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Interim report for the first three quarters of 2008

Österreichische Post AG

What does Austrian Post bring in Q3?

A solid balance sheet in turbulent times.

Highlights Q1–3 2008

- **Group revenue up 7.0% in Q1–3, to EUR 1,784.6m**
  – Mail: good revenue development in all business areas, stable earnings
  – Parcel & Logistics: lower margins due to integration costs and streamlining of operations
  – Branch Network: slight rise in financial services despite global financial crisis
  – Group earnings lower than in 2007 due to competitive changes in Austrian market and one-off effects
- **Austrian Post not significantly impacted by current financial crisis**
  – No current external borrowing requirements
  – Operating cash flow covers capital expenditure and dividends
  – Financial investment policy based on the lowest possible risk
- **Postal market largely considered to be stable**
- **Outlook for 2008**
  – Increasing revenue
  – Earnings before interest and tax (EBIT) in 2008 at the same level as 2007, and then rising in 2009
  – Basic dividend in 2009 above previous year's payment of EUR 1.40 per share

Overview of key indicators

	EUR m	Q1–3 2006	Q1–3 2007	Q1–3 2008	Change
Income statement	Revenue	1,271.1	1,667.3	1,784.6	+7.0%
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	173.4	190.5	186.9	–1.9%
	EBITDA margin	13.6%	11.4%	10.5%	–
	Earnings before interest and tax (EBIT)	93.7	118.3	103.0	–13.0%
	EBIT margin	7.4%	7.1%	5.8%	–
	Earnings before tax (EBT)	97.0	123.4	111.1	–10.0%
	Profit for the period	70.7	96.1	87.5	–8.9%
	Earnings per share (EUR)	1.01[1]	1.37[1]	1.25[2]	–8.8%
	Employees (average for the period, full-time equivalents)	24,621	25,522	27,141	+6.3%
Cash flow	Operating cash flow before changes in working capital	193.5	207.8	161.7	–21.9%
	Cash flow from operating activities	147.6	211.3	129.5	–38.7%
	Purchase of property, plant and equipment	35.2	70.8	60.9	–14.0%
	Acquisition/investment in subsidiaries	1.6	56.0	5.7	–89.7%
	Free cash flow	166.6	91.6	112.1	+22.4%
		Dec. 31, 2006	**Dec. 31, 2007**	**Sept. 30, 2008**	**Change**
Balance sheet	Total assets	1,901.6	2,058.6	1,937.0	–5.9%
	Non-current assets	1,272.9	1,361.9	1,353.2	–0.6%
	Current assets	614.9	694.3	583.9	–15.9%
	Non-current assets held for sale	13.8	2.4	0.0	–100.0%
	Capital and reserves	821.4	874.3	767.3	–12.2%
	Non-current liabilities	564.0	598.0	611.2	+2.2%
	Current liabilities	516.2	586.3	558.5	–4.7%
Key balance sheet indicators	Interest-bearing liabilities	–607.6	–711.5	–701.3	–1.4%
	Interest-bearing assets	433.7	538.1	384.6	–28.5%
	Net debt	173.9	173.4	316.6	+82.6%
	Equity ratio	43.2%	42.4%	39.6%	–

[1] Basis of 70.0m shares
[2] Basis of 69.9m shares

Statement by the Management Board

The first nine months of the 2008 financial year developed relatively well for Austrian Post. Total revenues increased by 7.0%, which relates to the initial consolidation of the newly-acquired subsidiaries as well as organic growth.

The Mail division showed good revenue development in all three business areas with plus 7.7%. Despite the trend towards electronic substitution, the Letter Mail Business Area remained virtually constant, and the Infomail (advertising mail) and Media Post Business Area generated solid organic growth.

In the Parcel & Logistics division, we achieved growth of 8.2% covering both Austria and our international operations. The "24 Hour Business Parcel" premium product has been consistently expanded.

In the Branch Network division, an increase in our financial services and money transport business largely compensated for the decline in retail product sales (minus 1.0% in total).

Austrian Post had several challenges to overcome during the first three quarters of 2008: the changing competitive situation in the Austrian parcels market, higher costs due to increasing prices for fuel and transport as well as the integration of new subsidiaries.

Up until now, Austrian Post has for the most part been spared the consequences of the current financial crisis. This can be primarily attributed to the company's solid balance sheet structure. Austrian Post has a high equity ratio, and no external borrowing requirements at present. The investment policy is distinctively conservative. Investments are financed by the current operating cash flow. This stability has resulted in a solid share price performance in the year 2008. Whilst the DJ Euro Stoxx Transportation index has declined by 47.9% since the beginning of the year, the Austrian Post share has only receded in value by 3.7% as at the end of October 2008.

Austrian Post confirms its outlook for 2008 in terms of a forecast increase in total revenue of about 5%, although forecast accuracy is affected by the changing international economic environment. This projected rise includes the consolidation of the recently acquired subsidiaries. Despite the change in the Austrian parcels business, Austrian Post expects its earnings before interest and tax (EBIT) to match the level achieved in the preceding year while rising in 2009.

Total required investments in property, plant and equipment are expected to reach a maximum of EUR 100m to 110m annually in the years 2008 and 2009. Acquisition activity will also be reduced. Following the acquisitions carried out in recent years, the priority now is to focus on the integration and consolidation of these companies, as well as the harmonisation of both the product portfolio and operational systems. In order to ensure that the defined business targets are achieved, the management of Austria Post will do everything possible, both in the short- and medium-term, to preserve the flexibility and efficiency of the company and thus sustain the value of the company.

Based on strong cash generation and a solid balance sheet structure, Austrian Post plans to continue pursuing its attractive dividend policy. We plan to increase the basic dividend above the previous year's level of EUR 1.40 per share. Payment of any special dividend will depend on future capital requirements.

Anton Wais
Chairman of the Management Board

Rudolf Jettmar
Deputy Chairman of the Management Board

Herbert Götz
Member of the Management Board

Walter Hitziger
Member of the Management Board

Carl-Gerold Mende
Member of the Management Board

Statement by the Management Board
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The Post share

Relatively positive share price development
The Austrian Post share registered a 3.7% decline in value from the start of the year as at October 2008. During the same period, the ATX, the benchmark index of the Vienna Stock Exchange, fell by 55.7%, and the DJ Euro Stoxx Transportation index decreased by 47.9%.

