

Annual Report

2006

Investment and privatisation management for the Republic of Austria

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

In line with its government mandate, ÖIAG employs a double strategy. On the one hand, it stimulates increases in the value of the investments for which it is responsible and on the other, it continually examines exit scenarios and where a privatisation mandate exists, partial or full company privatisation.

Both strategies are implemented simultaneously, in order to achieve maximum independence and the corresponding privatisation successes.

At present, the ÖIAG portfolio contains four listed companies and GKB-Bergbau GmbH.

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Listed investments 2006

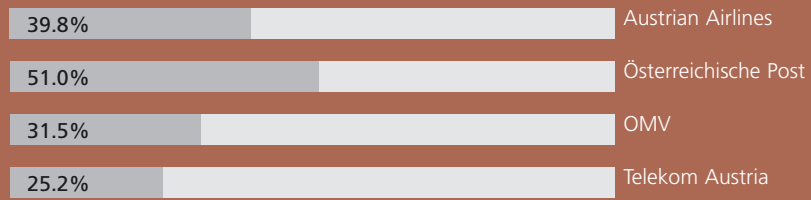
	Turnover	EBIT	Result before tax	Dividend per share	Dividends	Employees ²
	EUR m	EUR m	EUR m	EUR	EUR m	Average
Austrian Airlines	2,593.2	-89.0	-138.1	-	-	8,582
Österreichische Post	1,736.7	123.3	130.5	1.0 ¹	70.0 ¹	24,456
OMV	18,970.4	2,061.0	2,156.2	1.05 ¹	312.9 ¹	45,197
Telekom Austria	4,759.6	772.4	657.9	0.75 ¹	346.2 ¹	15,493

¹ Proposal to the Annual General Meeting

² Full-time basis



Österreichische Industrieholding AG



As at 31.12.2006

ÖIAG

Annual Report 2006

ÖIAAG

Events 2006

May	Privatisation of 49% of Österreichische Post AG concluded through IPO and sale via the stock exchange
June/ September	Conclusion of the conversion and sale of the Telekom Austria stock covered by the ÖIAG exchangeable notes (issued 2003); ÖIAG investment in Telekom Austria falls to 25.2%
December	ÖIAG participation in the Austrian Airlines AG capital increase to an amount of EUR 146.3 million

■ Distribution of Supervisory Board appointments with effect from the end of March 2007

Peter Michaelis

Chairman: Austrian Airlines, Österreichische Post, Telekom Austria, APK-Pensionskasse
2nd Vice-Chairman: OMV

Rainer Wieltsch (ÖIAG consultant, ÖIAG Board member until June 30, 2006)

Chairman: OMV
Vice-Chairman: Österreichische Post
2nd Vice-Chairman: Austrian Airlines
Member: Telekom Austria

Successful competence centre for investment management and privatisation



Interview with ÖIAG Managing Director Peter Michaelis

Dr. Michaelis, for ÖIAG the predominant event last year was the Post IPO. Was this a success in your view?

In every respect. Austrian Post, which in the years since 1999 has been transformed through modernisation and structural changes, was the object of great interest from both domestic and international investors. This is evidenced by the eightfold over-subscription of the offer and the determination of the price at the very top end of the range. All in all, we sold 49% of the shares and attained revenues of EUR 651.7 million.

Who were the main buyers?

Roughly speaking, a third of the shares went to Austrian investors, while the remainder were purchased by international institutions. In national terms, 62% of shares were bought by retail investors (including employees) and 38% by institutions. It was especially pleasing that around 51% of Post personnel purchased shares and that the workforce

now has an approximately 2.4% stake in its own company. ÖIAG offered its support through an employee offer with highly attractive conditions. I see the fact that this was accepted to such a large degree as proof of the loyalty of the employees and their confidence in future developments. The impressive performance of the Post share and the excellent result for 2006, justified this trust within a very short period and more than half the workforce profited due to their participation.

Has the privatisation mandate thus been completed?

The privatisation mandate valid for the legislation period ending in 2006 has been entirely fulfilled. As is well known, in line with the ÖIAG Act, ÖIAG receives a privatisation mandate from the respective government for the current legislature period. For the past legislative period, this was originally the case in May 2003. The mandate then foresaw the full privatisation of BÖHLER-UDDEHOLM, VA Technologie, voestalpine and the ÖIAG mining holding, as well as the up to 100% privatisation of

Telekom Austria. In the meantime, ÖIAG has completed all these assignments.

As far as Österreichische Post was concerned, the initial intention was to seek a strategic partner, but following intensive evaluation, it was evident that this was not the most suitable solution. Therefore, in January 2006, the federal government gave the start signal for the privatisation of Österreichische Post via the stock exchange.

»We have successfully realised the last privatisation mandate in full.«

Accordingly, we have successfully realised the last privatisation mandate in full. In total, in the period from 2003 – 2006, we have achieved privatisation revenues of around EUR 3 billion.

The second important transaction of the past financial year was the capital increase for Austrian Airlines. What were the reasons for ÖIAG participation?

After the capital increase for voestalpine in 2002, this was only the second such transaction in which ÖIAG has taken direct part. This was done in order to support the company's restructuring course, which we see as offering good chances of success. Incidentally, the transaction was completed with great success, the new shares attracting major interest among both international and domestic investors. The price was fixed at EUR 7.10, which was within the upper reaches of prior expectations. In total, Austrian Airlines received EUR 366.9 million in fresh capital from the increase and this is now to be used for measures aimed at consolidating earnings power and the capital structure. By these means, the company is looking to return to profit as a quality airline.

ÖIAG exercised all its options on existing shares and has thus invested a total of EUR 146.3 million. Without doubt, one of the reasons for the success of the transaction was the excellent work done by the Austrian Airlines managing board in the course of a roadshow.

How is the current ÖIAG portfolio structured?

In 2006, our stake in Österreichische Post AG fell to 51%, while our interest in Telekom Austria also declined to 25.2% on the balance sheet date following the final conversion of the exchangeable notes issued in 2003. Telekom Austria called in 40 million of its own shares in March 2007, which led to a renewed increase in our stake, which now amounts to 27.37%. Otherwise there were no significant changes during the past year. Our investment in Austrian Airlines amounts to 39.8%, while that in OMV remained unchanged at 31.5%.

And what about portfolio growth? The total value of your portfolio must have fallen due to the sale of a considerable stake in the Post.

Happily this is not the case, for at the end of 2006, the portfolio value stood at EUR 8.2 billion, which was only slightly down on the comparative value for the preceding year (EUR 8.3 billion). Naturally, this was due largely to the outstanding performance of the Post share, which between the IPO in May and the end of year, gained a notable 90% and therefore compensated for virtually all of the falls in portfolio value emanating from privatisation. Moreover, the other listed investments contributed to this satisfactory development through their performance.

As a consequence, there has been no interruption to the excellent value trend of our portfolio, which has now continued for a number of years. In relation to the last legislative period, or in other words, from the beginning of 2003 to the end of 2006, the total value of the ÖIAG portfolio has risen by around EUR 3.5 billion, or around 75%. Moreover, this has been achieved in spite of considerable stock sales.

What is the basis for this success?

Apart from the excellent performance of the companies within the portfolio, this outstanding development is the consequence of our investment management. ÖIAG regards itself as an active

stockholder and within the scope of corporate governance, participates with the declared aim of achieving an increase in the value of the corporate investments. Consequently, not only the positive performance of the companies, but also the establishment of a culture of corporate governance in Austria, have proven to be of decisive importance in this connection.

What has happened to the revenues from Post privatisation? Does ÖIAG have any remaining debt?

The funds derived from the IPO have been employed for the repayment of the remaining liabilities from former nationalised companies, which have now been cleared in their entirety. In fact the debts of the former PTBG were already paid off in full during 2005 and on June 6, 2006 ÖIAG became completely debt-free. Since 2003, we have paid off debts totalling EUR 2.4 billion and in the years since 2000, in which the new ÖIAG Act took effect, a notable EUR 6.1 billion. The liquid assets are already available for the remaining financial liabil-

»In addition to debt repayments, ÖIAG has transferred almost another billion euros to the Republic.«

ities of EUR 0.2 billion. As a result, repayments of EUR 6.3 billion have been completed or financed, without costing the Austrian taxpayer a single cent.

In recent years you have always paid a dividend. How large will the pay-out for 2006 be?

Having distributed a total of EUR 780 million for the years 2002, 2003, 2004 and 2005, our dividend proposal for 2006 amounts to EUR 200 million. In addition to the aforementioned amounts, which we have employed for debt repayments, ÖIAG has transferred almost another billion euros to the Republic. Among other purposes, the federal government is employing this funding for the financing of research and development, which

apart from the strengthening of the capital market through our privatisations, represents a further ÖIAG contribution to the consolidation of the Austrian economic location.



How did the various corporate investments develop in 2006?

In a thoroughly positive manner. For example, OMV maintained its growth strategy and on this basis achieved new record results in 2006. Against this background, the dividend should be raised to EUR 1.05. Excellent progress has been made with the restructuring of the Romanian oil and gas company, Petrom, which was taken over in 2004. 2006 also saw successful entry to the Russian and Turkish markets and marked expansion of the exploration portfolio.

In the year of its IPO, Österreichische Post also closed with another record result. Not only were sales and results improved, but the taking of a majority interest in the German, specialised logistics company, trans-o-flex, represented a further

milestone in the company's international expansion course. As announced on the occasion of the IPO, the dividend should amount to EUR 1.00 per share.

Both Telekom Austria segments were able to consolidate their leading positions in the Austrian market during 2006. Sales and results were higher and the proposed dividend was raised considerably to EUR 0.75 per share. The Group's international activities also increased markedly in the past year and they already account for some 32% of sales. In the meantime, Telekom Austria serves over 10.2 million customers in the wireless segment alone.

