# ADDED VALUES

ANNUAL REPORT | AUSTRIAN POST | THE MAGAZINE

2011

Kathrin Käfer, Marketing, Mail & Branch Network Division

## POST AROUND THE CLOCK

AUSTRIAN POST IS THERE FOR ITS CUSTOMERS 24/7 THANKS TO NEW SERVICES.

## EVEN MORE BENEFITS AND CONVENIENCE FOR CUSTOMERS

AN INTERVIEW WITH THE POST MANAGEMENT BOARD.

## PLUS 70% SINCE THE IPO

IMPRESSIVE TOTAL SHAREHOLDER RETURN IN THE YEARS 2006–2011.

# VALUE PACKAGE

AUSTRIAN POST OFFERS CLEAR ADDED VALUES TO ITS CUSTOMERS, EMPLOYEES AND INVESTORS. THIS IS BECAUSE IT LINKS PROFESSIONAL OPERATIONS, CUSTOMER ORIENTATION AND INNOVATION IN ITS BUSINESS MODEL TO APPRECIATION AND RESPECT, FINANCIAL STABILITY AND SUSTAINABLE PROFITABILITY.



From left to right: Verena Knott-Birklbauer (Accounting), Johannes Haselberger (Marketing, Parcel & Logistics Division), Sonja Kögel (Sales, Mail & Branch Network Division), Verena Abu-Dayeh (Human Resources Development and Training)

# VISION/ MISSION

- We deliver value – reliably, confidentially and personally.
- We are the first choice for our customers, partners and employees – yesterday, today and tomorrow.
- We are the leading postal and logistics provider in Austria. As a successful specialist we are growing in Europe.

# "... CREATE VALUE FOR ALL STAKE-HOLDERS ..."

EDITORIAL

Austrian Post reported very good results in the 2011 financial year in spite of a very difficult market environment. This confirms our strategic positioning and shows that we are also making good progress in the operational implementation of our development plans. Thus, we have succeeded once again in creating value for the benefit of our stakeholders.

In particular, the employees who are behind us on this path and who I would like to sincerely thank for their hard work and commitment are the ones who are responsible for our achievements. Supporting, appreciative and performance-oriented – this comprises our value package for employees. With this in mind, we pressed ahead intensively with developing our corporate principles in 2011 as part of a process initiated in 2010. Accordingly, we developed guidelines on leadership quality and a leadership culture together with our executives. Details on this topic can be found starting on page 32.

The revenue figures can only turn out to be favourable if the customers are satisfied with our offering and services. For this reason, our corporate principles say, "Everything we do revolves around our customers." We also did this in 2011. We expanded our network of postal service points, designed simpler and size-based letter mail products and introduced new online services to our offering, to name just a few of our activities. It goes without saying that we will continue to maintain our high delivery quality. We have included all information on how we give our customers an added value starting on page 12.

Hand in hand with the earnings improvement, we are also able to offer a higher dividend on behalf of our shareholders – provided that the General Meeting agrees to our proposal. Thus, once more Austrian Post has proven itself to be an attractive investment – reliable, predictable and solid.

Sincerely yours,

Georg Pölzl




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From left to right: Walter Hitziger, Georg Pölzl, Peter Umundum, Rudolf Jettmar

# "... EVEN MORE CUSTOMER BENEFIT AND CONVENIENCE ..."

## INTERVIEW WITH THE MANAGEMENT BOARD

*Mr. Pölzl, how satisfied are you with the development of the Austrian Post Group in 2011?*
**Pölzl:** Austrian Post developed very well. We made progress in successfully implementing many of the initiatives we undertook. We managed to exceed our expectations in several areas, and in some areas we had to initiate measures designed to further improve our performance. Our market environment and the technologies available to us are continually changing. We are monitoring this very carefully and will also further develop our business on an ongoing basis.

*Mr. Jettmar, how is this satisfaction reflected in the company's performance figures?*
**Jettmar:** Even in what is by no means an easy macroeconomic environment, we succeeded in raising Group revenue by 4.2% on a comparable basis and, on this foundation, we increased earnings by 7.3%. We were also able to materially improve the structure of operational costs. On balance, we achieved the second best results in company history.

*Thus, Austrian Post once again created significant value in 2011 ...*
**Pölzl:** Indeed, the strategic path we are pursuing is the right one. And on an operating level we know precisely where we can make further improvements. Our good level of profitability comprises a very solid basis for the long-term creation of value. Our domestic and international shareholders have confidence in what we are doing, and we are committed to maintaining their trust.

*A very impressive overall picture. And what is the situation in the individual divisions?*
**Hitziger:** As the new name already indicates, there were a number of new developments in the Mail & Branch Network Division in 2011. An important milestone was the integration of the Mail and Branch Network divisions entailing numerous synergy effects. Parallel to this reorganisation, we expanded our network of postal partner offices to 1,258 postal partners, and put our cooperation with BAWAG P.S.K. on a new footing. The fact that all this was very well received by customers demonstrates that we are moving in the right direction. We also took decisive steps to further develop our letter mail business in 2011. For example, we introduced a completely new product portfolio, which is not primarily based on the weight of mail items but on size and delivery speed. Since February 2012, we have also been delivering direct mail items throughout the country in the collective advertising envelope called KUVERT. At the same time, we are also offering our business customers the opportunity to individualise addressed direct mail items more strongly than in the past. Thus, we will be able to offer an even more diverse and customer-oriented range of services. We will decisively continue on this path.

**Umundum:** The development of our parcels business in Austria also proceeded very satisfactorily. We succeeded in consolidating or expanding our market position according to plan, and establishing new services for both private and business customers. We increased our market share in the business customer segment to about 18% in line with our strategy. The next interim goal we have defined is increasing our market share to 20%. We launched a performance enhancement programme for our subsidiary trans-o-flex focusing on revenue and costs, which should help the company to achieve the targeted margin improvement. In addition to the issues of growth and profitability, we worked on developing new services for customers. Pilot operations for the drop-off and receiving boxes developed very well. The Austria-wide rollout will begin in 2012.

*And how is the company doing in CEE?*
**Umundum:** We are very satisfied with the parcels business in the South East and Eastern Europe region, and the performance of our subsidiaries is consistently in line with our expectations. On balance, the parcel subsidiaries of Austrian Post generated revenue of EUR 67.3m in South East and Eastern Europe in 2011.

**Hitziger:** We now have four subsidiaries in the CEE region for advertising mail and letter mail delivery – for the most part in countries with high growth potential in these areas. Our newest subsidiary joined us in 2011. I am talking here about Romania, where we managed a so-called "soft entry" into the domestic market by acquiring a 26% stake in PostMaster s.r.l., one of the country's leading alternative postal service providers. If business develops favourably, we intend to intensify our business operations in this segment.

to ensure greater flexibility in our core business, in order to make production as adaptable and cost-efficient as possible. For this reason we are optimising our logistics activities. The customer-oriented expansion of our network of postal service points also serves this purpose. We are offering our customers an optimal portfolio which we are continually expanding and upgrading. But we are also not losing sight of the liberalisation process in CEE markets.

**Umundum:** In the Parcel & Logistics Division, we are mainly focusing on the issues of growth and profitability. Following the successful expansion in recent years, it is now important to enhance profitability. For this reason, we are doing everything we can to increase the efficiency of our logistics operations. This means an even better cooperation with our logistics partners but also a rounding off of our product portfolio, where prices must be adjusted to reflect

*How are things going to continue? What improvements or expansion plans do you have in the pipeline?*
**Pölzl:** The development of our business in the past two years has demonstrated that we are on the right path. This is based on two cornerstones. On the one hand, the focus is on safeguarding our core business and continually optimising operations on the basis of efficiency-enhancing measures. On the other hand, we must and want to take advantage of growth opportunities and further press ahead with our customer- and service-oriented approach. We aim to continue in pursuing both strategic thrusts at a high intensity in the future. Many projects have already been initiated, in order to meet the demand for "24/7" or round-the-clock availability and service and make it a reality on all levels of our business. The aim here is to provide even more customer benefits and greater convenience.

**Hitziger:** Our aim is to remain the number one provider on the Austrian market in the letter mail and direct mail segments. This means we have to permanently work on ourselves. Above all, we are striving

costs. At the same time, we are taking advantage of our European market potential within the context of a broad-based export drive, and are paying particular attention to intensifying our partnerships, above all via the EURODIS network. Naturally, the basis for all this is a customer-oriented service portfolio. Therefore we are enhancing the level of services on behalf of our private customers in Austria through simplification and enabling greater use of self-service. In addition, we want to simplify the lives and business activities of our business customers in Austria and abroad by providing additional services.

*What role do your new corporate principles play in all these initiatives?*
**Pölzl:** For me it is extremely important to actively develop the issue of ensuring a corporate and leadership culture. This is the foundation for our employees to experience the basic values of support, appreciation and performance-orientation in their everyday professional life and also to breathe life into these values themselves. In particular, our employees deserve to benefit from the modern and

future-oriented value framework we have created as well as a uniform leadership culture based on esteem, which in turn serves as the foundation for ensuring our mutual success also in the future.

*Speaking of the future, what do you expect Austrian Post's dividend policy will be in the years to come?*
**Jettmar:** We continue to pursue our dividend policy of distributing at least 75% of the Group net profit to our shareholders. This means that dividends should develop positively in line with our business development. By the way, this is also the case this year. We are proposing a dividend of EUR 1.70 per share for the 2011 financial year. This corresponds to a dividend yield of 7.3% on the basis of the share price of EUR 23.30 at the end of December 2011.

*And how do you expect business in the 2012 financial year to develop?*
**Pölzl:** The market environment will certainly continue to be difficult in many customer segments due to economic uncertainties. Nevertheless, thanks to strict cost discipline and massive efforts to develop and market customer-oriented services, we should manage to maintain Group revenue at a stable level and also achieve an EBITDA margin in the targeted range of 10% to 12%.

*Thank you for this interview.*

## MANAGEMENT BOARD – FACTBOX

**GEORG PÖLZL**
Born 1957, has been the Chairman of the Management Board and Chief Executive Officer (CEO) of Austrian Post since October 2009.

**RUDOLF JETTMAR**
Born 1947, has served as the Deputy Chairman of the Management Board and Chief Financial Officer (CFO) of Austrian Post since 1999. His term of office expires at the end of June 2012.

**WALTER HITZIGER**
Born 1960, served as a Member of the Management Board of Austrian Post and was also Director of the Mail Division and Head of Logistics from May 2004 to August 2011. Since September 2011 he has had management responsibility for the newly merged Mail & Branch Network Division.

**PETER UMUNDUM**
Born 1964, assumed the position of Member of the Management Board of Austrian Post and Director of the Parcel & Logistics Division in April 2011.

**WALTER OBLIN**
Born 1969, will assume responsibility for financial operations as the designated Chief Financial Officer (CFO) of Austrian Post starting in July 2012.

Martina Bösel,
Deliverer, Vienna

Fritz Krammer,
Deliverer, Gleisdorf


Mario Berbalk,
Branch employee, Wiener Neustadt

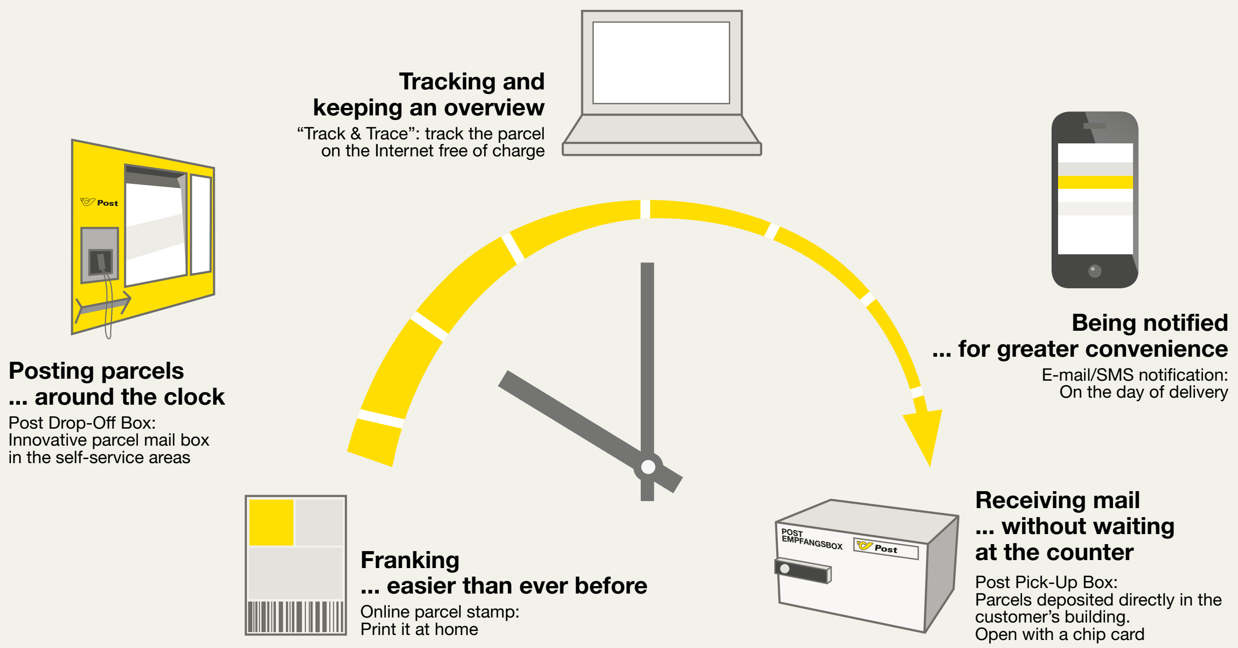
# POST AROUND THE CLOCK

## FOCUS ON CUSTOMERS

***Austrian Post is undergoing continuous change. "We have massively modernised our operations in recent years. Today we offer services which give our customers real added value and correspond to the needs of a highly developed service society", says Austrian Post CEO Georg Pölzl. A few years ago the "post office clerk" and "post office" were the only interfaces between the sender and recipient. Now Austrian Post offers an extensive range of innovative and efficient services on different levels, all with one target in mind: to design simpler letter mail and parcel services and consistently increase customer satisfaction.***

Austrian Post has the goal of structuring its processes on the basis of numerous services so that they are available to customers 24 hours a day, seven days a week. This applies to the entire 'life cycle' in the shipment process, from franking and dropping off to ongoing track and trace and receiving mail items. Investments in new technologies and innovative self-service systems make this possible", says Georg Pölzl. The new offering includes services featuring names such as "Parcel Stamp", "Post Drop-Off Box", "Track & Trace", "E-mail/SMS Notification" and the "Post Pick-Up Box". One goal is behind all this: flexibility for the customer.

## FLEXIBILITY AND SELF-SERVICE AROUND THE CLOCK




### ... and off it goes in the mail

This already begins with the stamp for the parcels, which can be conveniently configured and printed from the Internet at home. In future, stamps will also be available from automatic franking machines located in the post office foyer. Afterwards one can drop off the franked mail item at the next post office branch, at one of the more than 1,200 postal partner offices, with the rural delivery staff or at an OMV petrol station featuring a VIVA shop – and off it goes in the mail. Innovative self-service stations in several post offices – the new Post Drop-Off Boxes – enable parcels to be dropped off even outside of normal business hours. The parcel is put in the Post Drop-Off Box, after which the customer receives a printed confirmation of mailing and can use it to see at any time where his "package" is at a given moment – simply by using the online postal service "Track & Trace".

### Open Sesame!

The level of convenience for recipients is also increasing. Upon request a recipient can be informed per e-mail or text message (SMS) of the scheduled delivery date of the parcel. In case the recipient is not at home there is a new possibility, which is being expanded in the more densely populated areas of Austria. The innovative Mail Receiving Box enables parcels to end up where they should be, namely in the house of the recipient. "If the recipient is not at home, the delivery staff puts a notification card in his letterbox and the mail item is put in the Mail Receiving Box in the hallway. With the chip contained in the notification card, the parcel can be removed from the box – without having to wait at the post office counter at all", says an enthusiastic Peter Umundum, Director of the Parcel & Logistics Division.

### Service offering is being extended

A futuristic scenario? "On the contrary", Umundum adds. "The online parcel stamp has already been successfully integrated into everyday life. We have gone through very successful pilot phases for the mail drop-off and receiving boxes. Now these innovations are being implemented and will soon be widely available. The entire concept is being continually optimised, and will be extended to encompass practical services for all sizes of mail items", he concludes.

"Our customers require innovative and flexible solutions to promote their own business. At the same time we stand out thanks to our sustainability efforts, as our $CO_2$ NEUTRAL DELIVERY initiatives shows."

**ANDREA RODLAUER**
Sales, Mail & Branch Network Division

### Logistics and manpower as the key to success

A central pillar underlying the success of new services is and will continue to be a high-powered logistics infrastructure, and naturally the highly motivated employees who will ensure that mail items are processed quickly, reliably and in a trustworthy manner. Austrian Post offers a convincing solution across the board. The bare figures themselves are impressive enough: 25m mail items each day, some 1bn letters, 59m parcels and 5bn direct mail items and magazines each year. This is only possible thanks to a highly innovative and nationwide logistics infrastructure. The six letter mail and seven parcel distribution centres throughout the country feature conveyor belts for sorting with a total length of 17.5km and state-of-the-art scanning equipment. Combined with Austria's largest fleet of 9,000 vehicles, of which 265 are electric-powered, this serves as the foundation for excellent service. 11,500 employees delivering mail subsequently ensure that parcels and letters smoothly end up reaching the intended recipients. All this makes Austrian Post the undisputed leader in the postal services segment in Austria, and one of the best-performing postal services providers in Europe. In 2011, Austrian Post once again succeeded in enhancing its high level of delivery quality: quality measurements indicated that 96.1% of all letters were delivered on the following working day, a better result than the legally stipulated minimum of 95%. Austrian Post is also number one in Austria with respect to the delivery of advertising mail and parcels – 98% of all these items are delivered on the next working day. Thus, Austrian Post also ranks among the top postal service providers in terms of delivery quality in international comparison.



Advertisement for Austrian Post's initiative $CO_2$ NEUTRAL DELIVERY


## Ongoing improvements

It should stay that way. For this reason, the company is continuously investing in the modernisation of its sorting facilities and vehicle fleet and the upgrading of its IT systems. The innovative strength of Austrian Post can be shown by taking a new delivery model for unaddressed direct mail items, to name just one example. They will be collected, neatly arranged in a so-called KUVERT, a specially designed collective envelope for advertising mail and delivered twice a week to 3.2m households and companies in Austria. This is made possible by three new "collator distribution centres" operated by Austrian Post. "These distribution centres located in Vienna, Graz and Oberwang will make use of high-tech machines – our 'collators' – which will automatically and thus very efficiently handle the arrangement of various advertising brochures and flyers. We have not only successfully fulfilled the wish voiced by end customers for more transparency and order in their letterboxes, but have also developed a high-tech logistics process for the benefit of our business customers", states Robert Modliba, Head of the Production & Logistics Business Area in the Mail & Branch Network Division.


"... with the new KUVERT advertising envelope we have also developed a high-tech logistics process for the benefit of our customers."

**ROBERT MODLIBA**
Head of Production & Logistics,
Mail & Branch Network Division

One can also see what the optimisation of logistics processes specifically means on the basis of the increasing use of "joint delivery", which is postal jargon for the combined delivery of letter mail and parcels. "We are striving to jointly implement letter mail and parcel delivery services outside of the heavily populated areas for both cost and environmental reasons. About 40% of the parcels to private households are already being jointly delivered, a strongly increasing trend", as Walter Hitziger, Director of the Mail & Branch Network Division and Peter Umundum, Director of the Parcel & Logistics Division both agree.

## High level of customer satisfaction

These diverse efforts have paid off. Last but not least, this has been shown by the high customer satisfaction scores achieved by Austrian Post within the context of its customer satisfaction survey in 2011. An impressive 94% of the total number of about 300,000 respondents said they are extremely satisfied with the quality of letter mail delivery services provided by Austrian Post. 80% of those taking part in the survey said parcels should continue to be delivered by Austrian Post in the future. And 91% of the respondents place considerable confidence in Austrian Post and its delivery staff.

In terms of delivery staff, "mail carriers" are generally given high marks in Austria. This was evidenced in the recent voting for the "most popular mail carrier", which Austrian Post organised in cooperation with a daily newspaper. 250,000 Austrians took part in this activity to vote for their favourite "postman". "The extensive participation surprised me and indicated that each and every member of the delivery staff – just as much as the employees in the post office branches – sustainably impacts the image of our company in the eyes of our customers. The fact that so many people took part in the voting shows that our delivery staff have an extremely good relationship with their customers", says a satisfied Walter Hitziger, Director of the Mail & Branch Network Division, in commenting on this highly symbolic choice.

### Much more than deliverer of letters

So what is the fundamental difference between Austrian Post and alternative postal providers in Austria? Austrian Post also has an important role in society. It fulfils its legal mandate of providing so-called universal postal services, i.e. providing the highest quality postal services every day to every doorstep in all corners of the country at a uniform price. This highly responsible task places high demands on the company and its employees, and requires continuing customer-oriented adjustments to the general conditions of a liberalised postal market.

### Postal partner offices – a complete success

An important measure being carried out in this context is the restructuring of the branch network, which Austrian Post again consistently expanded in 2011. A key element is the very successful postal partner office concept. A total of 1,258 postal partner offices, e.g. food stores, petrol stations, tobacconists and municipal authorities, improved the regional availability of postal services at the end of 2011. On balance, 1,880 own and third-party operated postal service points in Austria ensured more service, shorter distances and better opening hours, also safeguarding the sustainable supply of services to the population. At the same time, existing economic structures in rural areas were strengthened. The branch network of Austrian Post will be further expanded in the upcoming years and will thus be much denser than the legally stipulated minimum. The 32,000 responses submitted by customers within the context of a broad-based online survey sent out a clear message: 86% of the respondents are very satisfied with their postal partner offices. This is what we like to hear!

### Intensified cooperation with BAWAG P.S.K.

The strategic cooperation between Austrian Post and BAWAG P.S.K., in which postal and banking services are being offered in jointly operated outlets, is continually being expanded. Both partners are focusing on their core competencies, but make use of the synergies offered at the jointly-run branch offices. The cooperation is excellent, an opinion expressed by Arnold Ketschler, Austrian Post team manager in a jointly-run outlet in Graz. "The concept works very well. The postal and banking employees work together constructively. This is extremely important, above all with respect to reciprocal cross-selling. We profit from the new customers of BAWAG P.S.K., and the bank from ours", he says. About 520 joint outlets are to be established across the country by the end of 2012.


**INTERVIEW**

**"... simple, flexible and reliable."**

**THOMAS AUBÖCK**
Head of Sales, Large and Business Customers, Mail & Branch Network Division

***Mr. Auböck, this time the Annual Report of Austrian Post has been written in line with the slogan "added value for customers". What added value does Austrian Post create for its letter mail customers?***

**Auböck:** We are intensively orienting our entire business to the needs of our customers. They desire easy-to-understand, transparent products. They want to be able to flexibly handle these products and they expect Austrian Post to live up to its word. And we can offer all this. Let me give you one example from the advertising mail segment. In a customer survey we found out that customers would prefer to get their advertising brochures in an envelope and gain a better overview of what has been deposited in their letterboxes. We reacted to this input and are now sending all these leaflets bundled together twice a week and neatly arranged in the new KUVERT. This has been a complete success!

***As a sales manager you also shared responsibility for introducing the new product portfolio in the letter mail segment in 2011. What has changed and why?***

**Auböck:** Perhaps let me first explain how the situation has changed. In the eight years since the last change in postal rates, the product and service offering of Austrian Post has continuously expanded and improved. Thus customers increasingly demanded greater simplicity and transparency. For this reason we fundamentally modernised our postage rates both for private and business customers and oriented them to the wishes of our customers. We standardised formats, calculate postage mainly on the basis of size and offer the choice between different delivery speeds.

***How have customer requirements changed in the letter mail segment in recent years, and what is Austrian Post doing to fulfil them?***

**Auböck:** It goes without saying that the letter mail business has been subject to major changes. In the direct mail segment one can observe an ongoing professionalisation and specialisation in our target group-orientation. Here we are winning the favour of our advertising customers with state-of-the-art services which support them in precisely addressing their target groups, e.g. by profiling or geomarketing. Of course it is also necessary to generate added value for customers in the field of dual delivery (Editor's note: physical and digital). The letter mail business is not immune to the effects of the digital revolution. And that is why Austrian Post offers products and services which meaningfully link the analogue and digital worlds with each other.

***Thank you for the interview.***

**INTERVIEW**

## "... score points with customer proximity, convenience and quality ..."

**THOMAS BISSELS**
Head of Sales & Marketing,
Parcel & Logistics Division

*Mr. Bissels, as the sales and marketing manager for Parcel & Logistics Austria, you are very close to customers. What does today's customer want?*

**Bissels:** Driven by online business, the demands of recipients in particular have significantly changed and expanded in recent years. Growing importance is being attached to customer orientation. We quickly and successfully reacted to this with a product and service offensive. Naturally we are also continuously working on further improving our offering. In the coming years, we will continue to expand our services and thus defend and enlarge our customer base.

*What do these growing demands consist of and how will Austrian Post specifically react to them?*

**Bissels:** People expect quick and on-time delivery, a high level of transparency and, naturally, as much convenience as possible. And we are trying to offer this to them wherever we can. We are also scoring points with customers in the parcels segment with high quality, short delivery times and precise delivery services. In addition, we offer quick and transparent exchange of data on the basis of our shipment tracking system. Furthermore, our shipment software significantly simplifies the shipment preparation process. Here I am talking about the online parcel stamp. This bundle of services is rounded off by innovative ideas for alternative delivery channels such as the Mail Receiving Box, which we are just beginning to roll out, or the e-mail/SMS notification service to parcel recipients.

*And what about the business segment?*

**Bissels:** We have considerably increased our competence in the field of delivery business parcels in recent years, and we succeeded in capturing a major market share in this highly competitive market. We were already able to increase our market share in Austria in this segment to 18%, and our medium-term target is to reach a level of over 20%. Here customer proximity, tailored solutions and of course the highest service quality play a decisive role. The outstanding support provided to customers by our customer service team and our field staff comprises a further pillar of our success.

*Thank you for the interview.*

### What does the customer need?

And what do the customers think about the changes in the branch network operated by Austrian Post? Within the context of a representative customer survey carried out in July and October 2011, 83% of the customers expressed their satisfaction with the level of service provided at the post office branches. This is similar to the feedback relating to postal partner offices, with 86% of the respondents very satisfied or satisfied with the quality of service. 79% of the people would recommend their branch office or postal partner office to others. These figures confirm that the structural transformation of Austrian Post's nationwide branch network is proceeding quite well and offers numerous advantages which are recognised by customers.

### New, simplified product portfolio for letters

Austrian Post also reacted in the past financial year to the general desire for reducing the complexity of postal services, and introduced a simplified product structure in the letter mail segment. Postage is no longer primarily based on weight but on the size of the mail items. The sizes "Standard", "Standard Plus", "Maxi" and "Maxi Plus" can be easily posted in any letterbox. The size "Großbrief" (large letter) is for sending all contents which do not fit into standard letterboxes, but at a favourable price. Moreover, business customers have the choice between "Premium" and "Economy" letters. The "Premium" product is delivered on the next working day, whereas the lower-priced "Economy" rate for larger volumes is for delivery within three working days.

### Strong partner in the B2B segment

Providing an added value for customers is also Austrian Post's priority when it comes to business customers. "Companies require a strong and reliable partner for delivery and logistics. These are qualities which characterise Austrian Post more than ever before. Therefore numerous large domestic and international customers have faith in the experience and competence of Austrian Post", says Max Moser, Head of Parcel Logistics Austria. For example, large customers such as Nespresso recently extended their contracts, and other prominent companies such as Gabor Schuhe once again decided to rely on the parcel delivery services of Austrian Post.


"Based on the cooperation with Austrian Post, we can now guarantee that delivery of the orders placed by Nespresso Club members will take place within 48 hours."

**DIETMAR KEUSCHNIG**
Managing Director, Nespresso Austria

However, Austrian Post not only offers optimal business solutions in the traditional parcel logistics segment, but also with respect to addressed and unaddressed direct mail items and improving business processes. The company is continuously expanding these types of services, as the Mail Solutions Business Area demonstrates. ”We offer cross-media system solutions for business customers, specialising in the optimisation of their business and administrative processes. Moreover, we are increasing the corporate success of our customers on the basis of target group-oriented dialogue solutions”, states Christian Weiss, Head of the Mail Solutions & Marketing Business Unit. This is shown in practice by the successful cooperation with Generali Group Austria. Austrian Post is not only responsible for mailroom management of the insurance company, but also supports it in digitalising incoming mail, printing insurance policies and other documents as well as in the complex field of address management. Ewald Schwanzer, Head of Central Services of Generali Group Austria, says the advantages are obvious. “The decisive reason for contracting Austrian Post to handle these important services was our objective of concentrating on our core business. The cooperation with Austrian Post enabled us to reduce costs in a short time, and to increasingly deploy our employees for tasks benefitting our customers, against the backdrop of the high quality and flexibility provided by Austrian Post.”

“One can only be successful on the Internet on a long-term basis with tools which really offer added value.”

**MIRJAM TEICHT**
Head of Online Innovation Management

### Austrian Post online

Customers attach great importance to flexibility. The Internet as well as mobile applications are playing an increasingly crucial role. For this reason, Austrian Post is continually expanding its online service offering. Mirjam Teicht, Head of Online Innovation Management, knows exactly what is important. “Our main question is: What does the customer need? What can we do to make his life easier? One can only be successful on the Internet on a long-term basis with tools which really offer added value.” Austrian Post is on the right track in developing an effective response. This is demonstrated by the broad selection of its online services, which are being well received by customers but are also being continually further developed and improved. These services underline the fact that Austrian Post is already actively shaping its future.

**COMMENTARY**

**CHRISTIAN WEISS**
Head of the Mail Solutions & Marketing Business Unit

## BUSINESS COMMUNICATIONS 2.0

***Intelligent communications solutions in the business customer segment will become increasingly important thanks to the enormous density in the flow of goods and information. Austrian Post with its innovative products and high-performance services is a competent contact partner for linking the physical and digital worlds of communication.***

In past decades, companies have had to master numerous challenges: in part a fundamental transformation of their markets, rapid technological development and the growing networking and interconnectedness of society. All this has led to a far-reaching change in communications processes in society.

The efficient and flexible linkage of digital and physical forms of communication is a key factor today in handling complex business processes. Austrian Post recognised these developments at an early stage and now offers innovative system solutions to optimise the business and administrative processes of its business customers through its “Mail Solutions Business Unit”.

In this case, Austrian Post sees itself as a full service provider for operating data and document-intensive forms of business communications. Dual delivery and reception (digital/physical), effective mailroom management, digital document processing, integrated printing services and effective CRM applications in connection with innovative online services ensure greater efficiency and a higher level of flexibility.

This not only enables a customer-oriented optimisation of communications processes, but also sustainably reduces operating costs. Austrian Post ensures the right impact because it offers the required know-how, sophisticated analysis tools and comprehensive data material.

# HIGHLIGHTS 2011

**E-mail/SMS notification, receiving boxes, parcel stamps, drop-off boxes**
For many people, these names conceal completely new services. But soon they will be integral parts of people's everyday lives. All these services have one goal in mind: customers must be able to drop off or receive their mail items as easily as possible.

**Yellow + Red = Post + BAWAG P.S.K.**
The first jointly-operated branch office of both companies was opened in Innsbruck in January 2011, offering the entire service and product range of Austrian Post and the bank under one roof. At present, there are 329 such joint outlets, with approximately 520 planned to be put into operation in Austria by the end of 2012.

**Choice of the best mail carrier – 250,000 votes cast**
And the winner is ... Thomas Unger from Tadten in Burgenland. A splendid success crowned by a wonderful prize for Mr. Unger. Since then he can call a brand-new Fiat 500 his own. Naturally, the vehicle is painted in "Austrian Post yellow".


**⟨O=C=O⟩**
**Carbon dioxide – $CO_2$**
We aim to reduce $CO_2$ emissions wherever possible, for example by using alternative energy sources in the form of electric-powered vehicles, along with the compensation of currently unavoidable $CO_2$ emissions. Austrian Post already succeeded in 2011 in delivering all mail items in a $CO_2$ neutral manner – strictly monitored by TÜV Austria.


**One KUVERT – and finally some order!**
74 % of Austrians want more transparency and a greater insight into what is in their letterboxes. This was the result of a nationwide survey involving about 300,000 consumers. And Austrian Post has responded to their wish. State-of-the-art sorting technology makes it possible to bundle advertising mail items in one envelope. The launch took place in four Viennese districts in the middle of October 2011. It will be rolled out throughout the country in February 2012 to some 3.2m households.


**Postal jargon: HBFA and LAK**
Cumbersome words such as "Cluster Box Units" and "Rural Drop-Off Boxes" stand behind these abbreviations in German. They stand for letter boxes in residential buildings or the drop-off points for several households in rural areas. In 2011, Austrian Post started converting hundreds of thousands of such drop-off points which do not conform with EU regulations. In this respect, Austrian Post is not only assuming an enormous logistical burden but also the costs.


**Post sells 180,000 spruce trees**
You understood correctly! People received a specially selected mix of seeds of domestic spruce trees from Tyrol, the Salzkammergut and Waldviertel regions, Styria and Carinthia with every purchase of the block of stamps "Europe 2011 – Year of Forests".


**Only five instead of 14**
In May, Austrian Post simplified its previous 14-tier pricing model which was primarily based on weight. Now there are only five different rates in which the format of the mail item is the main factor in most cases. This means a considerable simplification for customers.

**Post to 265 Viennese primary schools**
A new teaching aid is designed to give pupils – the letter writers of tomorrow – a playful insight into the manifold tasks which Austrian Post fulfils. Stamps and Fridolin, the Post "fox", are also included.

**"Bun venit" – A "welcome" to Austrian Post in Romania**
- 290m unaddressed direct mail items
- 20m addressed direct mail items
- 130 employees and a delivery staff of 1,500 people
- Revenue of about EUR 10m

... these are the most important figures describing PostMaster s.r.l. in Romania, of which Austrian Post acquired a 26% stake in 2011.

**40 years of trans-o-flex**
The pioneer in the fields of combined freight and the transport of sensitive goods celebrated a round birthday. The largest foreign subsidiary of Austrian Post was established in 1971.

# AUSTRIAN POST AT A GLANCE

## RELIABLE PARTNER

***Everyday life in Austria would be unimaginable without Austrian Post. With annual revenue of EUR 2.3bn and around 23,000 employees, it is Austria's leading logistics and postal services provider. Austrian Post reliably takes care of things, regardless of whether letters, direct mail, print media or parcels are transported. For this purpose, it operates a branch network consisting of 1,880 own or third-party operated postal service points, making it one of the largest private customer networks in the country.***

The company makes an important contribution to safeguarding the nation's communications and logistics infrastructure based on its nationwide and reliable supply of high-quality postal services on behalf of the Austrian population and economy. However, the radius of its business operations goes far beyond Austria's borders. Today, Austrian Post boasts 24 operating subsidiaries in twelve European countries. It now generates about 30% of its revenue abroad. The company's business outside of Austria focuses on the parcel and logistics and the unaddressed direct mail item segments.

### High-performance structure

Since September 1, 2011, Austrian Post has divided its business activities into two operating divisions: the Mail & Branch Network as well as the Parcel & Logistics Division. The merger of the previous Mail Division with the Branch Network Division serves as the foundation for further service improvements and the exploitation of synergies, which are embedded in the new division and reflected in the entire path a letter must take – from drop off in the branch office to delivery by the delivery staff. In the 2011 Annual Report, the revenue and financial indicators will still be published for the three traditional divisions of Austrian Post – Mail, Parcel & Logistics and Branch Network – in order to enable better comparability of the business results. However, starting with the 2012 financial year, reporting will only include the new structure with two divisions.

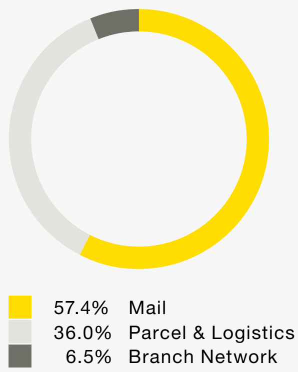
### Solid business model

Austrian Post is relying upon a solid business model at a time of ongoing changes in its market environment:

- **The core business in the letter mail segment, the most important generator of revenue and earnings, will be continuously optimised and modernised.**
- **Austrian Post will exploit opportunities in the growth field of parcel and logistics in a targeted manner.**
- **Ongoing performance improvements safeguard profitability, value creation and dividends.**

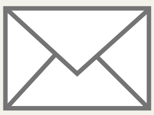
Details on the strategic orientation of Austrian Post and related measures are found in the Strategy section (p. 28).

REVENUE DISTRIBUTION 2011 IN %




## THE NEW DIVISIONAL STRUCTURE

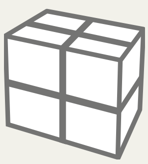
### MAIL & BRANCH NETWORK DIVISION



**MAIL** Acceptance, sorting and delivery of letters, addressed and unaddressed direct mail items (advertising mail), newspapers and regional media as well as various supplementary letter-related services and online services.

**BRANCH NETWORK** Acceptance of letters, parcels, EMS items and direct mail items and various supplementary postal services in own and third-party operated branch offices. Sale of retail goods and telecommunications products as well as banking services of the cooperation partner BAWAG P.S.K.

### PARCEL & LOGISTICS DIVISION



**PARCEL & LOGISTICS** Acceptance, sorting and delivery of parcels and express mail items, offering of speciality logistics services such as combined freight, temperature-controlled logistics, contract logistics and value logistics (transport and handling of large amounts of cash).

# TOP PERFORMANCE

**11,500 employees** in delivery bring mail each day to **4.2m households and companies** throughout Austria

**1,049 bicycles**
are currently being used by Austrian Post in Austria

**4,100 kilometres**
is how much the delivery staff walks daily

**1,880 postal service points**
comprised Austrian Post's nationwide branch network at the end of 2011

**74**
logistics locations are operated by the parcel subsidiaries of Austrian Post in South East and Eastern Europe

**11,000,000**
parcels are transported annually in the B2B market in South East and Eastern Europe

**265 electric-powered vehicles**
are currently being used by Austrian Post in Austria

**10 international climate protection projects** were supported by Austrian Post in 2011, thus compensating for more than **80,000 tonnes of $CO_2$**

**60m**
customers come to Austrian Post's postal service points every year

**59m**
parcels are delivered in Austria each year by Austrian Post

**22,000**
mail drop-off points are made available to customers by Austrian Post

**66m**
mail items in the speciality logistics market are successfully delivered in Western Europe each year

**40 years**
is how long trans-o-flex, Austrian Post's largest foreign subsidiary, has been operating

**6,300 kilometres**
is the distance the delivery staff in Austria rides by bike everyday


# INTERNATIONAL OPERATIONS

Austrian Post has also proactively taken advantage of the dynamic changes in the European postal market. Starting in 2001, it not only expanded to neighbouring countries in South East and Eastern Europe, but also to Western Europe, and built up a focused business portfolio with a particular emphasis on parcel and logistics services as well as unaddressed direct mail items. Accordingly, it has successfully positioned itself as a provider of specialised postal services in attractive market niches, for example speciality logistics focusing on combined freight (combined transport of parcels and pallets), active temperature-controlled products, mainly in the pharmaceutical industry, as well as contract logistics. At the same time, Austrian Post has established a foothold in selected growth regions. In the meantime, Austrian Post derives about 30% of its annual revenue from its international business operations generated by some 3,000 employees.

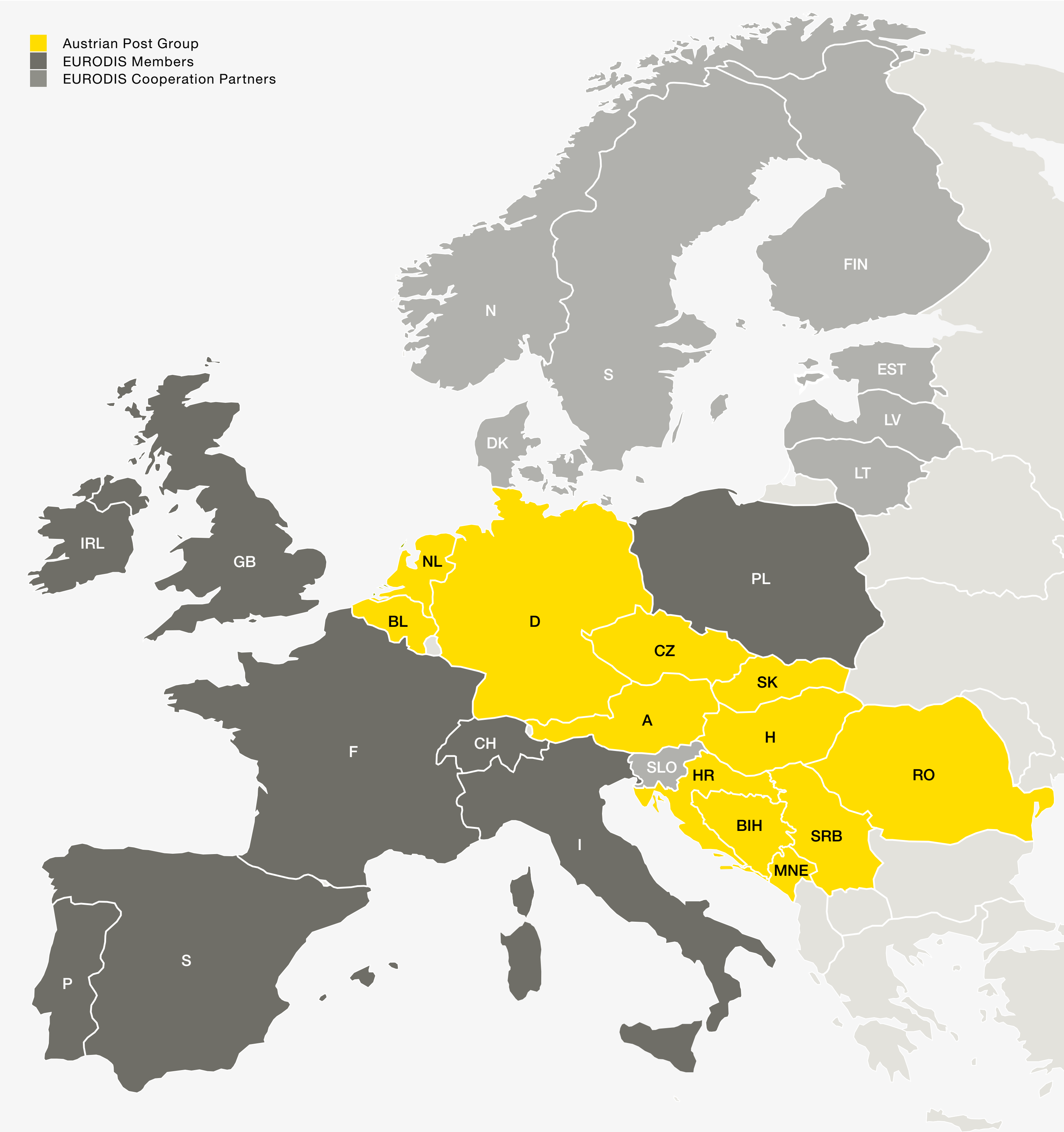
### Austrian Post is already active in twelve markets

As a result of its successful expansion beyond the country's borders, Austrian Post is present in a total of twelve markets with a varying service portfolio. Accordingly, it operates subsidiaries specialising in the distribution of advertising materials in Hungary, Croatia, Romania and Slovakia, and also delivers addressed mail items in the metropolitan areas of these countries. Austrian Post is number one in the unaddressed direct mail segment in Hungary, Croatia and Romania. With the acquisition of a 26% stake in the Romanian company PostMaster s.r.l., it took a further step in 2011 towards implementing its international growth strategy. Interesting growth opportunities will open up especially in South East and Eastern Europe due to the full-scale market liberalisation in 2013, which Austrian Post is already preparing for today. Austrian Post also operates its own sales subsidiary in Germany, Austrian Post International Deutschland, which offers international mail shipment solutions to German customers. A promising cooperation has also been established with Swiss Post. Since the beginning of 2011, the direct mail activities of Swiss Post Solutions and the Austrian Post subsidiary meiller direct GmbH have been bundled within a joint venture. The new company MEILLERGHP is the leading direct mail producer in the German market and a high-performing player in the European market for addressed advertising mail.

Today, Austrian Post is active in the Belgian, Bosnian, Croatian, Dutch, German, Hungarian, Luxembourg, Montenegrin, Serbian and Slovakian markets, offering integrated logistics services. Thus, Austrian Post has successfully positioned itself as a specialist in interesting market niches and regions with high growth potential. For example, it is the top provider in Germany for the fine distribution of shipments in the pharmaceutical sector as well as in the field of combined freight. Austrian Post serves as the leading provider of parcel delivery services for business customers in Slovakia, Croatia, Serbia and Bosnia. It also serves the Slovak and Croatian markets in cooperation with the international logistics specialist UPS.

### EURODIS enables logistics services in 34 countries

Beyond its twelve "own" markets, Austrian Post can also offer professional logistics services in many other European countries. Together with its parcel subsidiaries, Austrian Post is the largest partner in the EURODIS transport network specialising in combined freight, which covers 34 countries in Europe. The network exploits the synergies provided by joint network structures with high performing players. Thus, all members of the EURODIS network can transport goods even more quickly, efficiently and securely without system interruption – an ideal basis for a further expansion of the network's market position in the growing international transport business. In 2011, another effective partner joined the EURODIS network, namely SDA Express Courier in Italy. The operational start-up is scheduled to begin in February 2012.




## NO. 1 IN NUMEROUS MARKETS

**AUSTRIA**
No.1 for letters, direct mail, media post and private customer parcels

**GERMANY**
No. 1 for final distribution of pharmaceutical mailings, combined freight and direct mail production

**SLOVAKIA, CROATIA, SERBIA AND BOSNIA**
No. 1 for parcels to business customers

**CROATIA, HUNGARY AND ROMANIA**
No. 1 for unaddressed direct mail items


INTERVIEW

# "… sucessfully captured a leading market position."

**STEFAN HEIGLAUER**
Head of CEE,
Parcel & Logistics Division

***Austrian Post has built up a considerable business portfolio in South East and Eastern Europe in recent years. What conclusions can you draw for the Parcel & Logistics Division in the past few years?***

**Heiglauer:** Our subsidiaries in South East and Eastern Europe were originally established as small private companies, which successively worked to capture market share and are now well positioned in the market. As a result of this development, the core business of our CEE subsidiaries is the express delivery of parcels in the B2B segment – in contrast to the domestic postal providers, which mainly focus on the private customer delivery (X2C) segment. Success gives us confidence. In many countries, our subsidiaries are the leaders in B2B delivery in their respective markets. Based on this good position, we have also been building up our business in the private customer segment over the last two years.

***What challenges do you see in the region? How does Austrian Post stand out from its competitors?***

**Heiglauer:** Customers are very price-sensitive. This does not allow for much leeway and requires a great deal of flexibility with respect to the services being offered. Here we are doing quite well. Moreover, we are trying to distinguish ourselves from the competition on the basis of quality, for example when it comes to support and customer care, quality as well as IT solutions. A key success factor will be the ability to further expand our cross-border logistics solutions. Our subsidiaries are already very strong in their domestic markets, but there is additional potential in the international parcel transport segment, which can be exploited by more strongly linking the individual national networks.

***How does the postal and logistics market in South East and Eastern Europe differ from the one in Austria?***

**Heiglauer:** There is no such thing as a typical Eastern European market. The markets are very heterogeneous, and the economic development in the CEE countries varies considerably. Moreover, it is important not to underestimate the cultural as well as the religious diversity, especially in South East Europe. One requires more understanding and sensibility at a socio-cultural level. In addition, there is still the need to catch up when it comes to the transport infrastructure in Bosnia-Herzegovina, Serbia and partly in Slovakia. The countries are working on this, but developments depend on public funding, and expansion requires time in a phase marked by strained national budgets.

***How do you see the future of this market? Which regions will develop particularly favourably?***

**Heiglauer:** Certainly the Balkan region continues to boast the biggest potential. But one thing applies to all markets: The X2C segment will post interesting growth rates in the future as well. The new technologies and the boom in e-commerce will also sustainably shape business in this region – as is currently the case in Western Europe. We are making good progress in this field and look forward to opportunities which will arise.

***What growth opportunities exist for Austrian Post? Does the company plan to expand further?***

**Heiglauer:** The countries of South East and Eastern Europe are located in an economically and also geopolitically interesting region. They comprise an important interface to the large economic regions of Russia and Turkey. We want to consistently expand our existing strengths in the individual markets of the regions and take the right steps with restraint and moderation.

***Thank you for the interview.***

**NEWS**

# ENTRY IN ONE OF THE LARGEST CEE MARKETS

**Austrian Post acquires a 26% shareholding in the Romanian firm PostMaster s.r.l.**
After establishing business operations in Hungary, Slovakia and Croatia, Austrian Post is now also represented on the Romanian market. PostMaster was founded in 2007 and is already the leading nationwide provider among the alternative postal companies. Its core business is the delivery of addressed and unaddressed direct mail items. As a result, PostMaster already boasts a very good starting position for the upcoming postal market liberalisation in Romania in 2013 – a solid basis for further growth.

"We consider market liberalisation in our neighbouring CEE countries to be a major growth opportunity and want to become the leading alternative postal provider."

**ANDREAS DRAGOSITS**
Head of CEE,
Mail & Branch Network Division

# OVERVIEW

## TWELVE MARKETS – 24 SUBSIDIARIES

| Country | Company/share[1] | Field of activity |
|---|---|---|
| Austria | Österreichische Post AG | Letter mail, addressed direct mail, media post |
| | | Parcel, express mail services (EMS), combined freight |
| | Österreichische Post AG, feibra | Unaddressed direct mail |
| | Scanpoint | Scanning/archiving of documents |
| | Online Post Austria GmbH | Electronic services |
| | Scherübl Transport, 74.9% | Temperature logistics |
| | Post Wertlogistik | Valuable good transport |
| Germany | trans-o-flex | Combined freight, storage logistics, value-added services |
| | trans-o-flex Thermomed | Temperature logistics |
| | MEILLERGHP, 65.0% | Direct mail services and production |
| | Austrian Post International Deutschland | International mail |
| Belgium | trans-o-flex Belgium | Combined freight, temperature logistics |
| Netherlands | trans-o-flex Netherlands | Combined freight, temperature logistics |
| Slovakia | Slovak Parcel Service (SPS), In Time | Express and parcel, combined freight |
| | Kolos | Unaddressed and addressed direct mail |
| | Scanpoint | Scanning/archiving of documents |
| Czech Republic | MEILLERGHP, 65.0% | Direct mail services and production |
| Hungary | trans-o-flex Hungary | Express and parcel, combined freight |
| | feibra Magyarország | Unaddressed and addressed direct mail |
| Serbia | City Express | Express and parcel, combined freight |
| Montenegro | City Express Montenegro | Express and parcel, combined freight |
| Bosnia-Herzegovina | 24-VIP | Express and parcel, combined freight |
| Croatia | Overseas Trade | Express and parcel, combined freight |
| | Weber Escal | Unaddressed direct mail |
| | Post d.o.o. | Addressed direct mail |
| Romania | PostMaster s.r.l., 26.0% | Unaddressed and addressed direct mail |

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

# STRATEGY
## STRIVING FOR PROFITABLE GROWTH

## AUSTRIAN POST HAS CLEARLY-DEFINED STRATEGIC GOALS

***Austrian Post is facing ongoing changes in the international postal and logistics market, which pose major challenges but also open up big opportunities. For this reason, management is focusing on sustainably safeguarding the future of the company. To achieve this, three main business targets have been set:***

### I. Revenue: medium-term growth of 1–2 % annually

Austrian Post strives to more than compensate for the volume decline of 3–5 % p.a. for addressed letter mail due to electronic substitution by taking advantage of other growth opportunities. This growth will be supported by new service offerings, innovative approaches to customer service and retention as well as a greater product differentiation.

### II. High profitability: sustainable EBITDA margin of 10–12 %

Austrian Post aims to maintain its high level of profitability, even in a fully liberalised market. For this reason, it is essential to continually enhance the efficiency of all operational processes. Services will be consistently tailored to customer needs, and logistics operations will be streamlined as much as possible. In this way, Austrian Post will sustainably protect its earnings as well as its cash flow.

### III. Dividends: continuation of attractive dividend policy

In terms of total shareholder return, Austrian Post has generated a 70 % increase in value for its shareholders since the IPO of 2006. Last but not least, an important contribution has been made by the attractive dividend policy, which remains a key cornerstone of its corporate philosophy. Each year Austrian Post strives to distribute a dividend to shareholders amounting to at least 75 % of Group net profit. The aim is to further develop the dividend payout ratio in line with Group net results.

**1.**

**DEFENDING MARKET LEADERSHIP IN THE CORE BUSINESS**

**2.**

**PROFITABLE GROWTH IN SELECTED MARKETS**

**3.**

**ENHANCING EFFICIENCY AND INCREASING FLEXIBILITY OF THE COST STRUCTURE**

**4.**

**CUSTOMER ORIENTATION AND INNOVATION**

# FOUR CORE STRATEGIES DETERMINE THE PATH

***Based on these targets, the Management Board of Austrian Post defined four core strategy pillars at the beginning of 2010. Austrian Post has made very good progress since then in implementing these strategies. Thus, the strategic approach defined by Austrian Post is taking the company in the right direction. For this reason, the persistent pursuit of these core strategies will remain an important corporate compass also in the future. The priorities for implementation will be adapted to current developments on an annual basis.***

**1.**
**MARKET LEADERSHIP**

## Defending market leadership in the core business

Austrian Post is the undisputed market leader in Austria – both in the letter mail segment and in the transport and delivery of parcels, especially to private customers. In 2011, Austrian Post succeeded in maintaining its market position even after the complete liberalisation of the Austrian postal market, generating a revenue increase of 4.4 %. The strategic positioning of its subsidiary feibra and its targeted further development as a useful complementary provider in the field of unaddressed and addressed direct mail delivery have proven to be successful. Moreover, revenue from private and business customers could also be further expanded in the Austrian parcels segment.

### *Priorities in 2012*

Austrian Post will continue to pay particular attention to defending its leading market position in letter mail delivery services in 2012. Potential changes in the advertising sector will be offset by a customer-oriented, differentiated service offering of Austrian Post itself and its subsidiary feibra. In the parcel and logistics business, Austrian Post is striving to increase its market share in the B2B parcel segment to over 20% in addition to defending its market leadership in X2C parcels. Furthermore, it will increasingly offer additional logistical services along the value chain and promote its activities in the field of logistics for valuable goods.

**2.**
**WACHSTUM**

## Profitable growth in selected markets

In order to compensate for declining volumes in the letter mail business, Austrian Post will rely on a focused growth strategy. The priority will be on the parcel and logistics business, which Austrian Post will expand in Austria and Germany as well as in South East and Eastern Europe. The focus will be on B2B and B2C parcel services, combined freight and temperature-controlled logistics.

However, growth opportunities also exist in the letter mail segment. This applies equally to the markets in South East and Eastern Europe, which will be fully liberalised for the most part as of 2013. In 2011, Austrian Post successfully continued its growth path in South East and Eastern Europe by expanding its letter mail and parcel activities in the region. A particularly important step was the recent acquisition of a stake in the Romanian postal services provider PostMaster s.r.l.

After setting up a joint venture between the Austrian Post subsidiary meiller direct and the direct mail business area of Swiss Post Solutions, the year 2011 was characterised by a far-reaching restructuring and integration process at the newly formed company MEILLERGHP. On balance, revenue growth is proceeding satisfactorily in the international parcel and logistics business. However, optimisation potential exists with respect to the profitability of several subsidiaries, especially in Western Europe. Therefore, Austrian Post is intensively working to improve the margin and cost structure of these companies. Accordingly, a comprehensive programme was initiated to enhance the performance of trans-o-flex as well as MEILLERGHP.

### *Priorities in 2012*

Opportunities will arise due to the further liberalisation of the European letter mail market. The Slovakian market will be liberalised as of 2012, and by 2013 the remaining EU member states will be open to competition, namely countries in which Austrian Post is already strongly represented by its subsidiaries. There is also additional revenue potential, which can be exploited on the basis of a new service offering in the “Mail Solutions” area, including address management, digitalisation and mailroom services.

At the same time, Austrian Post is striving to further develop the EURODIS network in the parcels segment, and also increase international shipments within the context of an export drive based on the expansion of its existing business as well as on strategic partnerships within Europe. In Germany, the focus will mainly be on expanding the contract logistics business. The priorities at trans-o-flex and MEILLERGHP will be on the continued implementation of the ongoing earnings improvement programme and further growth in selected submarkets.

## 3.

**EFFICIENCY**

### Enhancing efficiency and increasing flexibility of the cost structure

A key issue is defending the company's cost leadership and ensuring the ongoing increase of efficiency in its logistics and delivery operations. Therefore, Austrian Post implemented a large number of efficiency enhancement measures during the period under review, consistently reducing operational staff costs and material costs. The further intensification of the joint delivery of letters and parcels in Austria led to material synergies. Investments in the Parcel & Logistics Division in 2011 also included upgrading the vehicle fleet for parcel delivery.


Moreover, Austrian Post also realised consistent process improvements in distribution and delivery.

The structural transformation of the branch network in cooperation with BAWAG P.S.K. was initiated in January 2011 with the opening of the first jointly-operated branch offices, and speedily implemented in the course of the year. 329 joint outlets were established by the end of 2011. The postal partner network was persistently enlarged, and already encompassed a total of 1,258 third-party operated postal partner offices at the end of the financial year. The previous Mail and Branch Network divisions were merged into a new division – the Mail & Branch Network Division – in September 2011. This restructuring serves as the foundation for further service improvements and synergies as a means of increasing the division's profitability.

***Priorities in 2012***

Following the definition of the new corporate principles in 2011, further efforts will be made to embed the performance culture in the entire company. Moreover, work is being done on implementing new delivery models designed to further increase the efficiency and flexibility of the cost structure. The structural transformation and the merger of the Austrian Post and BAWAG P.S.K. networks will be continued in 2012, in order to enable the company to offer an attractive, customer-oriented service portfolio throughout the country in a cost-effective manner. Simultaneously, the postal partner network should be further expanded, and the targeted network of 520 branch offices jointly operated by Austrian Post and BAWAG P.S.K. should be achieved.

## 4.

**CUSTOMER**

### Customer orientation and innovation

Austrian Post will only be successful in the long term on the basis of attractive offerings, which correspond to specific customer requirements. That is why the company is focusing on targeted innovation in its product offering as well as providing an attractive and diverse range of services. A service and quality drive focusing on private customers and oriented to optimising the service profile and customer satisfaction across Austrian Post's entire spectrum of products and services was designed to help achieve this goal.

The simplification of the product portfolio featuring size-based postal rates and the choice between a "Premium" and an "Economy" tariff for business customers was very well received. In the field of advertising mail, use of the new direct mail envelope KUVERT and the possibility of more strongly individualising addressed direct mail items also turned out to be major milestones. Pilot testing carried out on the Post Drop-Off and Pick-Up boxes were also well accepted by customers within the context of pilot projects. In addition to this, Austrian Post further developed its online services with electronic post, online parcel stamps and the online e-shop. In particular, these efforts included the "Post Manager" serving as a secure communications platform for customers who want to receive and administer their official mail online. In 2011, Austrian Post also started its highly-regarded initiative focusing on sustainable environmental and climate protection. Accordingly, all letters, parcels and direct mail items are now being delivered in a $CO_2$ neutral manner.

***Priorities in 2012***

The consistent focus on customers with the goal of promoting innovative self-service products will be intensified in 2012. In this context, measures were also implemented to increase the use of online postal services. Since February 2012, the KUVERT is being distributed to all Austrian households throughout the country and thus established on the Austrian market. The focus in the branch network will be on further implementing the quality and service initiative launched in 2011, including, amongst other measures, a customer-oriented modernisation of the branch office design.

## INTERVIEW

Walter Oblin (left), Carsten Wallmann (right)

**"… customer orientation, quality and efficiency are the most important success factors …"**

**WALTER OBLIN**
Head of Strategy and Group Development, designated CFO

**CARSTEN WALLMANN**
Head of Strategic Projects

*Mr. Oblin, as Head of Strategy and Group Development, you are intensively dealing with strategic issues and naturally observe the business environment in your sector. What are the most significant trends and influencing factors in the postal market?*

**Oblin:** International trends naturally include increasing competition due to market liberalisation initiated by the EU and the substitution of traditional letter mail by electronic media. Both factors pose a challenge to postal companies. In contrast, the stable significance of direct marketing which is primarily done via mailings has had a positive impact, of course along with online shopping which has led to a revolution in conventional purchasing processes and thus to a significant rise in parcel volumes.

*Mr. Wallmann, what influence do the economic environment and legal framework have on Austrian Post's operations in this regard?*

**Wallmann:** Both are decisive factors. Postal companies are impacted by the overall economic situation, for example when it comes to direct marketing or parcel and logistics volumes. In terms of the legal framework, universal postal services in particular are very strictly and comprehensively regulated by regulatory authorities, a fact which imposes high requirements on us. Austrian Post operates in a fully competitive market, but is still obliged to guarantee the supply of basic postal services throughout Austria.