Special dividend Following the distribution of the basic dividend of EUR 98m (EUR 1.40 per share) in May, the payment of a special dividend of EUR 70m (EUR 1.00 per share) was made on September 5, 2008 for the first time in the company's history. Due to the tax treatment stipulated for capital reserves, the special dividend was subject to a significantly lower capital gains tax burden.
The effective withholding tax on capital gains for the special dividend was about 3% instead of the usual rate of 25%. Accordingly, after deducting the Austrian withholding tax for this special dividend of EUR 1.00 per share, shareholders actually received EUR 0.97 per share.

Share buy-back programme On August 19, Austrian Post started its share buy-back programme approved at the Annual General Meeting held on April 22, 2008. By the end of October, Austrian Post had repurchased close to 1.5m treasury shares, at an average price of EUR 23.60.

Business development Q1–3 2008

Economic and market environment The overall market environment for the letter mail and parcels segments has proven to be quite stable in the face of the current economic uncertainties. On balance, the overall volume of letters, advertising mail and magazines grew in Q3 2008.
Because of these uncertainties, there is only limited visibility going forward. Therefore, it is extremely difficult to make accurate economic growth forecasts. Economic research institutes have revised their current 2008 growth forecasts downwards for the Austrian economy in comparison to the estimates made in June. The Austrian economy is now predicted to grow by 2.0% in 2008 instead of the originally forecasted figure of 2.1% (Austrian Institute of Economic Research, Institute for Advanced Studies).
For 2009, growth is expected to be less dynamic than the projected figures announced in June; the Austrian economy is forecast to expand by between 0.9% (Austrian Institute of Economic Studies) and 1.2% (Institute for Advanced Studies). However, these forecasts are characterised by a high level of uncertainty. The lower level of growth will be accompanied by a lower inflation rate, which is anticipated to reach only 2.3% in 2009 (Institute for Advanced Studies).

Changes in consolidation On August 31, 2008, Austrian Post acquired a 30% shareholding in D2D – direct to document GmbH, Vienna. This company operates in the field of output services (printing, enveloping and data transfer services).
Effective September 1, 2008, Austrian Post acquired a 100% shareholding in Cont-Média Hungary Kft., Budapest. Cont-Média Hungary specialises in the delivery of unaddressed advertising mail in Hungary
The initial consolidation of the subsidiaries DDS, VOP, City Express and HSH, which were not included in the consolidated financial statements in the first three quarters of 2007, has an impact on the comparability of this interim report as well as the recently consolidated acquisition meiller in August 2007.

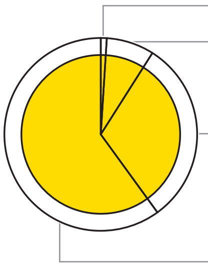
Business development – earnings On balance, total revenue increased by 7.0% in the first three quarters of the 2008 financial year, to EUR 1,784.6m. This rise can be primarily attributed to the initial consolidation of the new subsidiaries (plus EUR 102.8m), as well as organic growth (plus EUR 14.5m). During the period under review, revenues of the Mail division were up 7.7% and the Parcel & Logistics division expanded by 8.2%. Revenues of the Branch Network division declined by 1.0%. Revenue in all three business areas of the Mail division developed positively. Despite the ongoing trend towards electronic substitution, business in the Letter Mail Business Area remained virtually constant, whereas the Infomail Business Area (addressed and unaddressed advertising) and the Media Post Business Area achieved solid organic growth. Revenue of the Parcel & Logistics division climbed 8.2%, to EUR 575.2m, which is due to the growth of the premium parcel segment (parcel delivery within 24 hours) both in Austria and abroad, as well as acquisition-related growth.

Revenue by division[1]

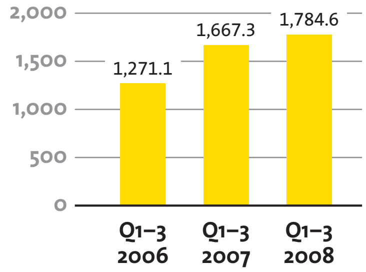
EUR m	Q1–3 2006	Q1–3 2007	Q1–3 2008	Change	Q3 2007	Q3 2008
Total revenue	**1,271.1**	**1,667.3**	**1,784.6**	**+7.0%**	**550.4**	**585.8**
Mail	958.8	990.4	1,066.8	+7.7%	327.0	346.3
Parcel & Logistics	163.5	531.6	575.2	+8.2%	174.4	192.7
Branch Network	145.4	141.8	140.3	–1.0%	48.0	46.3
Other/Consolidation	3.3	3.6	2.3	–35.4%	1.0	0.5

[1] External sales of the divisions

Revenue by division (%)



Revenue (EUR m)



Income statement

EUR m	Q1–3 2007	Q1–3 2008	Change	Structure Q1–3 2008	Q3 2007	Q3 2008
Revenue	**1,667.3**	**1,784.6**	**+7.0%**	**100.0%**	**550.4**	**585.8**
Other operating income	52.5	53.1	+1.2%	3.0%	15.6	17.3
Raw materials, consumables and services used	–491.1	–564.1	+14.9%	31.6%	–168.3	–195.2
Staff costs	–838.1	–867.4	+3.5%	48.6%	–268.8	–286.3
Other operating expenses	–200.5	–219.8	+9.6%	12.3%	–68.7	–74.6
Share of profit/loss of associates	0.4	0.5	+48.8%	0.0%	0.0	0.0
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**190.5**	**186.9**	**–1.9%**	**10.5%**	**60.3**	**47.1**
Depreciation, amortisation and impairment losses	–72.2	–83.9	+16.2%	4.7%	–27.0	–26.1
Earnings before interest and tax (EBIT)	**118.3**	**103.0**	**–13.0%**	**5.8%**	**33.3**	**21.0**
Other financial result	5.1	8.1	+58.0%	0.5%	3.6	1.0
Earnings before tax (EBT)	**123.4**	**111.1**	**–10.0%**	**6.2%**	**36.9**	**22.0**
Income tax	–27.3	–23.6	–13.8%	1.3%	–8.6	–4.7
Profit after tax = Profit for the period	**96.1**	**87.5**	**–8.9%**	**4.9%**	**28.2**	**17.4**
of which minority interests	0.1	–0.1	–	–	–0.1	0.0