Austrian Airlines again failed to end 2006 with a positive result, but a marked operative improvement showed that the company is on the right path.



Passenger numbers were raised further and through the systematic continuation of its "Focus East" strategy, the company was able to further strengthen its solid positions in the CEE states and in the Near and Middle East.

If we take a look ahead, what does the future hold for the ÖIAG as a whole? Are further privatisation measures planned?

We will increasingly focus on raising the value of our investments listed on the Vienna Stock Exchange.

According to the ÖIAG Act, ÖIAG can only undertake privatisations with a specific mandate from the government, but up to now no such mandate has been received from the new federal government.

However, I welcome the decision to permit ÖIAG to continue working within its existing structures as the ÖIAG model has proven its efficiency. We have demonstrated our comprehensive know-how and

»ÖIAG and its supervisory board are politically independent and this has also been honoured by the capital market.«

expertise over the years and have made a positive contribution to the securing of both the capital market and Austria as a business location. ÖIAG and its supervisory board are politically independent and this has also been honoured by the capital market.

With our know-how, we are constantly available for further privatisation at any time and in future will examine additional privatisation possibilities. Should such moves prove advantageous to the Austrian business location, we will make this very clear to all the political decision-makers.

Transactions in 2006 in detail

Privatisation
mandate fulfilled

With the privatisation of Österreichische Post AG in May 2006, ÖIAG was able to implement in full the privatisation mandate allocated to it by the federal government in 2003. In January 2006, the ÖIAG Board was empowered to complete an IPO for up to 49% of Österreichische Post AG stock at the most appropriate point in time and in May 2006, the company was successfully floated on the Vienna Stock Exchange. A further reduction in the ÖIAG's stake in Telekom Austria to 25.2% took place as a result of the conversion and sale of shares subject to the ÖIAG exchangeable notes (issued 2003). One focal point of ÖIAG investment management in 2006 was formed by a capital increase in Austrian Airlines. In line with the full amount of its holding, ÖIAG participated to a sum of EUR 146.3 million.

Accordingly, revenues from privatisation in 2006 amounted to a total of EUR 974.7 million. Of this sum, EUR 651.7 million emanated from the sale of shares in Österreichische Post. EUR 323.0 million derived from the conversion of the exchangeable notes into shares in Telekom Austria and the sale of the remaining shares via the stock exchange.

Largest IPO on the
Vienna Stock
Exchange

The Österreichische Post IPO was the largest flotation on the Vienna Stock Exchange during 2006. The professional preparations and the selection of the ideal moment for share placement made a major contribution to the success of the transaction. As with all previous ÖIAG transactions, a central concern was the creation of an attractive employee participation concept, which in the case of the Post led to stock purchases by over 51% of the workforce.

With the issue of exchangeable notes on Telekom Austria shares in 2003, ÖIAG assumed a pioneering role in the Austrian capital market, as this was the country's first undertaking of its kind. In the meantime, numerous other companies have followed this example. The exchangeable notes on Telekom Austria shares resulted in a marked increase in long-term liquidity and subsequently enhanced share performance.

In detail, transactions in 2006 took the following form:

Sale of 49% of Österreichische Post stock via the stock exchange

The initial quotation of the Österreichische Post share on the Vienna Stock Exchange took place on May 31, 2006. The offer had triggered great demand among both national and international investors, leading to a sevenfold oversubscription of the issue. Apart from the major interest shown by the institutional investors, there was strong demand among the Austrian public, a total of 18 million shares being ordered by retail investors.

The employee participation scheme offered by ÖIAG also met with a high level of response. All in all, 51.4% of the workforce accepted the offer of shares in their company. As a result, 5.4% of the volume on offer (excluding over-allotment options) was allocated to employees.

The issue price was fixed at the top end of the price band at EUR 19. Consequently, privatisa-

Exchangeable
notes enhance
performance

Revenues:
EUR 651.7 m

tion revenues of EUR 651.7 million were achieved, which corresponded with the fourth largest float in the history of the Vienna Stock Exchange.

Following the sale of 49% of Österreichische Post stock, the criteria of the privatisation mandate have been met in full. Moreover, ÖIAG remains as a stable Austrian core stockholder. As evidenced by the share price trend, the Austrian capital market adjudged the privatisation positively. Upon closing on December 28, 2006, the Post share was quoted at EUR 36.10, which represented a price increase of 90%.

Privatisation via the exchangeable notes on Telekom Austria stock completed

Revenues 2006:
EUR 323.0 m

In August 2003, ÖIAG issued exchangeable notes on 5% of Telekom Austria share capital, which represented 5 million shares. The volume of the notes amounted to EUR 325.0 million, interest being established at 1.125% with a conversion price of EUR 13. Upon issue, the notes were extensively oversubscribed and were quoted on the Luxembourg Stock Exchange.

The notes expiry date was August 2006.

Apart from an exchange price, which at the time of issue was highly attractive, as it was one third higher than the share price at time of the notes issue, ÖIAG was able to enjoy an additional interest result derived from the reinvestment of the issue proceeds. All in all, this led to far higher returns than those that would have been possible from a share placement in 2003.

In total, almost 96% of the volume issued was converted by the final exchange date. Moreover, as a result of the sale of the remaining shares, the ÖIAG stake in Telekom Austria fell to 25.2%. Privatisation revenues of EUR 323.0 million were obtained.

Austrian Airlines AG capital increase

The Austrian Airlines AG capital increase launched in November 2006 was successfully concluded on December 1, 2006 with an issue volume of EUR 366.9 million. There was great demand for Austrian Airlines shares among both international, institutional investors and Austrian retail and institutional buyers. ÖIAG participated in the Austrian Airlines AG capital increase to an amount of EUR 146.25 million, which corresponded the full amount of its investment and thus supported the restructuring measures already initiated by the company.

Transaction successfully completed

Corporate bodies

Supervisory Board¹

Peter MITTERBAUER

Chairman

Chairman of the Managing Board, Miba AG
(since April 3, 2006)

Alfred H. HEINZEL

Chairman

CEO, Heinzl Holding GmbH
(until April 3, 2006)

Jürgen HUBBERT

First Vice-Chairman

Former member of the Managing Board,
Daimler Chrysler AG

Siegfried WOLF

Second Vice-Chairman

(since April 3, 2006)
CEO, Magna International Inc.

Veit SORGER

Second Vice-Chairman

Chairman, Europapier AG
Chairman of the Supervisory Board,
Mondi Business Paper AG
Chairman of the Supervisory Board,
Mondi Packaging AG
Chairman of the Supervisory Board,
Constantia Industries AG
President of the Confederation of
Austrian Industry
(until April 3, 2006)

Wolfgang BERNHARD

Member of the Board, Volkswagen AG
(since April 3, 2006)

Karl BÜCHE

Former Chairman of the Managing Board,
BRAU UNION AG
Member of the Board, Heineken N.V.
(until April 3, 2006)

Michael ENZINGER

Lawyer

Astrid GILHOFER

Managing partner,
CI Projektmanagement GmbH
(until April 3, 2006)

Wolfgang PFARL

CEO, Sappi Europe S.A.
(since April 3, 2006)

Alexander RIKLIN

Partner and CEO, Alcar Holding GmbH

Klaus STURANY

Member of the Managing Board, RWE AG

Erich WIESNER

Managing partner,
WIEHAG Holding GmbH

Stefan K. ZAPOTOCKY

Member of the Managing Board and co-owner,
BAST AG Value & Invest Development
(since April 3, 2006)

Employee representatives on the Supervisory Board

Leopold ABRAHAM
Chairman of the Group Staff Council,
OMV AG

Ludwig ELAND
Chairman of the Staff Council,
GKB Bergbau GmbH

Gerhard FRITZ
Chairman of the Central Employees'
Committee, Österreichische Post AG

Alfred JUNGHANS
Chairman of the Salaried Commercial
and Technical Staff Council, Austrian Airlines
Österreichische Luftverkehrs AG

Michael KOLEK
Chairman of the Central Employees'
Committee, Telekom Austria AG

Managing Board

Peter MICHAELIS

Rainer WIELTSCH
(until June 30, 2006)

¹ As at December 31, 2006

Extract from the ÖIAG Act 2000

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

(3) The appointment of each member of the Supervisory Board pursuant to § 4 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 shall be undertaken immediately.

The

Invest

ments

ments

The portfolio at a glance

	Austrian Airlines AG	Österreichische Post AG	OMV AG	Telekom Austria AG
Area of activity	Austrian national carrier, scheduled, charter and freight business	Austria's leading supplier of postal services	Leading oil and natural gas group in Central Europe	Austria's largest supplier of telecommunications
ÖIAG investment (%)	39.8	51.0	31.5	25.2
Share price year-end 2006 (EUR)	7.34	36.10	42.99	20.30
Sales 2006 (EUR m)	2,593.2	1,736.7	18,970.4	4,759.6
EBIT 2006 (EUR m)	-89.0	123.3	2,061.0	772.4
Result before tax 2006 (EUR m)	-138.1	130.5	2,156.2	657.9
Dividend per 2006 (EUR)	-	1.0 ¹	1.05 ¹	0.75 ¹
Dividends 2006 (EUR m)	-	70.0 ¹	312.9 ¹	346.2 ¹
Employees 2006 (average) ²	8,582	24,456	45,197	15,493

¹ Proposal to the Annual General Meeting
² Full time basis

Austrian Airlines AG

Key indicators	2005	2006	
Turnover (EUR m)	2,392.9	2,593.2	↗
EBITDA (EUR m)	237.8	204.8	↘
EBIT (EUR m)	-100.0	-89.0	↗
Result before tax (EUR m)	-129.6	-138.1	↘
Profit/loss for the year (EUR m)	-129.1	-129.9	↘
Dividend (EUR m)	-	-	-
Dividend per share (EUR)	-	-	-
Fixed asset investments (EUR m)	293.4	194.7	↘
Balance sheet total (EUR m)	3,199.3	3,208.7	↗
Equity (EUR m)	565.6	784.8	↗
Net debt ¹ (EUR m)	1,083.5	715.7	↗
Gearing (%)	191.6	91.2	↗
ROCE (%)	-4.8	-4.7	↗
CVA ² (EUR m)	-165.0	-114.9	↗
CVA change ² (EUR m)	42.0	50.1	↗
Full-time employees (average)	8,468	8,582	↗

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.