*And how can a postal company win over customers in the light of these very challenging external factors?*

**Oblin:** The best factors for success are products and services which really, very precisely and innovatively meet customer requirements. Our services must offer a tangible added value, such as extensive customer proximity on the basis of a nationwide distribution network combined with alternative means of access, above all in the form of online services. Moreover, quality and reliability are decisive, which in turn presuppose the existence of a highly effective logistics network, as well as a persistent cost discipline, in order to operate on an economically solid basis. In a nutshell, customer orientation, quality and efficiency are the most important success factors.

*Thank you for this interview.*

### Management on the basis of clearly-defined parameters

***The operational management of the Group and the divisions of Austrian Post is carried out at a top level and based on the indicators revenue, EBIT and cash flow. Moreover, depending on the management level, special performance indicators (such as quality) are also included.***

To enhance the value of the company, it is equally important to promote services with existing and new customers and to organise the cost structure as efficiently as possible. In recent years, Austrian Post has succeeded in both financing the required investments and acquisitions from its cash flow as well as maintaining its attractive dividend policy.

Austrian Post has defined strict criteria regarding investments in new facilities and infrastructure as well as acquisitions in order to ensure a suitable return on investment.

# NEW CORPORATE PRINCIPLES, NEW VALUES

### Together we are strong

Austrian Post is not only intensively working on its products and services but also on itself. First and foremost is its corporate and leadership culture, which was put on a fundamentally new basis over the last two years. It is a fact that only clearly-defined and mutually held visions and values enable a company to act in a target-oriented and sustainable manner. At the beginning of 2010, Austrian Post began to focus on developing its new corporate principles. In formulating these corporate principles, Austrian Post linked several objectives reflecting changes in the marketplace and its own activities as well as the economy and the overall working environment.

### Broad-based development process

For the Management Board, it was important to involve as many employees from all different business areas as possible, in order to create a solid foundation for the new set of values. For this reason, some 500 employees actively participated in drafting the new corporate principles within the context of a broad-based, multi-phased top-down/bottom-up process. The result of this comprehensive evaluation and discussion process were three value categories with the corresponding principles:

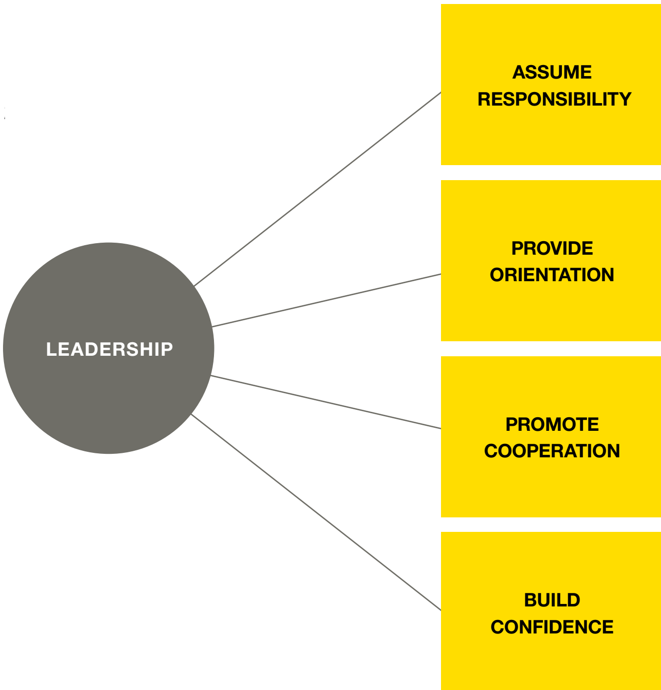
- **Customer orientation:**
  Everything we do revolves around our customers
- **Profitability and sustainability:**
  We are future-oriented
- **Communication and appreciation:**
  We are all part of Austrian Post

A variety of measures now serves the purpose of implementing and embedding these new corporate principles in the daily work of all employees. The objectives of the corporate principles can only be achieved if they are consciously put into practice: a cultural change in the way employees deal with each other, customers and partners of Austrian Post, the strengthening of employee identification with the company and increasing the attractiveness of Austrian Post as an employer.

### Leadership guidelines derived from the corporate principles

In particular, executives should serve as promotional ambassadors on behalf of the company. New leadership guidelines were developed in 2011 in order to give them an orientation guide. They serve as the common bond linking the more than 2,000 managers and executives working for the Austrian Post Group. For this purpose, four core values were initially developed and formulated at a conference attended by 300 executives. A series of workshops involving 162 executives and employees from all business areas and regions was held as the basis for subsequently developing specific leadership guidelines.

THE LEADERSHIP GUIDELINES OF AUSTRIAN POST ARE BASED ON FOUR GUIDING VALUES:



### Further specifications developed at Management Days

Some 1,350 senior managers spent three Management Days in Vienna, Salzburg and Graz in September and October 2011, focusing on how to specifically implement these guidelines in everyday working life. In lively discussions, they developed numerous approaches to demonstrate how executives could assume responsibility and be motivated to lead in accordance with the defined values. These guidelines have already been largely implemented and embedded in people's daily work at the company.

### Clearly-defined mutually held values as the basis for economic success

The successful development of the company requires a common understanding of objectives on the basis of values, guidelines and behavioural principles. On this basis a Code of Conduct was developed, serving as a binding code of behaviour for all employees.


## INTERVIEW

"… executives bear special responsibility as role models."

**FRANZ NIGL**
Head of Human Resources Management

*Mr. Nigl, why does Austrian Post require leadership guidelines?*
**Nigl:** In our company, the demands placed on executives have considerably changed in recent years. In times when Austrian Post was still state-owned, the organisation was structured in a very hierarchical fashion. Today the emphasis is on teamwork – and thus we need a modern and up-to-date leadership style. At the same time, market demands and the wishes of our customers are much more complex today than they were even a few years ago. For these reasons, we put down in writing for the very first time what leadership means at Austrian Post, and thus created common guidelines to which everyone can benchmark their activities. This not only simplifies the work of executives, but creates a common understanding throughout the Group and promotes integration. In this process, it was important to us that the development of these leadership guidelines was put on a broad basis by relying on surveys, workshops and group work. As a result, our executives also see their own personal values reflected in the guidelines.

*How can you ensure that these leadership guidelines are actually lived and practiced by everyone?*
**Nigl:** On the one hand, by this joint development designed to enable executives to identify with the company as much as possible. On the other hand, this will be ensured by the fact that we work sustainably and not selectively. We will continually check to see where and how we can support our executives to carry out their tasks as effectively as possible. Moreover, I am especially happy that we were able to immediately follow up on the aspect of sustainability and will launch our "Executive Academy" in 2012. This programme is designed to efficiently bundle all executive development measures. One thing should generally be kept in mind: outstanding executives and employees are the cornerstone of innovative strength and thus the ongoing success of a company. And we know that we are competing with other companies. For this reason, we want to be in the forefront with our activities.

*What does Austrian Post expect of an executive?*
**Nigl:** In principle, every employee must assume responsibility for their share of work. The executives have a special responsibility to act as role models. For this reason, we not only promote their professional and organisational skills but also their social competence. Our managers should be appreciated and respected by their employees.

*What do you think characterises a good manager?*
**Nigl:** I fully support the four core values of our leadership guidelines: assuming responsibility, providing orientation, promoting cooperation and building confidence. If I manage to do this and thus set an example in my role as an executive, I can be proud of my work and will be able to win over my employees. This includes always asking myself if I am doing the right thing everywhere, or if there is something I can change about the way I work.

*Thank you for the interview.*

# MANAGEMENT DAYS 2011

## WE ARE ALL PART OF AUSTRIAN POST

“We focused on the issue of motivation at the Management Day. It was very interesting to get to know the different points of view held by colleagues from the various divisions who are directly in contact with customers, and who thus face different challenges than the central business units.

**CORNELIA ROCKENBAUER**
Head of Business Operations (Group Real Estate)”

“I was really pleased with the Management Day in Graz, especially the personal talks with executives with whom one otherwise has no chance to interact directly. The time was almost too short due to the fact that so many people were present. The exchange of views with branch managers from other regions in Austria was also very interesting.

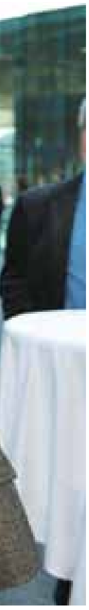
**ASTRID GRASSL**
Branch Manager, 1050 Vienna”

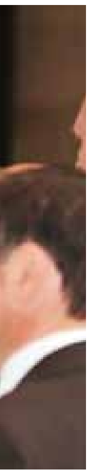
“The corporate principles are an important component of every large company.
I welcome the fact that Austrian Post has also developed its own corporate principles and is breathing life into them. In addition, with the leadership guidelines we have jointly developed, the company offers an orientation guide to employees for their daily cooperation.

**MICHAEL WIESENEDER**
Head of Postal Processing”

“The Management Days were professionally organised. I thought the day was quite exciting, because one had the chance to openly exchange views with other colleagues across all divisions. Moreover, you could choose the topic you wanted depending on your interests, and work with others on it.

**MANFRED STEINBACHER**
Delivery Base Manager in Baden”





# COMPLIANCE

“Compliance affects all of us.“

**GEORG PÖLZL**
CEO

***The term “compliance” plays an increasingly important role in a corporate context. It stands for adherence to legal regulations and regulatory guidelines as well as fulfilling key ethical standards to which the company commits itself to observing. The demands are manifold and complex and require targeted activities and effective structures. In 2010, Austrian Post also began establishing a modern compliance management system, in short “CMS”. The objective is to create a Group-wide compliance organisation providing all employees with a behaviour-oriented and practical advisory offering.***

THE COMPLIANCE MANAGEMENT SYSTEM OF AUSTRIAN POST


## Communicative approach

The central Compliance Office led by Andrea Scholz is supported by regional compliance representatives in Austria and abroad in implementing Group-wide activities. In this connection, Austrian Post strongly relies on an open and trustworthy dialogue with employees. “We have a strongly communicative approach. Compliance can only sustainably function in the company when employees get quick and practice-oriented responses to their questions”, Andrea Scholz says. “For this reason, we have set up our own Compliance Help Desk, which has been available around the clock to our employees via e-mail since the middle of 2011. In addition, colleagues can contact us via Intranet and by phone. This naturally also applies to our international subsidiaries and offices“, Ms. Scholz adds. Compliance management must encompass everyone and thrives from the conviction that compliance is not only driven by management but must be anchored throughout the whole Group and practiced from the bottom up. Georg Pölzl, Chairman of the Management Board of Austrian Post, sets the direction for employees. “Compliance affects all of us and is not a one-way street. The principles apply to the entire management, staff representatives and all employees!”

## From Group corporate principles and compliance strategy to a compliance organisation

Based on the three core corporate values, “Everything we do revolves around our customers“, “We are future-oriented“ and “We are all part of Austrian Post“, the compliance strategy adopted by Austrian Post defines the objectives underlying specific measures to be taken within the framework of compliance management. In particular, the emphasis is on providing employees with guidelines on how to act in their daily work, and thus the ability to identify reputational risks as well as financial risks at an early stage and avoid them altogether. As a means of implementing these strategic goals, a compliance structure was established which supports management as well as employees throughout the Group in dealing with compliance issues. “There is a ‘Compliance Committee’, which consists of the heads of the legal, human resources, information technology, internal auditing, risk management and compliance departments as well as the Data Protection Supervisor and Group Compliance Officer and assumes the function of an advisory council, making recommendations to the Management Board of Austrian Post on suitable measures to be taken in cases of serious violations of compliance rules. Thus, we have prescribed a clear procedure to be followed in such cases”, says Compliance Officer Scholz. Regional compliance representatives have been appointed to ensure that compliance functions on a Group-wide basis. They are available for training and advising employees in the individual divisions and subsidiaries and serve as the first local point of contact to respond to specific questions posed by employees.

## The process continues

The ongoing integration of the compliance organisation in the subsidiaries of Austrian Post, especially in the CEE region, is planned for the year 2012. The focal points of its work will be the issues of compliance awareness and anti-corruption. The Group-wide implementation of these main areas of training will be supported by the launch of a separate e-learning tool on the topic of compliance. In addition, all measures will be accompanied by a separate communications campaign. Moreover, Austrian Post has initiated the certification process for its compliance management system.

## The Code of Conduct

On the basis of its new corporate principles, Austrian Post already adopted its Code of Conduct and Ethics back in 2010. It contains the principles applicable to the behaviour of all the people working for the company – the Management Board, executives and all employees. The Group-wide introduction of the Code of Conduct and Ethics was commenced in the 2011 financial year. "Our Code of Conduct is the basis for an open, respectful and legally compliant corporate culture, which we are committed to complying with and which we have to breathe life into every single day", says CEO Georg Pölzl.

## INFO BOX

**A cost-free hotline has been installed for telephone inquiries from within Austria and abroad.**

**Compliance Help Desk:**
E: compliance.helpdesk@post.at
**Hotline Austria:**
T: 0800 202 224
**Hotline International:**
T: 0800 202 224 26
**Hotline Serbia:**
T: 00431 57767 24317

**ANDREA SCHOLZ**
Compliance Officer

## INTERVIEW

"Compliance is more than just adhering to laws and rules. It is a question of integrity and how we deal with one another."

**MICHAEL STADLMANN**
Head of Internal Auditing, Risk Management and Compliance

*Mr. Stadlmann, what does compliance mean for Austrian Post?*
**Stadlmann:** Compliance means that all the relevant laws, regulatory provisions as well as internal guidelines and codes of conduct applying to the company are completely complied with. Actually, it is rather simple: Unlawful behaviour or behaviour which violates binding rules, e.g. corruption, bribery, embezzlement or insider trading, is not tolerated under any circumstances at Austrian Post. Here in the company we only want to be involved in honest business activities. This applies to everyone, from the members of the Management Board to people on the delivery staff. But we are going a step further because we want to make a contribution towards creating an environment in which managers and employees can comply with ethical principles of behaviour in their daily work on the basis of our new corporate principles.

*Why is this issue so important to Austrian Post?*
**Stadlmann:** There is a simple explanation. Laws must be adhered to or else one may suffer the consequences. Initially the purpose is to minimise liability risks to the company and the persons involved. In fact, a paradigm change has occurred here. A company no longer can afford to ignore compliance issues. But by far the question is not only the financial risk if the company has to pay fines or when an investigation costs an enormous amount of time and attention on the part of the management. It's rather a question of the company's reputation. We can only be sustainably successful on the basis of proper business practices.

*How should an employee know if he or she is acting in accordance with the law?*
**Stadlmann:** In principle, I believe that every employee has a good instinct of what is permissible and what is not. Sometimes extensive ignorance and uncertainty still prevail. For others the term compliance is so abstract and difficult to grasp that it seems to have no relevance to their everyday lives. However, one has to deal with compliance issues more often than you would imagine. For example, is a sales employee or purchaser allowed to accept or give presents? To what extent is it acceptable to extend invitations? The consequences for companies which act improperly are often enormous as recent events reported in the media have shown us. For Austrian Post this means we want to inform, enlighten and sensitize employees even more. We have to create awareness for the importance of this issue and make it clear that every one of us is responsible. On the other hand, we have to train our colleagues and offer them real support in their everyday work.

*What support does your compliance organisation specifically offer?*
**Stadlmann:** We are focusing on providing an action-oriented consulting offering for specific questions. Everyone in the company can contact us directly. There is a Code of Conduct which provides the framework for ethical, respectful and legally compliant behaviour. In addition to this, there are other tools for specific situations and cases. For example, we have prepared guidelines for giving and accepting gifts. Furthermore, we have developed a whole series of communications and training measures which are being successively rolled out. Moreover, there is also a compliance help desk, which is accessible per e-mail and telephone from Austria and abroad. We will successively further roll out and strengthen our compliance management system throughout the Group.

*What role do the managers play from your point of view?*
**Stadlmann:** A very decisive one! Above all I expect our executives to set an example, acting with integrity and in compliance with the law, and always have an open ear for questions posed by their colleagues. At the same time, it is important to emphasize that one must be prepared for consequences and penalties in the case of misconduct. Improper conduct and unlawful behaviour must nowhere and at no time be tolerated.

*Thank you for the interview.*

"In 2012, we want to consolidate our position as the number one provider with our customers", says Walter Hitziger, Member of the Management Board of Austrian Post. "There are good reasons why we are the logical partner for private individuals and companies", Hitziger is convinced. "This also means we have to permanently work on ourselves in order to offer optimal solutions to customers. User-friendly products, uncompromising excellent quality and high cost awareness are the keys to success here."

Austrian Post also has ambitious plans for 2012. In particular, it is striving to determinedly pursue its overall strategy. At the same time, the specific projects are being consequently implemented and concluded. A lot was done in 2011, and many projects were initiated and successful preparatory work was done for 2012. "We are focusing on many important projects both in the logistics business and in the branch network. Thus, the new product KUVERT reflects customer wishes, and we are also working together with BAWAG P.S.K. as well as our postal partners to speedily expand our network of postal service points."

At the same time, Austrian Post is focusing on intensive market development work and growth. "Operational excellence is the basis for the ongoing expansion of our business. We can offer our Austrian customers an optimal portfolio with two brands, 'Austrian Post' and 'feibra', which we are continually expanding along the value chain. Let me only mention 'Mail Solutions', i.e. the implementation of upstream or downstream activities from actual postal services, e.g. the digitalisation of incoming mail or the in-house distribution of mail at a customer's site", Hitziger explains.

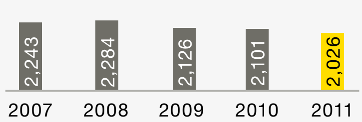
Growth does not have to stop at Austria's borders. "We also aim to grow steadily in South East and Eastern Europe. The entry into the Romanian market in 2011 was certainly an important step in this direction."

**"... also want to consolidate our position as number one with our customers in 2012 ..."**

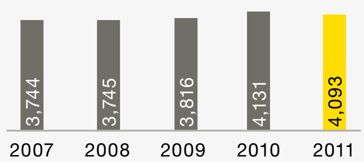
**WALTER HITZIGER**
Board Member, Mail & Branch Network Division

MAIL ITEMS IN MILLIONS

Addressed mail items in Austria

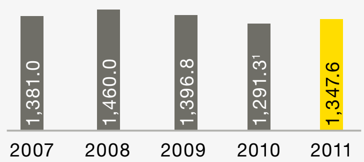



Unaddressed mail items in Austria




EXTERNAL SALES IN EUR m

[1] On a comparable basis



HIGHLIGHTS 2011

- New, simplified size-based product portfolio with five tariff rates
- Merger of the Mail Division and the Branch Network Division to create the new Mail & Branch Network Division
- Postal partner openings and comprehensive implementation of the branch office concept with BAWAG P.S.K.
- Advertising envelope KUVERT began pilot operations in individual Viennese districts in October

# MAIL & BRANCH NETWORK DIVISION

## EVERYTHING UNDER ONE ROOF

Austrian Post laid the groundwork for further service improvements and synergies in 2011 on the basis of an organisational realignment of its business operations. The previously separate Mail and Branch Network divisions were merged to create the new Mail & Branch Network Division. Thus, the responsibility for the entire life cycle of a letter – from the time it is posted at a branch office or letterbox until it is delivered by the company's staff – is now in the hands of a single division. Its broad-based core business ranges from the acceptance, sorting and delivery of letters, postcards, addressed and unaddressed direct mail items and newspapers to the sale of banking services as well as postal and telecommunications products. The service portfolio is complemented by new services for business and advertising mail, such as address and data management, mailroom management, intelligent scanning and response management.

### Dense distribution network, full service

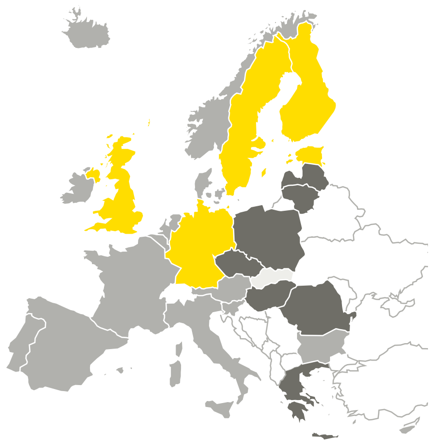
A total of 1,880 postal service points throughout Austria are now at the disposal of customers, comprising the largest private customer network in the country. Close to 3,800 employees in the branch network ensure customer proximity and competent consulting. A further 13,000 employees deliver the mail every day to 4.2m households and companies throughout Austria. Each year more than 6.1bn mail items are delivered in Austria.

## MARKET ENVIRONMENT

### Complete liberalisation of the European letter mail market increases competition

The year 2011 represented an important turning point in Europe's letter mail market. The EU's Third Postal Directive prescribes the complete opening of Europe's national postal markets in previously reserved areas. The aim of this liberalisation is to open up the postal market in all EU member states to free competition, and to abolish existing monopolies if necessary. The directive requires most member states to establish the legal framework underlying a full liberalisation of their postal markets as of January 1, 2011. Exceptions were granted to the Czech Republic, Greece, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Poland and Romania. In these cases, the deadline for implementing the Third Postal Directive was extended to December 31, 2012.

MULTI-STAGE LIBERALISATION



- Liberalisation before 2011
- Liberalisation 2011
- Liberalisation 2012
- Liberalisation 2013

The status of the liberalisation efforts differs considerably among the individual EU member states. Some countries have so far only prepared initial drafts of laws governing the conversion of the Third Postal Directive into national regulations, whereas other markets have already been fully liberalised.

Based on the EU's Third Postal Directive, the new Postal Market Act was passed by Austria's Parliament and fully took effect on January 1, 2011. Thus Austria's letter mail market was fully opened to competition in line with the EU guidelines.

### Elimination of the letter mail monopoly

Austrian Post's monopoly on transporting letter mail items weighing up to 50 grams, which ensured the same high quality delivery throughout Austria, was abolished effective December 31, 2010. At the same time, as of January 1, 2011, Austrian Post no longer received any indirect compensation for the obligations arising from fulfilling the Universal Service Obligation. Even after the full-scale liberalisation of the Austrian market, Austrian Post as the universal services provider will continue to guarantee nationwide and high quality postal services for the benefit of the entire population.

### Universal Service Obligation and compensation for net costs

In order to maintain the supply of basic services, the newly-defined Universal Service Obligation limits the spectrum of basic postal services mainly to mail items which can be posted at legally stipulated access points, for example postal service points or letterboxes. Accordingly, postal services for mail items brought to sorting centres by large customers, with the exception of newspapers, are not considered to be an integral component of universal postal services. Compensation for the net costs of providing universal postal services will take place on the basis of a public equalisation fund, which will be financed on a pro-rata basis corresponding to the market share held by Austrian Post and other licensed postal operators. Only postal providers, whose annual revenue derived from their licensed business operations exceed EUR 1m, will be required to contribute to the equalisation fund. Moreover, the net costs incurred by Austrian Post in providing universal postal services will only be refunded if they comprise an excessively heavy financial burden, i.e. if these costs exceed 2% of the entire annual costs incurred by Austrian Post. Since January 1, 2011, the VAT exemption only applies to postal services, which are provided by a universal services provider within the context of the legally prescribed Universal Service Obligation. In contrast, it does not apply to services in which the terms and conditions are defined on an individual basis.

As of January 1, 2011, the right to carry out postal delivery services for letters weighing up to 50 grams necessitates obtaining a license.

### Network of postal service points

The Postal Market Act prescribes a minimum of 1,650 postal service points. Austrian Post must ensure that all municipalities with over 10,000 inhabitants as well as 90% of the people living in the urban areas of all district capitals must have access to a postal service point within a radius of two kilometres. In all other regions, the prescribed maximum distance to a postal service point is ten kilometres. Austrian Post has surpassed these legal requirements with a network of 1,880 postal service points as at December 31, 2011 in the interest of ensuring nationwide, customer-oriented postal services. Austrian Post is only authorised to convert company-operated post offices manned by its own staff to postal partner offices, following an administrative procedure in which it must demonstrate that the post offices affected by the restructuring process will remain unprofitable on a long-term basis. Moreover, it must show that setting up other postal service points will ensure that the population continues to be provided with nationwide universal postal services. In addition, the affected communities must be informed in a timely manner about the planned structural changes in the branch network.

### Cluster Box Units and Rural Drop-Off Boxes

The Postal Market Act stipulates the replacement of existing Cluster Box Units and Rural Drop-Off Boxes without mail slots with newer ones containing mail slots. In its role as a universal service provider, Austrian Post is required to implement this conversion by the end of 2012. 90% of the costs to be shared by Austrian Post and the other licensed postal providers will be based on market share, and 10% will be related to the actual number of licensed postal operators.

"The full liberalisation brings great changes on the postal market."

**ANNELIESE ETTMAYER**
Head of the Legal Department

**INTERVIEW**

## "European postal service reform has been a success."

**WERNER STENGG**
Head of the Postal and Online Services Unit, DG Internal Market, European Commission

*Mr. Stengg, as a postal market expert of the European Commission, you have helped shape the liberalisation of the European postal market, most of which has been liberalised since January 1, 2011. What specifically happened in 2011?*

**Stengg:** 16 member states comprising 95 % of the total EU postal volume were obliged to implement the EU's Third Postal Directive as at January 1, 2011. All of them actually did so with the exception of Portugal. However, although this positive development seems encouraging from a statistical point of view, and the timely implementation of an EU directive in 94% of the cases is an outstanding track record compared to other EU guidelines, it is also important to make sure now that the directive is being correctly applied. The postal directive does not only stipulate a permanent market opening, but also involves ensuring that fair competitive conditions are created. For this reason, it is very important to note that the European Regulators Group for postal services established by the EU Commission started working in the year 2011. There have already been initial results in the fields of cost accounting, the allocation of common costs for universal postal and other services, the net costs of providing universal postal services, user satisfaction, cross-border products and access issues.

*What steps do you expect to be taken in anticipation of 2013?*

**Stengg:** In 2013, all EU member states will have liberalised their postal markets. If we look back just a few years, we can see that the reform of Europe's postal sector has been a success. The postal monopolies have been transformed into efficient, market- and customer-oriented companies. At the same time, the quality of postal services has improved. The market opening has not led to a catastrophe, as some people feared. But it also did not result in completely competitive markets overnight. The aim was never to ensure competition for competition's sake, possibly to the detriment of customers or employees. In fact, liberalisation was more about creating the necessary incentives to make the postal sector more competitive overall. This is because the real challenge for postal companies is not only fair competition, but mainly changes in communications behaviour and the related products. In 2013 the EU Commission will present its first Application Report following full-scale market liberalisation, including an initial assessment and if necessary proposing further steps to be taken.

*How do you envision the postal market to be in the year 2020?*

**Stengg:** Naturally any precise prediction would only be a matter of speculation, considering the fact, to put things bluntly, that eight years today correspond to 80 years of development in earlier times. However, you can be sure that in 2020 a modern postal market will be just as important for the economy and consumers as it is today. It is obvious that we will experience a further structural decline in demand with respect to written correspondence in letters. At the same time, the share of direct mail and especially of product shipments (i.e. parcel and express items) as a percentage of the total shipment volumes will further increase. Here different factors are playing a decisive role, for example the increase in e-commerce. This is a core issue for us. For this reason the EU Commission will present a Green Paper on Cross-Border Parcel Delivery this year. If postal companies want to remain at the heart of society, they will have to change. I am confident that innovative companies will continue to play a key role in business and society, also in the year 2020.

*Thank you for the interview.*

# CURRENT TRENDS

## Austria ranks in the middle of Europe in per capita mail volumes

In European comparison, Austria ranks in the middle of the pack in Europe with an annual per capita volume of 230 letters and addressed direct mail items. This was the conclusion of the Global Postal Industry Report which is regularly prepared by the International Post Corporation (IPC), the umbrella organisation of postal companies founded in 1989 and headquartered in Brussels. The range of mail items per capita and year differs significantly from an international perspective. In part, mail volumes are impacted by differences in regional customs and habits, for example whether consumers prefer the distribution of advertising mail by postal companies or via print media. In addition, the legal framework also plays an important role. On that basis, the potential for electronic substitution which can be exploited by competition varies.

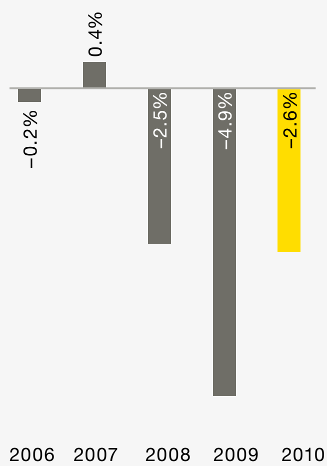
## Electronic substitution reduces letter mail volumes

For years, the volume of traditional letter mail items has been declining, because letters are being replaced by electronic forms of communications. This is not only driven by new technological advances but also increasing economic pressure which has resulted in cost savings in all fields, particularly during the crisis years. The trend away from letters and towards electronic communications has intensified in recent years. Experts at the Copenhagen Institute for Future Studies have concluded that the annual decrease in the current decade will amount to 2–3% per year. According to IPC data, the decline in 2009 was even more dramatic. Postal companies have reacted to these developments with new offerings, which link online communications with physical forms of communication, e.g. the dual delivery of letters, which can be sent to the recipient electronically upon request as well as physically. In this context, Austrian Post has also already launched a series of very well-received online products.

## Customers prefer physical delivery

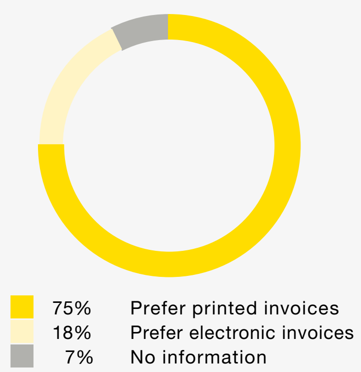
It seems that the trend towards electronic substitution is partly being forced upon people, in the light of the fact that many customers prefer the traditional letter. This is not only the assertion made in an IPC study, according to which 71% of consumers in Austria and 64% in Europe prefer to receive letters in physical form and not online. An IFES study prepared on behalf of Austrian Post comes to a similar conclusion. 75% of the people interviewed prefer to receive their invoices per post, and only 18% desire electronic invoices. The respondents also confirmed that physical mail is read more attentively, which also increases the value for the sender. This wish voiced by consumers should serve to counteract the trend towards electronic substitution somewhat.

DEVELOPMENT OF LETTER MAIL VOLUMES
IN HIGHLY DIGITISED ECONOMIES




Source: IPC, Global Postal Industry Report 2011

75% OF AUSTRIANS PREFER INVOICES
PRINTED ON PAPER

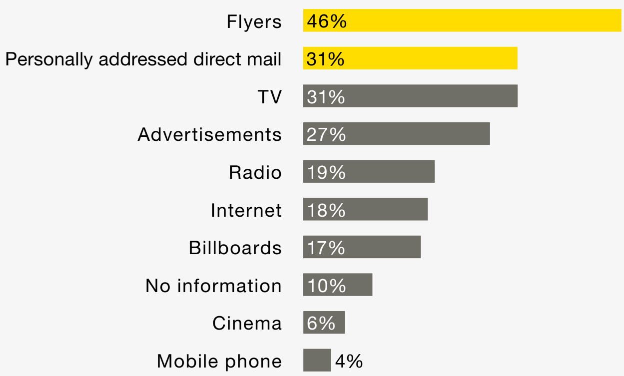



Source: IFES 2011, n=750

## Direct mail has a strong position in the marketing mix

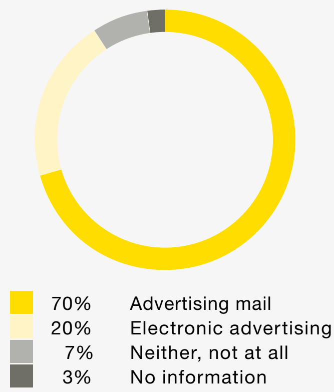
Consumers also have great sympathy for advertising information conveyed in physical form. A customer satisfaction survey carried out by Austrian Post, in which 46% of the respondents say flyers are their favourite type of advertising, and 31% prefer addressed direct mail, is not the only evidence of this. The consumer survey in the spring of 2011 showed a clear preference for written advertising: 70% of the interviewees stated, that they pay more attention to advertising via mail, only 7% pay attention to electronic advertising. For this reason, direct mailings are a valuable part of the marketing mix of many companies, which appreciate this tool due to its high response quality. In international comparison, Austria is in the top ranks when it comes to the number of direct mail items per capita. Even in a period characterised by a volatile economic development, Austrian Post still managed to achieve a solid revenue performance in this segment.

AUSTRIAN POST'S ADVERTISING MEDIA ARE THE MOST POPULAR TOOLS




Source: Customer Satisfaction Survey of Austrian Post, October 2010

ADVERTISING MAIL VIA POST IS READ WITH HIGHEST ATTENTION
"Which advertising mail do you pay more attention to?"




Source: IFES 2011, n=750

# FOCUS ON THE CUSTOMER

## END CUSTOMER DRIVE: AUSTRIAN POST BRANCH OFFICES ARE BEING CONTINUALLY IMPROVED

**Expansion of the post partner network, further intensification of the cooperation with BAWAG P.S.K.** Austrian Post has initiated a new programme for the 2012 financial year as part of its strategic and organisational reorientation efforts. It is designed to ensure an even greater focus in the future on customer orientation in the branch network. On the basis of the successful transformation over the past 24 months, the newly-formed Mail & Branch Network Division aims to implement a detailed branch network strategy in the coming years and thus further optimise its end customer orientation, performance and profitability at the point of sale. For this purpose, specific concepts were developed in six areas which will now be successively put into practice in the branch network: “Network Structure”, “Branch Office Design”, “Product Range”, “Organisation”, “Staff” and “Management”. Walter Hitziger, member of the Management Board and Director of the Mail & Branch Network Division, says: “With commitment and dedication, our employees and executives have been actively involved in recent years in our efforts to steadily improve our branch network and thus create a basis for a successful future. The new initiative is the next important step towards a modern and customer-oriented branch network organisation.”

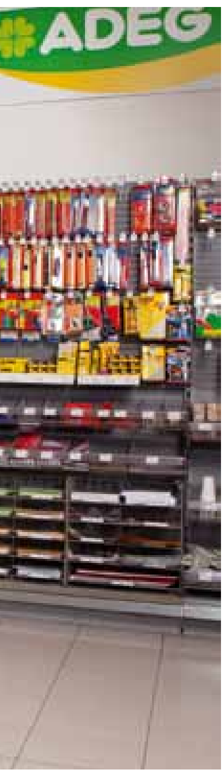
## CONSISTENT EXPANSION OF THE POSTAL PARTNER NETWORK

Today, Austrian Post operates 1,880 postal service points throughout Austria, and thus one of the largest private customer networks in the country. Most of these outlets are third-party operated postal partner offices. They are local businesses in different sectors, which offer the products and services of Austrian Post in addition to their own offerings. The concept has been a full success. It safeguards the efficient supply of postal services to the population, promotes economic structures in rural areas and offers longer opening hours. In addition, customers are very satisfied with their postal partners, as demonstrated in a study carried out in 2011 (details are provided on page 12). For this reason, Austrian Post decisively pursued the expansion of its postal partner network in 2011. Whereas the company had 418 cooperation partners at the beginning of 2010, this figure has risen in the meantime to 1,258 at the end of 2011 – and this upward trend will continue. The concept will also be increasingly implemented in metropolitan areas and further optimised in the year 2012. “We will once again expand our product portfolio. For example, we plan to introduce additional retail goods modules. In addition, we are consistently focusing on local quality optimisation and, in this context, offer special training opportunities including e-learning. This will help the postal partners and result in even greater customer satisfaction“, says Wolfgang Lesiak, Head of the Branch Network Sales Unit of Austrian Post.


“... together with our postal partner offices we are consistently focusing on local quality optimisation ...“

**WOLFGANG LESIAK**
Head of Sales, Branch Network


## POST & BAWAG P.S.K.: EXPANSION OF COOPERATION




Instead of operating parallel bank and post branch offices, the postal and banking services provided by Austrian Post and BAWAG P.S.K. are now being offered together in numerous jointly operated outlets since the beginning of 2011. The concept has proven its worth and will be further expanded. By the end of 2012, some 520 jointly operated branch offices will exist throughout the country, including about 100 in Vienna. Along with the expansion of the postal partner network, the Austrian capital will have more postal service points at the end of 2012 than it did before the restructuring process of the Austrian Post branch network began. Karin Nistelberger, Head of the Branch Network Sales Unit of Austrian Post, summarises the advantages of this strategic cooperation in a nutshell: "For us this partnership is ideal. Austrian Post and BAWAG P.S.K. can meaningfully combine their respective strengths and thus create synergies. At the same time, both partners can focus on their core business". Walter Hitziger, member of the Management Board of Austrian Post, comments on the successful cooperation of the two companies: "Whoever goes to the post office also goes to the bank at the same time – and vice versa. In this way, we are further expanding our product and service offering."

"Austrian Post and BAWAG P.S.K. can purposefully combine their respective strengths and thus create added value."

**KARIN NISTELBERGER**
Head of Sales, Branch Network

## COMMENTARY

**WOLFGANG KLEIN**
Member of the Managing Board, BAWAG P.S.K.

### "Joint branch office drive of Austrian Post and BAWAG P.S.K. precisely fulfils customer needs."

***The idea of implementing a branch network offensive is the logical further development of a tried and tested cooperation, but also a really new beginning in Austria-wide customer support and service. The bank and Austrian Post under one roof – with all the related advantages for the country and its people. Because of the fact that BAWAG P.S.K. and Austrian Post are taking advantage of this historical opportunity, two of the biggest traditional domestic companies are working day in and day out to improve services and products on behalf of the customers.***

Our branch office campaign is being well received by people, and in many different ways. With the expanded opening and banking hours, we fulfil the long-desired customer wish in line with the slogan "BAWAG P.S.K. – In the midst of life". Customers have reacted positively to the easy orientation supported by a clearly understood spatial concept – with postal services and financial transactions, on the one side, and a banking advisory zone, on the other. The design of all joint sites together with modern, high-quality self-service areas makes this cooperation between BAWAG P.S.K. and Austrian Post even more perceptible and a more gratifying experience in many ways and is a decisive step towards further accommodating our customers.

Together we are managing to fulfil our responsibility as a local supplier of services in the postal and banking segments. We will soon have more than 500 jointly operated branch offices. In this way, BAWAG P.S.K. and Austrian Post are making a clear commitment to Austria as a place worth living, and thus to operating in the domestic market.


"With our new KUVERT we create greater order in Austrian letterboxes."

**ANITA SCHLÖGL**
Responsible for the new product KUVERT

## AUSTRIAN POST BUNDLES ADVERTISING MAIL

**The new advertising envelope KUVERT fulfils customer wishes for greater transparency in their letterboxes.**
In a nationwide customer survey, more than 70% of the respondents said that they would prefer to have all their advertising flyers and brochures neatly arranged and bundled in an envelope instead of getting them individually every day during the week. The main underlying reasons given are the wish for greater order in the letterboxes and the clear separation of advertising mail from addressed letters. Austrian Post promptly reacted and will now deliver direct mail items bundled in the new collective advertising envelope called KUVERT. "With this collective envelope we are giving Austrian households precisely what they want, namely greater order in their letterboxes. At the same time, the advertising tools of brochures and flyers have become even more attractive. They can be removed from the letterboxes all at once and conveniently taken home to browse through", says Anita Schlögl, who is responsible for the new product KUVERT. In addition, the new concept entails obvious advantages for advertising customers and increases the planning of advertising measures based on fixed delivery dates twice weekly to 3.2m households and companies throughout Austria. The direct mail items will be accepted at three locations in Vienna, Graz and Oberwang and bundled fully automatically from high-tech machines called collators. The high-quality advertising tools thus create added value. With this initiative, Austrian Post has demonstrated once again that innovative, state-of-the-art products and logistics solutions create added value for the customers.

## INTERVIEW

"Direct mail in letterboxes is indispensable ..."

**PETER WAHLE**
Member of the Managing Board,
Sport Eybl & Sports Experts AG

*Mr. Wahle, what is the significance of traditional direct mail advertising for the number one sporting goods retailer in Austria?*
**Wahle:** First of all, it is important to mention that direct marketing has changed considerably in recent years due to the new digital possibilities which exist. However, despite this "digital revolution" and new forms of advertising such as e-mail marketing, online marketing and advertising in social networks, traditional print mailings remain a key success factor with respect to customer acquisition and retention. The figures speak for themselves. We can only reach two thirds of our regular customers via their letterboxes.

*So print advertising is well received?*
**Wahle:** Definitely! Printed direct mailings continue to be far superior to digital media when it comes to impact and customer responses. However, the high costs mean that this type of advertising must be very precisely oriented to specific target groups.

*Which trends can be observed in the field of direct marketing?*
**Wahle:** Communication between the retail sector and customers – both digital and print – will be increasingly individualised in the future. Moreover, the intelligent combination of traditional and modern digital marketing channels will gain in importance. That is why we need the right partner and innovative solutions. We are also devoting attention to the issue of mobile devices, because iPads and smartphones have become indispensable aspects of everyday life and open up completely new perspectives.

*Thank you for the interview.*

## THE DIRECT MARKETING TOOL OF AUSTRIAN POST: MORE FLEXIBLE THAN EVER

In the middle of 2011, Austrian Post made its advertising product "Info.Mail" even more flexible. Thanks to this product innovation the fully individualised design of every direct mail item is possible, starting with a circulation of 400 copies. Since then, customers have been able to personally address every single recipient. This enables real one-to-one marketing with precise messages and individual graphic designs.

"Advertising mail is an extremely important part of the advertising mix."

**MARTIN WOLF**
Head of Sales, Advertising Mail

"Direct mail items are an indispensable part of the advertising mix of companies. It is our job to support our customers in appealing to their target audiences even more effectively. The new variability in advertising mail items helps them to do just that", says Martin Wolf, Head of Advertising Mail Sales, who is satisfied with the new offering. "Austrian Post is also unbeatable in terms of delivery quality. Delivery on schedule for 98% of all advertising mail is an impressive performance in international comparison", he adds.

## INTERVIEW


"... we prefer classical mail correspondence."

**KARL JAGSCH**
Member of the Management Board, KSV 1870 Holding AG

*Mr. Jagsch, as a member of the Managing Board of the KSV 1870 Holding AG, you know the significance of functioning processes in business communications. What is the relevance for the KSV 1870 Group of sending letter mail using the services provided by Austrian Post Group compared to e-mails?*
**Jagsch:** The partnership between the KSV1870 Group and Austrian Post dates back more than 140 years. In this time we have both continually adapted our operations and emerged as modern service companies. However, the type of cooperation has remained the same. Back then and today, our letters and parcels are being delivered by Austrian Post. This distribution channel will remain an integral part of our daily work processes, because we operate in an extremely communication-intensive business. Furthermore, our members and customers expect the binding nature of the written word. Thus we prefer classical mail correspondence.

*What is the most important thing required to ensure the efficient delivery of letters?*
**Jagsch:** Flexible acceptance times are the pre-requisite for rapid processing, and thus an important factor. We expect letters which are posted in the afternoon to be delivered quickly. In no case should they be left behind until the next day. For example, at our receivables management company KSV1870 Forderungsmanagement GmbH, payment reminders must be quickly and reliably sent out and return mail must be immediately checked to ensure the correct address. Creditors also have to be quickly informed about insolvencies to enable adherence to the stipulated deadlines for registering claims. In this case the services provided by Austrian Post support our process and business areas for the benefit of our customers and members.

*From the customer's point of view, how must the postal sector of the future be oriented?*
**Jagsch:** Innovative ideas should focus on optimally linking e-mail and dispatching by traditional mail, for example by setting up an e-mail account for every recipient in the country enabling reliable delivery to be carried out and documented. E-mails which were not opened would be printed in an automated process and then delivered physically by mail. In the service business individualised approaches in consulting business customers will become even more important. Business customer consultants could carry out potential analyses on site in the respective companies in order to work together with the customers to identify opportunities for greater cost efficiency.

*Thank you for the interview.*

## THE MOST POPULAR MAIL CARRIER IN AUSTRIA

**Enormous participation in the voting for the most popular mail carrier in Austria organised by Austrian Post in cooperation with a daily newspaper.**
An incredible 250,000 votes were cast in only three weeks. The election of the "Postman of the Year" is proof of the good reputation of Austrian Post's delivery staff in Austria. Thomas Unger from the Municipality of Tadten (Burgenland) ranked first in the overall polling thanks to countless votes cast by people in his community.

**THOMAS UNGER**
Most popular mail carrier in Austria

"I do my daily work with great conviction!"

"I enjoy my work and do it with great conviction. And the entire community took part. I am particularly delighted about this! My sincere thanks go to all of my supporters."

The overwhelming majority of the 11,500 people delivering mail were given several votes, whereas more than ten personal ballots were cast for about one-third of the delivery staff. "We did not only get ballots. There was a lot of written praise for the individual mail carriers, even handicrafts were submitted. We are really pleased with this positive response, but also consider it to be a mandate to orient our operations even more to the wishes of our customers", says Austrian Post Management Board member Walter Hitziger.

## HYBRID RETURN RECEIPT – SOUNDS COMPLICATED, BUT IS ACTUALLY QUITE SIMPLE

Since November 1, 2011, government offices, public authorities and institutions have been able to make use of the hybrid return receipt (advice of receipt) for the very first time. How does it work? The mail item is sent in a standard blue machine-processable envelope for RSa and RSb letters (two types of registered mail with return receipt) and a clearly assignable shipment ID. Parallel to the physical mail items, the customers are sent a notification electronically. The electronic delivery status can be tracked by the customer. After the mail item has been successfully delivered, the shipper is sent delivery confirmation electronically as a PDF file. The physical confirmations of delivery are sent collectively on a monthly basis by mail. Moreover, it is possible for Austrian Post to store the delivery confirmations for a period of five years. If the customer requires the original proof of delivery, this can be requested by phone or e-mail.

## AUSTRIAN POST OFFERS INNOVATIVE SERVICES ON THE INTERNET

**Austrian Post also gets a warm welcome online!**
A total of more than 29,000 registered users already use numerous postal services on the Internet – easily, quickly and flexibly. Redirections, vacation hold, notification of absence, authorisation to receive mail, the online parcel stamp, Mein Brief.at, e-postcard and much more are available to customers. "Our extensive online service offering is already being intensively used by many customers. 27,000 online requests were processed in the year 2010. In the meantime, this figure has risen to 99,000 in 2011, and the upward trend is expected to continue. For this reason, the online offering is continually being expanded and upgraded with new features", says Mirjam Teicht, Head of Online Innovation Management, who is pleased with the progress being made in increasing the diversity of Austrian Post's online offering. The online services of Austrian Post are characterised by a high degree of security and reliability. For example the "Post Manager", the latest product in the company's service portfolio on the Internet, is the ideal place for sensitive electronic documents and news. Regardless of whether you are talking about electronically registered letters, invoices or other important documents, the Post Manager automatically collects them from various portals and presents them in a transparent and understandable manner. The documents are stored in a secure Austrian banking computer centre and are encrypted, both while they are being accessed and also during the storage process. Further information and registration: www.post.at/postmanager

**THE POST MANAGER CHARACTER**

## LINKING TRADITION AND PROGRESS – THE ARCHDIOCESE OF VIENNA COUNTS ON THE ONLINE SERVICES OF AUSTRIAN POST

**JOSEF WEISS**
Head of the church constribution service, Archdiocese of Vienna

The Archdiocese of Vienna is keeping its finger on the pulse of the times and is using the new "Post Manager" service of Online Post Austria, which now reaches its members simply, securely and conveniently online. Thus everyone who pays their church dues via an automatic direct debit transfer system and who has already registered with the Post Manager can view the current status of their contributions at any time and quickly gain access to the information, for example when filing for tax declaration. "With this cooperation, we are responding to the needs of people making their church contributions and reach them either traditionally by mail or electronically. By simplifying the process, we also reduce costs at the same time", says Josef Weiss

## ON A SUCCESS PATH IN CEE

**Post acquires a 26% stake in PostMaster s.r.l. in Romania.**
Following its entry into the letter mail market in Hungary, Slovakia and Croatia, Austrian Post is now also represented in Romania's letter mail market. The date October 20, 2011 marked the closing of the purchase of a 26% shareholding in the top alternative postal provider in Romania, PostMaster s.r.l. Thus Austrian Post has taken another important step towards implementing its growth strategy and entering one of the largest CEE markets. The core business of PostMaster s.r.l. is the delivery of addressed direct mail items (weighing over 50 grams). As a result of the acquisition, Austrian Post has a good starting position for the upcoming market liberalisation in Romania in the year 2013.

## HERE I AM HUMAN, HERE I SHOP!

**Post subsidiary KOLOS s.r.o.: Strong partner of dm in Slovakia.**
Since 2005, the Austrian Post subsidiary KOLOS s.r.o. has been successfully cooperating with the drugstore chain dm, which operates a dense network of stores in Slovakia. The cooperation of dm with the direct marketing specialist KOLOS is being continually expanded. "Since the implementation of our customer loyalty programme in the year 2009, we have had to completely rethink our communications strategy. In this sense, we could fully rely on the innovative concepts supplied by KOLOS", says Janka Krivdová, Authorised Signatory in the Marketing & Purchasing Department of dm Slovakia. KOLOS implemented a specially designed product for dm in the Slovakian market, which motivates customers to shop using discount coupons. "We jointly developed a marketing tool which can very precisely approach dm's individual target groups, and at the same time take care of address optimisation and print management", says Henrich Lauko, Managing Director of KOLOS s.r.o. And also the addressed distribution of the popular customer magazines "dm Journal" and "dm Journal Express" is carried out by the Austrian Post subsidiary.

**JANKA KRIVDOVÁ**
Marketing and Sales, dm Slovakia

## SENDING LETTERS MADE EASY

Austrian Post is making its products fit for the future and is increasingly orienting them to the wishes and needs of its customers. As of May 1, 2011, it introduced its new product portfolio in the letter mail area. The new offering of Austrian Post features easier to understand postal rates linked to the size of the mail items, easier handling and greater availability. And the new regular stamps speak for themselves …

In the Parcel & Logistics Division, the issues of growth and profitability are currently the priorities of the Austrian Post Management Board Member Peter Umundum. "Austrian Post has attractive growth opportunities in the parcels business, which we have proactively and successfully exploited in recent years. In this regard, we should not lose sight of our profitability. Thus, our focus is on 'profitable growth'."

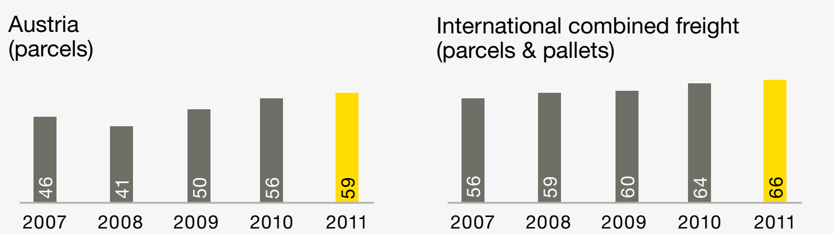
Accordingly, Austrian Post is doing everything in its power to enhance the efficiency of its logistics processes, both in the domestic as well as the international parcel and logistics business. "On the one hand, this means a better interaction with our logistics partners. On the other, we will have to improve our product portfolio with cost-related pricing. Thus, our efforts are focusing on both revenue and costs", he states. Integrated process standards also play an important role for Peter Umundum. "We are working on the operational excellence of all our logistics sites and exploit synergies whenever possible."

At the same time, Austrian Post is taking advantage of the market potential in Europe and is particularly striving to intensify its European partnerships. The main platform for its efforts is the EURODIS network, which comprises a logistics platform for 34 European countries. "Of course, the basis for further growth is a customer-oriented service portfolio", Peter Umundum adds. "In the parcels business, it is becoming increasingly important to offer comprehensive services. We are doing everything we can to further improve the service level on behalf of our customers by means of simplifying services and including a strong self-service component. We also want to simplify the business activities of our business customers in Austria and abroad by offering additional services along the value chain. In Austria, our goal is to increase our market share with business customers to over 20%."

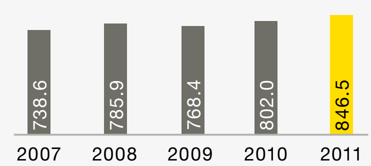
**"... increase market share and simultaneously improve profitability with attractive new services ..."**

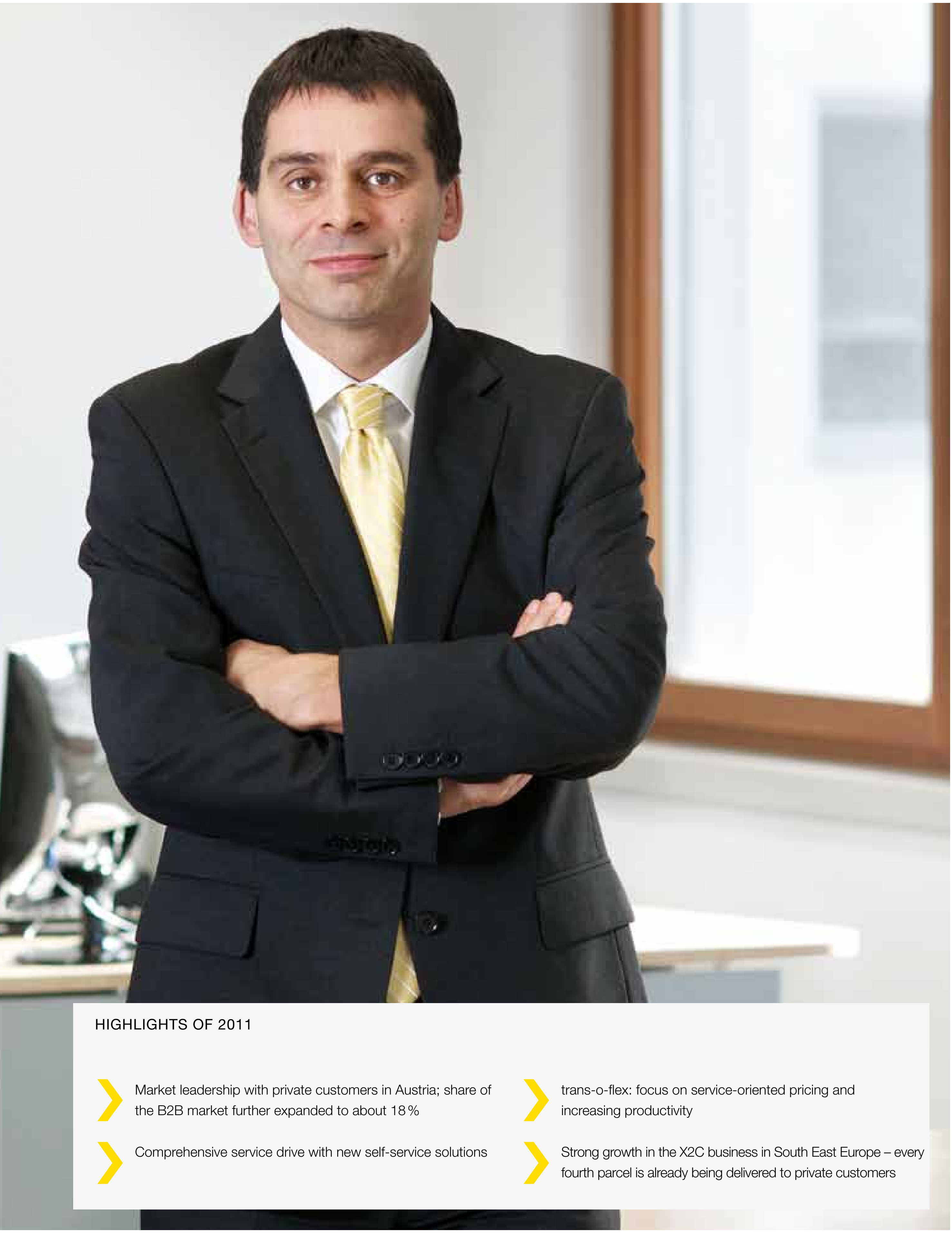
**PETER UMUNDUM**
Member of the Management Board
Director of the Parcel & Logistics Division

PARCEL SHIPMENTS IN MILLIONS




EXTERNAL SALES IN EUR m





HIGHLIGHTS OF 2011

- Market leadership with private customers in Austria; share of the B2B market further expanded to about 18 %
- Comprehensive service drive with new self-service solutions
- trans-o-flex: focus on service-oriented pricing and increasing productivity
- Strong growth in the X2C business in South East Europe – every fourth parcel is already being delivered to private customers

# PARCEL & LOGISTICS DIVISION

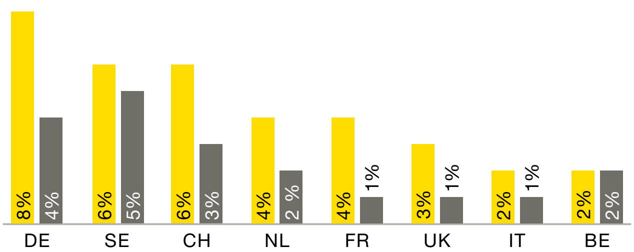
## SUCCESSFUL IN AUSTRIA AND EUROPE

The Parcel & Logistics Division of Austrian Post offers its services in eleven European countries. In international markets, this consistently takes place via the company's own subsidiaries. The main business of the division is transporting parcels and EMS items for private and business customers. EMS stands for "Express Mail Service" – the premium express product offered by Austrian Post. But the product and service portfolio also includes a broad spectrum of speciality logistics solutions, for example so-called combined freight (the joint transport of individual parcels and pallets), temperature-controlled logistics (transport of temperature-sensitive goods in the range of 2 to 8 and 15 to 25 degrees Celsius) and contract logistics (customer-specific logistics services, from Webshop logistics to warehousing, commissioning and value-added services such as the setting up of electronic devices).

The recipe for Austrian Post's success is comprehensive, nationwide service and the strongest possible market position so that it can offer efficient logistics and supplementary services tailored to the respective market on behalf of its customers. Last but not least, it is important to mention the EURODIS distribution network, which encompasses transport companies in 34 countries. Together they ensure reliable combined freight distribution services for parcels and pallets throughout Europe.

Austrian Post achieved good growth rates in its parcel and logistics business. In 2011, it succeeded in expanding its B2B business, increasing its regional market share and taking advantage of the growing potential in the private customer segment. The catchword here is "online shopping".

PARCEL VOLUMES GROW FASTER THAN GDP




Parcel volume growth
Economic growth

Source: A.T. Kearney, 2011

## MARKET ENVIRONMENT & TRENDS

### Ongoing growth in online shopping

Internet shopping has added new impetus to the European market for courier, express and parcel services (in short "CEP"). This is the conclusion of a study carried out by the management consulting company A.T. Kearney in August 2011, which examined the CEP sector in 13 European countries. According to this survey, the total volume of shipments in Europe rose by 6% in 2010 to 5bn, even slightly above the pre-crisis level of 4.8bn in 2008. In particular, the B2C parcel business, or the delivery of parcels to private recipients, has posted continuous increases, thus benefitting from the boom in online shopping. A.T. Kearney foresees even bigger growth rates here than in the business-to-business segment (B2B). B2C items currently account for 43% of the total volume in Europe, whereas the comparable international figure is much lower at 10%.

The trend towards online shopping has also continued uninterruptedly in Austria. The latest figures show that 45% of Austrians aged 16–74 already purchase products or services on the Internet. 62% of the 16–24 age group and 59% of the 25–34 year olds already make use of the Internet for shopping purposes (Austrian Statistical Office 2011). Further growth is expected, as indicated by a study implemented by the Boston Consulting Group (BCG) in January 2011. The growth rates of about 5% in the years 2008–2010 show the positive upward trend which is likely to intensify in the upcoming years. However, the Internet has radically transformed customer expectations and behaviour. Greater emphasis is being placed on the quickest possible availability and alternative possibilities to receive the products. This naturally places increasingly high demands on postal and logistics providers.

### Parcel volumes expanding more than the overall economy

Parcel volumes are not only growing, but they are expanding at a faster rate than the economy, a phenomenon identified by A.T. Kearney in the above-mentioned study. On balance, the annual increase in parcel volumes is two to three percentage points above comparable GDP growth. Even if most CEP revenue is derived from the domestic business, the European CEP market in 2010 even expanded more quickly internationally than nationally. The most important routes were those between Europe and China and between Europe and the USA. A.T. Kearney anticipates a growth in shipment volumes of 4% annually until the year 2013. As a result, the total volume of shipments in Europe is expected to rise to 5.7bn by the end of 2013.

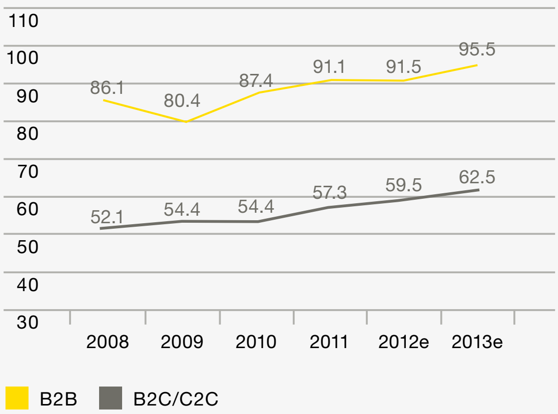
## Main markets of Austrian Post show a positive trend

Austrian Post has profited from the ongoing rise in parcel volumes in its domestic Austrian market. The latest market analysis published by the market and competition experts Kreutzer Fischer & Partner (KFP) see a very gratifying upward trend for both B2B and B2C parcels. Whereas the more cyclically dependent B2B segment declined somewhat in the crisis year 2009, but has clearly been expanding since then, the B2C segment has maintained its robust upward trend, even during the crisis.

