Österreichische Post AG

What does Austrian Post bring in Q1?

Good business results in the first quarter confirm our outlook for 2008.

Highlights Q1 2008

- Group revenue up 6.0%, to EUR 609.9m based on the consolidation of new subsidiaries
- Volume and revenue were impacted in a quarterly year-on-year comparison by one working day less and the timing of Easter already in March 2008
- Revenue and earnings reduction due to the loss of two parcels customers in Austria as expected
- Other parcel customers were retained; restructuring of the parcels business proceeding as planned
- Earnings development in the first quarter confirms forecast for 2008
  - EBIT of EUR 49.9m, EBIT margin of 8.2%
  - Group profit for the period of EUR 41.9m
- Operating cash flow before changes in working capital continues to be stable, at EUR 77.0m
- Outlook for 2008 confirmed: stable to slight increase in revenue, earnings before interest and tax (EBIT) just slightly below 2007, and then continually rising

Overview of key indicators

	EUR m	Q1 2006	Q1 2007	Q1 2008	Change
Income statement	Revenue	444.3	575.5	609.9	+6.0%
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	69.4	77.4	75.4	–2.6%
	EBITDA margin	15.6%	13.4%	12.4%	–
	Earnings before interest and tax (EBIT)	49.0	55.1	49.9	–9.5%
	EBIT margin	11.0%	9.6%	8.2%	–
	Earnings before tax (EBT)	49.0	55.8	52.0	–6.9%
	Profit for the period	37.0	42.7	41.9	–2.0%
	Earnings per share	0.53	0.61	0.60	–2.0%
	Employees (average for the period, full-time equivalents)	24,236	24,816	26,686	+7.5%
Cash flow	Operating cash flow before changes in working capital	88.5	78.0	77.0	–1.2%
	Cash flow from operating activities	45.4	58.1	53.7	–7.5%
	Purchase of property, plant and equipment	7.3	19.6	16.8	–14.0%
	Acquisition/further interests in subsidiaries	0.0	2.2	2.6	+18.9%
	Free cash flow	72.9	39.9	40.5	+1.4%
		Dec. 31, 2006	Dec. 31, 2007	March 31, 2008	
Balance sheet	Total assets	1,901.6	2,058.6	2,089.0	+1.5%
	Non-current assets	1,272.9	1,361.9	1,357.7	–0.3%
	Current assets	614.9	694.3	728.9	+5.0%
	Non-current assets held for sale	13.8	2.4	2.4	+0.0%
	Capital and reserves	821.4	874.3	912.7	+4.4%
	Non-current liabilities	564.0	598.0	600.7	+0.4%
	Current liabilities	516.2	586.3	575.6	–1.8%
Key balance sheet indicators	Interest-bearing liabilities	–607.6	–711.5	–707.6	–0.5%
	Interest-bearing assets	433.7	538.1	557.9	+3.7%
	Net debt	173.9	173.4	149.7	–13.7%
	Equity ratio	43.2%	42.4%	43.7%	–

Statement by the Management Board

The first quarter of the 2008 financial year developed very satisfactorily. Compared to the first three months of the preceding year, total Group revenue increased by 6.0%, which is chiefly related to the initial consolidation of new subsidiaries, most of which were acquired at the end of 2007. This development can be termed satisfactory due to the impact of one working day less compared to 2007 and the timing of Easter already in the first quarter this year. Against this backdrop, the Mail Division generated a revenue increase of 8.3% and stable earnings.

As originally forecasted at the end of 2007, the performance of the Parcel & Logistics Division will be negatively impacted in the year 2008 due to the loss of two parcels customers. The consequences of this development on the division's revenue and earnings materialised in the first quarter of the 2008 financial year as expected. The parcels business in Austria is being newly positioned. In addition to the standard parcel, Austrian Post will offer a premium parcel, the "24 Hour Business Parcel", and thus a decisive added value for the logistics operations of all its business customers. This restructuring is accompanied by a redimensioning of the Parcel & Logistics Division entailing, amongst other measures, the shutdown of seven delivery bases, which is proceeding as scheduled. These measures are being complemented by a sales drive in the B2B segment, in which Austrian Post is striving to increase its market share from 5% to 20% by the year 2011.

The Annual General Meeting held on April 22, 2008 approved all resolutions with an overwhelming majority. This includes measures designed to improve the capital structure. Austrian Post has set a goal of achieving a ratio of net debt to EBITDA of up to 2.0 within the next 2 to 3 years.

The resolutions approved by the Annual General Meeting include:

- A basic dividend amounting to EUR 1.40 per share, with the basic dividend payment day on May 6, 2008.
- A special dividend of EUR 1.00 per share, with the special dividend payment day scheduled for September 5, 2008.
- A share-buy back program totalling up to 10% of the company's share capital. Details will be announced on August 14, 2008 together with the first half-year results for 2008.

In regards to the outlook for Austrian Post for the year 2008 as a whole, we are able to confirm the original forecasts made on the basis of the current economic environment.

