

Annual Report

2008

# 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 2008

	Revenues	EBIT	Result before tax	Dividend per share	Employees
	EUR m	EUR m	EUR m	EUR	Full-time basis
Austrian Airlines AG	2,361.0 <sup>1</sup>	-312.1	-334.4	-	7,914 <sup>3</sup>
Österreichische Post AG	2,441.4	169.5	158.2	1.50 + 1.00 <sup>2</sup>	27,002 <sup>3</sup>
OMV AG	25,542.6	2,339.7	2,309.1	1.00	41,243 <sup>3</sup>
Telekom Austria AG	5,170.3	135.5	-76.4	0.75	16,954 <sup>4</sup>

<sup>1</sup> Flight revenues

<sup>2</sup> Special dividend

<sup>3</sup> Average

<sup>4</sup> As at Dec. 31

## Österreichische Industrieholding AG

### Listed investments as at December 31, 2008



<sup>1</sup> As at April 24, 2009: 52.85%

# ÖIAG

Annual Report 2008

ÖJAG

## Introduction of the Managing Director

“The fact that ÖIAG is fulfilling its assigned role is confirmed by the positive achievements of its corporate investments. The performance of Österreichische Post, Telekom Austria and OMV mean that, even in this year of extremely difficult general economic conditions, ÖIAG will be able to provide the Republic with a dividend.”

The past financial year confronted ÖIAG and the companies in its investment portfolio with massive challenges. Above all, it was a fateful year for Austrian Airlines. Although the company returned to the black in 2007 with a small profit and was en route to recovery after years of restructuring, unfortunately in the course of 2008 the situation deteriorated in a manner that could not have been forecast by even the most reputable of airline sector experts. From the beginning of the year, the huge rise in the oil price placed a burden on company results and the collapse of negotiations regarding an investment by Sheik Al Jaber made quick action essential. Following intensive lobbying by AUA and ÖIAG, the federal government issued a privatisation mandate for the company, which was immediately and speedily implemented via a bidding process in line with EU regulations.

However, this procedure was made more difficult due to the onset of recession in the second half of the year, which resulted in a further worsening of AUA's economic position and continually deepened as time progressed. The slump quickly gripped the



**Peter Michaelis, ÖIAG Managing Director**

“The past financial year confronted ÖIAG and the companies in its investment portfolio with massive challenges.”

entire airline sector and thus placed the bidders participating in the sales process in a problematic situation. At the same time, the public debate

concerning the AUA privatisation and the onset of a national parliamentary election campaign did nothing to facilitate the objective and targeted implementation of the selling process. Nonetheless, we succeeded in adhering to the extremely tight and stringent schedule dictated by the end of the legislative period and on December 5, 2008 we were able to sign the contracts with Lufthansa.

The fact that, at the end of the day, the rapid completion of the selling process and the choice of partner represented correct decisions is now fully evident, as today's economic situation and the problems within the air transport industry would render the completion of privatisation impossible. Moreover, the decision of the ÖIAG to opt for Lufthansa was also prudent as the company is currently the best performer among the European airlines.

“The fact that, at the end of the day, the rapid completion of the selling process and the choice of partner represented correct decisions is now fully evident.”

Although up to now we have overcome every obstacle, a question mark still remains with regard to the actual conclusion of the transaction, as closing is subject to numerous conditions. These are being energetically and systematically dealt with by ÖIAG, AUA, Lufthansa and the Austrian federal government. One important milestone in this regard was passed in mid-May with the acceptance by more than 85% of stockholders of Lufthansa's public share purchase offer. This is significant, as in order to secure rapid integration and the achievement of additional synergy effects, Lufthansa had made the success of the takeover offer dependent upon an acceptance level of 75% of share capital.

As the Lufthansa concept envisages a grant of EUR 500 million in government funding, we still require a decision on the part of the EU concerning the question as to whether or not this money constitutes aid. In addition, the merger process must

be concluded in a positive manner without any conditions of note. At the same time, AUA is obliged to complete a rigorous cost-cutting and restructuring programme, which is intended to serve its sustained liquidity. In order to facilitate

“Nonetheless, the task must be to focus all our energies in a joint effort in the interests of the Republic and to offer the company itself every possible representative support with regard to Brussels.”

the final conclusion of the transaction, all these issues must be dealt with by the end of July 2009 at the latest. The chances of a positive decision are good. Nonetheless, the task must be to focus all our energies in a joint effort in the interests of the Republic and to offer the company itself every possible representative support with regard to Brussels.

Apart from this “causa prima” in the privatisation management field, during the past year our activities in the investment management area were also partially accompanied by intensive public debate. In the course of these discussions the actual role of ÖIAG was frequently ignored. ÖIAG acts on the basis of the ÖIAG Act and our assignments, functions and actions are thus subject to statutory definition. The main foundation of this law is the clear separation between the tasks of the state regarding regulatory policy and its function as a company owner. Only the latter role is assumed exclusively by ÖIAG and therefore political statements regarding company decisions and its management lack legitimacy and must be firmly rejected.

In this light, let us consider the example of the Österreichische Post. The guaranteed supply of the population with postal services is the task of the legislative body. The Postal Act and the Universal Postal Services Obligation establish quality objectives in relation to matters such as the speed and reliability of deliveries, and uniform charges. Therefore, the legislator and the responsible ministry as the supervisory authority provide the

operational framework. In turn, the company management has to complete these assignments in a manner that ensures that the future of the company is secured on a sustainable basis. These tasks include the design and implementation of concrete products and services, investments in growth areas, a withdrawal from unprofitable segments and the provision of a cost structure that facilitates the achievement of long-term, positive business results.

As the owner of company shares, the value of which is to be secured and increased, ÖIAG has the job of monitoring and furthering these business aspects. Therefore, ÖIAG supports any initiatives, which serve the positive, long-term development of the company and accordingly requires the company management to provide concepts and measures. In the actual case of the Post, it was the company's supervisory board that instructed the managing board to draw up plans for modifications to the

“Therefore, ÖIAG supports any initiatives, which serve the positive, long-term development of the company and accordingly requires the company management to provide concepts and measures.”

business model following market liberalisation in 2011 and to also furnish suggestions regarding the statutory framework required for this purpose.

The fact that ÖIAG is fulfilling its assigned role is confirmed by the positive achievements of its corporate investments. The performance of Österreichische Post, Telekom Austria and OMV mean that, even in this year of extremely difficult general economic conditions, ÖIAG will be able to pro-

vide the Republic with a dividend. At EUR 450 million this is well above the amount of the preceding years and is intended as a contribution to the implementation of important budgetary measures, which in turn should serve to speed up Austria's recovery from recession.

In view of the hurdles that have already been cleared, we are confident that we can also successfully conclude the AUA privatisation. And although no sign of a general economic revival is apparent, I hope that together with a strong, new partner the company can therefore look to a secure future.

“In view of the hurdles that have already been cleared, we are confident that we can also successfully conclude the AUA privatisation.”

At this juncture, above all, I would like to thank our employees, who complete their tasks in a systematic, competent and targeted manner, and do not permit public and political crossfire to distract them. It is due to their endeavours that we were able to master the challenges of the past year.

Vienna, May 27, 2009



Peter Michaelis

- The Supervisory Board mandates of Peter Michaelis as at the end of May 2009  
Chairman: Austrian Airlines, Österreichische Post, OMV, Telekom Austria, APK-Pensionskasse

# Privatisation and investment management

## Austrian Airlines privatisation

Privatisation  
mandate on  
August 12

Following the decision of both the Austrian Airlines AG Managing Board and the ÖIAG Supervisory Board in favour of a strategic partnership as the best future option for Austrian Airlines, on August 12, 2008, the Austrian federal government approved a privatisation mandate for Austrian Airlines. This empowered ÖIAG to privatise the company subject to the retention of an Austrian core stockholding structure of 25% plus 1 share. In addition to upholding the “Austrian” brand, the privatisation aims included the retention of the central decision-making body in Austria, the maintenance of a route network appropriate for the location, considerations relating to Austria as a business venue and the issue of employment, the best possible guarantees of secure jobs at Austrian Airlines and Vienna Airport, and the formation of a body to safeguard Austrian location interests.

Bidding procedure  
in line with EU  
regulations  
initiated

Immediately after the receipt of the privatisation mandate, ÖIAG initiated a bidding process in line with the EU’s principles regarding the privatisation of state-owned companies. This procedure was divided into two phases and was completed on December 5, 2008, with approval of the offer from Deutsche Lufthansa AG. The strategic concept prepared by Lufthansa fulfilled the stipulations of the privatisation mandate and was seen as facilitating a sustained strengthening of Austrian Airlines at the Vienna location, which would also account for the interests of Vienna Airport with regard to the retention of traffic levels at the Vienna hub.

At its meeting on December 5, 2008, the ÖIAG Supervisory Board approved the sale of 36,626,875 Austrian Airlines shares to Deutsche Lufthansa for the sum of EUR 366,268.75. In addition, ÖIAG received a warrant, the maximum payout amount of which is limited to the offer price on free float stock (EUR 4.49 per share) for takeover law reasons. The warrant relates to the development of cumulative Austrian Airlines’ EBITDAR for the period from 2009 to 2011, as well as the relative development of the Lufthansa share in comparison with the stocks of similar companies during the same period. In the case of a positive development of the parameters derived from the warrant, ÖIAG would receive a maximum payment of EUR 164 million.

ÖIAG Supervisory  
Board approves  
sale

In addition, the Supervisory Board also approved a grant of EUR 500 million for the securing of the Austrian Airlines location in line with Lufthansa’s acquisition concept. This grant was authorised by the Austrian federal cabinet on December 16, 2008. Moreover, as a result of the company’s need for liquidity in the period between the contractual signing and the completion of the transaction, above all due to the subsequent funding of expiring aircraft financing, a bridge financing of EUR 200 million was required. This finance has been provided subject to market conditions and must be repaid by Austrian Airlines.