Besides the 7.0% increase in revenues, the consolidated income statement of Austrian Post also shows a 14.9% rise in expenses for raw materials, consumables and services used to EUR 564.1m. This development is related to the consolidation of the acquired subsidiaries, as well as to higher fuel and transport costs during the period under review.
Staff costs amounting to EUR 867.4m for the first three quarters of 2008 include an allocation to the provision for employee under-utilisation. The net amount of allocated provision was EUR 29.0m in the first three quarters of 2008 (Q1–3 2007: EUR 54.6m), which corresponds to the net increase in this balance sheet item, from EUR 331.0m as at January 1, 2008 to EUR 359.9m as at September 30, 2008. The number of employees (full-time equivalents) increased by 6.3% year-on-year to 27,141 employees as a result of the acquired companies. In the first three quarters of 2008, EBITDA amounted to EUR 186.9m, a decline of 1.9% compared to Q1–3 2007. The EBITDA margin was 10.5%.

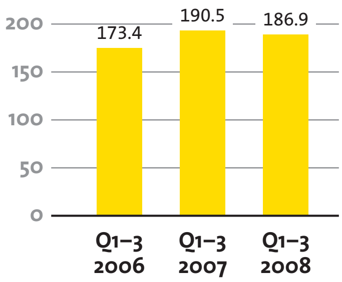
EBIT by division

EUR m	Q1–3 2006	Q1–3 2007	Q1–3 2008	Change	Q3 2007	Q3 2008
Total EBIT	**93.7**	**118.3**	**103.0**	**–13.0%**	**33.3**	**21.0**
Mail	190.8	188.4	190.5	+1.1%	55.0	54.8
Parcel & Logistics	15.9	20.8	6.7	–67.9%	5.8	–0.4
Branch Network	8.5	9.7	9.5	–1.8%	3.9	2.8
Other/Consolidation	–121.5	–100.6	–103.7	–3.1%	–31.4	–36.1

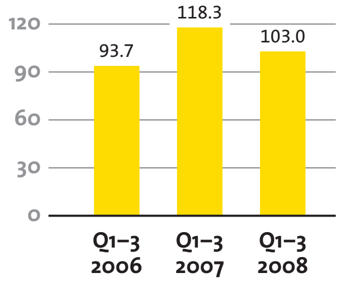
Earnings before interest and tax (EBIT) for Austrian Post amounted to EUR 103.0m in the first three quarters of 2008, down from EUR 118.3m in the previous year. This decline can be primarily attributed to a combination of exceptionals and one-off effects, such as higher operating expenses for transport and fuel, along with higher social compensation expenses for employees as well as losses relating to the integration of the new subsidiaries. In addition, the higher level of depreciation, amortisation and impairment losses totalling EUR 83.9m (Q1–3 2007: EUR 72.2m) encompasses impairment losses of EUR 6.2m primarily related to streamlining measures within Austrian Post's parcel logistics operations in Austria.
All operating divisions made a positive contribution to earnings. EBIT at the Mail division was EUR 190.5m, at the Parcel & Logistics division EUR 6.7m, and the Branch Network division generated an EBIT of EUR 9.5m. Earnings of the Mail division and the Branch Network division in the first three quarters were at the same level as the previous year, whereas earnings of the Parcel & Logistics division declined due to the loss of two large parcels customers in Austria as well as the integration costs relating to the new subsidiaries in the Netherlands and Belgium.
The Other/Consolidation segment posted a negative EBIT of EUR 103.7m in the first three quarters of 2008 (Q1–3 2007: minus EUR 100.6m). This item encompasses unallocated costs for central departments, expenses in connection with unused properties and the increase in the provision for employee under-utilisation.
Profit for Austrian Post for the period amounted to EUR 87.5m.

Earnings indicators

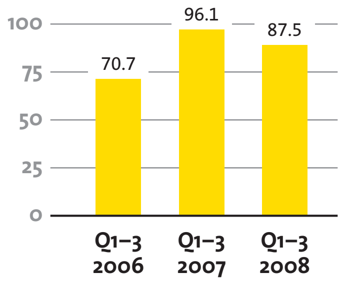
EBITDA (EUR m)



EBIT (EUR m)



Profit for the period (EUR m)



Assets and finance

Balance sheet

EUR m	Dec. 31, 2006	Dec. 31, 2007	Sept. 30, 2008	Structure Sept. 30, 2008
ASSETS				
Non-current assets	1,272.9	1,361.9	1,353.2	69.9%
of which other financial assets and investments in securities	204.5	211.7	207.6	10.7%
Current assets	614.9	694.3	583.9	30.1%
of which cash and cash equivalents	229.4	309.4	175.6	9.1%
Non-current assets held for sale	13.8	2.4	0.0	0.0%
	1,901.6	**2,058.6**	**1,937.0**	**100.0%**
EQUITY AND LIABILITIES				
Capital and reserves	821.4	874.3	767.3	39.6%
Non-current liabilities	564.0	598.0	611.2	31.6%
of which provisions	425.8	487.7	512.9	26.5%
Current liabilities	516.2	586.3	558.5	28.8%
	1,901.6	**2,058.6**	**1,937.0**	**100.0%**

Austrian Post features a solid balance sheet structure. On the assets side, total assets of Austrian Post amounted to EUR 1,937.0m. Non-current assets predominate, accounting for 69.9% of total assets, or EUR 1,353.2m. The largest non-current asset items are property, plant and equipment, at EUR 715.8m, intangible assets and goodwill, at EUR 318.4m, and “financial investments in securities” (primarily fixed income investments) and other financial investments of EUR 207.6m. The principle current asset items are receivables, at EUR 380.0m, followed by cash and cash equivalents, at EUR 175.6m. The investment policy aims for the lowest possible risk.

On the equity and liabilities side, the balance sheet total is primarily comprised of capital and reserves (39.6%) and non-current liabilities (31.6%). Non-current liabilities of EUR 611.2m largely consist of provisions totalling EUR 512.9m, including provisions for under-utilisation, which rose by EUR 29.0m in the first three quarters of 2008, to EUR 359.9m. Current liabilities amounting to EUR 558.5m also include current financial liabilities of EUR 98.7m. A main part of all current and non-current financial liabilities (EUR 148.6m) is chiefly related to trans-o-flex.

