*We deliver for you.*

Post.at

# Annual Report 2008

Austrian Post

# *The future is yellow!*

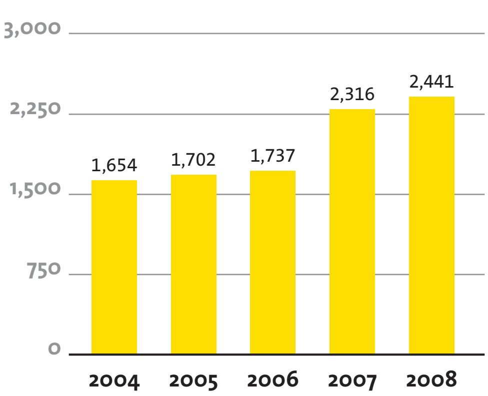
# Austrian Post – key figures

| | | 2006 | 2007 | 2008 | 2007/2008 in % |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue | EUR m | 1,736.7 | 2,315.7 | 2,441.4 | +5.4% |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | EUR m | 231.7 | 292.7 | 321.7 | +9.9% |
| EBITDA margin | % | 13.3% | 12.6% | 13.2% | – |
| Earnings before interest and tax (EBIT) | EUR m | 123.3 | 162.8 | 169.5 | +4.1% |
| EBIT margin | % | 7.1% | 7.0% | 6.9% | – |
| Earnings before tax (EBT) | EUR m | 130.5 | 164.9 | 158.2 | –4.0% |
| Profit for the period | EUR m | 99.8 | 122.6 | 118.9 | –3.1% |
| Earnings per share | EUR | 1.43 | 1.75 | 1.71 | –2.3% |
| Employees (average for period, full-time equivalents) | | 24,456 | 25,764 | 27,002 | +4.8% |
| **Cash flow** | | | | | |
| Operating cash flow before changes in working capital | EUR m | 277.9 | 292.4 | 237.0 | –19.0% |
| Cash flow from operating activities | EUR m | 238.0 | 295.9 | 233.4 | –21.1% |
| Investment in property, plant and equipment | EUR m | 63.6 | 96.8 | 102.9 | +6.3% |
| Investment in Group holdings | EUR m | 60.1 | 71.9 | 30.5 | –57.5% |
| Free cash flow | EUR m | 95.4 | 153.5 | 210.3 | +37.1% |
| **Balance sheet** | | | | | |
| Total assets | EUR m | 1,901.6 | 2,058.6 | 1,874.6 | –8.9% |
| Capital and reserves | EUR m | 821.4 | 874.3 | 741.5 | –15.2% |
| Interest-bearing liabilities | EUR m | –607.6 | –711.5 | –655.9 | –7.8% |
| Interest-bearing assets | EUR m | 433.7 | 538.1 | 385.8 | –28.3% |
| Net debt | EUR m | –173.9 | –173.4 | –270.2 | +55.8% |
| Net debt/EBITDA | | 0.75 | 0.59 | 0.84 | – |
| Equity ratio | % | 43.2% | 42.5% | 39.6% | – |
| Return on equity (ROE) | % | 13.8% | 16.3% | 16.8% | – |
| Capital Employed | EUR m | 935.0 | 992.2 | 952.5 | –4.0% |
| Return on Capital Employed (ROCE) | % | 15.1% | 16.9% | 17.4% | – |
| **Post share** | | | | | |
| Share price at the end of December | EUR | 36.10 | 23.99 | 24.10 | +0.5% |
| High/low (closing price) | EUR | 39.50/21.50 | 37.25/20.95 | 29.75/20.44 | – |
| Dividend per share (for the financial year) | EUR | 1.00 | 2.40 | 2.50[1] | +4.2% |
| Market capitalisation at the end of December | EUR m | 2,527.0 | 1,679.3 | 1,628.0 | – |
| Number of shares at the end of December | Shares | 70,000,000 | 70,000,000 | 67,552,638 | –3.5% |
| Free float | % | 49.0% | 49.0% | 47.2% | – |
| **Revenue by division** | | | | | |
| Mail Division | EUR m | 1,311.3 | 1,381.0 | 1,460.0 | +5.7% |
| Parcel & Logistics Division | EUR m | 227.1 | 738.6 | 785.9 | +6.4% |
| Branch Network Division | EUR m | 194.4 | 192.1 | 192.2 | +0.1% |
| **EBIT by Division** | | | | | |
| Mail Division | EUR m | 271.6 | 274.3 | 254.5 | –7.2% |
| Parcel & Logistics Division | EUR m | 20.8 | 12.8 | –25.5 | – |
| Branch Network Division | EUR m | 11.5 | 13.6 | 14.5 | +6.7% |

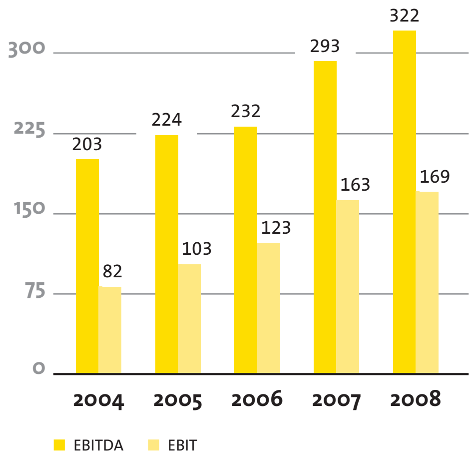
[1] Proposal to the Annual General Meeting on May 6, 2009

# Austrian Post – key figures

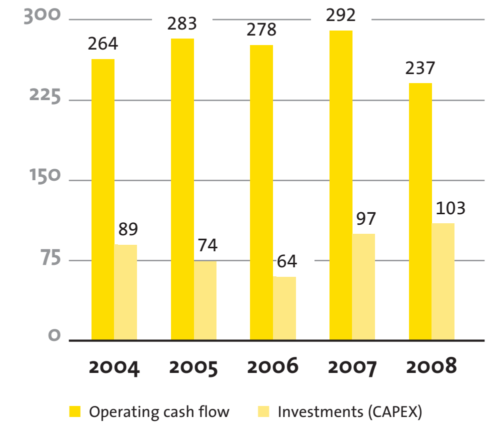
## Revenue (EUR m)



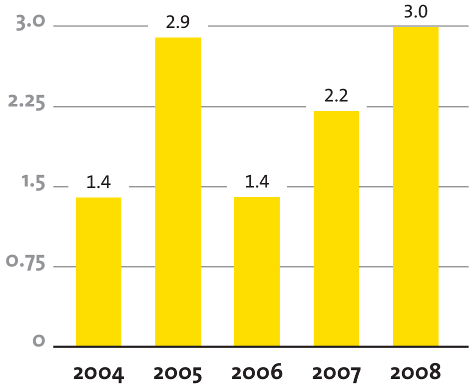

## EBITDA and EBIT (EUR m)



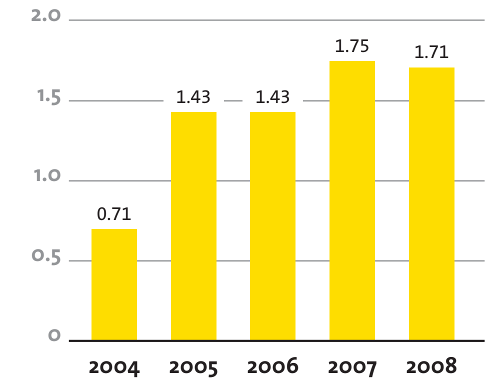

## Operating cash flow before changes in working capital and investments (EUR m)



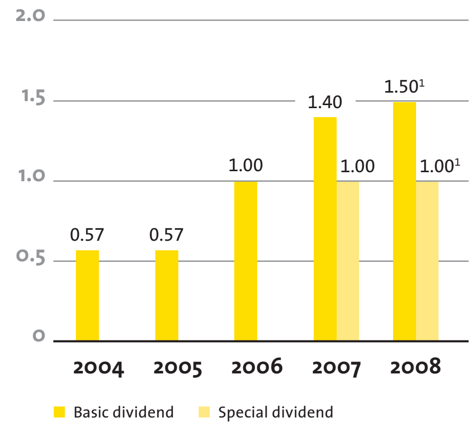

## Free cash flow per share (EUR)




## Earnings per share (EUR)




## Dividend per share (EUR, for the financial year)




[1] Proposal to the Annual General Meeting on May 6, 2009

# *Highlights 2008*

- **Group revenue up 5.4% to EUR 2,441.4m**
  - Mail: good development in all areas (revenue +5.7%), organic growth of 1.3%
  - Parcel & Logistics: revenue rises 6.4% despite reduced parcels volume in Austria's B2C segment, primarily through acquisitions
  - Branch Network: good development of financial services

- **Earnings before interest and tax (EBIT) of EUR 169.5m (+4.1%)**

- **Solid balance sheet**
  - Equity ratio of 40%, no external borrowing requirements

- **Prudent balance sheet policy**
  - Conservative balance sheet and financing structure
  - Ongoing evaluation of assets serves to minimise risk

- **Attractive dividend policy based on strong cash flow and a solid balance sheet structure**

# Contents



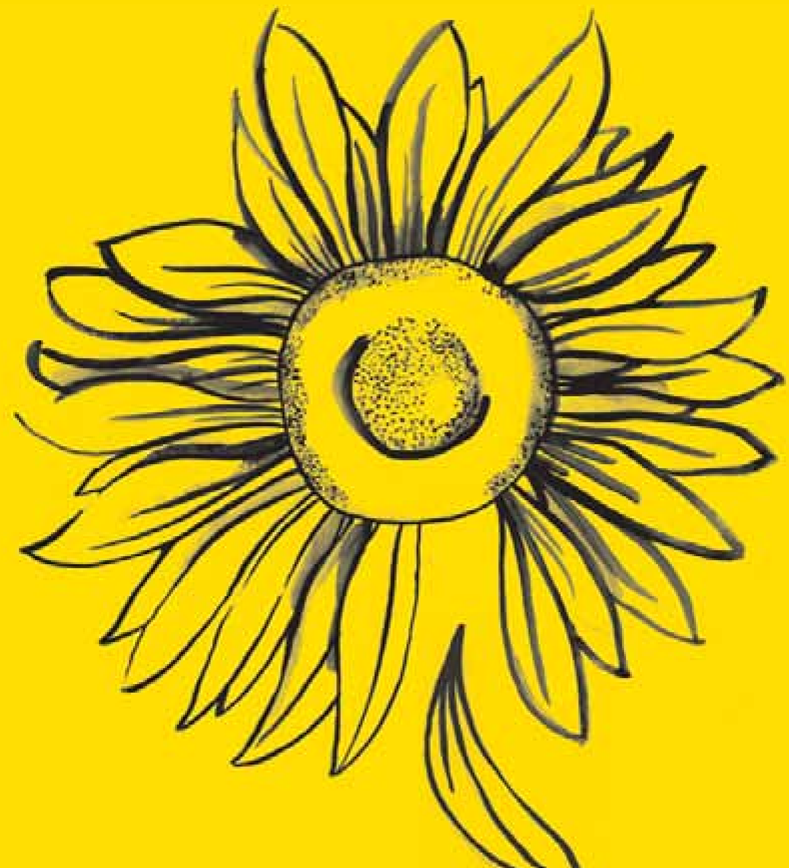
This section was subject to the legally mandated audit carried out by
KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

# This is Austrian Post and it is yellow!

Historically speaking, the colour yellow has a long and glorious tradition for Austrian Post. The colour of the imperial coat of arms was adopted for the postal service by the Thurn and Taxis family at the end of the 15th century. It was widely considered to be a recognisable sign of energy, innovation and strength. Nothing has changed since then.

In the symbolism of colours, yellow stands for cheerfulness, friendliness, the spirit of enterprise transcending borders, fantasy and a zest for action. For Austrian Post, it also symbolises attributes such as value development, reliable service quality and attractive dividends.

From the yellow sunflower to the laughing yellow Smiley, all illustrations in this annual report have something to do with the values of Austrian Post. This will continue, because we deliver everyday to each doorstep, reliably, quickly and efficiently. The future happens to be yellow.



# *Strong market position ensures competitive success*

## The business model of Austrian Post

The business model of Austrian Post is based on a strong core business and attractive positions in complementary markets and business areas. Austrian Post meets the challenges posed by growing competition through the proactive transformation of its own processes, new attractive products and ongoing efficiency improvements. The changes in the postal sector are being actively shaped by Austrian Post.

In **Austria**, Austrian Post has a leading market position in all business areas, which provides a solid basis for the development of earnings and cash flow. In addition, the company has also secured significant market shares through acquisitions in a number of neighbouring **countries** in recent years.

The ongoing further development of the company is being secured through **new services** offered to existing customers i.e. innovative solutions along the value chain of postal services, including, for example, the production of letters for insurance companies and banks or the printing of addressed direct mail items for advertising purposes. At the same time, Austrian Post is also focusing on **expanding into new markets** featuring the existing services in its portfolio.

In recent years, Austrian Post has demonstrated its versatility and ability to change. Productivity has been continually raised, and capacities have been adapted to the new market conditions and customer requirements. In the years to come, further profitability increases and improvements in operating performance will remain the primary objectives of Austrian Post's management.

## Investment profile: utility-type business model coupled with an attractive dividend policy

The Austrian Post share is well positioned as an investment with attractive dividends for investors interested in a public service and utility-type business model. Compared to many other branches, mail volumes in a postal market environment remain at a relatively high level even under cyclically difficult economic conditions. Austrian Post has also hardly been impacted on an operational level by the current financial crisis.

Austrian Post benefits from a sound balance sheet and conservative structures. There is no need at present for external financing, and planned investments can be financed from the cash flow. Cash and cash equivalents of the company are invested at the least possible risk.

### At a glance

- Utility-type business model
- Core business has good visibility
- Prudent financial policy: high level of capital and reserves means risk minimisation
- Ongoing optimisation and efficiency improvement
- Good profitability and high cash flow generation as the basis for an attractive dividend policy

# This is a brim-stone butterfly, and it is yellow.

Sometimes one has to call a spade a spade. There is only one company which reaches every doorstep everyday in Austria – nationwide, securely and reliably. We are proud that we have been able to render this service everyday for decades, with quality which is continually improving. Do you have mail to be delivered in the most remote corner of the country? We are already spreading our wings!

# Introduction by the Management Board

## Ladies and Gentlemen!
## Dear shareholders!

For Austrian Post, the 2008 financial year was full of challenges, which we ultimately managed quite well. At the beginning of 2008, we already had to deal with the loss of two major mail order customers in the Austrian parcels segment, which led to a correspondingly strong reduction of parcel volumes transported on our domestic market.

We reacted with determination, and initiated a redimensioning and repositioning of the Parcel & Logistics Division. These measures included the reduction of headcount as well as the number of logistics centres in Austria. At the same time, we intensified our efforts to expand our share of the B2B market in Austria.

The strong increase in fuel and transport costs in the middle of the year posed a further challenge, and last but not last, the international financial crisis represented a major cyclical burden for many of our customers in all the regions in which we operate.

However, our financial indicators for 2008 show that our efforts were successful in maintaining stability and preserving shareholder value. Group revenue rose by 5.4%, and earnings before interest and tax (EBIT) improved by 4.1%.

The capital market continued to value the business model of Austrian Post highly, as its fairly stable share price demonstrates. The mix of a successful business development, sound balance sheet and attractive dividend policy forms the basis for the impressive development of the Post share in 2008. The Post share was the only share in the Austrian benchmark index ATX which managed to slightly rise in value on a year-on-year comparison despite a markedly turbulent capital market environment.

**Integration of new subsidiaries**
We once again expanded our geographical outreach in 2008 with new acquisitions in Belgium (parcels), Hungary (unaddressed direct mail items) and Bosnia and Herzegovina (parcels). We are now in the midst of a consolidation phase, in which the top priority is to integrate the newly acquired subsidiaries instead of carrying out further acquisitions. Integration primarily involves logistics processes, which must be precisely coordinated to ensure the greatest possible level of efficiency, in the interests of our customers but also for our own good.

In the meantime, Austrian Post generates 31% of its revenues outside Austria, and is now represented with subsidiaries in 11 countries.

**Solid development in the Letter Mail business area**
Despite the continuing trend towards electronic substitution, the Letter Mail business area remained virtually constant, only posting a 0.3% decrease in revenues, which represents an excellent performance in European comparison. The ongoing substitution of letters through electronic communications is offset by positive effects in other segments (e.g. absentee ballots, higher mail volume on the part of Austria's social insurance companies).

The increase in the Infomail business area is mainly related to the consolidation of the meiller direct companies acquired in the preceding year, but also includes organic growth of 2.9%. Growth was posted by both addressed and unaddressed direct mail items. The Media Post business area also expanded revenues, which is based on the good development of regional media and the positive effects of regional and national elections in Austria.

**Intensely competitive business environment for the Parcel & Logistics Division**
The Austrian parcels market in 2008 was characterised by the market entry of a competitive postal provider, which primarily operates in the B2C (business-to-consumer) segment. Austrian Post responded to the loss of two important mail order customers by promoting its business in the B2B (business-to-business) parcels market. We came closer to achieving our aim of increasing our market share in the B2B segment to 20% by the year 2011. Internet shopping lends added impetus to the parcels market, serving as a growth driver for increasing transport volumes.

From left to right:
Anton Wais, Chairman of the Management Board
Carl-Gerold Mende, Member of the Management Board
Rudolf Jettmar, Deputy Chairman of the Management Board
Herbert Götz, Member of the Management Board
Walter Hitziger, Member of the Management Board

We also showed a good volume development in the Western European niche market of speciality logistics (health care/pharmaceuticals), which is based on the trend towards integrated logistics solutions. Stable growth rates were achieved in the markets of South Eastern and Eastern Europe, which is related to the upward trend in per capita parcels volumes in these countries in comparison to Western Europe.

**Increased financial services**

External sales of the Branch Network Division rose slightly in 2008 from the previous year. A decline in sales of retail products, particularly in the field of mobile telephony, was compensated by an increase in financial services and branch network products. Despite the current financial market crisis, we actually achieved a growth in our financial services, characterised by an increased customer preference for standard investment products.

**Systematic preparations for 2011**

Stability and preservation of shareholder value continue to be key goals of Austrian Post. Moreover, we aim to increase our competitiveness and ensure the nationwide provision of postal services throughout Austria.

Together with the Supervisory Board, we have defined our goals in a manner enabling us to optimally prepare for the complete liberalisation of the letter mail market as of January 1, 2011. The three cornerstones of our forward-looking strategy are:

1. A growth strategy in Austria and abroad, based on expanding the portfolio of services offered along the value chain of our customers
2. The expansion of alternative operating models in the branch network, particularly ensuring a market-oriented branch network structure based on an expansion of postal partner offices
3. Stronger integration of external service providers in the logistics processes of Austrian Post

The efficient structuring of all corporate processes and the systematic expansion of the company's customer orientation comprise the main elements of Austrian Post's efforts to achieve these strategic goals.

Anton Wais resigned from his position on the Management Board of Austrian Post for health reasons, effective March 31, 2009. The Management Board regrets his decision but wishes him all the best for his recovery. As of April 1, 2009, his duties and responsibilities will be assumed by Rudolf Jettmar, Deputy Chairman of the Management Board, on an interim basis.

The top priorities in 2009 will continue to be all measures designed to ensure a profitable future for Austrian Post, and the new Austrian Postal Act.

Austrian Post, which is committed to providing nationwide services throughout Austria and to maintaining the high quality of its services, presented its ideas and demands for a reorganisation of the Austrian postal sector to political decision makers. Within the framework of a round-table discussion held in the Ministry of Finance on November 19, 2008, the new Austrian government pledged to draft a new reform law by mid 2009, creating a new legal framework for the postal sector.

**Outlook 2009**
The current uncertain international business environment reduces the ability of Austrian Post to develop precise forecasts for upcoming reporting periods. The outlook for 2009 assumes that the overall market environment for Austrian Post and consumer demand will not deteriorate further than expected.

On balance, Austrian Post anticipates total revenue in 2009 to be at the same level as in the previous financial year, and will strive to achieve an EBIT which also matches the results achieved in 2008. A slight decline in revenues and EBIT can not be excluded if the recessionary tendencies intensify. The planned earnings before interest and tax (EBIT) are likely to match the 2008 level. Against the backdrop of the prevailing business environment, the management of Austrian Post will do everything possible on a short-term and mid-term basis to increase the flexibility and efficiency of the company and thus ensure that its business targets are achieved and shareholder value is preserved.

Anton Wais
Chairman of the Management Board

Rudolf Jettmar
Deputy Chairman of the Management Board

Herbert Götz
Member of the Management Board

Walter Hitziger
Member of the Management Board

Carl-Gerold Mende
Member of the Management Board

# First!

No matter where you go, Austrian Post is already there. Whether as a postal partner office, a traditional branch or even a mobile post office, we offer a nationwide logistics network, which can ensure secure and reliable correspondence throughout Austria within a single day. Who else thinks so much outside the box?

# *Austrian Post – high-tech and service quality*

Austrian Post is indispensable. One cannot imagine everyday life without it. Just think of letter mail, parcels, PSK banking services, newspaper deliveries, advertising mail and the Express Mail Service (EMS). Each year, Austrian Post delivers about 5.6bn letters and direct mails in Austria, along with 41m parcels, about 650m newspapers, serves about 1m banking customers and generated revenues of more than EUR 2.4 bn in 2008. Austrian Post is not only a reliable logistics provider and operator of one of the largest retail networks in the country, but also ranks as one of the largest and most value-enhancing companies in Austria.

The basis for this success does not lie in the century-old tradition of Austrian Post, but rather in the decisions made during the last few years and the new course set by the company. In 1999, Austrian Post initiated an unprecedented transformation process, which in a short time managed to turn the company into what it is now, namely a successful publicly listed company, one of Europe's most modern postal service providers and a dynamic Austrian logistics company with a strong customer-oriented approach. As a result, Austrian Post was converted from a purely public utility into a modern service company, which achieves top performance in European comparison, not at least as the result of personal commitment and hard work of its employees.

The cooperation with PSK which has thrived for many years was further intensified in 2007 by a 5% stake acquired by Austrian Post in BAWAG PSK. In addition to the sale and marketing of banking services through the branch network featuring 500 specially trained banking consultants stationed in the branches, about 60 mobile consultants are working throughout the country. This approach has delivered real benefits. In 2008, 900,000 BAWAG PSK banking customers made some 10.3 million cash deposits.

This transformation of Austrian Post has also been made possible by considerable investments in the company's logistics infrastructure, the underlying core of the company. State-of-the-art sorting centres, a high performance transport network and a high-quality delivery service ensure that all mail items are delivered at the precise doorstep of the recipient within the shortest possible time.

**High-tech and sophisticated logistics ensure delivery targets are met** In the last few years, the logistics infrastructure of Austrian Post has been restructured and streamlined. Delivery quality has improved enormously, so that more than 96% of all letters reach the intended recipient on the next working day.

Each day, an average of 4.4m letter mail items are picked up at 22,000 drop-off points (letter boxes and branches) and transported to 3.9m households and companies throughout Austria. The logistical challenge is that only a few hours are available after postal pick-up to allow the mail items to be ordered, sorted, transported in several phases and delivered on the next working day. The underlying factor for this achievement is the logistics centres of Austrian Post, located throughout the country.

The sheer dimensions are impressive. For example, a total of 1,200 employees work around the clock in three shifts at the Vienna Letter Center, sorting mail items in a hall which is as large as seven football fields. Conveyor belts which total five kilometres in length first take the mail items from 57 loading ramps, which collect the unsorted mail picked up and transported by the delivery vehicles from the letter boxes or collected according to size from the branches or in pallets from large customers. The mail items are sorted according to postal codes, and then transported by the vehicle fleet to the other sorting centres and delivery bases, where they are assigned to the respective delivery districts or directly to the responsible delivery staff.

## Innovation management

Customer requirements and the demands placed on products and services offered by postal companies are continually changing. Austrian Post is responding to this challenge through the ongoing upgrading of its products, services and processes as well as internal facilities and equipment. In 2008, the company implemented a broad range of solutions, enabling customers to save time, reducing costs and improving the working environment of employees.

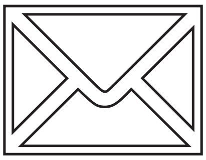
The individual steps in this process must be optimally coordinated and harmonised, and be perfectly intertwined like the gear wheels of a mechanical clock mechanism. For example, unproductive standstill periods at the terminals for the 300 delivery vehicles transporting mail items to the sorting centres should be avoided. For this purpose, Austrian Post has set up a route database. This behind-the-scenes, high-tech management instrument is designed to ensure that route planning is improved, managed, more precisely coordinated and the data effectively compiled. It also makes sure that quick responses are initiated to counteract any undesirable developments. At the same time, measuring systems in the logistics centres monitor the door-to-door delivery times for letters, in order to maintain an overview and optimise the logistical processes.

**Top performance in European comparison** Austrian Post's customers are always the focal point of its efforts. For this reason, Austrian Post is successfully being transformed from a monopolistic company to a market leader. Austrian Post ranks among the best European postal providers in terms of its overall performance. However, the tariffs it is allowed to charge are in the lower mid-range category, enabling Austrian Post to offer its customers an excellent price-performance ratio. Despite this achievement, Austrian Post continues to focus on ensuring an ongoing improvement in productivity in order to maintain and further increase the company's competitiveness. Three-quarters of Austrian Post's total revenues are already generated in sectors which have been completely liberalised.

**Expansion** Austrian Post does not only operate in Austria. Up until 2001, the company was exclusively focused on its domestic market. Its international expansion drive started in the same year. Austrian Post has systematically invested in acquisitions since its Initial Public Offering in May 2006.

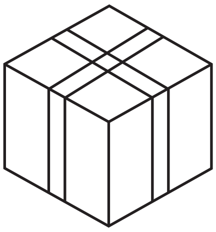
The stable business in the domestic market is complemented today by attractive positions in growth markets. Austrian Post now has parcel services or direct marketing subsidiaries in Slovakia, Hungary, Serbia, Bosnia and Herzegovina, Montenegro, Croatia, Germany, the Netherlands and Belgium. It has also established itself as a significant player in these markets or market segments. Niche markets for new postal services have been successfully occupied. On balance, more than 30% of total Group revenues was generated outside Austria in 2008.

# Company overview



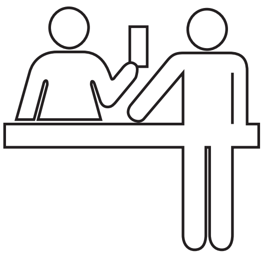
## Mail Division

The Mail Division comprises three business areas, namely Letter Mail, Infomail and Media Post. The division's core business consists of the acceptance, sorting and delivery of letters, postcards, addressed and unaddressed direct mail items, newspapers and regional media. Austrian Post delivers mail each and every working day to every delivery point in Austria. This range of services is complemented by new business services along the value chain for business and advertising mail (e.g. analysis, consulting and planning, address management, production, mailroom services, intelligent scanning and response management).



## Parcel & Logistics Division

The Parcel & Logistics Division is represented by its own subsidiaries in 10 countries. In all countries, the portfolio of products and services (parcels, pallets, express) is tailored to individual market requirements. The combined freight business area (acceptance, transport and delivery of parcels and pallets integrated into a particular shipment) as well as temperature-controlled logistics were expanded in 2008. Combined freight services are offered in 21 European countries on the basis of Austrian Post's partnership with the EURODIS network. Austrian Post and its subsidiaries have achieved an outstanding market position in each of these markets, which is attributable to the availability of a nationwide infrastructure and a broad spectrum of high value services.



## Branch Network Division

The Branch Network Division operates a high performance, nationwide distribution network throughout Austria, consisting of more than 1,500 postal service points. These are complemented by 400 postal pick-up points and postal service points. The product and service portfolio primarily encompasses postal services, banking services and a broad spectrum of retail products.

| | |
|---|---|
| **Letter Mail** | ■ Acceptance of letter mail at approximately 22,000 postal pick-up points in Austria<br>■ Delivery of an average of 1.1bn letters annually to 3.9m households and companies in Austria<br>■ Highest quality, daily, nationwide services (more than 96% of domestic letters are delivered on the next working day)<br>■ Mailroom services for large customers |
| **Infomail** | ■ Delivery of about 790m addressed direct mail items annually in Austria (including Sponsoring.Post)<br>■ Delivery of roughly 3.7bn unaddressed direct mail items annually in Austria (including regional media)<br>■ Delivery of approx. 2.0bn unaddressed direct mail items annually in Slovakia, Hungary and Croatia<br>■ Preparation of geomarketing scatter plans for addressed and unaddressed direct mail items<br>■ Services and related services in the field of direct marketing (address management, lettershop services, market studies, etc.) |
| **Media Post** | ■ Delivery of about 650m print media (newspapers and magazines) throughout Austria<br>■ Subscription marketing services and related services |

| | |
|---|---|
| **Domestic market of Austria** | ■ 41m parcel shipments annually<br>■ 7 own sorting centres<br>■ 13 own delivery bases |
| **Speciality logistics market of Western Europe** | ■ 51m shipments per year<br>■ 38 trans-o-flex locations<br>■ 45 Thermomed locations<br>■ 7 logistics warehousing locations |
| **B2B market in South Eastern and Eastern Europe** | ■ 9.0m shipments annually<br>■ 66 logistics locations<br>■ 6 countries: Slovakia, Hungary, Serbia, Montenegro, Bosnia and Herzegovina, Croatia |

| | |
|---|---|
| **Postal services** | Handling of the products and services of the Mail Division and the Parcel & Logistics Division (e.g. PO boxes, holiday mail holding service and franking), customer care services for SMEs and the sale of philatelic products (commemorative stamps). |
| **Retail products** | A broad range of telecommunications products (e.g. mobile, fixed line and Internet) as well as post-related retail products and services, such as paper, stationery, office products, IT and entertainment products (CDs, DVDs), and lottery products. |
| **Banking services** | Sale of PSK banking services in the following fields: savings accounts, loans, private retirement plans, insurance, securities and home loan savings products. |
| | ■ 1,512 postal service points for postal and banking services ensure nationwide service (of which 1,302 company-owned branches and 210 postal partner offices)<br>■ 3 mobile post offices and 2 philately shops<br>■ About 400 postal pick-up points and postal service points offering reduced and standardised postal and banking services |

# Successful internationalisation and growth

Since 2001, Austrian Post has been focusing on the ongoing optimisation and expansion of its core business on the domestic market of Austria as well as the targeted expansion in neighbouring countries in Eastern Europe, South Eastern Europe and Western Europe as well. The top priority has been to expand into markets with which Austria has extensive trading ties, in particular services in the fields of parcel logistics and advertising mail.

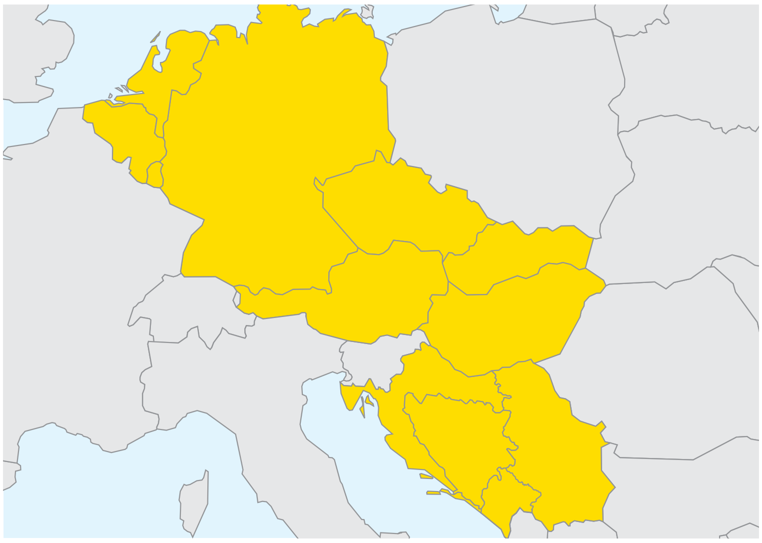
The decisive factor underlying Austrian Post's investments in South Eastern and Eastern Europe are the opportunities offered by these increasingly prosperous markets. The selective acquisition of existing companies is an integral component of the corporate growth achieved by Austrian Post.

**Numerous subsidiaries in the parcels, direct mail and postal services segments** Austrian Post is represented in the Belgian, Bosnian, German, Croatian, Montenegrin, Dutch, Serbian, Slovakian and Hungarian markets with parcel services companies, and with firms specialising in unaddressed direct mail items (advertising mail) in Hungary, Croatia and Slovakia. In addition, Austrian Post has set up its own sales subsidiary in Germany, Austrian Post International, which provides advisory services particularly to German firms in developing international postal dispatch solutions.

On the basis of its consistent expansion policy, Austrian Post has become increasingly independent of developments on the Austrian market. In the year 2006, Austrian Post generated less than 3% of total Group revenues from its operations outside Austria. In the meantime, this figure has risen to over 30% in 2008, and more than 75% of revenues in the Parcel & Logistics Division is now generated abroad. On balance, Austrian Post has become a relevant regional player and an interesting partner for international cooperation. The focal point of its expansion drive is to extend its existing distribution network and implement further acquisitions to secure its position as a full service provider for expanding customers. This strategy lays the groundwork for Austrian Post being able to optimally support customers in their own expansion efforts abroad, particularly in South Eastern and Eastern Europe.

**Occupy attractive niche positions and further develop competencies** Market niches arising as a consequence of changes in the European postal market offer the opportunity for Austrian Post to position itself as offering specialised postal services such as speciality logistics, or as a full service provider. In turn, this has strengthened Austrian Post's position in the light of growing competition, and opened up new market opportunities despite stagnating revenues in the classical letter mail segment.

**Expansion in growing segments** The domestic market offers attractive market opportunities for Austrian Post. Austrian Post has already positioned itself in various submarkets, for example, the delivery of unaddressed direct mail items or transporting parcels to business customers. Austrian Post also believes its domestic market offers considerable growth potential in the future.



## Excellently positioned in attractive markets

| Country | Company[1] | Field of activity |
|---|---|---|
| Austria | Austrian Post | Letter Mail<br>Addressed direct mail items<br>Media Post |
| | Austrian Post, feibra | Unaddressed direct mail items |
| | Austrian Post | Express and parcel, combined freight |
| | Scherübl Transport, 74.9% | Temperature-controlled logistics |
| | Scanpoint | Scanning/archiving of document |
| Germany | trans-o-flex, trans-o-flex Thermomed | Combined freight, speciality logistics, temperature logistics |
| | meiller direct | Direct marketing services provider |
| | Scanpoint | Scanning/archiving of document |
| | Austrian Post International Germany | International mail |
| Belgium | VOP | Combined freight |
| Netherlands | trans-o-flex Nederland | Combined freight |
| Slovakia | Kolos | Unaddressed direct mail items |
| | SPS, In Time | Express and parcel, combined freight |
| | Scanpoint | Scanning/archiving of document |
| Czech Republic | meiller direct | Direct marketing services provider |
| | Kolos | Unaddressed direct mail items |
| Hungary | feibra Magyarország | Unaddressed direct mail items |
| | Road Parcel | Parcel and speciality logistics, combined freight |
| Serbia | City Express | Express and parcel, combined freight |
| Montenegro | City Express Montenegro | Express and parcel, combined freight |
| Bosnia and Herzegovina | 24VIP | Express and parcel, combined freight |
| Croatia | Weber Escal | Unaddressed direct mail items |
| | Overseas Trade | Express and parcel, combined freight |

[1] The precise shareholding is only listed if Austrian Post has less than a 100% stake.

# The future of postal business

Current trends are significantly transforming society and the communications behaviour of people, thus also changing the future perspectives for postal companies. Several of these trends have already had a major impact on the postal market, whereas other trends will manifest themselves in several years' time. Austrian Post is actively facing the challenges posed by the new requirements, business areas and services that are emerging, in order to successfully cope with the future.

## Effects of social trends on Austrian Post

- **Individualisation of the product and service offering:** The diversity of life styles and forms of relationships has led to an increase in the number of households and thus to an individualisation in mail volumes. The growing trend toward direct marketing opens up interesting opportunities for Austrian Post, including the support and training of customers in creating strongly individualised communications vehicles. Austrian Post and its customer-oriented branch network can potentially play a major role in these efforts.

- **More convenience and excellent service:** The population in Western industrialised countries is increasingly aging. At the same time, elderly people are resembling their younger counterparts more and more in terms of their needs and requirements. They are increasingly demanding convenience and excellent service. This development will require Austrian Post to offer flexible solutions and customer care at the highest level of service quality.

- **Modern work structures:** The conventional career paths pursued by people in the last few decades are being replaced by more innovative career models featuring higher flexibility and the willingness to change. For one thing, this represents a major challenge to Austrian Post to adapt the existing structure of its staff to the new situation. In addition, it offers the opportunity to professionally take advantage of the creative potential of employees to support the further development of the company.

- **Increasing flexibility:** Mobility is rapidly expanding due to changes in family structures and in employment as well as the quest for individualisation. In addition to higher demands placed on postal delivery services, postal service providers also have the opportunity to strongly establish themselves as a kind of mobility manager in the lives of their customers.

- **Focus on "health care":** Growing sections of the population are clearly striving to adopt more sustainable life-styles in the spirit of ensuring a greater ecological orientation and in line with ongoing wellness and fitness trends that have shaped society for years. The future demand for health-related services opens up interesting opportunities for Austrian Post on the basis of the company's proximity to private customers. Trans-o-flex is optimally positioned in the health-care market and is profiting from this development.

## Austrian Post responds with attractive products and services

Austrian Post's approach has undergone a far-reaching transformation in recent years. Once serving as a simple deliverer of news and information, the company has evolved into a full-service provider. Today Austrian Post sees itself as a partner to its customers along the entire value chain. All important steps along the value chain of physical information exchange are offered by a single provider, from the design of letters and direct mail items to response management and the integration of incoming mail in internal filing systems. The focus on delivering physical letters is also losing importance. Austrian Post is not only offering its customers attractive new services and thus supports them in their own development, but is safeguarding the viability of its own future by extending its value chain.

- **Address management:** The address management services of Austrian Post offer various high quality services such as Address.Check or the Address.Shop, to help customers verify and update their address databases.

- **Document management:** The services provided by Austrian Post do not begin with the acceptance of finished letter mail items for delivery, but earlier, with printing and enveloping. The customer only has to provide the particular data medium containing the addresses and contents. Austrian Post will do the rest.

- **Direct mail production:** State-of-the-art technologies and printing facilities ensure the faultless printing of any kind of document, such as advertising mail and insurance policies, and guarantee their delivery.

- **Scanning and digitalisation:** The electronic document flow enabled by the scanning and online distribution of incoming mail items leads to considerable time savings, cost reductions and greater transparency.

- **Mailroom management:** Austrian Post supports customers in optimising their internal mailrooms, from assuming responsibility for individual processes to the entire processing of mail items. Austrian Post services are tailored to the specific requirements of the individual customers, and also encompass enhanced services such as security scans, individualised postal processes, messenger services and the digitalisation of mail items.

## Trends in the postal market

The ongoing further development of the company and its range of services is designed to maintain the competitiveness of Austrian Post. Accordingly, Austrian Post reflects the latest trends and new challenges which have become evident in the postal sector.

- **Consolidation:** The full-scale opening of Europe's postal markets and the increasing tendency of customers to operate on a regional or multi-regional basis will likely lead to a consolidation process in the medium-term or long-term, both in respect to traditional postal companies but also regarding new providers. Austrian Post is positioning itself as a multi-regional provider. At the same time, an increase in the number of competitive providers is expected.

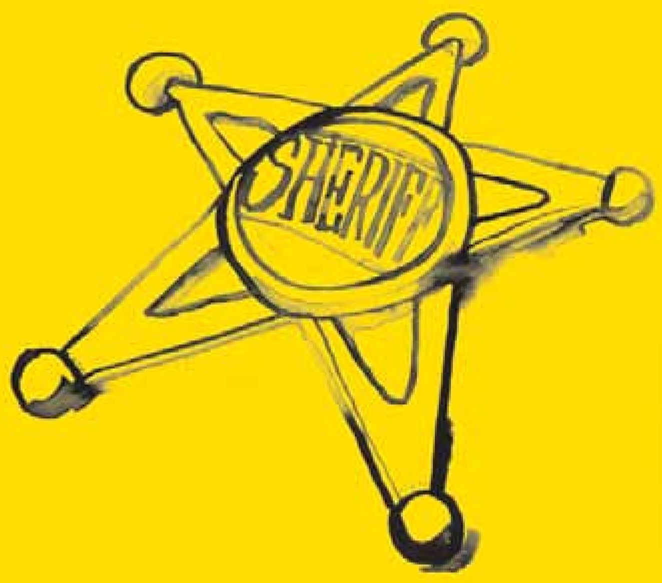
- **Increasing electronic communications:** The trend to electronic substitution of traditional letter mail will continue. However, experience gained in the past demonstrates that also new forms of letter mail arise, for example, the identification of new customers by direct or Internet banking providers, or new legal regulations on absentee voting. Moreover, the growing popularity of e-commerce opens up new opportunities for classical postal companies which traditionally offer letter mail and parcel delivery services.

- **Upstream and downstream integration** Postal operators are increasingly expanding their value chain in order to fulfil customer demands and occupy important niche positions for key customer interfaces within a liberalised market. Austrian Post has also made great efforts in this regard. Many customers are already taking advantage of the new products and services offered by Austrian Post, such as document management or mailroom services.

- **Increasing importance of direct communications:** Undifferentiated forms of mass communications are becoming less and less appealing to modern consumers and customers. In addition, mass media are losing circulation and influence. Mailing communications supported by CRM solutions or advertising distribution backed by professional geomarketing ensure more effective target group orientation in market communications efforts.

# The good guys fight for the weak.

Some postal companies only want to deliver mail to the profitable regions in Austria. Austrian Post is here to serve everybody. Who else has the strength, the experience and the know-how to operate a state-of-the-art, high performance logistics network providing postal services throughout the entire nation – even to the doorstep of the smallest and most remote mountain farming village. In the end, the good guys always win.



# Corporate Governance Report

Austrian Post is a joint stock company which is listed on the Vienna Stock Exchange in accordance with Austrian law. It is required to adhere to the legal regulations governing the management and supervision of joint stock companies. Austrian Post is managed by its Management Board and supervised by its Supervisory Board, pursuant to the principles of a dual management system as stipulated in the Austrian Stock Corporation Act.

## Corporate Governance Code

Austrian Post is committed to oblige to the current and valid version of the Austrian Corporate Governance Code applicable for the 2008 financial year, in the spirit of ensuring a responsible and transparent management of the company. The Austrian Corporate Governance Code is available on the Website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

Austrian Post adheres to all "L-Rules" (legal requirements), and also all of the "C-Rules" (Comply or Explain) contained in the Austrian Corporate Governance Code, with the exception of those rules specified below:

- **Rule 39:** In urgent cases, the Supervisory Board is authorised to make decisions by circulation procedure. Moreover, the by-laws of the Supervisory Board stipulate that meetings may be convened in particularly urgent cases without adhering to the specified period of advance notice.
- **Rule 41:** The duties of the nominating committee are assumed by the presidential committee, so that an appropriate forum is assured.
- **Rule 43:** The duties of the remuneration committee are assumed by the executive committee of the Supervisory Board, so that an appropriate forum is assured.

The articles of association and the by-laws for both the Management Board and the Supervisory Board correspond to the rules stipulated in the Austrian Corporate Governance Code.

Austrian Post has introduced binding, Group-wide compliance guidelines in line with current Austrian capital market regulations in order to prevent insider dealings. Compliance with these rules is continually being monitored and ensured by a Compliance Officer. The awareness and understanding of compliance requirements are promoted by regular training given to the affected employees.

Directors' dealings are continually disclosed publicly at www.post.at/ir, in accordance with legal regulations and the rules contained in the Austrian Corporate Governance Code (C-Rule 70).

Furthermore, criteria were defined to ensure the independence of the members of the Supervisory Board.