The overall picture is favourable for the most important markets in which Austrian Post operates. The CEP market in Germany, where Austrian Post is strongly present in the B2B business, combined freight, temperature-controlled logistics and contract logistics thanks to its trans-o-flex Group, is characterised by further growth. In 2008 and 2009, the effects of the economic and financial crisis were clearly felt. In contrast, the market came close to matching its previous growth path in 2010. The CEP companies surveyed in the context of a study expected market growth of over 20 % in the period 2011–2015. Even if the current trend continued, market growth would reach a level of about 14 % in the same period (KE-CONSULT, CEP Study 2010).

In spite of an uncertain economic environment, industry experts predict further growth in the CEP market of South East and Eastern Europe, although there will be considerable differences in the development of the individual regions (ITA Consulting, February 2011). Moderate growth is anticipated in Slovakia, Hungary and Croatia in the coming years, whereas double-digit growth rates are expected again in the medium term. This development will be primarily driven by increasing e-commerce volumes. Moreover, EU accession on the part of Croatia will have a positive impact on the development of the parcel and logistics market. In contrast, experts foresee a relatively moderate market development in Serbia.

PARCEL VOLUMES:
POSITIVE TREND IN AUSTRIA
IN MILLION PARCELS




Source: Kreutzer Fischer & Partner

**COMMENTARY**

**“Whoever is well-positioned is a step ahead ...“**

**CHRISTIAN KILLE**
Professor of Trade Logistics at the University of Applied Sciences Würzburg and Advisory Board Member at the Fraunhofer Institute

*Prof. Kille, how do you assess the development of the European CEP market in 2011?*
**Kille:** The market for courier, express and parcel services succeeded in profiting from the positive economic impetus in the first half of 2011. The growth rate measured in terms of revenue “only” rose by 5 %, while other logistics segments posted more impressive increases. However, several CEP segments even managed to achieve double-digit growth rates. E-commerce continued to be a driving force, as in previous years. In particular, CEP services capable of distributing shipments beyond the norm profited the most. The confidence placed in logistic service providers has improved in recent years. And thus goods with special handling are being increasingly offered on the Internet.

*Do trends in Austria, Germany, Benelux and CEE vary at all?*
**Kille:** Austria, Germany and the Benelux countries are considered to be highly differentiated markets, where growth rates are lower in comparison to Eastern Europe and where greater creativity and efficiency are expected. However, it should also be possible to generate solid growth rates in the East European markets even with standardised services. Whoever has a good position in Eastern Europe can expect constant revenue growth. Companies which are well-positioned and can offer high-quality value-added services are clearly a step ahead of the others.

*How will the CEP market develop in the coming years, particularly in 2012?*
**Kille:** Despite the cautious economic forecasts for 2012, CEP companies can take advantage of considerable potential in the strongly growing CEP business volumes. But this is not the only growth area of the future. Shipping and dispatching companies are searching for ways to enhance flexibility along the logistics chain, giving them greater room for maneuver in volatile markets. This not only applies to the outsourcing of traditional logistics services, but also increasingly to assembly, packing, finishing and other industry- or retail-related value-added services. In the meantime, logistics providers are able to offer such solutions in the required quality. There are interesting growth perspectives in the CEP market as a consequence of declining order size combined with opportunities in e-commerce.

*Many thanks for this interview.*

# FOCUS ON THE CUSTOMER

## INTERVIEW


**“… consistent overall concept for optimal delivery …“**

**RUDOLF ROITNER**
Managing Director, Schäfer Shop GmbH

*Mr. Roitner, what were the underlying reasons for Schäfer Shop to cooperate with Austrian Post?*
**Roitner:** The underlying reason for cooperating with Austrian Post was a consistent overall concept for the optimal delivery to our customers, including the overnight services which are so important in the B2B segment. The strong willingness by Austrian Post and its employees to further their development and even to implement smaller requirements in their logistics structures enhances our performance with customers.

*What are the advantages offered by Austrian Post compared to its competitors?*
**Roitner:** Austrian Post enjoys a good reputation with our customers. The nationwide presence enables every entrepreneur to make use of our services, regardless of whether their shop is located in a remote valley or in the centre of the Austrian capital. The frequent personal contact with the delivery staff ensures a high level of flexibility in direct local contact, even in the case of such a large company.

*Thank you for the interview.*


## 24/7 PARCELS

### Shipping and receiving parcels around the clock

Austrian Post offers 24/7 parcel services to its customers thanks to a clever combination of innovative ideas and high-tech hardware. Shipping parcels is more convenient and easier than ever before thanks to services such as the purchase of the parcel stamp on the Internet, self-service parcel drop-off in branch office foyers to online parcel “Track & Trace”. In addition, the automatic parcel machines “Post 24” enable customers to pick up their parcels day and night without waiting at the counters. This service has only been available in Vienna up until now, but will also be rolled out in the federal provinces in 2012. And it is as easy to use as you can imagine: if the parcel arrives in an automatic parcel machine, the customer receives an SMS with a special pick-up code. Enter the code – remove the parcel – finished!
But it gets even better: the new “Mail Receiving Box” will make running down to the post office completely obsolete. The principle is simple but clever, and fulfils customer demands for greater flexibility: if the parcel recipient is not at home, the mail carrier puts a notification card with a chip function in the person’s letterbox and the parcel in the Mail Receiving Box located in the hallway. Thanks to the chip on the card, the recipient will be able to open the Mail Receiving Box and remove his or her package. With the new system picking up parcels from the post office will become a relic of the past. After a successful pilot phase, the Mail Receiving Box will now be offered in larger residential buildings in Austria. Customer feedback has been extremely positive. “A convincing concept, implemented in a user-friendly way. And it saves me from having to go to the post office” was only one of the numerous responses.

**“Our self-service products offer maximal flexibility to our customers.”**

**MAX MOSER**
Head of Parcel Logistics Austria

The so-called “E-mail/SMS Notification” is also a completely new service. It is currently being applied and will be rolled out on a broad basis in the near future – with material added value for the customer. “Customers have shown themselves to be very pleased with the new notification system. If they are informed by a text message as to when the parcel will be delivered, they can naturally adjust their plans more effectively. The number of notifications declines as does the burden on the branch offices, and above all: the customer has greater flexibility“, says Alfred Winkler, parcel deliverer from Linz, who was given positive feedback within the context of the intensive testing phase.

# BUSINESS-TO-BUSINESS DE LUXE

## Austrian Post offers strong solutions in the B2B segment

With respect to parcel services for business customers, the best solutions are just good enough. "Austrian Post continually makes sure that it proactively fulfils the high demands in this segment and offers services which provide customers with a clear added value. For this reason, Austrian Post with its customised products and services is also the leader in the B2B segment", says Max Moser, Head of Parcel Logistics Austria. The shipment of parcels on behalf of companies is in good hands thanks to the business solutions developed by Austrian Post – whether they involve the standardised shipping software "EasyPAK" allowing for the user-friendly, flexible and quick processing of the parcels to be shipped or the "Business Cockpit", which clearly displays all information on the current status of shipments and serves as the basis for detailed user-friendly analysis. "Austrian Post is also focusing on innovation for its customer service. In addition to traditional personal customer advisory services and support, we also intensively make use of new communications channels", Moser adds. For example, the requested data and information are directly transmitted to the customer via the customer service area of Austrian Post's shipping software. Austrian Post is also taking the issue of sustainability to heart: all parcels transported by Austrian Post in Austria are now being delivered in a $CO_2$ neutral manner.

### INTERVIEW


**"… trust and reliability …"**

**MARTIN WALDHÄUSL**
CEO, MTH Retail Group

*Mr. Waldhäusl, you have been working closely with Austrian Post for many years as Managing Director of the MTH Retail Group. Such well-known brands as the Libro and Pagro chain stores belong to your company. What were the original reasons for this cooperation?*

**Martin Waldhäusl:** We were convinced by the comprehensive B2C offering of Austrian Post. Moreover, the good image which Austrian Post enjoys with many of our customers as a parcel services company is an additional USP for us. And from our suppliers we know that the B2B services provided by Austrian Post are quite good and the cooperation with Austrian Post works extremely well.

*And which specific advantages does Austrian Post offer in comparison to other parcel service providers?*

**Martin Waldhäusl:** Austrian Post can rely on a very well developed delivery network, which provides nationwide service throughout all of Austria. The slogan "If things are really important you can rely on Austrian Post" addresses points which are very important to us, also in the relationship we have with our customers, namely trust and reliability.

*Thank you for the interview.*

### INTERVIEW


**"… $CO_2$ neutral delivery is a special benefit …"**

**DIETMAR KEUSCHNIG**
Managing Director, Nespresso Austria

*Mr. Keuschnig, what were the reasons for choosing to cooperate with Austrian Post?*

**Keuschnig:** Austrian Post is a long-term, reliable partner which offers nationwide services to the Austrian population and a high service level. For example, based on the cooperation with Austrian Post, we can now guarantee that delivery of the orders placed by Nespresso Club members will take place within 48 hours.

*What competitive advantages are offered by Austrian Post?*

**Keuschnig:** One special benefit is the $CO_2$ neutral delivery of letters, parcels and advertising mail. With this initiative, Austrian Post supports the ambition of Nespresso to minimise the ecological footprint in all business areas.

*Thank you for the interview.*

## INTERVIEW

**"… outstanding service – everything from a single provider …"**

**PATRICK SCHULZ**
Director Logistics and Supply Operations Mid Europe, Pfizer

*Mr. Schulz, Pfizer as a leading research-oriented global pharmaceutical company has been working closely with trans-o-flex for 35 years. What services do you make use of here?*
**Schulz:** The comprehensive offering of the trans-o-flex Group won us over. We make use of the warehousing services for parts of our pharmaceutical portfolio as well as for our advertising materials. We ship parcels and pallets with the trans-o-flex express service, and we take advantage of the temperature-controlled distribution network of ThermoMed for our chilled products.

*What advantages does trans-o-flex offer compared to other service providers?*
**Schulz:** As a customer, it is important for us to see the extent of the flexibility provided by trans-o-flex to meet the requirements of the pharmaceutical market. As a verifiable industry specialist in the pharmaceutical sector, trans-o-flex offers outstanding services, from the producer to the various recipient groups. The growing demand for cross-border distribution is being increasingly met by ThermoMed thanks to its continually growing outreach in Europe, recently with its subsidiaries in Austria and Benelux as well as cooperation partners in Denmark and France since 2011.

*Thank you for the interview.*

## STRONG SUBSIDIARY TRANS-O-FLEX

### Consistent productivity increases ensure sustainable development

The German logistics group trans-o-flex, the largest subsidiary of Austrian Post with about 1,600 employees, can also point to solid revenue growth in 2011. At the same time, it is making itself fit for the future with consistent productivity increases and by optimising its price structure. "A new clear price structure for the transport of heavy and bulky goods safeguards the exceptional flexibility of trans-o-flex services and also ensures usage-based costing", explains Oliver Rupps, CEO of trans-o-flex.


### The business model of the logistics company operating throughout Europe is based on three pillars:

- trans-o-flex Schnell Lieferdienst offers a nationwide network in Germany for the efficient and safe transport of parcels and pallets. Numerous express and additional services, e.g. the transport of hazardous goods without special clauses for limited quantities, round off the offering of the combined freight specialist. In addition, trans-o-flex ensures nationwide combined freight transport in 33 other European countries in its role as a shareholder and partner of the EURODIS network.

- Under the umbrella of trans-o-flex Logistik-Service, additional logistics services are offered, from warehousing and commissioning of goods, value-added services, e.g. the setting up of sales displays or electronic devices, to the development and implementation of separately designed transport networks for individual customers. Customised solutions, high quality and a strong network comprise the decisive strengths of this segment.

- Finally, trans-o-flex ThermoMed offers so-called actively temperature-controlled logistics solutions for pharmaceutical goods, covering Germany, Austria, Benelux and since 2011 France and Denmark as well. ThermoMed's own special network ensures the rapid and reliable transport of temperature-sensitive goods within the range of 2–8°C and 15–25°C. "With our market entry in Denmark, we now have the largest network for the comprehensive fine distribution of pharmaceutical products with active temperature control throughout Europe. This gives us more flexibility, especially on long international routes, and above all, enables us to offer a high level of security", says Carsten Glos, Managing Director of trans-o-flex Thermomed.

**"We are making trans-o-flex fit for the future on the basis of consistent productivity increases and the optimisation of the price structure."**

**OLIVER RUPPS**
CEO, trans-o-flex

# AUSTRIAN POST IN THE EUROPEAN LOGISTICS NETWORK EURODIS

## High performance network simplifies parcel distribution

The parcel logistics operations of Austrian Post belong to a network of logistics companies in 34 European countries named EURODIS. The EURODIS network links Europe's leading transport companies to form an efficient combined freight distribution service for parcels and pallets.

In addition to the subsidiaries of Austrian Post, EURODIS includes such strong partners as Redur in Spain and Portugal, SDA Express in Italy, as well as UK Mail in England and Ireland. They are all capable of quickly and securely transporting items ranging from a parcel weighing just one kilogramme to an 800 kg pallet without interruption.

The combined freight services offered by EURODIS thus successfully fill the gap between parcel service providers and cargo companies in 34 European countries. "EURODIS offers its partners the chance to sustainably expand their market position in the growing international parcel transport business", explains Carsten Siebe, Managing Director of EURODIS.

EURODIS IN NUMBERS –
STRONG AND CONTINUOUSLY GROWING PRESENCE IN EUROPE

| | |
|---|---|
| Revenue (partners) | EUR 1.9bn |
| Area coverage | 34 countries (EU and EFTA) |
| Quantity of sendings | approx. 140,000,000 per year (national/international) |
| Vehicles | approx. 30,500 |
| Network | 35 gateways (>330 depots) |
| Employees | approx. 40,000 |
| Sectors | Automobile-/vehicle industry, electronics, life sciences, lifestyle, textile sector |


## INTERVIEW

### trans-o-flex: "A single competent contact partner for the most diverse tasks ..."

**MIRJA ERNST**
Marketing and PR Manager,
Sisley Germany

*Ms. Ernst, as the Marketing and PR Manager of Sisley Germany, you attach great importance to the perfect presentation of your cosmetics and body care products in shops. In this regard, what are the specific features of your cooperation with the Austrian Post subsidiary trans-o-flex?*

**Ernst:** We are provided with a complete range of services by trans-o-flex Logistik-Service for setting up our high-quality sales displays, the so-called "cosmetic displays". This relieves the burden on our field staff, and the Sisley products are optimally positioned and presented in perfumeries.

*Why are you using this service offered by trans-o-flex?*

**Ernst:** trans-o-flex is one of the very few full service providers to provide one-stop handling of transport and special services – at a high quality and at a good price. We have only a single contact partner to deal with for the entire range of tasks that need to be performed, from the acceptance of incoming goods and display assembly to a two-man delivery service. The company works quickly and reliability. The employees wear the Sisley T shirts when setting up the displays in the perfumeries and are friendly and professional. We are thoroughly satisfied.

*Thank you for the interview.*

# AUSTRIAN POST AND HERMES LOGISTIK GMBH

### Continuation of successful cooperation

Hermes Logistik GmbH, one of the largest German parcel delivery service companies in the B2B segment, has long relied on Austrian Post for the delivery of parcels to end customers in Austria. The cooperation between Austrian Post and its largest parcel customer will now be put on a longer-term footing and extended for a further eight years. "This is a major success – and proof that punctuality, reliability and cost efficiency pay off", says Thomas Bissels, Head of Sales and Marketing in Austria.

## NO. 1 IN NUMEROUS MARKETS

**AUSTRIA**
No. 1 in parcel distribution
X2C: Leading market position upheld
B2B: Market share expanded to 18 %

**GERMANY**
No. 1 in the fine distribution of pharmaceutical goods and for combined freight (joint transport of parcels and pallets)

**SLOVAKIA, CROATIA, SERBIA AND BOSNIA-HERZEGOVINA**
No. 1 for parcels to business customers

# AUSTRIAN POST DELIVERS VALUES

Since 2012, the Value Logistics Business Area has been part of the Parcel & Logistics Division. Its core business is the Austria-wide transport of larger sums of cash including pickup and delivery as well as various preparatory and follow-up services in the cash centre, coin counting and processing, the filling and maintenance of automated teller machines as well as special storage services for coins, documents on behalf of customers such as banks, commercial companies or ministries. "We offer our customers tailor-made transport and value-added services for the secure and professional handling of cash. The service ranges from the professional storage of coins and documents to filling automatic teller machines and the delivery of cash throughout Austria", says Walter Fellacher, Managing Director of Austrian Post's Value Logistics.

"Austrian Post offers tailor-made transport and value-added services for the secure and professional handling of cash."

**WALTER FELLACHER**
Managing Director, Post Wertlogistik


# THE BEST IN THE EAST

## Strong positioning of Austrian Post's Eastern European subsidiaries

Austrian Post with its seven logistics subsidiaries in Slovakia, Hungary, Croatia, Serbia, Bosnia-Herzegovina and Montenegro ranks among the leader parcel delivery companies in the South East and Eastern European region. In Slovakia and Croatia, Austrian Post also successfully cooperates with the international logistics specialist UPS. All in all, a strong development: the subsidiaries in Croatia, Serbia, Slovakia and Bosnia-Herzegovina are market leaders in their respective countries for express business parcels – both in terms of the volume of parcels delivered and total revenue. The CEE subsidiaries of Austrian Post are also on a growth path in the B2C segment. Every fourth parcel it transports in the region is already being delivered to end customers. The continuous growth of these companies serves as the basis for new investments. Accordingly, four new distribution centres were constructed in Bratislava, Košice, Zagreb and Budapest in recent years.


COMMENTARY

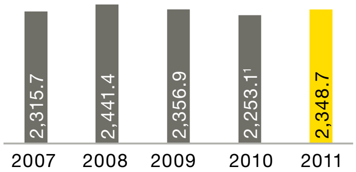
## Overseas in Croatia: "... flexible and excellently organised."

***The traditional Slovenian company Lisca has been producing exclusive women's lingerie, swimwear and blouses since 1955. Since then, it has continuously expanded to numerous countries throughout Europe. Lisca has been cooperating on the Croatian market with the Austrian Post subsidiary Overseas, the industry's market leader in Croatia for parcel delivery services, since 1996. Josipa Poljičak, Managing Director of Lisca in Zagreb, is very satisfied with this cooperation:***

We require reliable and punctual partners to ship goods to our end customers. That is why we have been working together with Overseas for many years.

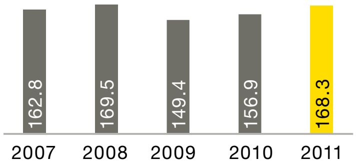
The company reacts flexibly to our demands and is excellently organised. Parcels are delivered within one working day after the incoming order but no later than two working days. Not a single parcel has been lost in spite of a volume of over 650 items per month. Moreover, the professional and friendly delivery staff of Overseas is an important factor in our customer retention efforts. The positive feedback of our customers shows that Overseas is doing an outstanding job.

REVENUE
EUR m

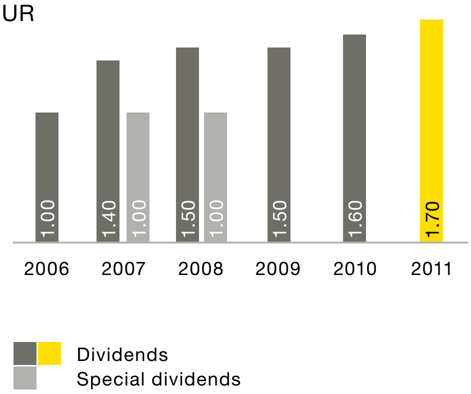



[1] On a comparable basis excl. meiller Group

EBIT
EUR m




DIVIDENDS PER SHARE
IN EUR




HIGHLIGHTS 2011

- Revenue increase of 4.2% on a comparable basis: good development in the parcel and letter mail business and with advertising mail
- EBITDA margin of 12%; EBIT rise of 7.3% to EUR 168.3m
- Free cash flow up 5.8% to EUR 162.5m
- Dividend proposal of EUR 1.70 per share to Annual General Meeting

"... we create value for our shareholders ..."

**RUDOLF JETTMAR**
CFO

Austrian Post also continued its successful growth path in 2011. "The revenue increases achieved in the mail and parcel business once more underline the fact that our strategic positioning is right and that the operational implementation is proceeding well", says a satisfied CFO Rudolf Jettmar. On balance, Group revenue rose 4.2% on a comparable basis to EUR 2,348.7m against the backdrop of a challenging business environment.

Earnings indicators of the Group developed even better in 2011, due to the fact that Austrian Post placed considerable emphasis on the strategic pillars of efficiency enhancement and increased flexibility of the cost structure. "In 2011, we did our homework and could significantly improve the structure of operating costs", Jettmar adds. All in all, EBITDA rose by 7.9%, corresponding to a margin of 12.0% in relation to revenue. "We clearly achieved our goal of an EBITDA margin between 10% and 12%." Despite impairment losses and structural measures, EBIT improved by a pleasing 7.3% to EUR 168.3m, and the Group net profit for the period amounted to EUR 123.8m. "With earnings per share of EUR 1.83 we are able to continue our attractive dividend policy", Rudolf Jettmar says.

Since the IPO in 2006, the business development of the company is also impressive in an international comparison. "Naturally, our shareholders should also participate in this success. We have a clear positioning as an attractive dividend stock, with a dividend yield of over 7% (based on our dividend proposal of EUR 1.70 per share). We create value for our owners. Since the IPO, we have generated a total shareholder return of 70% on behalf of our shareholders."

# INVESTOR RELATIONS

## "True values prove their value especially in stormy times."

***Austrian Post positions itself as a stable dividend stock for the capital markets. This has been impressively demonstrated in recent years. "We offer investors values which are more important than ever before", Austrian Post CEO Georg Pölzl is convinced. "Austrian Post is predictable, solid and reliable. This is naturally very attractive in times of volatile capital markets", he says.***

The basis for this optimism is the solid core business of Austrian Post, which enables the generation of steady and strong cash flows. The company also boasts a strong balance sheet. "We only require about EUR 14.4m in bank liabilities, and have a very comfortable equity ratio of 42.1% of total assets. This makes us largely independent of financial market turbulences. In addition, it is important to mention our clear commitment to a sustainable dividend policy. In any case, we distribute at least 75% of the Group net profit as dividends to shareholders. Thus, our owners profit directly from a positive business development." On balance, investors have done well with the Austrian Post share. The total shareholder return since the IPO in 2006 has been a respectable 70%.

### COMMENTARY

"... a solid balance sheet ..."

**GABRIELA ZRAUNIG**
Head of Finance and Accounting

***Austrian Post pursues a risk-averse business approach. This is demonstrated by the high equity ratio, the low level of financial liabilities and the solid investment of cash and cash equivalents with the least possible risk.***

The analysis of the balance sheet of Austrian Post Group shows that assets, in addition to the largest items such as property, plant and equipment, intangible assets and goodwill at EUR 811.3m as well as inventories, receivables and other with EUR 418.6m, also feature a considerable level of financial resources. On balance, as at December 31, 2011, Austrian Post has financial resources of EUR 344.7m at its disposal. These financial resources on the balance sheet far exceed the financial liabilities of EUR 29.2m. Thus, the company has an extremely solid financial standing.

As at December 31, 2011, capital and reserves of the Austrian Post Group amounted to EUR 702.0m, corresponding to an equity ratio of 42.1%. The gearing ratio was only 8.8% at the end of the reporting period. I am proud that what we do, we do well.

# INVESTMENT STORY

## SOLID BUSINESS MODEL, ATTRACTIVE RETURNS

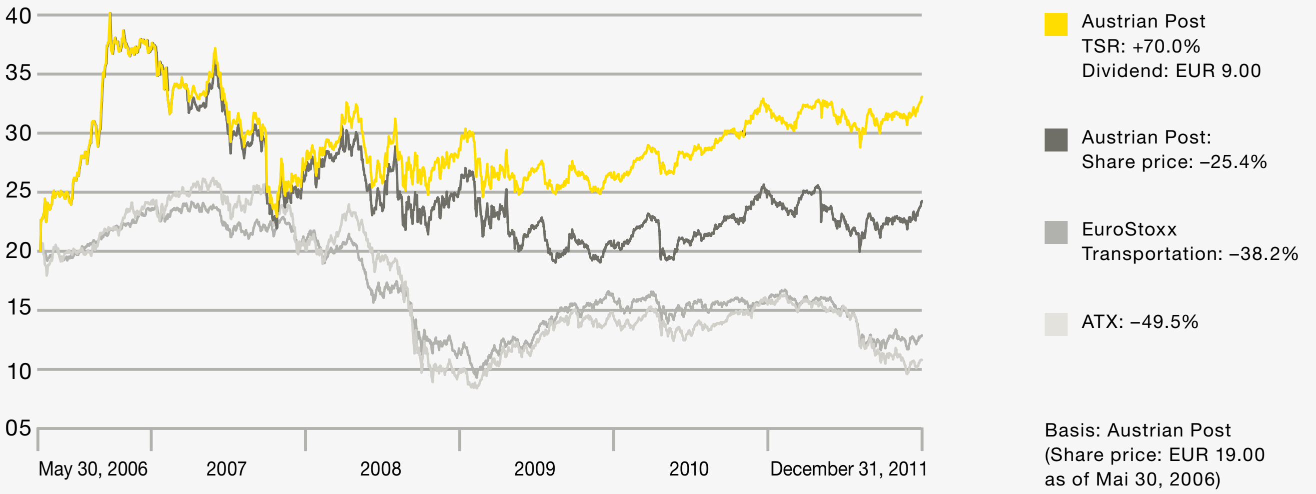
***With respect to its shareholders, Austrian Post already clearly defined an important objective at the time of its Initial Public Offering in the spring of 2006: to enhance shareholder value and, on that foundation, generate sustainable and attractive dividends on the basis of its solid business model.***

The main foundation of this business model is the solid core business of Austrian Post in the letter mail and parcel segments. Here the priority is to sustainably safeguard the leading market position of Austrian Post. In this regard, the company aims to achieve solid medium-term revenue growth of 1–2% annually. Austrian Post works to counteract the electronic substitution of traditional letter mail and the resulting volume decline by developing modern and attractive supplementary products in the letter mail business. Moreover, interesting growth opportunities in the parcel and logistics segment continue to open up. The main input is being provided by the ongoing boom in Internet commerce. The focus of all company decisions is always on ensuring an efficient cost structure and a high level of profitability. The overall goal is to generate a sustainable EBIT margin of 10–12%. Together with a solid balance sheet, this enables Austrian Post to distribute a solid and sustainable dividend each year – which Austrian Post is committed to doing on behalf of its shareholders.

## Total shareholder return of Austrian Post at the very top of the rankings

Investors who subscribed to the Austrian Post share during the IPO in May 2006 can be pleased with a total shareholder return of 70% over the period. Close to a third can be attributed to share price gains, the remaining two-thirds are the result of an attractive and consistent dividend policy. Thus since the IPO, Austrian Post has ranked among the most profitable shares on the Vienna Stock Exchange and compares favourably with other listed international postal and logistics companies. Austrian Post is striving to continue this success story in the future. The basis will remain an attractive dividend policy, a fundamental cornerstone of its corporate philosophy. Each year Austrian Post intends to achieve a dividend payout ratio of at least 75% of Group net profit for the year to its shareholders. Thus, the objective is to further develop dividends in line with the Group net profit for the year.

TOTAL SHAREHOLDER RETURN OF 70%
SINCE THE IPO




KEY POST SHARE AND DIVIDEND INDICATORS

| | | 2010 | **2011** | Change 2010/2011 |
|---|---|---|---|---|
| Earnings per share | EUR | 1.75 | 1.83 | 4.6% |
| Dividends per share | EUR | 1.60 | 1.70[1] | 6.3% |
| Special dividends per share | EUR | – | – | – |
| Dividend payout | EUR m | 108.1 | 114.8[1] | 6.3% |
| Free cash flow per share | EUR | 2.27 | 2.41 | 5.8% |
| Dividend yield[2] | % | 6.5% | 7.3% | – |
| Total shareholder return (annual performance + dividends)[3] | % | +37.9% | +0.7% | – |
| Total shareholder return since the IPO | % | +69.1% | +70.0% | – |
| Share price performance | % | +30.0% | –5.8% | – |
| PE (price/earnings) ratio at the end of December | – | 14.1 | 12.7% | –9.9% |
| Share price at the end of December | EUR | 24.73 | 23.30 | –5.8% |
| High/low (closing price) | EUR | 24.73/18.20 | 24.73/18.93 | – |
| Market capitalisation at the end of December | EUR m | 1,670.6 | 1,574.0 | –5.8% |
| Shares in circulation at the end of December | Shares | 67,552,638 | 67,552,638 | – |
| Free float | % | 47.2% | 47.2% | – |

[1] Proposal to the Annual General Meeting on April 17, 2012
[2] Dividends per share divided by share price at year-end of the respective financial year
[3] Change in the share price year-on-year plus dividend payment in the respective year (excluding reinvestment of the dividends)

# SOLID DEVELOPMENT, HIGH TRANSPARENCY

## STABLE SHARE IN A TURBULENT ENVIRONMENT

In 2011, international stock markets suffered from a truly difficult market environment. The development of share prices on the stock exchanges was relatively stable in the first half of the year. However, uncertainty in the markets grew during the summer months, which was mainly due to the European sovereign debt crisis. The consequence were substantial losses on all important benchmark indices. In the course of the year, the Dow Jones Industrial registered a 5.5% decline in value, whereas the DAX even posted a 14.7% loss in the same period. The Vienna Stock Exchange was faced with a more dramatic downturn, closing the year at minus 34.9%. In 2011, the DJ Euro Stoxx Transportation Index fell by 19.0%.

Austrian Post shares, which have been listed on the Vienna Stock Exchange since May 31, 2006, ranked among the absolute top performers against this backdrop. Despite unfavourable market conditions, the Austrian Post share price held up well, and closed at EUR 23.30 at the end of trading in 2011, corresponding to a relatively moderate decline of 5.8%. On the basis of this share price, market capitalisation totalled close to EUR 1.6bn. Almost 20m Austrian Post shares were traded on the Vienna Stock Exchange in 2011, with the total volume of trading reaching a level of about EUR 450m (counted once). On balance, the share price of Austrian Post has climbed by EUR 4.30 since its IPO.

### Attractive dividends

Austrian Post aims to continue offering attractive dividends and total shareholder returns to its shareholders. The Management Board will propose the distribution of a dividend of EUR 114.8m for the 2011 financial year to the Annual General Meeting scheduled for April 17, 2012. This corresponds to a dividend of EUR 1.70 per share to be distributed on May 2, 2012. On the basis of a share price of EUR 23.30 as at the end of December 2011, the dividend yield amounts to 7.3%. Therefore, since the IPO, Austrian Post will have paid its shareholders a total dividend of EUR 9.00 per share. Taking account of the issue price of EUR 19.00 (May 30, 2006), the yield (total shareholder return) including the share performance has been 70.0%.

Within the context of its dividend policy, Austrian Post Group intends to achieve a dividend payout ratio in the coming years of at least 75% of Group net profits for the year attributable to Austrian Post shareholders. This is based on the assumption that the company successfully continues its business development and that no unforeseen circumstances arise. Accordingly, the company strives to distribute a sustainable dividend developing in line with Group net profits for the year.

### Represented in numerous indices

Since September 18, 2006 Austrian Post shares have been a constituent of the Austrian Traded Index ATX, the benchmark index of the Vienna Stock Exchange. It consists of the 20 Austrian blue-chip companies with the highest trading volume and the largest market capitalisation. At the end of December 2011, the weighting of Post shares in the ATX was 2.7%. In addition to the ATX, Post shares are also represented on ATX Prime, on VÖNIX, the Austrian sustainability index, and on the DJ Euro Stoxx Transportation Index.

### Number of shares remains unchanged

Since the share buy-back programme involving 2,447,362 shares in the year 2008 and the subsequent cancellation of all treasury shares on April 24, 2009, the share capital of Austrian Post has continued to be divided into a total of 67,552,638 no-par value bearer shares. This corresponds to a nominal value of EUR 5.00 per share.

### Investor relations: great importance attached to transparency

Since its IPO on the Vienna Stock Exchange, Austrian Post has attached considerable importance to active communications with investors and analysts. In addition to numerous visits made by institutional investors and analysts in Vienna, the Management Board as well as the investor relations team continually held meetings with representatives of the financial community in Austria and international financial centres such as Frankfurt, London, Amsterdam, Paris, Stockholm, Madrid, New York, Toronto and Boston in 2011. On balance, an intensive dialogue with some 250 institutional investors took place during 40 roadshows and investor conferences.

The high quality of Austrian Post's reporting was underlined by two awards granted for its Annual Report 2010: once again the company won the second place award among all firms listed on the ATX at the Austrian Annual Report Award of the business magazine "Trend". On an international level, the Annual Report 2010 entitled "The Values of Austrian Post" was awarded the silver prize at the Econ Awards for Corporate Communications in the category Annual Report/Print.

Once again private shareholders 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 "GEWINN" investment fair in Vienna. Moreover, in order to provide information to school pupils, who may potentially be future employees or shareholders, Austrian Post was also represented at the "GEWINN Info Day" for pupils.

### Extensive 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 processes of investors. At the same time, the analyst reports provide Austrian Post with valuable feedback from experts in the sector, concerning the strategy and development of the company. At the end of February 2012, Austrian Post is regularly monitored by a total of twelve investment banks: CA Cheuvreux, Credit Suisse, Deutsche Bank, Erste Bank, Goldman Sachs, Kepler Capital Markets, Macquarie, MainFirst Bank, Morgan Stanley, Raiffeisen Centrobank, Royal Bank of Canada and UBS. An overview of the latest recommendations of these investment banks can be found on the Internet at **www.post.at/ir** >> **Our Share** >> **Analyst Coverage.**

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E: investor@post.at, I: www.post.at/ir

INTERVIEW

# "… currently the best defensive stock on the Vienna Stock Exchange …"

*From left to right: Harald Hagenauer, Head of Investor Relations, talks with the analysts Christoph Schultes, Erste Group, and Bernd Maurer, Raiffeisen Centrobank.*

**Maurer:** The Post share is one of the most attractive dividend stocks on the market. For this reason there is one question which is the focus of investor attention. How sustainable is the dividend?
**Hagenauer:** We are clearly positioned as a stable dividend stock. Our investors expect an attractive dividend, and recent years have shown that we have not failed to live up to their expectations. This year we also plan to distribute an attractive dividend, which will further develop in the future in line with the Group net profit.
**Maurer:** Will the company continue to be able to generate the dividend from its operating business?
**Hagenauer:** Yes. We assume that our performance in the future will continue to make this possible.
**Schultes:** Due to the strong cash flow position of Austrian Post, investors are also interested in knowing whether acquisitions are planned. What strategy is being pursued here?
**Hagenauer:** The top priority of the Group is clearly improving its performance. Smaller acquisitions which complement our core business are possible, but only in companies with growth-oriented business models.
**Schultes:** Will the trend towards the electronic substitution of letter mail continue uninterruptedly?
**Hagenauer:** In the coming years we anticipate a volume decline of 3–5% for addressed letters. In contrast, direct mail items will remain an important component of the marketing mix of companies.
**Maurer:** Speaking of growth – will trends such as online shopping also enable stable growth in the parcels business in the years to come?
**Hagenauer:** Studies confirm that e-commerce is clearly a popular trend and will remain that way. This will result in higher volumes of private customer parcels. We can exploit this situation based on the joint delivery of parcels and letters in Austria. But the B2B business also continues to boast gratifying volume increases which tend to be somewhat higher than GDP growth.
Now let me pose a question to the analysts. How do you see the potential of Austrian Post?
**Schultes:** From our point of view the Post share is currently the best defensive stock on the Vienna Stock Exchange. Its performance in recent months was outstanding.
**Maurer:** I can only agree with you on this. No other share better fulfils the profile of an attractive defensive stock. The business model and dividends as well as the balance sheet and cash position all point in the right direction.
**Hagenauer:** What would add further impetus to the share?
**Maurer:** Ongoing cost reductions, positive surprises in letter mail volumes but also increased free float, if possible over 50%, would add impetus to the share's attractiveness. In this way the investor base could be expanded or further stabilised.
**Schultes:** The focus must be on continuing the attractive dividend policy.
**Hagenauer:** Thank you for this discussion.

# CORPORATE GOVERNANCE

## CHECKS & BALANCES

***In carrying out its business operations, Austrian Post not only attaches the utmost importance to professionalism but also to its business management. Naturally, this extends to corporate governance, in which Austrian Post also relies on best practice.***

### Confidence based on transparency

But what exactly is corporate governance? This term originating in the USA, which has become increasingly important also in Europe over the last 15 years, characterises the legal and factual framework for the management and supervision of a company. The overriding goal is to gain the confidence of investors by promoting a regulated cooperation of the Supervisory Board, Management Board and shareholders as well as transparency regarding corporate management and supervision. In this regard, the discussions focus on the management structure of publicly listed companies due to the fact that there is a relatively large distance between the company's management and shareholders because of the broad distribution of the shares.


### Legal regulations plus voluntary compliance

Corporate governance is very complex and encompasses both binding and voluntary measures: adherence to laws, regulations and rules, compliance with recognised standards and recommendations as well as the development and observance of own corporate guidelines. The term has been decisively shaped by the Austrian Corporate Governance Code, serving as an important interface between company and capital market laws. The code is not a law, but a set of "best practice" guidelines functioning on the basis of "comply or explain". The Austrian Corporate Governance Code follows the principle of self-commitment compliance. This means compliance to the rules is on a voluntary basis.

The Austrian Corporate Governance Code was put together by the Austrian Working Group for Corporate Governance. The first version was published on October 1, 2002. Since then, it has been revised annually to reflect the latest national and international legal developments.

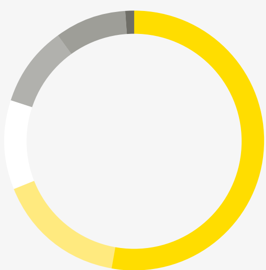
### Austrian Post and corporate governance

Austrian Post has been committed to complying with the stipulations contained in the Austrian Corporate Governance Code since its IPO in 2006. Over the years, the company has developed high internal standards which ensure "good corporate governance". In addition to adhering to recognised formal processes, the constructive exchange of views between the Supervisory Board and the Management Board is of crucial importance. The willingness to deal with difficult questions is decisive in this case. For example, the two boards regularly discuss risky business areas and potential courses of action.

### Shareholder structure of Austrian Post

As a consequence of the Initial Public Offering in 2006, 49.0% of the shares were placed with investors. The shareholding held by the Austrian state holding company ÖIAG (Österreichische Industrieholding AG) in the share capital of Austrian Post thus decreased from a 100% stake to 51.0%, or a total of 37.5m of the outstanding shares. In relation to the 67,552,638 shares currently in circulation, ÖIAG holds a 52.8% stake in the company, and thus remains the majority shareholder of Austrian Post. Austrian Post is not aware of any other investors who own more than 5% of the total share capital in the company.

SHAREHOLDER STRUCTURE BY COUNTRY
(BASIS: 67.6m SHARES)



| | |
|---|---|
| 52.8% | ÖIAG |
| 14.7% | Continental Europe |
| 13.0% | Austrian private and institutional investors |
| 12.3% | Great Britain |
| 7.0% | North America |
| 0.3% | Other countries |

A shareholder ID carried out in January 2012 concluded that, in addition to the main shareholder ÖIAG, 39 % of the shares are held by European investors (plus 1 percentage point compared to the previous analysis of January 2011). All in all, 13% of these shares are held by private and institutional investors in Austria (plus 3 percentage points), 15% in Continental Europe (minus 3 percentage points) and 12% in Great Britain (plus 1 percentage point). A total of 7% of the shares (minus 1 percentage point) are currently held by North American investors (USA, Canada), whereas investors in the rest of the world account for much less than 1% (unchanged). Private investors in Austria also include Austrian Post employees, who have a combined share of more than 2%.

## INTERVIEW

**"... open and constructive discussions between the Management and Supervisory Board ..."**

**MARKUS BEYRER**
Chairman of the Supervisory Board of Austrian Post

*Mr. Beyrer, you have been Chairman of the Supervisory Board of Austrian Post since April 2011, and also CEO of ÖIAG since July 2011. How are you doing with your new responsibilities?*
**Beyrer:** Austrian Post is an Austrian flagship company, which is of crucial importance to the Austrian business location and the population due to its nationwide services as well as its strategically vital logistics infrastructure. To serve as the Chairman of the Supervisory Board of Austrian Post and actively shape the further development of the company is an extremely interesting and also challenging task which I am glad to fulfil. As the Chairman of the Managing Board of ÖIAG, my job is to ensure that the management of the holdings we are in charge of performs its duties according to professional and economic criteria. In this respect we are on the right track.

*The term corporate governance is decisively influenced by the Austrian Corporate Governance Code. What influence does the code actually have on corporate practices?*
**Beyrer:** The approach taken, which emphasises flexible self-regulation tailored to corporate requirements on the basis of the "comply or explain" principle and the objectives of the code to make the Austrian corporate governance system transparent and understandable, should definitely be welcomed. The Austrian Corporate Governance Code provides a good regulatory and "best practice" framework for the management and supervision of companies. Austrian Post has taken into account the guidelines contained in the code since its IPO in 2006, and in several cases even goes beyond these stipulations. For example, in 2011 three meetings of the Audit Committee took place which reported on the issues of "Internal Auditing, Risk Management and Compliance". The code only recommends one report per year on internal auditing.

*In the past few months, the issue of diversity has been intensively discussed by the Supervisory Board. What is your personal opinion on this?*
**Beyrer:** The challenges faced by supervisory boards in their activities have become much more complex, multi-faceted and time-consuming over the last few years. In order to effectively meet these challenges, it is important to ensure a balanced composition of supervisory boards. In addition to an understanding of business and legal aspects, the ideal supervisory board should also boast specific industry know-how as well as international experience and social competence. A stronger presence of women on Austrian supervisory boards would also be a positive development. However, the discussion should be on the basis of qualifications and skills and should not be reduced to fulfilling quotas.

*What is the situation of Austrian Post in this context?*
**Beyrer:** Two of the eight shareholder representatives on the Supervisory Board are qualified women. With a proportion of women amounting to 25 %, we significantly surpass the ATX average. Moreover, two of the Supervisory Board members are not Austrian nationals. The current composition also ensures a balance of competencies and skills. By the way, Austrian Post generally strives to continuously increase the percentage of women in management positions and not only on the Supervisory Board!

*Which issues did the Supervisory Board of Austrian Post focus on in its work?*
**Beyrer:** In addition to legally prescribed issues such as auditing consolidated annual financial statements or electing auditors of the company's accounts, the Supervisory Board also dealt primarily with the opportunities and risks for Austrian Post's business development as well as the strategic orientation of the Group. In addition, further development of the management structure was also on our agenda. The merger of the Mail and Branch Network divisions resolved upon in January 2012 means the Management Board was reduced from five to four members.

*How do you assess your cooperation with the Management Board?*
**Beyrer:** A "best-in-class" Supervisory Board can only function if our interaction with the Management Board is based on trust. Aspects such as a lively culture of open debate and a constructive team spirit are decisive factors in ensuring a professional and performance-oriented cooperation. All the sessions I have chaired at Austrian Post have been characterised by open and constructive discussions. The culture underlying our work is based on mutual trust and always pursues the overriding goal of working to sustainably increase value for the benefit of the company. I will do my best to ensure that this is also the case in the future.

*Thank you for this interview.*

Emilie, daughter of an employee of Austrian Post


# "... only those who think sustainably can really act entrepreneurially ..."

**GEORG PÖLZL**
CEO

We do not shape the future tomorrow but today. And whoever already reflects today about how the world will look tomorrow or the day after, and how one has to structure a company accordingly in order to be able to fulfil its responsibilities on a long-term basis, is also a responsible businessman." The standpoint taken by Austrian Post CEO Georg Pölzl with respect to sustainability is unambiguous. "It would be completely absurd to think only about the next financial year and to focus on short-term profits." The important thing is to lay the groundwork for sustainable development in the coming years.

"We are very intensively dealing with issues relating to our responsibility towards our stakeholders and our social environment", Georg Pölzl continues. "In this regard, we think in four different dimensions: society, employees, environment and economy", he adds. The issues to which Austrian Post is devoting its attention range from the reliability of supply, social engagement and the appreciation and support provided to its employees as well as the optimal use of natural resources and the sustainable increase of shareholder value. Only a profitable company can make a meaningful contribution on a long-term basis.

# SUSTAINABILITY IN MIND

Austrian Post is committed to its responsibility towards its stakeholders and its social environment. With this in mind, Austrian Post developed new corporate principles in 2010, which comprise the foundation for the sustainability strategy of the company. In addition to the two guiding principles "Everything we do revolves around our customers" and "We are future-oriented", the appreciation of employees and open communications with them are of overriding importance. "A company can only be successful if the employees are proud of what they are doing and can contribute to the reputation of the company. In contrast, only a successful company can seriously assume its corporate social responsibility on a long-term basis, and thus meet social and ecological needs", Austrian Post CEO Pölzl states.

As a publicly listed company Austrian Post is naturally committed to economic success on behalf of its owners – the Republic of Austria as well as institutional and private shareholders. Moreover, the company is aware of its responsibility towards society, its employees and the environment. Accordingly, in the year 2007 Austrian Post joined the UN Global Compact, a sustainability-oriented initiative of the United Nations. Thus, the company is obliged to comply with global principles of ethical and ecological business practices.



## COMMENTARY

"... we welcome the commitment of Austrian Post."

**BETTINA STEINBRUGGER**
Project Manager, respACT

Responsible business practices create added value for everyone, because they benefit the company and society at the same time. The respACT member companies are dedicated to linking market-based thinking and behaviour to ecological and social criteria, and promoting an open, partnership-oriented dialogue with their stakeholders.

As the leading corporate platform for corporate social responsibility and sustainable development in Austria, we welcome the commitment of domestic companies, and greatly appreciate what Austrian Post is doing as a longstanding respACT member.


**"I have been a postal partner since November 2010. If you make an effort, you can strengthen your own business model. Postal partners have to support the whole concept – no half-heartedness."**

**FRITZ HUBMANN**
Postal partner in Stainz

**"The targets regarding emission reduction could be even more ambitioned, paper could be used from sustainable sources and employees could be sensibilised more strongly for environmental topics."**

**ARMAND COLARD**
Corporate Relations, WWF

# ONGOING DIALOGUE WITH ALL STAKEHOLDERS

The sustainability targets and measures defined by Austrian Post are always oriented to the demands and expectations of its stakeholders. "Different interest groups perceive the corporate social responsibility of Austrian Post differently, or have other expectations of the company. For this reason, we are pursuing a dialogue with our stakeholders via a diverse range of channels, and invite them to interact with us and give us their feedback", says Austrian Post CEO Georg Pölzl.

For this purpose, a structured stakeholder roundtable was held in 2011 for the first time to discuss the expectations of the individual stakeholder groups with CEO Pölzl. The objective was to receive input for future sustainability activities and identify key issues. Within the context of this dialogue, Austrian Post was, in fact, given a lot of fresh input, but critical issues were also discussed openly. "Naturally we take these concerns very seriously and, wherever possible, purposefully integrate them into our sustainability strategy", Georg Pölzl emphasises.

**STAKEHOLDER GROUPS OF AUSTRIAN POST**

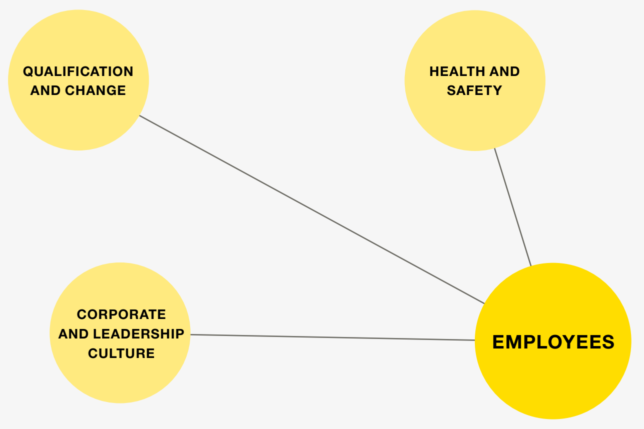
| | | | | |
|---|---|---|---|---|
| Customers | Shareholders | Employees | Business partners | Industry representatives |
| Society | Environment | Communities | Regulatory environment | Media |

# EMPLOYEES

*As one of the biggest employers in the country, Austrian Post is clearly aware of its responsibility to its employees. Motivated and productive employees are the basis for corporate success, and high value must be placed on the factor "employees", especially in a service company.*

An important pre-requisite is a healthy and safe working environment. Occupational safety, health protection and healthcare comprise key elements of our corporate policy", says Franz Nigl, Head of Human Resources Management. "We want and must ensure future perspectives for our employees in a market environment in which the demands on staff are continually subject to change, and individually promote their professional development", he adds.

**Targets**
- **Creating individual future perspectives**
- **Promoting a corporate and leadership culture**
- **Promoting occupational health and safety**




AUSTRIAN POST – EMPLOYEE INDICATORS

| | 2009 | 2010 | **2011** |
|---|---|---|---|
| **Employees Group (FTE[1])** | **25,921** | **24,969** | **23,369** |
| **Employees Austrian Post (FTE[1])** | **21,598** | **20,695** | **19,907** |
| thereof women (FTE, %) | 29.6% | 29.5% | 29.3% |
| Civil servants (FTE) | 11,803 | 11,005 | 10,266 |
| Salaried employees (FTE) | 9,306 | 9,456 | 9,429 |
| Full-time employees (total) | 19,498 | 18,559 | 17,785 |
| thereof women (%) | 23.5% | 23.3% | 23.1% |
| Part-time employees (total) | 4,075 | 3,977 | 3,812 |
| thereof women (%) | 87.4% | 85.0% | 83.3% |
| Average tenure of civil servants at Austrian Post (years) | 26 | 26 | 27 |
| Average tenure of salaried employees at Austrian Post (years) | 11 | 11 | 11 |
| Employees (FTE) according to age | | | |
| under 30 years | 1,571 | 1,567 | 1,600 |
| 30–50 years | 15,395 | 14,344 | 13,210 |
| over 50 years | 4,631 | 4,785 | 5,098 |
| Fluctuation (%)[2] | 7.3% | 9.9% | 8.6% |
| Sick leave rate for employees (FTE, %) | 7.3% | 7.5% | 7.4% |

[1] FTE … Full-time equivalents
[2] Employee attrition relating to permanent staff with at least six months employment

## AUSTRIAN POST PROMOTES DIVERSITY

Within the context of its diversity management, Austrian Post explicitly strives to promote social diversity and constructively seeks to benefit from the diversity of its staff. On the one hand, this applies to natural differences in gender, ethnic background, age and disability. On the other hand, it also applies to subjective differences such as religion and lifestyle. In 2011, an average of 19,907 employees were working for Austrian Post. One-third of them were women.
In addition to some 600 men, about 3,200 women make use of part-time work models with which Austrian Post promotes the compatibility of family and professional life. Moreover, based on the place of birth, Austrian Post employees come from a total of 52 different countries. Some 410 employees are not Austrian nationals, and a significantly higher number have a migration background. Five people with a migration background also hold management positions at Austrian Post.

In recent years, Austrian Post has more than fulfilled its employment obligations towards people with disabilities. More than 1,100 people with special needs are employed by the company. People with disabilities work in a diverse range of positions, for example as executives, Central Works Council representatives, on the delivery staff or as post office employees.

### "Business Cross Mentoring" – special programme for women

One focal point of Austrian Post's diversity management efforts in 2011 was promoting the career advancement of women. Austrian Post already boasts a large share of women in management positions, which reached a level of 23.3% in 2011. A woman, the lawyer Edith Hlawati, serves as Deputy Chairman of the Supervisory Board. A new concept is designed to particularly promote the advancement of female "high potentials" in the company in order to support them in their next career move. Accordingly, the initiative entitled "Business Cross Mentoring" serves to provide professional support to success-oriented women within the context of a training programme with flat hierarchies.
"I look forward to getting to know the point of view held by others, the manifold opportunities to exchange experiences internally and externally, and exciting talks with my mentor. As the writer Antoine de Saint-Exupéry once said, 'In order to see clearly it is enough to change the direction you look in'," says Ursula Bachmair, who is participating in the programme.

"Business Cross Mentoring is a great opportunity to further develop myself professionally and personally."

**URSULA BACHMAIR**
Manager in the Legal Department

## OCCUPATIONAL HEALTH AND SAFETY

Austrian Post attaches considerable importance to the health and safety of its employees. The main focal points of the company's multifaceted internal health care programme include trainings on safe and healthy workplace behaviour, tips on doing exercise, tobacco and alcohol abuse prevention, ensuring health-promoting and ergonomic working conditions as well as creating workplaces tailored to the needs of disabled or older employees. A top priority are preventive health care offerings, in order to prevent potential health problems from arising in the first place. Extensive health check-up opportunities were offered to employees in 2011 within the context of four Austrian Post "Health Days". Moreover, more than 2,800 inspections of workplaces were carried out by security experts and occupational physicians in order to create an ergonomic working environment. Austrian Post is also continuing to participate in "Fit for the Future – the Programme to Maintain Work Ability", an initiative launched back in 2008 by the Austrian Social Insurance for Occupational Risks and the Social Security Administration.

COMMENTARY

"... try something completely different ..."

JOHANNES KARNER
District Solicitor in Vienna

Since 2011 I have worked as a district solicitor in Vienna. Previously I was the head of a delivery base in the first district of Vienna. The reason for my change was that I wanted to try out something completely new, and gain new experience in an extremely interesting and exciting environment. That is why I took advantage of this positive career development and further education opportunity, and invested one and a half years of training to become a district solicitor. This has opened up new and interesting perspectives for me.

# POST.SOZIAL

The joint welfare association "post.sozial" reflects the social responsibility of Austrian Post to its employees based on additional social services above and beyond its legally stipulated obligations. These services range from financial support to employees faced with unusually high costs arising as a result of illness or natural disasters along with discounted tickets for cultural events and more favourably priced holiday deals to child care and day care services during vacations. Furthermore, support is provided for health care measures and recreational activities contributing to maintaining the health of employees.

The purpose of the joint welfare association "post.sozial" is to provide social support to active employees of Austrian Post and its subsidiaries, but also retired employees as well as family members and surviving dependants of employees.

The funding for "post.sozial" is based on annual contributions of 1% of the total wage bill of Austrian Post and its subsidiaries. Total funding amounted to EUR 6.7m in 2011. The joint welfare association is also supported by third-party donations.

POST.SOZIAL – KEY FIGURES 2011

| | | | |
|---|---|---|---|
| post.sozial | Total funding | EUR | 6.7m |
| fair.reisen | Number of overnight stays | | 55,973 |
| helfens.wert | Food coupons | EUR | 4.7m |
| | Paid financial assistance | EUR | 605,060 |
| sehens.wert | Number of discounted admission tickets | | 17,890 |
| postler.kids | Support for children's holiday camps | EUR | 10,954 |

# THE INTERNAL LABOUR MARKET

The competition on the postal market is steadily increasing. This has been accompanied by the complete liberalisation of the letter mail market since the beginning of 2011. The increasingly demanding environment in which Austrian Post operates thus requires ongoing efficiency improvements and adjustments to the company's personnel structure. Responsible corporate behaviour means reacting to changes faced by employees and planning the path to be taken, which is so crucial to the future of Austrian Post, in a proactive and socially compatible manner. Accordingly, the company initiated the "Internal Labour Market", an effective platform designed to ensure that the employees affected by restructuring measures gain the qualifications required for new jobs inside or outside the company.

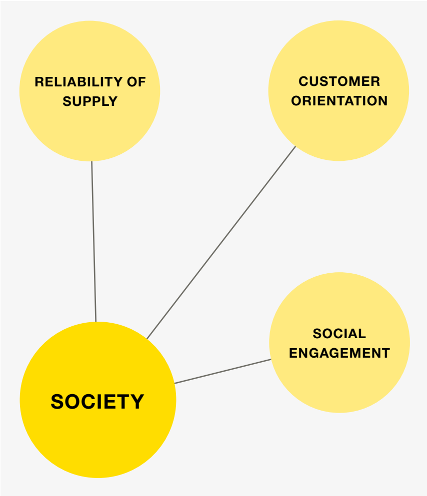
**The Internal Labour Market**
- **Promoting and supporting internal mobility**
- **Promoting employee readiness for change and facilitating training and further education measures**
- **Promoting the respectful interaction of the employer and employees**

## Post employees transfer to the federal public service

In 2011, civil servants at Austrian Post once again changed jobs to transfer to the Ministry of Internal Affairs, Ministry of Justice and Ministry of Finance. They offer Austrian Post employees new and interesting career perspectives. Numerous applications and visits to information events show that Austrian Post is on the right track. In the meantime, more than 300 civil servants have transferred to the federal public service, demonstrating that the competencies acquired at Austrian Post are in demand at the ministries.

Raphael Wolf, participant in a holiday camp

# SOCIETY




***As a provider of universal postal services, Austrian Post bears a considerable responsibility to society. It makes an important contribution towards maintaining and safeguarding the communications infrastructure on the basis of providing reliable, top-quality nationwide postal services in Austria.***

Austrian Post wants to offer services to meet the modern needs of society. Its attractive, innovative services and a comprehensive service offensive demonstrate that the customer is the focal point of all its business decisions. Because of its importance to the country, Austrian Post is also committed to taking an active part in society. One priority is to be involved in projects which have a direct connection to the core business of the company – its high logistics competence and nationwide network of branch offices.

**Targets**

- **Expanding reliable, nationwide postal services**
- **Making and fulfilling the company's performance promise**
- **Promoting its social engagement**

## RELIABILITY OF SUPPLY

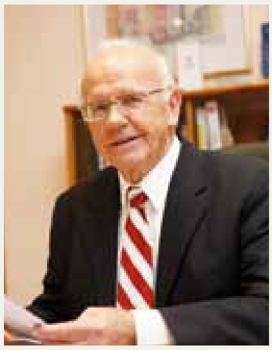
Only Austrian Post delivers letters and parcels each day to every address and doorstep throughout Austria. The company is a reliable partner, and thus makes a valuable contribution to providing basic services for Austrian cities and municipalities in the form of postal services that are of outstanding quality. As a result, more than 95% of all letters are already delivered to recipients on the next working day.

Austrian Post is always close to its customers. The branch network featuring 1,880 outlets ranks among the largest private customer networks in the country. Austrian Post moved ahead rapidly in 2011 with its customer-oriented restructuring drive. These efforts included the expansion of the postal partner concept. Previously, the focus was on rural areas. In contrast, in 2011 Austrian Post also increasingly offered entrepreneurs in metropolitan areas the opportunity to enter into a partnership with the company.

**Postal partners: advantages at a glance**

- **Customers benefit from proximity to the postal partner outlets**
- **Longer shop opening hours**
- **Promotion of existing economic structures in rural areas**
- **Efficient full service of postal services above and beyond the legally stipulated mandate**

## COMMENTARY

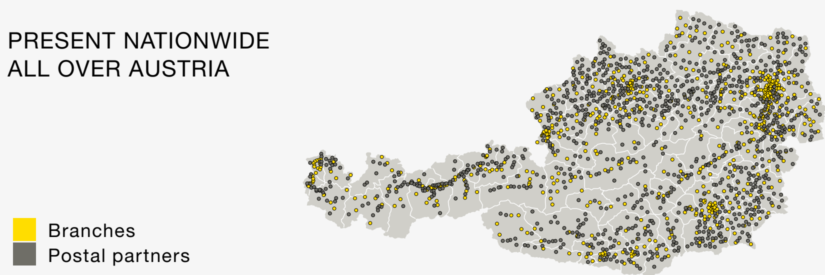


**PETER KOITS**
Mayor of Wels

Sustainable work for the people in Wels is a clear goal of my policies. The path we have taken together with the people in charge at Austrian Post is also a sustainable one. With the opening of postal partner offices, postal services in our city have been put on a sustainable footing. I also see this as an important step in the direction of customer orientation.

With seven postal partners in all sectors, Wels is a trendsetter in this initiative. It is good to know, especially in insecure times marked by a financial and economic crisis, that our postal services are on a solid basis thanks to postal partner offices. Flexibility is also an issue. The expanded opening hours of the postal partners, especially our two petrol stations, fulfil the needs of our urban population.

For me postal partner offices are a success model in the city and show where political decision makers and the business community can work together effectively in order to achieve the best results on behalf of the people.



