FINANCIAL VALUES

Post

ANNUAL REPORT | AUSTRIAN POST | FACTS & FIGURES

2011

Stefan Malin, Group-Accounting

REVENUE IMPROVED

4.2% ABOVE THE PRIOR-YEAR.

FURTHER EARNINGS INCREASE

EBIT UP 7.3%.

ATTRACTIVE DIVIDENDS

PROPOSAL TO THE ANNUAL GENERAL MEETING: EUR 1.70 PER SHARE.

HIGHLIGHTS 2011

- **HIGHER REVENUE**

  – Revenue up 4.2% from the previous year on a comparable basis
  – Mail Division +4.4%, Parcel & Logistics Division +5.6%

- **FURTHER INCREASE IN EARNINGS**

  – EBITDA of EUR 282.7m (margin of 12.0%)
  – EBIT up 7.3% to EUR 168.3m

- **STRONG CASH FLOW AND SOLID BALANCE SHEET**

  – Free cash flow up 5.8% to EUR 162.5m
  – Equity ratio of 42.1%

- **ATTRACTIVE DIVIDEND**

  – Dividend proposal to the Annual General Meeting of EUR 1.70/share
  – Dividend yield of 7.3% based on closing share price at the end of 2011

- **OUTLOOK 2012 WITH GROWTH TARGET**

  – Stable or slightly rising revenue on a comparable basis
  – EBITDA margin at the upper end of the targeted range of 10-12%

KEY FIGURES AUSTRIAN POST

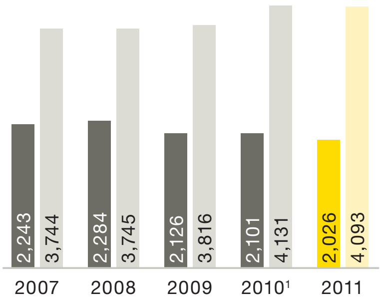
EUR m		2009	2010	2011	Change 2010/2011
Income statement					
Revenue[1]	EUR m	2,356.9	2,253.1	2,348.7	+4.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EUR m	269.2	262.1	282.7	+7.9%
EBITDA margin[2]	%	11.4%	11.6%	12.0%	–
Earnings before interest and tax (EBIT)	EUR m	149.4	156.9	168.3	+7.3%
EBIT margin[2]	%	6.3%	7.0%	7.2%	–
Earnings before tax (EBT)	EUR m	124.8	148.7	163.1	+9.7%
Profit for the period	EUR m	79.7	118.4	123.8	+4.6%
Earnings per share[3]	EUR	1.18	1.75	1.83	+4.6%
Employees (average for period, full-time equivalents)[1]		25,921	24,969	24,042	–3.7%
Cash flow					
Operating cash flow before changes in working capital and tax	EUR m	220.7	196.0	290.6	+48.3%
Operating cash flow before changes in working capital	EUR m	195.8	134.1	248.6	+85.5%
Cash flow from operating activities	EUR m	230.0	178.9	228.2	+27.6%
Investment in property, plant and equipment (CAPEX)	EUR m	65.6	45.5	73.8	+62.2%
Acquisition/disposal of subsidiaries	EUR m	1.1	12.7	–1.1	–
Free cash flow	EUR m	236.9	153.6	162.5	+5.8%
Balance sheet					
Total assets	EUR m	1,775.3	1,715.1	1,668.3	–2.7%
Capital and reserves	EUR m	673.7	690.8	702.0	+1.6%
Non-current assets	EUR m	1,141.3	1,067.6	1,005.1	–5.9%
Current assets	EUR m	634.0	647.5	660.4	+2.0%
Net debt	EUR m	–231.2	–126.6	–61.5	–51.5%
Net debt/EBITDA		0.86	0.48	0.22	–54.2%
Equity ratio	%	38.0%	40.3%	42.1%	–
Return on equity (ROE)	%	13.9%	20.7%	21.3%	–
Gearing ratio	%	34.3%	18.3%	8.8%	–
Capital employed	EUR m	861.7	767.5	708.9	–7.6%
Return on capital employed (ROCE)	%	16.5%	19.3%	22.8%	–
WACC	%	7.6%	7.5%	7.1%	–
Post share					
Share price at the end of December	EUR	19.02	24.73	23.30	–5.8%
High/low (closing price)	EUR	26.14/18.00	24.73/18.20	24.73/18.93	–
Dividends per share (for the financial year)	EUR	1.50	1.60	1.70[4]	+6.3%
Total Shareholder Return	%	–10.7%	+37.9%	+0.7%	–
Market capitalisation at the end of December	EUR m	1,284.9	1,670.6	1,574.0	–5.8%
Shares in circulation at the end of December	Shares	67,552,638	67,552,638	67,552,638	–
Free float	%	47.2%	47.2%	47.2%	–
Revenue by division (external sales)					
Mail Division[1]	EUR m	1,396.8	1,291.3	1,347.6	+4.4%
Parcel & Logistics Division	EUR m	768.4	802.0	846.5	+5.6%
Branch Network Division	EUR m	189.6	157.9	153.1	–3.0%
EBIT by division					
Mail Division	EUR m	221.1	234.9	295.7	+25.9%
Parcel & Logistics Division[5]	EUR m	–9.3	12.6	13.8	+9.3%
Branch Network Division	EUR m	–9.2	–30.8	–17.8	+42.3%

[1] Figures in 2010 and changes excl. meiller Group (pro-forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity
[2] Margins in 2010 in relation to revenue on a comparable basis excl. meiller Group
[3] In relation to 69,505,601 shares, as of 2009 to 67,552,638 shares
[4] Proposal to the Annual General Meeting on April 17, 2012
[5] EBIT 2010 and 2011 excl. structural measures and impairments

Note: key indicators 2002–2011, see page 119

DEVELOPMENT OF KEY INDICATORS

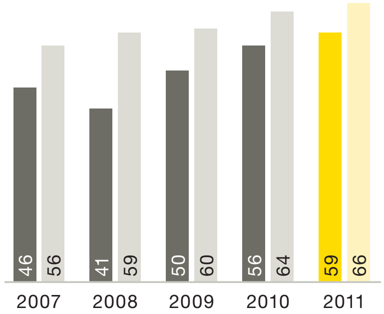
MAIL SHIPMENTS ITEMS MILLION



Addressed items Austria
Unaddressed items Austria

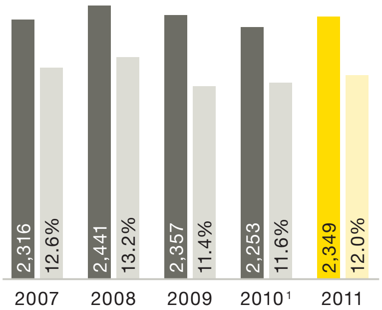
[1] Positive one-off effects due to elections

PARCEL SHIPMENTS ITEMS MILLION



Austria (parcels)
International combined freight (parcels & pallets)

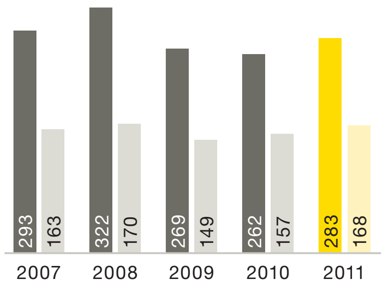
REVENUE AND EBITDA MARGIN



Revenue (EUR m)
EBITDA margin (%)

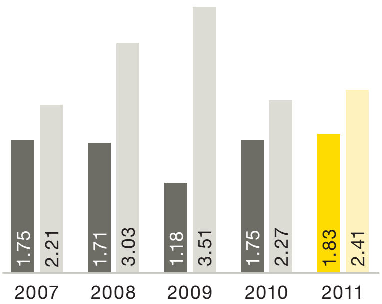
[1] Revenue on a comparable basis

EBITDA AND EBIT EUR M



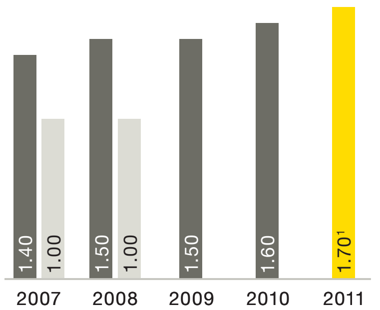
EBITDA
EBIT

EARNINGS PER SHARE AND FREE CASH FLOW PER SHARE EUR



Earnings per share
Free cash flow per share

DIVIDENDS PER SHARE EUR



Dividends
Special dividends

[1] Proposal to the Annual General Meeting on April 17, 2012

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[1] This part was subject to the statutory audit carried out by Deloitte Audit Wirtschaftsprüfungs GmbH (except for the chapter "Statement of all legal representatives")

PLEASE ALSO REFER TO PART 2 / "ADDED VALUES" OF THE ANNUAL REPORT 2011
Company & Strategy, The World of Letters, The World of Parcels, Share & Owners, Stakeholders & Responsibility

INTRODUCTION BY THE MANAGEMENT BOARD

LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

The 2011 financial year proceeded in a very satisfactory way for Austrian Post. The sales and earnings indicators once again demonstrated the fact that the strategic orientation of the Group is the right one. Austrian Post succeeded in maintaining its leading market position even after the complete liberalisation of Austria's letter mail market at the beginning of 2011. We also managed to confirm our good market position in the segment for direct mail items, which proved to be an indispensable part of the marketing mix of companies despite a challenging economic environment. The Parcel & Logistics Division also once again posted a revenue increase. Here we profited from the general volume rise on both the domestic and international markets. On balance, the Austrian Post Group achieved gratifying revenue growth which surpassed our expectations. However, we decisively pursued our path of focusing on enhancing efficiency and increasing the flexibility of the cost structure. In many areas these measures already made very positive contributions to our earnings development in 2011, whereas our efforts had to be further intensified in other areas. In this case we are also clearly on the right path, designed to sustainably improve our performance. On this basis, earnings rose by 7.3% and were the second highest in the company's history.

REVENUE GROWTH ABOVE MEDIUM-TERM TARGETS

In the year 2011, Austrian Post increased Group revenue by 4.2% on a comparable basis to EUR 2,348.7m. Thus the revenue increase was significantly higher than our medium-term growth target of 1-2% per year. Revenue growth was also achieved by the Parcel & Logistics Division as well as by the Mail Division. In the letter mail segment, innovative new customer solutions as well as the new range of products and stamps were the primary input to growth. In the parcels business, we profited from a growing market as well as an improved market position, not least thanks to the business customer segment in Austria.

MAIL DIVISION SHOWED ITS STRENGTH IN ALL AREAS

In the 2011 financial year, revenue of the Mail Division adjusted in 2010 to reflect the deconsolidation of the meiller Group companies rose by 4.4% year-on-year. Revenue growth was not only generated by the Infomail (advertising mail) and Media Post business areas, but the Letter Mail Business Area also showed gratifying growth compared to the prior year. The electronic substitution of traditional letter mail continued, but Austrian Post did succeed in counteracting this trend by introducing innovative customer solutions. For example, a revenue increase was achieved in the Mail Solutions segment, and the newly designed product and stamp portfolio with the ability to select between "Premium" and "Economy" services resulted in positive effects. For its part, the revenue increase in the Infomail Business Area shows that the advertising industry developed extremely solidly in 2011 in spite of economic uncertainties. Earnings figures developed even more favourably than revenue growth, which is due to consistent cost discipline combined with a diverse range of automation and efficiency enhancement measures. As a consequence, EBIT of the Mail Division improved to EUR 295.7m.

FOCUS ON QUALITATIVE GROWTH IN THE PARCEL & LOGISTICS DIVISION

The market environment in the Parcel & Logistics Division in 2011 was characterised by fundamentally positive volume developments. However, the high competitive intensity in the segment continued uninterruptedly. On balance, division revenue was up 5.6% to EUR 846.5m in 2011, with all regions reporting growth. Whereas revenue in Germany/Benelux climbed by 4.9%, revenue in Austria and South East and Eastern Europe was up by 6.7% and 7.2%, respectively. With regards to profitability we were very satisfied with the results in Austria and in South East and Eastern Europe, but the performance in the German/Benelux market was below our expectations. Here we started a comprehensive performance improvement programme leading to one-off effects (structural measures and impairment losses) in the year 2011. These extraordinary expenses negatively impacted divisional results. However, the division showed itself to be stronger on an operating basis, with EBIT rising 9.3% to EUR 13.8m.

STRUCTURAL CHANGE PROCEEDING IN THE BRANCH NETWORK

The far-reaching transformation in the branch network can be seen in the light of the changed structure of the postal service points. The number of third-party operated postal partner offices rose by 141 year-on-year to a total of 1,258 at the end of 2011. On balance, Austrian Post now boasts a total of more than 1,880 postal service points. The cooperation between Austrian Post and BAWAG P.S.K. which was redefined in 2010, in which postal and banking services are being offered in jointly operated branch offices, is being continually expanded. Both partners are concentrating on their core business, but exploit the synergies offered by jointly-run outlets. At present, there are 329 such branch offices, a figure which will rise to about 520 by the end of 2012. Revenue of the branch network declined slightly by 3.0% during the year under review, as expected. However, the structural change has had the desired positive impact on earnings. Inefficient, loss-making structures were eliminated and fixed costs were reduced. As a result, EBIT improved by EUR 13.0m.

The year 2011 was not only marked by structural change on the outside, but new, future-oriented internal structures were established. As of September 1, 2011, the branch network was integrated into the Mail Division. The newly-formed Mail & Branch Network Division paves the way for further service improvements and exploitation of synergies. The entire path taken by a letter, from drop-off in the branch office to delivery by staff, is now in the hands of the new division.

“EVERYTHING WE DO REVOLVES AROUND OUR CUSTOMERS“

In line with our mission statement, the year 2011 focused on the development of innovative solutions tailored to the needs of customers. For example, a completely new product portfolio was introduced which is primarily based on size and delivery speed and no longer on the weight of the mail items. Following successful pilot testing in autumn 2011, we have been delivering nationwide direct mail items bundled in the new collective advertising envelope KUVERT since February 2012. This not only fulfils customer wishes, but also opens up cost saving potential. We also invested in new, innovative self-service systems such as the post drop-off box and the pick-up box. All these solutions were designed with one thing in mind: to enhance flexibility for customers and simplify services.

ATTRACTIVE DIVIDENDS

Austrian Post has done outstandingly well, not only in its daily business but on the international stock markets. The Post share has generated a value increase for its shareholders as measured by total shareholder return of 70% since the IPO in 2006. This was not least due to our attractive dividend policy, which remains a cornerstone of our corporate philosophy. Each year, at least 75% of the Group net profit is earmarked to be distributed to our shareholders. The objective is to further develop dividends in line with our Group net profit. Due to the good earnings situation, combined with a solid balance sheet, high equity ratio, low level of financial liabilities and considerable cash and cash equivalents at our disposal, we have decided to propose to the Annual General Meeting the distribution of a dividend of EUR 1.70 per share for the 2011 financial year.

FURTHER GROWTH AND ENHANCED EFFICIENCY

With respect to further steps to be taken by Austrian Post, we will continue in the future to pursue the strategic path we have defined. Our objective remains the same: to compensate for declining letter mail volumes by achieving growth in the parcel and logistics business and in the direct mail segment. At the same time, we want to exploit our opportunities in future-oriented markets, although our focus will clearly be on qualitative growth. In the future, Austrian Post will also strive to generate medium-term revenue growth of 1-2% annually. In order to achieve an EBITDA margin in the targeted range of 10-12%, our top priority will be the persistent enhancement of efficiency in addition to our total customer orientation. For the year 2012, we expect a stable or slightly positive development of Group revenue on a comparable basis following the 4.2% revenue growth in 2011. With respect to the development of earnings, the objective of generating a sustainable EBITDA margin of 10-12% remains valid. Austrian Post also aims to further improve earnings before interest and tax (EBIT).

Finally, we would like to sincerely thank our employees, who comprise the most important cornerstone of our success as a company. We would also like to thank our shareholders for their ongoing interest and for the confidence they place in us. We look forward to joining together with you to make 2012 a successful year.

Georg Pölzl
Chairman of the Management Board

Rudolf Jettmar
Deputy Chairman of the Management Board

Walter Hitziger
Member of the Management Board

Peter Umundum
Member of the Management Board

CORPORATE GOVERNANCE REPORT PURSUANT TO SECTION 243B AUSTRIAN COMMERCIAL CODE

Corporate governance provides an effective framework for the responsible and sustainable management of Austrian Post. Austrian law, the Articles of Association and the by-laws for corporate bodies of the company as well as the Austrian Corporate Governance Code (ÖCGK) comprise the legal framework for corporate governance at Austrian Post.

1. CORPORATE GOVERNANCE CODE

Since its Initial Public Offering in 2006, Austrian Post has been committed to complying with the Austrian Corporate Governance Code, and consistently implements the rules contained in it. As a result of its adherence to the stipulations of the Austrian Corporate Governance Code, Austrian Post contributes to strengthening confidence in Austrian companies and in the Austrian capital market.

The Austrian Corporate Governance Code is publicly available both on the Austrian Post website at www.post.at/ir as well as on the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at. The January 2010 version of the Austrian Corporate Governance Code, which is of relevance for this Annual Report, contains 83 rules for good corporate governance which are divided into three categories:

- Rules based on mandatory legal requirements (Legal Requirement)
- Rules based on accepted international standards; non-compliance with these rules must be explained and the reasons stated in order to ensure behaviour in compliance with the code (Comply or Explain)
- Rules which comprise recommendations; non-compliance requires neither disclosure nor explanation (Recommendation)

Austrian Post adheres to all "L-Rules" (Legal Requirement) as well as all "C-Rules" (Comply or Explain) contained in the Austrian Corporate Governance Code with the exception of the rules specified below:

- **Rule 31** (disclosure of Management Board remuneration): The fixed and variable remuneration components granted to each member of the Management Board are not disclosed individually in the Corporate Governance Report but jointly as a sum total. This takes account of the principle of the confidentiality of protectable information with regards to each Management Board member and the company.
- **Rule 39** (decision-making in urgent cases): 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** (establishing a Nomination Committee): The duties of the Nomination Committee are assumed by the Presidential Committee, so that an appropriate forum is assured.
- **Rule 43** (establishing a Remuneration Committee): The duties of the Remuneration Committee are assumed by the Executive Committee of the Supervisory Board, so that an appropriate forum is assured.

A new version of the Austrian Corporate Governance Code was adopted at the end of 2011. It mainly contains revisions with respect to the further development of the diversity rule and the cooperation of the Supervisory Board and the auditor of the annual financial statements. This new version of the Austrian Corporate Governance Code is valid effective January 1, 2012 and will be put into practice by Austrian Post without any major changes being required.

