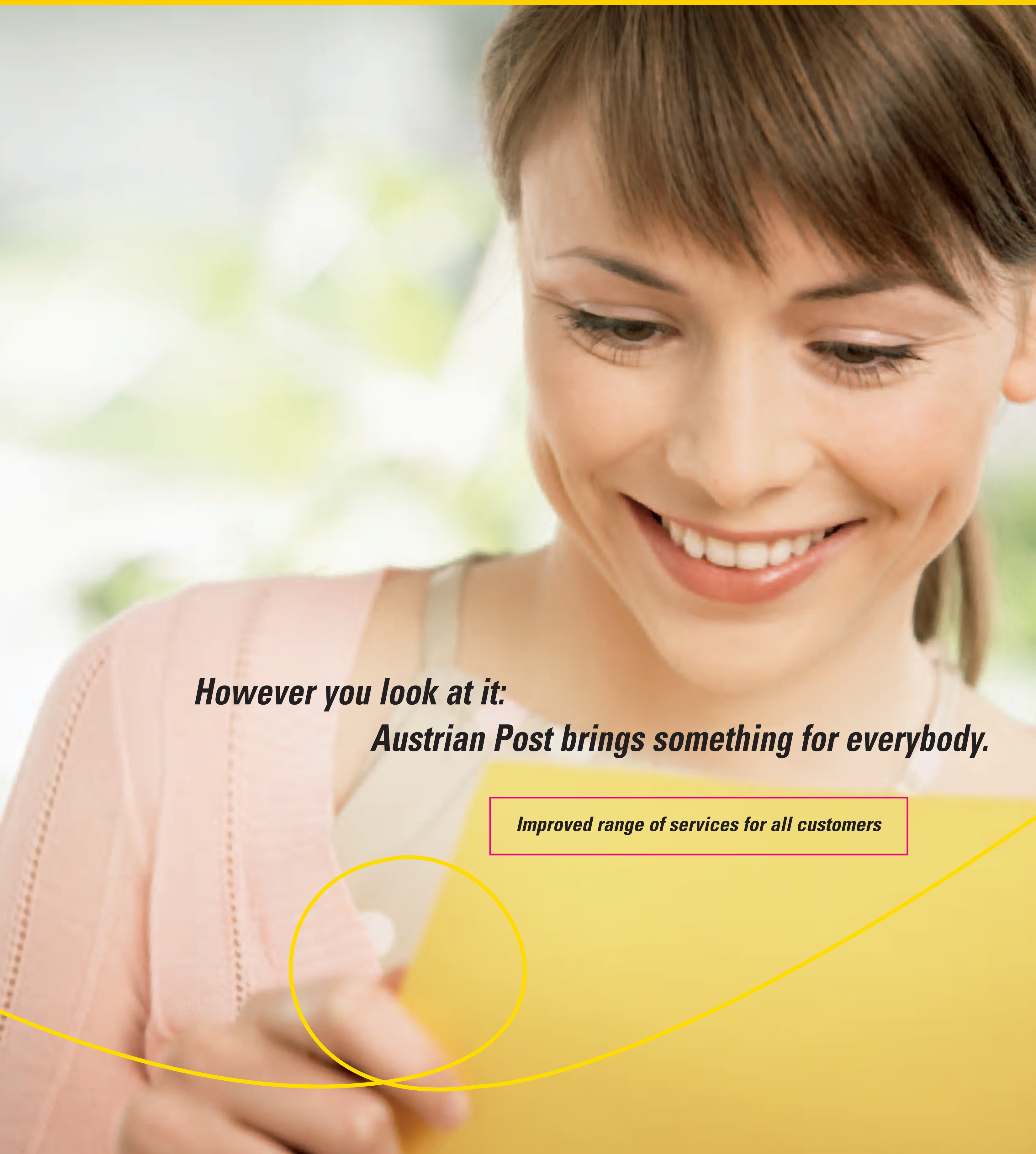
# Annual Report 2006

Post.at

Österreichische Post AG



# Highlights 2006

Successful IPO in May 2006 – free float of 49%

Share price increase of 90% as at the end of 2006, market capitalisation of EUR 2.5bn

Further improvement of Group revenue by 2.1% to EUR 1,736.7m

Solid revenue development in all divisions

Mail +1.6%; Parcel & Logistics +7.2%; Branch Network +0.3%

Successful acquisitions in 2006

Kolos (Slovakia) – unaddressed direct mail; Wiener Bezirkszeitung (Austria) – media post; Weber Escal (Croatia) – unaddressed direct mail; trans-o-flex (Germany) – B2B parcels

Earnings before interest and tax (EBIT) up 19.7% to EUR 123.3m

Operating cash flow remains strong with EUR 277.9m

Earnings before tax (EBT): increase of 29.3% to EUR 130.5m

Solid balance sheet structure, equity ratio of 43.2%

Dividend proposal to the Annual General Meeting: increase of 75% from EUR 40m to EUR 70m

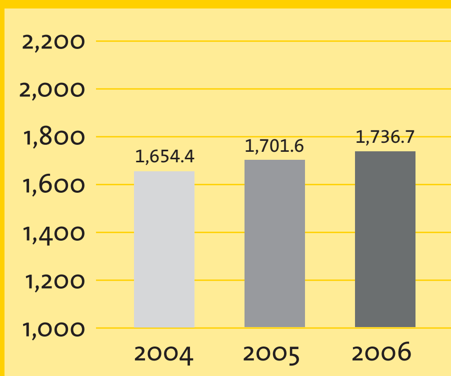
# Key figures Austrian Post

| | | 2004 | 2005 | 2006 | Change in % |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue | EUR m | 1,654.4 | 1,701.6 | 1,736.7 | +2.1% |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | EUR m | 203.1 | 223.8 | 231.7 | +3.5% |
| EBITDA margin | % | 12.3% | 13.2% | 13.3% | – |
| Earnings before interest and tax (EBIT) | EUR m | 82.2 | 103.0 | 123.3 | +19.7% |
| EBIT margin | % | 5.0% | 6.1% | 7.1% | – |
| Earnings before tax (EBT) | EUR m | 76.7 | 100.9 | 130.5 | +29.3% |
| Profit for the period | EUR m | 50.0 | 99.9[1)] | 99.8 | –0.2% |
| Earnings per share | EUR | 0.71[2)] | 1.43[2)] | 1.43 | –0.2% |
| Employees (average for period, full-time equivalents) | | 26,342 | 25,192 | 24,456 | –2.9% |
| **Cash flow** | | | | | |
| Operating cash flow before changes in working capital | EUR m | 263.7 | 283.1 | 277.9 | –1.8% |
| Cash flow from operating activities | EUR m | 223.8 | 298.0 | 238.0 | –20.1% |
| Investment in property, plant and equipment | EUR m | 88.5 | 73.6 | 63.6 | –13.6% |
| Investment in Group holdings | EUR m | 0.0 | –10.3 | 60.1 | – |
| Free cash flow | EUR m | 98.3 | 205.4 | 95.4 | –53.6% |
| **Balance sheet** | | | | | |
| Total assets | EUR m | 1,795.7 | 1,563.0 | 1,901.6 | +21.7% |
| Non-current assets | EUR m | 1,011.4 | 997.4 | 1,272.9 | +27.6% |
| Current assets | EUR m | 393.7 | 542.6 | 614.9 | +13.3% |
| Non-current assets held for sale and discontinued operations | EUR m | 390.6 | 23.0 | 13.8 | –40.0% |
| Capital and reserves | EUR m | 712.5 | 762.1 | 821.4 | +7.8% |
| Non-current liabilities | EUR m | 287.5 | 361.3 | 564.0 | +56.1% |
| Current liabilities | EUR m | 421.0 | 439.6 | 516.2 | +17.4% |
| Liabilities of discontinued operations | EUR m | 374.7 | 0.0 | 0.0 | 0.0% |
| **Key balance sheet indicators** | | | | | |
| Interest-bearing liabilities | EUR m | –293.1 | –369.1 | –607.6 | +64.6% |
| Interest-bearing assets | EUR m | 196.6 | 397.1 | 433.7 | +9.2% |
| Net debt/net cash position | EUR m | –96.5 | 28.0 | –173.9 | – |
| Equity ratio | % | 39.7% | 48.8% | 43.2% | – |
| Return on equity (ROE) | % | 7.2% | 13.6% | 13.8% | – |
| Capital employed | EUR m | 796.2 | 694.3 | 935.0 | +34.7% |
| Return on capital employed (ROCE) | % | 10.2% | 13.8% | 15.1% | – |
| **Key Post share indicators** | | | | | |
| Share price December 31 | EUR | – | – | 36.10 | – |
| High/low (closing price) | EUR | – | – | 39.50/21.50 | – |
| Dividend per share | EUR | 0.57[2)] | 0.57[2)] | 1.00[3)] | +75.0% |
| Market capitalisation December 31 | EUR m | – | – | 2,527.0 | – |
| Number of shares December 31 | Total | 10,000 | 10,000 | 70,000,000 | – |
| Free float | % | 0.0% | 0.0% | 49.0% | – |

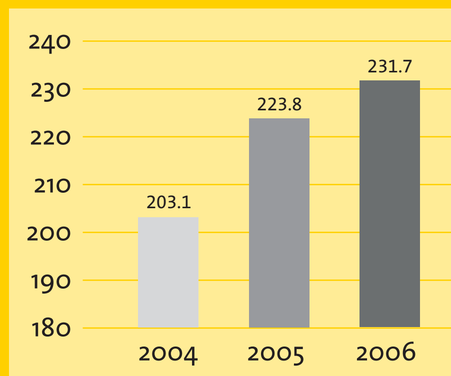
1) Including EUR 9.8m from discontinued operations 2) Basis of 70m shares 3) Proposal to the Annual General Meeting

# Key figures Austrian Post

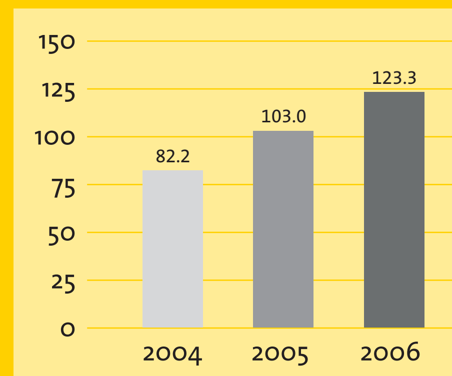
Revenue (EUR m)



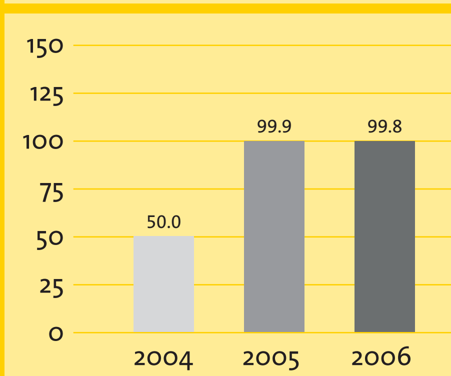

EBITDA (EUR m)



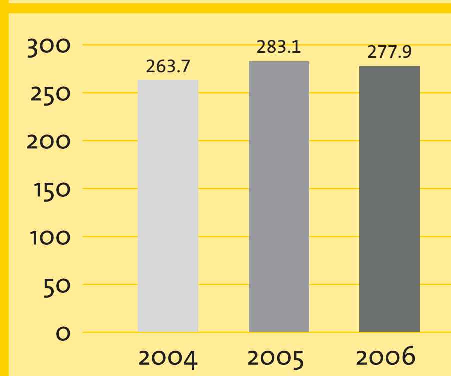

EBIT (EUR m)



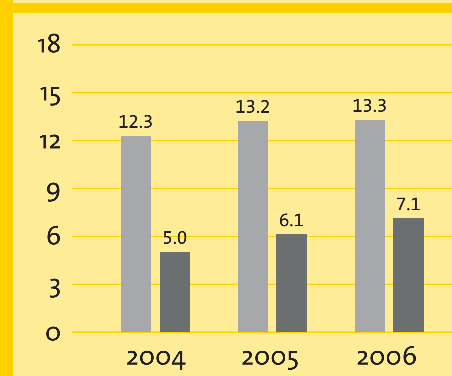

Profit for the period (EUR m)




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




EBITDA margin and EBIT margin (%)




## Key divisional figures

| | | Mail Division | Parcel & Logistics Division | Branch Network Division | Other/ Consoli-dation | Group total |
|---|---|---|---|---|---|---|
| **Revenue 2006** | **EUR m** | **1,311.3** | **227.1** | **194.4** | **4.0** | **1,736.7** |
| Total revenue 2006[1)] | EUR m | 1,378.2 | 276.9 | 404.4 | –322.9 | 1,736.7 |
| EBIT 2006 | EUR m | 271.6 | 20.8 | 11.5 | –180.6 | 123.3 |
| **Revenue 2005** | **EUR m** | **1,290.8** | **211.8** | **193.8** | **5.1** | **1,701.6** |
| Total revenue 2005[1)] | EUR m | 1,357.1 | 257.6 | 401.9 | –314.9 | 1,701.6 |
| EBIT 2005 | EUR m | 268.9 | 10.4 | 8.7 | –184.9 | 103.0 |

1) External sales plus internal sales of the division

# Contents


Austrian Post brings something for everybody.
... from person to person.

**Facts and figures: person-to-person**

- 11,000 delivery staff bring mail every day to 3.3m households throughout Austria
- More than 95% of all domestic letters delivered on the next working day
- Nationwide collection and pick-up points


Austrian Post brings something for everybody.
... from business directly to consumers.
NESPRESSO
NESPRESSO


**Facts and figures: business-to-consumer**

- Approx. 4m letters and 13m unaddressed and addressed direct mail items per day, 45m parcels annually in Austria to private customers
- Internet and teleshopping drive growth
- Complementary services boost success of business customers


Austrian Post brings something for everybody.
... from business to business.


**Facts and figures: business-to-business**

- Nr. 1 for direct mail
- Nationwide delivery of business parcels and combined freight
- Acquisition of trans-o-flex drives further expansion of B2B parcels segment

# An eventful year

**Quite a lot happened at Austrian Post in the year 2006. The milestones range from the tremendous success of the Initial Public Offering in May, when Austrian Post became only the third European postal company to be publicly listed on the stock exchange, to the acquisiton of a majority shareholding in the German specialist logistics company trans-o-flex, a quantum leap forward in the B2B parcels business. The modernisation of numerous branches, further acquisitions in Slovakia and Croatia and the listing in the ATX index represent further highlights of the year.**

### Privatisation begins

On January 12, the Austrian government decides to privatise Austrian Post, initiating the sale of up to 49% of Post shares on the stock market.


### Acquisitions in Slovakia and Croatia

Austrian Post is well-positioned in the direct mail segments in Slovakia and in Croatia through its acquisitions of Kolos and Weber Escal – a further step towards penetrating the Eastern European markets.

### Launch of a far-reaching modernisation drive in the branch network

In the course of the next three to four years, numerous branches will be remodelled and renovated, thus optimally adapted to customer requirements.

### The world's first stamp featuring meteorite dust

Austrian Post issues the world's first postage stamp featuring meteorite dust, thus once again demonstrating its creativity in new stamps.

### Largest Austrian IPO in 2006

The listing on the Vienna Stock Exchange arouses enormous investor interest. The offering was eight-times subscribed. The issue price of EUR 19.– per share was at the upper end of the price scale. More than 51% of the company's employees are now Austrian Post shareholders.

**Listing on ATX**
As of September 18, the Post share is listed on the ATX (Austrian Traded Index), the benchmark index of the Vienna Stock Exchange. Subsequently it ranks among the companies with the highest trading volumes and market capitalisation.

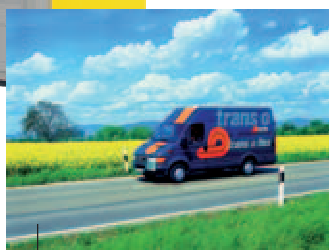
# Listing on ATX

# Five-year extension for Post Management Board

**Extension of Management Board employment contracts**
The Supervisory Board of Austrian Post resolves to extend the existing contracts of the four members of the Management Board, to 2012, ensuring continuity in the company's top management.

**Austrian Post's "Prospect Award" honours outstanding direct mailings**
In the future, the newly created Prospect Award will grant awards to the most creative and successful advertising brochures and leaflets four times annually. The assessments are to be exclusively carried out by consumers.

**Post.24 – round-the-clock parcel pickup**
The first Post.24 locations commences operations. A total of 24 postal pickup points will be established, enabling parcels to be collected round the clock, independent of branch opening hours. With this new service, Austrian Post continues its successful "Closer to the customer" drive.

**Majority shareholding in trans-o-flex**
Austrian Post takes a further important step in its international expansion strategy by acquiring a majority stake in trans-o-flex, the German specialist logistics service provider. The new shareholding ensures access to one of the few existing nationwide logistics networks in Germany, thus laying the groundwork for a further expansion of Austrian Post's B2B business.




# A discussion with Austrian Post's Management Board

## A step upwards to another league

Q: **Mr. Wais, 2006 was a milestone year for Austrian Post. Did this year live up to your expectations as Chief Executive Officer?**

A: Wais: I am proud to be the head of this successful company. If you had asked me one year ago, I would not have honestly predicted such a great performance, both in terms of the Post share and the company itself. The first half of 2006 was almost completely dominated by the Initial Public Offering, which gave us added impetus and significantly raised overall awareness of Austrian Post, far beyond Austrias borders. Moreover, the performance achieved by the company demonstrates that we can post solid business results as an independent company, and what's more, can gain international recognition of our strategy.

The crowning conclusion to the year was the increase in our earnings before interest and tax by close to 20%. This means we have achieved the best results to date in the history of Austrian Post. The fact that we are so well positioned can be primarily attributed to the quality and dedication of each and every employee.

**Wais: "The crowning conclusion to the year was the increase in EBIT by close to 20%."**

Q: **Did the acquisitions made in 2006 already make a contribution to earnings?**

A: Wais: Last year alone, we expanded Austrian Post by acquiring three companies in three different countries. With trans-o-flex, our biggest acquisition so far, we have emerged as a niche player on the German logistics market, the biggest in Europe. Furthermore, we expanded in the field of direct marketing by acquiring Kolos and Weber Escal in Slovakia and Croatia. We are not only branching out into the Eastern European growth markets, but also in attractive niches in Western Europe. We always attach great importance to ensuring that all our corporate acquisitions achieve the strict financial targets we set for them. This also applies to these investments. In 2006, the new subsidiaries already made a contribution to our profit for the period, corresponding to their particular size.

Q: **Mr. Jettmar, as the Chief Financial Officer, you also travelled abroad quite frequently to explain the strategic approach of Austrian Post to investors. How was the Post share accepted by the financial community?**

A: Jettmar: From the very first day of the roadshow organised on the occasion of the IPO, the level of interest displayed domestically and abroad was impressive. Our equity story was well received by both private and institutional investors. This was demonstrated by the fact that the IPO was eight times subscribed. But demand remained high even after our stock flotation, as the Post share's 90% gain in value during 2006 clearly indicates. As just the third publicly listed postal company in Europe, Austrian Post is certainly a great asset to the shares traded on the Vienna Stock Exchange.

**Jettmar: "From the very first day of the roadshow the level of domestic and international interest was impressive."**

Clockwise starting top left:

Anton Wais,
Chairman of the Management Board

Rudolf Jettmar,
Deputy Chairman of the Management Board

Walter Hitziger,
Member of the Management Board

Herbert Götz,
Member of the Management Board

Q: **Mr. Hitziger, could the performance of the Mail Division be improved?**

A: Hitziger: We offer the best price/performance ratio on the market, based on a further improvement in delivery quality, which considerably surpasses legal requirements as stipulated in the Universal Service Ordinance. A slight decline in the traditional letter mail segment was the consequence of the increased use of electronic media. Despite the ongoing liberalisation of the postal market, we took advantage of opportunities in the direct mail business and in the distribution of media products, thus achieving solid growth. In particular, we were successful in the fields of address management and in expanding our services in managing postal service departments for large customers.

A strong performance by the Mail Division succeeded in increasing the already high level of revenue by 1.6%, raising EBIT to EUR 271.6m.

We have significantly improved the quality of our services and the efficiency of our processes by carrying out a far-reaching investment drive. This extensive programme, which was concluded with the modernisation of the sorting centres in Styria and Tyrol, enables us to continue defending our market and quality leadership in Austria.

Q: **You have also been responsible for the Parcel & Logistics Division since the beginning of 2007. How do you view further development opportunities in Germany or in Central and Eastern Europe?**

**Hitziger: "The acquisition of trans-o-flex is a milestone in the expansion of the Parcel & Logistics Division."**

A: Hitziger: The acquisition of the German specialist logistics company trans-o-flex is a milestone in the expansion efforts of the Parcel & Logistics Division. We succeeded in taking another decisive step forward on the heels of our market entry in the business-to-business (B2B) parcel market in Austria. trans-o-flex offers an attractive and efficient network in Germany for our customers, and thus opens up considerable growth perspectives. This expansion follows the logical structure of trade flows, due to the fact that Germany is the most important trading partner of Austrian companies. Moreover, the cross-border shipment of parcels is much higher than domestic delivery volumes.

We are taking account of the growing volume of business in CEE by continuously evaluating and pursuing expansion opportunities, of course provided that our clearly-defined strategic, operational and financial criteria are fulfilled.

The 2006 performance figures clearly demonstrate that the Parcel & Logistics Division, the growth driver at Austrian Post, is on track in terms of meeting business targets: revenue climbed 7.2 %, and EBIT doubled to EUR 20.8m. Competition in the parcels market will certainly get much tougher, but we have very successfully laid the groundwork for the future.

Q: **Mr. Götz, the Branch Network Division succeeded in further boosting its profitability. What are the reasons underlying the progress which has been made?**

A: Götz: As an essential component in the supply of postal services, the Branch Network Division succeeded in raising revenue to EUR 404.4m, and EBIT to EUR 11.5m, almost a third higher than in the previous year. This considerable improvement is mainly based on further efficiency gains and a positive development in the sale of retail products, in particular in the fields of telecommunications, mobile telephony and post-related commodities. Financial services, which developed in an exceedingly stable manner, also comprised an important contributor to earnings.

Q: **What innovations or improvements can the customer expect to be introduced in 2007?**

**Götz: "We will focus on intensifying our ongoing modernisation programme."**

A: Götz: In the new business year, we will primarily focus on intensifying our ongoing modernisation programme. Branches are continually being modernised and optimally tailored to customer requirements. By setting up 24h zones, we aim to go where our customers need us and where we are easily accessible for them. With the new "round the clock" parcel service Post.24, customers can find us at the precise places where they do their daily shopping or use public transportation. At 24 locations in Vienna, our customers can pick up their parcels at any time of day or night, irrespective of the business hours of the Austrian Post branches. In 2006, we also started a security drive for our branches, and upgraded existing systems or installed new ones. By the end of 2007, all branches of Austrian Post will be equipped with new electronic surveillance systems.

Simultaneously, we would also like to work together with the new owners of our financial services partner BAWAG P.S.K. to take advantage of the opportunities provided by the strength of our distribution network along with the know-how and product portfolio of BAWAG P.S.K. and the other partners in the consortium. With our nationwide network of branches and many years of experience in the private customer segment as well as in doing business with small and medium-sized firms, we contribute valuable assets to this cooperation.

Q: **A full-scale liberalisation of Europe's postal market in 2009 is currently under discussion. How will this debate end, and is Austrian Post prepared for this new business environment?**

A: Wais: We are very well prepared to deal with any upcoming liberalisation. In the past few years, we have implemented a comprehensive restructuring programme. As a result, Austrian Post is in the top ranks of European service quality. On a structural level, we also transformed the company early enough, and we are continually optimising our internal processes. These efforts have decisively strengthened our position, enabling us to successfully move ahead, also in a period of growing competition.

**Wais: "We are very well prepared to deal with future developments."**

However, it is important to point out that liberalisation should not be considered a one-way street "against" existing companies. We expect that the decisions made in Brussels and the implementation of these guidelines on the Austrian market will ensure the financing of universal postal services, and at the same time create a level playing field open to all providers of postal services. Our standpoint is that the government should only interfere in those cases where existing competition law does not suffice.

Q: **Was 2006 the best possible year for Austrian Post, or will 2007 be even better?**

A: Jettmar: In accordance with our business targets, Austrian Post should achieve further growth in the year 2007. We expect a significant increase of 20% to 25% in earnings before interest and tax (EBIT) compared to 2006. In part, this will be based on the first-time consolidation of our German subsidiary trans-o-flex, but also on further operational improvements. We anticipate the same level of organic revenue, but added revenue will be derived in 2007 from the contribution coming from the initial consolidation of trans-of-flex.

Q: **Many shareholders purchased Post shares due to the prospect of reaping a substantial dividend. Will their expectations be fulfilled?**

A: Jettmar: I think so. At the Annual General Meeting on April 26, 2007, we will propose a dividend payment amounting to EUR 70m for 2006. This corresponds to a dividend of EUR 1.00 per share. If business continues to develop favourably and the financial situation remains unchanged, we will strive to achieve a payout ratio of at least 70% of the profit for the period starting next year.

**Jettmar: "We will propose a dividend of EUR 70m to the Annual General Meeting."**

A: Wais: I am particularly pleased by the fact that our employees are able to share in the success of the company. More than 50% of our employees took advantage of the offer to buy shares at a more favourable price within the framework of our IPO. For me, this clearly underlines their loyalty to the company and their confidence in our future performance.

Q: **What strategy will Austrian Post pursue in 2007?**

A: Wais: We will maintain our successful business strategy, which focuses on maintaining our market leadership in Austria, and continuing a targeted international expansion policy. We would like to roll out our success concept in building up new markets to other countries, and thus ensure stable earnings for our shareholders. Due to prevailing market conditions, we will only be able to achieve our growth and earnings goals through additional acquisitions and cooperation agreements. We aim to exploit these opportunities and be active in those markets and business areas which promise growth combined with stable perspectives.

# Company overview

## Mail Division

The Mail Division encompasses three business areas, namely Letter Mail, Infomail and Media Post. The division's core business consists of the worldwide dispatching of letters and postcards, the acceptance and forwarding of addressed direct mail and unaddressed direct mail, newspapers and regional media, and the delivery of postal items from around the globe to every delivery point in Austria. The range of services is complemented by extensive supplementary services in the fields of direct marketing and the management of postal service departments for large customers.

### Letter Mail business area

The Letter Mail business area encompasses private letters, postcards and business mail items (e.g. bills, account statements, etc.) as well as inbound and outbound mail items (international letter mail). Within Austria, the letter mail business area has been liberalised for letters with a weight of over 50g, whereas the business has been completely liberalised in the international letter mail segment.

### Infomail business area

The Infomail business area encompasses the acceptance and delivery of addressed and unaddressed direct mail in Austria and abroad, as well as direct marketing services (e.g. geomarketing, address management) and the management of postal service departments for large customers. The unaddressed direct mail segment has been completely liberalised, whereas addressed direct mail up to a weight of 50g remains a reserved letter area for Austrian Post.

### Media Post business area

The Media Post business area encompasses the delivery of addressed and unaddressed print media (e.g. daily, weekly and monthly publications, regional media and Sponsoring.Post), as well as additional subscription services. The Media Post segment has been completely liberalised.

| Letter Mail | Infomail | Media Post |
|---|---|---|
| ■ Approx. 25,000 postal pick-up points in Austria<br>■ Average of 4.6m letters/day<br>■ Highest quality: more than 95% of domestic letters delivered on the next working day | ■ 2.6m addressed direct mail items/day<br>■ 18.9m unaddressed direct mail items/day<br>■ Strong demand for geomarketing and address management<br>■ New: postal service department management | ■ 2.6m newspapers/day<br>■ Highest delivery quality throughout Austria<br>■ New: subscription shop, subscription management |

## Parcel & Logistics Division

The Parcel & Logistics Division has set up its own companies in Austria, Germany, Slovakia and Croatia. Its core business consists of the acceptance and delivery of parcels and pallets as well as extensive additional services. Austrian Post and its subsidiaries have achieved an outstanding market position in each of these markets, based on the availability of a nationwide infrastructure and a broad spectrum of high value services which they offer.

| Austria | Germany | Central and Eastern Europe |
|---|---|---|
| ▪ 47.0m parcels per year<br>▪ Delivery to 3.9m delivery points<br>▪ 6 own sorting centres, 21 own delivery bases | ▪ 51.2m shipments per year (108.7m parcels, 1.8m pallets)<br>▪ 39 delivery depots (operated by partner companies), of which 6 are delivery hubs, plus 3 warehousing locations | ▪ 4.0m shipments per year (6.1m parcels)<br>▪ 5 delivery hubs and 34 depots |

## Branch Network Division

The Branch Network Division operates a high performance and nationwide distribution network in Austria, consisting of 1,334 company operated branches and a total of 608 third-party operated outlets (190 post partner offices, 341 postal service points and 77 postal pick-up points). The product and service portfolio primarily encompasses postal services, financial services and a broad spectrum of retail products.

| Postal services | Financial services | Retail products |
|---|---|---|
| Handling of products and services of the Mail Division and the Parcel & Logistics Division, branch-related services (PO boxes, holiday mail holding service and franking), sale of philatelic products | Sale of P.S.K. financial services (savings, account, loan, insurance, securities and home loan savings products) | Broad range of retail products and services: telecommunication products, stationery, office products, IT and entertainment products (CDs, DVDs) and lottery products |

- 1,334 company operated branches and two mobile post offices ensure nationwide postal service
- One mobile post philatelic shop and one philatelic shop
- 190 post partner offices with selected postal and financial services, operated by retailers, local businesses but also communities and tourist boards
- 341 postal service points, mainly at municipal offices, accept letters, parcels and payment orders, acting as pick-up points for mail
- 77 postal pick-up points at municipal offices act as pick-up points for mail

# Corporate governance

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

## Corporate Governance Code

Since its Initial Public Offering in May 2006, Austrian Post has been committed to abide by the current and valid Austrian Code of Corporate Governance, in the spirit of ensuring a responsible and transparent management of the company. Austrian Post adheres to all "L-Rules" (legal requirements), most of the "R-Rules" (recommendations), and also all of the "C-Rules" (Comply or Explain) contained in the Austrian Corporate Governance Code, with the exception of those rules specified below:

- **Rule 38:** Neither the by-laws of the Management Board nor the Company's articles of incorporation contains a maximum retirement age for Management Board members, as the appointment of the board members is based solely on their technical and personal qualifications.

- **Rule 39:** In urgent cases, the Supervisory Board is authorised to make decisions by circulation procedere. Moreover, the by-laws of the Supervisory Board stipulate that meetings may be convened in particularly urgent cases without adhering to the specified period of advance notice.

- **Rule 41:** The duties of the nominating committee are assumed by the presidential committee, so that an appropriate forum is assured.

- **Rule 43:** The duties of the compensation committee are assumed by the executive committee of the Supervisory Board, so that an appropriate forum is assured.

Even before the Initial Public Offering, the articles of association as well as the by-laws for both the Management Board and the Supervisory Board of Austrian Post were adapted to the rules stipulated in the Austrian Corporate Governance Code.

Furthermore, Austrian Post has developed and adopted internal guidelines pertaining to the dissemination of information, in order to prevent insider dealings or the misuse of insider information, and has taken appropriate measures designed to ensure adherence to the stipulations contained in the Decree on Issuer Compliance throughout the entire company. In addition, criteria were determined as the basis for ensuring the independence of the members of the Supervisory Board.

Austrian Post has voluntarily submitted to an external evaluation carried out by KPMG Austria GmbH Steuerberatungs- und Wirtschaftsprüfungsgesellschaft for the period March 31, 2006 to December 31, 2006, assessing its compliance with the rules of the Austrian Corporate Governance Code. The assessment, which was carried out on the basis of an official questionnaire developed by the Austrian Working Group for Corporate Governance, concluded that the public declaration of Austrian Post concerning its observance of the Austrian Corporate Governance Code corresponds to its actual corporate practice. The evaluation report submitted by the auditors can be found at **www.post.at**.

## Shareholders

Austrian Post attaches particular importance to ensuring that all shareholders are equally treated and provided with comprehensive information. Above and beyond the legally binding reporting and disclosure requirements (i.e. annual and quarterly reports, ad-hoc announcements and 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, in compliance with the above-mentioned principle of equal and fair treatment for all shareholders. All reports, announcements and releases as well as key presentations at these conferences are available at **www.post.at**.

## Supervisory Board

In addition to supervising the work of the Management Board, the Supervisory Board considers its responsibility to be the support provided to the Management Board within the framework of the latter's management functions, in particular as regards decisions of fundamental importance. The Supervisory Board has resolved to establish committees to carry out specific functions:

- The **executive committee** is responsible for regulating the relationships between the company and the members of the 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 **audit committee** is responsible for auditing and preparing the approval of the company's annual financial statements, proposal on the appropiation of profits, and the Management Report as well as the consolidated annual financial statements and the Group Management Report. Furthermore, the audit committee is responsible for issues relating to the Auditors' Report of the effectiveness of the company's risk management system and to the internal audit schedule.

- The **presidential committee** also serves as the nominating committee. On August 18, 2006, the presidential search committee was authorised to publicly call for applications to fill the positions of all four members of the Management Board pursuant to the Austrian law governing the filling of positions (Stellenbesetzungsgesetz), and to make relevant recommendations. This approach was designed to ensure continuity in the company's top management before expiration of the existing managements contracts. The defined job specifications took account of the future corporate strategy and situation at the company. On the basis of the results of the applications, the presidential committee recommended the reappointment of the four previous members of the Management Board, which was, in turn, carried out by the Supervisory Board on September 28, 2006.

- The **branch network subcommittee** was set up as a working group to deal with specific issues pertaining to the branch network of Austrian Post.

The Supervisory Board of Austrian Post is neither comprised of former Management Board members nor former top managers. Moreover, it should be emphasized that so-called cross shareholding arrangements do not exist. No loans were granted to members of the Supervisory Board.