## "Ö3-WUNDERTÜTE": NEW RECORD

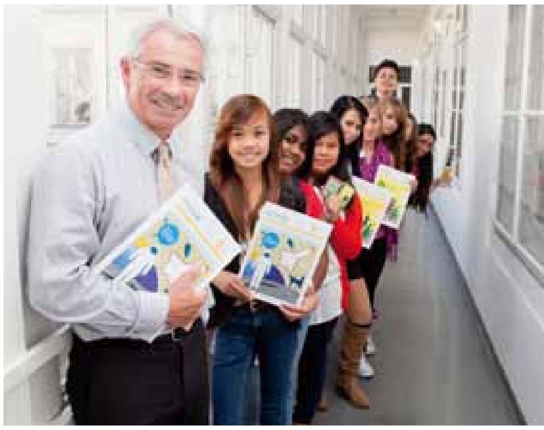
For the seventh time, "Ö3-Wundertüte" repeated its previous efforts to convert old mobile phones into cash donations for Austrian families in need during the weeks of Advent. The empty "mobile phone bags" were brought to the people once again by the more than 11,000 people on Austrian Post's delivery staff, and Austrian Post, as always, took care of transporting the filled paper bags. In the winter of 2010/11, more than 400,000 mobile phones were collected. This year this joint campaign organised by the charity Caritas together with the radio station Ö3, Mondi and Austrian Post broke all previous records. This time a total of 467,000 mobile phones were donated. In turn, this resulted in a cash sum of EUR 700,000 raised for the emergency relief funds of "Licht ins Dunkel" ("Bring Light into the Darkness") and of Caritas. Both offer quick support to a countless number of families. Whether to help pay the rent and electricity bills or finance aids for children with disabilities, the initiative has succeeded time and again in making emergency stopgap payments as a means of improving the life situation of families in distress. The enormous response rate of the filled Ö3-Wundertüte bags also provided work to ten long-term unemployed people, who were involved in processing the huge amount of mobile phones in order to separate the devices ready for the junkyard from those which still work. Defective mobile phones are recycled in an environmentally compatible manner by certified and strictly monitored companies, whereas mobile phones in good working order were prepared and reused.


## FROM OLD TO SOMETHING HIP – DESIGN & ENVIRONMENTAL PROTECTION

Fashionable shoulder and laptop bags were created in the Austrian Post design from original Austrian Post delivery bags within the context of a project in cooperation with "gabarage upcycling design", the socioeconomic organisation of the Anton Proksch Institute. gabarage upcycling design employs (formerly) addicted individuals, who are being prepared in the course of a year to (re-)enter the normal job market. In addition, gabarage also provides vocational guidance and support in searching for a job. The bags were first presented at the Vienna Fashion Night in June 2011. Proceeds from the sale of the limited edition of the bags were donated to a UNICEF school project in Malawi/Africa.


## READ – WRITE – POST

Austrian Post developed teaching materials for the third grade in an initiative entitled "Die Post macht Schule", which presents the responsibilities and services of Austrian Post and aims to motivate pupils to read and write. The teaching aid provides pupils with playful access to the manifold tasks performed by Austrian Post as the country's largest logistics service company.



In addition to a guidebook for teachers, the "school box" also includes worksheets and information booklets for pupils, a film in DVD format about Austrian Post and last but not least stamps featuring a particularly popular motif, namely Fridolin, the Austrian Post fox mascot. The school boxes were distributed to 260 Viennese primary schools in October 2011.

## AUSTRIAN POST & "ZEITUNG IN DER SCHULE"

In cooperation with the association "Zeitung in der Schule" (a newspaper in school), Austrian Post designed one issue of its workbook "MiniZ" on the issue of "Post and Postage – The Way News is Sent". The association "Zeitung in der Schule" provides various types of teaching materials and thus supports children and youth by helping them orient themselves to Austria's media landscape. At the same time, it promotes the reading and writing abilities of pupils in Austrian school classes.

# ECONOMY

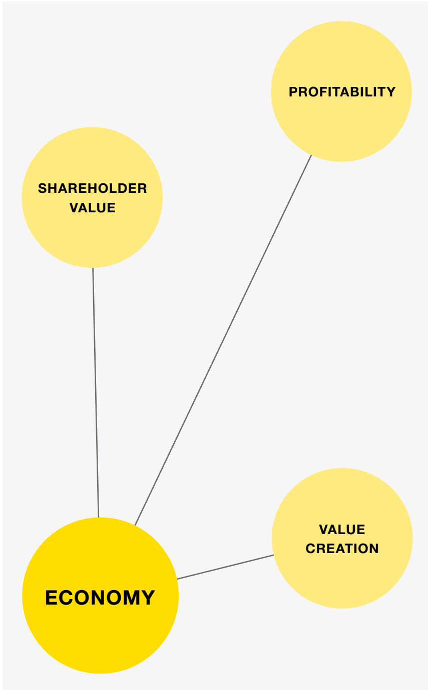
*Austrian Post pursues the objectives of safeguarding and expanding its market leadership and further growing on a long-term basis. Targeted strategic measures are designed to contribute to achieving these goals. The top priority for Austrian Post's management is to ensure profitability on a sustainable basis. Only a successful company can seriously assume its corporate social responsibility on a long-term basis and make an appropriate contribution to fulfilling social and ecological needs.*

Current developments on the international postal and logistics market pose major challenges to Austrian Post's efforts to achieve its business targets, but also open up new opportunities. In order to exploit these opportunities, Austrian Post clearly formulated its objectives and strategic measures within the framework of a broad-based strategic development process, and defined the following strategic approaches:

- safeguarding and expanding its market leadership in Austria as well as
- achieving growth in selected markets;
- the basis for this is ongoing efficiency enhancement as well as the increasing flexibility of the cost structure along with
- consistent customer orientation and innovation in all business activities.

**Targets**

- **Increase shareholder value, supported by an attractive dividend policy**
- **Medium-term revenue growth of 1–2% p.a.**
- **Sustainable EBITDA margin of 10–12%**

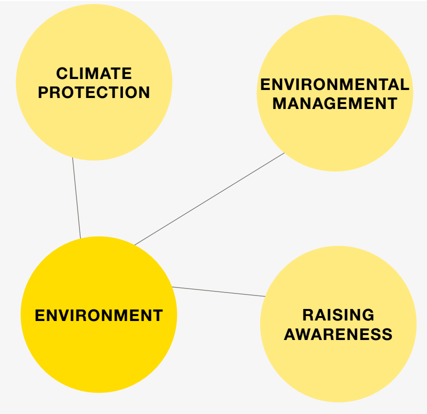



VALUE CREATION FOR ALL STAKEHOLDERS

| EUR m | 2009 | 2010 | 2011 |
|---|---|---|---|
| **Value creation** | | | |
| Revenue and other operating income | 2,446.5 | 2,441.7 | 2,423.2 |
| less advance outlays | –1,162.8 | –1,165.1 | –1,194.2 |
| thereof raw materials, consumables and services used | –766.1 | –771.0 | –759.8 |
| thereof other operating expenses | –277.0 | –288.8 | –320.0 |
| **Value added** | **1,283.6** | **1,276.6** | **1,229.0** |
| **Distribution** | | | |
| to employees (wages, salaries, social contributions) | 1,147.3 | 1,129.2 | 1,057.7 |
| to shareholders (dividends) | 101.3 | 108.1 | 114.8 |
| to the Republic of Austria (taxes) | 45.1 | 30.3 | 39.3 |
| to creditors (interest) | 4.6 | 3.8 | 3.7 |
| Remaining amount | –14.8 | 5.2 | 13.5 |
| **Value added** | **1,283.6** | **1,276.6** | **1,229.0** |

# ENVIRONMENT

## SUCCESSFUL INITIATIVE “$CO_2$ NEUTRAL DELIVERY”




### 1. AVOID EMISSIONS AND INCREASE EFFICIENCY

Buildings: monitoring of energy consumption, efficient lighting concepts, optimisation of the building infrastructure

Vehicle fleet: optimised route planning, modern vehicle fleet, driver trainings to promote an environmentally-friendly approach to driving

### 2. ALTERNATIVE SOURCES OF ENERGY

Frontrunner in the field of e-mobility: 265 electric-powered vehicles in the vehicle fleet

Green electricity: exclusive use of electricity from renewable energy sources

Photovoltaics: evaluation of potential installation of solar energy facilities on distribution centres

### 3. COMPENSATION

Particular attention to ecological and socio-economic aspects

Voluntary support of national and international climate protection projects

***Austrian Post is aware of its responsibility to the environment. For this reason, it continually strives to identify optimisation potential in order to minimise its ecological footprint. In addition to comprehensive measures it implements on its own, Austrian Post also actively participates in projects such as the “Greenhouse Gas Reduction Programme” of the European association of public postal operators PostEurop as well as the “Environmental Measurement and Monitoring System (EMMS)“ of the International Post Corporation (IPC), which both aim to reduce greenhouse gas emissions.***

As the largest logistics company in the country, Austrian Post is involved in a very energy-intensive business. Its employees walk or travel


more than 200,000km each day using bikes, mopeds, cars and transporters. The company requires about 15m litres of fuel for its vehicles and about 160m kilowatt hours of energy annually for its buildings.
In turn, this results in $CO_2$ emissions which burden the global climate. On balance, the business operations of Austrian Post caused approximately 95,000t of $CO_2$ emissions in 2010. Operating buildings and distribution centres account for 35,000t, with another 40,000t arising from the company’s own vehicle fleet and the remaining 20,000t from partner companies.

Austrian Post is setting a good example to show how to reduce these greenhouse gas emissions as much as possible. Since the year 2011, all letters, parcels and direct mail items in Austria, without exception, are being delivered in a $CO_2$ neutral manner. This initiative is being implemented in a three-phase programme. “The top priority is always to avoid emissions in the company’s core processes, i.e. primarily in its buildings and vehicle fleet. The second step is to increasingly rely on alternative energy sources. We are extensively expanding our fleet of electric-powered vehicles in the upcoming years – per end of February, 2012, Austrian Post’s fleet contains 18 electric cars and 247 single-track e-vehicles. Third, all emissions which cannot be avoided at the present time will be compensated by support provided to recognised and certified climate protection projects”, says Harald Hagenauer, who is responsible for corporate social responsibility initiatives at Austrian Post.

In any case, the emission reduction targets are quite ambitious. From 2008 to 2020, $CO_2$ emissions (incl. transport companies) are to be reduced by 20%. At the same time, Austrian Post aims to further optimise its internal environmental management system and take advantage of its position in society as one of the most important service companies in the country in order to build awareness among its customers, employees and business partners.

**Targets**

- **Reduction of $CO_2$ emissions by 20% in the years 2008–2020**
- **Optimisation of the internal environmental management system**
- **Raising stakeholders’ awareness to the need for environmental and climate protection**

In order to ensure that the targeted positive environmental impact is actually achieved, the entire initiative $CO_2$ NEUTRAL DELIVERY is being supported, monitored and verified by independent experts of TÜV AUSTRIA.

TÜV AUSTRIA GEPRÜFTE $CO_2$-NEUTRALITÄT TÜV AUSTRIA CONSULT GMBH

More information at
**www.post.at/CO2neutral**

## $CO_2$ NEUTRAL DELIVERY AS AN INDICATION OF PROACTIVE CUSTOMER ORIENTATION

Austrian Post guarantees every customer that his or her mail item – whether letter, advertising mail or parcel – is being delivered in a $CO_2$ neutral manner. Business customers will also be issued a certificate each year confirming the $CO_2$ neutral delivery of their mail items.

ZERTIFIKAT

Die Österreichische Post kompensierte für FIRMA MUSTER alle im Jahr 2011 bei der Zustellung entstandenen $CO_2$ Emissionen.

"I am driving an electric car – a Citroen Berlingo – and I'm making a good experience. The car handles very well and is particularly silent – I only can hear the fan oft the heating. And customers ask me frequently about the car – after all I'm on the road as good as silently."

**KARL WENINGER**
Deliverer in St. Pölten

## HIGH ECO-EFFICIENCY IN THE VEHICLE FLEET

Transport operations comprise a very important component of Austrian Post's business operations. That is why it strives to make all transport activities as environmentally compatible as possible within the context of its climate protection strategy. Austrian Post boasts the largest vehicle fleet in Austria with more than 9,500 vehicles. This also includes bicycles, and some of the mail items are delivered on foot (more than 20% of all delivery areas are covered on foot or by using bicycles). Nevertheless, it is vital to sustainably exploit the inherent potential, especially in this area. For this reason, Austrian Post is continuously increasing the efficiency of its vehicle fleet. In addition to the consistent expansion of the share of vehicles operating on the basis of alternative drive systems, particularly vehicles powered by natural gas or electric cars, the company is also implementing measures to keep the environmental impact of vehicles running on conventional drive systems to a minimum. An important aspect is the ongoing optimisation of route planning. Empty runs are being avoided, the capacity of deployed vehicles is being consistently improved and the number of kilometres needed to transport mail items is being reduced. At the same time, a modern vehicle fleet and regular maintenance enhance the eco-efficiency of the vehicle fleet. Austrian Post employees are also making a significant contribution to climate protection. In cooperation with the automobile association ÖAMTC, the drivers of the Austrian Post delivery vehicles are being continually trained by Austrian Post's own ECO-trainers in fuel-saving driving techniques.

## E-MOBILITY: NO LONGER JUST A VISION

Electric-powered vehicles make a major contribution to reducing greenhouse gas emission, noise and energy consumption due to the fact that electric motors function much more efficiently, are emission-free and generate little noise when in operation. Moreover, state-of-the-art technology for electric cars is more advanced than ever before. For this reason, Austrian Post is in the process of significantly expanding its fleet of electric-powered vehicles. In 2011, it purchased 18 electric cars. As a consequence, Austrian Post has 265 e-vehicles in its fleet, and thus ranks among the Austrian trailblazers in the field of e-mobility.

"As the largest logistics company in the country, we are proud to make a pioneering effort in this field. We are confident that this technology will also be successful in Austrian Post's business operations", says CEO Georg Pölzl. "We will consistently move ahead with the expansion of our e-vehicles in the coming years depending on available incentives, technical availability and their suitability for postal operations. By 2015, we plan to integrate more than 1,000 e-vehicles in our fleet", Pölzl adds.

## AUSTRIAN POST RELIES ON "GREEN ELECTRICITY"

Each year, Austrian Post consumes some 160m kWh of energy, of which half is electricity and the remainder natural gas, heating oil and district heat. Since the beginning of 2012, Austrian Post has been deriving its electricity exclusively from renewable energy sources. This is because "green electricity" exploits the natural energies provided by the Earth – solar energy, hydropower, wind power, biomass and geothermal energy. In this case, power generation is environmentally compatible and virtually no greenhouse gas emissions arise. Austrian Post is also currently evaluating the potential for installing photovoltaic facilities on the roofs of its distribution centres.

### INTERVIEW

Jungwirth

## "… renewable energy is an important building block for a credible sustainability strategy …"

**OLAF KIESER**
**CEO of Energie Steiermark AG**

*Mr. Kieser, what is the situation on the electricity market in the field of renewable energies in Austria?*
**Kieser:** At present, the market for renewable energies is determined by the legally stipulated feed-in tariffs on the basis of the Green Electricity Act. Due to the current incentives and funding, most of the ecologically compatible facilities (wind power, biomass, photovoltaics) deliver the generated energy to the central settlement agent for green electricity. In turn, they pass the electricity on to electricity traders who are required to purchase the electricity. In 2010, a total of 5,905 GWh was marketed, or about 11% of the total fed into the public power grid in Austria. Funding of EUR 348m was necessary for this volume in order to cover the difference between the higher, subsidised electricity rates and the wholesale prices. This difference was partly paid by the electricity traders and partly by electricity end customers for the benefit of the environment.

*How will the market develop in the years to come?*
**Kieser:** The Green Electricity Act was amended in 2011 and the available funding considerably increased starting in 2012. An additional EUR 50m p.a. in available funding is designed to promote the expansion of green electricity facilities (amount decreasing by EUR 1m each year over the next ten years). Thus, a further expansion of renewable energies in Austria can be expected in the future.

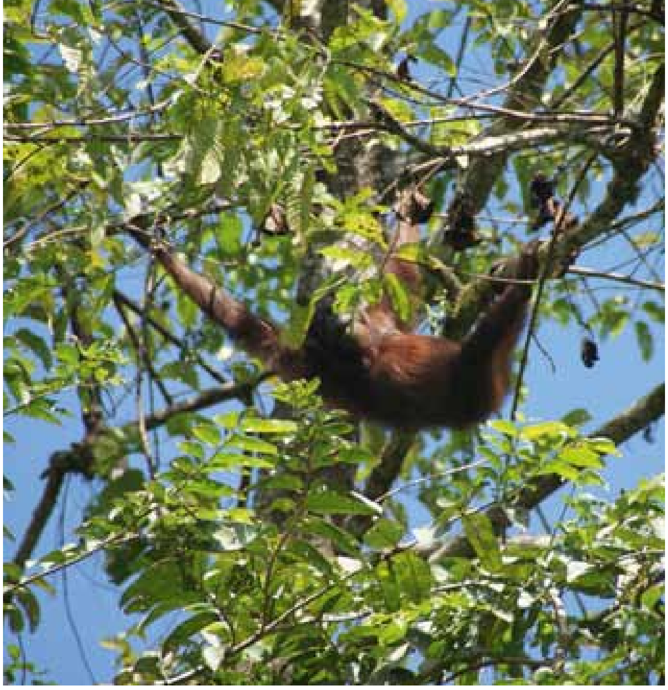
*How do you see the sustainability initiatives of Austrian Post, above all its use of renewable energy sources to supply electricity?*
**Kieser:** The complete changeover to renewable energy is an important building block for a credible sustainability strategy. This serves as the basis for the increased reliance on electro-mobility with respect to its $CO_2$ scorecard. The participation in wind power facilities, investments in photovoltaics as well as the replacement of fossil fuels by thermal energy could purposefully complement the sustainability strategy. In particular, Energie Steiermark can be a strong partner supporting Austrian Post in these areas as well as with regard to electro-mobility and smart metering.

*Thank you for the interview.*

AUSTRIAN POST (ÖSTERREICHISCHE POST AG) – ENVIRONMENTAL INDICATORS

| | 2009 | 2010 | **2011** |
|---|---|---|---|
| **Consumption of significant quantities of resources (kWh million)** | **170.7** | **156.7** | [1] |
| **Building space (m²)** | **1,220,988** | **1,186,753** | **1,130,007** |
| thereof owned by Austrian Post | 766,045 | 748,936 | 714,622 |
| **Fuel consumption: petrol, super, diesel, natural gas (litre million)** | **15.29** | **15.21** | **14.60** |
| thereof diesel | 14.90 | 14.75 | 14.15 |
| **$CO_2$ emissions (scope 1+2) according to the Greenhouse Gas Protocol (t)** | **78,609** | **75,226** | [1] |
| thereof road transport (own operations) | 40,868 | 40,621 | 39,010 |
| thereof buildings | 37,741 | 34,605 | [1] |
| **$CO_2$ emissions (scope 1–3) according to the Greenhouse Gas Protocol (t)** | **96,706** | **94,482** | [1] |
| thereof road transport (own operations) | 40,868 | 40,621 | 39,010 |
| thereof road transport (partner companies) | 18,097 | 19,256 | 20,293 |
| thereof buildings | 37,741 | 34,605 | [1] |
| **Vehicle fleet (total)** | **9,165** | **9,248** | **9,650** |
| Bicycles | 973 | 1,032 | 1,049 |
| thereof electric bicycles | 14 | 64 | 94[2] |
| Mopeds | 1,082 | 1,252 | 1,235 |
| thereof electric mopeds | 6 | 6 | 6[2] |
| Vehicles up to 3.5t | 6,925 | 6,788 | 7,214 |
| thereof natural gas-driven vehicles up to 3.5t | 77 | 77 | 77 |
| thereof electric-powered vehicles up to 3.5t | – | – | 18[2] |
| Vehicles over 3.5t | 185 | 176 | 152 |
| **Total number of kilometres (km million)** | **123** | **120** | **119** |
| **Paper consumption (t)** | **426.4** | **337.1** | **294.3** |
| thereof recycling paper (t) | 2.6 | 25.3 | 62.0 |

[1] Figures not yet available; precise values will be disclosed in the Sustainability Report 2011 of Austrian Post. The Greenhouse Gas Protocol (GHG Protocol) is the most widely used international standard for calculating greenhouse gas emissions (www.ghgprotocol.org). As a service provider, Austrian Post primarily uses resources in its vehicle fleet and buildings. Other material consumption such as metals is not of material importance.
[2] The figure of 265 electric-powered vehicles will be reached at the end of February 2012.



Preservation of tropical rain forest in Malaysia

Wind power in India

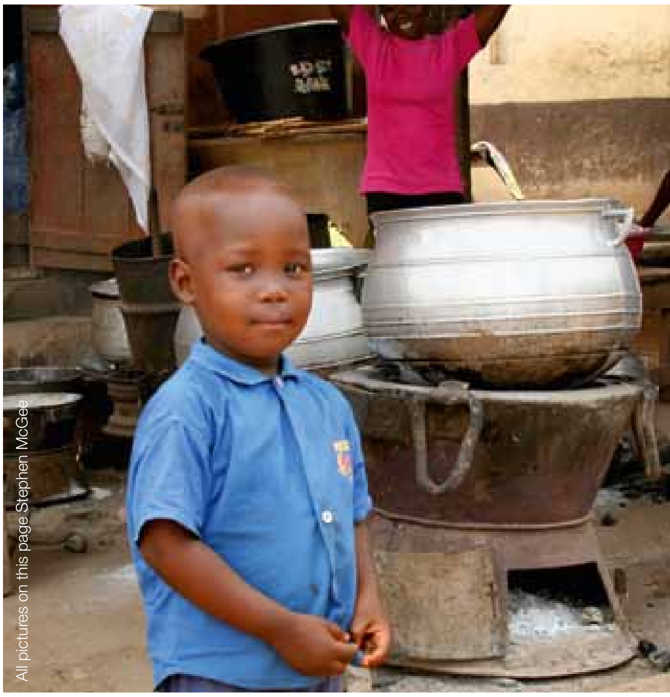
# CLIMATE PROTECTION PROJECTS

According to the current state of research, temperatures are expected to rise by 1–3.5°C by the year 2050 as a result of global warming. Due to this change, scientists predict longer dry periods and an increased number of heat waves as well as flooding and landslides. It is crucial to actively counteract this development. In this regard, the business community must bear a considerable part of the responsibility.

As already mentioned, Austrian Post is also striving to reduce its $CO_2$ emissions in its own core processes as much as possible and economically feasible. In addition, any greenhouse gas emissions which cannot be avoided despite the ongoing reductions are compensated by support provided to national and international climate protection projects. "These projects are for the explicit purpose of avoiding $CO_2$ and thus make an important contribution to the global $CO_2$ balance", says Harald Hagenauer. "In this case, we are providing support internationally to climate protection projects in emerging and developing markets. Thus, we ensure technology transfer and economic development and help to improve the standard of living in these countries".

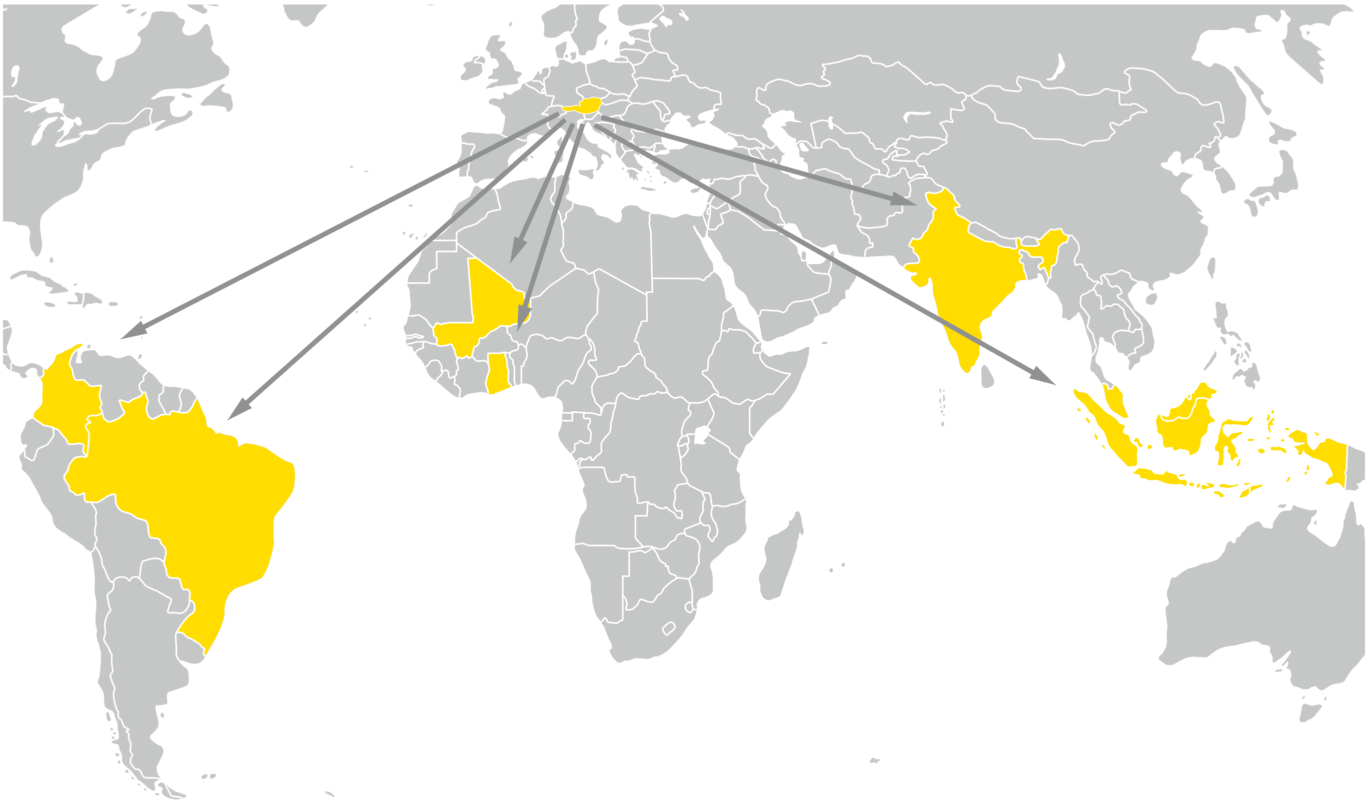
Reforestation in Colombia

Clean energy from water power in India



All pictures on this page Stephen McGee

Efficient cooking stoves in Ghana



## SELECTED CLIMATE PROTECTION PROJECTS BY AUSTRIAN POST

### MAINTAINING TROPICAL FORESTS

**Location:**
Malaysia and Colombia
**Project type:**
Reforestation
**Project standard:**
VCS and CCBS (SCS/Environmental Services Inc.)

The strongly degraded primary forest area supported within the framework of the project will be reforested with domestic trees.

**Positive effects:**

- Reduction of $CO_2$ in the atmosphere
- Preservation of natural habitats for unique animal and plant species
- Job creation for the regional population

### ENERGY-EFFICIENT COOKING STOVES

**Location:**
Ghana and Mali
**Project type:**
Energy efficiency, cooking stoves, prevention of deforestation
**Project standard:**
Gold Standard (TÜV North/ TÜV South)

A large percentage of the fuel requirements in Ghana and Mali is covered by wood and charcoal. Austrian Post supports projects which give the population access to efficient, fuel-saving and eco-friendly cooking stoves.

**Positive effects:**

- Reduction of $CO_2$ emissions and less deforestation
- Healthier cooking environment reduces the risk of illness
- Lower fuel consumption goes easier on family budgets

### CLEAN ENERGY FROM HYDROPOWER

**Location:**
India and Indonesia
**Project type:**
Renewable energy, hydropower
**Project standard:**
VCS and Social Carbon Standard (TÜV North/RINA)

Austrian Post promotes the use of renewable energy sources. Its contribution enables the construction of small-scale hydropower plants in Indonesia and India, also creating new jobs for people in the region.

**Positive effects:**

- Reduced dependence on fossil fuels
- Hundreds of jobs created in the construction phase
- Positive impetus for the region's infrastructure

### CLEAN ENERGY FROM WIND POWER

**Location:**
India
**Project type:**
Renewable energy, wind power
**Project standard:**
VCS (TÜV North/SQS)

Austrian Post is making a contribution to building wind power plants in the southern provinces of India. This project supplies sustainably generated energy to the population which lives under the most basic conditions. Moreover, further education and employment programmes are also offered.

**Positive effects:**

- Contribution towards the diversification of the energy supply in India
- Creation of jobs and expansion of the local infrastructure
- Health care and further education programmes for the population of the region

# SERVICE
## FACTS & FIGURES

### MAIL & BRANCH NETWORK DIVISION

**Letter Mail**

- Acceptance of letter mail at approx. 22,000 postal pick-up points in Austria
- Every day, every door: daily, nationwide delivery of the highest quality (at least 95% of domestic letters are delivered on the next working day)
- Production: letters are printed, enveloped and prepared for mailing
- Delivery of an average of about 1bn letters annually to 4.2m households and companies in Austria
- On-time delivery and pick-up of business mail by a preferred deadline for about 3,600 companies
- Mailroom services: processing of mail for approx. 90 corporate customers

**Infomail**

- Delivery of about 655m addressed direct mail items annually in Austria
- Delivery of approx. 2.7bn unaddressed direct mail items annually in Slovakia, Hungary, Croatia and Romania
- Delivery of roughly 3.8bn unaddressed direct mail items annually in Austria
- Preparation of geomarketing distribution plans according to geographic, socio-demographic and socio-economic criteria
- Production: flyers, envelopes, etc. are printed, individualised, personalised and enveloped

**Media Post**

- Delivery of about 420m print media (newspapers and magazines) and 340m regional media in Austria
- Subscription marketing and related services, subscription packages for publishing companies with readership profile analysis, etc.

**Sales**

- 60m customer visits
- 1,880 company-operated post offices and third-party operated outlets

**Postal services**

- 609m letters and 14m parcels deposited in the branch network
- Handling of letter mail and parcel products (e.g. PO boxes, vacation mail holding and franking services), branch network products, customer care services for SMEs and sale of philatelic products (commemorative stamps)

**Retail products**

- 121,000 mobile telephony products sold, 55,000 orders for broadband products offered by Telekom Austria
- 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

### PARCEL & LOGISTICS DIVISION

**Domestic market of Austria**

- Delivery of about 59m parcels and EMS items to all households/ companies in Austria
- Parcel and EMS service in 220 countries around the world
- Leading service provider for delivery mail order parcels – nationwide delivery of the highest quality (more than 96% of parcels transported within the context of the Universal Service Obligation reach their recipients within the legally stipulated period)
- Parcel pick-up for business customers and processing of mail items in seven sorting centres and 13 own delivery bases

**Specialty logistics in Western Europe**

- National and cross-border delivery of 66m combined freight shipments annually in Germany, Belgium and the Netherlands as well as via EURODIS throughout Europe
- 51 trans-o-flex depots – proximity to senders/recipients
- 46 ThermoMed-/Scherübl locations – handling, transport and delivery of temperature-sensitive pharmaceuticals in Germany, the Benelux countries and Austria
- Value-added services and warehousing at six logistics locations

**B2X market in South East and Eastern Europe**

- 74 logistics locations in Slovakia, Hungary, Serbia, Montenegro, Bosnia-Herzegovina and Croatia secure position as B2B market leader in CEE core markets
- Delivery of 11m mail items per year
- Cooperation with renowned logistics companies such as UPS
- Installation of a B2C network – already every fourth parcel is X2C

# SOLID PERFORMANCE IN 2011

## INCOME STATEMENT

| EUR m | 2010 | 2011 | Change in % |
|---|---|---|---|
| Revenue[1] | 2,253.1 | 2,348.7 | 4.2% |
| Raw materials, consumables and services used[1] | –712.5 | –759.8 | 6.6% |
| Staff costs[1] | –1,086.9 | –1,050.1 | –3.4% |
| Other operating expenses[1] | –278.7 | –320.0 | 14.8% |
| Results of investments consolidated at equity | 1.0 | –10.6 | – |
| EBITDA | 262.1 | 282.7 | 7.9% |
| Depreciation and amortisation | –96.4 | –86.8 | –10.0% |
| Impairments | –8.8 | –27.6 | 213.7% |
| EBIT | 156.9 | 168.3 | 7.3% |
| Earnings before tax (EBT) | 148.7 | 163.1 | 9.7% |
| Income tax | –30.3 | –39.3 | 29.7% |
| Profit for the period | 118.4 | 123.8 | 4.6% |
| Earnings per share | 1.75 | 1.83 | 4.6% |

Good revenue development for letter mail, parcels and advertising mail

EBIT growth of 7.3% to EUR 168.3m

[1] Figures for 2010 and changes excl. meiller Group (pro-forma consolidation); as of 2011: joint venture MEILLERGHP consolidated at equity

## CASH FLOW

| EUR m | 2010 | 2011 | Change in % |
|---|---|---|---|
| Cash flow from operating activities | 178.9 | 228.2 | 27.6% |
| Free cash flow | 153.6 | 162.5 | 5.8% |
| Free cash flow per share | 2.27 | 2.41 | 5.8% |

Strong cash flow as a basis for the attractive dividend policy

## SELECTED KEY INDICATORS

| EUR m | 2010 | 2011 | Change in % |
|---|---|---|---|
| EBITDA margin[1] (%) | 11.6% | 12.0% | – |
| EBIT margin[2] (%) | 7.0% | 7.2% | – |
| Net debt | –126.6 | –61.5 | 51.5% |
| Equity ratio (%) | 40.3% | 42.1% | – |
| ROE[3] (%) | 20.7% | 21.3% | – |
| Gearing ratio[4] (%) | 18.3% | 8.8% | – |
| Capital employed (EUR m) | 767.5 | 708.9 | –7.6% |
| ROCE[5] (%) | 19.3% | 22.8% | – |
| WACC (%) | 7.5% | 7.1% | – |

EBITDA margin of 12% at upper end of the targeted range

High equity ratio and low net debt as a basis for solid balance sheet structure

[1] EBITDA margin = EBITDA/revenue (2010 excl. meiller Group)
[2] EBIT margin = EBIT/revenue (2010 excl. meiller Group)
[3] Return on equity = Profit for the period/capital and reserves on January 1 less dividends
[4] Gearing ratio = Net debt/capital and reserves
[5] Return on capital employed = EBIT/average capital employed

# GLOSSARY
## SECTORAL TERMS

**Authorisation to receive mail**
Personally addressed mail items such as certified mail, cash on delivery, insured letters, cash payments, registered letters with advice of receipt or those issued by government bodies may be delivered to other people on the basis of authorisation granted by the recipient (with the exception of mail items marked "deliver to addressee only" or "personal").

**Business to Business (B2B)**
B2B refers to business transactions between one company and another company.

**Business to Consumer (B2C)**
In B2C, the private customer and end-user is the recipient of a good or service from a business.

**Combined freight**
Joint transport of parcels and pallets by one network.

**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 serves their postal delivery areas.

**EMS**
Austrian Post's Express Mail Service, a product for the fast and secure transport of letters and parcels.

**Geomarketing**
Planning, coordination and control of target group-oriented distribution of mail items by means of geographic information systems.

**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 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 mailroom management for large customers.

**Liberalisation**
Since the beginning of 2011 (and in some countries by 2013) the letter mail market in the EU has been completely liberalised. 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 100 g 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.

**Mailroom services**
Austrian Post operates the mailroom 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 Market Act**
The new Postal Market Act passed at the end of 2009 creates a clearly defined legal framework and serves as the basis for the fully liberalised letter mail market in Austria as of January 1, 2011.

**Postal partner offices**
Chiefly operated by retailers, local businesses, but also communities and tourist boards, the postal partner offices offer selected postal and financial services.

**Postal service points**
Nationwide postal services in Austria are ensured on the basis of 1,880 company-operated post offices and thirdparty operated outlets.

**Redirections**
On request mail items are temporarily forwarded to another address.

**Third Postal Directive**
The EU's Third Postal Directive is the basis for the complete liberalisation of the Austrian postal market. This means that as of 2011, other companies are also legally permitted to deliver letters weighing up to 50g (see Liberalisation).

**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 postal service points.

**Universal Service Ordinance**
In addition to the Postal Market Act, the Universal Service Ordinance regulates the basic provision of postal services to the Austrian population. For example, it stipulates that mail items have to be delivered to every Austrian five times a week.

**Vacation mail holding service (holiday mailboxes)**
Secure and discreet safekeeping of mail items during a recipient's absence, which are available for pickup after the vacation, or will be delivered on a specified date.

ANNUAL REPORT | AUSTRIAN POST | THE MAGAZINE

# FINANCIAL VALUES

**ANNUAL REPORT | AUSTRIAN POST | FACTS & FIGURES**

Post

**2011**

Stefan Malin, Group-Accounting

## REVENUE IMPROVED

4.2% ABOVE THE PRIOR-YEAR.

## FURTHER EARNINGS INCREASE

EBIT UP 7.3%.

## ATTRACTIVE DIVIDENDS

PROPOSAL TO THE ANNUAL GENERAL MEETING: EUR 1.70 PER SHARE.

# HIGHLIGHTS 2011

- **HIGHER REVENUE**

  – Revenue up 4.2% from the previous year on a comparable basis
  – Mail Division +4.4%, Parcel & Logistics Division +5.6%

- **FURTHER INCREASE IN EARNINGS**

  – EBITDA of EUR 282.7m (margin of 12.0%)
  – EBIT up 7.3% to EUR 168.3m

- **STRONG CASH FLOW AND SOLID BALANCE SHEET**

  – Free cash flow up 5.8% to EUR 162.5m
  – Equity ratio of 42.1%

- **ATTRACTIVE DIVIDEND**

  – Dividend proposal to the Annual General Meeting of EUR 1.70/share
  – Dividend yield of 7.3% based on closing share price at the end of 2011

- **OUTLOOK 2012 WITH GROWTH TARGET**

  – Stable or slightly rising revenue on a comparable basis
  – EBITDA margin at the upper end of the targeted range of 10-12%

# KEY FIGURES AUSTRIAN POST

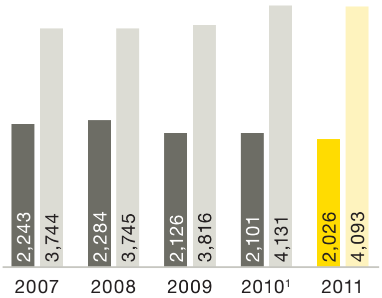
| EUR m | | 2009 | 2010 | 2011 | Change 2010/2011 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue[1] | EUR m | 2,356.9 | 2,253.1 | 2,348.7 | +4.2% |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | EUR m | 269.2 | 262.1 | 282.7 | +7.9% |
| EBITDA margin[2] | % | 11.4% | 11.6% | 12.0% | – |
| Earnings before interest and tax (EBIT) | EUR m | 149.4 | 156.9 | 168.3 | +7.3% |
| EBIT margin[2] | % | 6.3% | 7.0% | 7.2% | – |
| Earnings before tax (EBT) | EUR m | 124.8 | 148.7 | 163.1 | +9.7% |
| Profit for the period | EUR m | 79.7 | 118.4 | 123.8 | +4.6% |
| Earnings per share[3] | EUR | 1.18 | 1.75 | 1.83 | +4.6% |
| Employees (average for period, full-time equivalents)[1] | | 25,921 | 24,969 | 24,042 | –3.7% |
| **Cash flow** | | | | | |
| Operating cash flow before changes in working capital and tax | EUR m | 220.7 | 196.0 | 290.6 | +48.3% |
| Operating cash flow before changes in working capital | EUR m | 195.8 | 134.1 | 248.6 | +85.5% |
| Cash flow from operating activities | EUR m | 230.0 | 178.9 | 228.2 | +27.6% |
| Investment in property, plant and equipment (CAPEX) | EUR m | 65.6 | 45.5 | 73.8 | +62.2% |
| Acquisition/disposal of subsidiaries | EUR m | 1.1 | 12.7 | –1.1 | – |
| Free cash flow | EUR m | 236.9 | 153.6 | 162.5 | +5.8% |
| **Balance sheet** | | | | | |
| Total assets | EUR m | 1,775.3 | 1,715.1 | 1,668.3 | –2.7% |
| Capital and reserves | EUR m | 673.7 | 690.8 | 702.0 | +1.6% |
| Non-current assets | EUR m | 1,141.3 | 1,067.6 | 1,005.1 | –5.9% |
| Current assets | EUR m | 634.0 | 647.5 | 660.4 | +2.0% |
| Net debt | EUR m | –231.2 | –126.6 | –61.5 | –51.5% |
| Net debt/EBITDA | | 0.86 | 0.48 | 0.22 | –54.2% |
| Equity ratio | % | 38.0% | 40.3% | 42.1% | – |
| Return on equity (ROE) | % | 13.9% | 20.7% | 21.3% | – |
| Gearing ratio | % | 34.3% | 18.3% | 8.8% | – |
| Capital employed | EUR m | 861.7 | 767.5 | 708.9 | –7.6% |
| Return on capital employed (ROCE) | % | 16.5% | 19.3% | 22.8% | – |
| WACC | % | 7.6% | 7.5% | 7.1% | – |
| **Post share** | | | | | |
| Share price at the end of December | EUR | 19.02 | 24.73 | 23.30 | –5.8% |
| High/low (closing price) | EUR | 26.14/18.00 | 24.73/18.20 | 24.73/18.93 | – |
| Dividends per share (for the financial year) | EUR | 1.50 | 1.60 | 1.70[4] | +6.3% |
| Total Shareholder Return | % | –10.7% | +37.9% | +0.7% | – |
| Market capitalisation at the end of December | EUR m | 1,284.9 | 1,670.6 | 1,574.0 | –5.8% |
| Shares in circulation at the end of December | Shares | 67,552,638 | 67,552,638 | 67,552,638 | – |
| Free float | % | 47.2% | 47.2% | 47.2% | – |
| **Revenue by division (external sales)** | | | | | |
| Mail Division[1] | EUR m | 1,396.8 | 1,291.3 | 1,347.6 | +4.4% |
| Parcel & Logistics Division | EUR m | 768.4 | 802.0 | 846.5 | +5.6% |
| Branch Network Division | EUR m | 189.6 | 157.9 | 153.1 | –3.0% |
| **EBIT by division** | | | | | |
| Mail Division | EUR m | 221.1 | 234.9 | 295.7 | +25.9% |
| Parcel & Logistics Division[5] | EUR m | –9.3 | 12.6 | 13.8 | +9.3% |
| Branch Network Division | EUR m | –9.2 | –30.8 | –17.8 | +42.3% |

[1] Figures in 2010 and changes excl. meiller Group (pro-forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity
[2] Margins in 2010 in relation to revenue on a comparable basis excl. meiller Group
[3] In relation to 69,505,601 shares, as of 2009 to 67,552,638 shares
[4] Proposal to the Annual General Meeting on April 17, 2012
[5] EBIT 2010 and 2011 excl. structural measures and impairments

Note: key indicators 2002–2011, see page 119

# DEVELOPMENT OF KEY INDICATORS

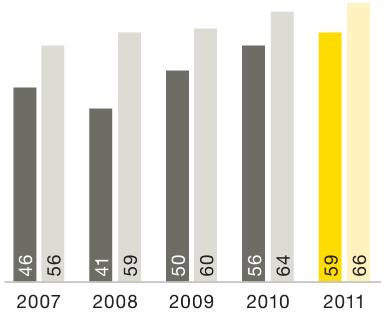
### MAIL SHIPMENTS ITEMS MILLION




Addressed items Austria
Unaddressed items Austria

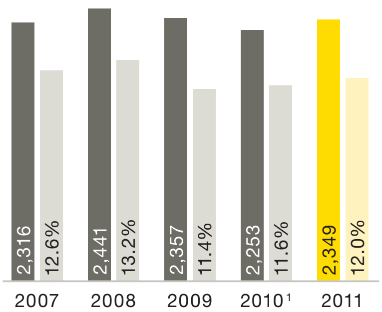
[1] Positive one-off effects due to elections

### PARCEL SHIPMENTS ITEMS MILLION




Austria (parcels)
International combined freight (parcels & pallets)

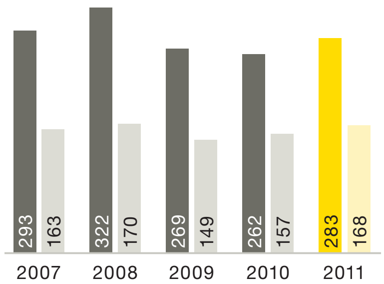
### REVENUE AND EBITDA MARGIN




Revenue (EUR m)
EBITDA margin (%)

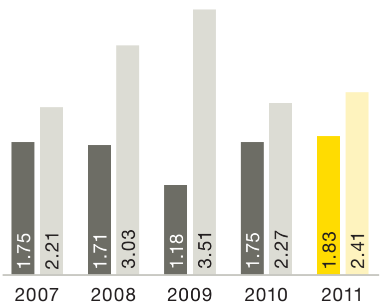
[1] Revenue on a comparable basis

### EBITDA AND EBIT EUR M



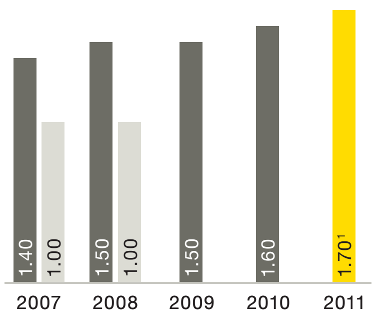

EBITDA
EBIT

### EARNINGS PER SHARE AND FREE CASH FLOW PER SHARE EUR




Earnings per share
Free cash flow per share

### DIVIDENDS PER SHARE EUR




Dividends
Special dividends

[1] Proposal to the Annual General Meeting on April 17, 2012

# CONTENTS



[1] This part was subject to the statutory audit carried out by Deloitte Audit Wirtschaftsprüfungs GmbH (except for the chapter "Statement of all legal representatives")

**PLEASE ALSO REFER TO PART 2 / "ADDED VALUES" OF THE ANNUAL REPORT 2011**
Company & Strategy, The World of Letters, The World of Parcels, Share & Owners, Stakeholders & Responsibility

# INTRODUCTION BY THE MANAGEMENT BOARD

## LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

The 2011 financial year proceeded in a very satisfactory way for Austrian Post. The sales and earnings indicators once again demonstrated the fact that the strategic orientation of the Group is the right one. Austrian Post succeeded in maintaining its leading market position even after the complete liberalisation of Austria's letter mail market at the beginning of 2011. We also managed to confirm our good market position in the segment for direct mail items, which proved to be an indispensable part of the marketing mix of companies despite a challenging economic environment. The Parcel & Logistics Division also once again posted a revenue increase. Here we profited from the general volume rise on both the domestic and international markets. On balance, the Austrian Post Group achieved gratifying revenue growth which surpassed our expectations. However, we decisively pursued our path of focusing on enhancing efficiency and increasing the flexibility of the cost structure. In many areas these measures already made very positive contributions to our earnings development in 2011, whereas our efforts had to be further intensified in other areas. In this case we are also clearly on the right path, designed to sustainably improve our performance. On this basis, earnings rose by 7.3% and were the second highest in the company's history.

## REVENUE GROWTH ABOVE MEDIUM-TERM TARGETS

In the year 2011, Austrian Post increased Group revenue by 4.2% on a comparable basis to EUR 2,348.7m. Thus the revenue increase was significantly higher than our medium-term growth target of 1-2% per year. Revenue growth was also achieved by the Parcel & Logistics Division as well as by the Mail Division. In the letter mail segment, innovative new customer solutions as well as the new range of products and stamps were the primary input to growth. In the parcels business, we profited from a growing market as well as an improved market position, not least thanks to the business customer segment in Austria.

## MAIL DIVISION SHOWED ITS STRENGTH IN ALL AREAS

In the 2011 financial year, revenue of the Mail Division adjusted in 2010 to reflect the deconsolidation of the meiller Group companies rose by 4.4% year-on-year. Revenue growth was not only generated by the Infomail (advertising mail) and Media Post business areas, but the Letter Mail Business Area also showed gratifying growth compared to the prior year. The electronic substitution of traditional letter mail continued, but Austrian Post did succeed in counteracting this trend by introducing innovative customer solutions. For example, a revenue increase was achieved in the Mail Solutions segment, and the newly designed product and stamp portfolio with the ability to select between "Premium" and "Economy" services resulted in positive effects. For its part, the revenue increase in the Infomail Business Area shows that the advertising industry developed extremely solidly in 2011 in spite of economic uncertainties. Earnings figures developed even more favourably than revenue growth, which is due to consistent cost discipline combined with a diverse range of automation and efficiency enhancement measures. As a consequence, EBIT of the Mail Division improved to EUR 295.7m.

## FOCUS ON QUALITATIVE GROWTH IN THE PARCEL & LOGISTICS DIVISION

The market environment in the Parcel & Logistics Division in 2011 was characterised by fundamentally positive volume developments. However, the high competitive intensity in the segment continued uninterruptedly. On balance, division revenue was up 5.6% to EUR 846.5m in 2011, with all regions reporting growth. Whereas revenue in Germany/Benelux climbed by 4.9%, revenue in Austria and South East and Eastern Europe was up by 6.7% and 7.2%, respectively. With regards to profitability we were very satisfied with the results in Austria and in South East and Eastern Europe, but the performance in the German/Benelux market was below our expectations. Here we started a comprehensive performance improvement programme leading to one-off effects (structural measures and impairment losses) in the year 2011. These extraordinary expenses negatively impacted divisional results. However, the division showed itself to be stronger on an operating basis, with EBIT rising 9.3% to EUR 13.8m.

## STRUCTURAL CHANGE PROCEEDING IN THE BRANCH NETWORK

The far-reaching transformation in the branch network can be seen in the light of the changed structure of the postal service points. The number of third-party operated postal partner offices rose by 141 year-on-year to a total of 1,258 at the end of 2011. On balance, Austrian Post now boasts a total of more than 1,880 postal service points. The cooperation between Austrian Post and BAWAG P.S.K. which was redefined in 2010, in which postal and banking services are being offered in jointly operated branch offices, is being continually expanded. Both partners are concentrating on their core business, but exploit the synergies offered by jointly-run outlets. At present, there are 329 such branch offices, a figure which will rise to about 520 by the end of 2012. Revenue of the branch network declined slightly by 3.0% during the year under review, as expected. However, the structural change has had the desired positive impact on earnings. Inefficient, loss-making structures were eliminated and fixed costs were reduced. As a result, EBIT improved by EUR 13.0m.

The year 2011 was not only marked by structural change on the outside, but new, future-oriented internal structures were established. As of September 1, 2011, the branch network was integrated into the Mail Division. The newly-formed Mail & Branch Network Division paves the way for further service improvements and exploitation of synergies. The entire path taken by a letter, from drop-off in the branch office to delivery by staff, is now in the hands of the new division.

## "EVERYTHING WE DO REVOLVES AROUND OUR CUSTOMERS"

In line with our mission statement, the year 2011 focused on the development of innovative solutions tailored to the needs of customers. For example, a completely new product portfolio was introduced which is primarily based on size and delivery speed and no longer on the weight of the mail items. Following successful pilot testing in autumn 2011, we have been delivering nationwide direct mail items bundled in the new collective advertising envelope KUVERT since February 2012. This not only fulfils customer wishes, but also opens up cost saving potential. We also invested in new, innovative self-service systems such as the post drop-off box and the pick-up box. All these solutions were designed with one thing in mind: to enhance flexibility for customers and simplify services.

## ATTRACTIVE DIVIDENDS

Austrian Post has done outstandingly well, not only in its daily business but on the international stock markets. The Post share has generated a value increase for its shareholders as measured by total shareholder return of 70% since the IPO in 2006. This was not least due to our attractive dividend policy, which remains a cornerstone of our corporate philosophy. Each year, at least 75% of the Group net profit is earmarked to be distributed to our shareholders. The objective is to further develop dividends in line with our Group net profit. Due to the good earnings situation, combined with a solid balance sheet, high equity ratio, low level of financial liabilities and considerable cash and cash equivalents at our disposal, we have decided to propose to the Annual General Meeting the distribution of a dividend of EUR 1.70 per share for the 2011 financial year.

## FURTHER GROWTH AND ENHANCED EFFICIENCY

With respect to further steps to be taken by Austrian Post, we will continue in the future to pursue the strategic path we have defined. Our objective remains the same: to compensate for declining letter mail volumes by achieving growth in the parcel and logistics business and in the direct mail segment. At the same time, we want to exploit our opportunities in future-oriented markets, although our focus will clearly be on qualitative growth. In the future, Austrian Post will also strive to generate medium-term revenue growth of 1-2% annually. In order to achieve an EBITDA margin in the targeted range of 10-12%, our top priority will be the persistent enhancement of efficiency in addition to our total customer orientation. For the year 2012, we expect a stable or slightly positive development of Group revenue on a comparable basis following the 4.2% revenue growth in 2011. With respect to the development of earnings, the objective of generating a sustainable EBITDA margin of 10-12% remains valid. Austrian Post also aims to further improve earnings before interest and tax (EBIT).

Finally, we would like to sincerely thank our employees, who comprise the most important cornerstone of our success as a company. We would also like to thank our shareholders for their ongoing interest and for the confidence they place in us. We look forward to joining together with you to make 2012 a successful year.

Georg Pölzl
Chairman of the Management Board

Rudolf Jettmar
Deputy Chairman of the Management Board

Walter Hitziger
Member of the Management Board

Peter Umundum
Member of the Management Board

# CORPORATE GOVERNANCE REPORT PURSUANT TO SECTION 243B AUSTRIAN COMMERCIAL CODE

Corporate governance provides an effective framework for the responsible and sustainable management of Austrian Post. Austrian law, the Articles of Association and the by-laws for corporate bodies of the company as well as the Austrian Corporate Governance Code (ÖCGK) comprise the legal framework for corporate governance at Austrian Post.

## 1. CORPORATE GOVERNANCE CODE

Since its Initial Public Offering in 2006, Austrian Post has been committed to complying with the Austrian Corporate Governance Code, and consistently implements the rules contained in it. As a result of its adherence to the stipulations of the Austrian Corporate Governance Code, Austrian Post contributes to strengthening confidence in Austrian companies and in the Austrian capital market.

The Austrian Corporate Governance Code is publicly available both on the Austrian Post website at www.post.at/ir as well as on the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at. The January 2010 version of the Austrian Corporate Governance Code, which is of relevance for this Annual Report, contains 83 rules for good corporate governance which are divided into three categories:

- Rules based on mandatory legal requirements (Legal Requirement)
- Rules based on accepted international standards; non-compliance with these rules must be explained and the reasons stated in order to ensure behaviour in compliance with the code (Comply or Explain)
- Rules which comprise recommendations; non-compliance requires neither disclosure nor explanation (Recommendation)

Austrian Post adheres to all “L-Rules“ (Legal Requirement) as well as all “C-Rules“ (Comply or Explain) contained in the Austrian Corporate Governance Code with the exception of the rules specified below:

- **Rule 31** (disclosure of Management Board remuneration): The fixed and variable remuneration components granted to each member of the Management Board are not disclosed individually in the Corporate Governance Report but jointly as a sum total. This takes account of the principle of the confidentiality of protectable information with regards to each Management Board member and the company.
- **Rule 39** (decision-making in urgent cases): 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** (establishing a Nomination Committee): The duties of the Nomination Committee are assumed by the Presidential Committee, so that an appropriate forum is assured.
- **Rule 43** (establishing a Remuneration Committee): The duties of the Remuneration Committee are assumed by the Executive Committee of the Supervisory Board, so that an appropriate forum is assured.

A new version of the Austrian Corporate Governance Code was adopted at the end of 2011. It mainly contains revisions with respect to the further development of the diversity rule and the cooperation of the Supervisory Board and the auditor of the annual financial statements. This new version of the Austrian Corporate Governance Code is valid effective January 1, 2012 and will be put into practice by Austrian Post without any major changes being required.

**Internal auditing, risk management and compliance**
The Internal Audit department at Austrian Post performs all important controlling and monitoring functions in the Group as part of an integrated overall system. This ensures transparency, supplies facts for decision-making processes, presents solutions and promotes their sustainable implementation.

Risk management at Austrian Post enables the Group-wide identification and analysis of risks on the basis of strategic and operational targets. The proper functioning and suitability are evaluated by the auditor pursuant to Rule 83 of the Austrian Corporate Governance Code.

Austrian Post‘s Group-wide internal control system (ICS) makes use of process-integrated measures, mechanisms and controls. The ICS at Austrian Post is based on existing risk management and process structures, encompasses the internal control activities relating to major risks and monitors the internal control implementation process. The Internal Audit department carries out an ex post examination of compliance with relevant regulations. Its findings serve as the basis for determining the effectiveness of the integrated controls and mechanisms.

In order to prevent insider dealings, Austrian Post has introduced binding Group-wide compliance guidelines in line with currently valid Austrian capital market regulations and the Compliance for Issuers Ordinance of the Financial Market Authority. A Compliance Management System

(CMS) which goes above and beyond legal requirements was developed. In addition to ensuring adherence to binding capital market regulations, its responsibility is to promote the lawful and guideline-compliant behaviour of employees. The objective of the CMS is to create a Group-wide compliance organisation offering employees a practice-oriented and practical advisory offering. For this purpose, the training and advisory offering was extended beyond capital market compliance to include the issues of anti-corruption and compliance awareness. The target group-oriented training measures are being continually rolled out throughout the Group.

As a means of intensifying its activities in the field of anti-corruption, Austrian Post became a corporate member of Transparency International in the year 2011.

Moreover, Austrian Post developed a code of ethics and behaviour – a Code of Conduct – on the basis of its new mission statement. This Code of Conduct contains the principles of legally and ethically impeccable behaviour of all employees at Austrian Post, i.e. the Management Board, executive staff and every single employee. The Group-wide implementation of the Code of Conduct was initiated in 2011.

Directors‘ dealings which took place are continually disclosed publicly at www.post.at/ir with reference to the appropriate website of the Financial Market Authority in accordance with legal regulations and C-Rule 73 of the Austrian Corporate Governance Code.

**Annual audit**

Deloitte Audit Wirtschaftsprüfungs GmbH was appointed by the Annual General Meeting held on April 28, 2011 to serve as the auditor of the annual financial statements and consolidated annual financial statements of Austrian Post for the 2011 financial year in accordance with the recommendation submitted by the Supervisory Board. The audit fee invoiced by Deloitte Audit Wirtschaftsprüfungs GmbH in the course of the 2011 financial year for auditing the annual financial statements and consolidated annual financial statements of Austrian Post amounted to EUR 156,200.00 (excl. VAT). A total of EUR 110,500.00 (excl. VAT) was invoiced for carrying out the audits for Austrian Post subsidiaries. Deloitte Audit Wirtschaftsprüfungs GmbH received a remuneration of EUR 179,425.00 (excl. VAT) for audit-related and other consulting services.

**Shareholders**

The share capital of Austrian Post is divided into 67,552,638 non-par value shares. There are no voting rights restrictions or syndicate agreements applying to Austrian Post of which the company is aware. The principle of “one share – one vote” applies with exception. The Republic of Austria holds a 52.8% stake in Austrian Post through the Austrian privatisation and industrial holding company ÖIAG.

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 2011, which, along with the shareholder structure, can be accessed online at www.post.at/ir.

**Measures to promote the career advancement of women**

Austrian Post aims to continually increase the share of women holding management positions, in order to ensure that they equally share responsibility and decision-making authority in the company. The position of Deputy Chairman of the Supervisory Board is held by a woman, Edith Hlawati. The election of Elisabeth Stadler to the Supervisory Board considerably increased the proportion of women in this corporate body. The Executive Management Council of Austrian Post included six women as at the end of 2011.

Equal opportunity at work and equal treatment of employees without distinction based on sex are a matter of course at Austrian Post. Particular attention is paid to pursuing a strict equal opportunity policy in the recruiting process. Women have been able to obtain the qualifications required for assuming management functions in numerous business areas. In the past financial year women were once again appointed to several first and second level management positions.

The company kindergarten set up at the new corporate headquarters in Vienna as well as flexible working time models promote the compatibility of family and professional life.

The programme “Business Cross Mentoring” launched in November 2011 is designed to provide further support to diversity management and equality of opportunity at Austrian Post. In this context an experienced executive from another company will serve as a mentor for career and professional development issues, but will also be available to open up informal networks for young women, the mentees, during a period of ten months. Twelve female employees of Austrian Post have participated in this programme to date. The focus is on the further personal and professional development of the mentees as well as on promoting a mutual exchange of experience.

## 2. MANAGEMENT BOARD

**Composition of the Management Board**
Changes in the composition of the Management Board of Austrian Post took place effective April 1, 2011. In November 2010, Peter Umundum had already been appointed to the position of Director of the Parcel & Logistics Division, and has been serving in this capacity since April 1, 2011. His predecessor Carl-Gerold Mende resigned his position as of this date.

In January 2011, the Supervisory Board resolved to merge the Mail and Branch Network divisions effective January 1, 2012. The Supervisory Board meeting held on March 14, 2011 named Walter Hitziger to be the Director of the new "Mail & Branch Network Division" as of January 1, 2012. Within the context of this appointment the by-laws for the Management Board were adapted and Walter Hitziger was given responsibility for managing the merged division as of September 1, 2011. The Management Board member Herbert Götz resigned as of January 1, 2012.

A further focal point was the succession planning for the position of Chief Financial Officer. The Supervisory Board meeting of March 14, 2011 named Walter Oblin to serve as the new CFO as of July 1, 2012. He will succeed Rudolf Jettmar, who will retire from the Management Board when his employment contract expires on June 30, 2012. Walter Oblin was appointed to the Management Board of Austrian Post for a period of three years.