**Audit and control** At the Annual General Meeting of Austrian Post held on April 22, 2008, KPMG Austria GmbH Wirtschafts- und Steuerberatungsgesellschaft was selected to audit the annual financial statements and consolidated annual financial statements for the 2008 financial year. The audit fee invoiced by KPMG Austria GmbH, comprising the total costs for auditing the annual financial statements and the consolidated annual financial statements of Austrian Post, amounted to EUR 613,823 in the 2008 financial year. For related auditing services carried out by specialists, KPMG Austria GmbH received a remuneration of EUR 63,229. KPMG Austria GmbH invoiced a non-audit fee totaling EUR 384,929 for other services.

The internal control system of Austrian Post applicable to the entire Group uses process-integrated measures, mechanisms and controls. In the field of risk management, Corporate Controlling fulfils the duties of ongoing reporting and performance forecasts. In respect to the procurement process, the department is responsible for budget evaluation as well as analysing feasibility studies and profitability calculations made in connection with projects and planned investments. The Internal Audit department carries out an ex post examination of compliance with relevant regulations, which, in turn, serves as the basis for determining the effectiveness of integrated controls and mechanisms.

**Shareholders** Austrian Post attaches considerable importance to ensuring that all shareholders are treated equally and provided with comprehensive information. Above and beyond the legally binding reporting and disclosure requirements (i.e. annual and quarterly reports, ad-hoc announcements, publication of directors' dealings), Austrian Post regularly reports about ongoing developments at the company by means of press releases as well as analyst, press and shareholder conferences. This is done in compliance with the principle emphasising the fair and equal treatment of all shareholders. All reports and releases as well as key presentations held at these conferences are available at www.post.at. Austrian Post published five ad-hoc announcements in the year 2008, which can be accessed online at www.post.at/ir.

Information relating to the shareholder structure of Austrian Post (C-Rule 62 of the Austrian Corporate Governance Code) is on page 33 of this annual report.

## Development of the Corporate Governance Code in Austria

The Austrian Corporate Governance Code was developed in the year 2002 by the Austrian Working Group for Corporate Governance following several rounds of discussions with capital market experts, in order to make a contribution towards promoting confidence in the Austrian capital market.

The code is not legally binding. However, each company is free to voluntarily commit itself to complying with its stipulations ("soft law"). All publicly listed companies in Austria have been called upon to make a public announcement declaring their adherence to the Austrian Corporate Governance Code.

This voluntary self-regulating mechanism goes a long way towards effectively promoting the confidence of shareholders by ensuring even greater transparency, a quality improvement in the interactions among the supervisory and management boards and shareholders, and a focus on the sustainable creation of value. For this reason, the Austrian Corporate Governance Code represents an important building block for the further development and stimulation of the Austrian capital market.

In recent years, the Austrian Corporate Governance Code has been subject to several revisions. Against the backdrop of developments on the domestic and international markets, the code has to be continually re-evaluated and adapted if necessary.

Most recently, the Corporate Law Amendment Act published in the Federal Law Gazette in May 2008 made it necessary to adapt several L-Rules and C-Rules contained in the Austrian Corporate Governance Code. The most important changes relate to rules relating to the corporate governance report as well as strengthening the independence of the Supervisory Board and its committees. The revised Corporate Governance Code in the January 2009 version applies to financial years beginning after December 31, 2008.

In developing revised versions of the Austrian Corporate Governance Code, the Austrian Working Group for Corporate Governance is being actively supported by the Austrian Task Force for Corporate Governance and Capital Market Law, in which Austrian Post participates through its Compliance Officer.

# Management Board

**Anton Wais**
***Chairman of the Management Board and Chief Executive Officer, appointed until June 30, 2012. Born 1948***
Studied law at the University of Vienna before joining the office of Josef Staribacher, the former Austrian Minister of Trade and Industry. He subsequently spent 20 years working for Siemens, most recently as a member of the Managing Board of Siemens AG Austria, with responsibility for the transport engineering, power transmission and distribution and power generation divisions. In July 1999, he was appointed as Chairman and Chief Executive Officer of the Management Board of Austrian Post. He managed the Parcel & Logistics Division on an interim basis from August 8, 2007 to June 14, 2008.

**Rudolf Jettmar**
***Deputy Chairman of the Management Board, Chief Financial Officer, appointed until June 30, 2012. Born 1947***
Studied law at the University of Vienna and business administration at the Vienna University of Economics before working for various tax consultancies, and gaining his professional qualifications as a chartered accountant and auditor. From 1982 to 1999, he served as a member of the Management Board of Österreichischen Verkehrskreditbank. In August 1999, he was appointed as the Chief Financial Officer and Deputy Chairman of the Management Board of Austrian Post.
Additional functions: Supervisory Board of BAWAG PSK Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft and BAWAG Holding GmbH.

**Herbert Götz**
***Member of the Management Board, Branch Network Division, appointed until December 31, 2011. Born 1963***
Studied engineering sciences at the Technical University of Vienna specialising in mechanical engineering before serving as an assistant professor at the Institute for Robotics and Cybernetics at the Technical University of Vienna, department subhead for industrial policies at the Association of Austrian Industrialists and economic consultant and cabinet chief of Vice Chancellor Erhard Busek. Joined Siemens AG Austria in 1995, and was later named head of the Information and Communication Networks Division. In March 2004, he was appointed a Member of the Management Board of Austrian Post.
Additional functions: Supervisory Board of BAWAG PSK Versicherung AG, Third Deputy Chairman of the Supervisory Board of Omnimedia Werbegesellschaft m.b.H., Supervisory Board of the Vienna Technical Museum and Austrian Media Center.

**Walter Hitziger**
***Member of the Management Board, Mail Division, appointed until December 31, 2011. Born 1960***
Studied industrial engineering and business administration at the Technical University of Graz before working for the beer company Steirerbrau AG – Steirische Brauindustrie AG, Agiplan Planungsgesellschaft and Econsult Betriebsberatungsgesellschaft in Vienna. In 1997, he was named a member of the Management Board of BauMax Handels AG with responsibility for procurement and logistics. In May 2004, he was appointed a Member of the Management Board of Austrian Post.

**Carl-Gerold Mende**
***Member of the Management Board, Parcel & Logistics Division, appointed until June 14, 2011. Born 1956***
Worked for DHL and Federal Express Europe starting in 1985, most recently as a member of the German management, simultaneously concluding his studies in business administration at the University of Applied Sciences in Rendsburg. He was named to the Management Board of General Parcel Logistics in 1993 and later Senior Vice President of GLS Holding, Amsterdam from 2001 to 2004 before joining Royal Mail in London as its International Director. In June 2008, he was appointed a Member of the Management Board of Austrian Post.

The Management Board has sole responsibility for managing the company for the benefit of the enterprise itself, taking account of the interests of shareholders and employees as well as the public interest. In the light of the increased importance of the Parcel & Logistics Division and the ongoing internationalisation of the Austrian Post Group, Austrian Post publicly invited applications to be submitted for a new position which was created on the Management

Board, with responsibility for the Parcel & Logistics Division. In March 2008, the Supervisory Board appointed Carl-Gerold Mende to the Management Board with management responsibility for the Parcel & Logistics Division, effective June 15, 2008. He was named as a Member of the Management Board for a period of three years, with an option of being granted an extension of his employment contract for an additional two years.

**Mode of operation of the Management Board** The Management Board regularly provides the Supervisory Board with timely and comprehensive information about all relevant issues relating to business development, including the assessment of the risk situation and risk management at Austrian Post and all key Group subsidiaries. The Management Board and Supervisory Board consider it their joint responsibility to ensure that sufficient information is provided to the Supervisory Board. In the spirit of good corporate governance, open discussions take place between the Management Board and the Supervisory Board and within these two bodies. Furthermore, the Chairman of the Supervisory Board maintains regular contact to the Chairman of the Management Board, discussing the strategic business development and risk management of the company with him.

## Organisational structure and Management Board responsibilities

(Status: December 31, 2008)

| | Divisions | Central/Group functions | Coordination areas |
|---|---|---|---|
| **Anton Wais** | | General secretary, strategy and Group development, human resources management and strategic human resources management, investor relations, compliance and corporate governance, internal auditing, corporate communications | Country cooperation |
| **Rudolf Jettmar** | | Finance and accounting, corporate controlling, treasury, human resources administration, information technology, legal, corporate real estate | |
| **Herbert Götz** | Branch Network incl. philately | | Advertising coordination Austria |
| **Walter Hitziger** | Mail incl. forwarding of goods | | Logistics coordination |
| **Carl-Gerold Mende**[1] | Parcel & Logistics incl. customs | | Sales coordination |

[1] Since June 15, 2008

Introduction by the Management Board
Austrian Post today and tomorrow
**Corporate Governance Report**
Share and Investor Relations
Liberalisation
Group strategy
Corporate Social Responsibility
Group Management Report 2008
Consolidated financial statements
Service

# Supervisory Board (Status: December 31,2008)

## Shareholder representatives

| | |
|---|---|
| **Peter Michaelis**<br>*Chairman* | Independent, first elected on May 18, 2001. Born in 1946.<br>*Member of the Management Board of Österreichische Industrieholding AG, Chairman of the Supervisory Board of Telekom Austria AG, Austrian Airlines AG and APK-Pensionskasse AG, Deputy Chairman of the Supervisory Board of OMV AG* |
| **Rainer Wieltsch**<br>*Deputy Chairman* | Independent, first elected on May 6, 2002. Born in 1944.<br>*Consultant*<br>*Chairman of the Supervisory Board of OMV AG and Bundesrechenzentrum GmbH (until December 31, 2008), Second Deputy Chairman of the Supervisory Board of Austrian Airlines AG, Member of the Supervisory Board of Telekom Austria AG* |
| **Dieter Bock** | Independent, first elected on May 18, 2001. Born in 1948.<br>*Self-employed management consultant.* |
| **Horst Breitenstein** | Independent, first elected on January 1, 2003. Born in 1941.<br>*Consultant*<br>*Member of the Supervisory Board of BEKO Holding AG* |
| **Edith Hlawati** | Independent, first elected on April 26, 2007. Born in 1957.<br>*Partner of the law firm Cerha Hempel Spiegelfeld Hlawati (CHSH)*<br>*Deputy Chairman of the Supervisory Board of Telekom Austria AG* |
| **Gerhard Roiss** | Independent, first elected on April 26, 2007. Born in 1952.<br>*Deputy Chairman of OMV AG*<br>*Chairman of the Supervisory Board of Borealis AG, Deputy Chairman of the Supervisory Board of several OMV AG subsidiaries* |
| **Karl Stoss**[1] | Independent, first elected on April 4, 2006. Born in 1956.<br>*Chairman of Casinos Austria AG as well as Managing Director of Österreichische Lotterien Gesellschaft m.b.H., Entertainment Glücks- und Unterhaltungsspiel GmbH and Casinos Austria International Holding GmbH, Member of the Supervisory Board of Burgtheater GmbH Deputy Chairman of the Supervisory Board of Kathrein & Co. Privatgeschäftsbank AG, First Deputy Chairman of the Supervisory Board of Omnimedia Werbegesellschaft m.b.H, Chairman of the Supervisory Board of Österreichische Sportwetten GmbH* |
| **Hans Wehsely** | Independent, first elected on August 31, 1999. Born in 1943.<br>*Authorised signatory at Siemens AG Austria as well as Managing Director of VA TECH Transmission & Distribution GmbH* |



[1] Karl Stoss participated in less than 50% of the Supervisory Board meetings.

All shareholder representatives have been elected for the period which is terminated at the end of the Annual General Meeting resolving upon the discharging of the Management and Supervisory Boards for the 2009 financial year.

## Employee representatives

| | |
|---|---|
| **Gerhard Fritz** | Member since September 5, 2001. Born in 1960.<br>*Chairman of the Central Works Council of Austrian Post* |
| **Martin Palensky** | Member since February 22, 2002. Born in 1963.<br>*Deputy Chairman of the Central Works Council of Austrian Post* |
| **Helmut Köstinger** | Member since April 14, 2005. Born in 1957.<br>*Member of the Central Works Council of Austrian Post* |
| **Manfred Wiedner** | Member since March 3, 1999. Born in 1963.<br>*Member of the Central Works Council of Austrian Post* |

## Committees of the Supervisory Board

| | |
|---|---|
| **Executive committee** | Peter Michaelis (Chairman), Rainer Wieltsch |
| **Presidential committee** | Peter Michaelis (Chairman), Rainer Wieltsch, Gerhard Fritz |
| **Audit committee** | Peter Michaelis (Chairman), Rainer Wieltsch, Karl Stoss[1],<br>Hans Wehsely, Gerhard Fritz, Manfred Wiedner |
| **Branch Network committee** | Peter Michaelis (Chairman), Rainer Wieltsch, Gerhard Roiss,<br>Hans Wehsely, Martin Palensky, Manfred Wiedner |

In addition to supervising the work of the Management Board, the Supervisory Board considers its responsibility to be the support provided to the Management Board within the framework of the latter's management functions, in particular as regards decisions of fundamental importance. The Supervisory Board of Austrian Post is neither comprised of former Management Board members nor former top managers. So-called "cross shareholding arrangements" do not exist. No loans were granted to members of the Supervisory Board.

[1] Karl Stoss was elected to the audit committee on March 11, 2008.

**Independence of the Supervisory Board** In accordance with C-Rule 53 of the Austrian Corporate Governance Code, the Supervisory Board has enacted guidelines to determine the independence of Supervisory Board members as contained in Annex 1 of the Austrian Corporate Governance Code. The members of the Supervisory Board elected by the Annual General Meeting have taken the initiative to evaluate their own independence, concluding that there are a sufficient number of Supervisory Board members who can be qualified as independent both in the Supervisory Board itself as well as in all committees. Moreover, the Supervisory Board consists of seven representatives who can be considered as independent from the core shareholder of Austrian Post. Accordingly, the majority of the Supervisory Board members do not have any direct relationship to the majority shareholder of the company.

**Mode of operation of the Supervisory Board** The Supervisory Board has decided to establish special committees consisting of its own members to carry out specific functions:

- The **executive committee** is responsible for regulating the relationships between the company and the members of the Management Board, with the exception of the appointment and revocation of the Management Board members, as well as granting options to obtain shares in the company. The executive committee also performs the functions of the remuneration committee as regards to the remuneration to be paid to the members of the Management Board.
- The **presidential committee** also serves as the nominating committee.
- The **audit committee** is responsible for auditing and preparing the approval of the company's annual financial statements, the proposal on the distribution of profits, and the Management Report as well as the consolidated annual financial statements and the Group Management Report. Furthermore, the audit committee is responsible for issues relating to the auditors' report relating to the effectiveness of the company's risk management system, and to the internal audit schedule.
- The **Branch Network committee** was set up as a working group with the purpose of dealing with specific issues involving the Branch Network.

**Number and agenda of meetings** The Supervisory Board and Management Board intensively discussed the economic status and business development of the company within the context of six Supervisory Board meetings and two meetings of the Branch Network committee, as well as one session of the audit committee. The key issues discussed at the Supervisory Board meetings held during the 2008 financial year were the upcoming liberalisation of the postal market in 2011, the restructuring of the Parcel & Logistics Division as well as the development of new models for the structure of the branch network and postal delivery services.

In addition, the executive committee convened when required, discussing, amongst other issues, the negotiations and conclusion of the employment contract with Carl-Gerold Mende and changes in the by-laws for the Management Board as a result of the enlargement of the Management Board.

The presidential committee dealt with preparing the request for applications to fill the position of a new Member of the Management Board with management responsibility for the Parcel & Logistics Division as well as preparing the resolution of the Supervisory Board in respect to the selection of a Member of the Management Board with management responsibility for the Parcel & Logistics Division of Austrian Post.

The audit committee convened on March 4, 2008 in a meeting attended by the auditors, properly carrying out its responsibilities as stipulated by law.

The Branch Network committee convened twice, on February 4, 2008 and March 4, 2008, in order to deal with issues relating to the optimisation and development potential of the Branch Network Division.

All members of the committees were present at the respective meetings.

# Remuneration report

The Remuneration report summarises the principles applied in determining the remuneration of the Management Board of Austrian Post and describes the amount and structure of income received by the members of the Management Board. Moreover, the Remuneration report also presents the principles and amount of remuneration paid to the members of the Supervisory Board, as well as information disclosing the shareholdings of the Management Board and Supervisory Board.

**Management Board** The remuneration system encompasses fixed and variable salary components. The fixed salary is linked to the salary structure of publicly listed Austrian companies and takes into account the range of responsibilities assumed by each of the members of the Management Board. The variable remuneration system is closely linked to Austrian Post achieving pre-defined performance targets (EBIT) and also encompasses the achievement of qualitative performance targets. The variable salary component may not surpass the limit of 100% of the total annual fixed salary. The corresponding remuneration is paid in the following year.

The total cash remuneration paid to the Members of the Management Board in the 2007 and 2008 financial years is comprised of the following:

| Remuneration (EUR '000s) | 2007 | 2008 |
|---|---|---|
| Fixed components | 1,360 | 1,591 |
| Variable components | 655 | 770 |
| **Total remuneration** | **2,015** | **2,361** |

All members of the Management Board also receive payment in kind. In case the employment contract is terminated, members of the Management Board whose employment contracts took effect before January 1, 2008, are entitled to severance pay amounting to one year's annual salary. All members of the Management Board have concluded a pension fund agreement, under which Austrian Post is required to pay 10% of the individual's fixed annual gross salary into the pension fund each year.

Any additional work potentially carried out by a Member of the Management Board outside of the company requires the approval of the executive committee. This ensures that neither the time involved nor the remuneration granted for this work represents a conflict of interest with the board member's responsibilities to Austrian Post.

The members of the Management Board of Austrian Post are insured within the framework of a Directors and Officers Liability Insurance (D&O), which covers the judicial and extrajudicial protection against unfounded claims for damages as well as the settlement of such claims which may be considered as legally justified.

**Share-based remuneration programme**
Management salaries generally consist of fixed and variable salary components. Above and beyond this system, the Management Board and Supervisory Board of Austrian Post decided to introduce a share-based remuneration programme for approximately 35 of the top managers at Austrian Post within the context of the Initial Public Offering. Comparable programmes are planned for the upcoming years. The remuneration scheme is designed to align the interests of company management with those of Austrian Post shareholders to achieve a medium-term to long-term increase in shareholder value, as well as to further increase the motivational level of the top executives.

The performance-based pay is calculated on the basis of so-called appreciation rights granted to each participant. Appreciation rights are granted to individual participants contingent upon such participants making an initial investment of some 30% of their personal target value by purchasing shares in the company, either in the course of the IPO or through the stock exchange, and holding these shares without interruption for the term of their appreciation rights. The remuneration is linked to the total shareholder return, i.e. to increases in the share price plus any dividends that are reinvested over the period under consideration.

The appreciation rights of the share-based remuneration programmes in 2006 and 2007 have a term of two and three years, respectively, from the day they are awarded, and entitle their holders to receive a cash amount at the end of that term equivalent to the value of the appreciation rights assigned to them. The Management Board fully took advantage of the appreciation rights granted to them within the context of the share-based remuneration programme (18,500 appreciation rights for the 2007 share-based remuneration programme, 25,480 appreciation rights for 2006).

**Supervisory Board** Remuneration of the Supervisory Board for the previous financial year is determined at the Annual General Meeting, which also decides on the fee for attending meetings. At present, the fee totals EUR 300 per session and is paid to each of the members for each Supervisory Board meeting which they attend. Furthermore, travel expenses incurred by the members are covered. The Annual General Meeting held on April 22, 2008 resolved to grant an annual fixed sum totalling EUR 15,000 for the 2008 financial year applying to each of the members of the Supervisory Board, whereas EUR 25,000 was awarded to the Chairman of the Supervisory Board and EUR 20,000 to the Deputy Chairman. Payment is generally made immediately after the Annual General Meeting.

The total remuneration paid to the Supervisory Board in the 2008 financial year (including attendance fees and travel expenses) amounted to EUR 158,000.

The employee representatives perform their duties on the Supervisory Board on an honorary basis and are compensated for their involvement in the works committee in accordance with their respective employment contracts. They may only be discharged of their responsibilities by the works committee, but this may occur at any time.

## Directors' dealings

Sales and acquisitions of Austrian Post shares made by members of the Management Board and Supervisory Board of Austrian Post are reported to the Austrian Financial Market Authority within five days after the transactions have been concluded, and published on the website of the Austrian Financial Market Authority, in accordance with § 48d Austrian Stock Exchange Act. The following total shareholdings on the part of the Management Board and Supervisory Board of Austrian Post were reported to the Austrian Financial Market Authority during the period under review:

| Shares owned | Dec. 31, 2007 | Purchase | Sale | Dec. 31, 2008 |
|---|---|---|---|---|
| **Management Board** | | | | |
| Anton Wais | 12,000 | | | 12,000 |
| Rudolf Jettmar | 9,110 | | | 9,110 |
| Walter Hitziger | 6,421 | 579 | | 7,000 |
| Herbert Götz | 28,684 | | | 28,684 |
| Carl-Gerold Mende | 0 | | | 0 |
| **Supervisory Board** | | | | |
| Peter Michaelis | 600 | | | 600 |
| Rainer Wieltsch | 1,200 | | | 1,200 |
| **Total** | **58,015** | **579** | | **58,594** |

## External evaluation

Austrian Post voluntarily submitted to an external evaluation carried out by KPMG Austria GmbH Steuerberatungs- und Wirtschaftsprüfungsgesellschaft for the period January 1, 2008 to December 31, 2008, assessing its compliance with the rules stipulated by the Austrian Corporate Governance Code. The appraisal was carried out on the basis of an official questionnaire developed by the Austrian Working Group for Corporate Governance, concluding that the public declaration of Austrian Post relating to its observance of the Austrian Corporate Governance Code corresponds to its actual business practices. The evaluation report submitted by the auditors can be found at www.post.at. The law firm CMS Reich-Rohrwig Hainz was contracted to evaluate the compliance with the stipulations contained in the Austrian Corporate Governance Code (Rules 74 to 80) in respect to the auditors. Following completion of the evaluation, the report prepared by the contracted law firm was published on the website of Austrian Post.

### Statement by the Chairman of the Supervisory Board

Despite major turbulences on international capital markets, Austrian Post was the only company listed in the ATX index which even managed to slightly rise in value in 2008. Not only does this clearly demonstrate the success of the company's strategy in recent years, but also the Initial Public Offering carried out in 2006. The business development in 2008 gives reason to be satisfied. An increase in revenue and earnings, a solid balance sheet structure without external borrowing and further acquisitions were just a few of the most important highlights in the past financial year. There is no doubt that the resulting high cash flow and dividend strength will play a decisive role in the ongoing development of Austrian Post's shareholder value.

In the upcoming months, the top priority for Austrian Post will be to advance further a sustainable concept for the future, against the backdrop of ongoing demands to maintain nationwide postal services, increasing competition and the need to take account of the interests of employees and shareholders. The pre-requisite for success are well-defined legal regulations which political decision-makers agreed to develop by the middle of 2009. The legal framework must ensure fair competition and a transparent model to finance universal postal services without being to the detriment of Austrian Post.

Based on this new legal framework, Austrian Post will develop detailed strategic measures for the future. In the light of the complete liberalisation of the letter mail market, it will be essential to make changes to the branch network in the form of establishing more postal partner offices designed to replace unprofitable branches. At the same time, it will be important to exploit the company's unique position as Austria's largest logistics company with the country's densest branch network in order to systematically develop new and attractive products and services.

I would like to take this opportunity to sincerely thank the Management Board as well as the management of Austrian Post, and in particular Anton Wais, who resigned his position on the Management Board for health reasons effective March 31, 2009. Futhermore, I would like to extend my thanks to all employees, whose commitment and hard work each and every day make a significant contribution to the success of this company.

Peter Michaelis m. p.
Chairman of the Supervisory Board

# Share and Investor Relations

**Stable business being the basis for a stable share price development** Despite the difficult capital market environment, investors continued to view the business model of Austrian Post in a positive light, as demonstrated by the fairly stable share price development. The mix of successful business development, a solid balance sheet structure and an attractive dividend policy formed the basis for the remarkable development of the share price in the year 2008. Despite turbulent capital markets, the Austrian Post share even managed to gain 0.5% in value on a year-on-year comparison. Accordingly, it was the only share listed in the ATX, the Austrian benchmark index, which succeeded in posting an overall increase in value in 2008.

**Dividend increase** Austrian Post continues to pursue its clearly-defined goal of enhancing enterprise value. At the same time, it offers attractive dividends to its shareholders on the basis of a stable cash flow. The Management Board will propose the distribution of a basic dividend of EUR 1.50 per share for the 2008 financial year to the Annual General Meeting scheduled for May 6, 2009, as well as a special dividend amounting to EUR 1.00 per share. On the basis of a share price of EUR 24.10 per share as at the end of December 2008, the dividend yield – based on the distribution of a basic and special dividend – amounts to 10.4%.

Austrian Post aims to achieve a dividend payout ratio of at least 75% of the net profit in the upcoming years assuming a continuation of the company's positive business development and an unchanged solid financial performance.

**Share price development and trading** Austrian Post, listed on the Vienna Stock Exchange since May 31, 2006 as Europe's third postal company to be publicly traded on the stock market, was the most successful share on the Vienna Stock Exchange in 2008. On balance, the Austrian Post share increased by 0.5% during the course of 2008, whereas the Austrian Traded Index ATX registered more than a 60% decline in value during the same period. The DJ Euro Stoxx Transportation Index, which is of relevance to Austrian Post, declined by almost 50% in 2008. The Austrian Post share closed at EUR 24.10 at the end of December 2008. Market capitalisation totalled close to EUR 1.7bn. About 34m Austrian Post shares were traded on the Vienna Stock Exchange in 2008, and the total volume of trading reached a level of close to EUR 800m (counted once).

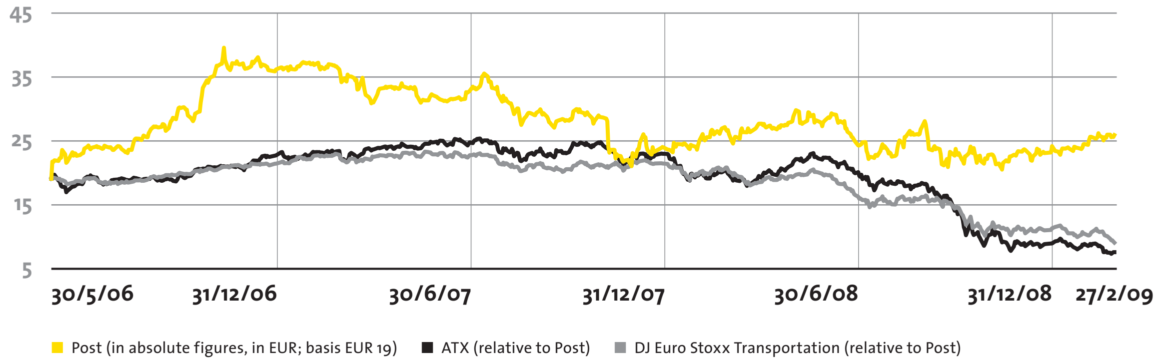
**High yields** On the basis of an issue price of EUR 19.00 (May 30, 2006), the increase in value totalled 26.8% as of the end of 2008. Taking account of the dividend payments in this period amounting to EUR 3.40 per share, Austrian Post shareholders benefited from an impressive Total Shareholder Return of 44.7%.

No ratings are available for Austrian Post, due to the fact that it has not issued any corporate bonds.

**Represented in numerous indices** Since September 18, 2006, the Austrian Post share has been listed on the Austrian Traded Index ATX, the benchmark index of the Vienna Stock Exchange. It consists of the 20 Austrian companies with the highest trading volume and the largest market capitalisation. At the end of December 2008, the weighting of the Post share in the ATX was 3.5%, close to three times the weighting in comparison to the level of 1.2% at the end of 2007. This can be attributed to the good performance of the Austrian Post share in comparison to other companies listed in the index. In addition to the ATX, the Post share is also represented on ATX Prime, on VÖNIX, the Austrian sustainability index, and on the DJ Euro Stoxx Transportation Index.

**Share buy-back programme** On April 22, 2008, the Annual General Meeting of Austrian Post approved a resolution authorising the Management Board to implement a share buy-back programme by October 31, 2009 extending up to a maximum of 10% of the company's share capital. On August 12, 2008, the Management Board exercised its authorisation and initiated a corresponding share buy-back programme, which began on August 19, 2008 and

## Development of the Post share (May 30, 2006–February 27, 2009)

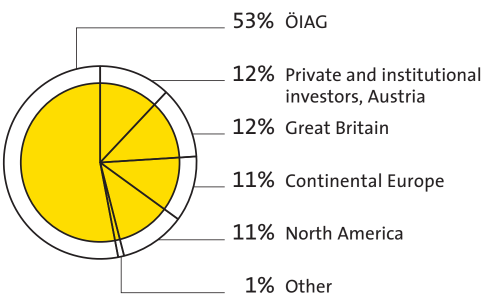



was completed on December 31, 2008. The volume of shares to be repurchased was limited to 3.5 million shares, or 5% of the share capital. All in all, a total of 2,447,362 of Austrian Post's own no-par value shares corresponding to 3.5% of the share company's share capital were repurchased via the Vienna Stock Exchange within the context of this share buy-back programme.

**Shareholder structure** As a consequence of the Initial Public Offering in 2006, the shareholding held by the Austrian state holding company Österreichische Industrieholding AG (ÖIAG) in the share capital of Austrian Post decreased from a 100.0% stake to 51.0%, or a total of 35.7 million shares. Following the buy-back of shares, the stake owned increased to 52.8%. As of December 31, 2008, due to the implemented share buy-back programme, a total of 2,447,362 shares, corresponding to close to 3.5% of all outstanding shares, were owned by Austrian Post itself ("treasury shares").

### Shareholder structure January 2009

Basis: 67.6 million shares




A shareholder ID carried out in January 2009 concluded that 88% of the shares are held by European investors (65% in Austria). Free float is represented by 12% private and institutional investors in Austria, 12% in Great Britain and 11% in Continental Europe. Private investors in Austria also include Austrian Post employees, who have a combined stake of about 2.6%. A total of 11% of the shares are currently held by North American investors (USA, Canada), whereas investors in the rest of the world account for the remaining 1%.

**Investor Relations** Austrian Post attaches considerable importance to communications with investors and analysts. In addition to the many visits made by institutional investors and analysts in Vienna, the Management Board as well as the investor relations team continually hold meetings with the financial community in Austria and in international financial centres such as Frankfurt, London, Milan, Paris, New York or Boston. The intensive dialogue with the capital market was underlined by more than 30 roadshows and investor conferences with about 200 institutional investors.

The efforts of Austrian Post to promote transparency in its financial communications gained recognition by the financial community, as demonstrated by Austrian Post winning the third place award in the Austrian Stock Exchange Price 2008 in the category "Journalists" bestowed by the business magazine "GEWINN".

Private investors also made extensive use of Austrian Post's offer to establish a comprehensive two-way dialogue. For example, numerous private shareholders requested in-depth information about Austrian Post at the Annual General Meeting or at the "GEWINN" investment fair in Vienna.

**Research Coverage** In addition to considering the overall business environment and the specific characteristics of a company, the recommendations and share price expectations voiced by analysts also play an important role in the decision-making process of investors. At the same time, the analyst reports provide Austrian Post with valuable feedback from experts in the field concerning the strategy and development of the company. In the year 2008, two investment banks, the German Berenberg Bank and the newly founded Vienna branch office of CA Cheuvreux, initiated coverage of Austrian Post. As at the beginning of March 2009, Austrian Post is regularly monitored by a total of ten investment banks: Berenberg Bank, CA Cheuvreux, Deutsche Bank, Erste Bank, Goldman Sachs, MainFirst Bank, Morgan Stanley, Raiffeisen Centrobank, Sal. Oppenheim and UniCredit. An overview of their latest recommendations can be found on the Internet at www.post.at/ir >> Our share >> Analyst coverage.

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**Online annual report 2008:**
**www.post.at/gb2008**

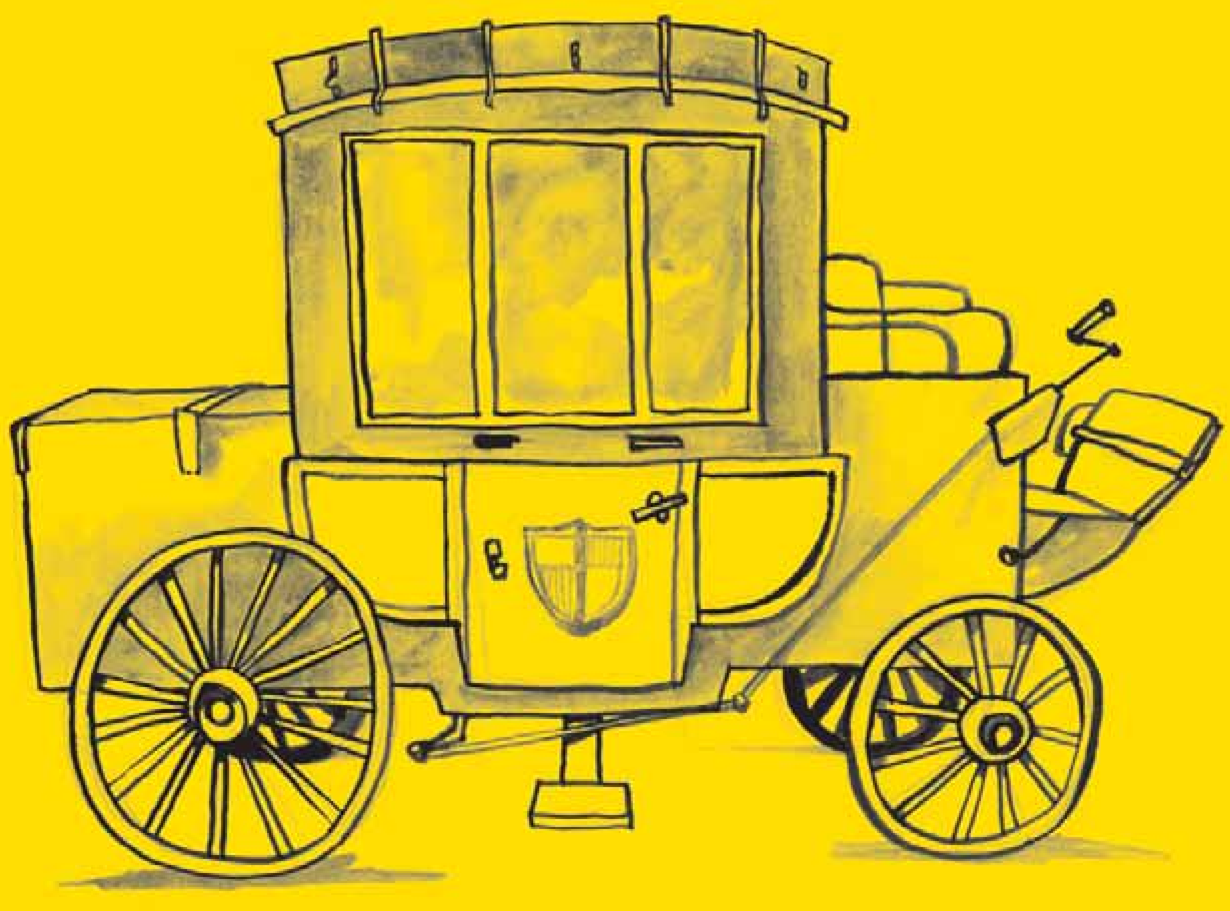
## Key Post share and dividend indicators

| | | 2006 | 2007 | 2008 | Change 2007/2008 in % |
|---|---|---|---|---|---|
| Earnings per share | EUR | 1.43 | 1.75 | 1.71 | –2.4% |
| Basic dividends per share[1] | EUR | 1.00 | 1.40 | 1.50[2] | +7.1% |
| Special dividends per share | EUR | – | 1.00 | 1.00[2] | – |
| Total dividend payout (for the financial year) | EUR m | 70.0 | 168.0 | 168.9 | +0.5% |
| Free cash flow per share[3] | EUR | 1.36 | 2.19 | 3.00 | +37.0% |
| Dividend yields[4] | % | 2.8% | 10.0% | 10.4% | – |
| Annual performance incl. dividends[5] (Total Shareholder Return) | % | +90.0% | –30.8% | +10.5% | – |
| Annual performance (excl. dividends) | % | +90.0% | –33.5% | +0.5% | – |
| PE (price-earnings) ratio at the end of December | | 25.2 | 13.7 | 14.1 | – |
| Share price at the end of December | EUR | 36.10 | 23.99 | 24.10 | +0.5% |
| High/low (closing price) | EUR | 39.50/21.50 | 37.25/20.95 | 29.75/20.44 | – |
| Market capitalisation at the end of December | EUR m | 2,527 | 1,679.3 | 1,628.0 | –3.1% |
| Shares in circulation at the end of December | Shares | 70,000,000 | 70,000,000 | 67,552,638 | –3.5% |
| Free float | % | 49.0% | 49.0% | 47.2% | – |

1 For the financial year
2 Proposal to the Annual General Meeting on May 6, 2009
3 Cash flow from operating activities less investments
4 Dividends per share divided by the share price at the end of December of the respective financial year
5 Change in the share price in a year-on-year comparison plus dividend payout (excl. reinvestment of dividends)

# Yellow blood flows in our veins.

Austrian Post, established by princes 500 years ago, is one of the most modern and efficient companies in Austria today. In 2006, Austrian Post was just the third national postal company in Europe and the fourth worldwide to be publicly listed on the stock market. Shortly afterwards, the Post share was accepted in the ATX benchmark index. Since then, Austrian Post has been playing in the Champions League of Austria's top companies. *Noblesse oblige!*



# *Liberalisation*

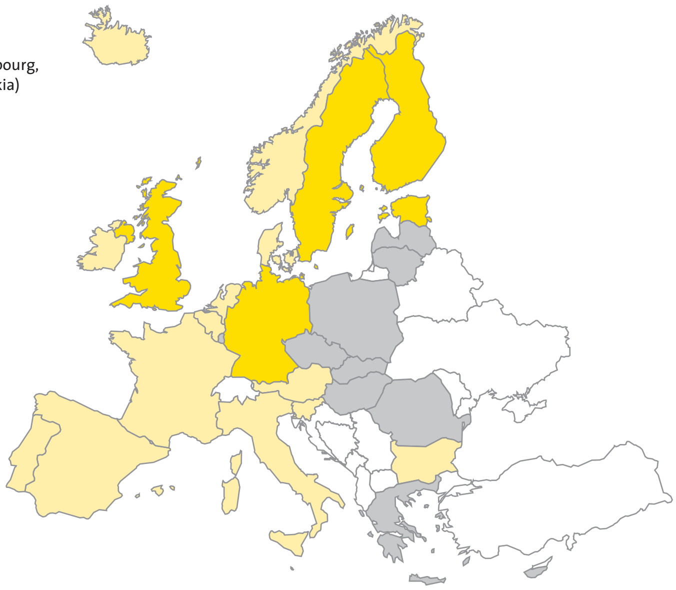
**Complete opening of postal markets by 2011 and 2013** At the beginning of 2008, the EU approved the Third Postal Directive (2008/6/EG) stipulating the complete opening of Europe's national postal markets. Accordingly, the last existing monopoly for mail items weighing up to 50g will be abolished in the near future, enabling alternative providers to also expand their services to what has been a so-called "reserved area" up until now. Most EU member states, including Austria, will be required to completely open their national postal markets as of January 1, 2011, eleven EU member states first on January 1, 2013.

**Biggest challenge: financing universal postal services** The Third Postal Directive stipulates that nationwide postal services must be ensured at acceptable prices and with a correspondingly high level of quality even after the liberalisation of the letter mail markets. The following minimum standards are stipulated in the EU guidelines:

- Home postal delivery on at least five working days per week
- Acceptance, sorting and delivery of mail items weighing up to two kilograms
- Acceptance, sorting and delivery of parcels weighing up to ten kilograms
- Services for registered mail and valuable items
- A network with postal pick-up and access points fulfilling user requirements

## Multi-phased liberalisation timetable

- Already liberalized
- Liberalisation in 2011
- Liberalisation in 2013
(Cyprus, Czech Republic, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Poland, Romania and Slovakia)



As EEA members, Iceland, Norway and Liechtenstein also implement EU postal regulations.

Up to the present time, the provision of universal postal services has been financed by income derived from the monopolistic position on letters weighing up to 50 grams. After this last reserved area has been abolished, alternative providers will also operate in this segment, but are likely to primarily focus on heavily populated urban centres. In contrast, Austrian Post plans to continue delivering to every doorstep in Austria, thus fulfilling the Universal Postal Services Obligation.

This raises the issue of financing cost-intensive postal services in rural areas, which up until now has been ensured by the national letter mail monopoly. The EU Postal Directive stipulates various possibilities. For its part, Austrian Post advocates compensation for universal postal services by means of a public equalisation fund.

**Conversion into Austrian regulations – creation of fair market conditions** The success of postal sector liberalisation will depend on the conversion of the EU Postal Directive into national regulations in the individual EU member states, particularly the introduction of suitable mechanisms to ensure the equal treatment of all market participants. In this regard, it will be necessary to amend existing regulations relating to the provisions of postal services in Austria, namely the Postal Act and the Universal Postal Services Obligation, as well as implement a series of accompanying measures.

In addition to the afore-mentioned compensation for the costs of providing universal postal services and stipulating transparent quality standards, fair competition also presupposes greater flexibility granted to Austrian Post in setting prices for its products and services. The experience gained by countries which have already liberalised their postal markets shows that new competitors not only focus on operating in highly populated urban centres, but also primarily try to attract customers with large mail volumes. In order to remain competitive, Austrian Post requires increased pricing flexibility in the B2B-/B2C-business area.

In addition, Austrian Post must be free to select the optimal business model for its branch network by itself. In the interest of cost and service optimisation, the company must be able to exploit the advantages of alternative models, such as postal partner offices, in those cases where a company-owned branch cannot be operated in a profitable manner. This flexibility would make an important contribution towards ensuring the provision of postal services in rural areas.

At the same time, the legal framework regulating working conditions must also be changed. Due to the high percentage of civil servants (55%) in its workforce, Austrian Post is considerably less flexible than companies able to hire freelance employees. From the point of view of Austrian Post, a level playing field can only be ensured by a collective wage agreement applying to the entire postal sector, which stipulates new and uniform regulations for the whole branch in respect to working conditions.

**New regulations expected in 2009** Austrian Post is committed to ensuring nationwide postal services throughout the country and maintaining high-quality service. On this basis, it submitted its ideas and demands in respect to the strategic reorientation of postal services in Austria to political decision-makers. The new Austrian Government pledged to adopt new regulations in 2009.

## Ensuring nationwide postal services

- **Compensation for costs of universal postal services**
  The costs of providing universal postal services, arising from the legal obligation imposed upon Austrian Post by the Universal Postal Services Obligation, are to be compensated by an equalisation mechanism in accordance with the EU's Third Postal Directive.

- **Flexible pricing**
  Flexible pricing in the business customer segment is a prerequisite for securing the existing uniform tariffs for private customers on a long-term basis.

- **Flexibility of postal companies to choose the optimal operating model**
  Austrian Post must be entitled to freely select the optimal business model for its branch network in order to ensure the long-term provision of postal services to the population living in rural areas.

- **Uniform and transparent quality standards for all market participants**
  Consumers expect quality and transparency from postal service providers. Accordingly, it is essential to establish unified quality measurement and control mechanisms for all market participants as well as to require the publication of results.

- **Fair labour conditions based on a collective wage agreement**
  Standard-working conditions are to be created on the basis of a unified collective wage agreement for the entire postal sector.

