

# Austria: Europe's center of opportunity

A new government brings an investor-friendly outlook to the country

Having elected a young and dynamic new government headed by Chancellor Sebastian Kurz in 2017, 2018 saw one of the world's most important economies return to the international spotlight—Austria, a country geographically and ideologically located at the heart of Europe and the European Union (EU) that “acts as a bridge builder between the east and west,” states Kurz.

It has consistently ranked as a leading destination for foreign direct investment (FDI) for many years, as well as “probably the most secure and most beautiful place to live,” he says. But international interest is increasing in a country predicted to see its economy's success outstripping that of many other EU countries, including Germany. Reflecting on some of the achievements his government has overseen after just a year in power, Kurz notes that Austria has reached its first budget surplus for 65 years. In addition, “We have an economic growth rate of close to three percent and unemployment is going down; we are now on the right path to achieve even better results,” he says.

This path includes a number of major economic reforms. “We have reformed the labor law to make it more flexible and we have started to reduce the tax burden so that we become more competitive again,” explains Kurz. “We are a very business-friendly government,” he stresses, noting that another change to the tax regime will take place by 2020, which will include a reduction in corporate tax rates.

## Supporting investors and business development

With the business environment flourishing, the investment promotion agency ABA—Invest in Austria, “expects the fourth record year in a row” for FDI in 2019, says its managing director René Siegl. Providing a one-stop shop for international investors, ABA supplies information, support and consulting services free of charge for a wide variety of sectors. “When people think of Austria, they think of tourist clichés; yet we are one of the richest countries worldwide

**We have an economic growth rate of close to three percent and unemployment is going down; we are now on the right path.**

Sebastian Kurz, Chancellor of the Republic of Austria

and our manufacturing sector is as comparatively large as Germany's,” says Siegl, who adds that a lot of FDI is currently going into innovative areas such as “information technology, business services, technology, pharmaceuticals and biotechnology.” In his view, three things make Austria ideal for investors: “It ranks as one of the most stable countries worldwide, no state in the world is as knowledgeable or connected to Central and Eastern Europe, and Austria offers excellent incentives—you receive a refund of 14 percent on research and development (R&D) expenditure, for instance.”

This has helped Austria become “second in Europe for R&D spend” says Margarete Schramböck, Minister for Digital and Economic Affairs. The number of innovative entrepreneurs is also rising rapidly and one way her ministry is supporting them is by embracing digitalization. A new digital agency is assisting small and medium-sized enterprises, countrywide innovation consul-



IMAGE © SHUTTERSTOCK/HENRYK SADURA

tation hubs are opening, and the government is investing in advancing digital skills and e-government, she says.

Schramböck believes that new technologies will “help us to reindustrialize Austria and Europe. As an example, the world's most modern digital steel factory is going to be built in Austria, creating jobs and a new type of industry that doesn't harm the environment.” She wants to enable developments like this by monitoring advances without overregulating—a key example of the new government's focus on becoming, as she describes it, “a service partner to business, making it easier for companies to set up, to invest and to grow.”

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# Stable finances enable innovation

Legislators, agencies and banks bring new technologies and business models to the financial sector

One of the major advantages Austria has traditionally offered investors is its stable financial position. This is set continue under Minister of Finance Hartwig Löger who believes it is his job to “strike a balance between keeping public finances in order and supporting successful economic developments.”

Having achieved Austria’s first budget surplus in 65 years, he is now “focusing on sustainable budgeting,” for the short, mid and long term, he says. Financial markets seem pleased with the government’s progress, Löger states: “Bond yields are favorable, fiscal rules are deemed to be respected and no macroeconomic imbalances are observed.” In addition, economic growth is above Europe’s average. “This will bring further investment impulses and offer stable growth ratios,” he says.

As well as stability, the government is bringing innovation to finance. 2019 will see a third market on the Vienna Stock Exchange being opened to small and medium-sized enterprises (SMEs), “the backbone of the Austrian economy,” notes Löger. The Ministry of Finance has also set up a Fintech Advisory Board, made up of stakeholders from regulators to financial startups, in order to put a legal framework in place to support the new sector’s development.