Internal auditing, risk management and compliance
The Internal Audit department at Austrian Post performs all important controlling and monitoring functions in the Group as part of an integrated overall system. This ensures transparency, supplies facts for decision-making processes, presents solutions and promotes their sustainable implementation.

Risk management at Austrian Post enables the Group-wide identification and analysis of risks on the basis of strategic and operational targets. The proper functioning and suitability are evaluated by the auditor pursuant to Rule 83 of the Austrian Corporate Governance Code.

Austrian Post's Group-wide internal control system (ICS) makes use of process-integrated measures, mechanisms and controls. The ICS at Austrian Post is based on existing risk management and process structures, encompasses the internal control activities relating to major risks and monitors the internal control implementation process. The Internal Audit department carries out an ex post examination of compliance with relevant regulations. Its findings serve as the basis for determining the effectiveness of the integrated controls and mechanisms.

In order to prevent insider dealings, Austrian Post has introduced binding Group-wide compliance guidelines in line with currently valid Austrian capital market regulations and the Compliance for Issuers Ordinance of the Financial Market Authority. A Compliance Management System

(CMS) which goes above and beyond legal requirements was developed. In addition to ensuring adherence to binding capital market regulations, its responsibility is to promote the lawful and guideline-compliant behaviour of employees. The objective of the CMS is to create a Group-wide compliance organisation offering employees a practice-oriented and practical advisory offering. For this purpose, the training and advisory offering was extended beyond capital market compliance to include the issues of anti-corruption and compliance awareness. The target group-oriented training measures are being continually rolled out throughout the Group.

As a means of intensifying its activities in the field of anti-corruption, Austrian Post became a corporate member of Transparency International in the year 2011.

Moreover, Austrian Post developed a code of ethics and behaviour – a Code of Conduct – on the basis of its new mission statement. This Code of Conduct contains the principles of legally and ethically impeccable behaviour of all employees at Austrian Post, i.e. the Management Board, executive staff and every single employee. The Group-wide implementation of the Code of Conduct was initiated in 2011.

Directors‘ dealings which took place are continually disclosed publicly at www.post.at/ir with reference to the appropriate website of the Financial Market Authority in accordance with legal regulations and C-Rule 73 of the Austrian Corporate Governance Code.

Annual audit
Deloitte Audit Wirtschaftsprüfungs GmbH was appointed by the Annual General Meeting held on April 28, 2011 to serve as the auditor of the annual financial statements and consolidated annual financial statements of Austrian Post for the 2011 financial year in accordance with the recommendation submitted by the Supervisory Board. The audit fee invoiced by Deloitte Audit Wirtschaftsprüfungs GmbH in the course of the 2011 financial year for auditing the annual financial statements and consolidated annual financial statements of Austrian Post amounted to EUR 156,200.00 (excl. VAT). A total of EUR 110,500.00 (excl. VAT) was invoiced for carrying out the audits for Austrian Post subsidiaries. Deloitte Audit Wirtschaftsprüfungs GmbH received a remuneration of EUR 179,425.00 (excl. VAT) for audit-related and other consulting services.

Shareholders
The share capital of Austrian Post is divided into 67,552,638 non-par value shares. There are no voting rights restrictions or syndicate agreements applying to Austrian Post of which the company is aware. The principle of “one share – one vote” applies with exception. The Republic of Austria holds a 52.8% stake in Austrian Post through the Austrian privatisation and industrial holding company ÖIAG.

Austrian Post attaches considerable 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 principle emphasising 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 five ad-hoc announcements in the year 2011, which, along with the shareholder structure, can be accessed online at www.post.at/ir.

Measures to promote the career advancement of women
Austrian Post aims to continually increase the share of women holding management positions, in order to ensure that they equally share responsibility and decision-making authority in the company. The position of Deputy Chairman of the Supervisory Board is held by a woman, Edith Hlawati. The election of Elisabeth Stadler to the Supervisory Board considerably increased the proportion of women in this corporate body. The Executive Management Council of Austrian Post included six women as at the end of 2011.

Equal opportunity at work and equal treatment of employees without distinction based on sex are a matter of course at Austrian Post. Particular attention is paid to pursuing a strict equal opportunity policy in the recruiting process. Women have been able to obtain the qualifications required for assuming management functions in numerous business areas. In the past financial year women were once again appointed to several first and second level management positions.

The company kindergarten set up at the new corporate headquarters in Vienna as well as flexible working time models promote the compatibility of family and professional life.

The programme “Business Cross Mentoring” launched in November 2011 is designed to provide further support to diversity management and equality of opportunity at Austrian Post. In this context an experienced executive from another company will serve as a mentor for career and professional development issues, but will also be available to open up informal networks for young women, the mentees, during a period of ten months. Twelve female employees of Austrian Post have participated in this programme to date. The focus is on the further personal and professional development of the mentees as well as on promoting a mutual exchange of experience.

2. MANAGEMENT BOARD

Composition of the Management Board
Changes in the composition of the Management Board of Austrian Post took place effective April 1, 2011. In November 2010, Peter Umundum had already been appointed to the position of Director of the Parcel & Logistics Division, and has been serving in this capacity since April 1, 2011. His predecessor Carl-Gerold Mende resigned his position as of this date.

In January 2011, the Supervisory Board resolved to merge the Mail and Branch Network divisions effective January 1, 2012. The Supervisory Board meeting held on March 14, 2011 named Walter Hitziger to be the Director of the new "Mail & Branch Network Division" as of January 1, 2012. Within the context of this appointment the by-laws for the Management Board were adapted and Walter Hitziger was given responsibility for managing the merged division as of September 1, 2011. The Management Board member Herbert Götz resigned as of January 1, 2012.

A further focal point was the succession planning for the position of Chief Financial Officer. The Supervisory Board meeting of March 14, 2011 named Walter Oblin to serve as the new CFO as of July 1, 2012. He will succeed Rudolf Jettmar, who will retire from the Management Board when his employment contract expires on June 30, 2012. Walter Oblin was appointed to the Management Board of Austrian Post for a period of three years.

Georg Pölzl
Chairman of the Management Board and Chief Executive Officer, first appointed on October 1, 2009 (current term of office expires September 30, 2014). Born 1957.
Georg Pölzl studied and graduated from Montana University of Natural Resources and Applied Life Sciences Austria. His professional career started as a corporate consultant for McKinsey & Co. Subsequently, he was appointed to the Management Board of the mechanical engineering and plant building company Binder & Co AG. He subsequently served as Managing Director of T-Mobile Austria, Vienna for a total of nine years before moving to Germany to assume the position as special deputy of the Management Board of Deutsche Telekom with responsibility for implementing the successful restructuring programme at the company. Georg Pölzl most recently served as the Spokesman of the Management Board of T-Mobile Germany. Effective October 1, 2009, he assumed responsibility as Chairman of the Management Board and Chief Executive Officer of Austrian Post. His term of office expires on September 30, 2014.

Additional functions: Third Deputy Chairman of the Supervisory Board of Omnimedia Werbegesellschaft m.b.H.

As Chairman of the Management Board and Chief Executive Officer, Georg Pölzl is responsible for Strategy and Group Development, Corporate Communications and Investor Relations & Corporate Governance. His responsibilities also include Online Innovation Management, Internal Auditing, Risk Management & Compliance, Human Resources Management as well as End Customer Initiatives & End Customer Service.

Rudolf Jettmar
Deputy Chairman of the Management Board, first appointed August 1, 1999 (current term of office expires June 30, 2012). Born 1947.

Rudolf Jettmar studied law at the University of Vienna and business administration at the Vienna University of Economics before working for various tax consultancies. In 1979, he gained his professional qualifications as a chartered accountant and in 1981 as an auditor. From 1982 to 1999, he served as a member of the Management Board of Österreichische Verkehrskreditbank. In August 1999, Rudolf Jettmar was appointed as the Chief Financial Officer and Deputy Chairman of the Management Board of Austrian Post. His term of office expires on June 30, 2012.

Additional functions: Supervisory Board member of BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft and BAWAG Holding GmbH.

Rudolf Jettmar has management responsibility for Finance and Accounting, Controlling and Treasury. He is also in charge of Information Technology, Central Procurement, Legal and Corporate Real Estate.

Walter Hitziger
Member of the Management Board, Director of the Mail & Branch Network Division, first appointed May 1, 2004 (current term of office expires on December 31, 2016). Born 1960.
Walter Hitziger studied industrial engineering and business administration at the Graz University of Technology before working for the beer company Steirerbrau AG – Steirische Brauindustrie AG (Gösser/Puntigamer) with responsibility for distribution logistics. He served as division manager at Agiplan Planungsgesellschaft and Econsult Betriebsberatungsgesellschaft in Vienna in the years 1990–1997. In 1997, Walter Hitziger was named a member of the Management Board of bauMax Handels AG with responsibility for procurement and logistics.

Additional functions: Supervisory Board member of BAWAG P.S.K. Versicherung AG.

In May 2004, Walter Hitzinger was named member of the Management Board of Austrian Post as well as Director of the Mail & Logistics Division. Since September 1, 2011 he has been serving as Director of the newly formed Mail & Branch Network Division and thus six business areas of the Group, from letter mail and direct mail items to branch network and distribution to value added offerings such as online and printing services. On an international level, Walter Hitziger is responsible for letter mail services in Croatia, Slovakia, Romania and Hungary as well as direct mail production in Germany (MEILLERGHP).

Peter Umundum
Member of the Management Board, Director of the Parcel & Logistics Division, first appointed April 1, 2011 (current term of office expires March 31, 2014).
Born 1964.
Following degree studies in computer science at the Graz University of Technology, Peter Umundum commenced his professional career in 1988 at Steirerbrau AG, where he assumed managerial responsibility for software development and the Organisation and Computing Department. In 1994, he moved to Styria Medien AG as the head of IT and just two years later was appointed as the CEO of the subsidiary Media Consult Austria GmbH. In 1999, he acted as one of the founders and CEO of redmail. In 2001, Peter Umundum became Managing Director of the "Die Presse" daily newspaper and three years later he joined the executive management of the "Kleine Zeitung" daily newspaper. In 2005, he moved to Austrian Post as one of the managing directors of the Mail Division with responsibility for production and logistics as well as national and international strategic investments. On April 1, 2011, he was appointed as a member of the Management Board and Director of the Parcel & Logistics Division. His term of office expires on March 31, 2014.

Since April 1, 2011, he has been responsible for the Parcel & Logistics Division which operates in own subsidiaries in ten European countries. Moreover, he is also Chairman of the Supervisory Board of the European transport network EURODIS.

Carl-Gerold Mende
Member of the Management Board until March 31, 2011, first appointed June 15, 2008. Born 1956.
In June 2008, Carl-Gerold Mende started his term of office as member of the Management Board and Director of the Parcel & Logistics Division, a position he held until his resignation effective March 31, 2011.

Herbert Götz
Member of the Management Board until December 31, 2011, first appointed March 1, 2004. Born 1963.
Herbert Götz served as member of the Management Board and Director of the Branch Network Division from March 1, 2004 until August 31, 2011. He was also responsible for Strategic Projects and Public Relations from September 1, 2011 to December 31, 2011.

Walter Oblin
Designated member of the Management Board and Chief Financial Officer, first appointed as at July 1, 2012 (term of office expires on June 30, 2015).
Born 1969.
Walter Oblin concluded his studies in mechanical engineering and business administration at the Graz University of Technology and also holds a Master of Sciene in Industrial Administration from Purdue University in Indiana (USA). He worked at McKinsey & Company in Vienna during the period 1994 to 2008, and was appointed to be a managing partner and member of the Management Board in 2000. During this time he primarily consulted international transport, infrastructure and logistics companies in dealing with strategic and operational changes. Following his work as a member of the Managing Board of the German technology company SortTech AG, he assumed the position of Head of Strategy and Group Development at Austrian Post in October 2009.

Mode of operation of the Management Board
The by-laws for the Management Board stipulate the assignment of responsibilities and cooperation within the Management Board. It also defines the information and reporting obligations of the Management Board as well as a catalogue of measures requiring the formal approval of the Supervisory Board.

The Management Board discusses the current business development at Austrian Post, makes necessary decisions and adopts the required resolutions within the context of meetings held at least every 14 days. The members of the Management Board continually exchange information with each other and with the responsible executives.

A so-called Executive Management Council provides support to the Management Board in running the company. This leadership team consists of approximately 40 top level employees, and plays an advisory and supporting role with respect to all operational and strategic issues affecting Austrian Post.

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. In the spirit of good corporate governance, ongoing consultations take place between the respective chairmen of the Supervisory and Management Boards concerning those matters which fall under the jurisdiction of the Supervisory Board. In particular, this includes discussions on the strategy, business development and risk management of the company.

3. SUPERVISORY BOARD

The Supervisory Board consists of twelve members – eight shareholder representatives elected by the Annual General Meeting and four employee representatives elected by the Central Works Council of Austrian Post. The following changes in the composition of the Supervisory Board took place in the 2011 financial year: Peter Michaelis, Gerhard Roiss and Karl Stoss vacated their positions on the Supervisory Board as at the end of the Annual General Meeting of April 28, 2011. Markus Beyrer, Markus Pichler and Elisabeth Stadler were elected by the Annual General Meeting 2011 to serve on the Supervisory Board of Austrian Post for a term of office lasting four years. All shareholder representatives will serve on the Supervisory Board until the end of the Annual General Meeting which will discharge the Management and the Supervisory Boards for the 2014 financial year.

COMPOSITION OF THE SUPERVISORY BOARD (STATUS: DECEMBER 31, 2011)

Management representatives			
Name (year of birth)	**Main job**	**Further Supervisory Board or comparable positions**	**First appointed**
Markus Beyrer[1], Chairman (1965)	Chairman of the Managing Board of Österreichische Industrieholding AG	Supervisory Board: Telekom Austria AG (Chairman), OMV AG (Chairman), APK Pensionskasse AG (Chairman), Austrian National Bank (Member of the General Council)	April 28, 2011
Edith Hlawati, Deputy Chairman (1957)	Partner of the law firm Cerha Hempel Spiegelfeld Hlawati	Supervisory Board mandate: Telekom Austria AG (Deputy Chairman)	April 26, 2007
Edgar Ernst (1952)	President of the Financial Reporting Enforcement Panel in Germany	Supervisory Board mandates: Gildemeister AG (Germany), Deutsche Postbank AG (Germany), TUI AG (Germany), Wincor Nixdorf AG	April 22, 2010
Erich Hampel (1951)	Management consultant	Supervisory Board mandates: B & C Industrieholding GmbH (Chairman), BWA Beteiligungs- und Verwaltungs-AG (Deputy Chairman), Bausparkasse Wüstenrot AG (Deputy Chairman), Donau Chemie AG (Deputy Chairman), Österreichische Kontrollbank AG (Chairman), UniCredit Bank Austria AG (Chairman), ÖRAG Österreichische Realitäten-AG (Chairman), Österreichische Lotterien Gesellschaft m.b.H., Österreichisches Verkehrsbüro AG	April 22, 2010
Günter Leonhartsberger[1] (1968)	Division Head, Corporate Investment Management and Privatisation at Österreichische Industrieholding AG	Supervisory Board mandate: APK Pensionskasse AG	April 22, 2010
Chris E. Muntwyler[2] (1952)	CEO of Conlogic AG (Switzerland)	Member of the Board of Directors of Panalpina World Transport AG (Switzerland), Supervisory Board of National Express Group PLC (UK)	April 22, 2010
Markus Pichler (1968)	Managing Director of Unibail-Rodamco Austria Management GmbH		April 28, 2011
Elisabeth Stadler (1961)	Chairman of the Executive Board of ERGO Austria International AG	Supervisory Board mandates: Bank Austria Creditanstalt Versicherung AG, D.A.S. Österreichische Allgemeine Rechtsschutz-Versicherungs-AG, VICTORIA-VOLKSBANKEN Pensionskassen AG (Deputy Chairman), VICTORIA-VOLKSBANKEN Versicherungsaktiengesellschaft, VICTORIA-VOLKSBANKEN Vorsorgekasse AG, VICTORIA životno osiguranje d.d. (Croatia), ERGO Asigurări de Viaţă SA (Romania)	April 28, 2011

[1] Represents interests of a shareholder with a stake of more than 10% in Austrian Post (Rule 54 of the Austrian Corporate Governance Code).
[2] Chris E. Muntwyler took part in less than 50% of the Supervisory Board meetings.

Employee representatives on the Supervisory Board elected by the Central Works Council			
Name (year of birth)	**Main job**	**Further Supervisory Board or comparable positions**	**First appointed**
Helmut Köstinger (1957)	Chairman of the Central Works Council of Austrian Post	Supervisory Board of Österreichische Industrieholding Aktiengesellschaft AG	April 14, 2005
Martin Palensky (1963)	Deputy Chairman of the Central Works Council of Austrian Post		February 22, 2002
Andreas Schieder (1976)	Member of the Central Works Council of Austrian Post		October 19, 2010
Manfred Wiedner (1963)	Member of the Central Works Council of Austrian Post	Supervisory Board of Österreichische Beamtenversicherung	March 3, 1999

SUPERVISORY BOARD MEMBERS WHO VACATED THEIR POSITIONS DURING THE 2011 FINANCIAL YEAR (EFFECTIVE DATE)

Peter Michaelis (April 28, 2011)
Gerhard Roiss (April 28, 2011)
Karl Stoss (April 28, 2011)

COMMITTEES OF THE SUPERVISORY BOARD

Executive Committee	Markus Beyrer (Chairman), Edith Hlawati
Presidential Committee	Markus Beyrer (Chairman), Edith Hlawati, Helmut Köstinger
Audit Committee	Markus Beyrer (Chairman), Edgar Ernst, Günter Leonhartsberger, Elisabeth Stadler, Helmut Köstinger, Manfred Wiedner

Diversity

In selecting members of the Supervisory Board, the focus is on choosing people offering the required expertise and experience in management positions. Moreover, the composition of the Supervisory Board also pays attention to ensuring sufficient diversity. In this regard it is important to note that six of the twelve Supervisory Board members are under the age of 50 and two members are not Austrian nationals. Since the election of Supervisory Board members at the Annual General Meeting on April 28, 2011, two of the Supervisory Board members are women.

Independence of the Supervisory Board

In accordance with C-Rule 53 of the Austrian Corporate Governance Code, the Supervisory Board of Austrian Post has defined the following six criteria to determine the independence of Supervisory Board members, which are compliant with Appendix 1 of the January 2010 version of the Austrian Corporate Governance Code:

1. The Supervisory Board member shall not have served as a member of the Management Board or as a manager of the company or one of its subsidiaries in the past five years.
2. The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the Supervisory Board member. This shall also apply to relationships with companies in which the Supervisory Board member has a considerable economic interest, neither for carrying out functions on corporate bodies. The approval of individual transactions by the Supervisory Board according to L-Rule 48 does not automatically mean the person is qualified as being not independent.
3. The Supervisory Board member shall not have been an auditor of the company, have owned a share in the auditing company or have worked there as an employee over the past three years.