According to C-Rule 49, any contracts subject to the formal approval of the Supervisory Board pursuant to §95 Art. 5 Sent. 12 Austrian Stock Corporation Act have to be published in the company's annual report. Accordingly, Stephan Koren, member of the Supervisory Board of Austrian Post, also serves as a member of the Management Board of BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG (BAWAG P.S.K.). BAWAG P.S.K. is a banking group, with which Austrian Post has cooperated for a long time to carry out its banking and leasing businesses at generally accepted market conditions. These business dealings are of secondary economic importance in relation to the total size of BAWAG P.S.K. Among the newly concluded agreements in 2006 were ten rental contracts with P.S.K. Immobilienleasing GmbH and P.S.K. Liegenschaften Vermietungs- und Verwaltungs GmbH (annual rental costs: TEUR 141) and the conclusion of leasing contracts for 61 company vehicles with BAWAG P.S.K. Fuhrparkleasing GmbH (annual leasing costs incl. a flat rate maintenance charge: TEUR 369). Moreover, Austrian Post was granted a credit line amounting to EUR 7.5m for equity financing purposes within the framework of the export financing scheme of Oesterreichische Kontrollbank (i.e. EUR 6.75m at a fixed interest rate of 3.61%, and TEUR 750 at a variable interest rate, which stood at 4.92% as of December 31, 2006). The terms and conditions contained in all contracts with BAWAG P.S.K. are continually being evaluated as to whether they correspond to customary practice, and subsequently adapted, if necessary.

## Management Board

The Management Board has sole responsibility for managing the company for the benefit of the enterprise itself, taking account of the interests of the shareholders and employees as well as the public interest. The organisational structure of Austrian Post was changed prior to the Initial Public Offering of May 2006. The different business areas were restructured and encompassed in three divisions (Mail, Parcel & Logistics, Branch Network) in line with market demands and process requirements. Group functions were assigned to individual members of the Management Board in order to carry out overlapping functional tasks.

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. The Management Board and Supervisory Board consider it their joint responsibility to ensure that sufficient information is provided to the Supervisory Board. In the spirit of good corporate governance, open discussions take place between the Management Board and the Supervisory Board and within these two bodies. Furthermore, the Chairman of the Supervisory Board maintains regular contact to the Chairman of the Management Board, discussing the strategy, business development and risk management of the company with him.

No loans were granted to members of the Management Board in 2006. No business transactions were concluded between Austrian Post or subsidiaries of the company, on the one hand, and the members of the Management Board or any individuals or companies with whom they maintained close ties, on the other hand, with the exception of normal day-to-day business dealings.

## Remuneration for the Management Board and Supervisory Board

The legally prescribed information pertaining to the remuneration of the Management Board and the Supervisory Board is contained in the Notes to the consolidated financial statements 2006.

### Management Board

In September 2006, all four members of the Management Board were reappointed for five more years. By order of the Supervisory Board, the executive committee concluded new employment contracts with the individual members of the Management Board for this period of time. The aim of the new remuneration system is to create a more pronounced variable component to serve as an incentive to increase the overall shareholder value of the company.

The fixed salary is oriented to the range of responsibilities assumed by each of the members of the Management Board, and is distributed in the form of fourteen monthly payments, as it is customary practice in Austria.

Up until now, the variable sum has comprised up to 50% of the total annual fixed salary, and may comprise up to 100% of this amount in the future. The salary level is oriented to specified, pre-determined quantitative and qualitative performance targets. In particular, the level of performance-oriented remuneration is related to the success in achieving pre-defined performance targets, such as earnings before interest and tax.

The gross salary paid to the members of the Management Board is divided as follows:

| | | 2005 | | | 2006 | |
|---|---|---|---|---|---|---|
| **TEUR** | **Fixed** | **Variable** | **Total** | **Fixed** | **Variable** | **Total** |
| | 1,210 | 475 | 1,685 | 1,210 | 638 | 1,848 |

Furthermore, the members of the Management Board are also granted remuneration in kind (non-cash payments). Upon termination of the employment contract, the respective member of the Management Board is further entitled to receive severance payments amounting to one annual salary. Members of the Management Board are not entitled to additional remuneration for assuming positions at Group subsidiaries. All members of the Management Board have concluded a pension fund agreement, according to which Austrian Post is committed to pay 10% each year of the individual's fixed annual gross salary.

### Share-based remuneration programme

The Supervisory Board of Austrian Post decided to introduce a share-based remuneration programme for the top managers and members of the Management Board of the company. The new scheme is designed to align the interests of company management with those of Austrian Post shareholders, namely achieving a medium-term to long-term increase in shareholder value, as well as to further increase the motivational level of the management.

- The selected participants were required to make their own investments (in the form of shares acquired of Austrian Post). In return, they are granted the right to take part in the share-based remuneration programme. The shares must be held for an uninterrupted period of three years.

- The participants received confirmation of their entitlement to a pre-determined number of "virtual" shares, if a pre-defined total shareholder return has been achieved after this three-year period has expired. Accordingly, the remuneration is linked to the total shareholder return, in other words, the share price increase of the Austrian Post share plus the dividends per share during this period of three years.

- The remuneration ascribed to the participants is calculated by the number of virtual shares multiplied by the share price at the end of the three years' programme. The resulting remuneration is paid out in cash.

### Supervisory Board

Remuneration of the Supervisory Board for the previous business year is determined annually by the Annual General Meeting, which also decides on the fee for attending meetings. At present, the fee amounts to EUR 300 and is paid to each of the members for each Supervisory Board session which is convened. Furthermore, travel expenses incurred by the members are paid. The Annual General Meeting held on March 3, 2006 granted an annual fixed sum totalling EUR 10,000 as remuneration for each of the members of the Supervisory Board for the 2005 business year, whereas EUR 15,000 was awarded to the Deputy-Chairman and EUR 20,000 to the Chairman of the Supervisory Board. Payment is made immediately following the Annual General Meeting.

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

## Directors' Dealings

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

**Number of shares owned**

| | May 30, 2005[1] | December 31, 2006 |
|---|---|---|
| Management Board | 48,815 | 48,815 |
| Supervisory Board | 800 | 1,800 |

1) Initial listing on the Vienna Stock Exchange

## Management Board

**Anton Wais,** Chairman of the Management Board and Chief Executive Officer (CEO)
Anton Wais, born in 1948, studied law at the University of Vienna before joining the cabinet of Josef Staribacher, the former Austrian Federal Minister of Trade, Commerce and Industry for seven years. He subsequently switched to the private sector, spending 20 years working for Siemens, first at its German headquarters and then for Siemens Austria in 1982, where he initially led the export and communcation business unit and later the audio and video systems business unit. From 1996 to 1999, Anton Wais served as a member of the Managing Board of Siemens AG Österreich, with responsibility for the units transportation technology, power transmission and distribution and energy generation. In July 1999, he was appointed as Chairman and Chief Executive Officer of the Management Board of Austrian Post. His current term of office runs until June 30, 2012.

**Rudolf Jettmar,** Deputy Chairman of the Management Board, Chief Financial Officer (CFO)
Rudolf Jettmar, born in 1947, studied law at the University of Vienna and business administration at the Vienna University of Economics and Business Administration before working for various tax consultancies. In 1979 he completed the professional examination for tax consultants, completing the examination for auditors and tax consultants in 1981. From 1982 to 1999, Rudolf Jettmar served as a member of the Management Board of Österreichische Verkehrskreditbank. In August 1999, he was appointed as the Chief Financial Officer and Deputy Chairman of the Management Board of Austrian Post. His current term of office runs until June 30, 2012.

**Herbert Götz,** Member of the Management Board, Branch Network Division
Herbert Götz, born in 1963, studied engineering sciences at the Vienna University of Technology. He began his professional career by working for the Austrian Foreign Trade Office in Los Angeles, serving as an assistant professor at the Institute for Robotics and Cybernetics at the Vienna University of Technology, and then as a speaker for industrial policies at the Association of Austrian Industrialists. After several years as an economic policy advisor and subsequently cabinet chief for Vice Chancellor Erhard Busek, he continued his professional career by joining Siemens AG Österreich in 1995, where he was head of the information and communication networks division. In March 2004, Herbert Götz was appointed a member of the Management Board of Austrian Post. His current term of office runs until December 31, 2011.

**Walter Hitziger,** Member of the Management Board, Mail Division and Parcel & Logistics Division[1)]
Walter Hitziger, born in 1960, studied industrial engineering at the Graz University of Technology. He subsequently served as department manager at Steirerbrau AG – Steirische Brauindustrie AG, as well as authorised signatory for the beverage firm GRP Getränke & Vertriebs GesmbH. During the period 1990 – 1997, he served as division manager for Agiplan Planungsgesellschaft and Econsult Betriebsberatungsgesellschaft. In 1997, Walter Hitziger was named as member of the Management Board of bauMax AG, with responsibility for procurement and logistics. In May 2004, he was appointed a member of the Management Board of Austrian Post. His current term of office runs until December 31, 2011.

1) The Parcel & Logistics Division was managed by Anton Wais up until December 31, 2006.

The current Supervisory Board positions of Austrian Post Management Board members in companies which are not subsidiaries of Austrian Post, or companies in which Austrian Post has a shareholding, pursuant to §228 Art. 1 Austrian Commercial Code: Herbert Götz:

Second Deputy Chairman of P.S.K. Versicherung AG, member of the Supervisory Board of Vienna's Technical Museum including the Austrian Media Archive.

Walter Hitziger is also President of the Austrian Logistics Association and member of the executive committee of the Zentralverband für Spedition und Logistik (Austrian Transport and Logistics Confederation).

## Organisational structure

| | Anton Wais | Rudolf Jettmar | Herbert Götz | Walter Hitziger |
|---|---|---|---|---|
| **Divisions** | | | Branch Network | Mail |
| | | | | Parcel & Logistics[1)] |
| **Central/group functions** | Corporate secretary | Treasury | Sales coordination & marketing | Production & logistics |
| | Investor relations | Finance and accounting | | |
| | Strategy and corporate business development | Controlling | | |
| | Human resources management | Information technology | | |
| | Corporate auditing | Legal | | |
| | | Compliance | | |
| | | Human resources administration | | |
| | | Procurement | | |
| | | Corporate real estate | | |

1) The Parcel & Logistics Division was managed by Anton Wais until December 31, 2006.

## Supervisory Board

### Shareholder representatives Status: December 31, 2006

**Peter Michaelis**[1) 2) 3) 5)] **(Chairman),** Member since May 18, 2001
Member of the Management Board of Österreichische Industrieholding AG
Supervisory Board mandates[6)]: Telekom Austria AG (Chairman), Austrian Airlines Österreichische Luftverkehrs-AG (Chairman), OMV AG (Second Deputy Chairman)

**Rainer Wieltsch**[1) 2) 3) 5)] **(Deputy Chairman),** Member since May 6, 2002
Consultant
Supervisory Board mandates[6)]: OMV AG (Chairman), Austrian Airlines Österreichische Luftverkehrs-AG (Second Deputy Chairman), Telekom Austria AG

**Dieter Bock**[5)], Member since May 18, 2001
Independent management consultant

**Horst Breitenstein**[5)], Member since January 1, 2003
Vice-rector for infrastructure and new fields of business at the Vienna University of Economics and Business Administration
Supervisory board mandates[6)]: Beko Holding AG

**Stephan Koren**[3) 4)], Member since November 2, 2001
Deputy Chairman of BAWAG P.S.K. Bank für Arbeit und Wirtschaft and Österreichische Postsparkasse AG
Supervisory Board mandates[6)]: Telekom Austria AG

**Hans Jörg Schelling**[4) 5)], Member from May 6, 2002 to February 5, 2007
Independent management consultant and managing director of XLA GmbH

**Karl Stoss**[5)], Member since April 4, 2006
Member of the Management Board of Casinos Austria AG , managing director of Österreichische Lotterien Gesellschaft m.b.H.

**Hans Wehsely**[5)], Member since August 31, 1999
Authorised signatory at Siemens AG Austria, member of the Management Board and managing director of several Siemens AG Österreich subsidiaries

## Employee representatives (Status: December 31, 2006)

**Gerhard Fritz**[2) 3) 4)], Member since September 5, 2001
Chairman of the Central Works Council of Austrian Post

**Helmut Köstinger,** Member since April 14, 2005
Member of the Central Works Council of Austrian Post

**Martin Palensky,** Member since February 22, 2002
Deputy Chairman of the Central Works Council of Austrian Post

**Manfred Wiedner**[3)], Member since March 3, 1999
Member of the Central Works Council of Austrian Post

All shareholder representatives are elected for the period which is terminated at the end of the Annual General Meeting which resolves upon the discharging of the Management Board and the Supervisory Board for the 2009 business year (presumably April 2010).

1) Executive committee
2) Presidential committee
3) Audit committee
4) Branch network subcommittee
5) Independent pursuant to C-Rule 53 of the Austrian Corporate Governance Code
6) Information supplied about Supervisory Board mandates refers to listed companies outside of the Austrian Post Group without an Austrian Post shareholding, pursuant to Rule 58 of the Austrian Corporate Governance Code (chairmanship counts twofold).

## Independence of the Supervisory Board

In accordance with C-Rule 53, the Supervisory Board of Austrian Post has developed guidelines to determine the independence of Supervisory Board members, which fulfil the spirit of Appendix 1 of the Austrian Corporate Governance Code. The members of the Supervisory Board elected by the Annual General Meeting have taken the initiative to evaluate their own independence, concluding that there are, in reality, a sufficient number of independent Supervisory Board members, both in the Supervisory Board itself as well as in all committees. Furthermore, the Supervisory Board consists of six independent representatives of Austrian Post's core shareholder. As a result, a majority of the Supervisory Board members do not have any direct relationship to the majority shareholder of the company.

## Statement by the Chairman of the Supervisory Board

**The 2006 business year of Austrian Post was marked by the Initial Public Offering of the company in May. The successful stock market flotation and the remarkable performance of the Post share since that time impressively demonstrate the high level of interest and confidence on the part of international and Austrian investors. In addition, the increase in revenue and earnings once again achieved by Austrian Post in 2006 simultaneously confirm the success of the restructuring programme implemented in recent years. Austrian Post also resolutely continued its international expansion strategy, important steps laying the groundwork for the company's future success.**

In early 2006, Austrian Post successfully established a foothold in the market for advertising mail with the purchase of the two direct mailing companies Kolos in Slovakia and Weber Escal in Croatia. The acquisition of the German specialist logistics company trans-o-flex at the end of the year was a further milestone, enabling the Group to further expand its activities in the attractive niche market for B2B parcel services. These acquisitions represent one of Austrian Post's key pillars of further growth.

With its IPO in May 2006, Austrian Post has risen to the top echelons of European postal companies. It is only the third postal provider in Europe and the fourth on a worldwide basis which has decided to be listed on the stock market. After a short time, the Post share emerged as one of the most important shares to be traded on the Vienna Stock Exchange, as demonstrated by its listing on the ATX last September. Last but not least, the stock market flotation provides easier access to the capital market's financial resources, thus securing its long-term growth perspectives.

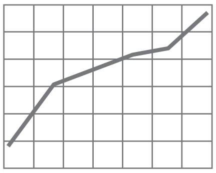
The 90% gain in value posted by the Post share until the end of 2006 is an impressive performance. This is very gratifying to me for several reasons. First, it confirms the positive impact of Austrian Post's restructuring and expansion efforts, as well as the outstanding performance of the company. In addition, the strong increase in shareholder value convincingly substantiates the decision to list on the stock market. Finally, the employees who subscribed to the attractive employee participation programme initiated by ÖIAG also benefit from this rise in value. These are the people who have made the decisive contribution to ensuring the successful development of Austrian Post in past years.

In this spirit, I would like to sincerely thank all employees as well as the management of the company for their performance. The successful strategy being pursued by the company is based on their commitment and hard work.

Vienna, March 2007

Peter Michaelis
Chairman of the Supervisory Board

# Share and investor relations



## Privatisation through IPO in May 2006

On January 12, 2006, the Austrian government authorised the former 100% owner of Austrian Post, ÖIAG (Österreichische Industrieholding AG), Austria's privatisation and industrial holding company, to privatise a total of 49% of Austrian Post by offering shares on the stock market. The official launch of the Initial Public Offering took place on May 15, 2006, with the public presentation of the offering, which targeted Austrian private and institutional investors as well as international institutional investors. The Austrian Post share was initially listed on the Vienna Stock Exchange on May 31, 2006, following an extremely successful response to the offering. As a consequence, Austrian Post became only the third postal company in Europe and the fourth worldwide to be publicly listed on the stock market.

## Strong interest in Austrian Post

Austrian Post's IPO was extremely well received by Austrian private investors, the Post's own employees as well as both national and international institutional investors. In addition to an international roadshow, which took the Management Board of Austrian Post to twelve cities in Europe and the USA within a twelve-day period, an Austrian roadshow was carried out for private investors, which provided information about the company to about 3,500 investors.

**Strong demand from private and institutional investors**

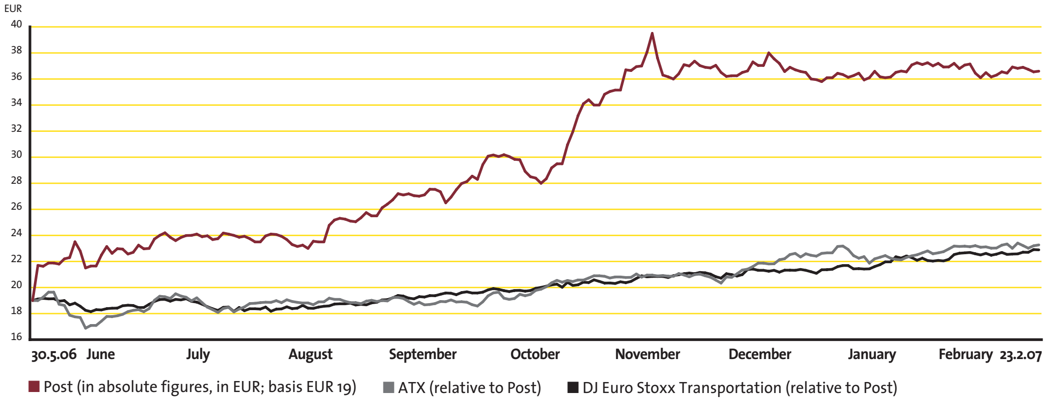
The bookbuilding that followed the termination of the offer period produced an impressive demonstration of the attractiveness of the Austrian Post stock. With an order volume totalling some 265m shares, the transaction was more than eight times subscribed (excluding greenshoe option). The issue price was fixed at EUR 19.00 at the upper end of the originally published price range of EUR 17.00 to EUR 19.00. The heavy demand led to the complete exercise of the over-allotment option (greenshoe option). As a result, ÖIAG sold a total of 34.3m shares, or a 49% share of Austrian Post, achieving proceeds of EUR 652m. The Post's IPO was the largest primary listing on the Vienna Stock Exchange in the year 2006, and the fourth largest in the exchange's history.

## Excellent share performance

**Performance significantly surpasses comparable indices**

The first seven months of the listing of the Austrian Post share were characterised by exceedingly strong demand, which was reflected in the development of the share price. The Austrian Post share closed at EUR 36.10 at the end of December 2006, an increase of value of 90.0%, close to double the share price on the first trading day. As a consequence, the Austrian Post share considerably surpassed the performance of the Vienna Stock Exchange as a whole. The Austrian Traded Index ATX rose by only 19.3% in the same period (May 30, 2006 – December 31, 2006). The Dow Jones Euro Stoxx Transportation branch index, which is of relevance to Austrian Post, gained 12.6% in value. The ATX index climbed by a total of 21.7% during the entire 2006 calendar year, whereas the DJ Euro Stoxx Transportation Index registered a 17.9% increase in value. The Austrian Post share ranked third in a performance comparison of all shares listed on the ATX during the year 2006 (January–December). The liquidity of the share was reflected in its trading volume on the Vienna Stock Exchange, which exceeded EUR 1bn (counted once).

**Development of the Post share**




## ATX listing

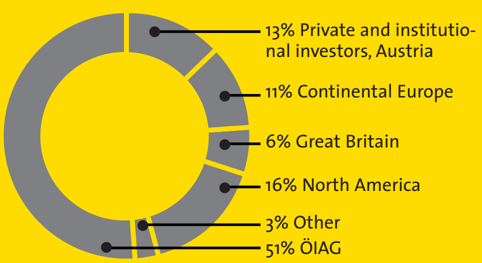
**ATX weighting of 1.9%**

On September 18, 2006, the Austrian Post share was accepted for listing on the Austrian Traded Index ATX, the benchmark index of the Vienna Stock Exchange. It consists of the 20 Austrian companies with the highest trading volume and the largest market capitalisation. As at the end of December 2006, the weighting of the Post share in the ATX was 1.9%. With a market capitalisation amounting to EUR 2.5bn, Austrian Post is the 13th largest company listed on the ATX. In addition to the ATX, the Post share is also listed on VÖNIX, the Austrian Sustainability Index, and also comprises 2% of the DJ Euro Stoxx Transportation Index.

## Shareholder structure

As a consequence of the Initial Public Offering, the shareholding held by Österreichische Industrieholding AG (ÖIAG), the national privatisation agency, decreased from a 100.0% stake to 51.0% of the outstanding 70m shares. Subsequently, ÖIAG remains the majority shareholder in the company. A total of 34.3m shares, or 49% of Austrian Post, were allocated to private and institutional investors in the course of the IPO.

**Shareholder structure January 2007 (%)**




The Post share was not only widely accepted in Austria, but also by international investors. A structural analysis of Austrian Post shareholders (Shareholder ID) carried out in January 2007 concluded that 30% of the free float shares are in the hands of European investors. The largest proportion of Austrian Post shares, namely 13%, is held by private and institutional investors in Austria, followed by investors on the European continent (11%) and British investors (6%). The private investors in Austria include Austrian Post employees, who have a combined 2.5% stake in the company. 16% of the Post shares have been acquired by investors in North America (USA and Canada), whereas investors in other countries account for the remaining 3%.

## Dividend

**Significant increase in the payout ratio**

The Management Board of Österreichische Post AG will propose to the Annual General Meeting, to be held on April 26, 2007, that a total dividend of EUR 70m (EUR 1.00 per share) will be distributed for the 2006 business year. Subsequently, the dividend payout ratio will climb substantially in comparison to the previous business year. Dividend payments will take place starting on May 10, 2007. The ex-dividend day has also been scheduled for May 10, 2007. In the upcoming years, Austrian Post aims to achieve a dividend payout ratio of at least 70%, assuming a continuation of the company's positive business development and solid financial performance.

## Investor relations

Good communications with investors and analysts is one of Austrian Post's top priorities. In addition to the many visits made by institutional investors and analysts in Vienna, the Management Board and the investor relations team of Austrian Post are always at the disposal of the financial community in Austria and in international financial centres such as Frankfurt, London or New York, where investor conferences and individual discussions are frequently conducted.

Already during the first months following the IPO, the capital market reacted positively to Austrian Post's financial communications efforts. In October 2006, the company was awarded the Austrian Stock Exchange Prize in the category "Journalists Prize", granted on an annual basis by the Austrian business magazine "GEWINN".

**Austrian Post Investor Day**

In December 2006, Austrian Post invited institutional investors and various experts to take part in the first "Austrian Post Investor Day". More than 60 people, primarily international participants, accepted the invitation and attended the event in Vienna. They seized the opportunity to discuss international trends in the postal market and the EU's liberalisation efforts with the Management Board of Austrian Post and numerous experts. The Austrian Post Investor Day, which was warmly received, also focused on the operational performance of the company.

Private investors have also taken advantage of the company's offer to establish a direct two-way dialogue. A large number of private shareholders pro-actively requested in-depth information about Austrian Post at the "GEWINN" investment fair in Vienna, thus demonstrating the company's continuing attractiveness to Austrian investors.

## Research coverage

**Coverage by renowned investment banks**

In addition to considering the overall business environment and the specific characteristics of a company, an important role in the decision-making process of investors is also played by the recommendations and share price expectations voiced by analysts. At the same time, the analyst reports provide Austrian Post with valuable feedback from experts in the branch concerning the strategy and development of the company. For this reason, Austrian Post's investor relations team attaches great importance to supplying comprehensive information to Austrian and international analysts. In the year 2006, renowned investment banks (Bank Austria Creditanstalt, Deutsche Bank, Erste Bank, Goldman Sachs, MainFirst Bank and Raiffeisen Centrobank) initiated regular coverage of Austrian Post. An overview of their recommendations can be found at **www.post.at/ir** >> Our share >> Analyst coverage.

## Comprehensive online information

Already during the subscription period for the IPO, Austrian Post also provided potential investors with the most important information about the company and the stock market flotation on the Internet. The investor relations Web site went online simultaneously with the initial listing of the Austrian Post share on the Vienna Stock Exchange. All financial information pertaining to the company, which is also published via other channels (e.g. printed reports, press releases, ad-hoc announcements) is made available online to all investor groups at the very same time. The documents display the date on which they are put on the Internet. In the interest of providing comprehensive information to all investors, the Austrian Post Web site contains the following information or features, regularly updated to reflect the very latest developments:

- **The Post share:** Basic information, shareholder structure, performance, analyst coverage, text message service
- **Facts & figures:** Corporate structure, strategy, goals, management (Management Board incl. curriculum vitaes)
- **News:** Ad-hoc announcements, press releases for investors
- **Publications:** Annual report (consolidated financial statements and Group Management Report), interim reports, investor presentations
- **Annual General Meeting:** Important information pertaining to the Annual General Meeting
- **Corporate governance:** Compliance, directors' dealings, share-based remuneration programme, Supervisory Board, excerpts from the by-laws of the Supervisory Board
- **Financial calendar**
- **Subscription services** per e-mail/per post
- **Contacts**

**www.post.at/ir/en**

### Key Post share indicators

| | | 2004 | 2005 | 2006 | Change in % |
|---|---|---|---|---|---|
| Earnings per share | EUR | 0.71[1] | 1.43[1] | 1.43 | –0.2% |
| Dividend per share (for the business year) | EUR | 0.57[1] | 0.57[1] | 1.00[2] | +75.0% |
| Share price at the end of December | EUR | – | – | 36.10 | – |
| High/low (closing price) | EUR | – | – | 39.50/21.50 | – |
| Market capitalisation at the end of December | EUR m | – | – | 2,527.0 | – |
| Number of shares at the end of December | Total | 10,000 | 10,000 | 70,000,000 | – |
| Free float | % | – | – | 49.0% | – |

1) Basis of 70m shares
2) Proposal to the Annual General Meeting on April 26, 2007

### Financial calendar

| | |
|---|---|
| March 14, 2007 | Annual results 2006 |
| April 26, 2007 | Annual General Meeting in Vienna |
| May 10, 2007 | Ex-dividend day and dividend payment day |
| May 11, 2007 | Results Q1 2007 |
| August 9, 2007 | Results H1 2007 |
| November 13, 2007 | Results Q 1–3 2007 |

# Austrian Post brings something for everybody.
# ... in more and more European countries.

**Facts and figures: expansion**

- Subsidiaries in Germany, Slovakia, Hungary and Croatia
- Expansion of parcel and direct marketing services
- International expansion further advanced by acquisitions of trans-o-flex, Kolos and Weber Escal in 2006


in time
Logistics
SPS
KOLOS
Post.at
feibra
Overseas
Express
WEBER ESCAL

# Market environment in the European postal sector

## Overall business framework

### Positive economic environment

The macroeconomic environment represents an important factor impacting the business development of Austrian Post. In particular, overall economic conditions have an effect on letter mail and parcel volumes.

In the period under review, the economic environment was primarily a favourable one, characterised by economic growth of 2.5% in the eurozone and 3.2% in Austria. Similar to their performance in the past, the CEE countries posted economic growth rates surpassing 4% in 2006, significantly higher than the average European growth levels.

**2007: 2.25% GDP growth in the eurozone**

The forecasts for the year 2007 are based on the assumption that world economic growth will slow down somewhat. Due to the fact that the strong level of economic expansion in Europe in 2006 was primarily supported by export growth, the economic growth rate for the eurozone is anticipated to decline to 2.25%. According to the latest forecasts, GDP growth in Austria (+2.6%) and particularly in the CEE markets is expected to exceed the EU average. Medium-term and long-term forecasts for Central and Eastern Europe, in particular for the markets in South East Europe, anticipate economic growth above the EU and world averages over the next five years.

The eurozone thus boasts substantial economic growth, combined with political and monetary stability.

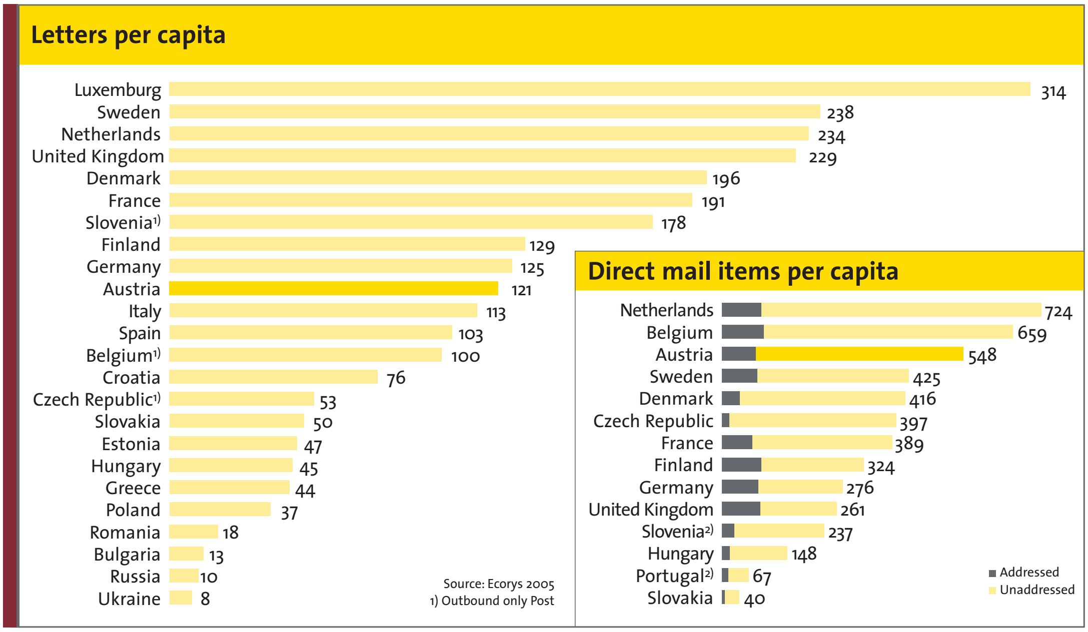
| GDP growth in selected countries | 2004 | 2005 | 2006[1)] | 2007[1)] | 2008[1)] |
|---|---|---|---|---|---|
| Eurozone | 2.0 | 1.4 | 2.5 | 2.3 | 2.0 |
| Austria | 2.0 | 2.3 | 3.2 | 2.6 | 2.4 |
| Germany | 1.2 | 0.9 | 2.5 | 1.8 | 1.8 |
| Bulgaria | 5.6 | 5.5 | 6.3 | 5.5 | 5.5 |
| Croatia | 3.8 | 4.3 | 5.0 | 4.3 | 4.0 |
| Czech Republic | 4.2 | 6.1 | 6.3 | 5.5 | 4.8 |
| Hungary | 4.9 | 4.2 | 4.0 | 2.5 | 2.8 |
| Romania | 8.4 | 4.1 | 7.5 | 5.5 | 5.5 |
| Slovakia | 5.4 | 6.0 | 7.8 | 7.5 | 5.5 |
| Slovenia | 4.4 | 4.0 | 5.0 | 4.0 | 4.0 |

1) Forecast
Source: Institute for Advanced Studies, Vienna

### Letter mail and parcel volumes – high potential in CEE markets

**Different drivers impact development**

The development of postal companies not only depends on economic growth, but is the result of a variety of different market drivers, which can either serve to expand or dampen market volumes. Furthermore, historically related differences in communications behaviour within the individual countries play a major role in impacting the market. All in all, this results in a considerable spectrum in annual letter mail volumes per capita.




2) Addressed advertising mail items – only volumes of national postal providers are included.

Source: Ecorys; "Development of competition in the European postal sector", 2005, addressed and unaddressed direct mail (national as well as international)

In addition to general regional differences, the graphs above clearly demonstrate that the CEE countries still have to undergo a major catching-up process in the future. The charts relating to the two fully liberalised markets for "unaddressed advertising mail items" and "parcels", which Austrian Post has penetrated in several CEE countries, both tell a similar story.

**Potential in CEE**

A significant increase in mail volumes is expected in the CEE countries in the years to come, based on the anticipated above-average economic growth rates and the current low level of mail items per capita. Whereas other large postal companies aim to strongly profit from Asian economic growth (particularly in China and India), Austrian Post is focusing its efforts on exploiting opportunities in neighbouring countries, a region with strong growth potential.

## Financial services providers as growth drivers

Developments in the banking and insurance markets also represent a key factor impacting the success of Austrian Post's business performance. Financial services drive growth in two ways. For one thing, banks and insurance companies are a particularly important clientele. Moreover, Austrian Post is also a(n) (exclusive) sales partner for financial services, focussing on the retail segment.

The retail financial markets in Western Europe, especially in the banking sector, are characterised by a high level of saturation. For example, in the year 2005, more than 93% of all Austrians older than 14 years of age had already opened a giro account. Recent developments have been subsequently dominated by the attempts on the part of banks to make additional market share gains, whereas the investment market has been characterised by the growing demand for higher performance investment products, such as securities. In contrast, the insurance market in Western Europe still posts significant growth rates. For example, the volume of insurance premiums in Austria rose by 9.6% in 2005.

## Liberalisation

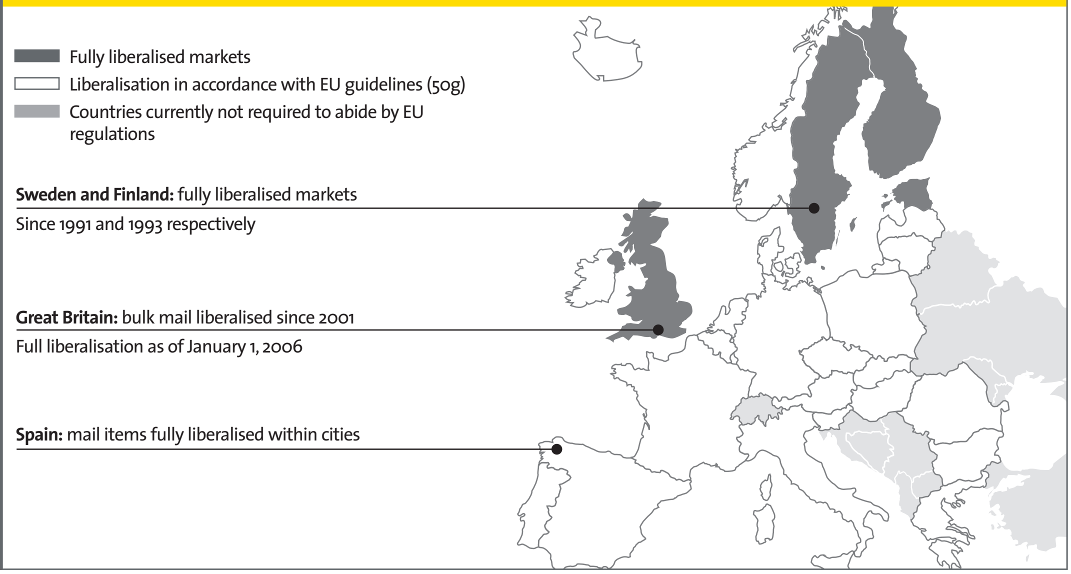
### European developments

**The postal market in a state of transition**

For many years, the European postal market has been in a state of considerable change. The goal of European decision makers has been to achieve a full scale market liberalisation in the postal sector whilst ensuring that high-quality universal postal services continue to be maintained.

