



21st Austria

FINAL REPORT

STUDY TRIP "Meet 21st AUSTRIA"

October 28th-30th, 2014 | Austria

www.21st-austria.at

EXECUTIVE SUMMARY

Excellence, innovation, sustainability and performance even in a challenging environment

The 21st Austria's 2014 Study Trip took place in Vienna and Upper Austria at the end of October. Nine investor, media and think tank representatives travelled to Austria for an economic update on the situation in Europe, with a focus on Central and Eastern Europe and Austria in particular.

The trip took place during challenging times:

- The crisis in Ukraine and its economic effects in Central and Eastern Europe are particularly challenging for a number of Austrian banks. **Key finding:** it is too early to predict an outcome, but a compromise seems likely for 2015.
- The slowing growth in Europe and especially in Germany affects Austria. **Key finding:** several factors contribute to a positive economic outlook for Germany, Austria's most important trading partner, and Europe in 2015.
- The stress test of the European banking sector. **Key finding:** solid results and a positive outlook for all Austrian banks due to significant progress in strengthening their balance sheet.
- Weakened competitive outlook due to energy prices. **Key finding:** political leaders see the need to balance energy security and competitiveness and corporates have increasingly hedged the development with overseas investments, opening new markets at the same time.

Experts from the Peterson Institute for International Economics, Morgan Stanley, Global Energy Capital, CNBC, the Financial Times, Reuters Breakingviews, the Economist Intelligence Unit, and the Global Cultural Alliance met with Austrian leaders in politics, finance and business including

- Reinhold Mitterlehner, Vice Chancellor of Austria
- Gerhard Zotter, Deputy Minister at the Ministry of Finance
- Bernadette Gierlinger, Deputy Minister at the Ministry for Science, Research and Economy
- Claus Raidl, President of the Austrian Central Bank
- Ewald Nowotny, Governor of the Austrian Central Bank
- Karl Servelda, CEO of Raiffeisen Bank International
- Byron Haynes, CEO of BAWAG P.S.K
- Herbert Stepic, Advisor to the board, Raiffeisen Bank International
- Birgit Kuras, Joint CEO of the Vienna Stock Exchange
- Walter Oblin, CFO of Post AG
- Josef Penninger, CEO of the Institute of Molecular Biotechnology
- Helmut Wieser, CEO of AMAG
- Andreas Tschas, CEO of Pioneers

21st Austria, the private initiative by 15 leading Austrian companies, the Vienna Stock Exchange and the Austrian Central Bank, has organized the trip to facilitate an unbiased discussion about the economic opportunities as well as the challenges in the region.

»I was struck by the influence Vienna wields as a portal to central and Eastern Europe - a region of huge commercial opportunity as well as geopolitical significance. That influence could be crucial in the months and years ahead given the situation in Ukraine.«

Dominic Elliott, Reuters BreakingViews

Key take-aways after the two days included:

- **Austrian economy:** The Austrian economy is one of the best performing in Europe. Characterized by around 300 “hidden champions”, world-leading small and medium-sized companies, a stable regulatory and economic environment with low unemployment and strong research, the country came through the financial crisis with little lasting impact. The current situation is dominated by external factors, which might lead to higher reform pressure internally.
- **Austrian reform agenda:** Six areas for reform have been identified and will be implemented, as feasible, in 2015 and beyond: (1) Diversification and export strategy, (2) stable budget, (3) secure energy supply and sustainability, (4) innovation, (5) increase start-ups and finance models, (6) attract and keep headquarters.
- **Austrian banks and corporates:** Successfully passing the European Central Bank’s “stress test”, all Austrian banks made significant progress in strengthening their balance sheets. Challenges in Ukraine and Hungary are dominating the headline, whereas the CEE region is expected to grow beyond average, likely to benefit Austrian banks in 2015. Austrian corporates have benefited from the high demand in specialty products in the first half of 2014. Following slower growth period in the second half, the region is like grow again in 2015.
- **Ukraine:** The situation in Ukraine has cost Austrian companies, especially Austrian banks, money and, in some cases, has led to losses due to write-offs. However, with less than 1 per cent of the total Austria trade it is only a small part of the Austrian economy. Austria politically supports the economic sanctions against Russia, but a compromise, the ending of the sanctions and economic progress might be possible in 2015.
- **New European economic growth:** Despite the current challenges, several factors are likely to contribute to a European growth dynamic in 2015 including a German minimum wage leading to increased wages and consumption, increased export potential due to a weaker dollar and a possible easing of the fiscal tightening in Europe.