Cash flow

EUR m	Q1–3 2007	Q1–3 2008
Operating cash flow before changes in working capital	**207.1**	**161.7**
± Cash flow from changes in working capital	4.2	–32.2
= Cash flow from operating activities	**211.3**	**129.5**
± Cash flow from investing activities	–119.7	–17.4
= Free cash flow	**91.6**	**112.1**
± Cash flow from financing activities	–70.1	–245.9
= Net increase/decrease in cash and cash equivalents	**21.4**	**–133.8**

Total operating cash flow before changes in working capital amounted to EUR 161.7m in the first three quarters of 2008, below the comparable figure for Q1–3 2007 due to changes in non-current provisions. Moreover, higher tax back payment was made in 2008.

The cash flow from changes in working capital amounted to minus EUR 32.2m in the first three quarters of 2008. This is primarily due to increased receivables from other postal companies. On balance, total cash flow from operating activities was EUR 129.5m in the first nine months of 2008.

The cash flow from investing activities of minus EUR 17.4m comprised the purchase of property, plant and equipment amounting to EUR 60.9m, the acquisition of subsidiaries including the acquisition of further interests in subsidiaries totalling EUR 5.7m, the proceeds from the disposal of property, plant and equipment of EUR 12.1m, and proceeds from the sale of "financial investments in securities" (primarily fixed income investments) amounting to EUR 23.1m. On balance, total free cash flow reported in the first three quarters of the 2008 financial year was EUR 112.1m, up from EUR 91.6m year-on-year.

The cash flow from financing activities in the first three quarters of 2008 included the payment of a basic dividend of EUR 98.0m, the payment of a special dividend of EUR 70.0m, and the reduction of financial liabilities of EUR 50.1m. The acquisition of the remaining 23.85% stake in the logistics company trans-o-flex was primarily responsible for the reduction in financial liabilities of EUR 20.4m. The acquisition of treasury shares as part of the share buy-back programme led to a cash outflow of EUR 21.7m.

Capital expenditure Over the first three quarters of 2008, capital expenditure at for the Group reached a level of EUR 60.9m, equally targeting projects in Austria and other countries. Investments chiefly focused on expanding and modernising the vehicle fleet, new sorting tables for use by delivery staff in the distribution bases and modernisation of post office branches as well as various construction projects, for example in Bratislava (Slovakia) and Zagreb (Croatia). The rest of the shareholding in Scanpoint (49%) was acquired as well as the pharmaceutical logistics company HSH in Belgium.

Employees During the period under review, the average number of employees (full-time equivalents) in the Austrian Post Group increased by 6.3%, or 1,619 employees, compared to the first three quarters of 2007, to a total of 27,141 employees at present. This increase is related to the acquisition of subsidiaries. The rise in the number of employees in the Other/Consolidation segment reflects the changing reporting structure for employees who are permanently on sick leave. In contrast, Austrian Post reduced the number of its employees on its domestic market of Austria by about 320 people compared to the first

Employees by division[1)]

	Q1–3 2006	Q1–3 2007	Q1–3 2008	Structure
Mail	15,426	15,470	15,966	58.8%
Parcel & Logistics	2,271	3,281	4,049	14.9%
Branch Network	5,266	5,103	4,962	18.3%
Other/Consolidation	1,658	1,667	2,165	8.0%
Total	**24,621**	**25,522**	**27,141**	**100.0%**

1) Average for the period, full-time equivalents

nine months of the preceding year. Most of Austrian Post's labour force (a total of 23,200) work for the parent company, Österreichische Post AG.

Main risks and uncertainties As a postal and logistics services provider operating on an international basis, Austrian Post is subject to different risks in carrying out its business activities. The company proactively deals with these strategic and operational risks. The focus on its core business activities along with decades of experience in this business have enabled Austrian Post to identify risks at an early stage, evaluate them and take precautionary measures. The risk management efforts of Austrian Post, as well as the major risks it is subject to – regulatory and legal risks, market and competitive risks, risks arising from the structure of employment contracts, technical and financial risks – are described in detail in the consolidated financial statements for 2007 and in the Annual Report 2007 for Austrian Post (see Annual Report 2007 pages 74–78).

On the basis of the above-mentioned risks, there are further uncertainties for the remaining three months of the 2008 financial year. Mail volumes in the Mail division and in the Parcel & Logistics division are subject to seasonal fluctuations as well as the economic development of the respective customer segments. Subsequently, planning assumptions may naturally deviate from the actual figures. The current deteriorating global economic environment could have a negative impact on the development of mail volumes of the Austrian Post Group. Furthermore, Austrian Post is subject to increasing competition. For example, a German parcel services company commenced operations on the Austrian market in the middle of 2007. This market entry has an influence on parcels volumes and price developments within the Austrian market. Earnings from financial services provided by the Branch Network division are strongly dependent on the business development of Austrian Post's banking partner BAWAG PSK, whereas earnings from telecommunications products depend on the acceptance of products marketed by our partner Telekom Austria.

As a logistics company, Austrian Post is principally subject to the risk of increasing costs arising from higher fuel prices. All in all, lower economic growth can have a negative effect on the growth of Austrian Post's core markets and mail volumes with respect to the letter mail, direct advertising mail and parcel segments; with the potential result that economic growth of the company might lose its momentum.

Outlook The uncertain global business environment makes it increasingly difficult to develop precise forecasts for upcoming reporting periods. Austrian Post has assumed continuous volume growth in letter mail and direct mail during the current 2008 financial year, and in fact this trend has been confirmed by developments over the first three quarters. Furthermore, Austrian Post expects a solid volume growth in its international parcels business despite intensified competition. Following the loss of two mail order customers, the market share distribution in the Austrian parcels business is expected to remain at the current level. On balance, Austrian Post anticipates an increase in total revenue of about 5% for the 2008 financial year as a whole.

In spite of the changes affecting the Austrian parcels segment, we expect earnings before interest and tax (EBIT) in 2008 to reach the same level achieved in 2007, with EBIT expected to improve in 2009.