4. The Supervisory Board shall not be a member of the Management Board of another company in which a Management Board member of this company is a Supervisory Board member.
5. The Supervisory Board member shall not serve as a member of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with a stake in the company or who represent such a shareholder's interests.
6. The Supervisory Board member shall not be a close relative (i.e. direct offspring, spouse, partner, parent, uncle, aunt, sibling, niece, nephew) of a Management Board member or of persons in one of the above-mentioned positions.

All eight shareholder representatives have submitted written declarations of their independence in accordance with these criteria. 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 (C-Rule 54).

Mode of operation of the Supervisory Board
The Supervisory Board has resolved to establish committees consisting of its own members 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 **Presidential Committee** also serves as the Nomination Committee and deals with issues relating to appointing members of the Management Board.
- The **Audit Committee** is responsible for auditing and preparing the approval of the company's annual financial statements, the auditing of the consolidated annual financial statements, the proposal on distribution of profits, the Management Report and the Corporate Governance Report. Considerable importance is attached to monitoring reporting processes, the effectiveness of the internal control, internal audit and risk management systems. Furthermore, the Audit Committee is responsible for preparing the proposal of the Supervisory Board for selection of the auditor of the annual accounts, and monitoring the independence of the auditor.

Six meetings of the Supervisory Board were held in the course of the 2011 financial year. The focus of these sessions was the monitoring of ongoing business development, including any deviations from the budget, as well as various transactions requiring Supervisory Board approval. In addition, the Supervisory Board dealt in detail with the strategic orientation of Austrian Post and its organisational structure.

The Audit Committee convened four times. In its meeting on the financial statements and consolidated financial statements of Austrian Post for the 2011 financial year, in which the auditors also took part, the Audit Committee properly carried out its responsibilities pursuant to Section 92 Para. 4a Austrian Stock Corporation Act. Moreover, the Audit Committee intensively dealt with the quarterly (interim) financial statements for the 2011 financial year. The Audit Committee recommended to the Supervisory Board to propose the selection of Deloitte Audit Wirtschaftsprüfungs GmbH by the Annual General Meeting as the auditor of the annual financial statements and consolidated annual financial statements of Austrian Post for the 2011 financial year.

In the 2011 financial year, the Presidential Committee convened three times. The issues dealt with in these meetings were submitting a recommendation and preparing the resolution of the Supervisory Board relating to the appointment of a new Management Board member with responsibility for the Mail & Branch Network Division, and for filling the position of Chief Financial Officer.

Furthermore, the Executive Committee focused on a total of four circular resolutions on the occasion of the termination of the employment contract with Mr. Mende as well as negotiations and conclusion of employment contracts with the designated members of the Management Board. Furthermore, ongoing consultations between the Executive Committee and the Chairman of the Management Board took place when required.

Average attendance at Supervisory Board meetings was 87.5% in the reporting year 2011.

An explicit and formal self-evaluation did not take place during the past financial year. However, during its meetings the Supervisory Board regularly focused on the efficiency of its work in accordance with C-Rule 36 of the Austrian Corporate Governance Code. A structured self-evaluation process was already installed in the 2012 financial year. A report on the conclusions of the self-evaluation of the Supervisory Board for the 2011 financial year will be presented at a meeting in March 2012.

4. 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
The remuneration system is based on the fundamental idea of taking a three-tiered approach (fixed and variable salary components as well as a Long-Term Incentive Programme). The fixed salary is linked 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 linked to a large extent to measureable, short-term performance indicators and also encompasses the achievement of 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 cash remuneration paid to the members of the Management Board in the 2010 and 2011 financial years is comprised of the following:

CASH REMUNERATION

TEUR	2010	2011
Fixed	1,840	1,870
Variable	1,507	1,840
Total remuneration	**3,347**	**3,710**

In addition, the Management Board also received remuneration in kind amounting to TEUR 44 in the 2011 financial year. In December 2009, the Supervisory Board approved a Long-Term Incentive Program (LTIP) for the Management Board applying to the 2010-2012 financial years, which takes account of the EU recommendation on remuneration policies dated April 20, 2009. The aim is 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. The LTIP which lasts for three years is contingent upon each of the Management Board members making their own one-time investment for the duration of three years and a subsequent one-year retention period. The calculation of the number of required shares is based on the average share price in the fourth quarter of 2009. At the beginning of the programme, target values were defined for key performance indicators (total shareholder return, free cash flow and earnings per share), whereby each indicator is considered to be equally important. The achievement of objectives is monitored over a period of three years.

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 of up to one year's annual salary, in those cases based on the provisions contained in either the Austrian Salaried Employees Act or the Company Employee and Self-Employed Pension Plan Act. All members of the Management Board have concluded a pension fund agreement in accordance with the stipulations contained in model contracts (BGBl – Federal Law Gazette) under which Austrian Post is required to pay 10% of the individual's fixed annual gross salary into the pension fund each year. The Management Board members do not have any "change of control" clauses in their contracts.

The members of the Management and Supervisory Boards of Austrian Post are insured within the framework of Directors and Officers Liability Insurance with liability coverage to the amount of EUR 40m. The insurance covers judicial and extrajudicial protection against unfounded claims for damages as well as the settlement of such claims which may be considered as legally justified.

Any additional work carried out by a member of the Management Board outside of the company requires the approval of the Executive Committee of the Supervisory Board. This ensures that neither the time involved nor the remuneration granted for this work represents a conflict of interest with the Board member's responsibilities to Austrian Post.

Principles underlying the remuneration for senior management
The principles governing the remuneration paid to the Management Board have been adapted for the company's senior management. Their salaries contain fixed and variable components based on the achievement of financial and non-financial targets as well as individually defined objectives.

In addition, the Management Board initiated a Long-Term-Incentive-Programme (LTIP) in the 2011 financial year for senior managers, in which selected members of various management levels of the Group are entitled to participate. The LTIP links pre-defined, measureable, long-term and sustainable criteria (total shareholder return, free cash flow and earnings per share) and is contingent upon participants making their own corresponding investment.

Supervisory Board
Remuneration of the Supervisory Board for the previous financial 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 per session. Furthermore, travel expenses incurred by the members are covered. The Annual General Meeting held on April 28, 2011 resolved to grant an annual fixed sum totalling EUR 15,000 for the 2011 financial 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. Remuneration is made on a pro-rata basis if a member did not belong to the Supervisory Board for the entire financial year. Payment is generally made immediately after the Annual General Meeting.

The total remuneration granted to the Supervisory Board in the 2011 financial year (including attendance fees and travel expenses) amounted to EUR 141,031, broken down as follows:

SUPERVISORY BOARD REMUNERATION (INCLUDING ATTENDANCE FEES) IN EUR

Markus Beyrer, Chairman	1,800
Peter Michaelis, Chairman until April 28, 2011	26,200
Edith Hlawati, Deputy Chairman	20,279
Edgar Ernst	12,538
Erich Hampel	11,938
Günter Leonhartsberger	13,438
Chris E. Muntwyler	11,038
Markus Pichler, as of April 28, 2011	1,200
Gerhard Roiss, until April 28, 2011	15,600
Elisabeth Stadler, as of April 28, 2011	1,800
Karl Stoss, until April 28, 2011	16,200
Helmut Köstinger	3,000
Martin Palensky	1,200
Andreas Schieder	1,800
Manfred Wiedner	3,000
Total	**141,031**

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 are only entitled to receive attendance fees. They may only be discharged of their responsibilities by the Central Works Council, but this may occur at any time.

5. EXTERNAL EVALUATION

In accordance with Rule 62, Austrian Post submits to an external evaluation of its compliance with the Austrian Corporate Governance Code and the accuracy of its related public reporting every three years. The most recent appraisal carried out at the beginning of 2012 by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft did not discover any facts which contradict the declaration submitted by the Management Board and Supervisory Board with respect to the company's adherence to the C-Rules and R-Rules of the Austrian Corporate Governance Code for the 2011 financial year.

Vienna, March 1, 2012

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Rudolf Jettmar
Deputy Chairman of the Management Board
Chief Financial Officer

Walter Hitziger
Member of the Management Board
Director of the Mail & Branch Network Division

Peter Umundum
Member of the Management Board
Director of the Parcel & Logistics Division

REPORT OF THE SUPERVISORY BOARD OF AUSTRIAN POST ON THE 2011 FINANCIAL YEAR

Against the backdrop of the complete liberalisation of the letter mail market as of January 1, 2011, Austrian Post has had an extremely successful financial year. Efficiency improvements, persistent customer orientation and adjustments to the demands of a constantly changing market environment have been the main cornerstones of the corporate strategy of Austrian Post.

The Supervisory Board convened six times in the 2011 financial year, and was provided with timely and comprehensive information on all relevant issues relating to the business development of Austrian Post, including the risk situation, within the context of regular reporting by the Management Board. As a result of this reporting, the Supervisory Board supervised and supported the management activities of the Management Board on an ongoing basis.

Personnel changes
There were several changes in the composition of the Supervisory Board in the past financial year. Peter Michaelis, Gerhard Roiss and Karl Stoss vacated their positions on the Supervisory Board as at the end of the Annual General Meeting held on April 28, 2011. The Annual General Meeting elected Markus Beyrer, Markus Pichler and Elisabeth Stadler as their successors to serve on the Supervisory Board of Austrian Post for a period of four years. At the constituent meeting of the Supervisory Board, Markus Beyrer was elected as the new Chairman. Furthermore, Elisabeth Stadler and Markus Beyrer were elected to serve on the Audit Committee.

The Supervisory Board would like to take this opportunity to sincerely thank the retiring members for the intensive and good cooperation. Our special thanks go to Peter Michaelis for his longstanding commitment as Chairman of the Supervisory Board.

Priorities
At its meetings, the Supervisory Board focused on the following issues:

The Supervisory Board was informed in detail about the business development, financial position, profit and loss and cash flows of the Group, the personnel situation as well as investment projects as part of ongoing reporting at the meetings. As a result of this reporting, the Supervisory Board supervised and supported the management activities of the Management Board on an ongoing basis.

In an extraordinary meeting held in January, the Supervisory Board discussed the management structure of Austrian Post. It was resolved to merge the Mail and Branch Network divisions effective January 1, 2012 in order to further strengthen the competitiveness of the company.

The Supervisory Board meeting in March primarily dealt with the annual financial statements and consolidated financial statements of Austrian Post in 2011, preparations for the Annual General Meeting as well as issues pertaining to the Management Board. The Supervisory Board appointed Management Board member Walter Hitziger to serve as the new Director of the Mail & Branch Network Division as of January 1, 2012. In the same session, Walter Oblin was named to serve as the new Chief Financial Officer effective July 1, 2012. He will succeed Rudolf Jettmar, who will vacate his position on the Management Board as of June 30, 2012 due to retirement. The Supervisory Board would like to extend its thanks to Herbert Götz, former member of the Management Board who resigned, for the substantial role he played in the successful further development of the branch network.

Further priorities were reporting on the organisational and structural project “Org12” and the intensive discussions on the company’s business strategy. The Supervisory Board devoted considerable attention to the development of Group subsidiaries, in particular the trans-o-flex Group.

In four meetings, the Audit Committee duly carried out the responsibilities assigned to it. It monitored accounting processes, the audit and the effectiveness of the internal control system, the risk management system and the internal audit system. The quarterly results were discussed in detail. The Supervisory Board was continually provided with information about the results of the Audit Committee meetings. In accordance with Section 270 Para. 1a of the Austrian Commercial Code, Deloitte Audit Wirtschaftsprüfungs GmbH credibly demonstrated its impartiality towards the Audit Committee.

The Presidential Committee intensively focused on filling the two vacant Management Board positions. Meetings of the Executive Committee took place when required.

Consolidated and annual financial statements 2011
Deloitte Audit Wirtschaftsprüfungs GmbH was elected by the Annual General Meeting held on April 28, 2011 to serve as the auditors for the annual financial statements and consolidated annual financial statements of Austrian Post for the 2011 financial year.

The annual financial statements and consolidated annual financial statements of Austrian Post as at December 31, 2011 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH and were granted an unqualified auditor's opinion. The Management Report and Group Management Report are consistent with the company and consolidated annual financial statements. All documentation relating to the annual financial statements, the profit appropriation proposal as submitted by the Management Board, the Corporate Governance Report and the auditor's report were thoroughly discussed in the Audit Committee together with the auditors and subsequently presented to the Supervisory Board.

The Supervisory Board examined all the documents in accordance with Section 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 approved the annual financial statements for the 2011 financial year, which are hereby adopted in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act, and declares its acceptance of the IFRS consolidated financial statements, the Management Report, the Group Management Report and the Corporate Governance Report pursuant to Section 245a of the Austrian Commercial Code.

The Supervisory Board concurs with the Management Board's proposal to distribute a basic dividend of EUR 114,839,484.60 from the net profit amounting to EUR 134,615,591.53 and to carry forward the balance of EUR 19,776,106.93 to the new account.

Finally, the Supervisory Board would like to express its gratitude and appreciation to all the members of the Management Board as well as all employees for their valuable achievements in the past financial year. In particular, special thanks are owed to the customers and shareholders of Austrian Post for their confidence in the company.

March 14, 2012

Markus Beyrer m.p.
Chairman of the Supervisory Board

GROUP MANAGEMENT REPORT 2011

1. BUSINESS ENVIRONMENT AND LEGAL FRAMEWORK

1.1 ECONOMIC AND MARKET ENVIRONMENT

Overall economic growth in the eurozone reached 1.6% (IMF) in the 2011 financial year. The Austrian economy expanded at a faster rate than the European average, with GDP increasing by 3.2% (WIFO – Austrian institute of Economic Research). Whereas strong growth was reported at the beginning of the year, momentum significantly slowed down starting in the middle of 2011. This development is primarily attributable to the sovereign debt crisis in the eurozone, which will continue to have a dampening effect on the economy in 2012 as well. According to economic forecasts made by the Austrian Institute of Economic Studies (WIFO), the Austrian economy will only expand by 0.4% in 2012. In the light of the economic slowdown, raw material prices should also decline further in the course of 2012. This will reduce the inflation rate in Austria to about 2%, which in turn will cushion a further loss in purchasing power on the part of Austrian households. Therefore, private consumption is expected to grow by 0.8% and thus have a positive impact on the economy. In 2013, the Austrian economy is expected to once again profit from the general recovery of the global economy, but still only achieve a restrained economic growth rate of 1.6% (WIFO).

On balance, the global economy expanded by 3.8% during the period under review, with growth anticipated to reach a level of 3.3% in 2012. Due to the sovereign debt crisis, a slight decline in GDP is expected in the eurozone in 2012, though Germany will continue to post a positive economic growth rate of 0.3%. The expectations for the countries in Central and Eastern Europe are somewhat more optimistic, with the economies expected to expand by 1.1% on average (IMF).

In addition to the overall economic development, population growth and the increase in the number of households in a country are also important factors. In Austria, the population grew slightly in 2011. However, due to the trend towards single-person households, the number of households tended to increase at a faster rate (Austrian Statistical Office).

The fundamental trend towards electronic substitution of letter mail will continue. In particular, telecommunication and utility companies are trying to reduce physical mail volumes. The total volume of direct mail items is dependent on the intensity of advertising activities by companies. Although this market is subject to cyclically-based fluctuations, direct mail items have shown themselves to be an indispensable part of the marketing mix of the economy. The quarterly forecast published by ZenithOptimedia expects the advertising market in Western Europe to remain extremely robust despite the difficult economic environment. Advertising expenditures are predicted to increase by 2.0% in 2012, and even reach a stronger growth rate of 2.8% in 2013.

Parcel volumes are rising thanks to the growing importance of online shopping. The freight and express mail business could increase as a result of the improved economic situation and an expanded offering. The development of shipment volumes in the international parcel and freight business are considerably dependent on the strength of the economic upturn and trade flows as well as related price development. In this regard, parcel volumes tend to grow more strongly than the economy as a whole.

1.2 LEGAL FRAMEWORK

Based on the EU's Third Postal Directive, the Austrian legislator passed the new Postal Market Act, which took full effect as of January 1, 2011. The main changes are as follows:

Austrian Post's monopoly on transporting letter mail items weighing up to 50 grams was abolished on December 31, 2010. At the same time, as of January 1, 2011 Austrian Post will no longer receive any indirect compensation for the obligations arising in connection with fulfilling the Universal Service Obligation. Even after full-scale market liberalisation, Austrian Post remains the universal services provider guaranteeing high quality postal services throughout Austria.

The newly-defined Universal Service Obligation, as of 2011, limits the spectrum of basic services to mail items posted at the legally stipulated access points, i.e. postal service points or letterboxes. Postal services for mail items brought to sorting centres by large customers – with the exception of newspapers – are not considered to be an integral component of universal postal services. The regulatory authorities handed down a written decree defining the scope of universal postal services. Austrian Post has filed a complaint against this decision with the Austrian Administrative Court. Compensation for the net costs of providing universal postal services will take place on the basis of a public equalisation fund, which will be financed on a pro-rata basis corresponding to the market share held by Austrian Post and other licensed postal operators. However, only postal operators whose annual revenue derived from their licensed business operations exceed EUR 1.0m will be required to contribute to the equalisation fund. Moreover, the net costs incurred by Austrian Post in providing universal postal services will only be refunded if they comprise an excessively heavy financial burden, i.e. if these net costs exceed 2% of the entire annual costs incurred by Austrian Post.

Austrian Post is legally required to carry out the conversion of cluster box units and rural drop-off boxes and must finance the related costs in advance. The costs for exchanging these facilities will be partially refunded to Austrian Post on the basis of a legally prescribed allocation key. This obligation to convert the letterboxes and the regulations on sharing costs are the subject matter of the complaint filed by Austrian Post with the Austrian Administrative Court.

Since January 1, 2011, a licence must be obtained conferring the right to carry out postal delivery services for letters weighing up to 50 grams.

Since January 1, 2011, only those postal services encompassed in the legally prescribed Universal Postal Service Obligation are exempt from the Value Added Tax (VAT). Universal postal services whose terms and conditions are individually agreed upon are subject to the value added tax at standard rates. Thus, changes arose in the VAT treatment of postal items.

As of May 1, 2011, new General Terms and Conditions for letter mail services took effect, defining a simplified, customer-oriented product and service portfolio featuring format-based postal rates. The General Terms and Conditions were extensively evaluated and approved by the regulatory authority.

2. BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

2.1 CHANGES IN THE CONSOLIDATION SCOPE

Effective June 30, 2011, Austrian Post disposed of its 25.1% stake in Mader Zeitschriftenverlagsgesellschaft m.b.H. In addition, as of October 20, 2011, Austrian Post also acquired a 26% stake in the Romanian company PostMaster s.r.l., thus formally sealing its entry into one of Central and Eastern Europe's largest markets. The company will be consolidated at equity as an associated company in the consolidated financial statements of Austrian Post.