² According to the final calculation of component reporting in the value management system

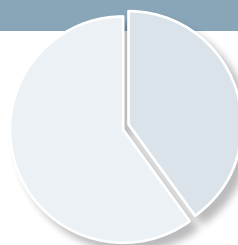
The company

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 Austrian production companies, Austrian Airlines and Tyrolean Airways, deal with the technical-operative handling of flight traffic.

"Focus East"

As the clear market leader in its domestic, Austrian market, the Austrian Airlines Group is known for its excellent product quality, friendly service and first class comfort. Customers around the world hold the Group's high standards in great



ÖIAG investment
39.8%

esteem, a fact impressively confirmed by numerous, international awards. In line with its "Focus East" specialisation strategy, the Group has intensified its business focus on the CEE states and the Far East.

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

Member of the
Star Alliance

Highlights 2006

- Austrian Airlines Group on a new course
- Strategic measures accelerated through capital increase
- Long-haul flight reorientation
- "Focus East" specialisation strategy systematically pursued
- Extended scope in the Russian Federation through new co-operation with AiR Union
- Quality and product offensive
- Passenger record with 7.1% plus as compared to preceding year
- Value-oriented transport control system promotes yield increase
- In spite of record highs for fuel prices, improvement in adjusted EBIT of EUR 43.7 million

Strategy

CEE strategy

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

Specialisation strategy

Within the framework of the "Focus East" specialisation strategy, the Group's primary focus is on flights to Central and Eastern Europe, the Middle East and Asia. A major emphasis in this regard is a concentration on attractive secondary markets, i. e. markets with medium-sized passenger volumes, which demonstrate lower competitive intensity. With good positioning in all these markets, the Austrian Airlines Group was able to also attain further improvements in its range and market ranking during 2006. This was achieved by a reliance on excellent product and service quality, a young fleet, an attractive route network and a 60% market share in the highly efficient Vienna Airport hub.

Harmonisation of the long-haul fleet

In addition to activities aimed at increasing sales and yield, the Group continues to focus on systematic cost and productivity controls. Above all, the measures involved are focused on cutting unprofitable long-distance routes to leisure destinations and the standardisation of the long-haul fleet.

Business development 2006

New passenger record

As a consequence of increased transport demand, higher passenger numbers, use of capacity and unit earnings, in 2006 the Austrian Airlines Group was able to markedly improve its operative performance. The number of passengers carried rose by 7.1% over the preceding year and again surpassed the 10 million mark.

The result remained negative, primarily due to the surge in fuel prices, which led to considerable burdens on the results of the airline industry worldwide, however it nonetheless clearly demonstrated a positive tendency. For example, EBIT adjusted for extraordinary effects stood at minus EUR -8.3 million, which represented an improvement of EUR 43.7 million, while EBIT also improved by EUR 11.0 million to minus EUR -89.0 million. It should be added that extraordinary burdens derived from restructuring as a result of the re-dimensioning of long-haul business during the period under review continued to have a negative effect in this regard. All in all, the result for the year showed a loss of EUR -129.9 million (2005: minus EUR -129.1 million). The liquidity situation and the balance sheet structure presented a far more positive picture at the end of 2006, not least due to the successful capital increase.

In the past year, Group net debt fell from EUR 1,083.5 million to EUR 715.7 million. Due to the increase in equity, net gearing (net debt: equity) improved from 191.6% to 91.2%.

Operating result improved

Marked improvement in liquidity

Outlook 2007

In 2007, the Austrian Airlines Group will continue to systematically pursue its programme of strategic measures. The most important features of this programme are the re-dimensioning of long-haul business, further harmonisation of the fleet, an enlarged selection of routes and flight frequency in CEE, as well as maintaining strict cost discipline. The revenues from the capital increase have markedly increased the offensive strength of the Group with regard to the implementation of these measures. The re-dimensioning of long-haul business will lead to a fall in production (Available Seat Kilometres/ASK), but this should only amount to around 15% due to the anticipated growth in the short- and medium-range sector.

Implementation of strategic measures

Österreichische Post AG

Key indicators	2005	2006	
Turnover (EUR m)	1,701.6	1,736.7	↗
EBITDA (EUR m)	223.8	231.7	↗
EBIT (EUR m)	103.0	123.3	↗
Result before tax (EUR m)	100.9	130.5	↗
Profit for the year (EUR m)	99.9	99.8	↘
Dividend (EUR m)	40.0	70.0 ¹	↗
Dividend per share (EUR)	n/a	1.0 ¹	–
Fixed asset investments (EUR m)	73.6	63.6	↘
Balance sheet total (EUR m)	1,563.0	1,901.6	↗
Equity (EUR m)	762.1	821.4	↗
Net debt (EUR m)	-28.0	173.9	↗
Full-time employees (average)	25,192	24,456	↘

¹ Proposal to the Annual General Meeting

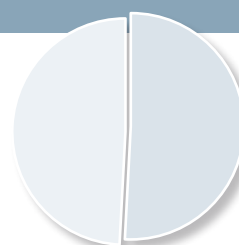
The company

Austria's leading supplier of postal services

Österreichische Post AG, Austria's leading supplier of postal services, is organised in the three divisions Mail, Parcels & Logistics and Branch Network. While the Mail Division incorporates the Letter Mail (letters, postcards), Infomail (addressed and unaddressed advertising mailings) and Media Post (delivery of newspapers and magazines) business areas, the Parcels & Logistics Division is responsible for all parcel and express services. The Branch Network Division looks after the post office branches, comprised of 1,334 company operated branches and 608 external Post.Partner outlets.

The postal market

During the past year, the Austrian letter market showed slight growth, which extended to virtually all market segments. In line with European statutory requirements, as at January 1, 2006, the next phase of liberalisation was implemented in Austria and the reserved letter area, which previously ranged from 0-100 g was restricted to letters weighing 0-50g.



ÖIAG investment
51.0%

Österreichische Post has an excellent position in its markets and particularly in Austria has exceptionally high market shares (98% with regard to letter mail, addressed advertising mailings and parcel deliveries, 85% in the unaddressed advertising mailings area and over 50% in the media post sector). Österreichische Post is also active in the liberalised, international market for parcel services and unaddressed advertising mailings and with regard to the latter, has subsidiaries in Slovakia, Croatia and Hungary. Via its subsidiaries, Österreichische Post has already captured large shares of the parcel markets in the neighbouring countries to the east. At the end of October 2006, Österreichische Post acquired the trans-o-flex company, the logistics leader in the German market for the life sciences and the pharmaceutical industry.

Highlights 2006

- Successful IPO in May 2006, 49% free float
- Share price increase of 90% by year-end 2006
- Consolidated sales raised further by 2.1% to EUR 1,736.7 million
- Positive sales development in all divisions: Mail +1.6%; Parcel & Logistics +7.2%; Branch Network +0.3%
- Acquisitions 2006: Kolos (Slovakia) – advertising mails/Wiener Bezirkszeitung (Austria) – media post/Weber Escal (Croatia) – adver-

tising mails/trans-o-flex (Germany) – B2B parcels

- EBIT raised by 19.7% to EUR123.3 million
- EBT up by 29.3% at EUR 130.5 million
- Cash flow from the result remains strong at EUR 277.9 million
- Solid balance sheet structure: equity ratio of 43.2%
- Dividend proposal to the Annual General Meeting: increase of 75% from EUR 40 million to EUR 70 million

Business development 2006

Positive trend maintained

The positive business trend evident within the Österreichische Post Group in recent years was maintained in 2006. Sales and EBIT were again improved and on the basis of growth in all divisions, consolidated turnover rose by 2.1% to EUR 1,736.7 million. Mail Division sales increased by 1.6%, Parcel & Logistics Division sales by 7.2% and those of the Branch Network Division by 0.3%.

In the 2006 financial year, Österreichische Post EBIT rose by 19.7% to EUR 123.3 million. The EBIT margin thus amounted to 7.1%. All the operative divisions made a positive contribution to this result, Mail Division EBIT totalling EUR 271.6 million, Parcel & Logistics Division EBIT, EUR 20.8 million and Branch Network Division EBIT, EUR 11.5 million. The result before tax improved by 29.3% to EUR 130.5 million, and following the deduction of taxes of EUR 30.8 million, a result after tax of EUR 99.8 million remained. The result for the period amounted to EUR 99.8 million and was allocated in its entirety to the owners of the parent company. In 2006, the Österreichische Post Group workforce was reduced by 2.9% from 25,192 to 24,456 (average number of) full-time employees.

Strategy

Strategy implementation resulted in the following focal points:

1. Optimisation of core business through full coverage networks with high use of capacity

2. Creation of new areas of competence along the value added chain
3. Further development of the international networks

The business model is to be optimised through the development of new business opportunities and targeted acquisitions.

In the **Mail Division**, Österreichische Post is making every effort to extend the value added chain and offer comprehensive, tailor-made solutions for the communications of its customers. Moreover, customers are to be supported during expansion, particularly in Central and Eastern Europe.