The first day of the 2014 Study Trip in Vienna focused on discussions about the opportunities and challenges in the Austrian economy. The second day in the province of Upper Austria (“Oberösterreich”) showed the core of the Austrian model that has led hundreds of ventures to successfully compete globally.

While there are a number of challenges for Austria, the country is one of the most successful economies in Europe and can benefit above average from its solid basis in 2015, especially when

- the Ukraine crisis turns for the better;
- Germany’s export picks up again due to a favorable exchange rate;
- and a European growth agenda will be agreed upon and implemented.

PROGRAM

Tuesday, October 28

- 06:00 p.m. Welcome Roundtable with Reinhold Mitterlehner, Vice Chancellor and Federal Minister for Science, Research and Economy.
- 07:00 p.m. Welcome and Informal Dinner at BAWAG P.S.K., the private equity-owned Austrian Retail Bank, hosted by CEO Byron Haynes.

Wednesday, October 29

- 08:00 a.m. Breakfast briefing on Central and Eastern Europe at Raiffeisen Bank International with CEO Karl Sevelda, senior advisor Herbert Stepic and Valentin Hofstätter, Head of Bond Market/Currency Research.
- 10:00 a.m. Visit to Vienna Stock Exchange with joint CEO Birgit Kuras.
- 12:00 p.m. Participation in the Pioneers Festival, Europe's largest start-up event, hosted by CEO Andreas Tschas
- 01:00 p.m. Lunch with Claus J. Raidl, Spokesperson of 21st Austria and President of the Austrian Central Bank
- 03:00 p.m. Visit to Post AG with CFO Walter Oblin and CEO Byron Haynes, BAWAG P.S.K.
- 05:00 p.m. Roundtable with Ewald Nowotny, Governor, Central Bank of Austria and ECB Governing Council member
- 06:30 p.m. Visit of the Winter Palace of Prince Eugene of Savoy
- 07:30 p.m. Dinner at the Ministry of Finance

Thursday, October 30

- 09:00 a.m. Visit of Raiffeisen Landesbank OÖ with CEO Heinrich Schaller and a presentation by Prof Josef Penninger, Scientific Director, Institute of Molecular Biotechnology of the Austrian Academy of Sciences.
- 12:00 p.m. Visit to AMAG including lunch with CEO Helmut Wieser.
- 03:00 p.m. Visit to FACC, a leading force in the development and production of components and systems made of composite materials.
- 05:00 p.m. Transfer to Vienna or Munich airport; departure

PARTICIPANTS

USA

Tomas Hellebrandt, Peterson Institute for International Economics / **James Medaglio**, U.S. Trust Bank of America Private Wealth Management / **Carter Page**, Global Energy Capital LLC

UK

Dominic Elliott, Reuters BreakingViews / **Marcus Gedai**, Morgan Stanley / **Richard Grieveson**, Economist Intelligence Unit / **James Shotter**, Financial Times / **Annette Weisbach**, CNBC EMEA

SINGAPORE

George Kypraios, Global Cultural Alliance Ltd

THE EVENTS OF THE STUDY TRIP

The short articles on the presentations at the individual events serve to give an impression but by no means the entire scope of the discussions that took place. We have selected the highlights of the event – viewed together these paint an overall picture of the opportunities and challenges facing Austria and its companies in the 21st century.

ROUNDTABLE WITH VICE CHANCELLOR REINHOLD MITTERLEHNER:

The participants of the Study Trip were welcomed by Reinhold Mitterlehner, Vice Chancellor and Federal Minister for Science, Research and Economy. As the Minister is also responsible for tourism, he extended a warm invitation to visit Austria not only for business.

In his presentation, Mitterlehner elaborated on the strengths but also on the challenges for Austria as a business location. Key points of his arguments were:

Key strengths of Austria are:

- A highly capable workforce based on an apprenticeship program. The partnership between companies and the workforce (“Sozialpartnerschaft”) created a big advantage in comparison with other countries leading to almost no unemployment;
- The high quality of life based on security, health, public education and culture;
- A strong network of international trade commissioners support Austria’s high export rate.