# Europe's postal market

## Liberalisation and economic crisis as a challenge and opportunity

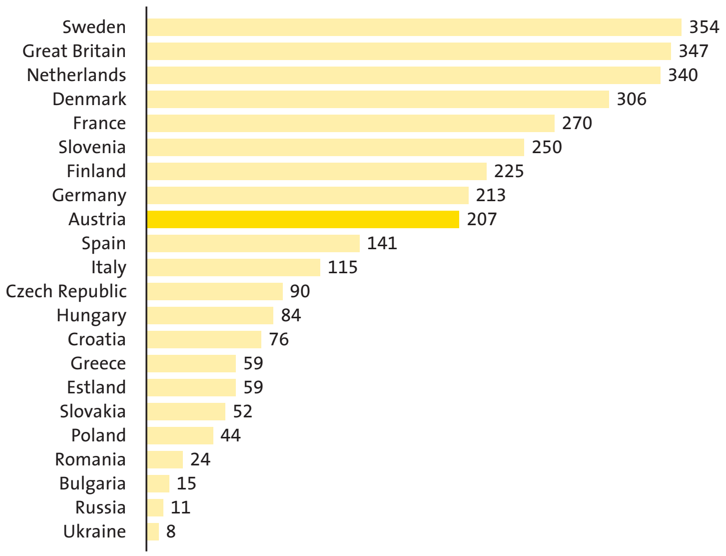
The market environment in Austrian Post's historically grown core markets i.e. communications, logistics and retail continues to change. Preparations for the liberalisation of the letter mail market in 2011 and the global economic crisis pose new challenges to postal companies. However, these developments offer Austrian Post in particular the opportunity to further develop its business successfully.

- In the **communications market**, cyclical changes are usually noticeable very quickly. However, as part of the communications market, the letter mail market typically demonstrates a lower level of dependency. The significant differences in the per capita volume of letter mail in the specific national markets can be attributed to the economic performance, particularly the infrastructure, as well as the different traditions in communications behaviour.

- The overall economic development is a decisive influencing factor in the **logistics market**. In particular, the subdued mood in the industrial sector has a significant impact on the express mail market. The integrators on the global market e.g. UPS, FedEx and DHL have all been forced to repeatedly revise their forecasts downwards in the light of the pronounced economic downturn. Customers change from express delivery services (air cargo) in favour of less expensive road transport. However, the sluggish development of the B2B parcels business at present is counteracted by growth in parcels sent by e-commerce providers to private customers.

- Changes have also been identified in the **retail segment** (branch network) as a consequence of the financial crisis. These developments primarily impact the financial services industry. The aversion to risk taking and the accompanying focus on more conservative forms of investment open up interesting future perspectives for financial service providers with a strong foothold in the retail banking segment, for example postal banks.

Letters and unaddressed direct mails per capita per year
Quelle: Ecorys 2008



# Business model and strategy

The business strategy of the Austrian Post Group is based on achieving two main goals:

- The ongoing **further enhancement of enterprise value** by expanding the geographical outreach of the business model and the upstream and downstream orientation of the value chain, with the underlying purpose of safeguarding the company's long-term competitiveness and
- ensuring the **nationwide provision** of high quality services to the Austrian population.

**High volume business: efficiency and customer orientation** Similar to other postal companies, Austrian Post's core operations represent a traditionally high volume, mass business subject to the laws and principles governing such activities. Based on a strong brand, this consists of

- a good price-performance ratio,
- ongoing optimisation to ensure market-driven cost structures and
- continuing further development of the business model in the light of changing customer requirements.

In accordance with this fundamental understanding, the efficient structuring of all corporate processes and the systematic expansion of the company's customer orientation comprise the main elements of Austrian Post's corporate management.

**Top performance as the yardstick** Austrian Post orients its operations to the leading market positions, which the company traditionally has on the Austrian market, but which also comprise corresponding responsibilities and challenges for the future. The top priority and decisive success factor is achieving top-notch performance for our customers.

**Outstanding performance as a success factor**
- Nationwide customer proximity
- Retention of customer confidence and loyalty
- Efficient networks
- Synergies among submarkets
- Ongoing extension of the value chain
- Increasing internationalisation

**Three strategic approaches** The core strategy of Austrian Post is based on three main strategic approaches which are reflected to varying extents in the business operations of each of the three divisions:

**1. Optimisation of the core business and greater customer focus** Austrian Post is continually striving to optimise its performance, being fully aware of the challenges posed by a liberalised market, which are manifested in other countries in the form of aggressive competition featuring "low-cost policies".

In the past few years, the company and its employees have demonstrated a high level of flexibility in the implementation of the required steps, and will continue on this successful path in the future. This approach will not only help Austrian Post to live up to customer expectations with respect to reliability and competence, but also fulfil the increasing demands on profitability, which is required to ensure the nationwide provision of high quality postal services on behalf of the Austrian population.

A key focal point of Austrian Post's further strategic development is the timely adaptation of structures tailored to the changing market and competitive environment. The improvement of processes and the efficient management of resources comprise just a few of the optimisation measures designed to achieve this goal. Furthermore, Austrian Post is also placing emphasis on the evaluation of innovative business and operating models. In the light of the upcoming liberalisation of the letter mail market in 2011, greater importance is being attached to such new concepts, for example the postal partner offices (Post.Partner) in the branch network or the cooperation with reliable partners in delivering mail items.

**2. Extension of the value chain and specialisation in profitable niche markets** The high level of confidence customers have in Austrian Post as their long-term partner is the basis for systematic further development of an attractive and comprehensive portfolio of services. Austrian Post has launched specialised services in recent years such as address management, geomarketing, document printing, digitalisation and mailroom management, in an effort to serve as a single provider offering complete services, particularly to its business customers. Austrian Post is continuing to develop new solutions – ranging from multi-channel dialogue marketing and cooperative advertising in the letter mail segment to temperature-controlled pharmaceutical logistics or a comprehensive, European-wide combined freight system in the parcels segment.

**3. Internationalisation and positioning as a local integrator** Austrian Post exploits synergies in its domestic market, for example the joint delivery of parcels and letters in rural areas. At the same time, it is also focusing on the transfer of know-how, trust and customer orientation within the context of its international activities. Numerous successful expansion steps in South Eastern Europe, Eastern Europe and Western Europe confirm the effectiveness of this strategy. Since the internationalisation drive of Austrian Post was first initiated in the year 2001, the share of total revenues generated outside of Austria could be increased to 30% thanks to its diversification and growth-oriented acquisitions.

The acquired companies are systematically being further developed by exploiting market dynamics. Examples are the development of special B2C logistics featuring parcel shops in South Eastern and Eastern Europe, the further development of sales companies abroad or various investment projects targeting existing facilities and subsidiaries. In this regard, several logistics centres in Slovakia, Croatia and Germany (meiller direct and trans-o-flex) have been newly constructed, modernised or expanded. This approach not only enables Austrian Post to establish a stronger foothold in local markets, but increases its attractiveness as a partner for international customers and logistics companies. Following a series of acquisitions carried out in recent years, the top priority is now the networking and integration of these companies in terms of their service offering and logistics.

Austrian Post focuses on three different aspects in terms of the acquisitions it carries out. The particular acquisition should enable Austrian Post to occupy attractive niche markets, the potential acquisition must be located in a growing market, and finally, the acquisition must provide the basis for further upgrading existing competencies in the Austrian Post Group.

# Mail Division

## Business operations

The Mail Division encompasses three business areas, namely Letter Mail, Infomail and Media Post. The division's core business consists of the acceptance, sorting and delivery of letters, postcards, addressed and unaddressed direct mail items, newspapers and regional media. The delivery staff, comprising 11,300 people, deliver mail every day to a total of 3.9m households and companies. This range of services is complemented by new business services along the value chain for business and advertising mail (e.g. analysis, consulting and planning, address and data management, mailroom services, intelligent scanning and response management).

## Market environment and trends

On balance, the market environment for letter mail, ranging from letter, addressed mail items to magazines, is markedly stable. The decline in mail volumes and the corresponding substitution of letters by electronic information are compensated by new communications requirements and the development of new service offerings.

The letter mail market is being shaped by the following trends:

- The increasing use of electronic communications leads to a slight but ongoing decline each year in letter mail volumes.
- However, new forms of communication also open up new opportunities and perspectives, in particular if a dialogue with the target group is to be established (e.g. absentee voting, customer identification for online banking).
- New services along the value chain of the information flow are created (e.g. scanning and printing services).
- For many companies and sectors, direct communication with the end customer have become absolutely indispensable. For this reason, the application of target group specific addressing and dialogue approaches in advertising is increasing.

## Strategy

**Continuity in the core business** The core business of Austrian Post in the Letter Mail business area consists of the delivery of addressed, partially addressed and unaddressed mail items. In this business area, Austrian Post primarily relies on efficient logistics and sustainable customer value.

Austrian Post adds impetus to the business activity in stable markets by means of customised branch solutions. At the same time, further efficiency improvements in the sorting and delivery process support the company's preparations for the full-scale liberalisation of the postal sector. Austrian Post not only aims to maintain but also to strengthen and expand its market position.

**Direct marketing: alternative services and regional expansion** The integration of alternative models in the delivery process serves as the basis for optimising delivery processes and quality. Austrian Post will continue to pursue this course in the future. The success of this approach has been clearly demonstrated by feibra Austria, the leading alternative provider of delivery services for unaddressed direct mail items. Accordingly, Austrian Post is pushing ahead with its efforts to acquire market leading companies in South Eastern Europe and Eastern Europe which provide alternative postal delivery services.

**Expansion of the value chain** In addition to the acceptance, sorting and delivery of postal items, Austrian Post offers an extensive range of new services in the fields of production, address and response management as well as business process outsourcing. These services are made possible by the Austrian Post subsidiaries, meiller direct (full service provider for direct marketing), Scanpoint (specialist for scanning solutions) and D2D (printing, enveloping and data transfer services), as well as the expansion of sorting centres. The portfolio of services ranges from address management, target group planning, printing and enveloping mail items to the digitalised internal distribution of postal items for customers.

In the meantime, Austrian Post can now offer all services along the value chain of physical information exchange "under one roof", and develops individual, tailor-made customer solutions.

**Process optimisation in logistics** Logistics services represent the core business of Austrian Post. Potential efficiency improvements are being continuously identified and implemented in respect to the distribution, sorting and transport of goods. In 2008, the focus was on optimising and improving indoor and outdoor processes by means of new time values and sorting desks, a change in the pre-sorting process in Vienna, the integration of parcel delivery services in the Letter Mail business area and the initial use of environmentally-compatible gas-driven vehicles.

## Highlights 2008

- **Ongoing efficiency improvements in logistics processes** Austrian Post once again succeeded in raising efficiency in 2008, which is reflected in higher sales productivity, the reduction in full-time employees through new time values for indoor and outdoor work, and process optimisation using new sorting belts, optimised route planning and state-of-the-art information technology.

- **Change in the pre-sorting process in Vienna** The pre-sorting work in Vienna previously carried out at 21 locations was moved to the Vienna Letter Centre. Since September 2008, this unique facility in terms of size, encompassing an area of more than 7,000 m², has been sorting more than 1.25m mail items daily according to the respective postal districts.

- **Expanded scope of services due to new acquisitions** Austrian Post is represented in Hungary through its subsidiary feibra Hungary. In addition, a 100% stake in Cont-Média Kft, the number two provider for unaddressed direct mail items, was acquired, thus expanding Austrian Post's outreach to Western Hungary.
  The shareholding acquired in D2D (direct to document) together with Raiffeisen Informatik GmbH also enables Austrian Post to offer printing, enveloping and data transfer services.

### Targeted expansion of the value chain

| | | | | | | |
|---|---|---|---|---|---|---|
| **Business mail** | Requirements analysis<br>Forwarding consulting services | Address updating<br>Address data service | Data management<br>Transaction printing<br>Enveloping | **Collection**<br>**Sorting**<br>**Delivery** | Delivery/ pick-up<br>Mailroom services<br>Scanning/ digitalisation | Return mail processing |
| | **Analysis Consulting Planning** | **Address management** | **Production** | **Traditional postal services** | **Expanded postal services** | **Response management** |
| **Advertising mail** | Campaign management<br>Media planning<br>Production consulting<br>Scheduling optimisation | Target group analysis<br>Address updating & purchasing<br>Address data service | Printing<br>Letter shop<br>Fulfilment<br>Data base management | **Collection**<br>**Sorting**<br>**Delivery** | Delivery/ pick-up | Return mail processing<br>Response evaluation<br>Processing<br>Analysis |

# Parcel & Logistics Division

## Business operations

The Parcel & Logistics Division of Austrian Post is already represented in ten countries with its own subsidiaries. With the exception of Austria, the service offering focuses on business customers. However, the boundaries between the private and business customer segments are becoming increasingly blurred. Austrian Post relies on nationwide services and a preferably strong market position as the basis for offering customers' efficient logistics and additional services tailored to the needs of the respective market.

**Europe-wide service via EURODIS** Standardised parcel and pallet transport and delivery services throughout Europe are provided by EURODIS network, of which the Austrian Post subsidiary trans-o-flex was one of the founding shareholders. EURODIS relies on the area-wide logistics networks of several partners. The Parcels & Logistics Division of Austrian Post, with more than 4,000 employees at 163 locations supported by delivery staff and long-distance lorry drivers, is the leading partner of this European network.

## Market environment and trends

The parcel and logistics market in 2008 was characterised by increasing volumes, a development which was hardly slowed down by the rapid economic downturn at the end of the year. Stagnating business and ongoing intense competition are expected in 2009. The most important trends:

- The development of international business will continue to lead to the transfer of production operations to low-wage countries. The resulting increase in trade and transport volumes, also from South Eastern and Eastern Europe, will open up new opportunities for logistics service providers which have established a foothold in these markets.
- Demand on companies to increase the profit contribution from logistics operations above and beyond cost-cutting measures is continually rising.
- Dynamic development of the Internet-based mail order business.
- It is becoming increasingly important to limit security risks in transporting goods.
- Political decision makers, senders and recipients of mail items are attaching greater importance to "green" solutions in the logistics sector.
- The quality of the IT technology in use has increasingly emerged as a decisive success factor for transparency and efficiency and value-added customer service.

| | Combined freight: integrated parcel and pallet services | B2B: business parcels | Temperature-controlled logistics | B2C, C2C: private parcels |
|---|---|---|---|---|
| Austria | ■ | ■ | ■ | ■ |
| Germany | ■ | ■ | ■ | |
| Belgium | ■ | ■ | ■ | |
| Netherlands | ■ | ■ | ■ | |
| Slovakia | ■ | ■ | | |
| Hungary | ■ | ■ | | |
| Serbia | ■ | ■ | | |
| Montenegro | ■ | ■ | | |
| Bosnia and Herzegovina | ■ | ■ | | |
| Croatia | ■ | ■ | | |

## Strategy

"We link our customers to their own customers and strive to ensure that our logistics chain offers real added value to senders and recipients". With the development of this vision, Austrian Post initiated a strategic development process in the Parcel & Logistics Division in 2008 designed to focus even more intensively on the needs of customers and the service offering. This vision has been elaborated by the following core strategic targets and supported by the development of appropriate measures:

- Profitable growth over market trends
- Increase in productivity and quality
- Optimal combination of services and costs
- Responsibility for protecting the environment

As a result, the Parcel & Logistics Division has been equipped with a strategic framework ensuring a goal-oriented and value-enhancing further development.
In addition, all subsidiaries of the Parcel & Logistics Division offer so-called "combined freight" services, i.e. the joint pick-up, transport and delivery of parcels and pallets. Accordingly, Austrian Post is one of the very few logistics companies which are capable of processing parcels and pallets together, providing a considerable competitive advantage and the basis for further strengthening its position in the individual markets. Austrian Post's strong positioning in providing logistics services for the pharmaceutical sector ensures the success of this business model and the basis for further expansion.

## Highlights 2008

- **Restructuring and B2B expansion in Austria** The restructuring of the parcels business on Austrian Post's domestic market was completed in 2008. A sorting centre was relocated and eight parcel delivery bases were merged. Towards the end of the year, the company aligned its operations in accordance with a new production plan, which not only offers customers shorter delivery times but also an extension of sorting centre deadlines for accepting parcels for next day delivery. The expansion of the B2B business has been successful, leading to a dramatic rise in parcel volumes, and the integrated letter mail and parcel delivery service has also produced positive results. The Internet mail order business continues to develop dynamically.

- **Brand expansion of trans-o-flex** All the companies in the trans-o-flex Group (including the speciality logistics company trans-o-flex Thermomed) now operate under the joint brand name trans-o-flex Logistics Group. Austrian Post will more intensively exploit its experience in providing combined freight services, and also apply its logistics software in South Eastern and Eastern Europe.

- **Expansion of temperature-controlled transport** In 2008, Austrian Post entered the market for temperature-controlled transport of goods in the Benelux countries. Austrian Post is already successful in the German market with its subsidiary Thermomed and in Austria with Scherübl Transport. As a consequence, the Group will be able to provide services for a majority of the most important European pharmaceutical producer and customer markets in the future.

- **New sorting centres in Slovakia and Croatia** The strategic investments of Austrian Post in South Eastern and Eastern Europe have generated increasing parcel delivery volumes. For this reason, construction has begun on new central postal sorting centres in both countries, along with three regional sorting centres in Slovakia.

- **Successful integration** In addition to the integration in the Austrian Post Group of the subsidiaries in Serbia, Montenegro and Hungary acquired in 2007, the basis for the merger of the two subsidiaries Road Parcel and Merland Expressz in Hungary was established. Since the beginning of 2009, Hungarian customers can now ship parcels and pallets by using a single service provider.

- **Market entry in Bosnia and Herzegovina** 24VIP Logistics Services, which specialises in the transport and delivery of parcels and individually packaged goods in the B2B segment, has been part of the Austrian Post Group since October 2008. It enables the Austrian Post Group to offer services throughout Serbia, Croatia and Bosnia and Herzegovina.

# Branch Network Division

## Business operations

The Branch Network Division of Austrian Post offers high-quality products and services to its customers throughout Austria in the fields of banking, postal and communications services.

With a total of more than 1,500 company-operated branches and third-party operated outlets, 400 other postal service points and close to 5,000 employees, the branch network ensures both customer proximity and the best possible access to infrastructure and communications.

The results achieved in 2008 speak for themselves: about 67 million customer visits, 560 million letters and parcels mailed in the branch network, approximately 900,000 PSK banking customers, around 10.3 million cash deposits, 127,000 mobile telephones sold and roughly 73,000 contracted Internet connections. Austrian Post serves its customers each and every day.

## Market environment and market trends

The branch network of Austrian Post ranks among the largest private customer networks in the country. Moreover, Austrian Post has a leading position in selling telecommunications products (mobile and fixed line telephony), and operates one of the largest banking networks in Austria in cooperation with PSK Bank.

The market environment is being impacted by numerous competitors in different fields, for example banks or specialised retailers for communications and office products.

In the telecommunications sector, one of the market trends is the sale of additional applications to complement fixed-line services ("one-stop shop"), in particular ADSL connections, to enable people to watch TV (e.g. aonTV). In the mobile telephony segment, the trend is towards promoting mobility, also in the case of Internet use, for example based on A1 applications such as mobile surfing combined with free hardware telecommunications products are relatively dependent on the overall economic climate.

In the current financial market environment, the trend in banking services is currently on secure investment products such as savings books and funds, as well as simple and quick financing products. In this regard, PSK Bank is positioning itself as a bank with secure and simple financial products featuring a good price-performance ratio.

## Strategy

**Branch network: Standardisation and customer service promise** The Branch Network Division was subject to a reorientation and reorganisation of its business operations in 2008. This redimensioning process was designed to adapt more quickly and systematically to changed customer needs, optimally configure the postal branches to market requirements and create a more streamlined organisation to provide even more support to sales efforts.

**Promotion of banking services** At present, more than 500 financial consultants of PSK Bank in the postal branches and 60 mobile consultants provide customers with competent advisory services regarding financial issues. The aim is to attract an even larger number of customers, who will potentially decide to purchase high quality financial products such as insurance policies or investment products in addition to standard products. At the same time, innovative and easily understandable products with an attractive price-performance ratio are continually being developed to attract retail customers.

**SME postal services in the branch network** Since 2007, a top priority has been to provide optimal customer-care services to small and medium-sized enterprises, with the purpose of offering customers the optimal mailing solution in each case from Austrian Post's extensive portfolio of products and services. More than 300 "postal service competence centres", namely branch offices with specially trained sales consultants, have been expanded throughout Austria.

**Securing a nationwide branch network** At present, Austrian Post is offering its entire range of services at 1,500 company owned and third party operated outlets, and 400 additional postal service points are at the disposal of customers. The postal market will strongly change due to the upcoming liberalisation of the European postal sector as of 2011. Austrian Post has to respond quickly to this challenge. Austrian Post is committed to providing universal postal services throughout the country. Therefore, a focal point of its efforts is the expansion of alternative operating models in the branch network.

In particular, the concept of the Post.Partner (postal partner offices) has proven its value. Customers appreciate the longer opening hours which exist at most locations, the infrastructure of municipalities is maintained, the postal partner offices profit from increased revenue and higher customer frequency, and Austrian Post strengthens its profitability by converting unprofitable branch offices into postal partner offices.

## Highlights 2008

- **Sales mobilisation programme** In cooperation with PSK Bank, Austrian Post launched a sales mobilisation drive in 2008 to increase active sales in its branch offices. This employee development programme, the largest ever initiated in the branch network, is designed to optimise processes and strengthen sales competencies. The success of the sales mobilisation programme has been clearly demonstrated by the participating branch offices.

- **Ongoing modernisation of post offices** Austrian Post is continually optimising its network by renovating and modernising its network of post offices. Each year, about 50 post offices are completely being expanded and modernised. About EUR 10m was invested in 2008 alone. 70 financial consulting rooms and 32 SME advisory areas were constructed or upgraded in line with the latest standards in furnishings and equipment. In order to further increase the availability of its product offering, Austrian Post has also installed self-service machines as well as expanding the opening hours of its branch offices. Simultaneously, targeted investments in the ongoing training and continuing education of employees in the banking sector and sales people for telecommunications products have massively increased their consulting capabilities.

- **Communications and retail products – successful communication and expanded product line** In 2008, Austrian Post's successful cooperation with its business partner and market leader Telekom Austria was further expanded. Consequently, the number of Internet connections sold in the branch network increased to about 73,000. The branch network of Austrian Post ranks among the most important sales and distribution channels of the mobile phone provider mobilkom austria/A1. In 2008, Austrian Post once again achieved an increase in the sales of A1 contract mobile phones and initial registrations for mobile telephony services despite a highly competitive market, thus considerably outperforming overall market growth.

- **Focus on philatelic products** In the field of philately, the year 2008 was exceptional in many ways. For one thing, significantly more stamps were issued than in previous years, due to UEFA EURO 2008™ and the Vienna International Postal Stamp Exhibition (WIPA). In addition, Austrian Post issued technically sophisticated stamps on a lenticular basis (including the world's first 3D stamp), and also an embroidered commemorative stamp featuring the gentian flower, which was awarded the distinction of being the most remarkable stamp issue in 2008.

Moreover, Austrian Post was entered into the Guinness Book of World Records for the world's quickest printing of a postage stamp. Printing commenced immediately after the end of the soccer championship match at UEFA EURO 2008™ on June 29, 2008, and required precisely 1 hour and 25 minutes. On the same night, this stamp was already sold at 12:41 a.m. in the philately shop in Vienna.

# Mission Statement

## Stability, value creation and visibility

Our top priority is the sustainable maintenance and enhancement of enterprise value in the interests of all stakeholders. Our aspiration is to ensure the nation-wide provision of high quality postal services to the entire population. As a local integrator in our markets, our corporate behaviour focuses on promoting the ongoing further development of the company as the basis for fulfilling customer requirements.

# Whoever assumes responsibility for the whole country should not slip up.

Which company, if not Austrian Post, operates a logistics network which provides reliable, quick and efficient postal services throughout Austria, day in and day out, even to the smallest of villages? And we do it at maximum speed: 96% of 4.4 million daily letters are already delivered on the next day.

# Corporate Social Responsibility

## Responsibility and sustainable development

As one of the largest companies in the country, Austrian Post is aware of its responsibility towards its stakeholders and the social environment. For this reason, the company has committed itself to appropriately taking into consideration the interests of all target groups when formulating its business strategies and carrying out its business operations. In doing so, Austrian Post orients its activities to the principles of the UN Global Compact, to which the company has belonged since 2007. Ten fundamental principles contained in the Global Compact define minimum ecological and social standards. These tenets comprise the primary demands of the international community represented in the United Nations relating to sustainable business management in the interests of all stakeholders.

### Austrian Post as a partner to its stakeholders

- **for customers:** Good inter-personal relationships are the underlying reason for the success of Austrian Post's customers Therefore Austrian Post provides nationwide postal services at a fair price-performance ratio.

- **for shareholders:** Austrian Post has paid high dividends in recent years to its shareholders, including to its majority shareholder ÖIAG (and thus the Republic of Austria).

- **for employees:** The Austrian Post Group has responsibility for about 23,000 employees in Austria and another 4,000 employees internationally. The company attaches great importance to maintaining its position as a popular employee, whose focus is on actively promoting the professional development of its staff.

- **for business partners:** Austrian Post has always served as a fair, reliable and predictable business partner for its suppliers and business partners.

- **for the environment:** Austrian Post demonstrates its commitment to environmental protection on the basis of the ongoing modernisation of its infrastructure, numerous waste prevention initiatives and programmes to reduce the consumption of natural resources.

- **for communities:** Nationwide outreach and an open dialogue are the hallmarks of the relationship between Austrian Post and Austrian communities. Nationwide postal services are also ensured in rural areas through postal partner offices and rural delivery staff.

- **in the regulatory environment:** Most of Austrian Post's operations are carried out within the framework of a regulated business environment with clearly-defined quality and service standards. The prerequisite for a successful liberalisation are fair conditions applying to all postal service providers.

- **for society:** Austrian Post is one of the country's largest employers, and its nationwide branch network provides access to top quality postal services for all Austrians.

## CSR priorities

In the light of Austrian Post's far-reaching responsibility to its stakeholders, the company has defined four pillars of its sustainability policies:

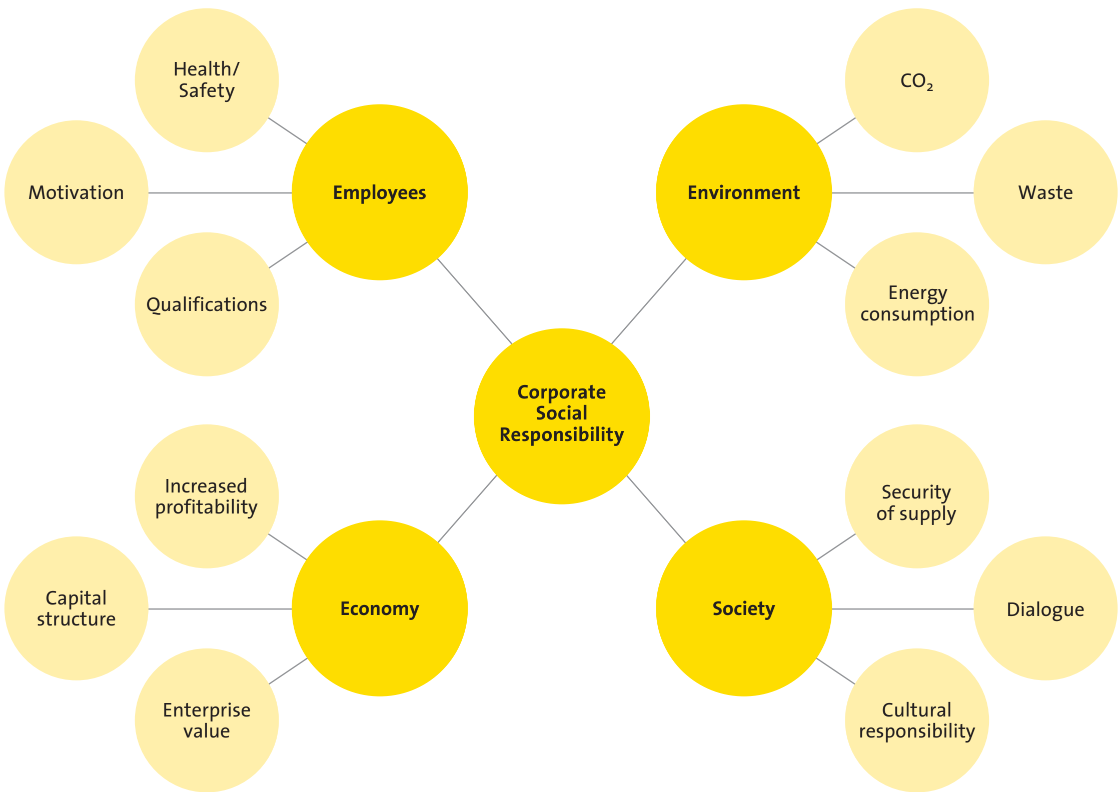
**Economy:** Only a company that grows and expands can seriously assume its responsibilities on a long-term basis and make an appropriate contribution to fulfilling social needs. Accordingly, the top priority for Austrian Post's management is to ensure profitability on a sustainable basis. In this spirit, ongoing optimisation measures are designed to maintain the competitiveness of Austrian Post. Similarly, an international expansion strategy is being implemented in order to ensure the achievement of the targeted long-term corporate success.

**Society:** As Austria's universal postal services provider, Austrian Post is committed to fulfilling its corporate social responsibility. The company makes an important contribution towards maintaining and safeguarding the communications infrastructure of the country based on its provision of reliable, top quality nationwide postal services on behalf of the Austrian population. The company responds to the challenges posed by increasing competition through ongoing change and profitability improvement.

**Employees:** Austrian Post is a major employer, with a work-force of about 27,000 employees. Motivated and highly productive employees are the cornerstone of the tried and tested logistics concept, which ensures daily postal deliveries to customers. An indispensable prerequisite is ensuring a healthy, safe and secure working environment. The number of employees must be continually adjusted to current requirements within the context of optimisation measures and process improvements. These personnel cuts are carried out by paying strict attention to social aspects and by taking advantage of the process of natural attrition.

**Environment:** The efficient and prudent use of natural resources is also an important priority for Austrian Post, as demonstrated by its efforts to reduce resource consumption, or its active participation in projects such as the Greenhouse Gas Reduction Programme of PostEurop, focusing on the reduction of greenhouse gas emissions.

## CSR priorities of Austrian Post



# Society

**Commitment to nationwide services** Throughout Austria, a total of 1,500 company-operated and third-party operated branches along with another 400 postal service points ensure the provision of postal services on behalf of the Austrian population. Austrian Post remains committed to maintaining nationwide postal services, evenmore in light of the upcoming liberalisation of the postal market. In particular, the concept of the postal partner offices, in which local tobacconists, retail sales people and also municipal offices cooperate with Austrian Post, has proven its value. Through their expanded offering, postal partner offices strengthen the local availability of essential services, due to the fact that various services are bundled which could otherwise not be supplied any longer on a continuing basis if separately offered by different providers. The cooperation with Austrian Post also represents an additional source of income for the contractual partners. Moreover, customers who can shop and drop off parcels in one store benefit from one-stop shopping. An additional advantage is the longer opening hours in most cases.

Austrian Post in its role as a universal services provider attaches particular importance to maintaining an ongoing dialogue with political decision makers, in particular cities and municipalities. Communities serve as important partners to Austrian Post in all issues related to securing the long-term provision of postal services for the Austrian population. Against the backdrop of changes in the market environment related to postal market liberalisation, Austrian Post is striving to establish an active dialogue with Austrian municipalities to develop effective solutions guaranteeing that postal services will continue to be provided on a nation-wide basis, as stipulated by the Universal Service Ordinance.

In 2008, Austrian Post once again actively participated in the “National City Day” and “Community Day” events organised by the Association of Austrian Cities and Towns and the Austrian Association of Municipalities, taking advantage of the opportunity to exchange ideas personally with the respective mayors. The cooperation with communal representatives in Austria remains an important cornerstone of the active dialogue Austrian Post pursues with its stakeholders.

**Barrier-free access** In order to promote the equal treatment of people with special needs, Austrian Post upgraded 18 additional post offices in its branch network in 2008 to ensure barrier-free access to disadvantaged people. Separate parking spaces and ramps in the entrance area facilitate entry. These branches have been equipped with lower writing desks to enable barrier-free accessibility.

## Sponsorship and cultural responsibility

**Society** In 2008, Austrian Post once again supported the “Ö3-Wundertüte” (Ö3 radio station showbags) campaign for the fourth time by assuming responsibility for the logistical organisation. This drive is designed to collect old mobile phones and convert them into cash (through re-sale or recycling) in order to help families in need. Austrian Post also provided support to the “Helping Hands” campaign launched by the daily newspaper “Kronen Zeitung”. The donations are used for the benefit of the Wohngemeinschaft Pronegg, a cooperative living arrangement for children with special needs, and the SOS Children’s Village in Vienna-Floridsdorf.

**Sports** In the field of sports, Austrian Post in its role as a national supporter can look back at its very successful European Football Championship, where the event proceeded quite smoothly, not to mention the matches themselves.

Football will continue to be extremely important in Austria, even after the end of UEFA EURO 2008™. The “Postliga Mädchenfußball” (Austrian Post league for girl’s football) was set up at the beginning of the 2008/09 school year. The project is the result of a cooperative venture between Austrian Post as the main sponsor, the Ministry of Education and the Austrian Football Association (ÖFB).

**Culture** In terms of promoting cultural activities, Austrian Post was the sponsor of the well-known Viennale film festival in 2008 for the third time. The company also continued its tried and tested cooperation with the Salzburg Jazz Autumn and the Haydn Festival Eisenstadt. Thanks to the support of Austrian Post, the picture gallery located in the theatre lounge of the Vienna Burgtheater was enlarged once again. During the year under review, Austrian Post also entered into a cooperative agreement with the Albertina Museum in Vienna.

## Employees

**Women/family** At an early stage, Austrian Post realised the importance of the issue of equality. In this spirit, Austrian Post has established its own internal programme for the professional advancement of women, supporting the compatibility of family and career and ensuring equal opportunities for women in hiring and in their professional careers. The active management of parental leave is designed to facilitate the employee's re-entry to the job market after a career interruption.

The slogan dominating the year 2008 was "Austrian Post is female". Awareness-building measures included the sensitising of employees and top executives to the issues surrounding gender mainstreaming by external experts within the framework of the "Austrian Post Talk Series", as well as an employee survey on the issue of equal opportunity. The conclusion of the opinion poll was that a much higher awareness for equal opportunity exists at Austrian Post than in the Austrian business community as a whole. It is also possible for women to break the barriers of male-dominated jobs, as demonstrated by the first female lorry driver who was hired in September 2008 to transport freight for Austrian Post. As a targeted measure designed to inspire girls to enter technical or technically-related fields, Austrian Post participated in the Vienna Daughter's Day event for the first time in 2008, offering an insight into the work of employees in the letter mail and parcel centres as well as in the field of freight transport.

**Health and safety** Within the context of its occupational health care services, Austrian Post's entitled "The right exercise brings something for everybody" focused on ergonomics, in particular on specific activities typical for Austrian Post employees. Together with external experts, 500 top executives were trained at kick-off events held throughout the country. More than 6,800 employees at 200 delivery bases took part in information lectures held by occupational health physicians. The programme was supported by specially-designed brochures and posters.

The regional health-care campaigns "Post Vital Wals" and "Post Vital Styria" were awarded the "Austrian Quality Seal for Workplace Health Promotion 2008–2010", a certification bestowed by the Austrian Network for Workplace Health Promotion honouring the successful implementation of occupational health-care measures in regular business operations.

In addition to the nationwide vaccination drive providing free flu vaccinations to employees, Austrian Post also once again offered low-cost TBE, tetanus, diphtheria, polio and hepatitis vaccinations.

In order to counteract the massive increase in the number of assaults targeting Austrian Post's delivery staff in the first half of 2008, Austrian Post doubled security expenditure for delivery staff in addition to ongoing training held in cooperation with security companies. At a security summit meeting in August, it was agreed that retirement benefits paid to people in Vienna would be delivered by special messengers, effective immediately. The affected beneficiaries were notified of the change ahead of time in a personal letter.

**Change** During the period under review, it was once again necessary for Austrian Post to carry out adjustments in the number of employees due to increasing competition and preparations for the complete opening of the letter mail market in 2011. In August 2008, a labour-management agreement establishing a social plan (employee redundancy programme) to cushion the effects of restructuring measures on the affected employees was concluded until the end of 2009.

**Participation in external regional employment foundations**

Employees wishing to re-position themselves professionally have the opportunity to be admitted into an employment foundation offering training and continuing education measures lasting for up to three years and upon completion of these courses, supporting employees in their efforts to find suitable new jobs.

**Bridging allowance**

In the case of unemployment, Austrian Post employees born 1950 or earlier with civil servant employment contracts, who have worked for a total of 40 years and paid their social security contributions, and have thus fulfilled the criteria qualifying them for non-discounted pension benefits, are entitled to bridge the time remaining until their retirement with paid leave.

**Social plan**

Austrian Post offers all its civil servants and salaried employees financial assistance within the context of its social plan, if a particular position has been eliminated and all efforts to find a suitable alternative for the employee within the company have been in vain.

**Career and Development Centre**

In addition, the Career and Development Centre, the "new placement" unit of Austrian Post, supports employees trying to reposition themselves and find new jobs as a result of restructuring measures. During the 2008 financial year, more than 200 employees took advantage of systematic professional training as a basis for finding employment within and outside the company. In this manner, numerous employees were hired to work in new business areas, for example mailroom management or the digitalisation of a customer's incoming mail.

## Training and continuing education

**Start of the one-year management curriculum**

Austrian Post offered a Group-wide management curriculum for the targeted training of junior executives for the first time in the year 2008. The participants selected concluded a one-year long training programme encompassing all topics of relevance to their management responsibilities. The courses of study ranged from personnel management, process management, strategy and the development of the postal market to business management practices relating to Austrian Post operations involving a company simulation.

**Training and professional development – long-term investments in human resources**

Targeted training courses for top executives comprise an important pillar of the Austrian Post Group's comprehensive offering of training and continuing education courses. In this respect, executive training was carried out in all three divisions, focusing on the specific developmental goals of each respective division. In order to increase the practical value of the company's professional development efforts, executives also took advantage of individual coaching opportunities. In addition to investments in internal courses of study on IT topics such as identity management, CERT/CIRT and CISA/CISM, employees in direct contact to customers were given extensive training.

## Motivation

In order to optimally prepare the employees of Austrian Post to deal with the challenges which will arise in the upcoming years, the company continued its discussion events entitled "Austrian Post Talk Series" during the period under review. These events served as a platform for top executives to inform Austrian Post employees in the tried and tested form of a dialogue about important topics of relevance to their respective divisions and to the Group as a whole. The majority of employees took advantage of this opportunity to personally attend these events and inform themselves about relevant issues. For example, approximately 11,000 employees in the Mail Division took part in the discussions. Top executives personally answered questions posed by employees in the "Future Talks" series. Many uncertainties and misgivings on the part of employees arising as a result of changes in the postal sector could be dispelled by personal contacts and conversations as well as the opportunity to pose and get answers to specific questions.

**Motivation through profit sharing**

A majority of employees are also shareholders of the company, which is due to the stock market listing of Austrian Post. An additional motivation for all employees of Austrian Post is the voluntary profit-sharing bonus scheme. Within the context of this programme, which is unique among Austria's large-sized companies, 10% of the EBIT generated by Austrian Post in 2008 will be directly distributed to employees of Austrian Post for the seventh straight year. In 2008, a total of EUR 590 for the 2007 financial year was distributed to each employee of Austrian Post in connection with the profit-sharing scheme.

**Social services, post.sozial** The joint welfare association "post.sozial" founded by the Management Board and the Central Works Council of Austrian Post in the year 2005 further expanded the support services offered to employees in 2008. These services range from well-established "classics" such as food coupons, discounted tickets for selected events and vacation accommodations at particularly favourable rates to financial subsidies for dental treatment and the non-bureaucratic emergency aid provided in the case of natural disasters.

## Environment

Austrian Post seriously and actively assumes responsibility for the environment. In this respect, it is striving to keep the environmental impact of its business operations to a minimum by applying environmentally-friendly technologies and by promoting the efficient use of natural resources.

**Higher ecological efficiency in transport** Transport operations, a very important component of Austrian Post's business activities, are carried out in the most environmentally-compatible manner. On the one hand, this is achieved on the basis of optimal route planning (avoidance of empty runs, consistent optimisation of capacity utilisation of the vehicles, reduction in the total transport). On the other hand, a modern vehicle fleet, regular maintenance and ongoing training of drivers guarantee the ecological efficiency of the company's transport activities. In one pilot project, Austrian Post's own "eco-trainers" provided training to about 150 drivers in fuel-efficient driving techniques.

**Natural gas and electric driven delivery vehicles** An innovative approach to environmental protection is carried out by Austrian Post in its mail delivery operations. A pilot project was started using natural gas-driven delivery vehicles in cooperation with the Utility Vehicles Division of Volkswagen, and supported by the "klima:aktiv mobil" (climate compatible mobility) campaign coordinated by the Federal Ministry of Agriculture, Forestry, Environment and Waste Management. As of the end of 2008, a total of 77 natural gas-powered delivery vehicles were being used by Austrian Post throughout the country. In addition, following the successful testing of electric powered mopeds, Austrian Post decided to order six such vehicles. Ten additional electric mopeds are still being tested.

**Participation in the international climate protection programme** Austrian Post has also committed itself on an international basis to complying with the principles of sustainable corporate management. For example, Austrian Post is one of 16 European postal companies taking part in the "Greenhouse Gas Reduction Programme", the European-wide initiative coordinated by PostEurop, the European association of public postal operators. Based on jointly-developed measurement tools and approaches to collecting data, this programme will systematically gather information on the $CO_2$ emissions of postal companies in their transport and vehicle fleet operations for the first time and compare the data. In addition, the participants have also defined the ambitious goal of achieving a 10% reduction in greenhouse gas emissions between the start of the initiative in 2007 and the year 2012.

Austrian Post has also become a member of the "Environmental Measurement and Monitoring System (EMMS)" developed on the basis of the "Greenhouse Gas Protocol", a project coordinated by the International Postal Cooperation, an association of 24 postal companies in Europe, North America, Australia and New Zealand. This system and its conclusions are designed to lay the groundwork for the preparation and presentation of the very first global sustainability report of the postal sector at the end of December 2009, simultaneously to the United Nations Climate Change Conference to be held in Copenhagen in 2009.

# Economy

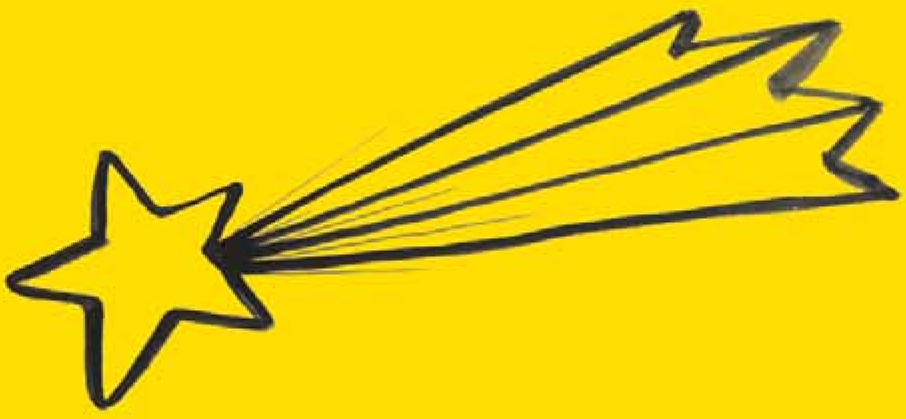
**Value added analysis** Total revenues of EUR 2,522.4m achieved by Austrian Post in the 2008 financial year (including other operating income) contrasts with prepayments of EUR 1,234.9m, which include expenses for raw materials, consumables and services used totalling EUR 778.2m, and other operating expenses of EUR 304.5m. For the most part, the resulting value added of Austrian Post amounting to EUR 1,287.5m was directly distributed to employees in the form of salaries and wages, as well as indirectly in the form of social contributions. It will be proposed that a dividend of EUR 168.9m be paid to shareholders for the 2008 financial year. The Republic of Austria held a 51% stake, and will thus be given a dividend of EUR 85.7m. Income taxes totalled EUR 39.3m.