Within the framework of implementing European guidelines, the so-called "reserved area", the basis for Austrian Post to finance the provision of universal, country-wide postal services at a high quality level, was restricted to letters with a weight limit of under 100g, effective January 1, 2003. At the same time, the market for mail items originating in Austria and distributed abroad was fully liberalised. As of January 1, 2006, the reserved area for letters was narrowed even further, with the weight limit reduced to letters under 50g. Thus Austria belongs to the group of European countries which have carried out postal market liberalisation measures in accordance with EU regulations so far. Several EU member states, such as Finland, Sweden or Great Britain, have already fully liberalised their national postal markets.

**Liberalisation in Europe: Status Quo**




**The 3rd EU Postal Directive**

In the autumn of 2006, the European Commission presented the draft proposal for the 3rd Postal Directive. This new guideline is designed to set the date and procedures regulating the complete liberalisation of the postal services markets in Europe.

### Core elements of the EU Commission's draft proposal

- The EU Commission is committed to adhering to the scheduled postal market liberalisation plan, and proposes complete market liberalisation as of January 1, 2009.

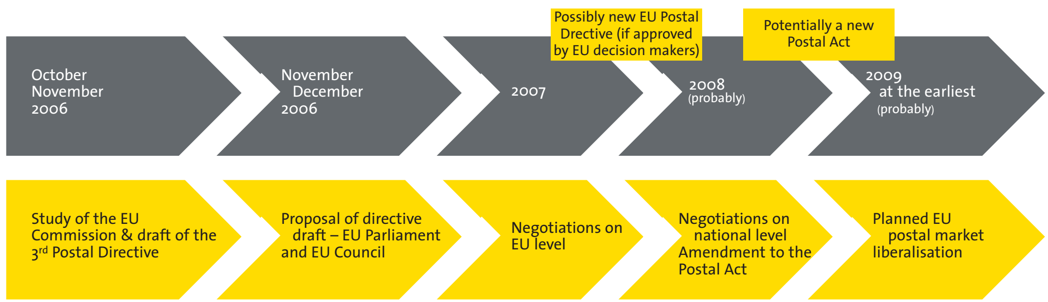
- Universal postal services are to be maintained despite full-scale liberalisation, and, if required, guaranteed by a range of complementary measures.
- Standard postal tariffs are only recommended for individual postal items, which primarily impact private individuals and small-sized companies.
- If a deficit in the supply of universal postal services arises despite support measures, member states can resort to a range of financing mechanisms, such as announcing a tender for specified services, public compensation payments or financing by means of an equalisation fund.
- The proposal of the EU Commission clearly indicates that the member states themselves must precisely define the measures to be taken on a national level when abiding by these framework guidelines (principle of subsidiarity).

## Next steps

**Negotiations on new Postal Directive**

The draft proposal for the 3rd Postal Directive will now be passed on to the two primary law-making bodies in the EU, the EU Council and the EU Parliament. Within the framework of the co-decision procedure, they will conduct negotiations on the proposal and reach a political agreement, whether or not and when the planned opening of the postal market will be enacted. Political negotiations within the framework of the lawmaking process in the EU may possibly last for some time.

**Liberalisation: planned future steps**




Status: January 2007

In accordance with a European-wide decree, this directive must be subsequently implemented on a national basis by the respective member states. This means that national lawmakers are required to adapt current legal regulations pertaining to the postal sector.

## Different standpoints of EU member states

Whether or not the draft proposal for the 3rd Postal Directive is actually approved depends on the results of the co-decision procedure and the deliberations conducted in the European Parliament and the EU Council. In this regard, the standpoints of the 27 EU member governments play an important role, as do the opinions of the members of the EU Parliament. The points of view held by European decision makers are quite divergent. Several member states endorse the idea of a fully liberalized postal market, whereas others have serious misgivings about whether postal providers will be able to ensure that the population is provided with the same high quality universal postal services in a liberalised market environment.

## The position of Austrian Post

**Liberalisation demands action**

Austrian Post contends that the liberalisation of the European postal market must not move ahead if it comes at the cost of reducing the quality of service. In the past year, Austrian Post has implemented a far-reaching restructuring programme, positioning itself as one of the most successful European postal service providers, an achievement which was impressively confirmed by its successful IPO in 2006.

In order not to threaten the high quality of universal postal services, Austrian Post maintains that there is definitely a need to take action on three different levels, before any further liberalisation is implemented.

- In any case, before the EU moves ahead pushing through liberalisation, the **financing of universal postal services** by means of alternative financing mechanisms must be clarified. At present, the reserved sector is the financing basis for providing universal postal services, a tried and tested mechanism which has proven its value for decades. As long as there are no effective financing models, postal liberalisation definitely represents a risk to supplying universal postal services. Austrian Post calls for a commitment to have universal postal services financed by third parties as regulated by public law.

- Furthermore, a **level playing field** among the various postal providers needs to be created. At present, only Austrian Post fulfils legal obligations when offering universal postal services (e.g. collecting or delivering a letter or a parcel) in terms of delivery speed, nationwide service, affordable tariffs and a comprehensive branch network. If the market is to be liberalised, this must be carried out in the spirit of equal competition, which means that all alternative providers of postal services must fulfil the same universal service obligations. This is the only way to ensure the ongoing high quality of postal services.

- Finally, providers of postal services must be subject to the same **legal requirements** in other areas as well. This is particularly important in terms of labour regulations, otherwise a massive imbalance could arise between the high-value socially insured jobs at Austrian Post and other terms of employment offered by the company's competitors.

### The standpoint of Austrian Post at a glance

- Clarification of financing mechanisms for high value universal postal services in a liberalised market
- Equal obligations for all providers of universal postal services
- Symmetry in other legal regulations for all providers: equal competitive conditions

# Markets and success factors

## Thinking and acting in three markets

**Heterogeneous postal services market**

Today's market for postal services is no longer homogeneous. If one takes a closer look at the symmetrical business model featuring the "first mile" (branch network) and the "last mile" (delivery), it is evident that, for historical reasons, Austrian Post now operates in three different markets, as do most other postal companies:

- Communications market (letters, advertising mail, newspaper delivery)
- Logistics market (courier, express and parcels)
- Financial services (banks, insurance companies, financial advisory services)

## Customer focus in three markets

**Extensive service portfolio**

As a service-oriented company, Austrian Post offers its customers a broad-based portfolio of services from a single provider. The needs of the customers is the bond linking all activities in the three markets. They are the focus of Austrian Post's thinking and corporate behaviour.

Customers in the domestic market can have confidence in Austrian Post's ability to offer optimal services in the future. A precise knowledge of customer needs, proximity to its end customers as well as smooth and quick delivery services provide the basis for an attractive, high-value and top quality product portfolio, ensuring an added value which the customers can perceive. Against the backdrop of this development, the branch network of Austrian Post plays a particularly strategic role, enabling private customers above all as well as small-sized and medium-sized firms to have nationwide access to the services of Austrian Post. At the same time, it is a visible performance commitment to customers.

## Communications market

### Market and market drivers

**Highly specialised market: communication**

The principle function of communication, namely the exchange of information among several people, has emerged as a highly specialised market. The unique feature of this market is that the services performed are not generally paid by the recipient but rather by the sender. Due to the increasingly high quantities of available information, the driving force is the intense competition taking place to attract the attention of the recipients. It goes without saying that also the selection of the communications channel has a decisive impact on the effectiveness of the communications itself.

One trend spanning the entire communications market is ongoing digitalisation. On the one hand, it has resulted in a certain shift in preferences within existing communications channels. On the other hand, it is the driving force underlying the development of completely new forms of communication and communication needs.

Other important developments driving the market include the convergence of different communication channels, the combined application of several channels to convey a specific message, and the consolidation of large players in the communications market. Due to the primarily local nature of one-on-one communications, the international integration of these networks is less a decisive factor than the local market know-how.

### Success factors and positioning

**Success factor: an efficient network**

For Austrian Post, establishing physical, individual communicative contact is the relevant factor in this market. The key prerequisite is relying on a well-established, tried and tested, efficient network. In this regard, capacity utilisation and the quality of delivery, which up until now could not be taken for granted on the part of all other providers, were the decisive factors underlying economic success. In its own domestic market, Austrian Post offers both high quality delivery and network access services throughout the country, thus successfully differentiating the company from its competitors. As a result, it fulfils all the key prerequisites for success in this market.

On an international level, the company is concentrating on achieving continuous growth in the communications market with its existing customers, identifying profitable niche markets and penetrating these market segments in Central and Eastern Europe.

## Logistics market

### Market and market drivers

The logistics market, namely the market for transportable services, has significantly changed as a consequence of increasing globalisation. The internationalisation of all main customer-oriented industries (e.g. mail order companies, pharmaceuticals and IT firms) has also led to the internationalisation of the logistics value added chain. Demands placed on logistics providers have grown at the same time as global competition has intensified and the complexity of products, value added services and specialised customer-specific solutions has increased. Logistics providers have responded to this development by pressing ahead even further with their integration in the value added chain of their customers. They join together in international networks or establish new ones. Heterogeneous markets are increasingly consolidated by means of acquisitions and corporate takeovers. Attractive submarkets arise, offering opportunities for niche providers with intelligent branch solutions.

The accelerated growth in e-commerce with specialised solutions (consignments) for large customers, the further expansion of global work distribution (outsourcing), as well as the transfer of production facilities to countries with more favourable cost structures (e.g. in Eastern Europe), which in turn boosts transport requirements, are all factors combining to continually raise logistics volumes.

### Success factors and positioning

**Synchronisation and market-oriented product portfolio**

The synchronisation of the logistics network with the requirements and needs of customers as well as the development of a product portfolio in line with market demands are among the most important success factors in the logistics market. In addition, the availability of an international network and establishing effective links to it are also decisive elements underlying success. Regional specialists such as Austrian Post continue to feature area-wide, universal postal services. Achieving the highest level of service quality along with maximum cost efficiency remain the most important parameters determining a logistic company’s operative excellence.

In the mass logistics market, Austrian Post focuses on the industrialised transport of goods on land until they are delivered to the final recipients. Through its acquisition of a majority shareholding in trans-o-flex, the previous parcel-related spectrum of logistics services was expanded in the past year to encompass combined freight services (parcels and pallets).

## Financial services market

### Market and market drivers

A renaissance in the retail banking segment has taken place in recent years, particularly in the German speaking parts of Europe. Direct contact to customers not only protects the price-sensitive interest-related business being carried out, but also enables a higher level of market penetration (cross selling, up selling), thus strengthening customer loyalty. Personalised customer care and advisory services fulfil the differing needs of customers, ranging from pension plans, asset management and the quick and convenient availability of financial resources at fair terms and conditions to the tailoring of products according to the different phases of an individual's life.

### Success factors and positioning

An intimate knowledge of one's customers and their needs as well as customer proximity comprise the main factors underlying success in the market for financial services.

**Customer proximity through nationwide branch network**

The activities of Austrian Post in the financial services market have historically evolved, and are intimately linked to the earlier, quite frequent use of the postal network to implement money transfers (postal money orders). Today Austrian Post can ensure customer proximity through its nationwide branch network, whereas its brand offers values related to postal services, such as security, consistency and sustainability. As a consequence, it meets the preconditions required to exploit the existing potential in the financial services market together with its banking partner BAWAG P.S.K., and simultaneously to achieve considerable synergies in its branch network.


Austrian Post brings something for everybody.
... reliably, around the clock.


**Facts and figures: service quality**

- Top delivery quality levels achieved for letters and parcels
- Utmost reliability in delivery service and at postal branches
- New Post.24 service offers round-the-clock parcel pick-up

# Position and strategy

**Dispatch – deliver:
That sounds so simple.
But it's the key to our success.**

**Good relationships to people drive our customers' business. And their success is crucial to our own. "Our customers' success is at the heart of everything we do."**

We provide high quality postal services throughout Austria.

Our branch network and delivery staff ensure that Austrian Post is present wherever it's needed.

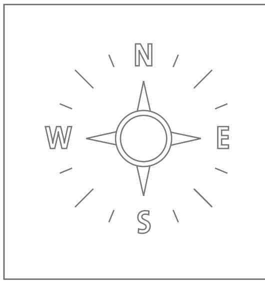
We operate a highly efficient infrastructure that ranks among the most advanced in Europe.

We regularly monitor and optimise our quality of service.

We are constantly developing new services.

We are investing in growth and expanding into promising markets.

# Position and strategy



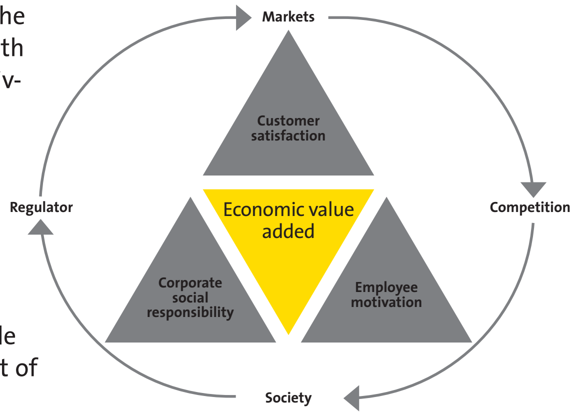

## Market position and goals

### Far-reaching transformation

In the face of the upcoming liberalisation process, Austrian Post already began years ago to prepare the company for the opening up of the postal market. The first step was the successful restructuring of the Group, and the targeted transformation of Austrian Post into a modern, service-oriented company. This success can be primarily attributed to the concerted quality improvement measures which have been carried out by the company since the year 2000. These efforts were not only designed in theory to optimise all logistics processes as the basis for increasing delivery speed, but actually achieved the targeted goals. As a result, Austrian Post is in a position to offer an optimal price/performance ratio.

**Focus on value-based operations**

In a second important step, the successful IPO in May 2006 established a platform for Austrian Post's future development. The privatisation was the most conspicuous proof to date of the success in transforming Austrian Post from a former state-owned monopoly to a competitive service provider. In the future, achieving sustainable, value-based growth will be the focus of Austrian Post's business activities. The company will concentrate on ensuring the best possible management of customer-oriented networks in the communications, logistics and financial services markets, taking into consideration the company's social responsibilities, regulatory requirements and other basic conditions. Shareholders as well as employees, customers and the society as a whole should benefit from the successful development of the company.




### Austrian Post is well-positioned

**High market shares**

Austrian Post has gained a solid foothold in the markets in which it operates. In particular, the company has gained an exceptionally high market share in Austria (98% in the Letter Mail segment, addressed direct mailings and parcel deliveries to private customers, 85% market share for unaddressed direct mail items and more than 50% for the Media Post segment). Austrian Post also operates successfully in the liberalised markets for parcel services and unaddressed advertising mail outside of Austria's borders. Austrian Post operates its own subsidiaries in the market for unaddressed direct mailings in Slovakia, Croatia and Hungary, grabbing a market share ranging from 25% to 40%.

The company has also achieved a high market share in the parcels segment in neighbouring Central and Eastern European markets, already accounting for 25% of the parcels deliveries in Slovakia and Croatia. At the end of October 2006, Austrian Post acquired trans-o-flex, the German logistics market leader for the life sciences and pharmaceuticals industries.

## Top market shares in 2006

**Austria**
No. 1 in Letter Mail
No. 1 in addressed direct mail
No. 1 in unaddressed direct mail
No. 1 in Media Post
No. 1 in parcel and express services

**Germany**
Leading market position in the niche market for combined freight and B2B specialist logistics (trans-o-flex)

**Slovakia**
No. 2 in parcels (In Time/SPS)
No. 2 in unaddressed direct mail (Kolos)

**Croatia**
No. 2 in parcels (Overseas Trade)
No. 1 in unaddressed direct mail (Weber Escal)

**Hungary**
No. 1 in unaddressed direct mail (Feibra Ungarn)

## Austrian Post's business model and goals

On the basis of the professional management of its networks, Austrian Post achieves a stable cash flow, which is used for the purposes of maintaining a modern, efficient network infrastructure, for growth projects and dividend payments.

**"Defend & expand" strategy**

The overriding strategic goal of Austrian Post is to defend its strong position on the Austrian market, and use it as a basis for developing into a successful regional player in Central and Eastern Europe. This "defend & expand" strategy will enable Austrian Post to proactively shape the future of the liberalised postal markets and consistently exploit their growth potential.

Due to the prevailing market situation, the targeted growth and performance goals are possible, above all by means of acquisitions and strategic cooperation agreements. Keeping this in mind, Austrian Post has defined an appropriate multi-level process and strict financial criteria for growth investments. The most important predefined criteria is the return on invested capital (ROIC) after tax, which should reach a level of 7% in the third year of integration.

### Strengths of Austrian Post

- Nationwide presence (“every day, every door”)
- Best price/performance ratio: high quality at reasonable prices
- Stable and reliable network in the Letter Mail and parcels business
- Austrian-wide branch network
- High level of awareness and customer loyalty
- Clearly-defined “defend & expand” strategy

## Strategic priorities

In practice, the implementation of this generally defined strategy translates into a focus on the following priorities:

1. **Optimisation of the core business with area-wide networks operating at top capacity**
2. **Creation of new areas of competence along the value added chain**
   - Data and output management (upstream value added chain)
   - Postal department services and document scanning (downstream value added chain)
3. **Further development of international networks**
   - Expansion of Austrian Post’s position in the communications and logistics markets as a strong regional player in the growth regions of Central and Eastern Europe
   - Securing the company’s market position by means of sustainable, value-creating integration into international logistics flows

The development of new business opportunities as well as targeted acquisitions are designed to optimise the business model:

- In the **Letter Mail** market, Austrian Post aims to expand the services offered along the value added chain, offering comprehensive and tailor-made solutions fulfilling the communications needs of its customers. At the same time, it is also a priority for Austrian Post to accompany and support its customers in their own expansion efforts, particularly to Central and Eastern Europe.

- In the **Parcel & Logistics** business, Austrian Post is primarily pursuing the goal of profiting from the dynamic B2B market segment. The first successful steps were taken with the market launch in Austria and the expansion of the logistics network in several Eastern European countries. The acquisition of the German specialist logistics company trans-o-flex in the autumn of 2006 is an opportunity to provide the required services to a significantly larger customer group in an attractive niche business. The overall intention of Austrian Post is to offer customers in Central Europe’s parcels market a high-value, tailor-made network to fulfil their various needs.

- In the **financial services** segment, additional potential is to be exploited by carrying out structural improvements in the branch network, as well as increasing product quality and the value of the advisory services which are being offered.

## Strategic development of the Mail Division

### Strengths of the Mail Division

**Quality leadership**

The uninterrupted logistics chain operated by Austrian Post ensures reliable quality and high speed services. More than 95% of letters posted in Austria are delivered on the next working day. The high performance network of Austrian Post also enables a comprehensive and flexible premium delivery service for print media and advertising mail items, offering customers decisive advantages, namely the best price/performance ratio at a high level of reliability.

**Nationwide postal service**

As a company operating throughout the country, Austrian Post offers universal postal services. The highest quality services are provided both in rural and urban areas. In order to master the challenges posed by its everyday business operations, Austrian Post has state-of-the-art sorting centres at its disposal, as well as an excellently qualified staff and a highly efficient network of delivery bases. All customers enjoy easy access to Austrian Post services through its network of branches and delivery points.

The distribution structure of Austrian Post enables the development of tailor-made solutions for large customers in Austria and abroad. Key accounts are advised and serviced by experienced branch experts. Their individual needs are jointly identified in regularly held meetings, which serve as the basis to develop and implement suitable solutions.

**Marketing know-how**

Austrian Post's International Competence Centre and the six regional Direct Marketing Centres support customers in defining target-oriented marketing processes, thus making a decisive contribution towards limiting or preventing divergence loss in their media efforts. Austrian Post makes available an entire bundle of marketing tools, for example geoinformation systems, address management or the processing of returned, unopened mail items. Austrian Post has acquired the optimal complement to its product portfolio through its subsidiary feibra Austria, the specialist in delivering a differentiated portfolio of unaddressed door-to-door advertising mail.

### Letter Mail Business Area

Market trends

- Moderate substitution of letters by electronic media
- Anticipated medium-term liberalisation of the postal market
- Gradual opening of the market for cluster box units in Austria
- Quality as the decisive competitive edge

### Strategic goals and measures

- Defence of market leadership position by safeguarding Austrian Post's leadership in terms of speed and reliability
- Retention of countrywide service in Austria
- Expansion along the value added chain of customers: as an outsourcing partner, Austrian Post takes over services along the customer's work flow
- Internationalisation by means of increased transport of inbound mail items to Austria and outbound mail to CEE and Western Europe, as well as intensified ties to CEE postal providers

## Infomail Business Area

### Market trends

- Moderate market growth for unaddressed direct mail
- Market growth in the addressed direct mail segment, thanks to ongoing customisation of advertising-oriented communications
- Further liberalisation in addressed mail segment and free market for unaddressed mail leads to increasing competition

### Strategic goals and measures

- Safeguarding and expansion of core logistic competencies
- One-stop-shop solutions achieved through the extension of the product and service portfolio along the value added chain, e.g. address management, geomarketing or the management of postal service points, positions Austrian Post as a full-service provider
- Expansion in CEE: extension of the existing distribution network and further acquisitions to preserve Austrian Post's foothold as a full-service provider for customers expanding their own business in the region
- Marketing know-how as the driving force behind market expansion

## Media Post Business Area

### Market trends

- Slight rise in business volumes
- Tough competition in a fully liberalised market environment
- Quality and nationwide delivery as the decisive competitive advantage

### Strategic goals and measures

- Proactive promotion of premium delivery quality
- One-stop-shop solutions: Austrian Post actively supports publishing customers to attract new subscribers and implement measures to increase customer loyalty and retention
- Penetration in the growth market for free weekly newspapers

## Strategic Development of the Parcel & Logistics Division

### Strengths of the Parcel & Logistics Division

**Outstanding market position and high value services**

The primary strength of the Parcel & Logistics Division is the outstanding market position of Austrian Post, as well as its ability to offer high quality services in all business areas and countries in which it operates. The existing advanced infrastructure of the company is the most important basic prerequisite for ensuring the efficient processing of product flows. Additional key success factors underlying the ongoing expansion of this segment include Austrian Post's extensive know-how, the targeted exploitation of economies of scale and the intensive customer care efforts. Furthermore, the new subsidiary trans-o-flex enables the integration of Austrian Post into the Western European networks for B2B parcels and combined freight.

#### Market trends

- Continuation of the trend towards internationalisation by bundling production and storage capacities of dispatchers; international, cross-border business volumes grow faster than national markets
- The boundaries between business-to-consumer (B2C), business-to-business (B2B) and consumer-to-consumer markets (C2C) are disappearing more and more, anticipated increase in the number of B2B service providers for parcels
- Increasing competition for traditional mail order houses, an important cornerstone of B2C business, through alternative sales channels (e.g. teleshops, e-commerce)
- Double-digit growth rates in the markets of South East Europe also expected in the future

#### Strategic goals and measures

Defence and expansion of the leading market position in core business areas as well as further expansion in profitable segments through:

- Regional expansion in core markets
  - Acquisition of parcel and logistics service providers in South East Europe (driven by Austrian Post)
  - Specialisation in Western Europe (driven by trans-o-flex)
- Strengthening of international network links
- Expansion of the service portfolio by encompassing profitable branches and customer solutions, in particular expansion along the customers' value added chain
- Strengthening of Austrian Post's core business by concentrating on growth segments

## Strategic development of the Branch Network Division

### Strengths of the Branch Network Division

**Proximity to customers and consulting know-how**

The dense branch network, the high level of professional competence, the customer-driven approach of the employees and the attractive and extensive range of products and services being offered comprise the main strengths of Austrian Post in this segment. In 2006, the structure of the branch network was further adapted to customer requirements, in line with the motto, "Austrian Post is there to meet customer needs".

386 financial service centres at the branch offices and 40 mobile financial service consultants ensure that customers benefit from competent advisory services, in particular in connection with high quality financial products offered by BAWAG P.S.K. Transactions can be immediately implemented online in all postal branches using the new "alfa" IT system. Specially trained financial consultants are at the disposal of small and medium-sized (SMEs) companies in 136 branches, whereas telecommunications advisory services are the focal point at 228 branches.

#### Market trends

- Nationwide branch network with 1,334 company operated branches and 608 third-party operated outlets plays a major role
- Advisory services increasingly important to SMEs
- Tough competition in the market for financial services and retail products
- Customer proximity and service orientation as a key sucess factor

#### Strategic goals and measures

- Upgrading of the sales expertise of all branch office employees
- More intensive cross selling for financial services: requirement-oriented support of existing customers and proactive promotion of savings, securities, insurance and credit products
- Increased provision of high value financial services such as loans, securities, insurance products and leasing
- Continuation of the sales drive for retail products
- Implementation of new service concepts for postal services
- Modernisation of branches: focus on customer-driven approach and easy-to-navigate outlets
- Expansion of nationally crucial branches into postal competence and service centres


3
Vom Dampf
zum Strom

# Austrian Post brings something for everybody.
# ... for customers throughout Austria.


**Facts and figures: branch network**

- Nationwide service through 1,334 company-owned branches and 608 external sales partners
- More than 80m customer transactions in 2006
- Focus on advisory quality and service orientation for private customers and SMEs

# Corporate social responsibility

As one of Austria's largest companies, Austrian Post is aware of its responsibility towards its stakeholders and the social environment. For this reason, the company commits itself to appropriately taking into consideration the interests of all target groups – employees and their relatives, shareholders, customers, business partners, the general public and the media, public authorities (national, provincial and local) and municipalities as well as non-governmental organisations – when formulating its business strategies and carrying out its business operations. Austrian Post orients its activities to the principles of the UN Global Compact, which was developed in 2002 following an initiative launched by the United Nations, and which encompasses ten fundamental principles defining minimum ecological and social standards. These tenets comprise the primary demands of the international community represented in the United Nations pertaining to a sustainable business management in the interests of all stakeholders.

Austrian Post's focus in the field of sustainable business management is the well-being of its employees and their families. The employees represent one of the most valuable assets of a customer-oriented service provider. They are the cornerstones of high quality service and customer satisfaction. As a consequence, numerous Austrian Post initiatives and projects are dedicated to improving the motivation, qualifications and health of its staff.

Austrian Post, which is considered to be an attractive and reliable employer in Austria, had a total of 24,456 employees (full-time equivalents) at the end of 2006. The company is striving to maintain these jobs by implementing long-term optimisation processes and ongoing investments.

In recent years, Austrian Post has made a substantial contribution towards fulfilling its social responsibilities. Furthermore, over the last six years, the company has also distributed dividends amounting to more than EUR 540m (including a special dividend in the year 2001) to its previous 100% shareholder ÖIAG, and thus indirectly to the Austrian State.

# Corporate social responsibility

## Human resources

Due to its large work force, the Austrian Post Group ranks among the most important employers in the country. Austrian Post proactively accepts this high level of responsibility, as demonstrated by numerous initiatives and projects to motivate and promote the well-being of employees. The joint staff welfare association "post.sozial", which was established in the year 2005, is playing an important role in this process. It bundles all socially-oriented support measures for employees and their relatives.

In 2006, the number of employees in the Austrian Post Group declined by 2.9% to 24,456 employees (full-time equivalents), down from 25,192 people in the previous year. A total of 15,311 people, or close to two-thirds of the entire work force, are employed by the Mail Division, followed by the Branch Network Division (21%) and the Parcel & Logistics Division (9%). The majority of Group employees, namely 23,509, work for Austrian Post. In the past business year, 55% of the employees were civil servants. On average, Austrian Post employees were about 40 years old.

### Flexible working hours

**Launch of flexitime**

In the middle of 2006, Austrian Post initiated flexitime, a variable work schedule for administrative jobs, which is designed to give employees the opportunity to individually and independently determine their own working hours as much as possible. The recording of working time is conveniently carried out on the company's own Intranet. This approach also offers advantages to Austrian Post, as it allows employees to shape their time spent at work in a flexible and demand-oriented manner.

### Programme for the professional advancement of women

**Advancement of women as an important impetus**

Austrian Post is one of the few Austrian companies which have actively confronted the issue of gender mainstreaming. Measures implemented to ensure equal treatment of women and men at the workplace are considered to be an important impetus in the field of personnel development. This includes the "Programme for the advancement of women", a drive initiated in 2006 which not only encompasses measures designed to ensure equal opportunity when assuming a new job, but which also gives new impetus to assisting women to re-enter the job market after interrupting their careers to take maternity leave. For their part, men are also taking advantage of the parental part-time work offer on the part of Austrian Post, made in the spirit of ensuring equality between men and women. This plan enables employees to quite flexibly organise their working time as the basis for fulfilling their family responsibilities.

The overriding goal of the programme for the professional advancement of women is to achieve a long-term share of female employees at Austrian Post of at least 40%. At present, women already comprise 50% of employees in the branch network, and 39% of all people working in the sorting centres.

## Ongoing professional training and continuing education

**Extensive portfolio of training courses**

Career advancement and the continuing education of employees continued to be an important focus of Austrian Post's human resources efforts in the year 2006. In addition to conveying specialised know-how, considerable importance is attached to developing methodological and social skills. The portfolio of professional training carried out in 2006 ranged from specific instruction tailored to the needs of executives and courses aimed at boosting sales competencies to specialised courses of instruction, such as safety and technical training. This career development programme is complemented by coachings for employees and managers, internal moderation sessions and workshops implemented as a means of supporting individual departments. In this regard, Austrian Post increasingly relied on e-Learning und "blended learning" (a combination of e-Learning and face-to-face sessions).

Moreover, Austrian Post has set up a comprehensive internal seminar programme, which concentrates on promoting the skills of employees in areas such as organisation, communications or business administration.

As a centralised internal service hub, Human Resources Management also promoted the consulting, support and organisation of personnel development measures at Austrian Post's subsidiaries.

In the year 2006, external professional training and continuing education courses totalled close to 22,000 person-days, of which management training comprised 10,400 person-days. Furthermore, an additional 160 courses of instruction with 600 participants were held in 2006 within the framework of Austrian Post's internal professional training efforts.

## Career and Development Centre

**Support for career development**

Austrian Post's Career and Development Centre primarily assists employees affected by restructuring measures in finding new work. At present, the people employed at the Career and Development Centre are mainly deployed to cover short-term personnel requirements as well as to carry out internal projects. Furthermore, the centre implements training and retraining measures. In the year 2006, the primary focus of the Career and Development Centre was on developing IT skills. The priority was to achieve the earliest possible reintegration of affected employees in a structured working environment.

## Trainee programme

**Targeting training for junior executives**

As a key measure designed to promote up-and-coming managerial talent, Austrian Post initiated a Group-wide trainee programme for graduates of universities, universities of applied sciences and technical colleges, entitled "Training and Employment Drive 2006".

The aim of this programme is to ensure the medium to long-term development of a sufficient internal cadre of young managerial talent to meet the company's future requirements.

## "New Yellow Manager"

**New manager supported**

Austrian Post has initiated "New Yellow Manager", an integration programme to support newly appointed executives to efficiently orient themselves and achieve a quick integration in their new working environment. The programme not only teaches management tools and processes, but also the most important principles of corporate culture and branding. It also promotes the emergence of internal and external contact networks.

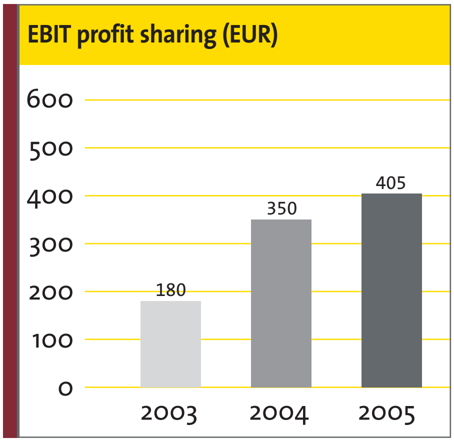
## Active recruiting

Austrian Post is increasingly relying on personnel marketing measures, in order to attract the most optimally qualified employees to work in the company. In this regard, Austrian Post was represented at the "zBp Absolventenmesse" (graduate recruitment fair) of the Vienna University of Economics, the largest recruitment event in Austria targeting university graduates. The widespread interest on the part of these graduates, reflected in the large number of job applications submitted to Austrian Post, confirms the attractiveness of the company as an employer.

## Motivation through profit sharing and social security

**Profit sharing**

In addition to a comprehensive portfolio of professional development and continuing education courses, Austrian Post also aims to boost the motivation of its employees by enabling them to share in the company's success. For the fifth straight year, approximately 10% of the EBIT of Österreichische Post AG generated in 2006 will be directly distributed to the employees within the framework of this profit-sharing bonus scheme, which is unique among Austria's large-sized companies. In the light of the outstanding performance achieved by Austrian Post in 2006, the bonus distributed to employees will once again surpass the previous year's level (2005: EUR 405).




## Employee participation programme

In order to give Austrian Post employees and those of subsidiaries entitled to participate the opportunity to profit from the success of the company, the privatisation agency ÖIAG offered employees an attractive employee participation package within the framework of the IPO. In addition to a preferred allotment of shares up to a value of EUR 7,500, employees were also granted an ÖIAG financial subsidy of up to EUR 1,000, depending on the level of their own investments. More than half of all employees entitled to participate in the programme took advantage of this interesting offer, thus confirming the high level of confidence in the company on the part of Austrian Post's staff. A total of 5.4% of all the shares offered in the course of the IPO (excluding greenshoe option) were allotted to Austrian Post employees, who can now directly profit from the impressive development of the Post share and the dividends being distributed.

