Interim report for the first quarter of 2010

Austrian Post

Highlights Q1 2010

- **Ongoing difficult market environment in 2010**
  - **Mail Division:** Electronic substitution of letters is continuing
  - **Parcel & Logistics Division:** Increased parcel volume, ongoing price pressure
  - **Branch Network Division:** Revenue and structural change in the branch network
- **Group revenue down 1.6% in Q1 as expected**
- **Cost reduction measures have a positive impact**
  - **Raw materials, consumables and services used:** minus 2.8%
  - **Staff costs:** minus 0.7%
  - **Other operating expenses:** minus 2.4%
- **Q1 earnings below the prior-year figure**
  - **EBITDA margin** remains high at 11.7%
  - **EBIT** at EUR 45.3m, a decrease of EUR 2.4m from Q1 2009
- **Free cash flow of EUR 30.1m surpasses previous year's level**

Overview of key indicators

	EUR m	Q1 2009	Q1 2010	Change 2009/2010
Income statement	Revenue	595.2	585.6	–1.6%
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	72.2	68.3	–5.4%
	EBITDA margin	12.1%	11.7%	–
	Earnings before interest and tax (EBIT)	47.8	45.3	–5.1%
	EBIT margin	8.0%	7.7%	–
	Earnings before tax (EBT)	48.4	43.4	–10.5%
	Profit for the period	33.7	33.4	–0.8%
	Earnings per share (EUR)	0.50	0.49	–0.8%
	Employees (average for period, full-time equivalents)	26.012	25.100	–3.5%
		Dec. 31, 2009	**March 31, 2010**	
Cash flow	Operating cash flow before changes in working capital	57.3	50.8	–11.3%
	Cash flow from operating activities	30.5	38.8	27.2%
	Investment in property, plant and equipment	14.9	10.1	–32.7%
	Investment in Group holdings	2.4	1.0	–58.7%
	Free cash flow	–1.8	30.1	–
	Free cash flow before the acquisition/disposal of securities	22.9	30.1	31.2%
Balance sheet	Total assets	1,775.3	1,792.0	0.9%
	Capital and reserves	673.7	708.5	5.2%
	Non-current assets	1,141.3	1,135.0	–0.6%
	Current assets	634.0	657.0	3.6%
	Net debt	231.2	207.0	–10.5%
	Equity ratio	38.0%	39.5%	–
	Capital employed	861.7	872.7	1.3%

Statement by the Management Board

Ladies and Gentlemen!
Dear shareholders!

The business development of Austrian Post in the first quarter of 2010 was once again negatively impacted by a difficult market environment. The electronic substitution of letters is continuing, as expected, whereas the advertising market is slowly improving. Moreover, the parcel and logistics segment in our core markets is showing an upward trend, as demonstrated by volume increases.

In the first quarter of the 2010 financial year, Group revenue declined by 1.6%, or EUR 9.5m, to EUR 585.6m, as forecast. Revenue in the Mail Division fell by 1.4%, with conventional letter mail down 3.5%, a development driven by the electronic substitution of letters. In contrast, the Infomail Business Area posted revenue growth of 1.3%.

Revenue of the Parcel & Logistics Division climbed 2.6%. Growth in the core business was even higher, due to the fact that unprofitable transport logistics operations were terminated in Germany at the end of last year.

The revenue and organisational structure of the Branch Network Division is undergoing change. Revenue fell by EUR 9.8m, which is partially also related to the changed reporting of prepaid phone cards as a consequence of new value added tax regulations in Austria.

Efficiency enhancement measures designed to counteract the revenue decline are the top priority. Accordingly, Austrian Post succeeded in reducing operating costs and staff costs in the first quarter of the current financial year. In the first three months of 2010, EBIT amounted to EUR 45.3m, only EUR 2.4m below the previous year. Cash flow remained at a stable level, and free cash flow before the acquisition or disposal of securities improved by EUR 7.2m, to EUR 30.1m.

The current development confirms our outlook for the year 2010 as a whole. We continue to expect a revenue decline ranging between 1% and 2% below the comparable performance for 2009, and an EBITDA margin of between 10% and 12%.

In order to ensure its ongoing profitability, Austrian Post will continue to take all the appropriate measures required to safeguard revenue, improve its cost structure and increase the flexibility of the Group.

Austrian Post has defined an attractive dividend policy based on a solid balance sheet structure and cash generation. The proposed dividend of EUR 1.50 per share was approved by the Annual General Meeting held on April 22, 2010, and paid on May 6, 2010. In addition, the Annual General Meeting appointed all newly elected shareholder representatives to the Supervisory Board of Austrian Post.

Georg Pölzl
Chairman of the Management Board

Rudolf Jettmar
Deputy Chairman of the Management Board

Herbert Götz
Member of the Management Board

Walter Hitziger
Member of the Management Board

Carl-Gerold Mende
Member of the Management Board

Business development in the first quarter 2010

Economic and market environment

Following a GDP decline of 3.6% in Austria in 2009, the economic situation in Austria has stabilised, based on merchandise exports and the production of physical goods. An upward trend is perceptible, but the investments made by companies will have to increase once again as the basis for stronger and sustainable growth. Consumer demand on the part of private households strengthened the economy during the recession. Consumption rose slightly but steadily, supported by high real salary increases and tax cuts.

The Austrian economy is expected to expand slightly in 2010 by 1.3%, according to forecasts made by the Austrian Institute of Economic Studies (WIFO) and the Institute for Advanced Studies (IHS). The latest forecast for Germany predicts a 1.4% growth rate in 2010 (IHS). Economic growth forecasts for countries in South East and Eastern Europe vary considerably: Slovakia +3.1%, Hungary –0.1%, Croatia –1.0%, Serbia –0.5% and Bosnia-Herzegovina –1.0% (Unicredit CEE Quarterly).

Letter mail and parcel volumes are also partially linked to overall market developments and consumer behaviour. Another fundamental trend is the electronic substitution of letters, which is continuing uninterruptedly and negatively affects all postal companies.

The total volume of direct mail items depends on advertising expenditures of companies. According to the quarterly forecast published by Zenith Optimedia, investments in advertising are only expected to recover very slowly in Western Europe and North America. Advertising expenditures are forecast to grow by 0.4% in Western Europe, in contrast to a 1.4% decline in Germany.