The completion of the sale is subject to numerous conditions such as the sanctioning of the restructuring aid, as well as approval within the framework of the merger process by the European Commission. The Commission was notified of the rescue aid and the restructuring aid on December 19 and 21, 2008 respectively and the

Transaction  
conditions

rescue aid was approved on January 19, 2009. The initial decision of the EU Commission with regard to the restructuring aid was communicated to the Republic of Austria on February 12, 2009. The conclusion of the deliberations concerning this issue is awaited by the end of July 2009 at the latest. The merger process was officially registered on May 8, 2009 and a decision in this regard is also anticipated by the end of July.

Takeover offer  
successfully  
concluded

A further condition was the acceptance of Lufthansa's takeover bid with regard to the free float of Austrian Airlines shares, whereby a 75% acceptance threshold was established. The offer was made public on February 27 and the acceptance period lasted from March 2 to 11, 2009. The offer was accepted by 85% of stockholders.

### Active ÖIAG investment management

With the fulfilment of the privatisation mandate granted by the federal government in 2006, ÖIAG placed an increased focus on the company's central task of investment management, established in the ÖIAG Act from 2000. A significant instrument in this regard is the management and control of corporate investments, targeted on value enhancement. As a result of the systematic implementation of this strategy, on the basis of the Economic Value Added model (EVA®), between 2001 and 2008, EVA® was raised by EUR 956.8 million. Moreover, in spite of the problematic economic situation, during the past financial year the ÖIAG investment portfolio achieved positive EVA® of EUR 288.4 million.

As at December 31, 2008, the ÖIAG portfolio contained Österreichische Post AG (51.00%), Austrian Airlines AG (41.56%), OMV AG (31.50%), Telekom Austria AG (27.37%) and GKB-Bergbau GmbH (100%).

# Corporate bodies

## Supervisory Board

**Peter MITTERBAUER**  
*Chairman*  
 CEO, Miba AG

**Siegfried WOLF**  
*First Vice-Chairman*  
*(from April 11, 2008)*  
 CEO, Magna International Europe AG

**Jürgen HUBBERT**  
*First Vice-Chairman*  
 Former member of the Managing Board,  
 Daimler Chrysler AG  
*(until April 11, 2008)*

**Klaus STURANY**  
*Second Vice-Chairman*  
*(from April 11, 2008)*  
 Former member of the Managing Board,  
 RWE AG

**Wolfgang BERNHARD**

**Brigitte EDERER**  
 CEO, Siemens AG Österreich  
*(from April 11, 2008)*

**Michael ENZINGER**  
 Lawyer

**Wolfgang PFARL**  
 President, Austropapier

**Alexander RIKLIN**  
 Managing Director, Alcar Holding GmbH

**Maria-Elisabeth SCHAEFFLER**  
 Partner, INA-Holding Schaeffler KG  
*(from April 11, 2008)*

**Erich WIESNER**  
 Managing Partner, WIEHAG Holding GmbH  
*(until April 11, 2008)*

**Stefan K. ZAPOTOCKY**  
 Member of the Managing Board and co-owner,  
 BAST AG Value & Invest Development

## Employee representatives on the Supervisory Board

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

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

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

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

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

As at December 31, 2008

## Managing Board

Peter MICHAELIS

### Extract from the ÖIAG Act 2000

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

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

The  
Invest

ments

ments

# The portfolio at a glance

Key indicators 2008	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 energy group in Central and South-Eastern Europe	Austria's largest supplier of telecommunications
ÖIAG investment (%)	41.56	51.00 <sup>1</sup>	31.50	27.37
Share price year-end 2008 (EUR)	4.00	24.10	18.72	10.30
Revenues (EUR m)	2,361.0 <sup>2</sup>	2,441.4	25,542.6	5,170.3
EBIT (EUR m)	-312.1	169.5	2,339.7	135.5
Result before tax (EUR m)	-334.4	158.2	2,309.1	-76.4
Dividend per share (EUR)	-	1.50 + 1.00 <sup>3</sup>	1.00	0.75
Employees (full-time basis)	7,914 <sup>4</sup>	27,002 <sup>4</sup>	41,243 <sup>4</sup>	16,954 <sup>5</sup>
<sup>1</sup> As at April 24, 2009: 52.85% <sup>2</sup> Flight revenues <sup>3</sup> Special dividend <sup>4</sup> Average <sup>5</sup> As at Dec. 31				

# Austrian Airlines AG

Key indicators	2007	2008	
Flight revenues (EUR m)	2,368.6	2,361.0	↘
EBITDAR <sup>1</sup> (EUR m)	389.7	256.9	↘
EBIT <sup>1</sup> (EUR m)	42.1	-312.1	↘
Result before tax (EUR m)	2.8	-334.4	↘
Profit/loss for the year (EUR m)	3.3	-429.5	↘
Dividend per share (EUR)	-	-	→
Fixed asset investments (EUR m)	210.6	122.2	↘
Balance sheet total (EUR m)	2,840.3	2,192.3	↘
Equity (EUR m)	786.5	255.8	↘
Net debt <sup>2</sup> (EUR m)	982.9	933.6	↘
Net gearing <sup>3</sup> (%)	125.0	365.0	↗
ROCE (%)	2.6	-31.5	↘
CVA (EUR m)	-77.8	-232.2	↘
CVA change (EUR m)	37.1	-154.4	↘
Average number of employees (Full-time basis)	8,031	7,914	↘

<sup>1</sup> Reclassification of the interest costs derived from allocations to the provisions for pensions, severance and long service payments in 2007, as well as the anticipated income from the budgeted assets from personnel to interest expenses

<sup>2</sup> Net debt: interest-bearing liabilities less cash and cash equivalents

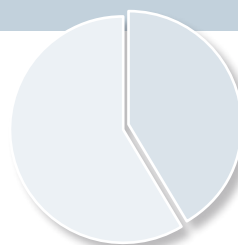
<sup>3</sup> Net debt in ratio to equity

## The company

Austrian,  
Austrian arrows,  
Lauda Air

The Austrian Airlines Group unites under one umbrella, well-established market brands with clearly differentiated assignments. Via the Vienna hub, Austrian Airlines fulfils the function of linking East and West with a focus on the CEE region and the Middle East. "Tyrolean Airways", which is managed as a production platform, has an excellent reputation through the "Austrian arrows" consumer brand and provides an optimum supplement via a targeted and efficient network for the linkage of short-range destinations. The assignment of "Lauda Air" is clearly defined through the subline, "The Austrian way to holidays", guests being transported to and from their holiday destinations in a very special "Austrian" manner.

As the clear market leader in its Austrian domestic market, the Austrian Airlines Group is known for its



ÖIAG investment  
**41.56%**

excellent product quality, friendly service and first class comfort. This high qualitative level is appreciated by customers from across the globe and has received impressive confirmation in the form of numerous international awards.

## Highlights 2008

- Passenger numbers and revenues virtually stable despite extremely problematic general conditions
- "Focus East" core markets (CEE and Middle East) expanded further
- Premium Service in the Middle East launched successfully
- Quality and service offensive brings further improvements
- In spite of major restructuring during 2007, the company remains insufficiently robust
- Extremely volatile external factors
- Result clearly negative due to the high fuel prices and the increasing pressure exerted on demand by the economic crisis
- Owners decide on privatisation
- Subsequent preparations for a partnership with Lufthansa completed

## Strategy

As a specialist network carrier, the Austrian Airlines Group builds on an attractive domestic market, a targeted secondary market strategy and

East-West and West-East transit traffic respectively.

“Focus East” as a strategy targeted on growth markets

### Two central elements determine the Austrian Airlines Group’s “Focus East” strategy:

#### 1. Market leadership in the CEE region

As a result of its unsurpassed network of destinations, the Group is the clear market leader in Central and Eastern Europe.

#### 2. Expansion in the Middle East – Austrian Premium Service

With the Austrian Premium Service, the Group is the only airline to offer a top quality long-haul product on medium-haul flights to destinations in the Middle East and Central Asia.

### Business development 2008

Passenger number virtually stable

In total, the Austrian Airlines Group carried 10,716,249 passengers, a figure, which in spite of structural effects and more difficult general conditions, was only 1.1% lower than that of the preceding year.

Tense result situation

In the prevailing economic climate, EBIT deteriorated substantially from EUR 42.1 million in the preceding year to minus EUR 312.1 million. The main reasons for this fall were the increases in material costs. Above all, in terms of a yearly comparison, expenditure on fuel rose by 31.5% to EUR 581.0 million and especially in the final quarter, there was a sharp decline in demand. When special effects (in particular the decrease in the value of operational aircraft and the depreciation of deferred taxes) are deducted, at minus EUR 35.2 million adjusted EBIT was below the EUR 55.7 million of the previous year.

The systematic reduction of liabilities remains a key Austrian Airlines Group objective. As the result of the scheduled repayment of long-term liabilities, during the past financial year, net debt fell by EUR 49.3 million to EUR 933.6 million, while owing primarily to a reduction in equity, net gearing rose from 125.0% to 365.0%.

### Outlook 2009

In view of the prevailing turbulence, which is exemplified by the predictions of the world air transport association, IATA, that the economic crisis is set to continue on 2009 and lead to the worst market conditions for 50 years, the Austrian Airlines Group has adopted a three-pronged strategy.