In respect to the expected financing requirements for the 2008 and 2009 financial years, Austrian Post estimates that required investments in property, plant and equipment (CAPEX) will total EUR 100m to 110m annually. The company expects to carry out a reduced number of acquisitions during this period, due to the fact that there are no large acquisition targets fulfilling our investment criteria in the foreseeable future. The top priority is the optimal integration of the new Group subsidiaries. In order to ensure that the defined business targets are achieved, the management of Austrian Post will do everything possible, both in the short- and medium-term, to preserve the flexibility and efficiency of the company and thus sustain the value of the company.

Based on strong cash generation and a solid balance sheet structure, Austrian Post aims to continue pursuing an attractive dividend policy. It is planned to increase the basic dividend above the previous year's level of EUR 1.40 per share. Payment of a special dividend depends on future capital requirements.

Events after the interim reporting period

Effective October 2, 2008, Austrian Post acquired a 100% shareholding in 24 VIP Logistics Services d.o.o., Bosnia and Herzegovina. The business focus of 24 VIP is the delivery of parcels and individually packaged goods in the business-to-business segment.

Since September 30, 2008, Austrian Post acquired a total of 660,709 treasury shares, at an acquisition cost of EUR 14.8m.

Performance of divisions

Mail Division

EUR m	Q1–3 2006	Q1–3 2007	Q1–3 2008	Change	Q3 2007	Q3 2008
External sales	**958.8**	**990.4**	**1,066.8**	**+7.7%**	**327.0**	**346.3**
Mail	564.9	574.9	572.3	–0.4%	181.8	182.9
Infomail	298.1	323.1	395.4	+22.4%	116.6	131.9
Media Post	95.8	92.4	99.1	+7.3%	28.7	31.5
Internal sales	49.3	35.1	32.6	–7.1%	10.7	10.5
Total revenue	1,008.1	1,025.5	1,099.4	+7.2%	337.7	356.8
EBIT	**190.8**	**188.4**	**190.5**	**+1.1%**	**55.0**	**54.8**
EBIT margin[1]	18.9%	18.4%	17.3%	–	16.3%	15.4%
EBITDA margin[1]	21.8%	20.7%	19.7%	–	19.4%	17.8%
Employees[2]	15,426	15,470	15,966	+3.2%	–	–

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

In the first three quarters of 2008, external sales of the Mail division rose by 7.7% compared to the same period of the previous year, increasing to EUR 1,066.8m. This improvement is chiefly related to the initial consolidation of the Austrian Post subsidiary meiller direct, which was acquired in July 2007, as well as organic revenue growth of approximately 1.9%.
External sales of the Letter Mail Business Area remained quite stable, declining by 0.4% year-on-year primarily as a consequence of the replacement of the traditional letter by electronic media. In contrast, external sales of the Infomail Business Area (addressed and unaddressed advertising) rose by 22.4% the first three quarters of 2008. This increase mainly relates to the first-time consolidation of the acquired meiller direct companies, but is also due to organic growth of 4.5%. The Media Post Business Area also raised its external sales by 7.3% in the first three quarters, which can be attributed to the good performance of regional media, but also to the positive one-off effects of regional and national elections in Austria. In particular, parliamentary elections held at the end of September added impetus to all three business areas.
On balance, EBIT of the Mail division in the first three quarters of 2008 amounted to EUR 190.5m, an increase of 1.1%. EBIT generated by the Mail division in the third quarter totalled EUR 54.8m.

Parcel & Logistics Division

EUR m	Q1–3 2006	Q1–3 2007	Q1–3 2008	Change	Q3 2007	Q3 2008
External sales	**163.5**	**531.6**	**575.2**	**+8.2%**	**174.4**	**192.7**
Internal sales	36.3	23.2	23.2	+0.1%	7.3	6.3
Total revenue	199.8	554.8	598.4	+7.9%	181.7	199.0
EBIT	**15.9**	**20.8**	**6.7**	**–67.9%**	**5.8**	**–0.4**
EBIT margin[1]	7.9%	3.7%	1.1%	–	5.8%	–0.2%
EBITDA margin[1]	11.0%	6.6%	4.5%	–	6.3%	3.2%
Employees[2]	2,271	3,281	4,049	+23.4%	–	–

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

External sales of the Parcel & Logistics division climbed to EUR 575.2m in the first three quarters of 2008, a rise of 8.2%. The main contribution to total revenue (84% of division sales) was made by the premium parcel service (parcel delivery within 24 hours to private and business customers), which expanded by 15% to about EUR 485m in the first nine months of 2008, due to both organic growth as well as the acquisition of new companies. On the one hand, growth resulted from acquisitions implemented in South East Europe, i.e. Road Parcel and Merland/Hungary as well as City Express/Serbia. On the other hand, the newly-acquired subsidiaries in Western Europe, namely DDS/Netherlands, VOP/Belgium and HSH/Belgium effectively complement the network of the German subsidiary trans-o-flex.

As expected, total volume decreased in the standard parcels segment in Austria (about 15% of division sales), due to the market entry of a German parcel service provider, and is being subject to a streamlining process in 2008, which will be completed by the end of the year.

In the first three quarters, earnings before interest and tax (EBIT) of the Parcel & Logistics division amounted to EUR 6.7m. The decline is related to the expected market share decrease in Austria resulting from the loss of two large parcels customers, as well as the high integration costs for the new subsidiaries in the Netherlands and Belgium as well as increased transport and fuel costs during the period under review.

Branch Network Division

EUR m	Q1–3 2006	Q1–3 2007	Q1–3 2008	Change	Q3 2007	Q3 2008
External sales	**145.4**	**141.8**	**140.3**	**–1.0%**	**48.0**	**46.3**
Internal sales	155.1	150.9	151.1	+0.1%	47.6	49.2
Total revenue	300.5	292.7	291.4	–0.4%	95.6	95.4
EBIT	**8.5**	**9.7**	**9.5**	**–1.8%**	**3.9**	**2.8**
EBIT margin[1]	2.8%	3.3%	3.3%	–	4.1%	2.9%
EBITDA margin[1]	5.7%	4.6%	4.8%	–	5.5%	4.5%
Employees[2]	5,266	5,103	4,962	–2.8%	–	–

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

External sales of the Branch Network division fell by 1.0% in the first nine months of 2008 compared to the same period of the previous year, to EUR 140.3m. The decline in sales of retail products, in particular sales of mobile phones, was largely compensated by a slight growth in financial services and other post office products. Growth measures were initiated, such as the sales drive targeting private customers. Growth in the financial services segment was achieved despite the current financial crisis prevailing in recent months, in particular for standard products, where demand was stronger. Internal sales of the division were stable. Similarly, earnings before interest and tax (EBIT) of the Branch Network division remained constant due to cost discipline and organisational optimisation measures, with the EBIT margin once again at 3.3%.