Austrian Post anticipates a stable development to a slight increase of up to 3% in total revenue for 2008. This improvement includes the consolidation of the subsidiaries acquired during 2007. 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 house customers.

Despite these adverse effects on the parcels segment, Austrian Post expects earnings before interest and tax (EBIT) in 2008 to be only slightly below the level achieved in the year 2007, and will then continually rise in subsequent years. Accordingly, the EBIT margin will be slightly below 7%, and then reach the targeted range of between 7% and 8% in the following years. Based on a stable cash flow development and a solid balance sheet structure, Austrian Post expects to continue pursuing an attractive dividend policy.

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

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The Post share

Key Post share indicators

Price March 31, 2008	EUR 27.60
High/low (intraday) Q1 2008	EUR 27.60 / EUR 23.15
Earnings per share Q1 2008	EUR 0.60
Market capitalisation on March 31, 2008	EUR 1,932m
Free float	49%

Higher dividend, positive share price development Based on a proposal made by the Austrian Post Management Board, the Annual General Meeting held on April 22, 2008 approved the distribution of a basic dividend totalling EUR 98m (EUR 1.40 per share). This represents an increase of 40% compared to the preceding year. Moreover, a special dividend amounting to EUR 70m will also be distributed (EUR 1.00 per share). The dividend payment date for the basic dividend was May 6, 2008, whereas the special dividend will be paid on September 5, 2008.

The resolution authorising the Management Board to buy-back and, if applicable, to withdraw treasury shares at a value of up to 10% of the company's share capital was approved by an overwhelming majority.

The dividend payments were not the only positive news for shareholders. The share price gains posted in the first quarter of 2008 also increased shareholder value. The Austrian Post share rose to EUR 27.60, an increase of 15% since the beginning of the year, or 45% compared to the issue price of EUR 19.00.

Business development in the first quarter of 2008

Economic and market environment Economic growth in Austria slowed in the first quarter of 2008. GDP growth forecasts for 2008 were revised downwards to 2.1%. Based on this development, the market for letter mail and parcels improved slightly in the first three months of the year. The decision of the EU Council of Ministers on February 29, 2008 in regards to a further liberalisation of the European postal market has scheduled the full-scale opening of the postal market to competition for January 1, 2011. At present, intensive preparations are being undertaken in the affected countries to define the specific measures required to create a fully liberalised market.

Changes in consolidation At the end of January 2008, Austrian Post acquired the remaining 49.0% shareholding in Scanpoint Europe. The first-time consolidation of the subsidiaries acquired in 2007, Scherübl Transport GmbH, Road Parcel Logistics Kft., Merland Expressz Services Kft., meiller direct, Dedicated Distribution Services B.V. (DDS), Van Osselaer-Pieters Colli Service B.V. (VOP) and City Express d.o.o, has an impact on the comparability of Q1 2008 results to the previous interim report for Q1 2007.

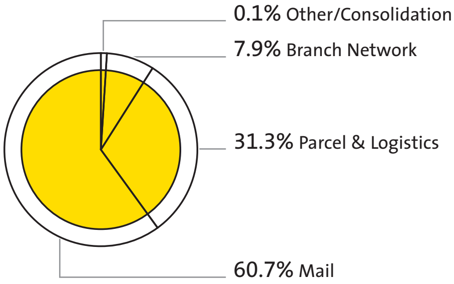
Business development – earnings On balance, total revenues increased by 6.0%, to EUR 609.9m in the first quarter of the 2008 financial year. This increase can be attributed to the initial consolidation of the mentioned subsidiaries affecting the income statement of Austrian Post. In a year-on-year comparison, it is important to note that Q1 2008 was characterised by a lower level of volumes due to one working day less, and the timing of Easter already in the first quarter. As originally predicted at the end of 2007, this revenue development reflects the lower volume in the Austrian parcels segment due to the loss of two major mail order customers. The current development corresponds to the expectations of the company. However, other important parcel service customers could be retained, and revenue from the new premium parcel service increased. All in all, revenues of the Mail Division climbed by 8.3% during the first quarter of 2008, whereas revenues of the Parcel & Logistics Division were up 4.5%, and the Branch Network Division posted a decline in revenues of 3.4%.

Revenue by division[1]

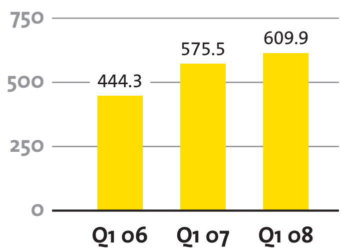
EUR m	Q1 2006	Q1 2007	Q1 2008	Change	Structure Q1 2008
Total revenue	**444.3**	**575.5**	**609.9**	**+6.0%**	**100.0%**
Mail	335.8	341.8	370.0	+8.3%	60.7%
Parcel & Logistics	56.7	182.9	191.2	+4.5%	31.3%
Branch Network	50.3	49.7	48.0	–3.4%	7.9%
Other/Consolidation	1.4	1.2	0.7	–39.2%	0.1%