The parcel and logistics market is showing an upward trend in transport volumes, driven by steady international trade and the general increase in Internet sales.

Changes in the consolidation scope

In the first quarter of 2010, the consolidation scope was expanded to include two companies in the Mail Division, feibra West GmbH (Austria) and Post d.o.o. za usluge (Croatia), as well as LogIn Service d.o.o. (Bosnia-Herzegovina) in the Parcel & Logistics Division. All three companies were established by Austrian Post. ThermoMed Life Sciences GmbH & Co KG was integrated into trans-o-flex ThermoMed GmbH & Co KG.

Business development – earnings

The business development of Austrian Post in the first quarter of 2010 was shaped by the ongoing difficult market environment. The electronic substitution of letter mail along with the revenue and structural transformation taking place in the Branch Network Division had a negative impact, whereas a positive volume development was evident in the Parcel & Logistics Division. Accordingly, total revenue of Austrian Post during the first quarter of the 2010 financial year fell by 1.6%, or EUR 9.5m, to EUR 585.6m.

In the first three months, revenue of the Mail Division was down 1.4% in a year-on-year comparison, although the Infomail and Media Post Business Areas posted gains. The most striking trend remains the electronic substitution of letters, which was counteracted by numerous elections (postal voting) and the increased dispatching of passports in the first quarter of 2010. In addition to these one-off effects, the Infomail Business Area profited from growing demand on the part of the advertising industry.

Revenue of the Parcel & Logistics Division climbed 2.6%. The volume increase in Austrian Post's core business segments was gratifying, and unprofitable transport logistics operations were terminated. The Company generated a marked rise in revenue in Austria and in South East and Eastern Europe.

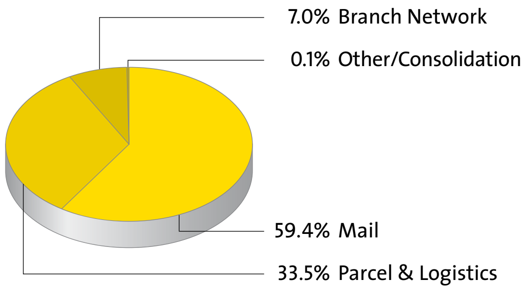
The revenue and organisational structure of the Branch Network Division is undergoing change. External sales decreased by EUR 9.8m, total costs were reduced by EUR 11.7m. The changed reporting of revenue derived from sales of prepaid phone cards based on the new Austrian VAT regulations also contributed to the revenue decline to the amount of EUR 2.7m. Internal sales were down 8.2% due to the increasing collection of letters and parcels directly from customers.

Revenue by division[1]

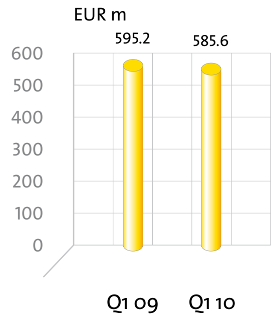
EUR m	Q1 2009	Q1 2010	Change %	Change EUR m	Structure Q1 2010
Total revenue (external sales)	**595.2**	**585.6**	**–1.6%**	**–9.5**	**100.0%**
Mail	353.0	348.2	–1.4%	–4.8	59.4%
Parcel & Logistics	190.9	195.9	2.6%	5.0	33.5%
Branch Network	50.7	40.9	–19.2%	–9.8	7.0%
Other	1.8	1.3	–24.2%	–0.4	0.2%
Consolidation	–1.1	–0.7	37.9%	0.4	–0.1%
Working days in Austria[2]	62	62	–	–	–

[1] External sales of the division
[2] Calendar working days

Revenue by division (%)



Revenue



Income statement

EUR m	Q1 2009	Q1 2010	Change %	Change EUR m	Structure Q1 2010
Revenue	**595.2**	**585.6**	**–1.6%**	**–9.5**	**100.0%**
Other operating income	16.6	17.7	6.3%	1.0	3.0%
Raw materials, consumables and services used	–186.5	–181.2	2.8%	5.3	30.9%
Staff costs	–289.9	–287.8	0.7%	2.1	49.1%
Other operating expenses	–67.8	–66.1	2.4%	1.7	11.3%
Share of profit/loss of associates	4.6	0.2	–	–4.4	0.0%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**72.2**	**68.3**	**–5.4%**	**–3.9**	**11.7%**
Depreciation, amortisation and impairment losses	–24.5	–23.0	5.9%	1.4	3.9%
Earnings before interest and tax (EBIT)	**47.8**	**45.3**	**–5.1%**	**–2.4**	**7.7%**
Other financial result	0.7	–1.9	–	–2.6	0.3%
Earnings before tax (EBT)	**48.4**	**43.4**	**–10.5%**	**–5.1**	**7.4%**
Income tax	–14.7	–9.9	32.6%	4.8	1.7%
Profit after tax = profit for the period	**33.7**	**33.4**	**–0.8%**	**–0.3**	**5.7%**
Earnings per share (EUR)	0.50	0.49	–0.8%	–	–

Efficiency enhancement measures continue to be the top priority of Austrian Post as a means of counteracting the EUR 9.5m decrease in revenue. A series of measures were already initiated in 2009, which are contributing to a sustainable improvement in the Company's cost structure.

Staff costs comprise the largest operating expense item of Austrian Post, accounting for close to 50% of total revenue. In the first three months of 2010, total staff costs were reduced by 0.7%, to EUR 287.8m. A major contribution to this reduction was made by employee dismissals. The total workforce decreased by 912 employees at a year-on-year comparison, to 25,100 people.

Direct personnel expenditures were reduced by about EUR 10m. Austrian Post had to increase the allocation of staff-related provisions, totalled EUR 7.1m, for employees transferring to the Austrian federal government and for those who accepted a voluntary social plan putting them on temporary leave until they reach retirement age.