Extended range

The main objective of the Österreichische Post **Parcel & Logistics Division** is to participate in the dynamic B2B market segment. Initial successful steps have been taken in this area with market entry in Austria and the expansion of the logistics network in a number of CEE states. The acquisition of the specialist German logistics company, trans-o-flex, in autumn 2006, offers an opportunity to provide a markedly expanded customer group with their service requirements in an attractive market niche. All in all, it is the intention of Österreichische Post to provide customers in the CEE parcel market with a top quality network that is tailored exactly to their needs.

Initial steps in the B2B sector

In the **Financial Services** area, additional potential is to be exploited through structural improvements in the branch network and increased consulting and product quality.

Enhancement of potential

Outlook 2007

The Österreichische Post Group assumes that the letter mail market will remain stable in 2007. The expectation is that the falling volume in the traditional letter mail area caused by the electronic media will be counterbalanced by increases in direct mailings (Infomail business area) and in the Parcel & Logistics Division (including acquisitions). In general, greater competition is anticipated in the letter mail sector and above all in the parcel segment (especially B2C).

OMV Aktiengesellschaft

Key indicators	2005	2006	
Turnover ¹ (EUR m)	15,579.7	18,970.4	↗
EBITDA (EUR m)	2,752.4	2,877.4	↗
EBIT (EUR m)	1,958.4	2,061.0	↗
Result before tax (EUR m)	1,947.7	2,156.2	↗
Profit/loss for the year (EUR m)	1,495.9	1,658.2	↗
Profit/loss for the year after taking of minority interests (EUR m)	1,256.1	1,382.6	↗
Dividend (EUR m)	268.8	312.9 ²	↗
Dividend per share (EUR)	0.90	1.05 ²	↗
Fixed asset investments (EUR m)	1,277.1	1,396.4	↗
Balance sheet total (EUR m)	15,451.3	17,804.0	↗
Equity (EUR m)	7,693.5	9,176.3	↗
Net debt (EUR m)	-126.0	630.1	↗
Gearing (%)	-1.6	6.9	↗
ROACE ³ (%)	19.9	18.4	↘
Full-time employees (average)	55,633	45,197	↘

¹ Excluding mineral oil tax

² Proposal to the Annual General Meeting

³ Return On Average Capital Employed

The company

Central Europe's leading oil and natural gas enterprise

The OMV Group is Central Europe's leading oil and natural gas enterprise. In addition to exploration and production, the Group's core business also includes the operation of refineries, petrochemical production and product marketing. OMV has daily oil and natural gas production of around 324,000 boe worldwide and possesses reserves amounting to 1,289 m boe. The Group has refinery capacity of 26.4 m tons and operates a network of over 2,540 filling stations in 13 countries. In 2006, it was already able to meet the target set for 2010 of a 20% market share in the Danube basin. Apart from storage business, the main tasks in the natural gas segment include the transport of around a third of Russia's natural gas exports to Western Europe.



ÖIAG investment
31.5%

Strategy

In the coming years, OMV aims to attain further profitable growth and remain the most successful oil and natural gas company by exploiting the opportunities offered by "Europe's growth belt". In the period up to 2010, oil and natural gas production is to be raised to 500,000 boe/d and OMV also intends to increase its refinery capacity to 500,000 bbl/d. Furthermore, the Group plans to increase its annual sales of natural gas to 20 bcm per year and to produce over a third of the volume sold in-house. Security of supply for the customers is to be enhanced by projects such as the Nabucco pipeline and the planned construction of a liquefied natural gas (LNG) terminal in Croatia.

Profitable growth

Highlights 2006

- Successful implementation of the growth strategy again leads to record results in 2006
- Operating result up by 5% at EUR 2,061 million
- Highest ever dividend of EUR 1.05 per share proposed
- Marked expansion of the exploration portfolio and entry into the Russian market
- Entry into the rapidly expanding Turkish market through the purchase of a 34% stake in Petrol Ofisi

- Attainment of a 20% share in the Danube region
- Enhancement of security of supply in Austria through the extension of Russian natural gas supply contracts until 2027
- Systematic implementation of the Petrom restructuring programme

Business development 2006

Record result in
2006

In 2006, OMV was again able to surpass its result of the previous year. Group EBIT increased by 5% over the 2005 figure to stand at EUR 2,061 million. Above all, this improvement was achieved due to the rise in crude oil and natural gas prices, which more than compensated for the slightly lower exploration and production (E&P) volumes resulting from a portfolio rationalization and natural decline in production. Conversely, the refineries and marketing (R&M) area suffered from a marked fall in refinery margins and the high oil price. The natural gas area benefited from satisfactory storage business, as well as the initial inclusion of the gas sales activities of Petrom and the full consolidation of ECON GAS from the fourth quarter.

Following the taking of minority interests, the profit for the year was 10% up on that for 2005 at EUR 1,383 million. The improvement in the result largely emanated from the positive contribution made by Borealis and the initial consolidation of Petrol Ofisi. The result per share also rose by 10% to EUR 4.64 and the Managing Board will propose a record dividend of EUR 1.05 per share to the Annual General Meeting in May, which will represent an increase of 17%.

Outlook 2007

During 2007, the focus will remain on the Petrom restructuring programme and the company's continued integration into the OMV Group. OMV anticipates that the price of crude oil will be lower than in 2006 and be subject to sizeable, short-term fluctuations. As far as the exchange rate of the US dollar is concerned, a slight weakening of the dollar is expected as compared to 2006. Refinery margins in 2007 will attain a level similar to that of 2006. Following the decline in E&P sector production volumes during 2006, OMV again awaits slight growth. R&M is faced by three major refinery shutdowns, which will mean that in all probability, overall use of refinery capacity in the Group will be below the 2006 level. In the natural gas segment, the most important strategic project remains the planned realisation of the Nabucco pipeline as a link to the Caspian region. In addition, the Group policy of internationalisation is to be continued.

In order to attain further business growth and the modernisation of the Petrom group, during the coming years, OMV plans average investment totalling approximately EUR 2 billion p.a. All investment decisions are taken on the basis of value-oriented key figures. This is a precondition for achieving a ROACE of 13% over a business cycle with average market indications.

Petrom
restructuring
programme

Telekom Austria AG

Key indicators ¹	2005	2006	
Turnover (EUR m)	4,365.2	4,759.6	↗
EBITDA (EUR m)	1,758.5	1,906.8	↗
EBIT (EUR m)	619.7	772.4	↗
Result before tax (EUR m)	513.2	657.9	↗
Profit for the year (EUR m)	408.9	561.8	↗
Dividends (EUR m)	261.2	346.2 ²	↗
Dividend per share (EUR)	0.55	0.75 ³	↗
Fixed asset investments (EUR m)	529.4	560.7	↗
Balance sheet total (EUR m)	7,696.7	7,559.7	↘
Equity (EUR m)	2,918.8	2,823.5	↘
Net debt (EUR m)	3,113.7	3,169.0	↗
Gearing (%)	106.7	112.2	↗
ROIC (%)	8.2	10.0	↗
Full-time employees (average)	14,403	15,493	↗

¹ Pursuant to IFRS ² Planned payment
³ Proposal to the Annual General Meeting

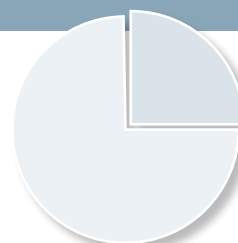
The company

Austria's largest telecommunications company

With sales of around EUR 4.8 billion and 15,493 employees, Telekom Austria is Austria's largest telecommunications company. Since November 2000, Telekom Austria AG has been listed on the Vienna and New York Stock Exchanges.

Organisational structure: wireline and wireless

The current organisational structure divides Telekom Austria into two segments. The wireline segment incorporates terrestrial networks, data communications and Internet, while the wireless segment covers mobile communications. Beyond Austria's borders, Telekom Austria is active in the mobile communications area in Bulgaria, Croatia, Slovenia and Liechtenstein, which in future are to be supplemented by Serbia and Macedonia, as well as in Internet business in the Czech Republic. In total, over 2.8 million national and international customers in the wireline segment and some 10.2 million in the wireless segment were using Telekom Austria Group services as per the end of December 2006.



ÖIAG investment
25.2%

Strategy

The strategic orientation is based on several cornerstones, which have the purpose of a sustained increase in corporate value and the securing of future success. Accordingly, the achievement of stable cash flows and the opening up of innovative product areas are the priorities in the wireline segment. The wireless business segment seeks to exploit the moderate growth in Austria and the potential of its existing international markets to the full, as well as implementing further value adding investments in eastern and south-eastern Europe.

Increased corporate value

Future Telekom Austria expansion will concentrate on markets in eastern and south-eastern Europe. The efforts towards further internationalisation are to be continued in 2007 through additional selective, value enhancing expansion projects, whereby Bosnia and Herzegovina will provide the focal point of these efforts.

Expansion in eastern and south-eastern Europe

The Austrian market is largely saturated and characterised by a high level of competition. Future growth will be realised from the existing international involvement and further planned acquisitions in eastern and south-eastern Europe. These investments will be facilitated by stable cash flows from established company units. Acquisition policy is concentrated on the mobile communications sector, but also purchases within the terrestrial network area are possible in order to consolidate the strategic position.

Telekom Austria's business model

Highlights 2006

- Market leadership in both sectors consolidated during 2006
- The ratio of international activities in sales and adjusted EBITDA already amount to 31.9% and 28.3% respectively
- As a result of decreasing expenses on depreciation, the operating result in the wireline segment increased by 36.3% to EUR 92.8 million
- Sales growth in all companies of the wireless segment
- Increase to over 10.2 million customers in the wireless segment as per end of 2006
- Expansion into eastern and south-eastern Europe through third licences in Serbia and Macedonia
- Result for the year up by 37.4% at EUR 561.8 million
- Dividend of 75 cent per share
- Despite of a third licence for Serbia only slight increase in net debt to EUR 3,169.0 million
- 38.3 million own shares held at the end of 2006 as a result of an intensified repurchasing programme

Business development 2006

Solid business development

During the 2006 financial year, the Telekom Austria Group was able to increase its sales revenues by 9.0% to EUR 4,759.6 million. As compared to the preceding year, the wireline segment provided a virtually stable contribution to sales, higher Internet and wholesale turnovers more or less compensating for the shrinkage in voice telephony sales. The wireless segment profited from the contribution made by Mobiltel to the consolidated financial result for a full 12 months, but also from higher customer numbers in all markets and strong data business.

