Annual Report 2007

Post.at

Österreichische Post AG

What does Austrian Post bring?

Everything you always wanted to know about Austrian Post.

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Austrian Post

Austrian Post at a glance

- Strong core business and attractive market positions
- Growth opportunities in Central and Eastern Europe and in niche markets in Western Europe
- Ongoing quest for improvement and greater efficiency
- High cash flow and solid balance sheet structure
- Attractive dividend policy

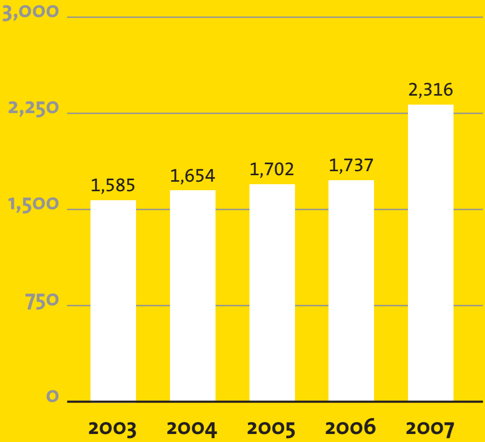
Highlights 2007

- Significant increase in Group revenue: up 33.3% to **EUR 2,315.7m**
- Successful and value enhancing acquisitions[1] in 2007
  - Weber Escal (Croatia, unaddressed direct mail)
  - Scanpoint Europe (Germany, digitalisation and administration of documents)
  - meiller direct (Germany, direct marketing services)
  - Road Parcel and Merland Expressz (Hungary, parcels)
  - Scherübl Transport (Austria, temperature-controlled specialised logistics)
  - DDS and VOP (Netherlands/Belgium, combined freight and specialised logistics)
  - ST Media (Croatia, unaddressed direct mail)
  - City Express (Serbia, parcel and express service provider)
- Acquisition of a 5% stake in the consortium acquiring the Austrian Post banking partner BAWAG PSK
- EBIT: increase by 32.0% to **EUR 162.8m**
- Operating cash flow before changes in working capital: up 5.3% to **EUR 292.4m**

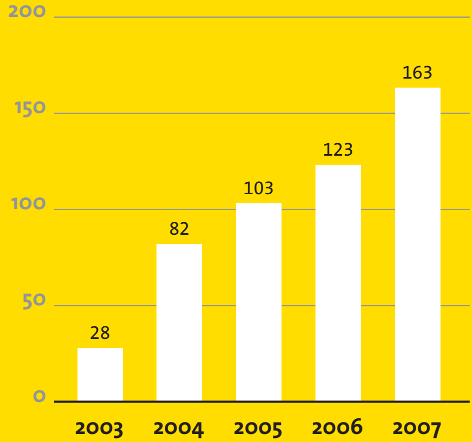
[1] Scanpoint as at January 31, 2007; meiller direct as at July 31, 2007; Road Parcel and Merland Expressz as at May 2, 2007; Scherübl Transport as at April 25, 2007; DDS and VOP as at October 1, 2007 and City Express as at November 12, 2007

Development of financial indicators

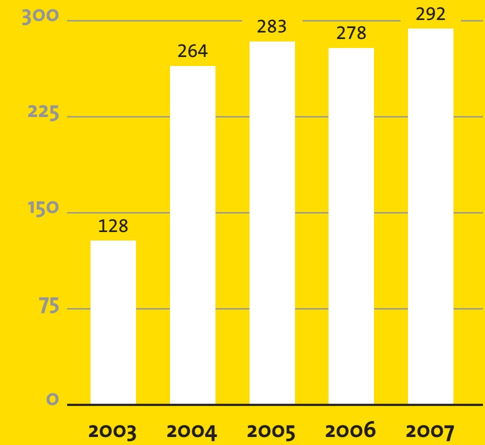
Revenue (EUR m)



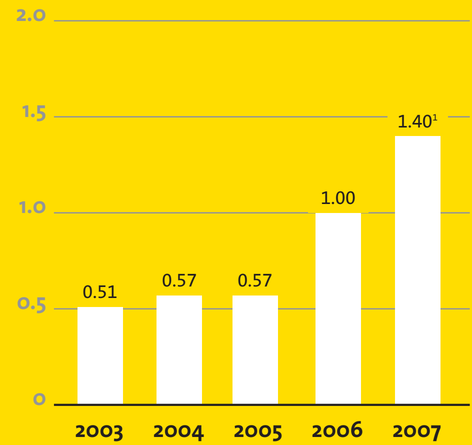
EBIT (EUR m)



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



Dividend (EUR/share)



[1] Plus a special dividend of EUR 1.00 per share

Austrian Post – key figures

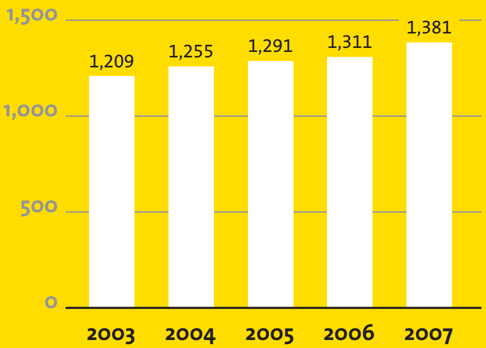
		2005	2006	2007	Change 2006/2007 in %
Income statement					
Revenue	EUR m	1,701.6	1,736.7	2,315.7	+33.3%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EUR m	223.8	231.7	292.7	+26.3%
EBITDA margin	%	13.2%	13.3%	12.6%	–
Earnings before interest and tax (EBIT)	EUR m	103.0	123.3	162.8	+32.0%
EBIT margin	%	6.1%	7.1%	7.0%	–
Earnings before tax (EBT)	EUR m	100.9	130.5	164.9	+26.3%
Profit for the period	EUR m	99.9[1]	99.8	122.6	+22.9%
Earnings per share[2]	EUR	1.43	1.43	1.75	+22.9%
Employees (average for period, full-time equivalents)		25,192	24,456	25,764	+5.3%
Cash flow					
Operating cash flow before changes in working capital	EUR m	283.1	277.6	292.4	+5.3%
Cash flow from operating activities	EUR m	298.0	238.0	295.9	+24.3%
Investment in property, plant and equipment	EUR m	73.6	63.6	96.8	+52.4%
Investment in Group holdings	EUR m	–10.3	60.1	71.9	+19.5%
Free cash flow	EUR m	205.4	95.4	153.4	+60.8%
Balance sheet					
Total assets	EUR m	1,563.0	1,901.6	2,058.6	+8.3%
Non-current assets	EUR m	997.4	1,272.9	1,361.9	+7.0%
Current assets	EUR m	542.6	614.9	694.3	+12.9%
Non-current assets held for sale	EUR m	23.0	13.8	2.4	–82.3%
Capital and reserves	EUR m	762.1	821.4	874.3	+6.4%
Non-current liabilities	EUR m	361.3	564.0	598.0	+6.0%
Current liabilities	EUR m	439.6	516.2	586.3	+13.6%
Balance sheet indicators					
Interest-bearing liabilities	EUR m	–369.1	–607.6	–711.5	+17.1%
Interest-bearing assets	EUR m	397.1	433.7	538.1	+24.1%
Net debt	EUR m	28.0	–173.9	–173.4	–0.3%
Equity ratio	%	48.8%	43.2%	42.4%	–
Return on equity (ROE)	%	13.6%	13.8%	16.3%	–
Capital employed	EUR m	694.3	935.0	992.2	+6.1%
Return on capital employed (ROCE)	%	13.8%	15.1%	16.9%	–

[1] Incl. EUR 9.8m from discontinued operations
[2] Basis of 70m shares

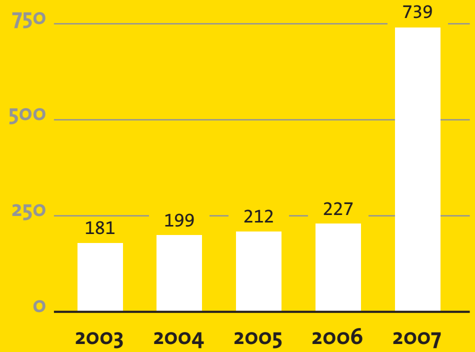
Key divisional figures

EUR m	2003	2004	2005	2006	2007	Change 2006/2007 in %
Total revenue	**1,585.2**	**1,654.4**	**1,701.6**	**1,736.7**	**2,315.7**	**+33.3%**
Mail Division	1,208.9	1,255.3	1,290.8	1,311.3	1,381.0	+5.3%
Parcel & Logistics Division	180.7	199.0	211.8	227.1	738.6	+225.3%
Branch Network Division	184.0	196.2	193.8	194.4	192.1	–1.2%
Total EBIT	**28.1**	**82.2**	**103.0**	**123.3**	**162.8**	**+32.0%**
Mail Division	112.8	235.3	268.9	271.6	274.3	+1.0%
Parcel & Logistics Division	–30.3	–16.7	10.4	20.8	12.8	–38.5%
Branch Network Division	–15.2	–10.2	8.7	11.5	13.6	+18.2%

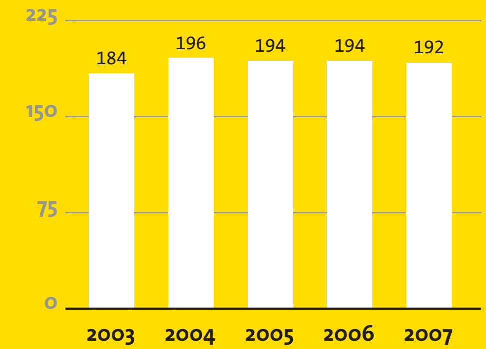
Mail Division revenue (EUR m)



Parcel & Logistics Division revenue (EUR m)



Branch Network Division revenue (EUR m)



Key Post share indicators

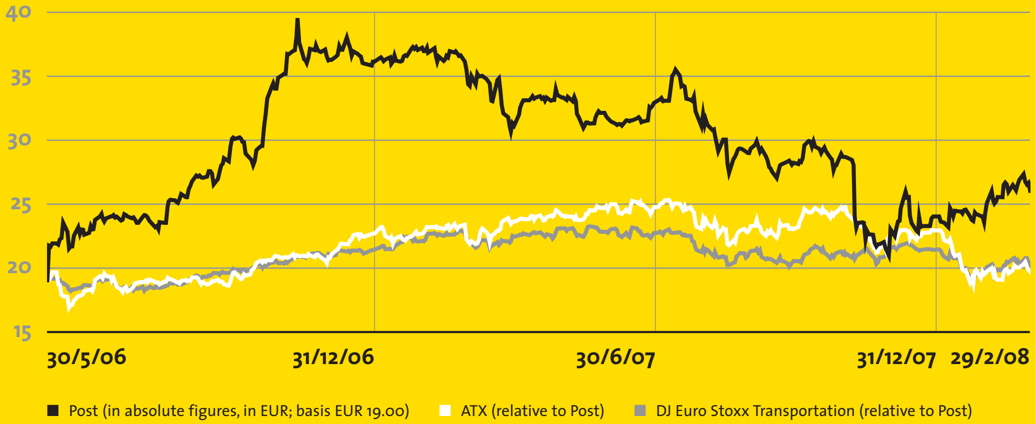
		2005	2006	2007	Change 2006/2007 in %
Post share					
Share price at the end of December	EUR	–	36.10	23.99	–33.5%
High/low (closing price)	EUR	–	39.50/21.50	37.25/20.95	–
Dividend per share (for the business year)	EUR	0.57[2]	1.00[1]	1.40[1]	+40.0%
Special dividend per share	EUR	–	–	1.00	–
Market capitalisation at the end of December	EUR m	–	2,527.0	1,679.3	–33.5%
Number of shares at the end of December	Total	10,000	70,000,000	70,000,000	–
Free float	%	0.0%	49.0%	49.0%	–

[1] Proposal to the Annual General Meeting on April 22, 2008
[2] Basis of 70m shares

Financial calendar 2008

April 22, 2008	Annual General Meeting 2008
May 6, 2008	Dividend payment day and ex-dividend day (Basic dividend EUR 1.40[1])
May 16, 2008	Results Q1 2008
August 14, 2008	Results H1 2008
September 5, 2008	Dividend payment day and ex-dividend day (Special dividend EUR 1.00[1])
November 13, 2008	Results Q1–Q3 2008

Development of the Post share



What does Austrian Post bring?

You will find 13 questions and the appropriate responses on the following 144 pages.

Strongly positioned on the market – successful in competition

Investment profile

The business model of Austrian Post is based on a strong core business and attractive market positions. Ongoing change and increased profitability are designed to meet the challenges posed by growing competition. We want to actively shape the changes taking place in the postal sector.

Particularly in **Austria**, Austrian Post has a leading market position in all business areas, which forms the cornerstone for the stable development of earnings and cash flow. Moreover, in recent years the company has also secured leading market shares in both the parcel and letter mail segments in many **neighbouring countries** through a series of acquisitions.

Since its initial listing on the stock exchange in May 2006, Austrian Post has invested about EUR 225m in acquisitions. Consequently, the stable business operations of Austrian Post on the domestic market are being complemented by attractive market shares acquired in growth markets. In the meantime, 27% of Austrian Post's total revenue is generated outside of Austria.

On the one hand, further positive development is to be ensured by developing **new products and services** for existing customers, as well as by **penetrating new markets** based on the existing portfolio of services. This goal will also be achieved by selected **acquisitions and cooperation agreements**. Austrian Post principally carries out such transactions with extreme prudence. The most important criterion defined by Austrian Post in regards to acquisitions is to achieve a return on invested capital (ROIC) before taxes of at least 12% in the third year of the integration of the new subsidiary.

In recent years, Austrian Post has clearly demonstrated its ability to undergo a far-reaching **transformation**. Productivity has been continually raised and capacities have been adapted to prevailing market conditions and customer requirements. The measures taken have led to an enormous rise in earnings. In the future, ongoing **profitability increases** and improvements in operating performance will remain the primary challenges facing Austrian Post's management.

Austrian Post boasts a sound balance sheet structure and generates high cash flows. Accordingly, the company is positioning itself on the capital market as a solid **public service and utility share with an attractive dividend policy**. This investment profile is particularly meaningful for dividend-oriented investors.

At a glance

- Strong core business and attractive market positions
- Growth opportunities in Cental and Eastern Europe, and in niche markets in Western Europe
- Ongoing quest for improvement and greater efficiency
- High cash flow and solid balance sheet structure
- Attractive dividend policy

[1] ***Can the future be predicted by looking back at the past?***

Austrian Post: a modern European postal services provider

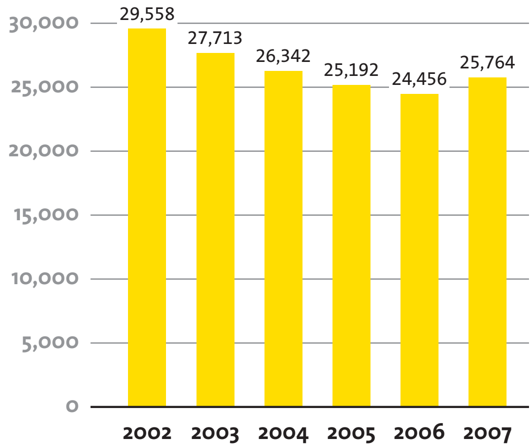
Austrian Post has emerged as a modern services provider in recent years, thanks to the implementation of numerous improvement measures. Extensive investments in the logistics network, which now ranks among the most advanced in all of Europe, combined with the persistent optimisation of internal processes, have led to a significant increase in efficiency.

The performance figures of the past few years impressively demonstrate this transformation. Austrian Post has succeeded in regularly boosting both revenue and earnings. The ongoing modernisation and optimisation drive will continue to ensure the high level of efficiency, quality and up-to-date features of Austrian Post's products and services. Profitability has been continually increased. The number of employees has continually been tailored to the company's requirements.

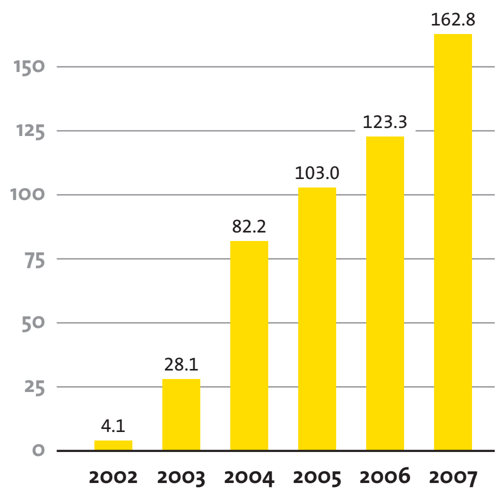
[1] *Can the future be predicted by looking back at the past?*

In the last few years, Austrian Post has managed to implement improvement measures on an ongoing basis, thus increasing productivity and continually raising profitability. We are committed to persistently pursuing the goal of increasing shareholder value.

Employees[1]



EBIT (EUR m)

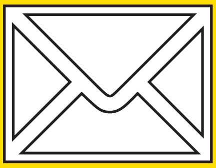


[1] Average for the period, full-time equivalents

Milestones in 2007

January	The acquisition of Weber Escal gives Austrian Post a 40% market share in Croatia's direct marketing sector. Austrian Post continues its expansion drive by acquiring a 51% shareholding in Scanpoint Europe, which specialises in the digitalisation of documents.
May	The purchase of Road Parcel Logistics Services and Merland Expressz Logistics Services enables Austrian Post to penetrate the Hungarian parcels delivery market. Austrian Post acquires a 74.7% stake in Scherübl Transport and thus the specialised know-how required for the transport of pharmaceutical products in Austria. Austrian Post purchases a 5% shareholding in the consortium acquiring BAWAG PSK.
June	Austrian Post will serve as a national sponsor of UEFA EURO 2008™.
July	Austrian Post takes over the German direct marketing service provider meiller direct.
August	The stakes acquired in Van Osselaer Pieters Colli Service (VOP) and Dediciated Distribution Services (DDS) provide the basis for Austrian Post to penetrate the parcel delivery market in Belgium and the Netherlands.
October	The use of natural gas propelled vehicles for delivering mail underlines Austrian Post's commitment to climate protection. The acquisition of ST Media represents a further important expansion step on the Croatian market for unaddressed direct mail items.
November	The takeover of City Express gives Austrian Post a foothold in the parcel delivery market of Serbia and Montenegro.
December	Following the market entry of a competitive postal service provider and the loss of market share, Austrian Post presents a three-point strategy programme to stabilise and reposition the Parcel & Logistics Division in Austria.

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 acceptance, sorting and delivery of letters, postcards, addressed and unaddressed direct mail items, newspapers and regional media. Austrian Post delivers mail each and every working day to every delivery point in Austria. This range of services is complemented by new business services along the value chain for business and advertising mail (e.g. analysis, consulting and planning, address management, production, mailroom services, intelligent scanning and response management).

Parcel & Logistics Division

The Parcel & Logistics Division is represented in Austria, Germany, Belgium, the Netherlands, Slovakia, Hungary, Serbia and Croatia by its own subsidiaries. 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, which is attributable to the availability of a nationwide infrastructure and a broad spectrum of high value services. Moreover, the Parcel & Logistics Division offers its customers Western European network access on the basis of its partnership with the EURODIS network.

Branch Network Division

The Branch Network Division operates a high performance and nationwide distribution network throughout Austria, consisting of 1,313 company operated branches and a total of 611 third-party operated outlets. The product and service portfolio primarily encompasses postal services, banking services and a broad spectrum of retail products.

Letter Mail	■ Acceptance of letter mail at approx. 25,000 postal pick-up points in Austria ■ Delivery of an average of 4.5m letters/day to 3.9m delivery points in Austria ■ Highest quality, daily, nationwide services: more than 95% of domestic letters are delivered on the next working day ■ Mailroom services for large customers
Infomail	■ Delivery of 2.6m addressed direct mail items/day in Austria ■ Delivery of 19.1m unaddressed direct mail items/day in Austria, Slovakia, Hungary and Croatia ■ Preparation of geomarketing scatter plans for addressed and unaddressed direct mail items ■ Services and related services in the field of direct marketing (address management, lettershop services, market studies)
Media Post	■ Delivery of 2.6m newspapers and magazines per day throughout Austria with the utmost reliability ■ Services and related services in the field of subscription marketing

Austria	■ 46.3m parcels in 2007 ■ 6 own sorting centres ■ 21 own delivery bases
Western Europe	■ 51.2m shipments ■ 114.6m parcels and 2.2m pallets ■ 60 depots, 8 hubs, as well as 3 warehousing locations
Central and Eastern Europe[1]	■ 9.0m shipments ■ 15.5m parcels ■ 7 hubs and 62 depots

Postal services	Handling of the products and services of the Mail Division and the Parcel & Logistics Division, and branch products (e.g. PO boxes, holiday mail holding service and franking), customer care services for SMEs and the sale of philatelic products (commemorative stamps).
Telecommunications and retail products	A broad range of telecommunications products (e.g. mobile, fixed line and Internet) as well as post-related retail products and services, such as paper, stationery, office products, IT and entertainment products (CDs, DVDs), and lottery products.
Banking services	Sale of PSK BANK banking services in the following fields: savings, accounts, loans, private retirement plans, insurance, securities and home loan savings products. ■ 1,313 company owned branches and 2 mobile post offices ensure country-wide postal service ■ 1 mobile post philatelic shop and 2 philatelic shops ■ 195 post partner offices with selected postal and financial services, operated by retailers, local businesses, but also communities and tourist boards ■ 340 postal service points, mainly at municipal offices, accept letters, parcels and payment orders, and act as pick-up points for mail ■ 76 postal pick-up points at municipal offices act as pick-up points for mail

[1] Annual figures are also provided for subsidiaries initially consolidated in the course of the year 2007.

Introduction by the Management Board

Ladies and gentlemen! Dear shareholders!

Positive business development

Austrian Post again developed extremely positively in 2007 within the context of a very challenging year. We continued our successful growth path, which already began back in 2002 with the restructuring of the company and the targeted transformation of Austrian Post into a modern and international postal services provider. Austrian Post added new impetus to its business operations in the course of 2007, serving as the basis for very gratifying successes in many areas.

The performance figures clearly prove the point. We not only demonstrated our capability to successfully operate in Austria, as a revenue and EBIT increase exceeding 30% proves, but our internationalisation efforts resulted in specific benefits to the company. In 2007, our foreign subsidiaries already accounted for 27% of total revenue. All in all, we have come close to generating an EBIT which is six times higher than in the year 2003. Accordingly, we would like to sincerely thank all the employees of the company for their contribution to the company's success.

Expansion and internationalisation

A top priority of Austrian Post in 2007 was the expansion of the Group by means of acquisitions, and the speedy integration of the new subsidiaries, which was just as important. As a result, we did more than just increase total business volumes, and show that significant growth is possible even in highly competitive markets. We also expanded our portfolio of services and our geographical outreach to make the company an even more attractive partner.

In addition to extending the value chain in the letter segment, by adding scanning services, document management and international direct marketing activities, we succeeded in more effectively positioning Austrian Post as a European player in the parcels business. In particular, we entered the niche market of health care and life sciences in Western Europe besides acquiring two Hungarian parcel services providers. The company trans-o-flex, which was acquired in 2006 and fully integrated in the company in the course of 2007, played a major role in this regard. It has already made an important contribution to Austrian Post's revenue and earnings.

As a consequence, we now operate in all the Western and South East European markets in which Austria's economy maintains close business ties. As a partner for international companies, we have laid the groundwork for organic growth in the parcel services segment, which will be further strengthened by promoting our activities in Austria's B2B segment. Thus Austrian Post has changed from a local B2C service provider to a niche player. This serves as a solid basis for Austrian Post to be an ideal cooperation partner for large international parcel service companies.

Stable letter mail business

Taking a closer look at business development in the individual divisions, the overall performance was quite gratifying. Business volume in the Mail Division remained stable in 2007, but overall it performed better than expected, once again achieving a satisfactory increase in total revenue, which rose by about 5%. A key contribution was made by the extension of our service portfolio through newly acquired subsidiaries, enabling Austrian Post to achieve desired growth along the value chain. Some examples include the acquisition of the company Scanpoint, specialising in the digitalisation of documents, but also the German direct marketing specialist meiller direct. We successfully established a foothold in the Croatian market for unaddressed direct mail items based on the acquisition of Weber Escal and ST Media in 2007.

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

Restructuring in Austria's parcel services segment
The parcels segment turned out to be a double-edged sword during the year under review. On the one hand, as mentioned above, the acquisition of several companies abroad was a favourable development. At the same time, the market entry of a competitive postal services provider in Austria led to the loss of two important customers. Naturally this was a painful thing, but also represents a major challenge. We see enormous potential in mastering this challenge. Our response was the launch of a three-point programme to reposition the Parcel & Logistics Division in Austria. This package of measures primarily designed to change the product mix and promote the B2B business, encompasses three main focal points.

First, an improvement in parcel delivery services. The most important innovation is the launch of the so-called "24 hour premium parcel", which guarantees delivery in the course of the next day. Additional new services include the selection of the desired delivery location and time of delivery by contacting a call center, and also the possibility to have parcels delivered on Saturdays.

Moreover, we initiated a redimensioning of our parcel logistics operations, designed to considerably reduce capacities and partially resulting in an integration into the existing letter mail network in order to optimally exploit synergies.

Finally, we aim to increase our market share in the B2B segment from 5% to 20% in 2011, based on a sales and marketing drive.

New products in the Branch Network Division

Our Branch Network Division, with 1,313 company owned branches and 611 external outlets, the largest nationwide distribution network, once again made a positive contribution to total revenue and earnings in 2007. The main components of its portfolio are the provision of postal and financial services and the sale of a broad range of retail products. Our 5% shareholding in the consortium acquiring BAWAG PSK represents an important impetus to our business. It not only strengthens our presence on the market, but also serves as a value-enhancing investment. Above all, this shareholding enables Austrian Post to more pro-actively shape and promote the financial services offered in the branch network. Our dense, nationwide network offers a considerable competitive advantage in terms of customer access, and is to be exploited more effectively in the future through new products and an increase in the number of financial consultants. The aim is to expand the financial services business and thus increase our commission fees.

Positive outlook

We are optimistic concerning the future of Austrian Post against the backdrop of all these developments and measures. Assuming a stable volume in the letter mail and direct mail business areas, an increase in our international parcel services business and a decline in Austrian parcel volumes related to increased competition, we expect total revenue to increase by up to 3% in 2008. Due to the repositioning of our parcel logistics in Austria, EBIT will be somewhat below the high level achieved in 2007. However, EBIT will subsequently expand in the following years once again and achieve the planned target of a 7% to 8% EBIT margin.

Our cash flow will continue to remain strong, and thus serve as a good basis to finance future investments in property, plant and equipment, new acquisitions and dividends. Based on this stable development and solid balance sheet structure, we will continue pursuing our policy of ensuring an attractive dividend payout. In order to ensure an improved capital structure, we will propose a basic dividend of EUR 1.40 per share to the next Annual General Meeting, plus a special dividend of EUR 1.00 per share. We will also request authorization to carry out a share buy/back programme over the next 18 months, amounting to a maximum of 10% of the company's share capital.

Anton Wais
Chairman of the
Management Board

Rudolf Jettmar
Deputy Chairman of the
Management Board

Herbert Götz
Member of the
Management Board

Walter Hitziger
Member of the
Management Board

[2] *How is Austrian Post managed?*

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.

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.

At the beginning of August 2007, responsibility for the Parcel & Logistics Division was transferred on an interim basis from Walter Hitziger, who had managed the division as of January 1, 2007, to Austrian Post Chairman Anton Wais. This can be primarily attributed to the necessary integration of the latest acquisitions (trans-o-flex, Slovak Parcel Service, In-Time, Overseas Express, Merland Expressz, Road Parcel and City Express), as well as the extension of the service portfolio of the Mail Division (Weber Escal, Scanpoint, meiller direct, ST Media). In January 2008, Austrian Post publicly invited applications for a new position to be created on the Management Board with responsibility for managing the Parcel & Logistics Division. Individual members of the Management Board have been assigned responsibility for central Group functions.

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 strategic business development and risk management of the company with him.

Organisational structure and Management Board responsibilities
(Status: December 31, 2007)

	Anton Wais	Rudolf Jettmar	Herbert Götz	Walter Hitziger
Divisions	■ Parcel & Logistics[1]		■ Branch Network	■ Mail
Central/ Group functions	■ Corporate secretary ■ Strategy and corporate business development ■ Human resources management ■ Strategic human resources management ■ Public Relations ■ Investor Relations ■ Compliance & corporate governance ■ Internal auditing	■ Finance and accounting ■ Controlling ■ Treasury ■ Human resources administration ■ Information technology ■ Legal ■ Procurement ■ Corporate real estate	■ Sales coordination and marketing	■ Production and logistics

[1] Since the beginning of August 2007

Anton Wais
Chairman of the Management Board and Chief Executive Officer (CEO), Parcel & Logistics Division
Anton Wais, born in 1948, studied law at the University of Vienna before joining the office of Josef Staribacher, the former Austrian Minister of Trade and Industry. He subsequently spent 20 years working for Siemens, ultimately serving as a member of the Managing Board of Siemens AG Austria, with responsibility for the transport engineering, power transmission and distribution and power generation divisions. In July 1999, he was appointed as Chairman and Chief Executive Officer of the Management Board of Austrian Post. As of August 8, 2007, interim management of the Parcel & Logistics Division. 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 before working for various tax consultancies, and as a chartered accountant and auditor. 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 Technical University of Vienna. He served as an assistant professor at the Institute for Robotics and Cybernetics at the Technical University of Vienna, department sub-head for industrial policies at the Association of Austrian Industrialists, economic consultant and cabinet chief of Vice Chancellor Erhard Busek. He joined Siemens AG Austria in 1995, concluding his career in the company as 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
Walter Hitziger, born in 1960, studied industrial engineering and business administration at the Technical University of Graz. He subsequently worked for Steirerbrau AG – Steirische Brauindustrie AG, Agiplan Planungsgesellschaft and Econsult Betriebsberatungsgesellschaft. In 1997, Walter Hitziger was named a member of the Management Board of BauxMax AG, with responsibility for procurement and logistics. In May 2004, he was appointed a member of the Management Board of Austrian Post. From January 1, 2007 to August 7, 2007, he was also responsible for the Parcel & Logistics Division on an interim basis. His current term of office runs until December 31, 2011.

[2] *How is Austrian Post managed?*

The Management Board has sole responsible for leading the company, and acts in a value oriented manner using manifold business know-how. This management approach is based on the Austrian Joint Stock Company Act in accordance with the Austrian Commercial Code and the Austrian Corporate Governance Code.