Also ensuring stability is the Austrian Treasury. “Our main focus is to have a risk-averse portfolio,” says its managing director Markus Stix; “Austria is a safe haven for investment.” However, the treasury is also open to innovation and was the first in Europe to successfully trial blockchain for issuing bonds. The central bank, Österreichische Nationalbank (OeNB), is another technology-minded body. For example, it is rolling out a new instant payment system with the European Central Bank. Alongside the Financial Market Authority, OeNB regulates Austria’s banks, its governor Ewald Nowotny explains: “We have been quite tough. Today, they have Tier 1 ratios beyond the European average and non-performing loan ratios way below European averages.”

Although tough, “Austria provides a very stable regulatory and legal environment,” stresses Anas Abuzaakouk, CEO of BAWAG, one of Austria’s top four banking groups and a company that has found success through innovation. Established in 1922, BAWAG adopted a new and unique business model after 2006 when it was taken over by a consortium led by U.S.-based Cerberus Capital Management, which still has a 35-percent holding.

“We went back to basics. Our bank appeals to mass-market retail, SMEs and also does selective corporate lending,” says Abuzaakouk; “Our viewpoint is ‘simplicity and efficiency’. Being transparent, understanding the terms and conditions, offering a fair price, having good financial advisors and a national network is a winning formula.” This approach has won BAWAG “over 2.5 million customers, predominantly in Austria but also in Germany and we are Austria’s most profitable bank,” he notes. It also led to BAWAG’s initial public offering in 2017 being the largest ever seen in the country. As “probably one of the most acquisitive banks in Europe,” says Abuzaakouk, the bank would like to continue to grow through strategic acquisitions in stable regions such as Germany and Austria, which is “a hidden gem in banking,” he states.

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**Anas Abuzaakouk**  
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## The regional hub for financial services

Investors look to Austria to navigate  
Central and Eastern Europe

At the crossroads of east and west, Austria is the international financial services hub for the rising economies of Central and Eastern Europe (CEE).

“The CEE markets we operate in are growing with double the growth rate of Europe’s developed markets,” says Johann Strobl, CEO of Raiffeisen Bank International, Austria’s second largest bank with desks in 13 CEE countries; “We believe that these markets will become very attractive for international investors.” Vienna —as opposed to, say, Frankfurt or London—is the partner of choice for investors operating in the region, he states: “All the CEE expertise and engagement is here. Vienna has the know-how and experience to understand and navigate the cultural differences across every country.”

Raiffeisen is one of a few Austrian banks that have been developing their CEE businesses since the 1990s. “We are a mid-sized regional banking group with €140-150 billion in total assets. What differentiates us from many others is that our network in CEE is very large,” says Strobl. A further differentiation is its startup accelerator program that gives smaller businesses immediate access to its CEE network. By working with Austrian service providers like Raiffeisen, investors receive expert guidance on doing business in a diverse region. “We have dominance and guidance from the European Union (EU) regulators and we also have local regulators in every country, some of which are not members of the EU,” he explains; “This creates a lot of complexity.”

Although complex, CEE offers great potential, he believes: “The need for additional banking services is growing as the income of the population is growing.” Wolfgang Viehauser, joint CEO of Hypo Noe, Austria’s largest provincial bank agrees: “We have seen a huge amount of development across CEE and have increased our credit book there by 70 percent.” CEE’s insurance market is also rising, says Elisabeth Stadler, general manager and CEO of Vienna Insurance Group, the region’s leading insurance provider. Highlighting countries that have joined the EU, she says: “Clients have more money to buy more expensive goods, and they are also considering life and health insurance. We expect tremendous growth potential in the next few years in these countries.”

Some CEE countries, such as Russia and Turkey, are considered non-marketable insurance risks, although that gap is plugged for Austrian companies by

Oesterreichische Kontrollbank. “We are the official export credit agency, while being a private company,” says board director Helmut Bernkopf; “We insure the risk of an Austrian exporter, finance Austrian companies that want to build up export capacities and also support financing investments into CEE.”

While CEE is an important international focus for institutions, it is not the only one. The Austrian Mint’s gold coins, for example, are popular in Japan, says CEO Gerhard Starsich: “So we are setting up an international network in Austria to address Asian markets.” But in terms of international spread, at the head of the pack is APK Pensionskasse, a major private pension fund provider. “We have always invested globally,” says CEO Christian Böhm. However, he points out: “There is no dedicated home bias in our investment strategy but we are convinced that we have in Austria a lot of interesting investment opportunities—you just have to know where those hidden champions are.”