- Project launch in order to pinpoint additional result potential derived from in-company optimisation and the additional potential derived from a strategic partnership
- Implemented measures (capacity reductions, cost reduction measures relating to all operative areas and overheads, halt to personnel recruitment)

1. Systematic in-company optimisation from summer 2008

Compensation of the anticipated slump in earnings by means of effective measures of limited duration:

- A further capacity reduction of 10% for 2009
- Cost cuts relating to external suppliers and personnel

2. Short-term crisis package

- Sustained increase in profitability
- Preparation of additional measures for a lasting reduction in costs and the identification of synergies (in specific areas and on a super-ordinated basis)
- Objective: an EBIT margin of approx. 5 to 7% as a basis for future Group growth
- Use of the competences and know-how of the Lufthansa Group

3. Targeting of a gradual and sustained improvement in results by 2012

With the signing of the contracts concerning the sale of the ÖIAG stockholding of 41.56% in Austrian Airlines AG to the Lufthansa Group, on December 5, 2008, an important step was taken towards the securing of the future of the Austrian Airlines Group. The potential partnership with Lufthansa would mean the retention of the legal independence of the Austrian Airlines Group as an Austria-based Lufthansa subsidiary, as well as the maintenance of the company brand, crew and fleet. In addition the Group could profit from the benefits of scale, market presence and competitive strengths of Lufthansa, as well as the optimum use of the resultant synergy effects.

Objective – conclusion of the partnership with Lufthansa

# Österreichische Post AG

Key indicators	2007	2008	
Revenues (EUR m)	2,315.7	2,441.4	↗
EBITDA (EUR m)	292.7	321.7	↗
EBIT (EUR m)	162.8	169.5	↗
Result before tax (EUR m)	164.9	158.2	↘
Profit for the year (EUR m)	122.6	118.9	↘
Dividend per share (EUR)	1.40	1.50	↗
Special dividend per share (EUR)	1.00	1.00	→
Fixed asset investments (EUR m)	96.8	102.9	↗
Balance sheet total (EUR m)	2,058.6	1,874.6	↘
Equity (EUR m)	874.3	741.5	↘
Net debt (EUR m)	-173.4	-270.2	↗
ROCE (%)	16.9	17.4	↗
Average number of employees (Full-time basis)	25,764	27,002	↗



ÖIAG investment  
**51.00%**  
 (as at April 24, 2009: 52.85%)

The preparations for the liberalisation of the letter market in 2011 and the global economic crisis confront postal companies with fresh challenges, but especially as far as the Österreichische Post is concerned, there is also an opportunity for successful further business development.

## The company

Austria's leading supplier of postal services

Österreichische Post AG, Austria's leading supplier of postal services, is organised in the three divisions Mail, Parcels & Logistics and Branch Network. The Mail Division incorporates the Letter Mail, Infomail and Media Post business areas. Core business consists of the receipt, sorting and delivery of letters, postcards, addressed and un-addressed advertising mailings, newspapers and regional media. This range is supplemented by new business services along the value added chain for business mail. The Parcels & Logistics Division is responsible for all parcel and express services. The Branch Network Division looks after the post office branches.

## The postal market

Chances for further development

The market situation in the three, traditional core markets of the Post, comprised by communications, logistics and retail, remains in flux.

## Highlights 2008

- Revenues up by 5.4% at EUR 2,441.4 million
- EBIT reaches the EUR 169.5 million mark (+4.1%)
- Letter Division: positive development in all areas, increase in revenues of 5.7%, of which 1.3% organic growth
- Parcels & Logistics Division: increase in revenues of 6.4% in spite of a lower parcel volume in the Business-to-Consumer (B2C) segment
- Branch Network Division: revenues up by 0.1% as a result of positive developments in the financial services sector
- Federal government announces plans for a revision of the legal framework in 2009 in preparation for liberalisation
- Positive result again allows the payment of an EBIT bonus to the workforce
- Employees use the social plan to a greater extent than in 2007
- Risk management: risk managers appointed for every corporate unit; standardised reporting on at least a quarterly basis

## Business development 2008

Satisfactory course  
of business

2008 was a good year for the Österreichische Post with a 5.4% increase in revenues over the preceding year and a 4.1% rise in EBIT. The bulk of the improvement in revenues can be traced to acquisitions, but also contains organic growth of 0.8%. This development is worthy of special note in view of the difficult general conditions that prevailed during 2008. The loss of important parcel customers in the Austrian market had to be compensated for, along with the integration costs for new companies, higher expenses derived from higher fuel and transport costs, and increased social plan contributions for employees. During the period under review, Österreichische Post was barely affected by the financial crisis. Above all this was, and still is, due to the Group's solid balance sheet structure, which precludes the need for external financing. Investments and acquisitions are financed from operational cash flow.

As in past years, internal precautionary measures were taken, in order to minimise both operative and balance sheet risks. These measures included the ongoing evaluations of assets, write-downs for tangible and intangible assets, and a reduction in the valuation of the investment in the BAWAG PSK consortium.

Attractive dividend  
policy

At the end of 2008, Österreichische Post had an equity ratio of 40% and a low level of debt. A cushion of cash and cash equivalents amounting to EUR 340.6 million exceeded financial liabilities. A careful balance sheet policy and high cash flow also permitted the continuation of an attractive dividend policy. Accordingly, at the Annual General Meeting on May 6, 2009, as in the preceding year, apart from a basis dividend of EUR 1.50 per share, a special dividend of EUR 1.00 per share was agreed.

## Stability and continuity as primary objectives

Österreichische Post faces a fundamental change in the postal market and must get ready for complete liberalisation in 2011. Against this background, the Managing Board has to prepare measures and structures in order that the company can also be managed with success in a deregulated market. Continuity with regard to the management and further development of the Group has also been secured following the departure from Anton Wais from the Österreichische Post AG Managing Board for health reasons.

Preparations for  
2011 proceeding  
at speed

## Outlook 2009

As a result of the uncertain economic situation, at present Österreichische Post is unable to provide a serious and precise forecast with regard to its sales and income in 2009. Therefore, the main objective of the management is to counteract any sales losses in the best possible manner by means of operational savings. Accordingly, measures have been implemented for the achievement of greater efficiency and the sales drive has been intensified. Österreichische Post has stepped up its advertising of the use of direct mailing in the company communications mix and is promoting new services such as post office management and document printing.

Measures aimed  
at increased  
efficiency, sales  
offensive

Increased efficiency and rationalisation measures are necessary in order to counteract falls in sales by means of cost reductions. As a first step, a reduction in Group operating expenditure of around EUR 30 million within the next twelve months has been agreed. In addition, a 20% cut in capital expenditure (CAPEX) to around EUR 80 million is planned for 2009.

# OMV AG

Key indicators	2007	2008	
Revenues (EUR m)	20,042.0	25,542.6	↗
EBITDA (EUR m)	3,161.4	3,632.7	↗
EBIT (EUR m)	2,184.5	2,339.7	↗
Result before tax (EUR m)	2,412.1	2,309.1	↘
Profit for the year (EUR m)	1,842.8	1,529.0	↘
Profit for the year after taking of minority interests (EUR m)	1,578.8	1,374.4	↘
Dividend per share (EUR)	1.25	1.00	↘
Fixed asset investments (EUR m)	2,757.0	3,099.8	↗
Balance sheet total (EUR m)	21,249.5	21,376.0	↗
Equity (EUR m)	10,339.5	9,363.2	↘
Net debt (EUR m)	2,452.8	3,447.7	↗
Gearing (%)	23.7	36.8	↗
ROACE (%)	15.9	12.2	↘
Average number of employees (Full-time basis)	37,377	41,243	↗

## The company

Leading energy group in Central and South-Eastern Europe

The OMV Group is Central and South-Eastern Europe's leading energy concern. In addition to Exploration and Production (E&P), the Group's core business areas also incorporates Refineries and Marketing, including petrochemical production (R&M), and Gas and Power (G&P). OMV has daily production of around 317,000 boe worldwide and possesses proven and probable reserves amounting to 1.2 billion boe. OMV has refinery capacity of 25.8 million tonnes and operates a network of over 2,500 filling stations in 13 Central and South-Eastern European states. Moreover, apart from the operation of gas storage capacity of around 2.2 billion cubic metres, some 66 billion cubic metres of natural gas are transported to Western Europe annually. Yearly sales of natural gas amount to 13 billion cubic metres.

## Strategy

OMV intends to continue to shape the energy industry in the European growth belt through a



ÖIAG investment  
**31.50%**

strengthening of its leading downstream position within its expanding markets and linkage to the supply regions. In the E&P sector, during 2010 OMV aims to achieve an increase in oil and natural gas production to 350,000 to 360,000 boe per day. In addition, new fields are to be developed and the exploitation of mature fields intensified. The exploration portfolio is also to be expanded and the potential of Petrom realised through an increase in production programme efficiency and modifications to the organisational structure. The position in the R&M area is to be consolidated by a 20% market share in Central and South-Eastern Europe and further refinery optimisation, especially with regard to Petrom. Apart from the enlargement of the Central European gas hub to be the no. 1 in continental Europe, in the G&P segment further growth is planned in the marketing sector, in order to achieve natural gas sales of 18 billion cubic metres annually. A diversification of the long-term delivery volumes is foreseen via pipeline or LNG. The development of profitable electricity business is being promoted by the planned start-up of an initial gas-fuelled power plant in 2011 and the optimum integration of gas and electricity business.

## Highlights 2008

- Record operating result in 2008 as a result of the successful implementation of the growth strategy

- Operating result up by 7% at EUR 2,340 million
- Completion of the oil probe modernisation programme in Romania, increase in the reserve replacement rate in Romania to 71%
- Development of significant oil and gas fields: start of production in the Strasshof and Ebenthal gas fields (Austria), preparations for the start of production in the Maari oil field (New Zealand), as well as the extensive completion of the surface systems for the Komso-molskoe oil field (Kazakhstan)
- Conclusion of the Bayernoil restructuring programme
- Construction of a new ethylene pipeline in southern Germany (completion planned in 2010)
- Scheduled progress of the Nabucco pipeline project
- Start of construction work on the Petrobrazi 860 MW, gas-fired power plant project in Romania
- Co-operation agreement between OMV, Gazprom, Centrex and the Vienna Stock Exchange for the expansion of the Central European gas hub into the largest gas trading platform in continental Europe

### Business development 2008

Strong consolidated result in 2008

In 2008, the Group achieved a strong consolidated result, whereby EBIT and the profit for the year before special effects were well up on the levels of the preceding year. As compared to 2007, Group EBIT rose by 7% to stand at EUR 2,340 million. However, primarily as a result of the low at equity results from Borealis and Petrol Ofisi and higher net interest expenses, the financial result declined. Following the taking of minority interests, the profit for the year amounted to EUR 1,374 million, which was 13% down on that for 2007. EBIT before special effects was up by 31% at EUR 3,105 million. The special effects largely consist of provisions for legal disputes, the impairment of the Arpechim refinery and personnel restructuring costs. The profit for the year after the taking of minority interests and before special effects amounted to EUR 1,738 million and the adjusted earnings per share was 5% higher than the comparable value for 2007 at EUR 5.82.