## Founding of the post.sozial association for employees

**Wide range of services for employees**

With the founding of "post.sozial" in 2005, the Management Board and Central Works Council of Austrian Post succeeded in laying the groundwork for a newly-structured internal social welfare system. The joint staff welfare association post.sozial has assumed all the responsibilities previously shared by the different mechanisms which had been set up in the company as social services, aid fund and benefit society, in order to more effectively assist the people belonging to the Austrian Post family.

The assistance provided ranges from food coupons and vacation accommodations at particularly favourable rates to financial subsidies for dental work and unbureaucratic emergency aid in the case of natural disasters. In the cultural segment, discounted tickets for a series of cultural offerings were offered to employees, who proceeded to order more than 9,000 tickets during the last business year.

Through "kids.ontour", 200 children of Austrian Post employees enriched their vacation time with a stay at a holiday camp.

post.sozial continually subjects its services to a permanent internal quality evaluation as well as an ongoing market analysis. The purpose of these measures is not only to ensure employee satisfaction but, above and beyond that, to try to excite and inspire the staff.

## Health

**Health as a top priority**

Austrian Post also offers its employees a broad spectrum of services in the field of occupational health care. In addition to various health promotion programmes, all employees are entitled to be vaccinated against the flu free of charge, as part of a vaccination drive. The prevention of illness is particularly important to Austrian Post employees, due to their close contact with customers and the necessity to perform their work in any kind of weather. Last year, a total of 3,500 employees took advantage of this offer. Other offers made by the company in the field of healthcare or physical fitness include the subsidised vaccine against tick-borne encephalitis, or the fitness checkpoints.

## Anti-smoking campaign

**Comprehensive support measures**

In 2006, a company-wide initiative was once again implemented under the slogan, "Austrian Post is smoke-free", which followed up on the 2005 campaign entitled, "A smoke-free Post brings something for everybody". It is designed to assist employees in giving up smoking by offering a variety of measures, such as counselling by occupational physicians, or the purchase of subsidised nicotine withdrawal products at a reduced price.

## Internal communications

**Various communication channels target employees**

Austrian Post considers it a top priority to maintain open and transparent communications with its employees. To achieve this goal, the company makes use of a comprehensive range of employee communications tools. For example, the employee publication "post.inside", which is published ten times annually, provides Austrian Post staff with extensive information about the company and the overall market environment. Furthermore, Austrian Post also informs employees about the latest developments in the company by means of newsletters, notice-boards, Intranet as well as an online employee platform.

## Social commitment

**Targeted support measures**

As a major Austrian company, Austrian Post is committed to fulfilling its responsibilities to society above and beyond the boundaries of its corporate activities. In addition to support provided for disadvantaged groups in society, this involvement also encompasses the sponsorship of social and cultural activities as well as sport events. Austrian Post takes a targeted approach, deciding on the promotion or support of specified projects on a case by case basis, following an in-depth evaluation process.

### Support for social projects

**www.lifeball.org**

In 2006, Austrian Post was once again involved in the fight against Aids, issuing its own benefit stamp on the occasion of the Life Ball held in Vienna. The well-known supermodel Naomi Campbell was persuaded to pose for the stamp. For each of the 800,000 stamps which were sold at a price of EUR 0.75 each, EUR 0.10 was donated to the Aids Life society.

Within the framework of providing assistance to victims of the flooding disaster in the Marchfeld region, Austrian Post printed over existing stamps, adding a surcharge of EUR 4.25, the proceeds from which were donated to benefit flood victims.

Austrian Post also supported the "Ö3-Wundertüten" campaign (Ö3 radio station showbags), initiated in 2006, in which old mobile phones were collected and then re-sold or recycled. Austrian Post distributed these specially designed showbags to 3.5m Austrian households, and then assumed responsibility for the logistical organisation involved in collecting and distributing the mobile phones deposited in letterboxes or at postal branch offices. A large number of mobile phones were once again returned in 2006. In 2005, this campaign had already created 13 new full-time jobs in the field of recycling for long-term unemployed people.

Moreover, Austrian Post also provided support to "E-Motion", an organisation which assists sick and traumatised children by applying a special form of treatment called "equotherapy".

### Sports promotion

**www.paralympics.org**

Austrian Post sponsored Austrian athletes competing in the 9th Paralympic Games 2006. Together with other sponsors, they made it possible for the Austrian Paralympic team to make further use of the Austria House in Turin, Italy, which had been home to Austrian athletes during the Olympic Winter Games 2006.

**www.sporthilfe.at**

In 2006, the company also supported the Austrian Sports Aid Foundation, which makes a contribution to enabling promising, talented athletes with the potential to become top class sportspeople to be provided with professional and performance-oriented assistance.

## Commitment to culture

**Jubilee sponsor of the Vienna Burgtheater**

For many years, Austrian Post has been a sponsor of the Vienna Burgtheater, one of the most important cultural institutions in Austria. The company's involvement as a jubilee sponsor during the 2005/06 theatre season was the most recent highlight of this successful cooperation.

Austrian Post also served as one of the main sponsors of "Concert for Europe", the most prominent open air event of the year in the field of classical music, which took place in Vienna in June 2006. More than 90,000 guests had the privilege to listen to the Vienna Philharmonic Orchestra and tenor star Placido Domingo at Schönbrunn Palace park.

## Active ties to customers and business partners

**Extension of the service portfolio**

As a service provider, Austrian Post aims to offer services which fulfil the most exacting demands of its customers, suppliers and business partners. In order to ensure the provision of postal services throughout Austria, keeping in mind the current trend towards permanent service availability, Austrian Post has continually expanded its service portfolio in recent years. Post.24 vending machines, self-service sections at postal branches, Pickup.Paket (parcel collection service) as well as Post.Mobil (mobile post offices) designed for remote regions all stand for high quality standards in nationwide postal service. Furthermore, through its innovative services, Austrian Post is consistently pursuing its "Closer to the customer" efforts. Two specific examples of this approach in 2006 are detailed below:

## Innovative parcel pick-up

**Round-the-clock parcel pick-up**

After the successful launch of its parcel pick-up service "Pickup.Paket", the first round-the-clock "Post.24" locations were set up in Vienna in 2006, as a mean of satisfying increasing customer demands for flexibility. This postal service uses highly advanced technology hubs to enable parcel collection at any time of day or night, thus offering the highest level of convenience and support in urgent cases.

## Service for SMEs

**Further expansion of SME service drive**

In order to increase the service quality for small and medium-sized firms (SMEs), Austrian Post has further expanded its SME service offensive. Selected postal branches inform businessmen about the service portfolio of Austrian Post, promoting communications with this important customer segment by means of trade fairs and special events.

## Environmental protection and sensible use of resources

**Environmental relief and cost savings**

Austrian Post also recognises its corporate responsibility in the field of environmental protection, and is committed to making a contribution to a more prudent and limited use of natural resources. In as much as it is technically and economically possible and feasible, the company is striving to integrate environmental considerations into its daily business activities. This approach does more than just relieve the burden on the environment. The measures carried out by Austrian Post in the past business year to limit the use of natural resources have also led to considerable cost savings.

As a means of making it possible for employees to gain simple access to all essential information about environmental protection, Austrian Post has put details about all relevant legal provisions, regulations and environmental standards as well as all internal rules and forms on its company Intranet. The names and contact details of all designated local waste management officers are also available on the Intranet in order to facilitate direct contacts.

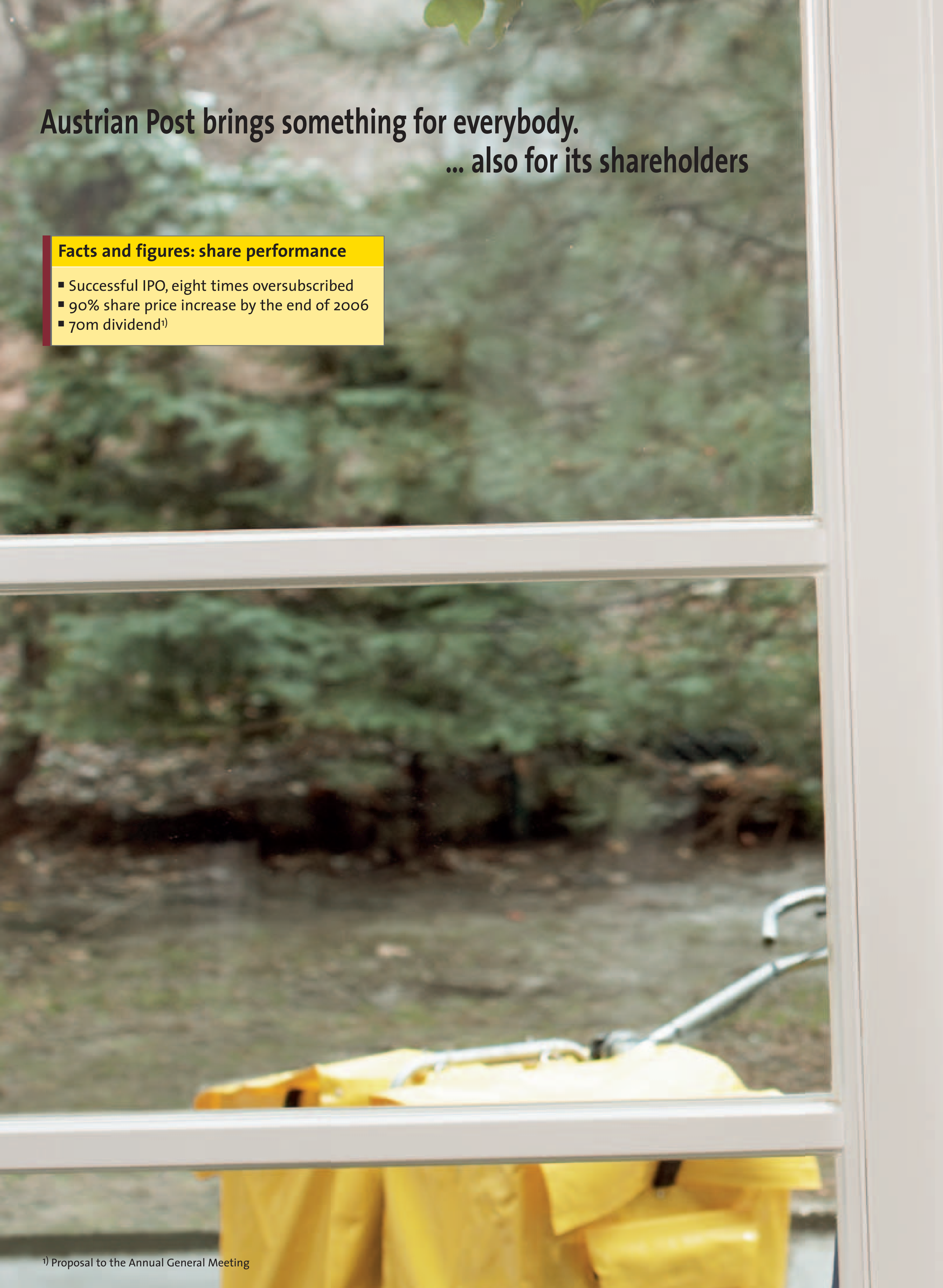
**"Ökoprofit-Betrieb" Vienna Letter Centre**

Austrian Post received gratifying recognition of its environmental initiatives in 2006 when its Vienna Letter Centre was awarded the distinction of being an "Ökoprofit-Betrieb", an ecological certificate granted by the City of Vienna to confirm the successful implementation of measures reducing the environmental impact of its business activities. The optimisation of its transport logistics led to a decrease in diesel use by 17%, which corresponds to 405,000 litres of diesel fuel on the basis of 2005 figures. Roof greening at the Vienna Letter Centre, as a natural form of protection against exposure to direct sunlight, made it unnecessary to install an air conditioning system for the 30,000m² sized hall, subsequently resulting in corresponding savings in energy use. Austrian Post only applies reusable binders for internal shipments at its Vienna Letter Centre, as it does at all other sorting centres and in the distribution of letters and parcels.

A series of other aspects and measures demonstrates the commitment of Austrian Post to environmental protection:

- Since the beginning of November 2006, Austrian Post has been testing the use of gas-powered vehicles, whose $CO_2$ emissions are 10% below those of their diesel-powered counterparts. In addition, the particle content of the waste gases is even 85% lower. Moreover, the vehicles tested emit virtually no nitrogen oxide at all. Following a one year testing phase, Austrian Post will make a decision in the course of 2007 in regards to the further use of gas-powered vehicles.
- In 2006, the company started testing the use of pure vegetable oil as a fuel for lorries. One lorry which was converted for this purpose has already been driven 100,000 kilometres without any difficulty.
- Austrian Post's vehicle fleet consists of some 8,800 vehicles, of which Austrian Post put close to 1,400 newly purchased vehicles into operation in 2006. They were partly equipped with soot particle filters, thus contributing to a reduction in pollution. In the future, Austrian Post will continue to focus on incorporating eco-friendly features when modernising its vehicle fleet.
- In order to avoid the waste of natural resources, all printers in the company were converted to a "pay per page" system, so that the individual departments themselves will have to bear the burden of printing costs in the future. Additional savings in energy and natural resource use resulted from the increased use of black and white as well as double-sided printing, along with the optimisation of equipment capacity. Moreover, empty toner cartridges are collected and subsequently refilled.
- In the year 2006, Austrian Post initiated a pilot project to establish a special rubbish collection system. The goal is to cut the quantity of residual waste by implementing targeted waste separation and recycling. Waste collection is carried out by the existing logistics network, so that no additional pollution is caused by the transport of the waste materials. The Austrian-wide roll-out of this new system is planned for 2007.

# Austrian Post brings something for everybody.
## ... also for its shareholders



**Facts and figures: share performance**

- Successful IPO, eight times oversubscribed
- 90% share price increase by the end of 2006
- 70m dividend[1)]

1) Proposal to the Annual General Meeting


Post.at
Post.at
90% rise in value
2006

# Group Management Report of Austrian Post 2006

## Economic and market environment

The overall economic environment, an important factor impacting the performance of Austrian Post, developed quite favourably in the 2006 business year. The economies in the eurozone and Austria performed dynamically, with GDP growing by 2.5% and 3.2% respectively. Similar to past years, the Central and Eastern European economies significantly surpassed the average growth rate in the rest of Europe in 2006.

The forecasts for 2007 are based on the assumption that there will be a slight slowdown in economic activity. Strong growth in Europe in 2006 was primarily driven by exports, which should bring about a decline in GDP growth to a level of 2.25% in 2007. The latest forecasts anticipate an expansion in Austria's gross domestic product to 2.6%. The CEE markets are once again expected to outperform the EU.

At present, Europe's postal market is generally characterised by a consolidation process with regards to alternative providers of postal services. To date, national postal providers have only posted a slight decline in market share. Fundamentally speaking, mail volumes in the letter mail segment in Europe remain stable. For the most part, the insubstantial decrease in letter mail volumes resulting from the substitution of the traditional letter by electronic media have been largely compensated for by growth in other segments, for example in the direct mail business.

**Modest growth in the letter mail market**

In the past year, the Austrian letter mail market posted a modest growth which impacted almost all market segments. As of January 1, 2006, Austria implemented the next stage of liberalisation within the framework of its compliance with the European timetable. Subsequently, the reserved area for letters weighing up to 100g has been limited to letters with a weight of up to 50g.

The 2005 amendment to the Austrian Postal Services Act, which took effect on March 1, 2006, foresees a complete market liberalisation in accordance with European guidelines. The EU Commission contracted a number of studies on this topic, and has initiated a co-decision procedure to focus on the issue of further liberalisation. On the basis of its research, it developed a draft version of a new EU Postal Directive on postal market liberalisation in 2006, which will be dealt with by the EU Parliament as well as the EU Council.

The Initial Public Offering of Austrian Post took place at the end of May 2006. The flotation was eight times oversubscribed, attracting considerable interest on the part of domestic and international investors.

Further details pertaining to the overall market environment can be found in the reporting on the individual divisions of Austrian Post.

Source: Institute for Advanced Studies, Vienna; Status 12/2006

## Business development 2006

### Changes in consolidation

**Acquisition of subsidiaries**

As at April 26, 2006, Austrian Post acquired 100% of the shares in Kolos s.r.o., Slovakia, and Kolos Marketing s.r.o., Czech Republic. In addition, it acquired a 74.9% shareholding in the German specialist logistics company trans-o-flex, effective December 21, 2006. The initial consolidation of Group subsidiaries generally takes place on the date of acquisition.

### Revenue and earnings

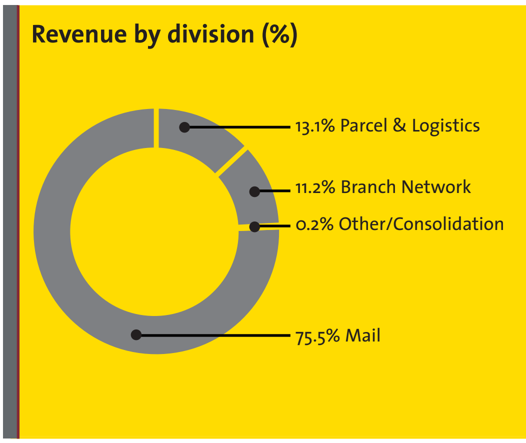
**Positive business development**

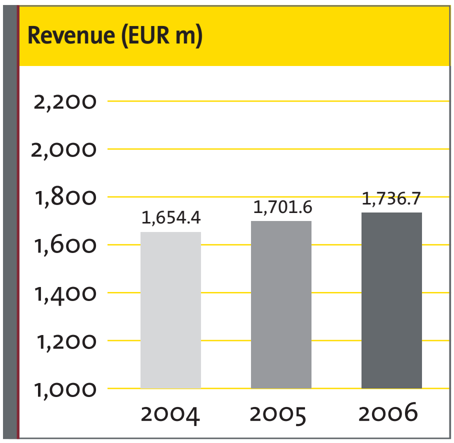
The positive trend in the business development of Austrian Post in recent years was maintained in the 2006 business year. Once again, the company achieved an improvement in terms of both revenue and EBIT. Thanks to growth posted in all divisions, total revenue rose by 2.1%, to EUR 1,736.7m. Revenue in the Mail Division was up 1.6%, the Parcel & Logistics Division improved by 7.2%, and Branch Network Division revenue climbed 0.3%.

**Revenue by division**[1]

| EUR m | 2004 | 2005 | 2006 | Change 2005/2006 in % | Structure 2006 in % |
|---|---|---|---|---|---|
| **Total revenue** | **1,654.4** | **1,701.6** | **1,736.7** | **+2.1%** | **100.0%** |
| Mail | 1,255.3 | 1,290.8 | 1,311.3 | +1.6% | 75.5% |
| Parcel & Logistics | 199.0 | 211.8 | 227.1 | +7.2% | 13.1% |
| Branch Network | 196.2 | 193.8 | 194.4 | +0.3% | 11.2% |
| Other/Consolidation | 3.9 | 5.1 | 4.0 | –22.5% | 0.2% |

1) External sales



## Income statement

| EUR m | 2004 | 2005 | 2006 | Change 2005/2006 in % | As % of revenue in 2006 |
|---|---|---|---|---|---|
| **Revenue** | **1,654.4** | **1,701.6** | **1,736.7** | **+2.1%** | **100.0%** |
| Other operating income | 73.0 | 52.9 | 58.8 | +11.0% | 3.4% |
| Raw materials, consumables and services used | –241.8 | –241.9 | –258.0 | +6.6% | 14.9% |
| Staff costs | –1,046.6 | –1,064.0 | –1,063.0 | –0.1% | 61.2% |
| Other operating expenses | –236.7 | –223.5 | –243.9 | +9.1% | 14.0% |
| Share of profit/loss of associates | 0.7 | –1.3 | 1.1 | – | 0.1% |
| **Earnings before interest, tax depreciation and amortisation (EBITDA)** | **203.1** | **223.8** | **231.7** | **+3.5%** | **13.3%** |
| Depreciation and amortisation | –120.9 | –120.8 | –108.4 | –10.2% | 6.2% |
| **Earnings before interest and tax (EBIT)** | **82.2** | **103.0** | **123.3** | **+19.7%** | **7.1%** |
| Other financial result | –5.4 | –2.1 | 7.2 | – | 0.4% |
| **Earnings before tax (EBT)** | **76.7** | **100.9** | **130.5** | **+29.3%** | **7.5%** |
| Income tax | –29.9 | –10.9 | –30.8 | +183.0% | 1.8% |
| **Profit after tax** | **46.8** | **90.1** | **99.8** | **+10.7%** | **5.7%** |
| Profit from discontinued operations | 3.2 | 9.8 | 0.0 | – | – |
| **Profit for the period** | **50.0** | **99.9** | **99.8** | **–0.2%** | **5.7%** |

**Staff costs virtually unchanged**

In 2006, staff costs remained virtually unchanged compared to the previous year, achieving a level of EUR 1,063.0m. The staff costs include provisions for employee under-utilisation amounting to EUR 112.2m (2005: EUR 86.9m). The number of employees (full-time equivalents) declined by 735 to 24,456 year-on-year.

The capacity utilisation in the sorting centres (machinery) is tailored to the customary, seasonal fluctuations in letter mail and parcel volumes. The facilities have been specifically dimensioned to fulfil the regulatory guidelines applying to delivery speed within Austria (the next working day for letters, within two working days for parcels). At peak times, especially in the Christmas season, the volumes transported by Austrian Post selectively rise by up to 50%.

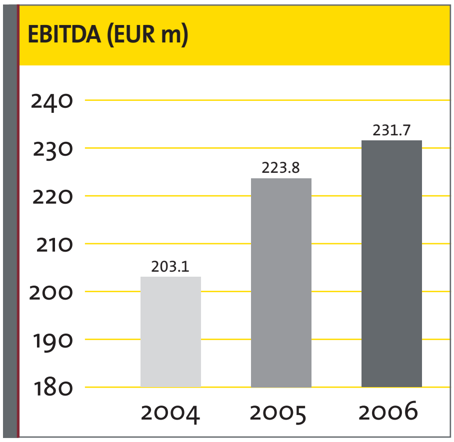
Expenses for raw materials, consumables and services used climbed by 6.6%, to EUR 258.0m during the course of 2006. This can be primarily attributed to higher energy and transport costs, as well as higher expenditures for services from external direct mail distributors and international postal providers. The key expenses encompassed in the item "Raw materials, consumables and services used" include services from international postal companies, transport costs as well as the procurement of the retail products sold in Austrian Post's branch network.

**Expenses for raw materials, consumables and services used: +6.6%**

Other operating income climbed to EUR 58.8m, due to higher gains on the disposal of property, plant and equipment. Other operating income primarily encompasses rental income (EUR 19.6m) as well as gains on the disposal of property, plant and equipment (EUR 11.9m).

Other operating expenses increased by 9.1% to EUR 243.9m, which encompasses provisions for anticipated losses resulting from the staff leasing of tenured employees to logistics companies.

In 2006, EBITDA of Austrian Post was up 3.5% year-on-year, to EUR 231.7m. Accordingly, the EBITDA margin amounted to 13.3%.




**EBITDA: increase of 3.5% to EUR 231.7m**

The depreciation and amortisation totalling EUR 108.4m includes impairment losses amounting to EUR 21.0m. The comparable level of depreciation and amortisation for the previous year of EUR 120.8m included impairment losses of EUR 29.2m.

## EBIT by division

| EUR m | 2004 | 2005 | 2006 | Change 2005/2006 in % |
|---|---|---|---|---|
| **Total EBIT** | **82.2** | **103.0** | **123.3** | **+19.7%** |
| Mail | 235.3 | 268.9 | 271.6 | +1.0% |
| Parcel & Logistics | –16.7 | 10.4 | 20.8 | +99.6% |
| Branch Network | –10.2 | 8.7 | 11.5 | +32.6% |
| Other/Consolidation | –126.2 | –184.9 | –180.6 | –2.4% |

**EBIT up 19.7% to EUR 123.3m**

The EBIT (earnings before interest and tax) of Austrian Post increased by 19.7% in the 2006 business year, climbing to EUR 123.3m in comparison to the preceding year. Accordingly, the EBIT margin amounted to 7.1%.

All operative company divisions made a positive contribution to this performance. The Mail Division achieved an EBIT of EUR 271.6m, the Parcel & Logistics Division contributed EUR 20.8m, and the Branch Network Division generated an EBIT of EUR 11.5m.

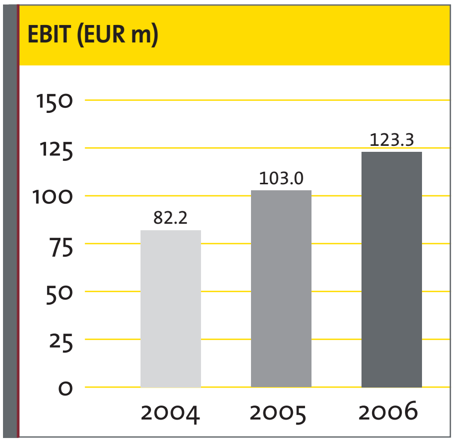
The Other and Consolidation segment posted a negative EBIT of EUR 180.6m in 2006 (2005: minus EUR 184.9m). This item encompasses costs for central departments, expenses in connection with unused properties as well as increases in provisions for underutilisation of EUR 112.2m (2005: EUR 86.9m) which are recognised in profit or loss.

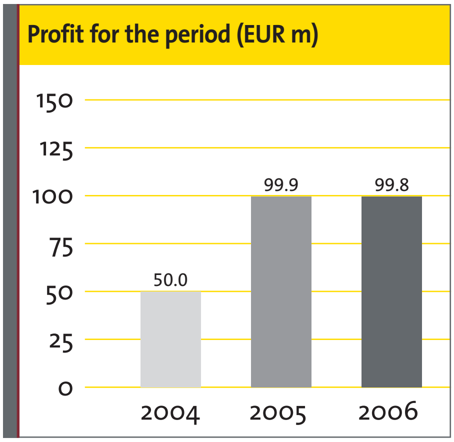
Due to the favourable liquidity situation of the company, the other financial result of Austrian Post improved to EUR 7.2m in 2006.

Earnings before tax (EBT) rose by 29.3% year-on-year, to EUR 130.5m.

**Profit for the period: EUR 99.8m**

After deducting the income tax expense amounting to EUR 30.8m, the profit after tax totalled EUR 99.8m. At EUR 99.8m, the consolidated profit for the period is completely assigned to the shareholders of Austrian Post.



## Assets and finances

### Balance sheet analysis by terms

| ASSETS<br>EUR m | Dec. 31, 2004 | Dec. 31, 2005 | Dec. 31, 2006 | Structure<br>Dec. 31, 2006<br>in % |
|---|---|---|---|---|
| Non-current assets | 1,011.4 | 997.4 | 1,272.9 | 66.9% |
| thereof other financial assets | 115.8 | 172.6 | 204.5 | 10.8% |
| Current assets | 393.7 | 542.6 | 614.9 | 32.3% |
| thereof cash and cash equivalents | 50.3 | 174.5 | 229.4 | 12.1% |
| Non-current assets held for sale and discontinued operations | 390.6 | 23.0 | 13.8 | 0.7% |
| | **1,795.7** | **1,563.0** | **1,901.6** | **100.0%** |
| **EQUITY AND LIABILITIES** | | | | |
| Capital and reserves | 712.5 | 762.1 | 821.4 | 43.2% |
| Non-current liabilities | 287.5 | 361.3 | 564.0 | 29.7% |
| thereof provisions | 204.9 | 311.6 | 425.8 | 22.4% |
| Current liabilities | 421.0 | 439.6 | 516.2 | 27.1% |
| Liabilities of discontinued operations | 374.7 | 0.0 | 0.0 | 0.0% |
| | **1,795.7** | **1,563.0** | **1,901.6** | **100.0%** |

**Rise in total assets of EUR 358.5m**

The acquisition of trans-o-flex led to an increase in total assets amounting to EUR 358.5m.

Non-current assets predominate on the assets side of the balance sheet, accounting for 66.9%, or EUR 1,272.9m, of Austrian Post's total assets of EUR 1,901.6m. The largest non-current asset items are property, plant and equipment, with EUR 665.3m, and other financial assets of EUR 204.5m.

The principal current asset items are receivables, at EUR 364.0m, as well as cash and cash equivalents, at EUR 229.4m.

On the equity and liabilities side, the main items in the balance sheet are capital and reserves (43.2%), non-current liabilities (29.7%), and current liabilities (27.1%).
Non-current liabilities of EUR 564.0m largely consist of provisions totalling EUR 425.8m, such as those for jubilee benefits and termination benefits, as well as for under-utilisation (EUR 387.0m in total). Current liabilities of EUR 516.2m primarily consist of liabilities arising from trade payables (EUR 237.2m).

### Balance sheet analysis by item

| ASSETS<br>EUR m | Dec. 31, 2004 | Dec. 31, 2005 | Dec. 31, 2006 | Structure<br>Dec. 31, 2006<br>in % |
|---|---|---|---|---|
| Intangible assets and goodwill | 789.7 | 720.4 | 938.1 | 49.3% |
| Investment property | 63.4 | 54.8 | 38.3 | 2.0% |
| Inventories, trade payables and other assets | 336.7 | 367.4 | 473.4 | 24.9% |
| Financial assets | 164.9 | 222.9 | 208.6 | 11.0% |
| Cash and cash equivalents | 50.3 | 174.5 | 229.4 | 12.1% |
| Non-current assets held for sale and discontinued operations | 390.6 | 23.0 | 13.8 | 0.7% |
| | **1,795.7** | **1,563.0** | **1,901.6** | **100.0%** |

| EQUITY AND LIABILITIES | | | | |
|---|---|---|---|---|
| Capital and reserves | 712.5 | 762.1 | 821.4 | 43.2% |
| Provisions | 306.2 | 431.8 | 520.2 | 27.4% |
| Financial liabilities | 77.4 | 42.2 | 148.8 | 7.8% |
| Payables and deferred tax liabilities | 325.0 | 326.9 | 411.3 | 21.6% |
| Liabilities of discontinued operations | 374.7 | 0.0 | 0.0 | 0.0% |
| | **1,795.7** | **1,563.0** | **1,901.6** | **100.0%** |





**Considerable financial resources**

The item-by-item balance sheet analysis for Austrian Post shows a considerable amount of financial resources on the assets side. Austrian Post has a total position of cash and cash equivalents of EUR 229.4m, and financial assets of EUR 208.6m.

On the equity and liabilities side, capital and reserves comprise 43.2% of the balance sheet total, with provisions accounting for 27.4%. Financial liabilities of EUR 148.8m increased as the result of the acquisition of trans-o-flex, mainly encompassing obligations from financial lease and from an asset-backed commercial paper programme. Provisions totalling EUR 520.2m include provisions made for under-utilisation of EUR 270.9m. Due to the existing liquidity, Austrian Post does not intend at present to make use of major external funding (borrowed capital), and therefore does not require a rating.

## Liquidity

| EUR m | 2004 | 2005 | 2006 |
|---|---|---|---|
| **Interest-bearing liabilities** | **–293.1** | **–369.1** | **–607.6** |
| thereof financial liabilities | –77.4 | –42.2 | –148.8 |
| thereof interest-bearing provisions | –208.0 | –319.7 | –451.6 |
| **Interest-bearing assets** | **196.6** | **397.1** | **433.7** |
| thereof securities | 144.4 | 220.9 | 201.6 |
| therefore cash and cash equivalents | 50.3 | 174.5 | 229.4 |
| **Net cash position/net debt** | **–96.5** | **28.0** | **–173.9** |

**Net debt: EUR 173.9m**

Austrian Post currently has a net debt position of EUR 173.9m. This financial figure is the difference between interest-bearing assets (securities, cash and cash equivalents) amounting to EUR 433.7m and interest-bearing debt (provisions, financial liabilities, social capital and other interest-bearing liabilities) totalling EUR 607.6m.

## Cash flow

| EUR m | 2004 | 2005 | 2006 |
|---|---|---|---|
| **Operating cash flow before changes in working capital** | **263.7** | **283.1** | **277.9** |
| +/– Cash flow from changes in working capital | –18.5 | 15.0 | –39.9 |
| +/– Cash flow from operating activities of discontinued operations | –21.4 | 0.0 | 0.0 |
| = **Cash flow from operating activities** | **223.8** | **298.0** | **238.0** |
| +/– Cash flow from investing activities | –125.5 | –92.6 | –142.6 |
| = **Free cash flow** | **98.3** | **205.4** | **95.4** |
| +/– Cash flow from financing activities | –64.4 | –81.3 | –40.4 |
| = **Net increase in cash and cash equivalents** | **33.9** | **124.2** | **55.0** |

In order to improve comparability, the previous year's cash flow figures have been adapted to the reporting structure adopted in the year 2006.

**Operating cash flow of EUR 277.9m**

In 2006, operating cash flow before changes in working capital fell by 1.8%, to EUR 277.9m, despite the rise in earnings before tax. This can be primarily attributed to advanced tax payments.

The cash flow from changes in working capital, which was negative by EUR 39.9m during the period under review, were mainly the result of a reduction of liabilities in trade payables, the payment of a liability resulting from the purchase of a property, and a rise in receivables due to the sale of properties.

Accordingly, total cash flow from operating activities amounted to EUR 238.0m in 2006.

The cash flow from investing activities totalled minus EUR 142.6m, resulting from the acquisition of the German specialist logistics company trans-o-flex.

This led to a free cash flow of EUR 95.4m. Taking account of EUR 40.0m in dividends paid, the net increase in cash and cash equivalents amounted to EUR 55.0m in 2006.

## Earning and value-oriented indicators

**Capital employed up to EUR 935.0m**

The capital employed by Austrian Post amounted to EUR 935.0m at the balance sheet date of December 31, 2006, compared to EUR 694.3m at the end of 2005. This indicator mainly consists of intangible assets and goodwill (EUR 272.7m), property, plant and equipment (EUR 703.7m), receivables (EUR 392.1m) and non-interest bearing debt (EUR minus 472.7m).

The return on capital employed (ROCE) improved to 15.1% in the 2006 business year, up from 13.8% in the previous year.

### Earnings indicators

| | | 2004 | 2005 | 2006 |
|---|---|---|---|---|
| EBITDA margin[1)] | % | 12.3% | 13.2% | 13.3% |
| EBIT margin[2)] | % | 5.0% | 6.1% | 7.1% |
| ROE[3)] | % | 7.2% | 13.6% | 13.8% |
| ROCE[4)] | % | 10.2% | 13.8% | 15.1% |
| Capital employed | EUR m | 796.2 | 694.3 | 935.0 |

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

## Capital expenditure

**Investments in 2006: EUR 63.6m**

Following a period of relatively heavy capital expenditure related to the far-reaching modernisation programme implemented in recent years, the investment requirements of Austrian Post are significantly lower at present. With this in mind, total capital expenditure amounted to EUR 63.6m in 2006.