2.2 REVENUE AND EARNINGS DEVELOPMENT

For the following analysis of Austrian Post's revenue development, revenue in 2010 was adjusted for the meiller companies deconsolidated as of December 20, 2010. The deconsolidation of these companies reduced the comparable revenue of the Mail Division by EUR 98.0m in 2010. The joint venture MEILLERGHP established at the end of 2010, in which Austrian Post has a 65% stake, is consolidated at equity in the 2011 financial year.

Revenue on a comparable basis increased to EUR 2,348.7m in 2011, a rise of 4.2%. Revenue growth was generated in the Parcel & Logistics Division (+5.6%) and the Mail Division (+4.4%). In contrast, revenue of the Branch Network Division fell by 3.0% in the same period. There were 250 calendar working days in 2011, two working days fewer than in the previous year (252 calendar working days).

Revenue in the Mail Division rose to EUR 1,347.6m, an increase of 4.4% on a comparable basis. The ongoing substitution of letters by electronic media was in contrast to the positive effects related to the shifting of volumes

REVENUE BY DIVISION[1]

EUR m	2009	2010	2010 comparable basis	2011	%	Change 2010/2011 EUR m	Structure 2011
Total revenue[2]	**2,356.9**	**2,351.1**	**2,253.1**	**2,348.7**	**4.2%**	**95.6**	**100.0%**
Mail[2]	1,396.8	1,389.4	1,291.3	1,347.6	4.4%	56.3	57.4%
Parcel & Logistics	768.4	802.0	–	846.5	5.6%	44.6	36.0%
Branch Network	189.6	157.9	–	153.1	–3.0%	–4.7	6.5%
Corporate	4.4	5.1	–	5.4	7.1%	0.4	0.2%
Consolidation	–2.2	–3.1	–	–4.0	–29.6%	–0.9	–0.2%
Working days[3]	251	252	–	250	–	–	–

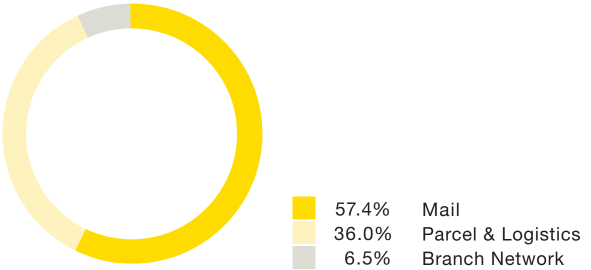
[1] External sales of the divisions
[2] Figures for 2010 and changes excl. meiller Group (pro-forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity
[3] Calendar working days in Austria

from parcel to letter mail services in e-commerce, additional revenue generated in the field of Mail Solutions as well as the new product portfolio and range of stamps introduced in May 2011. Moreover, the growth in revenue from addressed and unaddressed direct mail items clearly shows the resilient nature of the advertising industry, in which direct mailings provided by Austrian Post constitute an important component of its marketing mix.

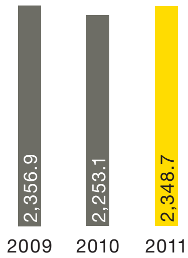
Revenue in the Parcel & Logistics Division climbed by 5.6% in 2011 to EUR 846.5m, due to rising volumes and against the backdrop of ongoing price pressure. Growth was generated in Austria as well as in the regions Germany/ Benelux and South East and Eastern Europe.

The organisational structure of the Branch Network Division is currently undergoing changes. Over the last 12 months, the number of third-party operated postal partner offices has risen from 1,117 to 1,258 as at the end of 2011. This change has affected the division's revenue and cost structure as well as the redefined partnership with BAWAG P.S.K.. Since January 1, 2011, revenue from the financial services business has been subject to a new cost-based compensation plan. Thus, the division's external sales were down 3.0% to EUR 153.1m.

REVENUE BY DIVISION %



REVENUE[1]
EUR m



[1] Figures for 2010 and changes excl. meiller Group (pro-forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity

INCOME STATEMENT

EUR m	2009	2010	2010 comparable basis	2011	%	Change 2010/2011 EUR m
Revenue[1]	**2,356.9**	**2,351.1**	**2,253.1**	**2,348.7**	**4.2%**	**95.6**
Other operating income[1]	89.6	90.5	87.2	74.6	–14.5%	–12.7
Raw materials, consumables and services used[1]	–766.1	–771.0	–712.5	–759.8	6.6%	47.3
Staff costs[1]	–1,139.3	–1,120.7	–1,086.9	–1,050.1	–3.4%	–36.8
Other operating expenses[1]	–277.0	–288.8	–278.7	–320.0	14.8%	41.3
Results of investments consolidated at equity	5.1	1.0	–	–10.6	–	–11.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**269.2**	**262.1**	**–**	**282.7**	**7.9%**	**20.6**
Depreciation and amortisation	–97.3	–96.4	–	–86.8	–10.0%	–9.7
Impairments	–22.4	–8.8	–	–27.6	213.7%	18.8
Earnings before interest and tax (EBIT)	**149.4**	**156.9**	**–**	**168.3**	**7.3%**	**11.4**
Other financial result	–24.6	–8.2	–	–5.2	36.7%	3.0
Earnings before tax (EBT)	**124.8**	**148.7**	**–**	**163.1**	**9.7%**	**14.5**
Income tax	–45.1	–30.3	–	–39.3	29.7%	9.0
Profit for the period	**79.7**	**118.4**	**–**	**123.8**	**4.6%**	**5.5**
Earnings per share (EUR)	1.18	1.75	–	1.83	4.6%	0.08

[1] Figures for 2010 and changes excl. meiller Group (pro-forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity

The revenue growth of 4.2% or EUR 95.6m on a comparable basis also affected the cost structure of the Group. Higher revenue and parcel volumes increased the purchase of external transport services carried out by parcel logistics subcontractors. Moreover, the increased reliance on postal partner offices led to an increase in the services used by the Group, though staff costs declined. As a consequence, operating expenses for raw materials, consumables and services used rose 6.6% on a comparable basis, to EUR 759.8m.

Staff costs on a comparable basis at EUR 1,050.1m were 3.4% below the prior-year level. Operational staff costs declined by EUR 28.0m to EUR 1,017.0m. Savings in operational staff costs were achieved by taking advantage of voluntary employee departures. On a comparable basis, the average number of employees fell by 673 year-on-year to 23,369 employees (full-time equivalents).

Non-operational staff costs, which amounted to EUR 33.0m in 2011, include all investments designed to achieve a sustainable improvement in the cost structure, such as structural measures, termination payments or staff-related provisions. For example, this includes termination payments of EUR 27.0m.

The non-operational staff costs of Austrian Post traditionally include high employee-related provisions such as the provisions for employee under-utilisation due to the specific employment situation at the company. They remained virtually constant at EUR 239.0m during the reporting period, including the cash-related use of EUR 22.7m in the 2011 financial year. This also includes provisions for tenured employees who cannot be integrated at all or only partly into normal business operations as well as employees who are likely to transfer to the federal public service.

This possibility to transfer to the federal public service is based on agreements reached with the Ministry of Internal Affairs in 2009 as well as with the Ministries of Finance and Justice in 2010, enabling employees to transfer to the federal government, whereas the staff costs for these employees will be borne by Austrian Post until June 2014. In 2011, a provision was allocated for a total of 108 people. The actual expense involved was EUR 14.1m during this period.

Other operating income fell by 14.5% on a comparable basis to EUR 74.6m. This was primarily due to lower proceeds from the disposal of property, plant and equipment, which only amounted to EUR 8.8m in 2011. Income from rents and leases of EUR 23.7m were at the same level as in the previous year.

Other operating expenses were up 14.8% on a comparable basis to EUR 320.0m. This increase is partly related to measures relating to the commercial realisation of the operating companies in Belgium and the Netherlands. Moreover, costs arose for the conversion to the new cluster box units which must be carried out by the end of 2012 in accordance with the stipulations of the Postal Market Act.

The result of the investments consolidated at equity totalling minus EUR 10.6m is primarily the consequence of the proportionate negative results of the joint venture MEILLERGHP. The company was subject to restructuring in 2011.

EBITDA BY DIVISION

EUR m	2009	2010	2011	Change 2010/2011 %	Change 2010/2011 EUR m
Total EBITDA	**269.2**	**262.1**	**282.7**	**7.9%**	**20.6**
Mail	271.1	274.9	322.8	17.4%	47.9
Parcel & Logistics excl. structural measures	20.5	37.0	37.3	0.7%	0.3
Parcel & Logistics	20.5	37.0	12.0	–67.6%	–25.0
Branch Network	–3.3	–24.8	–9.7	60.8%	15.1
Corporate	–19.4	–24.9	–42.3	–70.0%	–17.4

Earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post improved to EUR 282.7m in 2011, a rise of 7.9%. Accordingly, the EBITDA margin reached 12.0% and was at the upper end of the targeted range of 10-12%, as predicted.

Depreciation, amortisation and impairment losses of Austrian Post totalled EUR 114.4m in the reporting period. This figure consisted of depreciation and amortisation of EUR 86.8m (thereof EUR 73.1m for property, plant and equipment) as well as impairment losses of EUR 27.6m. Earnings before interest and tax (EBIT) of Austrian Post rose by 7.3% to EUR 168.3m, corresponding to an EBIT margin of 7.2%.

EBIT BY DIVISION

EUR m	2009	2010	2011	Change 2010/2011 %	Change 2010/2011 EUR m
Total EBIT	**149.4**	**156.9**	**168.3**	**7.3%**	**11.4**
Mail	221.1	234.9	295.7	25.9%	60.8
Parcel & Logistics excl. structural measures and impairment losses	–9.3	12.6	13.8	9.3%	1.2
Parcel & Logistics	–9.3	10.5	–28.3	–	–38.8
Branch Network	–9.2	–30.8	–17.8	42.3%	13.0
Corporate	–53.5	–57.7	–81.3	–41.0%	–23.6

All operating divisions improved their earnings during the period under review. EBIT of the Mail Division climbed to EUR 295.7m, and the Branch Network Division continued its restructuring efforts, concluding 2011 with an EBIT of minus EUR 17.8m, a significant improvement compared to minus EUR 30.8m in the previous year.

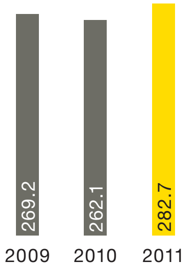
EBIT of the Parcel & Logistics Division amounted to minus EUR 28.3m in 2011. This includes impairment losses on goodwill and property, plant and equipment of EUR 16.8m as well costs for structural measures at the amount of EUR 25.3m, which includes deconsolidation effects of EUR 3.3m. These expenses were mainly related to the restructuring and commercial realisation of the subsidiaries in Belgium and the Netherlands. The disposal process initiated in the fourth quarter resulted in the assets and liabilities of these subsidiaries being classified as a disposal group held for sale. The valuation stipulated by IFRS 5 led to impairment losses and provisions, which are included in the recognised structural measures.

On a comparable basis, excluding structural measures and impairment losses, EBIT of the Parcel & Logistics Division actually rose by 9.3% to EUR 13.8m.

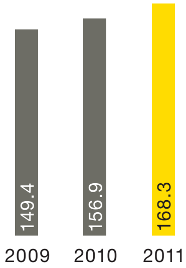
EBIT of the Corporate segment was down from minus EUR 57.7m in 2010 to minus EUR 81.3m in 2011. This difference can be attributed to higher income from real estate sales in the 2010 financial year as well as higher depreciation and amortisation in the reporting period. Moreover, the Corporate segment also encompasses non-allocated costs for central departments, expenses in connection with unused properties as well as changes in staff-related provisions and restructuring.

Earnings before tax rose 9.7% to EUR 163.1m. After deducting income taxes totalling EUR 39.3m, the Group net profit (profit after tax for the period) amounted to EUR 123.8m. This corresponds to earnings of EUR 1.83 per share for the 2011 financial year (+4.6%).

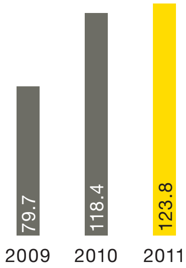
EBITDA
EUR m



EBIT
EUR m



PROFIT FOR THE PERIOD
EUR m



2.3 ASSETS AND FINANCES

Austrian Post pursues a risk-averse business approach. This is demonstrated by the high equity ratio, the low level of financial liabilities and the considerable amount of cash and cash equivalents invested with the least possible risk.

BALANCE SHEET STRUCTURE BY ITEM

EUR m	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	Structure Dec. 31, 2011
Assets				
Property, plant and equipment and intangible assets and goodwill	944.3	853.7	811.3	48.6%
Investment property	37.0	33.9	32.8	2.0%
Investments in associates	8.3	27.3	17.5	1.0%
Inventories, receivables and other assets	393.8	397.4	418.6	25.1%
Financial investments in securities	56.7	48.3	34.1	2.0%
Other financial assets	41.4	41.4	40.6	2.4%
Cash and cash equivalents	293.8	313.1	310.6	18.6%
Assets held for sale	0.0	0.0	2.8	0.2%
	1,775.3	**1,715.1**	**1,668.3**	**100.0%**
Equity and liabilities				
Capital and reserves	673.7	690.8	702.0	42.1%
Provisions	604.4	574.7	542.2	32.5%
Financial liabilities	126.8	79.1	29.2	1.8%
Payables and other liabilities	370.4	370.5	384.2	23.0%
Liabilities held for sale	0.0	0.0	10.6	0.6%
	1,775.3	**1,715.1**	**1,668.3**	**100.0%**

The analysis of the balance sheet of Austrian Post shows that assets, in addition to the two traditionally large items of property, plant and equipment and intangible assets and goodwill of EUR 811.3m, on the one hand, and inventories, receivables and other assets of EUR 418.6m on the other hand, also contain a considerable level of financial resources (cash and cash equivalents, investments in securities). On balance, Austrian Post had cash and cash equivalents of EUR 310.6m as at December 31, 2011, and financial investments in securities amounting to EUR 34.1m. Accordingly, the financial resources at the disposal of Austrian Post amounted to EUR 344.7m at the end of 2011. The payment of a dividend in May 2011 amounting to EUR 1.60 per share or a total of EUR 108.1m for the 2010 financial year was already taken into account. The investment policy of Austrian Post is based on the lowest possible risk.

Equity (capital and reserves) of the Austrian Post Group totalied EUR 702.0m as at December 31, 2011, corresponding to an equity ratio of 42.1%. On the equity and liabilities side, provisions amounting to EUR 542.2m, including the provisions for employee under-utilisation of EUR 239.0m, comprise one of the largest items corresponding to 32.5% of the balance sheet total. During the period under review, current and non-current financial liabilities were significantly reduced from EUR 79.1m to EUR 29.2m, which is related to the repayment of financial liabilities. Due to the fact that the existing financial resources on the balance sheet (EUR 344.7m) exceeds financial liabilities of EUR 29.2m by far, Austrian Post does not intend to make use of external funding nor does it require a credit rating at the present time.

BALANCE SHEET STRUCTURE BY TERM

EUR m	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	Structure Dec. 31, 2011
Assets				
Non-current assets	1,141.3	1,067.6	1,005.1	60.2%
thereof other financial assets and financial investments in securities	97.9	89.4	62.5	3.7%
Current assets	634.0	647.5	660.4	39.6%
thereof cash and cash equivalents	293.8	313.1	310.6	18.6%
Assets held for sale	0.0	0.0	2.8	0.2%
	1,775.3	**1,715.1**	**1,668.3**	**100.0%**
Equity and liabilities				
Capital and reserves	673.7	690.8	702.0	42.1%
Non-current liabilities	514.0	479.4	452.9	27.1%
thereof provisions	453.4	414.6	396.7	23.8%
Current liabilities	587.6	544.9	502.8	30.1%
thereof provisions	150.9	160.1	145.5	8.7%
Liabilities held for sale	0.0	0.0	10.6	0.6%
	1,775.3	**1,715.1**	**1,668.3**	**100.0%**

Total assets of Austrian Post amounted to EUR 1,668.3m. Non-current assets predominate on the asset side, accounting for 60.2% of total assets, or EUR 1,005.1m. The largest non-current asset items are property, plant and equipment, totalling EUR 587.5m, as well as financial investments in securities and other financial assets at EUR 62.5m. The principal current asset items are receivables, at EUR 323.2m, and cash and cash equivalents, at EUR 310.6m.

On the equity and liabilities side, the main items are capital and reserves, which make up 42.1% of the balance sheet total, followed by non-current liabilities (27.1%) and current liabilities (30.1%). Non-current liabilities of EUR 452.9m largely consist of provisions totalling EUR 396.7m. Current liabilities amounting to EUR 502.8m primarily relate to trade payables, at EUR 202.6m.

2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.4.1 LIQUIDITY/NET DEBT

EUR m	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011
Interest-bearing liabilities	**–629.5**	**–540.3**	**–471.6**
thereof financial liabilities	–126.3	–78.6	–29.2
thereof interest-bearing provisions	–497.3	–456.5	–437.6
Interest-bearing assets	**398.3**	**413.7**	**410.1**
thereof financial investments in securities	56.7	48.3	34.1
thereof cash and cash equivalents	293.8	313.1	310.6
Net debt	**–231.2**	**–126.6**	**–61.5**
Net debt/EBITDA ratio	**0.86**	**0.48**	**0.22**
Gearing ratio[1]	**34.3%**	**18.3%**	**8.8%**

[1] Gearing ratio = Net debt/capital and reserves

At the end of 2011, Austrian Post had a debt position of EUR 61.5m. This is defined as the difference between interest bearing assets (securities, other financial assets, and cash and cash equivalents) amounting to EUR 410.1m, and interest bearing liabilities (financial liabilities and other interest bearing liabilities, social capital and other provisions) of EUR 471.6m. As a consequence of the considerable reduction in financial liabilities, net debt was reduced by more than half on a year-on-year comparison. Accordingly, the ratio of net debt to EBITDA declined from 0.48 to 0.22 as at the end of December 2011. The gearing ratio was 8.8% at the end of the reporting period.

On the basis of the existing liquidity and the solid cash flow from operating activities, Austrian Post is able to self-fund its current financing requirements. The company does not plan to make use of borrowed capital at the present time.

Within the context of its dividend policy, Austrian Post aims to achieve a dividend payout ratio of at least 75% of the Group net profit attributable to equity holders of the parent company in coming years, assuming a continuation of the company's successful business development and that no extraordinary circumstances arise. The company also aims to distribute a sustainable dividend reflecting the earnings development going forward.