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 context of the latter's management functions, in particular as regards decisions of fundamental importance. The number of meetings as well as the focal point of these sessions is presented in the Report of the Supervisory Board on page 138.

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 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, the proposal on the appropriation 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 pertaining to 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 December 12, 2007, the presidential committee was authorised to publicly call for applications to fill the position of a fifth member of the Management Board pursuant to the Public Appointments Act, and to make a corresponding recommendation. This approach takes account of the dynamic competitive environment prevailing in the European postal and parcel delivery market. The precise job specifications underline the increasing importance of the Parcel & Logistics Division within Austrian Post.

- The "**CEP new" structural committee** (CEP – courier, express and parcel) was set up to service as a working group to deal with specific issues facing the Parcel & Logistics Division.

- The Supervisory Board meeting held on December 12, 2007 also resolved to establish a **Branch Network committee** to deal with specific issues involving the Branch Network

The Supervisory Board of Austrian Post is neither comprised of former Management Board members, nor former top managers. So-called cross shareholding arrangements also do not exist. No loans were granted to members of the Supervisory Board.

According to C-Rule 49 of the Austrian Corporate Governance Code, any contracts subject to the formal approval of the Supervisory Board pursuant to § 95 Art. 5 (12) Austrian Stock Corporation Act have to be published in the annual report. Accordingly, Stephan Koren, member of the Supervisory Board of Austrian Post until April 26, 2007, also served as a member of the Management Board of BAWAG PSK Bank für Arbeit und Wirtschaft and Österreichische Postsparkasse AG (BAWAG PSK). BAWAG PSK is a banking group, with which Austrian Post has cooperated for a long time to carry out its banking and leasing operations at generally accepted market conditions. These business dealings are of secondary economic importance in relation to the total size of BAWAG PSK. During the period January 1, 2007 to April 26, 2007, 34 Austrian Post company vehicles were financed by BAWAG PSK LEASING at a total acquisition cost of TEUR 439.

Gerhard Roiss, Vice-Chairman of OMV AG, has served as a member of the Supervisory Board of Austrian Post since April 26, 2007. On March 5, 2007, OMV and Austrian Post signed a cooperation agreement relating to the establishment of parcel shops. Accordingly, customers have been able to directly post parcels at OMV petrol stations since April 2007. However, these business dealings are of secondary economic importance in relation to the total size of OMV.

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

Statement by the Chairman of the Supervisory Board

The 2007 business year of Austrian Post was once again a period of growth and expansion. The company sustainably strengthened its position as a strong regional player in the growth regions of Central and Eastern Europe by concluding major acquisitions in Croatia, Hungary and Serbia. Accordingly, Austrian Post has emerged as the market leader for direct mail items in Croatia as a consequence of the acquisitions of Weber Escal and ST Media. The purchase of Road Parcel Logistics Services and Merland Expressz Logistics Services also served as the basis for Austrian Post to penetrate the Hungarian market for parcel services.

Austrian Post also successfully entered the parcel services market in Serbia and Montenegro, thanks to the acquisition of City Express. The company expanded its market position in Slovakia, and succeeded in implementing additional measures designed to integrate and further develop its subsidiaries in Hungary. All in all, Austrian Post achieved double-digit growth in the Central and Eastern European markets.

At the same time, Austrian Post significantly expanded its market position in Western Europe, based on the acquisition of the German direct marketing specialist meiller direct and two parcel services companies in Belgium and the Netherlands. The integration of the German specialist logistics company trans-o-flex, acquired in 2006, proceeded as scheduled, primarily underlining the efforts on the part of Austrian Post to focus on the promising market niche of pharmaceuticals. Thanks to its successful expansion measures, Austrian Post already generated 27% of its total revenue outside of Austria's borders during the period under review.

The new Austrian Post subsidiaries in the letter mail, direct marketing and parcel services segments contribute to the stable development of the individual divisions of the company, as does the acquisition of a 5% stake in BAWAG PSK. The gratifying development of Austrian Post's financial results, in particular the EBIT increase of 32% to EUR 162.8m, demonstrates the effectiveness of the business strategy that was initiated even before the Initial Public Offering. The company is well positioned for the upcoming years, thanks to the successful implementation of this growth strategy in Europe.

This positive development is even more striking if one considers the fact that Austrian Post operates in a challenging business environment thanks to the liberalisation process driven forward by the European Union and the market entry of new postal service providers. In this regard, competition in Austria's parcel services market increased sharply during the autumn of the 2007 business year, which made a repositioning necessary. Austrian Post immediately responded to the challenge with a comprehensive series of measures designed to reposition its operations in this segment, and offer customers a new portfolio of services and a further improvement in service quality. Simultaneously, parcel logistics operations in Austria are to be restructured and considerably streamlined. As a result, Austrian Post will sustainably boost its profitability and will become even more attractive for its target groups in the B2B parcels business, in which it had previously only played a minor role.

For the years ahead, the strategic priorities of Austrian Post are the further intensification of its customer-oriented approach, the optimisation of its core business operations, the targeted expansion of its services along the value chain, the specialisation in profitable niche markets and a continuation of its internationalisation drive and positioning as a local integrator. In addition to the abovementioned promotion of its Austrian parcels business and the related organisational and technical optimisation, Austrian Post will continue to develop new services, further extend the value chain in the Mail Division and Parcel & Logistics Division, and lastly, to intensify the financial services offered in the Branch Network Division. The shareholding acquired by Austrian Post in BAWAG PSK and the intensified cooperation with this important banking partner provides an ideal basis to achieve the latter goal.

I would like to sincerely thank the Management Board as well as the management of Austrian Post for their performance, but above all my thanks go to all our employees, whose commitment and hard work each and every day make a significant contribution to the success of the company.

Peter Michaelis m.p.
Chairman of the Supervisory Board

Members and committees of the Supervisory Board
(Status: December 31, 2007)

Shareholder representatives

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

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

Employee representatives

Gerhard Fritz	Member since September 5, 2001 *Chairman 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*
Helmut Köstinger	Member since April 14, 2005 *Member of the Central Works Council of Austrian Post*
Manfred Wiedner	Member since March 3, 1999 *Member of the Central Works Council of Austrian Post*

Committees of the Supervisory Board

Officers	Peter Michaelis, Rainer Wieltsch
Executive committee	Peter Michaelis, Rainer Wieltsch, Gerhard Fritz
Audit committee	Peter Michaelis, Rainer Wieltsch, Hans Wehsely, Gerhard Fritz, Manfred Wiedner
“CEP new” structural committee	Peter Michaelis, Rainer Wieltsch, Dieter Bock, Karl Stoss, Gerhard Fritz, Manfred Wiedner
Branch Network committee	Peter Michaelis, Rainer Wieltsch, Gerhard Roiss, Hans Wehsely, Martin Palensky, Manfred Wiedner

Retired from the Supervisory Board during the 2007 business year

Stephan Koren	Effective April 26, 2007
Hans Jörg Schelling	Effective February 5, 2007

Corporate Governance Code

Austrian Post is committed to abide by the current and valid version of the Austrian Corporate Governance Code, in the spirit of ensuring a responsible and transparent management of the company. Austrian Post adheres to all "L-Rules" (legal requirements), and also all of the "C-Rules" (Comply or Explain) contained in the Austrian Corporate Governance Code, with the exception of those rules specified below:

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

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

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

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

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

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

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

At the Annual General Meeting of Austrian Post held on April 26, 2007, KPMG Austria GmbH Wirtschafts- und Steuerberatungsgesellschaft was selected to audit the annual financial statements and consolidated annual financial statements for the 2007 business year. The audit fee – the total costs for auditing the consolidated financial statements as well as audit-related services – amounted to EUR 597,818 in the 2007 business year. For related auditing services carried out by specialists, KPMG Austria GmbH received a remuneration of EUR 100,358. For other services, in particular consulting in tax matters and due diligence evaluations pertaining to company acquisitions, KPMG Austria GmbH invoiced a non-audit fee totalling EUR 459,676 during the period under review.

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

Austrian Post voluntarily submitted to an external evaluation carried out by KPMG Austria GmbH Steuerberatungs- und Wirtschaftsprüfungsgesellschaft for the period January 1, 2007 to December 31, 2007, assessing its compliance with the rules stipulated in the Austrian Corporate Governance Code. The appraisal was carried out on the basis of an official questionnaire developed by the Austrian Working Group for Corporate Governance, concluding that the public declaration of Austrian Post pertaining to its observance of the Austrian Corporate Governance Code corresponds to its actual business practices. The evaluation report submitted by the auditors can be found at **www.post.at**.

Shareholders

Austrian Post attaches particular importance to ensuring that all shareholders are treated equally and provided with comprehensive information. Above and beyond the legally binding reporting and disclosure requirements (i.e. annual and quarterly reports, ad-hoc announcements, publication of directors' dealings), Austrian Post regularly reports about ongoing developments at the company by means of press releases as well as analyst, press and shareholder conferences. This is done in compliance with the above-mentioned principle emphasizing the fair and equal treatment of all shareholders. All reports and releases as well as key presentations held at these conferences are available at **www.post.at**. Austrian Post published eight ad-hoc announcements in the year 2007, which can be accessed online at **www.post.at/ir/en**.

Information relating to the shareholder structure of Austrian Post (C-Rule 62 of the Austrian Corporate Governance Code) is on page 25 of this annual report.

Remuneration report

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

Management Board In September 2006, all the members of the Management Board were reappointed. The remuneration system encompasses fixed and variable salary components. The fixed salary is oriented to the salary structure of publicly listed Austrian companies, and takes into account the range of responsibilities assumed by each of the members of the Management Board. The variable remuneration system is closely linked to Austrian Post achieving pre-defined performance targets (EBIT), and also encompasses achieving qualitative performance targets. The variable salary component may not surpass the limit of 100% of the total annual fixed salary. The corresponding remuneration is paid in the following year.

The total gross salary paid to the members of the Management Board in the 2007 business year amounted to TEUR 2,015 (2006: TEUR 1,848), of which TEUR 1,360 (2006: TEUR 1,210) comprises their fixed salaries and TEUR 655 is attributable to the variable salary component (2006: TEUR 638).

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

Share-based remuneration programme

Management salaries generally consist of fixed and variable salary components. Above and beyond this system, the Management Board and Supervisory Board of Austrian Post decided to introduce a share-based remuneration programme for the approximately 30 top managers at Austrian Post within the context of the Initial Public Offering. Comparable programmes are planned for the upcoming years. The remuneration scheme is designed to align the interests of company management with those of Austrian Post shareholders to achieve a medium-term to long-term increase in shareholder value, as well as to further increase the motivational level of the top executives.

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

The appreciation rights of the share-based remuneration programme 2007 (2006) have a term of two (three) years from the day they are awarded, and entitle their holders to receive a cash amount at the end of that term equivalent to the value of the appreciation rights assigned to them.

The Management Board fully took advantage of the appreciation rights granted to them within the context of the share-based remuneration programme 2007 (18,500 appreciation rights).

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 totals EUR 300 and is paid to each of the members for each Supervisory Board session which they attend. Furthermore, travel expenses incurred by the members are covered. The Annual General Meeting held on April 26, 2007 resolved to grant an annual fixed sum totalling EUR 15,000 for the 2006 business year applying to each of the members of the Supervisory Board, whereas EUR 25,000 was awarded to the Chairman of the Supervisory Board and EUR 20,000 to the Deputy Chairman. Payment is 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 Austrian Stock Exchange Act.

The following total shareholdings on the part of the Management Board and Supervisory Board of Austrian Post were reported to the Austrian Financial Market Authority during the period under review:

Shares owned

Total	Dec. 31, 2006	Purchase	Sale	Dec. 31, 2007
Management Board				
Anton Wais	8,000	4,000	0	12,000
Rudolf Jettmar	5,710	3,400	0	9,110
Herbert Götz	28,684	0	0	28,684
Walter Hitziger	6,421	0	0	6,421
Supervisory Board				
Peter Michaelis	600	0	0	600
Rainer Wieltsch	1,200	0	0	1,200
Total	**50,615**	**7,400**		**58,015**

[3] *What can shareholders expect?*

Share and Investor Relations

Positioning as a strong dividend-paying stock The stable business model of Austrian Post lays the groundwork for the positive development of the company's cash flow, enabling Austrian Post to pay attractive dividends to its shareholders.

The Management Board of Austrian Post will propose to the Annual General Meeting, to be held on April 22, 2008, that a basic dividend of EUR 98m (EUR 1.40 per share) will be distributed for the 2007 business year. This represents a dividend increase of 40% compared to the previous year. On the basis of a share price of EUR 23.99 as at the end of December 2007, the dividend yield amounts to 5.8%.

[3] *What can shareholders expect?*

Austrian Post aims to be a strong dividend-paying company. The ongoing dividend increase is based on a stable business model. We strive to attain a payout ratio of at least 75% of the profit for the period.

In addition, a special dividend amounting to EUR 1.00 per share will be proposed. In the upcoming years, Austrian Post aims to achieve a dividend payout ratio of at least 75%, assuming a continuation of the company's positive business development and unchanged, solid financial performance.

Share price development and trading Austrian Post, listed on the Vienna Stock Exchange since May 31, 2006 as Europe's third postal company to be publicly listed on the stock market, achieved a very successful economic performance in the 2007 business year. Nevertheless, despite the company's sound fundamentals, the volatility on the international financial markets was reflected in the share price development of the Austrian Post share. The entry of a competitive postal provider on the Austrian parcels market and the resulting restructuring measures which had to be implemented in the company's parcel delivery operations in Austria also negatively impacted the price of the Austrian Post share.

All in all, the price of the Austrian Post share declined by 33.5% in the course of the 2007 business year, whereas the Austrian Traded Index ATX registered a slight 1.1% gain in value during the same period. The DJ Euro Stoxx Transportation branch index, which is of relevance to Austrian Post, remained practically unchanged, rising by only 0.1%. The Austrian Post share closed at EUR 23.99 at the end of December 2007. Market capitalisation totalled close to EUR 1.7bn.

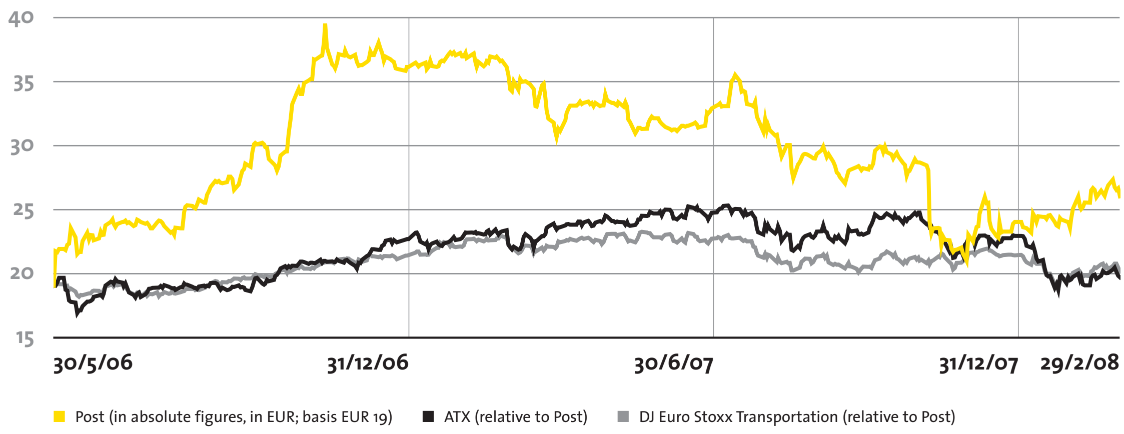
Based on the issue price of EUR 19.00 on May 30, 2006, the Austrian Post share posted a 26.3% increase in value by the end of 2007. The volume of trading on the Vienna Stock Exchange in the Austrian Post share reached a level of close to EUR 1bn (counted once) in 2007, with around 37 million shares traded.

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

Since September 18, 2006, the Austrian Post share has been listed on the Austrian Traded Index ATX, the benchmark index of the Vienna Stock Exchange. It consists of the 20 Austrian companies with the highest trading volume and the largest market capitalisation. At the end of December 2007, the weighting of the Post share in the ATX was 1.2%. In addition to the ATX, the Post share is also represented on ATX Prime, with a share of 1.0%, on VÖNIX, the Austrian sustainability index, with a weighting of 1.5%, and on the DJ Euro Stoxx Transportation Index.

Shareholder structure As a consequence of the Initial Public Offering in 2006, the shareholding held by the Austrian state holding company Österreichische Industrieholding AG (ÖIAG) in the share capital

Development of the Post share



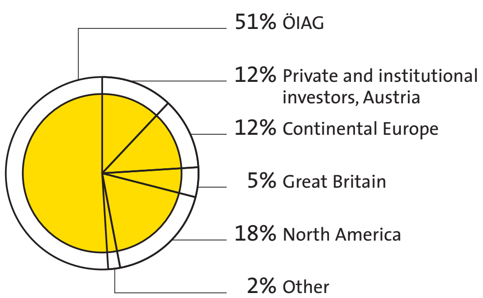
of Austrian Post decreased from a 100.0% stake to 51.0%, or a total of 35.7m of the outstanding 70m shares. Nevertheless, ÖIAG continues to be the majority shareholder of the company. After ÖIAG, the second largest single shareholder is the Greenlight Capital Group, which has held a stake of over 5% since December 2007.

A shareholder ID carried out in January 2008 concluded that 29% of the shares in free float are held by European investors (–1% compared to the previous analysis of January 2007). The largest share is held by private and institutional investors in Austria, each with a 12% share, followed by British investors with a share of 5% (–1%). The private investors in Austria include Austrian Post employees, who have a combined stake of about 2.5%. A total of 18% of the Post shares are currently held by investors in the USA and Canada (+2%), whereas investors in other countries account for the remaining 2%.

Investor Relations 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 as well as the Investor Relations team is always at the disposal of the financial community in Austria and in international financial centres such as Frankfurt, London, New York or Tokyo, where investor conferences and individual discussions are frequently conducted. In November 2007, the management of Austrian Post provided international analysts and institutional investors with comprehensive information about the latest business developments at the company and plans for 2008 at the second annual "Austrian Post Investor Day".

The efforts of Austrian Post to promote transparency in its financial communications gained recognition by the financial community. This was demonstrated

Shareholder structure January 2008



by Austrian Post winning the second place award in the Austrian Stock Exchange Prize. The 2006 Annual Report of Austrian Post was given the Prize for Excellence for the best presentation on the occasion of the Austrian Annual Report Awards.

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

Investor Relations contacts

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Research coverage 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. In the year 2007, three investment banks initiated coverage of the Austrian Post share: Bear Stearns, Capital Bank and Sal. Oppenheim. As at the end of February 2008, the Austrian Post share will be regularly monitored by a total of nine investment banks, namely Bear Stearns, Capital Bank, Deutsche Bank, Erste Bank, Goldman Sachs, MainFirst Bank, Raiffeisen Centrobank, Sal. Oppenheim and UniCredit. An overview of their latest recommendations can be found on the Internet at **www.post.at/ir/en >> Our share >> Analyst coverage**.

Basic information

ISIN	AT0000APOST4
Trading symbol	
Vienna Stock Exchange	POST
Reuters Code	POST.VI
Bloomberg Code	POST AV
Total shares in issue	70m
Stock exchange listing	Vienna Stock Exchange
Issue price	EUR 19.00
First day of trading	May 31, 2006

Financial calendar 2008

April 22	Annual General Meeting 2008
May 6	Ex-dividend day and dividend payment day (Basic dividend EUR 1.40[1])
May 16	Results Q1 2008
August 14	Results H1 2008
September 5	Ex-dividend day and dividend payment day (Special dividend EUR 1.00[1])
November 13	Results Q1–Q3 2008

Key Post share indicators

		2005	2006	2007	Change 2006/2007 in %
Earnings per share	EUR	1.43[2]	1.43	1,75	+22.9%
Dividend per share (for the business year)	EUR	0.57[2]	1.00	1.40[1]	+40.0%
Special dividend per share (for the business year)	EUR	–	–	1.00[1]	–
Share price at the end of December	EUR	–	36.10	23.99	–33.5%
High/low (closing price)	EUR	–	39.50/21.50	37.25/20.95	–
Market capitalisation at the end of December	EUR m	–	2,527.0	1,679.3	–33.5%
Number of shares at the end of December	Total	10,000	70,000,000	70,000,000	–
Free float	%	–	49%	49%	–

[1] Proposal to the Annual General Meeting on April 22, 2008
[2] Basis of 70m shares

[4] ***In which markets does Austrian Post do business?***

Europe's postal market

Communications, logistics and retail products as market sub-segments

For historical reasons, Austrian Post operates in the communications, logistics and retail markets, as do most other national postal service providers and does business in specific segments in each of these markets.

[4] *In which markets does Austrian Post do business?*

Austrian Post specialises in letter mail, parcel and special logistics, as well as services for private customers. Its business model is based on Austria's largest customer base. Internationally, Austrian Post primarily serves business customers.

- In the **communications market**, Austrian Post specialises in physical communications i.e. the production, physical transport and delivery of letters and documents and, if needed, their digitalisation. In this regard, Austrian Post offers so-called universal postal services as stipulated by prevailing legal regulations, particularly the so-called Postal Universal Service Ordinance. This means providing the population with specified top quality, generally affordable postal services on a country-wide basis.
- The focus in the **logistics market** is on standardised parcel handling. In this case, Austrian Post is also the universal provider of parcel delivery services throughout the country. On an international level, Austrian Post primarily serves business customers in the parcel segment.
- In the **retail segment** i.e. the branch network, Austrian Post not only offers traditional postal services but also financial and banking services, telecommunications and post-related retail products.

Geographical differences in the business environment and customer requirements

Each one of these market sub-segments is subject to different market conditions and serves different target groups. The national postal service providers combine their services in these sub-segments into a unified entity i.e. the respective "postal market". In part, the national postal markets significantly deviate in terms of their customer requirements and market conditions, also in their composition.

For example, important differences exist in the communications behaviour displayed in each specific national market, which determines postal volumes per inhabitant. The following graphs illustrate this point.

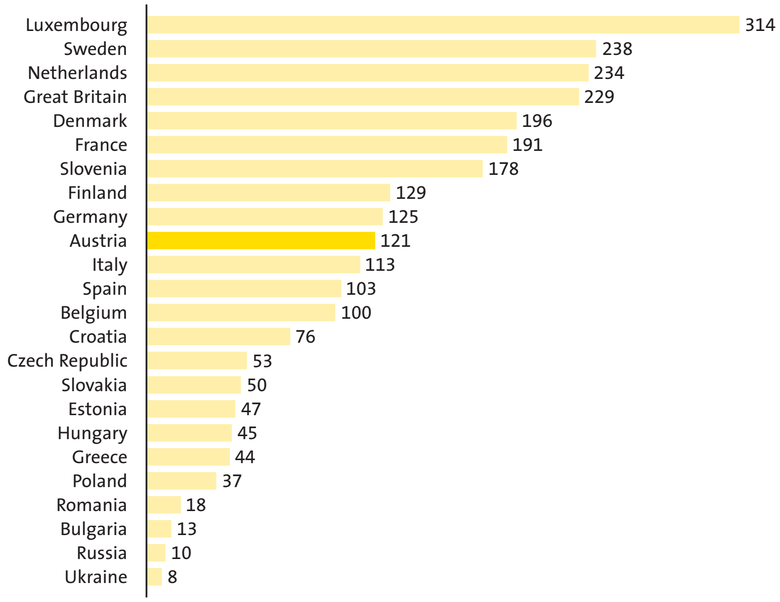
Fact box: Letter mail market
Close to 75% of the European letter mail market is dominated by the top four players. In comparison to these companies, Austrian Post is a rather small enterprise. However, it is well positioned in the strongly diversified European postal sector. This is demonstrated by a high market share in Austrian Post's relevant markets, and a high operating margin.

Regardless of postal volumes, ensuring a nationwide presence is among the basic responsibilities of a postal company. Austrian Post is well positioned in European comparison in terms of customer support services, as measured by the number of inhabitants served by one postal branch office. With 4,200 inhabitants per postal branch, Austrian Post is in the middle ranks of European postal companies. The comparative figure for Deutsche Post is 6,500, for TNT (Netherlands) about 7,800 (Source: IPC).

Despite efficiency improvements in its branch network, Austrian Post continues to provide very good nationwide customer support services. On the one hand, Austrian Post is able to optimally fulfil its responsibility to provide nationwide service, and on the other hand, good access represents a key element of customer loyalty and retention.

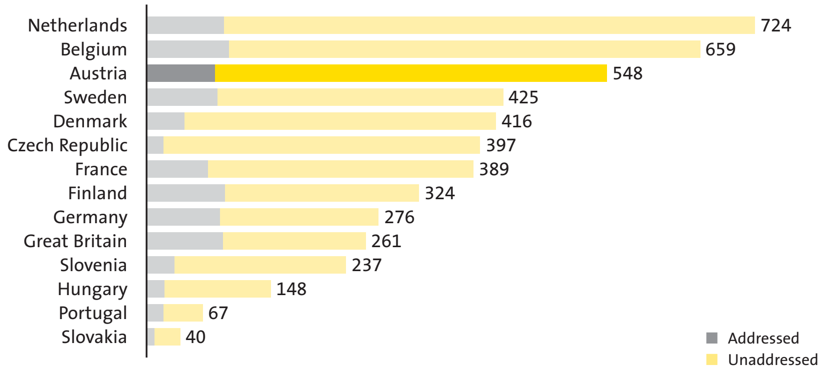
Letters per capita per year

Source: Ecorys 2005

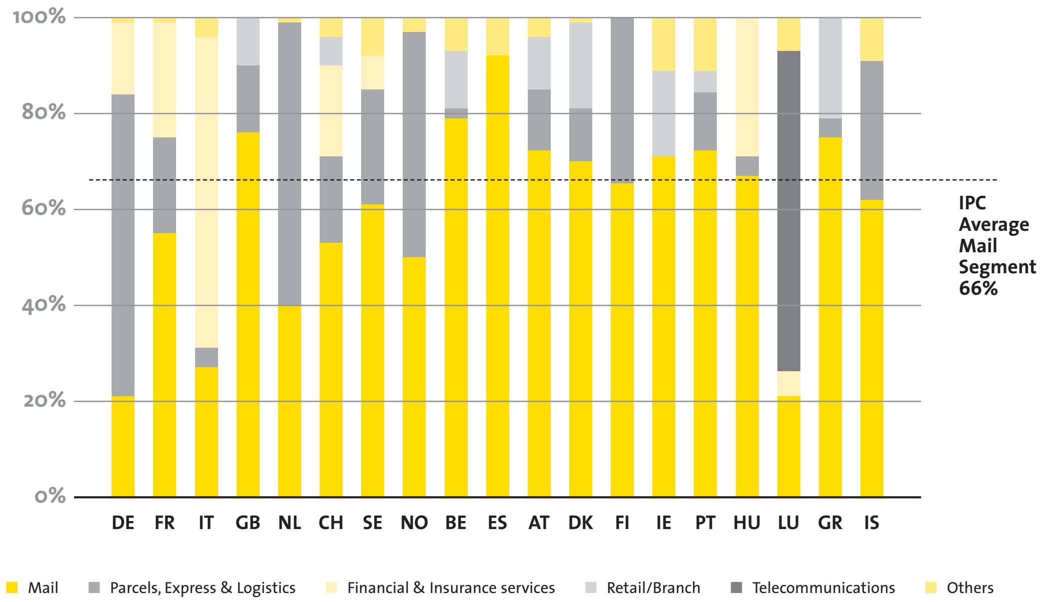


Direct mail items per capita per year

Source: Ecorys 2005



2006 Consolidated revenue breakdown by segment



Also there are considerable international differences in the size of the domestic market and the total business volume of the individual national postal companies.

At the same time, the specific business activities pursued by the various national postal service providers, and thus the composition of their revenue, varies, in part considerably. For historical reasons, the European postal companies have developed diverse priorities in the individual business areas, and thus often feature widely disparate business models.

Growth in logistics market, communications market stable

The postal sector is naturally being shaped by general societal developments in the field of communications as well as business trends. All in all, the prevailing tendencies have been favourable. For example, the logistics market benefits from the growing transport levels for products in an increasingly globalised economy. The communications market is characterised by a diverse range of developments in some business areas, but is stable on the whole. Potential substitution effects caused by electronic media are compensated by the expansion of other B2C business activities, in particular direct marketing.

Customer satisfaction as an important success factor

Not only will the development of the postal market as a whole be of particular significance to European postal service providers, but above all the ability to safeguard their market shares in the letter mail segment will be decisive. In addition to available household income and the number of prosperous households, the most important factor is the level of customer satisfaction. Accordingly, Austrian Post can influence its own future performance in this segment to a large extent. Furthermore, an attractive price-performance ratio is another key success factor.

[5] ***What pre-requisites does Austrian Post believe are necessary for postal market liberalisation?***

Market liberalisation as a regulatory challenge

EU Postal Directive mandates complete opening of postal markets

The new EU Postal Directive stipulates that most of Europe's national postal markets will have to be completely opened to competition starting at the beginning of 2011. The recently approved directive represents the last and most decisive step towards achieving a full-scale liberalisation of the postal sector and a single European market for postal services.

The EU member states will have to convert the new postal guidelines into national laws. A two-phased solution has been agreed upon for the market opening. Generally speaking, the postal markets will be fully liberalised as of January 1, 2011. However, eleven member states (Cyprus, Czech Republic, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Poland, Romania and Slovakia) can take advantage of a transition period lasting up until January 1, 2013 to implement postal sector liberalisation.

[5] *What pre-requisites does Austrian Post believe are necessary for postal market liberalisation?*

The pre-requisites for a successful postal market liberalisation are unified quality standards for all providers, a stable framework pertaining to employment legislation and provisions for ensuring well-functioning universal postal services. The abolishment of the reserved area should be accompanied by the elimination of competitive operational disadvantages.

Abolishment of the reserved area

Full-scale liberalisation eliminates an important cornerstone underlying the effective functioning of Europe's postal sector, namely the financing of universal postal services by means of a national letter mail monopoly. The so-called "reserved area", a monopolistic position held by a universal postal services provider, has been successively scaled back in recent years. In 1998, the reserved area was restricted to letter mail items with a weight of up to 350g. The weight limit was further reduced to 100g in 2003 and 50g in 2006. This last reserved area applying to mail items weighing up to 50g will be abolished as at January 1, 2011, with the exception of the eleven countries mentioned above.

Market opening opens up new opportunities

The success of the liberalisation process depends on the extent to which the EU Postal Directive as a framework guideline is transposed into effective national regulations in the individual EU member states. In this process, lawmakers have the opportunity to modernise the prevailing postal regulations and business framework to lay the groundwork for fulfilling the demands of a liberalised, dynamically competitive market, without discriminating against any postal services provider.