Key challenges for Austria are:

- Not enough investment of the public sector due to budget restrains; real growth of 0,7%.
- Slow growth is not only an Austrian issue, but all over Europe;
- ventures are financed by banks, there is almost no venture capital available;
- bank exposure of Austrian banks in CEE was a big success story in the past, currently it is challenging;
- the biggest problem in Austria is its inability to change: people want stability where change is needed.

To tackle the challenges, Austria is implementing a mix of different policies:

- diversification and export; opportunities identified in China (9,8% GDP growth 2000 - 2013 annually) and India (6,7%); especially in clean energy;
- a stable budget and reforms: balance budget discipline with social cost increases, demographic changes, high bureaucracy, federalism, resistance to reform. Priority tasks are (1) budget discipline, (2) reforms in tax, anti-bureaucracy, deregulation, pension system, labor cost reduction;

- secure energy supply & sustainability: shale gas is not an option for Austria at the moment. Action items: Investing in public infrastructure and increase sustainability while balancing competitiveness;
- innovation focus: fostering innovation in the area of new manufacturing (“Industry 4.0”), Horizon 2020 (“80 bn Euro investment until 2020”), innovation transfer to business (“Transfer Center”), IT infrastructure (“broadband initiative 1 bn Euro”).



WELCOME DINNER:

Following a tour of the outstanding architecture of the Otto Wagner's BAWAG P.S.K. headquarters, CEO Byron Haynes hosted a welcome dinner. In his dinner speech Haynes introduced BAWAG P.S.K., one of the most successful Austrian banks in recent years, to the participants. The former union-owned bank is now 92% per cent owned by U.S. private equity firms GoldenTree and Ceberus.

Claus J. Raidl, President of the Austrian Central Bank and Spokesperson of 21st Austria, welcomed the participants and started by mentioning that Frank Lloyd Wright spent many years studying Otto Wagner's architecture before he became one of the greatest American architects, which might serve as an example that there are things worth studying in Austria.

The host and CEO of BAWAG P.S.K., Byron Haynes, introduced the bank as the newest member of 21st Austria. Founded in 1863, the bank has arrived in the 21st century, especially after a restructuring process during the last years. With 1.6 million customers and 500 branches, BAWAG P.S.K. is considered the best retail bank in Austria, also offering an online presence (Easybank) that constantly wins in client satisfaction rankings. Since 2010, BAWAG P.S.K. collaborates with the Austrian Post thus forming a unique combination sharing cost and serving customers. The recent "stress test" by ECB was easily passed by BAWAG P.S.K, which validates the success of the new business model.

»BAWAG P.S.K. is a strong proof point of what Austria and 21st Austria are all about: successful foreign investments in Austria's fundamental strengths.«

Byron Haynes, CEO of BAWAG P.S.K.

CEO Haynes mentioned the following key success factors for the bank:

- Easy to understand, time to market, and transparency are key success factors for the bank, e.g. they introduced a "box concept" that bridges the gap of the virtual financial product and the advantage of a physical product experience by offering all products in a box format.
- Differentiated product model: the bank leaves the product development to third party experts, e.g. insurance or asset management, to focus on client services.
- Cost management: the bank shares retail outlets with Austrian Post that offers convenience for customers and allows the bank to save cost.
- Low risk structure: the clear focus on Austria enables one of the best risk profiles of all Austrian banks. In addition, the bank helps their corporate clients to "go west" as it offers lower risks and better plays to the bank's strengths. The decision to exit CEE was driven by the low market shares in many countries in the region.



RBI: CEE REGION TO BENEFIT FROM GERMAN GROWTH

Raiffeisen Bank International AG (RBI) is one of the leading banking groups in Austria as well as in Central and Eastern Europe (CEE). The main theme discussed at the meeting with RBI CEO Karl Sevelda, CEE expert Valentin Hofstätter and the former CEO (and current Senior Advisor) Herbert Stepic was the current relationship Austria has with the various CEE countries.

RBI is challenged by the current situation in Ukraine and Hungary. However, the bank strengthened its business model and remains one of the leading banks in the region, which is expected to grow beyond average in several CEE countries. RBI research expects the region to benefit especially from growth in Germany projected for 2015 due to a cheaper currency, expansion in monetary policy and rising interest rates in the U.S.