In the E&P area, EBIT before special effects was 32% higher, in spite of slightly lower production volumes and a disadvantageous exchange rate trend. This increase can be traced primarily to the higher price level in comparison with 2007. EBIT before special effects in the R&M area was some EUR 300 million, or 35%, above the level of 2007 due primarily to improved results in marketing and petrochemicals west, and despite negative bunkering effects in refinery business. G&P EBIT before special effects was up by 9%, mainly as a consequence of the solid contribution made by logistics business.

### Outlook 2009

It is assumed that in the first half of 2009, the crude oil price will stabilise at the level of the beginning of the year and then rise slightly in the second half-year. OMV anticipates high levels of currency volatility with a weaker euro against the dollar on average as compared to the mean values of the previous year. In order to limit the negative effects of falling oil prices and the volatility of EUR-USD exchange rates on Group cash flow, OMV uses derivative instruments for result hedging. The current economic slow-down will probably lead to weaker growth rates in markets of relevance to OMV and hence the assumption that demand in general will fall and that lower margins will be achieved.

Lower growth rates in relevant markets

Planned Group investments are to be analysed and classified in order to reduce them to a level that mirrors the current, challenging economic environment. As a result of new fields in New Zealand, Kazakhstan, Austria and Romania, an increase in E&P production is expected. On the other hand, as compared to 2008, the OPEC quotas will have a negative effect on the volumes received from Libya. In the R&M business area, the start-up of a thermal cracker is planned at Schwechat during the first half-year. This will facilitate the processing of heavy crude oil and enhance production yield. The restructuring of the refineries in Romania is to continue. In the G&P area, an open season process is planned for 2009 with regard to the Nabucco project, which should lead to the first binding transport contracts.

Reduction in planned investments

# Telekom Austria AG

Key indicators	2007	2008 <sup>1</sup>	
Revenues (EUR m)	4,919.0	5,170.3	↗
EBITDA (EUR m)	1,854.9	1,295.6	↘
EBIT (EUR m)	761.4	135.5	↘
Result before tax (EUR m)	607.8	-76.4	↘
Profit/loss for the year (EUR m)	492.5	-48.8	↘
Dividend per share (EUR)	0.75	0.75	→
Investments <sup>2</sup> (EUR m)	851.3	807.6	↘
Balance sheet total (EUR m)	9,003.7	8,997.4	↘
Equity (EUR m)	2,565.3	2,155.6	↘
Net debt (EUR m)	4,407.2	3,993.3	↘
Net debt to EBITDA	2.4	3.1 <sup>3</sup>	↗
ROCE (%)	8.6	1.2	↘
Employees as at Dec. 31 (Full-time basis)	17,628	16,954	↘

<sup>1</sup> Result influenced by restructuring expenses of EUR 632.1 million

<sup>2</sup> Investments in tangible and intangible assets

<sup>3</sup> Excluding restructuring expenses of EUR 2.1 million

## The company

Austria's largest telecommunications company

During the 2008 financial year, the Telekom Austria Group attained revenues of EUR 5,170.3 million with 2.3 million customers in the Fixed Network segment and 17.8 million in the Mobile Communications segment. The two operative segments function under the umbrella of the listed Telekom Austria AG, which defines the Group's strategic and financial targets and serves as a link to the capital market. In the Fixed Network business segment, following the sale of smaller subsidiaries in the Czech Republic and Slovakia at the end of November 2008, the focus is on Austria. As a result of the successful expansion policy of recent years, the radius for action in the Mobile Communications segment has extended beyond Austria to Bulgaria, Belarus, Croatia, Slovenia, Liechtenstein, the Republic of Serbia and the Republic of Macedonia.



ÖIAG investment  
**27.37%**

## Strategy

The prime objective of the Telekom Austria Group is a sustainable increase in corporate value. Group strategy is targeted on a balance between value-oriented growth investments and attractive, ongoing shareholder dividends. In the value management system the focus is on the cash flow oriented evaluation of corporate decisions taking into account risk-adjusted capital costs and their effects on shareholder returns. The profitability of existing business areas is also secured through cost optimisation and the use of segment and international synergies. Investments in growth are only made when a larger increase in value can be achieved than through share repurchases. In order to guarantee a stable investment grade rating, the medium-term objective is a net debt to EBITDA ratio of 1.8 to 2.0. Temporary overshoots for profitable investment projects are possible as long as the rating is not endangered.

Sustained increase  
in corporate value

## Highlights 2008

- Increase in revenues to EUR 5,170.3 million (+5.1%) as a result of positive performance in the Mobile Communications segment
- Strong operative performance pushes up adjusted EBITDA excluding restructuring expenses by 3.9% to EUR 1,927.7 million

- Restructuring costs in the Fixed Network segment amounting to EUR 632.1 million have a negative influence on EBITDA of EUR 1,295.6 million
- In addition to a marked slow-down in the decrease of fixed network connections, during November and December 2008 the number of net fixed network connections rose
- All the companies in the Mobile Communications segment made positive contributions to growth of 15.2% to 17.8 million customers
- A minimum dividend of EUR 0.75 per share is planned for the years 2009 to 2012

### Business development 2008

Restructuring programme in the Fixed Network segment

During the fourth quarter, the Telekom Austria Group announced a restructuring programme in the Fixed Network segment, which required expenses of EUR 632.1 million and had a negative influence on EBITDA, the operating result and the net profit for the 2008 financial year as a whole. Nonetheless, these expenses had no material effect on Telekom Austria Group cash flow and will lead to an improvement in future results.

Increase in revenues

During the period under report revenues rose by 5.1% to EUR 5,170.3 million, primarily as a result of the solid performance of the companies in the Mobile Communications segment and the consolidation of Velcom. The effects of the EU roaming regulation and the fall in sales contributions from the Fixed Network segment were thus more than compensated for.

Result down

Owing to the provisions formed for restructuring in the Fixed Network segment, EBITDA fell by 30.2% to EUR 1,295.6 million, while the operating result dropped by 82.2% to EUR 135.5 million. As a consequence, for the year 2008 as a whole, a loss for the year of EUR 48.8 million was resulted, as opposed to a profit for the year of EUR 492.5 million for the year 2007. If the restructuring programme is omitted, EBITDA rose by 3.9% to EUR 1,927.7 million.

Investments in tangible and intangible assets declined from EUR 851.3 million to EUR 807.6 million, whereby around EUR 263.50 million related to fixed network investments.

As opposed to the previous year, net debt fell by 9.4% to EUR 3,993.3 million.

### Projects/focal points

- Focus on a balance between growth projects and reasonable shareholder returns with the aim of a sustainable increase in corporate value
- Consolidation of existing core business in the Fixed Network segment through the development of innovative business areas
- Defence of market leadership in Austria and the full exploitation of the potential of international activities
- Use of synergies in Austria through an inter-segment product package

### Outlook 2009

Subject to a stable currency basis, in 2009 the Telekom Austria Group anticipates steady revenues of around EUR 5.1 billion and EBITDA of EUR 1.9 billion. Investments in tangible and intangible assets will amount to some EUR 800 million. In addition to an unchanged dividend ratio of 65% of net profits a minimum dividend limit of EUR 0.75 per share has been established.

Stable revenues expected

# GKB-Bergbau GmbH

## Company and strategy

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

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

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

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. No dividend was agreed for ÖIAG in 2008.

## Highlights 2008

- In addition to ongoing operative closure, recultivation and safety activities in the Voitsberg-Köflach field, extensive safety measures were implemented with regard to the former LAKOG areas. Furthermore, in the course of ongoing closure activities, following the removal of the last remaining obstacles, the local mining authorisations for lead and zinc ore at the Vomp field in Tyrol 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 an important contribution to the responsible handling of the related coal and ore mines, which partly date back several centuries and occupy an area of over 100 square kilometres.
- In co-operation with the mining authorities, an optimised procedure for the realisation of construction projects on these sites has been developed and the supply of comprehensive information to the affected local government authorities has commenced.

## Business development 2008

As a consequence of systematic closure measures and the sale of non-essential assets, GKB achieved an ordinary business result of EUR 0.2 million. On the basis of a profit for the year of EUR 0.5 million (including profit carryforward) no dividend was paid to ÖIAG. As at December

31, 2008, total assets amounted to EUR 85.5 million and the workforce numbered 13 (full-time basis), which was unchanged over the preceding year. The average number of employees during 2008 totalled 14.

### **Outlook 2009**

The coming years will see stable workforce numbers of just under 15 employees. This staff will initially be required beyond the period of closures and recultivation to deal with the inherited tasks derived from mining activities, some of which date back centuries.

GKB is continually reducing the liability risk through the professional completion of measures aimed at repairing mining damage and maintaining safety in problem areas. These activities create the prerequisites needed for the termination of mining authorisations. From a current perspective, the definitive termination of the 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, which was needed and used for mining. The objective is to sell the revitalised properties for appropriate returns, in line with the Austrian Mineral Raw Materials Act (MinroG) and taking into account the local zoning plan, and subject to mining damage claim waivers on the part of the purchasers.