2.4.2 CASH FLOW

EUR m	2009	2010	2011
Operating cash flow before changes in working capital	**195.8**	**134.1**	**248.6**
+/- Cash flow from changes in net working capital	34.1	44.9	–20.4
= Cash flow from operating activities	**230.0**	**178.9**	**228.2**
+/- Cash flow from investing activities	6.9	–25.3	–65.8
= Free cash flow	**236.9**	**153.6**	**162.5**
+/- Cash flow from financing activities	–191.2	–134.4	–165.0
= Net change in cash and cash equivalents	**45.7**	**19.3**	**–2.5**

The operating cash flow before changes in working capital amounted to EUR 248.6m, significantly higher than in the previous year. Improved earnings, lower tax payments compared to the prior year and higher other non-cash transactions contributed to this development.

The cash flow from changes in net working capital amounted to minus EUR 20.4m during the period under review. This development can be primarily attributed to increased receivables, which are largely related to the new Value Added Tax regulation effective since the beginning of 2011.

The cash flow from investing activities was minus EUR 65.8m in 2011, including the purchase of property, plant and equipment (CAPEX) amounting to EUR 73.8m and proceeds from the disposal of property, plant and equipment of EUR 23.9m. Total free cash flow was EUR 162.5m, a rise of 5.8% from the prior year level of EUR 153.6m.

2.4.3 INVESTMENTS AND ACQUISITIONS

Capital expenditure at Austrian Post reached a level of EUR 92.0m in the 2011 financial year, of which EUR 81.0m were for investments in property, plant and equipment and EUR 11.0m for investments in intangible assets and goodwill. Whereas the additions to intangible assets mainly relating to software licences were stable on a year-on-year comparison, investments in property, plant and equipment and investment property rose considerably to EUR 81.0m, up from EUR 49.9m in the prior year. Investments mainly comprised the replacement of vehicles as well as diverse office equipment, fixture and fittings for sorting centres, delivery bases and post offices. These investments included, among others, delivery tables, access systems for delivery bases, various hardware components, branch office counters or office equipment. Accordingly, investments in office equipment, fixture and fittings comprised about 65% of the total capital expenditure.

Austrian Post continually strives to modernise its sorting facilities in order to fulfil the high-quality demands relating to delivery speed within Austria (95% of all letters delivered on the next working day, 90% of all parcels within two working days). In 2011, Austrian Post continued to focus on new delivery systems for unaddressed direct mail items, which will now be collected and bundled in a single advertising envelope. Therefore prepayments were made for so called collators at three sites in Austria. These high-tech machines can bundle advertising brochures fully automatically and thus very efficiently. In addition to replacement investments in flat sorters and various other investments in distribution logistics, the distribution centre in Slovakia is currently under construction (SPS in Zilina).

The particular investment measure relating to both new and replacement investments is subject to a detailed analysis. Replacement investments are first made if the newer technology enables increased productivity or a corresponding reduction in costs for the company's own or external personnel or the purchase of transport services, or if the investments come at the optimal time so that the life cycle costs, especially maintenance costs for existing property, plant and equipment exceed those for the newer facilities.

Investments are also subject to an internal approval and authorisation process by a committee during the planning as well as in the procurement phase. This committee consists of area or department managers, one or all members of the Management Board and the Supervisory Board of Österreichische Post AG (Austrian Post) depending on the total volume involved. In addition to actual and target comparisons, an investment review and evaluation takes place at the end of the investment phase, particularly in the case of large projects.

In addition to the return on investment (ROI), which serves as the main decision-making parameter for investments and acquisitions, the amortisation period and the present value are taken into consideration, both in the planning phase and in monitoring performance.

The cash inflow for the acquisition/sale of subsidiaries as well as associates was EUR 1.1m in 2011. Every acquisition presupposes a unified Group-wide selection process. The decision-making basis is a due diligence test followed by an evaluation by means of the discounted cash flow method.

In the twelve months to the end of 2011, the capital employed by Austrian Post declined by EUR 58.6m to EUR 708.9m. The return on capital employed thus improved from 19.3% to 22.8% during the year under review.

2.4.4 EARNINGS AND PERFORMANCE INDICATORS

	2009	2010	2011
EBITDA margin[1]	11.4%	11.6%	12.0%
EBIT margin[2]	6.3%	7.4%	7.2%
ROE[3]	13.9%	20.7%	21.3%
ROCE[4]	16.5%	19.3%	22.8%
Capital Employed (EUR m)	861.7	767.5	708.9

[1] EBITDA margin = EBITDA/revenue (2010 excl. meiller Group)
[2] EBIT margin = EBIT/revenue (2010 excl. meiller Group)
[3] Return on equity = Profit for the period/capital and reserves on January 1st less dividends paid
[4] Return on capital employed = EBIT/average capital employed

CAPITAL EMPLOYED

EUR m	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011
+ Intangible assets and goodwill	248.5	242.8	223.8
+ Property, plant and equipment	695.7	610.9	587.5
+ Investment property	37.0	33.9	32.8
+ Investments consolidated at equity	8.3	27.3	17.5
+ Investments in not consolidated companies	0.8	0.8	0.0
+ Inventories	22.3	16.3	14.4
+ Receivables[1]	321.1	319.4	324.8
+ Non-current assets held for sale	0.0	0.0	2.8
– Non-interest bearing debt	–472.1	–483.9	–494.7
	861.7	**767.5**	**708.9**

[1] Less interest bearing receivables

The aim of Austrian Post is to optimise the capital employed in accordance with specific conditions in the postal sector. Investments are carried out to enable increased productivity. Against this backdrop, investments are made extremely selectively and purposefully, primarily to enable productivity increases. Subsidiaries are being continually tested for impairment and written down in case there are indications of impairment. Shareholdings held in companies consolidated at equity are impacted by the ongoing profits/losses of the related stakes. The focus of Austrian Post's receivables management is to continually check the creditworthiness of customers in order to switch to advanced payment or payment in cash in case the customer is designated as a risk or to demand a bank guarantee. Furthermore, invoicing intervals are shortened depending upon the payment behaviour of the particular debtor. Management is regularly informed about the level of outstanding receivables in order to be able to take appropriate measures if necessary.

2.4.5 DELIVERY SPEED

Austrian Post aims to be a provider of high-quality postal services. In particular, prevailing legal regulations relating to the Universal Service Obligation stipulate the following high standards relating to delivery speed for letters and parcels: delivery of 95% of all letters on the next working day and 90% of all parcels within two working days. In 2011, Austrian Post managed to deliver 96.1% of all letters on the next working day, above the statutory level. With regard to parcel deliveries as defined by in the Universal Service Ordinance (primarily private parcels), Austrian Post delivered 94.2% of all parcels within two working days, once again surpassing the statutory target. Austrian Post also boasts an above-average delivery quality in European comparison with respect to international mail (inbound).

2.4.6 EMPLOYEES

During the period under review, the average number of full-time employees at Austrian Post fell by 2.8% from the prior-year figure, or 673 people, to 23,369. The workforce at all divisions declined with the exception of the Parcel & Logistics Division. Most of Austrian Post's labour force, namely 19,907 full-time equivalent employees, works for the parent company, Österreichische Post AG (Austrian Post). Approximately 3,500 people are employed by subsidiaries.

EMPLOYEES BY DIVISION (ANNUAL AVERAGE, FULL-TIME EQUIVALENTS)

	2009	2010	2010 comparable basis[1]	2011	Share %
Mail	15,232	14,841	13,914	13,667	58.5%
Parcel & Logistics	3,976	4,008	-	4,057	17.4%
Branch Network	4,719	4,274	-	3,815	16.3%
Corporate	1,994	1,846	-	1,830	7.8%
Total	**25,921**	**24,969**	**24,042**	**23,369**	**100.0%**

[1] Excl. meiller Group

2.4.7 PROFESSIONAL TRAINING AND CAREER DEVELOPMENT

The target group and competence-oriented training and professional development of employees comprise an important part of Austrian Post's human resources activities. The measures implemented consisted of specialised instruction, continuing education courses, coaching and training in all business areas of the company. In addition, Austrian Post attached great importance to the training of management staff within the framework of special executive training programmes. Intensive training programmes and further education courses were carried out in the Branch Network Division, for example branch manager training, telecom training and telecom sales colleges and training for postal partners to ensure the continuing improvement of the service offering in the branch offices as well as within the postal partner network. The Mail Division offered, amongst other courses, training for distribution managers, MS project and project management training. The Parcel & Logistics Division implemented executive training, sales management and language training, amongst other training programmes.

2.4.8 HEALTH AND OCCUPATIONAL SAFETY

Occupational safety, health protection and health care comprise key elements of Austrian Post's corporate policy. Motivated and productive employees are the backbone of the tried-and-trusted logistics concept that ensures the best possible service on behalf of customers. An indispensable prerequisite is a healthy and safe working environment. For this reason, Austrian Post attaches considerable importance to the health and safety of its employees. The main focal points of the company's multifaceted internal health care programme include training on safe and healthy workplace behaviour, tips on doing exercise, tobacco and alcohol abuse prevention, ensuring health promoting and ergonomic working conditions as well as creating workplaces tailored to the needs of disabled or older employees.

2.4.9 ENVIRONMENT

Austrian Post is aware of its responsibility to the environment. For this reason, it continually strives to identify optimisation potential in order to minimise its ecological footprint. In addition to comprehensive measures it implements on its own, Austrian Post also actively participates in projects such as the Greenhouse Gas Reduction Programme of the European association of public postal operators, PostEurop, as well as the Environmental Measurement and Monitoring System (EMMS) of the International Postal Corporation (IPC), which all aim to reduce greenhouse gas emissions.

In 2011, Austrian Post launched the initiative "CO_2 NEUTRAL DELIVERY". All letters, parcels and direct mail items were already delivered in a CO_2 neutral manner in Austria in 2011 without exception. This initiative is being implemented in a three-phase programme. The top priority is always to avoid emissions in the company's core processes. This particularly applies to its buildings and vehicle fleet, for example based on optimised route planning, a modern vehicle fleet and driver training in fuel-saving driving techniques as well as monitoring of energy consumption in buildings. In a second step, Austrian Post will rely on alternative sources of energy. In this regard, Austrian Post is planning to significantly expand its fleet of electric-powered vehicles in the coming years, depending on financial incentives and the suitability of the vehicles for postal operations. Moreover, as of 2012 Austrian Post will only be using "green electricity" (electricity generated from renewable energy sources), and is also evaluating the feasibility of constructing photovoltaic facilities on the roofs of its distribution centres. All greenhouse gas emissions which cannot be avoided at the present time will be compensated by support provided to recognised and certified climate protection projects with a high ecological and socioeconomic value. On balance, these efforts mean that the business operations of Austrian Post do not have any major negative effects on the global climate.

2.4.10 RESEARCH AND DEVELOPMENT/ INNOVATION MANAGEMENT

As a company, which exclusively focuses on providing services, Austrian Post does not carry out any conventional research and development activities. Product innovations arise on the basis of an ongoing analysis of market and customer requirements.

An important success factor in changing markets is the development and market launch of innovative products and the expansion of the existing product portfolio. In the 2011 financial year, Austrian Post implemented a broad range of innovative solutions in the field of online and other services. Moreover, in May 2011 it introduced a new simplified product portfolio with five tariff rates. Letter mail postage is no longer primarily based on weight but on size.

In the field of online services, Austrian Post mainly developed its solutions in the field of electronic mail, the online parcel stamp and online shop. The online services of Austrian Post are characterised by a high degree of security and trustworthiness. The new Mail Solutions business area is focusing on innovative system solutions to optimise the business and administrative processes of business customers, especially dual shipment and receiving (digital/physical), effective mailroom management, digital document processing and integrated printing services as well as effective CRM applications (geo-marketing, address management, etc.). These solutions together with innovative online services, are designed to ensure greater efficiency and flexibility and generally a more customer-oriented optimisation of communications processes. In this regard, 2011 marked the launch of the Post Manager, a platform for sensitive electronic documents and news. The Post Manager electronically and automatically collects registered letters, invoices or other important documents from various portals and presents them in a transparent manner. The documents are stored in a secure Austrian banking computer centre and are encrypted both during access and the storage process.

New self-service solutions were developed in the 2011 financial year within the context of a comprehensive service and quality drive focusing on private customers. This includes the post drop-off and pick-up boxes, which was very well received by customers in the course of pilot projects. In the field of logistics solutions, Austrian Post has continually developed tailor-made customer solutions in the field of warehousing and contract logistics as well as diverse "value added services".

2.5 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were changes in the segment structure and thus in the reporting logic of the Austrian Post Group as of January 1, 2012. The existing segments "Mail" and "Branch Network" were merged into a new segment, "Mail & Branch Network". The new segmentation reflects the strategic business areas of the Austrian Post Group, which in turn is the basis of its internal organisational, management and reporting structures.

In the 2011 financial year, Österreichische Post AG (Austrian Post) decided to dispose of its subsidiaries trans-o-flex Netherland B.V., Dordrecht and trans-o-flex Belgium B.V.B.A, Turnhout. Negotiations with potential buyers are currently taking place.

February 20, 2012 marked the signing of the acquisition of a 26% stake in the Bulgarian company M&BM Express OOD by Austrian Post. The company operates in the fields of hybrid mail, addressed and unaddressed mail items for business customers and printing. The purchase agreement stipulates an option for Austrian Post to acquire an additional 25% stake in 2013 and 2014, respectively.

3. PERFORMANCE OF DIVISIONS

3.1 MAIL DIVISION

Market environment in 2011
The market environment for letter mail and direct mail items confirmed the predicted trends for 2011. The substitution of letters by electronic media continued, and the volume decline in the course of the year was about 3%. The new product portfolio of Austrian Post offers considerably simplified handling based on the conversion from primarily weight-based to size-based postage rates as well as the ability of business customers to choose between “Premium” and “Economy” delivery.

The market for addressed and unaddressed direct mail items proved to be exceedingly robust in recent years. Although this segment is subject to cyclical fluctuations, advertising mail continues to be an indispensable part of the advertising mix of companies. Surveys of consumers and the development with large customers show that the use of direct mail is considered to be a highly attractive advertising tool generating high-quality responses. The volume development can be affected on a year-on-year comparison by one-off effects such as elections. The newspaper and magazine segment continues to develop in a stable way, whereas further growth potential is expected in the market for free newspapers.

Business development of the Mail Division in 2011

EUR m	2009	2010	2010 comparable basis	2011	%	Change 2010/2011 EUR m
External sales[1]	**1,396.8**	**1,389.4**	**1,291.3**	**1,347.6**	**4.4%**	**56.3**
Letter Mail	741.9	723.0	–	755.6	4.5%	32.6
Infomail[1]	521.4	531.0	433.0	454.3	4.9%	21.3
Media Post	133.5	135.3	–	137.7	1.7%	2.3
Internal sales	50.1	54.3	–	57.1	5.2%	2.8
Total revenue[1]	1,446.9	1,443.7	1,345.6	1,404.7	4.4%	59.1
EBITDA	**271.1**	**274.9**	**–**	**322.8**	**17.4%**	**47.9**
Depreciation and amortisation	–32.1	–34.8	–	–27.0	–22.4%	–7.8
Impairment losses	–17.9	–5.2	–	–0.1	–98.3%	–5.1
EBIT	**221.1**	**234.9**	**–**	**295.7**	**25.9%**	**60.8**
EBITDA margin[2]	18.7%	19.0%	20.4%	23.0%	–	–
EBIT margin[2]	15.3%	16.3%	17.5%	21.0%	–	–
Employees[3]	15,232	14,841	13,914	13,667	–1.8%	–247

[1] Figures for 2010 and changes excl. meiller Group (pro-forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity
[2] EBIT and EBITDA in relation to total revenue
[3] Average for the period, full-time equivalents

Business development in 2011
For the following revenue analysis, the revenue achieved in 2010 was adjusted to take account of the meiller companies, which were deconsolidated as at December 20, 2010. The deconsolidation of these companies reduced the comparable revenue of the Mail Division by EUR 98.0m in 2010. The joint venture MEILLERGHP established at the end of 2010, in which Austrian Post has a 65% stake, was consolidated at equity in 2011. On this basis, external sales of the Mail Division rose 4.4% or EUR 56.3m from the prior-year period.

Revenue generated by the Letter Mail Business Area improved by 4.5% on a year-on-year comparison, to EUR 755.6m. The ongoing substitution of letters by electronic media was offset by positive effects such as the shifting of volume from parcel to letter mail services in e-commerce, revenue growth in the field of Mail Solutions as well as the newly designed product and regular stamp portfolio launched in May 2011. The new option for business customers to choose either “Premium” or “Economy” products offers greater flexibility in selecting the desired delivery speed. Most customers decided in favour of the “Premium” products in 2011.

In the 2011 financial year, revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail) rose by 4.9% or EUR 21.3m on a comparable basis. This increase reflects the robust activity on the part of the advertising industry in 2011. Innovative solutions, for example individualised advertising mail, were well received by the market.

Revenue of the Media Post Business Area amounted to EUR 137.7m in 2011, a slight rise of 1.7%.

On balance, EBITDA of the Mail Division during the period under review improved to EUR 322.8m. Automation and efficiency enhancement measures resulted in a clearly pronounced cost discipline in 2011. As a result, EBIT of the Mail Division rose to EUR 295.7m.

3.2 PARCEL & LOGISTICS DIVISION

Market environment in 2011
The market environment impacting the parcel and logistics business in 2011 was basically shaped by positive volume developments. The business customer (B2B) segment reflected an improved economic situation, although competition remained extremely intense. In some cases, a shortfall in available transport capacities led to rising prices for purchased external services.

The specialised product of combined freight (parcels and pallets transported by one network) offered by Austrian Post especially showed growth rates in the health care/pharmaceutical sectors. This development was mainly attributed to the stronger focus in the industry on selected and high-quality logistics partners, which can also offer European-wide delivery if necessary. Moreover, the greater number of customer demands from both large customers and SMEs for integrated storage and distribution concepts confirm that a one-stop-shop approach for providing comprehensive services from a single provider (for example storage, display installation, distribution of goods on pallets and parcels) will be even more intensively promoted in the future.

Volume growth was also posted in the private customer (B2C) segment in Austria and Southeast-/Eastern Europe in 2011. The online mail order business proved to be the driving force behind this development.