Investments primarily focused on the modernisation of the sorting centre in Hall, Tyrol, the Vienna parcel sorting centre, the branch network and the upgrading of the vehicle fleet. Capital expenditure also encompassed replacement investments in machinery, IT systems, office equipment, fixtures and fittings, as well as building repairs and refurbishments.

The most significant individual investment projects in the year 2006 were the modernisation of the technical equipment for the sorting centre located in Hall, Tyrol, at a cost of EUR 6m, improvement of security at the postal branches (EUR 3m), the full data collection project and the Vienna parcel sorting centre. Property was purchased in Bratislava, Slovakia, at a cost of EUR 7m in order to build a new sorting centre.

## Investments in subsidiaries

Austrian Post invested a total of EUR 60.1m in order to acquire companies and shareholdings in various companies, most of which was designated for the purchase of a 74.9% stake in the German specialist logistics provider trans-o-flex. Moreover, Austrian Post acquired 100% of the Slovakian company Kolos, which specialises in the market for unaddressed direct mail.

## Innovation management

On the one hand, for a traditional service-oriented company such as Austrian Post, innovation represents the development and market launch of new ideas and services which create added value for the company's customers. One example during the period under review was the roll-out of "Ident.Brief", enabling personal identification in opening bank accounts. On the other hand, structured ideas management and the ongoing development of state-of-the-art processes and infrastructure is a prerequisite for maintaining the quality of the logistics networks at a high level.

## Employees

**Number of employees down to 24,456**

In 2006, the average number of full-time employees at Austrian Post declined by 2.9%, to 24,456, from a total of 25,192 employees in the preceding year. The majority of the company's employees work for the Mail Division. Delivery staff working on a nationwide basis comprise the largest group within the Mail Division.

**Employees by division[1)]**

| | 2004 | 2005 | 2006 | Share In % |
|---|---|---|---|---|
| Mail | 16,330 | 15,556 | 15,311 | 62.6% |
| Parcel & Logistics | 2,705 | 2,461 | 2,265 | 9.3% |
| Branch Network | 5,702 | 5,446 | 5,236 | 21.4% |
| Other/Consolidation | 1,605 | 1,729 | 1,645 | 6.7% |
| **Total** | **26,342** | **25,192** | **24,456** | **100.0%** |

1) Annual average, full-time equivalents

Most of the labour force, namely 23,509 employees, works for the parent company, Österreichische Post AG. The remaining 947 employees work at companies included in the consolidated financial statements. The number of employees in Austrian Post increased by 1,025 people as at December 31, 2006, due to the acquisition of trans-o-flex, which has not yet been included in the calculation of the average number of employees for 2006.

### Ongoing training and development

**Comprehensive training and development of employees**

Career advancement and the continuing education of employees was an important focus of Austrian Post's human resources management in 2006. In addition to conveying specialised know-how, considerable importance was attached to developing methodological and social skills.

In 2006, external professional training and continuing education courses totalled close to 22,000 person-days, of which management training comprised 10,400 person-days. Furthermore, an additional 160 courses of instruction with 600 participants were held in 2006 within the framework of Austrian Post's internal professional training efforts.

## Environmental protection

**Sensible use of resources**

Austrian Post recognises its corporate responsibility to achieving a more prudent use of natural resources. The company implements measures to relieve the burden on the environment and limit the use of natural resources, in as much as it is technically and economically possible and feasible. The optimisation of transport logistics led to a considerable reduction in fuel consumption, in turn cutting pollution and transport costs. A further example is the testing of gas-powered vehicles with lower $CO_2$ emissions.

## Risk management

**Active management of risks**

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 suitable precautionary measures.

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

**Identification, evaluation and control as core elements**

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 carried out and coordinated by key managers in the various divisions and business areas. The new division-oriented organisation is now structured into three operative divisions and five business areas, as well as in central supportive 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 continually being identified and monitored, serving as the basis for determining appropriate risk management measures, e.g. backups or emergency plans. Reporting on major risk areas is carried out by the responsible executives within the framework of regular planning and performance discussions.

Additional key instruments to control and counteract risk include Group-wide guidelines for dealing with major risks, the planning and control processes as well as ongoing reporting. For example, these guidelines encompass the definition of limits, the monitoring of adherence to these limits and the compliance with internal rules of procedure designed to limit financial risks, along with the strict adherence to the principle of two pairs of eyes for all business transactions. These guidelines represent an integral part of the company's internal control system, and are designed, amongst other things, to ensure proper internal and external financial reporting. The planning and control processes serve as an early-warning system, and simultaneously as the basis to evaluate the effectiveness of management procedures.

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

All in all, the risks undertaken by Austrian Post are limited, manageable and do not pose any danger to the existence of the company. The following is an overview of the main risks facing Austrian Post:

## Regulatory and legal risks

Austrian Post generates a considerable portion of its revenue in the reserved area for postal services. Full-scale liberalisation of the postal market in the EU is planned as of 2009. This entails the risk of future shifts in market share.

The universal service obligation requires postal operators to provide minimum postal services of comparable quality across the country. Austrian Post has been granted the reserved services sector as a form of compensation for this cost-intensive universal service obligation. However, at this time, it is still unclear whether or not the reserved services sector will be completely abolished. It is conceivable that the company will continue to be obliged to provide universal postal services without receiving any adequate compensation for it.

The public relations activities of Austrian Post have made it a priority to engage in an ongoing dialogue with all its stakeholders in regards 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.

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

Within the framework of any upcoming liberalisation, the value added tax exemption enjoyed by Austrian Post could be potentially rescinded. In this case, the company would try to adapt its price rates for customers. On the other hand, Austrian Post would benefit from being able to deduct the value added tax paid by the company (pre-tax allowance).

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

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

In the European postal business, the account settlement system known as the "Agreement for the Remuneration of Mandatory Deliveries of Cross-Border Mails" (REIMS II) is replacing the former system adopted by the Universal Postal Union. REIMS II is an agreement governing terminal dues for cross-border postal services, which 16 European postal companies are now committed to complying with. The agreement was concluded on July 9, 1997, and was exempted from antitrust restrictions stipulated in Art. 81 (1) of the EU Treaty. The REIMS II agreement as well as the special exemption both formally expired on December 31, 2006, but the validity of REIMS II was extended. However, an individual exemption of REIMS II from the ban on cartels applying for the period following December 31, 2006 is no longer possible against the backdrop of changes in the overall legal framework after the last exemption was granted. Nevertheless, the signatories to REIMS II assume that the agreement is exempt from the ban on cartels in accordance with Art. 81 (3) of the EU Treaty.

Above and beyond the regulatory environment in relation to 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 at its disposal in regards 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 any potential adverse effects on earnings resulting from regulatory and legal risks, Austrian Post strives to expand its value added chain in its core processes, as a means of offering its customers even better services and achieving an optimisation of service quality. Moreover, Austrian Post intends to generate greater revenue in liberalised areas of the postal sector.

### Market and competitive risks

Austrian Post generates most of its revenue in Austria. If economic growth slackens in Austria, this could lead to a weakening of demand. Furthermore, the company achieves a significant share of its revenue with a small number of large customers. These customers are not contractually obliged to have their mail delivered by Austrian Post, and could potentially have at least part of their mail delivered by competitive providers in the medium term. In addition, traditional letter mail could be increasingly replaced by e-mail or other electronic media.

The letter mail as well as the parcels business of Austrian Post is subject to increasing competition. The company anticipates growing market penetration on the part of alternative service providers in the B2C (business-to-consumer) parcels segment, in which Austrian Post dominates the Austrian market. The company is working hard to maintain customer loyalty by offering an attractive portfolio of services. At the same time, 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. Diversifying business operations into different markets enables Austrian Post to more effectively spread or minimise risks in individual segments.

A key aspect of Austrian Post's business strategy is to achieve growth through 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 the investment volumes, acquisition costs as well as political, economic and legal factors. All investments must be made in accordance with strict financial criteria.

### Structure of employment contracts

A large number of Austrian Post employees have the status of federal civil servants, which mean that they are subject to public sector employment laws and all their particular features. For this reason, there are limitations on how a considerable number of employees can be deployed, or restrictions on terminating employment. Natural fluctuation is low.

Changes made to the Postal Services Structure Act of 1996 (Poststrukturgesetz) and ongoing changes in civil service legislation could result in additional burdens placed on Austrian Post upon which the company has no influence. The Austrian legislator has stipulated that a pension scheme must be established for federal civil servants at the federal government level by the end of 2006. Such a pension scheme has yet to be implemented, and would also have to be extended to those civil servants working for Austrian Post.

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

### Technical risks

To a large degree, Austrian Post is dependent upon the support of 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 carried out extensive investments in recent years designed to modernise its branch and distribution network. In this regard, the performance of the company is intimately linked with the effectiveness of a small number of key operational sites. Should the case arise that technical systems temporarily or permanently fail, this could potentially lead to disruptions in Austrian Post's business operations, a loss of reputation and customers or additional expenses. A broad range of safety and security measures, processes and guidelines have been developed as a means of dealing with all contingencies and ensuring smooth business operations.

### Financial risks

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

## Information pursuant to §243a Austrian Commercial Code

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

The Republic of Austria holds a 51% shareholding in Austrian Post through Österreichische Industrieholding AG (ÖIAG), Austria's privatisation and industrial holding company. Austrian Post is not aware of any other shareholders who possess 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 in 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 §5 of the articles of association of Austrian Post, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 175,000,000 by issuing up to 35,000,000 new no-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 in the commercial register on March 18, 2006.

Conditional capital: pursuant to §5 of the articles of association of Austrian Post, the Management Board is authorized to issue interest-bearing convertible bonds, involving a conversion or subscription right in 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 an 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 no-par bearer shares with voting rights. The modification of the articles of association was entered in the commercial register on April 21, 2006.

There are no significant contractual agreements to which the company is a party, which would take effect, cause major changes or expire in the case that a change in ownership took place.

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

## Outlook 2007

Austrian Post continues to expect a stable mail market for the year 2007. The decline in letter mail volumes resulting from the substitution of the traditional letter by electronic media should be compensated for by expected increases in direct mail (Infomail Business Area) and in the Parcel & Logistics segment (including acquisitions). Generally, increased competition is anticipated in the letter mail as well as in the parcels business (in particular business-to-consumer parcels).

**2007: significant organic growth**

All in all, Austrian Post anticipates that organic revenue will remain constant in 2007. Additional growth will be driven by the German specialist logistics company trans-o-flex, which will be incorporated into the consolidated profit and loss statements of Austrian Post for the first time in the 2007 business year. Earnings before interest and taxes (EBIT) are predicted to be 20%–25% higher in 2007 than the level of EUR 123,3m posted in 2006. There are two main reasons for this expected increase: first, the contribution to revenue and earnings to be made by trans-o-flex, and second, a further improvement in operating income.

In 2007, Austrian Post plans capital expenditure (CAPEX) of EUR 70m–80m. Even after the consolidation of trans-o-flex, Austrian Post will continue to pursue the goal of sustainably establishing its EBIT margin in the 7%–8% range.

## Events after the balance sheet date

**Weber Escal closing in January 2007**

With the formal closing of the transaction on January 2, 2007, Austrian Post legally acquired its 100% shareholding in Weber Escal, Croatia. Weber Escal is active in the delivery of unaddressed mail items in Croatia.

At the end of January 2007, Austrian Post finalised the acquisition of a 51% shareholding in Scanpoint Europe, which specialises in the efficient digitalisation and administration of documents (bills, correspondence), and which then prepares and makes business-related information available to its customers in every desired form.

At the end of 2006, the tender process to acquire BAWAG P.S.K., the financial services partner of Austrian Post, was concluded. As the future new owners of BAWAG P.S.K., the bidder group consisting of Cerberus, Generali and Wüstenrot made a clear commitment to dynamically expand the financial services business of BAWAG P.S.K. and to position the bank as a "universal bank for private customers and medium-sized businesses", featuring attractive products and services. The formal closing of the selling process is expected during the first half of 2007.

Österreichische Post AG currently offers financial services products of BAWAG P.S.K. via its own branch network. Generally, it is pursuing the goal of further expanding the financial services offered in Austria.

The bidder group led by Cerberus has extended an invitation to Austrian Post to acquire a minority stake in BAWAG P.S.K. Austrian Post considers this an opportunity to make a profit and value enhancing investment, as well as to proactively promote a jointly developed offensive business strategy. As a consequence, Austrian Post is carefully evaluating the offer. At the same time, Austrian Post aims to hold negotiations with the new owners and the management of BAWAG P.S.K. in order to intensify its existing cooperation and ensure its ongoing success on a long-term basis.

## Mail Division

### Market environment

The main factors shaping the Austrian mail market are the regulatory framework and a perceptible change in communications habits. The trend is towards a replacement of the traditional letter by electronic communications, which is counteracted by an overall increase in communications and an increased distribution of unaddressed mail items. A large portion of the business in which the Mail Division is engaged has already been opened to competition. A further increase in competition on the part of other postal providers is expected in the future.

### Business development in 2006

| EUR m | 2004 | 2005 | 2006 | Change 2005/2006 in % |
|---|---|---|---|---|
| **External sales** | **1,255.3** | **1,290.8** | **1,311.3** | **+1.6%** |
| Letter Mail | 768.5 | 782.4 | 774.7 | –1.0% |
| Infomail | 371.3 | 382.3 | 407.5 | +6.6% |
| Media Post | 115.5 | 126.1 | 129.0 | +2.3% |
| Internal sales | 74.2 | 66.3 | 66.9 | +1.0% |
| Total revenue | 1,329.5 | 1,357.1 | 1,378.2 | +1.6% |
| **EBIT** | **235.3** | **268.9** | **271.6** | **+1.0%** |
| EBIT margin[1)] | 17.7% | 19.8% | 19.7% | – |
| Employees[2)] | 16,330 | 15,556 | 15,311 | –1.6% |

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

Year-on-year external sales by the Mail Division of Austrian Post rose by 1.6%, to EUR 1,311.3m.

**Slight decline in Letter Mail revenue**

In line with expected trends, the Letter Mail business recorded a decline in revenue of 1.0%. The comparable period last year was positively impacted by the nationwide mailing of the e-Card, distributed by Austria's national health insurance companies. Negative effects resulting from the market liberalisation which took effect on January 1, 2006 (reduction of the weight limit for the reserved area from 100g to 50g) have not yet materialised.

**Rise in Infomail Business Area revenue**

External sales of the Infomail Business Area (addressed and unaddressed advertising) increased during the period under review by 6.6% to EUR 407.5m. This was based on rising direct mail volumes in the Austrian advertising market, as well as the first-time consolidation of Feibra Hungary. The development of the Media Post segment has been stable.

### Highlights 2006

- 100% acquisition of Kolos (Slovakia) as well as Weber Escal (Croatia, closing on January 2, 2007) strengthens the position of Austrian Post in the delivery of unaddressed direct mail items
- 74.9% shareholding in Mader Zeitschriftenverlag GmbH, publisher of Vienna's local district newspaper "Wiener Bezirkszeitung"
- Optimisation of the logistics chain by adapting and modernising various facilities
- Equipping delivery bases with ergonomically designed, productivity enhancing delivery tables
- Testing of environmentally-friendly gas powered vehicles

## Acquisitions

**Expansion through further acquisitions**

On April 26, 2006, Austrian Post acquired Kolos, the Slovakian direct mailing company. Kolos operates in the field of delivering unaddressed direct mail, direct marketing, geomarketing and sales promotion, covering the entire territory of Slovakia. Each year, Kolos delivers about 300m unaddressed mail items to Slovakian households.

Austrian Post has also penetrated the Croatian market for advertising mail, based on its acquisition of the direct mailing company Weber Escal (contract signing at the beginning of October 2006, formal closing on January 2, 2007). Weber Escal is active in the delivery of unaddressed mail items in Croatia. It has a delivery staff of about 250 people who distribute about 90m unaddressed mail items annually.

In order to more effectively provide services to existing customers in the field of print media, Austrian Post acquired a 74.9% shareholding in Vienna's local district newspaper "Wiener Bezirkszeitung", which ranks among the three largest free newspapers distributed in the Austrian capital.

## Measures and projects

### Production and logistics

**Far-reaching measures ensure quality leadership**

Austrian Post carried out a broad range of measures in 2006 which were designed to maintain its quality leadership as a key competitive advantage. These measures included the renovation, upgrading and modernisation of facilities, replacement investments in the vehicle fleet as well as equipping delivery bases with ergonomically designed, productivity enhancing delivery tables. Instead of recording mail items for which proof of documentation is required by hand (e.g. registered letters, parcels, etc.), as was standard practice in the past, these mail items are now being recorded with the support of IT systems and advanced scanner technologies.

### Sales and expansion

In the field of advertising mail, Austrian Post could keep or win back almost all important accounts, thanks to its two-brand strategy based on Austrian Post and feibra Austria. By means of its 100% acquisition of Kolos s.r.o., Slovakia, and Weber Escal d.o.o., Croatia, the company has penetrated the market for unaddressed advertising in two further CEE markets.

### New products and services

Within the framework of its newly-developed in-house management of postal service departments for large customers, Austrian Post has also made its know-how in the processing of mail items available to its customers. This new service encompasses three main areas: media-independent supply, internal physical and electronic distribution as well as delivery. In this case, the in-house postal service department of the customer is supported or completely managed by Austrian Post. Furthermore, Austrian Post has also newly launched two other new products, namely Ident.Brief (identity verification when opening bank accounts) and International Direct Mail (reasonably-priced advertising mail within Europe).

## Parcel & Logistics Division

### Market environment

Courier, express and parcel services continue to be a growing market, which even achieves double-digit growth rates in Eastern Europe. International mail volumes and revenue are climbing even stronger than on the domestic market. For this reason, an efficient and high-performance network has emerged as an increasingly crucial factor.

The parcels market has been completely liberalised and thus opened to competition. In the meantime, the boundaries between the business-to-consumer (B2C), business-to-business (B2B) and consumer-to-consumer (C2C) markets are increasingly fading away. It is expected that alternative providers will more aggressively penetrate the B2C parcels business in the future.

### Business development in 2006

| EUR m | 2004 | 2005 | 2006 | Change 2005/2006 in % |
|---|---|---|---|---|
| **External sales** | **199.0** | **211.8** | **227.1** | **+7.2%** |
| Internal sales | 42.2 | 45.8 | 49.8 | +8.9% |
| Total revenue | 241.2 | 257.6 | 276.9 | +7.5% |
| **EBIT** | **–16.7** | **10.4** | **20.8** | **99.6 %** |
| EBIT margin[1)] | –6.9% | 4.1% | 7.5% | – |
| Employees[2)] | 2,705 | 2,461 | 2,265 | –8.0% |

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

External sales by the Parcel & Logistics Division of Austrian Post were up 7.2% in 2006 compared to the previous year, climbing to EUR 227.1m. Domestic parcels volumes as well as the cross-border parcels business generated growth and thus jointly contributed to the increase in external sales.

**Increase in mail order and e-commerce deliveries**

The revenue increase in the domestic parcels segment primarily reflects growth in mail order and e-commerce deliveries. The favourable development of the international parcels segment can be primarily attributed to the increasing use of television and Internet as sales channels. In particular, the volume of parcels mailed to Austria has developed quite favourably.

In addition to the market segment serving private customers (B2C, C2C), Austrian Post has also been serving the market for business customers (B2B) since the beginning of 2006, and has generated its first revenue contribution from this segment. Revenue from the subsidiaries in Slovakia and Croatia has also developed very positively, posting double-digit growth rates.

All in all, the Parcel & Logistics Division posted EBIT of EUR 20.8m in the 2006 business year (2005: EUR 10.4m).

## Highlights 2006

- Acquisition of a 74.9% shareholding in the German specialist logistics provider trans-o-flex, a previous cooperation partner of Austrian Post
- Launch of B2B deliveries in Austria opens up additional market volume of about 70m parcels annually
- Setting up of 24 fully automated "Post.24" parcel pick up stations, enabling round-the-clock parcel pick-up in Vienna for the first time
- Further improvement of the very high quality of service in Austria

## Acquisition of trans-o-flex

**Acquisition of trans-o-flex**

The key highlight in the Parcel & Logistics Division during the course of the past business year was the acquisition of a majority shareholding in the German specialist logistics provider and previous cooperation partner trans-o-flex. Effective December 21, 2006, Austrian Post acquired a 74.9% stake in this company. On the basis of this acquisition, the new subsidiary (2006 revenue of about EUR 480m) will approximately triple the revenue of the Parcel & Logistics Division in the future.

The acquisition of trans-o-flex is an important milestone in the development of the Parcel & Logistics Division, due to the fact that both companies will mutually benefit from this cooperation:

- Accelerated penetration of the B2B parcels business in Austria, and the expansion of special branch solutions
- trans-o-flex ideally complements the existing postal business, due to its transporting of "combined freight" (parcels and palettes as the main shipment categories)
- Mutual safeguarding of the most important foreign markets for both companies, namely Germany and Austria
- Integration of Austria in an international network (B2B/combined freight), additional potential through the expansion of the new service portfolio to South East Europe
- Austrian Post and trans-o-flex as strong partners for strategic cooperations

## Measures and projects

- Further regional expansion in core markets through the acquisition of parcel and logistics service providers in South East Europe, and the expansion of stable network partnerships in Western Europe
- Ongoing extension of the service portfolio, particularly along the value added chain of Austrian Post customers
- Penetration of the market for B2B deliveries will be promoted in 2007:
  - Market entry in the combined freight business (parcels and palettes as a joint shipment category), based on the know-how provided by trans-o-flex
  - Extension of service portfolio by offering standardised B2B services (shipment category, delivery on the next working day, special services such as the transport of hazardous goods)
- An important step towards further expansion was taken with the acquisition of a commercial property for the construction of a new sorting centre in Bratislava, Slovakia

## Branch Network Division

### Market environment

The Branch Network Division of Austrian Post operates one of the most extensive, dense and efficient retail networks in Austria. Sales of financial services and retail products take place in a completely competitive environment.

The nationwide network, high quality products and services together with well trained staff provide a solid basis enabling this division to successfully master the challenges of the marketplace now and in the future.

### Business development in 2006

| EUR m | 2004 | 2005 | 2006 | Change 2005/2006 in % |
|---|---|---|---|---|
| **External sales** | **196.2** | **193.8** | **194.4** | **+0.3%** |
| Internal sales | 200.6 | 208.0 | 210.0 | +1.0% |
| Total revenue | 396.8 | 401.9 | 404.4 | +0.6% |
| **EBIT** | **–10.2** | **8.7** | **11.5** | **+32.6%** |
| EBIT margin[1] | –2.6% | 2.2% | 2.8% | – |
| Employees[2] | 5,702 | 5,446 | 5,236 | –3.9% |

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

**External sales up slightly**

External sales by the Branch Network Division of Austrian Post improved slightly from the previous year, rising to EUR 194.4m. The sale of retail products (particularly telecommunications, mobile telephony and post-related commodities) climbed slightly once again in comparison to the outstanding sales volume posted in 2005. Revenue from financial services remained constant. Negative effects resulting from the change in ownership in regards to Austrian Post's banking partner BAWAG P.S.K. foreseeable since early 2006 failed to materialise.

The rise in internal sales of the Branch Network Division in comparison to 2005 mainly relates to the increase in revenue from the philately business as well as the fact that the revenue generated by the Post customer services segment is now reported within the Branch Network Division.

**EBIT increase to EUR 11.5m**

Although earnings during the period under review were negatively impacted by an impairment loss of EUR 5.8m, the Branch Network Division succeeded in improving its EBIT in 2006 to EUR 11.5m (2005: EUR 8.7m).

## Highlights 2006

- More than 80m customer transactions
- Ongoing adaptation of the retail network to market demands; 41 company-owned branches were modernised and upgraded into service centres
- More than 104,000 corporate customers, namely small and medium-sized firms (SMEs), are being serviced by the Branch Network Division; specially trained sales consultants are at the disposal of SMEs in 136 branches
- Further increase in the number of securities depots and depot volume of BAWAG P.S.K.
- Stocks were sold in 97% of Austrian Post's branches in 2006
- Successful start-up of new banking software in November 2006

## Current measures and projects

**Successful continuation of modernisation programme**

The modernisation programme for the branch network of Austrian Post was accelerated during the period under review, and will continue unabatedly in 2007. 41 company-owned branches were extensively refurbished in 2006 and tailored to customer requirements.

**Promotion of financial services business**

Austrian Post currently offers financial services products of BAWAG P.S.K. via its own branch network. Its future goal is to further expand the financial services business in Austria. The focus will be on increased cross-selling and offering higher-value financial products. In this spirit, Austrian Post will hold negotiations with the new owner and the management of BAWAG P.S.K., designed to intensify its existing cooperation and ensure its ongoing success on a long-term basis.

The activities successfully initiated in 2006 as a means of boosting sales of retail products (e.g. roll-out of greeting cards, stationery in more than 1,300 branches) will be continued in 2007. New innovative concepts in postal services will be implemented (e.g. Collect.Post: mail collection and delivery for business customers).

# Austrian Post brings something for everybody.
... customers, employees and shareholders


**Facts and figures: business results**

- Continuation of growth course in 2006
- 2.1% rise in revenue
- 19.7% EBIT increase

# IFRS consolidated financial statements 2006

## Consolidated income statement for the year ending December 31, 2006

| EUR m | Note | 2005 | 2006 |
|---|---|---|---|
| Revenue | (5) | 1,701.6 | 1,736.7 |
| Other operating income | (6) | 52.9 | 58.8 |
| Total operating income | | 1,754.5 | 1,795.5 |
| Raw materials, consumables and services used | (7) | –241.9 | –258.0 |
| Staff costs | (8) | –1,064.0 | –1,063.0 |
| Depreciation, amortisation and impairment losses | (9) | –120.8 | –108.4 |
| Other operating expenses | (10) | –223.5 | –243.9 |
| Total operating expenses | | –1,650.2 | –1,673.3 |
| **Profit from operations** | | **104.3** | **122.2** |
| Share of profit/loss of associates | (11) | –1.3 | 1.1 |
| Other financial result | (12) | –2.1 | 7.2 |
| **Total financial result** | | **–3.4** | **8.3** |
| **Profit before tax** | | **100.9** | **130.5** |
| Income tax | (28) | –10.9 | –30.8 |
| **Profit after tax** | | **90.1** | **99.8** |
| **Profit from discontinued operations** | **(13)** | **9.8** | **0.0** |
| **Profit for the period** | | **99.9** | **99.8** |
| | | | |
| Attributable to: | | | |
| Equity holders of the parent company | | 99.9 | 99.8 |
| | | | |
| **EUR** | | | |
| **Basic earnings per share** | (14) | 1.43 | 1.43 |
| **Diluted earnings per share** | (14) | 1.43 | 1.43 |
| | | | |
| **EUR m** | | | |
| Profit from operations | | 104.3 | 122.2 |
| Share of profit/loss of associates | | –1.3 | 1.1 |
| **Earnings before interest and tax (EBIT)** | | **103.0** | **123.3** |

## Consolidated balance sheet as at December 31, 2006

| EUR m | Note | Dec. 31, 2005 | Dec. 31, 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets and goodwill | (15) | 46.5 | 272.7 |
| Property, plant and equipment | (16) | 673.9 | 665.3 |
| Investment property | (17) | 54.8 | 38.3 |
| Investments in associates | (18) | 0.3 | 3.5 |
| Other financial assets | (19) | 172.6 | 204.5 |
| Receivables | (21) | 9.0 | 28.2 |
| Deferred tax assets | (28) | 40.3 | 60.3 |
| | | **997.4** | **1,272.9** |
| **Current assets** | | | |
| Other financial assets | (19) | 50.0 | 0.5 |
| Inventories | (20) | 19.6 | 21.0 |
| Receivables | (21) | 298.5 | 364.0 |
| Cash and cash equivalents | (22) | 174.5 | 229.4 |
| | | **542.6** | **614.9** |
| **Non-current assets held for sale** | **(23)** | **23.0** | **13.8** |
| | | **1,563.0** | **1,901.6** |

| | | | |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | **(24)** | | |
| Share capital | | 10.0 | 350.0 |
| Capital reserves | | 614.5 | 274.5 |
| Revenue reserves | | 36.5 | 96.4 |
| Revaluation of securities | | 0.7 | –0.1 |
| Currency translation reserves | | 0.5 | 0.9 |
| Profit for the period | | 99.9 | 99.8 |
| | | **762.1** | **821.4** |
| **Non-current liabilities** | | | |
| Provisions | (25) | 311.6 | 425.8 |
| Financial liabilities | (26) | 35.2 | 82.0 |
| Payables | (27) | 13.5 | 19.7 |
| Deferred tax liabilities | (28) | 0.9 | 36.5 |
| | | **361.3** | **564.0** |
| **Current liabilities** | | | |
| Provisions | (25) | 120.1 | 94.4 |
| Financial liabilities | (26) | 7.0 | 66.7 |
| Payables | (27) | 312.5 | 355.1 |
| | | **439.6** | **516.2** |
| | | **1,563.0** | **1,901.6** |

## Consolidated cash flow statement for the year ending December 31, 2006

| EUR m | Note | 2005 | 2006 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 100.9 | 130.5 |
| Depreciation, amortisation and impairment losses | | 120.8 | 108.4 |
| Write-downs/write-ups of financial assets | | –1.6 | –1.9 |
| Long-term provisions | | 106.7 | 110.8 |
| Gain/loss on disposal of non-current assets | | –8.8 | –8.9 |
| Gain/loss on disposal of financial assets | | 1.9 | –1.8 |
| Taxes paid | | –33.8 | –49.2 |
| Net interest received | | –3.1 | –10.2 |
| Currency translation | | 0.0 | 0.2 |
| **Operating cash flow before changes in working capital** | | **283.1** | **277.9** |
| **Changes in working capital** | | | |
| Receivables | | –1.4 | –19.4 |
| Inventories | | 0.7 | –1.3 |
| Payables | | 16.4 | –18.9 |
| Deferred tax | | 1.0 | –0.3 |
| Short-term provisions | | –1.8 | 0.0 |
| **Cash flow from changes in working capital** | | **15.0** | **–39.9** |
| **Cash flow from operating activities** | | **298.0** | **238.0** |
| **Investing activities** | | | |
| Purchase of intangible assets | | –1.4 | –5.2 |
| Purchase of property, plant and equipment | | –73.6 | –63.6 |
| Acquisition/disposal of subsidiaries | (29) | –8.0 | –57.3 |
| Acquisition/disposal of associates | | 18.3 | –2.8 |
| Assumption of debt from acquisition of subsidiaries | | 0.0 | –95.7 |
| Acquisition/disposal of other financial assets | | –80.3 | –30.7 |
| Proceeds from sale of non-current assets | | 37.1 | 49.8 |
| Proceeds from sale of other financial assets | | 3.5 | 50.1 |
| Dividends received from associates | | 2.7 | 0.7 |
| Interest received from financial assets | | 9.1 | 12.0 |
| **Cash flow from investing activities** | | **–92.6** | **–142.6** |
| **Free cash flow** | | **205.4** | **95.4** |
| **Financing activities** | | | |
| Changes in financial liabilities | | –35.2 | 1.4 |
| Dividends paid | | –40.0 | –40.0 |
| Interest paid | | –6.0 | –1.9 |
| **Cash flow from financing activities** | | **–81.3** | **–40.4** |
| **Net change in cash and cash equivalents** | | **124.2** | **55.0** |
| Cash and cash equivalents at January 1 | | 50.3 | 174.5 |
| **Cash and cash equivalents at December 31** | | **174.5** | **229.4** |

# Consolidated statement of changes in equity

| **2005 business year** EUR m | Share capital | Capital reserves | Revenue reserves | Revaluation of securities | Currency translation reserves | Equity of discontinued operations | Profit for the period | Total | Minority interests | Consolidated equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2005** | **10.0** | **614.5** | **29.4** | **0.0** | **0.3** | **3.3** | **47.1** | **704.6** | **7.8** | **712.5** |
| **Changes in consolidation** | | | | | | | | | | |
| Disposals | | | | | | –3.3 | | –3.3 | –6.0 | –9.3 |
| Increase in equity investments | | | | | | | | 0.0 | –1.8 | –1.8 |
| **Other net gains and losses not recognised in the income statement** | | | | | | | | | | |
| Currency translation differences | | | | | 0.2 | | | 0.2 | | 0.2 |
| Revaluation of securities | | | | 0.7 | | | | 0.7 | | 0.7 |
| **Net gains and losses recognised in the income statement** | | | | | | | | | | |
| Changes in revenue reserves | | | 7.1 | | | | –7.1 | 0.0 | | 0.0 |
| Profit for the period | | | | | | | 99.9 | 99.9 | | 99.9 |
| **Total recognised gains and losses** | **0.0** | **0.0** | **7.1** | **0.7** | **0.2** | **–3.3** | **92.9** | **97.5** | **–7.8** | **89.7** |
| **Dividends** | | | | | | | **–40.0** | **–40.0** | | **–40.0** |
| **Capital increase from company's own resources** | | | | | | | | **0.0** | | **0.0** |
| **Balance at December 31, 2005** | **10.0** | **614.5** | **36.5** | **0.7** | **0.5** | **0.0** | **99.9** | **762.1** | **0.0** | **762.1** |

| **2006 business year** EUR m | Share capital | Capital reserves | Revenue reserves | Revaluation of securities | Currency translation reserves | Equity of discontinued operations | Profit for the period | Total | Minority interests | Consolidated equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2006** | **10.0** | **614.5** | **36.5** | **0.7** | **0.5** | **0.0** | **99.9** | **762.1** | **0.0** | **762.1** |
| **Changes in consolidation** | | | | | | | | | | |
| Disposals | | | | | | | | 0.0 | | 0.0 |
| Increase in equity investments | | | | | | | | 0.0 | | 0.0 |
| **Other net gains and losses not recognised in the income statement** | | | | | | | | | | |
| Currency translation differences | | | | | 0.3 | | | 0.3 | | 0.3 |
| Revaluation of securities | | | | –0.8 | | | | –0.8 | | –0.8 |
| **Net gains and losses recognised in the income statement** | | | | | | | | | | |
| Changes in revenue reserves | | | 59.9 | | | | –59.9 | 0.0 | | 0.0 |
| Profit for the period | | | | | | | 99.8 | 99.8 | | 99.8 |
| **Total recognised gains and losses** | **0.0** | **0.0** | **59.9** | **–0.8** | **0.3** | **0.0** | **39.8** | **99.2** | **0.0** | **99.2** |
| **Dividends** | | | | | | | **–40.0** | **–40.0** | | **–40.0** |
| **Capital increase from company's own resources** | **340.0** | **–340.0** | | | | | | **0.0** | | **0.0** |
| **Balance at December 31, 2006** | **350.0** | **274.5** | **96.4** | **–0.1** | **0.9** | **0.0** | **99.8** | **821.4** | **0.0** | **821.4** |

# Notes to the consolidated financial statements

## Summary of accounting policies

Austrian Post and its subsidiaries are service companies in the field of collecting and delivering mail. Austrian Post's main business activities include postal and parcel services, and the processing of financial transactions in cooperation with BAWAG P.S.K.