In order to optimally shape the fundamental reforms required, several key issues must be clarified before market liberalisation takes effect.

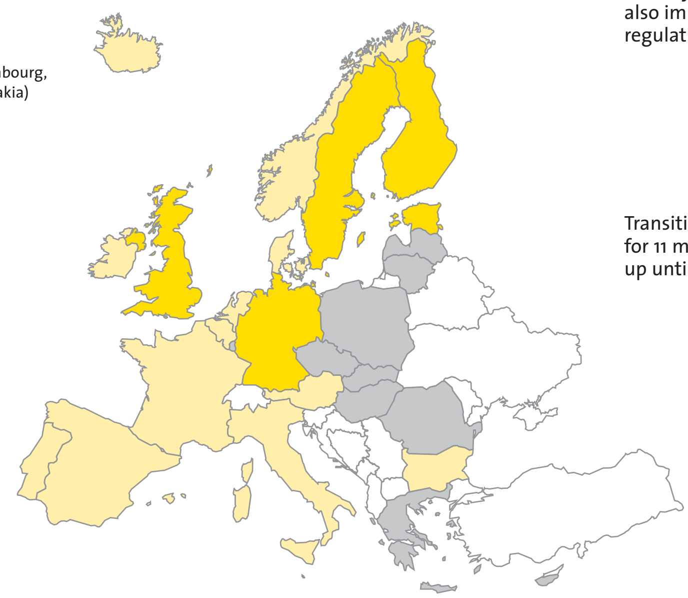
- How can universal postal services be financed without the existence of a reserved area in the letter mail segment?
- How can equality be achieved in terms of the legal obligations imposed upon the individual providers of postal services?
- How can unequal conditions and practices on the labour market be eliminated?

Multi-phased liberalisation timetable

Already liberalised

Liberalisation in 2011

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



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

Transition period for 11 member states up until 2013

Different approaches to implementing postal market liberalisation in Europe

Several EU member states have already fully liberalised their national postal markets. Sweden and Finland did so in the early 1990s, whereas Great Britain followed at the beginning of 2006 and Germany most recently as of January 1, 2008. The experiences in these countries have demonstrated that the precise manner in which the market opening is implemented, and thus its very success, depends considerably on the particular political and legal framework in the country.

- **Finland – competition as equals**
  The Finnish postal market was already fully liberalised in 1991. In order to sustainably ensure universal postal services, also in remote rural areas, the same regulatory framework applies to all postal service providers. The quality standards required of alternative providers have been adjusted to conform to those of Finland Post. Moreover, the business operations of alternative providers must cover rural and urban areas in equal measure.

- **Sweden – outsourcing of branch network**
  The liberalisation of the Swedish postal market in 1993 proceeded hand in hand with a comprehensive change in the branch network structure. All branches of Sweden Post were outsourced to third parties on the basis of a franchising concept. This measure significantly improved the cost structure of Sweden Post.

- **Great Britain – national postal company continues as monopolistic "last mile distributor"**
  Great Britain completely opened its postal market to competition at the beginning of 2006. Alternative providers are allowed to deliver their mail items by using the network of the universal service provider (Royal Mail) at very low, regulated rates. This approach subjects the business operations of the universal service provider to external influences. Customers with large mail volumes and a strong position in the market such as banks, insurance companies and retail companies profit the most.

- **Germany – minimum wage to avoid wage dumping**
  The decision-making process leading up to the liberalisation of the German postal market effective January 1, 2008 was characterised by intensive political discussions about labour regulations applying to the postal sector. A fair and just liberalisation of Germany's postal sector was called into question by different wage levels for postal company employees. The coalition government agreed on a minimum wage for the postal sector at the end of 2007, thus finally creating the long sought-after fair system underpinning the full-scale market opening in Germany.

Criteria for successful liberalisation

Austrian Post vehemently champions fair competitive conditions within the context of the full liberalisation of Austria's postal sector. This should take place by carrying out fundamental changes in the regulatory framework applying to the postal sector, which are anyway required in the light of European guidelines. Austrian Post has defined three main priorities:

- **Functioning financing model for universal postal services**
  At present, the legal framework in Austria is designed for a monopolistic market. Austrian Post, in its role as the country's only universal services provider, is responsible for ensuring the provision of basic postal services financed by a monopoly on letter mail items weighing up to 50g. However, this mandate goes hand in hand with extensive legal obligations. For example, about 95% of all letters must be delivered on the next working day. Furthermore, Austrian Post is required to maintain a country-wide branch network, and have the capability of delivering mail every day to every doorstep in Austria.
  When the letter mail monopoly is abolished as at January 1, 2011, alternative financing models must be developed as a basis for ensuring the ongoing provision and financing of basic postal services.

- **Same legal requirements for all providers of universal postal services**
  The second pre-requisite for the successful implementation of postal sector liberalisation is ensuring that the same guidelines apply to the quality of postal services. All market participants must be subject to the same quality standards, obligations and requirements in equal measure. At present, these obligations are only imposed on Austrian Post. In contrast, other postal service providers are fully free to define the features of their delivery services. If these asymmetrical conditions prevailed even after full-scale liberalisation of the Austrian postal market takes effect, it would lead to significant competitive disadvantages for Austrian Post and thus endanger the long-term provision of basic postal services in Austria. On the other hand, equality in terms of legal obligations pertaining to universal postal services would ensure high quality postal services throughout the country. As a consequence, considerable advantages would arise for customers.

- **Fair labour regulations**
  Asymmetric solutions concerning labour laws must also be prevented when implementing postal sector liberalisation on a national basis. Postal services are very personnel intensive. As a result, staff costs represent a key factor determining the competitiveness of a postal company. The various postal service providers in Austria currently operate on the basis of completely different employment models and conditions. A high percentage (55%) of Austrian Post's employees is comprised of civil servants. As a consequence, the company is far less flexible than companies which only rely on free-lance employees. From the point of view of Austrian Post, competitive equality can only be ensured by a collective wage agreement, which regulates working conditions for the entire postal sector in a uniform manner.

[6] *What ensures the success of Austrian Post?*

Success factors and strategy

Proximity to customers strengthens confidence

Austrian Post is more than just a company. Its customer proximity in mail delivery in line with the "every day, every door" principle makes it an integral component of Austria's everyday life. The customers display a high level of confidence in Austrian Post. Above all, they highly value the reliability and competence which Austrian Post demonstrates, day in and day out.

[6] *What ensures the success of Austrian Post?*

Competitive challenges will be counteracted based on a strong core business and attractive market positions, ongoing increases in efficiency and innovative products and services.

Delivery competence ensures quality

With its high delivery quality enabled by a high-tech infrastructure and an efficient organisation, Austrian Post sustainably distinguishes itself from the competition. In contrast, many alternative postal service providers rely on a "low-cost" policy, reflected in the qualifications of their employees and the quality of their service. In order to ensure and further boost its success in a liberalised marketplace, Austrian Post focuses on a consistent expansion of its customer-oriented approach and ongoing optimisation of its core business activities.

Top position for efficiency and profitability

Exploiting synergies, such as the joint delivery of parcels and letters in rural areas, is another key factor underlying Austrian Post's high level of efficiency. This is a decisive competitive advantage vis-à-vis competitors entering the Austrian postal market, particularly in the letter mail segment. Numerous examples substantiate this. For example, Austrian Post is in the top ranks of European postal companies when it comes to delivery volume per postman, the number of addresses per delivery area and delivery speed.

Austrian Post has consistently taken advantage of the changes in recent years in order to increase its profitability. With an EBITDA margin of 12.6%, Austrian Post ranks among the most profitable postal companies in Europe. Raising efficiency remains one of the main business targets of the company.

Prepared for liberalisation thanks to an optimal market position

Austrian Post has already secured an attractive position in its core markets. It is number one in Austria for letters, direct mail and parcels delivered to private customers. Austrian Post, operating through its subsidiaries, is also one of the top three service providers in Slovakia, Croatia, Hungary and Serbia in the respective markets for unaddressed direct mail items and business customer products. This market position represents a sound basis for ensuring success despite increasing competition in a fully liberalised market.

Three strategic priorities for all divisions

Austrian Post has defined three strategic priorities based on its solid market position and very successful optimisation and expansion of its entire business operations. They are relevant for all three divisions in varying degrees of intensity:

- **Optimisation of core business operations and further intensification of customer-oriented approach**
  Service orientation and individual customer care represent crucial success factors in an increasingly competitive business environment. Aware of this fact, Austrian Post is implementing a comprehensive range of measures designed to raise customer satisfaction and customer loyalty. One aspect is a company-wide quality drive and targeted training. Furthermore, Austrian Post is promoting technical and organisational optimisation as a means of increasing efficiency and profitability, such as further exploiting synergies among the divisions.

- **Expansion of the value chain and specialisation in profitable niche markets**
  The fundamental confidence customers have in Austrian Post as their long-term partner is the basis for launching additional services on the market. In this respect, Austrian Post has significantly enlarged the service portfolio of both the Mail Division and the Parcel & Logistics Division in recent years. Examples include new services in the field of document management or specialised logistics. The expanded range of services offers customers the opportunity to take advantage of all services along the postal value chain offered by a single provider.

- **Internationalisation and positioning as a local integrator**
  Austrian Post is focusing on further strengthening its foothold in the local markets within the context of an increased internationalisation of its business operations. Its multiregional presence makes Austrian Post an attractive partner for international customers and logistics companies.

Excellent positioning in attractive markets

Austria

No 1	for letter mail
	for addressed direct mail
	for unaddressed direct mail
	for parcels delivered to private customers
	for media post

International

Slovakia

No 1	for business parcels
No 2	for unaddressed direct mail items

Croatia

No 1	for business parcels
	for unaddressed direct mail items

Hungary

No 1	for unaddressed direct mail items
No 3	for business parcels

Serbia

No 1	for business parcels

The focus on the three aforementioned strategic priorities enables Austrian Post to continually strengthen its market position in its core markets. As a result, Austrian Post is successfully positioned as a competent partner with an attractive and comprehensive service and product portfolio. The Mail Division and the Branch Network Division will concentrate on optimising their core businesses and expanding services along the value chain. In contrast, the Parcel & Logistics Division will specialise in niche markets and expand its international networks.

Austrian Post has taken a number of important measures required to successfully carry out its three core strategies during the last business year. In the light of developments on the domestic parcel market, Austrian Post will accelerate the implementation of its strategy for the Parcel & Logistics Division, in order to secure its positioning as the undisputed quality leader and thus also generate a stable cash flow in the future.

The following chart illustrates the specific strategic measures and concepts envisioned for the different business areas of the three divisions:

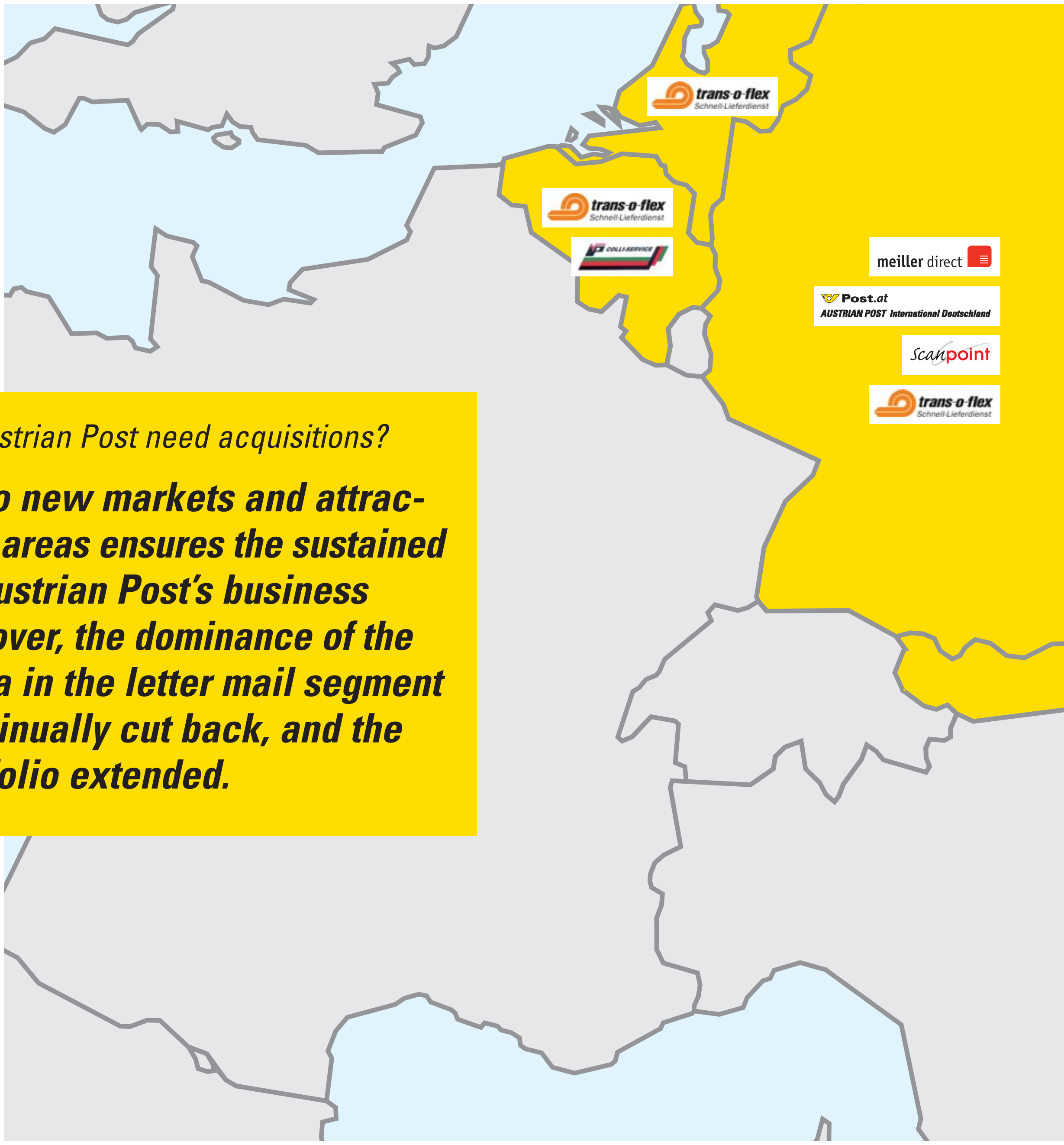
Measures and concepts

	Mail Division	**Parcel & Logistics Division**	**Branch Network Division**
Optimisation of core business and further intensification of customer-oriented approach	Strengthen business with regular customers	Top service for business and private customers	Strengthen postal services and sale of retail products
Expansion of the value chain and specialisation in profitable niche markets	Expansion of service spectrum (direct marketing production, scanning and mailroom services)	Focus on specialised logistics	Promote banking services
Internationalisation and positioning as a local integrator	Expand alternative delivery services in Central and Eastern Europe	Build up business customer (B2B) network in CEE region	Nationwide local integrator in Austria

[7] *Why does Austrian Post need acquisitions?*

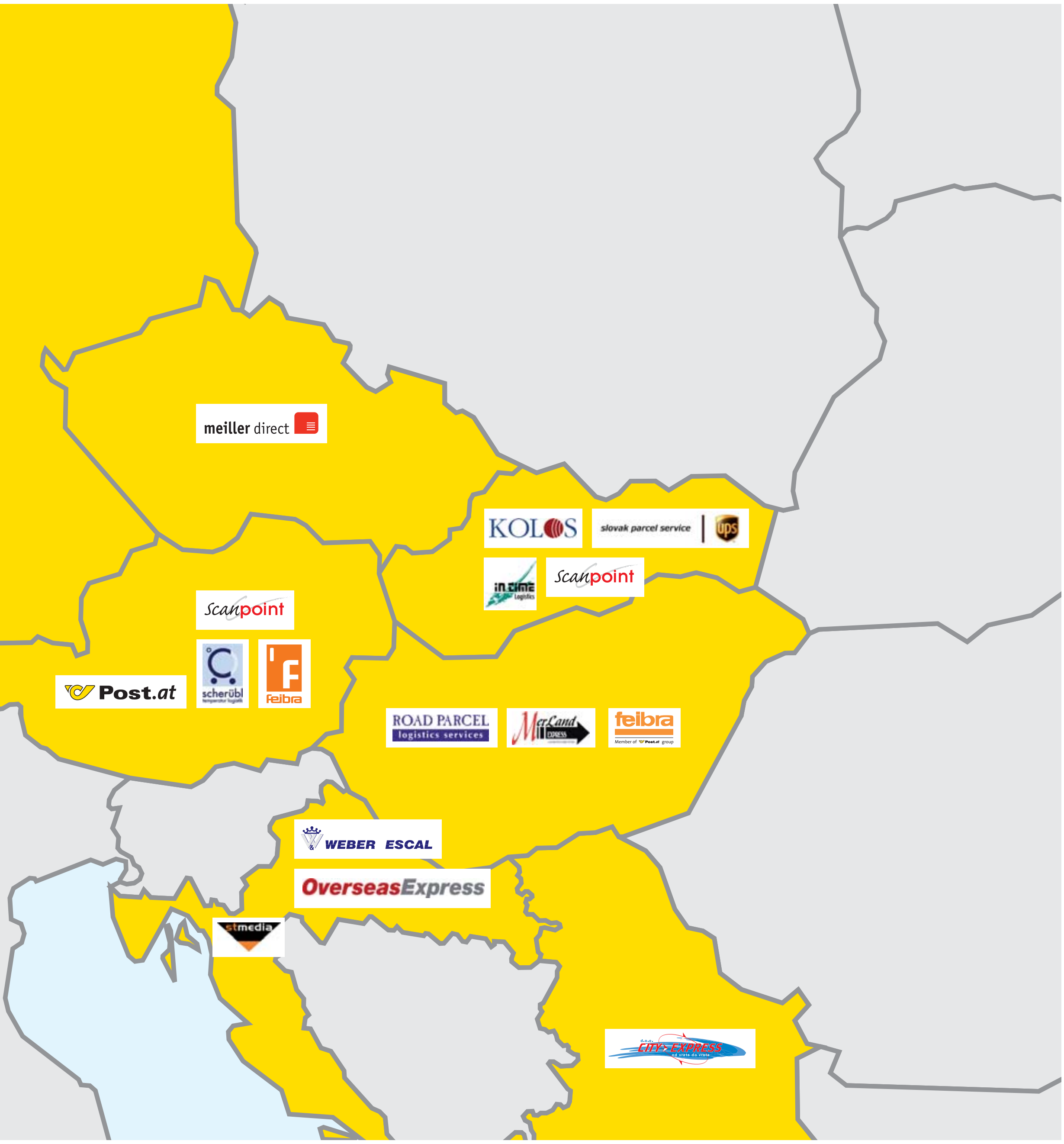
Growth through acquisitions

As a result of its consistent expansion policy, Austrian Post has become increasingly independent of the Austrian market. Whereas less than 3% of total Austrian Post revenue was generated abroad in 2006, 27% of total revenue can be attributed to foreign operations in 2007, more than 70% in the Parcel & Logistics Division. All in all, Austrian Post has emerged as a relevant regional player, and an interesting partner for international cooperations.



[7] *Why does Austrian Post need acquisitions?*

The entry into new markets and attractive business areas ensures the sustained stability of Austrian Post's business model. Moreover, the dominance of the reserved area in the letter mail segment is being continually cut back, and the product portfolio extended.


meiller direct
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Scanpoint
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feibra
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logistics services
MerLand
feibra
WEBER ESCAL
OverseasExpress
stmedia
CITY EXPRESS

Clearly-defined targets

The selective acquisition of existing companies is a decisive factor underlying the corporate growth of Austrian Post. Such transactions are implemented very carefully. Austrian Post has defined the most important criteria to be the return on invested capital (ROIC) before tax, which should reach a level of at least 12% in the third year following the integration of the new subsidiaries. There are three main priorities in acquiring companies:

- **Occupation of attractive niche markets**
  The market niches created by the changes in Europe's postal sector not only open up opportunities for competitors, for example to establish a foothold on the Austrian market. The new perspectives also offer Austrian Post the chance to position itself as a provider of specialised postal services, for example in the field of specialty logistics. This will lead to a strengthening of Austrian Post within an increasingly competitive environment, and to additional market opportunities for the company in the stagnating traditional letter mail segment.

- **Expansion to growing markets**
  The domestic market also offers attractive market opportunities for Austrian Post. The company has already established a foothold in various postal market sub-segments through its acquisition of the appropriate service providers (feibra, Scherübl Transport), for example in the delivery of unaddressed direct mail items or the transport of special parcels to business customers. Austrian Post also sees considerable potential in the future on the domestic market, as well as growth opportunities in the increasingly prosperous markets of Central and Eastern Europe. This expansion drive serves as the basis for Austrian Post to take advantage of the economic development in Austria, but above all in Central and Eastern Europe.

- **Further development of competencies**
  Austrian Post's acquisition drive is targeted at those business areas in which the company has already developed relevant competencies. Other important factors are the existence of favourable market conditions as well as the commitment to maintaining strict financial criteria. This strategy enables Austrian Post to combine its existing specialised expertise with the newly acquired market know-how, leading to a win-win situation. The acquisition of existing companies also provides Austrian Post with additional market and product specific know-how, a further key element along the value chain. Austrian Post has also expanded services offered to customers. At the same time, the subsidiaries profit from the experience and competence of Austrian Post.

[8] *Can success be achieved in stagnating markets?*

Mail Division

Business operations

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

Market environment and trends

The market for addressed direct mail items

Up until now, the traditional letter mail segment (business mail, private letters, postcards, addressed direct mail items) has only been subject to a moderate degree of competition. The regulatory framework in each EU member state must be clarified before the implementation of the 100% liberalisation of the postal markets as envisioned by the EU. Austrian Post is developing new concepts to prepare for the era of free competition. By means of new, innovative services such as address management, document printing or intelligent scanning, Austrian Post is opening up new service perspectives for its customers. Moreover, Austrian Post is actively participating in the decision making process relating to changes in the regulatory framework, which have been rendered necessary by the new EU Postal Directive.

The market for unaddressed direct mail: considerable potential in CEE Advertising based on brochures or prospectuses plays an extremely important role in Austria compared to other forms of advertising. The market for unaddressed direct mail items (household advertising) is subject to free competition, and has been developing dynamically in the light of the perceived efficiency of advertising brochures. Austria ranks very favourably in comparison to other countries, with 470 unaddressed direct mail items per capita per year. Above-average growth

Market position

Country	Company[1]	Field of activity	Position
Austria	Österreichische Post AG	Letter mail	No 1
		Addressed direct mail items	No 1
		Media post	No 1
	Österreichische Post AG/feibra	Unaddressed direct mail items	No 1
	Mader Zeitschriftenverlag, 74.9%	Free newspaper for Vienna	Niche position
Germany	Austrian Post International Germany	International mail	International mail distribution
	meiller direct	Direct marketing services	Top position in its niche market
Austria, Germany, CEE	Scanpoint	Scanning/archiving of documents, response collection	Top position in its niche market
Croatia	Weber Escal/ST Media	Unaddressed direct mail items	No 1
Slovakia	Kolos	Unaddressed direct mail items	No 2
Hungary	feibra	Unaddressed direct mail items	No 1

[1] Shareholding details are only provided if Austrian Post has less than a 100% stake

is expected for Central and Eastern Europe. This is the reason why Austrian Post acquired in 2007, for example, a 100% shareholding in ST Media, a Croatian specialist in the unaddressed direct mail segment. ST Media will be merged with Weber Escal, Austrian Post's existing Croatian subsidiary. Austrian Post's international expansion also offers an attractive benefit to the company's Austrian customers. Key accounts can increasingly rely on the competence of Austrian Post's subsidiaries to support their advertising efforts.

Maximal customer orientation in the Media Post business area Austrian Post has been able to maintain its excellent market position in the delivery of print media despite tough competition, due to its premium quality, nationwide service and innovative customer retention ideas, for example the "Subscription Shop". The example of the product "Plus newspaper" ensuring quick delivery is evidence of Austrian Post's customer orientation. Last but not least, the company has profited from the significant increase in the number of free newspapers, reflected in its involvement with Vienna's district newspaper, the Wiener Bezirkszeitung. Total distribution volumes in this business area are expected to climb once again in 2008.

Strategy

Continuity in the core business The core business of Austrian Post in the Letter Mail business area consists of the delivery of addressed and unaddressed mail items. The relationships between the sender and recipient encompass B2C (business-to-consumer), B2B (business-to-business), C2B (consumer-to-business) and C2C (consumer-to-consumer).

In the Letter Mail business area, Austrian Post is relying primarily on efficient logistics and sustainable customer value. Customized branch solutions add impetus to business activity in stable markets. These solutions not only allow Austrian Post to maintain but also to strengthen and expand its market position in a fully liberalised market. In addition, direct marketing activities are being promoted in Austria and abroad. Internal and external audits guarantee the high quality of Austrian Post services in accordance with customer expectations.

[8] *Can success be achieved in stagnating markets?*

It is essential to expand the portfolio of services offered to existing customers, particularly in saturated markets. In recent years, Austrian Post has demonstrated its innovative strength by developing new solutions.

Direct Marketing: alternative delivery and regional expansion The integration of alternative mail delivery companies enables Austrian Post to optimise delivery processes and quality in the field of direct marketing. The integration of feibra Austria, one of the leading alternative providers of delivery services for unaddressed direct mail items, has already demonstrated the success of Austrian Post's two brand strategy. This is now being promoted by means of the acquisition of alternative market leading postal delivery companies in the CEE region.

Expansion of the value chain In addition to traditional services such as the acceptance, sorting and delivery of postal items, Austrian Post can offer new and attractive services in the fields of production as well as address and response management. This has been made possible primarily by the acquisition of meiller direct (direct marketing full service provider) and Scanpoint (specialist for document digitalisation).

Austrian Post can now offer all services along the value chain of physical information exchange under one roof, and actively exploit the existing growth potential in this segment. In the spirit of customer orientation, logistical synergies are being exploited and individual, tailor-made solutions developed for the respective customers. The result is that Austrian Post has undergone a far-reaching transformation, from a simple mail deliverer to a full service provider. At the same time, the company is expanding its customer base and geographical outreach to Western Europe but also Central and Eastern Europe.

Process optimisation in logistics In order to fulfil the high quality demand of customers, Austrian Post is continuously optimising its logistics capabilities, thus ensuring a sound basis for the company's letter mail business. In addition, technical, logistical and organisational processes are being continually modernised and improved. Internal structures have been streamlined and clearly defined responsibilities have been delegated. At the same time, the delivery process has been newly coordinated as the result of capacity measurements. The number of letter sorting centres was reduced from 39 to six in the meantime, whereas the number of delivery bases was reduced from 1,880 in the year 2001 to the current level of 320. The logistics infrastructure of Austrian Post ranks among the most modern in Europe due to improved technology and consistent increases in efficiency.

Targeted expansion of the value chain

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

[9] ***What potential does the parcels business have?***

Parcel & Logistics Division

Business operations

The core business of the Parcel & Logistics Division is the acceptance, transport and delivery of parcels and pallets, complemented by a range of services tailored to the specific markets and customers. Due to the consistently pursued expansion strategy, Austrian Post now achieves two thirds of its total revenue in this division outside of the Austrian domestic market. All subsidiaries have a nationwide infrastructure at their disposal as well as a very good market position. With the exception of Austria, they all primarily operate in the business-to-business (B2B) segment.

Market environment and market trends

The parcel services market is completely liberalised and thus fully open to competition. There is strong competition in all the countries in which Austrian Post operates. Austrian Post has initiated an active repositioning of its business activities as a response to the market entry of a competitor on the Austrian business-to-consumer (B2C) and consumer-to-consumer (C2C) markets.

In addition, national and international market trends are also decisive for the development of the parcel and logistics business. The most important trends are described below:

- E-commerce remains the top driving force underlying business volumes, and increases the demands placed on logistics companies. Furthermore, traditional mail order houses are significantly expanding their E-commerce activities.
- Cross-border parcel transport is expanding more intensively than on the domestic markets. Specialty logistics are becoming increasingly important.
- The boundaries between the B2C and B2B markets are becoming blurred due to the market entry of new competitors in Austria and the expansion of the business models of existing postal service providers.
- Providing “all services under one roof” continues to be an important precondition for deciding upon a logistics provider, in particular related to cross-border transport solutions.
- A consolidation process is increasingly impacting the logistics market in South East Europe. Consequently, international ties are becoming just as important in the region as in Western Europe.
- The parcels market in South East Europe continues to post double-digit growth rates.

Market position

Country	Company[1]	Field of activity	Position
Austria	Österreichische Post AG	Express and parcel services	No 1
	Scherübl Transport, 74.9%	Temperature controlled logistics	Top position in its niche market
Germany	trans-o-flex, 76.15%	Combined freight, specialty logistics	Niche position
	trans-o-flex Thermomed, 76.15%	Temperature controlled logistics	Top position in its niche market
Belgium	Van Osselaer Pieters Colli Service (VOP)	Combined freight, specialty logistics	Complement to the German market
Netherlands	Dedicated Distribution Service (DDS), 76.15%	Combined freight, specialty logistics	Complement to the German market
Croatia	Overseas Express	Express and parcel services	No 2
Serbia	City Express	Express and parcel services	No 2
Slovakia	SPS/In-Time	Express and parcel services	No 2
Hungary	Road Parcel/Merland Expressz	Parcel and specialty logistics	No 4

[1] Shareholding details are only provided if Austrian Post has less than a 100% stake

Strategy

The Austrian domestic market Austrian Post initiated a realignment of its domestic parcels business at the end of 2007 in order to counteract the reduction in business volumes resulting from the market entry of a competitor in Austria's parcel services market. The package of measures aims to strengthen Austrian Post's position on the domestic market of Austria and is based on three pillars:

- **Premium product "24 hour business parcel"**
  The basis of the new positioning is complementing the company's product portfolio. The new premium product, the "24 hour business parcel" will provide considerable competitive advantages to B2B and B2C customers. The final deadline for for accepting parcels for next day delivery will be extended until 1:00 a.m., a decisive advantage for all customers desiring quick delivery of their parcels on the next working day. This is a service which is becoming increasingly important for all online orders.
- **Redimensioning of parcel logistics operations**
  The redimensioning encompasses the shutdown of seven parcel delivery bases and the transfer of the Parcel Sorting Centre Graz to the sorting centre located in neighbouring Kalsdorf. Moreover, synergies with the Mail Division will be increasingly exploited.
- **Sales drive in the B2B segment**
  The B2B sales drive of Austrian Post will be further intensified. The target is to increase the current market share of about 5% to a level of about 20% by 2011. A significant increase of business in the B2B segment is expected due to new, attractive products and services.

