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Revenue up 5.4%, EBIT increase of 4.1%, solid balance sheet, high cash flow, attractive dividend policy
Stability and continuity are the top priorities

- Group revenue up 5.4% in 2008 to EUR 2,441.4m
  - Mail: Good development in all areas (revenue +5.7%), organic revenue growth of 1.3%
  - Parcel & Logistics: revenue increase of 6.4% in spite of reduced parcel volume in the Austrian B2C business; growth primarily the result of acquisitions
  - Branch Network: good development of financial services
- Earnings before interest and tax (EBIT) of EUR 169.5m (+4.1%)
- Solid balance sheet: equity ratio of 40%, no external borrowing requirements
- Prudent balance sheet policy: conservative balance sheet, and financial structure serve to minimise risks
- Attractive and stable dividend policy based on a strong cash flow and solid balance sheet
- Continuity in the management and the further development of the Group

Austrian Post in 2008
The 2008 financial year developed positively for Austrian Post. Revenue rose 5.4%, and EBIT was up 4.1%. Growth was primarily based on acquisitions, but also included organic growth of 0.8%. This success is particularly impressive in the light of the major challenges faced by the company in the 2008 financial year. The loss of two important parcels customers in the Austrian market had to be compensated for as well as the integration costs of new subsidiaries, higher costs due to increased fuel and transport prices as well as a rise in expenditure for the employee social plan. So far, Austrian Post has hardly been impacted by the financial crisis in 2008. This is primarily related to the solid balance sheet structure, enabling Austrian Post to operate without any external borrowing requirements. Investments and acquisitions are financed from the current cash flow.

As in the past, precautionary measures were taken by the company to avoid both operational and balance sheet risks. These measures include the ongoing evaluation of assets and impairment losses taken on property, plant and equipment and intangible assets, as well as the reduction in the valuation of Austrian Post's stake in the consortium BAWAG PSK.
Accordingly, Austrian Post enjoys a strong equity ratio of 40% at the end of 2008 and a low net debt. With a liquidity cushion of EUR 340.6m, the company has a higher level of cash and cash equivalents and securities at its disposal than financial liabilities. This prudent balance sheet policy and the high cash flow are the basis for an attractive dividend policy. In this regard, the Management Board will not only propose to the Annual General Meeting scheduled for May 6, 2009 that a basic dividend amounting to EUR 1.50/share be distributed to shareholders, but also a special dividend of EUR 1.00/share as in the previous year.
In 2009, stability and value generation remain top priorities for Austrian Post. However, it is becoming increasingly difficult to develop a precise outlook, because the uncertain business environment reduces the reliability of any forecasts. Against the backdrop of the complete liberalisation of the postal market in 2011, ensuring nationwide postal services and fair conditions for the Austrian postal sector by means of a new Austrian Postal Act will be important milestones for 2009. Safeguarding the future viability of Austrian Post and increasing its efficiency and flexibility will also be key focal

points of the Group in the current financial year.

Stability and continuity are the top priorities

Austrian Post has been a publicly listed, private company for three years, with the Austrian State as its majority shareholder, and is subject to compliance with the relevant legal regulations. As a consequence, Austrian Post assumes responsibility towards its employees as well as customers and shareholders.

Austrian Post has been successful for many years, because it has always developed appropriate responses to the demands of the marketplace. As a public limited company, Austrian Post has positioned itself in an excellent way in recent years and has operated successfully on behalf of all its stakeholders:

- for employees, who, for example, receive an EBIT bonus in addition to their salaries
- for the Ministry of Finance, because Austrian Post is a large taxpayer
- for its owners, because Austrian Post generates profits and distributes dividends
- for Austria as a business location, because the company is continually striving to expand and improve its postal services and banking services (PSK Bank), and finally
- for customers, due to the fact that modern structures, a larger number of postal service points and better opening hours ensure high-quality services

Today Austrian Post is confronted with a fundamental change in the postal market. The company must make the necessary preparations ahead of time in order to come to terms with the complete liberalisation of the postal sector in 2011. In accordance with the stock corporation law, the Management Board is responsible for developing appropriate measures and structures to optimally deal with the changes that lie ahead. "All measures designed to further optimise the economic situation of the company, ensure stability and generate value are based on the unanimous decision of the entire Management Board. Austrian Post will continue to attach great importance to the future of Austria as a business location and providing all Austrians with high quality services in the future", says Rudolf Jettmar, Member of the Management Board of Austrian Post and Interim CEO.