[1] External sales of the divisions

Revenue by division (%)



Revenue (EUR m)



Income statement

EUR m	Q1 2006	Q1 2007	Q1 2008	Change	Structure Q1 2008
Revenue	**444.3**	**575.5**	**609.9**	**+6.0%**	**100.0%**
Other operating income	13.0	20.8	14.7	–29.2%	2.4%
Raw materials, consumables and services used	–66.0	–165.2	–183.1	+10.8%	30.0%
Staff costs	–270.7	–287.6	–297.5	+3.4%	48.8%
Other operating expenses	–51.5	–66.8	–68.9	+3.3%	11.3%
Share of profit/loss of associates	0.5	0.6	0.2	–61.1%	0.0%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**69.4**	**77.4**	**75.4**	**–2.6%**	**12.4%**
Depreciation, amortisation and impairment losses	–20.4	–22.3	–25.5	+14.4%	4.2%
Earnings before interest and tax (EBIT)	**49.0**	**55.1**	**49.9**	**–9.5%**	**8.2%**
Other financial result	0.0	0.7	2.1	+202.8%	0.3%
Earnings before tax (EBT)	**49.0**	**55.8**	**52.0**	**–6.9%**	**8.5%**
Income tax	–12.0	–13.1	–10.1	–23.0%	1.7%
Profit after tax = Profit for the period	**37.0**	**42.7**	**41.9**	**–2.0%**	**6.9%**

In addition to the 6.0% increase in revenues, the consolidated income statement of Austrian Post shows a decline in other operating income, which is primarily related to lower proceeds from the disposal of property, plant and equipment compared to the first quarter of 2007.

Following the initial consolidation of the acquired subsidiaries, staff costs of Austrian Post comprise 48.8% of total revenue, whereas the share of expenses for raw materials, consumables and services used constitutes 30.0% of total revenues. The increases in Q1 2008 compared to the preceding year mainly relate to the acquisitions which were carried out.

The staff costs of Austrian Post amounting to EUR 297.5m for the first quarter of 2008 include an allocation to the provisions for employee under-utilisation. The net amount of the allocated provisions was EUR 10.2m in the first quarter (Q1 2007: EUR 17.0m), which corresponds to the net increase in this balance sheet item, from EUR 331.0m as at January 1, 2008 to EUR 341.1m as at March 31, 2008. The number of employees (full-time equivalents) increased by 1,870 year-on-year, to a total of 26,686 employees.

In the first quarter of 2008, EBITDA was EUR 75.4m, a decline of 2.6% compared to Q1 2007. The EBITDA margin amounted to 12.4%.

EBIT by division

EUR m	Q1 2006	Q1 2007	Q1 2008	Change
Total EBIT	**49.0**	**55.1**	**49.9**	**–9.5%**
Mail	77.6	74.4	74.1	–0.4%
Paket & Logistik	5.6	9.7	4.7	–51.6%
Branch Network	6.8	4.6	2.6	–44.0%
Other/Consolidation	–40.9	–33.6	–31.5	–6.2%

In the first three months of 2008, the earnings before interest and tax (EBIT) of Austrian Post decreased by 9.5% year-on-year, to EUR 49.9m, which can be attributed to the described effects in the first quarter, lower proceeds from the disposal of property, plant and equipment as well a changed market environment in the Austrian parcels segment. The EBIT margin amounted to 8.2%.

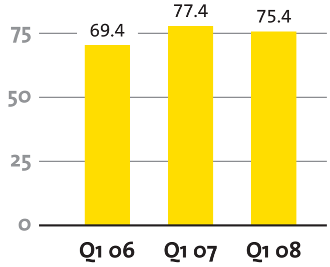
All operating divisions made a positive contribution to earnings. EBIT at the Mail Division was EUR 74.1m, at the Parcel & Logistics Division EUR 4.7m, and at the Branch Network Division EUR 2.6m.

The Other/Consolidation segment posted a negative EBIT of EUR 31.5m in the first quarter of 2008 (Q1 2007: minus EUR 33.6m). This item encompasses costs for central departments, expenses in connection with unused properties, as well as the change in the provisions for employee under-utilisation.

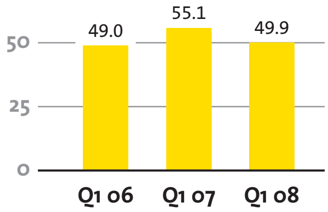
Profit for the period of Austrian Post only declined by 2.0%, to EUR 41.9m.