The implementation of these measures already started in 2007, and will be completed, for the most part, by the end of the year 2008. Moreover, production and delivery has become even more flexible thanks to changes in the company's IT system. Customer orientation has also been intensified by reorganising distribution processes and setting up parcels shops in all OMV petrol stations.

B2B market in South East Europe Austrian Post is pursuing an ambitious growth strategy in the South East European market. On the one hand, it involves penetrating new markets by means of acquisitions. On the other hand, it focuses on intensifying existing activities, for example optimally exploiting services offered on the value chain.

[9] *What potential does the parcels business have?*

The market for parcel services offers the opportunity to achieve organic growth as well as to penetrate attractive niche markets. The good positioning and extensive experience of the new subsidiaries serve as the basis for growth in the B2B business.

The implementation of the expansion strategy was successfully continued in the 2007 business year. The acquisition of the Hungarian companies Road Parcel and Merland Expressz as well as the Serbian parcel delivery company City Express, enabled Austrian Post to penetrate two additional thriving markets. Whereas Road Parcel specialises in parcel services, Merland Expressz focuses on transporting pallets. As a result, Austrian Post can offer Hungarian customers an attractive and comprehensive portfolio of transport services. City Express, which was also acquired in 2007, is Serbia's leading parcel services provider, with a market share of approximately 50%.

At the same time, the sales and marketing activities of the Parcel & Logistics Division in existing markets were intensified and expanded. Thus subsidiaries can offer standardised transport and specified complementary services throughout the entire network by means of defining a harmonised product matrix applicable beyond national boundaries. Furthermore, extending the services provided along the value chain, for example warehousing, intensifies and strengthens customer relationships.

Specialty logistics market in Western Europe At the end of 2006, Austrian Post initiated a successful market niche policy for parcel and logistics services by acquiring the specialty logistics company trans-o-flex in Germany. trans-o-flex is a logistics provider operating throughout Europe, offering a fast delivery service for the efficient and safe transport of parcels and pallets (combined freight) on the basis of a European-wide network. In addition to 24 hour delivery with extensive express and related services (e.g. the transport of hazardous goods), trans-o-flex also developed the EURODIS network. Consequently, trans-o-flex is one of the leading combined freight service companies in Europe. The company implements tailor-made logistics concepts, and has developed a broad range of specialised sectoral solutions.

The business operations of trans-o-flex focus on the fields of health care, life sciences, as well as consumer electronics and home entertainment. The company attaches great importance to developing special sectoral solutions to serve this growing segment. The subsidiary trans-o-flex Thermomed is the German market leader in the specialised field of actively cooled transport of goods between 2° and 8° Celsius.

Austrian Post acquired the specialty logistics service companies VOP and DDS in Holland and Belgium in the year 2007 in order to cover the market for the flow of goods between Germany and the Benelux countries. The range of services offered in this field is continually being expanded, and in the meantime also encompasses the stationary interim storage of transport products. Furthermore, existing services are being further internationalised via the EURODIS platform. This process of expansion is taking place via partner companies in Western Europe, whereas the expansion drive in Austria, Central and Eastern Europe is primarily being driven by the growing network of the company's own subsidiaries.

Austrian Post generally views the specialisation of parcel and logistics services as a means of opening up attractive future growth perspectives. The ensuing strategy focusing on establishing an even greater foothold in this field has already been implemented in Austria, for example through the acquisition of Scherübl Transport. The company specialises in the transport and storage of pharmaceutical products, and is the Austrian market leader in this segment. Scherübl Transport achieved strong growth in the past business year.

[10] ***What opportunities are opened up by a nationwide branch network, and why did Austrian Post acquire a stake in BAWAG PSK?***

Branch Network Division

Business operations

The Branch Network Division of Austrian Post offers high quality products and services to its customers throughout Austria in the fields of banking, communications and post-related retail products. With a total of about 1,900 company operated branches and third-party operated outlets and 5,000 employees, our branch network ensures both customer proximity and optimal opening hours, and thus offers the best possible access to infrastructure and communications. Austrian Post clearly stands out from its competitors as a result of this competitive advantage, as well as due to its high level of professional competence and customer orientation.

[10] *What opportunities are opened up by a nationwide branch network, and why did Austrian Post acquire a stake in BAWAG PSK?*

Austrian Post's shareholding in BAWAG PSK strengthens its market presence, and offers the opportunity to make a value enhancing investment. Austrian Post will promote its banking services through one of Austria's densest branch networks. The branch network with its direct customer access is an important asset in a competitive environment.

The results achieved in 2007 speak for themselves. Austrian Post is at the service of its customers each and every day, consolidating the extraordinary market position of its branch network which features close to 70 million customer visits, 556 million letters and parcels mailed in the branch network, 900,000 satisfied PSK BANK customers and approximately 12 million cash deposits, 127,000 mobile telephones sold and 49,000 contracted Internet connections.

Market position

The branch network of Austrian Post is one of the largest private customer networks in Austria and a contact point for postal and banking services. Moreover, Austrian Post has a leading position in selling telecommunications products (mobile and fixed line telephony). At the same time, its network of branch offices makes it the largest banking network in Austria.

Market environment and market trends

The Branch Network Division of Austrian Post offers a broad-based portfolio of bank and postal services as well as communications and retail products. For this reason, the market environment is impacted by numerous competitors in various fields, including banks or specialised shops for communications and office products.

The strong demand for the products and services offered in the branch network, which continues to grow in some areas, is the most important distinguishing feature defining the market environment of the branch network. This particularly applies to banking and insurance services. Austrian Post is continuously optimising its branch network through restructuring and modernisation efforts, in order to take advantage of this development as much as possible. Austrian Post invested about EUR 10m in upgrading its branch network in 2007 alone. In order to further expand the availability of its services, Austrian Post is increasingly relying on self-service devices as a means of expanding or complementing the opening hours of its branch offices.

Strategy

Extension of customer proximity and consulting competence for banking services

Austrian Post will make a targeted effort to further expand the banking and financial services offered through its branch network, which it considers to be an important growth segment. The company's stake in BAWAG PSK is an important component in this strategy. Austrian Post not only considers its shareholding in BAWAG PSK as an opportunity to make a profitable and value enhancing investment, but to proactively promote a jointly developed offensive business strategy. Within the course of the negotiations leading up to the acquisition of BAWAG PSK, the existing cooperation agreement regulating the distribution of banking services in the nationwide network of postal branch offices was extended for a further three years until 2015. The integration of the two partners Generali and Wüstenrot in the consortium acquiring BAWAG PSK makes Austrian Post's shareholding even more significant.

Austrian Post is one of the most important sales channels for BAWAG PSK banking products, thanks to its nationwide branch network. Based on the new positioning of PSK BANK, the sale of banking products will simultaneously become one of the core competencies of the branch offices. In this regard, the company has launched a massive expansion of its financial advisory capabilities relying on a significant increase in the number of financial consultants as well as a training and further education drive for employees in the banking segment. By the end of 2007, the number of financial consultants was enlarged to a new total of 600 new consultants, including an extra 40 in Vienna alone. The number of financial consulting centres located in the branch network was increased to about 300 at the end of 2007. The specially trained financial consultants will thus be able to focus on individualised customer care and advisory services pertaining to all financial and insurance issues. In contrast, cash deposits, withdrawals or payments will continue to be carried out at the counters of the particular branches. In rural areas, mobile financial consultants will increasingly support several smaller postal branch offices simultaneously, above all in offering advisory services for high quality banking products.

The product portfolio is also being continually expanded. PSK BANK is responding to the demands of its broad-based customer segment by initiating new, customer-friendly and innovative approaches, such as the "Soccer Savings Book".

Fact box: Financial services

- Free bank account, the "Account Box"
- New types of savings e.g. the "Soccer Savings Book"
- PSK BANK residential construction and consumer loans
- Top 10 BAWAG PSK funds
- Top BAWAG PSK insurance products
- Wüstenrot building loan association products

Service drive targets SMEs Austrian Post is continually expanding its service portfolio, launching an even more targeted effort to satisfy customer requirements based on numerous service initiatives. In 2007, the focus was on the segment of small and medium-sized enterprises (SMEs). Accordingly, an intensified SME customer care campaign was initiated by holding a series of events (e.g. business start-up days, young entrepreneur days and SME evening events in municipalities). In addition, Austrian Post sent mailings throughout the country to more than 116,000 SME customers. At the same time, intensive training courses were held for branch office employees. Austrian Post now offers comprehensive special customer liaison and support services for SMEs at more than 270 locations. Cooperations have also been initiated with the chambers of commerce for the provinces of Carinthia, Upper Austria and Vienna to ensure the optimal postal support for SMEs, a campaign which will be extended to all nine Austrian provinces in the course of 2008. On the basis of these successful measures, Austrian Post could convince numerous new customers in 2007 to take advantage of its services.

Communications and retail products – successful cooperation and optimisation of the product line In 2007, Austrian Post's successful cooperation with its business partner and market leader Telekom Austria was further expanded. Consequently, the number of Internet connections sold in the branch network increased to a total of about 49,000. The branch network of Austrian Post ranks among the most important sales and distribution partners of the mobile phone provider mobilkom austria/A1, and was the only business partner in 2007 to achieve a significant growth in sales in a highly competitive market. Despite the high market penetration in the mobile telephony segment, the number of new registrations for mobile phone devices increased by 33% in 2007 compared to 2006.

In 2007, Austrian Post also implemented successful measures to streamline its retail product portfolio. These measures will also be intensified in 2008, leading to an even greater specialisation in post-related retail products. In addition, sports fan products of the European Soccer Championship UEFA EURO 2008™ will be sold in the branch network in 2008.

Philately In 2007, Austrian Post successfully continued expanding its portfolio of philatelic products by adding special stamp books. These books featuring a high quality design with integrated sheets of stamps focus on up-to-date topics in the fields of art, culture and technology, and are suitable as special gifts with exceptional added value.

[11] *Which sustainable measures are being implemented at Austrian Post?*

Responsibility and sustainable development

Responsibility towards the economy, society, employees and the environment

Every company must assume responsibility towards its stakeholders and the social environment. Aware of its responsibility, Austrian Post is committed to appropriately taking into consideration the interests of all stakeholders when carrying out its business operations. Accordingly, Austrian Post orients its activities to the principles of the UN Global Compact. This comprehensive responsibility is based on four pillars:

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

[11] *Which sustainable measures are being implemented at Austrian Post?*

Austrian Post has defined the four pillars of its sustainability-oriented policies: we consider economic success, social responsibility, employee development and environmental compatibility to be the cornerstones of our corporate behaviour.

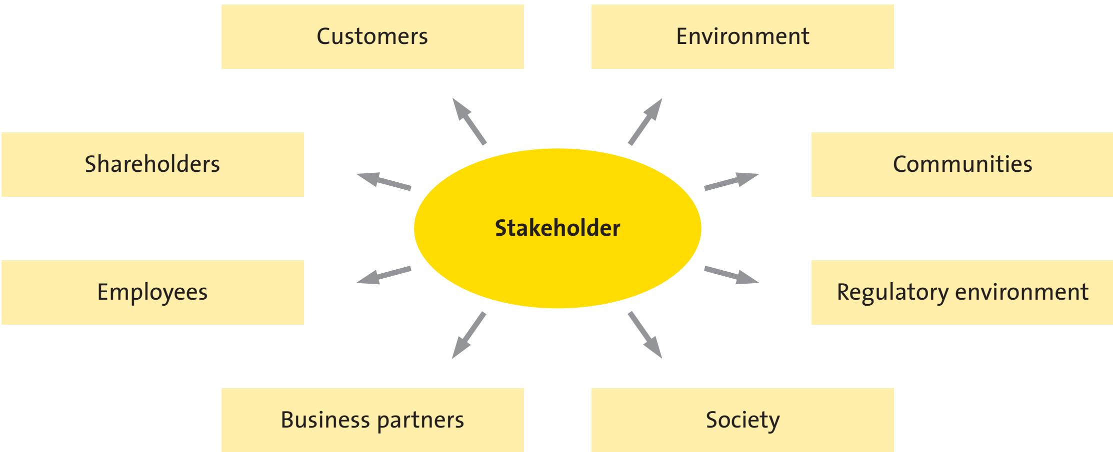
Responsibility to society With more than 23,000 people employed in the country, Austrian Post ranks among the largest employers in Austria. It is essential to sustainably ensure the competitiveness of the company in order to continue offering future-oriented jobs. The number of employees must be continually adjusted in line with current requirements within the context of optimisation measures and process improvements. These personnel cuts are carried out by strictly paying attention to social aspects and by maximally exploiting the process of natural employee fluctuation. Moreover, the career advancement of women and the creation of flexible, part-time work are being actively promoted.

Responsibility to employees Job safety and health protection as well as the promotion of occupational health are key components of Austrian Post's corporate policies. Motivated and productive employees are the cornerstone of the tried and tested logistics concept, which ensures daily postal deliveries to customers. An indispensable prerequisite is ensuring a healthy, safe and secure working environment.

Responsibility to the environment The efficient and prudent use of natural resources is an important priority for Austrian Post, as demonstrated by its participation in numerous projects, such as the Greenhouse Gas Reduction Programme of PostEurop focusing on the reduction of greenhouse gas emissions.

Further information on the sustainability-oriented policies of Austrian Post in the fields of “Business – Employees – Society – Environment” can be found in the Corporate Social Responsibility Report of the company published in September 2007, and online at **www.post.at/sustainability**.

Performance for all stakeholders



Customers Austrian Post provides its customers across the nation with postal and customer services at a fair price-performance ratio.

Shareholders In the last five years, Austrian Post has paid high dividends to its majority shareholder ÖIAG and thus to the Republic of Austria. Since the IPO, 49% of Austrian Post shares have been held by institutional and private investors in Austria and abroad.

Employees The Austrian Post Group has responsibility for a total of almost 26,000 employees. For this reason, Austrian Post attaches great importance to maintaining its position as a popular employer, whose focus continues to be on actively promoting the professional development of its staff.

Business partners Austrian Post always treats its suppliers and business partners fairly. Due to its sound finances, Austrian Post has traditionally been considered a reliable and predictable business partner.

Environment Austrian Post demonstrates its environmental awareness by the ongoing modernisation of its infrastructure as well as numerous waste prevention initiatives and programmes to reduce the consumption of natural resources.

Communities Nationwide outreach and an open dialogue are the hallmarks of the relationship between Austrian Post and Austrian communities, reflected in the approximately 1,300 company operated branches, more than 600 post partner offices and 5,000 delivery staff.

Regulatory environment Most of Austrian Post's operations are carried out within the framework of a regulated business environment with clearly-defined quality and service standards. Austrian Post is well prepared for the increased competition that the planned EU-wide market opening will bring.

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

Numerous initiatives for employees

Family support, advancement of women, flexibility Austrian Post is moving in new directions, as evidenced by its own internal programme for the professional advancement of women and the active management of parental leave, and is thus responding to the changes in today's life styles and working world as well as demographic trends. As a result, Austrian Post facilitates the career planning of women, and promotes their re-entering the job market after maternity leave. For example, it is possible for women to participate in training and continuing education courses during their absence from the company. Career consulting accompanied by a skills assessment for women re-entering the labour market is designed to reveal competencies and aptitudes, and thus assist them in searching for alternative work opportunities. Similarly, Austrian Post facilitates the compatibility of family and career by offering part-time work and a job sharing scheme.

Austrian Post is also continually striving to raise the share of female employees in management positions, in order to achieve equality between men and women in assuming responsibility and in the decision-making process.

post.sozial With the founding of "post.sozial" in 2005, the Management Board and the 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 offers employees and their family members a variety of support services, ranging from food coupons and discounted tickets for selected events to vacation accommodations at particularly favourable rates or holiday camps for children. Financial subsidies are also provided, for example for funeral expenses. The association is financed by regular contributions made by the company linked to the total amount of wages and salaries, as well as third-party donations and proceeds derived from the association's own business ventures.

Ongoing training and continuing education

The professional development of employees was also an important priority of Austrian Post's human resources management in the year 2007. This included specialised courses of instruction, executive training and language courses. Executive trainings for the managers of delivery bases was intensified for local executives in the particularly personnel intensive Letter Mail business area. In 2007, a total of some 200 managers of delivery bases attended such seminars, for example focusing on leadership behaviour.

Other seminars dealt with self-management, time management and business economics. Apart from technical or specialised coursed of instruction, these training programmes are designed to promote the social competence and employees and thus their commitment to the corporate culture of Austrian Post. Professional training and education courses totalled more than 10,200 person-days for Austrian Post's branch network employees in 2007.

Percentage of women at Austrian Post

	Total staff	thereof women	Share in %
Managers	156	34	22%
Mail Division	16,203	4,825	30%
Parcel & Logistics Division	1,974	214	11%
Branch Network Division	5,520	2,881	52%

Per capita average in 2007 of Österreichische Post AG (Austria)

Top priority for health and safety Occupational health care is just as important to ensuring a positive working environment as safe working conditions. For this reason, Austrian Post has been offering its employees a broad spectrum of services in the field of occupational health care for many years. For example, as part of the company-wide campaign "Austrian Post is smoke-free", the number of smokers in the company declined by 5%. In 2007, the company launched a new programme entitled "Austrian Post does exercises – the right exercise brings something for everybody". Furthermore, "health days" and "health desks" enabled employees to take advantage of different advisory services and medical examinations.

Dealing positively with change Austrian Post continuously aims to increase efficiency, in order to satisfy the demands posed by an increasingly challenging postal sector environment. Time and again, this requires adjustments in the number of employees, tailored to prevailing market conditions.

In order to cushion the effects of restructuring measures, the company and employee representatives have signed a labour-management agreement establishing a social plan (employee redundancy programme) offering a series of alternative career opportunities for the people involved:

- The **Career and Development Centre** serves as an internal service provider for the benefit of emploees who have to re-position themselves professionally. Generally speaking, job openings at Austrian Post are preferentially offered to internal applicants. The employees are supported by means of special job application trainings and training-on-the-job assignments.
- Furthermore, the qualifications and educational level of employees are promoted by **external regional employment foundations**. The assistance ranges from practical on-the-job training and courses to university-level education. In some cases, these qualification measures open up new employment perspectives.
- Austrian Post offers its employees and civil servants financial assistance within the context of its social plan, if a particular position has been eliminated, and all efforts to find a suitable alternative for the employee within the company have been in vain.

Motivation through profit sharing Through the stock market listing of Austrian Post, a majority of employees are now shareholders of the company, and are thus aware of the significance of increasing efficiency and growth as the basis for economic success. An additional motivation for all employees of Austrian Post is the voluntary profit sharing bonus scheme. Within the context of this programme, which is unique among Austria's large-sized companies, 10% of the EBIT of Austrian Post was directly distributed to employees in 2007 for the sixth straight year (up to a maximum amount of EUR 14,5m). In 2007, a total of EUR 412 was distributed to each employee of Austrian Post in connection to the profit sharing scheme.

Social responsibility as a nationwide postal services provider

In addition to orienting its business operations to the principles of the U.N. Global Compact, Austrian Post is also a member of respACT, the Austrian Business Council for Sustainable Development, which is the leading Austrian Platform for Corporate Social Responsibility (CSR) and sustainable development. Austrian Post published its first sustainability report in September 2007, which provides comprehensive information about how the company assumes responsibility in relation to society, its employees and the environment. The report and current information are available online at **www.post.at/sustainability**.

Barrier-free access to all branches In order to fulfil the requirements of people with special needs, the branches of Austrian Post have been subject to a evaluation process since 2007 within the context of a systematic cooperation agreement concluded with the Austrian Association of Persons with Disabilities (ÖZIV). In the initial phase, barrier-free access to all branches is to be made possible. On this basis, a step-by-step joint action plan will be developed, incorporating ongoing support, coordination of appropriate measures and evaluation in regards to ensuring compliance with the provisions contained in the "Behindertengleichstellungsgesetz" (the law against the discrimination of disabled people).

Austrian Post supports assistance efforts In 2007, Austrian Post once again supported the tried and tested "Ö3-Wundertüten" campaign (Ö3 radio station showbags), in which old mobile phones are collected and then re-sold or recycled. In addition to distributing specially designed showbags to 3.5m Austrian households, Austrian Post also assumed responsibility for the logistical organisation involved in collecting and distributing the mobile phones deposited in letter boxes or at postal branch offices. Austrian Post also supported the "Helping Hands" drive of the daily newspaper "Kronen Zeitung". A portion of the donations is used to cover the heating costs of needy persons in Austria.

National sponsor of UEFA EURO 2008™ The sponsoring highlight of the year 2008 for Austrian Post will be its role as the National Sponsor of UEFA EURO 2008™. A regional postal stamp competition was initiated in Austrian schools in 2007 in view of this upcoming European Soccer Championship. The winning pictures from each of the Austrian provinces will be printed as stamps. Several table top football games were also donated to social welfare institutions. Furthermore, Austrian Post hosted one of the biggest amateur soccer events in the country, the Post Soccer Cup 07, which invited any interested Austrian soccer enthusiasts to participate.

Active cultural sponsoring For years, Austrian Post has been a sponsor of the Vienna Burgtheater, one of the most important cultural institutions in Austria. Within the context of this cooperation, the picture gallery located in the theatre lounge was enriched with contemporary works of art in 2007. Moreover, Austrian Post also supported the gala performance of the Salzburg Jazz Autumn, and served for the second time as the sponsor of the well-known Viennale film festival.

Artist's competition "The Austrian Post share" In line with the abovementioned motto, Austrian Post organised a competition among Austrian artists. The winning picture by Deborah Sengl was selected by the expert jury as well as by Austrian Post. This work of art serves as the basis for designing the "Austrian Post ordinary share" at a nominal value of EUR 5.

Prudent use of natural resources and environmental protection

Greenhouse Gas Reduction Programme Austrian Post takes its responsibility to the environment very seriously. For this reason, it made the decision to participate in the Greenhouse Gas Reduction Programme. The aim of this initiative is to implement a 10% reduction in greenhouse emissions by the year 2012, as well as achieve a significant reduction in fine particle pollution. PostEurop, the European association of public postal operators, is responsible for coordinating this European-wide initiative, and will make joint measurement tools available. The Greenhouse Gas Reduction Programme is primarily designed to serve as an incentive to use those resources with the highest economic and ecological utility.

Prudent consumption of resources and sustainable use of company vehicles Austrian Post operates Austria's largest vehicle fleet, an ideal starting point for actively contributing to reduce the environmental burden in the spirit of the company's far-reaching corporate social responsibility. Embedded in the "klima:aktiv mobil" (climate compatible mobility) campaign coordinated by the Federal Ministry of Agriculture, Forestry, Environment and Water Management, Austrian Post purchased 50 natural gas driven delivery vehicles. Due to their significantly lower fuel consumption, annual CO_2 emissions by Austrian Post are reduced by up to 30%.

The use of a patented device developed by the firm Eco-Spin is also expected to considerably cut waste gas emissions by 5% to 10%. Due to a change in pressure within the automobile fuel pipe, this ancillary device accelerates the transition from the liquid to the gaseous phase, thus promoting the process of "flashboiling". Austrian Post has been testing the use of this system on two lorries since 2006. Furthermore, Austrian Post has been evaluating the use of electric mopeds for postal delivery services.

Waste prevention – waste recycling In order to promote an even more prudent use of resources, the collection and recycling of valuable materials (e.g. used paper, cardboard, plastic) was successively centralised since autumn 2006, a process completed at the end of 2007. The separated, recyclable waste materials are transported to a central organisational unit by the same lorries dispatched by the sorting centres with mail designed for the delivery bases. Part of the waste transported to the sorting centres is compressed by machines to reduce the overall volume, and then offered for sale in compacted form to the respective waste management companies. This process has not only led to a considerable reduction in waste disposal expenditures, but represents an additional source of income for Austrian Post.

Fact box: Value added analysis

The total revenue of EUR 2,388.3m achieved by Austrian Post in 2007 (including other operating income) contrasts with advance outlays of EUR 1,106.1m, which include expenses for raw materials, consumables and services used totalling EUR 108.3m, and other operating expenses of EUR 83.9m. For the most part, the resulting value added of Austrian Post amounting to EUR 1,282.2m was directly distributed to employees in the form of salaries and wages, as well as indirectly in the form of social contributions. It will be proposed that a dividend of EUR 168.0m be paid to shareholders for the 2007 business year. Income taxes totalled EUR 42.2m.

Value added analysis for all stakeholders

EUR m	2006	2007
Value added formation		
Revenue and other operating income	1,795.5	2,388.3
Less advance outlays	–610.3	–1,106.1
thereof raw materials and consumables used	–258.0	–108.3
thereof other operating expenses	–243.9	–583.9
Value added	**1,185.2**	**1,282.2**
Distribution		
to employees (wages, salaries, social contributions)	1,068.8	1,126.9
to shareholders (dividends)	70.0	168.0
to the Republic of Austria (taxes)	30.8	42.2
to creditors (interest)	1.9	8.3
to minority interests	0.0	0.1
Remaining amount	13.7	–63.3
Value added	**1,185.2**	**1,282.2**

Our vision: top performance generates strong cash flow

Austrian Post has a clearly-defined vision. We operate according to the highest standards in the postal sector, and aim to achieve profitability growth and value enhancement.

Our strong core business and good positioning in ten European markets demonstrates that a national postal service company is capable of expanding its service portfolio beyond the transport and delivery of mail items. Due to the extension and optimisation of its product range, Austrian Post is an innovator doing business at a high level of efficiency.

Our acquisition strategy and cooperation agreements are designed to make Austrian Post a local integrator and thus a strong niche player in Western Europe and the CEE region. One of management's top priorities is to ensure that the company has as much flexibility as possible to effectively deal with future market developments.

For this reason, we operate according to two main criteria:

1. When should we invest?
If there is a connection to our existing business and an appropriate enhancement in value is ensured. This will be measured by the return on invested capital (ROIC), which Austrian Post has defined at a level of at least 12% after three years.

2. How will we invest?
As precisely and quickly as possible, but always where our heart is. In addition to a profound knowledge and efficient use of management resources, the most important aspects are ensuring a "strategic fit" and the "will to win" on the part of the managers and employees involved.

[12] *How did Austrian Post develop in 2007?*

Group Management Report of Austrian Post 2007

Overall business framework[1]

In the year 2007, the Austrian economy posted strong growth. The country's GDP, an important factor impacting the business development of Austrian Post, reached a level of 3.3%, considerably higher than the initial forecasts made at the beginning of the year. Accordingly, Austria performed significantly better than the good GDP growth rate of 2.5% posted in the eurozone. In the upcoming years, the number of Austrian households is expected to climb by 1% p.a., similar to the trend in the last decade. In those CEE markets which are relevant to Austrian Post's business activities (i.e. Slovakia, Hungary, Croatia, and Serbia), the anticipated double-digit growth in the financial assets of private households is clear-cut evidence for the success of the region's economic catching-up process.

[12] *How did Austrian Post develop in 2007?*

The 2007 business year once again featured revenue and profit growth. New subsidiaries were acquired in Austria and abroad and successfully integrated.

A slowdown in Austria's economic growth is expected for the year 2008 as a whole. The latest forecasts anticipate an expansion of Austria's gross domestic product of about 2.4%, which will still surpass the EU average of 2%. The reasons for the forecasted global economic downturn are the real estate crisis in the USA and the resulting financial market uncertainties, strong inflationary tendencies (particularly due to increasing energy prices) and tougher competition arising as a consequence of the strong appreciation in value of the euro.

Global economic growth is also expected to slacken off in 2008. Economic momentum will be driven by the emerging markets in Asia, whereas lower growth is predicted in the U.S. In contrast, above-average growth rates (ranging between 2.75% and 7%) are anticipated for the CEE markets in which Austrian Post's subsidiaries operate.

In the year 2007, the development of Europe's letter mail market was dominated by the decision of the EU to fully liberalise the postal sector, and the intense discussions surrounding the minimum wage for postal workers in Germany. European letter mail volumes remained constant, for the most part, although there was an overall decline in mail volumes in some countries. For the most part, the Austrian postal market continued to be stable. A decrease in mail volumes in the letter mail segment was compensated by growth in other areas.

In October 2006, the EU Commission published a proposal for a new EU Postal Directive regulating the full-scale liberalisation of Europe's postal sector. This draft law was intensively discussed in the EU Parliament and the EU Council of Ministers in the course of 2007 within the context of the co-determination procedure, and was approved in January 2008 as the EU's Third Postal Directive.

The result is a two-phased liberalisation timetable. Whereas the European postal sector will generally be completely open to competition at the beginning of 2011, Cyprus, the Czech Republic, Greece, Hungary, Latvia, Lithuania, Luxemburg, Malta, Poland, Romania and Slovakia will be permitted to delay implementation of the EU's Third Postal Directive in their respective national markets until the beginning of 2013. Austrian Post welcomes the postponement of total postal market liberalisation to 2011.

However, this window of opportunity must now be used in order to enable the member states to adjust their national postal laws to a fully liberalised postal market within the context of the new legal framework provided by the EU Postal Directive. In particular, this refers to creating the same business environment for all providers of postal services, ensuring the har-

[1] Source: IHS; Status 12/2007

monisation of labour laws and establishing effective financing mechanisms for universal postal services in a liberalised market.

Business development 2007

Changes in consolidation On January 2, 2007, Austrian Post acquired a 100% shareholding in Weber Escal d.o.o., which is a Croatian company operating in the distribution of unaddressed direct mail items. The Croatian company ST Media d.o.o., acquired by Austrian Post on October 31, 2007, operates in the same segment, and was merged with Weber Escal d.o.o. effective December 24, 2007. On January 31, 2007, Austrian Post acquired a 51.0% stake in Scanpoint Europe, Germany, which specialises in the scanning and archiving of documents as well as response management.

On April 25, 2007, Austrian Post acquired a 74.9% shareholding in the Austrian firm Scherübl Transport GmbH, a transport company which specialises in temperature-controlled logistics. Furthermore, Austrian Post purchased a 100% shareholding in two Hungarian companies, Road Parcel Logistics Services Kft. and Merland Expressz Logistics Services Kft., effective May 2, 2007, both of which operate in the field of business-to-business parcel logistics. A further addition to the Austrian Post services portfolio along the value chain of the letter mail segment is the German company meiller direct, which was acquired as at July 31, 2007. Its services encompass the conception and production of documents and direct mailings at two production locations in Germany and the Czech Republic. In the year 2006, meiller direct employed a work force of about 1,100 employees, achieving revenues of EUR 106m. The parcel logistics companies Dedicated Distribution Services B.V. (DDS), Netherlands and Van Osselaer-Pieters Colli Service B.V. (VOP), Belgium were acquired on October 1, 2007 to complement the business operations of the Austrian Post subsidiary trans-o-flex on the German market. On November 12, 2007, Austrian Post acquired a 100% stake in the Serbian parcel and express mail company City Express d.o.o. The initial consolidation of Group subsidiaries generally takes place on the date of acquisition.