## Value added analysis for all stakeholders

| EUR m | 2007 | 2008 |
|---|---|---|
| **Value added formation** | | |
| Revenue and other operating income | 2,388.3 | 2,522.4 |
| Less advance outlays | –1,106.1 | –1,234.9 |
| thereof raw materials and consumables used | –108.3 | –778.2 |
| thereof other operating expenses | –583.9 | –304.5 |
| **Value added** | **1,282.2** | **1,287.5** |
| **Distribution** | | |
| to employees (wages, salaries, social contributions) | 1,126.9 | 1,126.8 |
| to shareholders (dividends) | 168.0 | 168.9 |
| to the Republic of Austria (taxes) | 42.2 | 39.9 |
| to creditors (interest) | 8.3 | 9.6 |
| to minority interests | 0.1 | 0.0 |
| Remaining amount | –63.3 | –57.1 |
| **Value added** | **1,282.2** | **1,287.5** |

# Leadership means setting a shining example.

Austrian Post was, is and will continue to remain Austria's leading logistics company. This is not only demonstrated by our performance (4.4 million letters, 400,000 parcels per day!) but in the high esteem in which we hold our shareholders. Profitability, high cash flow, a solid balance sheet structure and an attractive dividend policy make Austrian Post a popular share on the stock market.



# *Group Management Report 2008 of Austrian Post*

## Overall business framework[1]

The Austrian economy is in the midst of a downturn, unleashed by the financial crisis. The Austrian Institute of Economic Research (WIFO) and the Institute for Advanced Studies (HIS) now expect the Austrian economy to expand less than originally forecast. Both institutes expect a growth rate of 1.8% for the year 2008.

All major Western markets are expected to endure an economic recession in 2009. Current forecasts predict negative economic growth in Austria in 2009, with WIFO expecting a contraction of 0.5% and IHS of 1%. However, due to the strong dependence on export markets (particularly Germany) and the unpredictable reactions of private consumers, there is a disproportionately wide spectrum of different scenarios that could play out. The global crisis has also negatively impacted markets in South Eastern, Central and Eastern Europe. Lower growth rates are also expected in these markets in 2009 (e.g. Slovakia +2.5%, Hungary –2.7%, Croatia –1.2%, Serbia +1.5%).

The declining rates of economic growth will likely be accompanied by lower inflation. The consumer price index is expected to rise by just 1.5% in 2009 according to IHS, or 1.2% according to WIFO, compared to the 2008 inflation rate of 3.2%.

Population development and the increase in the number of households are key indicators determining the development of the letter mail and parcels markets in a country. The 0.4% increase in the Austrian population in 2008 should drive higher mail volumes for letters, direct mail items and parcels.

The trend towards electronic substitution of letter mail is expected to continue. The current economic situation has also led to changes in the advertising market, which is a crucial factor in the development of mail volumes transported by Austrian Post. In contrast to other advertising channels, the use of direct communication instruments is expected to grow. Direct mailings to end customers will play an increasingly important role in future communication activities. The dynamic growth of parcel volumes will lose momentum in line with the general economic trend. Competition is expected to remain intense.

At the beginning of 2008, the European Union approved the Third Postal Directive (2008/6/EG), mandating the complete liberalisation of European postal markets. Most EU member states, including Austria, will be required to fully open their markets to free competition as of January 1, 2011.

The issue of how to finance the cost-intensive provision of postal services to rural regions will automatically arise. The EU directive foresees various alternatives. Austrian Post advocates compensation for universal postal services by means of an equalisation fund, as stipulated in the new EU postal guidelines. A free postal market will also require greater flexibility on the part of Austrian Post in terms of pricing for business customers and selecting the optimal business model for branch offices. Unified quality measurement and control systems, as well as fair employment conditions, are other essential pre-requisites supported by Austrian Post.

Austrian Post remains committed to providing comprehensive postal services throughout Austria without qualification, and to maintaining its high quality of service, and has presented its ideas and requests for the reorganisation of postal services in Austria to political decision-makers. During a round-table discussion held at the Ministry of Finance on November 19, 2008, the new Austrian Federal Government pledged to adapt the legal framework underlying the provision of postal services in Austria by mid 2009.

[1] Sources: IHS, WIFO, World Economic Outlook, Erste Group Research

# Business development 2008

**Changes in consolidation** At the end of April 2008, Austrian Post acquired a 100% stake in HSH Holding, Belgium. HSH serves as the holding for two fully consolidated legal entities: MIT Transport and DISTRA. These companies operate in the field of pharmaceutical logistics, focusing on the health care sector in Belgium. On August 31, 2008, Austrian Post purchased a 30% shareholding in D2D – direct to document GmbH, Vienna. This company operates in the field of output services (printing, enveloping and data transfer services). Effective September 1, 2008, Austrian Post acquired a 100% shareholding in Cont-Média Hungary Kft, Budapest. Cont-Média Hungary specialises in the delivery of unaddressed advertising mail in Hungary. On October 2, 2008, Austrian Post acquired a 100% shareholding in the parcel services company, 24VIP, in Bosnia and Herzegovina.

There is limited comparability between figures in the income statement for the 2008 financial year and those of the previous year, which is primarily due to the meiller direct companies only being included in the consolidated financial statements of Austrian Post from August 2007 onwards.

**Business development – revenue and earnings** The 2008 financial year presented a major challenge for Austrian Post given the increasingly serious international financial crisis and the loss of two large mail order customers in the Austrian parcels business at the end of 2007. Despite these challenges, Austrian Post succeeded in increasing total revenue by 5.4% to EUR 2,441.4m. The revenue improvement included organic growth (+EUR 19.0m), but was primarily the result of the integration of new subsidiaries (+EUR 106.7m).

In the 2008 financial year, revenue of the Mail Division rose 5.7%, with good revenue development in all three business areas. Revenue of the Letter Mail Business Area was virtually stable, despite the ongoing trend toward electronic substitution, while the Infomail (addressed and unaddressed direct mail items) and Media Post Business Areas both registered solid organic growth.

Revenues of the Parcel & Logistics Division climbed by 6.4% to EUR 785.9m, partly attributable to higher revenues derived from the Premium Parcel service (parcel delivery within 24 hours) in Austria and internationally. The increased revenues were also related to growth generated by the newly acquired subsidiaries. The 0.1% rise in revenues by the Branch Network Division was related to the good performance of financial services.

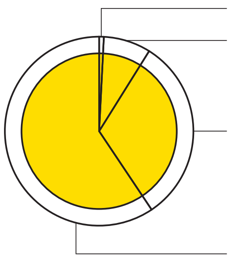
Austrian Post's performance in the fourth quarter of 2008 also showed an increase in revenues compared to Q4 2007. Revenues rose 1.3%, or EUR 8.3m, to EUR 656.8m. Revenues in the Mail Division were up 0.6% year-on-year, while the Parcel & Logistics Division improved by 1.8%, and Branch Network Division revenues rose by 3.3%.

## Revenue by division[1]

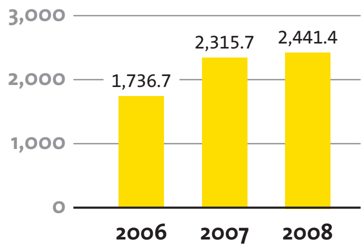
| EUR m | 2006 | 2007 | 2008 | Change 2007/2008 in % | Structure 2008 in % |
|---|---|---|---|---|---|
| **Total revenue** | **1,736.7** | **2,315.7** | **2,441.4** | **+5.4%** | **100.0%** |
| Mail | 1,311.3 | 1,381.0 | 1,460.0 | +5.7% | 59.8% |
| Parcel & Logistics | 227.1 | 738.6 | 785.9 | +6.4% | 32.2% |
| Branch Network | 194.4 | 192.1 | 192.2 | +0.1% | 7.9% |
| Other/Consolidation | 4.0 | 4.1 | 3.2 | –20.9% | 0.1% |

[1] External sales of the divisions

## Revenue by division (%)




## Revenue development (EUR m)




## Income statement

| EUR m | 2006 | 2007 | 2008 | Change 2007/2008 in % | Structure 2008 in % |
|---|---|---|---|---|---|
| **Revenue** | **1,736.7** | **2,315.7** | **2,441.4** | **+5.4%** | **100.0%** |
| Other operating income | 58.8 | 72.6 | 81.0 | +11.6% | 3.3% |
| Raw materials, consumables and services used | –258.0 | –692.2 | –778.2 | +12.4% | 31.9% |
| Staff costs | –1,063.0 | –1,120.4 | –1,119.2 | –0.1% | 45.8% |
| Other operating expenses | –243.9 | –284.0 | –304.5 | +7.2% | 12.5% |
| Share of profit/loss of associates | 1.1 | 0.9 | 1.2 | +23.3% | 0.0% |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | **231.7** | **292.7** | **321.7** | **+9.9%** | **13.2%** |
| Depreciation, amortisation and impairment losses | –108.4 | –130.0 | –152.2 | +17.1% | 6.2% |
| thereof impairment losses | –21.1 | –32.1 | –47.5 | +48.1% | 1.9% |
| **Earnings before interest and tax (EBIT)** | **123.3** | **162.8** | **169.5** | **+4.1%** | **6.9%** |
| Other financial result | 7.2 | 2.1 | –11.3 | – | 0.5% |
| **Earnings before tax (EBT)** | **130.5** | **164.9** | **158.2** | **–4.0%** | **6.5%** |
| Income tax | 30.8 | –42.2 | –39.3 | –6.8% | 1.6% |
| **Profit for the period** | **99.8** | **122.6** | **118.9** | **–3.1%** | **4.9%** |

After a 5.4% rise in total revenues, the income statement of Austrian Post also shows higher expenses for raw materials, consumables and other services used rose by 12.4% in 2008, to EUR 778.2m. This increase of EUR 86.0m was primarily related to the consolidation of the acquired subsidiaries (+EUR 58.7m), as well as higher fuel and transport costs (+EUR 23.4m).

Staff costs amounted to EUR 1,119.2m in 2008, representing 46% of total revenues, making them the largest operating expense item. The average number of employees (full-time equivalents) rose to 27,002 from 25,764 in the preceding year. In the 2008 financial year, expenditure relating to termination benefits, particularly in the third and fourth quarters, led to higher staff costs. Termination benefit expenses rose from EUR 16.9m in 2007 to EUR 24.5m in 2008.

As in previous years, staff costs also included changes to the provisions for employee under-utilisation. In the 2008 financial year, these provisions were reduced by a total of EUR 23.1m (use of EUR 27.3m).

The allocation of the provision for employee under-utilisation is based on determining the individual under-utilisation of an employee for all staff costs up to retirement or early termination of services, as long as the surplus capacity can not be reduced for tenured employees.

If the individual level of under-utilisation is reduced in subsequent years, or if the employee in question is reintegrated into normal business operations this leads to a reversal of the provision created in previous periods. The provision for a specific employee is completely reversed if the employment relationship of that employee with the company is terminated.

On the basis of the ongoing internal adjustment processes tailored to constantly changing market conditions, there may be a continual process of tenured employees terminating their work for the operational divisions and service units. The development of provisions is significantly impacted by current capacity requirements, employee fluctuation and subsequently by the reintegration costs in the company.

In the fourth quarter of 2008 in particular, employees took increased advantage of the incentives offered by Austrian Post to leave the company; including voluntary termination benefits and stop-gap measures in line with the social plan. Moreover, organisational measures were implemented in order to reintegrate a greater number of employees into the company's operations. As a result, the required provision for employee under-utilisation was reduced in the 2008 financial year.

Other operating income rose to EUR 81.0m, related to the newly consolidated subsidiaries. The largest single items included in this category are income from rents and leases (EUR 23.9m) and gains on the disposal of property, plant and equipment (EUR 16.0m).

Other operating expenses rose by 7.2% to EUR 304.5m. The largest single items were leasing and rental payments (EUR 70.5m) and maintenance expenses (EUR 46.7m).

## EBITDA by division

| EUR m | 2006 | 2007 | 2008 | Change 2007/2008 in % |
|---|---|---|---|---|
| **Total EBITDA** | **231.7** | **292.7** | **321.7** | **+9.9%** |
| Mail | 308.7 | 308.6 | 297.1 | –3.7% |
| Parcel & Logistics | 31.7 | 46.5 | 34.8 | –25.2% |
| Branch Network | 25.0 | 19.1 | 20.5 | +7.5% |
| Other/Consolidation | –133.7 | –81.5 | –30.7 | –62.3% |

Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 9.9% to EUR 321.7m. The EBITDA margin therefore stood at 13.2%. The rise in EBITDA was driven by improved results in the Other/Consolidation segment. The reintegration of employees and the related reduction of the provision for employee under-utilisation had a positive effect in this regard.

Depreciation, amortisation and impairment losses rose to EUR 152.2m in 2008. Impairment losses on goodwill and customer relationships were necessary because of the economic downturn and the diminished market expectations of the company's subsidiaries. Depreciation, amortisation and impairment losses are therefore mainly comprised of depreciation for property, plant and equipment as well as amortisation for intangible assets amounting to EUR 104.7m, impairment losses of EUR 6.7m for property, plant and equipment and EUR 40.8m for intangible assets (comprised of EUR 14.2m for customer relationships, EUR 24.8m for goodwill and EUR 1.8m for trademark rights).

## EBIT by division

| EUR m | 2006 | 2007 | 2008 | Change 2007/2008 in % |
|---|---|---|---|---|
| **Total EBIT** | **123.3** | **162.8** | **169.5** | **+4.1%** |
| Mail | 271.6 | 274.3 | 254.5 | –7.2% |
| Parcel & Logistics | 20.8 | 12.8 | –25.5 | – |
| Branch Network | 11.5 | 13.6 | 14.5 | +6.7% |
| Other/Consolidation | –180.6 | –137.9 | –74.0 | +46.4% |

Earnings before interest and tax (EBIT) amounted to EUR 169.5m, up from EUR 162.8m in 2007.

The reduction of the provision for employee under-utilisation had a positive effect. In contrast, impairment losses on property, plant and equipment, goodwill, customer relationships and trademark rights had a negative effect. Exceptional and one-off effects leading to higher operating expenses also burdened results, including higher transport and fuel costs, increased expenditure in respect of the employee social plan, and costs relating to the integration of the new subsidiaries.

In addition, Austrian Post was faced with a decline in revenues and earnings in the Austrian parcels segment. The loss of the two largest mail order customers represented a significant share of Austrian Post's B2C parcels business. However, the downsizing of the logistics operations proceeded as planned. A third of the parcel delivery bases were closed and letter mail and parcel logistics merged when possible.

Capacity utilisation of the sorting centres is designed to ensure compliance with regulatory stipulations relating to delivery speed within Austria (delivery of 95% of all letters on the next working day, and 90% of all parcels within two working days). At peak times, primarily the pre-Christmas period, transported mail volumes generally rise by up to 50%.

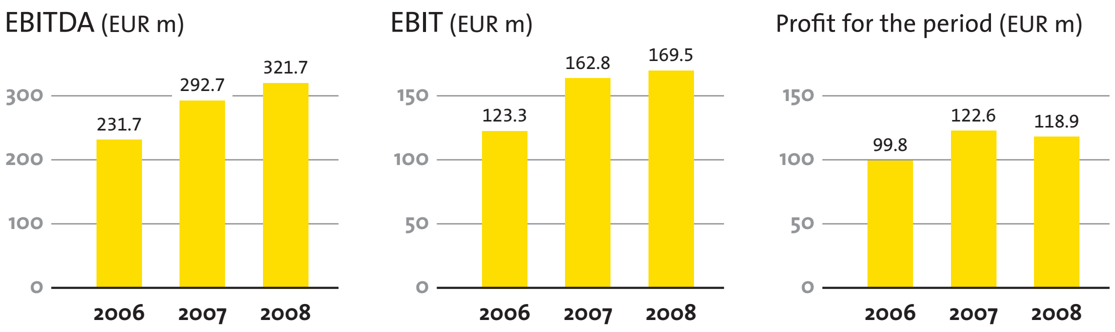
The earnings contributions of the various divisions reflect individual one-off effects. The Mail Division, which was subject to minor impairment losses, generated an EBIT of EUR 254.5m. The Parcel & Logistics Division was affected by impairment losses of EUR 33.4m and the integration costs of new subsidiaries, posting a negative EBIT of EUR 25.5m. EBIT of the Branch Network Division rose to EUR 14.5m, while the EBIT loss of the Other/Consolidation segment was reduced to EUR 74.0m.

The Other/Consolidation segment encompasses non-allocated costs for central departments, expenses in connection with unused properties and for the employee social plan, the change in the provision for employee under-utilisation as well as income from rents and leases and gains on the disposal of property, plant and equipment.

The financial result declined from a positive EUR 2.1m in 2007 to minus EUR 11.3m in 2008. This was primarily due to an impairment loss of EUR 20.0m relating to Austrian Post's shareholding in the consortium BAWAG PSK, the valuation of which was revised as a result of the international financial crisis.

Earnings before tax declined by 4.0% to EUR 158.2m. After deducting income tax of EUR 39.3m, Group net profit corresponding to profit after tax for the period amounted to EUR 118.9m.

## Earnings figures 2006–2008



**Assets and finances** Austrian Post pursues a risk-averse business strategy. This is demonstrated by the high equity ratio, the low level of financial liabilities and the investment of cash and cash equivalents at the lowest possible risk. The international financial and economic crisis has led Austrian Post to continue to carefully evaluate the value of its assets. Lower market expectations resulted in impairment losses on property, plant and equipment, intangible assets and financial investments.

## Balance sheet analysis by item

| EUR m | Dec. 31, 2006 | Dec. 31, 2007 | Dec. 31, 2008 | Structure Dec. 31, 2008 in % |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Property, plant and equipment and intangible assets | 938.1 | 1,038.7 | 1,002.1 | 53.5% |
| Investment property | 38.3 | 36.6 | 36.5 | 1.9% |
| Investments in associates | 3.5 | 3.5 | 7.3 | 0.4% |
| Inventories, receivables and other assets | 473.4 | 441.0 | 448.2 | 23.9% |
| Financial investments in securities | 198.8 | 147.0 | 92.5 | 4.9% |
| Other financial assets | 6.2 | 79.9 | 39.9 | 2.1% |
| Cash and cash equivalents | 229.4 | 309.4 | 248.1 | 13.2% |
| Non-current assets held for sale | 13.8 | 2.4 | 0.0 | 0.0% |
| | **1,901.6** | **2,058.6** | **1,874.6** | **100.0%** |
| **EQUITY AND LIABILITIES** | | | | |
| Capital and reserves | 821.4 | 874.3 | 741.5 | 39.6% |
| Provisions | 520.2 | 604.3 | 585.4 | 31.2% |
| Financial liabilities | 148.8 | 187.0 | 148.6 | 7.9% |
| Payables and deferred tax liabilities | 411.3 | 393.0 | 399.1 | 21.3% |
| | **1,901.6** | **2,058.6** | **1,874.6** | **100.0%** |

The analysis of the balance sheet of Austrian Post by item shows a considerable level of financial resources on the asset side. Austrian Post had cash and cash equivalents of EUR 248.1m as at December 31, 2008, and financial investments in securities amounting to EUR 92.5m. The investment policy of Austrian Post is based on the lowest possible risk. Against the backdrop of the international financial crisis, a revision of the valuation of Austrian Post's 5% shareholding in the consortium acquiring BAWAG PSK was carried out, which led to an impairment of EUR 20.0m recognised in the income statement. Furthermore, the market valuation carried out on the balance sheet date led to a reduction in the value of the stake directly in equity of an additional EUR 20.0m.

The largest asset items are property, plant and equipment, intangible assets and goodwill of EUR 1,002.1m.

On the equity and liabilities side, the main items are capital and reserves (39.6%) and provisions (31.2%). The provisions for employee under-utilisation contained in this item declined by EUR 23.1m in 2008 to EUR 307.8m.

The majority of the current and non-current financial liabilities of EUR 146.8m are related to additions arising through acquisitions.

Due to the fact that the existing liquidity on the balance sheet exceeds financial liabilities, Austrian Post does not intend to make use of external funding, and therefore does not require a credit rating at the present time.

## Balance sheet analysis by terms

| EUR m | Dec. 31, 2006 | Dec. 31, 2007 | Dec. 31, 2008 | Structure Dec. 31, 2008 in % |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Non-current assets | 1,272.9 | 1,361.9 | 1,252.1 | 66.8% |
| thereof other financial assets and financial investments in securities | 204.5 | 211.7 | 132.2 | 7.1% |
| Current assets | 614.9 | 694.3 | 622.5 | 33.2% |
| thereof cash and cash equivalents | 229.4 | 309.4 | 248.1 | 13.2% |
| Non-current assets held for sale | 13.8 | 2.4 | 0.0 | 0.0% |
| | **1,901.6** | **2,058.6** | **1,874.6** | **100.0%** |
| **EQUITY AND LIABILITIES** | | | | |
| Capital and reserves | 821.4 | 874.3 | 741.5 | 39.6% |
| Non-current liabilities | 564.0 | 598.0 | 551.8 | 29.4% |
| thereof provisions | 425.8 | 487.7 | 466.2 | 24.9% |
| Current liabilities | 516.2 | 586.3 | 581.3 | 31.0% |
| | **1,901.6** | **2,058.6** | **1,874.6** | **100.0%** |

Total assets of Austrian Post amounted to EUR 1,874.6m. Non-current assets predominate on the assets side, accounting for 66.8% of total assets, or EUR 1,252.1m.

The largest non-current asset items are property, plant and equipment, totalling EUR 725.9m, as well as financial investments in securities and other financial assets, at EUR 132.2m.

The principal current asset items are receivables, at EUR 347.8m, and cash and cash equivalents, at EUR 248.1m.

On the equity and liabilities side, the main items are capital and reserves and non-current liabilities, which together make up 69.0% of the balance sheet. Non-current liabilities of EUR 551.8m largely consist of provisions totalling EUR 446.2m. The provisions for employee under-utilisation contained in this item amount to EUR 307.8m.

Current liabilities totalling EUR 581.3m primarily consist of trade payables (EUR 215.9m).

## Liquidity

| EUR m | Dec. 31, 2006 | Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|---|
| **Interest-bearing liabilities** | **–607.6** | **–711.5** | **–655.9** |
| thereof financial liabilities | –148.8 | –187.0 | –148.6 |
| thereof interest-bearing provisions | –451.6 | –517.7 | –501.1 |
| **Interest-bearing assets** | **433.7** | **538.1** | **385.8** |
| thereof financial investments in securities | 198.8 | 147.0 | 92.5 |
| thereof cash and cash equivalents | 229.4 | 309.4 | 248.1 |
| **Net debt** | **–173.9** | **–173.4** | **–270.2** |
| **Net debt/EBITDA** | **0.75** | **0.59** | **0.84** |

Austrian Post has a net debt position of EUR 270.2m. This is defined as the difference between interest-bearing assets (securities, other financial assets and cash and cash equivalents) amounting to EUR 385.8m, and interest-bearing debt (financial liabilities, other interest-bearing liabilities, social capital and provisions) totalling EUR 655.9m. The ratio of net debt to EBITDA is 0.84.

On the basis of the existing liquidity and the solid cash flow from operating activities, Austrian Post is able to self-fund its current financing requirements. The company does not plan to make use of borrowed capital at the present time. The capital management of Austrian Post aims to ensure an appropriate capital structure as a basis for achieving its growth targets and ensuring a sustainable enhancement in shareholder value. On a mid-term basis, Austrian Post aims to achieve a ratio of net debt/EBITDA of up to 2.0, which is customary in the postal sector.

Within the context of its dividend policy, Austrian Post aims to achieve a dividend payout ratio of at least 75% of the net profit in coming years, assuming a continuation of the company's successful business development and that no extraordinary circumstances arise.

## Cash flow

| EUR m | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Operating cash flow before changes in working capital** | **277.6** | **292.4** | **237.0** |
| ± Cash flow from changes in working capital | –39.6 | 3.5 | –3.5 |
| = **Cash flow from operating activities** | **238.0** | **295.9** | **233.4** |
| ± Cash flow from investing activities | –142.6 | –142.4 | –23.1 |
| = **Free cash flow** | **95.4** | **153.5** | **210.3** |
| ± Cash flow from financing activities | –40.4 | –73.5 | –271.6 |
| = **Net change in cash and cash equivalents** | **55.0** | **80.0** | **–61.2** |

In 2008, operating cash flow before changes in working capital amounted to EUR 237.0, below the comparable level for 2007. At an operational level, cash flow was negatively impacted by the loss of two major parcel customers in Austria, higher transport and fuel costs, increased expenditure in respect of the employee social plan and the costs of integrating new subsidiaries. Austrian Post also had higher tax back payments in 2008.

The cash flow from changes in working capital amounted to minus EUR 3.5m in 2008, which relates to increased receivables from other postal companies. On balance, the cash flow from operating activities totalled EUR 233.4m.

The cash flow from investing activities at minus EUR 23.1m includes the purchase of property, plant and equipment amounting to EUR 102.9m, the acquisition of subsidiaries, including the acquisition of minority interests totalling EUR 30.5m, the proceeds from the disposal of property, plant and equipment of EUR 40.0m, as well as the proceeds from the sale of financial investments in securities amounting to EUR 52.9m. Total free cash flow rose from EUR 153.5m in 2007 to EUR 210.3m in 2008, corresponding to EUR 3 per share.

The cash flow from financing activities included the payment of a basic dividend of EUR 98.0m, a special dividend by EUR 70.0m, and the reduction of financial liabilities by EUR 37.1m. The acquisition of treasury shares as part of the share buyback programme resulted in a payment of EUR 56.7m.

**Capital expenditure** Capital expenditure amounted to EUR 106.7m. Approximately 25% of total investments related to commercial real estate, buildings and assets under construction, including a sorting centre in Bratislava (EUR 8m), the acquisition of a commercial property in Zagreb (EUR 3m), the Vienna Letter Centre (EUR 6m) and building investments of Austrian Post AG (EUR 10m).

Investments in technical plant and machinery (about 11%) primarily involved enveloping, shrink wrap and digital printing machines for the meiller companies, sorting facilities for the trans-o-flex companies as well as letter mail and parcel-conveyor equipment in the Vienna, Kalsdorf and Linz sorting centres.

The largest single item was office equipment, fixture and fittings, which accounted for over 40% of total capital expenditure. Investments primarily focused on a delivery vehicle replacement programme (EUR 16m) and sorting tables (EUR 7m) for the Mail Division, as well as equipment, fixture and fittings for post office branches and various office equipment, vehicle investments, electric and diesel vehicles and other machinery and equipment for the trans-o-flex companies.

In the 2008 financial year, Austrian Post paid a total of EUR 30.5m to acquire subsidiaries, minority interest as well as associates (HSH, Cont-Média, 24VIP, 30% share in D2D, remaining 23.85% for trans-o-flex Germany, and the remaining 49% stake in Scanpoint).

## Earnings and key performance indicators

As at the balance sheet date of December 31, 2008, the capital employed by Austrian Post amounted to EUR 952.5m, compared to EUR 992.2m at the end of 2007. This indicator primarily consists of intangible assets and goodwill (EUR 276.2m), property, plant and equipment (EUR 725.9m), receivables (EUR 356.7m) and non-interest bearing debt (minus EUR 477.1m).

The return on capital employed improved to 17.4% in 2008, up from 16.9% in the previous year.

## Earnings indicators

| | 2006 | 2007 | 2008 |
|---|---|---|---|
| EBITDA margin[1] | 13.3% | 12.6% | 13.2% |
| EBIT margin[2] | 7.1% | 7.0% | 6.9% |
| ROE[3] | 13.8% | 16.3% | 16.8% |
| ROCE[4] | 15.1% | 16.9% | 17.4% |
| Capital employed (EUR m) | 935.0 | 992.2 | 952.5 |

[1] EBITDA margin = EBITDA/revenue
[2] EBIT margin = EBIT/revenue
[3] Return on equity = Profit for the period/capital and reserves on January 1 less dividends paid
[4] Return on capital employed = EBIT/average capital employed

## Non-financial indicators

**Delivery speed** Austrian Post aims to be a provider of high quality postal services. In particular, prevailing legal regulations stipulate high standards relating to delivery speed for letters and parcels. In 2008, Austrian Post managed to deliver 96.1% of all letters on the next working day, above the 95% level stipulated by law. Austrian Post also delivered 95.0% of all parcels within two working days, clearly surpassing the statutory target of 90%.

**Innovation management** Developing innovative products which fulfil customer requirements and launching them on the marketplace are key factors contributing to the success of a company facing ever-changing market conditions. In the 2008 financial year, Austrian Post implemented a broad range of such solutions. Examples include the online parcel receipt form (Paketaufgabeschein Online) in the Parcel & Logistics Division and the sending of mail via one's own post office box (Postaufgabe über Postfach) in the Branch Network Division enabling customers to save time. The ongoing improvement of equipment and machinery has helped reduce costs while improving working conditions for employees. For Austrian Post, innovation management also means creating a conducive business environment.

**Employees** During the period under review, the average number of full-time employees at Austrian Post rose by 4.8%, or 1,238, to 27,002. This increase is related to the acquisition of new subsidiaries. The increased number of employees in the Other/Consolidation segment reflects the changing reporting structure for employees on permanent sick leave.

In the Austrian domestic market, Austrian Post reduced the average number of employees by approximately 400 year-on-year. Most of Austrian Post's labour force (22,667 full-time equivalent employees) is employed by the parent company, Österreichische Post AG. The remaining 4,335 employees are employed by subsidiaries.

## Employees by division[1]

| | 2006 | 2007 | 2008 | Share in % |
|---|---|---|---|---|
| Mail | 15,311 | 15,593 | 15,835 | 58.6% |
| Parcel & Logistics | 2,265 | 3,410 | 4,066 | 15.1% |
| Branch Network | 5,236 | 5,069 | 4,931 | 18.3% |
| Other/Consolidation | 1,645 | 1,692 | 2,169 | 8.0% |
| **Total** | **24,456** | **25,764** | **27,002** | **100.0%** |

[1] Annual average, full-time equivalents

**Ongoing professional training and career development** The targeted training of executives is an important cornerstone of the comprehensive professional training and career development measures implemented by Austrian Post. Executive training sessions were held in all three divisions during the course of 2008, focusing on the business development goals of the particular division. In order to further improve practical training, executives also took advantage of individual coaching opportunities. In addition to investment in internal IT training, employees in direct contact with customers also received intensive training. Professional education and continuing education courses totalled about 21,000 person days. 2008 also marked the first group-wide management curriculum for promising young managers. The specially selected participants completed a comprehensive 18-day training programme spread throughout the year covering important topics relating to their future management responsibilities.

**Health and occupational safety** Job safety, health protection and the promotion of occupational health care are key components of Austrian Post's corporate policies. Employee motivation is also particularly important to ensure the effective operation of a nationwide logistics concept based on human manpower. For this reason, Austrian Post carried out numerous measures to promote the well-being of its employees and create the basis for a healthy and safe working environment. Occupational health-care and job safety are important aspects of the daily business operations in all segments. Compared to 2007, the number of occupational accidents resulting in sick leave rose slightly, by 3.3%.

**Environmental protection** Within the context of its corporate social responsibility, Austrian Post is committed to contributing to a prudent use of natural resources. Environmental protection measures and initiatives designed to limit the consumption of natural resources are implemented wherever they are technically possible and economically feasible. Within the context of its participation in Post Europe, Austrian Post has made a commitment to cut its $CO_2$ emissions by 10% within the next five years (by the end of 2012). These reductions will be made possible by means of an optimal mix of partnerships with cutting edge companies, investments in reliable technologies and the use of public grants.

For some time, initiatives have been undertaken in respect of the vehicle fleet to sustainably reduce fuel consumption and thus exhaust gas emissions. These measures include the purchase of an additional 25 natural gas-driven delivery vehicles, the ongoing route optimisation in daily delivery schedules, the use of fuel-efficient lorries compatible with higher environmental standards, and driver training focusing on cutting fuel consumption. An ongoing reduction in energy consumption and thus $CO_2$ emissions has also been achieved at the company's commercial properties by converting heating to district, local or gas heating systems within the context of required maintenance work on existing installations.

# Risk management

**Strategic and operational risk management** As an international postal and logistics services provider, Austrian Post is subject to a variety of risks in carrying out its business operations. The company proactively deals with these strategic and operational risks. The focus on its core business activities, along with decades of experience in the business, have enabled Austrian Post to identify risks at an early stage, evaluate them and take suitable precautionary measures.

Strategic risk management involves identification and evaluation of strategic business risks, influencing decisions as to whether or not, and to what extent, these strategic risks should be taken. The aim of Austrian Post's strategic risk management efforts is to counteract and control, as much as possible, all the major strategic risks which could potentially prevent the company from achieving its strategic targets.

The focal point of Austrian Post's operational risk management is the identification, evaluation and control of major risks which arise from the company's business operations. This process is coordinated by key managers in the various divisions and business areas. The new division-oriented organisation is structured around three operating divisions and five business areas, as well as central support and advisory service units. The subsidiaries within Austrian Post are assigned to the various divisions and business areas in accordance with the particular focus of their business activities. The major business risks in these operating units are continuously identified and monitored, serving as the basis for determining appropriate risk management measures, e.g. back-ups or emergency plans. Reporting on major risk areas is carried out by the responsible executives within the framework of regular planning and performance discussions. In addition, the business units responsible for achieving earnings have a separate risk manager, responsible for monitoring and evaluating risks and reporting on them at least once a quarter. The results of the risk evaluation assessment are incorporated into a standardised reporting system.

Additional key instruments to control and counteract risk include group-wide guidelines for dealing with major risks, planning and control processes as well as ongoing reporting. These guidelines encompass, amongst others, the definition of limits, the monitoring of adherence to these limits and the compliance with internal rules designed to limit financial risks, along with strict adherence to the principle of having two pairs of eyes oversee all business transactions.

These guidelines represent an integral part of the company's internal control system, and are designed, amongst other things, to ensure proper internal and external financial reporting. The planning and control processes serve as an early-warning system, and simultaneously as the basis to evaluate the effectiveness of management procedures.

Particular importance is attached to transparent reporting, notably to the Supervisory Board and its committees.

The following is an overview of the main risks facing Austrian Post:

**Regulatory and legal risks** Austrian Post generates a considerable portion of its revenues in the reserved area of postal services. Full-scale liberalisation of the postal market in the EU is required from 2011 onwards. This development carries the risk of future shifts in market share. The new legal framework, in particular encompassing the new postal law in Austria in the period following the full-scale liberalisation of the postal sector, could potentially have considerable negative effects on the future earnings development of Austrian Post. The EU guideline 2008/6/EG does not provide for any degree of legal certainty in respect to the contents of the new Postal Act for the Austrian market.

The universal service obligation requires Austrian Post to provide standardised postal services of comparable quality across the country. Austrian Post has been granted the reserved services sector as a form of compensation for this cost-intensive universal service obligation. However, at this time, it is unclear whether or not the company will continue to be obliged to provide universal postal services when the reserved area is eliminated, or even to operate unprofitable branches, without receiving adequate compensation. Significant downward pressure on future earnings cannot be excluded, if the process of postal sector liberalisation is not accompanied by uniform regulations pertaining to employment contracts and performance standards applying to both Austrian Post and its competitors, and if no adequate compensation for universal postal services is forthcoming.

The public relations activities of Austrian Post have made it a priority to engage in an ongoing dialogue with all its stakeholders with respect to the issue of liberalisation. The company considers itself responsible for making people aware of the unresolved issues in connection with compensation for universal postal service and the potential problems arising as a result of an asymmetric market liberalisation.

At present, Austrian Post does not assume that it will be obliged to grant its competitors access to all its services on an unbundled basis. If this were indeed to happen, these firms could potentially provide services in segments of the postal market which are particularly lucrative, and rely on partial services provided by Austrian Post in less lucrative business segments. This could also potentially lead to adverse effects on earnings.

Within the framework of any upcoming liberalisation, the Value-Added Tax exemption enjoyed by Austrian Post could potentially be revoked. In this case, the company would try to adapt its price rates for customers, although it is by no means certain that it could actually implement such changes on the postal market. On the other hand, Austrian Post would benefit from being able to deduct the value-added tax paid by the company (pretax allowance).

The increasing liberalisation of the postal market could force Austrian Post retroactively to apply for permits for existing operating facilities.

Austrian Post is subject to legal restrictions in setting prices for providing universal postal services, including the reserved services sector. The fees paid for services provided by Austrian Post require prior approval by the regulatory authorities, or are subject to subsequent price controls. For this reason, the company has only limited flexibility to impose price adjustments as a means of reacting to market changes.

As of January 1, 2008, the Telekom-Control Commission and the Austrian Regulatory Authority for Broadcasting and Telecommunications assumed responsibility as the regulatory authorities for Austrian Post, as stipulated in the 2006 Amendment to the Post Office Act, taking over these functions from the Federal Ministry for Transport, Innovation and Technology. The remit of the regulatory authorities has remained unchanged. However, differences could arise relating to current practices within the context of implementing the major provisions of the Postal Act. Austrian Post is currently in the midst of a legal conflict on the remit of the Telekom Control Commission in respect to the granting of discounts, due to the fact that the commission interprets its authority more broadly than the Federal Ministry for Transport, Innovation and Technology. The outcome of this legal dispute could potentially limit the ability of Austrian Post to autonomously grant discounts.

In the European postal business, the account settlement system known as the "Agreement for the Remuneration for the Exchange of International Mails" (REIMS III) is replacing the former system adopted by the Universal Postal Union. REIMS III is an agreement governing terminal dues for cross-border postal services, which only 23 European postal companies are committed to complying with. At present, the signatories to REIMS III assume that this agreement will be exempt from antitrust regulations stipulated in Art. 81 (1) of the EU Treaty.

Invoicing of cross-border postal services with postal companies in other EU countries presumes the existence of bi-lateral or multi-lateral agreements.

Above and beyond the regulatory environment governing the postal market, Austrian Post has to observe a number of legal restrictions in carrying out its normal business operations. Due to competition law, the company has only limited flexibility with regard to its contractual and de facto ability to shape its business environment. In the past, Austrian Post was subject to anti-trust investigations and processes evaluating the legitimacy of agreements and business practices on the part of Austrian Post in the light of existing anti-trust regulations. Other legal risks may arise as the consequence of unexpected court cases initiated by competitors or customers.

In order to avoid as far as possible any potential adverse effects on earnings resulting from regulatory and legal risks, Austrian Post strives to expand its value-added chain in its core processes, as a means of offering its customers even better services and achieving an optimisation of service quality. Moreover, Austrian Post intends to generate greater revenue in liberalised areas of the postal sector.

**Market and competitive risks** Austrian Post generates most of its revenues in Austria. If economic growth slows down further in Austria, this could lead to a weakening in demand. If current economic growth forecasts had to be revised downwards, this would force a change in the planning assumptions on which the company operates.

In this case, the business model would no longer be based on the reliability of its planning forecasts. In addition, the company generates a considerable share of its revenue from a small number of customers. The sustained and successful existence of these large customers is an important prerequisite in ensuring the stable development of Austrian Post. Large customers are not contractually required to have their mail handled by Austrian Post, and could decide to contract the delivery of at least part of their mail items to competitors within the postal services market. Furthermore, traditional letter mail could be increasingly replaced by e-mail or other electronic media.

The letter mail and particularly the parcel business of Austrian Post is subject to increasing competition. In particular, the B2C (business-to-consumer) parcels segment, in which Austrian Post has a leading position on the Austrian market, is dependent on the economic development of this customer segment as well as the increased competition which arises on the basis of the market penetration of alternative providers. The possibility of a further decline in revenue can not be excluded. The company is working hard to maintain customer loyalty by offering an attractive range of services.

Austrian Post has taken steps to counteract the decline in mail volumes resulting from the greater use of e-mails by developing new products and services, for example in the Infomail Business Area or in the B2B (business-to-business) segment, but above all, along the value chain. Diversifying business operations into different markets enables Austrian Post to more effectively spread or minimise risks in individual segments.

A key feature of Austrian Post's business strategy is to achieve growth through acquisitions and co-operation agreements. In this regard, it is important to identify suitable acquisition targets and to successfully integrate acquired companies. The future profitability of these projects depends, to a large extent, on the investment requirements and acquisition costs as well as political, economic and legal factors. For this reason, all investments are made in accordance with strict financial criteria.

In the Branch Network Division, earnings from financial services depend on the market success of Austrian Post's co-operation partner, BAWAG PSK, while its success in the communications segment is closely linked to the market success of its co-operation partner, Telekom Austria.

Lower economic growth could have a negative impact on the volume and market development of letter mail, direct mail (advertising mail) and parcels, potentially causing the economic development of the company to lose momentum.

**Structure of employment contracts** A large number of Austrian Post employees have the status of civil servants, which means they are subject to public sector employment laws and all their particular features. This leads to complications in respect to existing labour regulations. For this reason, the prevailing legal regulations do not allow the company to make capacity adjustments for most of its employees in the event of declines in mail volumes. Moreover, no reductions in wage or salary levels are permitted in the event of lower market conditions. Accordingly, laws governing the employment of civil servants generally lead to much reduced flexibility in terms of costs.

Within the context of its preparations for a liberalised postal market, Austrian Post is increasingly confronted with the limits of its flexibility with regard to making good use of the civil servants it employs. The solution to this problem is key to the discussions being held with the political decision-makers.

Changes to the Postal Services Structure Act of 1996 (Poststrukturgesetz) and ongoing changes in civil service laws, to the extent that these new regulations do not take the special competitive situation of Austrian Post into account, could result in additional burdens on Austrian Post and additional costs to be borne by the company over which it has no influence.

Austrian lawmakers take the view that the applicability of the pension fund agreement concluded for civil servants in 2008 extends to the civil servants working for Austrian Post. This could lead to higher staff costs on the part of Austrian Post if the company is obliged to implement the stipulations contained in this agreement.

Comprehensive measures have been taken to improve the qualifications of Austrian Post's employees. Above and beyond this initiative, a special company agreement has been reached with employees to cushion the effects of restructuring measures. Austrian Post deals with related employment issues by promoting more flexible working processes and working time models.

Similar to practices commonly used in the newspaper delivery and advertising distribution businesses, companies belonging to the Austrian Post Group also make use of self-employed subcontractors to distribute direct mail items, who sometimes come from other EU member states. The qualification of the (foreign) newspaper delivery staff and distributors of direct mail items is carried out within the context of a flexible system of criteria, and by taking an overall view of these features in terms of the quantity and weight of the items to be distributed. It can not be excluded that the responsible courts and administrative authorities may determine the unacceptability of this form of employment in individual cases, and subsequently impose administrative penalties and/or other administrative or commercial sanctions.

**Technical risks** To a significant degree, Austrian Post is dependent upon its complex technical systems. Its postal services rely heavily on the support provided by data processing systems, modern communications media and other technical equipment. Against this backdrop, Austrian Post has made extensive investments in recent years, designed to modernise its branch and distribution network. In this regard, the performance of the company is closely linked with the efficiency of a small number of key operational sites. Furthermore, it is hard to predict whether the planned restructuring measures to be implemented as part of the company's preparations for the liberalised market will lead to short-term or long-term collective work stoppages by Austrian Post staff. Should the case arise that technical systems temporarily or permanently fail, temporary or permanent failure of technical systems could potentially lead to disruptions in Austrian Post's business operations, a loss of reputation and customers or additional expenses. A broad range of safety and security measures, processes and guidelines have been developed as a means of dealing with all these technical and operational risks, making provision for the various contingencies in order to ensure smooth business operations.

**Financial risks** Financial risks of Austrian Post encompass liquidity risk, credit, counterparty and product risk, interest rate risk, foreign exchange risk as well as organisational risks. A more detailed presentation of financial risks is included in the Notes to the consolidated financial statements of Austrian Post.

# Information pursuant to § 243a Austrian Commercial Code

The share capital of Austrian Post amounts to EUR 350,000,000 and is divided into 70,000,000 non-par bearer shares. There are no voting rights restrictions or syndicate agreements applying to Austrian Post of which the company is aware.

The Annual General Meeting of Austrian Post held on April 22, 2008 approved a resolution authorising the Management Board to implement a share buy-back programme totalling up to 10% of the company's share capital, without any commercial purpose pursuant to § 65 Sect. 1 (8) Austrian Stock Corporation Act, in accordance with the stipulations of the Austrian Stock Corporation Act and the Austrian Stock Exchange Act. On August 12, 2008, the Management Board exercised this authorisation and initiated a corresponding share buy-back programme. The programme was carried out during the period August 19, 2008 to December 31, 2008. The transaction was limited to 3.5 million shares or 5% of the company's share capital. All in all, a total of 2,447,362 of Austrian Post's own non-par value shares were repurchased via the Vienna Stock Exchange, corresponding to 3.5% of the company's share capital.