Savings in operating costs were realised in the cost of raw materials, consumables and services used as well as other operating expenses. On balance, these net cost reductions in the first three months of 2010 amounted to EUR 7.0m compared to the preceding year. The changed reporting of prepaid phone cards in the financial statements of Austrian Post resulted in a reduction of EUR 2.7m. Further savings were achieved in the cost of retail products sold by the branch network and energy, fuel and heating costs, along with reduced consulting and communications expenditures.

Other operating income rose slightly to EUR 17.7m during the period under review, including income from rents and leases totalling EUR 5.8m.

EBITDA by division

EUR m	Q1 2009	Q1 2010	Change %	Change EUR m
Total EBITDA	**72.2**	**68.3**	**–5.4%**	**–3.9**
Mail	71.2	72.7	2.0%	1.4
Parcel & Logistics	7.1	10.1	41.2%	2.9
Branch Network	1.6	–0.8	–	–2.3
Other	–7.7	–13.6	–77.1%	–5.9

Earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post amounted to EUR 68.3m in the first three months of 2010, a drop of 5.4% from the prior-year level. Accordingly, the EBITDA margin was 11.7%.

In the same period, depreciation, amortisation and impairment losses of Austrian Post decreased by 5.9%, to EUR 23.0m. No impairment losses were recognised in the first quarter of 2010.

EBIT by division

EUR m	Q1 2009	Q1 2010	Change %	Change EUR m
Total EBIT	**47.8**	**45.3**	**–5.1%**	**–2.4**
Mail	63.1	64.9	2.7%	1.7
Parcel & Logistics	0.7	4.1	–	3.4
Branch Network	0.2	–2.1	–	–2.3
Other	–16.2	–21.5	–33.0%	–5.3

In the first quarter of 2010, earnings before interest and tax (EBIT) of Austrian Post were down 5.1% or EUR 2.4m, totalling EUR 45.3m, which is the result of the decreased revenue and the above-mentioned cost savings.

This year-over-year decline can be attributed to a positive one-off effect in the comparable period of the previous year. In the first quarter of 2009, proceeds derived from the sale of a 49.8% stake in Mader Zeitschriftenverlags GmbH totalled EUR 4.4m.

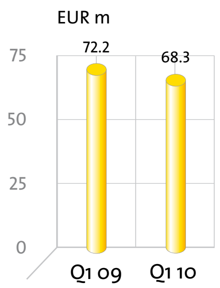
The Mail Division generated an EBIT of EUR 64.9m in the first quarter of 2010 (increase of EUR 1.7m versus Q1 2009), whereas EBIT at the Parcel & Logistics Division amounted to EUR 4.1m (increase of EUR 3.4m), and the Branch Network Division posted an EBIT of minus EUR 2.1m (decrease of EUR 2.3m). EBIT also fell in the Other/Consolidation segment, which encompasses, amongst other items, non-allocated costs for central departments, expenses in connection with unused properties and for the employee social plan as well as the change in staff-related provisions.

The provisions allocated for employees who accepted the voluntary social plan putting them on temporary leave until they reach retirement rose by EUR 3.6m. The provision for employee under-utilisation was increased by EUR 3.5m for employees transferring to the Austrian federal government. EBIT of the Other segment was down by EUR 5.3m year-on-year to minus EUR 21.5m.

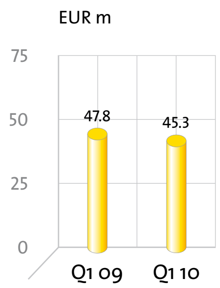
The financial result of Austrian Post declined to minus EUR 1.9m in the first three months of 2010, which is related, amongst other factors, to lower interest rates.

Accordingly, earnings before tax fell by EUR 5.1m to EUR 43.4m. After deducting income taxes totalling EUR 9.9m, the Group net profit (profit after tax for the period) amounted to EUR 33.4m, corresponding to earnings of EUR 0.49 per share for the first quarter of the 2010 financial year, compared to EUR 0.50 per share in the first quarter of 2009.

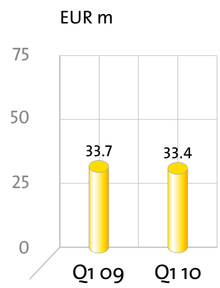
EBITDA



EBIT



Profit for the period



Assets and finances

Balance sheet structure by terms

EUR m	Dec. 31, 2009	March 31, 2010	Structure March 31, 2010
Assets			
Non-current assets	1,141.3	1,135.0	63.3%
thereof other financial assets and financial investments in securities	97.9	98.9	5.5%
Current assets	634.0	657.0	36.7%
thereof cash and cash equivalents	293.8	321.5	17.9%
	1,775.3	**1,792.0**	**100.0%**
Equity and liabilities			
Capital and reserves	673.7	708.5	39.5%
Non-current liabilities	514.0	510.6	28.5%
thereof provisions	453.4	454.8	25.4%
Current liabilities	587.6	572.9	32.0%
thereof provisions	150.9	145.0	8.1%
	1,775.3	**1,792.0**	**100.0%**

Austrian Post takes a risk-averse business approach. This is demonstrated by its high equity ratio, the relatively low level of financial liabilities and the high amount of cash and cash equivalents.

Non-current assets comprise the largest share of the balance sheet total, accounting for 63.3% of the total assets of EUR 1,792.0m, or EUR 1,135.0m. The largest non-current asset items are property, plant and equipment at EUR 687.0m, as well as financial investments in securities and other financial investments totalling EUR 98.9m. The principal current asset items are cash and cash equivalents at EUR 321.5m and receivables, at EUR 310.8m.

On the equity and liabilities side, the balance sheet total is comprised of equity capital and reserves (39.5%), non-current liabilities (28.5%) and current liabilities (32.0%). Non-current liabilities of EUR 510.6m largely consist of provisions totalling EUR 454.8m, of which the provision for employee under-utilisation amounting to EUR 288.3m in the first quarter of 2010 (EUR 285.6m at the end of 2009) included provisions of EUR 44.4m for employees transferring to the Austrian federal government. Current liabilities amounting to EUR 572.9m primarily consist of provisions and trade payables.