Earnings indicators

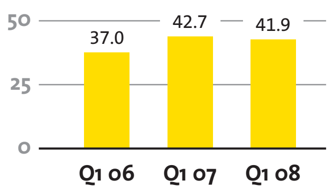
EBITDA (EUR m)



EBIT (EUR m)



Profit for the period (EUR m)



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Assets and finance

Balance sheet

EUR m	Dec. 31, 2007	March 31, 2008	Structure March 31, 2008
ASSETS			
Non-current assets	1,361.9	1,357.7	65.0%
thereof other financial assets and investments in securities	211.7	215.3	10.3%
Current assets	694.3	728.9	34.9%
thereof cash and cash equivalents	309.4	330.2	15.8%
Non-current assets held for sale	2.4	2.4	0.1%
	2,058.6	**2,089.0**	**100.0%**
EQUITY AND LIABILITIES			
Capital and reserves	874.3	912.7	43.7%
Non-current liabilities	598.0	600.7	28.8%
thereof provisions	487.7	499.8	23.9%
Current liabilities	586.3	575.6	27.6%
	2,058.6	**2,089.0**	**100.0%**

As of March 31, 2008, total assets of Austrian Post amounted to EUR 2,089.0m. Non-current assets predominate on the assets side, accounting for 65.0% of total assets, or EUR 1,357.7m. The largest non-current asset items are property, plant and equipment, with EUR 713.1m and financial investments in securities and other financial assets of EUR 215.3m. The principal current asset items are receivables, at EUR 361.8m, as well as cash and cash equivalents, at EUR 330.2m.

On the equity and liabilities side, capital and reserves constitute the main item (43.7%), followed by non-current liabilities (28.8%). Non-current liabilities of EUR 600.7m largely consist of provisions totalling EUR 499.8m, including provisions for under-utilisation, which rose by EUR 10.2m in the first quarter of 2008, to EUR 341.1m. The main item in the current liabilities amounting to EUR 575.6m are liabilities from trade payables of EUR 192.7m.

At present, Austrian Post has a net debt position of EUR 149.7m. This financial figure represents the difference between interest-bearing assets (securities, other financial assets and cash and cash equivalents) amounting to EUR 557.9m, and interest-bearing debt (financial liabilities, social capital and other interest-bearing liabilities and provisions) totalling EUR 707.6m.

In the next 2 to 3 years, Austrian Post aims to achieve a ratio of net debt to EBITDA of 2.0. One important aspect of this targeted capital structure is an attractive dividend policy (payout ratio of at least 75% of the total profit for the period).

Cash flow remains stable

EUR m	Q1 2006[1]	Q1 2007[1]	Q1 2008
Operating cash flow before changes in working capital	**88.5**	**78.0**	**77.0**
± Cash flow from changes in working capital	–43.1	–19.9	–23.3
= **Cash flow from operating activities**	**45.4**	**58.1**	**53.7**
± Cash flow from investing activities	27.5	–18.1	–13.2
= **Free cash flow**	**72.9**	**39.9**	**40.5**
± Cash flow from financing activities	–44.7	0.1	–19.7
= **Net increase in cash and cash equivalents**	**28.2**	**40.0**	**20.8**

[1] For better comparability, the previous year's cash flow figures have been adjusted to take account of the cash flow statement structure of 2008.

In the period under review, total operating cash flow before changes in working capital amounted to EUR 77.0m, and is practically unchanged from the level achieved in the first quarter of 2007.

The cash flow from changes in working capital amounted to minus EUR 23.3m in Q1 2008. This is primarily comprised of increased receivables of EUR 17.6m (EUR 3.0 more than in Q1 2007), reduced liabilities of EUR 7.9m (EUR 12.0m less than in Q1 2007), and increased current provisions of EUR 3.2m (EUR 8.9m less than in Q1 2007). On balance, total cash flow from operating activities amounted to EUR 53.7m for the first three months of 2008.

The cash flow from investing activities totalled EUR minus 13.2m, comprising the purchase of property, plant and equipment amounting to EUR 16.8m, the acquisition of the remaining shareholding of Scanpoint for EUR 2.6m (contained in the item, acquisition of further interests in subsidiaries), proceeds from the disposal of property, plant and equipment totalling EUR 1.5m, and interest income of EUR 4.3m. Total free cash flow reported in the first quarter of 2008 increased slightly, to EUR 40.5m.

The cash flow from financing activities in the first quarter of 2008 included a reduction in financial liabilities of EUR 18.0m. The dividend payout will take place in the second quarter of 2008, the special dividend in the third quarter. On balance, there was a net increase in cash and cash equivalents of EUR 20.8m.

Capital expenditure In the first quarter of 2008, capital expenditure on the part of Austrian Post reached a level of EUR 16.8m, related primarily to projects in Austria. Investments chiefly focused on expanding and modernising the vehicle fleet, new tables for use by delivery staff in the distribution bases, the adaptation and modernisation of post office branches as well as various construction projects. The remaining shareholding in Scanpoint was acquired at a cost of EUR 2.6m.