CEO Karl Sevelda gave a short introduction to RBI and then focused on current issues. His key points were:

- RBI considers itself the leading bank for the 1,000 Austrian companies as well as the leading universal bank in Central and Eastern Europe. Its home market is Austria and the markets in CEE, which are served with more than 3,000 subsidiaries. RBI is among the top 5 banks in 10 CEE countries.
- Average profit over the past years has been 1.1 billion euro and thus the most profitable bank in Austria. Due to the current challenges in the region, RBI is expecting the first loss in 2014.
- RBI's situation in the **first half of 2014:**
 - Capital injection by the government repaid
 - Regulatory capital requirements strengthened; solid NIM development
 - "Fit for Future" cost cutting program
 - Lower risk costs in most markets, except Russia, Ukraine and Hungary

■ Situation in Ukraine:

- One comparison shows the issue in Ukraine: In 1991 the per capita income was about the same in Russia, Poland and Ukraine. Today, Russia is 2.8 times, Poland 4.0 times that of the Ukraine, whereas the wealth of the Ukraine oligarchs is 10 times that of Polish oligarchs.
- Good chance for the new government to find a compromise with Russia. A compromise is mandatory to get the country back on track.
- The links between Russia and Ukraine are tight: Russian military technology depends on Ukraine products.
- Expanding the European Union to Ukraine would stretch the limits of the EU.
- New business is expanding in Ukraine, but not in the Eastern parts. No additional capital is required in Ukraine for RBI.
- An independent Eastern Ukraine is the likely scenario for the future.
- The more Ukraine is pivoting to the West the less likely is a compromise with Russia.

■ Sanctions against Russia:

- Currently no significant impact by the sanctions against Russia; that might change with additional sanctions.
- Forecast for Russia was bleak already at the beginning of the year. RBI is committed to Russia and will keep the business stable; there is no expectation for growth in the country. The focus will continue to be on customers in corporate and retail.
- The Austrian government has been a calm voice during the sanction discussion. There tends to be some understanding for the Russian position in Austria. This, of course, does not mean that President Putin should be supported in his aggression.

■ Comments on Hungary:

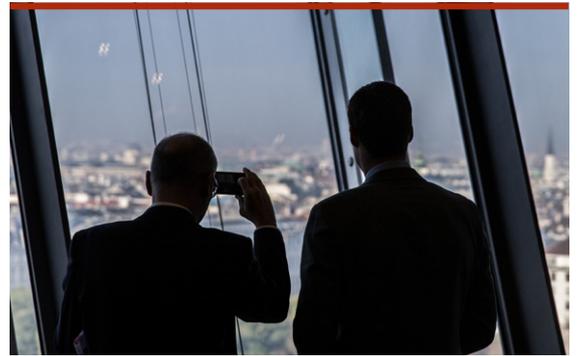
- The U.S. government was the first and only that openly criticized the current government, which RBI considers a step in the right direction.
- The country that has been at the forefront of democratic development. Thus, the current developments are not encouraging.
- An estimated 270 million euro cost with the recent Hungary actions against foreign banks.
- The current demonstrations against the internet tax might trigger more opposition.
- In total, RBI Hungary made significant progress despite strong political headwind; however, the environment remains unpredictable.

■ Comments on the stress test:

- RBI has clearly passed. It was an important step towards the single monetary union.
- Overall results in line with expectations and the Eurozone banks have a stronger capital base than a year ago.
- Outcome for Austrian banks positive, only one bank tested (unlisted) not passing the adverse scenario.
- AQR/Stress test has focused on credit risk.
- Parameters on CEE countries were particularly harsh.

■ CEE economies:

- Fairly solid recovery expected in CEE, that is increasingly broad-based and not limited to Poland and Slovakia.
- CEE growth is less dependent on the development in Russia but growth in Germany.
- German growth for next year is expected to be around 1.5 per cent with upside potential as the Euro exchange rate keeps German products cheap supported by rising interest rates in the US and an expanded monetary policy. This will have a positive effect on the CEE economies.
- Challenges are expected for the Russian economy. However, massive Russian reserves enable the country to support the economy for another 2-3 years without being impacted by the sanctions.