Consolidated interim financial statements

Consolidated income statement

EUR m	Q1–3 2007	Q1–3 2008	Q3 2007	Q3 2008
Revenue	1,667.3	1,784.6	550.4	585.8
Other operating income	52.5	53.1	15.6	17.3
Total operating income	1,719.8	1,837.7	566.0	603.1
Raw materials, consumables and services used	–491.1	–564.1	–168.3	–195.2
Staff costs	–838.1	–867.4	–268.8	–286.3
Depreciation, amortisation and impairment losses	–72.2	–83.9	–27.0	–26.1
Other operating expenses	–200.5	–219.8	–68.7	–74.6
Total operating expenses	–1,601.8	–1,735.3	–532.7	–582.1
Profit from operations	**118.0**	**102.4**	**33.3**	**21.0**
Share of profit/loss of associates	0.4	0.5	0.0	0.0
Other financial result	5.1	8.1	3.6	1.0
Total financial result	5.5	8.6	3.6	1.0
Profit before tax	**123.4**	**111.1**	**36.9**	**22.0**
Income tax	–27.3	–23.6	–8.6	–4.7
Profit after tax	**96.1**	**87.5**	**28.2**	**17.4**
Profit for the period	**96.1**	**87.5**	**28.2**	**17.4**
Attributable to:				
Equity holders of the parent company	96.0	87.6	28.3	17.4
Minority interest	0.1	–0.1	–0.1	0.0

EUR				
Basic earnings per share	1.37	1.25	0.40	0.25
Diluted earnings per share	1.37	1.25	0.40	0.25

EUR m				
Profit from operations	118.0	102.4	33.3	21.0
Share of profit/loss of associates	0.4	0.5	0.0	0.0
Earnings before interest and tax (EBIT)	**118.3**	**103.0**	**33.3**	**21.0**

Consolidated balance sheet

EUR m	Dec. 31, 2007	Sept. 30, 2008
ASSETS		
Non-current assets		
Goodwill	216.0	221.2
Intangible assets	106.1	97.2
Property, plant and equipment	716.7	715.8
Investment property	36.6	35.1
Investments in associates	3.5	3.5
Financial investments in securities	131.8	123.9
Other financial assets	79.9	83.7
Receivables	15.9	16.1
Deferred tax assets	55.5	56.7
	1,361.9	**1,353.2**
Current assets		
Financial investments in securities	15.2	0.2
Inventories	25.6	28.1
Receivables	344.0	380.0
Cash and cash equivalents	309.4	175.6
	694.3	**583.9**
Non-current assets held for sale	**2.4**	**0.0**
	2,058.6	**1,937.0**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	350.0	350.0
Treasury shares	0.0	–4.4
Capital and reserves	212.0	216.4
Revenue reserves	188.7	119.5
Revaluation of securities	–0.5	–4.1
Currency translation reserves	1.0	2.4
Profit for the period	122.5	87.6
	873.7	**767.3**
Minority interest	0.6	0.0
	874.3	**767.3**
Non-current liabilities		
Provisions	487.7	512.9
Financial liabilities	58.6	49.9
Payables	18.7	18.0
Deferred tax liabilities	33.2	30.5
	598.0	**611.2**
Current liabilities		
Provisions	102.3	99.9
Tax provisions	14.4	15.3
Financial liabilities	128.5	98.7
Payables	341.1	344.7
	586.3	**558.5**
	2,058.6	**1,937.0**

Consolidated cash flow statement

EUR m	Q1–3 2007	Q1–3 2008
Operating activities		
Profit before tax	123.4	111.1
Depreciation, amortisation and impairment losses	72.2	83.9
Write-downs/write-ups of financial assets	–0.4	–0.5
Non-current provisions	56.8	25.2
Gain/loss on disposal of non-current assets	–9.2	–6.2
Gain/loss on disposal of financial assets	–2.9	0.0
Taxes paid	–27.1	–38.1
Net interest received/paid	–5.8	–13.6
Operating cash flow before changes in working capital	**207.1**	**161.7**
Changes in working capital		
Receivables	71.6	–31.3
Inventories	2.0	–2.4
Payables	–78.4	3.9
Current provisions	8.9	–2.4
Cash flow from changes in working capital	**4.2**	**–32.2**
Cash flow from operating activities	**211.3**	**129.5**
Investing activities		
Purchase of intangible assets	–3.2	–1.2
Purchase of property, plant and equipment	–70.8	–60.9
Acquisition of subsidiaries	–56.0	0.6
Acquisition of associates	0.0	–3.8
Acquisition of further interests in subsidiaries	0.0	–2.6
Acquisition of financial investments in securities	–9.0	–5.0
Acquisition of other financial assets	–76.4	0.0
Proceeds from the sale of non-current assets	16.3	12.1
Proceeds from the sale of financial investments in securities	68.4	23.1
Dividends received from associates	0.4	0.5
Interest received	10.7	19.7
Cash flow from investing activities	**–119.7**	**–17.4**
Free cash flow	**91.6**	**112.1**
Financing activities		
Changes in financial liabilities	4.7	–50.1
Dividends paid	–70.0	–168.0
Interest paid	–4.8	–6.1
Purchase of treasury shares	0.0	–21.7
Cash flow from financing activities	**–70.1**	**–245.9**
Net increase/decrease in cash and cash equivalents	**21.4**	**–133.8**
Cash and cash equivalents as at January 1	229.4	309.4
Cash and cash equivalents as at September 30	**250.9**	**175.6**