**Georg Pölzl**
**Chairman of the Management Board and Chief Executive Officer, first appointed on October 1, 2009 (current term of office expires September 30, 2014). Born 1957.**
Georg Pölzl studied and graduated from Montana University of Natural Resources and Applied Life Sciences Austria. His professional career started as a corporate consultant for McKinsey & Co. Subsequently, he was appointed to the Management Board of the mechanical engineering and plant building company Binder & Co AG. He subsequently served as Managing Director of T-Mobile Austria, Vienna for a total of nine years before moving to Germany to assume the position as special deputy of the Management Board of Deutsche Telekom with responsibility for implementing the successful restructuring programme at the company. Georg Pölzl most recently served as the Spokesman of the Management Board of T-Mobile Germany. Effective October 1, 2009, he assumed responsibility as Chairman of the Management Board and Chief Executive Officer of Austrian Post. His term of office expires on September 30, 2014.

Additional functions: Third Deputy Chairman of the Supervisory Board of Omnimedia Werbegesellschaft m.b.H.

As Chairman of the Management Board and Chief Executive Officer, Georg Pölzl is responsible for Strategy and Group Development, Corporate Communications and Investor Relations & Corporate Governance. His responsibilities also include Online Innovation Management, Internal Auditing, Risk Management & Compliance, Human Resources Management as well as End Customer Initiatives & End Customer Service.

**Rudolf Jettmar**
**Deputy Chairman of the Management Board, first appointed August 1, 1999 (current term of office expires June 30, 2012). Born 1947.**

Rudolf Jettmar studied law at the University of Vienna and business administration at the Vienna University of Economics before working for various tax consultancies. In 1979, he gained his professional qualifications as a chartered accountant and in 1981 as an auditor. From 1982 to 1999, he served as a member of the Management Board of Österreichische Verkehrskreditbank. In August 1999, Rudolf Jettmar was appointed as the Chief Financial Officer and Deputy Chairman of the Management Board of Austrian Post. His term of office expires on June 30, 2012.

Additional functions: Supervisory Board member of BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft and BAWAG Holding GmbH.

Rudolf Jettmar has management responsibility for Finance and Accounting, Controlling and Treasury. He is also in charge of Information Technology, Central Procurement, Legal and Corporate Real Estate.

**Walter Hitziger**
**Member of the Management Board, Director of the Mail & Branch Network Division, first appointed May 1, 2004 (current term of office expires on December 31, 2016). Born 1960.**
Walter Hitziger studied industrial engineering and business administration at the Graz University of Technology before working for the beer company Steirerbrau AG – Steirische Brauindustrie AG (Gösser/Puntigamer) with responsibility for distribution logistics. He served as division manager at Agiplan Planungsgesellschaft and Econsult Betriebsberatungsgesellschaft in Vienna in the years 1990–1997. In 1997, Walter Hitziger was named a member of the Management Board of bauMax Handels AG with responsibility for procurement and logistics.

Additional functions: Supervisory Board member of BAWAG P.S.K. Versicherung AG.

In May 2004, Walter Hitzinger was named member of the Management Board of Austrian Post as well as Director of the Mail & Logistics Division. Since September 1, 2011 he has been serving as Director of the newly formed Mail & Branch Network Division and thus six business areas of the Group, from letter mail and direct mail items to branch network and distribution to value added offerings such as online and printing services. On an international level, Walter Hitziger is responsible for letter mail services in Croatia, Slovakia, Romania and Hungary as well as direct mail production in Germany (MEILLERGHP).

**Peter Umundum**
**Member of the Management Board, Director of the Parcel & Logistics Division, first appointed April 1, 2011 (current term of office expires March 31, 2014). Born 1964.**
Following degree studies in computer science at the Graz University of Technology, Peter Umundum commenced his professional career in 1988 at Steirerbrau AG, where he assumed managerial responsibility for software development and the Organisation and Computing Department. In 1994, he moved to Styria Medien AG as the head of IT and just two years later was appointed as the CEO of the subsidiary Media Consult Austria GmbH. In 1999, he acted as one of the founders and CEO of redmail. In 2001, Peter Umundum became Managing Director of the "Die Presse" daily newspaper and three years later he joined the executive management of the "Kleine Zeitung" daily newspaper. In 2005, he moved to Austrian Post as one of the managing directors of the Mail Division with responsibility for production and logistics as well as national and international strategic investments. On April 1, 2011, he was appointed as a member of the Management Board and Director of the Parcel & Logistics Division. His term of office expires on March 31, 2014.

Since April 1, 2011, he has been responsible for the Parcel & Logistics Division which operates in own subsidiaries in ten European countries. Moreover, he is also Chairman of the Supervisory Board of the European transport network EURODIS.

**Carl-Gerold Mende**
**Member of the Management Board until March 31, 2011, first appointed June 15, 2008. Born 1956.**
In June 2008, Carl-Gerold Mende started his term of office as member of the Management Board and Director of the Parcel & Logistics Division, a position he held until his resignation effective March 31, 2011.

**Herbert Götz**
**Member of the Management Board until December 31, 2011, first appointed March 1, 2004. Born 1963.**
Herbert Götz served as member of the Management Board and Director of the Branch Network Division from March 1, 2004 until August 31, 2011. He was also responsible for Strategic Projects and Public Relations from September 1, 2011 to December 31, 2011.

**Walter Oblin**
**Designated member of the Management Board and Chief Financial Officer, first appointed as at July 1, 2012 (term of office expires on June 30, 2015). Born 1969.**
Walter Oblin concluded his studies in mechanical engineering and business administration at the Graz University of Technology and also holds a Master of Sciene in Industrial Administration from Purdue University in Indiana (USA). He worked at McKinsey & Company in Vienna during the period 1994 to 2008, and was appointed to be a managing partner and member of the Management Board in 2000. During this time he primarily consulted international transport, infrastructure and logistics companies in dealing with strategic and operational changes. Following his work as a member of the Managing Board of the German technology company SortTech AG, he assumed the position of Head of Strategy and Group Development at Austrian Post in October 2009.

**Mode of operation of the Management Board**
The by-laws for the Management Board stipulate the assignment of responsibilities and cooperation within the Management Board. It also defines the information and reporting obligations of the Management Board as well as a catalogue of measures requiring the formal approval of the Supervisory Board.

The Management Board discusses the current business development at Austrian Post, makes necessary decisions and adopts the required resolutions within the context of meetings held at least every 14 days. The members of the Management Board continually exchange information with each other and with the responsible executives.

A so-called Executive Management Council provides support to the Management Board in running the company. This leadership team consists of approximately 40 top level employees, and plays an advisory and supporting role with respect to all operational and strategic issues affecting Austrian Post.

The Management Board regularly provides the Supervisory Board with timely and comprehensive information about all relevant issues pertaining to business development, including the assessment of the risk situation and risk management at Austrian Post and all key Group subsidiaries. In the spirit of good corporate governance, ongoing consultations take place between the respective chairmen of the Supervisory and Management Boards concerning those matters which fall under the jurisdiction of the Supervisory Board. In particular, this includes discussions on the strategy, business development and risk management of the company.

## 3. SUPERVISORY BOARD

The Supervisory Board consists of twelve members – eight shareholder representatives elected by the Annual General Meeting and four employee representatives elected by the Central Works Council of Austrian Post. The following changes in the composition of the Supervisory Board took place in the 2011 financial year: Peter Michaelis, Gerhard Roiss and Karl Stoss vacated their positions on the Supervisory Board as at the end of the Annual General Meeting of April 28, 2011. Markus Beyrer, Markus Pichler and Elisabeth Stadler were elected by the Annual General Meeting 2011 to serve on the Supervisory Board of Austrian Post for a term of office lasting four years. All shareholder representatives will serve on the Supervisory Board until the end of the Annual General Meeting which will discharge the Management and the Supervisory Boards for the 2014 financial year.

### COMPOSITION OF THE SUPERVISORY BOARD (STATUS: DECEMBER 31, 2011)

| **Management representatives** | | | |
|---|---|---|---|
| **Name (year of birth)** | **Main job** | **Further Supervisory Board or comparable positions** | **First appointed** |
| Markus Beyrer[1], Chairman (1965) | Chairman of the Managing Board of Österreichische Industrieholding AG | Supervisory Board: Telekom Austria AG (Chairman), OMV AG (Chairman), APK Pensionskasse AG (Chairman), Austrian National Bank (Member of the General Council) | April 28, 2011 |
| Edith Hlawati, Deputy Chairman (1957) | Partner of the law firm Cerha Hempel Spiegelfeld Hlawati | Supervisory Board mandate: Telekom Austria AG (Deputy Chairman) | April 26, 2007 |
| Edgar Ernst (1952) | President of the Financial Reporting Enforcement Panel in Germany | Supervisory Board mandates: Gildemeister AG (Germany), Deutsche Postbank AG (Germany), TUI AG (Germany), Wincor Nixdorf AG | April 22, 2010 |
| Erich Hampel (1951) | Management consultant | Supervisory Board mandates: B & C Industrieholding GmbH (Chairman), BWA Beteiligungs- und Verwaltungs-AG (Deputy Chairman), Bausparkasse Wüstenrot AG (Deputy Chairman), Donau Chemie AG (Deputy Chairman), Österreichische Kontrollbank AG (Chairman), UniCredit Bank Austria AG (Chairman), ÖRAG Österreichische Realitäten-AG (Chairman), Österreichische Lotterien Gesellschaft m.b.H., Österreichisches Verkehrsbüro AG | April 22, 2010 |
| Günter Leonhartsberger[1] (1968) | Division Head, Corporate Investment Management and Privatisation at Österreichische Industrieholding AG | Supervisory Board mandate: APK Pensionskasse AG | April 22, 2010 |
| Chris E. Muntwyler[2] (1952) | CEO of Conlogic AG (Switzerland) | Member of the Board of Directors of Panalpina World Transport AG (Switzerland), Supervisory Board of National Express Group PLC (UK) | April 22, 2010 |
| Markus Pichler (1968) | Managing Director of Unibail-Rodamco Austria Management GmbH | | April 28, 2011 |
| Elisabeth Stadler (1961) | Chairman of the Executive Board of ERGO Austria International AG | Supervisory Board mandates: Bank Austria Creditanstalt Versicherung AG, D.A.S. Österreichische Allgemeine Rechtsschutz-Versicherungs-AG, VICTORIA-VOLKSBANKEN Pensionskassen AG (Deputy Chairman), VICTORIA-VOLKSBANKEN Versicherungsaktiengesellschaft, VICTORIA-VOLKSBANKEN Vorsorgekasse AG, VICTORIA životno osiguranje d.d. (Croatia), ERGO Asigurări de Viaţă SA (Romania) | April 28, 2011 |

[1] Represents interests of a shareholder with a stake of more than 10% in Austrian Post (Rule 54 of the Austrian Corporate Governance Code).
[2] Chris E. Muntwyler took part in less than 50% of the Supervisory Board meetings.

**Employee representatives on the Supervisory Board elected by the Central Works Council**

| Name (year of birth) | Main job | Further Supervisory Board or comparable positions | First appointed |
|---|---|---|---|
| Helmut Köstinger (1957) | Chairman of the Central Works Council of Austrian Post | Supervisory Board of Österreichische Industrieholding Aktiengesellschaft AG | April 14, 2005 |
| Martin Palensky (1963) | Deputy Chairman of the Central Works Council of Austrian Post | | February 22, 2002 |
| Andreas Schieder (1976) | Member of the Central Works Council of Austrian Post | | October 19, 2010 |
| Manfred Wiedner (1963) | Member of the Central Works Council of Austrian Post | Supervisory Board of Österreichische Beamtenversicherung | March 3, 1999 |

## SUPERVISORY BOARD MEMBERS WHO VACATED THEIR POSITIONS DURING THE 2011 FINANCIAL YEAR (EFFECTIVE DATE)

Peter Michaelis (April 28, 2011)
Gerhard Roiss (April 28, 2011)
Karl Stoss (April 28, 2011)

## COMMITTEES OF THE SUPERVISORY BOARD

| | |
|---|---|
| **Executive Committee** | Markus Beyrer (Chairman), Edith Hlawati |
| **Presidential Committee** | Markus Beyrer (Chairman), Edith Hlawati, Helmut Köstinger |
| **Audit Committee** | Markus Beyrer (Chairman), Edgar Ernst, Günter Leonhartsberger, Elisabeth Stadler, Helmut Köstinger, Manfred Wiedner |

### Diversity

In selecting members of the Supervisory Board, the focus is on choosing people offering the required expertise and experience in management positions. Moreover, the composition of the Supervisory Board also pays attention to ensuring sufficient diversity. In this regard it is important to note that six of the twelve Supervisory Board members are under the age of 50 and two members are not Austrian nationals. Since the election of Supervisory Board members at the Annual General Meeting on April 28, 2011, two of the Supervisory Board members are women.

### Independence of the Supervisory Board

In accordance with C-Rule 53 of the Austrian Corporate Governance Code, the Supervisory Board of Austrian Post has defined the following six criteria to determine the independence of Supervisory Board members, which are compliant with Appendix 1 of the January 2010 version of the Austrian Corporate Governance Code:

1. The Supervisory Board member shall not have served as a member of the Management Board or as a manager of the company or one of its subsidiaries in the past five years.
2. The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the Supervisory Board member. This shall also apply to relationships with companies in which the Supervisory Board member has a considerable economic interest, neither for carrying out functions on corporate bodies. The approval of individual transactions by the Supervisory Board according to L-Rule 48 does not automatically mean the person is qualified as being not independent.
3. The Supervisory Board member shall not have been an auditor of the company, have owned a share in the auditing company or have worked there as an employee over the past three years.

4. The Supervisory Board shall not be a member of the Management Board of another company in which a Management Board member of this company is a Supervisory Board member.
5. The Supervisory Board member shall not serve as a member of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with a stake in the company or who represent such a shareholder's interests.
6. The Supervisory Board member shall not be a close relative (i.e. direct offspring, spouse, partner, parent, uncle, aunt, sibling, niece, nephew) of a Management Board member or of persons in one of the above-mentioned positions.

All eight shareholder representatives have submitted written declarations of their independence in accordance with these criteria. Moreover, the Supervisory Board consists of six 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 (C-Rule 54).

**Mode of operation of the Supervisory Board**
The Supervisory Board has resolved to establish 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 the remuneration to be paid to the members of the Management Board.
- The **Presidential Committee** also serves as the Nomination Committee and deals with issues relating to appointing members of the Management Board.
- The **Audit Committee** is responsible for auditing and preparing the approval of the company's annual financial statements, the auditing of the consolidated annual financial statements, the proposal on distribution of profits, the Management Report and the Corporate Governance Report. Considerable importance is attached to monitoring reporting processes, the effectiveness of the internal control, internal audit and risk management systems. Furthermore, the Audit Committee is responsible for preparing the proposal of the Supervisory Board for selection of the auditor of the annual accounts, and monitoring the independence of the auditor.

Six meetings of the Supervisory Board were held in the course of the 2011 financial year. The focus of these sessions was the monitoring of ongoing business development, including any deviations from the budget, as well as various transactions requiring Supervisory Board approval. In addition, the Supervisory Board dealt in detail with the strategic orientation of Austrian Post and its organisational structure.

The Audit Committee convened four times. In its meeting on the financial statements and consolidated financial statements of Austrian Post for the 2011 financial year, in which the auditors also took part, the Audit Committee properly carried out its responsibilities pursuant to Section 92 Para. 4a Austrian Stock Corporation Act. Moreover, the Audit Committee intensively dealt with the quarterly (interim) financial statements for the 2011 financial year. The Audit Committee recommended to the Supervisory Board to propose the selection of Deloitte Audit Wirtschaftsprüfungs GmbH by the Annual General Meeting as the auditor of the annual financial statements and consolidated annual financial statements of Austrian Post for the 2011 financial year.

In the 2011 financial year, the Presidential Committee convened three times. The issues dealt with in these meetings were submitting a recommendation and preparing the resolution of the Supervisory Board relating to the appointment of a new Management Board member with responsibility for the Mail & Branch Network Division, and for filling the position of Chief Financial Officer.

Furthermore, the Executive Committee focused on a total of four circular resolutions on the occasion of the termination of the employment contract with Mr. Mende as well as negotiations and conclusion of employment contracts with the designated members of the Management Board. Furthermore, ongoing consultations between the Executive Committee and the Chairman of the Management Board took place when required.

Average attendance at Supervisory Board meetings was 87.5% in the reporting year 2011.

An explicit and formal self-evaluation did not take place during the past financial year. However, during its meetings the Supervisory Board regularly focused on the efficiency of its work in accordance with C-Rule 36 of the Austrian Corporate Governance Code. A structured self-evaluation process was already installed in the 2012 financial year.
A report on the conclusions of the self-evaluation of the Supervisory Board for the 2011 financial year will be presented at a meeting in March 2012.

## 4. 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 the 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 is based on the fundamental idea of taking a three-tiered approach (fixed and variable salary components as well as a Long-Term Incentive Programme). 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 linked to a large extent to measureable, short-term performance indicators 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 2010 and 2011 financial years is comprised of the following:

### CASH REMUNERATION

| TEUR | 2010 | 2011 |
|---|---|---|
| Fixed | 1,840 | 1,870 |
| Variable | 1,507 | 1,840 |
| **Total remuneration** | **3,347** | **3,710** |

In addition, the Management Board also received remuneration in kind amounting to TEUR 44 in the 2011 financial year. In December 2009, the Supervisory Board approved a Long-Term Incentive Program (LTIP) for the Management Board applying to the 2010-2012 financial years, which takes account of the EU recommendation on remuneration policies dated April 20, 2009. The aim is 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. The LTIP which lasts for three years is contingent upon each of the Management Board members making their own one-time investment for the duration of three years and a subsequent one-year retention period. The calculation of the number of required shares is based on the average share price in the fourth quarter of 2009. At the beginning of the programme, target values were defined for key performance indicators (total shareholder return, free cash flow and earnings per share), whereby each indicator is considered to be equally important. The achievement of objectives is monitored over a period of three years.

All members of the Management Board also receive payment in kind. In case the employment contract is terminated, members of the Management Board are entitled to severance pay of up to one year's annual salary, in those cases based on the provisions contained in either the Austrian Salaried Employees Act or the Company Employee and Self-Employed Pension Plan Act. All members of the Management Board have concluded a pension fund agreement in accordance with the stipulations contained in model contracts (BGBI – Federal Law Gazette) under which Austrian Post is required to pay 10% of the individual's fixed annual gross salary into the pension fund each year. The Management Board members do not have any "change of control" clauses in their contracts.

The members of the Management and Supervisory Boards of Austrian Post are insured within the framework of Directors and Officers Liability Insurance with liability coverage to the amount of EUR 40m. The insurance covers judicial and extrajudicial protection against unfounded claims for damages as well as the settlement of such claims which may be considered as legally justified.

Any additional work carried out by a member of the Management Board outside of the company requires the approval of the Executive Committee of the Supervisory Board. 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.

**Principles underlying the remuneration for senior management**
The principles governing the remuneration paid to the Management Board have been adapted for the company's senior management. Their salaries contain fixed and variable components based on the achievement of financial and non-financial targets as well as individually defined objectives.

In addition, the Management Board initiated a Long-Term-Incentive-Programme (LTIP) in the 2011 financial year for senior managers, in which selected members of various management levels of the Group are entitled to participate. The LTIP links pre-defined, measureable, long-term and sustainable criteria (total shareholder return, free cash flow and earnings per share) and is contingent upon participants making their own corresponding investment.

**Supervisory Board**
Remuneration of the Supervisory Board for the previous financial year is determined annually by the Annual General Meeting, which also decides on the fee for attending meetings. At present, the fee totals EUR 300 per session. Furthermore, travel expenses incurred by the members are covered. The Annual General Meeting held on April 28, 2011 resolved to grant an annual fixed sum totalling EUR 15,000 for the 2011 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. Remuneration is made on a pro-rata basis if a member did not belong to the Supervisory Board for the entire financial year. Payment is generally made immediately after the Annual General Meeting.

The total remuneration granted to the Supervisory Board in the 2011 financial year (including attendance fees and travel expenses) amounted to EUR 141,031, broken down as follows:

**SUPERVISORY BOARD REMUNERATION (INCLUDING ATTENDANCE FEES) IN EUR**

| | |
|---|---|
| Markus Beyrer, Chairman | 1,800 |
| Peter Michaelis, Chairman until April 28, 2011 | 26,200 |
| Edith Hlawati, Deputy Chairman | 20,279 |
| Edgar Ernst | 12,538 |
| Erich Hampel | 11,938 |
| Günter Leonhartsberger | 13,438 |
| Chris E. Muntwyler | 11,038 |
| Markus Pichler, as of April 28, 2011 | 1,200 |
| Gerhard Roiss, until April 28, 2011 | 15,600 |
| Elisabeth Stadler, as of April 28, 2011 | 1,800 |
| Karl Stoss, until April 28, 2011 | 16,200 |
| Helmut Köstinger | 3,000 |
| Martin Palensky | 1,200 |
| Andreas Schieder | 1,800 |
| Manfred Wiedner | 3,000 |
| **Total** | **141,031** |

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 are only entitled to receive attendance fees. They may only be discharged of their responsibilities by the Central Works Council, but this may occur at any time.

## 5. EXTERNAL EVALUATION

In accordance with Rule 62, Austrian Post submits to an external evaluation of its compliance with the Austrian Corporate Governance Code and the accuracy of its related public reporting every three years. The most recent appraisal carried out at the beginning of 2012 by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft did not discover any facts which contradict the declaration submitted by the Management Board and Supervisory Board with respect to the company's adherence to the C-Rules and R-Rules of the Austrian Corporate Governance Code for the 2011 financial year.

Vienna, March 1, 2012

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Rudolf Jettmar
Deputy Chairman of the Management Board
Chief Financial Officer

Walter Hitziger
Member of the Management Board
Director of the Mail & Branch Network Division

Peter Umundum
Member of the Management Board
Director of the Parcel & Logistics Division

# REPORT OF THE SUPERVISORY BOARD OF AUSTRIAN POST ON THE 2011 FINANCIAL YEAR

Against the backdrop of the complete liberalisation of the letter mail market as of January 1, 2011, Austrian Post has had an extremely successful financial year. Efficiency improvements, persistent customer orientation and adjustments to the demands of a constantly changing market environment have been the main cornerstones of the corporate strategy of Austrian Post.

The Supervisory Board convened six times in the 2011 financial year, and was provided with timely and comprehensive information on all relevant issues relating to the business development of Austrian Post, including the risk situation, within the context of regular reporting by the Management Board. As a result of this reporting, the Supervisory Board supervised and supported the management activities of the Management Board on an ongoing basis.

**Personnel changes**
There were several changes in the composition of the Supervisory Board in the past financial year. Peter Michaelis, Gerhard Roiss and Karl Stoss vacated their positions on the Supervisory Board as at the end of the Annual General Meeting held on April 28, 2011. The Annual General Meeting elected Markus Beyrer, Markus Pichler and Elisabeth Stadler as their successors to serve on the Supervisory Board of Austrian Post for a period of four years. At the constituent meeting of the Supervisory Board, Markus Beyrer was elected as the new Chairman. Furthermore, Elisabeth Stadler and Markus Beyrer were elected to serve on the Audit Committee.

The Supervisory Board would like to take this opportunity to sincerely thank the retiring members for the intensive and good cooperation. Our special thanks go to Peter Michaelis for his longstanding commitment as Chairman of the Supervisory Board.

**Priorities**
At its meetings, the Supervisory Board focused on the following issues:

The Supervisory Board was informed in detail about the business development, financial position, profit and loss and cash flows of the Group, the personnel situation as well as investment projects as part of ongoing reporting at the meetings. As a result of this reporting, the Supervisory Board supervised and supported the management activities of the Management Board on an ongoing basis.

In an extraordinary meeting held in January, the Supervisory Board discussed the management structure of Austrian Post. It was resolved to merge the Mail and Branch Network divisions effective January 1, 2012 in order to further strengthen the competitiveness of the company.

The Supervisory Board meeting in March primarily dealt with the annual financial statements and consolidated financial statements of Austrian Post in 2011, preparations for the Annual General Meeting as well as issues pertaining to the Management Board. The Supervisory Board appointed Management Board member Walter Hitziger to serve as the new Director of the Mail & Branch Network Division as of January 1, 2012. In the same session, Walter Oblin was named to serve as the new Chief Financial Officer effective July 1, 2012. He will succeed Rudolf Jettmar, who will vacate his position on the Management Board as of June 30, 2012 due to retirement. The Supervisory Board would like to extend its thanks to Herbert Götz, former member of the Management Board who resigned, for the substantial role he played in the successful further development of the branch network.

Further priorities were reporting on the organisational and structural project “Org12” and the intensive discussions on the company’s business strategy. The Supervisory Board devoted considerable attention to the development of Group subsidiaries, in particular the trans-o-flex Group.

In four meetings, the Audit Committee duly carried out the responsibilities assigned to it. It monitored accounting processes, the audit and the effectiveness of the internal control system, the risk management system and the internal audit system. The quarterly results were discussed in detail. The Supervisory Board was continually provided with information about the results of the Audit Committee meetings. In accordance with Section 270 Para. 1a of the Austrian Commercial Code, Deloitte Audit Wirtschaftsprüfungs GmbH credibly demonstrated its impartiality towards the Audit Committee.

The Presidential Committee intensively focused on filling the two vacant Management Board positions. Meetings of the Executive Committee took place when required.

**Consolidated and annual financial statements 2011**
Deloitte Audit Wirtschaftsprüfungs GmbH was elected by the Annual General Meeting held on April 28, 2011 to serve as the auditors for the annual financial statements and consolidated annual financial statements of Austrian Post for the 2011 financial year.

The annual financial statements and consolidated annual financial statements of Austrian Post as at December 31, 2011 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH and were granted an unqualified auditor's opinion. The Management Report and Group Management Report are consistent with the company and consolidated annual financial statements. All documentation relating to the annual financial statements, the profit appropriation proposal as submitted by the Management Board, the Corporate Governance Report and the auditor's report were thoroughly discussed in the Audit Committee together with the auditors and subsequently presented to the Supervisory Board.

The Supervisory Board examined all the documents in accordance with Section 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 approved the annual financial statements for the 2011 financial year, which are hereby adopted in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act, and declares its acceptance of the IFRS consolidated financial statements, the Management Report, the Group Management Report and the Corporate Governance Report pursuant to Section 245a of the Austrian Commercial Code.

The Supervisory Board concurs with the Management Board's proposal to distribute a basic dividend of EUR 114,839,484.60 from the net profit amounting to EUR 134,615,591.53 and to carry forward the balance of EUR 19,776,106.93 to the new account.

Finally, the Supervisory Board would like to express its gratitude and appreciation to all the members of the Management Board as well as all employees for their valuable achievements in the past financial year. In particular, special thanks are owed to the customers and shareholders of Austrian Post for their confidence in the company.

March 14, 2012

Markus Beyrer m.p.
Chairman of the Supervisory Board

# GROUP MANAGEMENT REPORT 2011

# 1. BUSINESS ENVIRONMENT AND LEGAL FRAMEWORK

## 1.1 ECONOMIC AND MARKET ENVIRONMENT

Overall economic growth in the eurozone reached 1.6% (IMF) in the 2011 financial year. The Austrian economy expanded at a faster rate than the European average, with GDP increasing by 3.2% (WIFO – Austrian institute of Economic Research). Whereas strong growth was reported at the beginning of the year, momentum significantly slowed down starting in the middle of 2011. This development is primarily attributable to the sovereign debt crisis in the eurozone, which will continue to have a dampening effect on the economy in 2012 as well. According to economic forecasts made by the Austrian Institute of Economic Studies (WIFO), the Austrian economy will only expand by 0.4% in 2012. In the light of the economic slowdown, raw material prices should also decline further in the course of 2012. This will reduce the inflation rate in Austria to about 2%, which in turn will cushion a further loss in purchasing power on the part of Austrian households. Therefore, private consumption is expected to grow by 0.8% and thus have a positive impact on the economy. In 2013, the Austrian economy is expected to once again profit from the general recovery of the global economy, but still only achieve a restrained economic growth rate of 1.6% (WIFO).

On balance, the global economy expanded by 3.8% during the period under review, with growth anticipated to reach a level of 3.3% in 2012. Due to the sovereign debt crisis, a slight decline in GDP is expected in the eurozone in 2012, though Germany will continue to post a positive economic growth rate of 0.3%. The expectations for the countries in Central and Eastern Europe are somewhat more optimistic, with the economies expected to expand by 1.1% on average (IMF).

In addition to the overall economic development, population growth and the increase in the number of households in a country are also important factors. In Austria, the population grew slightly in 2011. However, due to the trend towards single-person households, the number of households tended to increase at a faster rate (Austrian Statistical Office).

The fundamental trend towards electronic substitution of letter mail will continue. In particular, telecommunication and utility companies are trying to reduce physical mail volumes. The total volume of direct mail items is dependent on the intensity of advertising activities by companies. Although this market is subject to cyclically-based fluctuations, direct mail items have shown themselves to be an indispensable part of the marketing mix of the economy. The quarterly forecast published by ZenithOptimedia expects the advertising market in Western Europe to remain extremely robust despite the difficult economic environment. Advertising expenditures are predicted to increase by 2.0% in 2012, and even reach a stronger growth rate of 2.8% in 2013.

Parcel volumes are rising thanks to the growing importance of online shopping. The freight and express mail business could increase as a result of the improved economic situation and an expanded offering. The development of shipment volumes in the international parcel and freight business are considerably dependent on the strength of the economic upturn and trade flows as well as related price development. In this regard, parcel volumes tend to grow more strongly than the economy as a whole.

## 1.2 LEGAL FRAMEWORK

Based on the EU's Third Postal Directive, the Austrian legislator passed the new Postal Market Act, which took full effect as of January 1, 2011. The main changes are as follows:

Austrian Post's monopoly on transporting letter mail items weighing up to 50 grams was abolished on December 31, 2010. At the same time, as of January 1, 2011 Austrian Post will no longer receive any indirect compensation for the obligations arising in connection with fulfilling the Universal Service Obligation. Even after full-scale market liberalisation, Austrian Post remains the universal services provider guaranteeing high quality postal services throughout Austria.

The newly-defined Universal Service Obligation, as of 2011, limits the spectrum of basic services to mail items posted at the legally stipulated access points, i.e. postal service points or letterboxes. Postal services for mail items brought to sorting centres by large customers – with the exception of newspapers – are not considered to be an integral component of universal postal services. The regulatory authorities handed down a written decree defining the scope of universal postal services. Austrian Post has filed a complaint against this decision with the Austrian Administrative Court. Compensation for the net costs of providing universal postal services will take place on the basis of a public equalisation fund, which will be financed on a pro-rata basis corresponding to the market share held by Austrian Post and other licensed postal operators. However, only postal operators whose annual revenue derived from their licensed business operations exceed EUR 1.0m will be required to contribute to the equalisation fund. Moreover, the net costs incurred by Austrian Post in providing universal postal services will only be refunded if they comprise an excessively heavy financial burden, i.e. if these net costs exceed 2% of the entire annual costs incurred by Austrian Post.

Austrian Post is legally required to carry out the conversion of cluster box units and rural drop-off boxes and must finance the related costs in advance. The costs for exchanging these facilities will be partially refunded to Austrian Post on the basis of a legally prescribed allocation key. This obligation to convert the letterboxes and the regulations on sharing costs are the subject matter of the complaint filed by Austrian Post with the Austrian Administrative Court.

Since January 1, 2011, a licence must be obtained conferring the right to carry out postal delivery services for letters weighing up to 50 grams.

Since January 1, 2011, only those postal services encompassed in the legally prescribed Universal Postal Service Obligation are exempt from the Value Added Tax (VAT). Universal postal services whose terms and conditions are individually agreed upon are subject to the value added tax at standard rates. Thus, changes arose in the VAT treatment of postal items.

As of May 1, 2011, new General Terms and Conditions for letter mail services took effect, defining a simplified, customer-oriented product and service portfolio featuring format-based postal rates. The General Terms and Conditions were extensively evaluated and approved by the regulatory authority.

# 2. BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

## 2.1 CHANGES IN THE CONSOLIDATION SCOPE

Effective June 30, 2011, Austrian Post disposed of its 25.1% stake in Mader Zeitschriftenverlagsgesellschaft m.b.H. In addition, as of October 20, 2011, Austrian Post also acquired a 26% stake in the Romanian company PostMaster s.r.l., thus formally sealing its entry into one of Central and Eastern Europe's largest markets. The company will be consolidated at equity as an associated company in the consolidated financial statements of Austrian Post.

## 2.2 REVENUE AND EARNINGS DEVELOPMENT

For the following analysis of Austrian Post's revenue development, revenue in 2010 was adjusted for the meiller companies deconsolidated as of December 20, 2010. The deconsolidation of these companies reduced the comparable revenue of the Mail Division by EUR 98.0m in 2010. The joint venture MEILLERGHP established at the end of 2010, in which Austrian Post has a 65% stake, is consolidated at equity in the 2011 financial year.

Revenue on a comparable basis increased to EUR 2,348.7m in 2011, a rise of 4.2%. Revenue growth was generated in the Parcel & Logistics Division (+5.6%) and the Mail Division (+4.4%). In contrast, revenue of the Branch Network Division fell by 3.0% in the same period. There were 250 calendar working days in 2011, two working days fewer than in the previous year (252 calendar working days).

Revenue in the Mail Division rose to EUR 1,347.6m, an increase of 4.4% on a comparable basis. The ongoing substitution of letters by electronic media was in contrast to the positive effects related to the shifting of volumes

**REVENUE BY DIVISION[1]**

| EUR m | 2009 | 2010 | 2010 comparable basis | 2011 | % | Change 2010/2011 EUR m | Structure 2011 |
|---|---|---|---|---|---|---|---|
| **Total revenue[2]** | **2,356.9** | **2,351.1** | **2,253.1** | **2,348.7** | **4.2%** | **95.6** | **100.0%** |
| Mail[2] | 1,396.8 | 1,389.4 | 1,291.3 | 1,347.6 | 4.4% | 56.3 | 57.4% |
| Parcel & Logistics | 768.4 | 802.0 | – | 846.5 | 5.6% | 44.6 | 36.0% |
| Branch Network | 189.6 | 157.9 | – | 153.1 | –3.0% | –4.7 | 6.5% |
| Corporate | 4.4 | 5.1 | – | 5.4 | 7.1% | 0.4 | 0.2% |
| Consolidation | –2.2 | –3.1 | – | –4.0 | –29.6% | –0.9 | –0.2% |
| Working days[3] | 251 | 252 | – | 250 | – | – | – |

[1] External sales of the divisions
[2] Figures for 2010 and changes excl. meiller Group (pro-forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity
[3] Calendar working days in Austria

from parcel to letter mail services in e-commerce, additional revenue generated in the field of Mail Solutions as well as the new product portfolio and range of stamps introduced in May 2011. Moreover, the growth in revenue from addressed and unaddressed direct mail items clearly shows the resilient nature of the advertising industry, in which direct mailings provided by Austrian Post constitute an important component of its marketing mix.

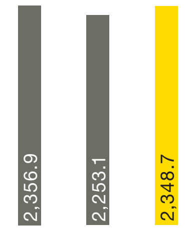
Revenue in the Parcel & Logistics Division climbed by 5.6% in 2011 to EUR 846.5m, due to rising volumes and against the backdrop of ongoing price pressure. Growth was generated in Austria as well as in the regions Germany/Benelux and South East and Eastern Europe.

The organisational structure of the Branch Network Division is currently undergoing changes. Over the last 12 months, the number of third-party operated postal partner offices has risen from 1,117 to 1,258 as at the end of 2011. This change has affected the division's revenue and cost structure as well as the redefined partnership with BAWAG P.S.K.. Since January 1, 2011, revenue from the financial services business has been subject to a new cost-based compensation plan. Thus, the division's external sales were down 3.0% to EUR 153.1m.

**REVENUE BY DIVISION** %




**REVENUE**[1]
EUR m




[1] Figures for 2010 and changes excl. meiller Group (pro-forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity

## INCOME STATEMENT

| EUR m | 2009 | 2010 | 2010 comparable basis | 2011 | % | Change 2010/2011 EUR m |
|---|---|---|---|---|---|---|
| **Revenue**[1] | **2,356.9** | **2,351.1** | **2,253.1** | **2,348.7** | **4.2%** | **95.6** |
| Other operating income[1] | 89.6 | 90.5 | 87.2 | 74.6 | –14.5% | –12.7 |
| Raw materials, consumables and services used[1] | –766.1 | –771.0 | –712.5 | –759.8 | 6.6% | 47.3 |
| Staff costs[1] | –1,139.3 | –1,120.7 | –1,086.9 | –1,050.1 | –3.4% | –36.8 |
| Other operating expenses[1] | –277.0 | –288.8 | –278.7 | –320.0 | 14.8% | 41.3 |
| Results of investments consolidated at equity | 5.1 | 1.0 | – | –10.6 | – | –11.6 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | **269.2** | **262.1** | **–** | **282.7** | **7.9%** | **20.6** |
| Depreciation and amortisation | –97.3 | –96.4 | – | –86.8 | –10.0% | –9.7 |
| Impairments | –22.4 | –8.8 | – | –27.6 | 213.7% | 18.8 |
| **Earnings before interest and tax (EBIT)** | **149.4** | **156.9** | **–** | **168.3** | **7.3%** | **11.4** |
| Other financial result | –24.6 | –8.2 | – | –5.2 | 36.7% | 3.0 |
| **Earnings before tax (EBT)** | **124.8** | **148.7** | **–** | **163.1** | **9.7%** | **14.5** |
| Income tax | –45.1 | –30.3 | – | –39.3 | 29.7% | 9.0 |
| **Profit for the period** | **79.7** | **118.4** | **–** | **123.8** | **4.6%** | **5.5** |
| Earnings per share (EUR) | 1.18 | 1.75 | – | 1.83 | 4.6% | 0.08 |

[1] Figures for 2010 and changes excl. meiller Group (pro-forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity

The revenue growth of 4.2% or EUR 95.6m on a comparable basis also affected the cost structure of the Group. Higher revenue and parcel volumes increased the purchase of external transport services carried out by parcel logistics subcontractors. Moreover, the increased reliance on postal partner offices led to an increase in the services used by the Group, though staff costs declined. As a consequence, operating expenses for raw materials, consumables and services used rose 6.6% on a comparable basis, to EUR 759.8m.

Staff costs on a comparable basis at EUR 1,050.1m were 3.4% below the prior-year level. Operational staff costs declined by EUR 28.0m to EUR 1,017.0m. Savings in operational staff costs were achieved by taking advantage of voluntary employee departures. On a comparable basis, the average number of employees fell by 673 year-on-year to 23,369 employees (full-time equivalents).

Non-operational staff costs, which amounted to EUR 33.0m in 2011, include all investments designed to achieve a sustainable improvement in the cost structure, such as structural measures, termination payments or staff-related provisions. For example, this includes termination payments of EUR 27.0m.

The non-operational staff costs of Austrian Post traditionally include high employee-related provisions such as the provisions for employee under-utilisation due to the specific employment situation at the company. They remained virtually constant at EUR 239.0m during the reporting period, including the cash-related use of EUR 22.7m in the 2011 financial year. This also includes provisions for tenured employees who cannot be integrated at all or only partly into normal business operations as well as employees who are likely to transfer to the federal public service.

This possibility to transfer to the federal public service is based on agreements reached with the Ministry of Internal Affairs in 2009 as well as with the Ministries of Finance and Justice in 2010, enabling employees to transfer to the federal government, whereas the staff costs for these employees will be borne by Austrian Post until June 2014. In 2011, a provision was allocated for a total of 108 people. The actual expense involved was EUR 14.1m during this period.

Other operating income fell by 14.5% on a comparable basis to EUR 74.6m. This was primarily due to lower proceeds from the disposal of property, plant and equipment, which only amounted to EUR 8.8m in 2011. Income from rents and leases of EUR 23.7m were at the same level as in the previous year.

Other operating expenses were up 14.8% on a comparable basis to EUR 320.0m. This increase is partly related to measures relating to the commercial realisation of the operating companies in Belgium and the Netherlands. Moreover, costs arose for the conversion to the new cluster box units which must be carried out by the end of 2012 in accordance with the stipulations of the Postal Market Act.

The result of the investments consolidated at equity totalling minus EUR 10.6m is primarily the consequence of the proportionate negative results of the joint venture MEILLERGHP. The company was subject to restructuring in 2011.

## EBITDA BY DIVISION

| EUR m | 2009 | 2010 | 2011 | Change 2010/2011 % | Change 2010/2011 EUR m |
|---|---|---|---|---|---|
| **Total EBITDA** | **269.2** | **262.1** | **282.7** | **7.9%** | **20.6** |
| Mail | 271.1 | 274.9 | 322.8 | 17.4% | 47.9 |
| Parcel & Logistics excl. structural measures | 20.5 | 37.0 | 37.3 | 0.7% | 0.3 |
| Parcel & Logistics | 20.5 | 37.0 | 12.0 | –67.6% | –25.0 |
| Branch Network | –3.3 | –24.8 | –9.7 | 60.8% | 15.1 |
| Corporate | –19.4 | –24.9 | –42.3 | –70.0% | –17.4 |

Earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post improved to EUR 282.7m in 2011, a rise of 7.9%. Accordingly, the EBITDA margin reached 12.0% and was at the upper end of the targeted range of 10-12%, as predicted.

Depreciation, amortisation and impairment losses of Austrian Post totalled EUR 114.4m in the reporting period. This figure consisted of depreciation and amortisation of EUR 86.8m (thereof EUR 73.1m for property, plant and equipment) as well as impairment losses of EUR 27.6m. Earnings before interest and tax (EBIT) of Austrian Post rose by 7.3% to EUR 168.3m, corresponding to an EBIT margin of 7.2%.

## EBIT BY DIVISION

| EUR m | 2009 | 2010 | 2011 | Change 2010/2011 % | Change 2010/2011 EUR m |
|---|---|---|---|---|---|
| **Total EBIT** | **149.4** | **156.9** | **168.3** | **7.3%** | **11.4** |
| Mail | 221.1 | 234.9 | 295.7 | 25.9% | 60.8 |
| Parcel & Logistics excl. structural measures and impairment losses | –9.3 | 12.6 | 13.8 | 9.3% | 1.2 |
| Parcel & Logistics | –9.3 | 10.5 | –28.3 | – | –38.8 |
| Branch Network | –9.2 | –30.8 | –17.8 | 42.3% | 13.0 |
| Corporate | –53.5 | –57.7 | –81.3 | –41.0% | –23.6 |

All operating divisions improved their earnings during the period under review. EBIT of the Mail Division climbed to EUR 295.7m, and the Branch Network Division continued its restructuring efforts, concluding 2011 with an EBIT of minus EUR 17.8m, a significant improvement compared to minus EUR 30.8m in the previous year.

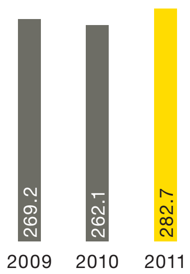
EBIT of the Parcel & Logistics Division amounted to minus EUR 28.3m in 2011. This includes impairment losses on goodwill and property, plant and equipment of EUR 16.8m as well costs for structural measures at the amount of EUR 25.3m, which includes deconsolidation effects of EUR 3.3m. These expenses were mainly related to the restructuring and commercial realisation of the subsidiaries in Belgium and the Netherlands. The disposal process initiated in the fourth quarter resulted in the assets and liabilities of these subsidiaries being classified as a disposal group held for sale. The valuation stipulated by IFRS 5 led to impairment losses and provisions, which are included in the recognised structural measures.

On a comparable basis, excluding structural measures and impairment losses, EBIT of the Parcel & Logistics Division actually rose by 9.3% to EUR 13.8m.

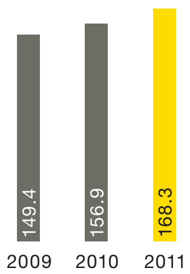
EBIT of the Corporate segment was down from minus EUR 57.7m in 2010 to minus EUR 81.3m in 2011. This difference can be attributed to higher income from real estate sales in the 2010 financial year as well as higher depreciation and amortisation in the reporting period. Moreover, the Corporate segment also encompasses non-allocated costs for central departments, expenses in connection with unused properties as well as changes in staff-related provisions and restructuring.

Earnings before tax rose 9.7% to EUR 163.1m. After deducting income taxes totalling EUR 39.3m, the Group net profit (profit after tax for the period) amounted to EUR 123.8m. This corresponds to earnings of EUR 1.83 per share for the 2011 financial year (+4.6%).

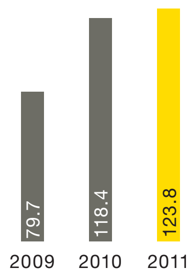
**EBITDA**
EUR m




**EBIT**
EUR m




**PROFIT FOR THE PERIOD**
EUR m



## 2.3 ASSETS AND FINANCES

Austrian Post pursues a risk-averse business approach. This is demonstrated by the high equity ratio, the low level of financial liabilities and the considerable amount of cash and cash equivalents invested with the least possible risk.

### BALANCE SHEET STRUCTURE BY ITEM

| EUR m | Dec. 31, 2009 | Dec. 31, 2010 | Dec. 31, 2011 | Structure Dec. 31, 2011 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment and intangible assets and goodwill | 944.3 | 853.7 | 811.3 | 48.6% |
| Investment property | 37.0 | 33.9 | 32.8 | 2.0% |
| Investments in associates | 8.3 | 27.3 | 17.5 | 1.0% |
| Inventories, receivables and other assets | 393.8 | 397.4 | 418.6 | 25.1% |
| Financial investments in securities | 56.7 | 48.3 | 34.1 | 2.0% |
| Other financial assets | 41.4 | 41.4 | 40.6 | 2.4% |
| Cash and cash equivalents | 293.8 | 313.1 | 310.6 | 18.6% |
| Assets held for sale | 0.0 | 0.0 | 2.8 | 0.2% |
| | **1,775.3** | **1,715.1** | **1,668.3** | **100.0%** |
| **Equity and liabilities** | | | | |
| Capital and reserves | 673.7 | 690.8 | 702.0 | 42.1% |
| Provisions | 604.4 | 574.7 | 542.2 | 32.5% |
| Financial liabilities | 126.8 | 79.1 | 29.2 | 1.8% |
| Payables and other liabilities | 370.4 | 370.5 | 384.2 | 23.0% |
| Liabilities held for sale | 0.0 | 0.0 | 10.6 | 0.6% |
| | **1,775.3** | **1,715.1** | **1,668.3** | **100.0%** |

The analysis of the balance sheet of Austrian Post shows that assets, in addition to the two traditionally large items of property, plant and equipment and intangible assets and goodwill of EUR 811.3m, on the one hand, and inventories, receivables and other assets of EUR 418.6m on the other hand, also contain a considerable level of financial resources (cash and cash equivalents, investments in securities). On balance, Austrian Post had cash and cash equivalents of EUR 310.6m as at December 31, 2011, and financial investments in securities amounting to EUR 34.1m. Accordingly, the financial resources at the disposal of Austrian Post amounted to EUR 344.7m at the end of 2011. The payment of a dividend in May 2011 amounting to EUR 1.60 per share or a total of EUR 108.1m for the 2010 financial year was already taken into account. The investment policy of Austrian Post is based on the lowest possible risk.

Equity (capital and reserves) of the Austrian Post Group totalied EUR 702.0m as at December 31, 2011, corresponding to an equity ratio of 42.1%. On the equity and liabilities side, provisions amounting to EUR 542.2m, including the provisions for employee under-utilisation of EUR 239.0m, comprise one of the largest items corresponding to 32.5% of the balance sheet total. During the period under review, current and non-current financial liabilities were significantly reduced from EUR 79.1m to EUR 29.2m, which is related to the repayment of financial liabilities. Due to the fact that the existing financial resources on the balance sheet (EUR 344.7m) exceeds financial liabilities of EUR 29.2m by far, Austrian Post does not intend to make use of external funding nor does it require a credit rating at the present time.

**BALANCE SHEET STRUCTURE BY TERM**

| EUR m | Dec. 31, 2009 | Dec. 31, 2010 | Dec. 31, 2011 | Structure Dec. 31, 2011 |
|---|---|---|---|---|
| **Assets** | | | | |
| Non-current assets | 1,141.3 | 1,067.6 | 1,005.1 | 60.2% |
| thereof other financial assets and financial investments in securities | 97.9 | 89.4 | 62.5 | 3.7% |
| Current assets | 634.0 | 647.5 | 660.4 | 39.6% |
| thereof cash and cash equivalents | 293.8 | 313.1 | 310.6 | 18.6% |
| Assets held for sale | 0.0 | 0.0 | 2.8 | 0.2% |
| | **1,775.3** | **1,715.1** | **1,668.3** | **100.0%** |
| **Equity and liabilities** | | | | |
| Capital and reserves | 673.7 | 690.8 | 702.0 | 42.1% |
| Non-current liabilities | 514.0 | 479.4 | 452.9 | 27.1% |
| thereof provisions | 453.4 | 414.6 | 396.7 | 23.8% |
| Current liabilities | 587.6 | 544.9 | 502.8 | 30.1% |
| thereof provisions | 150.9 | 160.1 | 145.5 | 8.7% |
| Liabilities held for sale | 0.0 | 0.0 | 10.6 | 0.6% |
| | **1,775.3** | **1,715.1** | **1,668.3** | **100.0%** |

Total assets of Austrian Post amounted to EUR 1,668.3m. Non-current assets predominate on the asset side, accounting for 60.2% of total assets, or EUR 1,005.1m. The largest non-current asset items are property, plant and equipment, totalling EUR 587.5m, as well as financial investments in securities and other financial assets at EUR 62.5m. The principal current asset items are receivables, at EUR 323.2m, and cash and cash equivalents, at EUR 310.6m.

On the equity and liabilities side, the main items are capital and reserves, which make up 42.1% of the balance sheet total, followed by non-current liabilities (27.1%) and current liabilities (30.1%). Non-current liabilities of EUR 452.9m largely consist of provisions totalling EUR 396.7m. Current liabilities amounting to EUR 502.8m primarily relate to trade payables, at EUR 202.6m.

## 2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

### 2.4.1 LIQUIDITY/NET DEBT

| EUR m | Dec. 31, 2009 | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|---|
| **Interest-bearing liabilities** | **–629.5** | **–540.3** | **–471.6** |
| thereof financial liabilities | –126.3 | –78.6 | –29.2 |
| thereof interest-bearing provisions | –497.3 | –456.5 | –437.6 |
| **Interest-bearing assets** | **398.3** | **413.7** | **410.1** |
| thereof financial investments in securities | 56.7 | 48.3 | 34.1 |
| thereof cash and cash equivalents | 293.8 | 313.1 | 310.6 |
| **Net debt** | **–231.2** | **–126.6** | **–61.5** |
| **Net debt/EBITDA ratio** | **0.86** | **0.48** | **0.22** |
| **Gearing ratio**[1] | **34.3%** | **18.3%** | **8.8%** |

[1] Gearing ratio = Net debt/capital and reserves

At the end of 2011, Austrian Post had a debt position of EUR 61.5m. This is defined as the difference between interest bearing assets (securities, other financial assets, and cash and cash equivalents) amounting to EUR 410.1m, and interest bearing liabilities (financial liabilities and other interest bearing liabilities, social capital and other provisions) of EUR 471.6m. As a consequence of the considerable reduction in financial liabilities, net debt was reduced by more than half on a year-on-year comparison. Accordingly, the ratio of net debt to EBITDA declined from 0.48 to 0.22 as at the end of December 2011. The gearing ratio was 8.8% at the end of the reporting period.

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.

Within the context of its dividend policy, Austrian Post aims to achieve a dividend payout ratio of at least 75% of the Group net profit attributable to equity holders of the parent company in coming years, assuming a continuation of the company's successful business development and that no extraordinary circumstances arise. The company also aims to distribute a sustainable dividend reflecting the earnings development going forward.

### 2.4.2 CASH FLOW

| EUR m | 2009 | 2010 | 2011 |
|---|---|---|---|
| **Operating cash flow before changes in working capital** | **195.8** | **134.1** | **248.6** |
| +/- Cash flow from changes in net working capital | 34.1 | 44.9 | –20.4 |
| **= Cash flow from operating activities** | **230.0** | **178.9** | **228.2** |
| +/- Cash flow from investing activities | 6.9 | –25.3 | –65.8 |
| **= Free cash flow** | **236.9** | **153.6** | **162.5** |
| +/- Cash flow from financing activities | –191.2 | –134.4 | –165.0 |
| **= Net change in cash and cash equivalents** | **45.7** | **19.3** | **–2.5** |

The operating cash flow before changes in working capital amounted to EUR 248.6m, significantly higher than in the previous year. Improved earnings, lower tax payments compared to the prior year and higher other non-cash transactions contributed to this development.

The cash flow from changes in net working capital amounted to minus EUR 20.4m during the period under review. This development can be primarily attributed to increased receivables, which are largely related to the new Value Added Tax regulation effective since the beginning of 2011.

The cash flow from investing activities was minus EUR 65.8m in 2011, including the purchase of property, plant and equipment (CAPEX) amounting to EUR 73.8m and proceeds from the disposal of property, plant and equipment of EUR 23.9m. Total free cash flow was EUR 162.5m, a rise of 5.8% from the prior year level of EUR 153.6m.

### 2.4.3 INVESTMENTS AND ACQUISITIONS

Capital expenditure at Austrian Post reached a level of EUR 92.0m in the 2011 financial year, of which EUR 81.0m were for investments in property, plant and equipment and EUR 11.0m for investments in intangible assets and goodwill. Whereas the additions to intangible assets mainly relating to software licences were stable on a year-on-year comparison, investments in property, plant and equipment and investment property rose considerably to EUR 81.0m, up from EUR 49.9m in the prior year. Investments mainly comprised the replacement of vehicles as well as diverse office equipment, fixture and fittings for sorting centres, delivery bases and post offices. These investments included, among others, delivery tables, access systems for delivery bases, various hardware components, branch office counters or office equipment. Accordingly, investments in office equipment, fixture and fittings comprised about 65% of the total capital expenditure.

Austrian Post continually strives to modernise its sorting facilities in order to fulfil the high-quality demands relating to delivery speed within Austria (95% of all letters delivered on the next working day, 90% of all parcels within two working days). In 2011, Austrian Post continued to focus on new delivery systems for unaddressed direct mail items, which will now be collected and bundled in a single advertising envelope. Therefore prepayments were made for so called collators at three sites in Austria. These high-tech machines can bundle advertising brochures fully automatically and thus very efficiently. In addition to replacement investments in flat sorters and various other investments in distribution logistics, the distribution centre in Slovakia is currently under construction (SPS in Zilina).

The particular investment measure relating to both new and replacement investments is subject to a detailed analysis. Replacement investments are first made if the newer technology enables increased productivity or a corresponding reduction in costs for the company's own or external personnel or the purchase of transport services, or if the investments come at the optimal time so that the life cycle costs, especially maintenance costs for existing property, plant and equipment exceed those for the newer facilities.

Investments are also subject to an internal approval and authorisation process by a committee during the planning as well as in the procurement phase. This committee consists of area or department managers, one or all members of the Management Board and the Supervisory Board of Österreichische Post AG (Austrian Post) depending on the total volume involved. In addition to actual and target comparisons, an investment review and evaluation takes place at the end of the investment phase, particularly in the case of large projects.

In addition to the return on investment (ROI), which serves as the main decision-making parameter for investments and acquisitions, the amortisation period and the present value are taken into consideration, both in the planning phase and in monitoring performance.

The cash inflow for the acquisition/sale of subsidiaries as well as associates was EUR 1.1m in 2011. Every acquisition presupposes a unified Group-wide selection process. The decision-making basis is a due diligence test followed by an evaluation by means of the discounted cash flow method.

In the twelve months to the end of 2011, the capital employed by Austrian Post declined by EUR 58.6m to EUR 708.9m. The return on capital employed thus improved from 19.3% to 22.8% during the year under review.

## 2.4.4 EARNINGS AND PERFORMANCE INDICATORS

| | **2009** | **2010** | **2011** |
|---|---|---|---|
| EBITDA margin[1] | 11.4% | 11.6% | 12.0% |
| EBIT margin[2] | 6.3% | 7.4% | 7.2% |
| ROE[3] | 13.9% | 20.7% | 21.3% |
| ROCE[4] | 16.5% | 19.3% | 22.8% |
| Capital Employed (EUR m) | 861.7 | 767.5 | 708.9 |

[1] EBITDA margin = EBITDA/revenue (2010 excl. meiller Group)
[2] EBIT margin = EBIT/revenue (2010 excl. meiller Group)
[3] Return on equity = Profit for the period/capital and reserves on January 1st less dividends paid
[4] Return on capital employed = EBIT/average capital employed

### CAPITAL EMPLOYED

| **EUR m** | **Dec. 31, 2009** | **Dec. 31, 2010** | **Dec. 31, 2011** |
|---|---|---|---|
| + Intangible assets and goodwill | 248.5 | 242.8 | 223.8 |
| + Property, plant and equipment | 695.7 | 610.9 | 587.5 |
| + Investment property | 37.0 | 33.9 | 32.8 |
| + Investments consolidated at equity | 8.3 | 27.3 | 17.5 |
| + Investments in not consolidated companies | 0.8 | 0.8 | 0.0 |
| + Inventories | 22.3 | 16.3 | 14.4 |
| + Receivables[1] | 321.1 | 319.4 | 324.8 |
| + Non-current assets held for sale | 0.0 | 0.0 | 2.8 |
| – Non-interest bearing debt | –472.1 | –483.9 | –494.7 |
| | **861.7** | **767.5** | **708.9** |

[1] Less interest bearing receivables

The aim of Austrian Post is to optimise the capital employed in accordance with specific conditions in the postal sector. Investments are carried out to enable increased productivity. Against this backdrop, investments are made extremely selectively and purposefully, primarily to enable productivity increases. Subsidiaries are being continually tested for impairment and written down in case there are indications of impairment. Shareholdings held in companies consolidated at equity are impacted by the ongoing profits/losses of the related stakes. The focus of Austrian Post's receivables management is to continually check the creditworthiness of customers in order to switch to advanced payment or payment in cash in case the customer is designated as a risk or to demand a bank guarantee. Furthermore, invoicing intervals are shortened depending upon the payment behaviour of the particular debtor. Management is regularly informed about the level of outstanding receivables in order to be able to take appropriate measures if necessary.

## 2.4.5 DELIVERY SPEED

Austrian Post aims to be a provider of high-quality postal services. In particular, prevailing legal regulations relating to the Universal Service Obligation stipulate the following high standards relating to delivery speed for letters and parcels: delivery of 95% of all letters on the next working day and 90% of all parcels within two working days.
In 2011, Austrian Post managed to deliver 96.1% of all letters on the next working day, above the statutory level. With regard to parcel deliveries as defined by in the Universal Service Ordinance (primarily private parcels), Austrian Post delivered 94.2% of all parcels within two working days, once again surpassing the statutory target. Austrian Post also boasts an above-average delivery quality in European comparison with respect to international mail (inbound).

## 2.4.6 EMPLOYEES

During the period under review, the average number of full-time employees at Austrian Post fell by 2.8% from the prior-year figure, or 673 people, to 23,369. The workforce at all divisions declined with the exception of the Parcel & Logistics Division. Most of Austrian Post's labour force, namely 19,907 full-time equivalent employees, works for the parent company, Österreichische Post AG (Austrian Post). Approximately 3,500 people are employed by subsidiaries.

**EMPLOYEES BY DIVISION (ANNUAL AVERAGE, FULL-TIME EQUIVALENTS)**

| | 2009 | 2010 | 2010 comparable basis[1] | 2011 | Share % |
|---|---|---|---|---|---|
| Mail | 15,232 | 14,841 | 13,914 | 13,667 | 58.5% |
| Parcel & Logistics | 3,976 | 4,008 | - | 4,057 | 17.4% |
| Branch Network | 4,719 | 4,274 | - | 3,815 | 16.3% |
| Corporate | 1,994 | 1,846 | - | 1,830 | 7.8% |
| **Total** | **25,921** | **24,969** | **24,042** | **23,369** | **100.0%** |

[1] Excl. meiller Group

## 2.4.7 PROFESSIONAL TRAINING AND CAREER DEVELOPMENT

The target group and competence-oriented training and professional development of employees comprise an important part of Austrian Post's human resources activities. The measures implemented consisted of specialised instruction, continuing education courses, coaching and training in all business areas of the company. In addition, Austrian Post attached great importance to the training of management staff within the framework of special executive training programmes. Intensive training programmes and further education courses were carried out in the Branch Network Division, for example branch manager training, telecom training and telecom sales colleges and training for postal partners to ensure the continuing improvement of the service offering in the branch offices as well as within the postal partner network. The Mail Division offered, amongst other courses, training for distribution managers, MS project and project management training. The Parcel & Logistics Division implemented executive training, sales management and language training, amongst other training programmes.

## 2.4.8 HEALTH AND OCCUPATIONAL SAFETY

Occupational safety, health protection and health care comprise key elements of Austrian Post's corporate policy. Motivated and productive employees are the backbone of the tried-and-trusted logistics concept that ensures the best possible service on behalf of customers. An indispensable prerequisite is a healthy and safe working environment. For this reason, Austrian Post attaches considerable importance to the health and safety of its employees. The main focal points of the company's multifaceted internal health care programme include training on safe and healthy workplace behaviour, tips on doing exercise, tobacco and alcohol abuse prevention, ensuring health promoting and ergonomic working conditions as well as creating workplaces tailored to the needs of disabled or older employees.