The Republic of Austria holds a 51% shareholding in Austrian Post through Österreichische Industrieholding AG (ÖIAG), Austria's privatisation and industrial holding company. Austrian Post is not aware of any other shareholders holding more than 10% of the company's shares. On the basis of the number of outstanding shares (a total of 67,552,638 following the repurchase of 2,447,362 shares within the context of the share buy-back programme), Österreichische Industrieholding AG (ÖIAG) holds a 52.8% share in Austrian Post as at 31 December 2008.

As far as the company knows, there are no shareholders who possess shares with special controlling interests. Employees who are shareholders of Austrian Post exercise their voting rights on an individual basis.

No regulations exist which can be directly inferred from the law with regard to the appointment or dismissal of members of the Management Board or the Supervisory Board, or as regards changes to the company's Articles of Association.

**Authorised capital:** pursuant to § 5 of the Articles of Association of Austrian Post, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 175,000,000 by issuing up to 35,000,000 new non-par bearer shares against cash contributions within a period of five years after registration of an amendment to the Articles of Association into the commercial register, as well as to determine the issue price and issue conditions. The modification of the Articles of Association was entered into the commercial register on March 18, 2006.

**Conditional capital:** pursuant to § 5 of the Articles of Association of Austrian Post, the Management Board is authorised to issue interest-bearing convertible bonds, involving conversion or subscription rights of up to 35,000,000 new bearer shares with a total value of up to EUR 175,000,000 within a period of up to five years after registration of the amendment to the Articles of Association into the commercial register. To this purpose, the share capital of the company was raised conditionally by up to EUR 175,000,000 by issuing up to 35,000,000 non-par bearer shares with voting rights. The modification in the Articles of Association was entered in the commercial register on April 21, 2006.

There are no significant contractual agreements to which the company is a party, which would take effect, cause major changes or expire in the event of a change in ownership resulting from a takeover.

No compensation agreements exist between the members of the Management Board and Supervisory Board or with employees in case of a public takeover offer.

**Details of the share buy-back programme**

Durations: August 19, 2008–December 31, 2008

Type of shares: Non-par value shares

Intended purpose: Optimisation of the capital structure by withdrawing (cancelling) the repurchased treasury shares

Number of repurchased shares: 2,447,362

Highest price paid per share: EUR 28.02

Lowest price paid per share: EUR 19.61

Weighted average price of repurchased shares: EUR 23.154

Value of the repurchased shares: EUR 56,666,263.73

## Outlook for 2009

The current uncertain international business environment reduces the ability of Austrian Post to make precise forecasts for upcoming reporting periods. The outlook for 2009 assumes the overall market environment for Austrian Post and consumer demand will not deteriorate any further than already expected.

Despite the unfavourable economic situation, Austrian Post expects revenue development in the Mail Division to remain solid. There will continue to be a reduction in letter mail volumes due to the effects of electronic media substitution. However, the company plans to counteract this trend by intensifying the development of direct mail items (business-to-consumer communications) and launching new services along the letter mail delivery value chain. The Parcel & Logistics Division expects largely stable transport volumes in the face of ongoing intense competition. The increasing number of Internet business providers will continue to serve as a growth driver for parcel volumes, along with Austrian Post's growing market share in the Austrian B2B business. The Branch Network Division's offering of banking services will benefit from the overall trend towards secure investment products.

In terms of its financing requirements for 2009, Austrian Post anticipates capital expenditure (CAPEX) to total approximately EUR 100m. More restraint will be exerted with respect to acquisitions during the year 2009. No major acquisition targets are under consideration at the present time which fulfil our pre-defined criteria. The current priority is the integration of the newly-acquired subsidiaries.

On balance, Austrian Post expects total revenues in 2009 to match the figure for 2008. Earnings before interest and tax (EBIT) are also anticipated to be at the same level as in 2008. However, a slight decline in revenues and earnings can not be excluded if recessionary tendencies intensify. In order to ensure that the targets are achieved, the management of Austrian Post will do everything possible on a short-term and medium-term basis, particularly against the backdrop of the current business environment, to increase the flexibility and efficiency of the company and thus preserve enterprise value.

Based on a solid balance sheet structure and strong cash flow generation, Austrian Post plans to pursue an attractive dividend policy. The Management Board of Austrian Post will propose to the upcoming Annual General Meeting on May 6, 2009 the distribution of a basic dividend of EUR 1.50 per share and a special dividend of EUR 1.00 per share. It also plans to adhere to its target of achieving a dividend payout ratio of at least 75% of the net profit.

## Significant events after the balance sheet date

No significant events occurred after the balance sheet date.

# Performance of divisions

## Mail Division

**Market environment** On balance, the market environment for letter mail, ranging from letters, addressed mail items to magazines, was stable in 2008. The decline in mail volumes and the corresponding substitution of letters by electronic media are being largely compensated by new communications requirements as well as increased B2C (business-to-consumer) contacts, and also by the growth in private households and addresses.

New services are arising along the value chain comprising the flow of information (from letter scanning to printing services). These services are being used by large customers. In the field of advertising, direct communication with end-customers has become indispensable to many companies. A target group oriented approach to addressing customers helps to expand the volume of addressed as well as unaddressed mail items.

### Business development in 2008

| EUR m | 2006 | 2007 | 2008 | Change 2007/2008 in % |
|---|---|---|---|---|
| **External sales** | **1,311.3** | **1,381.0** | **1,460.0** | **+5.7%** |
| Letter Mail | 774.7 | 786.2 | 783.7 | –0.3% |
| Infomail | 407.5 | 464.7 | 541.5 | +16.4% |
| Media Post | 129.0 | 130.1 | 134.8 | +3.6% |
| Internal sales | 66.9 | 48.8 | 45.3 | –7.1% |
| Total revenue | 1,378.2 | 1,429.8 | 1,505.3 | +5.3% |
| **EBITDA** | **308.7** | **308.6** | **297.1** | **–3.7%** |
| Depreciation and amortisation | –31.5 | –30.1 | –34.6 | +14.9% |
| Impairment losses | –5.6 | –4.2 | –8.0 | +89.5% |
| **EBIT** | **271.6** | **274.3** | **254.5** | **–7.2%** |
| EBITDA margin[1] | 22.4% | 21.6% | 19.7% | – |
| EBITDA margin[1] | 19.7% | 19.2% | 16.9% | – |
| Employees[2] | 15,311 | 15,593 | 15,835 | +1.6% |

[1] Relative to total revenue
[2] Average for the period, full-time equivalents

Year-on-year external sales of the Mail Division rose by 5.7%, to EUR 1,460.0m. The increase primarily resulted from the consolidation of the subsidiary meiller direct, acquired in July 2007, as well as organic growth of about 1.3%.

The Letter Mail Business Area was almost stable, recording a 0.3% decline in revenues. The ongoing electronic substitution of letter mail by electronic media was offset by positive trends in other segments. For example, there was a revenue increase in the public sector due to new opportunities for absentee voting, or the higher mail volumes on the part of Austria's social insurance companies. Postal volumes from mail order companies increased as a result of intensified distribution of product catalogues.

Revenues in the Infomail Business Area (addressed and unaddressed direct mail items) rose by 16.4%. The rise was primarily the result of the consolidation of the meiller direct companies acquired in 2007 as well as organic growth of 2.9%. The increase in mail volumes applied to both addressed and unaddressed mail items. The Media Post Business Area also recorded a revenue increase (plus 3.6%), mainly related to the good performance of regional media as well as the positive effects from regional and national elections in Austria.

The Mail Division of Austrian Post generated an EBITDA of EUR 297.1m in 2008. In addition to depreciation and amortisation of EUR 34.6m, the Mail Division recorded an impairment loss on intangible assets totalling EUR 7.6m (of which EUR 4.2m for customer relationships and EUR 3.4m for goodwill). The resulting EBIT amounted to EUR 254.5m.

## Parcel & Logistics Division

**Market environment** The market environment in which the Parcel & Logistics Division operates was characterised by increasing mail volumes in the 2008 financial year. The economic downturn at the end of the year had little effect on this trend. The business environment in 2009 is expected to be shaped by stagnating volumes and ongoing intense competition.

The Austrian parcels market in 2008 was affected by the entry of a new competitive parcel logistics provider, primarily in the B2C (business-to-consumer) parcels market. The Parcel & Logistics Division responded to the loss of two major mail order customers by promoting its entry into the B2B (business-to-business) parcels segment. Internet sales also provided important impetus to the division's development, with growth an important contributor to parcel delivery volumes.

The niche Western European market of speciality logistics (health care and pharmaceuticals) showed positive volume development thanks to the trend towards integrated logistics solutions. Central and Eastern Europe saw stable growth rates in 2008 on the back of the sustained upward trend in per capita parcel volumes compared to Western Europe.

### Business development in 2008

| EUR m | 2006 | 2007 | 2008 | Change 2007/2008 in % |
|---|---|---|---|---|
| **External sales** | **227.1** | **738.6** | **785.9** | **+6.4%** |
| Internal sales | 49.8 | 31.4 | 30.1 | –4.3% |
| Total revenue | 276.9 | 770.0 | 816.0 | +6.0% |
| **EBITDA** | **31.7** | **46.5** | **34.8** | **–25.2%** |
| Depreciation and amortisation | –7.0 | –23.0 | –26.9 | +17.1% |
| Impairment losses | –3.9 | –10.7 | –33.4 | – |
| **EBIT** | **20.8** | **12.8** | **–25.5** | **–** |
| EBITDA margin[1] | 11.5% | 6.0% | 4.3% | – |
| EBIT margin[1] | 7.5% | 1.7% | –3.1% | – |
| Employees[2] | 2,265 | 3,410 | 4,066 | +19.3% |

[1] Relative to total revenue
[2] Average for the period, full-time equivalents

External sales of the Parcel & Logistics Division rose by 6.4% in 2008 to EUR 785.9m, mainly due to acquisitions, which contributed EUR 45.8m of total revenue.

Revenues amounted to EUR 659.6m with the main contribution (84% of division sales) coming from the premium parcel service (parcel delivery within 24 hours to private and business customers), which expanded by 12.6% in 2008. This growth was due to organic growth as well as the acquisition of new companies. The most significant share of revenue, EUR 500m, was achieved by the Austrian Post subsidiary, trans-o-flex, in Germany, with the focus on pharmaceutical logistics, combined freight and temperature-controlled transport services. Moreover, in Western Europe the company HSH, Belgium, was acquired in 2008. South Eastern and Eastern Europe contributed approximately EUR 60m in revenue. In 2008, Austrian Post also acquired 24VIP in Bosnia and Herzegovina.

As expected, total volume decreased in the standard parcels segment in Austria (accounting for some 15% of total division sales), due to the market entry of a competitive parcel services provider. A restructuring process was implemented on schedule in 2008, including a reduction in both headcount as well as the number of parcel sorting centres in Austria.

In the 2008 financial year, earnings before interest, tax, depreciation and amortisation (EBITDA) of the Parcel & Logistics Division amounted to EUR 34.8m. The decline was related to the predicted loss of market share in Austria resulting from the loss of two large mail order parcels customers, the integration costs of the new subsidiaries in the Netherlands and Belgium, as well as higher transport and fuel costs.

The Parcel & Logistics Division recognised impairment losses for goodwill and customer relationships in respect to the acquired subsidiaries of the trans-o-flex group amounting to EUR 33.4m, leading to a negative EBIT of EUR 25.5m for 2008.

## Branch Network Division

**Market environment** The Branch Network Division of Austrian Post operates one of the most extensive and dense retail networks in Austria. Its sales of financial services and retail products take place in a completely open competitive environment.

The Branch Network of Austrian Post offers a broad range of banking and postal services as well as the sale of communications and retail products. The market environment is therefore influenced by numerous competitors in different fields, for example, banks or specialised retailers for communications or office products.

Communications and retail products such as mobile phones are strongly dependent on cyclical trends. In an uncertain financial market environment, the trend in banking services is currently towards secure investment products.

## Business development in 2008

| EUR m | 2006 | 2007 | 2008 | Change 2007/2008 in % |
|---|---|---|---|---|
| **External sales** | **194.4** | **192.1** | **192.2** | **+0.1%** |
| Internal sales | 210.0 | 203.4 | 206.3 | +1.4% |
| Total revenue | 404.4 | 395.5 | 398.5 | +0.8% |
| **EBITDA** | **25.0** | **19.1** | **20.5** | **+7.3%** |
| Depreciation and amortisation | –7.7 | –5.5 | –6.0 | +9.1% |
| Impairment losses | –5.8 | 0.0 | 0.0 | 0.0% |
| **EBIT** | **11.5** | **13.6** | **14.5** | **+6.7%** |
| EBITDA margin[1] | 6.2% | 4.8% | 5.1% | – |
| EBIT margin[1] | 2.8% | 3.4% | 3.6% | – |
| Employees[2] | 5,236 | 5,069 | 4,931 | –2.7% |

[1] Relative to total revenue
[2] Average for the period. full-time equivalents

External sales of the Branch Network Division rose by 0.1% compared to 2007, to EUR 192.2m. The decline in sales of retail products, in particular mobile telephony sales, was largely compensated by the growth in financial services and other post office products. Growth measures such as the sales drive targeting private customers were initiated. Despite the current financial market crisis, the Branch Network Division achieved growth in the financial services segment, in particular for standard products, where demand is currently stronger. Internal sales of the division also improved.

EBITDA as well as earnings before interest and tax (EBIT) of the Branch Network Division were enhanced through further cost discipline and organisational optimisation measures.

Vienna, February 13, 2009

The Management Board

Anton Wais m. p.
Chairman of the
Management Board

Rudolf Jettmar m. p.
Deputy Chairman of the
Management Board

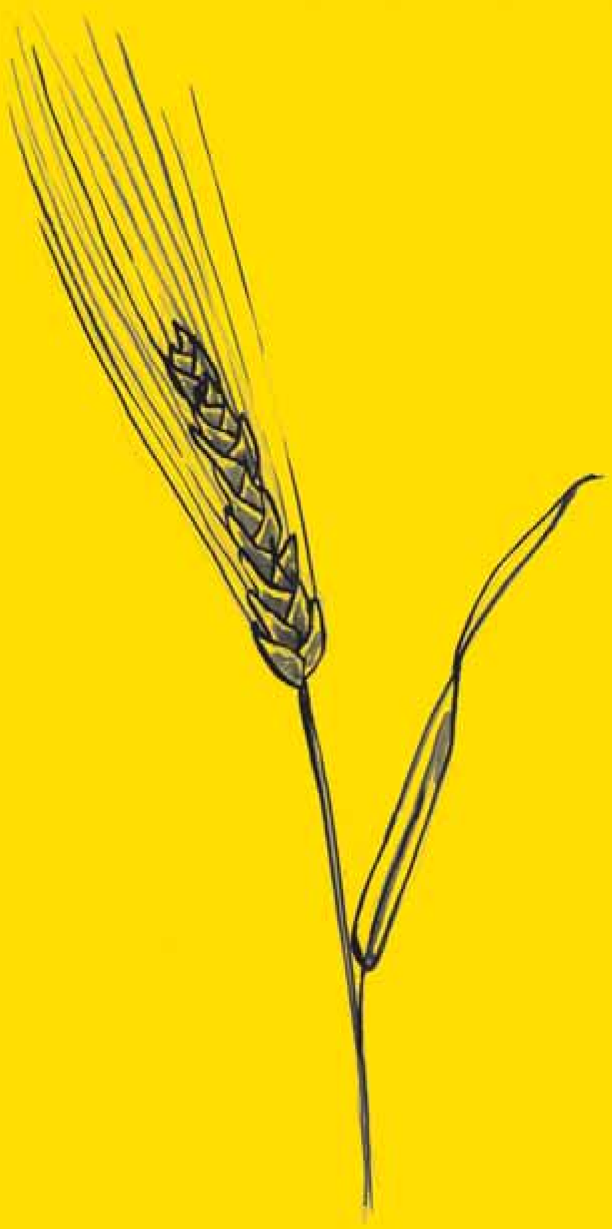
Herbert Götz m. p.
Member of the
Management Board

Walter Hitziger m. p.
Member of the
Management Board

Carl-Gerold Mende m. p.
Member of the
Management Board

# Whoever wants to harvest more needs a bigger field.

When we say Austrian Post brings something for everybody, then we really mean everybody. We serve Austria's largest customer base, boasting 8 million customers. For this reason, it is not surprising that Austrian Post continues to be such a stable and profitable company.



# IFRS consolidated financial statements 2008 of Austrian Post

# *Consolidated income statement as at December 31, 2008*

| EUR m | Notes | 2007 | 2008 |
|---|---|---|---|
| Revenue | (6) | 2,315.7 | 2,441.4 |
| Other operating income | (7) | 72.6 | 81.0 |
| Total operating income | | 2,388.3 | 2,522.4 |
| Raw materials, consumables and services used | (8) | –692.2 | –778.2 |
| Staff costs | (9) | –1,120.4 | –1,119.2 |
| Depreciation, amortisation and impairment losses | (10) | –130.0 | –152.2 |
| Other operating expenses | (11) | –284.0 | –304.5 |
| Total operating expenses | | –2,226.5 | –2,354.1 |
| **Profit from operations** | | **161.8** | **168.3** |
| Share of profit/loss of associates | (18) | 0.9 | 1.2 |
| Other financial result | (12) | 2.1 | –11.3 |
| Total financial result | | 3.0 | –10.1 |
| **Profit before tax** | | **164.9** | **158.2** |
| Income tax | (30) | –42.2 | –39.3 |
| **Profit for the period** | | **122.6** | **118.9** |
| Attributable to: | | | |
| Equity holders of the parent company | | 122.5 | 118.9 |
| Minority interest | | 0.1 | 0.0 |

| EUR m | | | |
|---|---|---|---|
| Basic earnings per share | (13) | 1.75 | 1.71 |
| Diluted earnings per share | (13) | 1.75 | 1.71 |

| EUR m | | | |
|---|---|---|---|
| Profit from operations | | 161.8 | 168.3 |
| Share of profit/loss of associates | (18) | 0.9 | 1.2 |
| **Earnings before interest and tax (EBIT)** | | **162.8** | **169.5** |

# Consolidated balance sheet as at December 31, 2008

| EUR m | Note | Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | (14) | 216.0 | 196.5 |
| Intangible assets | (15) | 106.1 | 79.7 |
| Property, plant and equipment | (16) | 716.7 | 725.9 |
| Investment property | (17) | 36.6 | 36.5 |
| Investments in associates | (18) | 3.5 | 7.3 |
| Financial investments in securities | (19) | 131.8 | 92.3 |
| Other financial assets | (20) | 79.9 | 39.9 |
| Receivables | (22) | 15.9 | 14.9 |
| Deferred tax assets | (30) | 55.5 | 59.2 |
| | | **1,361.9** | **1,252.1** |
| **Current assets** | | | |
| Financial investments in securities | (19) | 15.2 | 0.2 |
| Inventories | (21) | 25.6 | 26.3 |
| Receivables | (22) | 344.0 | 347.8 |
| Cash and cash equivalents | (23) | 309.4 | 248.1 |
| | | **694,3** | **622,5** |
| **Non-current assets held for sale** | (24) | **2,4** | **0.0** |
| | | **2,058.6** | **1,874.6** |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | (25) | | |
| Share capital | | 350.0 | 350.0 |
| Treasury shares | | 0.0 | –12.2 |
| Capital reserves | | 212.0 | 130.5 |
| Revenue reserves | | 188.7 | 178.2 |
| Revaluation of financial instruments | | –0.5 | –24.5 |
| Currency translation reserves | | 1.0 | 0.7 |
| Profit for the period | | 122.5 | 118.9 |
| | | **873.7** | **741.5** |
| Minority interest | | 0.6 | 0.0 |
| | | **874.3** | **741.5** |
| **Non-current liabilities** | | | |
| Provisions | (26) | 487.7 | 466.2 |
| Financial liabilities | (28) | 58.6 | 45.5 |
| Payables | (29) | 18.7 | 15.7 |
| Deferred tax liabilities | (30) | 33.2 | 24.3 |
| | | **598.0** | **551.8** |
| **Current liabilities** | | | |
| Provisions | (26) | 102.3 | 106.1 |
| Tax provisions | (27) | 14.4 | 13.1 |
| Financial liabilities | (28) | 128.5 | 103.1 |
| Payables | (29) | 341.1 | 359.0 |
| | | **586.3** | **581.3** |
| | | **2,058.0** | **1,874.6** |

# Consolidated cash flow statement as at December 31, 2008

| EUR m | Note | 2007 | 2008 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 164.9 | 158.2 |
| Depreciation, amortisation and impairment losses | (10) | 130.0 | 152.2 |
| Write-downs, write-ups of financial assets | | –0.1 | 20.0 |
| Share of profit/loss of associates | (18) | –0.9 | –1.2 |
| Non-current provisions | | 57.9 | –21.5 |
| Gain/loss on disposal of non-current assets | | –11.7 | –14.5 |
| Gain/loss on disposal of financial assets | | –2.9 | 0.2 |
| Taxes paid | | –36.1 | –41.4 |
| Net interest received/paid | | –8.5 | –15.2 |
| Currency translation | | –0.2 | 0.1 |
| **Operating cash flow before changes in working capital** | | **292.4** | **237.0** |
| **Changes in working capital** | | | |
| Receivables | (22) | 49.7 | –9.2 |
| Inventories | (21) | –1.3 | –0.6 |
| Payables | (29) | –51.7 | 2.5 |
| Current provisions | (26) | 6.7 | 3.7 |
| **Cash flow from changes in working capital** | | **3.5** | **–3.5** |
| **Cash flow from operating activities** | | **295.9** | **233.4** |
| **Investing activities** | | | |
| Purchase of intangible assets | (15) | –6.5 | –3.6 |
| Purchase of property, plant and equipment | (16)/(31) | –96.8 | –102.9 |
| Acquisition of subsidiaries | (31) | –71.9 | –24.2 |
| Acquisition of associates | | 0.0 | –3.8 |
| Acquisition of minority interests | | 0.0 | –2.6 |
| Acquisition of financial investments in securities | | –12.4 | –5.0 |
| Acquisition of other financial assets | | –76.4 | 0.0 |
| Proceeds from the sale of non-current assets | | 34.7 | 40.0 |
| Proceeds from the sale of financial investments in securities | | 69.6 | 52.9 |
| Dividends received from associates | | 0.9 | 1.1 |
| Interest received | | 16.4 | 24.9 |
| **Cash flow from investing activities** | | **–142.4** | **–23.1** |
| **Free cash flow** | | **153.5** | **210.3** |
| **Financing activities** | | | |
| Changes in financial liabilities | | 4.4 | –37.1 |
| Dividends paid | | –70.0 | –168.0 |
| Interest paid | | –7.9 | –9.7 |
| Acquisition of treasury shares | | 0.0 | –56.7 |
| **Cash flow from financing activities** | | **–73.5** | **–271.6** |
| **Net change in cash and cash equivalents** | | **80.0** | **–61.2** |
| Cash and cash equivalents at January 1st | | 229.4 | 309.4 |
| **Cash and cash equivalents at December 31st** | | **309.4** | **248.1** |

# Consolidated statement of changes in equity

| EUR m | Share capital | Treasury shares | Capital reserves | Revenue reserves | Revaluation of financial instruments: Held for sale | Revaluation of financial instruments: Hedging | Currency translation reserves | Profit for the period | Total | Minority interest | Consolidated equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2007 FINANCIAL YEAR** | | | | | | | | | | | |
| **Balance at January 1, 2007** | **350.0** | **0.0** | **274.5** | **96.4** | **–0.1** | **0.0** | **0.9** | **99.8** | **821.4** | **0.0** | **821.4** |
| Changes in reserves | | | –62.5 | 92.3 | | | | –29.8 | 0.0 | | 0.0 |
| Income and expense recognised directly in equity | | | | | | | | | | | |
| Currency translation difference | | | | | | | 0.2 | | 0.2 | | 0.2 |
| Revaluation of securities | | | | | –0.4 | | | | –0.4 | | –0.4 |
| | 0.0 | 0.0 | 0.0 | 0.0 | –0.4 | 0.0 | 0.2 | 0.0 | –0.2 | 0.0 | –0.2 |
| Profit for the period | | | | | | | | 122.5 | 122.5 | 0.6 | 123.1 |
| **Total recognised income and expense** | **0.0** | **0.0** | **–62.5** | **92.3** | **–0.4** | **0.0** | **0.2** | **92.8** | **122.3** | **0.6** | **122.9** |
| Dividends | | | | | | | | –70.0 | –70.0 | | –70.0 |
| **Balance at December 31, 2007** | **350.0** | **0.0** | **212.0** | **188.7** | **–0.5** | **0.0** | **1.0** | **122.5** | **873.7** | **0.6** | **874.3** |

| EUR m | Share capital | Treasury shares | Capital reserves | Revenue reserves | Revaluation of financial instruments: Held for sale | Revaluation of financial instruments: Hedging | Currency translation reserves | Profit for the period | Total | Minority interest | Consolidated equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2008 FINANCIAL YEAR** | | | | | | | | | | | |
| **Balance at January 1, 2008** | **350.0** | **0.0** | **212.0** | **188.7** | **–0.5** | **0.0** | **1.0** | **122.5** | **873.7** | **0.6** | **874.3** |
| Acquisition of minority interests | | | | –2.0 | | | | | –2.0 | –0.6 | –2.6 |
| Changes in reserves | | | –57.0 | 57.0 | | | | | 0.0 | | 0.0 |
| Income and expense recognised directly in equity | | | | | | | | | | | |
| Currency translation difference | | | | | | | –0.4 | | –0.4 | | –0.4 |
| Revaluation of financial instruments | | | | | –19.9 | –4.2 | | | –24.0 | | –24.0 |
| | 0.0 | 0.0 | 0.0 | 0.0 | –19.9 | –4.2 | –0.4 | 0.0 | –24.4 | 0.0 | –24.4 |
| Profit for the period | | | | | | | | 118.9 | 118.9 | 0.0 | 118.9 |
| **Total recognised income and expense** | **0.0** | **0.0** | **–57.0** | **54.9** | **–19.9** | **–4.2** | **–0.4** | **118.9** | **92.4** | **–0.6** | **91.8** |
| Dividends | | | | –45.5 | | | | –122.5 | –168.0 | | –168.0 |
| Acquisition of treasury shares | | –12.2 | –24.5 | –20.0 | | | | | –56.7 | | –56.7 |
| **Balance at December 31, 2008** | **350.0** | **–12.2** | **130.5** | **178.2** | **–20.4** | **–4.2** | **0.7** | **118.9** | **741.5** | **0.0** | **741.5** |

# Notes to the consolidated financial statements

## Summary of accounting policies

Austrian Post and its subsidiaries are logistics and service companies in the mail and parcel segments. Austrian Post's core business activities include postal and parcel services, combined freight and specialised logistics, as well as the processing of financial transactions in cooperation with the bank BAWAG PSK. Moreover, the range of services encompasses data and output management as well as document collection, digitalisation and processing.
The headquarters of Austrian Post is in Vienna, Austria. The mailing address is Austrian Post, Postgasse 8, 1010 Vienna, Austria. The company is registered in the company register at the Vienna Commercial Court under the company registry number FN 180219d.

### 1 | Basis of preparation

The consolidated financial statements of Austrian Post for the 2008 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS) valid as at December 31, 2008, as issued by the International Accounting Board (IASB) and adopted by the European Union. These consolidated financial statements of Austrian Post correspond to the valid and applicable IFRS as at December 31, 2008, as published by the IASB.
In the 2008 financial year, the following new or revised standards and interpretations were binding for the first time:

| **New standards and interpretations** | | **Effective date** |
|---|---|---|
| IAS 39/IFRS 7 | Reclassification of Financial Assets | July 1, 2008 |
| | | |
| **Revised standards and interpretations** | | |
| IFRIC 11 | IFRS 2 – Group and Treasury Share Transactions | March 1, 2007 |
| IFRIC 13 | Customer Loyalty Programmes | July 1, 2008 |
| IFRIC 14 | IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and Their Interaction | January 1, 2008 |

The consolidated application of the new or revised standards and interpretations will not have any material impact on the financial position, profit and loss and cash flows of the Group.
The consolidated financial statements are presented in euros. Unless otherwise stated, all amounts are stated in millions of euros (EUR m). Where rounded amounts and percentages are aggregated, rounding differences may occur due to the use of automated calculation aids.

### 2 | Consolidation

In addition to the parent company, a total of 19 domestic subsidiaries (2007: 18) and 50 foreign subsidiaries (2007: 45), in which the company directly or indirectly holds a majority of the voting rights, are included in consolidation.
Furthermore, four companies (2007: three) are consolidated according to the equity method.
A complete overview of the companies which are fully consolidated or consolidated according to the equity method can be found in the list of Austrian Post companies at the end of the notes to the consolidated financial statements.

## Changes in the consolidation scope

The following table provides an overview of the acquisitions which changed the consolidation scope of Austrian Post in the 2008 financial year:

| Company name | Interest | Date of acquisition/initial consolidation |
|---|---|---|
| **Mail** | | |
| D2D – direct to document GmbH | 30.0% | Aug. 31, 2008 |
| Cont-Média Hungary Kft | 100.0% | Sep. 1, 2008 |
| **Parcel & Logistics** | | |
| HSH Holding B.V.B.A. | 100.0% | April 30, 2008 |
| Distra N.V. | 100.0% | April 30, 2008 |
| MIT Transport N.V. | 100.0% | April 30, 2008 |
| 24VIP Logistics Services d.o.o. | 100.0% | Oct. 2, 2008 |

**Mail**

On August 31, 2008, Austrian Post acquired a 30% stake in D2D – direct to document GmbH, Vienna, for EUR 3.8m. The company is consolidated as an associated company at equity. In the purchase price allocation, goodwill amounting to EUR 3.6m is reported as part of the investments in associates. The acquisition of D2D – direct to document GmbH is a further step in the Mail Division's efforts to expand its product offering along the value chain.

The purchase price for the 100% shareholding of Cont-Média Hungary Kft, Budapest, acquired on September 1, 2008, amounts to EUR 4.3m. The purchase price includes a variable purchase price component of EUR 1.9m. In the purchase price allocation, the existing customer relationships were capitalised at their fair value totaling EUR 0.4m and reported as intangible assets, whereas the deferred tax liabilities amount to EUR 0.1m. Useful lives of three years were defined for the customer relationships. The remaining goodwill assigned to the Mail Division for the amount of EUR 3.2m results from the strategy pursued by Austrian Post to position the company as a postal services company in South Eastern Europe and Eastern Europe by acquiring market leading alternative postal providers.

**Parcel & Logistics**

The total acquisition costs for the subsidiaries acquired during the 2008 financial year which can be assigned to the Parcel & Logistics Division amounts to EUR 2.5m. The acquisition costs comprise a fixed purchase price component of EUR 1.9m and a variable purchase price component of EUR 0.6m.

In the purchase price allocation, customer relationships were identified and reported as intangible assets for the sum of EUR 0.3m. Useful lives of six years were defined for the customer relationships. The goodwill arising from the initial consolidation of the new subsidiaries in the Parcel & Logistics Division amounted to EUR 4.3m. The goodwill arising from acquisitions assigned to the Parcel & Logistics Division results from the strategy pursued by Austrian Post to consistently expand its logistics network in Western Europe, South Eastern Europe and Eastern Europe, both on a regional basis as well as in terms of offering specific products and services.

The following assets and liabilities were assumed by Austrian Post in connection with the acquisitions carried out by the Mail Division and the Parcel & Logistics Division in the 2008 financial year:

| EUR m | Fair value | Carrying amount before acquisition |
|---|---|---|
| Goodwill | 7.4 | 0.0 |
| Other non-current assets | 11.6 | 5.2 |
| Current assets | 11.0 | 11.0 |
| Non-current liabilities | –9.5 | –7.4 |
| Current liabilities | –13.6 | –13.6 |
| **Net acquired assets** | **6.8** | **–4.9** |

Since their inclusion in the consolidated financial statements of Austrian Post, the new subsidiaries acquired in the course of the 2008 financial year, have generated revenue of EUR 14.6m and an EBIT of EUR –1.5m, which are reported in the consolidated income statement for 2008.
If these acquisitions and the related initial consolidation had already taken place on January 1, 2008, it would have added EUR 25.3m to Austrian Post's total revenue, and an EBIT of EUR –1.4m to Austrian Post's total EBIT[1].
The following changes to Group companies and start-ups were made in the 2008 financial year:

| Company name | Interest from | Interest to | Transaction date | Note |
|---|---|---|---|---|
| **Mail** | | | | |
| Scanpoint Europe | 51.0% | 100.0% | Jan. 31, 2008 | Share purchase carried out in stages |
| **Parcel & Logistics** | | | | |
| trans-o-flex Austria GmbH | – | 100.0% | Jan. 31, 2008 | Incorporation |
| Eurodis GmbH | 100.0% | 80.0% | March 5, 2008 | Sale of share |
| City Express Montenegro d.o.o. | – | 100.0% | June 24, 2008 | Incorporation |

**Mail**
At the end of January 2008, Austrian Post acquired the remaining 49% shareholding in Scanpoint Europe at a purchase price of EUR 2.6m. The difference between the purchase price and the pro-rata share capital of EUR 2.0m is recognised in share capital without recognition in profit or loss.

**Parcel & Logistics**
At the beginning of March 2008, Austrian Post sold 20% of its shareholding in Eurodis GmbH, continues to be fully consolidated in the financial statements of Austrian Post.

[1] The pro-forma information is for comparative purposes only, and does not necessarily present the business results which would have arisen had the transaction actually been concluded on January 1, 2008. The information is not to be considered as a reliable indicator of future performance.

## 3 | Accounting policies

### (a) Consolidation policies

Subsidiaries are included in the consolidated financial statements starting from the time at which Austrian Post gains a controlling interest in the company. The capital consolidation for companies included in the consolidated financial statements for the first time is carried out in accordance with the purchase method. In this case, the respective acquisition costs are offset against the revalued net assets and liabilities of the consolidated subsidiary. The acquisition costs are allocated to the identifiable acquired assets and liabilities including contingent liabilities.

The value of intangible assets is determined on the basis of an earnings-oriented valuation method (income approach), depending on the type of asset and the availability of information. For the valuation of customer relationships (customer list), the multi-period excess earnings method is used, which measures the current value of the cash flows resulting exclusively from the intangible assets. In determining the relevant incremental cash flow, estimated payments for the contributory asset charges are taken into account, based on the assumption that the intangible assets in question can only generate cash flow together with other tangible and intangible assets The valuation of a trademark is carried out on the basis of the relief from royalty method, in which the value of the intangible asset is determined as an estimated current value for the respective licence payments, based on the assumption that the corresponding asset is owned by a third party.

Any remaining capitalised difference between the acquisition costs and the value of the identifiable and revalued net assets is reported as goodwill. Any remaining capitalised difference on the liabilities side will be immediately recognised in profit or loss following the repeated valuation of the identifiable and revalued assets, liabilities, contingent liabilities and acquisition costs.

Special purpose entities are consolidated, in as much as the nature of the business relationship between the company and the special purpose entity is considered to constitute a controlling interest on the part of Austrian Post. Special purpose entities are companies which are established in order to achieve a narrow and well-defined objective.

Shareholdings in companies in which a significant influence can be exercised (investments in associates), generally involving a stake of between 20% and 50%, as well as jointly managed companies, are accounted for using the equity method. Shareholdings in companies in which a controlling interest is not possible due to contractually stipulated minority shareholder rights are also accounted for using the equity method.

Pursuant to the equity method, shareholdings are first reported at the cost of acquisition, and later increased or reduced by the respective changes in equity in proportion to the particular stake held by Austrian Post. The goodwill of an associated company is part of the carrying amount of the investment and is accounted for, in accordance with IFRS 3.

Receivables and liabilities, income and expenses arising from the intra-group exchange of deliveries and services as well as intragroup profit and losses are eliminated.

### (b) Currency translation

The consolidation financial statements are presented in euros. The euro is both the functional currency and the reporting currency of Group companies located in Austria, and in the European Economic and Monetary Union. The functional currency of the foreign subsidiaries and associated companies is the respective local currency, as they conduct their operations independently in financial, economic and organisational terms.

**Business transactions in foreign currencies**
Transactions of Group companies in foreign currencies are accounted for using the reference exchange rate at the date of transaction. The monetary assets and liabilities are converted into euros at the valid European Central Bank reference rate on the balance sheet date. Foreign exchange gains and losses arising at the balance sheet date are reported as a net profit or loss.

**Translation of individual accounts in foreign currencies**
The modified closing rate method is used in the translation of the financial statements of Group companies in which the Euro is not the functional currency. All balance sheet items with the exception of capital and reserves items are translated at the prevailing rate of the European Central Bank on the date of the acquisition or formation, whereas the capital and reserves items are translated at the prevailing rate on the date of acquisition or formation. Income and expense items are translated at the average reference rates for the financial year in question. The resultant currency translation differences are directly recognised in equity without being reported as a profit or loss.
The movements in foreign exchange rates against the euro used in translation were as follows:

| | Reference rate at balance sheet date | | Annual average rate | |
|---|---|---|---|---|
| **EUR 1** | **Dec. 31, 2007** | **Dec. 31, 2008** | **2007** | **2008** |
| British Pound | 0.7334 | 0.9525 | 0.6843 | 0.7963 |
| Bosnian Convertible Mark | – | 1.9558 | – | 1.9558 |
| Croat Kuna | 7.3308 | 7.3555 | 7.3376 | 7.2239 |
| Swedish Krona | 9.4415 | 10.8700 | 9.2501 | 9.6152 |
| Serbian Dinar | 79.2362 | 88.6010 | 80.0111 | 81.7127 |
| Slovak Koruna | 33.5830 | 30.1260 | 33.7745 | 31.2617 |
| Czech Koruna | 26.6280 | 26.8750 | 27.7656 | 24.9463 |
| Hungarian Forint | 253.7300 | 266.7000 | 251.3520 | 251.5121 |

## (c) Recognition of revenue and expense
The recognition of revenue and other operating income is generally reported when the particular service has been rendered, the level of the revenue can be reliably measured, and it is likely that the economic benefit from the transaction will flow to the entity. Services which have not yet been rendered by Austrian Post as at the balance sheet date, as well as outstanding customer prepayments for stamps and frankings, are designated as deferred income.
Operating expenses are recognised when the service is utilised or when the expenses are incurred.

## (d) Earnings per share
The earnings per share are calculated on the basis of the profit for the period attributable to the shareholders of Austrian Post divided by the weighted average of the outstanding shares in 2008. Shares repurchased during a specific period are taken into account on a pro rata temporis basis for the period of time in which they are still outstanding shares. There were no dilutive effects in the 2008 financial year. Accordingly, there is no difference between basic and diluted earnings per share.

## (e) Goodwill

Goodwill arises as the excess of the purchase price over the pro rata share of the net assets of the acquired company recognised at their fair value. Goodwill is subject to annual impairment tests. In case particular events or changes take place which would point to a potential impairment, then the impairment test is to be carried out more frequently. Impairment tests are carried out in accordance with the principles described in section (i) Impairment.

## (f) Intangible assets

Intangible assets acquired in return for payment are reported at cost, and are amortised on a straight line basis over a period of three to ten years, depending on their economic useful lives or the contract period. Internally generated intangible assets are not recognised due to immateriality. Where there are indications that an asset is impaired, and if the recoverable amount is lower than the amortised costs, the asset is written down to the recoverable amount. If the reasons for impairment cease to apply, then the write-downs are reversed.
Intangible assets with indefinite lives and goodwill are not subject to amortisation, but are subject to annual impairment tests. This also applies when there is no reasonable assumption that an impairment is necessary. In case particular events or changes take place which would point to a potential impairment, then the impairment test is to be carried out more frequently.
Impairment tests in connection with intangible assets are carried out in accordance with the principles described in section (i) Impairment.

## (g) Property, plant and equipment

Property, plant and equipment is carried at cost less depreciation and impairment losses. In addition to the direct costs, production costs encompass an appropriate share of material and manufacturing overheads. Borrowing costs, where they arise, are not included in production costs. Depreciation rates are linked to the expected useful lives of the particular items.
Depreciation is calculated on a straight-line basis in accordance with the following useful lives which are applied uniformly throughout the company:

| **Useful lives** | **Years** |
|---|---|
| Buildings | 20–50 |
| Plant and machinery | 5–10 |
| Vehicle fleet | 2–8 |
| IT equipment | 3–5 |
| Other equipment, furniture and fittings | 5–20 |

Impairment tests are carried out for property, plant and equipment for which there are indications of impairment in accordance with the principles described in section (i) Impairment.

## (h) Investment Property

Investment property is property held to earn rental income and/or for the purposes of capital appreciation, and which could be sold in separate portions. Recognition of the owner occupied portion of the property is carried out in accordance with the percentage of use. Investment property is carried in the balance sheet at acquisition cost less accumulated depreciation, which is performed on a straight-line basis, applying useful lives of between 20 and 50 years. The fair values of the investment properties included in the notes to the consolidated financial statements were largely determined by experts at an Austrian Post subsidiary, using generally accepted valuation methods. Measurement is carried out on the basis of an earnings valuation approach. As a rule, the income approach was used, and the discounted cash flow method in the event of more complex investment property. The sales comparison approach using comparable transactions in an active market was applied to the valuation of undeveloped property.

## (i) Impairment

Pursuant to IAS 36, the company is required to evaluate whether there are indications of a potential impairment of assets. If such indications exist, an impairment tests is carried out. Intangible assets with indefinite useful lives as well as goodwill are subject to annual impairment tests, even if there are no indications for impairment. In case particular events or changes take place which would point to a potential impairment, then the impairment test is to be carried out more frequently.

The recoverable amount of a particular asset is determined within the context of an impairment test. The recoverable amount corresponds to the higher of the fair value less cost to sell (net selling price) and the value in use.

If the recoverable amount can not be determined for an individual asset, assets are assigned to cash generating units (CGU) for the purpose of impairment tests. CGU are groups of assets on the lowest possible level that generate separately identifiable cash flows and which are monitored for internal management purposes. Accordingly, impairment tests are carried out on the level of sub-segments or Group companies.

In the course of an impairment test, the amortised cost of a CGU is compared to the recoverable amount. If the carrying amount is higher than the recoverable amount, a write-down amounting to the difference between the two is carried out. If the reasons for an impairment no longer apply, then the write-down is reversed (except goodwill). The recoverable amount of a CGU is determined by calculating the present value in use. This calculation is based on the business planning for the year 2009, the medium-term planning for a period of three years (2010-2012), and a permanent return, which takes account of the expected long-term growth rates for the individual CGU representing up to 1.0% p.a. Capital costs are calculated according to the weighted average cost of capital (WACC) formula in accordance with the capital asset pricing model (CAPM) and in line with the individual conditions of the CGU. During the period under review, the weighted average cost of capital in the Eurozone ranged from 7.7% to 9.1%, and in other countries from 8.6% to 12.9%.

Pursuant to IAS 36, property, plant and equipment for which there are indications that a specific asset is impaired or if the reasons which led to an impairment in earlier reporting periods no longer apply, are subject to an impairment test at the balance sheet date. If the recoverable amount is less than amortised cost, the asset is written down. If the reasons for an earlier impairment no longer apply, then the write-down is reversed. The higher carrying amount resulting from the reversal of the write-down may not exceed the amortised costs.

## (j) Finance leases

If the major risks and rewards related to the leased assets are transferred to Austrian Post (finance leases pursuant to IAS 17), these assets are capitalised as non-current assets at the lower of their fair value or the present value of the future minimum lease payments. The leased assets are depreciated over the expected useful life or the duration of the lease, if shorter. The future lease payments arising from these leasing agreements are reported under financial liabilities.

## (k) Financial assets

At Austrian Post, financial assets are assigned to the following classes, pursuant to IFRS 7: financial investments in securities, other financial assets, receivables as well as cash and cash equivalents. The financial assets are classified as loans and receivables, held to maturity investments, available for sale financial assets, and financial assets at fair value through profit or loss in accordance with IAS 39.