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# Vienna: The city of the future

Smart and sustainable development plus a strong business ecosystem make Austria's capital the best place in the world for tourism and business

Home to nearly two million people, “Vienna is one of the most successful tourist destinations in Europe,” says its mayor and governor Michael Ludwig.

16.5 million business and leisure visitors stayed in the Austrian capital in 2017, drawn by the same things that have put it at the top of the Mercer Quality of Living survey for nine years in a row. According to Ludwig, these include the fact that the beautiful city is a renowned cultural capital, living costs are reasonable and green spaces make up 50 percent of Vienna. Smart and sustainable urban planning is a priority for a city with one of Europe's highest growth rates, he states: “We have a number of urban expansion projects. One of them, Aspern, is one of the largest in Europe. We are developing the city of the future there.”

Companies are also increasing Vienna's sustainability. Österreichische Post, Austria's postal company, “plans to install huge photovoltaic panels at our new distribution center north of Vienna,” says its CEO Georg Pözl. But one of the biggest symbols of Vienna's green credentials is the Freudenau hydropower plant on the River Danube, which provides electricity for 280,000 households. It is owned by Verbund, “Austria's leading electricity company and one of Europe's largest hydropower producers,” says CEO Wolfgang Anzengruber.

Headquartered in Vienna and trading in 12 countries, “Verbund has diligently followed the path of decarbonization. Today, roughly 95 percent of our generation is carbon-dioxide free and comes from renewable sources,” he states. Among other things, the company is now looking at digitalization in order to bring it closer to its customers, who will increasingly generate their own electricity, Anzengruber believes. And there are plenty of companies in Vienna to help Ver-



Verbund: Hydropower storage plant

bund with this. “Vienna is a smart city—often regarded as the smartest worldwide,” says Gerhard Hirczi, managing director of Vienna Business Agency (VBA), which aims to strengthen business through financial support, advice and real estate activities.

A major focus for the city is manufacturing, he notes: “At the same time, Vienna has competitive advantages in, for example, life sciences, digitalization and urban technology. In addition, 50 percent of Austrian startups are based in Vienna and no other city in Europe offers such a rich startup ecosystem regarding grants.” Part of this ecosystem is Austria's leading telecom company A1 Group. “We target startups who have good links to our core business,” says CEO Thomas Arnoldner; “For instance, ParkBop a smart parking company that we host in our Vienna startup campus, is now expanding to America.”

As Vienna becomes better known as a thriving business location and not just for its quality of life, VBA is the first port of call for a growing number of foreign businesses looking to relocate, Hirczi says: “In 2017, we hit a new record: 191 international companies came to Vienna.”

## Climate of change

One thing impacts all aspects of Minister of Tourism and Sustainability Elisabeth Köstinger's wide-ranging brief, she says: “Tackling climate change is one of the fundamental challenges of our century, and crucial for agriculture, energy and tourism.”

Energy is a key focus for her: “Around 72 percent of our electricity comes from renewable resources but we aim to raise this to 100 percent by 2030.” Another is a pioneering banning of non-biodegradable plastic bags. Her ministry has also involved all stakeholders in a new strategic and sustainable tourism plan. “For winter tourism we are the world's number one and we are now aiming to attract tourists during spring and autumn,” she says, adding that Austria is also looking to build new tourism sectors, such as health tourism at its famous lakes and spas, and gastrotourism.

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## Experience the unique Austrian way of life

The world's number one winter tourism destination offers a winning combination of attractions

Contributing 16 percent of GDP, tourism is booming in a country that regularly ranks as one of the world's top 15 tourist destinations.

"From enjoying the rich culture of Vienna to experiencing the Alps through skiing, hiking and other activities—it really is a winning combination, explains Petra Stolba, CEO of the Austrian

### Our ambition is to become Europe's second 5-star airport.

Julian Jäger, Chief Operating Officer  
Vienna International Airport

National Tourist Office. The alpine country has a competitive and forward-thinking tourism industry, she says: "We don't engage with mass tourism and offer an indulgent experience into the Austrian way of living with culinary delights and welcoming hospitality."