All in all, the analysis of the balance sheet of Austrian Post shows a considerable level of current and non-current financial resources. Austrian Post had cash and cash equivalents of EUR 321.5m as at March 31, 2009, and financial investments in securities amounting to EUR 57.8m. Accordingly, the financial resources at the disposal of Austrian Post in the first quarter of 2010 rose from EUR 350.5m at the end of 2009 to EUR 379.3m at the end of March 2010. As opposed to the total financial resources of Austrian Post, financial liabilities only amount to EUR 125.6m.

Cash flow

EUR m	Q1 2009	Q1 2010
Operating cash flow before changes in working capital	**57.3**	**50.8**
± Changes in working capital	–26.8	–12.0
Cash flow from operating activities	**30.5**	**38.8**
± Cash flow from investing activities	–32.3	–8.7
thereof sale/disposal of securities	–24.7	0.0
Free cash flow	**–1.8**	**30.1**
Free cash flow before the acquisition/disposal of securities	**22.9**	**30.1**

Operating cash flow before changes in working capital amounted to EUR 50.8m in the first quarter of 2010, a drop of EUR 6.5m from 2009. This decline is primarily due to the year-on-year increase in income taxes paid. The operating cash flow before taxes at EUR 66.9m was at the same level as in the previous year.

The cash flow from changes in working capital amounted to minus EUR 12.0m in the first quarter of 2010, primarily as the result of a lower level of liabilities. On balance, the cash flow from operating activities in the first quarter of 2010 totalled EUR 38.8m, compared to EUR 30.5m in the corresponding period of 2009.

The cash flow from investing activities at minus EUR 8.7m includes the purchase of property, plant and equipment (CAPEX) amounting to EUR 10.1m, as well as proceeds from the disposal of property, plant and equipment of EUR 4.0m.

The free cash flow was EUR 30.1m. The free cash flow before the acquisition or disposal of securities totalled EUR 30.1m and thus EUR 7.2m above the previous year's level.

Capital expenditure

During the first quarter of 2010, capital expenditure at Austrian Post reached a level of EUR 10.1m. The investments were primarily directed to technical plant and machinery, office equipment, fixtures and fittings, as well as prepayments in the Group subsidiaries trans-o-flex, ThermoMed, meiller and SPS. Capital expenditure in Austria mainly related to construction measures.

Employees

During the period under review, the average number of full-time employees at Austrian Post fell by 3.5%, or 912 people, to 25,100. This decline can be primarily attributed to the lower number of employees working for the Mail and Branch Network Divisions and in the Other segment.

Most of the Group's labour force is employed by the parent company, Österreichische Post AG (20,847 full-time equivalent employees). More than 4,000 employees are employed by subsidiaries.

Employees by division[1]

	Q1 2009	Q1 2010	Structure
Mail	15,141	14,808	59.0%
Parcel & Logistics	4,000	4,013	16.0%
Branch Network	4,748	4,425	17.6%
Other	2,123	1,854	7.4%
Total	**26,012**	**25,100**	**100.0%**

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

Main risks and uncertainties

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

The main risks and uncertainties which Austrian Post faces, such as the structure of employment contracts, technical, regulatory and legal risks, financial as well as market and competitive risks as well as information on the internal controlling system and risk management with regard to the accounting process are described in detail in the Annual Report 2009 of Austrian Post (83–89 and 138–141).

On the basis of the defined risks, there are also uncertainties for the remaining nine months of the current financial year. Projected mail volumes in the Mail Division and in the Parcel & Logistics Division are subject to seasonal fluctuations and depend on the economic development of the respective customer segments. Unfavourable economic conditions faced by customers of Austrian Post have negative effects on the development of letter mail and parcel volumes. Furthermore, a depressed economic environment can also have an impact on the Group's competitive position and thus the attainable prices for postal services. Moreover, conventional letter mail is being increasingly replaced by e-mail or other electronic media. The trend towards the electronic substitution of letters and particularly towards the electronic delivery of mail items is being accelerated by the current economic crisis and will continue in future.

In addition, particularly in a difficult market environment, Austrian Post is affected by the potential loss of business suffered by its customers. Earnings from financial services in the Branch Network Division are strongly dependent on the market success of Austrian Post's banking partner BAWAG P.S.K. Similarly, earnings from telecommunications products are closely linked to the product development success of Austrian Post's cooperation partner Telekom Austria. As a logistics company, Austrian Post is fundamentally subject to the risk of rising costs related to higher transport and fuel prices.

All the above-mentioned risks could lead to a considerable decline in overall volumes and thus negatively impact earnings.

Outlook for 2010

Developments in the first three months of 2010 confirm the original outlook for 2010 as a whole.

In 2010, Austrian Post anticipates an ongoing revenue decline in the Mail Division, primarily attributable to electronic substitution. A contraction of between 3% and 5% would seem to be a realistic estimate based on international experience. In the Parcel & Logistics Division, parcel revenue is expected to improve in the course of the year, according to current economic forecasts. On the basis of these assumptions, Austrian Post continues to predict a Group revenue decrease of between 1% and 2% in 2010 compared to 2009.

However, a series of strategic targets and operational measures have been defined in order to take advantage of growth opportunities to drive sales and realise cost savings. The goal is to sustainably reduce overall costs, maintain the high level of profitability and achieve a continued EBITDA margin of 10–12% annually, also in 2010.

With regard to the expected financing requirements for 2010, Austrian Post anticipates total capital expenditure to reach a level of about EUR 80m. The priority in Austrian Post's international business will be to further integrate and expand existing networks, and to improve the operating results of its subsidiaries, which are expected to generate a sustained earnings contribution starting in 2010.

Significant events after the interim reporting period

In line with the proposal made by the Management Board and the Supervisory Board, the Annual General Meeting held on April 22, 2010, resolved to pay a dividend of EUR 1.50 per share (EUR 101.3m in total). The dividend payment day was May 6, 2010.