VIENNA STOCK EXCHANGE: STRONG INTEREST FROM INTERNATIONAL INVESTORS

The Vienna Stock Exchange is the leading collaborative exchange providing services for market participants in Central and Eastern Europe. The first half of 2014 showed strong performance, currently the situation in Ukraine and Russia weigh on the markets.

In her speech, Joint CEO Birgit Kuras provided an insight into Austria's capital market and gave an outlook for the remaining months of 2014.

■ Key fact and figures:

- strong rise in equity transaction even in a difficult environment with a total volume of almost 3 billion euro
 - over 80 billion euro market capitalization
 - 88 trading members with 56 international members
 - 105 shares; 3,270 bonds, 1,613 warrants; 4532 certificates, 20 ETFs
 - Vienna Stock Exchange currently calculates a total of 89 indices
- Enormous interest from international investors: U.S. investors are the largest group of investors with about 23% of all investor origin
 - Vienna is the CEE market data hub ("one stop shop") covering 10 stock exchanges and 3 energy exchanges supplying data to 230 clients.
 - Customers increasingly seek non-display usage/derived data.
 - Vienna enables small markets to leverage their data by providing system support, marketing and sales.
 - ATX reflects a cyclical exposure of the Austrian market.
 - International investors value Austria's strong industrial and technology base, the proxy investment for CEE, the stable environment and low financing cost. Challenges are seen in the limited free-float, taxes, the new set-up of the state holding and high number of profit warnings of Austrian companies in 2014.
 - Current development is characterized by reduced visibility in the third quarter:
 - the expected improvement in Europe did not materialize;
 - good visibility for U.S. business (supported by weaker US-Dollar);
 - limited impact from the Russian situation so far;
 - Cost saving remains a management focus;
 - M&A opportunities are being looked at by some players: Vienna Airport, CA Immo, Telekom Austria.



PIONEERS FESTIVAL: CONNECTING OLD AND NEW ECONOMY

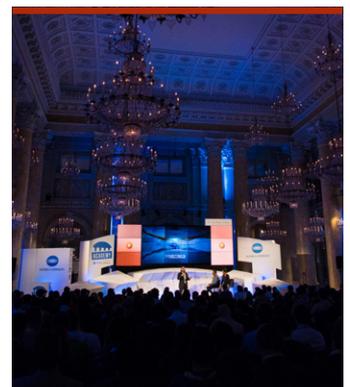
With more than 2,500 participants the Pioneers Festival in the Vienna Hofburg, the former imperial palace, is the flagship event for European startups seeking to expand. Bringing together international investors, media and the wider tech eco-system, the Pioneers festival provides a window into the future by showcasing some game-changing ideas, some of which aim to solve the world biggest challenges.

Andreas Tschas, founder and CEO of Pioneers, together with Klaus Matzka, Partner at Pioneers, gave the participants a guided tour through the rooms of the Vienna Hofburg, bustling with thousands of people. Vienna is increasingly becoming a hub for startups some of which have attracted international attention. Klaus Matzka elaborated on some further points:

- Innovation is disrupting more and more industries. These are exceptional times when photovoltaic or genome cost curves are just two examples where the cost decreased beyond belief.
- This dramatic change has impacted and even destroyed former stars: Nokia, Blackberry, and Kodak are just three examples
- The answer is “self-disruption”: It has been working successfully for some companies – such as Apple and Nespresso – by creating a revolution within the company.
- Austrian startups are part of the global trend with some outstanding ventures. Shpock, Busuu, wikifolio, Durchblicker, Tourradar, Flaviar, Runtastic and Hitbox are examples of internationally successful Austrian startups.
- In 2014 Pioneers teamed up with SpeedInvest to create a 50 million euro European startup fund.

To give the participants a taste of the variety of ventures presented at the Pioneers Festival, three startup founders pitched their ideas:

- 1. Microblink** - the world's first camera calculator. Photomath allows children (currently up to 14 years) to take a photo of their math problems and get immediate help. The app was launched just one week ago and showed exceptionally well response with more than 6 million downloads.
- 2. Scarlet Red** - standardizing visual skin assessment. An app that speeds up drug development by providing dermatological data to big pharmaceutical companies and thus enabling faster and more accurate drug development.
- 3. Holvi** - the future of banking. A cloud-based service that makes banking easier for freelancers and small businesses.