For many, the first experience of that hospitality is at Vienna International Airport, which expects

to handle 27 million passengers this year. "This represents a 10 percent increase on last year," says chief operating officer Julian Jäger; "Our airport infrastructure is well and truly prepared for this increase but we want to invest up to \$575 million in our terminal infrastructure over the next five years—our ambition is to become Europe's second 5-star airport after Munich."

"We also had growth in every hotel sector, from 5-star to 1-star," says Michaela Reitterer, president of the Austrian Hotel Association, a lobbying organization with over 1,400 members. "We are following a path of quality and not quantity—this is what makes Austrian hospitality so successful and why people keep coming back," she states, noting that the country's offering perfectly matches trends in global tourism centered on desires for organic food, health, mindfulness and utilizing smaller and local hotels, restaurants and shops. Her message to those considering where to vacation next is: "Visit Austria! We are more than just the Sound of Music. We have incredible landscapes and culture, and it's beautiful here—I'm so proud to be Austrian."

## Setting the trends in tourism

A spotlight on the market leader:  
Verkehrsbüro Group

Austria's leading tourism enterprise, the Verkehrsbüro Group, is "a one-stop-shop. Our clients approach us because we have everything they might need for travel," says CEO Martin Winkler. The group tops the market in leisure tourism through a division that includes retailer Ruefa, with over 110 Austrian branches, and Eurotours, which offers vacations in Austria and worldwide travel. A second division covers business tourism, meetings, incentives, conventions and events, while a third is a successful hotel group, operated under its own brand, Austria Trend Hotels, and in a partnership with Germany's Motel One.

It is in hotels that Winkler sees most growth potential: "We have a strong basis for opportunities in Austria and neighboring countries including Germany." In all of its businesses, however, "we want to stay number one, which is why we are constantly in search of innovation," he says. This means continuing to invest in infrastructure and digitalization, adapting products to specific markets, and more international partnerships. "Tourism is a growing industry and a very worthwhile investment option," says Winkler.

## Keep Discovering



Borealis is a leading provider of innovative solutions in the fields of polyolefins, base chemicals and fertilizers. With its head office in Vienna, Austria, the company currently has around 6,600 employees and operates in over 120 countries. Borealis generated EUR 7.5 billion in sales revenue and a net profit of EUR 1,095 million in 2017. Mubadala, through its holding company, owns 64% of the company, with the remaining 36% belonging to Austria-based OMV, an integrated, international oil and gas company. Borealis provides services and products to customers around the world in collaboration with Borouge, a joint venture with the Abu Dhabi National Oil Company (ADNOC).

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**Georg Kapsch**  
CEO, Kapsch Group



**Norbert Hofer**  
Minister of  
Transport,  
Innovation and  
Technology



**Alfred Stern**  
CEO  
Borealis



**Heimo Scheuch**  
CEO  
Wienerberger



**Peter Oswald**  
CEO  
Mondi

IMAGE: © BOREALIS

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- KURT KEINRATH

## International innovators rooted in Austria

### Austrian companies are transforming global industries

While most Austrian companies are small, the country is home to some major businesses that are changing the world through innovation.

One is OMV, an integrated oil and gas company with a portfolio covering four continents and annual sales of \$23 billion. It is committed to growth, says CEO and chairman of the board Rainer Seele: “Over three years, we have increased our production from 300,000 to 500,000 barrels per day.” A big part of its new investment is directed at gas to help contribute to sustainable energy. “If we switch from coal-based power generation to natural gas we can reduce carbon-dioxide (CO<sub>2</sub>) emissions by 50 percent and if we switch from a gasoline-based car to a natural-gas car, we can reduce emissions by 20 percent,” explains Seele.

The company is also investing up to \$575 million in innovative energy solutions. For example, “OMV has done lots of research and development in a new technology we call Re-Oil. Instead of burning plastic waste, we are producing high-quality synthetic crude oil with the waste as a feedstock. We can transform that oil into diesel gasoline, polyethylene, polypropylene—the full spectrum. Investing into the value chain and lifecycle of our products is a huge

contribution from OMV to the reduction of CO<sub>2</sub> emissions,” he says.

The key philosophy behind plastics, base chemicals and fertilizer manufacturer Borealis is “value creation through innovation,” says CEO Alfred Stern. 36-percent owned by OMV and 64-percent by Abu Dhabi’s Mubadala, it is Europe’s second biggest polyolefin thermoplastic producer. Through its activities and those of Borouge, a joint venture with the Abu Dhabi National Oil Company, it supplies a wide range of worldwide customers.