Employees During the period under review, the average number of full-time employees at Austrian Post increased by 7.5%, or 1,870 employees, compared to the first quarter of 2007, to the current level of 26,686 employees. This increase is related to the acquisition of subsidiaries and shareholdings. The rise in the number of employees in the Other/Consolidation segment reflects the changing reporting structure for employees who are permanently on sick leave. In contrast, Austrian Post reduced the number of its employees on the domestic market of Austria by about 330 people. Most of Austrian Post's labour force work (a total of 22,500 people) work for the parent company, Österreichische Post AG. More than 4,000 employees work in the subsidiaries, of which the trans-o-flex Group accounts for about 1,300 employees, whereas approximately 1,000 people work for meiller direct and more than 500 employees for City Express (Serbian parcel services company).

Employees by division[1]

	Q1 2006	Q1 2007	Q1 2008	Structure
Mail	15,053	14,878	15,704	58.8%
Parcel & Logistics	2,297	3,231	4,048	15.2%
Branch Network	5,220	5,080	4,907	18.4%
Other/Consolidation	1,666	1,627	2,027	7.6%
Total	**24,236**	**24,816**	**26,686**	**100.0%**

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

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

Uncertainties pertaining to the remaining nine months of the 2008 financial year can be deduced from these risks. Mail volumes in the Mail Division and in the Parcel & Logistics Division are subject to seasonal fluctuations as well as the economic development in the respective customer segments. Subsequently, planning assumptions may naturally deviate from the actual figures. Furthermore, Austrian Post is subject to increasing competition. As already mentioned, a German parcel services company commenced operations on the Austrian market on July 1, 2007. This market entry has an influence on parcels volumes and price developments on the Austrian market. Earnings from financial services provided by the Branch Network Division are strongly dependent on the business development of Austrian Post's banking partner BAWAG PSK, whereas earnings from telecommunications products depend on the acceptance of products marketed by our partner Telekom Austria.

Outlook for 2008 All in all, Austrian Post confirms the original outlook for the 2008 financial year, namely a stable development to a slight increase in its total revenue (up to 3%). This includes the integration of the new subsidiaries acquired during the course of 2007. This forecast is based on the assumption of a large 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.

Despite these adverse effects on the parcels segment, Austrian Post expects earnings before interest and tax (EBIT) in 2008 to be only slightly below the level achieved in the year 2007, and will then continually rise in subsequent years. Accordingly, the EBIT margin will be slightly below 7%, and then reach the targeted range of between 7% and 8% in the following years. Based on a stable cash flow development and a solid balance sheet structure, Austrian Post expects to continue pursuing an attractive dividend policy. The basic dividend is to be increased to reach a level of at least 75% of the total net profit for the period, compared to 70% up until now.

Events after the balance sheet date The Annual General Meeting held on April 22, 2008 approved the distribution of a basic dividend totalling EUR 98.0m (EUR 1.40 per share). Moreover, it was resolved to distribute a special dividend amounting to EUR 70.0m (EUR 1.00 per share). The dividend payment date for the basic dividend was May 6, 2008, whereas the special dividend will be paid on September 5, 2008. Furthermore, the resolution authorising the Management Board to buy-back and, if applicable, to withdraw treasury shares at a value of up to 10% of the company's share capital during a period of 18 months (buy back without purpose) was also approved.

Performance of divisions

Mail Division

EUR m	Q1 2006	Q1 2007	Q1 2008	Change
External sales	335.8	341.8	370.0	+8.3%
Mail	202.8	204.2	201.4	–1.4%
Infomail	102.6	107.0	134.7	+25.9%
Media Post	30.5	30.6	33.9	+10.8%
Internal sales	17.3	12.4	11.1	–10.4%
Total revenue	353.1	354.1	381.1	+7.6%
EBIT	**77.6**	**74.4**	**74.1**	**–0.4%**
EBIT margin[1]	22.0%	21.0%	19.5%	–
Employees[2]	15,053	14,878	15,704	+5.6%

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

In the first three months of 2008, year-on-year external sales by the Mail Division climbed by 8.3%, compared to the same period of the previous year, to EUR 370.0m. This improvement in revenues is chiefly related to the first-time consolidation of the subsidiaries acquired since the first quarter of 2007, but also includes organic revenue growth.

The Letter Mail Business Area developed very satisfactorily, despite the adverse effects on mail volumes due to one working day less in the first quarter of 2008, as well as the timing of Easter. Accordingly, revenue in the Mail Division declined by 1.4% in a year-on-year quarterly comparison.

External sales of the Infomail Business Area (addressed and unaddressed advertising) climbed by 25.9% in the first three months of the 2008 financial year, to EUR 134.7m. A considerable contribution was made by the initial consolidation of the direct marketing services provider meiller direct. The revenue increase was also driven by international services for advertising mail. The Media Post Business Area raised its first quarter revenue by 10.8%, which is mainly related to the positive development of regional media, but also the one-off effects of a regional election in Austria.

On balance, EBIT of the Mail Division, at EUR 74.1m, came close to matching the previous year's level, posting a slight decline of minus 0.4%.