Business development – revenue and earnings Austrian Post performed very positively in the 2007 business year. Total revenues increased by 33.3%, to EUR 2,315.7m. A major contribution to the growth in revenues (about EUR 500m) can be attributed to the initial consolidation of trans-o-flex (Parcel & Logistics Division), acquired at the end of 2006. On balance, revenues from the Mail Division were up 5.3% and the Parcel & Logistics Division improved by 225.3% during the period under review. In contrast, the Branch Network Division posted a decline in revenues of 1.2%.

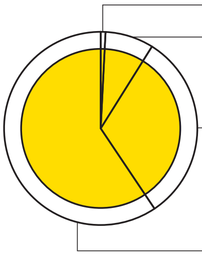
Austrian Post's performance in the fourth quarter of 2007 compared to Q4 2006 basically followed the same pattern. Total Austrian Post revenues improved by 39.3% in Q4 2007, to EUR 648.4m. Revenues in the Mail Division increased by 10.8% compared to Q4 2006, the Parcel & Logistics Division improved by 225.6%, and Branch Network Division revenues rose by 2.7%.

Revenue by division[1]

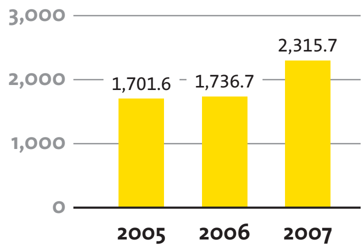
EUR m	2005	2006	2007	Change 2006/2007 in %	Structure 2007 in %
Total revenue	**1,701.6**	**1,736.7**	**2,315.7**	**+33.3%**	**100.0%**
Mail	1,290.8	1,311.3	1,381.0	+5.3%	59.6%
Parcel & Logistics	211.8	227.1	738.6	+225.3%	31.9%
Branch Network	193.8	194.4	192.1	–1.2%	8.3%
Other/Consolidation	5.1	4.0	4.1	+2.1%	0.2%

[1] External sales of the divisions

Revenue by division (%)



Revenue development (EUR m)



Income statement

EUR m	2005	2006	2007	Change 2006/2007 in %	Structure 2007 in %
Revenue	**1,701.6**	**1,736.7**	**2,315.7**	**+33.3%**	**100.0%**
Other operating income	52.9	58.8	72.6	+23.5%	3.1%
Raw materials, consumables and services used	–241.9	–258.0	–692.2	+168.3%	29.9%
Staff costs	–1,064.0	–1,063.0	–1,120.4	+5.4%	48.4%
Other operating expenses	–223.5	–243.9	–284.0	+16.4%	12.3%
Share of profit/loss of associates	–1.3	1.1	0.9	–12.6%	0.0%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**223.8**	**231.7**	**292.7**	**+26.3%**	**12.6%**
Depreciation and amortisation	–120.8	–108.4	–130.0	+19.9%	5.6%
Earnings before interest and tax (EBIT)	**103.0**	**123.3**	**162.8**	**+32.0%**	**7.0%**
Other financial result	–2.1	7.2	2.1	–71.0%	0.1%
Earnings before tax (EBT)	**100.9**	**130.5**	**164.9**	**+26.3%**	**7.1%**
Income tax	–10.9	–30.8	–42.2	+37.2%	1.8%
Profit after tax	**90.1**	**99.8**	**122.6**	**+22.9%**	**5.3%**
Profit from discontinued operations	9.8	0.0	0.0	–	–
Profit for the period	**99.9**	**99.8**	**122.6**	**+22.9%**	**5.3%**

The structure of the income statement of Austrian Post has changed considerably as a result of the acquisitions made in recent years. The new subsidiaries generally feature a very flexible cost structure with a lower share of staff costs and a higher level of external services used.

Accordingly, Austrian Post's staff costs of EUR 1,120.4m in 2007 comprised close to 50% of total revenues (2006: more than 60%), whereas the share of expenses for raw materials, consumables and services used has climbed to about 30% of total revenues (2006: 15%).

As a consequence of the impending losses in revenue in the Parcel & Logistics Division, it was necessary to develop a comprehensive restructuring concept to reposition Austrian Post's parcels business in Austria in 2007. The plan foresees the closing of parcel delivery bases and a sorting centre as well as a reduction in the Parcel & Logistics Division's work force in Austria by about 360 employees. These measures were the basis for Austrian Post to increase allocations to the corresponding provisions.

Provisions for employee under-utilisation are generally made when employees are completely or partially under-utilised, and thus surplus capacity may not be reduced due to the terms of existing employment contracts. The provisions for employee under-utilisation are contained in the staff costs of Austrian Post.

The resulting staff costs arising for the affected employees, for whom the provisions were allocated in previous periods, is covered by making use of the provisions allocated for employee under-utilisation to the sum of EUR 22.8m in 2007.

Accordingly, the net increase in provisions for under-utilisation in 2007 totalled EUR 60.1m (2006: EUR 103.6m). This amount represents the net rise of this balance sheet item from EUR 270.9m as at January 1, 2007 to EUR 331.0m as at December 31, 2007.

Expenses for raw materials, consumables and other services used during the course of 2007 climbed by 168.3%, to EUR 692.2m, which can be primarily attributed to the integration of new subsidiaries. In particular, transport costs rose from EUR 56.0m to EUR 448.9m due to this reason. Further expenses encompassed in the item "Raw materials, consumables and services used" include services from international postal companies (EUR 67.8m), the procurement of the retail products sold in Austrian Post's branch network (EUR 53.5m), as well as transportation and heating fuel (EUR 20.1m).

Due to higher gains on the disposal of property, plant and equipment, as well as the integration of new subsidiaries, other operating income climbed to EUR 72.6m during the period under review. Other operating income primarily encompasses rental income (EUR 20.8 m), as well as gains on the disposal of property, plant and equipment (EUR 14.1m).

Other operating expenses increased by 16.4%, to EUR 284.0m. The largest single items encompassed under "Other operating expenses" are leasing and rental payments (EUR 67.5m) and maintenance expenses (EUR 42.7m).

In 2007, EBITDA of Austrian Post was up 26.3% year-on-year, to EUR 292.7m. Accordingly, the EBITDA margin amounted to 12.6%.

Capacity utilisation of equipment at Austrian Post's sorting centres is designed to fulfil regulatory guidelines relating to delivery speed (95% of letters delivered on the next working day, 90% of parcels within two working days). At peak times, particularly during the Christmas season, mail volumes transported by Austrian Post increase by up to 50%.

The depreciation and amortisation totalling EUR 130.0m includes impairment losses for property, plant and equipment and intangible assets amounting to EUR 22.8m, as well as impairment losses of EUR 9.3m for goodwill. Impairment losses primarily apply to the Parcel & Logistics Division as well as the Other/Consolidation segment.

EBIT by division

EUR m	2005	2006	2007	Change 2006/2007 in %
Total EBIT	**103.0**	**123.3**	**162.8**	**+32.0%**
Mail	268.9	271.6	274.3	+1.0%
Parcel & Logistics	10.4	20.8	12.8	–38.5%
Branch Network	8.7	11.5	13.6	+18.2%
Other/Consolidation	–184.9	–180.6	–137.9	–23.6%

In the 2007 business year, the EBIT (earnings before interest and tax) of Austrian Post increased by 32.0% compared to the previous year, to EUR 162.8m. Accordingly, the EBIT margin amounted to 7.0%.

All operative company divisions made a positive contribution to this performance. The Mail Division achieved an EBIT of EUR 274.3m, the Parcel & Logistics Division contributed EUR 12.8m, and the Branch Network Division generated an EBIT of 13.6m.

The Other/Consolidation segment posted a negative EBIT of EUR 137.9m in 2007 (2006: minus EUR 180.6m). This item encompasses costs for central departments, expenses in connection with unused properties, impairments as well as the change in the provisions for employee under-utilisation of EUR 82.9m (2006: EUR 112.1m) which are recognised in the income statement.

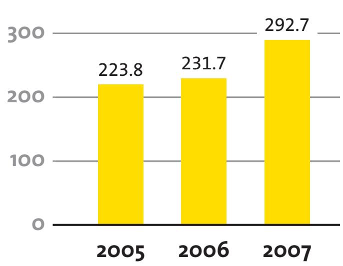
Due to the financial liabilities of the new subsidiaries, the other financial result of Austrian Post declined to EUR 2.1m in the 2007 business year.

Earnings before tax rose 26.3% year-on-year, to EUR 164.9m.

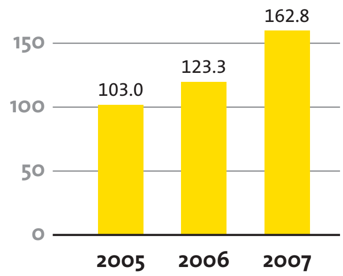
After deducting the income tax expense amounting to EUR 42.2m, the profit after tax totalled EUR 122.6m. Accordingly, the consolidated profit for the period of Austrian Post for the year 2007 rose by 22.9%, to EUR 122.6m, and is almost completely assigned to the shareholders of Austrian Post. Only EUR 0.1m of the profit for the period is assigned to minority interests.

Earnings figures 2005–2007

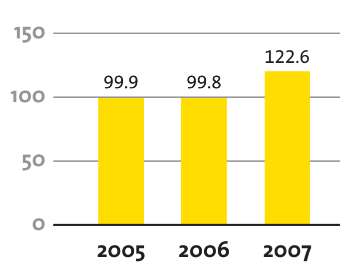
EBITDA (EUR m)



EBIT (EUR m)



Profit for the period (EUR m)



Assets and finances

Balance sheet analysis by terms

EUR m	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Structure Dec. 31, 2007 in %
ASSETS				
Non-current assets	997.4	1,272.9	1,361.9	66.2%
thereof other financial assets and financial investments in securities	172.6	204.5	211.7	10.3%
Current assets	542.6	614.9	694.3	33.7%
thereof cash and cash equivalents	174.5	229.4	309.4	15.0%
Non-current assets held for sale and discontinued operations	23.0	13.8	2.4	0.1%
	1,563.0	**1,901.6**	**2,058.6**	**100.0%**
EQUITY AND LIABILITIES				
Capital and reserves	762.1	821.4	874.3	42.5%
Non-current liabilities	361.3	564.0	598.0	29.1%
thereof provisions	311.6	425.8	487.7	23.7%
Current liabilities	439.6	516.2	586.3	28.5%
	1,563.0	**1,901.6**	**2,058.6**	**100.0%**

Total assets of Austrian Post amounted to EUR 2,058.6m as at December 31, 2007. Non-current assets predominate on the assets side, accounting for 66.2% of total assets, or EUR 1,361.9m.

The largest non-current asset items are property, plant and equipment, with EUR 716.7m, as well as financial investments in securities and other financial assets, with EUR 211.7m.

The principal current asset items are receivables, with EUR 344.0m, as well as cash and cash equivalents, at EUR 309.4m.

On the equity and liabilities side, the main items are capital and reserves (42.5%) and non-current liabilities (29.1%). Non-current liabilities of EUR 598.0m largely consist of provisions totalling EUR 487.7m. The provisions for employee under-utilisation contained in this item climbed by EUR 60.1m in 2007, to EUR 331.0m.

Current liabilities totalling EUR 586.3m primarily consist of liabilities arising from trade payables (EUR 209.8m).

Balance sheet analysis by item

EUR m	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Structure Dec. 31, 2007 in %
ASSETS				
Property, plant and equipment, intangible assets and goodwill	720.4	938.1	1,038.7	50.5%
Investment property	54.8	38.3	36.6	1.8%
Investments in associates	0.3	3.5	3.5	0.2%
Inventories, receivables and other assets	367.4	473.4	441.0	21.4%
Financial investments in securities	220.9	198.8	147.0	7.1%
Other financial assets	1.8	6.2	79.9	3.9%
Cash and cash equivalents	174.5	229.4	309.4	15.0%
Non-current assets held for sale and discontinued operations	23.0	13.8	2.4	0.1%
	1,563.0	**1,901.6**	**2,058.6**	**100.0%**
EQUITY AND LIABILITIES				
Capital and reserves	762.1	821.4	874.3	42.5%
Provisions	431.8	520.2	604.3	29.4%
Financial liabilities	42.2	148.8	187.0	9.1%
Payables and deferred tax liabilities	326.9	411.3	393.0	19.1%
	1,563.0	**1,901.6**	**2,058.6**	**100.0%**

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 309.4m as at December 31, 2007, and financial investments in securities amounting to EUR 147.0m.

On the equity and liabilities side, capital and reserves comprise 42.5% of the balance sheet total, with provisions accounting for 29.4%. Financial liabilities of EUR 187.0m increased as the result of acquisitions of new subsidiaries. Provisions totalling EUR 604.3m include provisions made for under-utilisation of EUR 331.0m. Due to the existing liquidity, Austrian Post does not intend at present to make use of major external funding, and therefore does not require a rating.

Austrian Post can cover its current financing requirements on its own on the basis of existing liquidity as well as the solid cash flow. The capital management activities of Austrian Post aims to ensure a suitable capital structure as the basis for maintaining growth and acquisition targets as well as a sustainable increase in shareholder value.

Within the context of its dividend policy for the upcoming years, Austrian Post intends to achieve a dividend payout ratio of at least 75% of the profit for the period assigned to Austrian Post shareholders, assuming a continuation of the company's successful business development and assuming that no unusual circumstances arise.

Liquidity

EUR m	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007
Interest-bearing liabilities	**–369.1**	**–607.6**	**–711.5**
thereof financial liabilities	–42.2	–148.8	–187.0
thereof interest-bearing provisions	–319.7	–451.6	–517.7
Interest-bearing assets	**397.1**	**433.7**	**538.1**
thereof financial investments in securities	220.9	198.8	147.0
thereof cash and cash equivalents	174.5	229.4	309.4
Net cash position/net debt	**28.0**	**–173.9**	**–173.4**

Austrian Post currently has a net debt position of EUR 173.4m. This financial figure is calculated as the difference between interest-bearing assets (securities, other financial assets and cash and cash equivalents) amounting to EUR 538.1m, and interest-bearing debt (provisions, financial liabilities, social capital and other interest-bearing liabilities) totalling EUR 711.5m.

Cash flow

	EUR m	2005	2006	2007
	Operating cash flow before changes in working capital	**283.1**	**277.6**	**292.4**
±	Cash flow from changes in working capital	15.0	–39.6	3.5
=	**Cash flow from operating activities**	**298.0**	**238.0**	**295.9**
±	Cash flow from investing activities	–92.6	–142.6	–142.4
=	**Free cash flow**	**205.4**	**95.4**	**153.4**
±	Cash flow from financing activities	–81.3	–40.4	–73.5
=	**Net increase in cash and cash equivalents**	**124.2**	**55.0**	**80.0**

In 2007, operating cash flow before changes in working capital increased by 5.3% compared to 2006, to EUR 292.4m. This improvement can be primarily attributed to the contributions of the new subsidiaries as well as a lower increase of non-current provisions.

The cash flow from changes in working capital amounted to EUR 3.5m in 2007. Both receivables and liabilities declined in this period. Accordingly, total cash flow from operating activities amounted to EUR 295.9m in 2007, an increase of 24.3% compared to the preceding year.

The cash flow from investing activities was minus EUR 142.4m during the period under review, comprising the purchase of property, plant and equipment amounting to EUR 96.8m, the acquisition of new subsidiaries carried out in the course of 2007 totalling EUR 71.9m (Weber Escal, Scanpoint, meiller, ST Media, Scherübl, Road Parcel, Merland Expressz, DDS, VOP, City Express) as well as the purchase of a 5% stake in a consortium acquiring BAWAG PSK.

Accordingly, total free cash flow was EUR 153.4m. Taking account of a dividend payout amounting to EUR 70.0m, the net increase in cash and cash equivalents was EUR 80.0m.

Earnings and value-oriented indicators The capital employed by Austrian Post amounted to EUR 992.2m on the balance sheet date of December 31, 2007, compared to EUR 935.0m at the end of 2006. This indicator mainly consists of intangible assets and goodwill (EUR 322.1m), property, plant and equipment (EUR 716.7m), receivables (EUR 357.3m), and non-interest bearing debt (EUR minus 472.9m).

The return on capital employed improved to 16.9% in 2007, up from 15.1% in the previous year.

Earnings indicators

	2005	2006	2007
EBITDA margin[1]	13.2%	13.3%	12.6%
EBIT margin[2]	6.1%	7.1%	7.0%
ROE[3]	13.6%	13.8%	16.3%
ROCE[4]	13.8%	15.1%	16.9%
Capital employed (EUR m)	694.3	935.0	992.2

[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

Non-financial quality indicators Austrian Post aims to be a provider of high quality postal services. In particular, prevailing legal regulations stipulate high standards relating to delivery speed for letters and parcels. In 2007, Austrian Post managed to deliver 96.1% of all letters on the next working day, above the 95% level stipulated by law. Austrian Post also delivered 95.0% of all parcels within two working days, clearly surpassing the legally stipulated rate of 90%.

Capital expenditure In 2007, capital expenditure on the part of Austrian Post reached a level of EUR 106.0m.

Approximately 38% of the total investments related to commercial real estate, building and facilities under construction, such as the sorting centres in Wals (EUR 11m) and Hall (EUR 5m), as well as the modernisation of post office branches. This item also encompasses purchases of commercial properties in Central and Eastern Europe, where Austrian Post intends to build sorting centres in Slovakia and Croatia.

Investments in technical plant and machinery comprised 17% of total investments in property, plant and equipment. This item includes letter mail sorting facilities as well as the technical equipment required for full data collection in the Parcel & Logistics Division.

The largest single item is office equipment, fixtures and fittings, which comprise 45% of total capital expenditure. The purchase of new delivery vehicles (EUR 13m) to upgrade the vehicle fleet, alarm devices, access systems as well as the purchase of new sorting tables for Austrian Post's delivery staff are all integral components of the ongoing modernisation programme being implemented at Austrian Post.

Investments in subsidiaries and financial assets In the 2007 business year, Austrian Post paid a total of EUR 71.9m in order to acquire subsidiaries (Weber Escal, Scanpoint, meiller, ST Media, Scherübl, Road Parcel, Merland Expressz, DDS, VOP, City Express), and EUR 76.4m to acquire other financial assets (purchase of a shareholding in the consortium acquiring BAWAG PSK).

Innovation management Developing innovative business models and launching them on the marketplace are key factors contributing to the success of a company facing ever-changing market conditions. In the 2007 business year, Austrian Post implemented a broad range of such solutions. Examples include the self-service system for parcels (Post.24) and letters (ProPostal2000), which enable customers to take advantage of important postal services at any time of day or night.

On the basis of its expansion along the value chain, Austrian Post offers products and services under one roof, ranging from consulting and planning to production and response management.

For Austrian Post, innovation management means creating a conducive business environment, for example an innovation-friendly corporate culture which serves as the basis for developing sustainable innovations.

Employees[1]

	2005	2006	2007	Share in %
Mail	15,556	15,311	15,593	60.5%
Parcel & Logistics	2,461	2,265	3,410	13.2%
Branch Network	5,446	5,236	5,069	19.7%
Other/Consolidation	1,729	1,645	1,692	6.6%
Total	**25,192**	**24,456**	**25,764**	**100.0%**

[1] Annual average, full-time equivalents

During the period under review, the average number of full-time employees at Austrian Post rose by 5.3% compared to the previous year, or about 1,300 employees, to the current level of 25,764 employees. This increase is related to the acquisition of new subsidiaries and shareholdings. At the same time, Austrian Post reduced the number of its employees on its domestic market of Austria by about 450 people.

Most of Austrian Post's labour force (23,045 people, in full-time equivalents), works for the parent company, Österreichische Post AG. More than 2,700 employees work in the subsidiaries, of which trans-o-flex accounts for 1,070 employees.

Ongoing professional training and career development Career advancement and the continuing education of employees at Austrian Post represent a targeted investment in the performance and capabilities of the company's employees and executives, thus directly supporting the business success of the individual divisions and business areas. Accordingly, professional education and continuing education courses totalled about 22,300 person-days in 2007, implemented within the context of about 1,800 different events such as an Austrian-wide, modular training drive for operating executives or the practice-oriented trainee programmes in Austria and abroad. The balanced and efficiently implemented mix of methods applied in the various training programmes ensures optimal practical training and thus a high return on the company's investment.

Health and occupational safety Job safety and health protection as well as the promotion of occupational health are key components of Austrian Post's corporate policies. Employee motivation is particularly important to ensure the effective operation of a nationwide logistics concept based on human manpower. For this reason, Austrian Post carries out numerous measures to promote the well-being of its employees and create the basis for a healthy and safe working environment. A corporate culture attaching importance to occupational health care and job safety is an important aspect of the daily business operations in all segments. The perceptible trend last year towards a reduction in the number of on-the-job accidents continued in 2007. Compared to the preceding year, the number of occupational accidents with sick leave declined by 10.4%, to 770.

Environmental protection Within the context of its corporate social responsibility, Austrian Post is committed to contributing to a prudent use of natural resources. Environmental protection measures and initiatives designed to limit the consumption of natural resources are implemented when they are technically possible and economically feasible. The optimisation of the company's transport logistics led to a considerable reduction in fuel consumption, thus reducing the burden on the environment as well as cutting transport costs. The purchase of 50 natural gas driven delivery vehicles in 2007 led to a reduction in the company's annual CO_2 emissions by up to 30%, due to their significantly lower fuel consumption. The centralisation of the collection and recycling of valuable raw materials (i.e. used paper, cardboard, plastics) helped reduce waste disposal expenditures.

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

Strategic risk management 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 targets.

The focal point of Austrian Post's operational risk management is the identification, evaluation and control of major risks which arise from the company's business operations. This process is coordinated by key managers in the various divisions and business areas. The new division-oriented organisation is 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 principal 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.

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 required as of 2011. This development entails the risk of future shifts in market share. New legal regulations could have considerably negative effects on the future earnings development of Austrian Post.

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

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 all 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. This could also potentially lead to adverse effects on earnings.

Within the framework of any upcoming liberalisation, the value added tax exemption enjoyed by Austrian Post could be potentially rescinded. In this case, the company would try to adapt its price rates for customers, although it is by no means certain that it could implement such changes on the postal market in reality. 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.

Effective January 1, 2008, the Telekom-Control Commission and the Austrian Regulatory Authority for Broadcasting and Telecommunications have assumed responsibility as the regulatory authorities for Austrian Post as stipulated in the 2006 Amendment to the Post Office Act, taking over these functions from the Federal Ministry for Transport, Innovation and Technology. The competencies of the regulatory authorities have remained unchanged.

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 by the EU Commission on September 15, 1999. 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. At present, the signatories to REIMS II have begun the final phase of negotiations designed to conclude a new REIMS III agreement. From today's perspective, the signing of the finalised REIMS III agreement is expected to take place at the end of March 2008, and would be effective retroactively to January 1, 2008.

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 and particularly the parcels business of Austrian Post is subject to increasing competition. The company continues to anticipate growing market penetration on the part of alternative service providers in the B2C (business-to-consumer) parcels segment, in which Austrian Post has a leading position on the Austrian market. For this reason, a corresponding loss of revenue can not be excluded. 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. For this reason, all investments must be made in accordance with strict financial criteria.

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

Structure of employment contracts
A large number of Austrian Post employees have the status of civil servants, which mean that they are subject to public sector employment laws and all their particular features. For this reason, the prevailing legal regulations do not enable the company to make capacity adjustments for most of its employees in the case of declines in mail volumes. Moreover, no downward adjustments in wage or salary levels are allowed in case of lower market rates for Austrian Post services. Accordingly, laws governing the employment of civil servants generally lead to a much lower flexibility in terms of costs.

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

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

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 no-par bearer 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 into the commercial register on March 18, 2006.

Conditional capital: pursuant to § 5 of the articles of association of Austrian Post, the Management Board is authorised to issue interest-bearing convertible bonds, involving 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 the amendment to the articles of association into the commercial register. To this purpose, the share capital of the company was raised conditionally by up to EUR 175,000,000 by issuing up to 35,000,000 no-par bearer shares with voting rights. The modification in the articles of association was entered in the commercial register on April 21, 2006.

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

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

[13] *What can I expect in the future?*

Outlook for 2008

All in all, Austrian Post expects a stable to slight increase (up to 3%) in its total revenue for the year 2008. This includes the integration of the new subsidiaries acquired during the course of 2007, and which will be fully incorporated into the consolidated profit and loss statements of Austrian Post for 2008. This forecast is based on the assumption of a largely stable development in letter mail and direct mail volumes, an increase in Austrian Post's international parcels business as well as a lower volume in the company's Austrian parcels business due to the loss of major mail order customers. Customer losses in the parcels segment are being counteracted by a repositioning and restructuring of the Parcel & Logistics Division in Austria.

[13] *What can I expect in the future?*

Austrian Post anticipates earnings before interest and tax (EBIT) in 2008 to be slightly below the 2007 level, and then rise again in subsequent years.

Despite these adverse effects on Austrian Post's parcels business, the company anticipates that earnings before interest and tax (EBIT) in 2008 will only be slightly below the level achieved in the year 2007, and will then rise in subsequent years. In 2008, the EBIT margin will be slightly below 7%, and then again reach the targeted range of between 7% and 8% in the following years. An EBIT margin of 2% to 3% is expected for the Parcel & Logistics Division in the year 2008, which is anticipated to increase to the targeted level of 5% in subsequent years.

Based on the good business development, the Management Board of Austrian Post will propose a 40% increase in the basic dividend for the 2007 business year to EUR 1.40 per share, as well as a special dividend amounting to EUR 1.00 per share, at the next Annual General Meeting scheduled to take place on April 22, 2008. Moreover, as a further step towards optimising the company's capital structure, the Annual General Meeting will also be asked to approve the implementation of a share buy-back programme over the next 18 months amounting to a maximum of 10% of Austrian Post's share capital.

Austrian Post anticipates an operating cash flow before changes in working capital at a similar level to previous years, and capital expenditure (CAPEX) totalling EUR 110m to 120m. The company plans to invest about EUR 150m for acquiring new subsidiaries over the next 18 months. Austrian Post expects to continue pursuing an attractive dividend policy, based on this stable cash flow development and a solid balance sheet structure. The basic dividend is to be increased to enable Austrian Post to achieve a payout ratio of at least 75% of the profit for the period (previously: 70%).

Events after the balance sheet date

At the end of January 2008, Austrian Post acquired the remaining 49% stake in Scanpoint Europe. The core business of the Scanpoint Group is the data protected digitalisation of documents as well as the delivery of business-relevant information into the customer's in-house workflow.

Performance of divisions

Mail Division

Market environment The letter mail market was stable, as in preceding years. The trend towards a replacement of the traditional letter by electronic media was counteracted by positive developments in the field of communications, in particular increased B2C (business-to-customer) contacts and the growth of private households and addresses.

In the field of unaddressed direct mail items, the Austrian market is characterised by a high density of advertising based on advertising brochures and prospectuses. Thus, moderate growth is possible. In contrast, the Central and Eastern European markets have greater potential to post higher growth rates.

New services complementing traditional acceptance, sorting and delivery processes, such as address management, printing, enveloping or scanning services have been welcomed by customers. More than half of the business in which the Mail Division is engaged has already been opened to competition.

Business development in 2007

EUR m	2005	2006	2007	Change 2006/2007 in %
External sales	**1,290.8**	**1,311.3**	**1,381.0**	**+5.3%**
Letter Mail	782.4	774.7	786.2	+0.9%
Infomail	382.3	407.5	464.7	+15.2%
Media Post	126.1	129.0	130.1	+0.8%
Internal sales	66.3	66.9	48.8	–27.2%
Total revenue	1,357.1	1,378.2	1,429.8	+3.7%
EBIT	**268.9**	**271.6**	**274.3**	**+1.0%**
EBIT margin[1]	19.8%	19.7%	19.2%	–
Employees[2]	15,556	15,311	15,593	+1.8%

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

Year-on-year external sales of the Mail Division rose by 5.3%, to EUR 1,381.0m. The increase primarily resulted from the consolidation of the acquired subsidiaries, but also included organic growth of about 0.5%.

The Letter Mail Business Area developed very satisfactorily, registering a 0.9% improvement in revenues. The positive development of Scanpoint, acquired as at January 31, 2007, also contributed to the growth in revenues. A perceptible impetus to business operations was also provided by the delivery of passports in Austria. Accordingly, the substitution of letter mail by electronic media could be compensated by an expansion of business in other areas.

External sales of the Infomail Business Area (addressed and unaddressed direct mail items) climbed by 15.2% in 2007, to EUR 464.7m. A considerable contribution was made by the initial consolidation of the direct mail services provider meiller direct (as at July 31, 2007), as well as the very satisfactory business development in Croatia and Slovakia. The Austrian market remained stable.

The slight 0.8% revenue increase in the Media Post Business Area during the period under review can be attributed to the positive development of regional media.

On balance, the Mail Division achieved an EBIT of EUR 274.3m in 2007 (+ 1.0%).

Parcel & Logistics Division

Market environment Courier, express and parcel services continue to be a growing market, both in terms of international mail volumes as well as on the domestic market. Internet-based mail order houses are providing an added impetus to growth. The parcel services segment has been completely liberalised, and is open to free competition. This was particularly underlined in the 2007 financial year by the market entry of a new competitive parcel logistics provider on the Austrian market for B2C and C2C parcel services. Austrian Post responded to the loss of two major mail order customers by initiating a restructuring and repositioning of its parcel services at the end of 2007. By means of the newly launched premium product "24 hour business parcel", B2B and B2C customers have the opportunity to post their parcels at the latest possible time and still ensure delivery on the next day. In this case, Austrian Post is taking advantage of the good reputation and experience of its subsidiary trans-o-flex.

The West European niche market of speciality logistics (health care/pharmaceuticals) is characterized by a positive development of the parcels business accompanied by the trend towards logistics solutions "under one roof". Cross-border parcels volumes are expanding at an above-average rate.

The parcel services market in Central and Eastern Europe is posting double-digit growth rates, based on the sustainable upward trend in per capita parcel volumes in these countries compared to Western Europe.

Business development in 2007

EUR m	2005	2006	2007	Change 2006/2007 in %
External sales	**211.8**	**227.1**	**738.6**	**+225.3%**
Internal sales	45.8	49.8	31.4	–36.9%
Total revenue	257.6	276.9	770.0	+178.1%
EBIT	**10.4**	**20.8**	**12.8**	**–38.5%**
EBIT margin[1]	4.1%	7.5%	1.7%	–
Employees[2]	2,461	2,265	3,410	+50.5%

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

External sales by the Parcel & Logistics Division climbed to EUR 738.6m in 2007. The increase chiefly relates to the initial consolidation of new subsidiaries (e.g. the revenue contribution of trans-o-flex amounting to about EUR 500m), but is also partly the result of organic growth. Revenues posted by Austrian Post subsidiaries in Slovakia and Croatia also developed very positively.