POST AG AND BAWAG P.S.K.: IT'S ALL ABOUT CUSTOMER ORIENTATION

21st Austria visited one of more than 500 partner branches of Austrian Post and BAWAG P.S.K. providing postal and banking services at one location. Austrian Post is one of Europe's most successful companies since its stock listing. Post is serving consumers (mail & branch network) as well as corporates (parcel & logistics).

Walter Oblin, Chief Financial Officer of Austrian Post, gave an overview how the company managed to become one of the most successful listed companies in Europe. His key points were:

- The expansion strategy started 10 years ago has led to a network of companies in Central and Eastern Europe.
- The declining mail market is a challenge for all postal service (-3 per cent annually in Austria). At the same time the parcel market has been growing around 5 per cent annually.
- The Austrian Post strategy is based on four pillars: (1) defending market leadership in core businesses; (2) growth in selected markets; (3) enhancing efficiency and flexibility of cost structure; (4) customer orientation and innovation.
- Listed since 2006 as a defensive, dividend stock, the Austrian Post has been able to increase its dividend over the last five years leading to a Total Shareholder Return of +175 per cent (EuroStoxx +44 per cent) making Austrian Post one of Europe's most successful IPOs.

Bryan Haynes, CEO of BAWAG P.S.K., further elaborated on the common retail strategy:

- Multi-channel approach: centrally-managed branch network, self-service centers, online with approximately 59 per cent of total transactions;
- simplified product offering with just 9 products: reduced complexity, greater sales productivity, easy to sell, easy to understand, easy to identify - physical boxes as all financial products are virtual;
- "shop-in-shop"-concept with banking, postal and mobile phone services, 24/7 access to the self-service area.



OENB: THE KEY TO GROWTH

A discussion at Oesterreichische Nationalbank (Central Bank) focused on the situation of Austria's banks and the sector's strong commitment in CEE countries. OeNB Governor Ewald Nowotny explained the situation of the banking sector after the ECB stress test.

Strong Austrian fundamentals and with the country's low risk profile, led to a strong European focus during the discussion: while the situation in CEE and the slowdown in Germany contributed to a downward revision for economic outlook in Europe, two factors are likely to help the European economy in 2015: better outlook for the German's export and end to fiscal tightening in Europe. Ewald Nowotny, Austrian Central Bank Governor and member of the European Central Bank's governing council, presented his outlook:

- The ECB had to revise the economic outlook for Europe downwards, but a recession is not expected.
- Inflation rate in Europe is low, but there is no fear for deflation.
- Positive outlook for the next year, but less positive than six months ago.
- **Reason for positive outlook:**
 - German government introduced a minimum wage, which might be a good thing for increased wages and consumption, increased export due to a weaker dollar and fiscal tightening in Europe seems over.
- **Reason for challenges:**
 - Events in Ukraine lead to slowing economic dynamic, especially in the German market.

»Austrian banks are generally well capitalized as we at the Central Bank takes a conservative approach, meaning that we want to make sure that banks are prepared. That is why the stress test was particularly strict regarding Austrian banks' exposure to CEE.«

*Ewald Nowotny, Austrian Central Bank Governor
and member of the European Central Bank's governing council*

- **Stress test results:** Austrian banks are generally well capitalized as the Central Bank takes a rather conservative approach. One bank in Austria has failed (Volksbanken), but the Austrian Central Bank is already working with the bank to resolve the issue with good progress since the cutoff date.
 - Starting on November 4th, the ECB will be responsible for supervision of the biggest banks in Europe.
 - The stress test was particularly strict regarding banks' exposure to CEE. The main reason for Volksbanken failure was their business in Romania.
 - A positive stress test result was the pan-European agreement on measurement criteria and definitions.
 - The implementation of the supervision of the ECB is good, but not easy: joint supervisory boards with many different languages.
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- **Growth** is needed to solve European issues:
 - There are discussions about taking action with increased direct investments, this mainly applies to Germany.
 - The European Investment Bank can become more active in steering growth.
 - The key to growth in Europe is private investments.
 - Central Banks are very good in fighting inflation, but not good at fighting deflation. Certain structural reforms are needed to grow European economies.
- Compared to the U.S. and UK, Europe economies depend on bank lending rather than capital markets. QE is therefore more effective in a capital markets financing environment like the US or UK.
- Swiss central bankers are challenged by the slow growth that led to a rate reduction to zero per cent, which in turn had real estate prices rise significantly.