Continuity in the management and further development of the Group is ensured at all times, even after the resignation of Anton Wais from the Management Board of Austrian Post for health reasons.

Business development in detail

The year 2008 posed major challenges to Austrian Post in the light of the increasingly serious international financial crisis, and particularly the loss of the two most important mail order customers in the Austrian parcels business. Despite these negative influences, Austrian Post succeeded in increasing total revenue by 5.4% compared to the previous year, to EUR 2,441.4m. In addition to organic growth (+ EUR 19.0m), this increase is primarily related to the consolidation of new subsidiaries (+ EUR 106.7m).

Revenues of the Mail Division improved during the year under review by 5.7% compared to 2007, featuring good revenue development in all three business areas. Revenue of the Letter Mail Business Area remained almost constant, despite the ongoing trend to electronic substitution, whereas the Infomail Business Area (addressed and unaddressed direct mail items) and the Media Post Business Area posted solid organic growth.

Revenue of the Parcel & Logistics Division increased by 6.4%, to EUR 785.9m. This can be mainly attributed to higher revenues derived from the Premium Parcel service in Austria (parcel delivery within 24 hours) and internationally, as well as growth generated by the newly-acquired subsidiaries.

The 0.1% rise in revenues achieved by the Branch Network Division is due to the good development of financial services.

Austrian Post's performance in the fourth quarter of 2008 also showed an increase in revenues compared to Q4 2007. Group revenues rose 1.3%, or EUR 8.3m, to EUR 656.8m. Revenues in the Mail Division were up 0.6% year-on-year, the Parcel & Logistics Division improved by 1.8% in the fourth quarter of 2008, and Branch Network Division revenues rose by 3.3%.

Revenue

EUR m	2007	2008	+/- %	Q4 2007	Q4 2008
Revenue	2,315.7	2,441.4	+5.4%	648.4	656.8
EBITDA	292.7	321.7	+9.9%	101.2	134.8
EBIT	162.8	169.5	+4.1%	44.4	66.5
EBT	164.9	158.2	-4.0%	41.4	47.1
Profit for the period	122.6	118.9	-3.1%	26.5	31.3
Earnings per share (EUR)	1.75	1.71	-2.3%	0.38	0.45

In addition to a 5.4% increase in total revenues, the income statement of Austrian Post shows higher expenses for raw materials, consumables and other services used, which rose by 12.4% in 2008, to EUR 778.2m. This increase of EUR 86.0m is primarily related to the consolidation of the newly-acquired subsidiaries (EUR 58.7m) as well as higher fuel and transport costs during the period under review
(+ EUR 23.4m).

The staff costs of Austrian Post at EUR 1,119.2m constituted 46% of total revenues, the largest operating expense item. The average number of employees (full-time equivalents) rose to 27,002, up from 25,764 in the preceding year. This increase is entirely due to the acquisition of subsidiaries. In the 2008 financial year, expenditures for termination benefits, particularly in the third and fourth quarters, led to higher staff costs. As a result, the termination benefit expense climbed from EUR 16.9m in 2007 to EUR 24.5m in 2008.

As in previous years, staff costs also include changes to provisions for employee under-utilisation. In the 2008 financial year, the provisions allocated for employee under-utilisation were reduced by a total of EUR 23.1m. In the fourth quarter of 2008 in particular, employees took increased advantage of the incentives offered by Austrian Post to leave the company, including voluntary termination benefits and temporary assistance for employees through the employee social plan. Moreover, structural measures were implemented in order to reintegrate a greater number of employees into the company's operations. As a result, the provision for employee under-utilisation was reduced in the 2008 financial year.

EBITDA of Austrian Post amounted to EUR 321.7m, or 9.9% above the comparable level of 2007. Accordingly, the EBITDA margin was 13.2%.

Depreciation, amortisation and impairment losses of Austrian Post rose to EUR 152.2m in 2008. This amount includes impairment losses on goodwill and customer relationships, carried out based on the ongoing valuation of assets, which led to a reduction of balance sheet risks. In detail, the depreciation for property, plant and equipment as well as amortisation for intangible assets amounted to EUR 104.7m, whereas impairment losses for property, plant and equipment totalled EUR 6.7m and for intangible assets EUR 40.8m.

Earnings before interest and tax (EBIT) of Austrian Post amounted to EUR 169.5m in 2008. This change can be attributed to the following factors: the above-mentioned reduction of provisions for employee under-utilisation had a positive effect on earnings, whereas impairment losses (for property, plant and equipment, goodwill, customer relationships and trademark rights) had a negative impact on earnings. One-off effects which led to higher operating expenses also burdened results, in particular higher transport and fuel costs, increased expenditures for the employee social plan and costs relating to the integration of the new subsidiaries.