The headquarters of Austrian Post is in Vienna, Austria. The mailing address is Austrian Post, Postgasse 8, 1010 Vienna, Austria. The company is registered in the company register at the Vienna Commercial Court under the company register number FN 180219d.

## 1 Basis of preparation

The consolidated financial statements of Austrian Post for the 2006 business year have been prepared in accordance with the binding International Financial Reporting Standards (IFRS) valid as at December 31, 2006, as adopted by the European Union.

The accounting and valuation methods applicable at December 31, 2005 remain fundamentally unchanged. The exceptions are the revised accounting standards IAS 19 and IAS 39, the new standard stipulated in IFRS 6 as well as the new interpretations found in IFRIC 4, IFRIC 5, IFRIC 7, IFRIC 8 and IFRIC 9, which have been binding since January 1st. Application of the new or changed accounting and valuation methods has not had any major effect on the financial statements of Austrian Post. The new IFRS 7 (Financial Instruments: Disclosures), valid as of 2007, will not be applied ahead of schedule.

The annual financial statements of all consolidated Group companies are prepared in accordance with uniform accounting and valuation principles throughout the company, and included in the consolidated financial statements.

The consolidated financial statements are presented in euro. Unless otherwise stated, all amounts are provided in millions of euro (EUR m). Where rounded amounts and percentages are aggregated, rounding related differences may occur due to the use of automated calculation aids.

## 2 Consolidation

In addition to the parent company, a total of 16 domestic subsidiaries (2005: 12) and 23 foreign subsidiaries (2005: six), in which the company directly or indirectly holds a majority of the voting rights, are included in consolidation.

Furthermore, three domestic companies (2005: three) and one foreign company (2005: 0) are consolidated according to the equity method.

## Additions arising from acquisitions

The following table provides an overview of the acquisitions in 2006 which require consolidation:

| Company name | Interest |
|---|---|
| **Full consolidation** | |
| Kolos s.r.o. und Kolos Marketing s.r.o. | 100.0% |
| trans-o-flex | 74.9% |
| **Equity consolidation** | |
| Mader Zeitschriftenverlagsgesellschaft m.b.H. | 74.9% |
| trans-o-flex Nederland B.V. | 37.5% |

On April 26, 2006, Austrian Post acquired a 100% shareholding in both Kolos s.r.o., Bratislava, and in Kolos Marketing s.r.o., Prague. Kolos and Kolos Marketing operate in the field of delivering non-addressed direct mail items and direct marketing. Acquisition costs for the purchase of the shareholdings in Kolos and Kolos Marketing amounted to EUR 1.5m. In the purchase price allocation, the existing customer relationships of Kolos are reported under intangible assets, whereas the remaining goodwill amounts to EUR 1.4m.

The following assets and liabilities were acquired by Austrian Post as part of the acquisition of Kolos/Kolos Marketing:

| EUR m | Fair value | Carrying amount before acquisition |
|---|---|---|
| Intangible assets | 0.2 | 0.0 |
| Goodwill | 1.4 | 0.0 |
| Property, plant and equipment | 0.1 | 0.1 |
| Current assets | 0.5 | 0.5 |
| Non-current provisions and liabilities | –0.1 | –0.1 |
| Deferred tax liabilities | –0.1 | 0.0 |
| Current provisions and liabilities | –0.4 | –0.4 |
| **Net acquired assets** | **1.5** | **0.0** |

On December 21, 2006, Austrian Post acquired a 74.9% shareholding in Praetorium Holding GmbH and the **trans-o-flex** companies controlled by it. All in all, a total of 16 fully-consolidated companies and one legal entity consolidated according to the equity method belong to trans-o-flex, which is a German specialist logistics company for express deliveries in the business-to-business segment (B2B).

The total cost of acquisition of trans-o-flex was EUR 79.7m. The purchase price for the 74.9% shareholding amounted to EUR 57.5m, which was paid in cash. Moreover, the sales agreement contains a put option for the minority interests, and a call option for Austrian Post to acquire the remaining 25.1% of trans-o-flex at a predetermined purchase price. The put option can be exercised between June 1, 2008 and June 30, 2008, whereas the call option may be exercised from May 1, 2009 and May 31, 2009. Due to the existing put option, 100% of the shares in trans-o-flex are being fully consolidated. At the same time, liabilities towards the minority shareholder are reported. The discounted liabilities amounted to EUR 20.2m as at December 31, 2006. In addition, transaction costs of EUR 2.0m are reported in connection with the acquisition.

The following assets and liabilities were assumed by Austrian Post in connection with the acquisition of trans-o-flex:

| EUR m | Fair value | Carrying amount before acquisition |
|---|---|---|
| Intangible assets | 79.8 | 2.8 |
| Goodwill | 146.8 | 0.0 |
| Property, plant and equipment | 44.2 | 44.2 |
| Other non-current assets | 19.3 | 19.3 |
| Current assets | 68.4 | 68.4 |
| Non-current provisions and liabilities | –126.0 | –126.0 |
| Deferred tax liabilities | –31.0 | –1.5 |
| Current provisions and liabilities | –121.7 | –121.7 |
| **Net acquired assets** | **79.7** | **–114.6** |

In the purchase price allocation, the customer relationships and the trademark "trans-o-flex" were identified and reported as intangible assets. The valuation of the customer relationships was carried out on the basis of the multi-period excess earnings method, whereas the valuation of the trademark was based on the relief from royalty method. The customer relationships were capitalised at a fair value of EUR 52.0m, and the trademark at a fair value of EUR 25.0m. Useful lives of five to ten years were defined for the customer relationships. The trademark was classified as an intangible asset with an indefinite life, due to the fact that it is available over the period of a lifetime. For this reason, the trademark is not subject to amortisation, but is annually tested for impairment. The purchase price allocation resulted in goodwill of EUR 146.8m. Goodwill resulted from the company's strategic intent to diversify the product portfolio of the Parcel & Logistics Division within Austrian Post, as well as to more closely integrate the most important cooperation partners within the B2B segment according to company law. trans-o-flex ranks among the leading combined freight service providers in Germany, and already fulfils upcoming national regulations in terms of transporting pharmaceutical products. The product-specific know-how, the support of the largest foreign B2B supplier and the potential in existing markets are the reasons underlying the goodwill recognised in the consolidated financial statements.

If the acquisition of trans-o-flex had already taken place on January 1, 2006, it would have added EUR 481.3m to Austrian Post's total revenue. In the internal interim financial statements prepared in accordance with the German Commercial Code, the EBITDA of trans-o-flex amounted to EUR 22.1m for the period January 1, 2006 to November 30, 2006.[1)]

A 74.9% shareholding in Mader Zeitschriftenverlagsgesellschaft m.b.H., Vienna was acquired effective April 21, 2006. The purchase price was EUR 2.8m. Due to the fact that Austrian Post does not have a controlling interest as the result of contractually stipulated rights granted to minority interests, the company is consolidated as an associate company using the equity method.

## Disposals

The scope of consolidation was reduced in 2006 by the merger of feibra VertriebsgmbH, Neudörfl, with feibra GmbH, Vienna, effective January 1, 2006. Furthermore, a fully consolidated company was liquidated, namely Yellogistics d.o.o., Laibach, Slovenia, as well as one associated company, Post Adress Austria GmbH, Vienna.

1) The pro-forma information is for comparative purposes, and does not necessarily present the business results which would have arisen had the transaction actually been concluded on January 1, 2006. The information is not to be considered as a reliable indicator of future performance.

## Austrian Post companies

| Company and location | Interest in % | Capital and reserves at Dec. 31, 2006 EUR m | Profit for the period 2006 EUR m | Method of consolidation |
|---|---|---|---|---|
| feibra GmbH, Vienna | 100.0 | 10.1 | 5.3 | FC |
| PROWERB Gesellschaft für produktive Werbung GmbH, Vienna | 100.0 | 0.1 | 0.0 | FC |
| Medien.Zustell GmbH, Vienna | 100.0 | 0.1 | 0.0 | FC |
| feibra Magyarország Kft, Budapest | 100.0 | 1.2 | 0.4 | FC |
| Austrian Post International Deutschland GmbH, Cologne | 100.0 | 1.0 | 0.0 | FC |
| Post Paket Service GmbH, Vienna | 100.0 | 36.1 | 1.7 | FC |
| Post International Beteiligungs GmbH, Vienna | 100.0 | 20.9 | –1.9 | FC |
| Slovak Parcel Service s. r. o., Bratislava | 100.0 | 3.4 | 1.4 | FC |
| In Time s.r.o., Bratislava | 100.0 | 0.9 | 0.3 | FC |
| Overseas Trade Co Ltd d.o.o., Zagreb | 100.0 | 4.1 | –2.3 | FC |
| Post.Wertlogistik GmbH, Vienna | 100.0 | 2.3 | 0.5 | FC |
| Post & Telekom Immobiliengesellschaft mbH, Vienna | 100.0 | 1.4 | 0.5 | FC |
| PTI Immobilienvermittlung GmbH, Vienna | 100.0 | 0.6 | 0.1 | FC |
| Post & Co Vermietungs OEG, Vienna | 100.0 | 120.9 | 2.6 | FC |
| Post.Maintain Management Objektverwaltungs und -instandhaltungs GmbH, Vienna | 100.0 | 6.2 | –2.8 | FC |
| A4 Business Solutions GmbH, Vienna | 100.0 | 0.0 | 0.4 | FC |
| Kolos Marketing s.r.o., Prague | 100.0 | 0.0 | 0.0 | FC |
| Kolos s.r.o., Bratislava | 100.0 | 0.3 | 0.0 | FC |
| Post Eins Beteiligungs GmbH, Vienna | 100.0 | 57.6 | 0.0 | FC |
| Post Zwei Beteiligungs GmbH, Vienna | 100.0 | 57.5 | –0.1 | FC |
| Post Drei Beteiligungs GmbH, Vienna | 100.0 | 0.0 | 0.0 | FC |
| Post Vier Beteiligungs GmbH, Vienna | 100.0 | 0.0 | 0.0 | FC |
| Post Fünf Beteiligungs GmbH, Vienna | 100.0 | 30.6 | 0.1 | FC |
| Praetorium Holding GmbH, Weinheim | 74.9 | 33.1 | – | FC |
| trans-o-flex GmbH, Weinheim | 74.9 | 40.7 | – | FC |
| Eurodis GmbH, Weinheim | 74.9 | –3.3 | – | FC |
| trans-o-flex Verwaltung GmbH, Weinheim | 74.9 | 0.0 | – | FC |
| trans-o-flex Schnell-Lieferdienst GmbH & Co. KG, Weinheim | 74.9 | –81.0 | – | FC |
| trans-o-flex Transport Logistik GmbH, Weinheim | 74.9 | 0.4 | – | FC |
| trans-o-flex Customer-Service GmbH, Weinheim | 74.9 | 0.0 | – | FC |
| trans-o-flex Linienverkehr GmbH, Weinheim | 74.9 | 0.7 | – | FC |
| trans-o-flex Logistik Service GmbH, Weinheim | 74.9 | 0.2 | – | FC |
| trans-o-flex Admin-Service GmbH, Weinheim | 74.9 | 0.1 | – | FC |
| trans-o-flex IT-Service GmbH, Weinheim | 74.9 | 0.1 | – | FC |
| ThermoMed Verwaltungsgesellschaft mbH, Herborn[1)] | 74.9 | 0.0 | – | FC |
| ThermoMed GmbH & Co. KG, Cologne | 74.9 | 2.2 | – | FC |
| EBUR Grundstücks-Verwaltungs GmbH & Co. KG, Grünwald[2)] | 74.9 | 0.0 | – | FC |
| TTL Tour-Trans Logistic Services GmbH, Kerpen | 74.9 | 1.3 | – | FC |
| TTV Tour-Trans Verteilerservice GmbH, Kerpen | 74.9 | 0.3 | – | FC |
| Mader Zeitschriftenverlagsgesellschaft m.b.H., Vienna | 74.9 | 0.3 | 0.3 | EM |
| FEIPRO Vertriebs GesmbH, Gaweinstal | 50.0 | 0.4 | 0.4 | EM |
| OmniMedia Werbegesellschaft m.b.H., Vienna[3)] | 21.0 | 1.7 | 1.1 | EM |
| trans-o-flex Nederland B.V., Utrecht[4)] | 37.5 | 0.1 | – | EM |
| OMNITEC Informationstechnologie-Systemservice GmbH, Vienna | 50.0 | 0.3 | 0.0 | NC |

1) Previously REMEDICA Verwaltungsgesellschaft mbH 2) The inclusion of this company is on the basis of SIC 12 as a special purpose entity. The interest in the company (% of share capital) corresponds to the limited partner's share held by Austrian Post. 3) Share capital and earnings in accordance with the interim financial statements as at December 31, 2006. 4) Joint venture
FC – full consolidation, EM – equity method, NC – no consolidation due to immateriality

## 3 Accounting policies

### (a) Consolidation policies

Subsidiaries are included in the consolidated financial statements starting from the time at which Austrian Post gains a controlling interest in the company. The initial consolidation of subsidiaries is carried out in accordance with the purchase method. In this case, the respective acquisition costs are offset against the revalued net assets of the consolidated subsidiary. The acquisition costs are allocated to the identifiable acquired assets and liabilities including contingent liabilities. Any remaining capitalised difference between the acquisition costs and the value of the identifiable and revalued net assets is reported as goodwill.

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

Shareholdings in companies in which a significant influence can be exercised (investments in associates), generally involving an interest of between 20% and 50%, as well as jointly managed companies, are accounted for using the equity method. Pursuant to the equity method, shareholdings are first reported at the cost of acquisition, and later increased or reduced by the respective changes in equity in proportion to the particular stake held by Austrian Post. The goodwill of an associated company is part of the carrying amount of the investment and is accounted for, in accordance with IFRS 3. In the case of the immateriality of the investment, Austrian Post maintains the particular accounting and valuation methods of the companies included in its consolidated financial statements according to the equity method.

Receivables and liabilities, income and expenses arising from the intragroup exchange of deliveries and services as well as intragroup profit and losses are eliminated if they are material.

### (b) Currency translation

#### Foreign currency transactions

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

#### Translation of individual accounts in foreign currencies

The Euro is both the functional currency and the reporting currency of Group companies located in Austria. 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. The modified closing rate method is used in translation of the financial statements of these companies. All balance sheet items with the exception of capital and reserves items are translated at the European Central Bank reference rate prevailing at the balance sheet date, whereas the capital and reserves items are translated at the rate prevailing on the date of the acquisition or formation. Income and expense items are translated at the average reference rates for the business year in question. The resultant currency translation differences are carried in the provisions made for foreign currency translation, and are directly recognised in equity.

The movements in foreign exchange rates against the euro used in translation were as follows:

| EUR 1 | Reference rate at balance sheet date | | Annual average rate | |
|---|---|---|---|---|
| | Dec. 31, 2005 | Dec. 31, 2006 | 2005 | 2006 |
| Croat Kuna | 7.3715 | 7.3504 | 7.4008 | 7.3247 |
| Slovak Crown | 37.8800 | 34.4350 | 38.5990 | 37.2341 |
| Slovenian Tolar | 239.5000 | 239.6400 | 239.5700 | 239.5961 |
| Czech Crown | – | 27.4850 | – | 28.3417 |
| Hungarian Forint | 252.8700 | 251.7700 | 251.3180 | 264.2633 |

## (c) Recognition of revenue and expenses

The recognition of revenue and other operating income is generally reported when the particular service has been rendered, the level of the revenue can be reliably measured, and it is likely that the economic benefit from the transaction will flow to the entity.

Operating expenses are recognised when the service is utilized or when the expenses are incurred.

## (d) Earnings per share

The earnings per share are calculated on the basis of the profit for the period divided by the weighted average of the outstanding shares. Option rights in relation to the issuing of new shares do not exist. In this case, there is no difference between basic and diluted earnings per share.

## (e) Intangible assets and goodwill

Intangible assets acquired in return for payment are reported at cost, and are amortised on a straight line basis over a period of four to ten years, depending on their economic useful lives or the contract period. Where there are indications that an asset is impaired, and if the recoverable amount is lower than the amortised costs, the asset is written down to the recoverable amount. If the reasons for impairment cease to apply, then the write-downs are reversed.

Intangible assets with indefinite lives and goodwill are not subject to amortisation, but are subject to annual impairment tests. This also applies when there is no reasonable assumption that an impairment is necessary. In case particular events or changes take place which would point to a potential impairment, then the impairment test is to be carried out more frequently.

Intangible assets with indefinite lives and goodwill are allocated 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.

In the course of an impairment test, the amortised cost of a CGU is compared to the recoverable amount. If the carrying amount is higher than the recoverable amount, a write-down amounting to the difference between the two is carried out. If the reasons for an impairment no longer apply, then the write-down is reversed (except goodwill). The recoverable amount of a CGU is determined by calculating the value in use. This calculation is based on medium-term planning for a period of four years (2007-2010), and a permanent return, which takes account of the expected long-term growth rates. Capital costs are calculated according to the weighted average cost of capital formula (WACC).

### (f) Property, plant and equipment

Property, plant and equipment is carried at cost less depreciation and impairment losses. In addition to the direct costs, production costs encompass an appropriate share of material and manufacturing overheads. Borrowing costs, where they arise, are not included in production costs. Depreciation rates are linked to the expected useful lives of the particular items.

Depreciation is calculated on a straight-line basis in accordance with the following useful lives which are applied uniformly throughout the company:

| Useful lives | Years |
|---|---|
| Buildings | 20–56 |
| Plant and machinery | 3–14 |
| Vehicle fleet | 2–8 |
| IT equipment | 3–5 |
| Other equipment, furniture and fittings | 5–20 |

Pursuant to IAS 36, property, plant and equipment for which there are indications that a specific asset is impaired are subject to an impairment test. If the recoverable amount is less than amortised cost, the asset is written down to the lower of the recoverable amount. In the event that the reasons for impairment cease to apply, the impairment loss is reversed.

### (g) 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 their 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.

## (h) Investment property

Investment property is property held to earn rental income and/or for the purposes of capital appreciation, and which could be sold in separate portions. Recognition of the owner occupied portion of the property is carried out in accordance with the percentage of use. Investment property is carried in the balance sheet at acquisition cost less accumulated depreciation, which is performed on a straight-line basis, applying useful lives of between 20 and 50 years. The fair values of the investment properties were largely determined by experts at an Austrian Post subsidiary, using generally accepted valuation methods. Measurement is done on the basis of market value.

## (i) Financial assets

The financial assets comprise investments such as loans and securities, 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 and accounted for in accordance with IAS 39.

Receivables are classified as loans and receivables, and are recognised at amortised cost. Receivables falling due at later dates are discounted. Loans are classified as loans and receivables and are also carried at amortised cost. Non-interest bearing and low-interest loans are recognised at their present value. Any existing difference between the acquisition cost and the repayment amount (premium or discount) is amortised over the term to maturity using the effective interest rate method, and included in the financial result. If there are indications of an impairment applying to these loans and receivables, the asset is written down to the present value of the expected cash flows. The impairment loss is recognised in the income statement. If the reason for impairment ceases to apply, the write-down is reversed.

Generally, financial investments in securities are reported under available for sale financial assets. Securities available for sale are carried at fair value. Unrealised gains and losses are separately disclosed under revaluation of securities until realised, taking deferred tax into account. In the event that there is objective evidence of impairment, an impairment loss is recognised in net profit or loss. If the reason for impairment ceases to apply, in the case of equity instruments the impairment loss is reversed up to the amortised cost prior to impairment and is 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.

Short-term financial investments in securities are reported under financial assets held for trading. Financial assets held for trading are a subcategory of financial assets at fair value through profit or loss and are measured at their fair value. The resultant gains or losses are included in the net profit or loss, under the financial result.

## (j) Inventories

Inventories are stated at the lower of cost or net realisable value at the balance sheet date. The measurement of the inventories is implemented in accordance with the moving average cost formula. Any impairments resulting from obsolescence or unsaleability are taken into account in determining the net realisable value. Inventories are written down to the net realisable value, in case this amount is lower.

Work in progress is carried at the lower of cost or net realisable value.

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

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

## (l) 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 depends on the number of years of service of the employees in question, and the operative salary at the time the employment is terminated. Civil servants normally have no entitlement to termination benefits. The provisions are calculated on an actuarial basis, using the projected unit credit method. All actuarial gains and losses are immediately recognised.

Termination benefits in respect to salaried employees whose employment contracts started after December 31, 2002 are fulfilled by regular contributions of the respective amounts to the employee benefit fund.

### 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.

The defined benefit plan represents an obligation to certain employees of Austrian Post to make a pension fund contribution arising from a defined benefit plan. The provisions to be made for defined benefit pension commitments are calculated on an actuarial basis using the projected unit credit method for the future beneficiary. Actuarial profits and losses are reported in the net profit or loss.

At present, there are no pension fund obligations to civil servants. Contributions are being made to a pension fund on behalf of members of the Management Board.

For those employees for whom no company pension commitment has been made, social security contributions are principally made to the social insurance institutions, and are fulfilled by the state in the case of civil servants. Due to legal regulations, Austrian Post is obliged to pay a pension contribution margin to the state to fund post-employment benefits. Since October 1, 2005, these contributions, including the civil servant's own employee contributions, have totalled 28.3% of the remuneration paid to active civil servants, and are reported as staff costs.

### Provisions for jubilee benefits

In Austria and Germany, Austrian Post is obliged to pay jubilee benefits to salaried employees and civil servants to mark service jubilees.

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

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

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

The following parameters were used as the basis for calculating provisions for termination benefits, pensions and jubilee benefits at December 31, 2006 and December 31, 2005:

| | 2005 | 2006 |
|---|---|---|
| Interest rate | 4.0% | 4.25% |
| Salary progression | 3.5% | 3.75% |
| Staff turnover reduction | graduated (0% – 8%) | graduated (0% – 8%) |
| **Retirement age** | | |
| Female employees | 55–60 | 55–65 |
| Male employees | 60–65 | 60–65 |
| Civil servants | 60–65 | 60–65 |

## (m) Provisions for under-utilisation

Provisions for under-utilisation are made for future staff costs applying to those employees who have tenure (primarily civil servants), but who are not capable of working on a full-time basis. These cases refer to onerous contracts pursuant to IAS 37, in which the unavoidable costs required to fulfil the contractual obligations are higher than the expected economic benefit.

After carrying out all legal and company-specific measures, these employees are assigned to special organisational units outside of the normal operative units, such as the Career and Development Centre. The provisions for under-utilisation apply to those members of the staff who have already been transferred to the Career and Development Centre. Moreover, provisions for under-utilisation are also recognised for employees whose transfer to the Career and Development Centre has been approved, but not yet fully concluded due to internal organisational processes, or whose transfer is not possible at present due to illness or a particular transfer clause in the employment contract. In this particular case, the employment of the respective staff member in a normal operative unit is only possible to a limited extent, and the utilisation of this employee in another department is not possible. The provisions for under-utilisation also encompass those employees, who are in the process of being sent into retirement for reasons of invalidity.

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

Measurement of this provision for under-utilisation was based on annual salary increases of 3.75% (2005: 3.5%) and a discount rate of 4.25% (2005: 4.0%).

### (n) Other provisions

In accordance with IAS 37, contingent legal or constructive obligations to third parties which result from past events are likely to require an outflow of economic benefit, the amount of which can be reliably estimated is carried under other provisions. The provisions are recognised at the amounts capable of reliable estimation at the time of preparation of the annual financial statements. Provisions are not recognised in those cases where a reliable estimate is not possible. In the event that the present value of a provision determined on the basis of a market interest rate differs materially from the nominal value, the present value of the obligation is recognised.

Provisions for onerous contracts are recognised, if the unavoidable costs required to fulfil the contractual obligations are higher than the expected economic benefit.

For tenured employees who have been leased to a logistics company, for whom Austrian Post is only contractually remunerated in accordance with the collective labour agreement stipulating salary levels for this particular company, provisions are made for the salary expense surpassing the remuneration accorded to Austrian Post, including attributable administrative costs. Provisions are calculated as the current value of the underfunded salary for each particular employee up to retirement, based on annual salary increases of 3.75% and a discount rate of 4.25%.

Pursuant to IAS 37, restructuring provisions are recognised upon presentation of a detailed, publicly announced restructuring plan before the balance sheet date.

### (o) Financial liabilities

Financial liabilities are stated at the amount actually received less transaction costs, plus or minus a premium/discount. The difference between the amount received and the amount to be repaid is distributed over the maturity in accordance with the effective rate method and disclosed under the financial result.

Liabilities resulting from trade payables, services rendered or other payables are measured at amortised cost. The fair value of the liabilities approximately corresponds to the carrying amount.

## (p) Income tax

The income tax expense reported for the year under review comprises the income tax calculated for individual Austrian Post companies on the basis of taxable income and the applicable tax rates in the countries concerned (current tax) as well as the change in the deferred tax.

Deferred tax is calculated in accordance with the balance sheet liability method for all temporary differences arising between the IFRS balance sheet items and their amounts for tax purposes. Furthermore, the probable tax advantage from existing tax loss carryforwards is included in the calculation. Exemptions from the full recognition of deferred tax are differences arising from non tax-deductible goodwill and temporary differences related to equity investments. Deferred tax assets are recognised if it is likely that the tax advantage from them can actually be utilised.

Deferred tax is calculated on the basis of the prevailing tax rates in the individual countries at the balance sheet date or which have been publicly announced as applicable at the point in time in which the deferred tax claims and tax liabilities are realised. For Austrian group companies, the calculation of deferred taxes is based on a corporate tax rate of 25%. The applied tax on earnings generated by foreign companies ranges from 16% to 40%.

## (q) Derivative financial instruments

Derivative financial instruments, primarily interest rate swaps and currency futures, are utilised as a means of hedging and controlling existing currency exchange and interest fluctuation risks.

All derivative financial instruments are reported as assets or liabilities on the balance sheet. In addition, regardless of the purpose for which they are used, all derivative instruments are capitalised on the value day at their acquisition cost, and then reported in the following periods at their market value. Unrealised valuation gains or losses from derivative financial transactions are reported as a net profit or loss.

## (r) Share-based payments

The Management Board and Supervisory Board of Austrian Post decided to introduce a share-based remuneration programme for top executives in conjunction with the Initial Public Offering. Members of the Management Board and selected top executives are entitled to participate in the programme, provided they acquire a certain number of Post shares in accordance with pre-defined guidelines, and maintain this own investment over the entire duration of the programme. The participants have been granted appreciation rights with a term of three years starting at September 1, 2006. A total of 70,077 appreciation rights have been allotted.

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

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

The basis for calculating the pro rata provision is the calculation of the fair value of the appreciation right. This is implemented using a simplified option price model, taking account of the anticipated yearly dividend payment, and taking an interest rate of 7.5%. The total commitment arising from the share-based remuneration programme amounted to EUR 3.5m at December 31, 2006. In this regard, a pro rata provision was made in the 2006 business year amounting to EUR 0.4m and reported in the net profit or loss.

## 4 Estimates and future-oriented assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates in the application of its accounting and measurement policies, and to make assumptions about future developments which materially influence the recognition and valuation of assets and liabilities, the reporting of other obligations at the balance sheet date, and that of income and expense for the business year.

In particular, there is a risk that the use of the following assumptions and estimates may require adjustments of the carrying amounts of assets and liabilities in upcoming business years:

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

The valuation of the existing provisions for termination and jubilee benefits as well as pensions (carrying amount as at December 31, 2006: EUR 161.5m; December 31, 2005: EUR 149.5m) is based on assumptions as to the discount rate at retirement age, life expectancy and future salary increases.

If all other parameters remained constant, a change in the assumed rate of interest by +/– 1 percentage point as well as a change in salary increases by +/– 1 percentage point would have the following effects on the provisions listed in the table below:

| EUR m | Assumed rate of interest | | Salary increases | |
|---|---|---|---|---|
| | –1% point | +1% point | –1% point | +1% point |
| Termination benefits | 12.5 | –9.9 | –10.0 | 12.3 |
| Jubilee benefits | 11.9 | –7.9 | –8.0 | 11.9 |

### (b) Provisions for under-utilisation

The measurement of provisions for under-utilisation of individual organisational units (carrying amount as at December 31, 2006: EUR 270.9m; December 31, 2005: EUR 167.2m) is based on assumptions regarding the degree of capacity utilisation per employee. The future level of capacity utilisation can turn out to be higher or lower, depending upon the actual development of the capacity utilisation of these employees, and the success of the occupational retraining measures implemented by Austrian Post. If the average capacity utilisation of all employees taken into account as at December 31, 2006 were, in fact, 10 percentage points lower (higher) than the measurement actually recorded, the required provisions would comprise an additional EUR 28.7m (or lesser provisions amounting to EUR 41.0m).

The calculation of the provisions made for under-utilisation is also based on assumptions made about retirement age, the discount rate and future salary increases. The increase (decrease) of the assumed interest rate by, for example, a single percentage point would subsequently lead to a decline of the provisions to be made by EUR 20.1m (or a rise of EUR 23.0m). The increase (decrease) of the assumed salary increase by, for example, a single percentage point would lead to a rise of the provisions to be made by EUR 22.8m (or a decline of EUR 20.4m).

### (c) Intangible assets and goodwill

The valuation of goodwill (carrying amount at December 31, 2006: EUR 183.1m; at December 31, 2005: EUR 37.5m) takes place on the basis of internal medium-term corporate planning forecasts for cash flows over the next four years, and by using a discount rate tailored to the company's business operations and corporate risk.

In the accounting for business combinations, estimates are made in regards to determining the fair value of acquired assets and liabilities. Property is evaluated by experts of an Austrian Post subsidiary. Intangible assets are evaluated on the basis of a suitable valuation method, depending on the type of asset and the availability of information. Usually, it is not possible to carry out a valuation of intangible assets on the basis of prevailing market prices. As a result, an income approach is usually applied. For the valuation of customer relationships, 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, fictive payments for the contributory asset charges are taken into account, based on the assumption that the intangible assets in question can only generate cash flows 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 license payments, based on the assumption that the corresponding asset is owned by a third party.

## Income statement disclosures

### 5 Revenue and segment reporting

➤ see note 3 (c)

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

#### Mail

The main focus of the Mail Division is the acceptance and delivery of letters and other mail in Austria, and forwarding these mail items abroad. Its business activities also encompass the acceptance and delivery of advertising, newspapers and regional media as well as a broad spectrum of complementary services in the field of direct marketing.

#### Parcel & Logistics

The Parcel & Logistics Division offers parcel, express and logistics services in Austria, Slovakia and Croatia, and delivers parcels to other delivery points abroad via its contractual partners. The penetration of the B2B segment was strategically expanded as a result of the acquisition of trans-o-flex, transforming the division into the leading combined freight service provider operating in Germany.

#### 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 products and philatelic products.

#### Other/Consolidation

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

| **2005 business year**<br>**EUR m** | **Mail** | **Parcel & Logistics** | **Branch Network** | **Other/ Consolidation** | **Group** |
|---|---|---|---|---|---|
| External sales | 1,290.8 | 211.8 | 193.8 | 5.1 | 1,701.6 |
| Internal sales | 66.3 | 45.8 | 208.0 | –320.1 | 0.0 |
| **Total revenue** | **1,357.1** | **257.6** | **401.9** | **–314.9** | **1,701.6** |
| Profit/loss from operations | 268.6 | 12.4 | 8.7 | –185.3 | 104.3 |
| Share of profit/loss of associates | 0.3 | –2.0 | 0.0 | 0.4 | –1.3 |
| **EBIT** | **268.9** | **10.4** | **8.7** | **–184.9** | **103.0** |
| Profit from discontinued operations | 0.0 | 0.0 | 0.0 | 9.8 | 9.8 |
| Segment assets | 407.9 | 68.9 | 63.4 | 583.0 | 1,123.1 |
| Investments in associates | 0.2 | 0.0 | 0.0 | 0.1 | 0.3 |
| Segment liabilities | 331.3 | 36.1 | 94.2 | 277.7 | 739.3 |
| Segment investments | 39.4 | 7.7 | 3.9 | 43.5 | 94.5 |
| Depreciation, amortisation and impairment losses | 29.3 | 7.3 | 7.2 | 77.0 | 120.8 |
| thereof: impairment losses | 0.0 | 0.4 | 0.0 | 28.8 | 29.2 |
| Other non-cash expenses | 16.4 | 1.9 | 4.1 | 84.3 | 106.7 |
| Employees [1] | 15,556 | 2,461 | 5,446 | 1,729 | 25,192 |

| **2006 business year**<br>**EUR m** | **Mail** | **Parcel & Logistics** | **Branch Network** | **Other/ Consolidation** | **Group** |
|---|---|---|---|---|---|
| External sales | 1,311.3 | 227.1 | 194.4 | 4.0 | 1,736.7 |
| Internal sales | 66.9 | 49.8 | 210.0 | –326.8 | 0.0 |
| **Total revenue** | **1,378.2** | **276.9** | **404.4** | **–322.9** | **1,736.7** |
| Profit/loss from operations | 271.2 | 20.8 | 11.5 | –181.3 | 122.2 |
| Share of profit/loss of associates | 0.4 | 0.0 | 0.0 | 0.7 | 1.1 |
| **EBIT** | **271.6** | **20.8** | **11.5** | **–180.6** | **123.3** |
| Profit from discontinued operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Segment assets | 378.5 | 430.2 | 51.1 | 541.5 | 1,401.3 |
| Investments in associates | 3.2 | 0.1 | 0.0 | 0.3 | 3.5 |
| Segment liabilities | 308.1 | 133.2 | 77.9 | 372.9 | 892.1 |
| Segment investments | 24.2 | 279.1 | 7.2 | 30.9 | 341.4 |
| Depreciation, amortisation and impairment losses | 37.1 | 10.9 | 13.5 | 46.9 | 108.4 |
| thereof: impairment losses | 5.6 | 3.9 | 5.8 | 5.7 | 21.0 |
| Other non-cash expenses | 4.6 | 0.7 | 0.8 | 104.8 | 110.8 |
| Employees [1] | 15,311 | 2,265 | 5,236 | 1,645 | 24,456 |

1) Average for the period, full-time equivalents

## Notes to the segment reporting by divisions

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

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

Segment assets consist of non-current assets (excluding financial assets, investments in associates and deferred tax), and current assets (excluding financial assets, cash and cash equivalents and tax receivables) as well as non-current assets held for sale.