Business development of the Parcel & Logistics Division in 2011

EUR m	2009	2010	2011	Change 2010/2011 %	Change 2010/2011 EUR m
External sales	**768.4**	**802.0**	**846.5**	**5.6%**	**44.6**
Internal sales	24.2	24.4	24.9	2.3%	0.6
Total revenue	792.6	826.4	871.5	5.5%	45.1
EBITDA before structural measures	**20.5**	**37.0**	**37.3**	**0.7%**	**0.3**
EBITDA	20.5	37.0	12.0	–67.6%	–25.0
Depreciation and amortisation	–25.7	–24.4	–23.5	–3.7%	–0.9
Impairment losses	–4.1	–2.1	–16.8	693.8%	14.7
EBIT before structural measures and impairment losses	**–9.3**	**12.6**	**13.8**	**9.3%**	**1.2**
EBIT	–9.3	10.5	–28.3	–	–38.8
EBITDA margin[1]	2.6%	4.5%	4.3%	–	–
EBIT margin[1]	–1.2%	1.5%	1.6%	–	–
Employees[2]	3,976	4,008	4,057	1.2%	49

[1] EBIT and EBITDA excl. structural measures and impairments related to total revenue.
[2] Average for the period, full-time equivalents

Business devopment in 2011
External sales of the Parcel & Logistics Division climbed 5.6% in 2011, to EUR 846.5m. The basis for this increase was the higher parcel volume for private customers due to an increase in e-commerce and for business customers despite price pressure in almost all markets.

The premium parcel segment (parcel delivery within 24 hours), which is mainly used in the business-to-business area, generated a revenue increase of 4.7% in 2011, to EUR 659.9m. The German subsidiary trans-o-flex accounted for about 60% of this revenue. Parcel volumes from business customers in Austria and in South East and Eastern Europe continued to develop very positively. Revenue growth was also achieved in Belgium and the Netherlands, but the negative earnings situation of the affected subsidiaries could not be improved despite the higher revenue. For this, Austrian Post initiated extensive structural measures in the end of 2011 in order to develop a new logistics solution for this region.

The standard parcels product segment used mainly for shipments to private customers also posted steady growth. Revenue rose by 3.8%, to EUR 166.8m.

Reported EBIT of the Parcel & Logistics Division amounted to minus EUR 28.3m in 2011. However, this includes impairment losses on goodwill and property, plant and equipment totalling EUR 16.8m as well as structural measures totalling EUR 25.3m, which in turn includes deconsolidation effects of EUR 3.3m. These expenses are primarily related to the restructuring as well as the commercial realisation of the subsidiaries in Belgium and the Netherlands. This disposal process, which was initiated in the fourth quarter, led to the assets and liabilities of these subsidiaries being classified as held for sale. The valuation stipulated by IFRS 5 led to impairment losses and provisions which are contained in the reported structural measures.

On a comparable operating basis, excluding the structural measures and impairment losses, EBIT of the Parcel & Logistics Division actually rose by 9.3% to EUR 13.8m.

3.3 BRANCH NETWORK DIVISION

Market environment in 2011
In addition to the core business of postal services, the Branch Network Division also markets telecommunications and retail products as well as banking services. The market environment in the Branch Network Division can thus be broken down into four markets:

Business development of the Branch Network Division in 2011

EUR m	2009	2010	2011	Change 2010/2011 %	Change 2010/2011 EUR m
External sales	**189.6**	**157.9**	**153.1**	**–3.0%**	**–4.7**
Internal sales	185.2	171.5	170.7	–0.5%	–0.8
Total revenue	374.8	329.3	323.8	–1.7%	–5.5
EBITDA	**–3.3**	**–24.8**	**–9.7**	**60.8%**	**15.1**
Depreciation and amortisation	–5.9	–5.9	–5.5	–6.7%	–0.4
Impairment losses	0.0	0.0	–2.5	–	2.5
EBIT	**–9.2**	**–30.8**	**–17.8**	**42.3%**	**13.0**
EBITDA margin[1]	–0.9%	–7.5%	–3.0%	–	–
EBIT margin[1]	–2.5%	–9.3%	–5.5%	–	–
Employees[2]	4,719	4,274	3,815	–10.7%	–459

[1] EBIT and EBITDA in relation to total revenue
[2] Average for the period, full-time equivalents

With respect to postal services, the trend towards electronic substitution of letter mail by electronic media is continuing, resulting in a volume decline. In contrast, the positive volume effects in the parcels business counteract this development. With respect to financial services, they are subject to significant margin pressure as a result of the current low interest rates. Austrian Post's business activities in this segment were converted from a commission-based to a cost-based model at the beginning of 2011. The market environment for telecommunications products shows ongoing market saturation, both with respect to fixed line as well as mobile telephony. The emphasis is now on strengthening customer loyalty as a result of market stagnation and intensified cutthroat competition. The trend towards lower-priced prepaid products and non-binding mobile phone devices is continuing. A slightly positive trend is evident with respect to retail goods.

Business development in 2011

The enormous changes taking place in the branch network are reflected in the changed structure of postal service points. In a year-on-year comparison, the number of third-party operated postal partner offices increased during the last twelve months by 141 to a total of 1,258 at the end of 2011. On balance, Austrian Post has more than 1,880 postal service points. This change also affects the revenue and cost structure of the Branch Network Division, as does the contractually redefined partnership with Austrian Post's banking partner BAWAG P.S.K. Since the beginning of 2011, financial services are no longer based on commissions but compensated primarily on the basis of the actual costs incurred.

In 2011, external sales of the Branch Network Division fell by 3.0% to EUR 153.1m, which is related to declining sales of retail and telecommunications products. Internal sales i.e. postal services provided by the branch network also decreased slightly once again. The volume of letters posted via the branch network is generally declining, due to the fact that Austrian Post is increasingly picking up letters directly from large customers within the context of the enhanced services offered by the company. However, the restructuring of operations in the branch offices has had a positive impact. Loss-making and inefficient structures are being eliminated or streamlined and fixed costs are being reduced. As a result, EBIT increased by EUR 13.0m from the prior-year level, to minus EUR 17.8m.

4. EXPECTED BUSINESS DEVELOPMENT/ OUTLOOK AND RISKS OF THE COMPANY

4.1 OUTLOOK 2012

In 2012, Austrian Post assumes that its business development will continue to be impacted by two main factors: the structural change in the letter mail business and the overall economic situation. Against this backdrop, the company expects a stable or slightly positive development of Group revenue for the 2012 financial year following the strong revenue growth of 4.2% in 2011. Austrian Post's medium-term growth target of 1-2% per year remains unchanged.

The structural change is manifested by the steady decline in addressed letter mail volumes. Austrian Post expects the decrease to amount to 3-5% p.a., reflecting international trends. In contrast, increasing e-commerce will ensure ongoing growth in the transported parcel volumes, especially in the private customer segment.

The dampened economic forecasts for 2012 could lead to restrained private consumer activity but also impact the advertising industry. However, Austrian Post expects that direct mail items, the most efficient advertising tool, will continue to maintain its importance as part of the marketing mix of companies. Against this backdrop, Austrian Post assumes it will succeed in maintaining its strategic path and also achieving its operating targets, even in the face of a difficult market environment.

One focal point of the Group is to enhance the profitability of the services offered, especially in business areas which have been performing below expectations. With respect to sustainable earnings development, Austrian Post confirms the targeted EBITDA margin in the range of 10% to 12%. The company is also striving to achieve a further improvement in earnings before interest and tax (EBIT).

The operating cash flow generated by Austrian Post will continue to be prudently used mainly to finance sustainable efficiency improvements and future-oriented investments. In terms of its financing requirements, Austrian Post anticipates total capital expenditure to reach a level of about EUR 80-90m in 2012. This will primarily focus on replacement investments in existing facilities as well as the continuous modernisation and efficiency enhancement, for example on the basis of a new sorting technology for direct mail items. Acquisitions are possible to round off and safeguard Austrian Post's core business. However, no major acquisitions are expected at the present time.

The Management Board of Austrian Post will propose to the upcoming Annual General Meeting scheduled for April 17, 2012 to distribute a dividend of EUR 1.70 per share for the 2011 financial year. The current attractive dividend policy will be continued based on a solid balance sheet structure and suitable cash flow generation. Austrian Post aims to achieve a dividend payout ratio to shareholders of at least 75% of Group net profits. The dividend should develop further in line with Group net profits assuming a continuation of the company's good business development.

4.2 MAIN RISKS AND UNCERTAINTIES

4.2.1 RISK MANAGEMENT

Austrian Post operates a comprehensive risk management system integrating all business units and subsidiaries. Risks are identified and evaluated in their overall context according to unified criteria and documented by a Group-wide risk management system.

Group-wide risk management reports about risks and their development to the Management Board on a quarterly basis or ad-hoc in the case of substantial risks which unexpectedly arise. The Supervisory Board and its Audit Committee are regularly informed about the status of the company's risk management.

The main identifiable risks Austrian Post is exposed to will be described in greater detail below. However, from today's perspective, none of the risks threaten the continuing existence of the company.

4.2.2 STRUCTURE OF EMPLOYMENT CONTRACTS

A large number of Austrian Post employees have the status of civil servants, which means that they are subject to public sector employment laws and all their particular features. This leads to complications in respect to existing labour regulations. For this reason, the prevailing legal regulations do not allow the company to make capacity adjustments for most of its employees in the event of declines in volumes. Moreover, no reductions in wage or salary levels are permitted in case of less favourable market conditions. Accordingly, laws governing the employment of civil servants generally lead to considerably reduced flexibility in terms of costs. Within the context of its preparations for a liberalised postal market, Austrian Post is increasingly confronted with the limits of its flexibility with regard to making good use of the civil servants it employs. The solution to this problem is the key to the discussions being held with political decision makers.

Changes made to the Postal Services Structure Act of 1996 (Poststrukturgesetz) and ongoing changes in civil service laws, to the extent that these new regulations do not take the special competitive situation of Austrian Post into account, could result in an additional burden on Austrian Post and additional costs to be borne by the company over which it has no influence.

Austrian lawmakers take the view that the applicability of the pension fund agreement concluded for civil servants in 2008 extends to the civil servants working for Austrian Post. This could lead to higher staff costs on the part of Austrian Post if, in fact, the company is obliged to implement the stipulations contained in this agreement.

According to the Postal Services Structure Act of 1996, changes in civil service laws for civil servants are fundamentally applicable to those civil servants working for Austrian Post. Thus, revisions to civil service laws could have a direct effect on the cost structure of the company. In principle, further risks arising from varying interpretations of the Postal Services Structure Act cannot be excluded. However, as things stand at present, no further claims against Austrian Post can be enforced in this regard.

Comprehensive measures have been taken to improve the qualifications of Austrian Post's employees. 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 mail, parcel, newspaper delivery and advertising distribution businesses, companies belonging to the Austrian Post Group also make use of self-employed subcontractors who sometimes come from other EU member states to distribute shipments. The qualification of the activities of subcontractors as independent service providers depends on the specific circumstances prevailing in the individual cases, which are evaluated by taking account of the overall context.

It cannot be excluded that the responsible courts and administrative authorities may determine the unacceptability of this form of employment in individual cases, and subsequently impose administrative penalties and/or other administrative or commercial sanctions.

Legal conflicts relating to the existence or non-existence of consecutive temporary employment contracts could potentially have a considerable financial impact. Austrian Post strives to minimise such risks on the basis of appropriate contractual agreements.

4.2.3 TECHNICAL RISKS

To a significant degree, Austrian Post is dependent upon its 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 made extensive investments in recent years designed to modernise its distribution network. In this regard, the performance of the company is closely linked with the efficiency of a small number of key operational sites. Should the case arise that technical systems temporarily or permanently fail or should unauthorised data access or data manipulation occur or should there be collective strikes for longer periods, this could potentially lead to disruptions in Austrian Post's business operations, a loss of reputation, customer defections or additional expenses. A broad range of safety and security measures, processes and guidelines have been developed as a means of dealing with all these technical and operational risks, making provision for the various contingencies in order to ensure smooth business operations. Austrian Post is pursuing an outsourcing strategy to fulfil its computing and data processing requirements. Austrian Post ensures the availability of outsourcing resources by its service level management as well as by concluding appropriate contractual agreements. Contractual partners are required to show proof of relevant and valid certifications.

4.2.4 REGULATORY AND LEGAL RISKS

Austrian Post generates a considerable proportion of its revenues in the reserved area of postal services. The full-scale liberalisation of the Austrian postal market took effect on January 1, 2011. This development carries the risk of future shifts in market share. The legal framework for the full-scale liberalisation of the postal sector was defined in the new Postal Market Act, which fully came into effect on January 1, 2011. In many cases, this Postal Market Act does not prescribe equal treatment between Austrian Post and its competitors, but places an additional burden on Austrian Post.

The Universal Postal Service Obligation requires Austrian Post to provide standardised postal services of comparable quality across the country, and ensure a nationwide distribution network of at least 1,650 postal service points. Austrian Post is only allowed to convert company-operated post offices manned by its own staff to postal partner offices following a regulatory approval process. The possibility that Austrian Post will be required to continue operating unprofitable postal branches, at least in the short term, cannot be excluded.

The Postal Market Act stipulates that Austrian Post is the only postal services provider in Austria required to provide Universal Postal Services. Compensation for the net costs of providing Universal Postal Services will take place on the basis of a public equalisation fund, which will be financed on a pro-rata basis corresponding to the market share held by Austrian Post and other licensed postal operators. Only postal providers whose annual revenue derived from their licensed business operations exceeds EUR 1m will be required to contribute to the equalisation fund. Moreover, the net costs of providing Universal Postal Services will only be refunded in case these costs exceed 2% of the entire annual costs incurred by Austrian Post. Assuming that Austrian Post continues to have a significant market share even after the full liberalisation of the postal sector, it will be obliged to assume the lion's share of the net costs for providing Universal Postal Services and administering the equalisation fund.

The Postal Market Act also requires Austrian Post to convert existing cluster box units in the period January 1, 2011 to December 31, 2012 in order to make them accessible to competitive postal providers. 90% of the costs to be shared by Austrian Post and the other licensed postal providers will be based on market share, and only 10% will be related to the actual number of licensed postal operators. Assuming that Austrian Post maintains a high market share, it will also be required to bear the burden of financing the entire conversion of the cluster box units. This obligation to convert the cluster box units and the regulations relating to the sharing of costs are the subject of legal proceedings filed by Austrian Post at the Austrian Constitutional Court.

The possibility of significant downward pressure on future earnings cannot be excluded, if the process of postal sector liberalisation is not accompanied by uniform regulations relating to employment contracts and performance standards applying to both Austrian Post and its competitors, and if no adequate compensation for universal postal services is forthcoming.

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 did indeed happen, 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 at regulated prices in less lucrative business segments. This could also potentially lead to adverse effects on earnings.

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

The regulatory authorities defined the scope of Universal Postal Services on the basis of a formal written decision. In this regard, differing legal opinions exist between Austrian Post and the regulatory authorities, for which legal proceedings are pending at the Austrian Constitutional Court. A difference in the definition of the limits to Universal Postal Services could be reflected in the market-oriented structure of the product portfolio and pricing policies.

Austrian Post is subject to legal restrictions by regulatory authorities in setting its business terms and conditions (including postal rates) in providing universal postal services. For this reason, the company only has limited flexibility to impose price adjustments for the Universal Postal Services as a means of reacting to market changes. Moreover, since January 1, 2011 exemptions to the value-added tax (VAT) have only applied to postal services defined as universal services in accordance with the

Universal Postal Service Obligation. The VAT exemption does not apply to services for which terms and conditions are individually determined. The above-mentioned decision on the part of regulatory authorities has led to some changes with respect to the definition of universal services and thus the fiscal treatment of postal items. In addition, tax authorities could have differing views on the VAT treatment of postal services and the scope of tax exemptions for universal postal services. If an external audit was required to determine any subsequent payments of Value Added Tax, this could result in a default risk due to the fact that customers will only partially be able to pay the subsequently invoiced Value Added Tax.

In the European postal business, the account settlement system known as the "Agreement for the Remuneration of Mandatory Deliveries of Cross-Border Mails" (REIMS III and IV) is replacing the former system adopted by the Universal Postal Union. REIMS III and IV comprise agreements governing terminal dues for cross-border postal services, but not all European postal companies are committed to complying with. Austrian Post withdrew from REIMS IV effective January 31, 2011, and signed REIMS V valid as of January 1, 2012. The signatories assume that this agreement – similar to its predecessors (REIMS II, III and IV) – will be exempted from antitrust regulations stipulated in Article 81 Para. 3 of the EU Treaty. At present, negotiations are taking place to conclude bilateral or multilateral agreements with other European postal companies which have not signed REIMS V to regulate the invoicing of cross-border postal services after December 31, 2012.

Beyond the regulatory environment governing 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 with regard 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 as far as possible any potential adverse effects on earnings resulting from regulatory and legal risks, Austrian Post strives to expand its value added chain and product portfolio 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 increased revenue in the already liberalised areas.

4.2.5 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.

Within the context of its international expansion, Austrian Post has recognised a considerable level of goodwill and non-limited-life assets in the balance sheet. Pursuant to IAS 36, goodwill is subject to an impairment test at least once annually. If there are indications of impairment, goodwill must be written down.

4.2.6 MARKET AND COMPETITIVE RISKS

Austrian Post generates most of its revenue in Austria. If current economic growth forecasts have to be revised downwards, this would force a change in the planning assumptions upon which the company operates and thus limit expected revenues.

In addition, the company generates a considerable share of its revenue from a small number of large customers. The sustained and successful existence of these large customers is an important prerequisite in ensuring the stable development of Austrian Post. Large customers are not contractually required to have their mail handled by Austrian Post, and could decide on a medium-term basis to contract the delivery of at least part of their mail items to competitors within the postal services market.

Traditional letter mail is being increasingly replaced by e-mail or other electronic media. The increasing electronic substitution of letter mail and the trend towards electronic mail delivery were intensified by the economic crisis in recent years, and will likely continue in the future. This development could lead to a significant decline in mail volumes and earnings.

The letter mail and parcels business of Austrian Post is subject to increasing competition. In particular, the B2C parcel business, in which Austrian Post has a leading position in the Austrian market, is dependent on the economic development of its customers as well as increased competition, which arises on the basis of market penetration of alternative providers. The possibility of a further decline in revenue cannot be excluded. The company is working hard to maintain customer loyalty by offering an attractive range of services.

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, but above all, along the value chain. The possibility cannot be excluded that a change in legal regulations with regard to the delivery of government mail will put responsibility for delivering some of these mail items in the hands of competitors and not only Austrian Post. Diversifying business operations into different markets enables Austrian Post to more effectively spread or minimise risks in individual segments.

A key feature of Austrian Post's business strategy is to achieve growth through selective 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 investment requirements, acquisition costs as well as political, economic and legal factors. For this reason, all investments must be made in accordance with strict financial criteria. Earnings from financial services depend strongly on the market success of Austrian Post's cooperation partner BAWAG P.S.K., whereas its earnings from telecommunications products depend on the product structure of its cooperation partner Telekom Austria.

All the above-mentioned market and competitive risks could lead to significant volume decreases and thus to a corresponding drop in earnings.

5. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT WITH REGARD TO THE ACCOUNTING PROCESS

As an international postal and logistics services provider, Austrian Post is subject to a variety of 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 quickly implement suitable precautionary measures.