DINNER AT THE MINISTRY OF FINANCE:

Originally built as a lavish stately residence for Prince Eugene of Savoy, then acquired in the 18th century by Empress Maria Theresa before being used for the Court Treasury and later as the Ministry of Finance, the Winter Palace in downtown Vienna has finally been restored to a center of art and culture. With the opening of this Baroque jewel in October 2013, the principal rooms of Prince Eugene's state apartments have become accessible to the public.

After a guided tour through the opulently decorated rooms of the Winter Palace, the participants gathered in the adjacent Ministry of Finance for dinner. Welcomed by Deputy Minister Gerhard Zotter the group was also joined by Bernadette Gierlinger, Deputy Minister at the Ministry for Science, Research and Economy as well as several members of 21st Austria.





RAIFFEISEN LANDESBANK OBERÖSTERREICH: CREATING THE BEST ENVIRONMENT FOR SCIENCE

With a long-term focus the region of Upper Austria has managed to create a system of research, finance and production that has been globally competitive: IMBA, AMAG and FACC are just three examples of the hundreds of “hidden champions” supported by world-class research institutions and a strong regional bank.

In Linz, the capital of the province of Upper Austria, Bernhard Marckhgott, Head of Public Affairs at Raiffeisen Landesbank Oberösterreich (RLB OÖ), informed the participants about the strategic focus of a regional bank that still aims at having a global impact:

- Science and research are the only way to compete long term for the bank: Supporting Linz and Upper Austria with the best environment for scientists creates a win-win situation: Science attracts companies, creates jobs and sustainable business in the long run for the bank.
- The bank has become a major player in the financing of private science; the Institute of Molecular Biotechnology (IMBA) is just one example. RLB OÖ supports science beyond money: as a “one stop shop” for banking and finance the bank provides essential support of attracting international academia to Austria.
- The city of Linz benefits from the bank’s activities: many small and medium-sized companies with 200 to 600 employees are world market leader in their respective fields. AMAG and FACC are just two examples of the more than 300 local investments.
- The bank is also the biggest shareholder of voestalpine enabling a longterm perspective.
- A regional bank relies on trust: 300 investments locally, one third of which were made during the financial crisis. Since 2012 the bank has a dedicated member of the board who is supporting these companies: either with structural support, or with the repayment of the investment or a divestment. With 60 per cent market share in Upper Austria RLB OÖ needs to care about the region and the people.
- At the same time, investing in these companies when needed is crucial for the bank and the long-term competitiveness of the region. Thus, the suggested EU banking separation rules cannot be in the interest of the bank, the companies and the region as a whole.

»Science and research are the only way for the region and the bank to compete long term. Creating the best environment for scientists is a win-win: It attracts companies, which create jobs and enables a sustainable business for the bank.«

*Bernhard Marckhgott, Head of Public Affairs,
Raiffeisen Landesbank Oberösterreich*

Professor Josef Penninger, a world-renowned scientist in molecular biology and CEO of the Institute of Molecular Biotechnology (IMBA), then described the areas of his research and the current environment for scientists in Austria:

- With a budget of 30 million euro and more than 200 people, the IMBA is one of the largest European institutes and part of the large Vienna life science hub with more than 1,500 scientists. US-based Baxter and Germany's Boehringer Ingelheim have their headquarters for oncology in Vienna.
- IMBA is a basic research institute of the Austrian Academy of Sciences where an international team of scientists conducts curiosity driven research to determine molecular mechanisms of biological processes in health and disease.
- The basic approach is to genetically manipulate and change genes in mice and to determine the effects of these mutations in development of the whole organism and in diseases. From these mutations basic principles of development and basic mechanisms of disease pathogenesis are generated. It enabled breakthrough cancer treatments for children or breast cancer.
- As the first European institution the IMBA received a 7 million US dollar grant from the U.S. Department of Defense.
- Recently, the institute made global headlines by creating the first human brain out of one stem cell.
- Many of these breakthrough results are only now possible as technology enabled scientists to reduce the time of genome dissection from a decade to one day. One sequence used to cost half a billion dollars, now some companies are offering it for free and just sell the information generated. A concrete application is the question of how to solve the challenge that China has 100 million people with diabetes and 400 billion with pre-diabetes. In China and India people are genetically pre-disposed to have diabetes.
- Not only big pharmaceutical companies are interested in the institute's finding, but increasingly large food companies as healthy food is considered the next future market.