The 20

08

Financial Year

08

Financial Year

# Management Report

## 1. Legal and economic background

### 1.1. ÖIAG assignments – legal framework

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

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. At the extraordinary Annual General Meeting held on September 5, 2008, ÖIAG was allotted a mandate for the privatisation of its 41.56% participation in Austrian Airlines AG on the basis of a resolution agreed by the federal government on August 12, 2008. This mandate was then extended until December 31, 2008, through a federal government resolution from October 29, 2008. The legal basis for the provision of financial support to Austrian Airlines AG amounting to EUR 500.00 million was created by an amendment to the federal law concerning the transfer of federal government investments to the ownership of ÖIAG (AUA Act), Federal Law Gazette I No. 18/2009. This statutory change came into force with backdated effect as per December 31, 2008.

### 1.2. Economic conditions

In 2008, the financial market and real estate crisis, which originated in the USA, led to a worldwide downturn in the real economy. Global economic expansion slowed to 2.5%, while Austria growth fell to a real plus of 1.8%. Nonetheless, this was still higher than that in Europe (EU 27) with 0.9%, or the USA with 1.1%.<sup>1</sup> The econ-

omies in the USA, Japan and the European Union already demonstrated signs of recession in 2008 and states such as Iceland and Hungary received loans from the International Monetary Fund in order to overcome the effects of the financial crisis.

In particular, 2008 was characterised by the onset of a serious banking crisis, which prompted governments around the world to introduce extensive, state support measures. In Austria a bank assistance package totalling EUR 100.00 billion was approved, which apart from shoring up the inter-bank market, is intended to serve bank recapitalisation. In addition to the bank assistance packages, massive key interest rate cuts have been made by the central banks in both Europe and the USA with the aim of bolstering the economy.

The enormous loss of investor confidence led to major slumps in the international share and raw materials markets. The German share index (DAX) lost around 40% of its value, the Austrian ATX, some 61%. Moreover, following a steep rise, the price of oil, as exemplified by Brent crude, dropped from approximately USD 144/bbl in July to roughly 35/bbl at the end of 2008.

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

### 2.1. Course of business

At its meeting on December 5, 2008, the ÖIAG Supervisory Board approved the sale of 36,626,875 Austrian Airlines AG shares to Deutsche Lufthansa at a price of EUR 366,268.75 (EUR 0.01 per share). In addition, ÖIAG received a warrant, the maximum payout amount of which is limited to the offer price on free float stock for reasons of takeover law.

Owing to the high level of Austrian Airlines Group debt, as part of the takeover, Deutsche Lufthansa AG demanded a grant of EUR 500.00 million for restructuring, in order to reduce the level of Austrian Airlines' external financial liabilities and hence the future burdens derived from debt servicing. Following the closing of the sale, Deutsche Lufthansa AG has undertaken to employ this amount for a capital increase at Austrian Airlines AG. In addition, as cover for the liquidity requirement of the Austrian

<sup>1</sup> GDP statistics according to the WIFO economic forecast from March 25, 2009

Airlines Group between the signing of the sales contract and its implementation, particularly with regard to the subsequent funding of expiring aircraft financing, a bridge financing of EUR 200.00 million was required. The EU Commission was notified of both the bridge financing and the grant for restructuring on December 19 and 21 respectively and the bridge financing already received approval in January 2009.

During the 2008 financial year, ÖIAG examined the organisational, statutory and financial prerequisites for the creation of a personnel agency for civil servants from Telekom Austria Aktiengesellschaft and Österreichische Post Aktiengesellschaft and, if required, is available to support the development of such an organisation.

## 2.2. Branch report

ÖIAG has no branches in Austria.

## 2.3. Financial performance indicators

### Assets and income situation

The most important items in 2008 were:

- Income from investments of EUR 301.05 million, which as a result of the increased dividends from OMV Aktiengesellschaft and Österreichische Post Aktiengesellschaft, was around 30% above the level of the preceding year.
- Interest on income and securities of EUR 19.13 million, which was counterbalanced by interest expenses of EUR 10.06 million.
- Expenses pursuant to §14 para 5 of the ÖIAG Act amounting to EUR 136.27 million. These expenses correspond with the expiry of refunding claims against the federal government in connection with the payment of refunding liabilities to the same amount, completed during the year under report.
- Expenses relating to investments of EUR 773.80 million, which are structured as follows:
  - Allocation to the provision for Austrian Airlines AG grant for restructuring: EUR 500.00 million
  - Write-down of the Austrian Airlines AG participation: EUR 261.80 million
  - Write-down of the IMIB Immobilien und Industriebeteiligungen GmbH participation: EUR 12.00 million
- Release of committed capital reserves totalling EUR 136.27 million pursuant to §14 para 5 ÖIAG Act. This release was completed as stipulated by the ÖIAG Act in connection with the aforementioned, obligatory repayment of refunding liabilities to an identical amount.

- Release of committed capital reserves pursuant to §4 AUA Act. Through the application of this legal empowerment, in addition to the release in accordance with §14 para 5 ÖIAG Act, a further EUR 761.80 million in committed capital reserves were released. This amount derives from the compensation of the loss derived from the implementation of the Austrian Airlines AG privatisation mandate, amounting to EUR 500.00 million plus the write-down on the Austrian Airlines AG participation of EUR 261.80 million.
- During the period under review, the average ÖIAG workforce numbered 26, which was one person less than in the preceding year. As at the closing date of December 31, 2008, the workforce numbered 25, which corresponded with a full-time equivalent of around 22 employees.

The ÖIAG financial statements as at December 31, 2008, show a loss for the year of EUR 632.51 million. In addition to the release of committed capital reserves pursuant to §14 para 5 of the ÖIAG Act and §4 of the AUA Act, in accordance with §14 para 6 of the ÖIAG Act, a further EUR 154.36 million were released from the capital reserves. Pursuant to §14 para 6 of the ÖIAG Act, the Managing Board is permitted to release committed capital reserves during the preparation of the annual financial statements, if the distribution of profits does not cause lasting impairment to the assets and financial situation of ÖIAG. Following the release of the committed capital reserves, a profit for the year of EUR 419.92 million results. Including the profit carry forward of EUR 153.13 million, the net profit amounts to EUR 573.05 million.

As at December 31, 2008, total ÖIAG assets stood at EUR 2,516.31 million, which was some 2% higher than the figure for 2007 (December 31, 2007: EUR 2,455.21 million). As at December 31, 2008, refunding liabilities bearing a refunding obligation of the Austrian Republic amounted to EUR 53.10 million (December 31, 2007: EUR 189.37 million). The other provisions contain the allocation for the grant of EUR 500.00 million for the restructuring of Austrian Airlines AG.

As at December 31, 2008, equity totalled EUR 1,854.09 million (December 31, 2007: EUR 2,186.60 million). The equity ratio on the balance sheet date stood at 73.7% (December 31, 2007: 89.1%). Against the background of the ongoing privatisation of Austrian Airlines AG, in order to strengthen the company's liquidity situation, on December 22, 2008, ÖIAG received a capital import of EUR 500.00 million from the federal government, which in accordance with §229 para 2 item 5 of the Austrian Commercial Code was allocated as a shareholder's grant to the non-committed capital reserves.

### ÖIAG portfolio value and net liquidity

As at December 31, 2008, the ÖIAG portfolio had a value of around EUR 4.00 billion. This fall as compared to December 31, 2007 (EUR 8.75 billion) can be traced primarily to negative share performance during 2008.

As at December 31, 2008, cash and cash equivalents provided surplus financial debt coverage of EUR 0.77 billion (net liquidity).

### 2.4. Events after the balance sheet date

In the opinion of the executive management, no major events of special significance occurred after the balance sheet date.

## 3. Report concerning probable company development and risks

### 3.1. Probable company development

The agreements concluded with Deutsche Lufthansa following the completion of the bidding process relating to the sale of the 41.56% interest in Austrian Airlines AG not only include the aforementioned sales price, but also a warrant. The maximum payout amount is limited to the offer price on free float stock (EUR 4.49 per share) for reasons of takeover law. The warrant relates to the development of Austrian Airlines results for the period 2009 to 2011, as well as the relative development of the Lufthansa share in comparison with similar companies during the same period.

The successful conclusion of the privatisation of Austrian Airlines AG is dependent upon a number of conditions, especially the approval of the grant of EUR 500.00 million by the European Commission and the anti-trust law approval. The fulfilment of all the conditions precedent is anticipated by the end of July 2009.

On the basis of the positive business development in 2008, at the next Annual General Meeting on May 6, 2009, the Managing Board of Österreichische Post Aktiengesellschaft will propose the payment of a special dividend in addition to the basis dividend.

### 3.2. Main risks and uncertainties

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

A default risk exists regarding monetary deposits at banks. This risk is monitored by a credit limit system for all banking partners. As in previous years, the investment of cash and cash equivalents in 2008 was completed in line with credit rating principles regarding the selection of the banking partner and the attainment of a best rate that conforms with the market and corresponds with the investment instrument and investment period. During the selection of the investment instruments, the greatest attention is paid to the liquidity of the invested amounts at any time. The bulk of the cash and cash equivalents as at December 31, 2008, was invested in money market investments in the form of fixed-term deposits at Austrian banks. Against the background of the banking crisis, during the first few months of 2009, cash and cash equivalents were used largely for short-term investments with the federal government via the Österreichische Bundesfinanzierungsagentur (ÖBFA).

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

## 4. Report concerning research and development

ÖIAG does not carry out any research and development.

Vienna, April 15, 2009

Managing Director

Peter Michaelis m.p.