Segment reporting

Business segments (divisions)
Q1–3

EUR m	Mail 2007	Mail 2008	Parcel & Logistics 2007	Parcel & Logistics 2008	Branch Network 2007	Branch Network 2008	Other/ Consolidation 2007	Other/ Consolidation 2008	Group 2007	Group 2008
External sales	990.4	1,066.8	531.6	575.2	141.8	140.3	3.6	2.3	1,667.3	1,784.6
Internal sales	35.1	32.6	23.2	23.2	150.9	151.1	–209.2	–206.9	0.0	0.0
Total revenue	**1,025.5**	**1,099.4**	**554.8**	**598.4**	**292.7**	**291.4**	**–205.7**	**–204.6**	**1,667.3**	**1,784.6**
Profit from operations	188.2	190.3	20.9	6.7	9.7	9.5	–100.8	–104.0	118.0	102.4
Share of profit/loss of associates	0.2	0.2	–0.1	0.0	0.0	0.0	0.3	0.3	0.4	0.5
EBIT	**188.4**	**190.5**	**20.8**	**6.7**	**9.7**	**9.5**	**–100.6**	**–103.7**	**118.3**	**103.0**
Segment assets	424.2	498.8	447.9	582.4	48.5	52.1	508.3	357.5	1,428.9	1,490.8
Investments in associates	2.9	2.9	0.0	0.0	0.0	0.0	0.5	0.6	3.5	3.5
Segment liabilities	289.7	346.7	126.7	217.6	80.1	73.8	411.7	362.3	908.2	1,000.5
Segment investments	87.2	34.6	29.5	30.8	5.0	2.3	28.9	12.3	150.6	80.0
Depreciation. amortisation and impairment losses	23.6	25.6	16.1	20.0	3.7	4.4	28.9	34.0	72.2	83.9
thereof impairment losses	2.5	0.0	0.0	0.1	0.0	0.0	0.0	6.0	2.5	6.2
Other non-cash expenses	8.1	0.1	0.4	–0.7	1.7	–1.0	50.6	26.8	60.8	25.2
Employees[1]	15,470	15,966	3,281	4,049	5,103	4,962	1,667	2,165	25,522	27,141

[1] Average for the period, full-time equivalents

Geographical segments
Q1–3

EUR m	Austria 2007	Austria 2008	Germany 2007	Germany 2008	Other countries 2007	Other countries 2008	Group 2007	Group 2008
External sales	1,236.6	1,231.0	390.3	451.1	40.4	102.5	1,667.3	1,784.6
Segment assets	1,029.6	1,033.5	361.9	360.2	37.4	97.1	1,428.9	1,490.8
Segment investments	86.2	47.4	46.6	10.5	17.7	22.0	150.6	80.0

Business segments (divisions)
Q3

EUR m	Mail 2007	Mail 2008	Parcel & Logistics 2007	Parcel & Logistics 2008	Branch Network 2007	Branch Network 2008	Other/ Consolidation 2007	Other/ Consolidation 2008	Group 2007	Group 2008
External sales	327.0	346.3	174.4	192.7	48.0	46.3	1.0	0.5	550.4	585.8
Internal sales	10.7	10.5	7.3	6.3	47.6	49.2	–65.5	–65.9	0.0	0.0
Total revenue	**337.7**	**356.8**	**181.7**	**199.0**	**95.6**	**95.4**	**–64.5**	**–65.4**	**550.4**	**585.8**
Profit from operations	55.0	54.8	5.9	–0.4	3.9	2.8	–31.5	–36.2	33.3	21.0
Share of profit/loss of associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**55.0**	**54.8**	**5.8**	**–0.4**	**3.9**	**2.8**	**–31.4**	**–36.1**	**33.3**	**21.0**

Geographical segments
Q3

EUR m	Austria 2007	Austria 2008	Germany 2007	Germany 2008	Other countries 2007	Other countries 2008	Group 2007	Group 2008
External sales	394.0	395.1	139.4	153.0	17.0	37.7	550.4	585.8

Statement by the
Management Board
Business development Q1–3
Performance of divisions
**Consolidated interim
financial statements**
Notes

Consolidated statement of changes in equity

EUR m	Share capital	Treasury shares	Capital reserves	Revenue reserves	Revaluation of securities	Currency translation reserves	Profit for the period	Total	Minority interest	Consolidated equity
Q1–3 2007										
Balance at January 1, 2007	**350.0**	**0.0**	**274.5**	**96.4**	**–0.1**	**0.9**	**99.8**	**821.4**	**0.0**	**821.4**
Changes in reserves										
Revenue reserves				29.8			–29.8	0.0		0.0
Income and expense recognised in equity										
Currency translation						0.2		0.2		0.2
Revaluation of securities					–2.1			–2.1		–2.1
	0.0	0.0	0.0	0.0	–2.1	0.2	0.0	–1.8	0.0	–1.8
Profit for the period							96.0	96.0	0.6	96.6
Total recognised income and expense	**0.0**	**0.0**	**0.0**	**29.8**	**–2.1**	**0.2**	**66.2**	**94.1**	**0.6**	**94.8**
Dividends							–70.0	–70.0		–70.0
Balance at September 30, 2007	**350.0**	**0.0**	**274.5**	**126.2**	**–2.2**	**1.1**	**96.0**	**845.5**	**0.6**	**846.2**

EUR m	Share capital	Treasury shares	Capital reserves	Revenue reserves	Revaluation of securities	Currency translation reserves	Profit for the period	Total	Minority interest	Consolidated equity
Q1–3 2008										
Balance at January 1, 2008	**350.0**	**0.0**	**212.0**	**188.7**	**–0.5**	**1.0**	**122.5**	**873.7**	**0.6**	**874.3**
Changes in consolidation										
Changes in equity investments								0.0	–0.6	–0.6
Changes in reserves										
Revenue reserves				–51.9			45.5	–6.5		–6.5
Reserves treasury shares			4.4					4.4		4.4
Income and expense recognised in equity										
Currency translation						1.4		1.4		1.4
Revaluation of securities					–3.6			–3.6		–3.6
	0.0	0.0	0.0	0.0	–3.6	1.4	0.0	–2.2	0.0	–2.2
Profit for the period							87.6	87.6	–0.1	87.5
Total recognised income and expense	**0.0**	**0.0**	**4.4**	**–51.9**	**–3.6**	**1.4**	**133.0**	**83.3**	**–0.6**	**82.7**
Dividends							–168.0	–168.0		–168.0
Purchase of treasury shares		–4.4		–17.3				–21.7		–21.7
Balance at September 30, 2008	**350.0**	**–4.4**	**216.4**	**119.5**	**–4.1**	**2.4**	**87.6**	**767.3**	**0.0**	**767.3**