In 2006, the Telekom Austria Group operating result rose by 24.6% to EUR 772.4 million. This positive development was the result of a reduction in depreciation in the wireline segment, powerful growth among the international subsidiaries and the full-year consolidation of Mobiltel. The operating result excluding expenses

for depreciation and value losses (adjusted EBITDA) improved by 8.4% to EUR 1,906.8 million. A fall of 7.6% in the wireline segment was counterbalanced by a rise of 21.5% in the wireless segment. In terms of the adjusted EBITDA margin, Telekom Austria Group profitability remained virtually stable at 40.1%.

In 2006, the Telekom Austria Group achieved a profit for the year of EUR 561.8 million, which was up by 37.4% on the preceding year. The profit per share in 2006 stood at EUR 1.19, as compared to EUR 0.84 in the previous year.

Net result improved

In line with this positive business development, at the Annual General Meeting the Managing Board will propose to the stockholders that a dividend of EUR 0.75 (2005: EUR 0.55) be paid on every share bearing a dividend right.

As compared to the previous year, Group tangible asset additions increased by 5.9% to EUR 560.7 million. Net debt went up by EUR 55.3 million to EUR 3,169.0 million in 2006 due solely to the purchase of a third licence in Serbia. Accordingly, as compared to the past year, net gearing rose from 106.7% to 112.2% as at the end of the year.

Slight increase in tangible assets and net debt

Outlook 2007

The Telekom Austria Group anticipates a stable trend with regard to sales revenues during the 2007 financial year. As a consequence of the decline in wholesale prices for international roaming, as well as due to the expenses for the launch of operations in Serbia and Macedonia, the adjusted EBITDA margin will fall by around one and a half percentage points. Therefore, in spite of the further decline in amortisation and depreciation, a slightly lower operating result is expected. Due to the planned investments in Serbia and Macedonia, tangible assets will rise by around 18%. On the basis of an adjusted result for the year 2006, including a one-off taxation effect in the second half-year amounting to EUR 43.6 million, Telekom Austria awaits a virtually stable trend with regard to the profit for the year 2007.

GKB-Bergbau GmbH

Company and strategy

Withdrawal of
ÖIAG from the
mining sector

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

In accordance with the privatisation mandate from the Austrian federal government allocated in 2003, the companies of Bergbauholding ÖBAG were subject to a number of privatisation measures in 2004. Subsequently, the mining holding was amalgamated with GKB as the assimilating company, in a downstream merger.

Since these changes, GKB has been primarily responsible for the workings in Voitsberg-Köflach brown coal field, which were exhausted in 2004, the disused Pöfing-Bergla field, the former Bleiberger Bergwerksunion (BBU) field including the surface workings and the field of the former Lavanttaler Kohlenbergbau Gesellschaft (LAKOG) in Wolfsberg. In addition, GKB fulfils a number of long-term obligations in disused mining areas spread across numerous federal provinces.

Restructuring
results

A major share of the results derived from the restructuring of the mining holding were paid to ÖIAG in 2004 and 2005 as increased dividend payments amounting to EUR 65 million. Following the conclusion of these measures, a dividend of EUR 2.5 million for the 2006 financial year was agreed for ÖIAG.

Highlights 2006

- In addition to ongoing operative closure and recultivation measures in the Voitsberg-Köflach field, extensive safety measures were implemented with regard to the former LAKOG. Furthermore, following the removal of the last remaining obstacles, the mining authorisations for lead and zinc ore at the Windisch Bleiberg field could be terminated.
- Intensive evaluation and documentation activities in the company's former coal and iron ore mining areas continued, which led to additional insights into the historic workings. This know-how represents a further contribution to the responsible handling of the related mines, which partly date back several centuries.

Business development 2006

As a result of systematic closure measures and the sale of non-essential assets, GKB achieved an ordinary business result of EUR 2.1 million. On the basis of a net profit of EUR 4.0 million (including profit carryforward), ÖIAG receives a dividend of EUR 2.5 million. As at December 31, 2006, total assets amounted to EUR 91.3 million. Rigorous personnel measures meant that the workforce numbered 18 as per December 31, 2006, as compared to 44 at the end of 2005 (full-time basis). The average number of employees for the year totalled 27.8.

Ordinary business
result: EUR 2.1 m

Outlook 2007

The coming years will see only a marginal reduction in the size of the workforce and its stabilisation at fewer than 15 employees. This personnel is initially required beyond the period of closures and recultivation to deal with the inherited tasks derived from mining.

GKB-Bergbau GmbH is continually reducing its liability risk through the professional completion of measures aimed at repairing mining damage and maintaining safety in problem areas. These activities create the prerequisites

needed for the termination of mining authorisations. From a current perspective, the definitive termination of the mining authorisations which might be cancelled, will take place successively in the medium- to long-term.

GKB is also pursuing the goal of a sustained increase in the value of its land, in order to sell off the mine properties for appropriate returns. Thus, subject to mining damage waivers on the part of the purchasers, the land can be put to fresh use.

The 20

006

Financial Year

06

Financial Year

Management Report

ÖIAG assignments – legal framework

The assignments of the ÖIAG are regulated by the ÖIAG Act 2000 (Federal Law Gazette I No. 24/2000) in the amended versions from 2003 (Federal Law Gazette I No. 71/2003), 2005 (Federal Law Gazette I No. 103/2005) and 2006 (Federal Law Gazette I No. 73/2006) and largely consist of privatisation and investment management with regard to those companies in which the ÖIAG has been, or will be, allocated a holding by federal law or legal transaction. Under certain circumstances, ÖIAG is entitled to purchase additional shares in its investments, or to participate in capital increases.

ÖIAG privatisation activities take place on the basis of the privatisation mandate from the federal government, which in line with the ÖIAG Act, is allocated for one legislative period. Part of the privatisation mandate, which was allotted to the ÖIAG by the owners with a resolution of the General Shareholders' Meeting on May 9, 2003 and was subsequently defined by resolutions from the General Shareholders' Meetings on July 4, 2003 and September 17, 2004, refers to the complete sale of companies or interests therein. This part of the mandate, which related to the complete privatisation of BÖHLER-UDDEHOLM AG, VA Technologie AG, voestalpine AG and ÖIAG-Bergbauholding AG, was already completed in full by ÖIAG during the 2005 financial year.

As far as the privatisation mandate from 2003 and the definition provided by the resolution of the Extraordinary General Shareholders' Meeting on January 30, 2006 were concerned, in 2006 privatisation steps for Telekom Austria AG and Österreichische Post AG remained outstanding.

The privatisation mandate for Telekom Austria AG from 2003 envisaged the sale of up to 100% of stock and in an initial step, a search for a strategic partner for Österreichische Post AG. As a result of the definition of the privatisation mandate in January 2006, ÖIAG was authorised to complete an IPO for up to 49% of Österreichische Post AG stock at the most appropriate point in time.

In May 2006, this assignment was successfully completed through an IPO of 49% of company stock in the form of a public offer via

the Vienna Stock Exchange. Accordingly, as at December 31, 2006, the ÖIAG stake in Österreichische Post AG amounted to 51%.

From the exchangeable notes on 5% of Telekom Austria shares, issued by ÖIAG in 2003, approximately 0.1% were delivered during 2005 due to investor requests for conversion. Therefore, in 2006 around 4.9% of stock remained for privatisation. A part of these shares was handed over to other investors in the exchangeable notes, who presented requests for conversion, while the remainder were sold via the stock exchange. Consequently, as at December 31, 2006, the ÖIAG stake in Telekom Austria AG amounted to 25.2%.

In June 2006, § 14 of the ÖIAG Act was amended with the addition of a section (7), which in the case of the payment of an interim dividend, among other points allows this to take place prior to the expiry of the first six months of a financial year.

Economic conditions

After a lengthy period of limited economic dynamism in Europe, 2006 demonstrated an upturn, which manifested itself in the countries of the EU 25 – real growth of around 2.8% over the preceding year. Austrian GDP growth was slightly above the EU average at a forecast level of 3.2%. In a European comparison, the new EU member states, which acceded in 2004, were the growth leaders with average gains of 5.2%. In global terms, Europe thus closed the gap on the USA (+3.3%). Moreover, in 2006 expansion in the Asian economies in general and China in particular with 10.4% growth, remained strong.¹

In the financial markets, among other factors, the economic upturn led to several increases in the lending base rate by the ECB and thus an increase in the cost of loans. Against this background, the European bond markets showed price falls, while conversely the stock exchanges were able to register another successful year in 2006. Starting from an already high level, they achieved rises of around 10-20% (FTSE, DAX). With a gain of 21.7%, the ATX again attained exceptional growth. This environment offered ÖIAG a suitable framework for a successful IPO of Österreichische Post AG. Following its float at the end of May 2006, the Post share

¹ GDP information according to WIFO economic forecast, December 2006

continued to make steady gains and by the end of 2006 had virtually doubled its price.

The energy markets were extremely volatile during the past year, especially with regard to the oil price. There was another increase in average prices, the high in August 2006 amounting to over USD 78 per barrel.

As far as ÖIAG investments were concerned, the bright economic situation had a generally positive effect on sales and result growth. However, on the costs side, high energy prices had a correspondingly negative influence on the Austrian Airlines' result.