Performance of divisions

Mail Division

EUR m	Q1 2009	Q1 2010	Change %	Change EUR m
External sales	**353.0**	**348.2**	**–1.4%**	**–4.8**
Letter Mail	193.5	186.8	–3.5%	–6.7
Infomail	126.1	127.8	1.3%	1.7
Media Post	33.4	33.6	0.7%	0.2
Internal sales	10.9	13.1	19.6%	2.1
Total revenue	363.9	361.3	–0.7%	–2.6
EBITDA	**71.2**	**72.7**	**2.0%**	**1.4**
Depreciation, amortisation and impairment losses	–8.1	–7.8	3.9%	0.3
EBIT	**63.1**	**64.9**	**2.7%**	**1.7**
EBITDA margin[1]	19.6%	20.1%	–	–
EBIT margin[1]	17.3%	18.0%	–	–
Employees[2]	15,141	14,808	–2.2%	–333

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

External sales of the Mail Division fell 1.4% in the first quarter of 2010 from the comparable period of 2009, to EUR 348.2m. This development is mainly related to the ongoing substitution of letters by electronic media. This downward trend was counteracted by positive one-off effects in the first quarter of 2010, such as municipal council elections in four federal provinces, Austrian Federal Economic Chamber elections and a referendum held in Vienna, as well as the seasonal increase in the number of passports being mailed.

Revenue generated by the Letter Mail Business Area in the current financial year was down by 3.5%, or EUR 6.7m. The unfavourable cyclical situation has led many companies to implement cost saving measures. Accordingly, the trend towards the substitution of letters by electronic media is continuing, for example in the customer segments of financial services and telecommunications. A decline was also evident in the public sector, which cut back on the number of registered letters it posted. In contrast, numerous elections and the related possibility of casting absentee ballots had positive one-off effects on first-quarter mail volumes.

In the first quarter of 2010, the revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail items) rose by 1.3%, or EUR 1.7m, compared to the low prior-year level. This can be attributed to the good volume development on the part of many customers in Austria as well as at Austrian Post's international subsidiaries.

Revenue of the Media Post Business Area increased by 0.7%, to EUR 33.6m, based on the growing business volume generated by company magazines.

On balance, the Mail Division posted an EBIT of EUR 64.9m, a rise of 2.7%, or EUR 1.7m, from the comparable period of the previous year. This earnings improvement is primarily related to efficiency increases: operating expenses and staff costs were reduced.

Parcel & Logistics Division

EUR m	Q1 2009	Q1 2010	Change %	Change EUR m
External sales	**190.9**	**195.9**	**2.6%**	**5.0**
Internal sales	6.4	6.0	–6.4%	–0.4
Total revenue	197.3	201.9	2.3%	4.6
EBITDA	**7.1**	**10.1**	**41.2%**	**2.9**
Depreciation, amortisation and impairment losses	–6.4	–6.0	7.1%	0.5
EBIT	**0.7**	**4.1**	**–**	**3.4**
EBITDA margin[1]	3.6%	5.0%	–	–
EBIT margin[1]	0.4%	2.0%	–	–
Employees[2]	4,000	4,013	0.3%	13

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

In the first quarter of 2010, external sales of the Parcel & Logistics Division climbed by 2.6%, to EUR 195.9m as a consequence of the positive volume development. The parcel and logistics market showed an overall trend towards volume growth in the first three months of 2010, although price pressure continued.

The premium parcel product segment (parcel delivery within 24 hours) generated total revenue of EUR 153.2m in the first quarter. The revenue decline by 4%, or EUR 6.4m, is primarily due to the termination of loss-making transport logistics operations in Germany (revenue of about EUR 10m in Q1 2009) in the meantime. Adjusted revenue in this German product segment actually rose 7% year-on-year. The subsidiary trans-o-flex in Germany accounts for 74% of premium parcel revenue, followed by the Netherlands and Belgium with a share of 7%. Austria (10% share of premium parcel revenue) and South East and Eastern Europe (9% share of premium parcel revenue) also registered a positive volume development.

Revenue of the standard parcels segment in Austria developed more gratifyingly, rising by around 30%, to EUR 40.2m. The main reasons for this positive development were organic growth, the increased mail order business since June 2009 as well as parcel volumes shifted from the premium to the standard segment.

EBIT of the Parcel & Logistics Division in the first quarter of 2010 amounted to EUR 4.1m, an increase of EUR 3.4m from the comparable level of the previous year. These results can be attributed to the higher revenue combined with improved cost efficiency. Subsidiaries also generated a positive earnings contribution.

Branch Network Division

EUR m	Q1 2009	Q1 2010	Change %	Change EUR m
External sales	**50.7**	**40.9[1]**	**–19.2%**	**–9.8**
Internal sales	47.5	43.6	–8.2%	–3.9
Total revenue	98.1	84.5[1]	–13.9%	–13.6
EBITDA	**1.6**	**–0.8**	**–**	**–2.3**
Depreciation, amortisation and impairment losses	–1.4	–1.3	4.3%	0.1
EBIT	**0.2**	**–2.1**	**–**	**–2.3**
EBITDA margin[2]	1.6%	–0.9%	–	–
EBIT margin[2]	0.2%	–2.5%	–	–
Employees[3]	4,748	4,425	–6.8%	–323

[1] Decline includes EUR 2.7m related to changed reporting of revenue as of 2010
[2] Relative to total revenue
[3] Average for the period, full-time equivalents

The organisation of the branch network is undergoing change, which impacts sales as well as the cost structure. External sales fell by EUR 9.8m, total costs were reduced by EUR 11.7m. A decline of EUR 2.7m is due to the changed reporting of revenue from prepaid phone cards as the result of new Austrian VAT regulations. During the 2009 financial year, the nominal value of prepaid phone cards was still recognised as revenue, whereas the related costs of the goods sold were reported as raw materials, consumables and services used. Since January 1, 2010, only the commission derived from prepaid phone card sales is recognised. Moreover, sales of retail products declined in the first quarter. In particular, telecommunications products in the field of mobile telephony are subject to increasing market saturation. Financial services and the related commissions earned also showed a downward trend, which is attributable to reduced margins and the current low interest rate environment.

Internal sales decreased further by 8.2%. There has been a fundamental reduction in the volume of letters and parcels posted and subsequently transported by the branch network. Moreover, letters are increasingly collected directly from customers prior to market liberalisation. The service and the cost stucture of the branch network will be constantly improved.

Unprofitable company-operated branches in Austria are being converted by Austrian Post into partner-operated postal service points.