Loans and receivables are recognised at amortised cost. The valuation is carried out at the fair value when recognised. Any existing difference between the acquisition cost and the repayment amount (premium or discount) is amortised over the term to maturity using the effective interest rate method and included in the financial result.

If there are indications of an impairment applying to these loans and receivables, they are written down to the present value of the expected future cash flows. At Austrian Post, the share of irrecoverable receivables is determined on the basis of a maturity analysis, taking the customer and market structure into account. Moreover, impairments are carried out if, on the basis of objective evidence, it is unlikely that the loan or receivable will be recovered. Impairments are generally reported in an impairment account. If the reason for impairment ceases to apply, the write down is reversed (up to amortised cost).

Available for sale financial assets are carried at fair value. Unrealised gains and losses are separately disclosed under revaluation of financial instruments until realised, taking account of deferred taxes. The carrying amounts of the available for sale financial assets are evaluated at every balance sheet date to determine if there is objective evidence of impairment. Objective evidence, for example, may comprise financial difficulties on the part of the debtor, default or delay in payments of interest or principal, the discontinuation of an active market, or significant changes in the economic, legal or market-related environment. If the reason for impairment ceases to apply, in the case of equity instruments the impairment loss is reversed and directly recognised in equity, and in that of debt instruments the reversal is included in the net profit or loss. Sales and purchases are accounted for at the settlement date.

Other financial assets for which there is no regulated market and whose fair value cannot be reliably measured using established valuation methods are recognised at cost. Impairment is reported with recognition to profit or loss. Any reversals of write-downs are not recognised in the income statement.

## (l) Inventories

Inventories are stated at the lower of cost or net realisable value at the balance sheet date. The measurement of the inventories is implemented in accordance with the moving average cost formula. Any impairments resulting from obsolescence or unsaleability are taken into account in determining the net realisable value.
Work in progress is carried at the lower of cost or net realisable value.

## (m) Non-current assets held for sale

Non-current assets held for sale are measured at the lower of the carrying amount or fair value less costs to sell. Non-current assets are classified as non-current assets held for sale, when the carrying amount will be recovered through a sales transaction, and not through continuing use. This principally applies only in those cases when the sale is highly probable, and the asset in its current state is available for sale.

## (n) Provisions for termination benefits, pensions and jubilee benefits

**Provisions for termination benefits**

The provisions for termination benefits apply to legal and contractual entitlements on the part of employees. Employees working for Group companies in Austria are entitled to severance pay when they reach the legally stipulated retirement age, as well as when their employment contracts are terminated by the employer. The amount of the latter depends on the number of years of service of the employees in question, and the operative salary at the time the employment is terminated. Civil servants normally have no entitlement to termination benefits. The provisions are calculated on an actuarial basis, using the projected unit credit method. All actuarial gains and losses are immediately recognised in profit or loss.
Termination benefits in respect to salaried employees who are working for Austrian Group companies and started after December 31, 2002 are fulfilled by regular contributions of the respective amounts to the employee benefit fund. In addition to this, there is no other obligation on the part of Austrian Post.

**Provisions for pensions**

The pension obligations on the part of Austrian Post encompass both a defined contribution plan as well as a defined benefit plan.
There are no pension fund obligations to civil servants. Pension obligations for civil servants are principally fulfilled by the Republic of Austria. Contributions are being made to a pension fund on behalf of members of the Management Board. Due to legal regulations, Austrian Post is obliged to pay a pension contribution margin to the Republic of Austria to fund post-employment benefits. Since October 1, 2005, these contributions, including the civil servant's own employee contributions, have totalled between 15.75% and 28.30% of the remuneration paid to active civil servants, depending on age and the contribution assessment base, and are reported as staff costs.
Austrian Post has performance-based pension obligations to specified employees of the Group. The calculation of provisions for defined benefit pension obligations is based on the projected unit credit method. Actuarial gains and losses are immediately recognised in profit or loss.

**Provisions for jubilee benefits**

Austrian Post is in some cases obliged to pay jubilee benefits to salaried employees and civil servants to mark service jubilees.

Benefits of two months' salary after 25 years of service and four months after 40 years are paid out in Austria. Employees with at least 35 years of service at retirement age also receive a jubilee benefit amounting to four months' salary.

The provisions for jubilee benefits are calculated in a similar manner to the provisions made for termination benefits and pensions, in accordance with the project unit credit method.

With the exception of the interest expense, all changes in the provisions for termination benefits, pensions and jubilee benefits are reported under staff costs. The interest effect is recognised under the financial result.

The following parameters were used as the basis for calculating provisions for termination benefits, pensions and jubilee benefits at December 31, 2007 and December 31, 2008:

| | 2007 | 2008 |
|---|---|---|
| Interest rate | 4.75% | 5.00% |
| Salary or pension increases | 0%–4%[1] | 0%–4%[1] |
| Staff turnover reduction | 0%–8%[1] | 0%–20%[1] |
| **Retirement age** | | |
| Female employees | 55–60 years | 55–67 years |
| Male employees | 60–65 years | 60–67 years |
| Civil servants | 60–65 years | 60–65 years |

[1] graduated

## (o) Provisions for under-utilisation

Provisions for under-utilisation are made for future staff costs applying to those employees who have tenure (primarily civil servants), but who are not capable of working on a full-time basis or at all. After carrying out all legal and company-specific measures, these employees are assigned to special organisational units such as the Career and Development Centre.

These cases refer to onerous contracts pursuant to IAS 37, in which the unavoidable costs to fulfil the contractual obligations are higher than the expected economic benefit.

The provisions for under-utilisation apply to those members of the staff who have already been transferred to the Career and Development Centre. Moreover, the provisions for under-utilisation are also recognised for employees whose transfer to the Career and Development Centre has been approved, but not yet fully concluded due to internal organisational processes, or whose transfer is not possible at present due to illness or a particular transfer clause in the employment contract. In this particular case, the employment of the respective staff member in a division or service unit is only possible to a limited extent, and the utilisation of the employee in another department is not possible. The provisions for under-utilisation also encompass those employees, who are in the process of being sent into retirement for reasons of invalidity.

The provisions are calculated for all staff costs up to retirement or to early termination of service on behalf of the company, taking into account the level of under-utilisation of the particular employees.

Measurement of this provision for under-utilisation was based on annual salary increases of 4.00% (2007: 4.00%) and a discount rate of 5.00% (2007: 4.75%).

## (p) Other provisions

In accordance with IAS 37, contingent legal or constructive obligations to third parties which result from past events are likely to require an outflow of economic benefit, the amount of which can be reliably estimated, is carried under other provisions. The provisions are recognised at the amounts capable of reliable estimation at the time of preparation of the annual financial statements. Provisions are not recognised in those cases where a reliable estimate is not possible. In the event that the present value of a provision determined on the basis of a market interest rate differs materially from the nominal value, the present value of the obligation is recognised.
Provisions for onerous contracts are recognised, if the unavoidable costs required to fulfil the contractual obligations are higher than the expected economic benefit.
For tenured employees who have been leased to a logistics company, for whom Austrian Post is only contractually remunerated in accordance with the collective labour agreement stipulating salary levels for this particular company, provisions are made for the salary expense surpassing the remuneration accorded to Austrian Post, including attributable administrative costs. Provisions are calculated as the current value of the underfunded salary for each particular employee up to retirement, based on annual salary increases of 4.00% (2007: 4.00%) and a discount rate of 5.00% (2007: 4.75%).
Pursuant to IAS 37, restructuring provisions are recognised upon development of a formal, detailed restructuring plan and the restructuring measures have already begun or the restructuring plan has been publicly announced before the balance sheet date.

## (q) Financial liabilities

At Austrian Post, financial liabilities are classified as financial liabilities and payables, pursuant to IFRS 7. Financial liabilities are stated at the amount actually received less transaction costs, plus or minus a premium/discount. The difference between the amount received and the amount to be repaid is distributed over the maturity in accordance with the effective rate method and disclosed under the financial result.
Liabilities resulting from trade payables, services rendered or other payables are measured at amortised cost.

## (r) Income tax

The income tax expense reported for the year under review comprises the income tax calculated for individual Austrian Post companies on the basis of taxable income and the applicable tax rates in the countries concerned (current tax) as well as the change in the deferred tax.
Deferred tax is calculated in accordance with the balance sheet liability method for all temporary differences arising between the IFRS balance sheet items and their amounts for tax purposes. Furthermore, the probable tax advantage from existing tax loss carry forwards is included in the calculation. Exemptions from the full recognition of deferred tax are differences arising from non tax-deductible goodwill and temporary differences related to equity investments, if the differences will not reverse in the forseeable future.
Deferred tax assets are recognised if it is likely that the tax advantage from them can actually be utilised. Deferred taxes on tax loss carry forwards are reported to the extent that taxable income will be available in the foreseeable future.
Deferred tax is calculated on the basis of the prevailing tax rates in the individual countries at the balance sheet date or which have been publicly announced as applicable at the point in time in which the deferred tax claims and tax liabilities are realised. For Austrian Group companies, the calculation of deferred taxes is based on a corporate tax rate of 25%.

The following table shows the corporate tax rates applied in calculating deferred taxes for foreign companies:

| Country | Tax rate | Country | Tax rate |
|---|---|---|---|
| Belgium | 34.0% | Netherlands | 25.5% |
| Bosnia and Herzegovina | 10.0% | Sweden | 28.0% |
| Germany | 28.43%–29.55% | Serbia | 10.0% |
| France | 33.3% | Slovakia | 19.0% |
| Great Britain | 28.0% | Czech Republic | 21.0% |
| Croatia | 20.0% | Hungary | 16.0% |
| Montenegro | 9.0% | | |

## (s) Derivative financial instruments

Derivative financial instruments are utilised as a means of hedging interest rate fluctuations and raw material price change risks.
All derivative financial instruments are reported as assets or liabilities on the balance sheet. Derivative financial instruments and embedded derivatives are recognised at fair value. Unrealised valuation gains or losses from derivative financial transactions are reported as a net profit or loss.
Derivative financial instruments (hedging transactions) used to hedge assets and liabilities contained in the balance sheet, are reported at their fair value. Valuation gains and losses are immediately recognised in profit or loss.
Derivative financial instruments (hedging transactions) used to hedge future cash flow fluctuations in respect of assets and liabilities which are not reported in the balance sheet are also recognised at their fair value. The effective part of the profit or loss is directly recognised in a separate item under capital and reserves. Any ineffective part is recognised in the financial result.

## (t) Share-based payments

The Management Board and Supervisory Board of Austrian Post decided to introduce a share-based remuneration programme for top executives in conjunction with the Initial Public Offering carried out in 2006. Members of the Management Board and selected top executives are entitled to participate in the programme, provided they acquire a certain number of Post shares in accordance with pre-defined guidelines, and maintain this shareholding over the entire duration of the programme. On the basis of the 2006 share-based remuneration programme, the participants have been granted appreciation rights with a term of three years, and appreciation rights with a term of two years on the basis of the 2007 share-based remuneration programme.

The changes in the number of appreciation rights granted for the 2007 and 2008 financial years are presented in the following table:

| | 2007 | 2008 |
|---|---:|---:|
| **Outstanding as of January 1st** | **70,077** | **109,124** |
| Granted | 44,569 | 0 |
| Exercised | 0 | 0 |
| Expired/forfeited | 5,522 | 2,196 |
| **Outstanding as of December 31st** | **109,124** | **106,928** |

At the end of the designated period, the participants in the programme are compensated with a cash payment amounting to the value of the allocated appreciation right. This value is calculated as the average of the Post share price in the 60 trading days prior to expiry of the term, and then multiplied by a specific factor which depends on the aggregate return of the company's shares.

The potential factor value for the 2006 and 2007 share-based remuneration programmes is provided in the following table:

| **2006 programme** | **Less than** | **Larger or equal to** | **Larger or equal to** | **Larger or equal to** |
|---|:---:|:---:|:---:|:---:|
| Total return | 20% | 20% | 30% | 40% |
| Factor value | 0 | 0.5 | 1 | 1.5 |

| **2007 programme** | **Less than** | **Larger or equal to** | **Larger or equal to** | **Larger or equal to** |
|---|:---:|:---:|:---:|:---:|
| Total return | 10% | 10% | 15% | 20% |
| Factor value | 0 | 0.5 | 1 | 1.5 |

These plans represent share-based remuneration programmes on a cash basis, for which a liability is recognised. This is accounted for by Austrian Post as a provision.
The basis for calculating the pro rata provision is the calculation of the fair value of the appreciation right. This is implemented using a simplified option price model, taking account of the anticipated yearly dividend payment, and taking an interest rate of 7.5%. There was no payment obligation on the part of Austrian Post arising from the total return at the balance sheet date of December 31, 2008 (December 31, 2007: EUR 0.0m).

## 4 | Estimates and future-oriented assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates in the application of its accounting and measurement policies, and to make assumptions about future developments which materially influence the recognition and valuation of assets and liabilities, the reporting of other obligations at the balance sheet date, and that of income and expense for the business year. In particular, there is a risk that the use of the following assumptions and estimates may require adjustments of the carrying amounts of assets and liabilities in upcoming business years:

## (a) Provisions for termination benefits, pensions and jubilee benefits

The valuation of the existing provisions for termination and jubilee benefits as well as pensions (carrying amount as at December 31, 2008: EUR 165.8m; December 31, 2007: EUR 166.5m) is based on assumptions as to the discount rate, at retirement age, life expectancy, staff turnover and future salary increases.
If all other parameters remained constant, a change in the assumed rate of interest by ± 1 percentage point as well as a change in salary increases by ± 1 percentage point would have the following effects on the provisions listed in the table below:

| | Assumed rate of interest | | Salary or pension increases | |
|---|---|---|---|---|
| **EUR m** | **– 1% point** | **+ 1% point** | **– 1% point** | **+ 1% point** |
| Termination benefits | 11.7 | –9.4 | –9.5 | 11.5 |
| Pensions | 0.7 | –0.7 | –0.6 | 0.5 |
| Jubilee benefits | 9.4 | –8.1 | –8.9 | 8.7 |

## (b) Provisions for under-utilisation

The measurement of provisions for under-utilisation of individual organisational units (carrying amount as at December 31, 2008: EUR 307.8m; December 31, 2007: EUR 331.0m) is based on assumptions regarding the degree of capacity utilisation per employee. The future level of capacity utilisation can turn out to be higher or lower, depending upon the actual development of the capacity utilisation of these employees, and the success of the occupational retraining measures implemented by Austrian Post. If the average capacity utilisation of all employees taken into account as at December 31, 2008 were, for example, 10 percentage points lower (higher) than the measurement actually recorded, the required provisions would comprise an additional EUR 34.5m (or lesser provisions amounting to EUR 45.3m).
The calculation of the provisions made for under-utilisation is also based on assumptions made about retirement age, the discount rate and future salary increases. The increase (decrease) of the assumed interest rate by, for example, a single percentage point would subsequently lead to a rise of the provisions to be made by EUR 20.8m (or a decline of EUR 23.5m). The increase (decrease) of the assumed salary increase by, for example, a single percentage point would lead to a rise of the provisions to be made by EUR 10.1m (or a decline of EUR 19.0m).

## (c) Assets and liabilities in connection with business combinations

Within the context of acquisitions, estimates and assumptions are required to be made in connection with the determination of the fair value of the acquired assets and liabilities. The value of intangible assets is determined on the basis of a suitable valuation method, depending on the type of asset and the availability of information. (Refer to section (a) “Consolidation principles” contained in chapter “Accounting policies”). As a rule, the fair value of buildings and property is determined by independent experts.

## (d) Impairment on intangible assets, goodwill and property, plant and equipment

The valuation of impairment on intangible assets, goodwill and property, plant and equipment is based on future-oriented assumptions. The underlying assumptions used to determine the recoverable amount within the context of impairment tests are described in section (i) on impairment contained in the summary of accounting policies.

### (e) Financial instruments

Alternative valuation methods are applied to evaluate the value of financial instruments if no active market exists for these financial instruments. The underlying parameters used to determine the fair value of these financial instruments are partially based on future-oriented assumptions, which are described in the corresponding sections of the notes to the consolidated financial statements.

## 5 | Standards which are published but not yet applied

In the 2008 financial year, Austrian Post did not apply ahead of time the following standards, interpretations and revisions to existing standards published by IASB:

| **New standards and interpretations** | | **Effective date**[1] | **Endorsed in EU** |
|---|---|---|---|
| IFRS 8 | Operating Segments | Jan. 1, 2009 | Nov. 21, 2007 |
| IFRIC 12 | Service Concession Arrangements | July 1, 2008 | – |
| IFRIC 15 | Agreements for the Construction of Real Estate | Jan. 1, 2009 | – |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | Oct. 1, 2008 | – |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | July 1, 2009 | – |
| **Revised standards and interpretations** | | | |
| IFRS 1 | First-Time Adoption of IFRS | Jan. 1, 2009 | – |
| IFRS 2 | Share-based Payment | Jan. 1, 2009 | Dec. 17, 2008 |
| IFRS 3 | Business Combinations | July 1, 2009 | – |
| IAS 1 | Revised Presentation of Financial Statements | Jan. 1, 2009 | Dec. 17, 2008 |
| IAS 23 | Borrowing Costs | Jan. 1, 2009 | Dec. 18, 2008 |
| IAS 27 | Consolidated and Separate Financial Statements | July 1, 2009 | – |
| IAS 39 | Financial Instruments: Recognition and Measurement (IFRIC 9) | July 1, 2009 | – |

[1] To be applied in the business year beginning at or after the effective date

The new standard IFRS 8 "Operating Segments" regulates the disclosure requirements for business segments, products and services, regions as well as customer relationships of the company. Pursuant to IFRS 8, the preparation of segment reporting and segment classification must be oriented to the information which is made available to the primary decision makers in the company for decision-making purposes (management approach). The initial application of IFRS 8 will lead to a separate presentation of the segment "Other/ Consolidation" in the future.

The revision made to IFRS 2 "Share-based Payments" primarily relate to the definition of vesting conditions and regulations in respect to the cancellation of a share-based payment plan, not by the entity but by another party. The application of this standard will not have any material effect on the consolidated financial statements of Austrian Post in the future.

The revised IAS 1 "Presentation of Financial Statements" is designed to facilitate the analysis and comparability of financial statements prepared in accordance with IFRS. Revisions were made to accounting practices as well as definitions. For example, non-owner changes in equity are presented separately for all other changes to equity. This stipulation can be fulfilled by means of presenting all non-owner changes in a "Statement of Comprehensive Income". The revised version of IAS 1 will lead to changes in the presentation of the consolidated financial statements of Austrian Post.

In accordance with revisions made to IAS 23 "Borrowing Costs", borrowing costs which can be directly assigned to the acquisition, conversion or production of a qualified asset are to be recognised as part of the cost of acquisition. The revised IAS 23 replaces the previous option. This revision will lead to a chance in the accounting policies of Austrian Post, due to the fact that borrowing costs are not part of historical costs. However, application of this revised standard will not have a material impact on the profit, asset and financial position of the Group.
The first-time application of the revised standards IFRS 1, IFRS 3, IAS 27 and IAS 39 as well as the new interpretations IFRIC 12, IFRIC 15, IFRIC 16 and IFRIC 17, which have not yet been approved by the EU as valid European regulations, will most likely not have any material effect on the presentation of the consolidated financial statements of Austrian Post.

# Income statement disclosures

## 6 | Revenue and segment reporting → see Note 3 (c)

Austrian Post distinguishes among the following primary segments classified by their divisional structure:

**Mail**
The main focus of the Mail Division is the acceptance and delivery of letters and other mail items in Austria, and forwarding these mail items abroad. Its business activities also encompass the acceptance and delivery of advertising mail (direct mail items), newspapers and regional media as well as a broad spectrum of complementary services in the field of direct marketing. On the basis of the acquisition of meiller direct and Scanpoint, Austrian Post has expanded its portfolio of services along the value chain to include data and output management, document scanning, as well as the conception and production of documents and direct mailings.

**Parcel & Logistics**
The Parcel & Logistics Division offers parcel, express and logistics services in Austria, Germany as well as in South Eastern and Eastern Europe. In recent years, Austrian Post has focused its logistics services on the fields of combined freight as well as the transport of pharmaceutical products and temperature-controlled transport.

**Branch Network**
The Branch Network Division operates one of the largest nationwide retail networks in Austria. The service and product portfolio encompasses postal services, financial services in cooperation with BAWAG PSK as well as an extensive selection of retail and philatelic products.

**Other/Consolidation**
Intra-Group eliminations are shown in the Other/Consolidation column. Activities not attributable to divisions are also reported in this column. These include the property and IT services operations, as well as the Career and Development Centre unit.

| EUR m | Mail | Parcel & Logistics | Branch Network | Other/ Consolidation | Group |
|---|---|---|---|---|---|
| **2007 FINANCIAL YEAR** | | | | | |
| External sales | 1,381.0 | 738.6 | 192.1 | 4.1 | 2,315.7 |
| Internal sales | 48.8 | 31.4 | 203.4 | –283.6 | 0.0 |
| **Total revenue** | **1,429.8** | **770.0** | **395.5** | **–279.5** | **2,315.7** |
| Profit/loss from operations | 273.8 | 12.8 | 13.6 | –138.4 | 161.8 |
| Share of profit/loss of associates | 0.5 | 0.0 | 0.0 | 0.5 | 0.9 |
| **EBIT** | **274.3** | **12.8** | **13.6** | **–137.9** | **162.8** |
| Segment assets | 434.6 | 488.0 | 56.5 | 481.7 | 1,460.8 |
| Investments in associates | 3.2 | 0.0 | 0.0 | 0.3 | 3.5 |
| Segment liabilities | 311.9 | 144.2 | 82.3 | 425.4 | 963.9 |
| Segment investments | 107.6 | 69.9 | 8.7 | 42.8 | 229.0 |
| Depreciation, amortisation and impairment losses | 34.3 | 33.7 | 5.5 | 56.4 | 130.0 |
| thereof: impairment losses | 4.2 | 10.7 | 0.0 | 17.1 | 32.1 |
| Other non-cash expenses | 0.9 | 1.5 | 0.1 | 55.4 | 57.9 |
| Employees[1] | 15,593 | 3,410 | 5,069 | 1,692 | 25,764 |
| **2008 FINANCIAL YEAR** | | | | | |
| External sales | 1,460.0 | 785.9 | 192.2 | 3.2 | 2,441.4 |
| Internal sales | 45.3 | 30.1 | 206.3 | –281.6 | 0.0 |
| **Total revenue** | **1,505.3** | **816.0** | **398.5** | **–278.4** | **2,441.4** |
| Profit/loss from operations | 253.8 | –25.5 | 14.5 | –74.5 | 168.3 |
| Share of profit/loss of associates | 0.6 | 0.0 | 0.0 | 0.5 | 1.2 |
| **EBIT** | **254.5** | **–25.5** | **14.5** | **–74.0** | **169.5** |
| Segment assets | 441.7 | 474.3 | 54.1 | 455.3 | 1,425.5 |
| Investments in associates | 7.1 | 0.0 | 0.0 | 0.2 | 7.3 |
| Segment liabilities | 339.1 | 143.1 | 75.6 | 382.6 | 940.4 |
| Segment investments | 42.0 | 52.1 | 4.5 | 29.0 | 127.5 |
| Depreciation, amortisation and impairment losses | 42.6 | 60.3 | 6.0 | 43.2 | 152.2 |
| thereof impairment losses | 8.0 | 33.4 | 0.0 | 6.0 | 47.5 |
| Other non-cash expenses | 0.7 | –1.7 | –0.4 | –20.1 | –21.5 |
| Employees[1] | 15,835 | 4,066 | 4,931 | 2,169 | 27,002 |

[1] Annual average, full-time equivalents

## Notes to the segment reporting by divisions

Internal sales are revenue derived from transactions with other segments; the transfer prices correspond to normal market prices.

In addition to revenue derived from specific services provided, the Mail Division provides remuneration to the Branch Network Division in the form of an infrastructure contribution, to compensate for the expenses arising from the Universal Service Obligation.

Segment assets consist of non-current assets (excluding financial assets, investments in associates and deferred tax), and current assets (excluding financial assets, cash and cash equivalents and tax receivables) as well as non-current assets held for sale.
Non-current liabilities (excluding financial liabilities and deferred tax) and current liabilities (excluding financial liabilities and liabilities as well as tax provisions) are shown as segment liabilities.
Segment investments include investments in intangible assets and goodwill, and in property, plant and equipment.
Depreciation, amortisation and impairment losses relate to the assets attributed to the respective divisions.
The other non-cash expenses relate to change in long-term provisions.
The figures for employees are the full-time equivalents of the average segment headcounts for the respective financial years.
Austrian Post distinguishes between the following geographical segments:

| EUR m | Austria | Germany | Other countries | Total |
|---|---|---|---|---|
| **2007 FINANCIAL YEAR** | | | | |
| External sales | 1,691.8 | 553.1 | 70.7 | 2,315.7 |
| Segment assets | 1,032.1 | 358.8 | 69.9 | 1,460.8 |
| Segment investments | 124.0 | 59.7 | 45.2 | 229.0 |
| **2008 FINANCIAL YEAR** | | | | |
| External sales | 1,685.9 | 610.0 | 145.5 | 2,441.4 |
| Segment assets | 997.1 | 328.9 | 99.5 | 1,425.5 |
| Segment investments | 74.3 | 17.4 | 35.8 | 127.5 |

## Notes to the geographical segment reporting

Revenue is presented according to the location of the company performing the service.
Segment assets and investments are reported according to the location of the assets. The investments comprise intangible assets and goodwill, as well as property, plant and equipment.

## 7 | Other operating income

| EUR m | 2007 | 2008 |
|---|---|---|
| Work performed by the enterprise and capitalised | 3.3 | 3.2 |
| Disposal/revaluation of property, plant and equipment | 14.1 | 16.0 |
| Rents and leases | 20.8 | 23.9 |
| Unchargeable expenses | 5.2 | 3.1 |
| Damages | 3.8 | 2.4 |
| Other | 25.4 | 32.5 |
| | **72.6** | **81.0** |

Austrian Post derives rental income – mostly under terminable operating leases – from some of the investment property held by it. The concluded tenancy agreements are on a medium to long-term basis and provide for the indexation of rentals.

## 8 | Raw materials, consumables and services used

| EUR m | 2007 | 2008 |
|---|---|---|
| **Material** | | |
| Transportation and heating fuel | 20.1 | 28.2 |
| Retail products | 53.5 | 51.1 |
| Stamps | 3.9 | 3.7 |
| Tools, equipment and clothing | 19.3 | 19.5 |
| Spare parts and sundry raw materials and consumables | 1.4 | 2.5 |
| Industrial paper | 8.9 | 21.9 |
| Remeasurement | 1.2 | 1.2 |
| | **108.3** | **128.2** |
| **Services used** | | |
| International postal carriers | 67.8 | 72.1 |
| Advertising distributors | 24.6 | 30.8 |
| Energy | 19.1 | 20.1 |
| Transport | 448.9 | 492.0 |
| Other | 23.5 | 35.1 |
| | **583.9** | **650.0** |
| | **692.2** | **778.2** |

## 9 | Staff costs

| EUR m | 2007 | 2008 |
|---|---|---|
| Wages and salaries | 874.9 | 859.3 |
| Termination benefit expense | 16.9 | 24.5 |
| Post-employment benefit expense | 0.4 | 0.5 |
| Expense for statutory levies and contributions | 213.9 | 227.7 |
| Other staff costs | 14.3 | 7.3 |
| | **1,120.4** | **1,119.2** |

The breakdown of the termination benefit expense is as follows:

| EUR m | 2007 | 2008 |
|---|---|---|
| Management Board | 0.1 | 0.2 |
| Executive staff | 0.3 | 0.9 |
| Other employees | 16.6 | 23.3 |
| | **16.9** | **24.5** |

The pension contributions made to the Republic of Austria for the 2008 financial year (less the employee contributions by civil servants) amounted to EUR 65.9m (2007: EUR 64.3m).

The average number of employees during the 2008 business year was as follows:

| | 2007 | 2008 |
|---|---:|---:|
| Non-salaried staff | 993 | 2,126 |
| Salaried staff | 13,567 | 14,153 |
| Civil servants | 13,314 | 12,991 |
| Apprentices | 43 | 56 |
| | **27,917** | **29,326** |
| **Corresponding full-time equivalents** | **25,764** | **27,002** |

## 10 | Depreciation, amortisation and impairment losses

| EUR m | 2007 | 2008 |
|---|---:|---:|
| **Impairment losses on goodwill** | **9.3** | **24.8** |
| **Intangible assets** | | |
| Amortisation | 13.1 | 14.3 |
| Impairment losses | 0.8 | 16.0 |
| | **13.9** | **30.3** |
| **Property, plant and equipment** | | |
| Depreciation | 81.4 | 90.4 |
| Impairment losses | 22.0 | 6.7 |
| | **103.4** | **97.1** |
| **Investment property** | | |
| Depreciation | 3.4 | 0.0 |
| | **130.0** | **152.2** |

The impairment tests carried out as at December 31, 2008 resulted in an impairment loss on goodwill amounting to EUR 24.8m, of which EUR 3.4m was assigned to the Mail Division and EUR 21.4m was assigned to Parcel & Logistics Division. The impairment loss on goodwill in the Parcel & Logistics Division is exclusively in respect to the cash generating unit trans-o-flex.
The impairment loss of EUR 14.2m on intangible assets is for customer relationships, of which EUR 4.2m was assigned to the Mail Division and EUR 10.0m to the Parcel & Logistics Division.
In both segments, impairment on goodwill and customer relationships was the result of the significant economic downturn, whose short-term consequences impact the transport sector and its most important suppliers. It is expected that the cyclical downswing will negatively affect demand beyond the year 2009.

In addition, impairment losses of EUR 1.8m were carried out for trademark rights. On the basis of a decision made in December 2008, in which the trademark rights acquired within the framework of acquisitions in South Eastern and Eastern Europe on behalf of the Parcel & Logistics Division would be successively replaced by the trans-o-flex brand name, the useful lives of the corresponding trademark rights were limited to four years.
Due to lower realisable amounts, impairment losses on property amounted to EUR 6.0m (2007: EUR 17.1m), assigned to the Other/Consolidation segment. Moreover, impairment losses on plant and machinery totalled EUR 0.6m (2007: EUR 3.9m) and for other equipment, furniture and fittings to EUR 0.0m (2007: EUR 0.9m). The recoverable amount corresponds to the fair value less costs so sell.

## 11 | Other operating expenses → see Note 3 (i)

| EUR m | 2007 | 2008 |
|---|---|---|
| IT services | 28.5 | 28.8 |
| Maintenance | 42.7 | 46.7 |
| Leasing and rental payments | 67.5 | 70.5 |
| Travel and mileage | 27.0 | 27.1 |
| Contract and leasing staff | 15.4 | 20.0 |
| Consultancy | 18.5 | 19.0 |
| Waste disposal and cleaning | 12.6 | 15.4 |
| Public relations and advertising | 21.1 | 17.0 |
| Telephone | 7.3 | 6.5 |
| Insurance | 8.0 | 9.1 |
| Other taxes (excl. income taxes) | 7.2 | 7.7 |
| Other | 28.2 | 36.7 |
| | **284.0** | **304.5** |

## 12 | Other financial result

| EUR m | Note | 2007 | 2008 |
|---|---|---|---|
| Interest income | | 11.3 | 13.8 |
| Income from securities | | 5.2 | 10.6 |
| Gains on the disposal of securities | | 2.9 | 0.2 |
| | | **19.3** | **24.6** |
| Interest expense (financial liabilities) | | –7.9 | –9.6 |
| Interest expense (interest effects of provisions) | (26) | –6.6 | –7.6 |
| Impairment on financial instruments held for sale | (20) | 0.0 | –20.0 |
| Losses on the disposal of securities | | 0.0 | –0.4 |
| | | **–14.5** | **–37.6** |
| Revaluation of derivative financial instruments | (32 a) | –2.8 | 1.7 |
| | | **2.1** | **–11.3** |

## 13 | Earnings per share → see Note 3 (d)

| | | 2007 | 2008 |
|---|---|---|---|
| Profit for the period attributable to the equity holders of the parent company | EUR m | 122.5 | 118.9 |
| Weighted average number of shares outstanding | Shares | 70,000,000 | 69,503,072 |
| **Basic earnings per share =** | **EUR** | **1.75** | **1.71** |
| **Diluted earnings per share** | **EUR** | **1.75** | **1.71** |

# Balance sheet disclosures

## 14 | Goodwill → see Note 3 (e)

| EUR m | 2007 | 2008 |
|---|---|---|
| **Historical costs** | | |
| **At January 1st** | **183.1** | **225.3** |
| Additions | 42.2 | 7.4 |
| Disposals | 0.0 | 2.0 |
| **At December 31st** | **225.3** | **230.7** |
| **Impairment losses** | | |
| **At January 1st** | **0.0** | **9.3** |
| Additions | 9.3 | 24.8 |
| **At December 31st** | **9.3** | **34.1** |
| **Net carrying amount on January 1st** | **183.1** | **216.0** |
| **Net carrying amount on December 31st** | **216.0** | **196.5** |

Disposals amounting to EUR 2.0m relate to the retroactive adjustment of the variable purchase price component in connection to the acquisitions of subsidiaries in the previous financial years.

The following table shows the goodwill at December 31, 2007 and 2008 by segments:

| EUR m | Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|
| **Mail** | | |
| Meiller | 18.6 | 15.9 |
| Other | 35.6 | 37.9 |
| | **54.2** | **53.8** |
| **Parcel & Logistics** | | |
| trans-o-flex | 146.6 | 127.5 |
| Other | 15.1 | 15.3 |
| | **161.7** | **142.7** |
| | **216.0** | **196.5** |

## 15 | Intangible assets → see Note 3 (f)

| EUR m | Note | Customer relation-ships | Trademarks | Other intangible assets | Total |
|---|---|---|---|---|---|
| **2007 FINANCIAL YEAR** | | | | | |
| **Historical costs** | | | | | |
| **At January 1st** | | **55.9** | **25.0** | **57.8** | **138.7** |
| Additions arising from acquisitions | | 17.7 | 5.0 | 1.3 | 24.1 |
| Additions | | 0.0 | 0.0 | 6.5 | 6.5 |
| Disposals | | 0.0 | 0.0 | 13.0 | 13.0 |
| **At December 31st** | | **73.6** | **30.0** | **52.7** | **156.3** |
| **Amortisation and impairment losses** | | | | | |
| **At January 1st** | | **0.7** | **0.0** | **48.4** | **49.1** |
| Additions | (10) | 9.0 | 0.0 | 4.9 | 13.9 |
| Disposals | | 0.0 | 0.0 | 12.8 | 12.8 |
| **At December 31st** | | **9.6** | **0.0** | **40.6** | **50.2** |
| **Net carrying amount on January 1st** | | **55.2** | **25.0** | **9.4** | **89.6** |
| **Net carrying amount on December 31st** | | **64.0** | **30.0** | **12.1** | **106.1** |
| **2008 FINANCIAL YEAR** | | | | | |
| **Historical costs** | | | | | |
| **At January 1st** | | **73.6** | **30.0** | **52.7** | **156.3** |
| Additions arising from acquisitions | | 0.7 | 0.0 | 0.0 | 0.7 |
| Additions | | 0.0 | 0.0 | 3.6 | 3.6 |
| Disposals | | 0.0 | 0.0 | 0.1 | 0.1 |
| Currency translation differences | | –0.5 | 0.0 | 0.1 | –0.3 |
| **At December 31st** | | **73.8** | **30.0** | **56.3** | **160.1** |
| **Amortisation and impairment losses** | | | | | |
| **At January 1st** | | **9.6** | **0.0** | **40.6** | **50.2** |
| Additions | (10) | 23.5 | 1.8 | 5.0 | 30.3 |
| Disposals | | 0.0 | 0.0 | 0.1 | 0.1 |
| Currency translation differences | | –0.1 | 0.0 | 0.1 | 0.0 |
| **At December 31st** | | **33.1** | **1.8** | **45.6** | **80.5** |
| **Net carrying amount on January 1st** | | **64.0** | **30.0** | **12.1** | **106.1** |
| **Net carrying amount on December 31st** | | **40.8** | **28.2** | **10.7** | **79.7** |

Intangible assets contain trademarks with indefinite useful lives amounting to EUR 26.5m (2007: EUR 30.0m). Trademarks amounting to EUR 1.7m, which were not subject to amortisation in the previous financial year due to their indefinite useful lives, will be subject to amortisation over a period of four years starting in the 2009 financial year (refer to section 10 on depreciation, amortisation and impairment losses).

## 16 | Property, plant and equipment → see Note 3 (g)

| EUR m | Note | Property and buildings | Plant and machinery | Other equipment, furniture and fittings | Prepayments and assets under construction | Total |
|---|---|---|---|---|---|---|
| **2007 FINANCIAL YEAR** | | | | | | |
| **Historical costs** | | | | | | |
| **At January 1st, 2007** | | **769.3** | **159.0** | **263.5** | **9.3** | **1,201.0** |
| Additions arising from acquisitions | | 24.4 | 14.2 | 10.0 | 0.1 | 48.7 |
| Additions | | 31.6 | 18.0 | 48.2 | 8.3 | 106.0 |
| Disposals | | 1.5 | 12.4 | 47.4 | 0.8 | 62.1 |
| Transfers | | 4.5 | 4.1 | 1.9 | –10.5 | 0.0 |
| Reclassification pursuant IFRS 5 | | 8.5 | 0.0 | 0.0 | 0.0 | 8.5 |
| Reclassification pursuant IAS 40 | | –6.9 | 0.0 | 0.0 | 0.0 | –6.9 |
| Currency translation differences | | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| **At December 31st, 2007** | | **829.8** | **182.9** | **276.2** | **6.4** | **1,295.3** |
| **Depreciation and impairment losses** | | | | | | |
| **At January 1st, 2007** | | **300.2** | **93.0** | **142.5** | **0.0** | **535.6** |
| Additions | (10) | 45.7 | 19.3 | 38.4 | 0.0 | 103.4 |
| Disposals | | 0.9 | 11.7 | 44.2 | 0.0 | 56.8 |
| Reclassification pursuant IFRS 5 | | 0.5 | 0.0 | 0.0 | 0.0 | 0.5 |
| Reclassification pursuant IAS 40 | | –4.2 | 0.0 | 0.0 | 0.0 | –4.2 |
| Currency translation differences | | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| **At December 31st, 2007** | | **341.3** | **100.5** | **136.8** | **0.0** | **578.6** |
| **Net carrying amount on January 1st** | | **469.1** | **66.0** | **121.0** | **9.3** | **665.3** |
| **Net carrying amount on December 31st** | | **488.5** | **82.4** | **139.5** | **6.4** | **716.7** |
| **2008 FINANCIAL YEAR** | | | | | | |
| **Historical costs** | | | | | | |
| **At January 1st, 2008** | | **829.8** | **182.9** | **276.2** | **6.4** | **1,295.3** |
| Additions arising from acquisitions | | 7.2 | 0.2 | 3.4 | 0.0 | 10.9 |
| Additions | | 25.8 | 11.5 | 43.1 | 25.6 | 106.0 |
| Disposals | | 10.6 | 1.2 | 35.4 | 0.0 | 47.2 |
| Transfers | | 5.1 | 1.1 | 1.2 | –7.4 | 0.0 |
| Reclassification pursuant IAS 40 | | –5.4 | 0.0 | 0.0 | 0.0 | –5.4 |
| Currency translation differences | | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |
| **At December 31st, 2008** | | **852.0** | **194.5** | **288.5** | **24.6** | **1,359.6** |

| EUR m | Note | Property and buildings | Plant and machinery | Other equipment, furniture and fittings | Prepayments and assets under construction | Total |
|---|---|---|---|---|---|---|
| **Depreciation and impairment losses** | | | | | | |
| **At January 1st, 2008** | | **341.3** | **100.5** | **136.8** | **0.0** | **578.6** |
| Additions | (10) | 34.9 | 17.6 | 41.3 | 0.0 | 93.8 |
| Disposals | | 3.0 | 0.7 | 32.4 | 0.0 | 36.2 |
| Transfers | | 0.0 | 0.1 | –0.1 | 0.0 | 0.0 |
| Reclassification pursuant IAS 40 | | –2.6 | 0.0 | 0.0 | 0.0 | –2.6 |
| Currency translation differences | | 0.0 | –0.1 | 0.2 | 0.0 | 0.1 |
| **At December 31st, 2008** | | **370.5** | **117.4** | **145.7** | **0.0** | **633.7** |
| **Net carrying amount on January 1st, 2008** | | **488.5** | **82.4** | **139.5** | **6.4** | **716.7** |
| **Net carrying amount on December 31st, 2008** | | **481.4** | **77.1** | **142.8** | **24.6** | **725.9** |

The intangible assets and property, plant and equipment pledged as collateral were reported at a carrying amount of EUR 46.1m (2007: EUR 51.4m).

## Cross border lease

In the 2002 business year, Austrian Post completed a cross-border lease transaction with two U.S. trusts. The company granted these trusts a 99 year usufruct of the mail sorting facilities in Vienna, Graz, Salzburg and Innsbruck, in return for a grant payment of USD 117m. At the same time, a lease agreement was concluded, in which the facilities were leased back to the company for a period of 24 years. The agreement also accords Austrian Post the right to repurchase the usufruct of the sorting facilities, either at a fixed price (EBO payment amount) on January 1, 2022, or at the higher of the end-of-term purchase option price of market value at the end of the term of the lease agreement.

Austrian Post has assigned its obligation to pay the lease instalments, including an EBO (expected benefit obligation) payment if made, to payment undertakers. For this purpose, Austrian Post has paid USD 108.3m and the corresponding liabilities to the payment undertakers, who, for their part, have committed to pay the requisite amounts at the agreed upon dates on behalf of Austrian Post. The residual risk of a claim in the event of the insolvency of the payment undertakers, borne by the company at the balance sheet date of December 31, 2008, amount to USD 114.6m (currently approximately EUR 82.3m; 2007: USD 115.1m or EUR 78.2m).
The accounting treatment of the cross-border lease transaction in the consolidated financial statements for the year ending December 31, 2008 is as follows:
Since the beneficial ownership of the mail sorting facilities to which the usufruct applies is unchanged, they continue to be reported under the non-current assets of the parent company, and are being depreciated over a useful life of ten years.
The net present value benefit originally accruing to the company, amounting to USD 9.1m (currently approximately EUR 9.2m) is carried under other liabilities and is reversed on a straight line basis over the term of the agreement. In the 2008 financial year, EUR 0.5m (2007: EUR 0.5m) were reversed and recognised as interest income.

## Finance leases → see Note 3 (j)

**Net carrying amounts and useful lives of the leased assets**

| EUR m | Useful lives in years | Carrying amount Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|---|
| Property and buildings | 31–43 | 23.6 | 23.1 |
| Plant and machinery | 5–10 | 5.9 | 4.5 |
| Other equipment, furniture and fittings | 2–20 | 23.6 | 21.4 |

The following table shows the total of future minimum lease payments at the balance sheet date and their present value:

| EUR m | 2007 | 2008 |
|---|---|---|
| **Minimum lease payments** | | |
| Not later than one year | 18.7 | 15.1 |
| Later than one year and not later than five years | 26.4 | 22.5 |
| Later than five years | 5.7 | 4.3 |
| | **50.8** | **42.0** |
| Less: | | |
| **Future finance costs** | **–6.5** | **–4.5** |
| **Present value of the minimum lease payments** | | |
| Not later than one year | 16.5 | 13.4 |
| Later than one year and not later than five years | 23.2 | 20.3 |
| Later than five years | 4.5 | 4.1 |
| | **44.3** | **37.8** |

The criteria underlying the classification as finance leases were primarily the present value and the lease maturity test. Furthermore, there are bargain purchase options existing at the end of the lease period, as well as extension and price adjustment clauses.
For part of the lease contracts, payments are linked to a three-month EURIBOR. In the 2008 financial year, the corresponding payments amounted to EUR 1.7m (2007: EUR 0.3m).