Activities in 2006

In line with a resolution passed by the General Shareholders' Meeting on January 30, 2006, ÖIAG was mandated to complete an IPO involving up to 49% of Österreichische Post AG shares. The stock exchange float took place within the framework of a public offer from May 16, 2006 and was concluded with the first quotation of the share on the Vienna Stock Exchange on May 31, 2006. 49% of Österreichische Post AG stock, i. e. 34.3 million shares, were placed at a price of EUR 19.0 per share. The resulting privatisation proceeds amounted to EUR 651.7 million.

In the period under review, the shares serving as collateral for the ÖIAG exchangeable notes issued on Telekom Austria stock, realised privatisation proceeds of EUR 323.0 million. In total, ÖIAG privatised around 24.3 million Telekom Austria shares, which represented approximately 4.9% of stock, via the exchangeable notes and the stock market.

Apart from the continuation of the systematic realisation of the economic value added concept, ÖIAG's investment management in 2006 was characterised primarily by the restructuring of Austrian Airlines AG and the meticulous implementation of the acquisition strategies of the remaining corporate investments.

ÖIAG participated in the Austrian Airlines AG capital increase of November 2006 to an amount of EUR 146.25 million. ÖIAG subscribed 20,599,224 shares at an issue price of EUR 7.10 per share. As a result, the ÖIAG now holds 39.8% of Austrian Airlines AG stock. The capital increase, which involved a volume of EUR 367 million, or 51.68 million shares, allows Austrian Airlines to rapidly complete the planned strategy and restructuring measures.

Result 2006

The most important factors in the ÖIAG result for the 2006 financial year were:

- Revenues from privatisation amounting to EUR 974.7 million (privatisation proceeds 2005: EUR 400.0 million) during the year under report.
- The allocation to the Austrian Republic of profit-sharing rights to the value of EUR 555.1 million from the privatisation gains, in accordance with § 13 (2) ÖIAG Act 2000. This entire amount has to be employed for the repayment of refunding liabilities.
- Transaction costs and revenue reductions amounting to 4.8% of the privatisation proceeds.
- Income from investments in 2006 amounting to EUR 218.9 million, which was 29% up on the figure for the preceding year. The expenses for dividend protection in connection with the exchangeable notes on Telekom Austria shares totalled EUR 9.1 million.
- A write-up of EUR 123.1 million recognised in the income statement in connection with the successful Österreichische Post AG IPO.
- An ÖIAG workforce of 29 during the period under review, which on average, was six persons fewer than in the preceding year. On the balance sheet date of December 31, 2006, the ÖIAG workforce numbered 29, which corresponded with a full-time equivalent of 24.24 employees.

The ÖIAG financial statements as at December 31, 2006, show a profit for the year of EUR 314.52 million. Following the release of capital reserves pursuant to § 14 (6) of the ÖIAG Act of EUR 8.53 million, a net profit of EUR 323.05 million results. The Managing Board proposes a dividend of EUR 200.0 million for the 2006 financial year. The remaining sum of EUR 123.05 million is to be carried forward.

As at December 31, 2006, total ÖIAG assets stood at EUR 2,505.4 million, which was 24% below the figure for 2005 (December 31, 2005: EUR 3,296.3 million). This decline was due mainly to the successfully completed privatisations and the related repayments of loans.

As at December 31, 2006, refunding liabilities bearing a refunding obligation of the Austria Republic amounted to EUR 207.0 million. Due to profit-sharing right clearing in 2006, EUR 35.9 million were reported under the other liabilities and will be repaid as scheduled in 2007.

As at December 31, 2006, equity totalled EUR 2,174.2 million, which due to the increase in the profit for the year, was EUR 89.5 million higher than the figure for the preceding year (December 31, 2005: EUR 2,084.7 million). The equity ratio on the balance sheet date stood at 86.8% and was therefore again well up on the total for the previous year (December 31, 2005: 63%).

High ÖIAG portfolio value – net debt entirely repaid

As at December 31, 2006, the ÖIAG portfolio had a value of EUR 8.2 billion and was therefore only slightly down on the figure for December 31, 2005 (EUR 8.3 billion). This was in spite of the fact that during the period under review, 4.9% of Telekom Austria AG stock and 49% of the shares in Österreichische Post AG were privatised. Above all, the continuing high value of the ÖIAG portfolio can be traced to the successful privatisation of the Post and the subsequent positive price trend of the Post share.

As far as net debt, i. e. financial liabilities minus liquid assets, is concerned, ÖIAG was able to reach and even crossed the zero line in 2006. As at December 31, 2006, liquid assets provided surplus debt coverage of EUR 0.3 billion (December 31, 2005: net debt of EUR 0.5 billion).

The privatisation mandate allocated to ÖIAG by the federal government in 2003 (supplemented in 2003, 2004 and 2006) has been completed in full. In 2006, the privatisation mandate regarding Telekom Austria AG, which enabled privatisation of up to 100%, was met with the privatisation of a further 4.9%. As at December 31, 2006, the ÖIAG stake in Telekom Austria amounted to 25.2%.

Risk management

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

A loss risk exists regarding monetary deposits at banks. This risk is monitored by a credit limit system for all banking partners. In the case of fund investments, the loss risk is accounted for via the quality of the selected capital investment companies, external managers and the ratings for funds, investment classes and securities.

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

Supplementary report – outlook

ÖIAG debt clearance through privatisation has been completed. The remaining financial liabilities will be repaid over time from liquid assets.

Up to now, no government mandate has been issued for the continuation of privatisation.

In the investment management area, ÖIAG is to continue its assignments according to the stipulations of the ÖIAG Act, which foresees the retention and increase of the value of investments, taking into account public interests.

Vienna, March 29, 2007

Managing Director

Peter Michaelis m. p.

Balance Sheet as at December 31, 2006

Assets	EUR	EUR	As at 31. 12. 2006 EUR	As at 31. 12. 2005 TEUR
A. Fixed assets				
I. Intangible assets				
Licences, rights		33,842.69		60
II. Tangible assets				
1. Land, rights equivalent to real property and buildings, including buildings on third-party land, thereof real property value of EUR 2,408,805.69 (2005 TEUR 2,519)	2,408,805.69			2,519
2. Other plant, factory and office equipment	181,264.96			255
		2,590,070.65		2,774
III. Financial assets				
1. Investments	1,774,699,979.71			1,878,356
2. Investment securities	25,387,942.68			25,913
		1,800,087,922.39		1,904,269
			1,802,711,835.73	1,907,103
B. Current assets				
I. Receivables and other assets				
1. Trade accounts receivable	8,160.88			11
2. Receivables from associated companies	46,277.78			28
3. Other receivables and assets	36,526,508.39			180,322
		36,580,947.05		180,361
II. Other securities and interests		269,842,454.37		398,226
III. Cash and credit balances at banks		189,176,083.01		48,412
			495,599,484.43	626,999
C. Counterclaims related to liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria thereof prepayment of EUR 0.00 (2005: TEUR 36)			207,032,612.11	762,127
D. Prepaid expenses				
Other			16,430.21	68
			2,505,360,362.48	3,296,297

Equity and Liabilities	EUR	As at 31. 12. 2006 EUR	As at 31. 12. 2005 TEUR
A. Equity			
I. Share capital	363,365,000.00		363,365
II. Capital reserves (committed)	1,451,426,906.62		1,459,953
III. Retained earnings (statutory reserve)	36,336,417.08		36,336
IV. Net profit thereof profit carryforward of EUR 0.00 (2005: TEUR 27,900)	323,051,782.26		225,000
		2,174,180,105.96	2,084,654
B. Provisions			
1. Provisions for severance payments	1,093,240.00		1,450
2. Provisions for pensions	2,759,450.31		2,754
3. Other provisions	69,206,600.39		82,276
		73,059,290.70	86,480
C. Liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria	242,960,727.87		762,091
thereof not covered by refund claims	-35,928,115.76		0
		207,032,612.11	762,091
D. Liabilities			
1. Bonds (exchangeable notes)	0.00		316,450
2. Trade accounts payable	1,117,860.35		1,050
3. Liabilities to associated companies	13,524,609.04		16,524
4. Other liabilities thereof relating to taxes EUR 8,600.91 (2005: TEUR 7) thereof relating to social security EUR 41,114.46 (2005: TEUR 42)	36,445,884.32		29,048
		51,088,353.71	363,072
		2,505,360,362.48	3,296,297

Schedule of fixed assets

pursuant to § 226 Section 1 of the Austrian Commercial Code as at December 31, 2006

	Acquisition / Production costs			
	As at 1. 1. 2006 EUR	Additions EUR	Disposals EUR	As at 31. 12. 2006 EUR
Fixed assets				
I. Intangible assets				
Licences, rights	788,853.33	20,107.73	1,922.52	807,038.54
II. Tangible assets				
1. Land, rights equivalent to real property and buildings, including buildings on third-party land				
a) Developed land				
Value of buildings	60,906.17	0.00	0.00	60,906.17
b) Undeveloped land	2,533,713.85	229,900.00	339,964.97	2,423,648.88
	2,594,620.02	229,900.00	339,964.97	2,484,555.05
2. Other plant, factory and office equipment	1,851,521.48	165,398.39	244,732.27	1,772,187.60
	4,446,141.50	395,298.39	584,697.24	4,256,742.65
III. Financial assets				
1. Investments ¹	2,638,358,472.70	146,253,425.40	491,187,406.81	2,293,424,491.29
2. Investment securities	25,947,694.60	0.00	0.00	25,947,694.60
	2,664,306,167.30	146,253,425.40	491,187,406.81	2,319,372,185.89
Total	2,669,541,162.13	146,668,831.52	491,774,026.57	2,324,435,967.08

¹ In the course of Post AG privatisation, the acquisition costs and accumulated depreciation assumed within the scope of the merger at January 1, 1999, were reported as a net amount in the costs of acquisition as at January 1, 2006 and not separately in the acquisition costs and accumulated depreciation as in the preceding year.