In addition, Austrian Post had to cope with a decline in revenues and earnings in the Austrian parcels segment. The loss of the two largest mail order customers represented a significant share of Austrian Post's B2C parcels business in Austria. However, the streamlining of the company's logistics operations initiated as a response to this change in the Austrian market proceeded as planned. A third of the parcel delivery bases were closed and letter mail and parcel logistics were merged wherever possible.

The financial result of Austrian Post declined from EUR 2.1m in 2007 to minus EUR 11.3m in 2008. This is primarily the consequence of an impairment loss of EUR 20.0m recognised for Austrian Post's shareholding in the consortium BAWAG PSK. The valuation was revised as a result of the international financial crisis and the related new valuation approach in the banking sector.

Earnings before tax declined by 4.0%, to EUR 158.2m. After deducting the income tax expense of EUR 39.3m, the Group net profit for the period (corresponding to the profit after tax) totalled EUR 118.9m.

Assets and finances

Austrian Post pursues a risk-averse business strategy. This is reflected in the high equity ratio of 40%, the low level of financial liabilities and the solid investments of cash and cash equivalents at the lowest possible risk. The international financial and economic crisis has led Austrian Post to continue the ongoing evaluation of its assets. Lower market expectations led to impairment losses on property, plant and equipment, intangible assets and financial investments.

The analysis of the balance sheet of Austrian Post by item shows a considerable amount of financial resources on the assets side. On balance, Austrian Post's liquidity cushion totals EUR 340.6m, including cash and cash equivalents of EUR 248.1m and financial investments in securities of EUR 92.5m. The investment policy of Austrian Post is based on the lowest possible risk.

On the equity and liabilities side, the main items are capital and reserves (39.6%) and provisions (31.2%). The provisions for employee underutilisation contained in this item declined by EUR 23.1m in 2008, to EUR 307.8m.

Cash Flow

In 2008, operating cash flow before changes in working capital amounted to EUR 237.0m, below the comparable level of 2007. On an operational level, cash flow was negatively impacted by the loss of two major parcel customers in Austria, higher transport and fuel costs, increased expenditures for the employee social plan and the costs of integrating new subsidiaries. Moreover, Austrian Post made higher tax back payments in 2008.

The cash flow from investing activities at minus EUR 23.1m includes the purchase of property, plant and equipment (CAPEX) amounting to EUR 102.9m, the acquisition of subsidiaries including the acquisition of minority interests totalling EUR 30.5m, proceeds from the disposal of property, plant and equipment of EUR 40.0m, as well as the proceeds from the sale of financial investments in securities amounting to EUR 52.9m. Total free cash flow rose from EUR 153.5m in 2007 to EUR 210.3m in 2008, corresponding to EUR 3 per share.

Outlook 2009

The current uncertain international business environment reduces the ability of Austrian Post to make precise forecasts for upcoming periods. The outlook for 2009 assumes that the overall market environment for Austrian Post and consumer demand will not deteriorate even further than previously expected. The ambitious targets were defined according to the information and economic forecasts currently at the company's disposal. However, the duration and scope of the existing recession are far from predictable. The market development and overall business environment are subject to many uncertainties which are not capable of being influenced by the company.

In the Mail Division, there will continue to be a reduction in letter mail volumes due to the effects of electronic media substitution. However, the company plans to counteract this trend by intensifying the development of direct mail items (business-to-business communications) and launching new services along the letter mail delivery value chain. The Parcel & Logistics Division expects largely stable transport volumes in the face of ongoing intense competition. The increasing Internet business will continue to serve as a growth driver for parcel volumes, along with Austrian Post's growing market share in the Austrian B2B business. The Branch Network Division's offering of banking services will benefit from the overall trend towards secure investment products.

In terms of its financing requirements for 2009, Austrian Post anticipates capital expenditure (CAPEX) to total approximately EUR 100m. More restraint will be exerted with respect to acquisitions during the year 2009. No major acquisition targets, which would meet the criteria of Austrian Post, are under consideration at present. The current priority is the integration of the newly-acquired subsidiaries.

Austrian Post has set ambitious goals despite the current difficult economic environment. On balance, Austrian Post expects total revenues in 2009 to match the figure for 2008. Earnings before interest and tax (EBIT) are also targeted to be at the same level as in 2008. However, a slight decline in revenues and earnings cannot be excluded in the light of possibly deteriorating recessionary trends. In order to ensure that the targets are achieved, the management of Austrian Post will do everything possible on a short-term and medium-term basis, particularly against the backdrop of the current business environment, to increase the flexibility and efficiency of the company and thus preserve shareholder value.