## Balance Sheet as at December 31, 2008

Assets	EUR	EUR	As at 31.12.2008 EUR	As at 31.12.2007 TEUR
<b>A. Fixed assets</b>				
<b>I. Intangible assets</b>				
Licences, rights		68,557.59		32
<b>II. Tangible assets</b>				
1. Land, rights equivalent to real property and buildings, including buildings on third-party land	2,364,136.18			2,409
2. Other plant, factory and office equipment	142,406.66			194
		<b>2,506,542.84</b>		<b>2,603</b>
<b>III. Financial assets</b>				
1. Investments	1,540,465,975.31			1,802,200
2. Investment securities	26,492,814.42			24,805
		<b>1,566,958,789.73</b>		<b>1,827,005</b>
			<b>1,569,533,890.16</b>	<b>1,829,640</b>
<b>B. Current assets</b>				
<b>I. Receivables and other assets</b>				
1. Trade accounts receivable	225,733.58			20
2. Receivables from associated companies	25,759.61			23
3. Other receivables and assets	68,306,914.40			832
		<b>68,558,407.59</b>		<b>875</b>
<b>II. Other securities and interests</b>		0.00		33,700
<b>III. Cash and credit balances at banks</b>		825,074,341.02		401,598
			<b>893,632,748.61</b>	<b>436,173</b>
<b>C. Counterclaims related to liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria</b>			<b>53,096,165.79</b>	<b>189,369</b>
<b>D. Prepaid expenses</b>			<b>48,506.32</b>	<b>28</b>
			<b>2,516,311,310.88</b>	<b>2,455,210</b>

Equity and Liabilities	EUR	As at 31.12.2008 EUR	As at 31.12.2007 TEUR
<b>A. Equity</b>			
<b>I. Share capital</b>	363,365,000.00		363,365
<b>II. Capital reserves</b>			
1. Committed	381,334,527.95		1,433,764
2. Non-committed	500,000,000.00		0
<b>III. Retained earnings</b>			
Statutory reserve	36,336,417.08		36,336
<b>IV. Net profit</b>			
thereof profit carryforward of EUR 153,133,109.85 (2007: TEUR 123,052)	573,051,782.26		353,133
		<b>1,854,087,727.29</b>	<b>2,186,598</b>
<b>B. Provisions</b>			
1. Provisions for severance payments	847,822.00		885
2. Provisions for pensions	2,310,959.54		2,270
3. Other provisions	583,907,987.80		64,247
		<b>587,066,769.34</b>	<b>67,402</b>
<b>C. Liabilities for which interest and repayments are refunded to ÖIAG by the Republic of Austria</b>		<b>53,096,165.79</b>	<b>189,369</b>
<b>D. Liabilities</b>			
1. Trade accounts payable	454,471.57		605
2. Liabilities to associated companies	21,320,895.66		10,876
3. Other liabilities			
thereof relating to taxes EUR 187,398.16 (2007: TEUR 110)			
thereof relating to social security EUR 39,474.95 (2007: TEUR 40)	285,281.23		360
		<b>22,060,648.46</b>	<b>11,841</b>
		<b>2,516,311,310.88</b>	<b>2,455,210</b>

## Schedule of fixed assets

pursuant to §226 para 1 of the Austrian Commercial Code as at December 31, 2008

	Acquisition/Production costs			
	As at 1.1.2008	Additions	Disposals	As at 31.12.2008
	EUR	EUR	EUR	EUR
<b>I. Intangible assets</b>				
Licences, rights	<b>783,215.26</b>	<b>76,064.48</b>	<b>13,442.76</b>	<b>845,836.98</b>
<b>II. Tangible assets</b>				
1. Land, rights equivalent to real property and buildings, including buildings on third-party land				
a) Developed land				
Value of buildings	60,906.17	0.00	0.00	60,906.17
b) Undeveloped land	2,423,648.88	0.00	55,214.62	2,368,434.26
	<b>2,484,555.05</b>	<b>0.00</b>	<b>55,214.62</b>	<b>2,429,340.43</b>
2. Other plant, factory and office equipment <sup>1</sup>	1,333,515.71	77,155.71	87,414.78	1,323,256.64
	<b>3,818,070.76</b>	<b>77,155.71</b>	<b>142,629.40</b>	<b>3,752,597.07</b>
<b>III. Financial assets</b>				
1. Investments	2,320,924,766.19	12,070,000.00	0.00	2,332,994,766.19
2. Investment securities	25,947,694.60	7,440,977.50	6,860,857.68	26,527,814.42
	<b>2,346,872,460.79</b>	<b>19,510,977.50</b>	<b>6,860,857.68</b>	<b>2,359,522,580.61</b>
<b>Total</b>	<b>2,351,473,746.81</b>	<b>19,664,197.69</b>	<b>7,016,929.84</b>	<b>2,364,121,014.66</b>
<sup>1</sup> thereof low-value assets pursuant to §13 of the Austrian Income Tax Act		14,165.27	14,165.27	

Accumulated depreciation	Book values		Depreciation in the year under review	Write-ups in the year under review
	As at 31.12.2008	As at 31.12.2007		
EUR	EUR	EUR	EUR	EUR
<b>777,279.39</b>	<b>68,557.59</b>	<b>32,200.11</b>	<b>39,707.00</b>	<b>0.00</b>
60,906.17	0.00	0.00	0.00	0.00
4,298.08	2,364,136.18	2,408,805.69	0.00	0.00
<b>65,204.25</b>	<b>2,364,136.18</b>	<b>2,408,805.69</b>	<b>0.00</b>	<b>0.00</b>
1,180,849.98	142,406.66	193,956.21	128,705.26	0.00
<b>1,246,054.23</b>	<b>2,506,542.84</b>	<b>2,602,761.90</b>	<b>128,705.26</b>	<b>0.00</b>
792,528,790.88	1,540,465,975.31	1,802,200,254.61	273,804,279.30	0.00
35,000.00	26,492,814.42	24,805,297.80	0.00	1,107,396.80
<b>792,563,790.88</b>	<b>1,566,958,789.73</b>	<b>1,827,005,552.41</b>	<b>273,804,279.30</b>	<b>1,107,396.80</b>
<b>794,587,124.50</b>	<b>1,569,533,890.16</b>	<b>1,829,640,514.42</b>	<b>273,972,691.56</b>	<b>1,107,396.80</b>

14,165.27

## Income statement

for the period from January 1, 2008 to December 31, 2008

	2008		2007	
	EUR	EUR	TEUR	TEUR
1. Revenues		29,069.16		29
2. Other operating income				
a) Gains on the disposal of assets other than financial assets	138,235.49		11	
b) Gains on the release of provisions	808,656.41		2,385	
c) Other	344,254.60		306	
		1,291,146.50		2,702
3. Personnel expenses				
a) Salaries	3,430,912.99		2,757	
b) Expenses for severance payments	154,919.30		-110	
c) Expenses for contributions to employee pension funds	6,766.66		5	
d) Expenses for pensions	20,288,021.24		1,336	
e) Expenses for compulsory social security contributions and payroll taxes	493,631.92		457	
f) Other social expenditure	120,221.96		120	
		-24,494,474.07		-4,565
4. Depreciation of intangible and tangible fixed assets		-168,412.26		-163
5. Other operating expenses				
a) Taxes not included in Item 16	12,456.02		15	
b) Other	11,606,446.28		4,023	
		-11,618,902.30		-4,038
<b>6. Sub-total of Items 1–5 (operating result)</b>		<b>-34,961,572.97</b>		<b>-6,035</b>
7. Income from investments		301,054,298.96		231,969
8. Income from other securities and financial asset loans		1,047,652.05		1,001
9. Other interest and similar income		18,087,020.28		15,360
10. Gains on the disposal and write-up of financial assets and current asset securities		2,401,596.05		2,523
11. Expenses relating to §14 (5) ÖIAG Act		-136,273,100.76		-17,663
12. Expenses relating to financial assets and current asset securities, thereof				
a) Depreciation	0.00		583	
b) Expenses relating to investments, thereof from depreciation and amortisation EUR 273,804,279.30 (2007: TEUR 0)	773,804,279.30		0	
c) Expenses relating to current asset securities	0.00		1,509	
		-773,804,279.30		-2,092

	2008		2007	
	EUR	EUR	TEUR	TEUR
13. Interest and similar expenses		-10,058,475.01		-12,641
<b>14. Sub-total of Items 7–13 (financial result)</b>		<b>-597,545,287.73</b>		<b>218,457</b>
<b>15. Ordinary business result</b>		<b>-632,506,860.70</b>		<b>212,422</b>
16. Income taxes		-3,500.00		-4
<b>17. Loss/profit for the year</b>		<b>-632,510,360.70</b>		<b>212,418</b>
18. Release of capital reserves				
a) Pursuant to §14 (5) ÖIAG Act	136,273,100.76		17,663	
b) Pursuant to §4 AUA Act	761,804,279.30		0	
c) Pursuant to §14 (6) ÖIAG Act	154,351,653.05		0	
		1,052,429,033.11		17,663
<b>Profit for the year</b>		<b>419,918,672.41</b>		<b>230,081</b>
19. Profit carryforward from the previous year		153,133,109.85		123,052
<b>20. Net profit</b>		<b>573,051,782.26</b>		<b>353,133</b>

# Notes to the Financial Statements

## A. General remarks

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

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

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

The annual financial statements are based on the amended ÖIAG Act 2000 contained in the Federal Law Gazette I No. 71/2003, Federal Law Gazette I No. 103/2005, Federal Law Gazette I No. 73/2006 and Federal Law Gazette I No. 136/2008, as well as the federal law concerning the transfer of federal government investments to the ownership of ÖIAG (AUA Act) in the Federal Law Gazette I No. 18/2009 version.

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

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

On December 5, 2008, a sales contract was signed for the disposal of the 41.56% participation in Austrian Airlines AG to Deutsche Lufthansa. In particular, the coming into effect of the concluded contracts is subject to the conditions precedent of anti-trust law approval and the approval of the EUR 500.00 million grant for restructuring by the European Commission.

### Accounting and valuation principles

#### General principles

The financial statements as at December 31, 2008 have been prepared in accordance with the financial reporting requirements of the Austrian Commercial Code as amended.

The financial statements, prepared under the accounting principles generally accepted in Austria, present a true and fair view of the assets and liabilities, the financial situation of the company as at December 31, 2008, as well as of the results of its operations for the year then ended (§222 para 2 Austrian Commercial Code).

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

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

## Fixed assets

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

**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 400.00) 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:

Plant and equipment	10 – 33.3%
---------------------	------------

**Corporate investments** are generally reported at the cost of acquisition. Permanent value impairments are taken into account through extraordinary depreciation.