Parcel & Logistics Division

EUR m	Q1 2006	Q1 2007	Q1 2008	Change
External sales	56.7	182.9	191.2	+4.5%
Internal sales	11.7	8.4	8.8	+5.1%
Total revenue	68.5	191.3	199.9	+4.5%
EBIT	**5.6**	**9.7**	**4.7**	**–51.6%**
EBIT margin[1]	8.1%	5.0%	2.3%	–
Employees[2]	2,297	3,231	4,048	+25.3%

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

External sales by the Parcel & Logistics Division climbed to EUR 191.2m in the first quarter of 2008. Austrian Post now divides its service portfolio into premium parcels (parcel delivery within 24 hours to private and business customers, B2C/B2B) and standard parcels. Growth can primarily be attributed to the newly acquired Group companies (Scherübl, Road Parcel, Merland, City Express, DDS, VOP), which did not belong to the scope of consolidation in the comparable period of 2007. At the same time, higher external sales are also related to the general volume increase of this premium product in Austria as well as in the international subsidiaries of Austrian Post.

As expected, revenue decreased in the standard parcels segment in Austria. The volume decline forecast by Austrian Post materialised due to the market entry of a German parcel services provider. Austrian Post did not lose any further major customers on its domestic market. Comprehensive redimensioning measures designed to increase the profitability of parcels services were already initiated in the Parcel & Logistics Division at the end of 2007. The redimensioning of parcel logistics is proceeding on schedule. In the first three months, earnings before interest and tax (EBIT) of the Parcel & Logistics Division amounted to EUR 4.7m.

Branch Network Division

EUR m	Q1 2006	Q1 2007	Q1 2008	Change
External sales	50.3	49.7	48.0	–3.4%
Internal sales	54.1	52.5	50.9	–3.0%
Total revenu	104.4	102.2	98.9	–3.2%
EBIT	**6.8**	**4.6**	**2.6**	**–44.0%**
EBIT margin[1]	6.5%	4.5%	2.6%	–
Employees[2]	5,220	5,080	4,907	–3.4%

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

External sales by the Branch Network Division declined by 3.4% in the first three months of 2008 compared to the same period of the preceding year, to EUR 48.0m. One key reason was the decline in mobile telephony sales. In the financial services segment, there was a slight rise due to the growth measures which had been initiated, based on the repositioning of PSK Bank and the sales drive for private customers. The assortment of products and services offered in the branch network was improved, and the sales structures were strengthened. Due to lower mail volumes handled by the branch network, internal sales of the Branch Network Division also fell. Earnings before interest and tax (EBIT) totalled EUR 2.6m in the first three months of the 2008 financial year.

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Consolidated interim financial statements

Consolidated income statement

EUR m	Q1 2007	Q1 2008
Revenue	575.5	609.9
Other operating income	20.8	14.7
Total operating income	596.4	624.6
Raw materials, consumables and services used	–165.2	–183.1
Staff costs	–287.6	–297.5
Depreciation, amortisation and impairment losses	–22.3	–25.5
Other operating expenses	–66.8	–68.9
Total operating expenses	–541.8	–575.0
Profit from operations	**54.5**	**49.6**
Share of profit/loss of associates	0.6	0.2
Other financial result	0.7	2.1
Total financial result	1.3	2.3
Profit before tax	**55.8**	**52.0**
Income tax	–13.1	–10.1
Profit after tax	**42.7**	**41.9**
Profit for the period	**42.7**	**41.9**
Attributable to:		
Equity holders of the parent company	42.7	41.9

EUR	Q1 2007	Q1 2008
Basic earnings per share	0.61	0.60
Diluted earnings per share	0.61	0.60

EUR m	Q1 2007	Q1 2008
Profit from operations	54.5	49.6
Share of profit/loss of associates	0.6	0.2
Earnings before interest and tax (EBIT)	**55.1**	**49.9**

Statement by the Management Board
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Consolidated balance sheet

EUR m	Dec. 31, 2007	March 31, 2008
ASSETS		
Non-current assets		
Goodwill	216.0	216.0
Intangible assets	106.1	102.5
Property, plant and equipment	716.7	713.1
Investment property	36.6	36.0
Investments in associates	3.5	3.2
Financial investments in securities	131.8	135.4
Other financial assets	79.9	79.9
Receivables	15.9	15.6
Deferred tax assets	55.5	55.8
	1,361.9	**1,357.7**
Current assets		
Financial investments in securities	15.2	10.2
Inventories	25.6	26.6
Receivables	344.0	361.8
Cash and cash equivalents	309.4	330.2
	694.3	**728.9**
Non-current assets held for sale	**2.4**	**2.4**
	2,058.6	**2,089.0**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	350.0	350.0
Capital reserves	212.0	212.0
Revenue reserves	188.7	309.2
Revaluation of securities	–0.5	–1.5
Currency translation reserves	1.0	1.2
Profit for the period	122.5	41.9
	873.7	**912.7**
Minority interest	0.6	0.0
	874.3	**912.7**
Non-current liabilities		
Provisions	487.7	499.8
Financial liabilities	58.6	52.7
Payables	18.7	18.4
Deferred tax liabilities	33.2	29.8
	598.0	**600.7**
Current liabilities		
Provisions	102.3	105.4
Tax provisions	14.4	15.1
Financial liabilities	128.5	117.3
Payables	341.1	337.9
	586.3	**575.6**
	2,058.6	**2,089.0**