Based on a solid balance sheet structure and strong cash flow generation, Austrian Post plans to continue pursuing an attractive dividend policy. The Management Board of Austrian Post will propose to the upcoming Annual General Meeting on May 6, 2009 the distribution of a basic dividend of EUR 1.50 per share (dividend payment day on May 20, 2009) and a special dividend of EUR 1.00 per share (to be paid on August 20, 2009). The company also plans to adhere to its target of achieving a dividend payout ratio of at least 75% of net profit.

Performance of divisions

Mail Division

Year-on-year external sales of the Mail Division rose by 5.7%, to EUR 1,460.0m. The increase primarily resulted from the consolidation of the subsidiary meiller direct, acquired in July 2007, as well as organic growth of about 1.3%.

The Letter Mail Business Area was almost stable, recording a 0.3% decline in revenues. The ongoing electronic substitution of letter mail by electronic media was offset by positive trends in other segments. For example, there was a revenue increase in the public sector due to new opportunities for absentee voting, or the higher mail volumes on the part of Austria's social insurance companies. Postal volumes from mail order companies also increased as a result of the intensified distribution of catalogues.

In the Infomail Business Area (addressed and unaddressed direct mail items), revenue rose by 16.4%. The rise was primarily the result of the consolidation of the meiller direct companies acquired in 2007, as well as organic growth of 2.9%. The increase in mail volumes applied to both addressed and unaddressed mail items. The Media Post Business Area also recorded a revenue increase (+ 3.6%), mainly related to the good performance of regional media as well as the positive effects of regional and national elections in Austria.

On balance, the Mail Division of Austrian Post generated an EBITDA of EUR 297.1m. In addition to depreciation of EUR 34.6m, the Mail Division recorded an impairment loss on intangible assets totalling EUR 7.6m. The resulting EBIT amounted to EUR 254.5m.

Parcel & Logistics Division

External sales of the Parcel & Logistics Division rose by 6.4% in 2008, to EUR 785.9m, which is mainly due to acquisitions, which contributed EUR 45.8m of total revenue.

Revenues amounted to EUR 659.6m, with the main contribution (84% of total revenues) coming from the Premium Parcel service (parcel delivery within 24 hours to private and business customers), which expanded by 12.6% in 2008. This growth was due to organic growth as well as the acquisition of new companies. The most significant share of revenues, approximately EUR 500m, was achieved by the Austrian Post subsidiary trans-o-flex in Germany, which focuses on pharmaceutical logistics, combined freight and temperature-controlled transport services. Moreover, the network in Western Europe was further expanded based on the acquisition of the Belgian company HSH. South East Europe and Eastern

Europe contributed approximately 60m in revenues. In 2008, Austrian Post also acquired 24VIP in Bosnia-Herzegovina.

As expected, the total volume decreased in the Standard Parcels segment in Austria (accounting for some 15% of total division sales), due to the market entry of a competitive parcel services provider. In response, Austrian Post implemented a restructuring process on schedule in 2008, including both a reduction in headcount as well as the number of parcel sorting centres in Austria.

In the 2008 financial year, earnings before interest, tax, depreciation and amortisation (EBITDA) of the Parcel & Logistics Division amounted to EUR 34.8m (2007: EUR 46.5m). The decline was related to the loss of two large mail order parcels customers, the integration costs of the new subsidiaries in the Netherlands and Belgium, as well as higher transport and fuel costs.

The Parcel & Logistics Division recognised impairment losses for goodwill and customer relationships in respect of the acquired subsidiaries of the trans-o-flex Group amounting to EUR 33.4m, leading to a negative EBIT of EUR 25.5m for 2008.

Branch Network Division
External sales of the Branch Network Division rose by 0.1% compared to 2007, to EUR 192.2m. The decline in sales of retail products, in particular mobile telephony sales, was largely compensated by the growth in financial services and other post office products. Despite the current financial market crisis, the Branch Network Division achieved growth in the financial services segment, in particular for standard products. Growth measures such as the sales drive targeting private customers were initiated. Internal sales of the division also improved.

EBITDA as well as earnings before interest and tax (EBIT) of the Branch Network Division could be enhanced through cost discipline and organisational optimisation measures. EBIT improved from EUR 13.6m in 2007 to EUR 14.5m in 2008.

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