5.1 SCOPE OF MONITORING

The Group financial accounting system is comprised of the organisation joining the local-level accounting departments of Group companies and of Group Accounting at Austrian Post.

Group companies use the accounting and valuation rules in force in and for the Group as a whole to compile comprehensive and correct IFRS-compatible individual financial statements in a timely manner. These are then processed by Group Accounting. Group Accounting is responsible for the compilation of the consolidated financial statements. Primarily entailed in this is the structured transfer of the reporting data stemming from Group companies, the carrying out of consolidation and elimination measures, the processing and the preparing for analysis of the data compiled in the consolidated accounts.

The organisation structuring the preparation of the consolidated accounts is based upon a schedule requiring strict adherence. The deadlines in the schedule cover the entire year. Their publication is accompanied by the Group companies' receipt of an information bulletin issued by the Group on a quarterly basis, containing detailed information and Group guidelines on selected subjects relating to the compilation of quarterly accounts. The deadlines established for the compilation and publication of monthly and quarterly accounts determine the schedules of resource planners for the compilation of accounts and for the preparation of reports undertaken by both local-level organisational units and by Group Accounting.

5.2 RISK ASSESSMENT

To avoid erroneous depictions of transactions, measures comprised of a hierarchy of individual levels and designed to secure quality have been implemented. Their objective is to ensure the proper reporting of the IFRS accounts compiled for individual companies and incorporated into consolidated financial statements. These measures include the automatic checks (validations) performed in SAP SEM-BCS as well as the controlling procedures undertaken by staff members working for both subsidiaries and Group Accounting.

Group Accounting takes the financial accounts compiled by the Group companies and subjects them to several levels of comprehensive plausibility and data checks. These are designed to ensure that the data depicting the transactions undertaken by the Group companies has been correctly reported and is thus suitable for consolidation and for the compilation of the Group's consolidated financial statements.

The carrying out of quality checks at all levels is a prerequisite for the authorisation of the Group's consolidated financial statements.

5.3 CONTROL MEASURES

The consolidated financial statements of Austrian Post are compiled on a monthly basis and use a simultaneous consolidation method carried out in SAP SEM-BCS. The entering of the notes to the accounts and the calculation of deferred taxation are also performed in SAP SEM-BCS.

The unified methods of accounting and evaluation applied throughout the Group are contained in the Group manual. Alterations in IFRS are monitored by Group Accounting on an ongoing basis and published on a quarterly basis as IFRS updates to the Group manual. The incorporation of the updates into the Group manual and publication of the updated version of it are carried out once a year.

In addition to the Group manual, there are guidelines on specialised approaches to such consolidated processes as alterations in the range of companies consolidated into the Group and as takeovers. Centralised processes for data entry and alteration have been defined for the master data area (which comprises SAP SEM positions, SAP Group account charts and customer data).

The consolidation processes are described in the consolidation manual, which provides a comprehensive overview of the processes to be employed when using SAP SEM-BCS to compile the Group's consolidated financial statements, of quality ensuring measures, and of the system of reporting used in Group Accounting. The consolidation of business operations forms the basis of the documentation and specification of the methods of consolidation used by Austrian Post.

SAP R/3 is predominantly used to compile the accounts for individual companies according to IFRS. The transition to IFRS is accomplished employing parallel (dual) SAP accounting. The transfer of reporting data in SAP SEM-BCS is undertaken using automatic uploads.

5.4 INFORMATION AND COMMUNICATIONS

For monitoring and control purposes, the consolidated financial statements are controlled on the basis of EBIT and earnings reconciliation. In this process, reconciliation from individual financial statements to Group financial statements is carried out, taking into account bookings as well as eliminations in the Group.

Top management is provided with preliminary data from the consolidated financial statements to enable them to fulfil their monitoring and control duties.

The following reports are issued in the context of preparing the consolidated financial statements:

- Reports to the Supervisory Board
- Interim reports
- Data analysis and evaluation
- Internal reports on the performance of subsidiaries and associates
- Abridged report

The preliminary and quarterly reports to the Supervisory Board are primarily for the Management Board and Supervisory Board of Austrian Post.

In addition to the reports for the Supervisory Board and the legally stipulated notes and interim financial reports pursuant to IAS 34, additional interim reports are prepared containing detailed comments on selected financial statement items, earnings reconciliations and performance indicators.

A key feature of the internal reporting system of the Austrian Post Group is data analysis and evaluation, primarily the calculation of the consolidated cash flow and detailed comments. Reporting also includes earnings, performance and liquidity indicators.

The controlling department of Austrian Post prepares monthly internal reports for the Management Board focusing on the business development of Austrian Post subsidiaries and associated companies.

The monthly condensed report provides an overview of key financial and performance indicators of the company. Based on the four strategic areas of action and the related benchmarks, indicators are prepared, especially on sales and staff data. The other internal reporting structure is oriented to the condensed report.

The Investor Relations department is in charge of reporting to shareholders of Austrian Post, in line with the stipulations contained in the Austrian Corporate Governance Code. Communications is carried via the Investor Relations website at www.post.at/ir as well as through direct discussions with investors. Published information is made available to all investors simultaneously. In addition to legally stipulated publications, i.e. the annual financial report and annual report, the interim report for the first quarter, half-year financial report, interim report for the first three quarters, investors are also provided with extensive additional information, including investor presentations, share price information, ad-hoc announcements and the financial calendar.

5.5 MONITORING

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 various divisions and business areas. The division-oriented organisation is structured into three operative divisions and five business areas as well as in central support 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 continuously identified and monitored, serving as the basis for determining appropriate risk management measures, e.g. backups or emergency plans.

A unified risk management system has been set up for the entire Austrian Post Group, encompassing all organisational units and important subsidiaries and an internal control system for important processes. This risk management system is basically oriented to the COSO Standard Enterprise Risk Management – Integrated Framework.

Additional key instruments to control and counteract risk include Group-wide guidelines for dealing with major risks, planning and control processes as well as ongoing reporting. These guidelines encompass, for example, the definition of limits and monitoring of adherence to these limits as well as compliance with internal rules designed to limit financial risks and the strict adherence to the principle of having two pairs of eyes oversee 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. Following the report to the Management Board containing the main indicators, there are also monthly performance reviews in the operating units, which provide additional information in line with the integrated planning and reporting process. In addition to vertical integration, the main feature of the planning and reporting process is the convergence between internal and external reporting. Moreover, reporting also focuses on the opportunities and risks related to the plausibility of reaching planning targets.

The Internal Control System (ICS) serves as part of the risk management system and encompasses risk-oriented procedures integrated into day-to-day business operations.

Accordingly, appropriate measures support project implementation or are carried out within the context of upstream or downstream operations. The ICS is based on precise information on accounting and financial reporting processes and also encompasses upstream processes.

Changes in the company's organisation and business processes have direct effects on the ICS, which must be directly adapted to actual conditions. The particular business unit is responsible for carrying out controls. The effectiveness of the ICS is regularly evaluated by Group Auditing.

6. INFORMATION PURSUANT TO SECTION 243A AUSTRIAN COMMERCIAL CODE

The share capital of Austrian Post amounts to EUR 337,763,190 and is divided into 67,552,638 non-par value shares. There are no voting rights restrictions or syndicate agreements applying to Austrian Post of which the company is aware.

Through Österreichische Industrieholding AG (ÖIAG), Austria's privatisation and industrial holding company, the Republic of Austria has a 52.8% shareholding in Austrian Post, based on the number of outstanding shares (a total of 67,552,638). Austrian Post is not aware of any other shareholders holding 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 with 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 Section 5 of the Articles of Association of Austrian Post, the Management Board was 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 non-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. This authorisation expired on March 17, 2011.

Conditional capital: pursuant to Section 5 of the Articles of Association of Austrian Post, the Management Board was authorised to issue interest bearing convertible bonds, involving conversion or subscription rights of 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 non-par bearer shares with voting rights. The modification of the Articles of Association was entered in the commercial register on April 21, 2006. This authorisation expired on April 20, 2011.

There are no significant contractual agreements to which the company is a party, which would take effect, cause major changes or expire in the event of a change in ownership resulting from a takeover. No compensation agreements exist between the members of the Management Board and Supervisory Board or with employees in case of a public takeover offer.

Vienna, March 1, 2012

The Management Board

Georg Pölzl
Chairman of the
Management Board

Rudolf Jettmar
Deputy Chairman of the
Management Board

Walter Hitziger
Member of the
Management Board

Peter Umundum
Member of the
Management Board

IFRS CONSOLIDATED FINANCIAL STATEMENTS 2011

CONSOLIDATED INCOME STATEMENT FOR THE 2011 FINANCIAL YEAR

EUR m	Note	2010	2011
Revenue	(7.1)	2,351.1	2,348.7
Other operating income	(7.2)	90.5	74.6
Total operating income		2,441.7	2,423.2
Raw materials, consumables and services used	(7.3)	–771.0	–759.8
Staff costs	(7.4)	–1,120.7	–1,050.1
Depreciation, amortisation and impairment losses	(7.5)	–105.2	–114.4
Other operating expenses	(7.6)	–288.8	–320.0
Total operating expenses		–2,285.8	–2,244.3
Profit from operations		**155.9**	**178.9**
Results of investments consolidated at equity	(8.5)	1.0	–10.6
Other financial result	(7.7)	–8.2	–5.2
Total financial result		**–7.2**	**–15.8**
Profit before tax		**148.7**	**163.1**
Income tax	(8.17)	–30.3	–39.3
Profit for the period		**118.4**	**123.8**
Attributable to:			
equity holders of the parent company		118.4	123.8
EUR			
Basic earnings per share	(7.8)	**1.75**	**1.83**
Diluted earnings per share	(7.8)	**1.75**	**1.82**
EUR m			
Profit from operations		155.9	178.9
Share of profit/loss of investments consolidated at equity	(8.5)	1.0	–10.6
Earnings before interest and tax (EBIT)		**156.9**	**168.3**

STATEMENT OF COMPREHENSIVE INCOME FOR THE 2011 FINANCIAL YEAR

EUR m	Note	2010	2011
Profit for the period		**118.4**	**123.8**
Currency translation differences	(8.12)	–0.8	–1.5
Revaluation of financial instruments held for sale	(8.12)	1.6	–4.2
Deferred taxes	(8.17)	–0.4	1.0
Revaluation of financial instruments hedging	(8.12)	–0.5	0.0
Deferred taxes	(8.17)	0.1	0.0
Other comprehensive income		**0.0**	**–4.6**
Total comprehensive income		**118.4**	**119.2**
Attributable to:			
equity holders of the parent company		118.4	119.2

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2011

EUR m	Note	Dec. 31, 2010	Dec. 31, 2011
Assets			
Non-current assets			
Goodwill	(8.1)	183.8	165.5
Intangible assets	(8.2)	58.9	58.2
Property, plant and equipment	(8.3)	610.9	587.5
Investment property	(8.4)	33.9	32.8
Investments consolidated at equity	(8.5)	27.3	17.5
Financial investments in securities	(8.6)	48.0	21.9
Other financial assets	(8.7)	41.4	40.6
Receivables	(8.9)	13.3	26.4
Deferred tax assets	(8.17)	49.9	54.6
		1,067.6	**1,005.1**
Current assets			
Financial investments in securities	(8.6)	0.2	12.3
Inventories	(8.8)	16.3	14.4
Receivables	(8.9)	317.9	323.2
Cash and cash equivalents	(8.10)	313.1	310.6
		647.5	**660.4**
Non-current assets held for sale	(8.11)	**0.0**	**2.8**
		1,715.1	**1,668.3**
Equity and liabilities			
Capital and reserves	(8.12)		
Share capital		337.8	337.8
Capital reserves		130.5	130.5
Revenue reserves		106.5	116.8
Revaluation of financial instruments		–1.8	–5.0
Currency translation reserves		–0.6	–2.0
Profit for the period		118.4	123.8
		690.8	**702.0**
Non-current liabilities			
Provisions	(8.13)	414.6	396.7
Financial liabilities	(8.15)	24.6	18.6
Payables	(8.16)	25.9	25.2
Deferred tax liabilities	(8.17)	14.2	12.4
		479.4	**452.9**
Current liabilities			
Provisions	(8.13)	135.1	132.8
Tax provisions	(8.14)	25.0	12.7
Financial liabilities	(8.15)	54.5	10.6
Payables	(8.16)	330.3	346.6
		544.9	**502.8**
Non-current liabilities held for sale	(8.11)	**0.0**	**10.6**
		1,715.1	**1,668.3**

CONSOLIDATED CASH FLOW STATEMENT FOR THE 2011 FINANCIAL YEAR

EUR m	Note	2010	2011
Operating activities			
Profit before tax		148.7	163.1
Depreciation, amortisation and impairment losses	(7.5)	105.2	114.4
Results of investments consolidated at equity	(8.5)	–1.0	10.6
Write-ups, write-downs of financial instruments	(7.7)	0.0	0.4
Non-current provisions		–35.3	–17.6
Gain/loss on the disposal of non-current assets		–22.5	–5.4
Gain/loss on the disposal of financial instruments		0.0	0.7
Taxes paid		–61.9	–42.0
Net interest received/paid		0.7	–2.2
Currency translation		–0.7	–0.9
Other non-cash transactions	(9.1)	0.8	27.5
Operating cash flow before changes in working capital		**134.1**	**248.6**
Changes in net working capital			
Receivables		–5.5	–21.7
Inventories		2.3	–0.3
Current provisions		22.3	–2.3
Payables		25.7	3.9
Cash flow from changes in net working capital		**44.9**	**–20.4**
Cash flow from operating activities		**178.9**	**228.2**
Investing activities			
Purchase of intangible assets		–7.8	–11.0
Purchase of property, plant and equipment and investment property		–45.5	–73.8
Proceeds from the disposal of non-current assets		27.4	23.9
Acquisition/disposal of subsidiaries	(9.1)	–12.5	–0.4
Acquisition/disposal of investments consolidated at equity		–0.3	1.5
Acquisition of financial investments in securities		0.0	–15.1
Proceeds from the disposal of financial investments in securities		10.0	25.1
Dividends received from investments consolidated at equity	(8.5)	0.2	1.6
Loans granted		0.0	–23.3
Interest received		3.1	5.7
Cash flow from investing activities		**–25.3**	**–65.8**
Free cash flow		**153.6**	**162.5**
Financing activities			
Changes in financial liabilities		–29.3	–53.4
Dividends paid		–101.3	–108.1
Interest paid		–3.8	–3.5
Cash flow from financing activities		**–134.4**	**–165.0**
Net change in cash and cash equivalents		**19.3**	**–2.5**
Cash and cash equivalents at January 1		293.8	313.1
Cash and cash equivalents at December 31		**313.1**	**310.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2010 financial year				Revaluation of financial instruments				
EUR m	Share capital	Capital reserves	Revenue reserves	Held for sale	Hedging	Currency trans-lation reserves	Profit for the period	Consoli-dated equity
Balance at January 1, 2010	**337.8**	**130.5**	**128.2**	**–3.0**	**0.3**	**0.2**	**79.7**	**673.7**
Dividends paid			–21.6				–79.7	–101.3
Profit for the period							118.4	118.4
Other comprehensive income			0.0	1.2	–0.3	–0.8	0.0	0.0
Total comprehensive income	**0.0**	**0.0**	**0.0**	**1.2**	**–0.3**	**–0.8**	**118.4**	**118.4**
Balance at December 31, 2010	**337.8**	**130.5**	**106.5**	**–1.8**	**0.0**	**–0.6**	**118.4**	**690.8**

2011 financial year				Revaluation of financial instruments				
EUR m	Share capital	Capital reserves	Revenue reserves	Held for sale	Hedging	Currency trans-lation reserves	Profit for the period	Consoli-dated equity
Balance at January 1, 2011	**337.8**	**130.5**	**106.5**	**–1.8**	**0.0**	**–0.6**	**118.4**	**690.8**
Changes in reserves			10.3				–10.3	0.0
Dividends paid							–108.1	–108.1
Profit for the period							123.8	123.8
Other comprehensive income				–3.1	0.0	–1.5		–4.6
Total comprehensive income	**0.0**	**0.0**	**0.0**	**–3.1**	**0.0**	**–1.5**	**123.8**	**119.2**
Balance at December 31, 2011	**337.8**	**130.5**	**116.8**	**–5.0**	**0.0**	**–2.0**	**123.8**	**702.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2011 FINANCIAL YEAR

1. BASIS OF PREPARATION

Österreichische Post AG (Austrian Post) and its subsidiaries are logistics and service companies in the letter mail and parcel segments. Austrian Post's core business activities include post and parcel services, combined freight and specialised logistics, as well as the processing of financial transactions in cooperation with the bank BAWAG P.S.K. Moreover, the range of services encompasses data and output management as well as document collection, digitalisation and processing.

The headquarters of Austrian Post are in Wien, Austria. The mailing address is Austrian Post, Haidingergasse 1, 1030 Wien. The company is registered in the company register at the Wien Commercial Court under the registry number FN 180219d.

2. SUMMARY OF ACCOUNTING PRINCIPLES

The consolidated financial statements of Austrian Post for the 2011 financial year have been prepared in accordance with the binding International Financial Reporting Standards (IFRS) valid as at December 31, 2011, as issued by the International Accounting Standards Board (IASB) and adopted by the European Union. These consolidated financial statements of Austrian Post correspond to the valid and applicable IFRS as at December 31, 2011, as published by the IASB.

In the 2011 financial year, the following new or revised standards and interpretations were binding for the first time:

New standards and interpretations		Effective date in the EU[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

Revised standards and interpretations		
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters	July 1, 2010
IAS 24	Related Party Disclosures	Jan. 1, 2011
IAS 32	Financial Instruments: Classification of Rights Issues	Feb. 1, 2010
IFRIC 14	Prepayment of a Minimum Funding Requirement	Jan.1, 2011
Diverse	Annual Improvements to IFRS 2010	Jan. 1, 2011

[1] To be applied in the financial year beginning on or after the effective date

IFRIC 19 specifies IFRS requirements when a company partially or fully extinguishes financial liabilities by issuing shares or other equity instruments. No such case exists at Austrian Post at present.

The amendment to IFRS 1, which stipulates specified exemptions for companies which adopt IFRS for the first time, is not applicable due to the fact that Austrian Post is not a first time adopter of IFRS.

The revised version of IAS 24 is designed to clarify the definition of related parties and to exempt government related entities from providing specified disclosures of related party transactions. The standard defines public entities as government bodies. Austrian Post Group is generally affected by the change to IAS 24, due to the fact that the Republic of Austria owns 52.8% of the shares of Austrian Post via

Österreichische Industrieholding AG (ÖIAG). Thus, the Republic of Austria and the entities in which it exercises a controlling influence are considered to be related parties of Austrian Post. However, IAS 24 still stipulates the need to provide comprehensive information, particularly relating to significant business transactions, which will continue to be included in the consolidated financial statements of Austrian Post Group.