## 2.4.9 ENVIRONMENT

Austrian Post is aware of its responsibility to the environment. For this reason, it continually strives to identify optimisation potential in order to minimise its ecological footprint. In addition to comprehensive measures it implements on its own, Austrian Post also actively participates in projects such as the Greenhouse Gas Reduction Programme of the European association of public postal operators, PostEurop, as well as the Environmental Measurement and Monitoring System (EMMS) of the International Postal Corporation (IPC), which all aim to reduce greenhouse gas emissions.

In 2011, Austrian Post launched the initiative "$CO_2$ NEUTRAL DELIVERY". All letters, parcels and direct mail items were already delivered in a $CO_2$ neutral manner in Austria in 2011 without exception. This initiative is being implemented in a three-phase programme. The top priority is always to avoid emissions in the company's core processes. This particularly applies to its buildings and vehicle fleet, for example based on optimised route planning, a modern vehicle fleet and driver training in fuel-saving driving techniques as well as monitoring of energy consumption in buildings. In a second step, Austrian Post will rely on alternative sources of energy. In this regard, Austrian Post is planning to significantly expand its fleet of electric-powered vehicles in the coming years, depending on financial incentives and the suitability of the vehicles for postal operations. Moreover, as of 2012 Austrian Post will only be using "green electricity" (electricity generated from renewable energy sources), and is also evaluating the feasibility of constructing photovoltaic facilities on the roofs of its distribution centres. All greenhouse gas emissions which cannot be avoided at the present time will be compensated by support provided to recognised and certified climate protection projects with a high ecological and socioeconomic value. On balance, these efforts mean that the business operations of Austrian Post do not have any major negative effects on the global climate.

## 2.4.10 RESEARCH AND DEVELOPMENT/ INNOVATION MANAGEMENT

As a company, which exclusively focuses on providing services, Austrian Post does not carry out any conventional research and development activities. Product innovations arise on the basis of an ongoing analysis of market and customer requirements.

An important success factor in changing markets is the development and market launch of innovative products and the expansion of the existing product portfolio. In the 2011 financial year, Austrian Post implemented a broad range of innovative solutions in the field of online and other services. Moreover, in May 2011 it introduced a new simplified product portfolio with five tariff rates. Letter mail postage is no longer primarily based on weight but on size.

In the field of online services, Austrian Post mainly developed its solutions in the field of electronic mail, the online parcel stamp and online shop. The online services of Austrian Post are characterised by a high degree of security and trustworthiness. The new Mail Solutions business area is focusing on innovative system solutions to optimise the business and administrative processes of business customers, especially dual shipment and receiving (digital/physical), effective mailroom management, digital document processing and integrated printing services as well as effective CRM applications (geo-marketing, address management, etc.). These solutions together with innovative online services, are designed to ensure greater efficiency and flexibility and generally a more customer-oriented optimisation of communications processes. In this regard, 2011 marked the launch of the Post Manager, a platform for sensitive electronic documents and news. The Post Manager electronically and automatically collects registered letters, invoices or other important documents from various portals and presents them in a transparent manner. The documents are stored in a secure Austrian banking computer centre and are encrypted both during access and the storage process.

New self-service solutions were developed in the 2011 financial year within the context of a comprehensive service and quality drive focusing on private customers. This includes the post drop-off and pick-up boxes, which was very well received by customers in the course of pilot projects. In the field of logistics solutions, Austrian Post has continually developed tailor-made customer solutions in the field of warehousing and contract logistics as well as diverse "value added services".

## 2.5 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were changes in the segment structure and thus in the reporting logic of the Austrian Post Group as of January 1, 2012. The existing segments "Mail" and "Branch Network" were merged into a new segment, "Mail & Branch Network". The new segmentation reflects the strategic business areas of the Austrian Post Group, which in turn is the basis of its internal organisational, management and reporting structures.

In the 2011 financial year, Österreichische Post AG (Austrian Post) decided to dispose of its subsidiaries trans-o-flex Netherland B.V., Dordrecht and trans-o-flex Belgium B.V.B.A, Turnhout. Negotiations with potential buyers are currently taking place.

February 20, 2012 marked the signing of the acquisition of a 26% stake in the Bulgarian company M&BM Express OOD by Austrian Post. The company operates in the fields of hybrid mail, addressed and unaddressed mail items for business customers and printing. The purchase agreement stipulates an option for Austrian Post to acquire an additional 25% stake in 2013 and 2014, respectively.

# 3. PERFORMANCE OF DIVISIONS

## 3.1 MAIL DIVISION

**Market environment in 2011**
The market environment for letter mail and direct mail items confirmed the predicted trends for 2011. The substitution of letters by electronic media continued, and the volume decline in the course of the year was about 3%. The new product portfolio of Austrian Post offers considerably simplified handling based on the conversion from primarily weight-based to size-based postage rates as well as the ability of business customers to choose between “Premium” and “Economy” delivery.

The market for addressed and unaddressed direct mail items proved to be exceedingly robust in recent years. Although this segment is subject to cyclical fluctuations, advertising mail continues to be an indispensable part of the advertising mix of companies. Surveys of consumers and the development with large customers show that the use of direct mail is considered to be a highly attractive advertising tool generating high-quality responses. The volume development can be affected on a year-on-year comparison by one-off effects such as elections. The newspaper and magazine segment continues to develop in a stable way, whereas further growth potential is expected in the market for free newspapers.

**Business development of the Mail Division in 2011**

| EUR m | 2009 | 2010 | 2010 comparable basis | 2011 | % | Change 2010/2011 EUR m |
|---|---|---|---|---|---|---|
| **External sales[1]** | **1,396.8** | **1,389.4** | **1,291.3** | **1,347.6** | **4.4%** | **56.3** |
| Letter Mail | 741.9 | 723.0 | – | 755.6 | 4.5% | 32.6 |
| Infomail[1] | 521.4 | 531.0 | 433.0 | 454.3 | 4.9% | 21.3 |
| Media Post | 133.5 | 135.3 | – | 137.7 | 1.7% | 2.3 |
| Internal sales | 50.1 | 54.3 | – | 57.1 | 5.2% | 2.8 |
| Total revenue[1] | 1,446.9 | 1,443.7 | 1,345.6 | 1,404.7 | 4.4% | 59.1 |
| **EBITDA** | **271.1** | **274.9** | **–** | **322.8** | **17.4%** | **47.9** |
| Depreciation and amortisation | –32.1 | –34.8 | – | –27.0 | –22.4% | –7.8 |
| Impairment losses | –17.9 | –5.2 | – | –0.1 | –98.3% | –5.1 |
| **EBIT** | **221.1** | **234.9** | **–** | **295.7** | **25.9%** | **60.8** |
| EBITDA margin[2] | 18.7% | 19.0% | 20.4% | 23.0% | – | – |
| EBIT margin[2] | 15.3% | 16.3% | 17.5% | 21.0% | – | – |
| Employees[3] | 15,232 | 14,841 | 13,914 | 13,667 | –1.8% | –247 |

[1] Figures for 2010 and changes excl. meiller Group (pro-forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity
[2] EBIT and EBITDA in relation to total revenue
[3] Average for the period, full-time equivalents

**Business development in 2011**
For the following revenue analysis, the revenue achieved in 2010 was adjusted to take account of the meiller companies, which were deconsolidated as at December 20, 2010. The deconsolidation of these companies reduced the comparable revenue of the Mail Division by EUR 98.0m in 2010. The joint venture MEILLERGHP established at the end of 2010, in which Austrian Post has a 65% stake, was consolidated at equity in 2011. On this basis, external sales of the Mail Division rose 4.4% or EUR 56.3m from the prior-year period.

Revenue generated by the Letter Mail Business Area improved by 4.5% on a year-on-year comparison, to EUR 755.6m. The ongoing substitution of letters by electronic media was offset by positive effects such as the shifting of volume from parcel to letter mail services in e-commerce, revenue growth in the field of Mail Solutions as well as the newly designed product and regular stamp portfolio launched in May 2011. The new option for business customers to choose either “Premium” or “Economy” products offers greater flexibility in selecting the desired delivery speed. Most customers decided in favour of the “Premium” products in 2011.

In the 2011 financial year, revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail) rose by 4.9% or EUR 21.3m on a comparable basis. This increase reflects the robust activity on the part of the advertising industry in 2011. Innovative solutions, for example individualised advertising mail, were well received by the market.

Revenue of the Media Post Business Area amounted to EUR 137.7m in 2011, a slight rise of 1.7%.

On balance, EBITDA of the Mail Division during the period under review improved to EUR 322.8m. Automation and efficiency enhancement measures resulted in a clearly pronounced cost discipline in 2011. As a result, EBIT of the Mail Division rose to EUR 295.7m.

## 3.2 PARCEL & LOGISTICS DIVISION

**Market environment in 2011**
The market environment impacting the parcel and logistics business in 2011 was basically shaped by positive volume developments. The business customer (B2B) segment reflected an improved economic situation, although competition remained extremely intense. In some cases, a shortfall in available transport capacities led to rising prices for purchased external services.

The specialised product of combined freight (parcels and pallets transported by one network) offered by Austrian Post especially showed growth rates in the health care/pharmaceutical sectors. This development was mainly attributed to the stronger focus in the industry on selected and high-quality logistics partners, which can also offer European-wide delivery if necessary. Moreover, the greater number of customer demands from both large customers and SMEs for integrated storage and distribution concepts confirm that a one-stop-shop approach for providing comprehensive services from a single provider (for example storage, display installation, distribution of goods on pallets and parcels) will be even more intensively promoted in the future.

Volume growth was also posted in the private customer (B2C) segment in Austria and Southeast-/Eastern Europe in 2011. The online mail order business proved to be the driving force behind this development.

**Business development of the Parcel & Logistics Division in 2011**

| EUR m | 2009 | 2010 | 2011 | Change 2010/2011 % | Change 2010/2011 EUR m |
|---|---|---|---|---|---|
| **External sales** | **768.4** | **802.0** | **846.5** | **5.6%** | **44.6** |
| Internal sales | 24.2 | 24.4 | 24.9 | 2.3% | 0.6 |
| Total revenue | 792.6 | 826.4 | 871.5 | 5.5% | 45.1 |
| **EBITDA before structural measures** | **20.5** | **37.0** | **37.3** | **0.7%** | **0.3** |
| EBITDA | 20.5 | 37.0 | 12.0 | –67.6% | –25.0 |
| Depreciation and amortisation | –25.7 | –24.4 | –23.5 | –3.7% | –0.9 |
| Impairment losses | –4.1 | –2.1 | –16.8 | 693.8% | 14.7 |
| **EBIT before structural measures and impairment losses** | **–9.3** | **12.6** | **13.8** | **9.3%** | **1.2** |
| EBIT | –9.3 | 10.5 | –28.3 | – | –38.8 |
| EBITDA margin[1] | 2.6% | 4.5% | 4.3% | – | – |
| EBIT margin[1] | –1.2% | 1.5% | 1.6% | – | – |
| Employees[2] | 3,976 | 4,008 | 4,057 | 1.2% | 49 |

[1] EBIT and EBITDA excl. structural measures and impairments related to total revenue.
[2] Average for the period, full-time equivalents

**Business devopment in 2011**
External sales of the Parcel & Logistics Division climbed 5.6% in 2011, to EUR 846.5m. The basis for this increase was the higher parcel volume for private customers due to an increase in e-commerce and for business customers despite price pressure in almost all markets.

The premium parcel segment (parcel delivery within 24 hours), which is mainly used in the business-to-business area, generated a revenue increase of 4.7% in 2011, to EUR 659.9m. The German subsidiary trans-o-flex accounted for about 60% of this revenue. Parcel volumes from business customers in Austria and in South East and Eastern Europe continued to develop very positively. Revenue growth was also achieved in Belgium and the Netherlands, but the negative earnings situation of the affected subsidiaries could not be improved despite the higher revenue. For this, Austrian Post initiated extensive structural measures in the end of 2011 in order to develop a new logistics solution for this region.

The standard parcels product segment used mainly for shipments to private customers also posted steady growth. Revenue rose by 3.8%, to EUR 166.8m.

Reported EBIT of the Parcel & Logistics Division amounted to minus EUR 28.3m in 2011. However, this includes impairment losses on goodwill and property, plant and equipment totalling EUR 16.8m as well as structural measures totalling EUR 25.3m, which in turn includes deconsolidation effects of EUR 3.3m. These expenses are primarily related to the restructuring as well as the commercial realisation of the subsidiaries in Belgium and the Netherlands. This disposal process, which was initiated in the fourth quarter, led to the assets and liabilities of these subsidiaries being classified as held for sale. The valuation stipulated by IFRS 5 led to impairment losses and provisions which are contained in the reported structural measures.

On a comparable operating basis, excluding the structural measures and impairment losses, EBIT of the Parcel & Logistics Division actually rose by 9.3% to EUR 13.8m.

## 3.3 BRANCH NETWORK DIVISION

**Market environment in 2011**
In addition to the core business of postal services, the Branch Network Division also markets telecommunications and retail products as well as banking services. The market environment in the Branch Network Division can thus be broken down into four markets:

**Business development of the Branch Network Division in 2011**

| EUR m | 2009 | 2010 | 2011 | Change 2010/2011 % | Change 2010/2011 EUR m |
|---|---|---|---|---|---|
| **External sales** | **189.6** | **157.9** | **153.1** | **–3.0%** | **–4.7** |
| Internal sales | 185.2 | 171.5 | 170.7 | –0.5% | –0.8 |
| Total revenue | 374.8 | 329.3 | 323.8 | –1.7% | –5.5 |
| **EBITDA** | **–3.3** | **–24.8** | **–9.7** | **60.8%** | **15.1** |
| Depreciation and amortisation | –5.9 | –5.9 | –5.5 | –6.7% | –0.4 |
| Impairment losses | 0.0 | 0.0 | –2.5 | – | 2.5 |
| **EBIT** | **–9.2** | **–30.8** | **–17.8** | **42.3%** | **13.0** |
| EBITDA margin[1] | –0.9% | –7.5% | –3.0% | – | – |
| EBIT margin[1] | –2.5% | –9.3% | –5.5% | – | – |
| Employees[2] | 4,719 | 4,274 | 3,815 | –10.7% | –459 |

[1] EBIT and EBITDA in relation to total revenue
[2] Average for the period, full-time equivalents

With respect to postal services, the trend towards electronic substitution of letter mail by electronic media is continuing, resulting in a volume decline. In contrast, the positive volume effects in the parcels business counteract this development. With respect to financial services, they are subject to significant margin pressure as a result of the current low interest rates. Austrian Post's business activities in this segment were converted from a commission-based to a cost-based model at the beginning of 2011. The market environment for telecommunications products shows ongoing market saturation, both with respect to fixed line as well as mobile telephony. The emphasis is now on strengthening customer loyalty as a result of market stagnation and intensified cutthroat competition. The trend towards lower-priced prepaid products and non-binding mobile phone devices is continuing. A slightly positive trend is evident with respect to retail goods.

**Business development in 2011**

The enormous changes taking place in the branch network are reflected in the changed structure of postal service points. In a year-on-year comparison, the number of third-party operated postal partner offices increased during the last twelve months by 141 to a total of 1,258 at the end of 2011. On balance, Austrian Post has more than 1,880 postal service points. This change also affects the revenue and cost structure of the Branch Network Division, as does the contractually redefined partnership with Austrian Post's banking partner BAWAG P.S.K. Since the beginning of 2011, financial services are no longer based on commissions but compensated primarily on the basis of the actual costs incurred.

In 2011, external sales of the Branch Network Division fell by 3.0% to EUR 153.1m, which is related to declining sales of retail and telecommunications products. Internal sales i.e. postal services provided by the branch network also decreased slightly once again. The volume of letters posted via the branch network is generally declining, due to the fact that Austrian Post is increasingly picking up letters directly from large customers within the context of the enhanced services offered by the company. However, the restructuring of operations in the branch offices has had a positive impact. Loss-making and inefficient structures are being eliminated or streamlined and fixed costs are being reduced. As a result, EBIT increased by EUR 13.0m from the prior-year level, to minus EUR 17.8m.

# 4. EXPECTED BUSINESS DEVELOPMENT/ OUTLOOK AND RISKS OF THE COMPANY

## 4.1 OUTLOOK 2012

In 2012, Austrian Post assumes that its business development will continue to be impacted by two main factors: the structural change in the letter mail business and the overall economic situation. Against this backdrop, the company expects a stable or slightly positive development of Group revenue for the 2012 financial year following the strong revenue growth of 4.2% in 2011. Austrian Post's medium-term growth target of 1-2% per year remains unchanged.

The structural change is manifested by the steady decline in addressed letter mail volumes. Austrian Post expects the decrease to amount to 3-5% p.a., reflecting international trends. In contrast, increasing e-commerce will ensure ongoing growth in the transported parcel volumes, especially in the private customer segment.

The dampened economic forecasts for 2012 could lead to restrained private consumer activity but also impact the advertising industry. However, Austrian Post expects that direct mail items, the most efficient advertising tool, will continue to maintain its importance as part of the marketing mix of companies. Against this backdrop, Austrian Post assumes it will succeed in maintaining its strategic path and also achieving its operating targets, even in the face of a difficult market environment.

One focal point of the Group is to enhance the profitability of the services offered, especially in business areas which have been performing below expectations. With respect to sustainable earnings development, Austrian Post confirms the targeted EBITDA margin in the range of 10% to 12%. The company is also striving to achieve a further improvement in earnings before interest and tax (EBIT).

The operating cash flow generated by Austrian Post will continue to be prudently used mainly to finance sustainable efficiency improvements and future-oriented investments. In terms of its financing requirements, Austrian Post anticipates total capital expenditure to reach a level of about EUR 80-90m in 2012. This will primarily focus on replacement investments in existing facilities as well as the continuous modernisation and efficiency enhancement, for example on the basis of a new sorting technology for direct mail items. Acquisitions are possible to round off and safeguard Austrian Post's core business. However, no major acquisitions are expected at the present time.

The Management Board of Austrian Post will propose to the upcoming Annual General Meeting scheduled for April 17, 2012 to distribute a dividend of EUR 1.70 per share for the 2011 financial year. The current attractive dividend policy will be continued based on a solid balance sheet structure and suitable cash flow generation. Austrian Post aims to achieve a dividend payout ratio to shareholders of at least 75% of Group net profits. The dividend should develop further in line with Group net profits assuming a continuation of the company's good business development.

## 4.2 MAIN RISKS AND UNCERTAINTIES

### 4.2.1 RISK MANAGEMENT

Austrian Post operates a comprehensive risk management system integrating all business units and subsidiaries. Risks are identified and evaluated in their overall context according to unified criteria and documented by a Group-wide risk management system.

Group-wide risk management reports about risks and their development to the Management Board on a quarterly basis or ad-hoc in the case of substantial risks which unexpectedly arise. The Supervisory Board and its Audit Committee are regularly informed about the status of the company's risk management.

The main identifiable risks Austrian Post is exposed to will be described in greater detail below. However, from today's perspective, none of the risks threaten the continuing existence of the company.

### 4.2.2 STRUCTURE OF EMPLOYMENT CONTRACTS

A large number of Austrian Post employees have the status of civil servants, which means that 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 volumes. Moreover, no reductions in wage or salary levels are permitted in case of less favourable market conditions. Accordingly, laws governing the employment of civil servants generally lead to considerably 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 the key to the discussions being held with political decision makers.

Changes made 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 an additional burden 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, in fact, the company is obliged to implement the stipulations contained in this agreement.

According to the Postal Services Structure Act of 1996, changes in civil service laws for civil servants are fundamentally applicable to those civil servants working for Austrian Post. Thus, revisions to civil service laws could have a direct effect on the cost structure of the company. In principle, further risks arising from varying interpretations of the Postal Services Structure Act cannot be excluded. However, as things stand at present, no further claims against Austrian Post can be enforced in this regard.

Comprehensive measures have been taken to improve the qualifications of Austrian Post's employees. 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 mail, parcel, newspaper delivery and advertising distribution businesses, companies belonging to the Austrian Post Group also make use of self-employed subcontractors who sometimes come from other EU member states to distribute shipments. The qualification of the activities of subcontractors as independent service providers depends on the specific circumstances prevailing in the individual cases, which are evaluated by taking account of the overall context.

It cannot 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.

Legal conflicts relating to the existence or non-existence of consecutive temporary employment contracts could potentially have a considerable financial impact. Austrian Post strives to minimise such risks on the basis of appropriate contractual agreements.

### 4.2.3 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 distribution network. In this regard, the performance of the company is closely linked with the efficiency of a small number of key operational sites. Should the case arise that technical systems temporarily or permanently fail or should unauthorised data access or data manipulation occur or should there be collective strikes for longer periods, this could potentially lead to disruptions in Austrian Post's business operations, a loss of reputation, customer defections 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. Austrian Post is pursuing an outsourcing strategy to fulfil its computing and data processing requirements. Austrian Post ensures the availability of outsourcing resources by its service level management as well as by concluding appropriate contractual agreements. Contractual partners are required to show proof of relevant and valid certifications.

### 4.2.4 REGULATORY AND LEGAL RISKS

Austrian Post generates a considerable proportion of its revenues in the reserved area of postal services. The full-scale liberalisation of the Austrian postal market took effect on January 1, 2011. This development carries the risk of future shifts in market share. The legal framework for the full-scale liberalisation of the postal sector was defined in the new Postal Market Act, which fully came into effect on January 1, 2011. In many cases, this Postal Market Act does not prescribe equal treatment between Austrian Post and its competitors, but places an additional burden on Austrian Post.

The Universal Postal Service Obligation requires Austrian Post to provide standardised postal services of comparable quality across the country, and ensure a nationwide distribution network of at least 1,650 postal service points. Austrian Post is only allowed to convert company-operated post offices manned by its own staff to postal partner offices following a regulatory approval process. The possibility that Austrian Post will be required to continue operating unprofitable postal branches, at least in the short term, cannot be excluded.

The Postal Market Act stipulates that Austrian Post is the only postal services provider in Austria required to provide Universal Postal Services. Compensation for the net costs of providing Universal Postal Services will take place on the basis of a public equalisation fund, which will be financed on a pro-rata basis corresponding to the market share held by Austrian Post and other licensed postal operators. Only postal providers whose annual revenue derived from their licensed business operations exceeds EUR 1m will be required to contribute to the equalisation fund. Moreover, the net costs of providing Universal Postal Services will only be refunded in case these costs exceed 2% of the entire annual costs incurred by Austrian Post. Assuming that Austrian Post continues to have a significant market share even after the full liberalisation of the postal sector, it will be obliged to assume the lion's share of the net costs for providing Universal Postal Services and administering the equalisation fund.

The Postal Market Act also requires Austrian Post to convert existing cluster box units in the period January 1, 2011 to December 31, 2012 in order to make them accessible to competitive postal providers. 90% of the costs to be shared by Austrian Post and the other licensed postal providers will be based on market share, and only 10% will be related to the actual number of licensed postal operators. Assuming that Austrian Post maintains a high market share, it will also be required to bear the burden of financing the entire conversion of the cluster box units. This obligation to convert the cluster box units and the regulations relating to the sharing of costs are the subject of legal proceedings filed by Austrian Post at the Austrian Constitutional Court.

The possibility of significant downward pressure on future earnings cannot be excluded, if the process of postal sector liberalisation is not accompanied by uniform regulations relating 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.

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 did indeed 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 at regulated prices in less lucrative business segments. This could also potentially lead to adverse effects on earnings.

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 Services, and the problems arising as the result of an asymmetric market liberalisation.

The regulatory authorities defined the scope of Universal Postal Services on the basis of a formal written decision. In this regard, differing legal opinions exist between Austrian Post and the regulatory authorities, for which legal proceedings are pending at the Austrian Constitutional Court. A difference in the definition of the limits to Universal Postal Services could be reflected in the market-oriented structure of the product portfolio and pricing policies.

Austrian Post is subject to legal restrictions by regulatory authorities in setting its business terms and conditions (including postal rates) in providing universal postal services. For this reason, the company only has limited flexibility to impose price adjustments for the Universal Postal Services as a means of reacting to market changes. Moreover, since January 1, 2011 exemptions to the value-added tax (VAT) have only applied to postal services defined as universal services in accordance with the

Universal Postal Service Obligation. The VAT exemption does not apply to services for which terms and conditions are individually determined. The above-mentioned decision on the part of regulatory authorities has led to some changes with respect to the definition of universal services and thus the fiscal treatment of postal items. In addition, tax authorities could have differing views on the VAT treatment of postal services and the scope of tax exemptions for universal postal services. If an external audit was required to determine any subsequent payments of Value Added Tax, this could result in a default risk due to the fact that customers will only partially be able to pay the subsequently invoiced Value Added Tax.

In the European postal business, the account settlement system known as the "Agreement for the Remuneration of Mandatory Deliveries of Cross-Border Mails" (REIMS III and IV) is replacing the former system adopted by the Universal Postal Union. REIMS III and IV comprise agreements governing terminal dues for cross-border postal services, but not all European postal companies are committed to complying with. Austrian Post withdrew from REIMS IV effective January 31, 2011, and signed REIMS V valid as of January 1, 2012. The signatories assume that this agreement – similar to its predecessors (REIMS II, III and IV) – will be exempted from antitrust regulations stipulated in Article 81 Para. 3 of the EU Treaty. At present, negotiations are taking place to conclude bilateral or multilateral agreements with other European postal companies which have not signed REIMS V to regulate the invoicing of cross-border postal services after December 31, 2012.

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

In order to optimally 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 and product portfolio 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 increased revenue in the already liberalised areas.

### 4.2.5 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.

Within the context of its international expansion, Austrian Post has recognised a considerable level of goodwill and non-limited-life assets in the balance sheet. Pursuant to IAS 36, goodwill is subject to an impairment test at least once annually. If there are indications of impairment, goodwill must be written down.

### 4.2.6 MARKET AND COMPETITIVE RISKS

Austrian Post generates most of its revenue in Austria. If current economic growth forecasts have to be revised downwards, this would force a change in the planning assumptions upon which the company operates and thus limit expected revenues.

In addition, the company generates a considerable share of its revenue from a small number of large 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 on a medium-term basis to contract the delivery of at least part of their mail items to competitors within the postal services market.

Traditional letter mail is being increasingly replaced by e-mail or other electronic media. The increasing electronic substitution of letter mail and the trend towards electronic mail delivery were intensified by the economic crisis in recent years, and will likely continue in the future. This development could lead to a significant decline in mail volumes and earnings.

The letter mail and parcels business of Austrian Post is subject to increasing competition. In particular, the B2C parcel business, in which Austrian Post has a leading position in the Austrian market, is dependent on the economic development of its customers as well as increased competition, which arises on the basis of market penetration of alternative providers. The possibility of a further decline in revenue cannot 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. The possibility cannot be excluded that a change in legal regulations with regard to the delivery of government mail will put responsibility for delivering some of these mail items in the hands of competitors and not only Austrian Post. 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 selective acquisitions and cooperation 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 investment requirements, acquisition costs as well as political, economic and legal factors. For this reason, all investments must be made in accordance with strict financial criteria. Earnings from financial services depend strongly on the market success of Austrian Post's cooperation partner BAWAG P.S.K., whereas its earnings from telecommunications products depend on the product structure of its cooperation partner Telekom Austria.

All the above-mentioned market and competitive risks could lead to significant volume decreases and thus to a corresponding drop in earnings.

# 5. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT WITH REGARD TO THE ACCOUNTING PROCESS

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 quickly implement suitable precautionary measures.

## 5.1 SCOPE OF MONITORING

The Group financial accounting system is comprised of the organisation joining the local-level accounting departments of Group companies and of Group Accounting at Austrian Post.

Group companies use the accounting and valuation rules in force in and for the Group as a whole to compile comprehensive and correct IFRS-compatible individual financial statements in a timely manner. These are then processed by Group Accounting. Group Accounting is responsible for the compilation of the consolidated financial statements. Primarily entailed in this is the structured transfer of the reporting data stemming from Group companies, the carrying out of consolidation and elimination measures, the processing and the preparing for analysis of the data compiled in the consolidated accounts.

The organisation structuring the preparation of the consolidated accounts is based upon a schedule requiring strict adherence. The deadlines in the schedule cover the entire year. Their publication is accompanied by the Group companies' receipt of an information bulletin issued by the Group on a quarterly basis, containing detailed information and Group guidelines on selected subjects relating to the compilation of quarterly accounts. The deadlines established for the compilation and publication of monthly and quarterly accounts determine the schedules of resource planners for the compilation of accounts and for the preparation of reports undertaken by both local-level organisational units and by Group Accounting.

## 5.2 RISK ASSESSMENT

To avoid erroneous depictions of transactions, measures comprised of a hierarchy of individual levels and designed to secure quality have been implemented. Their objective is to ensure the proper reporting of the IFRS accounts compiled for individual companies and incorporated into consolidated financial statements. These measures include the automatic checks (validations) performed in SAP SEM-BCS as well as the controlling procedures undertaken by staff members working for both subsidiaries and Group Accounting.

Group Accounting takes the financial accounts compiled by the Group companies and subjects them to several levels of comprehensive plausibility and data checks. These are designed to ensure that the data depicting the transactions undertaken by the Group companies has been correctly reported and is thus suitable for consolidation and for the compilation of the Group's consolidated financial statements.

The carrying out of quality checks at all levels is a prerequisite for the authorisation of the Group's consolidated financial statements.

## 5.3 CONTROL MEASURES

The consolidated financial statements of Austrian Post are compiled on a monthly basis and use a simultaneous consolidation method carried out in SAP SEM-BCS. The entering of the notes to the accounts and the calculation of deferred taxation are also performed in SAP SEM-BCS.

The unified methods of accounting and evaluation applied throughout the Group are contained in the Group manual. Alterations in IFRS are monitored by Group Accounting on an ongoing basis and published on a quarterly basis as IFRS updates to the Group manual. The incorporation of the updates into the Group manual and publication of the updated version of it are carried out once a year.

In addition to the Group manual, there are guidelines on specialised approaches to such consolidated processes as alterations in the range of companies consolidated into the Group and as takeovers. Centralised processes for data entry and alteration have been defined for the master data area (which comprises SAP SEM positions, SAP Group account charts and customer data).

The consolidation processes are described in the consolidation manual, which provides a comprehensive overview of the processes to be employed when using SAP SEM-BCS to compile the Group's consolidated financial statements, of quality ensuring measures, and of the system of reporting used in Group Accounting. The consolidation of business operations forms the basis of the documentation and specification of the methods of consolidation used by Austrian Post.

SAP R/3 is predominantly used to compile the accounts for individual companies according to IFRS. The transition to IFRS is accomplished employing parallel (dual) SAP accounting. The transfer of reporting data in SAP SEM-BCS is undertaken using automatic uploads.

## 5.4 INFORMATION AND COMMUNICATIONS

For monitoring and control purposes, the consolidated financial statements are controlled on the basis of EBIT and earnings reconciliation. In this process, reconciliation from individual financial statements to Group financial statements is carried out, taking into account bookings as well as eliminations in the Group.

Top management is provided with preliminary data from the consolidated financial statements to enable them to fulfil their monitoring and control duties.

The following reports are issued in the context of preparing the consolidated financial statements:

- Reports to the Supervisory Board
- Interim reports
- Data analysis and evaluation
- Internal reports on the performance of subsidiaries and associates
- Abridged report

The preliminary and quarterly reports to the Supervisory Board are primarily for the Management Board and Supervisory Board of Austrian Post.

In addition to the reports for the Supervisory Board and the legally stipulated notes and interim financial reports pursuant to IAS 34, additional interim reports are prepared containing detailed comments on selected financial statement items, earnings reconciliations and performance indicators.

A key feature of the internal reporting system of the Austrian Post Group is data analysis and evaluation, primarily the calculation of the consolidated cash flow and detailed comments. Reporting also includes earnings, performance and liquidity indicators.

The controlling department of Austrian Post prepares monthly internal reports for the Management Board focusing on the business development of Austrian Post subsidiaries and associated companies.

The monthly condensed report provides an overview of key financial and performance indicators of the company. Based on the four strategic areas of action and the related benchmarks, indicators are prepared, especially on sales and staff data. The other internal reporting structure is oriented to the condensed report.

The Investor Relations department is in charge of reporting to shareholders of Austrian Post, in line with the stipulations contained in the Austrian Corporate Governance Code. Communications is carried via the Investor Relations website at www.post.at/ir as well as through direct discussions with investors. Published information is made available to all investors simultaneously. In addition to legally stipulated publications, i.e. the annual financial report and annual report, the interim report for the first quarter, half-year financial report, interim report for the first three quarters, investors are also provided with extensive additional information, including investor presentations, share price information, ad-hoc announcements and the financial calendar.

## 5.5 MONITORING

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 various divisions and business areas. The division-oriented organisation is structured into three operative divisions and five business areas as well as in 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 operational units are continuously identified and monitored, serving as the basis for determining appropriate risk management measures, e.g. backups or emergency plans.

A unified risk management system has been set up for the entire Austrian Post Group, encompassing all organisational units and important subsidiaries and an internal control system for important processes. This risk management system is basically oriented to the COSO Standard Enterprise Risk Management – Integrated Framework.

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, for example, the definition of limits and monitoring of adherence to these limits as well as compliance with internal rules designed to limit financial risks and the 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. Following the report to the Management Board containing the main indicators, there are also monthly performance reviews in the operating units, which provide additional information in line with the integrated planning and reporting process. In addition to vertical integration, the main feature of the planning and reporting process is the convergence between internal and external reporting. Moreover, reporting also focuses on the opportunities and risks related to the plausibility of reaching planning targets.

The Internal Control System (ICS) serves as part of the risk management system and encompasses risk-oriented procedures integrated into day-to-day business operations.

Accordingly, appropriate measures support project implementation or are carried out within the context of upstream or downstream operations. The ICS is based on precise information on accounting and financial reporting processes and also encompasses upstream processes.

Changes in the company's organisation and business processes have direct effects on the ICS, which must be directly adapted to actual conditions. The particular business unit is responsible for carrying out controls. The effectiveness of the ICS is regularly evaluated by Group Auditing.

# 6. INFORMATION PURSUANT TO SECTION 243A AUSTRIAN COMMERCIAL CODE

The share capital of Austrian Post amounts to EUR 337,763,190 and is divided into 67,552,638 non-par value shares. There are no voting rights restrictions or syndicate agreements applying to Austrian Post of which the company is aware.

Through Österreichische Industrieholding AG (ÖIAG), Austria's privatisation and industrial holding company, the Republic of Austria has a 52.8% shareholding in Austrian Post, based on the number of outstanding shares (a total of 67,552,638). Austrian Post is not aware of any other shareholders holding more than 10% of the company's shares.

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 regards to the appointment or dismissal of members of the Management Board or the Supervisory Board, or as regards changes to be made in the company's Articles of Association.

Authorised capital: pursuant to Section 5 of the Articles of Association of Austrian Post, the Management Board was 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. This authorisation expired on March 17, 2011.

Conditional capital: pursuant to Section 5 of the Articles of Association of Austrian Post, the Management Board was 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 of the Articles of Association was entered in the commercial register on April 21, 2006. This authorisation expired on April 20, 2011.

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.

Vienna, March 1, 2012

The Management Board

Georg Pölzl
Chairman of the
Management Board

Rudolf Jettmar
Deputy Chairman of the
Management Board

Walter Hitziger
Member of the
Management Board

Peter Umundum
Member of the
Management Board

# IFRS CONSOLIDATED FINANCIAL STATEMENTS 2011

# CONSOLIDATED INCOME STATEMENT FOR THE 2011 FINANCIAL YEAR

| EUR m | Note | 2010 | 2011 |
|---|---|---|---|
| Revenue | (7.1) | 2,351.1 | 2,348.7 |
| Other operating income | (7.2) | 90.5 | 74.6 |
| Total operating income | | 2,441.7 | 2,423.2 |
| Raw materials, consumables and services used | (7.3) | –771.0 | –759.8 |
| Staff costs | (7.4) | –1,120.7 | –1,050.1 |
| Depreciation, amortisation and impairment losses | (7.5) | –105.2 | –114.4 |
| Other operating expenses | (7.6) | –288.8 | –320.0 |
| Total operating expenses | | –2,285.8 | –2,244.3 |
| **Profit from operations** | | **155.9** | **178.9** |
| Results of investments consolidated at equity | (8.5) | 1.0 | –10.6 |
| Other financial result | (7.7) | –8.2 | –5.2 |
| **Total financial result** | | **–7.2** | **–15.8** |
| **Profit before tax** | | **148.7** | **163.1** |
| Income tax | (8.17) | –30.3 | –39.3 |
| **Profit for the period** | | **118.4** | **123.8** |
| Attributable to: | | | |
| equity holders of the parent company | | 118.4 | 123.8 |

| EUR | | | |
|---|---|---|---|
| **Basic earnings per share** | (7.8) | **1.75** | **1.83** |
| **Diluted earnings per share** | (7.8) | **1.75** | **1.82** |

| EUR m | | | |
|---|---|---|---|
| Profit from operations | | 155.9 | 178.9 |
| Share of profit/loss of investments consolidated at equity | (8.5) | 1.0 | –10.6 |
| **Earnings before interest and tax (EBIT)** | | **156.9** | **168.3** |

# STATEMENT OF COMPREHENSIVE INCOME FOR THE 2011 FINANCIAL YEAR

| EUR m | Note | 2010 | 2011 |
|---|---|---|---|
| **Profit for the period** | | **118.4** | **123.8** |
| Currency translation differences | (8.12) | –0.8 | –1.5 |
| Revaluation of financial instruments held for sale | (8.12) | 1.6 | –4.2 |
| Deferred taxes | (8.17) | –0.4 | 1.0 |
| Revaluation of financial instruments hedging | (8.12) | –0.5 | 0.0 |
| Deferred taxes | (8.17) | 0.1 | 0.0 |
| **Other comprehensive income** | | **0.0** | **–4.6** |
| **Total comprehensive income** | | **118.4** | **119.2** |
| Attributable to: | | | |
| equity holders of the parent company | | 118.4 | 119.2 |

# CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2011

| EUR m | Note | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | (8.1) | 183.8 | 165.5 |
| Intangible assets | (8.2) | 58.9 | 58.2 |
| Property, plant and equipment | (8.3) | 610.9 | 587.5 |
| Investment property | (8.4) | 33.9 | 32.8 |
| Investments consolidated at equity | (8.5) | 27.3 | 17.5 |
| Financial investments in securities | (8.6) | 48.0 | 21.9 |
| Other financial assets | (8.7) | 41.4 | 40.6 |
| Receivables | (8.9) | 13.3 | 26.4 |
| Deferred tax assets | (8.17) | 49.9 | 54.6 |
| | | **1,067.6** | **1,005.1** |
| **Current assets** | | | |
| Financial investments in securities | (8.6) | 0.2 | 12.3 |
| Inventories | (8.8) | 16.3 | 14.4 |
| Receivables | (8.9) | 317.9 | 323.2 |
| Cash and cash equivalents | (8.10) | 313.1 | 310.6 |
| | | **647.5** | **660.4** |
| **Non-current assets held for sale** | (8.11) | **0.0** | **2.8** |
| | | **1,715.1** | **1,668.3** |
| **Equity and liabilities** | | | |
| **Capital and reserves** | (8.12) | | |
| Share capital | | 337.8 | 337.8 |
| Capital reserves | | 130.5 | 130.5 |
| Revenue reserves | | 106.5 | 116.8 |
| Revaluation of financial instruments | | –1.8 | –5.0 |
| Currency translation reserves | | –0.6 | –2.0 |
| Profit for the period | | 118.4 | 123.8 |
| | | **690.8** | **702.0** |
| **Non-current liabilities** | | | |
| Provisions | (8.13) | 414.6 | 396.7 |
| Financial liabilities | (8.15) | 24.6 | 18.6 |
| Payables | (8.16) | 25.9 | 25.2 |
| Deferred tax liabilities | (8.17) | 14.2 | 12.4 |
| | | **479.4** | **452.9** |
| **Current liabilities** | | | |
| Provisions | (8.13) | 135.1 | 132.8 |
| Tax provisions | (8.14) | 25.0 | 12.7 |
| Financial liabilities | (8.15) | 54.5 | 10.6 |
| Payables | (8.16) | 330.3 | 346.6 |
| | | **544.9** | **502.8** |
| **Non-current liabilities held for sale** | (8.11) | **0.0** | **10.6** |
| | | **1,715.1** | **1,668.3** |

# CONSOLIDATED CASH FLOW STATEMENT FOR THE 2011 FINANCIAL YEAR

| EUR m | Note | 2010 | 2011 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 148.7 | 163.1 |
| Depreciation, amortisation and impairment losses | (7.5) | 105.2 | 114.4 |
| Results of investments consolidated at equity | (8.5) | –1.0 | 10.6 |
| Write-ups, write-downs of financial instruments | (7.7) | 0.0 | 0.4 |
| Non-current provisions | | –35.3 | –17.6 |
| Gain/loss on the disposal of non-current assets | | –22.5 | –5.4 |
| Gain/loss on the disposal of financial instruments | | 0.0 | 0.7 |
| Taxes paid | | –61.9 | –42.0 |
| Net interest received/paid | | 0.7 | –2.2 |
| Currency translation | | –0.7 | –0.9 |
| Other non-cash transactions | (9.1) | 0.8 | 27.5 |
| **Operating cash flow before changes in working capital** | | **134.1** | **248.6** |
| **Changes in net working capital** | | | |
| Receivables | | –5.5 | –21.7 |
| Inventories | | 2.3 | –0.3 |
| Current provisions | | 22.3 | –2.3 |
| Payables | | 25.7 | 3.9 |
| **Cash flow from changes in net working capital** | | **44.9** | **–20.4** |
| **Cash flow from operating activities** | | **178.9** | **228.2** |
| **Investing activities** | | | |
| Purchase of intangible assets | | –7.8 | –11.0 |
| Purchase of property, plant and equipment and investment property | | –45.5 | –73.8 |
| Proceeds from the disposal of non-current assets | | 27.4 | 23.9 |
| Acquisition/disposal of subsidiaries | (9.1) | –12.5 | –0.4 |
| Acquisition/disposal of investments consolidated at equity | | –0.3 | 1.5 |
| Acquisition of financial investments in securities | | 0.0 | –15.1 |
| Proceeds from the disposal of financial investments in securities | | 10.0 | 25.1 |
| Dividends received from investments consolidated at equity | (8.5) | 0.2 | 1.6 |
| Loans granted | | 0.0 | –23.3 |
| Interest received | | 3.1 | 5.7 |
| **Cash flow from investing activities** | | **–25.3** | **–65.8** |
| **Free cash flow** | | **153.6** | **162.5** |
| **Financing activities** | | | |
| Changes in financial liabilities | | –29.3 | –53.4 |
| Dividends paid | | –101.3 | –108.1 |
| Interest paid | | –3.8 | –3.5 |
| **Cash flow from financing activities** | | **–134.4** | **–165.0** |
| **Net change in cash and cash equivalents** | | **19.3** | **–2.5** |
| Cash and cash equivalents at January 1 | | 293.8 | 313.1 |
| **Cash and cash equivalents at December 31** | | **313.1** | **310.6** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| 2010 financial year<br>EUR m | Share capital | Capital reserves | Revenue reserves | Revaluation of financial instruments: Held for sale | Revaluation of financial instruments: Hedging | Currency trans-lation reserves | Profit for the period | Consoli-dated equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2010** | **337.8** | **130.5** | **128.2** | **–3.0** | **0.3** | **0.2** | **79.7** | **673.7** |
| Dividends paid | | | –21.6 | | | | –79.7 | –101.3 |
| Profit for the period | | | | | | | 118.4 | 118.4 |
| Other comprehensive income | | | 0.0 | 1.2 | –0.3 | –0.8 | 0.0 | 0.0 |
| **Total comprehensive income** | **0.0** | **0.0** | **0.0** | **1.2** | **–0.3** | **–0.8** | **118.4** | **118.4** |
| **Balance at December 31, 2010** | **337.8** | **130.5** | **106.5** | **–1.8** | **0.0** | **–0.6** | **118.4** | **690.8** |

| 2011 financial year<br>EUR m | Share capital | Capital reserves | Revenue reserves | Revaluation of financial instruments: Held for sale | Revaluation of financial instruments: Hedging | Currency trans-lation reserves | Profit for the period | Consoli-dated equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2011** | **337.8** | **130.5** | **106.5** | **–1.8** | **0.0** | **–0.6** | **118.4** | **690.8** |
| Changes in reserves | | | 10.3 | | | | –10.3 | 0.0 |
| Dividends paid | | | | | | | –108.1 | –108.1 |
| Profit for the period | | | | | | | 123.8 | 123.8 |
| Other comprehensive income | | | | –3.1 | 0.0 | –1.5 | | –4.6 |
| **Total comprehensive income** | **0.0** | **0.0** | **0.0** | **–3.1** | **0.0** | **–1.5** | **123.8** | **119.2** |
| **Balance at December 31, 2011** | **337.8** | **130.5** | **116.8** | **–5.0** | **0.0** | **–2.0** | **123.8** | **702.0** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2011 FINANCIAL YEAR

## 1. BASIS OF PREPARATION

Österreichische Post AG (Austrian Post) and its subsidiaries are logistics and service companies in the letter mail and parcel segments. Austrian Post's core business activities include post and parcel services, combined freight and specialised logistics, as well as the processing of financial transactions in cooperation with the bank BAWAG P.S.K. Moreover, the range of services encompasses data and output management as well as document collection, digitalisation and processing.

The headquarters of Austrian Post are in Wien, Austria. The mailing address is Austrian Post, Haidingergasse 1, 1030 Wien. The company is registered in the company register at the Wien Commercial Court under the registry number FN 180219d.

## 2. SUMMARY OF ACCOUNTING PRINCIPLES

The consolidated financial statements of Austrian Post for the 2011 financial year have been prepared in accordance with the binding International Financial Reporting Standards (IFRS) valid as at December 31, 2011, as issued by the International Accounting Standards 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, 2011, as published by the IASB.

In the 2011 financial year, the following new or revised standards and interpretations were binding for the first time:

| **New standards and interpretations** | | **Effective date in the EU**[1] |
|---|---|---|
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | July 1, 2010 |
| **Revised standards and interpretations** | | |
| IFRS 1 | Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters | July 1, 2010 |
| IAS 24 | Related Party Disclosures | Jan. 1, 2011 |
| IAS 32 | Financial Instruments: Classification of Rights Issues | Feb. 1, 2010 |
| IFRIC 14 | Prepayment of a Minimum Funding Requirement | Jan.1, 2011 |
| Diverse | Annual Improvements to IFRS 2010 | Jan. 1, 2011 |

[1] To be applied in the financial year beginning on or after the effective date

IFRIC 19 specifies IFRS requirements when a company partially or fully extinguishes financial liabilities by issuing shares or other equity instruments. No such case exists at Austrian Post at present.

The amendment to IFRS 1, which stipulates specified exemptions for companies which adopt IFRS for the first time, is not applicable due to the fact that Austrian Post is not a first time adopter of IFRS.

The revised version of IAS 24 is designed to clarify the definition of related parties and to exempt government related entities from providing specified disclosures of related party transactions. The standard defines public entities as government bodies. Austrian Post Group is generally affected by the change to IAS 24, due to the fact that the Republic of Austria owns 52.8% of the shares of Austrian Post via

Österreichische Industrieholding AG (ÖIAG). Thus, the Republic of Austria and the entities in which it exercises a controlling influence are considered to be related parties of Austrian Post. However, IAS 24 still stipulates the need to provide comprehensive information, particularly relating to significant business transactions, which will continue to be included in the consolidated financial statements of Austrian Post Group.

The revised IAS 32 includes, amongst other changes, the accounting for pre-emptive rights, options and warrants in relation to the acquisition of a fixed number of equity instruments from the issuer in a different currency from the functional currency. The revised reporting guidelines contained in IAS 32 do not have any effect on the assets, liabilities, financial position and profit or loss of Austrian Post Group at the present time, as no pre-emptive rights, options and warrants in foreign currencies have been issued.

Based on the guidelines contained in IAS 19.58, assets derived from a defined benefit plan can only be recognised if a future economic benefit is to be expected from claims to reduce or refund payment contributions. IFRIC 14 clarifies when such future advantages can be considered to be available. Changes to IFRIC 14 do not have any effect on the consolidated interim financial statements of Austrian Post at the present time.

Small-scale adjustments were made to existing standards and interpretations within the context of the annual "Improvements to IFRS". These changes do not have any material effect on the consolidated financial statements of Austrian Post at the present time.

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.

## 3. CONSOLIDATION SCOPE

In addition to the parent company Österreichische Post AG (Austrian Post), a total of 25 domestic subsidiaries (December 31, 2010: 23) and 33 foreign subsidiaries (December 31, 2010: 33), in which the company directly or indirectly holds a majority of the voting rights, are included in the consolidation. Furthermore, 3 domestic companies (December 31, 2010: 4) and 4 foreign companies (December 31, 2010: 3) are consolidated at equity.

**Changes in the consolidation scope**
The following consolidation group changes were carried out in the 2011 financial year:

| Company name | Interest from | Interest to | Date of transaction | Note |
|---|---|---|---|---|
| **Mail** | | | | |
| Post vier Beteiligungs GmbH (R-Electronic-Bill-Presentment Beteiligungs GmbH)[1] | – | 100.0% | Jan. 1, 2011 | Merger |
| Mader Zeitschriftenverlagsgesellschaft m.b.H. | 25.1% | – | June 30, 2011 | Disposal of interest |
| Post sechs Beteiligungs GmbH | – | 100.0% | Oct. 6, 2011 | Incorporation |
| Post sieben Beteiligungs GmbH | – | 100.0% | Oct. 6, 2011 | Incorporation |
| Post acht Beteiligungs GmbH | – | 100.0% | Oct. 14, 2011 | Incorporation |
| PostMaster s.r.l. | – | 26.0% | Oct. 20, 2011 | Acquisition |

| Company name | Interest from | to | Date of transaction | Note |
|---|---|---|---|---|
| **Parcel & Logistics** | | | | |
| Distributions GmbH Bergkirchen | – | 100.0% | Aug. 2, 2011 | Incorporation |
| Post neun Beteiligungs GmbH | – | 100.0% | Oct. 6, 2011 | Incorporation |
| Eurodisnet GmbH | 100.0% | – | Dec. 27, 2011 | Liquidation |
| | | | | |
| **Corporate** | | | | |
| Post Immobilien GmbH (PTI Immobilienvermittlung GmbH)[1] | – | 100.0% | March 31, 2011 | Merger |

[1] The Group subsidiaries listed in parenthesis were merged with the initially listed Group subsidiary, and are therefore no longer included in the consolidation scope.

**Mail**

Effective June 30, 2011, the 25.1% investment in Mader Zeitschriftenverlags GmbH was sold. The result from the transaction amounted to EUR 2.1m and is reported as results of investments consolidated at equity. October 20, 2011 marked the closing of the acquisition of a 26% stake (including an option to increase the shareholding to 100% in the following two years) in the Romanian company PostMaster s.r.l. This comprises a further step in implementing the growth strategy of the Mail Division and the entry into the Romanian mail market, one of the largest markets in the CEE region. The company is consolidated at equity as an associated company. The goodwill arising as a result of the purchase price allocation at the amount of EUR 1.9m is reported as part of the stake in the associated company.

**PARCEL & LOGISTICS**

Eurodisnet GmbH, Weinheim, was liquidated as of December 27, 2011. The deconsolidation resulted in a loss of EUR 3.3m reported as other operating expenses.

## 4. ACCOUNTING POLICIES

### 4.1 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 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 a fictive 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 on the asset side between the acquisition costs and the value of the identifiable and revalued net assets is reported as goodwill. In turn, 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.

Shareholdings in companies on which a significant influence can be exercised (investments in associates), generally involving an interest 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 or jointly managed company is part of the carrying amount of the investment.

Receivables and liabilities, income and expenses arising from the intra-Group exchange of deliveries and services as well as intra-Group profit and losses are eliminated, unless they are not of immaterial importance.

## 4.2 CURRENCY TRANSLATION

The consolidated 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 those countries, which are members of 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 in the course of the financial year.

**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 reference rate of the European Central Bank on the balance sheet date, whereas 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.

The movements in foreign exchange rates against the euro used in translation were as follows:

| | Reference rate at balance sheet date | | Average annual rate | |
|---|---|---|---|---|
| **1 EUR** | **Dec. 31, 2010** | **Dec. 31, 2011** | **2010** | **2011** |
| British Pound | 0.8608 | n. a. | 0.8578 | n. a. |
| Bosnian Convertible Mark | 1.9558 | 1.9558 | 1.9558 | 1.9558 |
| Croatian Kuna | 7.3830 | 7.5370 | 7.2891 | 7.4390 |
| Romanian Leu | n. a. | 4.3233 | n. a. | 4.2391 |
| Swedish Krona | 8.9655 | n. a. | 9.5373 | n. a. |
| Serbian Dinar | 105.4982 | 104.6409 | 103.0501 | 101.9372 |
| Czech Koruna | 25.0610 | 25.7870 | 25.2840 | 24.5898 |
| Hungarian Forint | 277.9500 | 314.5800 | 275.4786 | 279.3726 |

## 4.3 RECOGNITION OF REVENUE AND EXPENSE

The recognition of revenue and other operating income is generally reported when the particular service has been provided, 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. Contracted services which have not yet been provided 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.

## 4.4 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 2011. Shares repurchased during a specific period are taken into account on a pro rata basis for the period of time in which they are still outstanding shares. There were no dilutive effects in the 2011 financial year. Accordingly, there is no difference between basic and diluted earnings per share.

## 4.5 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, the impairment test is to be carried out more frequently. Impairment tests are carried out in accordance with the principles described in Note 4.9 Impairment.

## 4.6 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. When 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, the write-downs are reversed.

Trademark rights are usually considered having indefinite useful lives, due to the fact that there is no foreseeable end to their economic benefit.

Intangible assets with indefinite lives and goodwill are not subject to amortisation, but are subject to annual impairment tests. This also applies if 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 impairment tests will also be carried out if necessary.

Impairment tests in connection with intangible assets are carried out in accordance with the principles described in Note 4.9 Impairment.

## 4.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets are carried at acquisition or production cost less depreciation and impairment losses. 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 |
| Technical 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 in accordance with the principles described in Note 4.9 Impairment in case there are any indications of impairment.

## 4.8 INVESTMENT PROPERTY

Investment property is property held to earn rental income and/or for the purpose 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 determined by experts at an Austrian Post subsidiary, using generally accepted valuation methods. Measurement is carried out on the basis of a profit oriented valuation approach. As a rule, the income approach was used, while the discounted cash flow method was employed in the event of more complex investment property. The relevant method of valuation using comparable transactions in an active market was applied to the valuation of undeveloped property.

## 4.9 IMPAIRMENT

Pursuant to IAS 36, the company is required to evaluate whether there are any indications of a potential impairment of assets. If such indications exist, an impairment test is carried out. Intangible assets with indefinite 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, impairment tests will also be carried out during the period.

The recoverable amount of a particular asset is determined within the context of an impairment test. The recoverable amount is the higher amount of the fair value less costs to sell and the value in use.

If the recoverable amount cannot 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 at the level of sub-segments or Group companies.

In the course of an impairment test, the property, plant and equipment of a CGU, including the assets and liabilities assigned to it pursuant to IAS 36, are compared to the recoverable amount of the CGU. If the carrying amount is higher than the recoverable amount, the carrying amount of the CGU will be reduced to its recoverable amount. 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 using the discounted cash flow method (DCF). This calculation is based on the business planning for the year 2012, the medium-term planning for a period of three years (2013-2015), and perpetuity, 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 and in accordance with the capital asset pricing model (CAPM) 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 5.9% to 8.4%, and in other countries from 8.0% to 13.9%.

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 the amortised costs, 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.

## 4.10 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.

## 4.11 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. These 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 costs. The valuation is carried out at the fair value when recognised. Any existing difference between the acquisition costs and the repayment amount (e.g. for non-interest bearing of interest different from the market level) is accrued over the term to maturity using the effective interest rate method and included in the financial result.

If there are any indications of an impairment, 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 the amortised costs.

Available for sale financial assets are carried at fair value. Unrealised gains and losses are separately disclosed under revaluation of securities 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 acquisition cost. Impairment is reported with recognition to profit or loss. Any reversals of write-downs are neither recognised in profit or loss nor directly in equity.

## 4.12 INVENTORIES

Inventories are stated at the lower amount of acquisition costs and 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 unviability are taken into account in determining the net realisable value.

Work in progress is carried at the lower amount of production costs and net realisable value.

## 4.13 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets or disposal groups are classified as held for sale if the related carrying amount is primarily realised by a disposal transaction and not by continued use. This prerequisite is only fulfilled if the disposal is considered to be highly likely and the non-current asset (or disposal group held for sale) in its (their) current state is available for immediate sale. The disposal of assets is highly likely, if the responsible management has decided upon a plan for the sale of the assets (or disposal group) and has actively begun searching for a buyer and implementing the plan, and it can be assumed that the disposal process will be concluded within one year after such a classification.

In the case that the disposal is highly likely for the Group and this sale is related with a loss of control over a subsidiary, all assets and liabilities of this subsidiary are to be classified as non-current assets held for sale, inasmuch provided that the above-mentioned prerequisites are fulfilled. This is the case regardless of whether or not the Group maintains a non-controlling interest in its former subsidiary.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the carrying amount and the fair value less costs to sell. If the fair value of a disposal group is negative after taking into account the impairment of non-current and current assets held for sale, a liability is recognised.

## 4.14 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 relevant 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 to 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 in order to fund post-employment benefits. Since October 1, 2005, these contributions, including the civil servants' own employee contributions, have totalled between 15.8% and 28.3% of the remuneration paid to active civil servants and are reported as staff costs.

Austrian Post has defined benefit obligations to specific 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 of 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. Employees subject to the collective agreement for Austrian Post employees pursuant to the first part of Section 19 Para. 3 Postal Service Structure Act, valid as of August 1, 2009 (Kollektivvertrag für Bedienstete der Österreichischen Post AG gemäß § 19 Abs. 3 Poststrukturgesetz (PTSG), Erster Teil) are entitled to an additional payment of one months' salary after 20 years of service on behalf of the company, which rises to one and a half months' salary after 25 years, two and a half months' salary after 35 years and three and a half months' salary after 40 years of employment with the company. Employees subject to the second part of the collective agreement are not entitled to any jubilee benefits.

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 in the financial result.

The following parameters were used as the basis for calculating provisions for termination benefits, pensions and jubilee benefits at December 31, 2010 and December 31, 2011:

| | 2010 | 2011 |
|---|---|---|
| Interest rate | 4.5% | 4.5% |
| Salary or pension increases | graduated (0%–4%) | graduated (0%–4%) |
| Staff turnover reduction | graduated (0%–20%) | graduated (0%–21%) |
| **Retirement age** | | |
| Female employees | 55–65 | 55–67 |
| Male employees | 60–65 | 60–67 |
| Civil servants | 60–65 | 60–65 |

## 4.15 PROVISIONS FOR UNDER-UTILISATION

Provisions for under-utilisation are made for future staff costs applying to those employees who have tenure (primarily civil servants), and who can only be utilised partially or cannot be utilised anymore.

These employment statuses are 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 staff who have already been assigned to the "Internal Labour Market". Moreover, the provisions for under-utilisation are also recognised for employees whose transfer to the "Internal Labour Market" 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.

The provisions are calculated based on the application of a unified average level of under-utilisation, taking account of a staff turnover reduction.

The provisions for under-utilisation also encompass those employees who are in the process of commencing retirement for reasons of physical disability. Moreover, provisions were allocated for Austrian Post employees who were transferred to various federal ministries. Staff costs of these employees will be refunded by Austrian Post according to the relevant agreements and their provisions are allocated until the expiration of the refund period.

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.

The provisions for under-utilisation are determined based on annual salary increases of 4.0% (2010: 4.0%) and a discount rate of 4.5% (2010: 4.5%).

## 4.16 OTHER PROVISIONS

In accordance with IAS 37, contingent legal or constructive obligations to third parties resulting from past events, which are likely to require an outflow of economic benefits and which can be reliably estimated are recorded as 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.

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.

## 4.17 FINANCIAL LIABILITIES

At Austrian Post, financial liabilities are classified as financial liabilities and payables, pursuant to IAS 39. 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 as part of the financial result.

Trade payables and other liabilities are measured at amortised cost.

## 4.18 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 changes in deferred taxes.

Deferred taxes are calculated in accordance with the balance sheet liability method for all temporary differences arising between the IFRS balance sheet and the tax balance sheet. Furthermore, the probable tax advantage from existing tax loss carry forwards is included in the calculation. Exemptions from the full recognition of deferred taxes are differences arising from non-tax-deductible goodwill and temporary differences related to shareholdings in as much as these are not reversed in the foreseeable 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 assets 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 |
|---|---|
| Belgium | 34.0% |
| Bosnia-Herzegovina | 10.0% |
| Germany | 28.4%–30.9% |
| Croatia | 20.0% |
| Montenegro | 9.0% |

| Country | Tax rate |
|---|---|
| Netherlands | 25.5% |
| Serbia | 10.0% |
| Slovakia | 19.0% |
| Hungary | 10.0% |

## 4.19 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilised as a means of hedging interest rate fluctuations.

All derivative financial instruments are reported as assets or liabilities. Derivative financial instruments and embedded derivatives, which comprise an integral part of specified contracts and which must be reported separately, are recognised at fair value at the time of acquisition and in subsequent periods. Unrealised valuation gains or losses from derivative financial transactions are reported as 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.