Consolidated cash flow statement

EUR m	Q1 2007	Q1 2008
Operating activities		
Profit before tax	55.8	52.0
Depreciation, amortisation and impairment losses	22.3	25.5
Write-downs, write-ups of financial assets	–0.2	–0.3
Non-current provisions	18.8	12.2
Gain/loss on disposal of non-current assets	–7.8	–1.1
Taxes paid	–9.9	–8.4
Net interest received	–1.1	–2.7
Currency translation	0.1	–0.2
Operating cash flow before changes in working capital	**78.0**	**77.0**
Changes in working capital		
Receivables	–14.6	–17.6
Inventories	2.5	–1.0
Payables	–19.9	–7.9
Current provisions	12.1	3.2
Cash flow from changes in working capital	**–19.9**	**–23.3**
Cash flow from operating activities	**58.1**	**53.7**
Investing activities		
Purchase of intangible assets	–2.1	–0.1
Purchase of property, plant and equipment	–19.6	–16.8
Acquisition of subsidiaries	–2.2	0.0
Acquisition of further interests in subsidiaries	0.0	–2.6
Acquisition of financial investments in securities	–9.0	0.0
Proceeds from the sale of non-current assets	12.0	1.5
Proceeds from the sale of financial investments in securities	0.1	0.0
Dividends received from associates	0.0	0.5
Interest received	2.7	4.3
Cash flow from investing activities	**–18.1**	**–13.2**
Free cash flow	**39.9**	**40.5**
Changes in financial liabilities		
Changes in financial liabilities	1.7	–18.0
Interest paid	–1.6	–1.6
Cash flow from financing activities	**0.1**	**–19.7**
Net increase in cash and cash equivalents	**40.0**	**20.8**
Cash and cash equivalents as at January 1	229.4	309.4
Cash and cash equivalents as at March 31	**269.5**	**330.2**

Segment reporting

Business segments (divisions)
Q1

EUR m	Mail 2007	Mail 2008	Parcel & Logistics 2007	Parcel & Logistics 2008	Branch Network 2007	Branch Network 2008	Other/ Consolidation 2007	Other/ Consolidation 2008	Group 2007	Group 2008
External sales	341.8	370.0	182.9	191.2	49.7	48.0	1.2	0.7	575.5	609.9
Internal sales	12.4	11.1	8.4	8.8	52.5	50.9	–73.2	–70.7	0.0	0.0
Total revenue	**354.1**	**381.1**	**191.3**	**199.9**	**102.2**	**98.9**	**–72.0**	**–70.0**	**575.5**	**609.9**
Profit from operations	73.9	74.1	9.6	4.7	4.6	2.6	–33.7	–31.7	54.5	49.6
Share of profit/loss of associates	0.5	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.6	0.2
EBIT	**74.4**	**74.1**	**9.7**	**4.7**	**4.6**	**2.6**	**–33.6**	**–31.5**	**55.1**	**49.9**
Segment assets	401.7	456.2	429.5	530.1	46.4	54.8	534.8	429.3	1,412.5	1,470.5
Investments in associates	3.2	2.7	0.1	0.0	0.0	0.0	0.4	0.5	3.8	3.2
Segment liabilities	315.4	320.5	123.8	185.2	82.8	80.2	384.6	385.7	906.6	971.6
Segment investments	6.7	8.9	4.5	6.2	1.1	0.4	14.5	2.4	26.8	17.9
Depreciation, amortisation and impairment losses	6.4	8.3	5.2	6.3	1.1	1.5	9.5	9.4	22.3	25.5
thereof: impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash expenses	1.9	1.7	0.1	–0.1	1.1	–0.4	15.6	10.9	18.8	12.2
Employees[1]	14,878	15,704	3,231	4,048	5,080	4,907	1,627	2,027	24,816	26,686

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

Geographical segments
Q1

EUR m	Austria 2007	Austria 2008	Germany 2007	Germany 2008	Other countries 2007	Other countries 2008	Group 2007	Group 2008
External sales	436.1	427.7	128.7	153.4	10.7	28.8	575.5	609.9
Segment assets	1,105.2	1,048.6	294.0	350.9	13.2	71.1	1,412.5	1,470.5
Segment investments	23.3	12.1	2.0	3.0	1.5	2.7	26.8	17.9