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

## Current assets

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

## Provisions and liabilities

**Provisions for severance payments** as at the balance sheet date are reported according to the amount calculated using actuarial methods. The discount value method is employed at an interest rate of 3.0%. The amount of the **provisions for pensions** is established using actuarial principles bearing an interest rate of 3.0% and the discount value method. The AVÖ 2008-P (salaried staff) tables are utilised as a basis for this calculation. A notional retirement age of 62 is assumed for both men and women for the calculation of the provisions for severance payments and pensions.

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

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

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 (enclosure to the Notes).

Obligations arising from the use of tangible assets not reported in the balance sheet amount to EUR 0.36 million in the following financial year (2007: EUR 0.30 million). The total amount for the following five years adds up to EUR 1.88 million (2007: EUR 1.87 million).

### b. Financial assets

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

During the 2008 financial year, the investment in Austrian Airlines AG was written off in its entirety (amount: EUR 261.80 million, 2007: EUR 0.00 million). As compared to the preceding year, the ÖIAG shareholding fell from 42.7% to 41.6%, as ÖIAG did not participate in a capital increase, which took place in September 2008.

The addition to investments can be traced to the paying in of share capital of EUR 70 k to the FIMBAG Finanzmarkt-beteiligung Aktiengesellschaft des Bundes. In addition, ÖIAG undertook to provide a shareholder's grant for IMIB Immobilien und Industriebeteiligungen GmbH. The required amount of EUR 12.00 million was capitalised on the shareholding and written off in full as at December 31, 2008.

Securities include shares in investment funds as statutory security cover for provisions for pensions. During the 2008 financial year, the investment in a special Raiffeisen bank fund was sold and the resulting proceeds employed for an increase in the participation in a government bond fund. Therefore, as at December 31, 2008, the stock of securities consisted entirely of investments in an Austrian government bond fund. In view of a positive price trend, a write-up was undertaken pursuant to §208 of the Austrian Commercial Code (amount: EUR 1.11 million).

In accordance with the fair value principle, 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 30, 2008, amounting to EUR 2.42 billion (2007: EUR 6.95 billion).

The value of unlisted investments, as well as of fixed asset securities, corresponds with the book values reported as at December 31, 2008, as laid down by the fair value principle. The same applies to the rights contained in the fixed assets.

### c. Receivables and other assets

Items	Balance sheet value EUR m
Trade accounts receivable (previous year)	0.23 (0.02)
Receivables from associated companies (previous year)	0.02 (0.02)
Other receivables and assets (previous year)	68.31 (0.83)
<b>Total (Total previous year)</b>	<b>68.56 (0.87)</b>

Reported among the "Other receivables and assets" is an ÖIAG loan of EUR 67.20 million to Austrian Airlines Lease and Finance Company Ltd., a fully owned subsidiary of Austrian Airlines AG. Following the receipt on January 19, 2009 of EU legal approval for the Austrian Airlines bridge financing, this loan was completed and the financing altered to a bank loan (borrower: Austrian Airlines Lease and Finance Company Ltd.) with a maximum limit of EUR 200.00 million. An ÖIAG account with a credit of EUR 200.00 million, which has been pledged to the bank, serves as collateral for this loan.

All receivables are short-term.

The item, "Receivables from associated companies" is largely comprised by services charged to IMIB Immobilien und Industriebeteiligungen GmbH, VOEST-ALPINE STEINEL Gesellschaft m.b.H. in Liqu., SCHOELLER-BLECKMANN Gesellschaft m.b.H. and Österreichische Post Aktiengesellschaft.

The item, "Other receivables and assets" contains income of EUR 1.10 million (2007: EUR 0.83 million) first recognised after the balance sheet date.

#### **d. Other securities and interests**

The securities reported as at December 31, 2007, consist of an investment in a special Constantia Privatbank fund, which due to limited price performance was sold off during the 2008 financial year.

#### **e. Cash and credit balances at banks**

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

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

Pursuant to §14 para 5 of the ÖIAG Act 2000, the refunding obligation of the federal government expires, insofar as following the complete repayment of those obligations derived from the merger that were transferred to ÖIAG (liabilities from PTBG and PTA) in accordance with Article II, ÖIAG disposes over liquid assets (cash and cash equivalents) derived from privatisation revenues that can be employed for the repayment of liabilities for which the federal government is obliged to refund interest and repayments. The reduction in the counterclaims of the federal government in 2008 can be traced to the scheduled repayment of refunding liabilities amounting to some EUR 92.62 million (2007: EUR 0.0) and the premature repayment of EUR 43.65 million (2007: EUR 17.66 million), which were completed on the basis of §14 para 5 of the ÖIAG Act 2000.

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

The reported prepaid expenses relate to amounts paid prior to December 31, 2008, insofar as they represent expenses for a particular period after this date.

#### **h. Equity**

The share capital of EUR 363,365,000 is composed of 5,000 shares. In line with a resolution passed by the Annual General Meeting on April 11, 2008, a dividend of EUR 200.00 million was paid to the federal government from the net profit for 2007 and an amount of EUR 153.13 million was carried forward to new account.

The change in committed capital reserves is explained in detail under item C. h. (Release of capital reserves). Against the background of the ongoing privatisation of Austrian Airlines AG, in order to strengthen the company's liquidity situation, on December 22, 2008, ÖIAG received a capital import of EUR 500.00 million from the federal government, which in accordance with §229 para 2 item 5 of the Austrian Commercial Code was allocated as a shareholder's grant to the non-committed capital reserves.

#### **i. Provisions**

The "Other provisions" include the provision of EUR 500.00 million for the grant for the restructuring of Austrian Airlines AG. ÖIAG has undertaken a contractual obligation to provide this amount when the closing of the sale of the shares in Austrian Airlines AG is completed in 2009.

The "Other provisions" also largely consist of provisions for the topping-up of obligations for pensions and provisions for unconsumed leave, long-service bonuses and other personnel expenses totalling EUR 43.80 million (2007: EUR 27.41 million) and other provisions (especially for investments) of EUR 33.99 million (2007: EUR 35.12 million).

#### j. 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 53.10 million (2007: EUR 189.37 million). The reduction as compared to December 31, 2007 resulted from the aforementioned repayments.

(Liabilities maturing < 1 year: EUR 30.58 million (2007: 92.63 million); maturing in 1–5 years: EUR 22.51 million (2007: EUR 96.74 million); due > 5 years: EUR 0.00 million (2007: EUR 0.00 million)).

#### k. Liabilities

Items	With a residual term of less than one year EUR m	With a residual term of more than one year EUR m	Balance sheet value EUR m
Trade accounts payable (previous year)	0.45 (0.60)	0.00 (0.00)	0.45 (0.60)
Liabilities to associated companies (previous year)	21.32 (10.88)	0.00 (0.00)	21.32 (10.88)
Other liabilities (previous year)	0.23 (0.36)	0.06 (0.00)	0.29 (0.36)
<b>Total (Total previous year)</b>	<b>22.00 (11.84)</b>	<b>0.06 (0.00)</b>	<b>22.06 (11.84)</b>

Liabilities to associated companies of EUR 12.00 million resulted from the shareholder's grant made to IMIB Immobilien und Industriebeteiligungen GmbH during the 2008 financial year. This item also contains shareholder's grants already made to IMIB Immobilien und Industriebeteiligungen GmbH and VOEST-ALPINE STEINEL Gesellschaft m.b.H. in Liqu.

The item "Liabilities to associated companies" consists of trade accounts payable (EUR 0.37 million GKB-Bergbau GmbH), liabilities from investments with ÖIAG by associated companies

(EUR 6.21 million, thereof mainly IMIB Immobilien und Industriebeteiligungen GmbH with EUR 5.80 million and SCHOELLER-BLECKMANN Gesellschaft m.b.H. with EUR 0.23 million), and liabilities from shareholder's grants (EUR 14.74 million, largely derived from IMIB Immobilien und Industriebeteiligungen GmbH with EUR 13.81 million).

The item "Other liabilities" contains expenses of EUR 0.28 million (2007: EUR 0.36 million) first recognised after the balance sheet date.

## C. Notes to the Income statement

### a. Other operating income

	2008 EUR m	2007 EUR m
Gains on the disposal of fixed assets other than financial assets	0.14	0.01
Gains on the release of provisions	0.81	2.39
Other	0.34	0.30
<b>Total</b>	<b>1.29</b>	<b>2.70</b>

As in the past year, the remaining other operating income largely consists of various cost repayments and rent earnings.

### b. Personnel expenses

	2008 EUR m	2007 EUR m
Salaries	3.43	2.76
Expenses for severance payments and contributions to employee pension funds	0.16	-0.11
Expenses for pensions	20.29	1.34
Expenses for compulsory social security contributions and payroll taxes	0.49	0.46
Other social expenditure	0.12	0.12
<b>Total</b>	<b>24.49</b>	<b>4.57</b>

The expenses for pensions consist mainly of allocations to the provision for the pension obligations outsourced to the APK-Pensionskasse Aktiengesellschaft.

### c. Other operating expenses

	2008 EUR m	2007 EUR m
Taxes, excluding income taxes	0.01	0.02
Other	11.61	4.02
<b>Total</b>	<b>11.62</b>	<b>4.04</b>

In the 2008 financial year, apart from expenses relating to the privatisation of Austrian Airlines AG, "Other operating expenses" included operating and administrative costs for real estate, rents, fees and consulting.

### d. Interest income and expenditure

	2008 EUR m	2007 EUR m
Dividends	18.09	15.36
Expenditure relating to investments	-10.06	-12.64
<b>Total</b>	<b>8.03</b>	<b>2.72</b>

### e. Gains on the disposal and write-up of financial assets and current asset securities

In addition to the write-up on a government bond fund (amount: EUR 1.11 million), this item consists primarily of the book gains emanating from the sale of two special funds (amount: EUR 1.23 million) completed as a consequence of the financial market crisis.