## 4.20 SHARE-BASED INCENTIVE PROGRAMME

In December 2009, the Supervisory Board of Österreichische Post AG (Austrian Post) decided to introduce a share-based payment programme. This share-based payment programme was implemented in the 2010 and 2011 financial years for the member of the Management Board and selected top executives. The basis for participation is the acquisition of a specified number of Austrian Post shares, which must be held uninterruptedly until the end of the subsequent financial year following the expiration of the performance period (Tranche 1: December 31, 2013, Tranche 2: December 31, 2014). The Management Board members Georg Pölzl, Rudolf Jettmar, Walter Hitziger and Herebert Götz are participating in both tranches, and Peter Umundum in the second part of the share-based payment programme.

The number of Austrian Post shares required to be purchased by members of the Management Board is oriented to a specified percentage of their gross fixed salaries divided by the reference price of the Austrian Post share for the fourth quarter of the respective year. The number of Austrian Post shares to be acquired by top executives is determined on the basis of the selected investment category in line with the terms and conditions of the share-based payment programme. The sum total of the required own investments for participation in the share-base payment programme as at December 31, 2011 amounted to 54,920 shares for members of the Management Board and 105,600 shares for top executives.

On the day of payment, the participants are either granted bonus shares or are paid in cash. The number of bonus shares is linked to achieving pre-defined performance criteria. Target values were defined for key performance indicators at the beginning of the programme. The primary indicators in use are earnings per share (EPS), free cash flow and total shareholder return (TSR), with each indicator considered to be equally important. The achievement of objectives is monitored over a period of three years.

The total bonus is oriented to the achievement of the objectives defined on the basis of the previously mentioned parameters as well as the share price development. The maximum and minimum bonuses to be paid after the three-year period are limited to 175% for the first tranche and 200% for the second tranche, with the minimum set at 25% respectively of the amount defined in case all objectives have been fully achieved.

The bonus can be paid either in shares or in cash. As at December 31, 2011, the number of bonus shares in the first tranche totalled 187,338, and 393,045 shares in the second tranche. The average weighted current value per share was EUR 24.69 in the first tranche and EUR 25.70 in the second. As at December 31, 2011, the total arithmetic current value for the two tranches was EUR 4.6m and EUR 10.1m respectively. This was calculated on the basis of a model derived from the expected achievement of performance criteria and the expected share price. The expected costs of the share-based payment programme are allocated over the performance period as a provision. A total of EUR 4.0m was allocated for the share-based payment programme in the 2011 financial year. As at the balance sheet date the pro rata provision amounted to EUR 5.3m.

## 5. 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 the recognition 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 to the carrying amounts of the following assets and liabilities in upcoming business years:

### 5.1 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, 2011: EUR 176.9m; December 31, 2010: EUR 177.1m) is based on assumptions regarding the discount rate, retirement age, life expectancy, fluctuation rates and future salary increases.

If all other parameters remain constant, a change in the assumed discount rate 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:

| EUR m | Assumed discount rate | | Salary or pension increases | |
|---|---|---|---|---|
| | –1% point | +1% point | –1% point | +1% point |
| Termination benefits | 12.7 | –10.3 | –10.4 | 12.4 |
| Pensions | 0.3 | –0.2 | –0.2 | 0.2 |
| Jubilee benefits | 8.6 | –8.1 | –8.1 | 8.5 |

### 5.2 PROVISIONS FOR UNDER-UTILISATION

The measurement of provisions for under-utilisation of individual organisational units (carrying amount as at December 31, 2011: EUR 239.0m; December 31, 2010: EUR 244.1m) is based on assumptions regarding staff turnover, retirement age, discount rate, future salary increases and the future degree of capacity utilisation per employee.

If all other parameters remain constant, a change in the assumed capacity utilisation of +/– 10 percentage points, or a change in the discount rate or assumed salary increases of +/– 1 percentage point, respectively, would have the following effects on the provisions allocated:

| EUR m | Average capacity utilisation | | Assumed discount rate | | Salary increase | |
|---|---|---|---|---|---|---|
| | –10% points | +10% points | –1% point | +1% point | –1% point | +1% point |
| Under-utilisation | –28.7 | 30.9 | 17.3 | –15.3 | –15.6 | 17.2 |

### 5.3 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 Note 4.1 Consolidation Principles contained in the chapter “Accounting policies”). As a rule, the fair value of land and buildings is determined by independent experts.

### 5.4 IMPAIRMENT OF INTANGIBLE ASSETS, GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

The assessment of the recoverability of 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 Note 4.9 Impairment.

### 5.5 FINANCIAL INSTRUMENTS

Alternative financial valuation methods are applied to evaluate the recoverability 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.

## 6. STANDARDS WHICH ARE PUBLISHED BUT NOT YET APPLIED

In the financial year 2011, the Austrian Post Group did not yet apply ahead of schedule the standards, interpretations and revisions to existing standards outlined below and published by the IASB. The Group is currently evaluating the applicability to and effects of the new and revised standards and interpretations upon the consolidated financial statements of Austrian Post.

| **New standards and interpretations** | | **Effective date IASB**[1] | **Endorsed in EU** |
|---|---|---|---|
| IFRS 9 | Financial Instruments | Jan. 1, 2015 | – |
| IFRS 10 | Consolidated Financial Statements | Jan. 1, 2013 | – |
| IFRS 11 | Joint Arrangements | Jan. 1, 2013 | – |
| IFRS 12 | Disclosure of Interests in Other Entities | Jan. 1, 2013 | – |
| IFRS 13 | Fair Value Measurement | Jan. 1, 2013 | – |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | Jan. 1, 2013 | – |
| **Revised standards and interpretations** | | | |
| IFRS 1 | Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters | July 1, 2011 | – |
| IFRS 7 | Financial Instruments: Disclosures – Transfer of Financial Assets | July 1, 2011 | November 2011 |
| IFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities | Jan. 1, 2013 | – |
| IAS 1 | Presentation of Items in the Other Total Comprehensive Income | July 1, 2012 | – |
| IAS 12 | Deferred Tax: Recovery of Underlying Assets | Jan. 1, 2012 | – |
| IAS 19 | Amendments to IAS 19 Employee Benefits | Jan. 1, 2013 | – |
| IAS 27 | Separate Financial Statements | Jan. 1, 2013 | – |
| IAS 28 | Investments in Associates and Joint Ventures | Jan. 1, 2013 | – |
| IAS 32 | Offsetting Financial Assets and Financial Liabilities | Jan. 1, 2014 | – |

[1] To be applied in the financial year beginning on or after the effective date

The new IFRS 9 standard is designed to replace, on a step-by-step basis, IAS 39 “Financial Instruments: Recognition and Measurement”. A division into three phases was resolved upon. Up until now, Phase 1 (Classification and Valuation of Financial Instruments) is the only one that has been completed. The standard currently published refers to the classification and valuation of financial assets and financial liabilities, and to the de-recognition of financial assets and financial liabilities. Phases 2 (Impairment) and 3 (Hedge Accounting) still have to be completed.

IFRS 10 creates an universal definition of the term “control” and establishes a single basis for the proof of the existence of a corporate parent-subsidiary relationship. This, in turn, is associated with the classification of the consolidation scope. The new standard replaces the previously applicable IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation of Special Purpose Entities”.

The new IFRS 11 regulates the accounting of circumstances in which a company exercises joint control over a joint company or joint operations. The previously existing option of the proportionate consolidation of jointly-managed companies has been eliminated. Such companies are now to always be recognised in the accounts using the equity method. In cases in which a joint operation exists, assets, liabilities, income and expenses that are directly attributable to the participating company are to be directly incorporated into its consolidated financial statements.

IFRS 12 lays down the disclosures required to be made by companies employing both of the new standards – IFRS 10 “Consolidated Financial Statements” and IFRS 11 “Joint Arrangements” – in the compilation of financial statements. It supersedes the obligations to disclose currently contained in IAS 28 “Investments in Associates”.

The new IFRS 13 standard describes how fair value is to be measured, and expands the disclosures required to be made on it. The objective is the establishment of a definition of “fair value” applying to all standards, and of a set of methods universally applicable to this term’s measurement. Also especially encompassed are the disclosures in the notes associated with this.

The IFRIC 20 interpretation governs the reporting of stripping costs incurred in the production phase of a surface mine.

The amendment of IFRS 1 resulted in the replacement of the previously employed reference to the date of January 1, 2004 as being the firmly-set time of transition with the generally applicable formulation of “time of transition into IFRS”. The amendment also features the incorporation of rules for all cases of companies not being able to meet all rules established by the IFRS due to hyperinflation.

The amendments in IFRS 7 pertain to the expansion of obligations to make disclosures on the transfer of financial assets. They are intended to enable the parties addressed by the financial statements to understand the relationships between the assets that have been transferred but not totally de-recognised and the corresponding financial liabilities. Also to be made more transparent is the de-recognised financial assets’ link between the nature of the continuing relationship and the risks associated with it.

The amendments of IAS 32 encompass the incorporation of further rules of disclosure contained in IFRS 7 and pertaining to offsetting financial instruments. These are intended to enable the reconciliation of the gross and net risk positions of financial instruments. These disclosures are also to be made for instruments forming part of comprehensive offsetting or similar agreements, even in cases in which the underlying instruments are not reported in an offsetting manner.

Both of the components of the income statement (profit/loss as well as other comprehensive income) can continue to be depicted in a single chart or in two successive ones. In accordance with IAS 1, companies have to subdivide the items depicted in the other comprehensive income into two categories – depending upon whether or not they will be recorded in the future in the income statement (so-called “recycling”).

The amendment of IAS 12 “Income Taxes” contains a partial clarification on the treatment of temporary tax differences associated with the application of the fair value model of IAS 40. It is often difficult to judge whether existing differences will be reversed in the course of the continuing use or of sale of property held as investment property. The amendment foresees the employment of the basic assumption of reversal through sale.

The option of taking into account actuarial gains and losses through the application of the corridor method was removed through the amendment of IAS 19. This causes actuarial gains and losses to be taken into account in the period in which they have been incurred. The entry is made in the other comprehensive income. These are thus directly incorporated in the equity. The adapted IAS 19 also requires more extensive disclosure in the notes on defined benefit plans.

The rules on separate financial statements are still governed by IAS 27. The other components of IAS 27 have been superseded by IFRS 10 “Consolidated Financial Statements”.

With the release of IFRS 10, IFRS 11 and IFRS 12, only consequentual modifications were made to IAS 28.

An offsetting of financial instruments remains only possible in cases of meeting the conditions of IAS 32. The amendments of IAS 32 solely comprise the incorporation in the guidelines of application of clarifications of the terms of “present times” and “simultaneousness”.

## 7. INCOME STATEMENT DISCLOSURES

### 7.1 REVENUE AND SEGMENT REPORTING

Austrian Post distinguishes among the following primary segments classified by their divisional structure, which reflect the different services offered by the company.

**Mail**
The core business of the Mail Division consists of the acceptance and delivery of letters and other mail items in Austria and the forwarding of 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. Services along the value chain (data and output management, document scanning as well as the conception and production of documents and direct mailings) complement the product range.

**Parcel & Logistics**
The Parcel & Logistics Division offers parcel, express and logistics services in Austria, Germany, the Benelux as well as in South East and Eastern Europe. Logistics services primarily focus on the fields of combined freight, the transport of pharmaceutical products and temperature-controlled transport as well as B2B and B2C parcel services.

**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 P.S.K. as well as an extensive selection of retail and philatelic products.

**Corporate**
Activities which cannot be assigned to the divisions are reported in the Corporate segment. For example, these include the property and IT services operations as well as the organisational unit Internal Labour Market.

**Consolidation**
Intra-Group eliminations are shown in the Consolidation column.

| **2010 financial year EUR m** | **Mail** | **Parcel & Logistics** | **Branch Network** | **Corporate** | **Consoli-dation** | **Group** |
|---|---|---|---|---|---|---|
| External sales | 1,389.4 | 802.0 | 157.9 | 5.1 | –3.1 | 2,351.1 |
| Internal sales | 54.3 | 24.4 | 171.5 | 168.8 | –419.0 | 0.0 |
| **Total revenue** | **1,443.7** | **826.4** | **329.3** | **173.8** | **–422.1** | **2,351.1** |
| Profit/loss from operations | 234.4 | 10.5 | –30.8 | –58.3 | 0.0 | 155.9 |
| Results of investments consolidated at equity | 0.5 | 0.0 | 0.0 | 0.6 | 0.0 | 1.0 |
| **EBIT** | **234.9** | **10.5** | **–30.8** | **–57.7** | **0.0** | **156.9** |
| Segment assets | 279.8 | 425.6 | 59.2 | 470.2 | –0.7 | 1,234.1 |
| Investments consolidated at equity | 26.4 | 0.1 | 0.0 | 0.9 | 0.0 | 27.3 |
| Segment liablities | 310.0 | 105.2 | 77.0 | 410.1 | –1.6 | 900.7 |
| Segment investments | 31.5 | 15.0 | 3.7 | 10.7 | 0.0 | 60.8 |
| Depreciation, amortisation and impairment losses | 40.0 | 26.5 | 5.9 | 32.8 | 0.0 | 105.2 |
| thereof impairment losses recognised in profit or loss | 5.2 | 2.1 | 0.0 | 1.5 | 0.0 | 8.8 |
| Employees[1] | 14,841 | 4,008 | 4,274 | 1,846 | 0 | 24,969 |

| **2011 financial year EUR m** | **Mail** | **Parcel & Logistics** | **Branch Network** | **Corporate** | **Consoli-dation** | **Group** |
|---|---|---|---|---|---|---|
| External sales | 1,347.6 | 846.5 | 153.1 | 5.4 | –4.0 | 2,348.7 |
| Internal sales | 57.1 | 24.9 | 170.7 | 158.4 | –411.2 | 0.0 |
| **Total revenue** | **1,404.7** | **871.5** | **323.8** | **163.9** | **–415.2** | **2,348.7** |
| Profit/loss from operations | 307.1 | –28.3 | –17.8 | –82.1 | 0.0 | 178.9 |
| Results of investments consolidated at equity | –11.4 | 0.0 | 0.0 | 0.8 | 0.0 | –10.6 |
| **EBIT** | **295.7** | **–28.3** | **–17.8** | **–81.3** | **0.0** | **168.3** |
| Segment assets | 345.4 | 392.5 | 46.6 | 432.8 | –7.7 | 1,209.5 |
| Investments consolidated at equity | 17.2 | 0.1 | 0.0 | 0.3 | 0.0 | 17.5 |
| Segment liabilities | 313.6 | 124.4 | 81.0 | 398.2 | –9.3 | 907.9 |
| Segment investments | 43.4 | 18.4 | 8.9 | 21.3 | 0.0 | 92.0 |
| Depreciation, amortisation and impairment losses | 27.1 | 40.3 | 8.0 | 39.0 | 0.0 | 114.4 |
| thereof impairment losses recognised in profit or loss | 0.1 | 16.8 | 2.5 | 8.3 | 0.0 | 27.6 |
| Employees[1] | 13,667 | 4,057 | 3,815 | 1,830 | 0 | 23,369 |

[1] Annual average, full-time equivalents

## NOTES TO THE SEGMENT REPORTING BY DIVISION

Internal and external accounting policies are harmonised at Austrian Post Group. There are no differences between the measurement of segment results, segment assets and segment liabilities and those of the Group.

External revenue corresponds to the total of segment revenue with external customers after consolidation of services provided within the Group. Internal sales are revenues derived from transactions with other segments. 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 investments in securities and other assets, investments in associates and deferred tax) and current assets (excluding financial investments in securities and other assets, cash and cash equivalents and tax receivables).

Non-current liabilities (excluding financial liabilities and deferred tax) and current liabilities (excluding financial liabilities and liabilities as well as tax provisions and deferred tax liabilities) 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 figures for employees are the full-time equivalents of the average segment headcounts for the respective financial years.

## RECONCILIATION

The reconciliation of segment assets and liabilities to the corresponding Group figures is presented as follows:

| **Reconciliation of assets<br>EUR m** | **2010** | **2011** |
|---|---|---|
| **Segment assets** | **1,234.1** | **1,209.5** |
| Investments consolidated at equity | 27.3 | 17.5 |
| Assets not assigned to segments | | |
| Securities and other financial assets | 89.6 | 74.8 |
| Deferred tax | 49.9 | 54.6 |
| Cash and cash equivalents | 313.1 | 310.6 |
| Other interest and tax receivables | 0.9 | 1.4 |
| **Group assets** | **1,715.1** | **1,668.3** |

| **Reconciliation of liabilities<br>EUR m** | **2010** | **2011** |
|---|---|---|
| **Segment liabilities** | **900.7** | **907.9** |
| Liabilities not assigned to assets | | |
| Non-current and current financial liabilities | 84.3 | 34.0 |
| Deferred tax | 14.2 | 12.4 |
| Income tax provisions | 25.0 | 12.7 |
| Other interest and tax liabilities | 0.0 | -0.8 |
| **Group liabilities** | **1,024.2** | **966.3** |

## NOTES TO THE GEOGRAPHICAL SEGMENT REPORTING

| 2010 financial year<br>EUR m | Austria | Germany | Other countries | Group |
|---|---|---|---|---|
| External sales | 1,629.7 | 581.9 | 139.6 | 2,351.1 |
| Segment assets | 895.7 | 259.0 | 79.4 | 1,234.1 |
| thereof non-current | 659.2 | 187.9 | 53.8 | 900.9 |
| Segment investments | 43.3 | 13.4 | 4.1 | 60.8 |

| 2011 financial year<br>EUR m | Austria | Germany | Other countries | Group |
|---|---|---|---|---|
| External sales | 1,687.4 | 523.2 | 138.0 | 2,348.7 |
| Segment assets | 871.0 | 259.0 | 79.5 | 1,209.5 |
| thereof non-current | 642.6 | 183.8 | 44.2 | 870.5 |
| Segment investments | 77.8 | 7.8 | 6.4 | 92.0 |

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.

**Information about important customers**
Austrian Post is not dependent on any important customers which require disclosure pursuant to IFRS 8.

## 7.2 OTHER OPERATING INCOME

| EUR m | 2010 | 2011 |
|---|---|---|
| Work performed by the enterprise and capitalised | 1.0 | 0.9 |
| Disposal of property, plant and equipment | 24.3 | 8.8 |
| Rents and leases | 24.0 | 23.7 |
| Unchargeable expenses | 5.5 | 4.8 |
| Damages | 3.1 | 2.3 |
| Other | 32.7 | 34.2 |
| | **90.5** | **74.6** |

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

The income from rents and leases in 2011 primarily relate to Österreichische Post AG (Austrian Post). The corresponding assets are recognised on the balance sheet as at December 31, 2011 with a net carrying amount of EUR 209.1m (December 31, 2010: EUR 227.1m).

Other operating income also includes income from currency translation, totalling EUR 1.2m (2010: EUR 0.4m). In addition, the item other operating income in the 2011 financial year includes income from personnel leasing and administration of EUR 6.3m as (2010: EUR 6.2m), pallet income totalling EUR 5.6m (2010: EUR 4.4m) as well as proceeds from contractual penalties amounting to EUR 2.4m (2010: EUR 1.6m).

## 7.3 RAW MATERIALS, CONSUMABLES AND SERVICES USED

| EUR m | 2010 | 2011 |
|---|---|---|
| **Material** | | |
| Transportation and heating fuel | 27.3 | 33.7 |
| Retail products | 31.1 | 27.3 |
| Stamps | 2.7 | 2.3 |
| Tools, equipment and clothing | 19.4 | 15.5 |
| Spare parts and sundry raw materials and consumables | 1.4 | 1.7 |
| Industrial paper | 19.4 | 0.0 |
| Remeasurement | 0.5 | 3.0 |
| | **101.8** | **83.5** |
| **Services used** | | |
| International postal carriers | 67.2 | 66.3 |
| Advertising distributors | 34.3 | 37.8 |
| Energy | 25.4 | 21.3 |
| Transport | 491.9 | 513.7 |
| Other | 50.4 | 37.2 |
| | **669.2** | **676.3** |
| | **771.0** | **759.8** |

## 7.4 STAFF COSTS

| EUR m | 2010 | 2011 |
|---|---|---|
| Wages and salaries | 845.9 | 805.3 |
| Severance payments | 35.3 | 24.5 |
| Post-employment benefit expenses | 0.1 | 0.2 |
| Expense for statutory levies and contributions | 227.0 | 210.1 |
| Other staff costs | 12.5 | 10.0 |
| | **1,120.7** | **1,050.1** |

In the 2011 financial year, contributions of EUR 1.8m (2010: EUR 1.6m) to the employee benefit fund in respect of defined contribution termination benefit obligations were recognised as an expense.

The breakdown of the termination benefit expense is as follows:

| EUR m | 2010 | 2011 |
|---|---|---|
| Management Board | –0.1 | 0.5 |
| Executive staff | 0.5 | 1.5 |
| Other employees | 34.8 | 22.6 |
| | **35.3** | **24.5** |

The pension contributions made to the Republic of Austria for the 2011 financial year (less the employee contributions by civil servants) amounted to EUR 63.2m (2010: EUR 66.0m).

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

| | 2010 | 2011 |
|---|---|---|
| Blue-collar employees | 2,171 | 1,468 |
| White-collar employees | 13,451 | 13,042 |
| Civil servants | 11,438 | 10,672 |
| Trainees | 77 | 57 |
| **Total number** | **27,137** | **25,239** |
| **Corresponding full-time equivalents** | **24,969** | **23,369** |

## 7.5 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

| EUR m | 2010 | 2011 |
|---|---|---|
| **Impairment losses on goodwill** | **2.1** | **15.3** |
| **Intangible assets** | | |
| Scheduled depreciation | 11.9 | 10.1 |
| Impairment losses | 0.6 | 0.1 |
| | **12.6** | **10.2** |
| **Property, plant and equipment** | | |
| Scheduled depreciation | 80.7 | 73.1 |
| Impairment losses | 5.8 | 11.5 |
| | **86.6** | **84.6** |
| **Investment property** | | |
| Scheduled depreciation | 3.8 | 3.5 |
| Impairment losses | 0.2 | 0.7 |
| | **4.0** | **4.2** |
| | **105.2** | **114.4** |

The impairment tests carried out as at December 31, 2011 resulted in an impairment loss on goodwill to the amount of EUR 15.3m, of which EUR 13.0m was assigned to the cash generating unit trans-o-flex Germany and EUR 2.3m to the cash generating unit City Express Serbia, both in the Parcel & Logistics Division. The impairment tests were based on the medium-term planning of the respective cash generating unit. The discount rate (WACC) used to determine the utility value of the cash generating unit trans-o-flex Germany amounts to 7.1% (2010: 6.9%).

Impairment losses on property, plant and equipment to the amount of EUR 11.5m, based on an evaluation of the utility value primarily in connection with technical ageing, include EUR 7.6m assigned to buildings belonging to the Corporate Division as well as EUR 2.5m to other equipment, furniture and fittings in the Branch Network Division of the parent company Österreichische Post AG. Furthermore, an impairment loss to the amount of EUR 1.4m was recognised on property and buildings at trans-o-flex Belgium B.V.B.A. in the Parcel & Logistics Division.

## 7.6 OTHER OPERATING EXPENSES

| EUR m | 2010 | 2011 |
|---|---|---|
| IT services | 28.0 | 28.5 |
| Maintenance | 41.5 | 39.7 |
| Leasing and rental payments | 78.8 | 76.1 |
| Travel and mileage | 27.7 | 26.6 |
| Contract and leasing staff | 13.5 | 14.0 |
| Consultancy | 13.8 | 13.4 |
| Waste disposal and cleaning | 14.4 | 13.7 |
| Communications and advertising | 12.9 | 15.3 |
| Telephone | 5.8 | 5.0 |
| Insurance | 9.8 | 9.2 |
| Other taxes (excl. income taxes) | 8.1 | 8.0 |
| Other | 34.6 | 70.5 |
| | **288.8** | **320.0** |

Other operating expenses included expenses from currency translation of EUR 0.7m (2010: EUR 0.8m) recognised in profit or loss. Moreover, the item other operating expenses in the 2011 financial year includes costs of EUR 18.3m in connection with IFRS 5 as well as expenses amounting to EUR 8.9m for the legally stipulated replacement of the existing cluster box units in accordance with the Postal Market Act 2011, and a loss of EUR 3.3m arising from the deconsolidation of Eurodisnet GmbH, Weinheim.

## 7.7 OTHER FINANCIAL RESULT

| EUR m | Note | 2010 | 2011 |
|---|---|---|---|
| Interest income | | 3.4 | 6.3 |
| Income from securities | | 0.7 | 1.0 |
| Gains on the disposal of securities | | 0.0 | 0.1 |
| | | **4.1** | **7.4** |
| Interest expense (financial liabilities) | | –3.8 | –3.7 |
| Interest expense (interest effects of provisions) | (8.13.1) | –8.5 | –7.7 |
| Losses on the disposal of securities and other shareholdings | | 0.0 | –0.8 |
| Expenses from currency translation | | 0.0 | –0.2 |
| | | **–12.2** | **–12.3** |
| Revaluation of derivative financial instruments | (9.2.5) | **0.0** | **–0.4** |
| | | **–8.2** | **–5.2** |

## 7.8 EARNINGS PER SHARE

| | | 2010 | 2011 |
|---|---|---|---|
| Profit for the period attributable to equity holders of the parent company | (EUR m) | 118.4 | 123.8 |
| Weighted average number of outstanding no-par value shares used in calculating basic earnings per share | (Shares) | 67,552,638 | 67,552,638 |
| Weighted average number of outstanding no-par value shares used in calculating diluted earnings per share | (Shares) | 67,646,564 | 67,937,037 |
| **Basic earnings per share** | (EUR) | **1.75** | **1.83** |
| **Diluted earnings per share** | (EUR) | **1.75** | **1.82** |

The weighted average number of outstanding no-par value shares used in determining the diluted earnings per share is calculated as follows:

| | | 2010 | 2011 |
|---|---|---|---|
| No-par value shares | (Shares) | 67,552,638 | 67,552,638 |
| Shares issued without payment in return: | | | |
| Share-based incentive programme | (Shares) | 93,926 | 384,399 |
| **Weighted average number of outstanding no-par value shares used in calculating diluted earnings per share** | (Shares) | **67,646,564** | **67,937,037** |

# 8. BALANCE SHEET DISCLOSURES

## 8.1 GOODWILL

| **EUR m** | 2010 | 2011 |
|---|---|---|
| **Historical costs** | | |
| **Balance at January 1** | **233.5** | **219.2** |
| Additions arising from acquisitions | 3.1 | 0.4 |
| Additions | 1.7 | 0.0 |
| Disposal arising from final consolidations | 18.4 | 3.3 |
| Disposals | 0.6 | 0.0 |
| **Balance at December 31** | **219.2** | **216.3** |
| **Impairment losses** | | |
| **Balance at January 1** | **51.7** | **35.4** |
| Additions | 2.1 | 15.3 |
| Disposal arising from final consolidations | 18.4 | 0.0 |
| **Balance at December 31** | **35.4** | **50.7** |
| **Net carrying amount on January 1** | **181.8** | **183.8** |
| **Net carrying amount on December 31** | **183.8** | **165.5** |

Disposals from deconsolidation amounting to EUR 3.3m are related to Eurodisnet GmbH, Weinheim.

The following table shows the goodwill by segments:

| EUR m | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|
| **Mail** | | |
| feibra | 29.1 | 29.1 |
| Online Post Austria GmbH | 3.1 | 3.1 |
| Other | 10.4 | 10.4 |
| | **42.6** | **42.6** |
| **Parcel & Logistics** | | |
| trans-o-flex Germany | 127.9 | 111.6 |
| Other | 13.4 | 11.4 |
| | **141.3** | **123.0** |
| | **183.8** | **165.5** |

## 8.2 INTANGIBLE ASSETS

| 2010 financial year<br>EUR m | Note | Customer relationships | Trademarks | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Historical costs** | | | | | |
| **Balance at January 1, 2010** | | **73.8** | **30.0** | **40.2** | **144.0** |
| Additions arising from acquisitions | | 0.0 | 0.0 | 0.1 | 0.1 |
| Disposals arising from final consolidations | | 11.0 | 1.3 | 3.2 | 15.4 |
| Additions | | 3.2 | 0.0 | 6.1 | 9.3 |
| Disposals | | 0.0 | 0.0 | 0.2 | 0.2 |
| Transfers | | 0.0 | 0.0 | 0.1 | 0.1 |
| Currency translation differences | | –0.3 | 0.0 | 0.0 | –0.4 |
| **Balance at December 31, 2010** | | **65.7** | **28.7** | **43.1** | **137.5** |
| | | | | | |
| **Depreciation and impairment losses** | | | | | |
| **Balance at January 1, 2010** | | **44.2** | **2.2** | **30.9** | **77.3** |
| Disposals arising from final consolidations | | 8.4 | 0.0 | 2.5 | 10.9 |
| Additions | (7.5) | 6.5 | 0.4 | 5.7 | 12.6 |
| Disposals | | 0.0 | 0.0 | 0.1 | 0.1 |
| Currency translation differences | | –0.2 | 0.0 | 0.0 | –0.2 |
| **Balance at December 31, 2010** | | **42.0** | **2.7** | **33.9** | **78.6** |
| **Carrying amount on January 1, 2010** | | **29.6** | **27.8** | **9.4** | **66.7** |
| **Carrying amount on December 31, 2010** | | **23.7** | **26.1** | **9.2** | **58.9** |

| 2011 financial year<br>EUR m | Note | Customer relationships | Trademarks | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Historical costs** | | | | | |
| **Balance at January 1, 2011** | | **65.7** | **28.7** | **43.1** | **137.5** |
| Additions | | 0.0 | 0.0 | 11.0 | 11.0 |
| Disposals | | 0.4 | 0.0 | 3.1 | 3.4 |
| Transfers | | 0.0 | 0.0 | 0.0 | 0.0 |
| Held for sale | | 0.0 | 0.0 | –0.1 | –0.1 |
| Currency translation differences | | –0.1 | 0.0 | 0.0 | –0.1 |
| **Balance at December 31, 2011** | | **65.2** | **28.7** | **50.8** | **144.8** |
| **Depreciation and impairment losses** | | | | | |
| **Balance at January 1, 2011** | | **42.0** | **2.7** | **33.9** | **78.6** |
| Additions | (7.5) | 6.1 | 0.4 | 3.7 | 10.2 |
| Disposals | | 0.0 | 0.0 | 2.1 | 2.1 |
| Currency translation differences | | –0.1 | 0.0 | 0.0 | –0.1 |
| **Balance at December 31, 2011** | | **48.0** | **3.1** | **35.5** | **86.6** |
| **Carrying amount on January 1, 2011** | | **23.7** | **26.1** | **9.2** | **58.9** |
| **Carrying amount on December 31, 2011** | | **17.3** | **25.6** | **15.3** | **58.2** |

Intangible assets contain trademarks with indefinite useful lives amounting to EUR 25.2m (Dec. 31, 2010: EUR 25.2m).

Trademarks amounting to EUR 0.4m, which were not subject to scheduled amortisation due to their indefinite lives, will be subject to amortisation over a period of four years starting in the 2009 financial year due to the decision made in December 2008 to successively replace trademarks in the Parcel & Logistics Division acquired within the context of acquisitions in South East and Eastern Europe by the trans-o-flex brand.

Capitalised customer relationships are amortised on a straight-line basis and show a residual useful life of one to seven years.

The following table shows trademarks by segment at December 31, 2010 and December 31, 2011:

| EUR m | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|
| **Parcel & Logistics** | | |
| trans-o-flex Germany | 25.2 | 25.2 |
| Other | 0.9 | 0.4 |
| | **26.1** | **25.6** |

## 8.3 PROPERTY, PLANT AND EQUIPMENT

| 2010 financial year<br>EUR m | Note | Property and buildings | Technical plant and machinery | Other equipment, furniture and fittings | Prepay-ments and assets under construction | Total |
|---|---|---|---|---|---|---|
| **Historical costs** | | | | | | |
| **Balance at January 1, 2010** | | **851.9** | **191.6** | **288.5** | **24.7** | **1,356.8** |
| Disposals arising from final consolidations | | 21.7 | 28.2 | 3.4 | 0.0 | 53.3 |
| Additions | | 7.1 | 9.8 | 30.9 | 2.0 | 49.8 |
| Disposals | | 14.4 | 4.0 | 28.7 | 0.0 | 47.1 |
| Transfers | | 9.4 | 11.0 | 1.0 | –20.8 | 0.5 |
| Reclassification pursuant to IAS 40 | | –17.6 | 0.0 | 0.0 | 0.0 | –17.6 |
| Currency translation differences | | 0.2 | 0.4 | –0.4 | 0.0 | 0.3 |
| **Balance at December 31, 2010** | | **814.9** | **180.6** | **288.0** | **6.0** | **1,289.4** |
| **Depreciation and impairment losses** | | | | | | |
| **Balance at January 1, 2010** | | **374.2** | **123.9** | **162.9** | **0.0** | **661.0** |
| Disposals arising from final consolidations | | 3.4 | 12.0 | 1.8 | 0.0 | 17.3 |
| Additions | (7.5) | 27.3 | 19.0 | 40.3 | 0.0 | 86.6 |
| Disposals | | 11.4 | 1.7 | 26.6 | 0.0 | 39.6 |
| Transfers | | 0.0 | 0.1 | 0.6 | 0.0 | 0.6 |
| Reclassification pursuant to IAS 40 | | –12.8 | 0.0 | 0.0 | 0.0 | –12.8 |
| Currency translation differences | | 0.0 | 0.1 | –0.2 | 0.0 | –0.1 |
| **Balance at December 31, 2010** | | **373.8** | **129.4** | **175.2** | **0.0** | **678.5** |
| **Net carrying amount on January 1, 2010** | | **477.7** | **67.6** | **125.6** | **24.7** | **695.7** |
| **Net carrying amount on December 31, 2010** | | **441.0** | **51.1** | **112.8** | **6.0** | **610.9** |

| 2011 financial year EUR m | Note | Property and buildings | Technical plant and machinery | Other equipment, furniture and fittings | Prepayments and assets under construction | Total |
|---|---|---|---|---|---|---|
| **Historical costs** | | | | | | |
| **Balance at January 1, 2011** | | **814.9** | **180.6** | **288.0** | **6.0** | **1,289.4** |
| Additions | | 6.5 | 6.2 | 52.6 | 15.6 | 80.9 |
| Disposals | | 13.4 | 2.0 | 46.9 | 0.0 | 62.3 |
| Transfers | | 1.2 | 3.4 | 0.2 | –4.8 | 0.0 |
| Reclassification pursuant to IAS 40 | | –29.1 | 0.0 | 0.0 | 0.0 | –29.1 |
| Held for sale | | –4.1 | –1.0 | –5.6 | 0.0 | –10.7 |
| Currency translation differences | | –0.3 | 0.0 | –0.2 | 0.0 | –0.5 |
| **Balance at December 31, 2011** | | **775.7** | **187.2** | **288.1** | **16.8** | **1,267.7** |
| **Depreciation and impairment losses** | | | | | | |
| **Balance at January 1, 2011** | | **373.8** | **129.4** | **175.2** | **0.0** | **678.5** |
| Additions | (7.5) | 32.2 | 14.2 | 38.2 | 0.0 | 84.6 |
| Disposals | | 10.6 | 1.9 | 43.4 | 0.0 | 56.0 |
| Transfers | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reclassification pursuant to IAS 40 | | –21.9 | 0.0 | 0.0 | 0.0 | –21.9 |
| Held for sale | | –1.4 | –0.5 | –2.9 | 0.0 | –4.8 |
| Currency translation differences | | 0.0 | 0.0 | –0.1 | 0.0 | –0.2 |
| **Balance at December 31, 2011** | | **372.2** | **141.1** | **166.9** | **0.0** | **680.2** |
| **Net carrying amount on January 1, 2011** | | **441.0** | **51.1** | **112.8** | **6.0** | **610.9** |
| **Net carrying amount on December 31, 2011** | | **403.6** | **46.0** | **121.2** | **16.8** | **587.5** |

The net carrying amount of property, plant and equipment pledged as collateral amount to EUR 10.1m (Dec. 31, 2010: EUR 16.4m).

**Cross Border Lease**

In the 2002 business year, Österreichische Post AG (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 net carrying amount of the property, plant and equipment pledged as collateral totalled EUR 8.8m (Dec. 31, 2010: EUR 14.4m). The cross-border lease 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 market value by the end of term of the lease agreement, at least though at the end-of-term purchase option price.

Österreichische Post AG (Austrian Post) has assigned its obligation to pay the lease instalments, including an EBO (expected benefit obligation) payment if made, to two payment undertakers. For this purpose, Österreichische Post AG (Austrian Post) has paid USD 108.3m and the corresponding liabilities to the payment undertakers, who, for their part, have undertaken to pay the requisite amounts at the agreed upon dates on behalf of Österreichische Post AG (Austrian Post). Österreichische Post AG (Austrian Post) is faced with the residual risk of a claim in the event of the insolvency of the payment undertakers. Österreichische Post AG (Austrian Post) provided additional collateral in the form of securities due to the lower credit rating assigned to the payment undertakers.

At the balance sheet date, the rating of the two payment undertakers was as follows:

| | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|
| Standard & Poor's: | A+ (Positive) / AA– (Negative) | A+ (Stable) / AA– (Stable) |
| Moody's: | A1 (Stable) / Aa3 (Stable) | A1 (Positive) / Aa3 (Negative) |

At December 31, 2011, the outstanding amount to be paid by the payment undertakers totalled EUR 87.1m (December 31, 2010: EUR 84.9m).

The net present value benefit originally accruing to the company is carried under deferred income (December 31, 2011: EUR 4.8m; December 31, 2010: EUR 5.3m) and recognised in profit or loss over the term of the agreement.

## FINANCE LEASES

### NET CARRYING AMOUNTS AND USEFUL LIVES OF THE LEASED ASSETS

| EUR m | Useful lives in years | Carrying amount Dec. 31, 2010 | Carrying amount Dec. 31, 2011 |
|---|---|---|---|
| Property and buildings | 43 | 22.2 | 7.4 |
| Technical plant and machinery | 5–10 | 2.6 | 1.9 |
| Other equipment, furniture and fittings | 5–10 | 5.6 | 4.7 |

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

| EUR m | 2010 | 2011 |
|---|---|---|
| **Minimum lease payments** | | |
| Not later than one year | 6.0 | 3.5 |
| Later than one year and not later than five years | 11.2 | 9.6 |
| Later than five years | 2.0 | 0.0 |
| | **19.3** | **13.1** |
| Less: | | |
| **Future finance costs** | **–2.2** | **–1.6** |
| | | |
| **Present value of the minimum lease payments** | | |
| Not later than one year | 5.5 | 2.9 |
| Later than one year and not later than five years | 9.6 | 8.5 |
| Later than five years | 2.0 | 0.0 |
| | **17.1** | **11.5** |

The criteria underlying the classification as finance leases were primarily the present value and the lease maturity test. Furthermore, bargain purchase options existing at the end of the lease period as well as extension and price adjustment clauses were also taken into account.

For part of the lease contracts, payments are linked to a three-month EURIBOR. There were no such payments in connection with lease contracts in the 2011 financial year, as in the previous year.

## 8.4 INVESTMENT PROPERTY

| EUR m | Note | 2010 | 2011 |
|---|---|---|---|
| **Historical cost** | | | |
| **Balance at January 1** | | **105.7** | **105.2** |
| Additions | | 0.1 | 0.1 |
| Disposals | | 18.2 | 11.9 |
| Transfers | | 17.6 | 29.1 |
| **Balance at December 31** | | **105.2** | **122.5** |
| | | | |
| **Depreciation and impairment losses** | | | |
| **Balance at January 1** | | **68.7** | **71.3** |
| Additions | (7.5) | 4.0 | 4.2 |
| Disposals | | 14.2 | 7.7 |
| Transfers | | 12.8 | 21.9 |
| **Balance at December 31** | | **71.3** | **89.7** |
| **Net carrying amount on January 1** | | **37.0** | **33.9** |
| **Net carrying amount on December 31** | | **33.9** | **32.8** |

| EUR m | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|
| Fair value | 118.9 | 162.8 |
| Rental income | 11.7 | 11.8 |
| Expenses arising from property generating rental income | 3.2 | 3.1 |
| Expenses arising from property not generating rental income | 1.5 | 1.4 |

No external borrowing costs were capitalised in 2011, as in the previous financial year.

The income from rents and leases and operating expenses for leased properties only include income and expenses related to third parties. Intra-Group expenses and income are not included in the table above.

## 8.5 INVESTMENTS CONSOLIDATED AT EQUITY

| Composition of net carrying amounts<br>EUR m | Interest in % | Dec. 31, 2010 | Interest in % | Dec. 31, 2011 |
|---|---|---|---|---|
| D2D – direct to document GmbH, Wien | 30.0 | 3.8 | 30.0 | 0.0 |
| Eurodis GmbH, Weinheim | 59.4 | 0.1 | 59.4 | 0.1 |
| FEIPRO Vertriebs GesmbH, Gaweinstal | 50.0 | 0.3 | 50.0 | 0.3 |
| Kolos Marketing s.r.o., Nyrany | 10.0 | 0.0 | 10.0 | 0.0 |
| Mader Zeitschriftenverlagsgesellschaft m.b.H., Wien | 25.1 | 1.2 | – | – |
| MEILLERGHP GmbH, Schwandorf | 65.0 | 21.1 | 65.0 | 14.7 |
| OmniMedia Werbegesellschaft m.b.H., Wien | 21.0 | 0.9 | 21.0 | 0.3 |
| PostMaster s.r.l., București | – | – | 26.0 | 2.2 |
| | | **27.3** | | **17.5** |

MEILLERGHP GmbH is a joint venture pursuant to IAS 31 due to the contractually agreed rights of co-determination of Swiss Post. The shares in Kolos Marketing s.r.o. are consolidated at equity, due to the fact that the joint venture MEILLERGHP GmbH owns the remaining 90%.

| Reconciliation of net carrying amounts<br>EUR m | 2010 | 2011 |
|---|---|---|
| **Net carrying amount at January 1** | **8.3** | **27.3** |
| Addition arising from acquisitions | 0.0 | 2.1 |
| Addition arising from loss of controlling influence | 29.1 | 0.0 |
| Addition arising from shareholder contribution | 0.0 | 4.0 |
| Disposal arising from sale of investments consolidated at equity | 0.0 | –1.4 |
| Disposal arising from business combinations in stages | –2.9 | 0.0 |
| Impairment loss | 0.0 | –3.9 |
| Proportionate share of profit for the period | –7.0 | –8.9 |
| Dividends | –0.2 | –1.6 |
| Currency translation differences | 0.0 | –0.2 |
| **Net carrying amount at December 31** | **27.3** | **17.5** |

The addition arising from acquisition to the amount of EUR 2.1m relates to the purchase of PostMaster s.r.l., București. The addition arising from the shareholder contribution of more than EUR 4.0m relates to MEILLERGHP GmbH, Schwandorf.

The disposal arising from the sale of investments consolidated at equity of EUR 1.4m can be attributed to the sale of Mader Zeitschriftenverlagsgesellschaft m.b.H., Wien. The proceeds resulting from the sale amount to EUR 2.1m and are included in the results of investments consolidated at equity. The impairment loss of EUR 3.9m is derived from the valuation of D2D – direct to document GmbH, Wien.

The results of investments consolidated at equity amounting to EUR minus 10.6m (2010: EUR 1.0m) consist of the following:

| EUR m | 2010 | 2011 |
|---|---|---|
| Proportionate share of profit for the period | –7.0 | –8.9 |
| Proceeds from the disposal of Mader | – | 2.1 |
| Impairment loss D2D – direct to document GmbH | – | –3.9 |
| Final consolidations of meiller companies | –21.0 | – |
| Revaluation of shareholding in MEILLERGHP GmbH | 29.0 | – |
| **Share of profit/loss of investments consolidated at equity** | **1.0** | **–10.6** |

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

| EUR m | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|
| Assets | 10.1 | 7.4 |
| Liabilities | 7.5 | 6.5 |

| EUR m | 2010 | 2011 |
|---|---|---|
| Revenue | 28.9 | 31.7 |
| Profit for the period | 0.9 | 1.6 |

The following table presents an aggregate report containing financial information about the joint ventures of Austrian Post:

| EUR m | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|
| Non-current assets | 44.7 | 38.1 |
| Current assets | 26.2 | 16.2 |
| Non-current liabilities | 16.8 | 11.6 |
| Current liabilities | 41.3 | 38.4 |

| EUR m | 2010 | 2011 |
|---|---|---|
| Income | 65.9 | 101.0 |
| Expenses | 80.9 | 111.0 |

In addition to existing loans (EUR 16.6m) as well as existing contingent liabilities (EUR 4.4m) towards the joint venture MEILLERGHP GmbH, there is also a contractually stipulated financial obligation of EUR 4.9m (December 31, 2010: EUR 11.5m).

## 8.6 FINANCIAL INVESTMENTS IN SECURITIES

| December 31, 2010<br>EUR m | Carrying amount | Unrealised gains/ losses | Realised gains/ losses | Fair value<br>Due within 1 year | Due in more than 1 year | Total |
|---|---|---|---|---|---|---|
| **Available for sale securities** | | | | | | |
| Investment funds | 0.3 | 0.0 | 0.0 | 0.0 | 0.3 | 0.3 |
| Bond issues | 48.0 | –2.4 | 0.0 | 24.8 | 23.1 | 48.0 |
| | **48.3** | **–2.4** | **0.0** | **24.8** | **23.4** | **48.3** |

| December 31, 2011<br>EUR m | Carrying amount | Unrealised gains/ losses | Realised gains/ losses | Fair value<br>Due within 1 year | Due in more than 1 year | Total |
|---|---|---|---|---|---|---|
| **Available for sale securities** | | | | | | |
| Investment funds | 0.2 | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 |
| Bond issues | 33.9 | –6.6 | 0.0 | 12.1 | 21.9 | 33.9 |
| | **34.1** | **–6.6** | **0.0** | **12.1** | **22.1** | **34.1** |

The interest rates for the fixed interest securities are between 3.0% and 4.9% (December 31, 2010: 3.0% and 3.8%).

## 8.7 OTHER FINANCIAL ASSETS

| EUR m | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|
| **Available for sale financial instruments** | | |
| Strategic and other stakes | 40.6 | 40.6 |
| **Financial instruments valuated at the cost of acquisition** | | |
| Other stakes | 0.8 | 0.0 |
| | **41.4** | **40.6** |

On balance, the carrying amount of the strategic stake in BAWAG P.S.K. recognised as other financial assets as at December 31, 2011 is EUR 36.4m (December 31, 2010: EUR 36.4m), which corresponds to the present value.

## 8.8 INVENTORIES

| EUR m | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|
| Materials and consumables | 9.4 | 9.6 |
| Less write-downs | –4.5 | –5.1 |
| Unfinished goods | 0.0 | 0.0 |
| Retail products | 13.4 | 13.4 |
| Less write-downs | –2.1 | –3.5 |
| Services not yet invoiced | 0.0 | 0.0 |
| | **16.3** | **14.4** |

The carrying amount of inventories recognised at net realisable value amounted to EUR 0.2m (December 31, 2010: EUR 0.3m). Value adjustments were necessary, particularly due to their limited commercial utility or long periods of storage.

## 8.9 RECEIVABLES

The following table shows receivables after impairments:

| EUR m | Dec. 31, 2010 Term to maturity within 1 year | Dec. 31, 2010 Term to maturity of more than 1 year | Dec. 31, 2010 Total | Dec. 31, 2011 Term to maturity within 1 year | Dec. 31, 2011 Term to maturity of more than 1 year | Dec. 31, 2011 Total |
|---|---|---|---|---|---|---|
| Trade receivables | 250.9 | 0.0 | 250.9 | 255.8 | 0.0 | 255.8 |
| Receivables from investments consolidated at equity | 8.9 | 0.3 | 9.2 | 2.9 | 15.0 | 18.0 |
| Other receivables | 58.1 | 13.0 | 71.1 | 64.4 | 11.4 | 75.8 |
| | **317.9** | **13.3** | **331.1** | **323.2** | **26.4** | **349.6** |

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 2010 and 2011 financial years:

| EUR m | 2010 | 2011 |
|---|---|---|
| **Balance at January 1** | **17.5** | **17.1** |
| Change | –0.3 | 0.4 |
| **Balance at December 31** | **17.1** | **17.5** |

## 8.10 CASH AND CASH EQUIVALENTS

| EUR m | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|
| Bank balances | 27.2 | 22.6 |
| Short-term deposits (demand deposits) | 283.7 | 284.5 |
| Cash on hand | 2.2 | 3.4 |
| | **313.1** | **310.6** |

The average interest rate for demand deposits was 1.9% at December 31, 2011 (December 31, 2010: 1.2%).

The fair values correspond to the carrying amounts.

## 8.11 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

In the year 2011, Österreichische Post AG (Austrian Post) determined a plan to dispose of trans-o-flex Nederland B.V., Dordrecht, and trans-o-flex Belgium B.V.B.A., Turnhout, both of which are fully owned subsidiaries of Austrian Post.

Accordingly, the assets and liabilities of trans-o-flex Nederland B.V. and trans-o-flex Belgium B.V.B.A., which are assigned to the Parcel & Logistics Division, are classified as “Non-current assets held for sale and discontinued operations” as a disposal group pursuant to IFRS 5. Specified property, plant and equipment, cash and cash equivalents, financial liabilities as well as specified liabilities and provisions are excluded from this reclassification. Austrian Post assumes that the disposal will be concluded within the next three quarters.

Pursuant to IFRS 5, assets and liabilities of the disposal group will be reported separately from continuing operations in the balance sheet. Business transactions between the disposal group and the continuing operations of the Group companies are completely eliminated in accordance with IAS 27 “Consolidated and Separate Financial Statements”.

The following table shows the assets and liabilities of the disposal group as well as impairment losses:

| EUR m | Reclassification pursuant to IFRS 5 | Impairment losses/other provisions[1] | Total classification pursuant to IFRS 5 |
|---|---|---|---|
| Intangible assets | 0.1 | 0.1 | 0.0 |
| Property, plant and equipment | 5.9 | 3.2 | 2.8 |
| Investments consolidated at equity | 0.0 | 0.0 | 0.0 |
| Inventories | 0.2 | 0.2 | 0.0 |
| Receivables | 11.8 | 11.8 | 0.0 |
| **Total assets in the disposal group** | **17.9** | **15.2** | **2.8** |
| Non-current provisions | 0.3 | 0.0 | 0.3 |
| Deferred tax liabilities | 0.7 | 0.0 | 0.7 |
| Current provisions | 0.1 | 3.1 | 3.2 |
| Current liabilities | 6.4 | 0.0 | 6.4 |
| **Total liabilities in the disposal group** | **7.5** | **3.1** | **10.6** |

[1] Impairment losses/Other provisions are reported as other operating expenses.

## 8.12 CAPITAL AND RESERVES

**Capital and reserve items**
The share capital of Österreichische Post AG (Austrian Post) amounts to EUR 337.8m, which is split into 67,552,638 non-par value bearer shares with voting rights and entitled to participate in profits.

The number of shares outstanding, which are entitled to dividends, developed as follows during the 2011 financial year:

| | Shares |
|---|---|
| Balance at January 1, 2011 | 67,552,638 |
| **Balance at December 31, 2011** | **67,552,638** |
| **Weighted average number of shares in the 2011 financial year** | **67,552,638** |

The main shareholder of Österreichische Post AG (Austrian Post) is Österreichische Industrieholding AG (ÖIAG), Wien, the privatisation and industrial holding company, with a 52.8% shareholding based on the number of outstanding shares.

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 market value of hedging instruments. The item revaluation of available for sale 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 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 2011 financial year amounted to EUR 123.8m (2010: EUR 118.4m). 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 Österreichische Post AG (Austrian Post) at the balance sheet date on December 31, 2011. The profit shown in the balance totalled EUR 134.6m (2010: EUR 149.4m).

The Management Board will propose a dividend for the 2011 financial year totalling EUR 114.8m, corresponding to a basic dividend of EUR 1.70 per share (2010: EUR 108.1m, basic dividend of EUR 1.60 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.

Within the context of its dividend policy for the upcoming years, on the medium-term basis Austrian Post intends to continue its existing dividend policy based on a solid balance sheet structure and the generation of an appropriate cash flow. Assuming the continuation of the company's successful business development, Austrian Post will distribute at least 75% of the profit for the period (Group net profit) to its shareholders. The dividends should develop in line with the Group net profit.

The economic capital corresponds to the capital and reserves which are reported in the consolidated balance sheet. Taking the balance sheet total of EUR 1,668.3m as at December 31, 2011 as a basis (December 31, 2010: EUR 1,715.1m), the equity ratio as at December 31, 2011 amounts to 42.1% (December 31, 2010: 40.3%).

## 8.13 PROVISIONS

| EUR m | Dec. 31, 2010 Term to maturity within 1 year | Term to maturity of more than 1 year | Total | Dec. 31, 2011 Term to maturity within 1 year | Term to maturity of more than 1 year | Total |
|---|---|---|---|---|---|---|
| Provisions for termination benefits | 0.0 | 79.1 | 79.1 | 0.0 | 80.2 | 80.2 |
| Provisions for pensions | 0.0 | 2.4 | 2.4 | 0.0 | 2.4 | 2.4 |
| Provisions for jubilee benefits | 0.0 | 95.6 | 95.6 | 0.0 | 94.3 | 94.3 |
| Other employee provisions | 97.4 | 231.8 | 329.2 | 87.9 | 214.7 | 302.6 |
| Other provisions | 37.8 | 5.7 | 43.5 | 44.9 | 5.1 | 50.0 |
| | **135.1** | **414.6** | **549.7** | **132.8** | **396.7** | **529.5** |

### 8.13.1 PROVISIONS FOR TERMINATION BENEFITS, PENSIONS AND JUBILEE BENEFITS

| 2010 financial year EUR m | Termination benefits | Pensions | Jubilee benefits | Total |
|---|---|---|---|---|
| **Present value of the obligation at January 1, 2010** | **72.9** | **5.4** | **93.7** | **171.9** |
| Disposals arising from final consolidations | 0.0 | –3.3 | –0.2 | –3.4 |
| Current service cost | 5.2 | 0.1 | 4.9 | 10.1 |
| Interest expense | 3.6 | 0.3 | 4.6 | 8.5 |
| Actuarial gains/losses | 4.8 | 0.3 | –1.0 | 4.1 |
| Actual payments | –7.4 | –0.3 | –6.4 | –14.1 |
| **Present value of the obligation at December 31, 2010** | **79.1** | **2.4** | **95.6** | **177.1** |

| 2011 financial year EUR m | Termination benefits | Pensions | Jubilee benefits | Total |
|---|---|---|---|---|
| **Present value of the obligation at January 1, 2011** | **79.1** | **2.4** | **95.6** | **177.1** |
| Current service cost | 5.4 | 0.1 | 4.9 | 10.4 |
| Interest expense | 3.5 | 0.1 | 4.1 | 7.7 |
| Actuarial gains/losses | –0.7 | 0.0 | –4.4 | –5.1 |
| Actual payments | –7.1 | –0.2 | –5.9 | –13.2 |
| **Present value of the obligation at December 31, 2011** | **80.2** | **2.4** | **94.3** | **176.9** |

Expenses for termination benefits, pensions and jubilee benefits are included in staff costs, with the exception of the interest expense, which is included in the financial result.

The following table shows the current value of provisions for termination benefits, pensions and jubilee benefits over the last five years:

| EUR m | Termination benefits | Pensions | Jubilee benefits | Total |
|---|---|---|---|---|
| December 31, 2007 | 68.6 | 5.4 | 92.5 | 166.5 |
| December 31, 2008 | 69.0 | 5.3 | 91.4 | 165.8 |
| December 31, 2009 | 72.9 | 5.4 | 93.7 | 171.9 |
| December 31, 2010 | 79.1 | 2.4 | 95.6 | 177.1 |
| December 31, 2011 | 80.2 | 2.4 | 94.3 | 176.9 |

The following table shows the actuarial adjustments – gains (-) and losses (+) – in percentage points of the present value of the obligation (as at December 31, 2011) for termination benefits, pensions and jubilee benefits for the 2011 financial year. For the 2007 to 2009 financial years the entire actuarial gains (-) and losses (+) are calculated in percentage points for the present value of the obligation (as at December 31, 2010) for termination benefits, pension and jubilee benefit provisions.

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| Termination benefits | –0.1% | 1.6% | 2.1% | –1.1% | –0.9% |
| Pensions | –2.8% | 1.5% | 0.0% | 0.0% | 0.0% |
| Jubilee benefits | –1.3% | –3.3% | –1.5% | –5.6% | –4.6% |

### 8.13.2 OTHER PROVISIONS FOR EMPLOYEES

| **2010 financial year**<br>**EUR m** | Employee under-utilisation | Other employee-related provisions | Total |
|---|---|---|---|
| **Balance at January 1, 2010** | **285.6** | **74.5** | **360.2** |
| Disposals arising from final consolidations | 0.0 | –3.2 | –3.2 |
| Transfer | –12.0 | 0.2 | –11.8 |
| Allocation | 19.5 | 67.7 | 87.2 |
| Use | –17.8 | –50.7 | –68.5 |
| Reversals | –44.4 | –4.3 | –48.7 |
| Accrued interest | 13.1 | 1.0 | 14.1 |
| **Balance at December 31, 2010** | **244.1** | **85.1** | **329.2** |

| **2011 financial year**<br>**EUR m** | Employee under-utilisation | Other employee-related provisions | Total |
|---|---|---|---|
| **Balance at January 1, 2011** | **244.1** | **85.1** | **329.2** |
| Transfer | –13.5 | –0.1 | –13.6 |
| Allocation | 71.7 | 51.6 | 123.3 |
| Use | –22.7 | –56.9 | –79.6 |
| Reversals | –49.6 | –13.8 | –63.4 |
| Accrued interest | 9.1 | 0.7 | 9.8 |
| Held for sale | 0.0 | –3.1 | –3.1 |
| **Balalance at December 31, 2011** | **239.0** | **63.6** | **302.6** |

Other provisions for employees encompass provisions for under-utilisation and other employee-related provisions.

Provisions of EUR 71.7m were allocated for employee under-utilisation in the 2011 financial year on the basis of ongoing internal organisational processes designed to adjust capacities to changing market conditions. In particular, provisions amounting to EUR 14.1m were allocated for Austrian Post employees who transfer to various federal ministries and whose staff costs will be refunded by Austrian Post for a specified time.

The reclassification of EUR 13.5m in the 2011 financial year (2010: EUR 12.0m) related to liabilities for those employees who permanently transferred to the federal public service.

Those employees, who were no longer involved in the working process, continued to take advantage of opportunities offered by Austrian Post (voluntary termination benefits, stop-gap measures in line with the social plan, retirement pursuant to Section 14 Public Sector Employment Law) to leave the company, and a number of employees were reintegrated into the working process. As a result, a total of EUR 49.6m in provisions for employee under-utilisation were reversed.

The other employee-related provisions largely related to provisions for employee profit-sharing schemes, other performance-related bonuses and other outstanding employee entitlements.

Other employee-related provisions are included provisions totalling EUR 4.8m for the stop-gap measures in line with the social plan as well as provisions of EUR 5.9m for restructuring, which primarily related to planned personnel adjustments in the Branch Network Division.

### 8.13.3 OTHER PROVISIONS

| **2010 financial year EUR m** | **Services not yet rendered** | **Other** | **Total** |
|---|---|---|---|
| **Balance at January 1, 2010** | **21.2** | **17.2** | **38.4** |
| Disposals arising from final consolidations | 0.0 | –1.1 | –1.1 |
| Transfer | 0.0 | 0.3 | 0.3 |
| Allocation | 21.8 | 9.4 | 31.2 |
| Use | –21.2 | –3.0 | –24.2 |
| Reversals | 0.0 | –1.2 | –1.2 |
| Accrued interest | 0.0 | 0.1 | 0.1 |
| Currency translation | 0.0 | 0.0 | 0.0 |
| **Balance at December 31, 2010** | **21.8** | **21.6** | **43.5** |

| **2011 financial year EUR m** | **Services not yet rendered** | **Other** | **Total** |
|---|---|---|---|
| **Balance at January 1, 2011** | **21.8** | **21.6** | **43.5** |
| Allocation | 26.0 | 12.7 | 38.7 |
| Use | –21.8 | –8.8 | –30.6 |
| Reversals | 0.0 | –1.3 | –1.4 |
| Accrued interest | 0.0 | 0.1 | 0.1 |
| Held for sale | 0.0 | –0.4 | –0.4 |
| Currency translation | 0.0 | 0.0 | 0.0 |
| **Balance at December 31, 2011** | **26.0** | **23.9** | **50.0** |

The provisions for services not yet provided encompass the elimination of orders for services not yet provided as at December 31, 2011 as well as outstanding customer prepayments for stamps and frankings as at December 31, 2011, for which Austrian Post had not yet provided corresponding services as at the balance sheet date.