Notes

1 | Basis of preparation

The interim consolidated financial statements of Austrian Post as at September 30, 2008 were prepared in accordance with the binding International Financial Reporting Standards valid at September 30, 2008, as issued by the International Accounting Standard Board (IASB) and adopted by the European Union.
The accounting and valuation methods as well as the explanations and notes to the financial statements are based on the same accounting and valuation methods underlying the consolidated financial statements for the 2007 financial year. The new interpretation contained in IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions", which took effect on March 1, 2007, was applied in preparing the interim consolidated financial statements. However, the application of the new interpretation does not have any material effect on the presentation of the financial position, profit and loss or cash flows of the company.
The consolidated financial statements are presented in Euro. The functional currency is the Euro. Unless otherwise stated, all amounts are provided in millions of euros. (EUR m). Where rounded amounts and percentages are aggregated, rounding related differences may occur due to the use of automated calculation aids.
For more detailed information on the applied accounting and valuation methods, refer to the consolidated financial statements for the 2007 financial year as at December 31, 2007, which serves as the basis for these interim statements.

2 | Consolidation

In addition to the parent company Austrian Post AG, a total of 19 domestic subsidiaries (December 31, 2007: 18) and 48 foreign subsidiaries (December 31, 2007: 45) in which the company directly or indirectly holds a majority of the voting rights, are included in consolidation. Furthermore, three domestic companies (December 31, 2007: three) are consolidated according to the equity method.

Changes in consolidation

Effective September 1, 2008, Austrian Post acquired a 100% shareholding in Cont-Média Hungary Kft., Budapest. The acquisition cost amounted to EUR 4.3m. Cont-Média Hungary Kft. specialises in the delivery of unaddressed advertising mail in Hungary.
Austrian Post assumed the following assets and liabilities in connection with the acquisition of Cont-Média Hungary Kft.:

EUR m	Fair value	Carrying amount before acquisition
Intangible assets	0.4	0.0
Goodwill	3.2	0.0
Property, plant and equipment	0.1	0.1
Current assets	1.5	1.5
Deferred tax liabilities	–0.1	0.0
Current provisions and liabilities	–0.9	–0.9
Net acquired assets	**4.3**	**0.7**

At the end of August 2008, Austrian Post acquired a 30% shareholding in D2D – direct to document GmbH, Vienna, at an acquisition cost of EUR 3.8m. The company operates in the field of output services (printing, enveloping and data transfer services). The shareholding in D2D – direct to document GmbH is reported under the item "Other financial assets". At December 31, 2008, the company will be initially included in the consolidated financial statements of Austrian Post and recognized at equity, in accordance with IFRS 3.

3 | Contingent liabilities and assets

The contingent assets presented in the consolidated financial statements as at December 31, 2007 remained unchanged in the first three quarters of the 2008 financial year. Compared to December 31, 2007, there was no significant change in the level of contingent liabilities.

4 | Other information

As at September 30, 2008, there was no material change in the transactions with related parties as presented in the consolidated financial statements as at December 31, 2007.

Treasury shares

Within the content of the share buy-back programme approved by the Annual General Meeting held on April 22, 2008, Austrian Post acquired a total of 889,056 treasury shares in the third quarter of the 2008 financial year. As at September 30, 2008, Austrian Post held a total of 889,056 treasury shares, at an acquisition cost of EUR 21.7m.

5 | Events after the end of the interim reporting period

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

Effective October 2, 2008, Austrian Post acquired a 100% shareholding in 24 VIP Logistics Services d.o.o., Bosnia and Herzegovina. The acquisition price will not total more than EUR 2.3m. The focus of the business operations of 24 VIP is the delivery of parcels and individually packaged goods in the business-to-business segment.

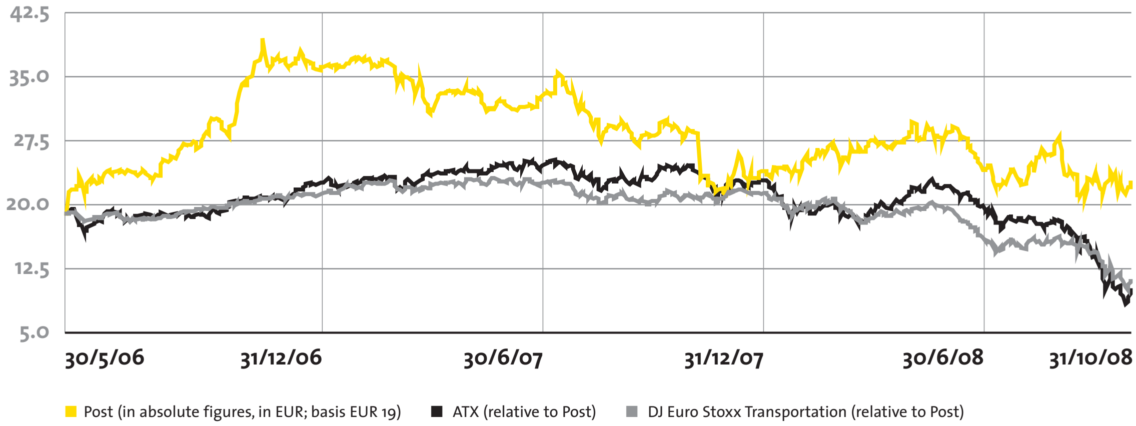
Since September 30, 2008, Austrian Post acquired a total of 660,709 treasury shares, at an acquisition cost of EUR 14.8m.

Editorial deadline: November 4, 2008

Financial calendar 2009

March 12, 2009	Annual Report 2008
May 6, 2009	Annual General Meeting in Vienna
May 19, 2009	Interim results Q1 2009
August 13, 2009	Interim results H1 2009
November 13, 2009	Interim results Q1–3 2009

Development of the Post share



The Post share

Price on September 30, 2008	EUR 23.66
High/low (closing price) Q1–3 2008	EUR 29.75 / EUR 20.82
Earnings per share Q1–3 2008	EUR 1.25
Market capitalisation on September 30, 2008	EUR 1,634m
Free float	49%

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