Since the middle of 2007, competition in the parcels business for private customers (business-to-customer) has intensified significantly. Due to the market entry of a German parcel services provider, there was a decrease in parcels volumes, due to the fact that the owner of the new competitor was formerly an important parcels customer of Austrian Post, mailing about 8m parcels annually.

At the end of 2007, Austrian Post initiated comprehensive redimensioning measures in the Parcel & Logistics Division designed to raise the profitability of the parcels business in Austria. Moreover, depreciation was carried out on property, plant and equipment as well as goodwill impairment. Total depreciation, amortisation and impairment losses in the Parcel & Logistics Division climbed from EUR 10.9m in 2006 to EUR 33.7m in 2007, including impairment losses on goodwill totalling EUR 9.3m.

As a result, the EBIT for the Parcel & Logistics Division declined to EUR 12.8m in the 2007 financial year (2006: EUR 20.8m). In contrast, EBITDA improved by 46.7%, rising to EUR 46.5m in the period under review compared to a level of EUR 31.7m in the preceding year. The number of employees (full-time equivalents) rose by 50.5%, or 1,145 people, to a total of 3,410. The increase can be almost entirely attributed to the integration of new subsidiaries.

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 branch network of Austrian Post offers a broad range of banking and postal services as well as the sale of communications and retail products. For this reason, the market environment is considerably influenced by numerous competitors in different fields, for examples banks or speciality retailers for communications or office products.

The strong and continually increasing demand for the products and services offered by Austrian Post is the most important distinguishing feature characterising the market environment in which the branch network operates. This particularly applies to banking and insurance-related services.

Business development in 2007

EUR m	2005	2006	2007	Change 2006/2007 in %
External sales	**193.8**	**194.4**	**192.1**	**–1.2%**
Internal sales	208.0	210.0	203.4	–3.2%
Total revenue	401.9	404.4	395.5	–2.2%
EBIT	**8.7**	**11.5**	**13.6**	**+18.2%**
EBIT margin[1]	2.2%	2.8%	3.4%	–
Employees[2]	5,446	5,236	5,069	–3.2%

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

In 2007, external sales by the Branch Network Division declined by 1.2% compared to the preceding year, to EUR 192.1m. One reason was the reduced sales of prepaid cards for mobile phones. Financial services revenues also fell, in connection with a shifting of customer deposits in 2006. The new positioning of PSK BANK was marked by a sales offensive targeting private customers launched in Q4 2007. This strategy encompasses an expansion of its product and services portfolio as well as an increase in sales and distribution capacities, designed to increase the bank's business in financial services.

Internal sales fell by 3.2% in the 2007 financial year, which can be attributed to a decline in the volume of letters posted in the branch network compared to the previous year.

Earnings before interest and tax (EBIT) of the Branch Network Division rose to EUR 13.6m in 2007, compared to an EBIT of EUR 11.5m in the preceding year. This positive development is chiefly related to consistent cost optimisation measures.

IFRS consolidated financial statements 2007 of Austrian Post

Consolidated income statement for the year ending December 31, 2007

EUR m	Note	2006	2007
Revenue	(6)	1,736.7	2,315.7
Other operating income	(7)	58.8	72.6
Total operating income		1,795.5	2,388.3
Raw materials, consumables and services used	(8)	–258.0	–692.2
Staff costs	(9)	–1,063.0	–1,120.4
Depreciation, amortisation and impairment losses	(10)	–108.4	–130.0
Other operating expenses	(11)	–243.9	–284.0
Total operating expenses		–1,673.3	–2,226.5
Profit from operations		**122.2**	**161.8**
Share of profit/loss of associates	(12)	1.1	0.9
Other financial result	(13)	7.2	2.1
Total financial result		8.3	3.0
Profit before tax		**130.5**	**164.9**
Income tax	(31)	–30.8	–42.2
Profit after tax		**99.8**	**122.6**
Profit for the period		**99.8**	**122.6**
Attributable to:			
Equity holders of the parent company		99.8	122.5
Minority interest		0.0	0.1

EUR	Note	2006	2007
Basic earnings per share	(14)	1.43	1.75
Diluted earnings per share	(14)	1.43	1.75

EUR m	2006	2007
Profit from operations	122.2	161.8
Share of profit/loss of associates	1.1	0.9
Earnings before interest and tax (EBIT)	**123.3**	**162.8**

Consolidated balance sheet as at December 31, 2007

EUR m	Note	Dec. 31, 2006	Dec. 31, 2007
ASSETS			
Non-current assets			
Goodwill	(15)	183.1	216.0
Intangible assets	(16)	89.6	106.1
Property, plant and equipment	(17)	665.3	716.7
Investment property	(18)	38.3	36.6
Investments in associates	(19)	3.5	3.5
Financial investments in securities	(20)	198.6	131.8
Other financial assets	(21)	5.9	79.9
Receivables	(23)	28.2	15.9
Deferred tax assets	(31)	60.3	55.5
		1,272.9	**1,361.9**
Current assets			
Financial investments in securities	(20)	0.2	15.2
Other financial assets	(21)	0.3	0.0
Inventories	(22)	21.0	25.6
Receivables	(23)	364.0	344.0
Cash and cash equivalents	(24)	229.4	309.4
		614.9	**694.3**
Non-current assets held for sale	(25)	**13.8**	**2.4**
		1,901.6	**2,058.6**
EQUITY AND LIABILITIES			
Capital and reserves	(26)		
Share capital		350.0	350.0
Capital reserves		274.5	212.0
Revenue reserves		96.4	188.7
Revaluation of securities		–0.1	–0.5
Currency translation reserves		0.9	1.0
Profit for the period		99.8	122.5
		821.4	**873.7**
Minority interest		0.0	0.6
		821.4	**874.3**
Non-current liabilities			
Provisions	(27)	425.8	487.7
Financial liabilities	(29)	82.0	58.6
Payables	(30)	19.7	18.7
Deferred tax liabilities	(31)	36.5	33.2
		564.0	**598.0**
Current liabilities			
Provisions	(27)	91.3	102.3
Tax provisions	(28)	3.1	14.4
Financial liabilities	(29)	66.7	128.5
Payables	(30)	355.1	341.1
		516.2	**586.3**
		1,901.6	**2,058.6**

Consolidated cash flow statement for the year ending December 31, 2007

EUR m	Note	2006	2007
Operating activities			
Profit before tax		130.5	164.9
Depreciation, amortisation and impairment losses		108.4	130.0
Write-downs, write-ups of financial assets		–2.2	–1.0
Non-current provisions		110.8	57.9
Gain/loss on disposal of non-current assets		–8.9	–11.7
Gain/loss on disposal of financial assets		–1.8	–2.9
Taxes paid		–49.2	–36.1
Net interest received		–10.2	–8.5
Currency translation		0.2	–0.2
Operating cash flow before changes in working capital		**277.6**	**292.4**
Changes in working capital			
Receivables		–19.4	49.7
Inventories		–1.3	–1.3
Payables		–18.9	–51.7
Current provisions		0.0	6.7
Cash flow from changes in working capital		**–39.6**	**3.5**
Cash flow from operating activities		**238.0**	**295.9**
Investing activities			
Purchase of intangible assets		–5.2	–6.5
Purchase of property, plant and equipment		–63.6	–96.8
Acquisition of subsidiaries	(32)	–57.3	–71.9
Acquisition of associates		–2.8	0.0
Assumption of debt from acquisition of subsidiaries		–95.7	0.0
Acquisition of financial investments in securities		–27.3	–12.4
Acquisition of other financial assets		–3.5	–76.4
Proceeds from the sale of non-current assets		49.8	34.7
Proceeds from the sale of financial investments in securities		50.1	69.6
Dividends received from associates		0.7	0.9
Interest received		12.0	16.4
Cash flow from investing activities		**–142.6**	**–142.4**
Free cash flow		**95.4**	**153.4**
Financing activities			
Changes in financial liabilities		1.4	4.4
Dividends paid		–40.0	–70.0
Interest paid		–1.9	–7.9
Cash flow from financing activities		**–40.4**	**–73.5**
Net change in cash and cash equivalents		**55.0**	**80.0**
Cash and cash equivalents at January 1st		174.5	229.4
Cash and cash equivalents at December 31st		**229.4**	**309.4**

Consonsolidated statement of changes in equity

EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation of securities	Currency translation reserves	Profit for the period	Total	Minority interest	Consolidated equity
2006 BUSINESS YEAR									
Balance at January 1, 2006	**10.0**	**614.5**	**36.5**	**0.7**	**0.5**	**99.9**	**762.1**	**0.0**	**762.1**
Changes in consolidation									
Disposals							0.0		0.0
Increase in equity investments							0.0		0.0
Changes in reserves			59.9			–59.9	0.0		0.0
Income and expense recognised directly in equity									
Currency translation difference					0.3		0.3		0.3
Revaluation of securities				–0.8			–0.8		–0.8
				–0.8	0.3		–0.5		–0.5
Profit for the period						99.8	99.8		99.8
Total recognised income and expense	**0.0**	**0.0**	**59.9**	**–0.8**	**0.3**	**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**	**99.8**	**821.4**	**0.0**	**821.4**

EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation of securities	Currency translation reserves	Profit for the period	Total	Minority interest	Consolidated equity
2007 BUSINESS YEAR									
Balance at January 1, 2007	**350.0**	**274.5**	**96.4**	**–0.1**	**0.9**	**99.8**	**821.4**	**0.0**	**821.4**
Changes in consolidation									
Disposals							0.0		0.0
Increase in equity investments							0.0		0.0
Changes in reserves		–62.5	92.3			–29.8	0.0		0.0
Income and expense recognised directly in equity									
Currency translation difference					0.2		0.2		0.2
Revaluation of securities				–0.4			–0.4		–0.4
				–0.4	0.2		–0.2		–0.2
Profit for the period						122.5	122.5	0.6	123.1
Total recognised income and expense	**0.0**	**–62.5**	**92.3**	**–0.4**	**0.2**	**92.8**	**122.3**	**0.6**	**122.9**
Dividends						–70.0	–70.0		–70.0
Capital increase from company's own resources							0.0		0.0
Balance at December 31, 2007	**350.0**	**212.0**	**188.7**	**–0.5**	**1.0**	**122.5**	**873.7**	**0.6**	**874.3**

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 core business activities include postal and parcel services, combined freight and specialised logistics, as well as the processing of financial transactions in cooperation with BAWAG PSK. Moreover, the range of services was expanded to encompass document collection, digitalisation and processing, based on acquisitions carried out during the 2007 business year.
The headquarters of Austrian Post is in Vienna, Austria. The mailing address is Austrian Post, Postgasse 8, 1010 Vienna, Austria. The company is registered in the company register at the Vienna Commercial Court under the company registry number FN 180219d.

1 | Basis of preparation

The consolidated financial statements of Austrian Post for the 2007 business year have been prepared in accordance with the binding International Financial Reporting Standards (IFRS) valid as at December 31, 2007, as issued by the International Accounting Board (IASB) and adopted by the European Union. The consolidated financial statements of Austrian Post correspond to the IFRS as published by the IASB.
The accounting and valuation methods applicable at December 31, 2006 remain fundamentally unchanged. The revised accounting standard IFRS 7 (Financial Instruments: Disclosures), the revised accounting standard IAS 1 (amended to add disclosures about capital), as well as the new interpretation contained in IFRIC 10 (Interim Financial Reporting and Impairment), were taken into consideration when preparing the consolidated financial statements. Application of the new or changed accounting and valuation methods has not had any major effect on the financial statements of Austrian Post. The application of IFRS 7 entails additional disclosure requirements.
The annual financial statements of Austrian Post and 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. The functional currency is the 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 18 domestic subsidiaries (2006: 16) and 45 foreign subsidiaries (2006: 23), in which the company directly or indirectly holds a majority of the voting rights, are included in consolidation. Furthermore, three companies (2006: four) are consolidated according to the equity method.
A complete overview of the companies which are fully consolidated or consolidated according to the equity method can be found in the list of Austrian Post companies at the end of the notes to the consolidated financial statements.

Changes arising from acquisitions

The following table provides an overview of the acquisitions which initially required consolidation in the 2007 business year:

Company name	Interest	Date of acquisition/ Date of initial consolidation	Note
Mail			
Weber Escal d.o.o.	100.00%	Jan. 2, 2007	Acquisition
Scanpoint	51.00%	Jan. 31, 2007	Acquisition
meiller	100.00%	July 31, 2007	Acquisition
ST Media d.o.o.	100.00%	Oct. 31, 2007	Acquisition
Parcel & Logistics			
Scherübl Transport GmbH	74.90%	Apr. 25, 2007	Acquisition
Road Parcel Logistics Services Kft.	100.00%	May 2, 2007	Acquisition
Merland Expressz Logistics Services Kft.	100.00%	May 2, 2007	Acquisition
DDS B.V.	76.15%	Oct. 1, 2007	Asset deal
VOP B.V.B.A.	76.15%	Oct. 1, 2007	Acquisition
City Express d.o.o.	100.00%	Nov. 12, 2007	Acquisition

Mail Division

The total acquisition costs for the subsidiaries acquired during the 2007 business year which can be assigned to the Mail Division, with the exception of meiller direct, amounts to EUR 6.6m. Effective December 24, 2007, the Croatian company ST Media d.o.o. acquired on October 31, 2007 was merged with Weber Escal d.o.o.
Within the context of the purchase price allocation, existing customer relationships were capitalised at their fair value totalling EUR 1.5m and reported as intangible assets, whereas the deferred tax liabilities amount to EUR 0.4m. Useful lives of three years were defined for the customer relationships. The remaining goodwill amounts to EUR 4.5m.
Furthermore, Austrian Post acquired a 100% shareholding in meiller direct GmbH, Schwandorf. All in all, meiller owns a total of nine fully-consolidated legal entities (collectively referred to as "meiller"). The total acquisition costs for the purchase of meiler amounted to EUR 41.3m. In addition to the production of documents and mailings, the portfolio of services offered by meiller encompasses dialogue services and the further processing and finishing of dialogue media.
In the purchase price allocation, the existing customer relationships and one trademark were identified and reported as intangible assets. The customer relationships were capitalised at a fair value of EUR 11.0m at the acquisition date, and the trademark at a fair value of EUR 1.3m. Useful lives of ten years were defined for the customer relationships. The trademark is not subject to amortisation, due to the fact that it is available over a lifetime. The deferred tax liabilities for the customer relationships and trademark amounted to EUR 3.4m. The purchase price allocation resulted in goodwill of EUR 18.6m.
The goodwill arising from acquisitions assigned to the Mail Division results from the strategy pursued by Austrian Post to expand the portfolio of services along the value chain. On the one hand, this includes the upstream value chain with data and output management. On the other hand, it includes downstream processes such as in-house mailroom services, and document scanning.

Parcel & Logistics
The total acquisition costs for the subsidiaries acquired during the 2007 business year which can be assigned to the Parcel & Logistics Divisions amounts to EUR 32.8m. The acquisition costs comprise a fixed purchase price component of EUR 32.4m, and an exercisable put option for the minority shareholders of Scherübl GmbH, amounting to EUR 0.4m. Due to the existing put option, the entire 100% shareholding of Scherübl GmbH was consolidated. No minority interest was recognised in equity, and goodwill was fully capitalised. The acquisition requirement of the put option resulted in a financial liability to the minority shareholders.
Furthermore, Austrian Post acquired a further 50% shareholding in trans-o-flex Nederland B.V., in addition to the existing 50% shareholding, on November 1, 2007. The company is included in consolidation as of this date, whereas it was previously consolidated according to the equity method. The acquisition cost amounted to EUR 0.2m.
In the purchase price allocation, the customer relationships, trademark and a technology-related patent (prototype) were identified and reported as intangible assets, the customer relationships to the amount of EUR 5.3m, the trademark as EUR 3.7m, and the patent to the amount of EUR 0.5m.
For the Parcel & Logistics Division, useful lives of four to nine years were defined for the customer relationships, whereas a useful life of four years was defined for the prototype. 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 the capitalised intangible goodwill arising in the purchase price allocation, deferred tax liabilities totalling EUR 1.2m were recognised. The goodwill arising from the initial consolidation of the new subsidiaries in the Parcel & Logistics Division amounted to EUR 19.0m.
The goodwill arising from acquisitions assigned to the Parcel & Logistics Division results from the strategy pursued by Austrian Post to consistently expand and strengthen its logistics network in Western Europe and in Central and Eastern Europe, both on a regional basis as well as in terms of offering specific products and services.
The following assets and liabilities were assumed by Austrian Post in connection with the acquisitions carried out in the 2007 business year:

	meiller		Other	
EUR m	**Fair value**	**Carrying amount before acquisition**	**Fair value**	**Carrying amount before acquisition**
Intangible assets	12.9	0.7	11.0	0.1
Goodwill	18.6	0.0	23.6	0.0
Property, plant and equipment	38.1	38.1	11.1	9.1
Deferred tax assets	0.8	0.8	0.2	0.0
Current assets	28.0	28.0	9.1	9.1
Non-current provisions and liabilities	–13.1	–13.1	–3.5	–3.5
Deferred tax liabilities	–5.8	–2.3	–2.2	0.0
Current provisions and liabilities	–38.3	–38.3	–9.7	–9.7
Net acquired assets	**41.3**	**13.8**	**39.4**	**5.1**

The acquisitions carried out in the 2007 business year have had the following effects on the total Austrian Post revenue and EBIT:

EUR m	meiller	Other	Total
Revenue	48.2	30.4	78.6
EBIT	0.7	–0.5	0.2

If these acquisitions and the related initial consolidation had already taken place on January 1, 2007, it would have added EUR 173.5m to Austrian Post's total revenue and EUR 2.7m to Austrian Post's total EBIT.[1]
Moreover, an additional 1.25% shareholding in trans-o-flex was acquired at an acquisition cost of EUR 1.1m. This transaction only has an effect on the liabilities to minority shareholders, due to the fact that a 100% shareholding in the company has already been included in consolidation on the basis of the existing put option.

3 | Accounting policies

(a) Consolidation policies

Subsidiaries are included in the consolidated financial statements starting from the time at which Austrian Post gains a controlling interest in the company. The capital consolidation for companies included in the consolidated financial statements for the first time is carried out in accordance with the purchase method. In this case, the respective acquisition costs are offset against the revalued net assets and liabilities of the consolidated subsidiary. The acquisition costs are allocated to the identifiable acquired assets and liabilities including contingent liabilities. Any remaining capitalised difference between the acquisition costs and the value of the identifiable and revalued net assets is reported as goodwill. Any remaining capitalised difference on the liabilities side will be immediately recognised in profit or loss following the repeated valuation of the identifiable and revalued assets, liabilities, contingent liabilities and acquisition costs.
Special purpose entities are consolidated, in as much as the nature of the business relationship between the company and the special purpose entity is considered to 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. Shareholdings in companies in which a controlling interest is not possible due to contractually stipulated minority shareholder rights are also accounted for using the equity method.
Pursuant to the equity method, shareholdings are first reported at the cost of acquisition, and later increased or reduced by the respective changes in equity in proportion to the particular stake held by Austrian Post. The goodwill of an associated company is part of the carrying amount of the investment and is accounted for, in accordance with IFRS 3.
Receivables and liabilities, income and expenses arising from the intragroup exchange of deliveries and services as well as intragroup profit and losses are eliminated. Preliminary losses are only eliminated if not based on impairment.

[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, 2007. The information is not to be considered as a reliable indicator of future performance.

(b) Currency translation

Foreign currency transactions

In the IFRS individual accounts of the Austrian Post subsidiaries, 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, and in the European Economic and Monetary Union. The functional currency of the foreign subsidiaries and associated companies is the respective local currency, as they conduct their operations independently in financial, economic and organisational terms. The modified closing rate method is used in the translation of the financial statements of these companies. All balance sheet items with the exception of capital and reserves items are translated at the prevailing rate of the European Central Bank at the balance sheet date. The capital and reserves items are translated at the rate prevailing on the date of 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 directly recognised in equity without being reported as a profit or loss.
The movements in foreign exchange rates against the euro used in translation were as follows:

	Reference rate at balance sheet date		Annual average rate	
EUR 1	**Dec. 31, 2006**	**Dec. 31, 2007**	**2006**	**2007**
British Pound	–	0.7334	–	0.6843
Croat Kuna	7.3504	7.3308	7.3247	7.3376
Swedish Crown	–	9.4415	–	9.2501
Serbian Dinar	–	79.2362	–	80.0111
Slovak Crown	34.4350	33.5830	37.2341	33.7745
Czech Crown	27.4850	26.6280	28.3417	27.7656
Hungarian Forint	251.7700	253.7300	264.2633	251.3520

(c) Recognition of revenue and expense

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

(d) Earnings per share

The earnings per share are calculated on the basis of the profit for the period divided by the weighted average of the outstanding shares in 2007. 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 three 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 present value in use. This calculation is based on the business planning for the year 2008, the medium-term planning for a period of two years (2009-2010), and a permanent return starting in 2011, which takes account of the expected long-term growth rates for the individual CGU amounting to 1.0% p.a. Capital costs are calculated according to the weighted average cost of capital (WACC) formula in accordance with the capital asset pricing model (CAPM) and in line with the individual conditions of the CGU. During the period under review, the weighted average cost of capital in the eurozone ranged form 8.0% to 9.5%, and in other countries from 9.5% to 15.8%.

(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 or if the reasons which led to an impairment in earlier reporting periods no longer apply, are subject to an impairment test. If the recoverable amount is less than amortised cost, the asset is written down. The recoverable amount represents the higher of the fair value less the costs of disposal (net selling price) and the value in use. If the reasons for an earlier impairment no longer apply, then the write-down is reversed. The higher carrying amount resulting from the reversal of the write-down may not exceed the amortised costs.

(g) Finance leases

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

(h) Investment property

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

(i) Financial assets

At Austrian Post, financial assets are assigned to the following classes, pursuant to IFRS 7: financial investments in securities, other financial assets, receivables as well as cash and cash equivalents. The financial assets are classified as loans and receivables, held to maturity investments, available for sale financial assets, and financial assets at fair value through profit or loss in accordance with IAS 39.
Receivables are classified as loans and receivables, and are recognised at amortised cost. The valuation is carried out at the fair value when recognised. Any existing difference between the acquisition cost and the repayment amount (premium or discount) is amortised over the term to maturity using the effective interest rate method and included in the financial result.
If there are indications of an impairment applying to these receivables, the asset is written down to the present value of the expected future cash flows. At Austrian Post, the share of irrecoverable receivables is determined on the basis of a maturity analysis, taking the customer and market structure into account. Moreover, impairments are carried out if, on the basis of objective evidence, it is unlikely that the loan or receivable will be recovered. Impairments are generally reported in an impairment account. If the reason for impairment ceases to apply, the write down is reversed (up to amortised cost).
Generally, financial investments in securities are reported under available for sale financial assets. Available for sale financial assets 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 long-term impairment, impairment losses are 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 and directly recognised in equity, and in that of debt instruments the reversal is included in the net profit or loss. Sales and purchases are accounted for at the settlement date. Other financial assets, for which no regulated market exists, and whose fair value can not be reliably determined by valuation methods, are to be valuated at cost. Any impairment losses are recognised in profit or loss. Any reversals of impairment losses may neither be recognised in profit or loss, nor as not affecting profit or loss.

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

(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 work on behalf of the company started after December 31, 2002 are fulfilled by regular contributions of the respective amounts to the employee benefit fund. In addition to this, there is no other obligation on the part of Austrian Post.

Provisions for pensions

The pension obligations on the part of Austrian Post encompass both a defined contribution plan as well as a defined benefit plan.
The defined benefit plan represents an obligation to certain employees of Austrian Post to make pension fund contributions 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 benefit obligation 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 project unit credit method.

With the exception of the interest expense, all changes in the provisions for termination benefits, pensions and jubilee benefits are reported under staff costs. The interest expense 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, 2007:

	2006	2007
Interest rate	4.25%	4.75%
Salary progression	graduated (0%–3.75%)	graduated (0%–4%)
Staff turnover reduction	graduated (0%–8%)	graduated (0%–8%)
Retirement age		
Female employees	55–60 years	55–60 years
Male employees	60–65 years	60–65 years
Civil servants	60–65 years	60–65 years

(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 or at all. 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.

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

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

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

Measurement of this provision for under-utilisation was based on annual salary increases of 4.00% (2006: 3.75%) and a discount rate of 4.75% (2006: 4.25%).

(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 4.00% and a discount rate of 4.75%.

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

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

Liabilities resulting from trade payables, services rendered or other payables are measured at amortised cost.

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

Country	Tax rate	Country	Tax rate
Belgium	34.0%	Sweden	28.0%
Germany	28.1%–32.3%	Serbia	10.0%
France	33.3%	Slovakia	19.0%
Great Britain	30.0%	Czech Republic	21.0%
Croatia	20.0%	Hungary	16.0%
Netherlands	25.5%		

(q) Derivative financial instruments

Derivative financial instruments, primarily interest rate swaps, 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. On the basis of the 2006 share-based remuneration programme, the participants have been granted appreciation rights with a term of three years, and appreciation rights with a term of two years on the basis of the 2007 share-based remuneration programme.
The changes in the number of appreciation rights granted for the 2006 and 2007 business years are presented in the following table:

	2006	**2007**
Outstanding as of January 1st	**0**	**70,077**
Granted	70,077	44,569
Exercised	0	0
Expired/forfeited	0	5,522
Outstanding as of December 31st	**70,077**	**109,124**

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

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

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

These plans represent a share-based remuneration programme on a cash basis, for which a liability is recognised. This is accounted for by Austrian Post as a provision.
The basis for calculating the pro rata provision is the calculation of the fair value of the appreciation right. This is implemented using a simplified option price model, taking account of the anticipated yearly dividend payment, and taking an interest rate of 7.5%. There was no payment obligation on the part of Austrian Post arising from the total return at the balance sheet date of December 31, 2007 (December 31, 2006: EUR 3.5m). The pro-rata provision made in the 2006 business year amounting to EUR 0.4m was reversed as at December 31, 2007.

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, 2007: EUR 166.5m; December 31, 2006: EUR 161.5m) 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/pension increases by ±1 percentage point would have the following effects on the provisions listed in the table below:

	Assumed rate of interest		Salary or pension increases	
EUR m	**– 1% point**	**+ 1% point**	**– 1% point**	**+ 1% point**
Termination benefits	12.4	–10.2	–10.2	12.1
Pensions	0.8	–0.7	–0.5	0.5
Jubilee benefits	10.1	–8.6	–9.2	9.5

(b) Provisions for under-utilisation

The measurement of provisions for under-utilisation of individual organisational units (carrying amount as at December 31, 2007: EUR 331.0m; December 31, 2006: EUR 270.9m) 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, 2007 were, in fact, 10 percentage points lower (higher) than the measurement actually recorded, the required provisions would comprise an additional EUR 34.2m (or lesser provisions amounting to EUR 47.6m).
The calculation of the provisions made for under-utilisation is also based on assumptions made about retirement age, the discount rate and future salary increases. The increase (decrease) of the assumed interest rate by, for example, a single percentage point would subsequently lead to a rise of the provisions to be made by EUR 24.4m (or a decline of EUR 27.8m). 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 27.8m (or a decline of EUR 24.8m).

(c) Intangible assets and goodwill

The valuation of goodwill (carrying amount at December 31, 2007: EUR 216.0m; at December 31, 2006: EUR 183.1m) 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 of 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 (customer list), the multi-period excess earnings method is used, which measures the current value of the cash flows resulting exclusively from the intangible assets. In determining the relevant incremental cash flow, 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 flow together with other tangible and intangible assets. The valuation of a trademark is carried out on the basis of the relief from royalty method, in which the value of the intangible asset is determined as a fictive current value for the respective license payments, based on the assumption that the corresponding asset is owned by a third party.

5 | Standards which are published but not yet applied

New standards and interpretations		Effective date[1]
IFRS 8	Operating Segments	January 1, 2009
IFRIC 11	Group and Treasury Share Transactions with shared based payment pursuant to IFRS 2	March 1, 2007
IFRIC 12	Service Concession Arrangements	January 1, 2008
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2008

Revised standards and interpretations		
IAS 1	Presentation of Financial Statements – change in the presentation of financial statements according to IFRS	January 1, 2009
IAS 23	Borrowing Costs	January 1, 2009

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

The new standards IFRS 8 "Operating Segments" which the EU adopted in November 2007 as European law regulates the disclosure requirements for business segments, products and services, regions as well as customer relationships of the company. Pursuant to IFRS 8, the preparation of segment reporting and segment classification must be oriented to the information which is made available to the primary decision makers in the company for decision-making purposes (management approach). The initial application of IFRS 8 will likely lead to a separate presentation of the segment "Other/Consolidation" in the future.
IFRIC 11 is to be applied to share-based remuneration agreements, in which the company receives goods or services, and in return, equity instruments of the company or another company are granted. IFRIC 11, which was adopted as European law in June 2007, will not have any impact on the consolidated financial statements of Austrian Post.
The first-time application of the revised standards IAS 1 and IAS 23 as well as the new interpretations IFRIC 12, IFRIC 13 and IFRIC 14, which have not yet been approved by the EU as valid European regulations, will most likely not have any material effect on the consolidated financial statements of Austrian Post.

Income statement disclosures

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

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

Mail

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

Parcel & Logistics
The Parcel & Logistics Division offers parcel, express and logistics services in Austria, Germany as well as in Central and Eastern Europe. Austrian Post has strategically expanded its business in the B2B segment, so that the Parcel & Logistics Division is now the leading provider of combined freight services in Germany. The acquisitions carried out in the 2007 business year enabled Austrian Post to penetrate new markets in Western Europe and in the CEE region. At the same time, it also expanded its services in the field of specialised logistics to the transport of pharmaceutical products and temperature-controlled transport.