The item 'Other provisions' mainly related to provisions for legal expenses, legal, auditing and consulting fees as well as provisions for damages. The item 'Other provisions' also included a provision of EUR 7.9m for the replacement of the cluster box units as legally stipulated in the Postal Market Act 2011.

## 8.14 TAX PROVISIONS

| EUR m | 2010 | 2011 |
|---|---|---|
| **Balance at January 1** | **33.9** | **25.0** |
| Allocation | 2.1 | 11.4 |
| Use | –10.9 | –23.1 |
| Reversals | 0.0 | –0.5 |
| **Balance at December 31** | **25.0** | **12.7** |

## 8.15 FINANCIAL LIABILITIES

| EUR m | Dec. 31, 2010 | | | Dec. 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Term to maturity within 1 year | Term to maturity of more than 1 year | Total | Term to maturity within 1 year | Term to maturity of more than 1 year | Total |
| Borrowings from banks | 4.9 | 12.2 | 17.0 | 5.0 | 9.4 | 14.4 |
| ABCP programme liabilities and factoring | 44.6 | 0.0 | 44.6 | 2.6 | 0.0 | 2.6 |
| Finance lease liabilities | 5.0 | 12.0 | 17.0 | 2.9 | 8.5 | 11.5 |
| Derivative financial instruments | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 |
| Other financial liabilities | 0.0 | 0.5 | 0.5 | 0.1 | 0.5 | 0.6 |
| | **54.5** | **24.6** | **79.1** | **10.6** | **18.6** | **29.2** |

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

| EUR m | Fair value Dec. 31, 2010 | Effective interest rate 2010 | Fair value Dec. 31, 2011 | Effective interest rate 2011 |
|---|---|---|---|---|
| Borrowings from banks | | | | |
| Fixed interest borrowings | 13.1 | 3.41% | 12.6 | 2.1%–3.6% |
| Variable interest borrowings | 4.9 | 0.25%–3.5% | 2.9 | 6.0% |
| | **18.0** | | **15.4** | |
| ABCP programme liabilities and factoring | 44.6 | 1.78%–3.18% | 2.6 | 2.5%–3.0% |
| Finance lease liabilities | 17.2 | 3.75%–10.79% | 11.5 | 1.9%–11.4% |
| Derivative financial instruments | 0.0 | n. a. | 0.2 | 3.2% |
| Other financial liabilities | 0.5 | 3.00% | 0.6 | 3.0%–4.8% |
| | **80.3** | | **30.3** | |

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.

In 2006, Austrian Post assumed an Asset Backed Commercial Paper (ABCP) programme during 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 (December 31, 2010: EUR 41.7m) were sold to a special purpose entity not affiliated with Austrian Post. In the consolidated financial statements, the sold and assigned trade receivables continued to be reported as trade receivables due to the remaining economic risk. The amounts stipulated in the ABCP programme (December 31, 2010: EUR 42.4m) were reported as current liabilities. This Asset Backed Commercial Paper Programme expired in August 2011.

In the 2010 financial year, trans-o-flex Belgium B.V.B.A. concluded a factoring agreement. The sold receivables on the balance sheet date amounted to EUR 3.9m (December 31, 2010: EUR 3.7m). The sold and assigned trade receivables will continue to be reported as trade receivables due to the remaining economic risk. The EUR 2.6m (December 31, 2010: EUR 2.2m) received from the factoring bank will be reported as current liabilities together with the ABCP programme.

## 8.16 PAYABLES

| | Dec. 31, 2010 | | | Dec. 31, 2011 | | |
|---|---|---|---|---|---|---|
| **EUR m** | **Term to maturity within 1 year** | **Term to maturity of more than 1 year** | **Total** | **Term to maturity within 1 year** | **Term to maturity of more than 1 year** | **Total** |
| Trade payables | 210.5 | 0.0 | 210.5 | 202.6 | 0.0 | 202.6 |
| Payables to investments consolidated at equity | 1.4 | 0.0 | 1.4 | 2.2 | 0.0 | 2.2 |
| Payables on unused holidays | 46.3 | 0.0 | 46.3 | 47.9 | 0.0 | 47.9 |
| Other payables | 72.1 | 25.9 | 98.1 | 93.8 | 25.2 | 119.1 |
| | **330.3** | **25.9** | **356.2** | **346.6** | **25.2** | **371.8** |

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

## 8.17 INCOME TAX

| **EUR m** | **2010** | **2011** |
|---|---|---|
| Income tax expense for the current year | 37.7 | 44.1 |
| Tax credits or tax arrears from prior tax years | 0.4 | –0.1 |
| Changes in deferred tax | –7.8 | –4.7 |
| | **30.3** | **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, 2010 | Dec. 31, 2011 |
|---|---|---|
| **Deferred tax assets arising from temporary differences** | | |
| Intangible assets | 0.0 | 0.1 |
| Goodwill | 0.5 | 0.3 |
| Financial assets | 19.9 | 32.0 |
| Provisions | 23.9 | 17.0 |
| Financial liabilities | 0.4 | 0.5 |
| | **44.6** | **50.0** |
| **Deferred tax liabilities arising from temporary differences** | | |
| Customer relationships | –5.5 | –3.8 |
| Trademarks | –7.2 | –7.1 |
| Other intangible assets | –0.1 | 0.0 |
| Property, plant and equipment | –6.4 | –5.3 |
| Inventories | –0.1 | –0.1 |
| Receivables | –0.9 | –0.8 |
| Liabilities | –0.1 | –0.1 |
| | **–20.2** | **–17.2** |
| **Deferred tax arising from tax loss carry-forwards** | **11.3** | **9.4** |
| **Total net deferred tax** | **35.7** | **42.2** |
| Deferred tax assets | 49.9 | 54.6 |
| Deferred tax liabilities | –14.2 | –12.4 |
| **Total net deferred tax** | **35.7** | **42.2** |

The following deferred tax assets were not recognised:

| EUR m | Dec. 31, 2010 | Dec. 31, 2011 |
|---|---|---|
| **Deferred tax assets on:** | | |
| Unused tax loss carry-forwards | 20.4 | 13.0 |
| Other valuation differences | 1.0 | 0.8 |

The development and the breakdown of all 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 |
|---|---|---|
| **Balance at January 1, 2010** | **43.2** | **15.4** |
| **Changes affecting net income** | **7.0** | **–0.8** |
| **Changes recognised directly in equity** | | |
| Available for sale securities | –0.4 | 0.0 |
| Hedging | 0.1 | 0.0 |
| Disposals arising from final consolidations | 0.0 | –0.4 |
| | **–0.3** | **–0.4** |
| **Balance at December 31, 2010** | **49.9** | **14.2** |
| | | |
| **Balance at January 1, 2011** | **49.9** | **14.2** |
| **Changes affecting net income** | **3.6** | **–1.8** |
| **Changes recognised directly in equity** | | |
| Available for sale securities | 1.0 | 0.0 |
| | **1.0** | **0.0** |
| **Balance at December 31, 2011** | **54.6** | **12.4** |

## RECONCILIATION OF DEFERRED TAX EXPENSE

| EUR m | 2010 | 2011 |
|---|---|---|
| **Profit before tax** | **148.7** | **163.1** |
| **Expected taxes on income** | **37.2** | **40.8** |
| | | |
| **Tax deductions due to** | | |
| Impairments losses / future reversals | –12.3 | –15.3 |
| Adjustments to foreign tax rates | –0.4 | –1.2 |
| Other tax reducing items | –2.8 | –4.0 |
| | **–15.5** | **–20.4** |
| **Tax increase due to** | | |
| Impairment losses on goodwill | 0.5 | –0.6 |
| Tax-free dividends and investment income | –0.3 | 2.3 |
| Other tax increasing items | 2.6 | 4.6 |
| | **2.9** | **12.5** |
| **Income tax expense for the period** | **24.5** | **32.9** |
| Income tax expense/income from prior years | 0.4 | –0.1 |
| Change in unrecognised deferred tax assets arising from carry-forwards | 5.4 | 6.4 |
| **Current tax expense** | **30.3** | **39.3** |

# 9. OTHER DISCLOSURES

## 9.1 CASH FLOW DISCLOSURES

Cash and cash equivalents encompass cash in hand and demand deposits. Cash equivalents correspond to current, highly liquid financial investments, which can be converted into specified cash amounts at any time and are only subject to immaterial fluctuations in value.

The following additional disclosures to the consolidated cash flow statement are provided:

**Cash payments relating to the acquisition and divestments of subsidiaries**
The cash flow arising from the acquisition and divestments of subsidiaries is comprised of the following:

| EUR m | 2010 | 2011 |
|---|---|---|
| **Acquisition of subsidiaries** | | |
| Purchase prices | | |
| Acquisition date in the current financial year | –2.4 | 0.0 |
| Acquisition date in previous years | –1.2 | –0.4 |
| | **–3.6** | **–0.4** |
| Cash and cash equivalents acquired | 0.9 | 0.0 |
| | **–2.6** | **–0.4** |
| **Divestments** | | |
| Divested cash and cash equivalents | –9.8 | 0.0 |
| | **–9.8** | **0.0** |
| **Total** | **–12.5** | **–0.4** |

**Other non-cash transactions**
The other non-cash transactions neutralised in the operating cash flow from changes in working capital are comprised of the following:

| EUR m | 2010 | 2011 |
|---|---|---|
| Non-cash expenses pursuant to IFRS 5 | 0.0 | 18.3 |
| Results from final consolidations | 0.8 | 3.3 |
| Valuation of loans granted | 0.0 | 4.4 |
| Other | 0.0 | 1.5 |
| **Total** | **0.8** | **27.5** |

**Sundry non-cash transactions**
The initial recognition of assets and financial liabilities resulting from financial lease contracts first concluded in the 2011 financial year amounting to EUR 3.4m as at December 31, 2011 (December 31, 2010: EUR 1.6m) did not lead to any change in the cash flow from investing activities due to the fact that these represent non-cash transactions. The subsequent leasing payments will be reported in the cash flow from financing activities.

## 9.2 FINANCIAL INSTRUMENTS

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

### 9.2.1 FINANCIAL ASSETS

The following table shows the carrying amounts of the financial assets in the 2010 and 2011 financial years:

| Financial assets EUR m | Available for sale (fair value) | Available for sale (at cost) | Loans and receivables | Hedging | Cash and cash equivalents | Carrying amount |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2010** | | | | | | |
| Securities | 48.3 | 0.0 | 0.0 | 0.0 | 0.0 | 48.3 |
| Trade receivables | 0.0 | 0.0 | 250.9 | 0.0 | 0.0 | 250.9 |
| Receivables from investments consolidated at equity | 0.0 | 0.0 | 9.2 | 0.0 | 0.0 | 9.2 |
| Derivative financial assets | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 |
| Other receivables | 0.0 | 0.0 | 31.0 | 0.0 | 0.0 | 31.0 |
| Strategic stakes and other investments | 40.6 | 0.8 | 0.0 | 0.0 | 0.0 | 41.4 |
| Cash and cash equivalents | 0.0 | 0.0 | 0.0 | 0.0 | 313.1 | 313.1 |
| | **88.9** | **0.8** | **291.0** | **0.3** | **313.1** | **694.1** |
| Other sundry assets | | | | | | 39.8 |
| | **88.9** | **0.8** | **291.0** | **0.3** | **313.1** | **733.9** |

| Financial assets EUR m | Available for sale (fair value) | Available for sale (at cost) | Loans and receivables | Hedging | Cash and cash equivalents | Carrying amount |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2011** | | | | | | |
| Securities | 34.1 | 0.0 | 0.0 | 0.0 | 0.0 | 34.1 |
| Trade receivables | 0.0 | 0.0 | 255.8 | 0.0 | 0.0 | 255.8 |
| Receivables from investments consolidated at equity | 0.0 | 0.0 | 18.0 | 0.0 | 0.0 | 18.0 |
| Derivative financial assets | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.2 |
| Other receivables | 0.0 | 0.0 | 31.2 | 0.0 | 0.0 | 31.2 |
| Strategic stakes and other investments | 40.6 | 0.0 | 0.0 | 0.0 | 0.0 | 40.6 |
| Cash and cash equivalents | 0.0 | 0.0 | 0.0 | 0.0 | 310.6 | 310.6 |
| | **74.8** | **0.0** | **305.0** | **0.2** | **310.6** | **690.5** |
| Other sundry assets | | | | | | 44.5 |
| | **74.8** | **0.0** | **305.0** | **0.2** | **310.6** | **735.0** |

### 9.2.2 FINANCIAL LIABILITIES

The following table shows the carrying amounts of financial liabilities for the 2010 and 2011 financial years:

| Financial liabilities EUR m | Recognised at amortised cost | Finance leases | Hedging | Carrying amount |
|---|---|---|---|---|
| **Balance at December 31, 2010** | | | | |
| Interest bearing financial liabilities | 61.6 | 17.0 | 0.0 | 78.6 |
| Other non-current financial liabilities | 0.5 | 0.0 | 0.0 | 0.5 |
| Trade payables | 210.5 | 0.0 | 0.0 | 210.5 |
| Liabilities to investments consolidated at equity | 1.4 | 0.0 | 0.0 | 1.4 |
| Other liabilities | 24.5 | 0.0 | 0.0 | 24.5 |
| | **298.5** | **17.0** | **0.0** | **315.4** |
| Other sundry liabilities | | | | 119.8 |
| | **298.5** | **17.0** | **0.0** | **435.3** |

| Financial liabilities EUR m | Recognised at amortised cost | Finance leases | Hedging | Carrying amount |
|---|---|---|---|---|
| **Balance at December 31, 2011** | | | | |
| Interest bearing financial liabilities | 17.1 | 11.5 | 0.0 | 28.6 |
| Other non-current financial liabilities | 0.5 | 0.0 | 0.0 | 0.5 |
| Trade payables | 202.6 | 0.0 | 0.0 | 202.6 |
| Liabilities to investments consolidated at equity | 2.2 | 0.0 | 0.0 | 2.2 |
| Derivative financial liabilities | 0.0 | 0.0 | 0.2 | 0.2 |
| Other liabilities | 23.8 | 0.0 | 0.0 | 23.8 |
| | **246.2** | **11.5** | **0.2** | **257.9** |
| Other sundry liabilities | | | | 143.2 |
| | **246.2** | **11.5** | **0.2** | **401.1** |

### 9.2.3 FAIR VALUE HIERARCHY

The following table presents financial instruments whose subsequent measurements are to be carried out at fair value. These fair value measurements are classified according to three levels, depending on the extent of applicability of the fair values:

**Level 1:** Fair value measurements arising from quoted prices (unadjusted) in active markets for identical financial assets or liabilities.

**Level 2:** Fair value measurements based on parameters other than quoted prices included within Level 1 (data) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Fair value measurements arising from models using parameters for the valuation of assets or liabilities, which are not based on applicable market data (unapplicable inputs).

| EUR m | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Balance at December 31, 2010** | | | | |
| **Financial assets in the category "Recognised at fair value through profit or loss"** | | | | |
| Derivative financial assets | 0.3 | 0.0 | 0.0 | 0.3 |
| **Financial assets in the category "Available for sale"** | | | | |
| Securities | 48.3 | 0.0 | 0.0 | 48.3 |
| Strategic stakes and other investments | 0.0 | 0.0 | 40.6 | 40.6 |

| EUR m | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Balance at December 31, 2011** | | | | |
| **Financial assets in the category "Recognised at fair value through profit or loss"** | | | | |
| Derivative financial assets | 0.2 | 0.0 | 0.0 | 0.2 |
| **Financial assets in the category "Available for sale"** | | | | |
| Securities | 34.1 | 0.0 | 0.0 | 34.1 |
| Strategic stakes and other investments | 0.0 | 0.0 | 40.6 | 40.6 |
| **Financial liabilities in the category "Recognised at fair value through profit or loss"** | | | | |
| Other derivative financial liabilities | –0.2 | 0.0 | 0.0 | –0.2 |

No transfers between the Levels 1 and 2 took place during the year under review.

The reconciliation of Level 3 measurements at fair value applying to financial assets for the 2010 and 2011 financial years was as follows:

| EUR m | Available for sale 2010 | Available for sale 2011 |
|---|---|---|
| **Opening balance January 1** | **40.6** | **40.6** |
| Total gains and losses | 0.0 | 0.0 |
| Recognised through profit or loss under Other financial result | 0.0 | 0.0 |
| **Closing balance December 31** | **40.6** | **40.6** |

### 9.2.4 DERIVATIVE FINANCIAL INSTRUMENTS

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

| EUR m | Dec. 31, 2010 Nominal (base value) | Dec. 31, 2010 Market value | Dec. 31, 2011 Nominal (base value) | Dec. 31, 2011 Market value |
|---|---|---|---|---|
| **Other derivative financial instruments** | | | | |
| Structured interest rate swaps | 5.0 | 0.3 | 8.0 | –0.1 |
| Structured interest rate caps | 2.0 | 0.0 | 38.1 | 0.0 |
| | | **0.3** | | **0.0** |

Austrian Post has concluded interest rate swaps with an average term to maturity of 7.0 years as a means of reducing the interest rate risk of interest bearing securities and financial liabilities.

The fixed interest rates on the interest to be paid ranged between 1.7% and 4.8% as at December 31, 2011 (December 31, 2010: 3.0% to 3.8%).

The average variable interest rates, which may be subject to significant changes during the terms of the swap contracts, are linked to interbank interest rates.

The market value of various derivative financial instruments 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 to be taken of current market conditions as well as current interest rate levels, and the creditworthiness of the counterparties.

Furthermore, Austrian Post concluded an interest rate cap for an investment loan with a remaining term to maturity of 3.5 years as well as an interest rate cap to limit the interest of Group financial liabilities with a remaining term to maturity of 2.5 years.

### 9.2.5 NET GAINS AND LOSSES

The following table shows the net gains and losses as contained in the consolidated income statements for the 2010 and 2011 financial years:

| EUR m | 2010 | 2011 |
|---|---|---|
| Available for sale financial assets | | |
| Income from dividends and securities | 0.7 | 1.0 |
| Proceeds from the disposal of securities and other shareholdings | 0.0 | –0.7 |
| | **0.7** | **0.3** |
| Financial assets and liabilities recognised at fair value through profit or loss | 0.0 | –0.4 |
| Financial liabilities recognised at amortised cost | –0.8 | –0.6 |
| Loans and receivables | 0.0 | –0.1 |
| | **–0.9** | **–1.1** |
| | **–0.1** | **–0.8** |

In the 2010 financial year, the entire net gains of EUR 0.7m were recognised directly in the income statement. In the 2011 financial year, the net losses from the disposal of financial assets available for sale amounting to EUR 0.1m were taken from the reserve for the revaluation of held-for-sale financial instruments and the net gains of EUR 0.3m were reported directly in the income statement.

The result of financial assets and liabilities recognised at fair value through profit or loss corresponds to the gains/losses from the valuation and the disposal of derivative financial instruments.

### 9.2.6 TOTAL INTEREST INCOME AND EXPENSE

The total interest income and expenses for financial assets and liabilities excluding the financial instruments at fair value through profit or loss are presented as follows:

| EUR m | 2010 | 2011 |
|---|---|---|
| Interest income from cash and cash equivalents | 2.5 | 4.3 |
| Other interest income | 0.0 | 0.7 |
| | **2.5** | **5.0** |
| | | |
| Interest expense for loans and borrowings | 2.0 | 1.3 |
| Other interest expense | 1.7 | 2.2 |
| | **3.7** | **3.4** |

## 9.3 RISKS AND RISK MANAGEMENT

### 9.3.1 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 subject 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, 2010 and December 31, 2011:

| December 31, 2010<br>EUR m | Carrying amount | Gross cash flow | Term to maturity<br>Within 1 year | 1–5 years | More than 5 years |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Borrowings from banks (fixed interest) | 12.1 | 13.1 | 2.8 | 10.4 | 0.0 |
| Borrowings from banks (variable interest) | 4.9 | 5.0 | 3.9 | 1.1 | 0.0 |
| ABCP programme and factoring liabilities | 44.6 | 44.6 | 44.6 | 0.0 | 0.0 |
| Finance lease liabilities | 17.0 | 19.8 | 6.2 | 11.6 | 2.0 |
| Other financial liabilities (excl. derivatives) | 0.5 | 0.5 | 0.5 | 0.0 | 0.0 |
| | **79.1** | **83.1** | **57.9** | **23.1** | **2.0** |
| **Liabilities – financial instruments** | | | | | |
| Trade payables | 210.5 | 210.5 | 210.5 | 0.0 | 0.0 |
| Liabilities to investments consolidated at equity | 1.4 | 1.4 | 1.4 | 0.0 | 0.0 |
| Other liabilities – financial instruments | 24.5 | 24.5 | 22.1 | 0.6 | 1.8 |
| | **236.4** | **236.4** | **234.0** | **0.6** | **1.8** |
| **Total financial liabilities** | **315.4** | **319.4** | **291.9** | **23.7** | **3.9** |
| Other sundry liabilities | 119.8 | 120.0 | 103.2 | 16.8 | 0.0 |
| **Total liabilities** | **435.3** | **439.5** | **395.1** | **40.5** | **3.9** |

| December 31, 2011<br>EUR m | Carrying amount | Gross cash flow | Term to maturity<br>Within 1 year | <br>1–5 years | <br>More than 5 years |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Borrowings from banks (fixed interest) | 11.5 | 12.6 | 2.3 | 10.2 | 0.0 |
| Borrowings from banks (variable interest) | 2.9 | 2.9 | 2.9 | 0.0 | 0.0 |
| Factoring liabilities | 2.6 | 2.6 | 2.6 | 0.0 | 0.0 |
| Finance lease liabilities | 11.5 | 13.1 | 3.5 | 9.6 | 0.0 |
| Derivative financial liabilities | 0.2 | 0.2 | 0.0 | 0.0 | 0.2 |
| Other financial liabilities (excl. derivatives) | 0.6 | 0.6 | 0.6 | 0.0 | 0.0 |
| | **29.2** | **31.9** | **11.9** | **19.8** | **0.2** |
| **Liabilities – financial instruments** | | | | | |
| Trade payables | 202.6 | 202.6 | 202.6 | 0.0 | 0.0 |
| Liabilities to investments consolidated at equity | 2.2 | 2.2 | 2.2 | 0.0 | 0.0 |
| Other liabilities – financial instruments | 23.8 | 23.8 | 22.3 | 0.5 | 1.0 |
| | **228.6** | **228.6** | **227.2** | **0.5** | **1.0** |
| **Total financial liabilities** | **257.9** | **260.5** | **239.0** | **20.3** | **1.2** |
| Other sundry liabilities | 143.2 | 143.3 | 119.7 | 23.5 | 0.0 |
| **Total liabilities** | **401.1** | **403.8** | **358.8** | **43.9** | **1.2** |

**Credit/counterparty/product/payment undertaker 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 the 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. The security portfolio consists solely of securities on investor grade level. 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 undertakers were financial institutions with top credit ratings (qualified issuer). In the case of the equity payment undertaker, minimum ratings were stipulated. If the ratings fall below these defined levels, the payment undertaker 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 undertaker, a quarterly evaluation of the ratings of the payment undertaker is made as well as the ratings of comparable financial institutions. In addition, at every balance sheet date, the payment undertaker is required to confirm that the transaction has been carried out, as planned and to disclose the remaining payment instalments.

The delinquency structure for receivables in the 2010 and 2011 financial years is as follows:

| EUR m | Note | Not overdue | Overdue within 1 year | Overdue in more than 1 year | Total |
|---|---|---|---|---|---|
| **Balance at December 31, 2010** | | | | | |
| **Carrying amount before impairment (financial instruments)** | | **256.5** | **40.1** | **11.9** | **308.5** |
| Less: individual valuation adjustments | | 1.9 | 3.7 | 10.5 | 16.2 |
| Less: collective valuation adjustments | | 0.9 | 0.1 | 0.0 | 0.9 |
| **Carrying amount after impairment (financial instruments)** | | **253.7** | **36.3** | **1.4** | **291.4** |
| **Carrying amount of other receivables** | | | | | **39.8** |
| | (8.9) | | | | **331.1** |

| EUR m | Note | Not overdue | Overdue within 1 year | Overdue in more than 1 year | Total |
|---|---|---|---|---|---|
| **Balance at December 31, 2011** | | | | | |
| **Carrying amount before impairment (financial instruments)** | | **280.9** | **28.7** | **12.9** | **322.5** |
| Less: individual valuation adjustments | | 0.8 | 2.6 | 12.7 | 16.1 |
| Less: collective valuation adjustments | | 1.0 | 0.1 | 0.0 | 1.1 |
| **Carrying amount after impairment (financial instruments)** | | **279.1** | **26.0** | **0.2** | **305.3** |
| **Carrying amount of other receivables** | | | | | **44.3** |
| | (8.9) | | | | **349.6** |

**Interest rate risk**

Interest rate risk is the risk of changes in the value of financial instruments, other balance sheet items or interest payment streams 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 and liabilities 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 and interest rate caps. 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 Notes 8.6 investments in securities and 8.7 other financial assets to the consolidated financial statements. Detailed information on financial liabilities is presented in Note 8.15 financial liabilities.

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

| EUR m | Market price +1% point | Market price –1% point |
|---|---|---|
| **2010 financial year** | | |
| Other financial result | 3.2 | –3.2 |
| **2011 financial year** | | |
| Other financial result | 3.4 | –3.4 |

**Foreign exchange risk**
Foreign exchange risk refers to potential losses arising from the market changes in connection with fluctuations in exchange rates.

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.

### 9.3.2 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 and accounting of financial transactions separate, electronic data storage).

## 9.4 OTHER COMMITMENTS

Other financial commitments chiefly arise from operating rental and lease agreements with respect to buildings used in the production or supply of goods and services. There are also operating rental and lease agreements for technical plant and machinery, furniture and fixtures.

The future minimum leasing payments in the 2010 and 2011 financial years arising from operating lease and rental agreements which cannot be terminated before the end of the respective maturity period comprise the following:

| EUR m | 2010 | 2011 |
|---|---|---|
| Not later than one year | 49.1 | 52.2 |
| Later than one year and not later than five years | 137.1 | 143.9 |
| Later than five years | 174.7 | 156.9 |
| | **360.9** | **353.1** |

The main rental and leasing agreements for buildings used in the production or supply of goods and 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. Austrian Post entered into non-terminable rental and leasing agreements with future minimum lease payments of EUR 0.1m (2010: EUR 2.6m).

In the 2011 financial year, a total of EUR 51.2m (2010: EUR 51.7m) in payments within the context of operating rental and lease agreements were recognised in the income statement. The entire amount related to minimum lease payments.

Austrian Post entered into acquisition obligations as at December 31, 2011 for intangible assets amounting to EUR 0.1m (December 31, 2010: EUR 0.0m). Purchases of items of property, plant and equipment led to commitments of EUR 25.4m as at December 31, 2011 (December 31, 2010: EUR 6.4m).

Information on the cross-border lease transaction is provided in Note 8.3 Property, Plant and Equipment and Note 9.3.1 Types of Risk.

In the 2011 financial year, Austrian Post assumed liabilities on behalf of the joint venture MEILLERGHP GmbH which are described in Note 8.5 Investments consolidated at equity.

## 9.5 RELATED PARTY TRANSACTIONS

The Republic of Austria holds a 52.8% 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, joint venture companies and associated companies as well as members of the Management Board and Supervisory Board of Austrian Post, managing directors of Group subsidiaries and senior executives are to be considered as related parties

There is an agreement with BBG Bundesbeschaffung GmbH, Wien, in the name of and for the account of the federal government, for the delivery of postal items for federal agencies. During the 2011 financial year, delivery services valued at EUR 114.3m (2010: EUR 99.8m) were rendered for the federal agencies stipulated in the agreement. As at December 31, 2011, receivables from the BBG Bundesbeschaffung GmbH amounting to EUR 10.7m (December 31, 2010: EUR 9.0m) were recognised.

Revenue relating to services provided by Austrian Post on behalf of the Federal Computing Centre of Austria totalled EUR 31.9m in 2011 (2010: EUR 30.3m). As at December 31, 2011, receivables from the Federal Computing Centre of Austria amounting to EUR 2.4m (December 31, 2010: EUR 2.3m) 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 provided 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 as at December 31, 2011 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. The expense incurred for services provided by the ÖBB Group amounted to EUR 15.1m in 2011 (2010: EUR 17.4m). As at December 31, 2011, receivables from the ÖBB Group totalled EUR 0.1m (December 31, 2010: EUR 0.6m). Payables recognised to the ÖBB Group totalled EUR 0.2m as at December 31, 2011 (December 31, 2010: EUR 0.3m), whereas the income for services rendered by Austrian Post to ÖBB 2011 amounted to EUR 2.2m (2010: EUR 1.8m).

As at December 31, 2011, Austrian Post recognised receivables from Telekom Austria AG of EUR 7.6m (December 31, 2010: EUR 6.5m) and payables amounting to EUR 4.7m (December 31, 2010: EUR 2.9m). In the 2011 financial year, Austrian Post provided services on behalf of Telekom Austria AG valued at EUR 73.5m (2010: EUR 68.2m), whereas the expense incurred for services provided by Telekom Austria AG in the 2011 financial year amounted to EUR 38.8m (2010: EUR 46.6m).

At the balance sheet date, Austrian Post recognised payables to OMV Group of EUR 1.5m (December 31, 2010: EUR 2.5m). The expense incurred for services provided by OMV Group on behalf of Austrian Post totalled EUR 16.3m in the 2011 financial year (2010: EUR 13.4m), whereas the income for services provided by Austrian Post for OMV Group amounted to EUR 0.4m (2010: EUR 0.3m).

There are related-party relationships with joint venture companies in connection with direct marketing services at normal market terms and conditions. At the balance sheet date, receivables from joint venture companies amounted to EUR 17.2m (December 31, 2010: EUR 6.6m), whereas payables totalled EUR 0.0m (December 31, 2010: EUR 0.1m). In the 2011 financial year, expenses amounted to EUR 0.6m and income was EUR 2.0m.

There are related-party relationships with associated companies connected with advertising and public relations work as well as postal transport services, which are provided at normal market terms and conditions. The services provided by associated companies amounted to EUR 10.8m in the 2011 financial year (2010: EUR 8.1m). Revenue from associates accounted for 0.1% of total revenue in the 2011 financial year (2010: 0.9%). At the balance sheet date, receivables from associated companies amounted to EUR 0.7m (December 31, 2010: EUR 2.5m), and liabilities to associates were EUR 2.2m (December 31, 2010: EUR 1.3m).

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 2010 and 2011 financial years:

| EUR m | Supervisory Board | Management Board | Senior executives | Total |
|---|---|---|---|---|
| **2010 financial year** | | | | |
| Short-term employment benefits | 0.2 | 3.4 | 16.2 | 19.8 |
| Post-employment benefits | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long-term employment benefits | 0.0 | –0.1 | 0.0 | –0.1 |
| Termination benefits | 0.0 | 0.0 | 0.1 | 0.1 |
| Share-based remuneration | 0.0 | 0.6 | 0.8 | 1.3 |
| | **0.2** | **3.8** | **17.1** | **21.1** |

| EUR m | Supervisory Board | Management Board | Senior executives | Total |
|---|---|---|---|---|
| **2011 financial year** | | | | |
| Short-term employment benefits | 0.2 | 3.8 | 17.7 | 21.7 |
| Post-employment benefits | 0.0 | 0.9 | 0.3 | 1.2 |
| Other long-term employment benefits | 0.0 | 0.0 | 0.0 | 0.0 |
| Termination benefits | 0.0 | 0.0 | 0.2 | 0.2 |
| Share-based remuneration | 0.0 | 1.4 | 2.6 | 4.0 |
| | **0.2** | **6.1** | **20.8** | **27.1** |

No business relationships existed with top executives during the 2011 financial year.

## 9.6 AUDIT FEES

The following fees for the auditor Deloitte Audit Wirtschaftsprüfungs GmbH and its related companies were paid in the 2011 financial year:

| Services rendered by auditors in EUR | 2011 |
|---|---|
| Audit | |
| Individual and consolidated financial statements of Austrian Post as at December 31, 2011 | 156,200.00 |
| Financial statements of Austrian Post subsidiaries as at December 31, 2011 | 110,500.00 |
| Other valuation and certification services | 0.00 |
| Tax consulting services | 1,485.00 |
| Other consulting services | 177,940.00 |
| | **446,125.00** |

## 9.7 AUSTRIAN POST COMPANIES

| Company and location | Interest in % | Method of consolidation |
|---|---|---|
| Post Paket Service GmbH, Wien | 100.00 | FC |
| Post & Co Vermietungs OG, Wien | 100.00 | FC |
| Post International Beteiligungs GmbH, Wien | 100.00 | FC |
| Post.Wertlogistik GmbH, Wien | 100.00 | FC |
| Post.Maintain Management Objektverwaltungs- und instandhaltungs GmbH, Wien | 100.00 | FC |
| Medien.Zustell GmbH, Wien | 100.00 | FC |
| Austrian Post International Deutschland GmbH, Bonn | 100.00 | FC |
| Post Immobilien GmbH, Wien | 100.00 | FC |
| Post eins Beteiligungs GmbH, Wien | 100.00 | FC |
| Post zwei Beteiligungs GmbH, Wien | 100.00 | FC |
| Post drei Beteiligungs GmbH, Wien | 100.00 | FC |
| Post vier Beteiligungs GmbH, Wien | 100.00 | FC |
| A4 Business Solutions GmbH, Wien | 100.00 | FC |
| Post fünf Beteiligungs GmbH, Wien | 100.00 | FC |
| Weber Escal d.o.o., Zagreb | 100.00 | FC |
| Scanpoint GmbH, Wien | 100.00 | FC |
| Scanpoint Deutschland GmbH, Schwandorf | 100.00 | FC |
| Scanpoint Slovakia s.r.o., Brezno | 100.00 | FC |
| feibra GmbH, Wien | 100.00 | FC |
| PROWERB Gesellschaft für produktive Werbung GmbH, Wien | 100.00 | FC |
| feibra Magyarország Kft, Budapest | 100.00 | FC |
| PS Postservicegesellschaft m.b.H., Wien | 100.00 | FC |
| feibra West GmbH, Wien | 100.00 | FC |
| Post d.o.o. za usluge, Zagreb | 100.00 | FC |
| Online Post Austria GmbH, Wien | 100.00 | FC |
| Overseas Trade Co Ltd d.o.o., Zagreb | 100.00 | FC |
| Slovak Parcel Service s. r. o., Bratislava | 100.00 | FC |

| Company and location | Interest in % | Method of consolidation |
|---|---|---|
| IN TIME s.r.o., Bratislava | 100.00 | FC |
| Kolos s.r.o., Bratislava | 100.00 | FC |
| Austrian Post International Ungarn Kft, Gyal | 100.00 | FC |
| trans-o-flex Hungary Kft, Gyal | 100.00 | FC |
| City Express d.o.o., Beograd | 100.00 | FC |
| trans-o-flex Austria GmbH, Wien | 100.00 | FC |
| 24-VIP d.o.o., Sarajevo | 100.00 | FC |
| City Express Montenegro d.o.o, Podgorica | 100.00 | FC |
| Post sechs Beteiligungs GmbH, Wien | 100.00 | FC |
| Post sieben Beteiligungs GmbH, Wien | 100.00 | FC |
| Post acht Beteiligungs GmbH, Wien | 100.00 | FC |
| Post neun Beteiligungs GmbH, Wien | 100.00 | FC |
| trans-o-flex Germany | | |
| trans-o-flex Logistics Group GmbH, Weinheim | 100.00 | FC |
| trans-o-flex GmbH, Weinheim | 100.00 | FC |
| trans-o-flex Verwaltung GmbH, Weinheim | 100.00 | FC |
| trans-o-flex Schnell-Lieferdienst GmbH & Co KG, Weinheim | 100.00 | FC |
| trans-o-flex Transport Logistik GmbH, Weinheim | 100.00 | FC |
| trans-o-flex Customer-Service GmbH, Weinheim | 100.00 | FC |
| trans-o-flex Linienverkehr GmbH, Weinheim | 100.00 | FC |
| trans-o-flex Logistik Service GmbH, Weinheim | 100.00 | FC |
| trans-o-flex Admin-Service GmbH, Weinheim | 100.00 | FC |
| trans-o-flex IT-Service GmbH, Weinheim | 100.00 | FC |
| ThermoMed Verwaltungs GmbH, Weinheim | 100.00 | FC |
| trans-o-flex ThermoMed GmbH & Co KG, Weinheim | 100.00 | FC |
| trans-o-flex Accounting Service GmbH, Weinheim | 100.00 | FC |
| trans-o-flex Billing Service GmbH, Weinheim | 100.00 | FC |
| Scherübl Transport GmbH, Frankenburg/a.H.[1] | 74.90 | FC |
| trans-o-flex Nederland B.V., Dordrecht[3] | 100.00 | FC |
| trans-o-flex Belgium B.V.B.A., Turnhout[3] | 100.00 | FC |
| LogIn Service d.o.o., Sarajevo | 100.00 | FC |
| Distributions GmbH, Bergkirchen | 100.00 | FC |

| Company and location | Interest in % | Method of consolidation |
|---|---|---|
| MEILLERGHP | | |
| MEILLERGHP GmbH, Schwandorf[2] | 65.00 | EM |
| MEILLERGHP CZ s.r.o., Nyrany[2] | 65.00 | |
| MEILLERGHP a.s., Pilsen[2] | 65.00 | |
| MEILLERGHP SARL, Versailles[2] | 65.00 | |
| Mailstep Holding a.s., Prag[2] | 65.00 | |
| GHP Direct France s.a.r.l., Le Chesnay[2] | 65.00 | |
| MEILLERGHP AB, Landskrona[2] | 65.00 | |
| MEILLERGHP Sp.z.o.o., Kraków[2] | 65.00 | |
| GHP Direct Rus o.o.o., Moskva[2] | 65.00 | |
| Kolos Marketing s.r.o., Nyrany[2] | 58.50 | EM |
| Kolos Marketing s.r.o., Nyrany | 10.00 | EM |
| D2D - direct to document GmbH, Wien | 30.00 | EM |
| FEIPRO Vertriebs GesmbH, Gaweinstal | 50.00 | EM |
| PostMaster s.r.l., Bucureşti | 26.00 | EM |
| Omnimedia Werbegesellschaft m.b.H., Wien | 21.00 | EM |
| Eurodis GmbH, Weinheim | 59.40 | EM |
| OMNITEC Informationstechnologie-Systemservice GmbH, Wien | 50.00 | NC |

[1] 100% of the shares of Scherübl Transport 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.
[2] The profit for the period of the company MEILLERGHP GmbH consolidated at equity corresponds to the proportionate profit for the period of the MEILLERGHP Group and includes a proportionate share of the profit for the period of the subsidiaries.
[3] Held for sale
FC = Full consolidation, EM = Equity method, NC = No consolidation due to immateriality

The trans-o-flex companies based in Germany have decided to take advantage of the legally permissible waiver of disclosure requirements pursuant to Sections 264 Para. 3 and 264 b German Commercial Code.

## 9.8 EVENTS AFTER THE REPORTING PERIOD

Within the context of the strategic reorientation of the Austrian Post Group, implemented within the context of the Group-wide project ORG 2012, there are changes in the segment structure as of January 1, 2012. The existing “Mail” and “Branch Network” segments are merged to create a new segment, called the “Mail and Branch Network”. At the same time, a further division of the now existing segments “Mail & Branch Network”, “Parcel & Logistics” and “Corporate” into subsegments was accomplished. The new segmentation reflects the strategic business areas of the Austrian Post Group, which are the basis of the internal organisational, management and reporting structures.

In this connection, the reporting logic of the Austrian Post Group was also changed as of January 1, 2012. Whereas reporting 2011 focused on the former division-based organisational structure, divided into the “Mail”, “Parcel & Logistics”, “Branch Network” and “Corporate” divisions, the new reporting logic subdivides the company’s operations into the “Mail & Branch Network”, “Parcel & Logistics” and “Corporate” divisions as of the 2012 financial year. With this new organisation, Austrian Post is pursuing the goal of enhancing the quality of its reporting in order to fulfill the growing need for information both internally and externally.

In the 2011 financial year, Österreichische Post AG (Austrian Post) decided to dispose of its subsidiaries trans-o-flex Netherland B.V., Dordrecht and trans-o-flex Belgium B.V.B.A, Turnhout. The negotiations with the potential purchaser are still in progress.

February 20, 2012 marked the signing of the acquisition of a 26% stake in the Bulgarian company M&BM Express OOD by Austrian Post. The company operates in the fields of hybrid mail, addressed and unaddressed mail items for business customers and printing. The purchase agreement stipulates an option for Austrian Post to acquire an additional 25% stake in 2013 and 2014, respectively.

The Management Board of Austrian Post approved the audited consolidated financial statements for the financial year ending on December 31, 2011 for transmission to the Supervisory Board on March 1, 2012. The Supervisory Board is responsible for reviewing and approving the audited consolidated financial statements.

Vienna, March 1, 2012

The Management Board

| | |
|---|---|
| Georg Pölzl<br>Chairman of the Management Board | Rudolf Jettmar<br>Deputy Chairman of the Management Board |
| Walter Hitziger<br>Member of the Management Board | Peter Umundum<br>Member of the Management Board |

# STATEMENT OF ALL LEGAL REPRESENTATIVES PURSUANT TO SECTION 82 PARA. 4 (3) STOCK EXCHANGE ACT

As the legal representatives of Austrian Post we declare, to the best of our knowledge, that the consolidated financial statements for the 2011 financial year, which were prepared in accordance with the applicable financial reporting standards, present a fair and accurate picture, in all material respects, of the profit, asset and financial position of the Group, that the Group Management Report presents the business development, earnings and overall situation of the Group in such a manner as to provide a fair and accurate picture of the profit, asset and financial position of the Group, and that the Group Management Report also describes the most important risks and uncertainties facing the Group.

Vienna, March 1, 2012

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Rudolf Jettmar
Deputy Chairman of the Management Board
Chief Financial Officer

Walter Hitziger
Member of the Management Board
Director of the Mail & Branch Network Division

Peter Umundum
Member of the Management Board
Director of the Parcel & Logistics Division

# INDEPENDENT AUDITOR'S REPORT

**Report on the Consolidated Financial Statements**
We have audited the accompanying consolidated financial statements of Österreichische Post Aktiengesellschaft, Vienna ("the Group") for the financial year from January 1, 2011 to December 31, 2011. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2011, the consolidated income statement and statement of comprehensive income, cash flow statement and statement of changes in equity for the year ended December 31, 2011 and the Notes.

**Management's Responsibility for the Consolidated Financial Statements and the Accounting Records**
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; making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility and Description of Type and Scope of the Statutory Audit**
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).

These 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 evaluating 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 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, the consolidated financial statements are in accordance with legal requirements and present fairly, in all material aspects, the financial position of the Group as of December 31, 2011 and of its financial performance and its cash flows for the financial year from January 1, 2011 to December 31, 2011 in accordance with International Financial Reporting Standards as adopted in the EU.

**Conclusion on Management Report for the Group**
Laws and regulations applicable in Austria require us to perform audit procedures to determine whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the Group. The auditor's report has to state whether the consolidated management report for the Group is consistent with the consolidated financial statements and whether the disclosures according to Section 243a Austrian Commercial Code apply.

In our opinion, the consolidated management report for the Group is consistent with the consolidated financial statements. The disclosures according to Section 243a Austrian Commercial Code apply.

Vienna, March 1, 2012

Deloitte Audit Wirtschaftsprüfungs GmbH

Walter Müller m.p.
Certified Public Accountant

Josef Spadinger m.p.
Certified Public Accountant

The publication or dissemination of the consolidated financial statements with our auditor's report is only permissible in the version we have formally approved. This auditor's report exclusively relates to the German-language and complete consolidated financial statements including the Group Management Report. For deviating versions refer to Section 281 Para. 2 Austrian Commercial Code.

# GLOSSARY/INDEX

## GLOSSARY

**Capital employed**
Intangible assets and goodwill
+ Property, plant and equipment
+ Investment property
+ Investments consolidated at equity
+ Investments in non-consolidated companies
+ Inventories
+ Receivables
+ Non-current asset held for sale
– Non-interest bearing debt
= Capital Employed

**Earnings before interest and taxes (EBIT)**
Profit from operations plus the share of profit/loss of at equity consolidated companies.

**Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)**
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.

**EBITDA margin**
Ratio of EBITDA to revenue.

**EBIT margin**
Ratio of EBIT to revenue.

## INDEX

**Equity ratio**
Ratio of equity to total capital (total assets).

**Free cash flow**
Cash flow from operating activities plus the cash flow from investing activities: demonstrates how much liquidity is available to service the net debt.

**IFRS**
International Financial Reporting Standards; international financial accounting guidelines.

**Net debt/Net cash position**
Financial liabilities
+ Other interest-bearing liabilities
+ Social capital
+ Other interest-bearing provisions
= Interest-bearing debt
– Financial investments in securities
– Other financial assets and interest-bearing receivables
– Cash and cash equivalents
= Interest-bearing assets
= Net debt/Net cash position

**Return on Capital Employed (ROCE)**
Ratio of EBIT to the average capital employed.

**Return on equity (ROE)**
Ratio of profit after tax to equity (excluding discontinued operations) at January 1, less dividends paid: measures the profitability of a company.

# HISTORY OF AUSTRIAN POST

| | |
|---|---|
| **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 rates 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>Reorganisation and reconstruction of the Austrian postal branch network |
| **1957** | Introduction of drop-off mailboxes for rural delivery staff<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 conveying system |
| **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) |
| **1999** | Austrian Post as legally independent entity (for postal and post bus operations)<br>Targeted investments in modernisation of the logistics infrastructure |
| **2000** | Post bus business spun 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>Increase of shareholding in feibra Austria (unaddressed advertising) to 100% |
| **2006** | IPO on the Vienna Stock Exchange – 49% free float<br>Acquisition of Kolos (unaddressed advertising/Slovakia); Wiener Bezirkszeitung (Media Post/Austria); Weber Escal (unaddressed advertising/Croatia), trans-o-flex (B2B specialty logistics/Germany) |
| **2007** | Further acquisitions and penetration of niche markets: acquisition of 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); purchase of a 5% stake in BAWAG P.S.K. |

| | |
|---|---|
| **2008** | Integration of existing subsidiaries and selective acquisitions: 24VIP (parcels business, Bosnia-Herzegovina), Cont-Media (direct marketing, Croatia), HSH Holding (parcels business, Belgium) |
| **2009** | Austrian Post Act creates the legal framework for the fully liberalised letter mail market starting January 1, 2011. Acquisition of Rhenus Life Science (pharmaceutical logistics), Germany; new collective wage agreement concluded for new employees. |
| **2010** | Increase of stake in EBPP Electronic Bill Presentment and Payment GmbH, a leading provider of electronic invoicing, from 40% to 100%. Expansion and intensification of cooperation between BAWAG P.S.K. and Austrian Post. Launch of new online services, for example the e-postcard. Austrian subsidiary meiller direct, a direct mail producer, is part of a joint venture with Swiss Post. Austrian Post owns a 65% shareholding in the newly created firm MEILLERGHP. |
| **2011** | Complete liberalisation of the Austrian letter mail market as of January 1, 2011. Renaming of the fully-owned subsidiary EBPP Electronic Bill Presentment and Payment GmbH into Online Post Austria GmbH. Acquisition of a 26% stake in the Romanian firm PostMaster s.r.l. |

# 2011 AT A GLANCE

**January**
The first redesigned joint BAWAG P.S.K./Austrian Post branch office is officially opened. The new branch office concept for all of Austria is inaugurated in Innsbruck.

The Supervisory Board lays the groundwork for a future-oriented organisational structure. The previously separate Branch Network and Mail divisions are to be merged in the medium-term.

**March**
The Supervisory Board decides upon the future management structure of Austrian Post. Management Board member Walter Hitziger is named as Head of the Mail & Branch Network Division. Walter Oblin is appointed to succeed Rudolf Jettmar as Chief Financial Officer.

**April**
All items on the agenda of the Annual General Meeting of Austrian Post are approved, including the proposal of the Management Board to distribute a dividend of EUR 1.60 per share.

**May**
As of May 1, 2011, Austrian Post simplifies its former weight-based pricing with 14 categories and creates a new system with only five rates primarily based on size.

The new Klick.Brief considerably facilitates everyday office work – the sender only requires one mouse click, from printing to delivery.

**June**
Austrian Post launches a trainee programme to turn eleven trainees into junior employees.

The Austrian Post subsidiary PS GmbH begins with the conversion of the cluster box units in autumn.

**July**
Austrian Post presents its new initiative $CO_2$ NEUTRAL DELIVERY: all mail items in Austria are delivered in a climate-neutral manner as of 2011.

**September**
The next step in the restructuring of Austrian Post is the creation of the new Mail & Branch Network Division as of September 1, 2011.

The new pick-up box is tested: the preliminary results of their use in urban apartment complexes are very satisfactory.

**October**
Austrian Post puts its first 18 electric-powered vehicles into use.

Pilot operations begin for the new KUVERT: advertising mail will be bundled and delivered in one collective envelope.

Austrian Post announces parcel deliveries via SMS and e-mail.

Austrian Post acquires a 26% stake in PostMaster s.r.l., the leading alternative postal provider in Romania.

**November**
The new service and communications platform “Post Manager” is launched. It offers a high level of security for all important and confidential documents and records.

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**Stamp collector's service[1]**
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I: www.post.at/filialfinder

**Personal stamps**
I: www.meine-marke.at

**Austrian Post Online Annual Report 2011**
www.post.at/gb2011

**CSR – Sustainability**
www.post.at/csr
www.post.at/co2neutral

If you want to know more about Austrian Post (annual reports, quarterly reports etc.), we would be happy to put you on our distribution list. Please contact:
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I: www.post.at/ir

[1] For Austria
[2] Please insert the desired postal code of the post branch office instead of "xxxx" and you will be connected directly.

# OVERVIEW OF KEY INDICATORS 2002–2011

| **Income statement** | | **2002[1] IFRS** | **2003[2] IFRS** | **2004[2] IFRS** | **2005 IFRS** | **2006 IFRS** | **2007 IFRS** | **2008 IFRS** | **2009 IFRS** | **2010 IFRS** | **2011 IFRS** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | **EUR m** | **1,571.7** | **1,585.2** | **1,654.4** | **1,701.6** | **1,736.7** | **2,315.7** | **2,441.4** | **2,356.9** | **2,351.1** | **2,348.7** |
| Other operating income | EUR m | 57.4 | 71.7 | 73.0 | 52.9 | 58.8 | 72.6 | 81.0 | 89.6 | 90.5 | 74.6 |
| Raw material, consumables and services used | EUR m | –198.4 | –228.8 | –241.8 | –241.9 | –258.0 | –692.2 | –778.2 | –766.1 | –771.0 | –759.8 |
| Staff costs | EUR m | –1,015.0 | –1,020.7 | –1,046.6 | –1,064.0 | –1,063.0 | –1,120.4 | –1,119.2 | –1,139.3 | –1,120.7 | –1,050.1 |
| Other operating expenses | EUR m | –254.2 | –250.6 | –236.7 | –223.5 | –243.9 | –284.0 | –304.5 | –277.0 | –288.8 | –320.0 |
| Results of investments consolidated at equity | EUR m | 1.0 | 0.9 | 0.7 | –1.3 | 1.1 | 0.9 | 1.2 | 5.1 | 1.0 | –10.6 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | **EUR m** | **101.6** | **157.7** | **203.1** | **223.8** | **231.7** | **292.7** | **321.7** | **269.2** | **262.1** | **282.7** |
| EBITDA margin | % | 6.5% | 9.9% | 12.3% | 13.2% | 13.3% | 12.6% | 13.2% | 11.4% | 11.1% | 12.0% |
| Depreciation and amortisation | EUR m | –108.1 | –129.6 | –120.9 | –120.8 | –108.4 | –130.0 | –152.2 | –119.8 | –105.2 | –114.4 |
| **Earnings before interest and tax (EBIT)** | **EUR m** | **4.1** | **28.1** | **82.2** | **103.0** | **123.3** | **162.8** | **169.5** | **149.4** | **156.9** | **168.3** |
| EBIT margin | % | 0.3% | 1.8% | 5.0% | 6.1% | 7.1% | 7.0% | 6.9% | 6.3% | 6.7% | 7.2% |
| Other financial result | EUR m | 4.7 | –2.5 | –5.4 | –2.1 | 7.2 | 2.1 | –11.3 | –24.6 | –8.2 | –5.2 |
| **Earnings before tax (EBT)** | **EUR m** | **–6.6** | **25.6** | **76.7** | **100.9** | **130.5** | **164.9** | **158.2** | **124.8** | **148.7** | **163.1** |
| Income tax | EUR m | –0.7 | –10.8 | –29.9 | –10.9 | –30.8 | –42.2 | –39.3 | –45.1 | –30.3 | –39.3 |
| Profit from discontinued operations | EUR m | – | 2.1 | 3.2 | 9.8 | – | – | – | – | – | – |
| **Profit for the period** | **EUR m** | **–2.5** | **16.9** | **50.0** | **99.9** | **99.8** | **122.6** | **118.9** | **79.7** | **118.4** | **123.8** |
| Earnings per share[3] | EUR | –0.06 | 0.21 | 0.71 | 1.43 | 1.43 | 1.75 | 1.71 | 1.18 | 1.75 | 1.83 |
| Employees (average for period, full-time equivalents) | | 29,558 | 27,713 | 26,342 | 25,192 | 24,456 | 25,764 | 27,002 | 25,921 | 24,969 | 23,369 |

[1] Including the insurance arm of Austrian Post (Postversicherung AG)
[2] Adjusted for the insurance arm of Austrian Post (Postversicherung AG)
[3] Refers to 70,000,000 shares, as of 2008 to 69,505,601 shares, as of 2009 to 67,552,638 shares

| Cash flow | | 2002[1] IFRS | 2003[2] IFRS | 2004[2] IFRS | 2005 IFRS | 2006 IFRS | 2007 IFRS | 2008 IFRS | 2009 IFRS | 2010 IFRS | 2011 IFRS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating cash flow before changes in working capital and tax | EUR m | – | – | 250.5 | 316.9 | 327.1 | 328.5 | 278.3 | 220.7 | 196.0 | 290.6 |
| Operating cash flow before changes in working capital | EUR m | 121.2 | 127.6 | 263.7 | 283.1 | 277.6 | 292.4 | 237.0 | 195.8 | 134.1 | 248.6 |
| Cash flow from operating activities | EUR m | 76.3 | 145.0 | 223.8 | 298.0 | 238.0 | 295.9 | 233.4 | 230.0 | 178.9 | 228.2 |
| Cash flow from investing activities | EUR m | –153.8 | –44.4 | –125.5 | –92.6 | –142.6 | –142.4 | –23.1 | 6.9 | –25.3 | –65.8 |
| Free cash flow | EUR m | – | – | – | – | 95.4 | 153.4 | 210.3 | 236.9 | 153.6 | 162.5 |
| Dividend payout | EUR m | –76.6 | 100.6 | 98.3 | 205.4 | 95.4 | 153.5 | 210.3 | 236.9 | 108.1 | 114.8 |

| Balance sheet | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total assets** | **EUR m** | **1,631.8** | **1,617.9** | **1,795.7** | **1,563.0** | **1,901.6** | **2,058.6** | **1,874.6** | **1,775.3** | **1,715.1** | **1,668.3** |
| Non-current assets | EUR m | 1,287.6 | 1,021.7 | 1,011.4 | 997.4 | 1,272.9 | 1,361.9 | 1,252.1 | 1,141.3 | 1,067.6 | 1,005.1 |
| Current assets | EUR m | 344.1 | 287.4 | 393.7 | 542.6 | 614.9 | 694.3 | 622.5 | 634.0 | 647.5 | 660.4 |
| Assets held for sale | EUR m | – | – | – | – | – | – | – | – | – | 2.8 |
| Capital and reserves | EUR m | 718.9 | 698.9 | 712.5 | 762.1 | 821.4 | 874.3 | 741.5 | 673.7 | 690.8 | 702.0 |
| Non-current liabilities | EUR m | 426.3 | 218.2 | 287.5 | 361.3 | 564.0 | 598.0 | 551.8 | 514.0 | 479.4 | 452.9 |
| Current liabilities | EUR m | 486.6 | 405.2 | 421.0 | 439.6 | 516.2 | 586.3 | 581.3 | 587.6 | 544.9 | 502.8 |
| Liabilities held for sale | EUR m | – | – | – | – | – | – | – | – | – | 10.6 |
| Interest bearing debt | EUR m | – | – | 293.1 | 369.1 | 607.6 | 711.5 | 655.9 | 629.5 | 540.3 | 471.6 |
| Interest bearing assets | EUR m | – | – | 196.6 | 397.1 | 433.7 | 538.1 | 385.8 | 398.3 | 413.7 | 410.1 |
| Net debt | EUR m | – | – | –96.5 | 28.0 | –173.9 | –173.4 | –270.2 | –231.2 | –126.6 | –61.5 |
| Net debt/EBITDA | | – | – | 0.48 | –0.13 | 0.75 | 0.59 | 0.84 | 0.86 | 0.48 | 0.22 |
| Equity ratio | % | 44.1% | 43.2% | 39.7% | 48.8% | 43.2% | 42.5% | 39.6% | 38.0% | 40.3% | 42.1% |
| Return on equity (ROE) | % | –0.3% | 2.5% | 7.2% | 13.6% | 13.8% | 16.3% | 16.8% | 13.9% | 20.7% | 21.3% |
| Capital employed | EUR m | – | – | 796.2 | 694.3 | 935.0 | 992.2 | 952.5 | 861.7 | 767.5 | 708.9 |
| Gearing ratio | % | – | – | – | – | – | – | 36.4% | 34.3% | 18.3% | 8.8% |
| Return on capital employed (ROCE) | % | – | – | 10.2% | 13.8% | 15.1% | 16.9% | 17.4% | 16.5% | 19.3% | 22.8% |

[1] Including the insurance arm of Austrian Post (Postversicherung AG)
[2] Adjusted for the insurance arm of Austrian Post (Postversicherung AG)

# FINANCIAL CALENDAR 2012

| | |
|---|---|
| March 15, 2012 | Annual results 2011, publication 7.30 – 7.40 am |
| April 7, 2012 | Record date for participation in the Annual General Meeting |
| April 17, 2012 | Annual General Meeting 2012, Vienna |
| April 30, 2012 | Record date for dividend payment |
| May 2, 2012 | Ex-dividend day and dividend payment day for the dividend of EUR 1.70/share[1] |
| May 16, 2012 | Interim report for the first quarter of 2012, publication 7.30 – 7.40 am |
| August 10, 2012 | Half-year financial report 2012, publication 7.30 – 7.40 am |
| November 16, 2012 | Interim report for the first three quarters of 2012, publication 7.30 – 7.40 am |

[1] Proposal to the Annual General Meeting on April 17, 2012

### DEVELOPMENT OF THE POST SHARE (JANUARY–DECEMBER 2011)


Austrian Post (basis of EUR 24.73 as per Jan 1, 2011)
Euro Stoxx Transportation (rebased)
ATX (rebased)

# KEY SHARE INDICATORS

| | | 2002[1] | 2003[2] | 2004[2] | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Share price at December 31 | | – | – | – | – | 36.10 | 23.99 | 24.10 | 19.02 | 24.73 | 23.30 |
| Dividends per share | EUR m | 0.51 | 0.51 | 0.57 | 0.57 | 1.00 | 2.40 | 2.50 | 1.50 | 1.60 | 1.70[3] |
| Total Shareholder Return | % | – | – | – | – | +90.0% | –30.8% | +10.5% | –10.7% | +37.9% | +0.7% |
| Total Shareholder Return since the IPO (issue price of EUR 19.0) | % | – | – | – | – | +90.0% | +31.5% | +44.7% | +31.2% | +69.1% | +70.0% |
| Market capitalisa-tion at the end of December | EUR m | – | – | – | – | 2,527.0 | 1,679.3 | 1,628.0 | 1,284.9 | 1,670.6 | 1,574.0 |

[1] Including the insurance arm of Austrian Post (Postversicherung AG)
[2] Adjusted for the insurance arm of Austrian Post (Postversicherung AG)
[3] Proposal to the Annual General Meeting on April 17, 2012

**Basic information Post share**

| | |
|---|---|
| ISIN | AT0000APOST4 |
| Trading symbol (Vienna Stock Exchange) | POST |
| Reuters Code | POST.VI |
| Bloomberg Code | POST AV |
| Total outstanding shares as of December 31, 2011 | 67,552,638 shares |
| 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 | Non-par value shares |
| Stock split | None |

# IMPRINT

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**Printing**
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We have prepared this report and checked the figures with the greatest possible care. Nevertheless, rounding, typographical and printing errors cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids.

This annual report also contains forward-looking statements based on the information currently available to us. These are usually indicated by expressions such as “expect”, “anticipate”, “estimate”, “plan” or “calculate”. We wish to note that a wide variety of factors could cause actual circumstances – and thus actual results – to deviate from the forecasts contained in this report.

Statements referring to people are valid for both men and women.

This annual report is also available in German. In case of doubt, the German version takes precedence.

Editorial deadline: March 1, 2012

ANNUAL REPORT | AUSTRIAN POST | FACTS & FIGURES