Non-current liabilities (excluding financial liabilities and deferred tax) and current liabilities (excluding financial liabilities and liabilities as well as tax provisions) are shown as segment liabilities.

Segment investments include investments in intangible assets and goodwill, and in property, plant and equipment.

Depreciation, amortisation and impairment losses relate to the assets attributed to the respective divisions.

The other non-cash expenses relate to changes in long-term provisions.

The figures for employees are the full-time equivalents of the average segment headcounts for the respective business years.

Austrian Post distinguishes among the following geographical segments:

| **2005 business year**<br>**EUR m** | **Austria** | **Germany** | **CEE** | **Total** |
|---|---|---|---|---|
| External sales | 1,671.1 | 0.1 | 30.3 | 1,701.6 |
| Segment assets | 1,108.7 | 0.1 | 14.3 | 1,123.1 |
| Segment investments | 88.6 | 0.0 | 5.8 | 94.5 |

| **2006 business year**<br>**EUR m** | **Austria** | **Germany** | **CEE** | **Total** |
|---|---|---|---|---|
| External sales | 1,695.6 | 4.2 | 37.0 | 1,736.7 |
| Segment assets | 1,072.0 | 316.0 | 13.3 | 1,401.3 |
| Segment investments | 115.7 | 224.2 | 1.5 | 341.4 |

## Notes to the geographical segment reporting

Revenue is presented according to the location of the company performing the service.

Segment assets and investments are reported according to the location of the assets. The investments comprise intangible assets and goodwill, and property, plant and equipment.

## 6 Other operating income

| EUR m | 2005 | 2006 |
|---|---|---|
| Inventory changes | –0.3 | 0.3 |
| Work performed by the enterprise and capitalised | 3.4 | 2.2 |
| Gains on the disposal/revaluation of property, plant and equipment | 10.6 | 11.9 |
| Reversal of provisions | 3.7 | 1.8 |
| Reversal of valuation allowances | 0.6 | 1.0 |
| Income from rents and leases | 20.0 | 19.6 |
| Grants and subsidies | 3.0 | 4.1 |
| Damages | 1.9 | 2.1 |
| Other | 10.1 | 15.7 |
| | **52.9** | **58.8** |

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

## 7 Raw material, consumables and services used

| EUR m | 2005 | 2006 |
|---|---|---|
| **Material** | | |
| Transportation and heating fuel | 14.6 | 15.6 |
| Retail products | 54.0 | 55.5 |
| Stamps | 5.7 | 5.4 |
| Tools, equipment and clothing | 9.9 | 8.4 |
| Spare parts and sundry raw material and consumables | 1.9 | 1.4 |
| Remeasurement | 0.4 | 0.5 |
| | **86.6** | **86.7** |
| **Services used** | | |
| International postal carriers | 62.9 | 66.9 |
| Advertising distributors | 14.5 | 19.6 |
| Energy | 17.5 | 21.9 |
| Transport | 52.3 | 56.0 |
| Other | 8.2 | 6.8 |
| | **155.4** | **171.2** |
| | **241.9** | **258.0** |

## 8 Staff costs

| EUR m | 2005 | 2006 |
|---|---|---|
| Wages and salaries | 825.6 | 837.6 |
| Termination benefit expense | 35.5 | 16.1 |
| Jubilee benefit expense | 0.0 | 3.4 |
| Post-employment benefit expense | 0.3 | 0.1 |
| Expense for statutory levies and contributions | 196.1 | 198.5 |
| Other staff costs | 6.6 | 7.3 |
| | **1,064.0** | **1,063.0** |

The breakdown of the termination benefit expense is as follows:

| EUR m | 2005 | 2006 |
|---|---|---|
| Management Board | 0.3 | 0.2 |
| Senior executives | 0.9 | 0.3 |
| Other staff | 34.4 | 15.6 |
| | **35.5** | **16.1** |

The pension contributions made to the state (Republic of Austria) for the 2006 business year (less the employee contributions by civil servants) amounted to EUR 63.2m (2005: EUR 67.7m).

The average number of employees during the 2006 business year was as follows:

| | 2005 | 2006 |
|---|---|---|
| Non-salaried staff | 132 | 70 |
| Salaried staff | 13,082 | 12,781 |
| Civil servants | 13,954 | 13,591 |
| | **27,168** | **26,441** |
| **Full-time equivalents** | **25,192** | **24,456** |

The number of employees rose by 1,025 people as at December 31, 2006, due to the acquisition of trans-o-flex. The average reported headcount for 2006 does not take this change into consideration.

## 9 Depreciation, amortisation and impairment losses

| EUR m | 2005 | 2006 |
|---|---|---|
| **Impairment losses on goodwill** | **0.0** | **2.9** |
| **Intangible assets** | | |
| Amortisation | 3.6 | 4.3 |
| Impairment losses | 0.3 | 0.0 |
| | **3.9** | **4.3** |
| **Property, plant and equipment** | | |
| Depreciation | 87.9 | 83.0 |
| Impairment losses | 28.9 | 18.2 |
| | **116.8** | **101.2** |
| | **120.8** | **108.4** |

The impairment tests carried out as at December 31, 2006 resulted in an impairment loss on goodwill amounting to EUR 2.9m. The impairment loss is reported in the Parcel & Logistics Division.

Due to lower realisable amounts or the technical obsolescence, impairment losses on property amounted to EUR 4.8m (2005: EUR 28.8m), whereas the impairment losses on technical facilities totalled EUR 6.7m (2005: EUR 0.0m), and for other office equipment, fixtures and fittings to EUR 6.7m (2005: 0.1m).

## 10 Other operating expenses

| EUR m | 2005 | 2006 |
|---|---|---|
| IT services | 26.4 | 22.2 |
| Maintenance | 31.4 | 39.4 |
| Leasing and rental payments | 42.1 | 40.4 |
| Travel and mileage | 26.4 | 26.0 |
| Contract and leasing staff | 6.0 | 6.1 |
| Consultancy | 9.6 | 13.1 |
| Waste disposal and cleaning | 19.0 | 17.0 |
| Public relations and advertising | 15.1 | 17.2 |
| Telephone expenses | 9.3 | 7.2 |
| Losses on the disposal of property, plant and equipment | 1.7 | 2.9 |
| Insurance expenses | 5.5 | 6.9 |
| Other taxes (other than income taxes) | 6.4 | 7.1 |
| Other | 24.6 | 38.5 |
| | **223.5** | **243.9** |

## 11 Share of profit/loss of associates

| EUR m | 2005 | 2006 |
|---|---|---|
| Contributions to profit/loss for the year | 0.8 | 1.1 |
| Losses on the disposal of investments | –2.0 | 0.0 |
| | **–1.3** | **1.1** |

## 12 Other financial result

| EUR m | 2005 | 2006 |
|---|---|---|
| **Interest income and dividends** | | |
| Dividends | 2.7 | 4.3 |
| Interest income | 5.9 | 8.8 |
| Gains on the disposals of securities | 0.1 | 1.8 |
| | **8.7** | **15.0** |
| **Finance cost** | | |
| Interest expense (interest effect of provisions) | 5.8 | 5.9 |
| Interest expense (borrowings from banks) | 4.4 | 1.2 |
| Other interest expense | 0.6 | 0.7 |
| | **10.8** | **7.8** |
| | **–2.1** | **7.2** |

## 13 Profit from discontinued operations

In the 2005 business year, profit from discontinued operations included gains on the disposal of the Austrian Post subsidiary Postversicherung AG amounting to EUR 9.8m.

## 14 Earnings per share

➤ see note 3 (d)

A total of 70.0m shares in Austrian Post have been issued.

The basic earnings per share amount to EUR 1.43 (2005: EUR 1.43), based on a profit for the period of EUR 99.8m (Dec. 31, 2005: EUR 99.9m). Due to the fact that no dilutive effects have arisen, the diluted earnings per share correspond to the basic earnings per share.

## Balance sheet disclosures

### 15 Intangible assets and goodwill

➤ see note 3 (e)

| 2005 business year<br>EUR m | Intangible assets | Goodwill | Prepayments | Total |
|---|---|---|---|---|
| **Historical cost** | | | | |
| **At January 1, 2005** | **53.5** | **22.9** | **0.0** | **76.3** |
| Additions arising from acquisitions | 3.8 | 14.9 | 0.0 | 18.8 |
| Additions | 1.7 | 0.0 | 0.1 | 1.7 |
| Disposals | 2.4 | 0.2 | 0.0 | 2.6 |
| Transfers | 0.0 | 0.0 | 0.0 | 0.0 |
| Currency translation differences | 0.0 | 0.0 | 0.0 | 0.0 |
| **At December 31, 2005** | **56.6** | **37.5** | **0.1** | **94.2** |
| **Amortisation and impairment losses** | | | | |
| **At January 1, 2005** | **45.7** | **0.0** | **0.0** | **45.7** |
| Additions arising from acquisitions | 0.3 | 0.0 | 0.0 | 0.3 |
| Additions | 3.9 | 0.0 | 0.0 | 3.9 |
| Disposals | 2.2 | 0.0 | 0.0 | 2.2 |
| Currency translation differences | 0.0 | 0.0 | 0.0 | 0.0 |
| **At December 31, 2005** | **47.8** | **0.0** | **0.0** | **47.8** |
| **Net carrying amount at January 1, 2005** | **7.7** | **22.9** | **0.0** | **30.6** |
| **Net carrying amount at December 31, 2005** | **8.9** | **37.5** | **0.1** | **46.5** |

| 2006 business year<br>EUR m | Intangible assets | Goodwill | Prepayments | Total |
|---|---|---|---|---|
| **Historical cost** | | | | |
| **At January 1, 2006** | **56.6** | **37.5** | **0.1** | **94.2** |
| Additions arising from acquisitions | 79.9 | 148.2 | 0.1 | 228.2 |
| Additions | 5.2 | 0.0 | 0.1 | 5.2 |
| Disposals | 3.1 | 2.9 | 0.0 | 6.0 |
| Transfers | –0.1 | 0.2 | –0.1 | 0.0 |
| Currency translation differences | 0.1 | 0.0 | 0.0 | 0.1 |
| **At December 31, 2006** | **138.6** | **183.1** | **0.1** | **321.8** |
| **Amortisation and impairment losses** | | | | |
| **At January 1, 2006** | **47.8** | **0.0** | **0.0** | **47.8** |
| Additions arising from acquisitions | 0.0 | 0.0 | 0.0 | 0.0 |
| Additions | 4.3 | 2.9 | 0.0 | 7.2 |
| Disposals | 3.1 | 2.9 | 0.0 | 5.9 |
| Currency translation differences | 0.1 | 0.0 | 0.0 | 0.1 |
| **At December 31, 2006** | **49.1** | **0.0** | **0.0** | **49.1** |
| **Net carrying amount at January 1, 2006** | **8.9** | **37.5** | **0.1** | **46.5** |
| **Net carrying amount at December 31, 2006** | **89.5** | **183.1** | **0.1** | **272.7** |

The intangible assets contain trademarks with indefinite useful lives amounting to EUR 25.0m (Dec. 31, 2005: EUR 0.0m).

## 16 Property, plant and equipment

➤ see note 3 (f)

| 2005 business year<br>EUR m | Property and buildings | Plant and machinery | Other equipment, furniture and fittings | Prepayments and assets under construction | Total |
|---|---|---|---|---|---|
| **Historical Cost** | | | | | |
| **At January 1, 2005** | **817.3** | **159.0** | **281.1** | **18.0** | **1,275.4** |
| Additions arising from acquisitions | 0.0 | 0.3 | 0.1 | 0.0 | 0.4 |
| Additions | 36.8 | 4.0 | 31.3 | 1.2 | 73.3 |
| Disposals | 41.3 | 6.2 | 39.5 | 0.0 | 87.0 |
| Transfers | –7.4 | 2.8 | 0.1 | –17.8 | –22.3 |
| Reclassification pursuant to IFRS 5 | –57.3 | 0.0 | 0.0 | 0.0 | –57.3 |
| Currency translation differences | 0.1 | 0.1 | 0.1 | 0.0 | 0.3 |
| **At December 31, 2005** | **748.3** | **159.9** | **273.2** | **1.4** | **1,182.8** |
| **Depreciation and impairment losses** | | | | | |
| **At January 1, 2005** | **290.6** | **70.7** | **155.0** | **0.0** | **516.3** |
| Additions arising from acquisitions | 0.0 | 0.1 | 0.1 | 0.0 | 0.2 |
| Additions | 56.1 | 13.9 | 35.0 | 0.0 | 105.0 |
| Disposals | 23.5 | 6.1 | 35.9 | 0.0 | 65.6 |
| Transfers | –12.9 | 0.0 | 0.0 | 0.0 | –12.9 |
| Reclassification pursuant to IFRS 5 | –34.3 | 0.0 | 0.0 | 0.0 | –34.3 |
| Currency translation differences | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| **At December 31, 2005** | **276.1** | **78.6** | **154.2** | **0.0** | **508.9** |
| **Net carrying amount at January 1, 2005** | **526.6** | **88.3** | **126.2** | **18.0** | **759.1** |
| **Net carrying amount at December 31, 2005** | **472.3** | **81.3** | **118.9** | **1.4** | **673.9** |

| 2006 business year<br>EUR m | Property and buildings | Plant and machinery | Other equipment, furniture and fittings | Prepayments and assets under construction | Total |
|---|---|---|---|---|---|
| **Historical Cost** | | | | | |
| **At January 1, 2006** | **748.3** | **159.9** | **273.2** | **1.4** | **1,182.8** |
| Additions arising from acquisitions | 28.1 | 3.3 | 12.4 | 0.6 | 44.4 |
| Additions | 16.2 | 3.2 | 34.7 | 8.6 | 62.8 |
| Disposals | 28.1 | 7.8 | 57.0 | 0.0 | 92.9 |
| Transfers | 20.5 | 0.3 | –0.2 | –1.3 | 19.3 |
| Reclassification pursuant to IFRS 5 | –15.9 | 0.0 | 0.0 | 0.0 | –15.9 |
| Currency translation differences | 0.0 | 0.0 | 0.4 | 0.0 | 0.4 |
| **At December 31, 2006** | **769.3** | **159.0** | **263.5** | **9.3** | **1,201.0** |
| **Depreciation and impairment losses** | | | | | |
| **At January 1, 2006** | **276.1** | **78.6** | **154.2** | **0.0** | **508.9** |
| Additions arising from acquisitions | 0.0 | 0.1 | 0.1 | 0.0 | 0.2 |
| Additions | 32.5 | 20.7 | 43.1 | 0.0 | 96.3 |
| Disposals | 15.2 | 6.7 | 55.0 | 0.0 | 76.9 |
| Transfers | 8.9 | 0.1 | –0.1 | 0.0 | 8.9 |
| Reclassification pursuant to IFRS 5 | –2.1 | 0.0 | 0.0 | 0.0 | –2.1 |
| Currency translation differences | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 |
| **At December 31, 2006** | **300.2** | **93.0** | **142.5** | **0.0** | **535.6** |
| **Net carrying amount at January 1, 2006** | **472.3** | **81.3** | **118.9** | **1.4** | **673.9** |
| **Net carrying amount at December 31, 2006** | **469.1** | **66.0** | **121.0** | **9.3** | **665.3** |

The intangible assets and property, plant and equipment pledged as collateral were reported at a carrying amount of EUR 41.4m (Dec. 31, 2005: EUR 56.4m).

## Cross border lease

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

Austrian Post has assigned its obligation to pay the lease instalments, including an EBO payment if made, to payment undertakers. For this purpose, Austrian Post has paid USD 108.3m and the corresponding liabilities to the payment undertakers, who, for their part, have undertaken to pay the requisite amounts at the agreed upon dates on behalf of Austrian Post. The residual risk of a claim in the event of the insolvency of the payment undertakers, borne by the company at the balance sheet date, amount to USD 115.5m (currently approximately EUR 87.7m; 2005: USD 115.9 or EUR 98.3m).

The accounting treatment of the cross-border lease transaction in the consolidated financial statements for the year ending December 31, 2006 is as follows:

Since the beneficial ownership of the mail sorting facilities to which the usufruct applies is unchanged, they continue to be reported under the non-current assets of the parent company, and are being depreciated over a useful life of ten years.

The net present value benefit originally accruing to the company, amounting to USD 9.1m (currently approximately EUR 9.2m) is carried under other liabilities and is reversed on a straight line basis over the term of the agreement. In the 2006 business year, EUR 0.5m (2005: EUR 0.5m) were reversed and recognised as interest income.

## Finance leases

➤ see note 3 (g)

| **Net carrying amounts and useful lives of the leased assets EUR m** | **Useful lives** | **Carrying amount Dec. 31, 2006** |
|---|---|---|
| Property and buildings | 50–56 | 24.1 |
| Plant and machinery | 3–14 | 3.7 |
| Other equipment, furniture and fittings | 2–8 | 20.0 |

The following information of financial leases is provided in conformity with IAS 17:

| **EUR m** | **2005** | **2006** |
|---|---|---|
| **Minimum lease payments** | | |
| Not later than one year | 3.3 | 9.0 |
| Later than one year and not later than five years | 11.3 | 27.1 |
| Later than five years | 0.0 | 9.3 |
| | **14.6** | **45.4** |
| Less: | | |
| **Future finance costs** | **–1.7** | **–6.3** |
| **Present value of the minimum lease payments** | **12.9** | **39.1** |
| Not later than one year | 3.0 | 8.1 |
| Later than one year and not later than five years | 10.0 | 23.7 |
| Later than five years | 0.0 | 7.3 |
| | **12.9** | **39.1** |

The criteria underlying the classification as finance leases were primarily the present value and the lease maturity test. Furthermore, there are bargain purchase options existing at the end of the lease period, as well as extension and price adjustment clauses.

For part of the lease contracts, payments are linked to a three month EURIBOR. In the 2006 business year, the corresponding payments amounted to EUR 0.3m (2005: EUR 0.4m).

## 17 Investment property

➤ see note 3 (h)

| EUR m | 2005 | 2006 |
|---|---|---|
| **Historical cost** | | |
| **At January 1** | **98.9** | **111.4** |
| Additions arising from acquisitions | 0.0 | 0.0 |
| Additions | 0.3 | 0.8 |
| Disposals | 10.1 | 5.5 |
| Transfers | 22.3 | –19.3 |
| **At December 31** | **111.4** | **87.3** |
| **Depreciation and impairment losses** | | |
| **At January 1** | **35.5** | **56.6** |
| Additions arising from acquisitions | 0.0 | 0.0 |
| Additions | 11.8 | 3.6 |
| Disposals | 3.5 | 2.3 |
| Transfers | 12.9 | –8.9 |
| **At December 31** | **56.6** | **49.0** |
| **Net carrying amount at January 1** | **63.4** | **54.8** |
| **Net carrying amount at December 31** | **54.8** | **38.3** |

| EUR m | Dec. 31, 2005 | Dec. 31, 2006 |
|---|---|---|
| Fair value | 134.9 | 104.2 |
| Rental income | 7.7 | 6.3 |
| Expenses arising from property which generated rental income | 4.8 | 3.4 |
| Expenses arising from property which did not generate rental income | 7.3 | 1.7 |

## 18 Investments in associates

➤ see note 3 (a)

| EUR m | Interest in % | Dec. 31, 2005 | Dec. 31, 2006 |
|---|---|---|---|
| Mader Zeitschriftenverlagsgesellschaft m.b.H., Vienna | 74.9 | – | 2.9 |
| OmniMedia Werbegesellschaft m.b.H., Vienna | 21.0 | 0.1 | 0.3 |
| FEIPRO Vertriebs GesmbH, Gaweinstal | 50.0 | 0.2 | 0.2 |
| trans-o-flex Nederland B.V., Utrecht | 37.5 | – | 0.1 |
| | | **0.3** | **3.5** |

| EUR m | 2005 | 2006 |
|---|---|---|
| **Net carrying amount at January 1** | **18.6** | **0.3** |
| Additions arising from acquisitions | 0.0 | 2.9 |
| Additions arising from associates' profit for the period | 0.7 | 1.1 |
| Dividends | –2.6 | –0.7 |
| Disposals arising from the sale of shareholdings in associates | –16.5 | 0.0 |
| **Net carrying amount at December 31** | **0.3** | **3.5** |

## 19 Other financial assets

➤ see note 3 (i)

| EUR m | Dec. 31, 2005 | Dec. 31, 2006 |
|---|---|---|
| **Other current financial assets** | | |
| Short-term loans | 0.3 | 0.3 |
| Short-term investments in securities | 49.7 | 0.2 |
| | **50.0** | **0.5** |
| **Other non-current financial assets** | | |
| Investments in unconsolidated companies | 0.0 | 0.8 |
| Long-term loans | 1.4 | 2.4 |
| Long-term investments in securities | 171.2 | 201.3 |
| | **172.6** | **204.5** |
| | **222.6** | **205.0** |

The changes in other non-current financial assets in the 2005 and 2006 business years are presented below:

| **2005 business year**<br>**EUR m** | **Investments in unconsolidated companies** | **Long-term loans** | **Long-term investments in securities** | **Total** |
|---|---|---|---|---|
| **Historical cost** | | | | |
| **At January 1, 2005** | **0.0** | **2.0** | **114.6** | **116.6** |
| Additions arising from acquisitions | 0.0 | 0.4 | 0.0 | 0.4 |
| Additions | 0.0 | 0.2 | 60.7 | 61.0 |
| Disposals | 0.0 | 0.4 | 5.0 | 5.4 |
| Transfers | 0.0 | –0.4 | 0.2 | –0.2 |
| Currency translation differences | 0.0 | 0.0 | 0.0 | 0.0 |
| **At December 31, 2005** | **0.0** | **1.9** | **170.6** | **172.4** |
| **Write-downs** | | | | |
| **At January 1, 2005** | **0.0** | **0.5** | **1.2** | **1.7** |
| Additions arising from acquisitions | 0.0 | 0.0 | 0.0 | 0.0 |
| Additions | 0.0 | 0.0 | 0.7 | 0.7 |
| Disposals | 0.0 | 0.1 | 0.0 | 0.1 |
| Transfers | 0.0 | 0.0 | –0.1 | –0.1 |
| Currency translation differences | 0.0 | 0.0 | 0.0 | 0.0 |
| **At December 31, 2005** | **0.0** | **0.5** | **1.8** | **2.3** |
| **Write-ups** | | | | |
| **At January 1, 2005** | **0.0** | **0.0** | **0.9** | **0.9** |
| Additions arising from acquisitions | 0.0 | 0.0 | 0.0 | 0.0 |
| Additions | 0.0 | 0.0 | 1.5 | 1.5 |
| Disposals | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfers | 0.0 | 0.0 | 0.0 | 0.0 |
| Currency translation differences | 0.0 | 0.0 | 0.0 | 0.0 |
| **At December 31, 2005** | **0.0** | **0.0** | **2.4** | **2.4** |
| **Net carrying amount at January 1, 2005** | **0.0** | **1.5** | **114.3** | **115.8** |
| **Net carrying amount at December 31, 2005** | **0.0** | **1.4** | **171.2** | **172.6** |

| 2006 business year<br>EUR m | Investments in unconsolidated companies | Long-term loans | Long-term investments in securities | Total |
|---|---|---|---|---|
| **Historical cost** | | | | |
| **At January 1, 2006** | **0.0** | **1.9** | **170.6** | **172.4** |
| Additions arising from acquisitions | 0.0 | 0.0 | 0.0 | 0.0 |
| Additions | 0.8 | 1.3 | 78.2 | 80.2 |
| Disposals | 0.0 | 0.3 | 47.2 | 47.5 |
| Transfers | 0.0 | 0.0 | 0.0 | 0.0 |
| Currency translation differences | 0.0 | 0.0 | 0.0 | 0.0 |
| **At December 31, 2006** | **0.8** | **2.9** | **201.5** | **205.2** |
| **Write-downs** | | | | |
| **At January 1, 2006** | **0.0** | **0.5** | **1.8** | **2.3** |
| Additions arising from acquisition | 0.0 | 0.0 | 0.0 | 0.0 |
| Additions | 0.0 | 0.0 | 1.3 | 1.3 |
| Disposals | 0.0 | 0.0 | 1.0 | 1.0 |
| Transfers | 0.0 | 0.0 | 0.0 | 0.0 |
| Currency translation differences | 0.0 | 0.0 | 0.0 | 0.0 |
| **At December 31, 2006** | **0.0** | **0.5** | **2.0** | **2.5** |
| **Write-ups** | | | | |
| **At January 1, 2006** | **0.0** | **0.0** | **2.4** | **2.4** |
| Additions arising from acquisition | 0.0 | 0.0 | 0.0 | 0.0 |
| Additions | 0.0 | 0.0 | 1.3 | 1.3 |
| Disposals | 0.0 | 0.0 | 1.8 | 1.8 |
| Transfers | 0.0 | 0.0 | 0.0 | 0.0 |
| Currency translation differences | 0.0 | 0.0 | 0.0 | 0.0 |
| **At December 31, 2006** | **0.0** | **0.0** | **1.9** | **1.9** |
| **Net carrying amount at January 1, 2006** | **0.0** | **1.4** | **171.2** | **172.6** |
| **Net carrying amount at December 31, 2006** | **0.8** | **2.4** | **201.3** | **204.5** |

## Loans

| 2005 business year<br>EUR m | Amortised cost | Fair value at Dec. 31 2005 | Effective interest rate in 2005 | Fixed/variable rate | Due within 1 year | Due in more than 1 year |
|---|---|---|---|---|---|---|
| Loans to employees | 1.4 | 1.4 | 4.0% | fix | 0.3 | 1.1 |
| Home construction loans | 0.3 | 0.3 | 5.0% | fix | 0.0 | 0.3 |
| | **1.7** | **1.7** | | | **0.3** | **1.4** |

| **2006 business year**<br>**EUR m** | **Amortised cost** | **Fair value at Dec. 31 2006** | **Effective interest rate in 2006** | **Fixed/variable rate** | **Due within 1 year** | **Due in more than 1 year** |
|---|---|---|---|---|---|---|
| Loans to employees | 1.3 | 1.3 | 4.3% | fix | 0.3 | 1.0 |
| Home construction loans | 0.3 | 0.3 | 5.0% | fix | 0.0 | 0.3 |
| Other | 1.1 | 1.1 | 4.2% | var. | 0.0 | 1.1 |
| | **2.7** | **2.7** | | | **0.3** | **2.4** |

A pledge of property to Austrian Post, up to a maximum of EUR 1.0m, to secure the home construction loan, was entered in the Aigen, under property BEZ 3247, land register number 56501, as an integral part of the agreement.

The other loans were made to associated companies.

## Investments in securities

| **At December 31, 2005**<br>**EUR m** | **Amortised cost** | **Unrealised gains** | **Unrealised losses** | **Fair value** Due within 1 year | Due in more than 1 year | **Total** |
|---|---|---|---|---|---|---|
| **Available for sale securities** | | | | | | |
| Shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Investment funds | 109.9 | 1.2 | 0.1 | 0.0 | 111.4 | 111.4 |
| Fixed interest securities | 69.9 | 0.1 | 0.5 | 9.6 | 59.7 | 69.4 |
| | **179.9** | **1.3** | **0.6** | **9.6** | **171.2** | **180.8** |

| **At December 31, 2006**<br>**EUR m** | **Amortised cost** | **Unrealised gains** | **Unrealised losses** | **Fair value** Due within 1 year | Due in more than 1 year | **Total** |
|---|---|---|---|---|---|---|
| **Available for sale securities** | | | | | | |
| Shares | 2.7 | 0.0 | 0.0 | 0.0 | 2.7 | 2.7 |
| Investment funds | 68.7 | 1.3 | 0.1 | 0.2 | 70.1 | 70.3 |
| Fixed interest securities | 130.4 | 0.1 | 1.5 | 0.0 | 128.5 | 128.5 |
| | **201.7** | **1.4** | **1.5** | **0.2** | **201.3** | **201.6** |

The interest rates for the fixed-interest securities were between 3.13% and 7.70% (2005: 2.31% and 7.70%).

In the 2006 business year, gains on the disposal of available for sale securities were EUR 1.6m (2005: EUR 0.0m).

The trading portfolio contains EUR 0.0m in variable-interest securities (Dec. 31, 2005: EUR 40.1m).

## 20 Inventories

➤ see note 3 (j)

| EUR m | Dec. 31, 2005 | Dec. 31, 2006 |
|---|---|---|
| Materials and consumables | 9.6 | 11.1 |
| Less: write-downs | –2.9 | –3.1 |
| Retail products | 15.1 | 15.1 |
| Less: write-downs | –2.5 | –2.7 |
| Services not yet invoiced | 0.3 | 0.7 |
| | **19.6** | **21.0** |

The carrying amount of inventories recognised at net realisable value amounted to EUR 1.7m (Dec. 31, 2005: EUR 0.8m). Value adjustments were necessary, particularly due to their limited commercial utility or long periods of storage.

## 21 Receivables

➤ see note 3 (i)

| EUR m | Dec. 31, 2005 | | | Dec. 31, 2006 | | |
|---|---|---|---|---|---|---|
| | Due within 1 year | Due in more than 1 year | Total | Due within 1 year | Due in more than 1 year | Total |
| Trade receivables | 253.2 | 0.0 | 253.2 | 296.1 | 0.0 | 296.1 |
| Receivables from associates | 0.9 | 0.0 | 0.9 | 0.5 | 0.0 | 0.5 |
| Other receivables | 44.5 | 9.0 | 53.5 | 67.3 | 28.2 | 95.4 |
| | **298.5** | **9.0** | **307.5** | **364.0** | **28.2** | **392.1** |

## 22 Cash and cash equivalents

| EUR m | Dec. 31, 2005 | Dec. 31, 2006 |
|---|---|---|
| Bank balances | 15.3 | 14.6 |
| Short-term deposits (demand deposits) | 157.2 | 211.0 |
| Cash on hand | 1.9 | 3.8 |
| | **174.5** | **229.4** |

The terms of all short-term deposits were less than three months at the time made. The average interest rate for demand deposits in Austria was 3.13% at December 31, 2006 (Dec. 31, 2005: 2.52%).

## 23 Non-current assets held for sale

➤ see note 3 (k)

At December 31, 2006, held-for-sale non-current assets in the form of land and buildings, which Austrian Post plans to sell in 2007, were reported under this item at a value of EUR 13.8m. The land and buildings comprising a logistics centre reported at December 31, 2005 were sold at June 30, 2006 (Dec. 31, 2005: EUR 23.0m).

## 24 Capital and reserves

### Share capital

The share capital of Austrian Post is EUR 350.0m. Pursuant to the resolution approved at the Annual General Meeting on March 3, 2006, the share capital of the company was raised by EUR 340.0m by converting the capital reserves reported in the consolidated balance sheet as at December 31, 2005, in accordance with the provisions contained in the Austrian Capital Adjustment Act, but without allowing for the issuance of additional shares. At the same time, a new denomination of the shares was approved, in which the share capital was split into 70.0m no par shares. The main shareholder of Austrian Post is Österreichische Industrieholding AG, Vienna, the privatisation and industrial holding company, with a 51% shareholding.

### Capital reserves

Austrian Post's capital reserves correspond to those reported in the company statements of the parent company.

### Revenue reserves

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

### Revaluation of securities

In accordance with IAS 39, gains and losses on fair value measurements of available for sale financial instruments are disclosed under a separate equity item, revaluation of securities, and are directly recognised in equity. The amounts shown under the revaluation of securities are after tax.

### Currency translation reserves

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.

### Profit for the period

The profit for the period in the 2006 business year amounted to EUR 99.8m (2005: EUR 99.9m). 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 the parent company at the balance sheet date on December 31, 2006. The profit shown in the balance totalled EUR 91.9m (2005: EUR 75.6m).

## 25 Provisions

| EUR m | Dec. 31, 2005 Due within 1 year | Due in more than 1 year | Total | Dec. 31, 2006 Due within 1 year | Due in more than 1 year | Total |
|---|---|---|---|---|---|---|
| Provisions for termination benefits | 0.0 | 60.7 | 60.7 | 0.0 | 66.8 | 66.8 |
| Provisions for pensions | 0.0 | 0.0 | 0.0 | 0.0 | 2.3 | 2.3 |
| Provisions for jubilee benefits | 0.0 | 88.8 | 88.8 | 0.0 | 92.4 | 92.4 |
| Other provisions for employees | 45.7 | 158.5 | 204.2 | 54.9 | 245.0 | 299.9 |
| Other provisions | 38.4 | 3.7 | 42.0 | 36.4 | 19.2 | 55.7 |
| Tax provisions | 36.0 | 0.0 | 36.0 | 3.1 | 0.0 | 3.1 |
| | **120.1** | **311.6** | **431.8** | **94.4** | **425.8** | **520.2** |

### Provisions for termination benefits, pensions and jubilee benefits

➤ see note 3 (l)

| 2005 business year EUR m | Termination benefits | Pensions | Jubilee benefits | Total |
|---|---|---|---|---|
| **At January 1, 2005** | **45.2** | **0.0** | **72.5** | **117.7** |
| Additions arising from acquisitions | 0.0 | 0.0 | 0.0 | 0.0 |
| Current service cost | 4.8 | 0.0 | 3.9 | 8.7 |
| Interest expense | 2.2 | 0.0 | 3.5 | 5.8 |
| Actuarial gains/losses | 14.2 | 0.0 | 12.4 | 26.5 |
| Actual payments | –5.8 | 0.0 | –3.5 | –9.2 |
| **At December 31, 2005** | **60.7** | **0.0** | **88.8** | **149.5** |

| 2006 business year EUR m | Termination benefits | Pensions | Jubilee benefits | Total |
|---|---|---|---|---|
| **At January 1, 2006** | **60.7** | **0.0** | **88.8** | **149.5** |
| Additions arising from acquisitions | 0.0 | 2.3 | 0.6 | 2.9 |
| Current service cost | 6.1 | 0.0 | 4.7 | 10.7 |
| Interest expense | 2.4 | 0.0 | 3.5 | 5.9 |
| Actuarial gains/losses | 1.3 | 0.0 | –1.3 | 0.0 |
| Actual payments | –3.7 | 0.0 | –3.9 | –7.6 |
| **At December 31, 2006** | **66.8** | **2.3** | **92.4** | **161.5** |

Compared to the preceding year, the experience adjustments made in the provisions for termination benefit amounted to 2% of the current value of the commitments as at December 31, 2006, whereas the adjustments made in the provisions for jubilee benefits totalled minus 1.4%.