Consolidated 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 interests	Consolidated equity
Q1 2007									
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									
Acquisitions of subsidiaries							0.0	0.5	0.5
Increase in equity investments							0.0		0.0
Changes in reserves			99.8			–99.8	0.0		0.0
Income and expense recognised in equity									
Currency translation					0.1		0.1		0.1
Revaluation of securities				0.3			0.3		0.3
	0.0	0.0	0.0	0.3	0.1	0.0	0.5	0.0	0.5
Profit for the period						42.7	42.7		42.7
Total recognised income and expense	**0.0**	**0.0**	**99.8**	**0.3**	**0.1**	**–57.1**	**43.1**	**0.5**	**43.7**
Dividends							0.0		0.0
Capital increase from own resources							0.0		0.0
Balance at March 31, 2007	**350.0**	**274.5**	**196.2**	**0.2**	**1.0**	**42.7**	**864.5**	**0.5**	**865.1**

EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation of securities	Currency translation reserves	Profit for the period	Total	Minority interests	Consolidated equity
Q1 2008									
Balance at January 1, 2008	**350.0**	**212.0**	**188.7**	**–0.5**	**1.0**	**122.5**	**873.7**	**0.6**	**874.3**
Changes in consolidation									
Acquisitions of subsidiaries							0.0		0.0
Increase in equity investments							0.0	–0.6	–0.6
Changes in reserves			120.5			–122.5	–2.0		–2.0
Income and expense recognised in equity									
Currency translation					0.2		0.2		0.2
Revaluation of securities				–1.0			–1.0		–1.0
	0.0	0.0	0.0	–1.0	0.2	0.0	–0.9	0.0	–0.9
Profit for the period						41.9	41.9		41.9
Total recognised income and expense	**0.0**	**0.0**	**120.5**	**–1.0**	**0.2**	**–80.7**	**39.0**	**–0.6**	**38.4**
Dividends							0.0		0.0
Capital increase from own resources							0.0		0.0
Balance at March 31, 2008	**350.0**	**212.0**	**309.2**	**–1.5**	**1.2**	**41.9**	**912.7**	**0.0**	**912.7**

Notes

1 | Basis of preparation

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

2 | Consolidation

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

Changes arising from acquisitions

At the end of January 2008, Austrian Post acquired the remaining 49% shareholding in Scanpoint Europe at an acquisition price of EUR 2.6m. The core business of the Scanpoint companies is the data protected digitalisation of documents and the delivery of business-relevant information within the internal workflow of the customer.

3 | Contingent liabilities and assets

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

4 | Other information

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

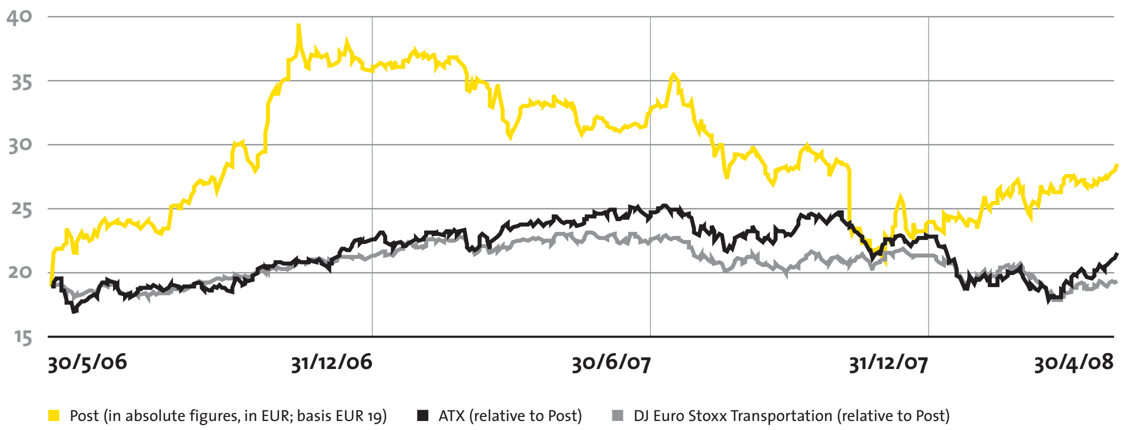
5 | Events after the end of the interim reporting period

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.
Based on a proposal made by the Austrian Post Management Board, the Annual General Meeting held on April 22, 2008 approved the distribution of a basic dividend totalling EUR 98m (EUR 1.40 per share). Moreover, a special dividend amounting to EUR 70m will also be distributed (EUR 1.00 per share). The dividend payment date was May 6, 2008, whereas the special dividend will be paid on September 5, 2008.
Furthermore, the resolution was also approved authorising the Management Board to buy-back and, if applicable, to withdraw treasury shares at a value of up to 10% of the company's share capital during a period of 18 months (buy back without purpose) pursuant to § 65 (1) fig. 8 of the Austrian Stock Companies Act and in accordance with the provisions contained in the Stock Companies Act and the Stock Exchange Act.

Financial calendar

May 6, 2008	Dividend payment day/Ex-dividend day for the basic dividend of EUR 1.40 per share
May 16, 2008	Interim results Q1 2008
August 14, 2008	Interim results H1 2008
September 5, 2008	Dividend payment day/Ex-dividend day for special dividend of EUR 1.00 per share
November 13, 2008	Interim results Q1–3 2008

Development of the Post share



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