Following long delays linked to procedural regulations in implementing the new Postal Market Act, public authorities formally approved the conversion of a further 59 post offices as at the end of April 2010. The conversion of 123 additional company-operated branches is in preparation.

EBIT of the Branch Network Division amounted to minus EUR 2.1m in the first quarter of 2010, down from minus EUR 0.2m in the comparable period of 2009. The planned structural improvement programme and the related savings will be realised in future.

Georg Pölzl
Chairman of the Management Board

Rudolf Jettmar
Deputy Chairman of the Management Board

Herbert Götz
Member of the Management Board

Walter Hitziger
Member of the Management Board

Carl-Gerold Mende
Member of the Management Board

IFRS consolidated interim financial statements

Consolidated income statement

EUR m	Q1 2009	Q1 2010
Revenue	595.2	585.6
Other operating income	16.6	17.7
Total operating income	611.8	603.3
Raw materials, consumables and services used	–186.5	–181.2
Staff costs	–289.9	–287.8
Depreciation, amortisation and impairment losses	–24.5	–23.0
Other operating expenses	–67.8	–66.1
Total operating expenses	–568.6	–558.2
Profit from operations	**43.2**	**45.2**
Share of profit/loss of associates	4.6	0.2
Other financial result	0.7	–1.9
Total financial result	**5.3**	**–1.8**
Profit before tax	**48.4**	**43.4**
Income tax	–14.7	–9.9
Profit for the period	**33.7**	**33.4**
Attributable to equity holders of the parent company	33.7	33.4
EUR		
Basic earnings per share	**0.50**	**0.49**
Diluted earnings per share	**0.50**	**0.49**
EUR m		
Profit from operations	43.2	45.2
Share of profit/loss of associates	4.6	0.2
Earnings before interest and tax (EBIT)	**47.8**	**45.3**

Statement of comprehensive income

EUR m	Q1 2009	Q1 2010
Profit for the period	**33.7**	**33.4**
Currency translation differences	–1.2	0.1
Revaluation of financial instruments held for sale	–2.3	1.1
Deferred taxes	0.6	–0.3
Revaluation of financial instruments hedging transactions	0.2	0.6
Deferred taxes	–0.1	–0.2
Other comprehensive income	**–2.8**	**1.3**
Total comprehensive income	**30.9**	**34.8**
Attributable to equity holders of the parent company	30.9	34.8

Consolidated balance sheet

EUR m	Dec. 31, 2009	March 31, 2010
Assets		
Non-current assets		
Goodwill	181.8	181.8
Intangible assets	66.7	67.9
Property, plant and equipment	695.7	687.0
Investment property	37.0	36.2
Investments in associates	8.3	8.3
Financial investments in securities	56.5	57.6
Other financial assets	41.4	41.4
Receivables	10.5	12.1
Deferred tax assets	43.2	42.8
	1,141.3	**1,135.0**
Current assets		
Financial investments in securities	0.2	0.2
Inventories	22.3	24.4
Receivables	317.7	310.8
Cash and cash equivalents	293.8	321.5
	634.0	**657.0**
	1,775.3	**1,792.0**
Equity and liabilities		
Capital and reserves		
Share capital	337.8	337.8
Capital reserves	130.5	130.5
Revenue reserves	128.2	207.9
Revaluation of financial instruments	–2.6	–1.4
Currency translation reserves	0.2	0.3
Profit for the period	79.7	33.4
	673.7	**708.5**
Non-current liabilities		
Provisions	453.4	454.8
Financial liabilities	32.3	27.7
Payables	12.8	13.1
Deferred tax liabilities	15.4	15.0
	514.0	**510.6**
Current liabilities		
Provisions	117.0	120.6
Tax provisions	33.9	24.4
Financial liabilities	94.5	97.9
Payables	342.1	330.0
	587.6	**572.9**
	1,775.3	**1,792.0**

Consolidated cash flow statement

EUR m	Q1 2009	Q1 2010
Operating activities		
Profit before tax	48.4	43.4
Depreciation, amortisation and impairment losses	24.5	23.0
Write-downs, write-ups of financial assets	–1.0	–0.1
Share of profit/loss of associates	–4.6	–0.2
Non-current provisions	1.8	1.4
Gain/loss on disposal of non-current assets	–0.1	–0.3
Taxes paid	–9.6	–16.1
Net interest received/paid	–2.0	0.1
Currency translation	–0.2	–0.4
Operating cash flow before changes in working capital	**57.3**	**50.8**
Changes in working capital		
Receivables	–12.7	3.0
Inventories	–0.4	–2.1
Payables	–11.2	–16.5
Current provisions	–2.5	3.5
Cash flow from changes in working capital	**–26.8**	**–12.0**
Cash flow from operating activities	**30.5**	**38.8**
Investing activities		
Purchase of intangible assets	–0.6	–2.2
Purchase of property, plant and equipment	–14.9	–10.1
Acquisition of subsidiaries	–2.4	–1.0
Disposal of associates	6.6	–0.3
Acquisition of financial investments in securities	–24.7	0.0
Proceeds from the sale of non-current assets	0.7	4.0
Dividends received from associates	0.1	0.2
Interest received	3.0	0.8
Cash flow from investing activities	**–32.3**	**–8.7**
Free cash flow	**–1.8**	**30.1**
Financing activities		
Changes in financial liabilities	–4.3	–1.4
Interest paid	–1.0	–0.9
Cash flow from financing activities	**–5.2**	**–2.3**
Net change in cash and cash equivalents	**–7.1**	**27.7**
Cash and cash equivalents at January 1	248.1	293.8
Cash and cash equivalents at March 31	**241.1**	**321.5**

Segment reporting

Business segments (divisions)