## 17 | Investment property → see Note 3 (h)

| EUR m | 2007 | 2008 |
|---|---|---|
| **Historical costs** | | |
| **At January 1st** | **87.3** | **91.1** |
| Additions arising from acquisitions | 1.1 | 0.0 |
| Additions | 0.4 | 0.7 |
| Disposals | 4.7 | 1.3 |
| Transfers | 6.9 | 5.4 |
| **At December 31st** | **91.1** | **95.8** |
| **Depreciation and impairment losses** | | |
| **At January 1st** | **49.0** | **54.4** |
| Additions arising from acquisitions | 0.0 | 0.0 |
| Additions | 3.4 | 3.3 |
| Disposals | 2.2 | 1.1 |
| Transfers | 4.2 | 2.6 |
| **At December 31st** | **54.4** | **59.3** |
| **Net carrying amount on January 1st** | **38.3** | **36.6** |
| **Net carrying amount on December 31st** | **36.6** | **36.5** |

| EUR m | Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|
| Fair value | 109.4 | 116.5 |
| Rental income | 7.4 | 11.3 |
| Expenses arising from property which generated rental income | 3.0 | 3.2 |
| Expenses arising from property which did not generate rental income | 1.2 | 1.2 |

## 18 | Investments in associates

| EUR m | Interest in % | Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|---|
| Mader Zeitschriftenverlagsgesellschaft m.b.H, Vienna | 74.9 | 3.0 | 3.1 |
| OmniMedia Werbegesellschaft m.b.H., Vienna | 21.0 | 0.3 | 0.2 |
| FEIPRO Vertriebs GesmbH, Gaweinstal | 50.0 | 0.2 | 0.2 |
| D2D – direct to document GmbH, Vienna | 30.0 | – | 3.8 |
| | | **3.5** | **7.3** |

| EUR m | 2007 | 2008 |
|---|---|---|
| **Net carrying amount on January 1st** | **3.5** | **3.5** |
| Additions arising from acquisitions | 0.0 | 3.8 |
| Profit for the period | 0.9 | 1.2 |
| Dividends/disposals | –1.0 | –1.1 |
| **Net carrying amount on December 31st** | **3.5** | **7.3** |

The following table presents an aggregate report containing financial information about associated companies of Austrian Post:

| EUR m | Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|
| Assets | 10.7 | 14.3 |
| Liabilities | 7.1 | 7.0 |
| | **2007** | **2008** |
| Revenue | 27.2 | 28.2 |
| Profit for the period | 0.9 | 1.2 |

## 19 | Financial investments in securities → see Note 3 (k)

| EUR m | Amortised cost | Unrealised gains/losses | Realised gains/losses | Fair value Due within 1 year | Fair value Due in more than 1 year | Total |
|---|---|---|---|---|---|---|
| **DECEMBER 31, 2007** | | | | | | |
| **Available for sale securities** | | | | | | |
| Investment funds | 3.6 | 0.2 | 0.0 | 0.2 | 3.4 | 3.6 |
| Fixed interest securities | 143.4 | –0.7 | 2.9 | 15.0 | 128.4 | 143.4 |
| | **147.0** | **–0.5** | **2.9** | **15.2** | **131.8** | **147.0** |
| **DECEMBER 31, 2008** | | | | | | |
| **Available for sale securities** | | | | | | |
| Investment funds | 0.3 | 0.0 | 0.0 | 0.2 | 0.1 | 0.2 |
| Fixed interest securities | 92.2 | –5.3 | –0.2 | 0.0 | 92.2 | 92.2 |
| | **92.5** | **–5.4** | **–0.2** | **0.2** | **92.3** | **92.5** |

The interest rates for the fixed interest securities were between 0.00% and 6.02% (2007: 1.34% and 5.44%). In the 2008 financial year, the losses on the disposal of available for sale securities amounted to EUR –0.2m (2007: gains of EUR 2.9m).

## 20 | Other financial assets → see Note 3 (k)

| | Dec. 31, 2007 | | | Dec. 31, 2008 | | |
|---|---|---|---|---|---|---|
| | Term to maturity | | | Term to maturity | | |
| EUR m | Within 1 year | More than 1 year | Total | Within 1 year | More than 1 year | Total |
| **Available for sale financial instruments** | | | | | | |
| Strategic stakes | 0.0 | 79.1 | 79.1 | 0.0 | 39.1 | 39.1 |
| **Financial instruments valued at costs** | | | | | | |
| Other stakes | 0.0 | 0.8 | 0.8 | 0.0 | 0.8 | 0.8 |
| | **0.0** | **79.9** | **79.9** | **0.0** | **39.9** | **39.9** |

An approximate fair value was determined in the 2008 financial year in respect to the acquisition costs recognised for the shareholding acquired by Austrian Post in the consortium which took over BAWAG PSK. This was done by taking the ratio of the market capitalisation of a comparative group of publicly listed European financial institutions to their share capital, and the average value of this ratio was multiplied by the current share capital of BAWAG PSK. The valuation resulted in a fair value of EUR 39.1m. Moreover, based on objective indications of impairment, the value of the shareholding in the consortium BAWAG PSK was evaluated. The carrying amount was offset against the cash value of the estimated future earnings (interest rate 10%, growth rate of permanent earnings: 1.5%). The resulting impairment loss of EUR 20.0m was recognised under the item "Impairment of available for sale financial instruments" (Section 12 Other financial result). The resulting decline in the fair value of EUR 20.0m was reported directly in equity without recognition to profit or loss.

## 21 | Inventories → see Note 3 (l)

| EUR m | Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|
| Materials and consumables | 12.3 | 13.5 |
| Less write-downs | –4.1 | –4.3 |
| Unfinished goods | 1.9 | 1.8 |
| Retail products | 18.2 | 18.7 |
| Less write-downs | –2.9 | –3.5 |
| Services not yet invoiced | 0.1 | 0.1 |
| | **25.6** | **26.3** |

The carrying amount of inventories recognised at net realisable value amounted to EUR 3.7m (Dec. 31, 2007: EUR 3.9m). Value adjustments were necessary, particularly due to their limited commercial utility or long periods of storage.

## 22 | Receivables → see Note 3 (k)

The following table shows receivables after impairments:

| | Dec. 31, 2007 | | | Dec. 31, 2008 | | |
|---|---|---|---|---|---|---|
| | Term to maturity | | | Term to maturity | | |
| **EUR m** | **Within 1 year** | **More than 1 year** | **Total** | **Within 1 year** | **More than 1 year** | **Total** |
| Trade receivables | 271.1 | 0.0 | 271.1 | 284.3 | 0.0 | 284.3 |
| Receivables from associates | 0.3 | 1.1 | 1.4 | 2.1 | 1.1 | 3.2 |
| Other receivables | 72.6 | 14.8 | 87.3 | 61.4 | 13.8 | 75.1 |
| | **344.0** | **15.9** | **359.9** | **347.8** | **14.9** | **362.7** |

Due to the primarily short-term nature of this item, it is assumed that the fair values correspond to the carrying amounts.
The following table shows the development of impairments for receivables applying to the 2007 and 2008 business years:

| **EUR m** | **2007** | **2008** |
|---|---|---|
| At January 1st | 12.7 | 14.5 |
| Additions arising from acquisitions | 2.0 | 0.0 |
| Change | –0.2 | 1.6 |
| **At December 31st** | **14.5** | **16.1** |

## 23 | Cash and cash equivalents

| **EUR m** | **Dec. 31, 2007** | **Dec. 31, 2008** |
|---|---|---|
| Bank balances | 49.9 | 113.8 |
| Short-term deposits (demand deposits) | 256.9 | 131.7 |
| Cash on hand | 2.6 | 2.7 |
| | **309.4** | **248.1** |

The average interest rate for demand deposits was 4.21% at December 31, 2008 (December 31, 2007: 4.74%). The fair values correspond to the carrying amounts.

## 24 | Non-current assets held for sale

As at December 31, 2008, there were no non-current assets held for sale (December 31, 2007: EUR 2.4m).

## 25 | Capital and reserves

### Capital and reserves items

The share capital of Austrian Post is EUR 350.0m, which is split into 70,000,000 no par value shares with voting rights and entitled to participate in profits.

The Annual General Meeting of Austrian Post held on April 22, 2008 authorised the Executive Board to repurchase treasury shares up to a maximum of 10% of the company's share capital. The number of outstanding shares entitled to dividends developed as follows during the year under review:

| | |
|---|---|
| At January 1, 2008 | 70,000,000 |
| Buy-back of treasury shares | 2,447,362 |
| **At December 31, 2008** | **67,552,638** |
| **Weighted average of shares in the 2008 financial year** | **69,505,601** |

The main shareholder of Austrian Post is Österreichische Industrieholding AG, Vienna, with a 51 % shareholding. Based on the number of outstanding shares in circulation, the stake of Österreichische Industrieholding AG amounts to 52.8%.

Austrian Post's capital reserves resulting from capital surplus and contributed capital by shareholders as reported in the consolidated statement of changes in equity correspond to those reported in the company statements of the parent company.

The revenue reserves of Austrian Post comprise the statutory reserve as well as profits accumulated in previous years less dividend payments.

The item revaluation of financial instruments encompasses the revaluation of available for sale securities as well as the revaluation of hedging instruments for assets and liabilities which are not recognised on the balance sheet.

The item revaluation of securities encompasses gains and losses on changes in the market value measurements of available for sale securities which are directly recognised in equity without recognition to profit or loss. The amounts are shown after tax.

The item revaluation of hedging instruments recognises the effective portion of the gains or losses derived from hedging transactions for assets and liabilities not recognised on the balance sheet.

The currency translation reserves comprise all exchange differences arising from the translation of the annual financial statements of the company's subsidiaries in foreign currencies.

The profit for the period in the 2008 financial year amounted to EUR 118.9m (2007: EUR 122.5m). In accordance with the provisions stipulated in the Austrian Stock Corporation Act, the basis for the distribution of dividends is the annual financial statements of Austrian Post at the balance sheet date on December 31, 2008. The profit shown in the balance totalled EUR 170.2m (2007: EUR 169.2m).

The Management Board will propose a dividend totalling EUR 168.9m (2007: EUR 168.0m) for the 2008 financial year (basic dividend of EUR 1.50 per share plus a bonus dividend of EUR 1.00 per share).

### Capital management

The capital management of Austrian Post aims at ensuring a suitable capital structure to serve as the basis for achieving growth and acquisition targets, as well as a sustainable increase in shareholder value.

Austrian Post's dividend policy for the upcoming years is based on achieving a dividend payout ratio of at least 75% of the profit for the period assigned to Austrian Post shareholders, assuming a continuation of the company's successful business development and assuming that no unusual circumstances arise. If maintaining a suitable capital structure is considered to be purposeful, a dividend payout ratio above and beyond the 75% level will be taken into consideration. Austrian Post also reserves the right to take additional measures in order to improve its capital structure.

The economic capital corresponds to the capital and reserves which are reported in the consolidated balance sheet. Taking the balance sheet total of EUR 1,874.6m as at December 31, 2008 as a basis (December 31, 2007: EUR 2,058.6m), the equity ratio as at December 31, 2008 amounts to 39.6% (December 31, 2007: 42.4%). Net debt and the gearing ratio are important indicators for evaluating the capital structure of Austrian Post and it shows the following development:

**Net debt**

| EUR m | Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|
| **Interest-bearing debt** | | |
| + Financial liabilities | 187.0 | 148.6 |
| + Other interest-bearing liabilities | 6.7 | 6.2 |
| + Social liabilities | 166.5 | 165.8 |
| + Other interest-bearing provisions | 351.3 | 335.3 |
| | **711.5** | **655.9** |
| **Interest-bearing assets** | | |
| – Financial investments in securities | 147.0 | 92.5 |
| – Other financial assets and interest-bearing receivables | 81.7 | 45.2 |
| – Cash and cash equivalents | 309.4 | 248.1 |
| | **538.1** | **385.8** |
| **Net debt** | **173.4** | **270.2** |
| Gearing ratio = $\frac{\text{Net debt}}{\text{Capital and reserves as at December } 31^{st}}$ | 19.8% | 36.4% |

In the 2008 financial year, the net debt of Austrian Post rose by EUR 96.8m, to EUR 270.2m (December 31, 2007: EUR 173.4m). The gearing ratio correspondingly increased to 36.4% (2007: 19.8%).

## 26 | Provisions

| EUR m | Dec. 31, 2007 Due within 1 year | Dec. 31, 2007 Due in more than 1 year | Dec. 31, 2007 Total | Dec. 31, 2008 Due within 1 year | Dec. 31, 2008 Due in more than 1 year | Dec. 31, 2008 Total |
|---|---|---|---|---|---|---|
| Provisions for termination benefits | 0.0 | 68.6 | 68.6 | 0.0 | 69.0 | 69.0 |
| Provisions for pensions | 0.0 | 5.4 | 5.4 | 0.0 | 5.3 | 5.3 |
| Provisions for jubilee benefits | 0.0 | 92.5 | 92.5 | 0.0 | 91.4 | 91.4 |
| Other employee provisions | 63.6 | 300.5 | 364.0 | 68.4 | 279.1 | 347.5 |
| Other provisions | 38.7 | 20.8 | 59.5 | 37.6 | 21.4 | 59.0 |
| | **102.3** | **487.7** | **589.9** | **106.1** | **466.2** | **572.3** |

## Provisions for termination benefits, pensions and jubilee benefits → see Note 3 (n)

| EUR m | Termination benefits | Pensions | Jubilee benefits | Total |
|---|---|---|---|---|
| **2007 FINANCIAL YEAR** | | | | |
| **Present value of the obligation at January 1st** | **66.8** | **2.3** | **92.4** | **161.5** |
| Additions arising from acquisitions | 0.0 | 3.6 | 0.2 | 3.9 |
| Current service costs | 6.1 | 0.0 | 4.5 | 10.6 |
| Interest expenses | 2.8 | 0.2 | 3.6 | 6.6 |
| Actuarial gains/losses | –2.9 | –0.1 | –3.8 | –6.8 |
| Actual payments | –4.3 | –0.6 | –4.4 | –9.3 |
| **Present value of the obligation at December 31st** | **68.6** | **5.4** | **92.5** | **166.5** |
| **2008 FINANCIAL YEAR** | | | | |
| **Present value of the obligation at January 1st** | **68.6** | **5.4** | **92.5** | **166.5** |
| Additions arising from acquisitions | 0.0 | 0.0 | 0.1 | 0.2 |
| Current service costs | 5.7 | 0.2 | 4.5 | 10.4 |
| Interest expenses | 3.2 | 0.1 | 4.3 | 7.6 |
| Actuarial gains/losses | –2.1 | –0.1 | –5.2 | –7.4 |
| Actual payments | –6.5 | –0.3 | –4.7 | –11.5 |
| **Present value of the obligation at December 31st** | **69.0** | **5.3** | **91.4** | **165.8** |

The following table shows the adjustments in percentage points of the present value of the obligations for termination benefits, pensions and jubilee benefits for the 2006 to 2008 financial years as at December 31, 2008:

| EUR m | 2006 | 2007 | 2008 |
|---|---|---|---|
| Termination benefits | 2.0% | –0.1% | 1.6% |
| Pensions | – | –2.8% | 1.5% |
| Jubilee benefits | –1.4% | –1.3% | –3.3% |

## Other provisions for employees → see Note 3 (o)

| EUR m | Employee under-utilisation | Sundry provisions for employees | Total |
|---|---|---|---|
| **2007 FINANCIAL YEAR** | | | |
| **At January 1st** | **270.9** | **29.0** | **299.9** |
| Additions arising from acquisitions | 0.0 | 2.8 | 2.8 |
| Allocation | 159.8 | 31.5 | 191.3 |
| Use | –22.8 | –27.0 | –49.8 |
| Reversals | –88.3 | –3.2 | –91.6 |
| Accrued interest | 11.4 | 0.0 | 11.4 |
| **At December 31st** | **331.0** | **33.0** | **364.0** |
| **2008 FINANCIAL YEAR** | | | |
| **At January 1st** | **331.0** | **33.0** | **364.0** |
| Allocation | 132.1 | 39.6 | 171.7 |
| Use | –27.3 | –30.5 | –57.8 |
| Reversals | –142.0 | –2.5 | –144.5 |
| Accrued interest | 14.1 | 0.0 | 14.1 |
| **At December 31st** | **307.8** | **39.7** | **347.5** |

The sundry provisions for employees largely relate to provisions for employee profit sharing schemes, other performance related bonuses and other outstanding employee entitlements.
Provisions for employee under-utilisation increased on the basis of ongoing internal organisational processes designed to adjust capacities to changing market conditions. This led to an allocation to the provisions for employee under-utilisation of EUR 132.1m. In contrast, a total of EUR 142.0m in provisions for employee under-utilisation were reversed.
The provision is made on a case-by-case basis depending on the perceived level of under-utilisation. On the one hand, the provisions are released due to the fact that individual employees (primarily civil servants) can be partially or fully employed again in the company. In the second half of 2008, people who work in the Parcel & Logistics Division was terminated due to restructuring processes were re-integrated in the Mail Division. In addition, some employees who were no longer involved in the working process took advantage of opportunities offered by Austrian Post (voluntary termination benefits, stop-gap measures in line with the social plan, retirement pursuant to § 14 Public Sector Employment Law) to leave the company. On the other hand, other employees became redundant on the basis of ongoing capacity adjustments and restructuring of processes, which entails new allocations to the provisions for employee under-utilisation.

## Other provisions → see Note 3 (p)

| EUR m | Services not yet rendered | Post-employment benefits | Other | Total |
|---|---|---|---|---|
| **2007 FINANCIAL YEAR** | | | | |
| **At January 1st** | **26.3** | **3.1** | **26.3** | **55.7** |
| Additions arising from acquisitions | 0.0 | 0.0 | 1.1 | 1.1 |
| Allocation | 25.4 | 0.0 | 10.1 | 35.5 |
| Use | –26.3 | –0.3 | –5.3 | –31.9 |
| Reversals | 0.0 | 0.0 | –1.8 | –1.9 |
| Accrued interest | 0.0 | 0.1 | 0.7 | 0.8 |
| **At December 31st** | **25.4** | **2.9** | **31.1** | **59.5** |
| **2008 FINANCIAL YEAR** | | | | |
| **At January 1st** | **25.4** | **2.9** | **31.1** | **59.5** |
| Reclassification | 0.0 | 0.0 | 0.4 | 0.4 |
| Allocation | 23.5 | 0.2 | 9.3 | 33.0 |
| Use | –25.4 | –0.3 | –5.8 | –31.6 |
| Reversals | 0.0 | 0.0 | –3.2 | –3.2 |
| Accrued interest | 0.0 | 0.1 | 0.8 | 0.9 |
| **At December 31st** | **23.5** | **3.0** | **32.5** | **59.0** |

The provisions for services not yet rendered relate to the elimination of orders for services not yet rendered as at December 31, 2008, as well as outstanding customer prepayments for stamps and frankings as at December 31, 2008, for which Austrian Post had not yet rendered corresponding services as at the balance sheet date.

## 27 | Tax provisions

| EUR m | 2007 | 2008 |
|---|---|---|
| At January 1st | 3.1 | 14.4 |
| Allocation | 14.5 | 11.9 |
| Use | –3.0 | –12.8 |
| Reversals | –0.2 | –0.4 |
| **At December 31st** | **14.4** | **13.1** |

## 28 | Financial liabilities → see Note 3 (q)

| EUR m | Dec. 31, 2007 Due within 1 year | Dec. 31, 2007 Due in more than 1 year | Dec. 31, 2007 Total | Dec. 31, 2008 Due within 1 year | Dec. 31, 2008 Due in more than 1 year | Dec. 31, 2008 Total |
|---|---|---|---|---|---|---|
| Borrowings from banks | 42.7 | 24.2 | 66.9 | 34.5 | 15.3 | 49.8 |
| ABCP programme liabilities | 49.2 | 0.0 | 49.2 | 49.5 | 0.0 | 49.5 |
| Finance lease liabilities | 16.6 | 27.9 | 44.4 | 13.4 | 24.4 | 37.8 |
| Derivative financial instruments | 0.0 | 3.0 | 3.0 | 5.7 | 1.2 | 6.8 |
| Other financial liabilities | 19.9 | 3.5 | 23.4 | 0.0 | 4.7 | 4.7 |
| | **128.5** | **58.6** | **187.0** | **103.1** | **45.5** | **148.6** |

The fair values and principal terms and conditions of the financial liabilities are as follows:

| EUR m | Fair value Dec. 31, 2007 | Effective interest rate 2007 | Fair value Dec. 31, 2008 | Effective interest rate 2008 |
|---|---|---|---|---|
| **Borrowings from banks** | | | | |
| Fixed interest rate borrowings | 17.7 | 3.06% | 16.1 | 3.40–4.60% |
| Variable interest rate borrowings | 49.3 | 3.96–5.34% | 33.8 | 3.24–5.14% |
| | **67.0** | | **49.9** | |
| ABCP programme liabilities | 49.2 | 4.63% | 49.5 | 4.29–6.00% |
| Finance lease liabilities | 44.0 | 5.34–6.10% | 34.0 | 4.52–9.47% |
| Derivative financial instruments | 3.0 | 4.96–5.42% | 6.8 | 4.95–5.42% |
| Other financial liabilities | 23.7 | 4.75% | 4.7 | 5.43% |
| | **186.9** | | **144.9** | |

The fair values were determined by the respective banks, by discounting the future payments and applying the current market interest rate. In the case of variable rate items (money and capital market floaters), fair value was equated to the nominal value.

Of reported borrowings from banks, EUR 11.6m are guaranteed by the federal government under § 20 (1) Postal Service Structure Act.

In 2006, Austrian Post assumed an Asset Backed Commercial Paper (ABCP) programme in the course of an acquisition. As part of this programme with a maturity of five years and a maximum limit of EUR 51.6m, existing and future trade payables amounting to EUR 48.1m will be sold to a special purpose entity not affiliated with Austrian Post. In the consolidated financial statements, the sold and assigned trade receivables will continue to be reported as trade receivables due to the remaining economic risk. The amounts stipulated in the ABCP programme totalling EUR 49.5m are reported as current liabilities.

## 29 | Payables → see Note 3 (q)

| | Dec. 31, 2007 | | | Dec. 31, 2008 | | |
|---|---|---|---|---|---|---|
| EUR m | Due within 1 year | Due in more than 1 year | Total | Due within 1 year | Due in more than 1 year | Total |
| Trade payables | 209.8 | 0.2 | 210.0 | 215.9 | 0.1 | 216.0 |
| Payables to associates | 0.9 | 0.0 | 0.9 | 0.8 | 0.0 | 0.8 |
| Payables on unused holidays | 47.9 | 0.0 | 47.9 | 50.8 | 0.0 | 50.8 |
| Other payables | 82.6 | 18.5 | 101.1 | 91.7 | 15.6 | 107.3 |
| | **341.1** | **18.7** | **359.8** | **359.0** | **15.7** | **374.8** |

Due to the primarily short-term nature of this item, it is assumed that the fair values correspond to the carrying amounts.

## 30 | Income tax → see Note 3 (r)

| EUR m | 2007 | 2008 |
|---|---|---|
| Income tax expense for the financial year | 47.6 | 46.4 |
| Tax credits or tax arrears from prior tax years | 0.0 | –0.3 |
| Changes in deferred tax | –5.4 | –6.8 |
| | **42.2** | **39.3** |

The effects on the deferred tax reported in the balance sheet of the temporary differences between the amounts shown in the IFRS consolidated statements and those recognised for tax purposes were as follows:

| EUR m | Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|
| **Deferred tax assets arising from temporary differences** | | |
| Intangible assets | 0.4 | 0.2 |
| Goodwill | 1.7 | 1.5 |
| Financial assets | 9.4 | 24.9 |
| Provisions | 28.3 | 23.8 |
| Financial liabilities | 30.6 | 23.2 |
| Payables | 0.1 | 0.1 |
| | **70.4** | **73.8** |

| EUR m | Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|
| **Deferred tax liabilities arising from temporary differences** | | |
| Customer relationships | –17.4 | –10.7 |
| Trademarks | –10.4 | –7.6 |
| Other intangible assets | –0.1 | –0.1 |
| Borrowings | –4.6 | –4.6 |
| Property, plant and equipment | –15.7 | –15.0 |
| Inventories | 0.0 | –0.1 |
| Receivables | –13.9 | –12.8 |
| | **–62.1** | **–51.0** |
| **Deferred tax arising from tax loss carry-forwards** | **14.0** | **12.1** |
| **Total net deferred tax** | **22.3** | **34.9** |
| | | |
| Deferred tax assets | 55.5 | 59.2 |
| Deferred tax liabilities | –33.2 | –24.3 |
| **Total net deferred tax** | **22.3** | **34.9** |

The following deferred tax assets were not recognised:

| EUR m | Dec. 31, 2007 | Dec. 31, 2008 |
|---|---|---|
| **Deferred tax assets on:** | | |
| unused tax loss carry forwards | 10.8 | 15.4 |
| unused income tax credits | 0.0 | 1.9 |

The development and the breakdown of the entire changes in deferred taxes affecting income or directly recognised in equity are presented in the following table:

| EUR m | Deferred tax assets | Deferred tax liabilities |
|---|---|---|
| **At January 1, 2007** | **60.3** | **36.5** |
| Changes affecting net income | –5.1 | –10.4 |
| Changes recognised directly in equity | | |
| Revaluation of securities | 0.1 | 0.0 |
| Additions arising from acquisitions | 0.2 | 7.1 |
| | 0.3 | 7.1 |
| **At December 31, 2007** | **55.5** | **33.2** |
| | | |
| **At January 1, 2008** | **55.5** | **33.2** |
| Changes affecting net income | –4.4 | –11.2 |
| Changes recognised directly in equity | | |
| Revaluation of securities | 8.0 | 0.0 |
| Additions arising from securities | 0.0 | 2.3 |
| | 8.0 | 2.3 |
| **At December 31, 2008** | **59.2** | **24.3** |

## Reconciliation of deferred tax expense

| EUR m | 2007 | 2008 |
|---|---|---|
| **Profit before tax** | **164.9** | **158.2** |
| **Expected taxes on income** | **41.2** | **39.5** |
| **Tax deductions due to** | | |
| Tax-free dividends and investment income | –0.3 | –0.4 |
| Impairment losses (subsidiaries) | –2.3 | –9.7 |
| Tax rate changes | –0.3 | 0.0 |
| Adjustments for foreign tax rates | 0.0 | –1.0 |
| Other tax reducing items | –0.8 | –4.0 |
| | **–3.7** | **–15.0** |
| **Tax increase due to** | | |
| Impairment losses (goodwill) | 0.0 | 6.2 |
| Adjustments for foreign tax rates | 0.3 | 0.0 |
| Other tax increasing items | 1.9 | 4.4 |
| | **2.3** | **10.6** |
| **Income tax expense for the period** | **39.8** | **35.1** |
| Income tax expense/income for prior years | 0.0 | –0.3 |
| Change in unrecognised deferred tax assets arising from carry forwards | 2.4 | 4.5 |
| **Current tax expense** | **42.2** | **39.3** |

# Other disclosures

## 31 | Cash flow disclosures

The cash flow arising from the acquisition of subsidiaries is comprised of the following:

| EUR m | 2007 | 2008 |
|---|---|---|
| **Acquisitions of subsidiaries** | | |
| Purchase prices | | |
| Acquisition date in the current financial year | –75.7 | –6.8 |
| Acquisition date in previous years | –1.1 | –18.2 |
| | **–76.8** | **–25.1** |
| Cash and cash equivalents acquired | 5.0 | 0.9 |
| | **–71.9** | **–24.2** |

The put option existing since the date of acquisition (December 2006) of trans-o-flex Germany, to which the minority shareholders are entitled, was exercised in the course of the 2008 financial year, and led to a cash outflow of EUR 20.4m. The payment of this unsettled purchase price obligation is reported in the cash flow from investing activities under the item "Acquisitions of subsidiaries". Furthermore, the partial payment of EUR 0.3m for the variable purchase price component for Kolos, a company acquired in the 2006 financial year, was also recognised in the cash flow from investing activities under the item "Acquisitions of subsidiaries".

## Non-cash transactions

The assets and financial liabilities resulting from finance lease contracts first recognised in the 2008 financial year amounting to EUR 3.8m (2007: EUR 9.6m) did not lead to any change in the cash flow from investing activities or the cash flow from financing activities, due to the fact that these represent non-cash transactions. Subsequent leasing payments will be reported in the cash flow from financing activities.

## 32 | Financial instruments

The financial instruments include financial assets and liabilities as well as derivative financial instruments.

### Financial assets → see Note 3 (k)

The following table shows a comparison of the carrying amounts and fair values of the financial assets in the 2007 and 2008 financial years:

| EUR m | Available for sale (fair value) | Available for sale (at cost) | Loans and receivables | Cash and cash equivalents | Non financial instruments | Carrying amount |
|---|---|---|---|---|---|---|
| **DECEMBER 31, 2007** | | | | | | |
| Securities | 147.0 | 0.0 | 0.0 | 0.0 | 0.0 | 147.0 |
| Trade receivables | 0.0 | 0.0 | 271.1 | 0.0 | 0.0 | 271.1 |
| Receivables from associates | 0.0 | 0.0 | 1.4 | 0.0 | 0.0 | 1.4 |
| Other receivables | 0.0 | 0.0 | 46.0 | 0.0 | 41.3 | 87.4 |
| Strategic stakes and other investments | 0.0 | 79.9 | 0.0 | 0.0 | 0.0 | 79.9 |
| Cash and cash equivalents | 0.0 | 0.0 | 0.0 | 309.4 | 0.0 | 309.4 |
| | **147.0** | **79.9** | **318.6** | **309.4** | **41.3** | **896.2** |
| **DECEMBER 31, 2008** | | | | | | |
| Securities | 92.5 | 0.0 | 0.0 | 0.0 | 0.0 | 92.5 |
| Trade receivables | 0.0 | 0.0 | 284.3 | 0.0 | 0.0 | 284.3 |
| Receivables from associates | 0.0 | 0.0 | 3.2 | 0.0 | 0.0 | 3.2 |
| Other receivables | 0.0 | 0.0 | 30.1 | 0.0 | 45.0 | 75.1 |
| Strategic stakes and other investments | 39.1 | 0.8 | 0.0 | 0.0 | 0.0 | 39.9 |
| Cash and cash equivalents | 0.0 | 0.0 | 0.0 | 248.1 | 0.0 | 248.1 |
| | **131.6** | **0.8** | **317.7** | **248.1** | **45.0** | **743.2** |

**Financial liabilities** → see Note 3 (q)

The following table shows a comparison of the carrying amounts and fair values of the financial liabilities in the 2007 and 2008 financial years:

| EUR m | Loans and payables | Residual carrying amount | Finance leases | Hedges | Other derivative financial instruments | Non financial instruments | Carrying amount |
|---|---|---|---|---|---|---|---|
| **DECEMBER 31, 2007** | | | | | | | |
| Financial liabilities | 66.9 | 49.2 | 44.4 | 0.0 | 0.0 | 0.0 | 160.6 |
| Other non-current financial liabilities | 0.0 | 23.6 | 0.0 | 0.0 | 0.0 | 0.0 | 23.6 |
| Trade payables | 0.0 | 210.0 | 0.0 | 0.0 | 0.0 | 0.0 | 210.0 |
| Liabilities to associates | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 |
| Derivative financial liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 2.8 | 0.0 | 2.8 |
| Other liabilities | 0.0 | 34.0 | 0.0 | 0.0 | 0.0 | 115.1 | 149.0 |
| | **66.9** | **317.6** | **44.4** | **0.0** | **2.8** | **115.1** | **546.8** |
| **DECEMBER 31, 2008** | | | | | | | |
| Financial liabilities | 49.8 | 49.5 | 37.8 | 0.0 | 0.0 | 0.0 | 137.0 |
| Other non-current financial liabilities | 0.0 | 4.7 | 0.0 | 0.0 | 0.0 | 0.0 | 4.7 |
| Trade payables | 0.0 | 216.0 | 0.0 | 0.0 | 0.0 | 0.0 | 216.0 |
| Liabilities to associates | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 |
| Derivative financial liabilities | 0.0 | 0.0 | 0.0 | 5.7 | 1.2 | 0.0 | 6.8 |
| Other liabilities | 0.0 | 28.6 | 0.0 | 0.0 | 0.0 | 129.4 | 158.0 |
| | **49.8** | **299.6** | **37.8** | **5.7** | **1.2** | **129.4** | **523.4** |

## (a) Derivative financial instruments → see Note 3 (s)

The following table shows the base value and the fair value of the different derivative financial instruments:

| EUR m | Dec. 31, 2007 Nominal (base value) | Dec. 31, 2007 Fair value | Dec. 31, 2008 Nominal (base value) | Dec. 31, 2008 Fair value |
|---|---|---|---|---|
| **Hedging transactions** | | | | |
| Raw material hedges | 0.0 | 0.0 | 17.8 | –5.6 |
| Other derivative financial instruments | | | | |
| Interest rate swaps | 5.0 | –0.2 | 5.0 | –0.1 |
| Embedded derivatives | 0.0 | –2.8 | 0.0 | –1.2 |
| | | **–3.0** | | **–1.3** |
| | | **–3.0** | | **–6.8** |

Austrian Post has concluded interest rate swaps with an average term to maturity of 10.8 years as a means of reducing the interest rate risk of fixed interest securities and financial liabilities. The fixed interest rates ranged between 4.948% and 5.415% as at December 31, 2008 (December 31, 2007: 4.958% to 5.415%). The variable interest rates are linked to interbank interest rates. The average variable interest rates which may be subject to significant changes during the terms of the swap contracts are reported at the rates prevailing at the balance sheet date.
The market values of the interest rate swaps and embedded derivatives correspond to the amount that Austrian Post would receive or be obliged to pay if the transactions were settled at the balance sheet date. Account has been taken of current market conditions such as current interest rate levels, as well as the credit-worthiness of the swap counterparties.
In the 2008 financial year, Austrian Post concluded a hedging transaction with a bank to safeguard against fuel price fluctuations, which will be invoiced monthly on the basis of the specified fuel quantities and the average monthly price on the spot market between the bank and Austrian Post.

## (b) Net gains and losses

The following table shows the net gains and losses as contained in the consolidated income statements for the 2007 and 2008 business years:

| EUR m | 2007 | 2008 |
|---|---|---|
| Available for sale financial assets | | |
| Income from dividends and securities | 5.2 | 10.6 |
| Proceeds from the disposal of securities | 2.9 | –0.2 |
| Impairment losses | 0.0 | –20.0 |
| | 8.0 | –9.6 |
| Financial assets and liabilities at fair value through profit or loss | –3.0 | 1.7 |
| Loans and receivables | 0.1 | 0.0 |
| | **13.1** | **–17.6** |

The net losses resulting from the disposal of available for sale financial assets totalling EUR 9.6m (2007: EUR net gains of EUR 8.0m) were at the amount of EUR 9.8m (2007: net gains of EUR 6.9m) reported directly in the income statement; the remaining EUR 0.2m (2007: EUR 1.1m) were taken from revaluation of financial instruments and recognised in profit and loss.
The fair value of financial assets and liabilities recognised as a profit or loss corresponds to the gains/losses from the disposal of derivative financial instruments.

### (c) Total interest income and expense

The total interest income and interest expense for financial assets and liabilities, with the exception of those recognised at their fair value as a profit or loss, are presented in the following table:

| EUR m | 2007 | 2008 |
|---|---|---|
| **Total interest income** | | |
| Cash and cash equivalents | 10.1 | 11.6 |
| Other interest income | 0.2 | 0.5 |
| | **10.3** | **12.1** |
| **Total interest expense** | | |
| Loans and borrowings | 5.0 | 5.4 |
| Other interest expense | 2.9 | 3.3 |
| | **7.9** | **8.7** |
| **Total interest result** | **2.4** | **3.4** |

## 33 | Risks and risk management

### (a) Types of risk

**Liquidity risk**

The purpose of Austrian Post's liquidity risk management procedures is to maintain the solvency of the Group at all times. The liquidity management system is based on a liquidity plan which is regularly subjected to target/performance comparisons and adjusted as necessary. Net interest income is maximised by actively managing payment systems.

The following table shows the maturity dates of the gross payment obligations on the part of Austrian Post as at December 31, 2007 and December 31, 2008:

| | | | Term to maturity | | |
|---|---|---|---|---|---|
| EUR m | Carrying amount | Gross cash flow | Within 1 year | 1 to 5 years | More than 5 years |
| **DECEMBER 31, 2007** | | | | | |
| **Financial liabilities** | | | | | |
| Borrowings from banks (fixed interest) | 17.6 | 19.5 | 10.4 | 1.0 | 8.1 |
| Borrowings from banks (variable interest) | 49.3 | 50.6 | 33.0 | 17.4 | 0.3 |
| ABCP programme liabilities | 49.2 | 49.2 | 49.2 | 0.0 | 0.0 |
| Finance lease liabilities | 44.4 | 50.4 | 21.0 | 23.8 | 5.7 |
| Other financial liabilities (excl. derivatives) | 23.6 | 23.6 | 20.6 | 2.7 | 0.3 |
| | **184.2** | **193.4** | **134.2** | **44.8** | **14.3** |

| | | | Term to maturity | | |
|---|---|---|---|---|---|
| **EUR m** | **Carrying amount** | **Gross cash flow** | **Within 1 year** | **1 to 5 years** | **More than 5 years** |
| **Liabilities – financial instruments** | | | | | |
| Trade payables | 210.0 | 210.0 | 210.0 | 0.0 | 0.0 |
| Liabilities to associates | 0.8 | 0.8 | 0.8 | 0.0 | 0.0 |
| Other liabilities – financial instruments | 34.0 | 34.0 | 29.1 | 4.5 | 0.5 |
| | **244.8** | **244.8** | **239.8** | **4.5** | **0.5** |
| Derivative financial liabilities | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total financial liabilities** | **432.0** | **438.2** | **374.1** | **49.3** | **14.8** |
| Other liabilities (excl. financial instruments) | 115.0 | 99.1 | 95.8 | 3.3 | 0.0 |
| **Total liabilities** | **547.0** | **537.3** | **469.8** | **52.6** | **14.8** |
| **DECEMBER 31, 2008** | | | | | |
| **Financial liabilities** | | | | | |
| Borrowings from banks (fixed interest) | 16.0 | 17.8 | 6.3 | 4.2 | 7.3 |
| Borrowings from banks (variable interest) | 33.8 | 34.2 | 28.0 | 6.2 | 0.0 |
| ABCP programme liabilities | 49.5 | 49.5 | 49.5 | 0.0 | 0.0 |
| Finance lease liabilities | 37.8 | 39.0 | 14.1 | 20.8 | 4.1 |
| Other financial liabilities (excl. derivatives) | 4.7 | 4.7 | 0.6 | 3.6 | 0.5 |
| | **141.8** | **145.1** | **98.5** | **34.7** | **11.9** |
| **Liabilities – financial instruments** | | | | | |
| Trade payables | 216.0 | 216.0 | 215.9 | 0.1 | 0.0 |
| Liabilities to associates | 0.8 | 0.8 | 0.8 | 0.0 | 0.0 |
| Other liabilities – financial instruments | 28.6 | 28.6 | 25.8 | 0.0 | 2.9 |
| | **245.4** | **245.4** | **242.4** | **0.1** | **2.9** |
| Derivative financial liabilities | 6.8 | 6.8 | 5.7 | 0.0 | 1.2 |
| **Total financial liabilities** | **394.0** | **397.4** | **346.5** | **34.9** | **15.9** |
| Other liabilities (excl. financial instruments) | 129.4 | 123.8 | 109.7 | 10.7 | 3.4 |
| **Total liabilities** | **523.4** | **521.1** | **456.3** | **45.6** | **19.3** |

**Credit/contracting party/product risk**

The amounts reported on the active side of the balance sheet represent the maximum creditworthiness and default risk, as there are no general netting agreements. The overall risk attached to the receivables is low, as most of the customers pay cash or have agreed to direct debit arrangements. Moreover, most of the outstanding amounts are owed by foreign postal operators, which have excellent credit ratings.

Where there are recognisable default risks in respect to the financial assets, specific provisions are made to account for them. In order to avoid credit risks, financial contracts are only made with contracting parties of highest creditworthiness. The general credit risk associated with the financial instruments used is therefore regarded as low.

Money market transactions are subject to fixed trading limits. In order to limit the default risk associated with bonds and structured loans, Austrian Post's portfolio is restricted to papers from issuers with at least a single A rating (Moody's or S&P equivalent), or comparable creditworthiness. Likewise, as regards OTC transactions or instruments embedded in structured transactions, consideration is only given to contracting parties with first-class credit ratings. Austrian Post only invests in funds managed by internationally reputable investment companies. In the selection of the financial products held, particularly close attention is paid to liquidity and low exposure to settlement.

Within the framework of a cross-border lease transaction, a one-time grant payment was made enabling Austrian Post to assign its obligation to pay the lease instalments, including an EBO payment, to payment undertakers. The selected payment counterparties were financial institutions with top credit ratings. In the case of the equity payment counterparty, minimum ratings were stipulated. If the ratings fall below these defined levels, the payment counterparty has to contribute securities as additional collateral. In the event that the ratings drop below a certain level, Austrian Post is obliged to change the existing equity payment counterparty. In order to be able to react in a timely manner to the situation of the payment counterparty, a quarterly evaluation of the ratings of the payment counterparty is made, as well as the ratings of comparable financial institutions. In addition, at every balance sheet date, the payment counterparty is required to confirm that the transaction has been carried out, and to disclose the remaining payment instalments. The financial institutions chosen for this transaction had maintained their minimum ratings as at December 31, 2008.

The delinquency structure for receivables in the 2007 and 2008 business years is as follows:

| EUR m | Note | Not overdue | Overdue within 1 year | Overdue in more than 1 year | Total |
|---|---|---|---|---|---|
| **DECEMBER 31, 2007** | | | | | |
| **Carrying amount before impairment (Financial instruments)** | | 282.7 | 39.8 | 10.1 | 332.6 |
| less: provision for bad debt | | 0.7 | 2.5 | 8.9 | 12.2 |
| Less: flat rate provision for bad debt | | 1.2 | 0.3 | 0.2 | 1.7 |
| **Carrying amount after impairment (financial instruments)** | | **280.8** | **36.9** | **0.9** | **318.7** |
| **Carrying amount of receivables (excl. financial instruments)** | | | | | **41.3** |
| | **(22)** | | | | **359.9** |

| EUR m | Note | Not overdue | Overdue within 1 year | Overdue in more than 1 year | Total |
|---|---|---|---|---|---|
| **DECEMBER 31, 2008** | | | | | |
| **Carrying amount before impairment (financial instruments)** | | **282.3** | **39.9** | **11.6** | **333.8** |
| less: provision for bad debt | | 1.7 | 2.1 | 11.2 | 15.1 |
| less: flat rate provision for bad debt | | 0.9 | 0.1 | 0.0 | 1.0 |
| **Carrying amount after impairment (financial instruments)** | | **279.6** | **37.7** | **0.4** | **317.7** |
| **Carrying amount of receivables (excl. financial instruments)** | | | | | **45.0** |
| | **(22)** | | | | **362.7** |

A hedging transaction was concluded with a bank in 2008 to hedge against fuel price fluctuations. The consequence of a change in the market price of +/- 10 percentage points is shown in the following table:

| 2008 | Market price + 10% points | Market price – 10% points |
|---|---|---|
| Revaluation of hedging instruments (capital and reserves) | 1.1 | –1.1 |

Any changes in the cash flow resulting from hedging transactions are compensated by payments from the stipulated fuel quantities.

### Interest rate risk

Interest rate risk is the risk of changes in the value of financial instruments, other balance sheet items or interest payments as a result of movements in market interest rates. Interest rate risk includes the risk of changes in the present value of fixed interest balance sheet items and the cash flow risk associated with variable risk items.
Exposure to interest rate risk mainly relates to receivables and payables with maturities of more than one year. Such long maturities are not of material importance in the operational area, but do affect financial investments in securities, other financial assets and financial liabilities.
Management of interest rate risk related to Austrian Post's financial assets is based on the portfolio approach. Normally, it is not individual positions but the entire portfolio that is managed, taking account of the underlying transactions. For this purpose, selective use is made of derivative instruments such as interest rate swaps. The financial portfolio is compared with the benchmark on a daily basis.
A detailed presentation of Austrian Post's financial investments in securities and other financial assets is found in Note 19 and Note 20. Detailed information on financial liabilities is presented in Note 28.

