, 2006.

As in past financial years, during the 2004 financial year the Supervisory Board received reports from the managing boards of subsidiaries and portfolio companies, especially from the chairpersons of listed enterprises, concerning the situation in their respective companies.

The Managing Board of the ÖIAG informed the Supervisory Board both verbally and in writing on the progress of business and the status of the company, the investments and the ÖIAG Group as a whole, and obtained the approval of the Supervisory Board for

business decisions where this was required in accordance with the articles of association or the company's rules of procedure.

Due to the fact that during the past financial year, one member of the Supervisory Board resigned, one new member was appointed in accordance with § 4 ÖIAG Act 2000.

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

The Supervisory Board declares its approval of the financial statements for 2004, which are hereby adopted under the terms of § 125 Section 2 of the Austrian Stock Corporation Act. The Supervisory Board also concurs with the Managing Board's proposal to pay out a dividend of EUR 255,000,000 from the net profit for the year of EUR 282,900,000 and to carry forward the remainder of EUR 27,900,000.

In accordance with § 270 Section 1 of the Austrian Commercial Code, the Supervisory Board proposes to the Annual General Meeting that Ernst & Young, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft m.b.H. be appointed as the auditors of the financial statements for 2005.

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, April 7, 2005

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

Privatisation 1

Mandate

The current privatisation mandate

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

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

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

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

Complete privatisation is envisaged for the following companies and interests:

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

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

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

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

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

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

In accordance with the decision passed during the cabinet meeting on April 1, 2003, at the Extraordinary General Meeting held on May 9, 2003, the Managing Board of Österreichische Industrieholding Aktiengesellschaft was allocated the following privatisation mandate.

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

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

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

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

The objective is that:

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

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

Specification of the privatisation mandate from the federal government regarding VA Technologie AG

In accordance with the decision passed during the cabinet meeting on April 1, 2003, at the Extraordinary General Meeting held on May 9, 2003, the Managing Board of Österreichische Industrieholding Aktiengesellschaft was allocated the following privatisation mandate.

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

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

The preceding privatisation mandate remains valid and was defined in more concrete terms with regard to VA TECH as follows. ÖIAG is empowered to undertake the requires company law and financial measures required to facilitate the fulfilment of a stabilising role in line with the interests of the company, the employees and the location. ÖIAG is expressly authorised to participate in capital increases, in order to fulfil the goals of the federal government mandate.

The objective is that:

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

Allocated during the Extraordinary General Meeting of ÖIAG on September 17, 2004.

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