AMAG: YES, WE CAN

AMAG, the innovative global specialty aluminum producer, is positioned in a highly attractive growth market and enables leading customers like Boeing, BMW or Daimler to produce light, fully recyclable and highly durable aluminum-based products.

■ Key fact and figures:

- Revenue 786 million euro; EBITDA 123 million euro; 1,564 employees (all 2013)
- Aluminum and specialty aluminum is the material for the future: sustainability and environmental considerations will require lighter and fully recyclable products that provide quality at the same time.
- Secured access to resources and long-term energy contracts ensure a favorable cost position for AMAG.

Helmut Wieser, the CEO of AMAG AG who credibly describes himself with the statement "I am an aluminum guy", attributed the company's success to the following factors:

- AMAG is supplier for leading companies worldwide, including Boeing, Airbus, Audi, Daimler, BMW and Shimano in Japan. All of these are long-term customers, many for more than 30 years.
- A number of factors make aluminum a product for the future: It is infinitely recyclable and light.
- The company has been profitable for the last twenty years.
- Good basis for metal from the supplier in Canadian smelter, where AMAG is a large shareholder and chairs the supervisory board.
- It is expected that the new CO₂ law in the U.S. in 2020 will lead to an increase – up to 10 times – in demand for aluminum. U.S. CAFE requirements for cars can only be achieved by using aluminum. For instance, Allan Mullary, Ford's CEO and a former aircraft executive, has recently decided to manufacture one of the U.S. best selling cars, the Ford F150, completely with an aluminum frame. Tesla is changing to aluminum in order to enable recycling.
- The global aviation market will double in the next 20 years. AMAG has been a supplier for the industry for more than 30 years and is likely to benefit as the total demand as well as the percentage per unit is increasing, e.g. an A380 needs 10 times more aluminum than other planes because of the wide body.
- Only five companies worldwide can produce outside sheet because high requirements in the automotive and airplane industry.
- Currently, joint development and increased production (by 50 per cent within the next years) is being conducted with the top 20 customers.
- Hydraulic fracking is game changing for AMAG: the price in Austria is almost double; secured supply with competitive energy prices is essential; current contracts run until 2029.
- AMAG did its IPO in 2010, then B&C Industrieholding, a Viennese group in support of the Austrian capital market, stepped in with 34 per cent. By now they own 50 per cent, 16 per cent is owned by Raiffeisen Landesbank Oberösterreich, 11 per cent is owned by the employees, free-float is at 20 per cent with low liquidity. Shareholder return is above 50 per cent even in times of low aluminum prices.



FACC: THE SKY IS THE LIMIT

FACC is the largest pure play Tier 1 supplier of composites components in the aircraft industry. The company initially listed at the Vienna Stock Exchange in June 2014.

■ Key fact and figures:

- Revenue 547 million euro; EBIDA 60 million euro (11%); 3,000 employees
- In the late 1980s, the Fischer ski research department applied the “ski sandwich technology” to the aircraft industry, providing significant saving in weight and durability.
- Today, FACC is divided in three divisions: aero structures, engines & nacelles, interiors with the main characteristic of weight reduction, noise reduction, fuel use reduction.

Andreas Schoberleitner, Vice President Finance of FACC, gave an introduction to this hidden champion stressing the following points:

- Research and development is based on the FACC engineering knowhow. FACC components are used in all flying planes.
- 2011-2014 strong underlying profitability with margin expansion
- **Goals for 2015 and beyond:**
 - global growth to 1 billion euro
 - extend market position as preferred Tier-1 partner
 - established systems integrator in all divisions
 - technological leadership in all divisions
 - sustainable profitability
 - excellence
- **Outlook:**
 - future top line growth through participation in fast growing programs: significant potential for products engineered in the last three years;
 - leverage past investments in R&D and production capacity;
 - significant margin expansion from economies of scale and operational excellence.