If all other parameters remained constant, a change in the actual market interest rate ± 1 percentage point would have the following effects on the items listed in the table below:

| | Interest rate | |
|---|---|---|
| | **+ 1% point** | **– 1% point** |
| **2007** | | |
| Other financial result | 2.4 | –1.6 |
| Revaluation of securities available for sale (capital and reserves) | 0.0 | 0.0 |
| **2008** | | |
| Other financial result | 2.0 | –1.9 |
| Revaluation of securities available for sale (capital and reserves) | 0.0 | 0.0 |

**Foreign exchange risk**
There are no foreign exchange risks on the asset side of the balance sheet, as deliveries are almost entirely conducted on a euro basis. The same is normally true of the other underlying financial instruments.

### (b) Risk management

The risk management policies of Austrian Post are aimed at hedging profits against financial risks of all kinds. In managing its financial positions, the Group takes a strategic approach to portfolio assessment and follows conservative policies.
A standardised reporting system is used to track the current financial situation. In addition, Austrian Post has clearly-defined, written strategies and operational guidelines for the management of all financial risks.
Risk management is subject to a body of rules developed by the Management Board, which define the relevant objectives, principles, functions and responsibilities. In addition, these rules lay down standardised processes, so as to provide an assurance of reliable internal auditing.
Furthermore, the organisational risks relating to treasury operations are kept to a minimum by structuring the processes involved in an appropriate manner (e.g. keeping the trading, accounting and electronic data storage functions separate).

## 34 | Contingent liabilities

The company has appealed against a tax liability notice issued on May 12, 2003, following a wage tax inspection. Among other things, the appeal contends that the parent company was wrongfully required to calculate and forward permanent civil servants' employee contributions to the Family Compensation Fund starting at May 1, 1996 onwards. The company's case is based on the fact that the Finance (Implementing Provisions) Act 2003 clarifies that the child benefits under the Family Compensation Act, and the employer's contributions under § 39 (4) Family Compensation Act 1967, also form part of the remuneration of permanent civil servants assigned to the parent company by the federal government which the latter is obliged to refund, with retroactive effect to May 1, 1996. This implies that the parent company was never obliged to pay the employer's contributions for the civil servants assigned to it, and that the federal government had a duty to pay any employer's contributions as part of the salary costs reimbursed by it. As the federal government is not liable as the employer to pay the full amount of the civil servants' salaries, a literal interpretation of section § 17 (6a) Postal Services Structure Act led to the wrongful remittance of the employer's contributions from May 1, 1996 onwards. Under this interpretation of the provision, the company would, in return, have been required to refund the child benefits previously paid by the federal government under the Family Compensation Act. No claim arising from the action has been recognised in the balance sheet. On August 23, 2004, the tax authorities rejected the company's appeal. As the matter is already before the Administrative Court of Appeals, on September 22, 2004, the company applied for an extension of the deadline for an appeal to the tax authority of second instance. As a result the appeal procedure regarding the obligation to pay the employer's contribution for civil servants is still in progress. During the 2005 financial year, the company appealed against the liability and tax notices related to the above matter, issued by the Innsbruck and Linz tax authorities in 2005, in order to uphold its claims in respect of the wrongful requirement to pay employer's contributions for civil servants.

## 35 | Other commitments and contingent liabilities

Other financial commitments chiefly arise from operating lease agreements in respect to buildings used in the production or supply of goods or services. There are also operating lease agreements for plant and equipment, furniture and fixtures.
The future minimum leasing payments in the 2007 and 2008 financial years arising from operating lease and rental agreements which are interminable before end of the respective maturity period comprise the following:

| EUR m | 2007 | 2008 |
|---|---|---|
| Not later than one year | 42.3 | 44.9 |
| Later than one year and not later than five years | 137.3 | 133.8 |
| Later than five years | 218.9 | 193.5 |
| | **398.5** | **372.2** |

The main rental and leasing agreements for buildings used in the production or supply of goods or services contain extension and termination clauses which accord with normal market terms and conditions for business properties. The agreements also provide for the indexation of the leasing instalments. In a few cases, lease payments are linked to revenue figures. All the related sub- tenancies are terminable.
Purchases of items of property, plant and equipment led to commitments of EUR 3.5m in 2008 (2007: EUR 12.1m).
Information on the cross-border lease transaction is provided in Note 16 Property, Plant and Equipment and Note 33 a Types of risk.

## 36 | Related party transactions

The Republic of Austria holds a 51% shareholding in Austrian Post through its privatisation and industrial holding company Österreichische Industrieholding AG (ÖIAG). Subsequently, the Republic of Austria and companies in which it has a controlling interest may be considered to be related parties of Austrian Post. Furthermore, all subsidiaries and associated companies as well as the members of the Management Board and Supervisory Board are to be considered as related parties.

There is an agreement with BBG Bundesbeschaffung GmbH, Vienna, in the name of, and for the account of the federal government, for the delivery of postal items for federal agencies. During the 2008 financial year, delivery services valued at EUR 99.8m (2007: EUR 96.2m) were rendered for the federal agencies stipulated in the agreement. As at December 31, 2008, receivables from the BBG Bundesbeschaffung GmbH amounting to EUR 8.9m (December 31, 2007: EUR 8.0m) were recognised.
Furthermore, numerous public institutions and agencies as well as companies in which the Republic of Austria has a dominating or controlling interest are direct customers of Austrian Post. These business ties exist based on the portfolio of products and services offered by Austrian Post at prevailing market prices, terms and conditions. The services rendered by Austrian Post in the course of these business relationships are not material in terms of the overall revenue of Austrian Post. Any services for which payment has not yet taken place are reported as trade payables.
Moreover, Austrian Post made use of services provided at prevailing market rates by the ÖBB Group (national railway system) which is fully owned by the Republic of Austria, in particular Rail Cargo Austria and ÖBB Infrastruktur Bau AG. The expense incurred for services provided by the ÖBB Group amounted to EUR 19.2m in 2008 (2007: EUR 19.5m). As at December 31, 2008, receivables from the ÖBB Group totalling EUR 4.4m (December 31, 2007: EUR 0.9m) were recognised.
There are related party relationships with associated companies connected with advertising and public relations work, as well as postal transport services, which are rendered at normal market terms and conditions. The services rendered by associated companies amounted to EUR 4.4m in 2008 (2007: EUR 2.7m). Revenue with associates accounts for less than 0.3% of total revenue (2007: less than 0.1%). At the balance sheet date, receivables from associated companies amounted to EUR 3.2m (2007: EUR 1.4m), and liabilities to associates of EUR 0.8m (2007: EUR 0.9m).
The following remuneration, including changes in provisions, was paid to members of the Management Board and the Supervisory Board, as well as to senior executives in the 2007 and 2008 business years:

| EUR m | Supervisory Board | Management Board | Senior executives | Total |
|---|---|---|---|---|
| **2007 FINANCIAL YEAR** | | | | |
| Short-term employment benefits | 0.1 | 2.1 | 12.4 | 14.6 |
| Post-employment benefits | 0.0 | 0.1 | 0.0 | 0.1 |
| Other long-term employment benefits | 0.0 | 0.1 | 0.0 | 0.1 |
| Termination benefits | 0.0 | 0.0 | 0.1 | 0.1 |
| | **0.1** | **2.2** | **12.5** | **14.9** |
| **2008 FINANCIAL YEAR** | | | | |
| Short-term employment benefits | 0.2 | 2.4 | 13.5 | 16.1 |
| Post-employment benefits | 0.0 | 0.4 | 0.0 | 0.4 |
| Other long-term employment benefits | 0.0 | 0.3 | 0.0 | 0.3 |
| Termination benefits | 0.0 | 0.0 | 1.2 | 1.2 |
| | **0.2** | **3.2** | **14.7** | **18.0** |

In addition, business relationships existed in the 2008 financial year with top executives, amounting to EUR 0.2m (2007: EUR 1.0m).

## 37 | Austrian Post companies

| Company and location | Interest in % | Capital and reserves Dec. 31, 2008 EUR m | Profit for the period 2008 EUR m | Method of consolidation |
|---|---|---|---|---|
| feibra GmbH, Vienna | 100.00 | 12.1 | 5.4 | FC |
| PROWERB Gesellschaft für produktive Werbung GmbH, Vienna | 100.00 | 0.1 | 0.1 | FC |
| Medien.Zustell GmbH, Vienna | 100.00 | 0.2 | 0.1 | FC |
| Feibra Magyarország Kft, Budapest | 100.00 | 2.0 | 0.7 | FC |
| Cont-Média Hungary Kft, Budapest | 100.00 | 1.2 | 0.2 | FC |
| Austrian Post International Deutschland GmbH, Bonn | 100.00 | 2.0 | 1.0 | FC |
| Post Paket Service GmbH, Vienna | 100.00 | 36.1 | 0.0 | FC |
| Post International Beteiligungs GmbH, Vienna | 100.00 | 45.1 | 0.0 | FC |
| Slovak Parcel Service s.r.o., Bratislava | 100.00 | 5.3 | 2.7 | FC |
| In Time s.r.o., Bratislava | 100.00 | 0.7 | 0.2 | FC |
| Overseas Trade Co Ltd d.o.o., Zagreb | 100.00 | 8.4 | 0.6 | FC |
| Post.Wertlogistik GmbH, Vienna | 100.00 | 3.5 | 0.6 | FC |
| Post & Telekom Immobiliengesellschaft mbH, Vienna | 100.00 | 1.4 | 0.0 | FC |
| PTI Immobilienvermittlung GmbH, Vienna | 100.00 | 0.5 | 0.1 | FC |
| Post & Co Vermietungs OEG, Vienna | 100.00 | 138.6 | 3.4 | FC |
| Post.Maintain Management Objektverwaltungs- und -instandhaltungs GmbH, Vienna | 100.00 | 15.2 | 0.6 | FC |
| A4 Business Solutions GmbH, Vienna | 100.00 | 0.2 | 0.1 | FC |
| Kolos s.r.o., Bratislava | 100.00 | 0.7 | 0.2 | FC |
| Kolos Marketing s.r.o., Prague | 100.00 | 0.1 | 0.1 | FC |
| Post Eins Beteiligungs GmbH, Vienna | 100.00 | 58.6 | –31.0 | FC |
| Post Zwei Beteiligungs GmbH, Vienna | 100.00 | 57.1 | –33.2 | FC |
| Post Drei Beteiligungs GmbH, Vienna | 100.00 | 61.1 | –7.9 | FC |
| Post Vier Beteiligungs GmbH, Vienna | 100.00 | 61.1 | –7.9 | FC |
| Post Fünf Beteiligungs GmbH, Vienna | 100.00 | 37.7 | 3.6 | FC |
| trans-o-flex Germany | | | | |
| trans-o-flex Logistics Group GmbH, Weinheim | 100.00 | 42.3 | –9.5 | FC |
| trans-o-flex GmbH, Weinheim | 100.00 | 32.9 | –1.7 | FC |
| trans-o-flex Verwaltung GmbH, Weinheim | 100.00 | 0.0 | 0.0 | FC |
| trans-o-flex Schnell-Lieferdienst GmbH & Co KG, Weinheim | 100.00 | –81.4 | –10.4 | FC |
| trans-o-flex Transport Logistik GmbH, Weinheim | 100.00 | –0.2 | –0.2 | FC |
| trans-o-flex Customer-Service GmbH, Weinheim | 100.00 | 0.0 | 0.0 | FC |
| trans-o-flex Linienverkehr GmbH, Weinheim | 100.00 | 0.0 | 0.6 | FC |
| trans-o-flex Logistik Service GmbH, Weinheim | 100.00 | 0.0 | 0.0 | FC |
| trans-o-flex Admin-Service GmbH, Weinheim | 100.00 | 0.0 | 0.1 | FC |
| trans-o-flex IT-Service GmbH, Weinheim | 100.00 | 0.0 | 0.0 | FC |
| ThermoMed Verwaltungs GmbH, Herborn | 100.00 | 0.0 | 0.0 | FC |
| trans-o-flex ThermoMed GmbH & Co KG, Cologne | 100.00 | 2.3 | 1.8 | FC |
| EBUR Grundstücks-Verwaltungs GmbH & Co KG, Grünwald[1] | 100.00 | 0.2 | 0.2 | FC |

| Company and location | Interest in % | Capital and reserves Dec. 31, 2008 EUR m | Profit for the period 2008 EUR m | Method of consolidation |
|---|---|---|---|---|
| TTL Tour-Trans Logistic Services GmbH, Kerpen | 100.00 | 0.3 | 0.9 | FC |
| TTV Tour-Trans Verteilerservice GmbH, Kerpen | 100.00 | 0.2 | 0.1 | FC |
| Eurodis GmbH, Weinheim | 80.00 | –0.5 | –0.6 | FC |
| trans-o-flex Accounting Service GmbH, Weinheim | 100.00 | 0.0 | 0.0 | FC |
| trans-o-flex Billing Service GmbH, Weinheim | 100.00 | 0.0 | 0.0 | FC |
| trans-o-flex Nederland B.V., Dordrecht | 100.00 | –1.2 | –3.2 | FC |
| trans-o-flex Belgium | | | | |
| Van Osselaer Pieters Colli Services B.V.B.A., Sint Niklaas | 100.00 | 3.0 | –2.6 | FC |
| HSH Holding B.V.B.A., Stekene | 100.00 | 1.1 | –0.1 | FC |
| Distra N.V., Turnhout | 100.00 | 9.9 | –0.2 | FC |
| MIT Transport N.V., Turnhout | 100.00 | 2.1 | –0.3 | FC |
| trans-o-flex Austria GmbH, Vienna | 100.00 | 1.0 | 0.0 | FC |
| Scherübl Transport GmbH, Frankenburg/a.H.[2] | 74.90 | –0.7 | –1.5 | FC |
| eurodisnet GmbH, Weinheim[3] | 100.00 | 0.0 | –0.2 | FC |
| Weber Escal d.o.o., Zagreb | 100.00 | 2.1 | 0.2 | FC |
| Scanpoint Europe Holding GmbH, Vienna | 100.00 | –0.8 | –2.0 | FC |
| Scanpoint Deutschland GmbH, Waldbronn | 100.00 | –0.8 | –2.2 | FC |
| Scanpoint Slovakia s.r.o., Brezno | 100.00 | 0.0 | 0.1 | FC |
| Austrian Post International Ungarn, Budapest | 100.00 | 21.4 | 0.0 | FC |
| Road Parcel Logistics Services Kft., Budapest | 100.00 | 0.2 | –0.2 | FC |
| Merland Expressz Logistics Service Kft., Sülysáp | 100.00 | –0.2 | –0.4 | FC |
| 24VIP Logistics Services d.o.o., Sarajevo | 100.00 | 0.4 | –0.2 | FC |
| City Express d.o.o., Belgrade | 100.00 | 6.5 | –0.1 | FC |
| City Express Montenegro d.o.o, Podgorica | 100.00 | 0.0 | 0.0 | FC |
| meiller direct GmbH, Schwandorf | 100.00 | 34.6 | –3.6 | FC |
| meiller Weiterverarbeitung GmbH, Schwandorf | 100.00 | 0.9 | 0.2 | FC |
| meiller lettershop GmbH, Schwandorf | 100.00 | 0.8 | –2.4 | FC |
| meiller Dialogservice GmbH, Schwandorf | 100.00 | 0.1 | 0.7 | FC |
| meiller direct s.r.o., Nyrany | 100.00 | 1.0 | –0.8 | FC |
| meiller direct sarl., Versailles | 100.00 | 1.1 | 0.1 | FC |
| meiller direct LTD., Kent | 100.00 | 0.0 | 0.0 | FC |
| meiller direct AB, Landskrona | 100.00 | 0.1 | 0.0 | FC |
| meiller lithorex AB, Landskrona | 100.00 | 0.2 | 0.2 | FC |
| Omnimedia Werbegesellschaft mbH, Vienna | 21.00 | 3.4 | 2.8 | EM |
| FEIPRO Vertriebs GesmbH, Gaweinstal | 50.00 | 0.3 | 0.3 | EM |
| Mader Zeitschriftenverlags GmbH, Vienna[4] | 74.90 | 0.7 | 0.7 | EM |
| D2D - direct to document GmbH, Vienna | 30.00 | 0.5 | 0.4 | EM |
| OMNITEC Informationstechnologie-Systemservice GmbH, Vienna | 50.00 | 0.3 | 0.0 | NC |

[1] The inclusion of this company is on the basis of SIC 12 as a special purpose entity. The interest in the company corresponds to the limited partner's share held by Austrian Post.
[2] 100% of the shares of Scherübl Transport GmbH were consolidated on the basis of the put option of the minority shareholders, and thus no minority interest is shown in equity. The full amount of goodwill is recognised.
[3] In the process of being liquidated.
[4] Inclusion in the consolidated annual financial statements according to the equity method, due to the fact that a controlling interest is not possible on the basis of contractually stipulated minority shareholder rights.

FC – Full consolidation, EM – Equity method, NC – No consolidation due to immateriality

## 38 | Events after the balance sheet date

All material events after the balance sheet date, such as pending litigation, claims for damages, other obligations or contingent losses, and for which IAS 10 prescribes adjustments or disclosure, have been recognised to the extent known to the company.

The Management Board of Austrian Post approved the audited consolidated financial statements for the business year ending on December 31, 2008 for transmission to the Supervisory Board on February 13, 2009. The Supervisory Board is responsible for reviewing and approving the audited consolidated financial statements.

Vienna, February 13, 2009

The Management Board

Anton Wais m. p.
Chairman of the
Management Board

Rudolf Jettmar m. p.
Deputy Chairman of the
Management Board

Herbert Götz m. p.
Member of the
Management Board

Walter Hitziger m. p.
Member of the
Management Board

Carl-Gerold Mende m. p.
Member of the
Management Board

# Statement of all legal representatives

As the legal representatives of Austrian Post, we confirm, to the best of our knowledge, that the consolidated financial statements for Austrian Post as at December 31, 2008 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Vienna, February 13, 2009

The Management Board

Anton Wais m. p.
Chairman of the
Management Board

Rudolf Jettmar m. p.
Deputy Chairman of the
Management Board

Herbert Götz m. p.
Member of the
Management Board

Walter Hitziger m. p.
Member of the
Management Board

Carl-Gerold Mende m. p.
Member of the
Management Board

# Independent Auditor's report

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Österreichische Post Aktiengesellschaft, Vienna, for the financial year from January1 to December 31, 2008. Those consolidated financial statements comprise the balance sheet as at December 31 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing (ISA), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of December 31, 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

## Report on Other Legal Requirements

Law and regulation applicable in Austria require us to perform audit procedures whether the group management report is consistent with the consolidated financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group.

In our opinion, the Group Management Report is consistent with the consolidated financial statements.

Vienna, February 13, 2009

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:

| | |
|---|---|
| Helmut Kerschbaumer m. p. | Rainer Hassler m. p. |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (Austrian Chartered Accountants) | (Austrian Chartered Accountants) |

# Report of the Supervisory Board

The 2008 financial year was shaped by the upcoming liberalisation of the postal sector in 2011, the restructuring of the parcels business in Austria, and the development of new business models for the branch network and delivery services. In the light of the increasing importance of the Parcel & Logistics Division and the ongoing internationalisation of the company's business operations, Carl-Gerold Mende was appointed to the Management Board effective June 15, 2008, with responsibility for the Parcel & Logistics Division. In addition, Austrian Post can look back at its successful sponsorship of the European soccer championship games UEFA EURO 2008™.

The Supervisory Board and Management Board intensively discussed the economic status and strategic development of the company within the context of six Supervisory Board meetings, two meetings of the branch network committee and one session of the audit committee. The presidential committee focused on developing proposals for filling the position of the Management Board member with responsibility for the Parcel & Logistics Division. In addition, the executive committee convened to negotiate and conclude the employment contract with Carl-Gerold Mende, the fifth member of the Management Board, and to propose a corresponding change the section in the articles of association applying to the Management Board.

A focal point of the Supervisory Board's work was the repositioning of the Branch Network Division. The branch network committee focused on strengthening the distribution structures and developing new operating models for the branch network.

At the Supervisory Board meetings of August 12–13, 2008 and November 12, 2008, the Supervisory Board dealt extensively with the Group's business strategy until the year 2015, and the reorientation of the company as a consequence of the liberalization of the letter mail market. This reorientation is designed to maintain nationwide postal services and safeguard the competitiveness of Austrian Post.

Important issues discussed and resolved upon by the Supervisory Board in the 2008 financial year were the acquisition of the remaining 49% shareholding in Scanpoint Europe Holding GmbH, the acquisition of a 100% stake in the Belgian pharmaceutical logistics company HSH Holding B.V.B.A. and the purchase of the remaining 23.85% in trans-o-flex Logistics Group GmbH. Further acquisitions concluded in the period under review and discussed by the Supervisory Board were Cont-Média (Hungary) and 24VIP Logistics Services d.o.o. (Bosnia-Herzegovina).

The Supervisory Board was well informed about the business policy, financial position, profit and loss and cash flows of the company, the personnel situation as well as investment projects within the context of ongoing reporting and in all meetings.

The Management Board regularly provided the Supervisory Board with timely and comprehensive information, both written and oral, on all relevant issues pertaining to the business development of Austrian Post and its principal subsidiaries, including the risk situation and the risk management. As a result of this reporting, the Supervisory Board supervised and supported the management activities of the Management Board on an ongoing basis.

Furthermore, the Chairman of the Supervisory Board maintained regular contact with the Chairman of the Management Board, in order to discuss strategic issues, business development and risk management in the company.

The annual financial statements of Austrian Post prepared in accordance with the Austrian Commercial Code and the consolidated financial statements of the Austrian Post Group prepared in accordance with International Financial Reporting Standards (IFRS) have been audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, and have been granted an unqualifed auditor's opinion. The Management Report is consistent with the company and consolidated annual financial statements.

All documentation pertaining to the annual financial statements, the proposal for the distribution of the dividend as submitted by the Management Board, as well as the auditor's report, were subsequently presented to the Supervisory Board. The Supervisory Board examined all the documents in accordance with § 96 of the Austrian Stock Corporation Act, and did not discover any inconsistencies or objections and thus formally approved the results of the audit.

The Supervisory Board formally approves the annual financial statements for the year ending December 31, 2008, which are hereby adopted in accordance with § 125 (2) of the Austrian Stock Corporation Act, and declares its acceptance of the consolidated financial statements for 2008 and the Management Report of the Austrian Post Group pursuant to § 245a of the Austrian Commercial Code.

The Supervisory Board concurs with the Management Board's proposal to distribute a basic dividend of EUR 101,328,957.00 on May 20, 2009 from the net profit amounting to EUR 171,805,660.84, to distribute a special dividend amounting to EUR 67,552,638.00 on August 20, 2009, and to carry forward the balance of EUR 2,924,065.84 to the new account.

The Supervisory Board would like to express its sincere thanks to the members of the Management Board as well as to all employees for their dedicated work performed in the 2008 financial year and the good results which were achieved.

March 11, 2009

Peter Michaelis m. p.
Chairman of the Supervisory Board

# Glossary of general terms

| | |
|---|---|
| **Business to Business (B2B)** | B2B refers to business transactions between one company and another. |
| **Business to Consumer (B2C)** | In B2B the recipient of a mailing is the private customer. |
| **Consumer to business (C2B)** | Business relationship between private individuals and companies. |
| **Consumer-to-consumer (C2C)** | C2C refers to the business relationship between private individuals. |
| **Corporate Governance** | The rules and principles of responsible management and control in the interests of all stakeholders; the standards for Austrian companies are laid out in the Austrian Corporate Governance Code. |
| **Delivery bases** | Hubs in a distribution network serving as bases from which delivery staff serve their postal delivery areas. |
| **EMS** | Austrian Post's Express Mail Service, Austria's leading express service. |
| **Inbound letter mail** | Letters transferred to Austrian Post by foreign postal operators for delivery in Austria. |
| **Infomail** | The Infomail Business Area, which forms part of the Letter Mail Division, encompasses the acceptance and delivery of addressed and unaddressed household advertising mail to households in Austria and abroad, as well as direct marketing services (e.g. geomarketing, address management) and the management of mailroom services for large customers. |
| **Liberalisation** | The full-scale liberalisation of the letter mail market by 2011 and in some countries by 2013 has been prescribed by the EU. In the first phase of deregulation, the Austrian market for letter mail and addressed direct advertising items weighing over 350g was opened to competition on January 1, 1998. The market opening was extended to cover items weighing over 100g and all outbound mail, effective January 1, 2003. The final intermediate liberalisation phase, which came into force on January 1, 2006, was the extension of free competition to all letters weighing over 50g. |
| **Liberalisation timetable** | The liberalisation timetable defines the precise steps leading to the complete opening of postal markets for other providers. It was determined by the EU, and affects Austrian Post as of January 1, 2011. |

| | |
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| **Mailroom services** | Austrian Post operates the mailroom services of a company or organisation (internal distribution, mail dispatching, delivery). |
| **Media Post** | The Media Post Business Area, which forms part of the Mail Division, operates in the highly specialised print media delivery market. |
| **Outbound letter mail** | Letters transferred to foreign postal operators by Austrian Post for delivery abroad. |
| **Postal Act** | The Postal Act regulates most areas affecting Austrian Post. For example, it contains principles of determining tariffs and delivery times for letter mail and parcels. It also stipulates that it must be possible to deliver letters and parcels to any address throughout Austria five times per week. |
| **Postal partner offices** | Postal partner offices (Post.Partner) offer the same range of services as branches, but are characterised by more customer-friendly opening hours. |
| **Postal pick-up points** | The postal pick-up points located in municipal offices act as pick-up points for mail. |
| **Postal service points** | Located primarily in municipal offices, the postal service points accept letters, parcels and payment orders, and also act as pick-up points for mail. |
| **Sponsoring.Post** | Sponsoring post are mail items sent at lower rates on behalf of associations, community service organisations, religious institutions and other non-profit organisations. |
| **Third Postal Directive** | The EU's Third Postal Directive is a law of the European Union. The stipulations of this law must be converted into national regulations in the individual EU member states. The Austrian postal market will be completely liberalised on the basis of the Third Postal Directive. This means that as of 2011, other companies will be legally permitted to deliver letters weighing up to 50g. |
| **Universal postal services** | Universal postal services refer to the provision of basic postal services to the Austrian population, including delivery to any address throughout Austria five times per week, and a sufficient network of letter boxes and post offices or postal partner offices. |
| **Universal Service Ordinance** | In addition to the Postal Act, the Universal Service Ordinance regulates the basic provision of postal services to the Austrian population. For example, it stipulates that mail items may be delivered to every Austrian five times a week. |

# Glossary of business terms

| | |
|---|---|
| **Capital employed** | Intangible assets and goodwill<br>+ Property, plant and equipment<br>+ Investment property<br>+ Investments in associates<br>+ Inventories<br>+ Receivables<br>– Non-interest bearing debt<br>= Capital employed |
| **Earnings before interest and taxes (EBIT)** | Corresponds to the profit from operations plus the share of profit/loss of associates. |
| **Earnings before interest, taxes, depreciation and amortisation (EBITDA)** | Corresponds to EBIT plus depreciation and amortisation. |
| **Earnings before taxes (EBT)** | Earnings before taxes. |
| **Earnings per share** | Profit for the period divided by the average number of shares in circulation. |
| **EBIT margin** | Ratio of EBIT to revenue. |
| **EBITDA margin** | Ratio of EBITDA to revenue. |

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|---|---|
| **Equity ratio** | Ratio of equity to total capital. |
| **Free cash flow** | Cash flow from operating activities plus the cash flow from investing activities: demonstrates how much liquidity is available to service net debt. |
| **IASB** | International Accounting Standards Board |
| **IFRS** | International Financial Reporting Standards;<br>international financial accounting guidelines. |
| **Net debt/net cash position** | Financial liabilities<br>+ Other interest-bearing liabilities<br>+ Social capital and other interest-bearing provisions<br>= Interest bearing debt<br>– Financial investments in securities<br>– Other financial assets and interest-bearing receivables<br>– Cash and cash equivalents<br>= Net debt/net cash position |
| **Return on capital employed (ROCE)** | Ratio of EBIT to average capital employed. |
| **Return on equity (ROE)** | Ratio of profit after tax to equity (excluding discontinued business operations) at January 1st, less dividends paid: measures the earnings performance of a company. |

# Corporate history

| | |
|---|---|
| **1490** | Europe's first standardised postal service, between Innsbruck and Mechelen (Belgium) |
| **1750** | Regular passenger carrying mail coach services begin in the mid-18th century. |
| **1787** | First-time use of postmarks bearing precise date and place information |
| **1817** | Reorganisation of the postage rate system, introduction of letterboxes |
| **1850** | Introduction of postage stamps, advent of mail deliveries by rail |
| **1863** | International postal conference held in Paris – guidelines for international postal treaties |
| **1869** | First postcards, an Austrian invention, are issued |
| **1874** | Founding of the World Postal Association |
| **1875** | Invention and start-up of a pneumatic capsule pipeline system in Vienna |
| **1916** | First indoor cluster box units installed in Austria |
| **1918** | World's first civil air mail service in Austria |
| **1928** | Introduction of home letterboxes |
| **1938** | Integration into the German Reichspost organisation |
| **1945** | Resumption of postal services in Austria<br><br>Reorganisation and reconstruction of the Austrian postal branch network |
| **1957** | Introduction of drop-off mailboxes for rural delivery staff<br><br>Start-up of a mechanical parcel sorting facility at the Viennese post office 101 (Western Railway Station) |
| **1959** | Start-up of a mechanical letter mail sorting and postal pouch conveyor system at the Viennese post office 101 (Western Railway Station) |

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|---|---|
| **1966** | Introduction of a national system of postal codes |
| **1986** | Express Mail Service (EMS) as new service with priority treatment for letters and parcels |
| **1996** | Founding of Post und Telekom Austria (PTA) Austrian Post becomes a legally independent entity (for postal and post bus operations) |
| **1999** | Targeted investments in modernisation of the logistics infrastructure |
| **2000** | Post bus business spin off to the ÖIAG |
| **2001** | Acquisition of feibra Austria (unaddressed direct mail) |
| **2002** | Acquisition of Slovakian parcel companies Slovak Parcel Service (SPS) and In-Time |
| **2003** | Acquisition of Overseas Trade (Croatia) |
| **2005** | Purchase of feibra Hungary (unaddressed direct mail)<br><br>Increase of shareholding in feibra Austria (unaddressed advertising) to 100% |
| **2006** | IPO on the Vienna Stock Exchange – 49% free float<br><br>Acquisition of Kolos (unaddressed advertising/Slovakia), Wiener Bezirkszeitung (Media Post/Austria), trans-o-flex (B2B speciality logistics/Germany) |
| **2007** | Further acquisitions and penetration of niche markets:<br>Weber Escal (unaddressed advertising/Croatia), Scanpoint Europe (document digitalisation/Germany), Road Parcel Logistics and Merland Expressz (parcels market/Hungary), Scherübl Transport (pharmaceuticals transport/Austria), meiller direct (direct marketing/Germany), VOP and DHL EXPRESS DDS (parcels business/Belgium and Netherlands), ST Media (unaddressed advertising/Croatia), City Express (parcels business/Serbia and Montenegro).<br><br>Purchase of a 5% stake in BAWAG PSK |
| **2008** | Integration of existing business and selective acquisitions:<br>24VIP, Cont-Média, HSH Holding |

# 2008 at a glance

**January**

Austrian Post wins a new customer for its mailroom services, winning a contract with Herold Business Data. The company assumes responsibility for the storage, dispatch and delivery of Herold products.

The successful cooperation with the NEWS publishing company will continue. Austrian Post will deliver 40 million magazines on behalf of NEWS for another three years.

**February**

Austrian Post acquires the remaining 49% stake in Scanpoint Europe, the specialist for document digitalisation, which thus becomes a 100% subsidiary of the Austrian Post Group.

**March**

The Supervisory Board meeting held on March 11 appoints Carl-Gerold Mende as a new member of the Management Board with responsibility for the Parcel & Logistics Division (from June 15, 2008).

The subsidiary Scherübl, the key player on the Austrian market for temperature-controlled pharmaceutical logistics, invests EUR 1m in a new logistics facility located in Wiener Neudorf.

**April**

The Annual General Meeting approves payment of a basic dividend of EUR 1.40 per share as well as a special dividend amounting to EUR 1.00 per share. In addition, authorisation is granted to carry out a share buy-back programme of up to 10% of the company's share capital.

**May**

The expansion of the Austrian Post Group is continuing. The company acquires the Belgian pharmaceutical logistics company HSH Holding, with annual revenue of EUR 18m, 5m parcels, 180 employees, strengthening the Group.

**June**

Start of UEFA EURO 2008™ – and Austrian Post is close to the action in its role as the top sponsor of this major sporting event. In line with its football sponsorship, Austrian Post also provides support to the "Postliga Mädchenfußball" (the Austrian Post football league for female pupils), aiming to strengthen the position of women's soccer in Austria.

Austrian Post acquires the remaining shareholding of its German subsidiary trans-o-flex.

The company is also entered into the Guinness Book of World Records for the "world's quickest printing of a postage stamp". Printing commenced immediately after the end of the football championship match at UEFA EURO 2008™ on June 29, 2008, and took precisely 1 hour and 25 minutes. On the same night, this stamp displaying pictures of the two finalists, Germany and Spain, as well as the results of the match, was already sold at 12:41 a.m. in the philately shop in Vienna's Kärntnerstrasse.

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|---|---|
| **July** | The 200th post partner office located in the Carinthian town of Guttaring commences operations. |
| **August** | The world's first "3D postage stamp" comes from Austria. 80 individual pictures of the famous "Venus of Willendorf" create a unique vivid look in this three-dimensional block of stamps. |
| **September** | Austrian Post acquires Cont-Média, another company in Hungary, which is a further step in the Group's expansion in the Hungarian market for unaddressed advertising mail. |
| **October** | Acquisition of the parcel services provider 24VIP in Bosnia and Herzegovina. Austrian Post also congratulates Austrian President Heinz Fischer on his birthday by issuing a commemorative stamp. |
| **November** | The Supervisory Board approves the essential strategic reorientation of Austrian Post designed to secure the future of the company. A growth strategy and new operating models for the branch network and postal delivery services aim to maintain competitiveness vis-à-vis other postal companies.<br><br>The Federal Chamber of Commerce and Austrian Post present a new remuneration scheme for post partner offices, expanding and maintaining a successful seven-year partnership. |
| **December** | The Management Board and the Executive Committee of the Central Works Council of Austrian Post agree to develop a joint approach in respect to a new postal market law and universal service obligation. In addition, the two parties agree to work on a joint implementation programme to establish a collective wage agreement applying to the entire postal sector in Austria.<br><br>The Supervisory Board of Austrian Post agrees to sell 50% of the company's shares in the Vienna newspaper "Wiener Bezirkszeitung – bz", giving Austrian Post a 25.1% residual stake. |

# Index

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**Austrian Post**
**Annual Report 2008:**
www.post.at/ar2008

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Editorial deadline: March 1, 2009

# We are only interested in being yellow.

Not only have our delivery staff gone a long way. All employees, from our sales force to the Chairman himself, identify with the duties and responsibilities of Austrian Post as Austria's largest and best logistics company – more than ever before. Market leadership begins in the mind.

# Overview of key indicators

| | | 2001[1] IFRS | 2002[1] IFRS | 2003[2] IFRS | 2004[2] IFRS | 2005 IFRS | 2006 IFRS | 2007 IFRS | 2008 IFRS |
|---|---|---|---|---|---|---|---|---|---|

## Income statement

| | | 2001[1] IFRS | 2002[1] IFRS | 2003[2] IFRS | 2004[2] IFRS | 2005 IFRS | 2006 IFRS | 2007 IFRS | 2008 IFRS |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | **EUR m** | **1,565.2** | **1,571.7** | **1,585.2** | **1,654.4** | **1,701.6** | **1,736.7** | **2,315.7** | **2,441.4** |
| Other operating income | EUR m | 69.5 | 57.4 | 71.7 | 73.0 | 52.9 | 58.8 | 72.6 | 81.0 |
| Raw materials, consumables and services used | EUR m | –190.9 | –198.4 | –228.8 | –241.8 | –241.9 | –258.0 | –692.2 | –778.2 |
| Staff costs | EUR m | –1,023.8 | –1,015.0 | –1,020.7 | –1,046.6 | –1,064.0 | –1,063.0 | –1,120.4 | –1,119.2 |
| Other operating expenses | EUR m | –257.8 | –254.2 | –250.6 | –236.7 | –223.5 | –243.9 | –284.0 | –304.5 |
| Share of profit/loss of associates | EUR m | 3.6 | 1.0 | 0.9 | 0.7 | –1.3 | 1.1 | 0.9 | 1.2 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | **EUR m** | **109.4** | **101.6** | **157.7** | **203.1** | **223.8** | **231.7** | **292.7** | **321.7** |
| Depreciation and amortisation | EUR m | –103.3 | –108.1 | –129.6 | –120.9 | –120.8 | –108.4 | –130.0 | –152.2 |
| **Earnings before interest and tax (EBIT)** | **EUR m** | **15.1** | **4.1** | **28.1** | **82.2** | **103.0** | **123.3** | **162.8** | **169.5** |
| Other financial result | EUR m | 19.5 | 4.7 | –2.5 | –5.4 | –2.1 | 7.2 | 2.1 | –11.3 |
| **Earnings before tax (EBT)** | **EUR m** | **6.1** | **–6.6** | **25.6** | **76.7** | **100.9** | **130.5** | **164.9** | **158.2** |
| Income tax | EUR m | –8.1 | –0.7 | –10.8 | –29.9 | –10.9 | –30.8 | –42.2 | –39.3 |
| Profit from discontinued operations | EUR m | – | – | 2.1 | 3.2 | 9.8 | – | – | – |
| **Profit for the period** | **EUR m** | **17.5** | **–2.5** | **16.9** | **50.0** | **99.9** | **99.8** | **122.6** | **118.9** |
| EBITDA margin | % | 7.0% | 6.5% | 9.9% | 12.3% | 13.2% | 13.3% | 12.6% | 13.2% |
| EBIT margin | % | 1.0% | 0.3% | 1.8% | 5.0% | 6.1% | 7.1% | 7.0% | 6.9% |
| Earnings per share[3] | EUR | 0.24 | –0.06 | 0.21 | 0.71 | 1.43 | 1.43 | 1.75 | 1.71 |
| Annual performance with dividends (Total Shareholder Return) | | – | – | – | – | – | +90.0% | –30.8% | +10.5% |
| Employees (average for period, full-time equivalents) | | 30,357 | 29,558 | 27,713 | 26,342 | 25,192 | 24,456 | 25,764 | 27,002 |

## Cash flow

| | | 2001[1] IFRS | 2002[1] IFRS | 2003[2] IFRS | 2004[2] IFRS | 2005 IFRS | 2006 IFRS | 2007 IFRS | 2008 IFRS |
|---|---|---|---|---|---|---|---|---|---|
| Operating cash flow before changes in working capital | EUR m | 100,3 | 121,2 | 127,6 | 263,7 | 283,1 | 277,9 | 292.4 | 237.0 |
| Cash flow from operating activities | EUR m | 49,6 | 76,3 | 145,0 | 223,8 | 298,0 | 238,0 | 295.9 | 233.4 |
| Cash flow from investing activities | EUR m | 25,5 | –153,8 | –44,4 | –125,5 | –92,6 | –142,6 | –142.4 | –23.1 |
| Free cash flow | EUR m | 75,2 | –76,6 | 100,6 | 98,3 | 205,4 | 95,4 | 153.5 | 210.3 |
| Dividend | EUR m | 29.0 | 36.0 | 36.0 | 40.0 | 40.0 | 70.0 | 168.0 | 168.9[4] |
| Dividend per share | EUR | 0.41 | 0.51 | 0.51 | 0.57 | 0.57 | 1.00 | 2.40 | 2.50[4] |

## Balance sheet

| | | 2001[1] IFRS | 2002[1] IFRS | 2003[2] IFRS | 2004[2] IFRS | 2005 IFRS | 2006 IFRS | 2007 IFRS | 2008 IFRS |
|---|---|---|---|---|---|---|---|---|---|
| **Balance sheet** | **EUR m** | **1.601,7** | **1.631,8** | **1.617,9** | **1.795,7** | **1.563,0** | **1.901,6** | **2,058.6** | **1,874.6** |
| Non-current assets | EUR m | 1.223,2 | 1.287,6 | 1.021,7 | 1.011,4 | 997,4 | 1.272,9 | 1.361.9 | 1,252.1 |
| Current assets | EUR m | 378,6 | 344,1 | 287,4 | 393,7 | 542,6 | 614,9 | 694.3 | 622.5 |
| Capital and reserves | EUR m | 749,7 | 718,9 | 698,9 | 712,5 | 762,1 | 821,4 | 874.3 | 741.5 |
| Non-current liabilities | EUR m | 400,6 | 426,3 | 218,2 | 287,5 | 361,3 | 564,0 | 598.0 | 551.8 |
| Current liabilities | EUR m | 451,5 | 486,6 | 405,2 | 421,0 | 439,6 | 516,2 | 586.3 | 581.3 |
| Interest-bearing debt | EUR m | – | – | – | 293.1 | 369.1 | 607.6 | 711.5 | 655.9 |
| Interest-bearing assets | EUR m | – | – | – | 196.6 | 397.1 | 433.7 | 538.1 | 385.8 |
| Net debt/surplus | EUR m | – | – | – | –96.5 | 28.0 | –173.9 | –173.4 | –270.2 |
| Net debt/EBITDA | | – | – | – | 0.48 | –0.13 | 0.75 | 0.59 | 0.84 |
| Equity ratio | % | 46.8% | 44.1% | 43.2% | 39.7% | 48.8% | 43.2% | 42.5% | 39.6% |
| Return on equity (ROE) | % | 2.2% | –0.3% | 2.5% | 7.2% | 13.6% | 13.8% | 16.3% | 16.8% |
| Capital employed | EUR m | – | – | – | 796.2 | 694.3 | 935.0 | 992.2 | 952.5 |
| Return on capital employed (ROCE) | % | – | – | – | 10.2% | 13.8% | 15.1% | 16.9% | 17.4% |

1 Including the insurance arm of Austrian Post (Postversicherung AG)
2 Adjusted for the insurance arm of Austrian Post (Postversicherung AG)
3 Refers to 70m shares, value in 2008 with average weighted number
4 Proposal to the Annual General Meeting on May 6, 2009

# Shareholder information

## Financial calendar 2009

| | |
|---|---|
| **March 12, 2009** | Annual Report 2008, for release at 7:30 a.m. |
| **May 6, 2009** | Annual General Meeting 2009, Vienna |
| **May 19, 2009** | Interim report, for the first quarter of 2009, for release at 7:30 a.m. |
| **May 20, 2009** | Ex-dividend day and dividend payment day for basic dividend of EUR 1.50 per share[1] |
| **August 13, 2009** | Half-year financial report 2009, for release at 7:30 a.m. |
| **August 20, 2009** | Ex-dividend day and dividend payment day for special dividend of EUR 1.00 per share[1] |
| **November 13, 2009** | Interim report for the first three quarters of 2009, for release at 7:30 a.m. |

[1] Proposal to the Annual General Meeting on May 6, 2009

## Development of the Post share (January 2008–December 2008)


## Basic information Post share

| | |
|---|---|
| ISIN | AT0000APOST4 |
| Trading symbol (Vienna Stock Exchange) | POST |
| Reuters Code | POST.VI |
| Bloomberg Code | POST AV |
| Total shares issued as of December 31, 2008 | 70,000,000 |
| Treasury shares (from share buyback programme as of December 31, 2008) | 2,447,362 |
| Shares in circulation | 67,552,638 |
| Listing | Vienna Stock Exchange |
| Issue price | EUR 19.00 |
| First day of trading | May 31, 2006 |
| Minimum trading unit (smallest tradable number of shares) | 1 |
| Type of share | No-par value shares |
| Stock split | None |