EUR m	Mail	Parcel & Logistics	Branch Network	Other	Consolidation	Group
Q1 2009						
External sales	353.0	190.9	50.7	1.8	–1.1	595.2
Internal sales	10.9	6.4	47.5	41.8	–106.6	0.0
Total revenue	**363.9**	**197.3**	**98.1**	**43.6**	**–107.8**	**595.2**
Other operating income	1.3	4.9	1.4	8.8	0.2	16.6
Total operating income	365.2	202.2	99.5	52.4	–107.6	611.8
Total operating expenses (excl. depreciation, amortisation and impairment losses)	–298.4	–195.1	–97.9	–60.4	107.5	–544.2
Share of profit/loss of associates	4.4	0.0	0.0	0.2	0.0	4.6
EBITDA	**71.2**	**7.1**	**1.6**	**–7.7**	**0.0**	**72.2**
Depreciation, amortisation and impairment losses	–8.1	–6.4	–1.4	–8.5	0.0	–24.5
Thereof: impairment losses	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**63.1**	**0.7**	**0.2**	**–16.2**	**0.0**	**47.8**
Segment assets	445.3	518.2	52.3	413.3	–0.6	1,428.6
Investments in associates	4.6	0.0	0.0	0.5	0.0	5.1
Segment liabilities	320.4	184.5	78.4	344.5	–1.5	926.3
Segment investments	6.4	6.1	0.3	3.3	0.0	16.2
Employees[1]	15,141	4,000	4,748	2,123	0	26,012

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

Business segments (divisions)

EUR m	Mail	Parcel & Logistics	Branch Network	Other	Consolidation	Group
Q1 2010						
External sales	348.2	195.9	40.9	1.3	–0.7	585.6
Internal sales	13.1	6.0	43.6	41.8	–104.5	0.0
Total revenue	**361.3**	**201.9**	**84.5**	**43.1**	**–105.2**	**585.6**
Other operating income	1.1	6.5	0.9	9.4	–0.4	17.7
Total operating income	362.4	208.4	85.5	52.6	–105.5	603.3
Total operating expenses (excl. depreciation, amortisation and impairment losses)	–289.8	–198.4	–86.2	–66.3	105.5	–535.1
Share of profit/loss of associates	0.1	0.0	0.0	0.1	0.0	0.2
EBITDA	**72.7**	**10.1**	**–0.8**	**–13.6**	**0.0**	**68.3**
Depreciation, amortisation and impairment losses	–7.8	–6.0	–1.3	–7.9	0.0	–23.0
Thereof: impairment losses	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**64.9**	**4.1**	**–2.1**	**–21.5**	**0.0**	**45.3**
Segment assets	371.5	427.0	48.0	473.3	–0.7	1,319.1
Investments in associates	8.0	0.0	0.0	0.4	0.0	8.3
Segment liabilities	307.5	105.1	75.4	427.4	–1.1	914.4
Segment investments	5.9	6.5	0.3	2.0	0.0	14.7
Employees[1]	14,808	4,013	4,425	1,854	0	25,100

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

Geographical segments

EUR m	Austria		Germany		Other countries		Group	
Q1	2009	2010	2009	2010	2009	2010	2009	2010
External sales	418.4	410.7	144.1	139.6	32.7	35.3	595.2	585.6
Segment assets	1,004.8	905.1	323.2	311.7	100.7	102.2	1,428.6	1,319.1
Segment investments	7.4	6.8	2.6	5.8	6.2	2.1	16.2	14.7

Consolidated statement of changes in equity

EUR m Q1 2009	Share capital	Treasury shares	Capital reserves	Revenue reserves	Revaluation of financial instruments: Held for sale	Revaluation of financial instruments: Hedging	Currency translation reserves	Profit for the period	Total	Minority interest	Con-solidated equity
Balance at January 1, 2009	**350.0**	**–12.2**	**130.5**	**178.2**	**–20.4**	**–4.2**	**0.7**	**118.9**	**741.5**	**0.0**	**741.5**
Change in reserves				118.9				–118.9	0.0		0.0
Profit for the period								33.7	33.7		33.7
Other comprehensive income					–1.7	0.1	–1.2		–2.8		–2.8
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**–1.7**	**0.1**	**–1.2**	**33.7**	**30.9**	**0.0**	**30.9**
Balance at March 31, 2009	**350.0**	**–12.2**	**130.5**	**297.1**	**–22.1**	**–4.0**	**–0.5**	**33.7**	**772.4**	**0.0**	**772.4**

EUR m Q1 2010	Share capital	Treasury shares	Capital reserves	Revenue reserves	Revaluation of financial instruments: Held for sale	Revaluation of financial instruments: Hedging	Currency translation reserves	Profit for the period	Total	Minority interest	Con-solidated equity
Balance at January 1, 2010	**337.8**	**0.0**	**130.5**	**128.2**	**–3.0**	**0.3**	**0.2**	**79.7**	**673.7**	**0.0**	**673.7**
Change in reserves				79.7				–79.7	0.0		0.0
Profit for the period								33.4	33.4		33.4
Other comprehensive income					0.8	0.5	0.1		1.3		1.3
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**	**0.5**	**0.1**	**33.4**	**34.8**	**0.0**	**34.8**
Balance at March 31, 2010	**337.8**	**0.0**	**130.5**	**207.9**	**–2.2**	**0.8**	**0.3**	**33.4**	**708.5**	**0.0**	**708.5**

Notes

1. Basis of preparation

The interim consolidated financial statements of Austrian Post as at March 31, 2010 were prepared in accordance with the binding International Financial Reporting Standards (IFRS) valid as at March 31, 2010, as issued by the International Accounting Standard Board (IASB) and adopted by the European Union. These interim consolidated financial statements correspond to the valid and applicable IFRS as at March 31, 2010, as published by the IASB.

The accounting and valuation methods as well as the explanations and notes to the financial statements are fundamentally based on the same accounting and valuation methods underlying the consolidated financial statements for the 2009 financial year.

In the first quarter of 2010, the following new or revised standards and interpretations were binding for the first time:

New and revised standards and interpretations		Effective date[1]
IFRS 1	Additional Exemptions for First-Time Adoption of IFRS	Jan. 1, 2010
IFRS 2	Share-Based Payments	Jan. 1, 2010
IAS 32	Financial instruments: Classification of Rights Issues	Feb. 1, 2010
Other	Annual Improvements to IFRS 2009	mainly Jan. 1, 2010

[1] Applicable for accounting periods beginning on or after the above-mentioned date

The revised standards IFRS 1, IFRS 2 and IAS 32 are currently not applicable to the Austrian Post Group. The "Improvements to IFRS" do not have any material impact on the presentation of the consolidated financial statements of the Austrian Post Group.