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

EUR m	Mail	Parcel & Logistics	Branch Network	Other/ Consolidation	Group
2006 BUSINESS YEAR					
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**
Segment assets	378.5	430.2	51.1	541.5	1,401.4
Investments in associates	3.2	0.1	0.0	0.3	3.5
Segment liabilities	308.1	133.2	77.9	372.9	892.2
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

EUR m	Mail	Parcel & Logistics	Branch Network	Other/ Consolidation	Group
2007 BUSINESS YEAR					
External sales	1,381.0	738.6	192.1	4.1	2,315.7
Internal sales	48.8	31.4	203.4	–283.6	0.0
Total revenue	**1,429.8**	**770.0**	**395.5**	**–279.5**	**2,315.7**
Profit/loss from operations	273.8	12.8	13.6	–138.4	161.8
Share of profit/loss of associates	0.5	0.0	0.0	0.5	0.9
EBIT	**274.3**	**12.8**	**13.6**	**–137.9**	**162.8**
Segment assets	434.6	488.0	56.5	481.7	1,460.8
Investments in associates	3.2	0.0	0.0	0.3	3.5
Segment liabilities	311.9	144.2	82.3	425.4	963.9
Segment investments	107.6	69.9	8.7	42.8	229.0
Depreciation, amortisation and impairment losses	34.3	33.7	5.5	56.4	130.0
thereof: impairment losses	4.2	10.7	0.0	17.1	32.1
Other non-cash items	0.9	1.5	0.1	55.4	57.9
Employees[1]	15,593	3,410	5,069	1,692	25,764

[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 normal market prices.

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

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

Austrian Post distinguishes among the following geographical segments:

EUR m	Austria	Germany	Other countries	Group
2006 BUSINESS YEAR				
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
2007 BUSINESS YEAR				
External sales	1,691.8	553.1	70.7	2,315.7
Segment assets	1,032.1	358.8	69.9	1,460.8
Segment investments	124.0	59.7	45.2	229.0

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.

7 | Other operating income

EUR m	2006	2007
Inventory changes	0.3	–0.1
Work performed by the enterprise and capitalised	2.2	3.3
Gains on the disposal/revaluation of property, plant and equipment	11.9	14.1
Reversal of provisions	1.8	0.2
Reversal of valuation allowances	1.0	0.0
Income from rents and leases	19.6	20.8
Grants and subsidies	4.1	5.2
Damages	2.1	3.8
Income from pallets	0.0	3.8
Other	15.7	21.5
	58.8	**72.6**

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.
In the 2007 business year, income from the reversal of valuation allowances (EUR 1.8m) as well as income from the reversal of provisions are directly recognised in the corresponding expense item (see Note 11: Other operating expenses).

8 | Raw materials, consumables and services used

EUR m	2006	2007
Material		
Transportation and heating fuel	15.6	20.1
Retail products	55.5	53.5
Stamps	5.4	3.9
Tools, equipment and clothing	8.4	19.3
Spare parts and sundry raw materials and consumables	1.4	1.4
Industrial paper	0.0	8.9
Remeasurement	0.5	1.2
	86.7	**108.3**
Services used		
Internationale postal carriers	66.9	67.8
Advertising distributors	19.6	24.6
Energy	21.9	19.1
Transport	56.0	448.9
Other	6.8	23.5
	171.2	**583.9**
	258.0	**692.2**

9 | Staff costs

EUR m	2006	2007
Wages and salaries	837.6	874.9
Termination benefit expense	16.1	16.9
Jubilee benefit expense	3.4	0.7
Post-employment benefit expense	0.1	0.4
Expense for statutory levies and contributions	198.5	213.9
Other staff costs	7.3	13.8
	1,063.0	**1,120.4**

The breakdown of the termination benefit expense is as follows:

EUR m	2006	2007
Management Board	0.2	0.1
Executive staff	0.3	0.3
Other employees	15.6	16.6
	16.1	**16.9**

The pension contributions made to the state (Republic of Austria) for the 2007 business year (less the employee contributions by civil servants) amounted to EUR 64.3m (2006: EUR 63.2m).

The average number of employees during the 2007 business year was as follows:

	2006	2007
Non-salaried staff	70	993
Salaried staff	12,781	13,567
Civil servants	13,591	13,314
Apprentices	0	43
	26,441	**27,917**
Corresponding full-time equivalents	**24,456**	**25,764**

10 | Depreciation, amortisation and impairment losses

EUR m	2006	2007
Impairment losses on goodwill	**2.9**	**9.3**
Intangible assets		
Amortisation	4.3	13.1
Impairment losses	0.0	0.8
	4.3	**13.9**
Property, plant and equipment		
Depreciation	79.5	81.4
Impairment losses	18.2	22.0
	97.7	**103.4**
Investment property		
Depreciation	3.6	3.4
	108.4	**130.0**

The impairment tests carried out as at December 31, 2007 resulted in an impairment loss on goodwill amounting to EUR 9.3m, assigned to the Parcel & Logistics Division, and an impairment loss on customer relationships totalling EUR 0.8m, assigned to the Mail Division.
Due to lower realisable amounts or the technical obsolescence, impairment losses on property amounted to EUR 17.1m (2006: EUR 4.8m), assigned to the Other/Consolidation segment. Moreover, impairment losses on technical facilities totalled EUR 3.9m (2006: EUR 6.7m), and for other equipment, fixtures and fittings to EUR 0.9m (2006: EUR 6.7m). The recoverable amount corresponds to the fair value less costs so sell.
The depreciation and impairment losses on property, plant and equipment include impairment losses amounting to EUR 1.5m in connection with restructuring measures in the Parcel & Logistics Division. This refers to the closing of parcel delivery bases and the transfer of the parcel sorting centre in Graz to the Kalsdorf facility.

11 | Other operating expenses

EUR m	2006	2007
IT services	22.2	28.5
Maintenance	39.4	42.7
Leasing and rental payments	40.4	67.5
Travel and mileage	26.0	27.0
Contract and leasing staff	6.1	15.4
Consultancy	13.1	18.5
Waste disposal and cleaning	17.0	12.6
Public relations and advertising	17.2	21.1
Telephone expenses	7.2	7.3
Losses on the disposal of property, plant and equipment	2.9	2.3
Insurance expenses	6.9	8.0
Other taxes (other than income taxes)	7.1	7.2
Other	38.5	25.9
	243.9	**284.0**

12 | Share of profit/loss of associates

The share of profit/loss of associates amounted to EUR 0.9m for the 2007 business year (2006: EUR 1.1m).

13 | Other financial result

EUR m	2006	2007
Interest income	8.6	11.3
Income from securities	4.5	5.2
Gains on the disposal of securities	1.8	2.9
	15.0	**19.3**
Interest expense (financial liabilities)	–1.7	–7.9
Interest expense (interest effects of provisions)	–5.9	–6.6
	–7.6	**–14.5**
Revaluation of derivative financial instruments	–0.2	–2.8
	7.2	**2.1**

14 | Earnings per share

A total of 70m shares in Austrian Post have been issued.

The basic earnings per share amount to EUR 1.75 (2006: EUR 1.43), based on a profit for the period of EUR 122.5m (2006: EUR 99.8m). 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 | Goodwill → see Note 3 (e)

EUR m	2006	2007
Historical cost		
At January 1st	**37.5**	**183.1**
Additions arising from acquisitions	148.2	42.2
Additions	0.0	0.0
Disposals	2.9	0.0
Transfers	0.2	0.0
Currency translation differences	0.0	0.0
At December 31st	**183.1**	**225.3**
Impairment losses		
At January 1st	**0.0**	**0.0**
Additions arising from acquisitions	0.0	0.0
Additions	2.9	9.3
Disposals	2.9	0.0
Currency translation differences	0.0	0.0
At January 1st	**0.0**	**9.3**
Net carrying amount on January 1st	**37.5**	**183.1**
Net carrying amount on December 31st	**183.1**	**216.0**

The following table shows the goodwill at December 31, 2006 and December 31, 2007 by segments:

EUR m	Dec. 31, 2006	Dec. 31, 2007
Mail	**31.1**	**54.2**
Parcel & Logistics		
trans-o-flex	146.8	137.5
Other	5.2	24.2
	152.0	**161.7**
	183.1	**216.0**

16 | Intangible assets → see Note 3 (e)

EUR m	2006	2007
Historical cost		
At January 1st	**56.7**	**138.7**
Additions arising from acquisitions	80.0	24.1
Additions	5.2	6.5
Disposals	3.1	13.0
Transfers	–0.2	0.0
Currency translation differences	0.1	0.0
At December 31st	**138.7**	**156.3**

EUR m	2006	2007
Amortisation and impairment losses		
At January 1st	**47.8**	**49.1**
Additions arising from acquisitions	0.0	0.0
Additions	4.3	13.9
Disposals	3.1	12.8
Currency translation differences	0.1	0.0
At December 31st	**49.1**	**50.2**
Net carrying amount at January 1st	**9.0**	**89.6**
Net carrying amount on December 31st	**89.6**	**106.1**

The intangible assets contain trademarks with indefinite useful lives amounting to EUR 30.0m (2006: EUR 25.0m).

17 | Property, plant and equipment → see Note 3 (f)

EUR m	Property and buildings	Plant and machinery	Other equipment, furniture and fittings	Prepayments and assets under construction	Total
2006 BUSINESS YEAR					
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 on 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**

EUR m	Property and buildings	Plant and machinery	Other equipment, furniture and fittings	Prepayments and assets under construction	Total
2007 BUSINESS YEAR					
Historical cost					
At January 1, 2007	**769.3**	**159.0**	**263.5**	**9.3**	**1,201.0**
Additions arising from acquisitions	24.4	14.2	10.0	0.1	48.7
Additions	31.6	18.0	48.2	8.3	106.0
Disposals	1.5	12.4	47.4	0.8	62.1
Transfers	4.5	4.1	1.9	–10.5	0.0
Reclassification pursuant to IFRS 5	8.5	0.0	0.0	0.0	8.5
Reclassification pursuant to IAS 40	–6.9	0.0	0.0	0.0	–6.9
Currency translation differences	0.0	0.0	0.1	0.0	0.1
At December 31, 2007	**829.8**	**182.9**	**276.2**	**6.4**	**1,295.3**
Depreciation and impairment losses					
At January 1, 2007	**300.2**	**93.0**	**142.5**	**0.0**	**535.6**
Additions arising from acquisitions	0.0	0.0	0.0	0.0	0.0
Additions	45.7	19.3	38.4	0.0	103.4
Disposals	0.9	11.7	44.2	0.0	56.8
Reclassification pursuant to IFRS 5	0.5	0.0	0.0	0.0	0.5
Reclassification pursuant to IAS 40	–4.2	0.0	0.0	0.0	–4.2
Currency translation differences	0.0	0.0	0.1	0.0	0.1
At December 31, 2007	**341.3**	**100.5**	**136.8**	**0.0**	**578.6**
Net carrying amount on January 1, 2007	**469.1**	**66.0**	**121.0**	**9.3**	**665.3**
Net carrying amount on December 31, 2007	**488.5**	**82.4**	**139.5**	**6.4**	**716.7**

The intangible assets and property, plant and equipment pledged as collateral were reported at a carrying amount of EUR 51.4m (2006: EUR 41.4m).

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 of December 31, 2007, amount to USD 115.1m (currently approximately EUR 78.2m; 2006: USD 115.5 or EUR 87.7m).
The accounting treatment of the cross-border lease transaction in the consolidated financial statements for the year ending December 31, 2007 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 2007 financial year, EUR 0.5m (2006: EUR 0.5m) were reversed and recognised as interest income.

Finance leases → see Note 3 (g)

Net carrying amount and useful lives of the leased assets

EUR m	Useful lives in years	Carrying amount Dec. 31, 2007
Property and buildings	50–56	23.6
Plant and machinery	3–14	5.9
Other equipment, furniture and fittings	2–8	23.6

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

EUR m	2006	2007
Minimum lease payments		
Not later than one year	9.0	18.7
Later than one year and not later than five years	27.1	26.4
Later than five years	9.3	5.7
	45.4	**50.8**
Less:		
Future finance costs	**–6.3**	**–6.5**
Present value of the minimum lease payments	**39.1**	**44.3**
Not later than one year	8.1	16.5
Later than one year and not later than five years	23.7	23.2
Later than five years	7.3	4.5
	39.1	**44.3**

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 2007 financial year, the corresponding payments amounted to EUR 0.3m (2006: EUR 0.3m).

18 | Investment property → see Note 3 (h)

EUR m	2006	2007
Historical cost		
At January 1st	**111.4**	**87.3**
Additions arising from acquisitions	0.0	1.1
Additions	0.8	0.4
Disposals	5.5	4.7
Transfers	–19.3	6.9
At December 31st	**87.3**	**91.1**
Depreciation and impairment losses		
At January 1st	**56.6**	**49.0**
Additions arising from acquisitions	0.0	0.0
Additions	3.6	3.4
Disposals	2.3	2.2
Transfers	–8.9	4.2
At December 31st	**49.0**	**54.4**
Net carrying amount on January 1st	**54.8**	**38.3**
Net carrying amount on December 31st	**38.3**	**36.6**

EUR m	Dec. 31, 2006	Dec. 31, 2007
Fair value	104.2	109.4
Rental income	6.3	7.4
Expenses arising from property which generated rental income	3.4	3.0
Expenses arising from property which did not generate retail income	1.7	1.2

19 | Investments in associates → see Note 3 (a)

EUR m	Interest	Dec. 31, 2006	Dec. 31, 2007
Mader Zeitschriftenverlagsgesellschaft m.b.H., Vienna	74.9%	2.9	3.0
OmniMedia Werbegesellschaft m.b.H., Vienna	21.0%	0.3	0.3
FEIPRO Vertriebs GesmbH, Gaweinstal	50.0%	0.2	0.2
trans-o-flex Nederland B.V., Utrecht	37.5%	0.1	–
		3.5	**3.5**

EUR m	2006	2007
Net carrying amount at January 1st	**0.3**	**3.5**
Additions arising from acquisitions	2.9	0.0
Additions arising from associates' profit for the period	1.1	0.9
Dividends/disposals	–0.7	–1.0
Net carrying amount at December 31st	**3.5**	**3.5**

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

EUR m	Dec. 31, 2006	Dec. 31, 2007
Assets	12.4	10.7
Liabilities	8.9	7.1

EUR m	2006	2007
Revenue	39.3	27.2
Profit for the period	0.4	0.9

20 | Financial investments in securities → see Note 3 (i)

				Fair value		
EUR m	Amortised cost	Unrealised gains	Unrealised losses	Due within 1 year	Due in more than 1 year	Total
December 31, 2006						
Available for sale securities						
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
	199.0	**1.4**	**1.5**	**0.2**	**198.6**	**198.8**
December 31, 2007						
Available for sale securities						
Investment funds	3.6	0.2	0.0	0.2	3.4	3.6
Fixed interest securities	143.4	0.1	0.8	15.0	128.4	143.4
	147.0	**0.3**	**0.8**	**15.2**	**131.8**	**147.0**

The interest rates for the fixed interest securities were between 3.85% and 5.44% (2006: 3.13% and 7.70%). The effective interest rate of the two structured bonds for the 2007 business year ranges from 1.34% to 3.64%. The fair value is based on the prevailing market prices as at December 31, 2007.
In the 2007 business year, the gains on the disposal of available for sale securities amounted to EUR 2.9m (2006: EUR 1.6m).

21 | Other financial assets → see Note 3 (i)

	Dec. 31, 2006			Dec. 31, 2007		
	Term to maturity			Term to maturity		
EUR m	**Within 1 year**	**More than 1 year**	**Total**	**Within 1 year**	**More than 1 year**	**Total**
Investments in unconsolidated companies	0.0	0.8	0.8	0.0	0.8	0.8
Loans	0.3	2.4	2.7	0.0	0.0	0.0
Strategic stakes	0.0	2.7	2.7	0.0	79.1	79.1
	0.3	**5.9**	**6.2**	**0.0**	**79.9**	**79.9**

The loans reported in the previous year under other financial assets will be reported as receivables from associates and other receivables as of the 2007 business year.
The strategic stakes primarily relate to the acquisition of a shareholding in the consortium which acquired BAWAG PSK.

22 | Inventories → see Note 3 (j)

EUR m	**Dec. 31, 2006**	**Dec. 31, 2007**
Materials and consumables	11.1	12.3
Less: write-downs	–3.1	–4.1
Unfinished goods	0.0	1.9
Retail products	15.1	18.2
Less: write-downs	–2.7	–2.9
Services not yet invoiced	0.7	0.1
	21.0	**25.6**

The carrying amount of inventories recognised at net realisable value amounted to EUR 3.9m (December 31, 2006: EUR 1.7m). Value adjustments were necessary, particularly due to their limited commercial utility or long periods of storage.

23 | Receivables → see Note 3 (i)

The following table shows receivables after impairments:

	Dec. 31, 2006			Dec. 31, 2007		
	Term to maturity			Term to maturity		
EUR m	**Within 1 year**	**More than 1 year**	**Total**	**Within 1 year**	**More than 1 year**	**Total**
Trade receivables	296.1	0.0	296.1	271.1	0.0	271.1
Receivables from associates	0.5	0.0	0.5	0.3	1.1	1.4
Other receivables	67.3	28.2	95.4	72.6	14.8	87.3
	364.0	**28.2**	**392.1**	**344.0**	**15.9**	**359.9**
Thereof: no financial instruments			37.6			41.3
			354.5			**318.5**

Due to the primarily short-term nature of this item, it is assumed that the fair values correspond to the carrying amounts.
The following table shows the development of impairments for receivables applying to the 2006 and 2007 business years:

EUR m	2006	2007
At January 1st	**12.3**	**12.7**
Additions arising from acquisitions	0.0	2.0
Change	0.4	–0.2
At December 31st	**12.7**	**14.5**

24 | Cash and cash equivalents

EUR m	Dec. 31, 2006	Dec. 31, 2007
Bank balances	14.6	49.9
Short-term deposits (demand deposits)	211.0	256.9
Cash on hand	3.8	2.6
	229.4	**309.4**

The average interest rate for demand deposits was 4.74% at December 31, 2007 (December 31, 2006: 3.13%). Due to the short-term nature of the cash and cash equivalents, it is assumed that the fair values correspond to the carrying amounts.

25 | Non-current assets held for sale → see Note 3 (k)

At December 31, 2007, non-current assets held for sale in the form of land and buildings, which Austrian Post plans to sell in 2008, were reported under this item at a value of EUR 2.4m (December 31, 2006: EUR 13.8m). The planned sale of the forecourt at the railway station in Salzburg was partly implemented in the 2007 business year, when a total of 3,852 m² were sold. The remaining 8,480 m² were not acquired from the potential buyer, as originally planned. As a result, a reclassification took place, from the non-current assets held for sale to the item land and buildings.

26 | Capital and reserves

Capital and reserves items

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

The revenue reserves of Austrian Post comprise the statutory reserve as well as profits accumulated in previous years less dividend payments.
The item revaluation of securities encompasses gains and losses on changes in the market value measurements of available for sale securities which are directly recognised in equity. The amounts shown under the revaluation of securities are after tax.
The currency translation reserves comprise all exchange differences arising from the translation of the annual financial statements of the company's subsidiaries in foreign currencies.
The profit for the period in the 2007 financial year amounted to EUR 122.5m (2006: EUR 99.8m). In accordance with the provisions stipulated in the Austrian Stock Corporation Act, the basis for the distribution of dividends is the annual financial statements of Austrian Post at the balance sheet date on December 31, 2007. The profit shown in the balance totalled EUR 169.2m (2006: EUR 91.9m).
The Management Board will propose a dividend totalling EUR 168.0m for the 2007 business year (basis dividend of EUR 1.40 per no par share plus a special dividend of EUR 1.0 per no par share).

Capital management

The capital management of Austrian Post aims at ensuring a suitable capital structure to serve as the basis for achieving growth and acquisition targets, as well as a sustainable increase in shareholder value.
Austrian Post's dividend policy for the upcoming years is based on achieving a dividend payout ratio of at least 75% of the profit for the period assigned to Austrian Post shareholders, assuming a continuation of the company's successful business development and assuming that no unusual circumstance arise. If maintaining a suitable capital structure is considered to be purposeful, a dividend payout ratio above the 75% level will be taken in to consideration. Austrian Post also reserves the right to take additional measures in order to improve its capital structure.
The economic capital corresponds to the capital and reserves which are reported in the consolidated balance sheet. Taking the balance sheet total of EUR 2,058.6m as at December 31, 2007 as a basis (December 31, 2006: EUR 1,901.6m), the equity ratio as at December 31, 2007 amounts to 42.4% (December 31, 2006: 43.2%).
Net debt and the gearing ratio are important indicators for evaluating the capital structure of Austrian Post, and show the following development:

EUR m	Dec. 31, 2006	Dec. 31, 2007
Interest-bearing debt		
+ Financial liabilities	148.8	187.0
+ Other interest-bearing liabilities	7.2	6.7
+ Social liabilities	161.5	166.5
+ Other interest-bearing provisions	290.1	351.3
	607.6	**711.5**
Interest-bearing assets		
– Financial investments in securities	198.8	147.0
– Other financial assets and interest-bearing receivables	5.4	81.7
– Cash and cash equivalents	229.4	309.4
	433.7	**538.1**
Net debt	**173.9**	**173.4**

	2006	2007
Gearing ratio = Net debt / Capital and reserves as at December 31st	**21.2%**	**19.8%**

In the 2007 business year, the net debt of Austrian Post declined by EUR 0.5, to EUR 173.4m (December 31, 2006: EUR 173.9m). The gearing ratio also correspondingly decreased to 19.8% (2006: 21.2%).

27 | Provisions

EUR m	Dec. 31, 2006 Due within 1 year	Dec. 31, 2006 Due in more than 1 year	Dec. 31, 2006 Total	Dec. 31, 2007 Due within 1 year	Dec. 31, 2007 Due in more than 1 year	Dec. 31, 2007 Total
Provisions for termination benefits	0.0	66.8	66.8	0.0	68.6	68.6
Provisions for pensions	0.0	2.3	2.3	0.0	5.4	5.4
Provisions for jubilee benefits	0.0	92.4	92.4	0.0	92.5	92.5
Other provisions for employees	54.9	245.0	299.9	63.6	300.5	364.0
Other provisions	36.4	19.2	55.7	38.7	20.8	59.5
	91.3	**425.8**	**517.1**	**102.3**	**487.7**	**589.9**

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

EUR m	Termination benefits	Pensions	Jubilee benefits	Total
2006 BUSINESS YEAR				
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 made for termination benefits amounted to 2.0% 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%.

EUR m	Termination benefits	Pensions	Jubilee benefits	Total
2007 BUSINESS YEAR				
At January 1, 2007	**66.8**	**2.3**	**92.4**	**161.5**
Additions arising from acquisitions	0.0	3.6	0.2	3.9
Current service cost	6.1	0.0	4.5	10.6
Interest expense	2.8	0.2	3.6	6.6
Actuarial gains/losses	–2.9	–0.1	–3.8	–6.8
Actual payments	–4.3	–0.6	–4.4	–9.3
At December 31, 2007	**68.6**	**5.4**	**92.5**	**166.5**

Compared to the preceding year, the experience adjustments made in the provisions made for termination benefits amounted to minus 0.1% of the current value of the commitments as at December 31, 2007, whereas the adjustments made in the provisions for pensions amounted to minus 2.8%, and for jubilee benefits minus 1.3%.

Other provisions for employees → see Note 3 (m)

EUR m	Employee under-utilisation	Sundry provisions for employees	Total
2006 BUSINESS YEAR			
At January 1, 2006	**167.2**	**37.1**	**204.2**
Additions arising from acquisitions	0.0	4.7	4.7
Reclassification	10.1	–15.0	–4.9
Allocation	132.3	23.8	156.1
Use	–18.6	–20.0	–38.6
Reversals	–26.8	–1.5	–28.2
Accrued interest	6.6	0.0	6.6
At December 31, 2006	**270.9**	**29.0**	**299.9**
2007 BUSINESS YEAR			
At January 1, 2007	**270.9**	**29.0**	**299.9**
Additions arising from acquisitions	0.0	2.8	2.8
Reclassification	0.0	0.0	0.0
Allocation	159.8	31.5	191.3
Use	–22.8	–27.0	–49.8
Reversals	–88.3	–3.2	–91.6
Accrued interest	11.4	0.0	11.4
At January 31, 2007	**331.0**	**33.0**	**364.0**

The sundry provisions for employees largely relate to provisions for employee profit sharing schemes, other performance related bonuses and other outstanding employee entitlements.
Due to impending revenue losses in the Parcel & Logistics Division, it was necessary to develop a comprehensive package of measures in the 2007 business year (restructuring concept) to reposition the Parcel & Logistics Division. The restructuring foresees, amongst other measures, a closing of a sorting centre and parcel distribution bases as well as the reduction of the Parcel & Logistics Division workforce by about 360 employees. These restructuring measures led to a change in the provisions for under-utilisation amounting to EUR 54.4m, the allocation of a provision for structural adjustments totalling EUR 2.0m, which is included in the item "Other provisions", as well as termination benefit provisions of EUR 0.1m. The provision for structural adjustments relate to land and building which will no longer be in use. In addition, impairment losses amounting to EUR 1.5m were recognised for property, plant and equipment. The restructuring measures will be implemented starting at the beginning of 2008.

Other provisions → see Note 3 (n)

EUR m	Services not yet rendered	Post-employment benefits	Other	Total
2006 BUSINESS YEAR				
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**
2007 BUSINESS YEAR				
At January 1, 2007	**26.3**	**3.1**	**26.3**	**55.7**
Additions arising from acquisitions	0.0	0.0	1.1	1.1
Reclassification	0.0	0.0	0.0	0.0
Allocation	25.4	0.0	10.1	35.5
Use	–26.3	–0.3	–5.3	–31.9
Reversals	0.0	0.0	–1.8	–1.9
Accrued interest	0.0	0.1	0.7	0.8
At December 31, 2007	**25.4**	**2.9**	**31.1**	**59.5**

The provisions for services not yet rendered relate to the elimination of orders for services not yet rendered as at December 31, 2007, as well as outstanding customer prepayments for stamps and frankings as at December 31, 2007, for which Austrian Post had not yet rendered corresponding services as at the balance sheet date.

28 | Tax provisions

EUR m	2006	2007
At January 1st	**36.0**	**3.1**
Additions arising from acquisitions	2.2	0.0
Allocation	26.2	14.5
Use	–0.2	–3.0
Reversals	–0.2	–0.2
Invoicing with prepayment	–61.0	0.0
At December 31st	**3.1**	**14.4**

29 | Financial liabilities → see Note 3 (o)

	Dec. 31, 2006			Dec. 31, 2007		
EUR m	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	4.6	30.1	34.6	42.7	24.2	66.9
ABCP programme liabilities	53.7	0.0	53.7	49.2	0.0	49.2
Finance lease liabilities	8.1	31.1	39.1	16.6	27.9	44.4
Derivative financial instruments	0.0	0.0	0.0	0.0	3.0	3.0
Other financial liabilities	0.3	20.9	21.2	19.9	3.5	23.4
	66.7	**82.0**	**148.8**	**128.5**	**58.6**	**187.0**

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

EUR m	Fair value Dec. 31, 2006	Effective interest rate 2006	Fair value Dec. 31, 2007	Effective interest rate 2007
Borrowings from banks				
Fixed interest rate borrowings	19.5	3.83%	17.7	3.06%
Variable interest rate borrowings	15.1	3.82%	49.3	3.96%–5.34%
	34.5		**67.0**	
ABCP programme liabilities	53.7	4.90%	49.2	4.63%
Finance lease liabilities	39.4	4.12%	44.0	5.34%–6.10%
Other financial liabilities (excluding derivatives)	21.2	4.25%	23.7	4.75%
	148.9		**183.9**	

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The fair values were determined by the respective banks, by discounting the future payments and applying the current market interest rate. In the case of variable rate items (money and capital market floaters), fair value was equated to the nominal value.
Of reported borrowings from banks, EUR 11.6m are guaranteed by the federal government under § 20 (1) Postal Service Structure Act.
In 2006, Austrian Post assumed an Asset Backed Commercial Paper (ABCP) programme in the course of an acquisition. As part of this programme with a maturity of five years and a maximum limit of EUR 50.0m, existing and future trade payables amounting to EUR 51.5m will be sold to a special purpose entity not affiliated with Austrian Post. In the consolidated financial statements, the sold and assigned trade receivables will continue to be reported as trade receivables due to the remaining economic risk. The amounts stipulated in the ABCP programme totalling EUR 49.2m are reported as current liabilities.

30 | Payables → see Note 3 (o)

	Dec. 31, 2006			Dec. 31, 2007		
EUR m	Due within 1 year	Due in more than 1 year	Total	Due within 1 year	Due in more than 1 year	Total
Trade payables	237.2	1.3	238.5	209.8	0.2	210.0
Payables to associates	1.4	0.0	1.4	0.9	0.0	0.9
Payables on unused holidays	44.9	0.0	44.9	47.9	0.0	47.9
Other payables	71.7	18.4	90.0	82.6	18.5	101.1
	355.1	**19.7**	**374.8**	**341.1**	**18.7**	**359.8**
thereof: no financial liabilities			106.2			115.1
			268.6			**244.7**

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

31 | Income tax → see Note 3 (p)

EUR m	2006	2007
Tax for the business year (current tax)	26.7	47.6
Changes in deferred tax	4.0	–5.4
	30.8	**42.2**

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, 2006	Dec. 31, 2007
Deferred tax assets arising from temporary differences		
Intangible assets	0.0	0.4
Goodwill	2.8	1.7
Financial assets	8.7	9.4
Receivables	0.0	0.0
Provisions	23.0	28.3
Financial liabilities	38.3	30.6
Payables	0.8	0.1
	73.7	**70.4**
Deferred tax liabilities arising from temporary differences		
Customer relationships	–20.7	–17.4
Trademark	–9.6	–10.4
Other intangible assets	–0.2	–0.1
Borrowings	–4.6	–4.6
Property, plant and equipment	–16.6	–15.7
Inventories	0.0	0.0
Receivables	–18.8	–13.9
Payables	0.0	0.0
	–70.5	**–62.1**
Deferred tax arising from tax loss carry-forwards	**20.5**	**14.0**
Total deferred tax	**23.7**	**22.3**
Deferred tax assets	60.3	55.5
Deferred tax liabilities	–36.5	–33.2
Total deferred tax	**23.7**	**22.3**

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

EUR m	Deferred tax assets	Deferred tax liabilities
2006 BUSINESS YEAR		
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**
At December 31, 2006	**60.3**	**36.5**

EUR m	Deferred tax assets	Deferred tax liabilities
2007 BUSINESS YEAR		
Deferred taxes at January 1, 2007	**60.3**	**36.5**
Changes affecting net income	–5.1	–10.4
Changes recognised directly in equity		
Revaluation of securities	0.1	0.0
Additions arising from acquisitions	0.2	7.1
	0.3	**7.1**
At December 31, 2007	**55.5**	**33.2**

Reconciliation of deferred tax expense

EUR m	2006	2007
Profit before tax	**130.5**	**164.9**
Expected taxes on income	**32.6**	**41.2**
Tax deductions due to		
Dividends and investment income	–0.3	–0.3
Impairment losses (subsidiaries)	0.0	–2.3
Impairment losses (goodwill)	–0.1	0.0
Tax rate changes	0.0	–0.3
Adjustments for foreign tax rates	–0.1	0.0
Other tax reducing items	–0.2	–0.8
	–0.6	**–3.7**
Tax increase due to		
Adjustments for foreign tax rates	0.0	0.3
Other tax increasing items	0.4	1.9
	0.4	**2.3**
Income tax expense for the period	**32.5**	**39.8**
Income tax expense/income for prior years	0.0	0.0
Change in unrecognised deferred tax assets arising from carryforwards	–1.7	2.4
Current tax expense	**30.8**	**42.2**

Other disclosures

32 | Cash flow disclosures

The breakdown of cash flows arising from acquisitions of subsidiaries was as follows:

EUR m	2006	2007
Acquisitions of subsidiaries		
Purchase prices	–59.0	–76.8
Cash and cash equivalents acquired	1.7	5.0
	–57.3	**–71.9**

33 | Financial instruments

The financial instruments include financial assets and liabilities as well as derivative financial instruments. The following is a comparison of the carrying amounts and fair values of the financial assets and liabilities at Austrian Post:

	Dec. 31, 2006		Dec. 31, 2007	
EUR m	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Available for sale	199.0	198.8	147.0	147.0
At fair value through profit or loss	0.0	0.0	0.0	0.0
Loans and receivables	354.5	354.5	318.5	318.5
Recognised at cost	3.5	3.5	79.9	79.9
	557.0	**556.8**	**545.5**	**545.5**
Financial liabilities				
At fair value through profit or loss	0.0	0.0	3.0	3.0
Recognised at the residual carrying amount	417.4	416.6	428.9	428.7
	417.4	**416.6**	**432.0**	**431.7**

The financial assets recognised at the cost of purchase include the strategic shareholding purchased by Austrian Post in the consortium which acquired BAWAG PSK. As there is no regulated market for this shareholding, the valuation is reported at cost.