Accumulated depreciation EUR	Net book value 31. 12. 2006 EUR	Net book value 31. 12. 2005 EUR	Depreciation in the year under review EUR	Write-ups EUR
773,195.85	33,842.69	60,140.00	46,405.04	0.00
60,906.17	0.00	0.00	0.00	0.00
14,843.19	2,408,805.69	2,518,870.66	0.00	0.00
75,749.36	2,408,805.69	2,518,870.66	0.00	0.00
1,590,922.64	181,264.96	255,625.81	236,661.56	0.00
1,666,672.00	2,590,070.65	2,774,496.47	236,661.56	0.00
518,724,511.58	1,774,699,979.71	1,878,355,956.68	0.00	123,051,782.26
559,751.92	25,387,942.68	25,912,694.60	524,751.92	0.00
519,284,263.50	1,800,087,922.39	1,904,268,651.28	524,751.92	123,051,782.26
521,724,131.35	1,802,711,835.73	1,907,103,287.75	807,818.52	123,051,782.26

Income statement

for the period from January 1, 2006 to December 31, 2006

	2006		2005	
	EUR	EUR	TEUR	TEUR
1. Turnover		51,083.79		58
2. Other operating income				
a) Gains on the disposal and write-up of fixed assets other than financial assets	175.00		0	
b) Gains on the release of provisions	2,572,219.11		9,329	
c) Other	918,563.47	3,490,957.58	515	9,844
3. Personnel expenses				
a) Salaries	3,324,206.49		4,254	
b) Expenses for severance payments	202,642.79		1,070	
c) Expenses for contributions to employee pension funds	3,759.59		3	
d) Expenses for pensions	1,523,450.25		-5,249	
e) Expenses for compulsory social security contributions and payroll taxes	516,007.80		743	
f) Other social expenditure	117,853.48	-5,687,920.40	127	-948
4. Depreciation of intangible and tangible fixed assets		-283,066.60		-366
5. Other operating expenses				
a) Taxes not included in Item 17	19,958.67		19	
b) Other	26,306,303.80	-26,326,262.47	6,276	-6,295
6. Sub-total of Items 1–5 (operating result)		-28,755,208.10		2,293
7. Income from investments		218,914,942.55		169,292
8. Income from other securities and financial asset loans		1,001,257.74		1,046
9. Other interest and similar income		16,329,071.44		30,055
10. Gains on the disposal and write-up of financial assets and current asset securities		710,282,428.93		232,022
11. Expenses relating to the Republic of Austria's profit-sharing rights		-555,094,271.48		-222,325
12. Expenses relating to §14 (5) ÖIAG Act		0.00		-250,000
13. Expenses relating to financial assets and current asset securities				
a) Depreciation	2,105,813.76		3,998	
b) Expenses relating to investments	9,053,826.40		6,000	
c) Expenses relating to current asset securities	0.00	-11,159,640.16	390	-10,388
14. Interest and similar expenses		-36,989,493.41		-64,141
15. Sub-total of Items 7–14 (financial result)		343,284,295.61		-114,439
16. Ordinary business result		314,529,087.51		-112,146
17. Income taxes		-3,500.00		-4

	2006		2005	
	EUR	EUR	TEUR	TEUR
18. Profit/loss for the year		314,525,587.51		-112,150
19. Release of capital reserves				
a) Pursuant to §14 (5) ÖIAG Act	0.00		250,000	
b) Pursuant to §14 (6) ÖIAG Act	8,526,194.75	8,526,194.75	59,250	309,250
Profit for the year		323,051,782.26		197,100
20. Profit carryforward from the previous year		0.00		27,900
21. Net profit		323,051,782.26		225,000

Notes to the Financial Statements

A. General remarks

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

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

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

The annual financial statements are based on the amended ÖIAG Act 2000 contained in the Federal Law Gazette I No. 71/2003, Federal Law Gazette I No. 103/2005 and Federal Law Gazette I No. 73/2006.

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 has shares, or in which such ownership interests are to be transferred by act of parliament or legal transaction (holdings), and the acquisition of ownership interests in accordance with §9, Sections 3 and 4 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 reported in the ÖIAG balance sheet. Following the complete repayment of this shareholder loan in 2004, the Republic of Austria's claim increased to 100% of the profits generated by the privatisation of holdings.

The Republic of Austria's existing guarantee for ÖIAG liabilities remains in effect until all such liabilities have been honoured. The guarantee of the federal government for PTBG liabilities lapsed in 2005 following complete repayment.

During 2006 two significant privatisations were completed. Firstly, in connection with the exchangeable notes on Telekom Austria shares, issued by the ÖIAG in 2003, 4.9% of the capital stock of Telekom Austria AG were privatised. Secondly, in May of the year under review, 49% of Österreichische Post AG were privatised via the Vienna Stock Exchange.

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 of the Austrian Commercial Code. Therefore, the legal consequences of these size benchmarks, i. e. small stock corporation, took effect from the 2004 financial year onwards.

Accounting and valuation principles

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

The financial statements were prepared in line with the going concern principle. The only exception were the provisions for the personnel sector, which for reasons of prudence are not reported according to the going concern principle, but – on the basis of actuarial mathematical calculations – with slightly higher values.

In line with the fair value guideline, financial asset values are assessed (see 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 principally determined using the straight-line method. Extraordinary depreciation is applied in cases where lasting value impairment is probable.

Low value assets (cost of acquisition/production of up to EUR 400) are written off entirely during the year of purchase and reported as 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 value impairments are taken into account through extraordinary depreciation.

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

Current assets

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

Provisions and liabilities

Provisions for severance payments as at the balance sheet date are reported according to the amount calculated using actuarial methods. The discount value method is employed at an interest rate of 3.0%. 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.

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

Liabilities are reported at the amount repayable.

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

B. Notes to the balance sheet

a. Intangible and tangible assets

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

Obligations arising from the use of tangible assets not reported in the balance sheet amount to EUR 0.38 million in the following financial year. The total amount for the following five years adds up to EUR 1.94 million.

b. Financial assets

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

The disposals reported under the investments relate primarily to the aforementioned privatisations. In addition to the sale of stock in the course of the IPO, the amount reported for the holding in Österreichische Post AG also includes a write-up of EUR 123.05 million. The capital increase in Austrian Airlines Österreichische Luftverkehrs AG resulted in an addition to the corresponding amount reported for the investment of EUR 146.25 million. The delivery of Telekom Austria shares, underlying the corresponding exchangeable notes, led to a further reduction in the ÖIAG stake in Telekom Austria AG.

Securities include shares in investment funds as 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, 2006, amounting to EUR 6.41 billion.

The value of unlisted investments, as well as of fixed asset securities, corresponded with the carrying values reported as at December 31, 2006, 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)	0.01 (0.01)
Receivables from associated companies (previous year)	0.05 (0.03)
Other receivables and assets (previous year)	36.52 (180.32)
Total (Total previous year)	36.58 (180.36)

All receivables are short-term.

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 (§1438 of the Austrian Civil Code). In 2006, the Republic of Austria had privatisation profit-sharing rights amounting to EUR 555.09 million.

e. Prepaid expenses and accrued income

The reported prepaid expenses relate to amounts paid prior to December 31, 2006, 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. In line with a resolution passed by the Annual General Meeting of April 3, 2006, a dividend of EUR 225.00 million was paid to the Austrian Republic. As at December 31, 2006, EUR 8.53 million were released from the capital reserves in accordance with §14 (6) of the ÖIAG Act 2000.

g. Provisions

Other provisions mainly consist of provisions for the topping-up obligations for pensions and also of provisions for unconsumed leave, long-service bonuses and other personnel expenses (EUR 28.85 million, 2005: EUR 30.00 million) and a provision for investments of EUR 37.82 million (2005: EUR 38.73 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 207.03 million. Following settlement with the federal government as at December 31, 2006, an additional, open repayment obligation of EUR 35,93 million remained, which is reported under "Other liabilities".

(Liabilities maturing < 1 year: EUR 35.91 million; maturing in 1–5 years: EUR 190.66 million; due > 5 years: EUR 16.39 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
Bonds (previous year)	0.00 (316.45)	0.00 (0.00)	0.00 (316.45)
Trade accounts payable (previous year)	1.12 (1.05)	0.00 (0.00)	1.12 (1.05)
Liabilities to associated companies (previous year)	13.52 (16.52)	0.00 (0.00)	13.52 (16.52)
Other liabilities (previous year)	36.43 (28.52)	0.02 (0.53)	36.45 (29.05)
Total (Total previous year)	51.07 (362.54)	0.02 (0.53)	51.09 (363.07)

During the year under review, the entire exchangeable notes on Telekom Austria AG shares (original nominal: EUR 325.00 million or 25 million ordinary shares) reported within Bonds in the previous year, was either converted into shares or repaid.