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

For more detailed information on the applied accounting and valuation methods, refer to the consolidated financial statements for the 2009 financial year as at December 31, 2009, which serve as the basis for these current interim consolidated financial statements.

2. Consolidation

In addition to the parent company Austrian Post AG, a total of 21 domestic subsidiaries (December 31, 2009: 21) and 42 foreign subsidiaries (December 31, 2009: 41), in which the Company directly or indirectly holds a majority of the voting rights, are included in consolidation. Furthermore, five domestic companies (December 31, 2009: 5) are consolidated according to the equity method.

Changes in the consolidation scope

The following business combinations or changes in the interest held by the Group were carried out in the first quarter of 2010:

Company name	Interest		Date of	Note
	from	to	transaction	
Mail				
feibra GmbH (feibra Tirol GmbH)[1]	–	100.0%	March 1, 2010	Merger
feibra West GmbH	–	100.0%	Jan. 28, 2010	Incorporation
Post d.o.o. za usluge	–	100.0%	Jan. 8, 2010	Incorporation
Parcel & Logistics				
trans-o-flex ThermoMed GmbH & Co KG (ThermoMed Life Sciences GmbH & Co KG – formerly Rhenus Life Sciences GmbH & Co KG)[2]	–	100.0%	Feb. 1, 2010	Accretion
LogIn Service d.o.o.	–	100.0%	Jan. 7, 2010	Incorporation

[1] The Group subsidiaries listed in parentheses were merged with the initially listed Group subsidiary, and are therefore no longer included in the consolidation scope.
[2] Accretion of the company Thermomed Life Sciences GmbH & Co KG listed in parenthesis, formerly Rhenus Life Sciences GmbH & Co KG, to the limited partner due to the withdrawal of the general partner Thermomed Life Sciences Verwaltungs GmbH, formerly Rhenus Life Sciences Verwaltungs GmbH.

3. Other information

Austrian Post acquired customer relationships from redmail Logistik & Zustellservice GmbH. They relate to the delivery of unaddressed mail items in Austria, particularly advertising and free newspapers, with the exception of the federal provinces of Carinthia and Styria, as well as the delivery of addressed mail items, i.e. advertising and other types of mail.

The acquisition of customer relationships from redmail enables Austrian Post to further expand its market presence. The additional delivery volume will be handled by existing logistics structures and thus create synergy effects in postal distribution.

Related party transactions

As at March 31, 2010, there was no material change in the transactions with related parties and individuals as presented in the consolidated financial statements as at December 31, 2009.

4. Events after the end of the reporting period

All events after the end of the interim reporting period which have a material impact on the valuation and accounting of the consolidated financial statements as at the balance sheet date of March 31, 2010, such as pending litigation, claims for damages, other obligations or contingent losses, and for which IAS 10 prescribes adjustments or disclosures, have been recognised in the current consolidated financial statements.

In line with the proposal made by the Management Board and the Supervisory Board, the Annual General Meeting held on April 22, 2010, resolved to pay a dividend of EUR 1.50 per share (EUR 101.3m). The dividend payment day was May 6, 2010.

5. Negative note

The interim report of Austrian Post AG, Vienna for the first quarter of 2010 was neither audited nor subject to an auditor's review.

Vienna, May 12, 2010

The Management Board

Georg Pölzl
Chairman of the Management Board

Rudolf Jettmar
Deputy Chairman of the Management Board

Herbert Götz
Member of the Management Board

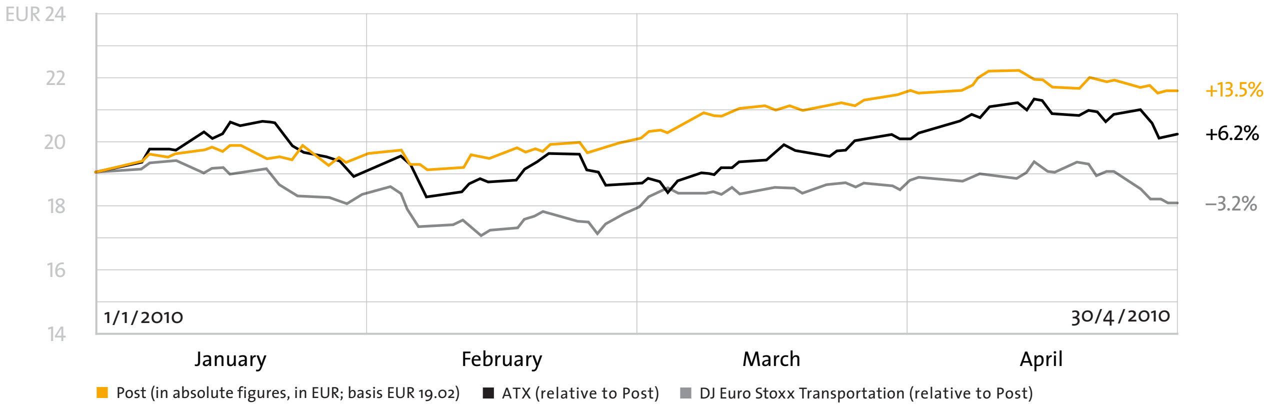
Walter Hitziger
Member of the Management Board

Carl-Gerold Mende
Member of the Management Board

Financial calendar 2010

May 20, 2010	Interim report for the first quarter 2010, for release at 7:30 – 7:40 a.m.
August 11, 2010	Half-year financial report 2010, for release at 7:30 – 7:40 a.m.
November 17, 2010	Interim report for the first three quarters 2010, for release at 7:30 – 7:40 a.m.

Development of the Post share (January 2010 – April 2010)



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We have prepared this interim report and checked the figures with the greatest possible care. Nevertheless, rounding, typographical and printing errors cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids.

This interim report also contains forward-looking assessments and statements based on the information currently available to us. These are usually indicated by expressions such as "expect", "anticipate", "estimate", "plan", or "calculate". We wish to point out that a wide variety of factors could cause actual circumstances – and hence actual results – to deviate from the forecasts contained in this report. Statements referring to people are valid for both men and women.

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

Editorial deadline: May 12, 2010

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