“The versatility of the polymers that we make means that we can continually innovate and improve production processes while increasing performance,” he says, adding that the company is expanding internationally. For instance, it is investing in a large Belgian plant that will produce propylene and has formed a joint venture in Texas to take its proprietary technology to the U.S.

One of its focuses is the circular economy. “In 2016, we became the first polyolefin producer that was also a recycler. We design our products so that they are reusable and easy to recycle. Then comes waste collection and management. We then work on improving our recycling technology to make better products from those

materials,” Stern explains. Through this, and by using less resources in products, he believes that Borealis makes a major contribution to sustainability as an innovative market leader.

Innovation is also key in the oil and gas equipment sector, says Gerald Grohmann, CEO of Schoeller-Bleckmann Oilfield Equipment, one of the largest firms on the Vien-

na Stock Exchange: “Austria is the home of many global market leaders with niche technologies; we are one.” Another is Lenzing, global leader in sustainable wood-based cellulose fibers. “We invented Modal and were one of the inventors of Lyocell,” says CEO Stefan Doboczky. His company, like those previously mentioned, “has developed into a truly international company with Austrian roots.”

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# Digitalization leads to innovative infrastructure

Austria is at the forefront of transportation and construction infrastructure development

Austria is a European leader in infrastructure investment. “We intend to invest €13.9 billion into the development of the railway, for example, and we have €1 billion reserved to decarbonize local transport,” says Norbert Hofer, Minister of Transport, Innovation and Technology.

In addition, the agency responsible for the main road network, ASFINAG, is working on various construction projects, says CEO Klaus Schierhackl. All these investments are utilizing innovation for a transforming world. “Things are changing really quickly,” says Hofer; “This particularly holds true for autonomous driving, drones, the Internet of Things (IoT) and blockchain.”

Austrian companies are at the forefront of some of these changes. “We are at the edge of technology, at the edge of solutions and are very strong in the market segments we serve,” says Georg Kapsch, CEO of Kapsch, one of Austria’s most successful technology groups with about 100 subsidiaries and offices around the world; “Anyone who knows about road-tolling and connected-road technologies knows Kapsch because we are driving the market. The same applies to railway communication systems and, in so many countries, information technology and IoT solutions.” Kapsch believes that the development of autonomous cars is a big growth opportunity

for his group: “We provide infrastructure as well as in-car devices, and platforms to manage and optimize traffic flow, safety and security. Kapsch has always been an active disruptor—we are well prepared for a future of smart transportation.”

Another Austrian business, Wienerberger, is shaping the future of smart construction. The innovative building materials company is active in over 30 countries and is the world’s largest producer of bricks, as well as being a leader in piping and paving materials, among other things. “More than 25 percent of our turnover comes from innovative products,” says CEO Heimo Scheuch and Wienerberger is also an enthusiastic adopter of digitalization, from customer-centric databases, to automated factories and logistics systems. Now it is moving to the next stage, he says: “When a house is built, it’s not only built with our bricks but also with our pipes for water and electricity. You can use our data on these different materials to run the house very efficiently. He speaks for many in Austria when he adds, “Future development and sustainability play a very important role for us.”

# A hidden champion for recyclable packaging

Mondi is contributing to a better world with paper and flexible plastics

By announcing a ban on most plastics bags from 2020, Austria is at the forefront of the world’s shift away from non-recyclable packaging. “It means a big comeback for paper packaging in the global market and Mondi Group is leading that by a wide margin,” says its CEO Peter Oswald.

“We are the world leader in kraft paper and industrial bags, and we are using this capacity to produce more consumer bags. You will progressively see more of our paper stand-up pouches replacing plastic, for instance,” he adds. The paper and

flexible packaging group employs about 26,000 people—and it is growing quickly, with annual revenues of \$8 billion and 2018 third quarter earnings up 30 percent on the previous year.

Mondi has no intention of standing still, Oswald says: “We are constantly developing innovative products. Currently, we are building a paper machine for a totally unique product. It produces one layer of virgin pulp and another of recyclable paper, which has important environmental benefits while retaining print and appearance quality.”

The company is also a pioneer in flexible plastic packaging. “We have developed a product made of two layers that are easy to separate and recycle. And we are already working on products that will have just one layer of recyclable material,” he states.