(a) Derivative financial instruments → see Note 3 (q)

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

EUR m	Dec. 31, 2006 Nominal (base value)	Dec. 31, 2006 Fair value	Dec. 31, 2007 Nominal (base value)	Dec. 31, 2007 Fair value
Structured interest rate swaps	5.0	0.0	5.0	–0.2
Interest rate caps	1.3	0.0	0.0	0.0
Embedded derivatives	–	–	0.0	–2.8
		0.0		**–3.0**

Austrian Post has concluded interest rate swaps with an average term to maturity of 11.8 years as a means of reducing the interest rate risk of fixed interest securities and financial liabilities. The fixed interest rates ranged between 4.958% and 5.415% as at December 31, 2007 (December 31, 2006: 4.615%–4.958%). The variable interest rates are linked to interbank interest rates.
The average variable interest rates which may be subject to significant changes during the terms of the swap contracts, are reported at the rates prevailing at the balance sheet date.
During the course of the 2007 business year, Austrian Post split the embedded derivatives in the case of two structured bond issues, and capitalised this with a negative fair value of EUR 2.8m. The fair values of the interest rate swaps and embedded derivatives correspond to the amount that Austrian Post would receive or be obliged to pay if the transactions were settled at the balance sheet date. Account has been taken of current market conditions such as current interest rate levels, as well as the creditworthiness of the swap counterparties.

(b) Net gains and losses

The following table shows the net gains and losses as contained in the consolidated income statements for the 2006 and 2007 business years:

EUR m	2006	2007
Availabe for sale financial assets	6.3	8.0
Financial assets and liabilities at fair value through profit or loss	–0.2	–3.0
Loans and receivables	–0.5	0.1
	5.6	**5.1**

The net losses resulting from the disposal of available for sale financial assets totalling EUR 6.9m (2006: EUR 5.5m) were reported directly in the income statement. The remaining EUR 1.1m (2006: EUR 0.8m) were taken from revaluation of securities and recognised in profit or loss.
The net gains and losses from the disposal of available for sale financial assets primarily encompass the gains on the disposal of securities (EUR 2.9m) as well as income from dividends and securities (EUR 5.2m). The fair value of financial assets and liabilities recognised as a profit or loss corresponds to the gains from the disposal of derivative financial instruments. The category loans and receivables primarily contains impairment losses amounting to EUR 0.7m (2006: EUR 0.7m) and impairment gains on receivables totalling EUR 0.9m (2006: EUR 0.3m).

(c) Total interest income and expense

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

EUR m	2006	2007
Total interest income	7.9	10.3
Total interest expense	–1.7	–7.9
	6.2	**2.4**

34 | Risks and risk management

(a) 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.

The following table shows the maturity dates of the gross payment obligations on the part of Austrian Post as at December 31, 2006 and December 31, 2007:

			Term to maturity		
EUR m	Carrying amount	Gross cash flow	Within 1 year	1 to 5 years	More than 5 years
2006 BUSINESS YEAR					
Financial liabilities					
Borrowings from banks (fixed interest)	19.5	21.3	0.9	11.6	8.8
Borrowings from banks (variable interest)	15.1	16.7	4.3	12.4	0.0
ABCP programme liabilities	53.7	53.7	53.7	0.0	0.0
Finance lease liabilities	39.1	45.5	9.1	27.1	9.3
Other financial liabilities (excl. Derivatives)	21.2	21.2	20.5	0.7	0.0
	148.8	**158.4**	**88.5**	**51.8**	**18.1**
Liabilities – financial instruments					
Trade payables	238.5	238.5	238.5	0.0	0.0
Liabilities to associates	1.2	1.2	1.2	0.0	0.0
Other liabilities – financial instruments	28.9	29.7	26.0	2.9	0.8
	268.6	**269.4**	**265.7**	**2.9**	**0.8**
Derivative financial liabilities	0.0	0.0	0.0	0.0	0.0
Total financial liabilities	**417.4**	**427.8**	**354.1**	**54.7**	**18.9**
Other liabilities (excl. financial instruments)	106.2	93.5	89.7	3.8	0.0
Total liabilities	**523.6**	**521.2**	**443.8**	**58.5**	**18.9**

EUR m	Carrying amount	Gross cash flow	Term to maturity: Within 1 year	1 to 5 years	More than 5 years
2007 BUSINESS YEAR					
Financial liabilities					
Borrowings from banks (fixed interest)	17.6	19.5	10.4	1.0	8.1
Borrowings from banks (variable interest)	49.3	50.6	33.0	17.4	0.3
ABCP programme liabilities	49.2	49.2	49.2	0.0	0.0
Finance lease liabilities	44.4	50.4	21.0	23.8	5.7
Other financial liabilities (excl. Derivatives)	23.6	23.6	20.6	2.7	0.3
	184.2	**193.4**	**134.2**	**44.8**	**14.3**
Liabilities – financial instruments					
Trade payables	210.0	210.0	210.0	0.0	0.0
Liabilities to associates	0.8	0.8	0.8	0.0	0.0
Other liabilities – financial instruments	34.0	34.0	29.1	4.5	0.5
	244.8	**244.8**	**239.8**	**4.5**	**0.5**
Derivative financial liabilities	3.0	0.0	0.0	0.0	0.0
Total financial liabilities	**432.0**	**438.2**	**374.1**	**49.3**	**14.8**
Other liabilities (excl. financial instruments)	115.0	99.1	95.8	3.3	0.0
Total liabilities	**547.0**	**537.3**	**469.8**	**52.6**	**14.8**

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.

The delinquency structure for receivables in the 2006 and 2007 business years is as follows:

EUR m	Not overdue	Overdue within 1 year	Overdue in more than 1 year	Total
2006 BUSINESS YEAR				
Carrying amount before impairment	**340.8**	**20.1**	**6.3**	**367.2**
less: provision for bad debt	4.4	1.3	5.6	11.3
less: flat rate provision for bad debt	1.0	0.2	0.2	1.4
Carrying amount after impairment	**335.4**	**18.6**	**0.6**	**354.5**
2007 BUSINESS YEAR				
Carrying amount before impairment	**304.8**	**18.4**	**10.1**	**333.2**
less: provision for bad debt	1.4	2.5	8.9	12.8
less: flat rate provision for bad debt	1.2	0.3	0.2	1.7
Carrying amount after impairment	**302.2**	**15.6**	**0.9**	**318.7**

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.

A detailed presentation of Austrian Post's financial investments in securities and other financial assets is found in Note 20 and Note 21. Detailed information on financial liabilities is presented in Note 29.

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

	Interest rate	
	+ 1% point	**– 1% point**
2006 BUSINESS YEAR		
Other financial result	1.2	–1.5
Equity	0.0	0.0
2007 BUSINESS YEAR		
Other financial results	2.4	–1.6
Equity	0.0	0.0

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 risks

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).

(b) Risk management

The risk management policies of Austrian Post are aimed at hedging profits against financial risks of all kinds. In managing its financial positions, the Group takes a strategic approach to portfolio assessment and follows conservative policies.

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

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.

35 | Contingent liabilities

The company has appealed against a tax liability notice issued on May 12, 2003, following a wage tax inspection. Among other things, the appeal contends that the parent company was wrongfully required to calculate and forward permanent civil servants' employee contributions to the Family Compensation Fund starting at May 1, 1996 onwards. The company's case is based on the fact that the Finance (Implementing Provisions) Act 2003 clarifies that the child benefits under the Family Compensation Act, and the employer's contributions under § 39 (4) Family Compensation Act 1967, also form part of the remuneration of permanent civil servants assigned to the parent company by the federal government which the latter is obliged to refund, with retroactive effect to May 1, 1996. This implies that the parent company was never obliged to pay the employer's contributions for the civil servants assigned to it, and that the federal government had a duty to pay any employer's contributions as part of the salary costs reimbursed by it. As the federal government is not liable as the employer to pay the full amount of the civil servants' salaries, a literal interpretation of section § 17 (6a) Postal Services Structure Act led to the wrongful remittance of the employer's contributions from May 1, 1996 onwards. Under this 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 financial year, the company appealed against the liability and tax notices related to the above matter, issued by the Innsbruck and Linz tax authorities in 2005, in order to uphold its claims in respect of the wrongful requirement to pay employer's contributions for civil servants.

36 | Other commitments and contingent liabilities

Other financial commitments chiefly arise from operating lease agreements in respect to buildings used in the production or supply of goods or services. There are also operating lease agreements for plant and equipment, furniture and fixtures. The future minimum leasing payments arising from fixed operating lease agreements amount to EUR 42.3m (2006: EUR 40.3m) within a one-year period, whereas EUR 137.3m is owed within the next five years (2006: EUR 136.8m) and EUR 218.9m (2006: EUR 218.3m) in a period 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 12.1m in 2007 (2006: EUR 5.4m).

37 | 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 2007 financial year, delivery services valued at EUR 96.2m (2006: EUR 87.3m) were rendered for the federal agencies stipulated in the agreement. As at December 31, 2007, receivables from the BBG Bundesbeschaffung GmbH amounting to EUR 8.0m (December 31, 2006: EUR 8.4m) were recognised.
Furthermore, numerous public institutions and agencies as well as companies in which the Republic of Austria has a dominating or controlling interest are direct customers of Austrian Post. These business ties exist based on the portfolio of products and services offered by Austrian Post at prevailing market prices, terms and conditions. The services rendered by Austrian Post in the course of these business relationships are not material in terms of the overall revenue of Austrian Post. Any services for which payment has not yet taken place are reported as trade payables.
Moreover, Austrian Post made use of services provided at prevailing market rates by the ÖBB Group (national railway system) which is fully owned by the Republic of Austria, in particular Rail Cargo Austria and ÖBB Infrastruktur Bau AG. The expense incurred for services provided by the ÖBB Group amounted to EUR 19.5m in 2007 (2006: EUR 23.8m). As at December 31, 2007, receivables from the ÖBB Group totalling EUR 0.9m (December 31, 2006: EUR 1.1m) were recognised.
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 2.7m in 2007. Revenue with associates accounts for less than 0.1% 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 2006 and 2007 business years:

EUR m	Supervisory Board	Management Board	Senior executives	Total
2006 BUSINESS YEAR				
Short-term employment benefits	0.1	1.9	6.8	8.8
Post-employment benefits	0.0	0.1	0.0	0.1
Other long-term employment benefits	0.0	0.3	0.2	0.5
	0.1	**2.2**	**7.0**	**9.3**
2007 BUSINESS YEAR				
Short-term employment benefits	0.1	2.1	12.4	14.6
Post-employment benefits	0.0	0.1	0.0	0.1
Other long-term employment benefits	0.0	0.1	0.0	0.1
Termination benefits	0.0	0.0	0.1	0.1
	0.1	**2.2**	**12.5**	**14.9**

In addition, business relationships existed in the 2007 business year with senoir executives, amounting to EUR 1.0m (2006: EUR 0.2m). In addition, as at December 31, 2007, receivables from related parties amounted to EUR 0.9m (December 31, 2006: EUR 0.0m). This refers to a loan granted to a subsidiary of Austrian Post, at an interest rate of 4.5% p.a.

38 | Events after the balance sheet date

All material events after the balance sheet date, such as pending litigation, claims for damages, other obligations or contingent losses, and for which IAS 10 prescribes adjustments or disclosure, have been recognised to the extent known to the company.
At the end of January 2008, Austrian Post acquired the remaining 49% shareholding in Scanpoint Europe. The core business of the Scanpoint Group companies is the data protected digitalisation of documents as well as the delivery of business-relevant information within the customer's internal workflow processes.

39 | Austrian Post companies

Company and location	Interest in %	Capital and reserves at Dec. 31, 2007 in EUR m	Profit for the period 2007 in EUR m	Method of consolidation
feibra GmbH, Vienna	100.00	11.4	5.2	FC
PROWERB Gesellschaft für produktive Werbung GmbH, Vienna	100.00	0.2	0.1	FC
Medien.Zustell GmbH, Vienna	100.00	0.2	0.1	FC
Feibra Magyarország Kft, Budapest	100.00	1.4	0.2	FC
Austrian Post International Deutschland GmbH, Bonn	100.00	1.2	0.2	FC
Post Paket Service GmbH, Vienna	100.00	36.1	0.0	FC
Post International Beteiligungs GmbH, Vienna	100.00	44.1	3.9	FC
Slovak Parcel Service s. r. o., Bratislava	100.00	3.7	1.7	FC
In Time s.r.o., Bratislava	100.00	0.8	0.2	FC
Overseas Trade Co Ltd d.o.o., Zagreb	100.00	7.1	0.6	FC
Post.Wertlogistik GmbH, Vienna	100.00	2.9	0.6	FC
Post & Telekom Immobilien-gesellschaft mbH, Vienna	100.00	1.4	0.1	FC
PTI Immobilienvermittlung GmbH, Vienna	100.00	0.4	0.1	FC
Post & Co Vermietungs OEG, Vienna	100.00	127.0	2.9	FC
Post.Maintain Management Objektverwaltungs- und -instandhaltungs GmbH, Vienna	100.00	14.6	8.4	FC
A4 Business Solutions GmbH, Vienna	100.00	0.1	0.1	FC
Kolos s.r.o., Bratislava	100.00	0.4	0.2	FC
Kolos Marketing s.r.o., Prague	100.00	0.0	0.0	FC
Post Eins Beteiligungs GmbH, Vienna	100.00	60.7	–13.7	FC
Post Zwei Beteiligungs GmbH, Vienna	100.00	61.4	–12.9	FC
Post Drei Beteiligungs GmbH, Vienna	100.00	62.6	0.0	FC
Post Vier Beteiligungs GmbH, Vienna	100.00	62.7	0.0	FC
Post Fünf Beteiligungs GmbH, Vienna	100.00	34.1	3.5	FC
Praetorium Holding GmbH, Weinheim[1]	76.15	46.1	0.0	FC
trans-o-flex GmbH, Weinheim	76.15	34.5	–6.2	FC
trans-o-flex Verwaltung GmbH, Weinheim	76.15	0.0	0.0	FC
trans-o-flex Schnell-Lieferdienst GmbH & Co KG, Weinheim	76.15	–71.0	10.1	FC
trans-o-flex Transport Logistik GmbH, Weinheim	76.15	0.0	0.4	FC
trans-o-flex Customer-Service GmbH, Weinheim	76.15	0.0	0.0	FC
trans-o-flex Linienverkehr GmbH, Weinheim	76.15	0.1	0.5	FC
trans-o-flex Logistik Service GmbH, Weinheim	76.15	0.0	0.1	FC
trans-o-flex Admin-Service GmbH, Weinheim	76.15	0.0	0.1	FC
trans-o-flex IT-Service GmbH, Weinheim	76.15	0.0	0.1	FC
ThermoMed Verwaltungs GmbH, Herborn	76.15	0.0	0.0	FC
trans-o-flex ThermoMed GmbH & Co KG, Cologne	76.15	0.7	0.4	FC
EBUR Grundstücks-Verwaltungs GmbH & Co KG, Grünwald[2]	76.15	0.0	0.1	FC

Company and location	**Interest in %**	**Capital and reserves at Dec. 31, 2007 in EUR m**	**Profit for the period 2007 in EUR m**	**Method of consolidation**
TTL Tour-Trans Logistic Services GmbH, Kerpen	76.15	0.3	0.7	FC
TTV Tour-Trans Verteilerservice GmbH, Kerpen	76.15	0.3	0.1	FC
Eurodis GmbH, Weinheim	76.15	0.1	0.0	FC
DDS Dedicated Distribution Services B.V., Amsterdam	76.15	0.1	–1.2	FC
Van Osselaer Pieters Colli Services B.V.B.A., Sint Niklaas	76.15	2.8	–0.7	FC
trans-o-flex Accounting Service GmbH, Weinheim	76.15	0.0	0.0	FC
trans-o-flex Billing Service GmbH, Weinheim	76.15	0.0	0.0	FC
trans-o-flex Nederland B.V., Utrecht	76.15	–0.8	–0.1	FC
eurodisnet GmbH, Weinheim[3]	100.00	–2.3	–1.5	FC
Weber Escal d.o.o., Zagreb	100.00	1.9	0.3	FC
City Express d.o.o., Belgrade	100.00	4.4	–0.3	FC
Scanpoint Europe Holding GmbH, Vienna	51.00	1.1	–0.3	FC
Scanpoint Deutschland GmbH, Waldbronn	51.00	1.5	0.6	FC
Scanpoint Slovakia s.r.o., Slovakia	51.00	0.0	–0.1	FC
Scherübl Transport GmbH, Frankenburg/a.H.[1]	74.90	0.4	–0.5	FC
Austrian Post International Ungarn, Budapest	100.00	16.8	–0.1	FC
Road Parcel Logistics Services Kft., Budapest	100.00	0.4	0.0	FC
Merland Expressz Logistics Service Kft., Sülysáp	100.00	0.1	–0.1	FC
meiller direct GmbH, Schwandorf	100.00	38.2	0.0	FC
meiller Weiterverarbeitung GmbH, Schwandorf	100.00	0.8	–0.3	FC
meiller lettershop GmbH, Schwandorf	100.00	0.4	–0.2	FC
meiller Dialogservice GmbH, Schwandorf	100.00	0.0	0.4	FC
meiller direct s.r.o., Nyrany	100.00	1.8	0.1	FC
meiller direct sarl., Versailles	100.00	1.0	0.1	FC
meiller direct LTD., Kent	100.00	0.0	0.0	FC
meiller direct AB, Landskrona	100.00	0.0	0.0	FC
meiller lithorex AB, Landskrona	100.00	0.0	–0.3	FC
Omnimedia Werbegesellschaft mbH, Vienna	21.00	1.8	1.2	EM
FEIPRO Vertriebs GesmbH, Gaweinstal	50.00	0.4	0.3	EM
Mader Zeitschriftenverlags GmbH, Vienna[4]	74.90	0.5	0.5	EM
OMNITEC Informationstechnologie-Systemservice GmbH, Vienna	50.00	0.3	0.0	NC

1 For Praetorium Holding GmbH and the companies in which it has a controlling interest, as well as Scherübl Transport GmbH, a 100% shareholding is included in consolidation due to the put option to which the minority shareholders are entitled, and thus no minority interest is shown in equity, and goodwill is reported to its full extent.
2 The inclusion of this company is on the basis of SIC 12 as a special purpose entity. The interest in the company corresponds to the limited partner's share held by Austrian Post.
3 Previously Eurodis GmbH, now in liquidation.
4 Inclusion in the consolidated annual financial statements according to the equity method, due to the fact that a controlling interest is not possible on the basis of contractually stipulated minority shareholder rights.

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

40 | Statement by the Management Board

As the legal representatives of Austrian Post, we certify, to the best of our knowledge, that the consolidated annual financial statements for Austrian Post as at December 31, 2007 have been prepared in accordance with the recognised International Financial Reporting Standards (IFRS), and present a fair and accurate picture of the profit, asset and financial position of Austrian Post and all the companies which have been included in consolidation. Furthermore, we certify that the Group Management Report for the 2007 business year presents a fair and accurate picture of the profit, asset and financial position of Austrian Post and all the companies which have been included in consolidation.

The Management Board of Austrian Post approved the audited consolidated financial statements for the business year ending on December 31, 2007 for transmission to the Supervisory Board on March 6, 2008. The Supervisory Board is responsible for reviewing and approving the audited consolidated financial statements.

Vienna, March 6, 2008

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

Independent Auditor's report

Report on the Consolidated Financial Statements

We have audited the accompanying **consolidated financial statements** of Österreichische Post Aktiengesellschaft, Vienna, for the **financial year from January 1 to December 31, 2007**. Those consolidated financial statements comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion
Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of December 31, 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on Other Legal and Regulatory Requirements

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

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

Vienna, March 7, 2008

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:

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

Report of the Supervisory Board

The Supervisory Board and Management Board intensively discussed the economic status and strategic development of the company within the context of six Supervisory Board meetings, two meetings of the "CEP new" structural committee and one session of the audit committee. Moreover, the executive committee held sessions when required, in which, among other issues, the existing delegation of responsibilities in the Management Board was analysed on behalf of the entire Supervisory Board.

Important issues discussed and resolved upon by the Supervisory Board in the 2007 business year were the acquisition of a 5% shareholding in BAWAG Holding Coöperatie U.A.,and the acquisition of a 100% stake in meiller direct. Further acquisitions successfully concluded in the period under review were Scanpoint Europe (Germany), Road Parcel and Merland Expressz (Hungary), Scherübl (Austria) and City Express (Serbia), as well as two other parcel delivery companies in Holland and Belgium.

The Supervisory Board meeting held on August 7–8, 2007 discussed the further development of the Group's business strategy in detail.

An important focus of the Supervisory Board's work was in the repositioning of the Parcel & Logistics Division, which was dealt with by the "CEP new" structural committee. The Supervisory Board session of December 12, 2007 approved a package of measures designed to reposition and improve the market position of the Parcel & Logistics Division in response to changes in the parcel delivery segment.

The Supervisory Board was informed about the present state of business, the financial state and personnel situation of the Group as well as investment project within the context of ongoing reporting and in all meetings.

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

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

The audit committee convened in cooperation with the auditors to evaluate and prepare the approval of the annual financial statements for 2007, the distribution of the dividend and the Management Report, as well as the consolidated financial statements for the 2007 business year and the Management Report of the Austrian Post Group.

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

The Supervisory Board formally approves the annual financial statements for the year ending December 31, 2007, which are hereby adopted in accordance with § 125 (2) of the Austrian Stock Corporation Act and declares its acceptance of the consolidated financial statements for 2007 and the Management Report of the Austrian Post Group pursuant to § 245a of the Austrian Commercial Code.

The Supervisory Board concurs with the Management Board's proposal to distribute a basic dividend of EUR 98,000,000 on May 6, 2008 from the net profit amounting to EUR 169,231,937.24, to distribute a special dividend amounting to EUR 70,000,000 on September 5, 2008, and to carry forward the balance of EUR 1,231,937.14 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 their dedicated work performed during the 2007 business year.

Vienna, March 11, 2008

Peter Michaelis m. p.
Chairman of the Supervisory Board

Corporate history

1490	Europe's first standardised postal service, between Innsbruck and Mechelen (Belgium)
1750	Regular passenger carrying mail coach services begin in the mid-18th century
1787	First-time use of postmarks bearing precise date and place information
1817	Reorganisation of the postage 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) Targeted investments in modernisation of the logistics infrastructure
2001	Post bus business spun off to the ÖIAG Acquisition of 74.9% shareholding in feibra Austria (unaddressed direct mail)
2002	Acquisition of Slovakian parcel companies Slovak Parcel Service (SPS) and In-Time
2003	Acquisition of Overseas Trade (parcels business/Croatia)
2004	Sale of Postversicherung AG
2005	Purchase of feibra Ungarn (unaddressed direct mail) Increase of shareholding in feibra Austria (unaddressed advertising) to 100%
2006	**IPO on the Vienna Stock Exchange – 49% free float** Acquisition of Kolos (unaddressed advertising/Slovakia), Wiener Bezirkszeitung (Media Post/Austria), trans-o-flex (B2B parcels and specialty logistics/Germany)
2007	**Further acquisitions and penetration of niche markets:** Weber Escal (unaddressed advertising/Croatia), Scanpoint (scanning/archiving of documents/Germany), Road Parcel Logistics Services and Merland Expressz Logistics Services (parcels business/Hungary), Scherübl Transport (temperature controlled logistics/Austria), meiller direct (direct marketing/Germany), VOP and DDS (parcels business/Belgium and Netherlands), ST Media (unaddressed advertising/Croatia), City Express (parcels business/Serbia) Purchase of a 5% stake in BAWAG PSK

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-business (C2B) Business relationships between private individuals and companies.

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 Hubs in a distribution network serving as basis from which delivery staff serve their postal delivery areas.

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

Hub A central interface in a logistics network regulating the physical transport and routing of goods.

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

Liberalisation The EU plans to fully liberalise the letter mail market by 2011. 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.

Mailroom services Austrian Post operates the mailroom services of a company or organisation (internal distribution, mail dispatching, delivery).

Media Post The Media Post Business Area, which forms part of the Mail Division, operates in the highly specialised print media delivery market.

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.

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 according to §1 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".

Warehousing Service in the field of storage logistics.

Glossary of financial indicators

Capital employed

	Intangible assets and goodwill
+	Property, plant and equipment
+	Investment property
+	Investments in associates
+	Inventories
+	Receivables
–	Non-interest bearing debt
=	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
–	Other financial assets and interest-bearing receivables
–	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 tax to equity (excluding discontinued business operations) at January 1, less dividends paid; measures the earnings performance of a company.

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Financial calendar 2008

April 22	Annual General Meeting 2008
May 6	Ex-dividend day and dividend payment day (Basis dividend EUR 1.40[1])
May 16	Results Q1 2008
August 14	Results H1 2008
September 5	Ex-dividend day and dividend payment day (Special dividend EUR 1.00[1])
November 13	Results Q1–Q3 2008

[1] Proposal to the Annual General Meeting on April 22, 2008

Concept, design and project coordination:
Scholdan & Company, Vienna
Editorial support:
be.public Werbung Finanzkommunikation, Vienna
Photos:
Gerhard Heller, Vienna
Printed by:
uberreuter print, Korneuburg

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

This annual report also contains forward-looking statements based on the information currently available to us. These are usually indicated by expressions such as “expect”, “anticipate”, “estimate” or “plan”. We wish to note 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 annual report is also available in German. In case of doubt, the German version shall prevail.

Editorial deadline: March 7, 2008

Overview of key indicators

	EUR m	2001[1] IFRS	2002[1] IFRS	2003[2] IFRS	2004[2] IFRS	2005 IFRS	2006 IFRS	2007 IFRS
Income statement	**Revenue**	**1,565.2**	**1,571.7**	**1,585.2**	**1,654.4**	**1,701.6**	**1,736.7**	**2,315.7**
	Other operating income	69.5	57.4	71.7	73.0	52.9	58.8	72.6
	Raw material, consumables and services used	–190.9	–198.4	–228.8	–241.8	–241.9	–258.0	–692.2
	Staff costs	–1,023.8	–1,015.0	–1,020.7	–1,046.6	–1,064.0	–1,063.0	–1,120.4
	Other operating expenses	–257.8	–254.2	–250.6	–236.7	–223.5	–243.9	–284.0
	Expenses from the insurance business	–56.4	–60.1	–	–	–	–	–
	Share of profit/loss of associates	3.6	1.0	0.9	0.7	–1.3	1.1	0.9
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**109.4**	**101.6**	**157.7**	**203.1**	**223.8**	**231.7**	**292.7**
	Depreciation and amortisation	–103.3	–108.1	–129.6	–120.9	–120.8	–108.4	–130.0
	Earnings before interest and tax (EBIT)	**15.1**	**4.1**	**28.1**	**82.2**	**103.0**	**123.3**	**162.8**
	Other financial result	19.5	4.7	–2.5	–5.4	–2.1	7.2	2.1
	Earnings before tax (EBT)	**6.1**	**–6.6**	**25.6**	**76.7**	**100.9**	**130.5**	**164.9**
	Income tax	–8.1	–0.7	–10.8	–29.9	–10.9	–30.8	–42.2
	Profit from discontinued operations	–	–	2.1	3.2	9.8	–	–
	Profit for the period	**17.5**	**–2.5**	**16.9**	**50.0**	**99.9**	**99.8**	**122.6**
Balance sheet	**Total assets**	**1,601.7**	**1,631.8**	**1,617.9**	**1,795.7**	**1,563.0**	**1,901.6**	**2,058.6**
	Non-current assets	1,223.2	1,287.6	1,021.7	1,011.4	997.4	1,272.9	1,361.9
	Current assets	378.6	344.1	287.4	393.7	542.6	614.9	694.3
	Non-current assets held for sale and discontinued operations	–	–	308.7	390.6	23.0	13.8	2.4
	Capital and reserves	749.7	718.9	698.9	712.5	762.1	821.4	874.3
	Non-current liabilities	400.6	426.3	218.2	287.5	361.3	564.0	598.0
	Current liabilities	451.5	486.6	405.2	421.0	439.6	516.2	586.3
	Liabilities of discontinued operations	–	–	295.6	374.7	–	–	–
Cash flow	Operating cash flow before changes in working capital	100.3	121.2	127.6	263.7	283.1	277.9	292.4
	Cash flow from operating activities	49.6	76.3	145.0	223.8	298.0	238.0	295.9
	Cash flow from investing activities	25.5	–153.8	–44.4	–125.5	–92.6	–142.6	–142.4
	Free cash flow	75.2	–76.6	100.6	98.3	205.4	95.4	153.4
	Net change in cash and cash equivalents	–451.5	–55.7	–2.3	33.9	124.2	55.0	80.0

[1] Including insurance business (Postversicherung AG)
[2] Adjusted for the insurance business (Postversicherung AG)

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