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

The amount reported, totalling EUR 136.27 million (2007: EUR 17.66 million) relates to the deletion of refunding claims against the federal government in connection with the repayment of liabilities, for which the Austrian Republic is liable to ÖIAG for refunding interest and repayment. In accordance with §14 para 5 of the ÖIAG Act, committed capital reserves had to be released to the same amount.

### g. Expenses relating to investments

The expenses relating to investments are structured as follows:

Allocation to the provision for Austrian Airlines AG grant for restructuring (2007: EUR 0.00 m)	EUR 500.00 m
Write-down of Austrian Airlines AG investment (2007: EUR 0.00 m)	EUR 261.80 m
Write-down of IMIB Immobilien und Industriebeteiligungen GmbH investment (2007: EUR 0.00 m)	EUR 12.00 m

### h. Release of capital reserves

Pursuant to §14 para 5 ÖIAG Act, committed capital reserves of EUR 136.27 million (2007: EUR 17.66 million) required release. This amount corresponded to the deletion of claims against the federal government in connection with the obligatory repayment of refunding liabilities and interest.

During the meeting of the Austrian federal parliament on February 26, 2009, an amendment to the federal law concerning the transfer of federal government investments to the ownership of ÖIAG was approved with backdated effect to December 31, 2008, Federal Law Gazette I No. 87/1998 (AUA Act). This change in the law entitles ÖIAG to supply financial support to Austrian Airlines amounting to EUR 500.00 million as assistance for the realisation of the privatisation mandate granted by the federal government pursuant to §7 para 1 ÖIAG Act 2000. Should ÖIAG suffer losses during the realisation of such measures, pursuant to §4 of this Act, committed capital reserves can be released to the same amount as compensation. This possibility for the release of reserves also applies to the write-down of the investment in Austrian Airlines AG.

Following the application of this legal empowerment, in addition to the release pursuant to §14 para 5 ÖIAG Act, EUR 761.80 million (2007: EUR 0.00 million) were released from the committed capital reserves. This amount derives from compensation for the loss emanating from the privatisation mandate for Austrian Airlines AG of EUR 500.00 million (2007: EUR 0.00 million), plus the write-down on the investment in Austrian Airlines AG of EUR 261.80 million (2007: EUR 0.00 million).

Pursuant to §14 para 6 of the ÖIAG Act, during the preparation of the financial statements the Managing Board is entitled to release committed capital reserves if the asset and financial position of ÖIAG is not subject to permanent damage through the profit distribution. Employing this legal empowerment, EUR 154.36 million were released from the committed capital reserves (2007: EUR 0.00 million).

### i. Net profit

Including the release of reserves and the profit carryforward from the preceding year, the net profit amounts to EUR 573.05 million (2007: EUR 353.13 million). This includes part of the profit carryforward from the preceding year, which was unsuitable for distribution as a dividend, amounting to EUR 123.05 million (2007: EUR 123.05 million), which has to be carried forward.

## D. Corporate bodies, employees

a. In 2008, ÖIAG had an average of 26 employees (2007: 27).

### b. Severance payments and pensions

Expenses for severance payments and contributions to employee severance payment funds	2008 EUR m	2007 EUR m
Managing Board and senior executives	0.13	-0.01
Other employees	0.03	-0.10
<b>Total</b>	<b>0.16</b>	<b>-0.11</b>

Expenses for pensions	2008 EUR m	2007 EUR m
Managing Board and senior executives	-0.37	-0.36
Other employees	20.66	1.70
<b>Total</b>	<b>20.29</b>	<b>1.34</b>

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

The liability side topping-up obligations arose from the cover required according to actuarial calculations, minus the probable ÖIAG credits at APK-Pensionskasse Aktiengesellschaft on its balance sheet date of December 31, 2008. The final calculation of ÖIAG assets will be completed by APK-Pensionskasse Aktiengesellschaft with the accounts for the year 2008. The pension obligations (315 recipients as at December 31, 2008, 2007: 321 recipients) derived mainly from the previous mergers of companies (Vereinigte Edelstahlwerke AG/Austrian Industries AG) with ÖIAG.

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

c. Emoluments to the Supervisory Board amounted to EUR 0.24 million (2007: EUR 0.29 million).

### d. Managing Board

Peter MICHAELIS

The remuneration<sup>1</sup> paid to Mr. Michaelis during the 2008 financial year amounted to EUR 0.70 million (comprised of a fixed amount for 2008 of EUR 0.35 million and a variable, partial amount from 2007 of EUR 0.35 million).

### e. Supervisory Board

Peter MITTERBAUER

*Chairman*  
CEO, Miba AG

Siegfried WOLF

*First Vice-Chairman*  
(from April 11, 2008)  
CEO, Magna International Europe AG

Jürgen HUBBERT

*First Vice-Chairman*  
Former member of the Managing Board, Daimler Chrysler AG  
(until April 11, 2008)

Klaus STURANY

*Second Vice-Chairman*  
(from April 11, 2008)  
Former member of the Managing Board, RWE AG

Wolfgang BERNHARD

Brigitte EDERER

CEO, Siemens AG Österreich  
(from April 11, 2008)

Michael ENZINGER

Lawyer

Wolfgang PFARL

President, Austropapier

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

**Alexander RIKLIN**

Managing Director, Alcar Holding GmbH

**Maria-Elisabeth SCHAEFFLER**

Partner, INA-Holding Schaeffler KG

*(from April 11, 2008)*

**Erich WIESNER**

Managing Partner, WIEHAG Holding GmbH

*(until April 11, 2008)*

**Stefan K. ZAPOTOCKY**

Member of the Managing Board and co-owner,  
BAST AG Value & Invest Development

**Leopold ABRAHAM**

Chairman of the Group Staff Council, OMV AG

**Gerhard FRITZ**

Chairman of the Central Employees' Committee,  
Österreichische Post AG

**Alfred JUNGHANS**

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

**Michael KOLEK**

Chairman of the Central Employees' Committee,  
Telekom Austria AG

**Markus SIMONOVSKY**

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

## E. Investments

The information concerning 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 Aktiengesellschaft	Vienna	2007	23.71	27.6	2.76
Austrian Airlines AG	Vienna	2008	140.29	41.6	-211.23
FIMBAG Finanzmarkteteiligung Aktiengesellschaft des Bundes	Vienna	2008	0.07	100.0	0.00 <sup>1</sup>
IMIB Immobilien und Industriebeteiligungen GmbH	Vienna	2007	6.66	100.0	1.05
GKB-Bergbau GmbH	Bärnbach	2008	29.72	100.0	0.36
Österreichische Post Aktiengesellschaft	Vienna	2008	675.11	51.0	113.30
OMV Aktiengesellschaft	Vienna	2008	6,379.02	31.5	583.05
SCHOELLER-BLECKMANN Gesellschaft m.b.H.	Ternitz	2008	4.57	100.0	0.25
Telekom Austria Aktiengesellschaft	Vienna	2008	3,151.82	27.4	222.43
VOEST-ALPINE STEINEL Gesellschaft m.b.H. in Liqu.	Vienna	2007	1.09	100.0	0.02

<sup>1</sup> Amount in EUR: 56.47

The financial statements of Austrian Airlines AG as at December 31, 2008, were prepared subject to the premise of a positive going concern forecast. This application of the going concern principle is largely based on the realisation of the contracts for the privatisation of Austrian Airlines AG concluded on December 5, 2008 and the related, planned contribution of the grant of EUR 500.00 million for restructuring.

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

Vienna, April 15, 2009

Managing Director

Peter Michaelis m.p.

# Auditor's Report

“We have audited the accompanying financial statements including the accounting system of Österreichische Industrieholding Aktiengesellschaft, Vienna, for the fiscal year from January 1, 2008 to December 31, 2008. The Company's management is responsible for the accounting, the preparation and content of these financial statements and of the management report in accordance with Austrian regulations as well as in accordance with the legal requirements of the ÖIAG Act 2000. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report corresponds with the financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement and whether we can state that the management report corresponds with the financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements are in accordance with legal requirements and present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and the results of its operations for the fiscal year from January 1, 2008 to December 31, 2008 in accordance with Austrian Generally Accepted Accounting Principles. The management report corresponds with the financial statements.”

Vienna, April 15, 2009

**PwC PricewaterhouseCoopers GmbH**  
Wirtschaftsprüfungs- und  
Steuerberatungsgesellschaft

Signed:  
**Gerhard Prachner**  
Certified Public Accountant

Disclosure, publication and reproduction that, pursuant to §281 para 20 of the Austrian Commercial Code, deviates from the legal regulations and in a form that differs from the approved version, but uses our opinion, is not permissible. Even the mere reference to our audit requires our prior written consent.

# Supervisory Board Report

## Report of the Supervisory Board to the Annual General Meeting on the 2008 financial year

In meeting its legal commitments, the Supervisory Board held seven plenary meetings, six meetings of the privatisation committee and two meetings of the auditing committee during the 2008 financial year. The focal points of Supervisory Board activities consisted of consulting and resolutions relating to the privatisation mandate for Austrian Airlines AG and investment management.

As in past financial years, during 2008 the Supervisory Board was reported to by members of the managing boards of subsidiaries and investments, especially those of listed companies, 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, as well as 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 PwC PricewaterhouseCoopers GmbH.

The Supervisory Board declares its approval of the financial statements for 2008, which were thereby adopted under the terms of §125 para 2 of the Austrian Stock Corporation Act. The Supervisory Board also concurs with the Managing Board's proposal to pay a dividend of EUR 450,000,000 from the net profit of EUR 573,051,782.26 and to carry forward the remainder of EUR 123,051,782.26 to new account.

In accordance with §270 para 1 of the Austrian Commercial Code, the Supervisory Board proposes to the Annual General Meeting that PwC PricewaterhouseCoopers GmbH be appointed as the auditors of the financial statements for 2009.

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

Vienna, May 27, 2009

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



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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.