The company currently has around 100 production sites in over 30 countries and is expanding, he says: “We are increasing our footprint in the U.S., where we now have nine plants, and in Asia. Mondi’s vision is to contribute to a better world and we will do so with our sustainable packaging.”

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Minister of Sustainability and Tourism

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**Martin Winkler**  
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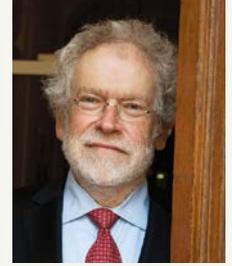


**Heinz Engl**  
Rector University of Vienna

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**Hubert Hasenauer**  
Rector, University of Natural Resources and Life Sciences



**Anton Zeilinger**  
President Austrian Academy of Sciences

# Academia focuses on research

The international prominence of Austria’s well-funded universities and institutes is growing

The Austrian government prioritizes research, technology and innovation—sectors it believes are the driving forces for sustainable economic growth.

“We have established a paradigm shift: we have become a research country,” says Heinz Fassmann, Minister of Education, Science and Research. The statistics prove him right: research and development expenditure is around 3.2 percent of GDP, the second highest in Europe and seventh worldwide. “Now,” he adds, “it is our responsibility to expand and strengthen our position—we have to invest in our human resources through our education system.” The new government is doing just that and has announced an almost 10-percent increase in spend for education, which already receives 5.4 percent of GDP.

The well-funded education and research system, which includes internationally renowned universities and institutes, has provided the impetus for many research-intensive companies to be created in, or move to Austria. “Leading people in the high-tech industry have told us: we are interested in your ideas and patents but what is much more important to all of us is the quality of education you provide,” says Anton Zeilinger, quantum physics pioneer and president of the Austrian Academy of Sciences (ÖAW), the country’s main non-university research and science institution. Operating 28 research institutes covering sciences and humanities, ÖAW excels in a broad spectrum of innovative areas—especially Zeilinger’s own specialism—for which it has been rewarded with 44 European Research Council grants. “We support young researchers very actively, are collaborating with every industrial and emerging

country, and, through academic training, produce people of outstanding quality—this is what the economic sector needs from us,” states Zeilinger.

The University of Natural Resources and Life Sciences (BOKU) in Vienna, a name that has become internationally synonymous with the term sustainability, is another institution educating to an exceptional level, with 80 percent of its students in work within six months of graduation. “Our approach creates leaders,” explains its rector, Hubert Hasenauer: “BOKU was founded on the premise of building an educational program comprised of three pillars: technical, ecological and socio-economic. We must solve real-world problems and you don’t acquire this skill if you educate students in just one discipline. Consequently, we require an integrated approach whereby we couple research and education.”

As interest in studying environmental issues increases, BOKU has become one of Europe’s fastest growing universities and it is now the preeminent university for research into the bioeconomy—the replacement of fossil fuels and related materials to tackle climate change. “BOKU is also very good at researching the impacts of climate change, and we are proud to be leading researchers in avalanche control and disaster management. I am convinced BOKU will continue to strengthen its role as a responsible university for natural resource management, especially in an international context,” adds Hasenauer.

Associated with 20 Nobel prize winners, Austria’s largest research and education institution, the University of Vienna (Universität Wien) scores highly in global rankings for a wide range of subjects. It also believes its international position is set to rise even further, says its rector, Heinz Engl: “We are entering an extraordinary period. For the next three years, we will benefit from an extra \$230 million in federal funding. We intend to put this money towards developing the university and increasing the number of professorships by 70. Determined to stay at the forefront of innovative technologies, the university is investing in future-oriented fields of research, including data science, machine learning and digital humanities. With other institutions also benefiting from the government’s increasing education budget, he concludes: “Austrian universities are on the up.”



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Our oceans matter. That's why we at Mondri have invented BarrierPack Recyclable – award-winning packaging that is 100% recyclable\*. No downcycling. No waste to landfill. Our BarrierPack Recyclable is perfectly suited for food, pet care, home and personal care packaging that adds brand value, appeals to environmentally minded consumers and supports the circular economy. Find out more at [www.mondigroup.com/BPR](http://www.mondigroup.com/BPR) – In Touch Every Day.

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\*Where suitable recycling systems are in place