## Other provisions for employees

➤ see note 3 (m)

| 2005 business year<br>EUR m | Early retirement pensions and similar obligations | Employee under-utilisation | Sundry provisions for employees | Total |
|---|---|---|---|---|
| **At January 1, 2005** | **5.9** | **87.5** | **31.8** | **125.3** |
| Additions arising from acquisitions | 0.0 | 0.0 | 0.0 | 0.0 |
| Allocation | 0.0 | 95.4 | 33.6 | 129.0 |
| Use | –5.8 | –7.3 | –23.8 | –36.9 |
| Reversals | –0.1 | –12.1 | –4.6 | –16.8 |
| Accrued interest | 0.0 | 3.6 | 0.0 | 3.6 |
| **At December 31, 2005** | **0.0** | **167.2** | **37.1** | **204.2** |

| 2006 business year<br>EUR m | Early retirement pensions and similar obligations | Employee under-utilisation | Sundry provisions for employees | Total |
|---|---|---|---|---|
| **At January 1, 2006** | **0.0** | **167.2** | **37.1** | **204.2** |
| Additions arising from acquisitions | 0.0 | 0.0 | 4.7 | 4.7 |
| Reclassification | 0.0 | 10.1 | –15.0 | –4.9 |
| Allocation | 0.0 | 132.3 | 23.8 | 156.1 |
| Use | 0.0 | –18.6 | –20.0 | –38.6 |
| Reversals | 0.0 | –26.8 | –1.5 | –28.2 |
| Accrued interest | 0.0 | 6.6 | 0.0 | 6.6 |
| **At December 31, 2006** | **0.0** | **270.9** | **29.0** | **299.9** |

The sundry provisions for employees largely relate to provisions for employee profit sharing schemes, other performance related bonuses and other outstanding employee entitlements. Moreover, the sundry provisions for employees also include restructuring provisions amounting to EUR 2.5m. The restructuring measures are being implemented, and are expected to be concluded in 2007.

## Other provisions

➤ see note 3 (n)

| 2005 business year EUR m | Services not yet rendered | Post-employment benefits | Other | Total |
|---|---|---|---|---|
| **At January 1, 2005** | **29.8** | **2.8** | **13.5** | **46.1** |
| Additions arising from acquisitions | 0.0 | 0.0 | 0.0 | 0.0 |
| Allocation | 29.1 | 0.5 | 3.6 | 33.1 |
| Use | –29.0 | –0.3 | –5.8 | –35.0 |
| Reversals | 0.0 | 0.0 | –2.3 | –2.3 |
| Accrued interest | 0.0 | 0.1 | 0.0 | 0.1 |
| **At December 31, 2005** | **30.0** | **3.1** | **9.0** | **42.0** |

| 2006 business year EUR m | Services not yet rendered | Post-employment benefits | Other | Total |
|---|---|---|---|---|
| **At January 1, 2006** | **30.0** | **3.1** | **9.0** | **42.0** |
| Additions arising from acquisitions | 0.0 | 0.0 | 2.8 | 2.8 |
| Reclassification | 0.0 | 0.0 | 1.0 | 1.0 |
| Allocation | 26.3 | 0.2 | 19.5 | 45.9 |
| Use | –30.0 | –0.3 | –3.3 | –33.6 |
| Reversals | 0.0 | 0.0 | –2.6 | –2.6 |
| Accrued interest | 0.0 | 0.1 | 0.0 | 0.1 |
| **At December 31, 2006** | **26.3** | **3.1** | **26.3** | **55.7** |

The provisions for services not yet rendered relate to the elimination of orders for services not yet rendered as at December 31, 2006, as well as outstanding customer prepayments for stamps and frankings for which Austrian Post had not yet rendered corresponding services as at the balance sheet date.

## Tax provisions

| 2005 business year EUR m | Income tax | Wage taxes | Other | Total |
|---|---|---|---|---|
| **At January 1, 2005** | **14.4** | **2.2** | **0.4** | **17.0** |
| Additions arising from acquisitions | 0.0 | 0.0 | 0.0 | 0.0 |
| Allocation | 35.1 | 0.3 | 0.1 | 35.5 |
| Use | –14.4 | –1.0 | 0.0 | –15.5 |
| Reversals | 0.0 | –0.8 | –0.2 | –1.0 |
| **At December 31, 2005** | **35.1** | **0.7** | **0.2** | **36.0** |

| 2006 business year<br>EUR m | Income tax | Wage taxes | Other | Total |
|---|---|---|---|---|
| **At January 1, 2006** | **35.1** | **0.7** | **0.2** | **36.0** |
| Additions arising from acquisitions | 2.2 | 0.0 | 0.0 | 2.2 |
| Allocation | 26.2 | 0.0 | 0.0 | 26.2 |
| Use | –0.2 | 0.0 | 0.0 | –0.2 |
| Reversals | 0.0 | –0.1 | –0.1 | –0.2 |
| Accounting with pre-payments | –61.0 | 0.0 | 0.0 | –61.0 |
| **At December 31, 2006** | **2.4** | **0.6** | **0.1** | **3.1** |

## 26 Finance liabilities

➤ see note 3 (o)

| EUR m | Dec. 31, 2005 | | | Dec. 31, 2006 | | |
|---|---|---|---|---|---|---|
| | Due within 1 year | Due in more than 1 year | Total | Due within 1 year | Due in more than 1 year | Total |
| Borrowings from banks | 3.7 | 24.5 | 28.3 | 4.6 | 30.1 | 34.6 |
| ABCP programme liabilities | 0.0 | 0.0 | 0.0 | 53.7 | 0.0 | 53.7 |
| Finance leasing liabilities | 3.1 | 10.7 | 13.8 | 8.1 | 31.1 | 39.1 |
| Other liabilities | 0.1 | 0.0 | 0.1 | 0.3 | 20.9 | 21.2 |
| | **7.0** | **35.2** | **42.2** | **66.7** | **82.0** | **148.8** |

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

| 2005 business year<br>EUR m | Currency | Carrying amount Dec. 31, 2005 | Fair value Dec. 31, 2005 | Effective interest rate 2005 |
|---|---|---|---|---|
| **Borrowings from banks** | | | | |
| Fixed rate borrowings | EUR | 10.2 | 10.4 | 3.88% |
| Variable rate borrowings | EUR | 18.0 | 18.0 | 3.10% |
| | | **28.3** | **28.4** | |

| 2006 business year EUR m | Currency | Carrying amount Dec. 31, 2006 | Fair value Dec. 31, 2005 | Effective interest rate 2006 |
|---|---|---|---|---|
| **Borrowings from banks** | | | | |
| Fixed rate borrowings | EUR | 19.5 | 19.5 | 3.83% |
| Variable rate borrowings | EUR | 15.1 | 15.1 | 3.82% |
| | | **34.6** | **34.5** | |

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

Of reported borrowings from banks, EUR 15.1m are guaranteed by the federal government under §20 (1) Postal Service Structure Act.

In 2006, Austrian Post assumed an Asset Backed Commercial Paper (ABCP) programme in the course of an acquisition. As part of this programme with a maturity of five years and a maximum limit of EUR 50.0m, existing and future trade receivables will be sold to a special purpose entity not affiliated with Austrian Post. In the consolidated financial statements, the sold and assigned trade receivables will continue to be reported as trade receivables due to the remaining economic risk. The amounts stipulated in the ABCP programme are reported as current liabilities. The effective interest rate for the financial liabilities is about 4.9%.

## 27 Payables

➤ see note 3 (o)

| EUR m | Dec. 31, 2005 | | | Dec. 31, 2006 | | |
|---|---|---|---|---|---|---|
| | Due within 1 year | Due in more than 1 year | Total | Due within 1 year | Due in more than 1 year | Total |
| Trade payables | 189.9 | 0.0 | 189.9 | 237.2 | 1.3 | 238.5 |
| Payables to associates | 1.3 | 0.0 | 1.3 | 1.4 | 0.0 | 1.4 |
| Payables on unused holidays | 46.7 | 0.0 | 46.7 | 44.9 | 0.0 | 44.9 |
| Other payables | 74.6 | 13.5 | 88.1 | 71.7 | 18.4 | 90.0 |
| | **312.5** | **13.5** | **326.0** | **355.1** | **19.7** | **374.8** |

## 28 Income tax

➤ see note 3 (p)

| EUR m | 2005 | 2006 |
|---|---|---|
| Tax for the business year (current tax) | –35.6 | –26.7 |
| Tax credits (catch-up payments) for previous years | –0.4 | 0.0 |
| Change in deferred tax | 25.1 | –4.0 |
| | **–10.9** | **–30.8** |

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, 2005 | Dec. 31, 2006 |
|---|---|---|
| **Deferred tax assets arising from temporary differences** | | |
| Goodwill | 2.1 | 2.8 |
| Financial assets | 15.7 | 8.7 |
| Receivables | 0.3 | 0.0 |
| Provisions | 22.3 | 23.0 |
| Financial liabilities | 3.3 | 38.3 |
| Liabilities | 0.0 | 0.8 |
| | **43.8** | **73.7** |
| **Deferred tax liabilities arising from temporary differences** | | |
| Intangible assets | 0.0 | –0.2 |
| Customer relationships | –0.9 | –20.7 |
| Trademark | 0.0 | –9.6 |
| Borrowings | 0.0 | –4.6 |
| Property, plant and equipment | –3.9 | –16.6 |
| Inventories | –0.1 | 0.0 |
| Receivables | 0.0 | –18.8 |
| | **–4.9** | **–70.5** |
| **Deferred tax arising from tax-loss carryforwards** | **0.5** | **20.5** |
| **Total deferred tax** | **39.4** | **23.7** |
| Deferred tax assets | 40.3 | 60.3 |
| Deferred tax liabilities | –0.9 | –36.5 |
| **Total deferred tax** | **39.4** | **23.7** |

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

| EUR m | Deferred tax assets | Defered tax liabilities |
|---|---|---|
| **Deferred taxes at January 1, 2005** | **13.3** | **0.0** |
| **Changes affecting net income** | **25.1** | **0.0** |
| **Changes recognised directly in equity** | | |
| Revaluation of securities | –0.2 | 0.0 |
| Additions arising from acquisitions | 2.1 | 0.9 |
| | **1.9** | **0.9** |
| **At December 31, 2005** | **40.3** | **0.9** |
| **Deferred taxes at January 1, 2006** | **40.3** | **1.0** |
| **Changes affecting net income** | **0.4** | **4.4** |
| **Changes recognised directly in equity** | | |
| Revaluation of securities | 0.3 | 0.0 |
| Additions arising from acquisitions | 19.2 | 31.1 |
| | **19.5** | **31.1** |
| **Deferred taxes at December 31, 2006** | **60.3** | **36.5** |

## Reconciliation of deferred tax expense

| EUR m | 2005 | 2006 |
|---|---|---|
| **Profit before tax** | **100.9** | **130.5** |
| **Expected taxes on income** | **25.2** | **32.6** |
| | | |
| **Tax deductions due to** | | |
| Dividends and investment income | –3.0 | –0.3 |
| Impairment losses (subsidiaries) | –13.3 | 0.0 |
| Adjustments for foreign tax rates | –0.1 | –0.1 |
| Other tax reducing items | –1.3 | –0.2 |
| | **–17.7** | **–0.6** |
| **Tax increase due to** | | |
| Non deductible expenses | 0.7 | 0.4 |
| | **0.7** | **0.4** |
| **Income tax expense for the period** | **8.3** | **32.5** |
| Income tax expense/income for prior years | 0.4 | 0.0 |
| Change in unrecognised deferred tax assets arising from carryforwards | 2.2 | –1.7 |
| **Current tax expense** | **10.9** | **30.8** |

## Other disclosures

### 29 Cash flow disclosures

The breakdown of cash flows arising from acquisitions or disposals of subsidiaries in 2006 was as follows:

| EUR m | 2005 | 2006 |
|---|---|---|
| **Acquisitions of subsidiaries** | | |
| Purchase prices | –21.0 | –59.0 |
| Cash and cash equivalents acquired | 0.5 | 1.7 |
| | **–20.5** | **–57.3** |
| **Disposal of subsidiaries** | | |
| Disposal prices | 16.0 | 0.0 |
| Cash and cash equivalents disposed of | –3.5 | 0.0 |
| | **12.5** | **0.0** |
| | **–8.0** | **–57.3** |

For better comparability, the cash flow figures reported in the preceding year were adapted to the reporting structure of the 2006 business year.

### 30 Risks/risk management

➤ see notes 3 (i) and 3 (q)

#### Financial instruments

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

On the assets side, the financial instruments largely comprise financial investments such as securities, loans and unconsolidated equity investments, receivables, cash and cash equivalents. On the liabilities side, they chiefly comprise payables. The financial instruments held by Austrian Post can be ascertained from the balance sheet.

Derivative financial instruments are primarily used for financial management. They are used exclusively to hedge against financial risks arising from changes in exchange rates and interest rates, and not for speculative purposes.

The following derivative financial instruments are used for financial management purposes:

#### Interest-rate swap contracts

Austrian Post has entered into interest rate swaps in order to reduce its exposure to interest rate risk in respect of fixed-interest securities and financial liabilities. At the balance sheet date on December 31, 2006, the fixed interest rates ranged between 4.615% and 4.958% (Dec. 31, 2005: 4.655% ad 5.70%). The variable interest rates are tied to a variety of interbank rates.

The following table sets out the interest rate swaps existing at December 31, 2005 and December 31, 2006, as well as their weighted average interest rates and the weighted average terms of the interest rate swap contracts. The average variable interest rates, which may be subject to significant changes during the terms of the swap contracts, are reported at the rates prevailing at the balance sheet date. The fair value of the interest rate swaps is the amount that Austrian Post would receive or be obliged to pay if the transactions were settled at the balance sheet date. Account has been taken of current market conditions and interest rate levels, as well as the creditworthiness of the swap counterparties.

| Structured interest rate swaps | Dec. 31, 2005 | Dec. 31, 2006 |
|---|---|---|
| Nominal value in EUR m | 5.0 | 5.0 |
| Fair value in EUR m | 0.2 | 0.0 |
| Average interest rate received | 5.146% | 4.762% |
| Average interest rate payable | 2.741% | 3.489% |
| Average residual maturity in years | 13.8 | 12.8 |

## Interest rate caps

Since the 2006 business year, a maximum interest rate has been set in the form of an interest rate cap, in order to reduce the risk from interest rate changes for variable rate borrowings.

The following table shows the existing interest rate caps as at December 31, 2005 and December 31, 2006:

| Interest rate swap contracts | Dec. 31, 2005 | Dec. 31, 2006 |
|---|---|---|
| Nominal value in EUR m | – | 1.3 |
| Fair value in EUR m | – | 0.0 |
| Average residual maturity in years | – | 8.0 |

## Currency futures

For the first time, Austrian Post used currency futures in 2004 to hedge against the exchange risk associated with future foreign currency payments. The fair value of the currency futures transactions is given by the future prices at the balance sheet date.

The table below compares the nominal and fair values of the futures contracts existing at December 31, 2005 and December 31, 2006:

| USD currency futures | Dec. 31, 2005 | Dec. 31, 2006 |
|---|---|---|
| Nominal value in EUR m | 0.7 | 0.0 |
| Nominal value in USD m | 0.8 | 0.0 |
| Fair value in EUR m | –0.1 | 0.0 |

## Types of risk

### Liquidity risk

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

### Credit/contracting party/product risk

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

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

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

### 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 assets and liabilities.

Management of interest rate risk related to Austrian Post's financial assets is based on the portfolio approach. Normally, it is not individual positions but the entire portfolio that is managed, taking account of the underlying transactions. For this purpose, selective use is made of derivative instruments such as interest rate swaps. The financial portfolio is compared with the benchmark on a daily basis.

The tables in Note 26 provide a detailed presentation of Austrian Post's financial liabilities.

### Foreign exchange risk

Foreign exchange risk is considered to be potential losses resulting from market changes related to foreign exchange fluctuations.

There are no foreign exchange risks on the assets 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. Currency futures contracts have been entered into to hedge future foreign currency payments arising from existing contractual obligations.

### Organisational risk

The organisational risks relating to treasury operations are kept to a minimum by structuring the processes involved in an appropriate manner (e.g. keeping the trading, accounting and electronic data storage functions separate).

## 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, Austrian Post takes a strategic approach to portfolio assessment and follows conservative policies.

A standardised reporting system is used to track the current financial situation.

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.

## 31 Contingent assets

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

## 32 Other commitments and contingent liabilities

Other financial commitments chiefly arise from operating lease agreements in respect to buildings used in the production or supply of goods or services. There are also operating lease agreements for plant and equipment, furniture and fixtures. In the 2006 business year, other operating expenses included EUR 57.5m in expenses for operating leases (2005: EUR 42.1m). Of the commitments extant at the balance sheet date, EUR 55.1m (2005: EUR 42.8m) have maturities of less than one year, EUR 199.5m have maturities of less than five years (2005: EUR 211.0m), and EUR 30.4m (2005: EUR 0.0m) have maturities exceeding five years.

The main rental and leasing agreements for buildings used in the production or supply of goods or services contain extension and termination clauses which accord with normal market terms and conditions for business properties. The agreements also provide for the indexation of the leasing instalments. In a few cases, lease payments are linked to revenue figures. All the related subtenancies are terminable.

Purchases of items of property, plant and equipment led to commitments of EUR 5.4m in 2006 (2005: EUR 2.4m) during the period under review.

## 33 Related party transactions

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

There is an agreement with BBG Bundesbeschaffung GmbH, Vienna, in the name of, and for the account of the federal government, for the delivery of postal items for federal agencies. During the 2006 business year, delivery services valued at EUR 87.3m (2005: EUR 64.0m) were rendered for the federal agencies stipulated in the agreement.

Furthermore, numerous public institutions and agencies as well as companies in which the Republic of Austria has a dominating or controlling interest are direct customers of Austrian Post. These business ties exist based on the portfolio of products and services offered by Austrian Post at prevailing market prices, terms and conditions. The services rendered by Austrian Post in the course of these business relationships are not material in terms of the overall revenue of Austrian Post. Any services for which payment has not yet taken place are reported as trade payables.

Moreover, Austrian Post made use of services provided at prevailing market rates by the ÖBB Group (national railway system) which is fully owned by the Republic of Austria, in particular Rail Cargo Austria and ÖBB Infrastruktur Bau AG. The expense incurred for services provided by the ÖBB Group amounted to EUR 23.8m in 2006 (2005: EUR 35.9m).

There are related party relationships with associated companies connected with advertising and public relations work, as well as postal transport services. These are at normal market terms and conditions. The services rendered by associated companies amounted to EUR 3.3m in 2006. Revenue with associates accounts for less than 0.3% of total revenue.

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 2005 and 2006 business years:

| **2005 business year**<br>**EUR m** | **Supervisory Board** | **Management Board** | **Senior executives** |
|---|---|---|---|
| Short-term employment benefits | 0.1 | 1.7 | 5.5 |
| Post-employment benefits | 0.0 | 0.1 | 0.0 |
| Other long-term employee benefits | 0.0 | 0.3 | 0.2 |
| Termination benefits | 0.0 | 0.0 | 0.6 |
| | **0.1** | **2.1** | **6.4** |

| **2006 business year**<br>**EUR m** | **Supervisory Board** | **Management Board** | **Senior executives** |
|---|---|---|---|
| Short-term employment benefits | 0.1 | 1.9 | 6.8 |
| Post-employment benefits | 0.0 | 0.1 | 0.0 |
| Other long-term employee benefits | 0.0 | 0.3 | 0.2 |
| Termination benefits | 0.0 | 0.0 | 0.0 |
| | **0.1** | **2.2** | **7.0** |

In addition, business relationships existed in 2006 with top executives, amounting to EUR 0.2m (2005: EUR 0.1m).

## 34 Events after the balance sheet date

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

With the formal closing of the transaction on January 2, 2007, Austrian Post legally acquired its 100% shareholding in Weber Escal, Croatia. The purchase contract was already signed at the beginning of October 2006. Weber Escal is active in the delivery of unaddressed mail items in Croatia.

Moreover, Austrian Post acquired a stake in Scanpoint Europe Holding, as stipulated in a contract dated December 21, 2006. The closing took place on January 31, 2007. As a specialist for intelligent document recording, Scanpoint Europe digitalises important business documents and then makes business-related information available to its customers in every desired form. The total acquisition price for the two companies was less than EUR 5.0m altogether.

At the end of 2006, the tender process to acquire BAWAG P.S.K., the financial services partner of Austrian Post, was concluded. As the future new owners of BAWAG P.S.K., the bidder group consisting of Cerberus, Generali and Wüstenrot made a clear commitment to dynamically expand the financial services business of BAWAG P.S.K and to position the bank as a "universal bank for private customers and medium-sized businesses", featuring attractive products and services. The formal closing of the selling process is expected during the first half of 2007.

The bidder group led by Cerberus has extended an invitation to Austrian Post to acquire a minority stake in BAWAG P.S.K. This offer is currently being carefully evaluated by Austrian Post. At the same time, Austrian Post aims to hold negotiations with the new owners and the management of BAWAG P.S.K. in order to intensify its existing cooperation and ensure its ongoing success on a long-term basis.

The Management Board of Austrian Post approved the audit consolidated financial statements for transmission to the Supervisory Board on February 9, 2007. The Supervisory Board is responsible for reviewing and approving the consolidated annual financial statements.

Vienna, February 9, 2007

The Management Board

Anton Wais m.p.
Chairman of the Management Board

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

Herbert Götz m.p.
Member of the Management Board

Walter Hitziger m.p.
Member of the Management Board

# Auditors’ report

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Österreichische Post Aktiengesellschaft, Vienna, for the business year from January 1 to December 31, 2006. These consolidated financial statements comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year ended December 31, 2006, and a summary of significant accounting policies and other explanatory notes.

### Management’s responsibility for the consolidated financial statements

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

### Auditors’ responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2006, and of its financial performance and its cash flows for the business year from 1 January to December 31, 2006 in accordance with International Financial Reporting Standards as adopted by the EU.

## Report on the Group Management Report

Laws and regulations applicable in Austria require us to perform audit procedures whether the Group Management Report is consistent with the consolidated financial statements and whether the other disclosures made in the Group Management Report do not give rise to misconception of the position of the Group.

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

Vienna, February 9, 2007

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:

Helmut Kerschbaumer m.p.
Wirtschaftsprüfer

Rainer Hassler m.p.
Wirtschaftsprüfer

(Austrian Chartered Accountants)

# Report of the Supervisory Board

The 2006 business year not only featured the successful IPO of the company, but above and beyond this gratifying fact, turned out to be the most successful period in company history. Moreover, the acquisition of the German specialist logistics company trans-o-flex represents the successful penetration of an attractive parcel niche market.

In the 2006 business year, the Supervisory Board held seven meetings and the audit committee met twice, fulfilling the duties incumbent upon these bodies by virtue of the law and the company's articles of association. The presidential committee convened once. In addition, meetings of the executive committee took place when required, in which, inter alia, on order of the Supervisory Board, the contents of the employment contracts for the members of the Management Board were finalised.

Important issues discussed and resolved upon by the Supervisory Board in the 2006 business year were the 2009 medium-term plan, the launch of a share-based remuneration programme for the management, further expansion plans of the Austrian Post Group and the related acquisition projects.

On August 18, 2006, the Supervisory Board resolved to authorise the presidential committee of the Supervisory Board to call for applications to fill the positions of the four members of the Management Board in accordance with the Austrian law governing the filling of positions, and to make appropriate recommendations. The reappointment of the Management Board took place on September 28, 2006.

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

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

The Management Board has submitted the annual financial statements of Austrian Post and the consolidated annual financial statements for the Group for the year ending December 31, 2006 to the Supervisory Board. The annual financial statements of Austrian Post and the consolidated annual financial statements of the Austrian Post Group, including the notes thereto prepared in accordance with International Financial Reporting Standards (IFRS) have been audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, and have been granted an unqualified auditors' opinion. The Management Report is consistent with the company and consolidated annual financial statements.

All annual accounting documentation, the proposal for the distribution of the dividend as submitted by the Management Board, as well as the auditors' reports were thoroughly evaluated by the audit committee in cooperation with the auditors, and subsequently presented to the Supervisory Board. The Supervisory Board examined all the documents in accordance with §96 of the Austrian Stock Corporation Act, and did not discover any inconsistencies or objections.

The Supervisory Board formally approves the annual financial statements for the year ending December 31, 2006, which are hereby adopted in accordance with §125 (2) of the Austrian Stock Corporation Act (AktG), and declares its acceptance of the Management Report and the consolidated financial statements and the Group Management Report pursuant to §245a of the Austrian Commercial Code.

The Supervisory Board concurs with the Management Board's decision to make a distribution of EUR 70,000,000 from the net profit amounting to EUR 91,875,122.83, to assign a total of EUR 20,000,000 to the free revenue reserve, and to carry forward the balance of EUR 1,875,122.83 to the new account.

The Supervisory Board would like to express its thanks to the members of the Management Board as well as to all employees for the successful work performed during the 2006 business year.

March 13, 2007
Peter Michaelis
Chairman of the Supervisory Board

# Glossary of general terms

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

**Business-to-consumer (B2C)** In contrast to B2B, the private customer and consumer is the beneficiary of the services rendered.

**Consumer-to-consumer (C2C)** C2C refers to the business relationships among 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** Nodes in the distribution network that act as bases from which the delivery staff serve their delivery areas.

**Direct Marketing Centre (DMC)** The service centres of Austrian Post responsible for the entire direct marketing business. The DMCs also offer consulting services, seminars and training courses on optimal direct marketing.

**EMS** Austrian Post's Express Mail Service, Austria's leading express service.

**Inbound letter mail** Letters transferred to Austrian Post by foreign postal operators for delivery in Austria.

**Infomail** The Infomail Business Area, which forms part of the Letter Mail Division, encompasses the acceptance and delivery of addressed and unaddressed direct mail items to households in Austria and abroad, as well as direct marketing services (e.g. geomarketing, address management) and the management of postal service departments for large customers.

**Liberalisation** The EU plans to fully liberalise the letter mail market by 2009. In the first phase of deregulation, the Austrian market for letter mail and addressed direct advertising items weighing over 350g was opened to competition on January 1, 1998. The market opening was extended to cover items weighing over 100g and all outbound mail, effective January 1, 2003. The final intermediate liberalisation phase, which came into force on January 1, 2006, was the extension of free competition to all letters weighing over 50g.

**Management of postal service departments** Austrian Post assumes responsibility for operating the postal service departments within a company or an organisation.

**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 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 pick-up points** The postal pick-up points located in municipal offices act as pick-up points for mail.

**Postal service points** Located primarily in municipal offices, the postal service points accept letters, parcels and payment orders, and also act as pick-up points for mail.

**Sponsoring.Post** Sponsoring.Post are mail items sent at lower rates on behalf of associations, community service organisations, ecclesiastical institutions and other non-profit organisations.

**Universal Service Ordinance** This ordinance was issued by the Austrian Minister for Transport, Innovation and Technology at the start of 2002. It defines the quality and scope of the universal postal service which Austrian Post is obliged to provide. The purpose of the ordinance is "to ensure that universal postal services are provided which meet the needs of customers, are of high quality, cover the entire country and are affordable."

# Glossary of financial indicators

**Capital employed**
Intangible assets and goodwill
+ Property, plant and equipment
+ Investment property
+ Investments in associates
+ Inventories
+ Receivables
– Non-interest bearing loans
= Capital employed

**Earnings before interest and taxes (EBIT)**
Corresponds to the profit from operations plus the share of profit/loss of associates.

**EBIT margin**
Ratio of EBIT to revenue.

**Earnings before interest, taxes, depreciation and amortisation (EBITDA)**
Corresponds to EBIT plus depreciation and amortisation.

**EBITDA margin**
Ratio of EBITDA to revenue.

**Earnings before taxes (EBT)**
Earnings before taxes.

**Earnings per share.**
Profit for the period divided by the average number of shares.

**Equity ratio**
Ratio of equity to total capital.

**Free cash flow**
Cash flow from operating activities plus the cash flow from investing activities: demonstrates how much liquidity is available to service 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 and other interest-bearing provisions
= Interest-bearing debt

– Financial investments in securities
– Loans
– Cash and cash equivalents
= Net debt/net cash position

**Return on capital employed (ROCE)**
Ratio of EBIT to average capital employed.

**Return on equity (ROE)**
Ratio of profit after taxes to equity[1] at January 1st, less dividends paid: measures the earnings performance of a company.

1) Equity excluding discontinued operations

# History of Austrian Post

**1490** Europe's first standardised postal service, between Innsbruck, Tyrol, 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

**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)

**1998** Telekom Austria demerged from Post und Telekom Austria (PTA)

**1999** Austrian Post as legally independent entity (for postal and post bus operations)
Start of targeted investments in modernisation of the logistics infrastructure

**2001** Postbus business spun off to ÖIAG

**2001** Acquisition of 74.9% shareholding in feibra Österreich

**2002** Acquisition of Slovakian parcel companies Slovak Parcel Service (SPS) and In-Time

**2003** Acquisition of Overseas Trade (Croatia)

**2004** Sale of Postversicherung AG

**2005** Purchase of Feibra Ungarn (unaddressed direct mail)
Increase of shareholding in feibra Austria (unaddressed advertising) to 100%
Sale of shareholding in DPD parcel services as the basis to enter the B2B parcel market

**2006** **IPO on the Vienna Stock Exchange – 49% free float**
Acquisition of Kolos (Slovakia)/unaddressed advertising, Wiener Bezirkszeitung (Austria)/Media Post, Weber Escal (Croatia)/unaddressed advertising, trans-o-flex (Germany)/B2B parcels and logistics

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We have prepared this report and checked the figures in it 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 report contains forward-looking statements based on the information currently available to us. These are usually indicated by expressions such as "expect", "anticipate", "estimate" or "plan". We wish to note that a wide variety of factors could cause actual circumstances – and hence actual results – to diverge from the forecasts contained in this report.

Statements referring to people are valid for both men and women.

This report is also available in German. In case of doubt the German version prevails.

Advertorial deadline: March 7, 2007

# Key indicators 2001–2006

| | | 2006 IFRS | 2005 IFRS | 2004[1] IFRS | 2003[1] IFRS | 2002[2] IFRS | 2001[2] IFRS |
|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | |
| **Revenue** | **EUR m** | **1,736.7** | **1,701.6** | **1,654,4** | **1,585.2** | **1,571.7** | **1,565.2** |
| Other operating income | EUR m | 58.8 | 52.9 | 73,0 | 71.7 | 57.4 | 69.5 |
| Raw material, consumables and services used | EUR m | –258.0 | –241.9 | –241,8 | –228.8 | – 198.4 | –190.9 |
| Staff costs | EUR m | –1,063.0 | –1,064.0 | –1.046,6 | –1.020.7 | – 1,015.0 | –1,023.8 |
| Other operating expenses | EUR m | –243.9 | –223.5 | –236.7 | –250.6 | – 254.2 | –257.8 |
| Expenses from the insurance business | EUR m | – | – | – | – | –60.1 | –56.4 |
| Share of profit/loss of associates | EUR m | –1.1 | –1.3 | 0.7 | 0.9 | 1.0 | 3.6 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | **EUR m** | **231.7** | **223.8** | **203.1** | **157.7** | **101.6** | **109.4** |
| Depreciation and amortisation | EUR m | –108.4 | –120.8 | –120.9 | –129.6 | –108.1 | –103.3 |
| **Earnings before interest and tax (EBIT)** | **EUR m** | **123.3** | **103.0** | **82.2** | **28.1** | **4.1** | **15.1** |
| Other financial result | EUR m | 7.2 | –2.1 | –5.4 | –2.5 | 4.7 | 19.5 |
| **Earnings before tax (EBT)** | **EUR m** | **130,5** | **100.9** | **76.7** | **25.6** | **–6.6** | **6.1** |
| Income tax | EUR m | –30,8 | –10.9 | –29.9 | –10.8 | –0.7 | –8.1 |
| Profit from discontinued operations | EUR m | 0,0 | 9.8 | 3.2 | 2.1 | – | – |
| **Profit for the period** | **EUR m** | **99,8** | **99.9** | **50.0** | **16.9** | **–2.5** | **–17.5** |
| **Balance sheet** | | | | | | | |
| **Total assets** | **EUR m** | **1,901.6** | **1,563.0** | **1,795.7** | **1,617.9** | **1,631.8** | **1,601.7** |
| Non-current assets | EUR m | 1,272.9 | 997.4 | 1,011.4 | 1,021.7 | 1,287.6 | 1,223.2 |
| Current assets | EUR m | 614.9 | 542.6 | 393.7 | 287.4 | 344.1 | 378.6 |
| Non-current assets held for sale and discontinued operations | EUR m | 13.8 | 23.0 | 390.6 | 308.7 | – | – |
| Capital and reserves | EUR m | 821.4 | 762.1 | 712.5 | 698.9 | 718.9 | 749.7 |
| Non-current liabilities | EUR m | 564.0 | 361.3 | 287.5 | 218.2 | 426.3 | 400.6 |
| Current liabilities | EUR m | 516.2 | 439.6 | 421.0 | 405.2 | 486.6 | 451.5 |
| Liabilities of discontinued operations | EUR m | 0.0 | 0.0 | 374.7 | 295.6 | – | – |
| **Cash flow** | | | | | | | |
| Operating cash flow before changes in working capital | EUR m | 277.9 | 283.1 | 263.7 | 127.6 | 121.2 | 100.3 |
| Cash flow from operating activities | EUR m | 238.0 | 298.0 | 223.8 | 145.0 | 76.3 | 49.6 |
| Cash flow from investing activities | EUR m | –142.6 | –92.6 | –125.5 | –44.4 | –153.8 | 25.5 |
| Free cash flow | EUR m | 95.4 | 205.4 | 98.3 | 100.6 | –76.6 | 75.2 |
| Net change in cash and cash equivalents | EUR m | 55.0 | 124.2 | 33.9 | –2.3 | –55.7 | –451.5 |

1) Excluding insurance business (Postversicherung AG)
2) Including insurance business (Postversicherung AG)