C. Notes to the income statement

a. Other operating income

	2006 EUR m	2005 EUR m
Gains on the disposal of fixed assets other than financial assets	0.00 ¹	0.00
Gains on the release of provisions	2.57	9.33
Other	0.92	0.51
	3.49	9.84

¹ Amount less than TEUR 5

Other operating income primarily contains diverse cost reimbursements and rent.

b. Personnel expenses

	2006 EUR m	2005 EUR m
Salaries	3.32	4.25
Expenses for severance payments	0.21	1.07
Expenses for pensions	1.52	-5.25
Expenses for compulsory social security contributions and payroll taxes	0.52	0.75
Other social expenditure	0.12	0.13
	5.69	0.95

c. Other operating expenses

	2006 EUR m	2005 EUR m
Taxes, excluding income taxes	0.02	0.02
Other	26.31	6.27
	26.33	6.29

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 consulting. In particular, the figure for the year under review contains expenses resulting from the privatisation of Österreichische Post AG.

d. Income from investments and related expenditure

	2006 EUR m	2005 EUR m
Dividends	218.91	169.29
Expenditure relating to investments	-9.05	-6.00
	209.86	163.29

e. Interest income and expenditure

	2006 EUR m	2005 EUR m
Other interest and similar income	16.33	30.05
Interest payments and similar expenditure	-36.99	-64.14
	-20.66	-34.09

f. Gains from the disposal and write-up of financial assets and from current securities

Gains of EUR 710.28 million comprised EUR 580.48 million derived from the privatisation of investments and EUR 123.05 million from the write-up of the carrying value of the stakeholding in Österreichische Post AG.

g. Net result for the year

The net result amounted to EUR 323.05 million. This figure contains EUR 123.05 million from the write-up of the carrying value of the stakeholding in Österreichische Post AG. Therefore, the profit available for distribution in 2006 amounted to EUR 200.00 million.

D. Corporate bodies, employees

a. In 2006, ÖIAG had an average of 29 employees (2005: 35).

b. Severance payments and pensions

Expenditure for severance payments and contributions to employee severance payment fund	2006 EUR m	2005 EUR m
Managing Board and senior executives	0.14	0.44
Other employees	0.07	0.63
Total	0.21	1.07

Expenditure for pensions	2006 EUR m	2005 EUR m
Managing Board and senior executives	-0.70	0.07
Other employees	2.22	-5.32
Total	1.52	-5.25

The amount reported under the expenditure for pensions resulted primarily from the allocation to the provision for 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, 2006, arose from the cover required according to actuarial calculations minus the probable ÖIAG credits at APK as at December 31, 2006. The pension obligations (345 recipients as at December 31, 2006) derived mainly from the previous mergers of companies (Vereinigte Edelmetallwerke AG/Austrian Industries AG) with ÖIAG.

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

c. Emoluments to the Supervisory Board amounted to EUR 0.17 million (2005: EUR 0.18 million).

d. Managing Board

Peter MICHAELIS

Rainer WIELTSCH (until June 30, 2006)

The remuneration¹ paid to Mr. Michaelis during the 2006 financial year amounted to EUR 0.74 million (comprised of a fixed sum for 2006 of EUR 0.35 million, variable residual sums from 2004 of EUR 0.04 million and variable partial amounts from 2005 of EUR 0.35 million).

The remuneration¹ paid to Mr. Wielttsch during the 2006 financial year amounted to EUR 0.59 million (comprised of a fixed sum for 2006 of EUR 0.23 million, variable residual sums from 2004 of EUR 0.06 million and variable partial amounts from 2005 of EUR 0.30 million).

e. Supervisory Board

Peter MITTERBAUER

Chairman

Chairman of the Managing Board, Miba AG
(since April 3, 2006)

Alfred H. HEINZEL

Chairman

CEO, Heinz Holding GmbH
(until April 3, 2006)

Jürgen HUBBERT

First Vice-Chairman

Former member of the Managing Board, Daimler Chrysler AG

Siegfried WOLF

Second Vice-Chairman

(since April 3, 2006)
CEO, Magna International Inc.

Veit SORGER

Second Vice-Chairman

Chairman, Europapier AG

Chairman of the Supervisory Board, Mondi Business Paper AG

Chairman of the Supervisory Board, Mondi Packaging AG

Chairman of the Supervisory Board, Constantia Industries AG

President of the Confederation of Austrian Industry
(until April 3, 2006)

¹ Excluding any administrative and social expenses

Wolfgang BERNHARD

Member of the Managing Board, Volkswagen AG
(since April 3, 2006)

Karl BÜCHE

Former Chairman of the Managing Board, BRAU UNION AG
Member of the Managing Board, Heineken N.V.
(until April 3, 2006)

Michael ENZINGER

Lawyer

Astrid GILHOFER

Managing partner, CI Projektmanagement GmbH
(until April 3, 2006)

Wolfgang PFARL

CEO, Sappi Europe S.A.
(since April 3, 2006)

Alexander RIKLIN

Partner and CEO, Alcar Holding GmbH

Klaus STURANY

Member of the Managing Board, RWE AG

Erich WIESNER

Managing partner, WIEHAG Holding GmbH

Stefan K. ZAPOTOCKY

Member of the Managing Board and co-owner,
BAST AG Value & Invest Development
(since April 3, 2006)

Leopold ABRAHAM

Chairman of the Central Staff Council, OMV AG

Ludwig ELAND

Chairman of the Staff Council, GKB Bergbau GmbH

Gerhard FRITZ

Chairman of the Central Employees' Committee,
Österreichische Post AG

Alfred JUNGHANS

Chairman of the Salaried Commercial and Technical Staff
Council, Austrian Airlines Österreichische Luftverkehrs AG

Michael KOLEK

Chairman of the Central Employees' Committee,
Telekom Austria AG

E. Investments

The information relating to equity and the profit (loss) for the year relates to the individual financial statements of the companies.

Company	Reg. office	Year of equity total or result	Equity	Equity holding	Profit (loss) for the year
			EUR m	%	EUR m
APK Pensionskasse AG	Vienna	2005	18.88	27.6	-0.42
Austrian Airlines Österreichische Luftverkehrs AG	Vienna	2006	327.36	39.8	-158.45
IMIB Immobilien und Industriebeteiligungen GmbH	Vienna	2005	4.26	100.0	0.17
GKB-Bergbau GmbH	Bärnbach	2006	33.22	100.0	1.53
Österreichische Post AG	Vienna	2006	751.38	51.0	89.77
OMV AG ¹	Vienna	2006	5,403.14	31.5	1,262.87
SCHOELLER-BLECKMANN GmbH	Ternitz	2006	3.68	100.0	0.32
Telekom Austria AG	Vienna	2006	3,615.21	25.2	955.86
VOEST-ALPINE Steinel GmbH	Linz	2006	1.07	100.0	0.10

¹ Provisional

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, March 29, 2007

Managing Director

Peter Michaelis m. p.

Auditor's Report

“We have audited the financial statements, including the accounting records, of Österreichische Industrieholding Aktiengesellschaft, Vienna, for the financial year from January 1, 2006 until December 31, 2006. In accordance with the applicable regulations of the Austrian Commercial Code, the preparation and content of these financial statements and the management report 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 and a statement concerning the correspondence of the management report with the financial statements.

Our audit was conducted in accordance with the applicable Austrian legal regulations and professional standards. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement and whether an opinion can be expressed concerning the correspondence of the management report with the financial statements. During the audit, knowledge concerning the business activities and economic and legal background of the company, as well as the expectations concerning possible errors, were taken into account. The audit includes an examination, largely on a test basis, of 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.

The results of our audit gave no reason for objection. On the basis of the knowledge gained during the audit, in our judgement the financial statements comply with the legal regulations in Austria and present a true and fair view of the assets and liabilities, the financial and earnings position of the company. The management report corresponds with the financial statements.”

Vienna, March 29, 2007

 ERNST & YOUNG

Wirtschaftsprüfungsgesellschaft m.b.H.

Alfred Brogyányi m. p.
Certified Public Accountant

Gerhard Schwartz m. p.
Certified Public Accountant

Supervisory Board Report

Report of the Supervisory Board to the Annual General Meeting on the 2006 financial year

In meeting its legal commitments, the Supervisory Board held eight plenary meetings and one committee meeting during the 2006 financial year. The focal points of Supervisory Board activities consisted of consulting and resolutions relating to privatisation measures in connection with the IPO of 49% of Österreichische Post AG stock and ÖIAG participation in the Austrian Airlines Österreichische Luftverkehrs AG capital increase.

The 2006 financial year also saw the privatisation of further 4.9% of Telekom Austria AG share capital through the exercise of the right of conversion by investors in the exchangeable notes issued on Telekom Austria AG stock by ÖIAG in 2003 and the sale of shares not converted by the investors.

As in past financial years, during the business year 2006 the Supervisory Board received reports by members of the managing boards of subsidiaries and investments, especially those of listed enterprises, concerning the situation in their respective companies.

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

The annual financial statements and the management report were audited by Ernst & Young, Wirtschaftsprüfungsgesellschaft m.b.H.

The Supervisory Board declared its approval of the financial statements for 2006, which were thereby adopted under the terms of § 125 Section 2 of the Austrian Stock Corporation Act. The Supervisory Board also concurred with the Managing Board's proposal to pay a dividend of EUR 200,000,000 from the net income for the year of EUR 323,051,782.26 and to carry forward the remainder of EUR 123,051,782.26.

In accordance with § 270 Section 1 of the New Austrian Commercial Code, the Supervisory Board proposes to the Annual General Shareholders' Meeting that Ernst & Young, Wirtschaftsprüfungsgesellschaft m.b.H. be appointed as the auditors of the financial statements for 2007.

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, March 29, 2007

Peter Mitterbauer m. p.
Chairman of the Supervisory Board

Privatisation 1

Mandate

Mandate

Privatisation mandate 2003

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 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 investors.

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.

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

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, retirement funds, 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.

Definition 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 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.

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 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 September 17, 2004.

Definition of the privatisation mandate from the federal government regarding Österreichische Post 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, retirement funds, funds, etc.
- The retention and expansion of existing research and development capacity.
- The taking into consideration of the Austrian capital market.

Among other elements, the privatisation mandate foresees a search for a strategic partner 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.

Supplementary to the privatisation mandate, ÖIAG is also authorised to complete an IPO involving up to 49% of Österreichische Post AG stock at the most opportune moment possible.

Allocated during the Extraordinary General Meeting of ÖIAG on January 30, 2006.

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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, translation or printing cannot be excluded.