The revised IAS 32 includes, amongst other changes, the accounting for pre-emptive rights, options and warrants in relation to the acquisition of a fixed number of equity instruments from the issuer in a different currency from the functional currency. The revised reporting guidelines contained in IAS 32 do not have any effect on the assets, liabilities, financial position and profit or loss of Austrian Post Group at the present time, as no pre-emptive rights, options and warrants in foreign currencies have been issued.

Based on the guidelines contained in IAS 19.58, assets derived from a defined benefit plan can only be recognised if a future economic benefit is to be expected from claims to reduce or refund payment contributions. IFRIC 14 clarifies when such future advantages can be considered to be available. Changes to IFRIC 14 do not have any effect on the consolidated interim financial statements of Austrian Post at the present time.

Small-scale adjustments were made to existing standards and interpretations within the context of the annual "Improvements to IFRS". These changes do not have any material effect on the consolidated financial statements of Austrian Post at the present time.

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

3. CONSOLIDATION SCOPE

In addition to the parent company Österreichische Post AG (Austrian Post), a total of 25 domestic subsidiaries (December 31, 2010: 23) and 33 foreign subsidiaries (December 31, 2010: 33), in which the company directly or indirectly holds a majority of the voting rights, are included in the consolidation. Furthermore, 3 domestic companies (December 31, 2010: 4) and 4 foreign companies (December 31, 2010: 3) are consolidated at equity.

Changes in the consolidation scope
The following consolidation group changes were carried out in the 2011 financial year:

Company name	Interest from	Interest to	Date of transaction	Note
Mail				
Post vier Beteiligungs GmbH (R-Electronic-Bill-Presentment Beteiligungs GmbH)[1]	–	100.0%	Jan. 1, 2011	Merger
Mader Zeitschriftenverlagsgesellschaft m.b.H.	25.1%	–	June 30, 2011	Disposal of interest
Post sechs Beteiligungs GmbH	–	100.0%	Oct. 6, 2011	Incorporation
Post sieben Beteiligungs GmbH	–	100.0%	Oct. 6, 2011	Incorporation
Post acht Beteiligungs GmbH	–	100.0%	Oct. 14, 2011	Incorporation
PostMaster s.r.l.	–	26.0%	Oct. 20, 2011	Acquisition

Company name	Interest from	to	Date of transaction	Note
Parcel & Logistics				
Distributions GmbH Bergkirchen	–	100.0%	Aug. 2, 2011	Incorporation
Post neun Beteiligungs GmbH	–	100.0%	Oct. 6, 2011	Incorporation
Eurodisnet GmbH	100.0%	–	Dec. 27, 2011	Liquidation
Corporate				
Post Immobilien GmbH (PTI Immobilienvermittlung GmbH)[1]	–	100.0%	March 31, 2011	Merger

[1] The Group subsidiaries listed in parenthesis were merged with the initially listed Group subsidiary, and are therefore no longer included in the consolidation scope.

Mail

Effective June 30, 2011, the 25.1% investment in Mader Zeitschriftenverlags GmbH was sold. The result from the transaction amounted to EUR 2.1m and is reported as results of investments consolidated at equity. October 20, 2011 marked the closing of the acquisition of a 26% stake (including an option to increase the shareholding to 100% in the following two years) in the Romanian company PostMaster s.r.l. This comprises a further step in implementing the growth strategy of the Mail Division and the entry into the Romanian mail market, one of the largest markets in the CEE region. The company is consolidated at equity as an associated company. The goodwill arising as a result of the purchase price allocation at the amount of EUR 1.9m is reported as part of the stake in the associated company.

PARCEL & LOGISTICS

Eurodisnet GmbH, Weinheim, was liquidated as of December 27, 2011. The deconsolidation resulted in a loss of EUR 3.3m reported as other operating expenses.

4. ACCOUNTING POLICIES

4.1 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 allocated to the identifiable acquired assets and liabilities including contingent liabilities.

The value of intangible assets is determined on the basis of an earnings-oriented valuation method (income approach), depending on the type of asset and the availability of information. 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, estimated 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 licence payments, based on the assumption that the corresponding asset is owned by a third party.

Any remaining capitalised difference on the asset side between the acquisition costs and the value of the identifiable and revalued net assets is reported as goodwill. In turn, 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.

Shareholdings in companies on 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 or jointly managed company is part of the carrying amount of the investment.

Receivables and liabilities, income and expenses arising from the intra-Group exchange of deliveries and services as well as intra-Group profit and losses are eliminated, unless they are not of immaterial importance.

4.2 CURRENCY TRANSLATION

The consolidated financial statements are presented in euros. The euro is both the functional currency and the reporting currency of Group companies located in Austria and in those countries, which are members of 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.

Business transactions in foreign currencies
Transactions of Group companies 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 in the course of the financial year.

Translation of individual accounts in foreign currencies
The modified closing rate method is used in the translation of the financial statements of Group companies in which the euro is not the functional currency. All balance sheet items with the exception of capital and reserves items are translated at the reference rate of the European Central Bank on the balance sheet date, whereas capital and reserves items are translated at the prevailing rate on the date of acquisition or formation. Income and expense items are translated at the average reference rates for the financial year in question. The resultant currency translation differences are directly recognised in equity.

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

	Reference rate at balance sheet date		Average annual rate	
1 EUR	**Dec. 31, 2010**	**Dec. 31, 2011**	**2010**	**2011**
British Pound	0.8608	n. a.	0.8578	n. a.
Bosnian Convertible Mark	1.9558	1.9558	1.9558	1.9558
Croatian Kuna	7.3830	7.5370	7.2891	7.4390
Romanian Leu	n. a.	4.3233	n. a.	4.2391
Swedish Krona	8.9655	n. a.	9.5373	n. a.
Serbian Dinar	105.4982	104.6409	103.0501	101.9372
Czech Koruna	25.0610	25.7870	25.2840	24.5898
Hungarian Forint	277.9500	314.5800	275.4786	279.3726

4.3 RECOGNITION OF REVENUE AND EXPENSE

The recognition of revenue and other operating income is generally reported when the particular service has been provided, 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. Contracted services which have not yet been provided by Austrian Post as at the balance sheet date as well as outstanding customer prepayments for stamps and frankings, are designated as deferred income.

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

4.4 EARNINGS PER SHARE

The earnings per share are calculated on the basis of the profit for the period attributable to the shareholders of Austrian Post divided by the weighted average of the outstanding shares in 2011. Shares repurchased during a specific period are taken into account on a pro rata basis for the period of time in which they are still outstanding shares. There were no dilutive effects in the 2011 financial year. Accordingly, there is no difference between basic and diluted earnings per share.

4.5 GOODWILL

Goodwill arises as the excess of the purchase price over (the pro rata share of) the net assets of the acquired company recognised at their fair value. Goodwill is subject to annual impairment tests. In case particular events or changes take place, which would point to a potential impairment, the impairment test is to be carried out more frequently. Impairment tests are carried out in accordance with the principles described in Note 4.9 Impairment.

4.6 INTANGIBLE ASSETS

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. When 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, the write-downs are reversed.

Trademark rights are usually considered having indefinite useful lives, due to the fact that there is no foreseeable end to their economic benefit.

Intangible assets with indefinite lives and goodwill are not subject to amortisation, but are subject to annual impairment tests. This also applies if 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 impairment tests will also be carried out if necessary.

Impairment tests in connection with intangible assets are carried out in accordance with the principles described in Note 4.9 Impairment.

4.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets are carried at acquisition or production cost less depreciation and impairment losses. 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	20–50
Technical plant and machinery	5–10
Vehicle fleet	2–8
IT equipment	3–5
Other equipment, furniture and fittings	5–20

Impairment tests are carried out for property, plant and equipment in accordance with the principles described in Note 4.9 Impairment in case there are any indications of impairment.

4.8 INVESTMENT PROPERTY

Investment property is property held to earn rental income and/or for the purpose 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 determined by experts at an Austrian Post subsidiary, using generally accepted valuation methods. Measurement is carried out on the basis of a profit oriented valuation approach. As a rule, the income approach was used, while the discounted cash flow method was employed in the event of more complex investment property. The relevant method of valuation using comparable transactions in an active market was applied to the valuation of undeveloped property.

4.9 IMPAIRMENT

Pursuant to IAS 36, the company is required to evaluate whether there are any indications of a potential impairment of assets. If such indications exist, an impairment test is carried out. Intangible assets with indefinite lives as well as goodwill are subject to annual impairment tests, even if there are no indications for impairment. In case particular events or changes take place which would point to a potential impairment, impairment tests will also be carried out during the period.

The recoverable amount of a particular asset is determined within the context of an impairment test. The recoverable amount is the higher amount of the fair value less costs to sell and the value in use.

If the recoverable amount cannot be determined for an individual asset, assets are assigned 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. Accordingly, impairment tests are carried out at the level of sub-segments or Group companies.

In the course of an impairment test, the property, plant and equipment of a CGU, including the assets and liabilities assigned to it pursuant to IAS 36, are compared to the recoverable amount of the CGU. If the carrying amount is higher than the recoverable amount, the carrying amount of the CGU will be reduced to its recoverable amount. 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 using the discounted cash flow method (DCF). This calculation is based on the business planning for the year 2012, the medium-term planning for a period of three years (2013-2015), and perpetuity, which takes account of the expected long-term growth rates for the individual CGU representing up to 1.0% p.a. Capital costs are calculated according to the weighted average cost of capital (WACC) formula and in accordance with the capital asset pricing model (CAPM) in line with the individual conditions of the CGU. During the period under review, the weighted average cost of capital in the eurozone ranged from 5.9% to 8.4%, and in other countries from 8.0% to 13.9%.

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 at the balance sheet date. If the recoverable amount is less than the amortised costs, the asset is written down. 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.

4.10 FINANCE LEASES

If the major risks and rewards related to the leased assets are transferred to Austrian Post (finance leases pursuant to IAS 17), these assets are capitalised as non-current assets at the lower of their fair value or the present value of the future minimum lease payments. The leased assets are depreciated over 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.

4.11 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. These financial assets are classified as loans and receivables, held to maturity investments, available for sale financial assets, and financial assets at fair value through profit or loss in accordance with IAS 39.

Loans and receivables are recognised at amortised costs. The valuation is carried out at the fair value when recognised. Any existing difference between the acquisition costs and the repayment amount (e.g. for non-interest bearing of interest different from the market level) is accrued over the term to maturity using the effective interest rate method and included in the financial result.

If there are any indications of an impairment, they are 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 the amortised costs.

Available for sale financial assets are carried at fair value. Unrealised gains and losses are separately disclosed under revaluation of securities until realised, taking account of deferred taxes. The carrying amounts of the available for sale financial assets are evaluated at every balance sheet date to determine if there is objective evidence of impairment. Objective evidence, for example, may comprise financial difficulties on the part of the debtor, default or delay in payments of interest or principal, the discontinuation of an active market, or significant changes in the economic, legal or market-related environment. If the reason for impairment ceases to apply, in the case of equity instruments the impairment loss is reversed 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 there is no regulated market, and whose fair value cannot be reliably measured using established valuation methods, are recognised at acquisition cost. Impairment is reported with recognition to profit or loss. Any reversals of write-downs are neither recognised in profit or loss nor directly in equity.

4.12 INVENTORIES

Inventories are stated at the lower amount of acquisition costs and 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 unviability are taken into account in determining the net realisable value.

Work in progress is carried at the lower amount of production costs and net realisable value.

4.13 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets or disposal groups are classified as held for sale if the related carrying amount is primarily realised by a disposal transaction and not by continued use. This prerequisite is only fulfilled if the disposal is considered to be highly likely and the non-current asset (or disposal group held for sale) in its (their) current state is available for immediate sale. The disposal of assets is highly likely, if the responsible management has decided upon a plan for the sale of the assets (or disposal group) and has actively begun searching for a buyer and implementing the plan, and it can be assumed that the disposal process will be concluded within one year after such a classification.

In the case that the disposal is highly likely for the Group and this sale is related with a loss of control over a subsidiary, all assets and liabilities of this subsidiary are to be classified as non-current assets held for sale, inasmuch provided that the above-mentioned prerequisites are fulfilled. This is the case regardless of whether or not the Group maintains a non-controlling interest in its former subsidiary.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the carrying amount and the fair value less costs to sell. If the fair value of a disposal group is negative after taking into account the impairment of non-current and current assets held for sale, a liability is recognised.

4.14 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 of the latter depends on the number of years of service of the employees in question and the relevant 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 in profit or loss.

Termination benefits in respect to salaried employees who are working for Austrian Group companies and 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.

There are no pension fund obligations to civil servants. Pension obligations to civil servants are principally fulfilled by the Republic of Austria. Contributions are being made to a pension fund on behalf of members of the Management Board. Due to legal regulations, Austrian Post is obliged to pay a pension contribution margin to the Republic of Austria in order to fund post-employment benefits. Since October 1, 2005, these contributions, including the civil servants' own employee contributions, have totalled between 15.8% and 28.3% of the remuneration paid to active civil servants and are reported as staff costs.

Austrian Post has defined benefit obligations to specific employees of the Group. The calculation of provisions for defined benefit pension obligations is based on the projected unit credit method. Actuarial gains and losses are immediately recognised in profit or loss.

Provisions for jubilee benefits

Austrian Post is in some cases 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 of 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. Employees subject to the collective agreement for Austrian Post employees pursuant to the first part of Section 19 Para. 3 Postal Service Structure Act, valid as of August 1, 2009 (Kollektivvertrag für Bedienstete der Österreichischen Post AG gemäß § 19 Abs. 3 Poststrukturgesetz (PTSG), Erster Teil) are entitled to an additional payment of one months' salary after 20 years of service on behalf of the company, which rises to one and a half months' salary after 25 years, two and a half months' salary after 35 years and three and a half months' salary after 40 years of employment with the company. Employees subject to the second part of the collective agreement are not entitled to any jubilee benefits.

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 effect is recognised in the financial result.

The following parameters were used as the basis for calculating provisions for termination benefits, pensions and jubilee benefits at December 31, 2010 and December 31, 2011:

	2010	2011
Interest rate	4.5%	4.5%
Salary or pension increases	graduated (0%–4%)	graduated (0%–4%)
Staff turnover reduction	graduated (0%–20%)	graduated (0%–21%)
Retirement age		
Female employees	55–65	55–67
Male employees	60–65	60–67
Civil servants	60–65	60–65

4.15 PROVISIONS FOR UNDER-UTILISATION

Provisions for under-utilisation are made for future staff costs applying to those employees who have tenure (primarily civil servants), and who can only be utilised partially or cannot be utilised anymore.

These employment statuses are 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 staff who have already been assigned to the "Internal Labour Market". Moreover, the provisions for under-utilisation are also recognised for employees whose transfer to the "Internal Labour Market" 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.

The provisions are calculated based on the application of a unified average level of under-utilisation, taking account of a staff turnover reduction.

The provisions for under-utilisation also encompass those employees who are in the process of commencing retirement for reasons of physical disability. Moreover, provisions were allocated for Austrian Post employees who were transferred to various federal ministries. Staff costs of these employees will be refunded by Austrian Post according to the relevant agreements and their provisions are allocated until the expiration of the refund period.

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.

The provisions for under-utilisation are determined based on annual salary increases of 4.0% (2010: 4.0%) and a discount rate of 4.5% (2010: 4.5%).

4.16 OTHER PROVISIONS

In accordance with IAS 37, contingent legal or constructive obligations to third parties resulting from past events, which are likely to require an outflow of economic benefits and which can be reliably estimated are recorded as 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.

Pursuant to IAS 37, restructuring provisions are recognised upon development of a formal, detailed restructuring plan and the restructuring measures have already begun or the restructuring plan has been publicly announced before the balance sheet date.

4.17 FINANCIAL LIABILITIES

At Austrian Post, financial liabilities are classified as financial liabilities and payables, pursuant to IAS 39. 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 as part of the financial result.

Trade payables and other liabilities are measured at amortised cost.

4.18 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 changes in deferred taxes.

Deferred taxes are calculated in accordance with the balance sheet liability method for all temporary differences arising between the IFRS balance sheet and the tax balance sheet. Furthermore, the probable tax advantage from existing tax loss carry forwards is included in the calculation. Exemptions from the full recognition of deferred taxes are differences arising from non-tax-deductible goodwill and temporary differences related to shareholdings in as much as these are not reversed in the foreseeable future. Deferred tax assets are recognised if it is likely that the tax advantage from them can actually be utilised. Deferred taxes on tax loss carry forwards are reported to the extent that taxable income will be available in the foreseeable future.

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 assets 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
Belgium	34.0%
Bosnia-Herzegovina	10.0%
Germany	28.4%–30.9%
Croatia	20.0%
Montenegro	9.0%

Country	Tax rate
Netherlands	25.5%
Serbia	10.0%
Slovakia	19.0%
Hungary	10.0%

4.19 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilised as a means of hedging interest rate fluctuations.

All derivative financial instruments are reported as assets or liabilities. Derivative financial instruments and embedded derivatives, which comprise an integral part of specified contracts and which must be reported separately, are recognised at fair value at the time of acquisition and in subsequent periods. Unrealised valuation gains or losses from derivative financial transactions are reported as net profit or loss. Derivative financial instruments (hedging transactions) used to hedge assets and liabilities contained in the balance sheet are reported at their fair value. Valuation gains and losses are immediately recognised in profit or loss.

4.20 SHARE-BASED INCENTIVE PROGRAMME

In December 2009, the Supervisory Board of Österreichische Post AG (Austrian Post) decided to introduce a share-based payment programme. This share-based payment programme was implemented in the 2010 and 2011 financial years for the member of the Management Board and selected top executives. The basis for participation is the acquisition of a specified number of Austrian Post shares, which must be held uninterruptedly until the end of the subsequent financial year following the expiration of the performance period (Tranche 1: December 31, 2013, Tranche 2: December 31, 2014). The Management Board members Georg Pölzl, Rudolf Jettmar, Walter Hitziger and Herebert Götz are participating in both tranches, and Peter Umundum in the second part of the share-based payment programme.

The number of Austrian Post shares required to be purchased by members of the Management Board is oriented to a specified percentage of their gross fixed salaries divided by the reference price of the Austrian Post share for the fourth quarter of the respective year. The number of Austrian Post shares to be acquired by top executives is determined on the basis of the selected investment category in line with the terms and conditions of the share-based payment programme. The sum total of the required own investments for participation in the share-base payment programme as at December 31, 2011 amounted to 54,920 shares for members of the Management Board and 105,600 shares for top executives.

On the day of payment, the participants are either granted bonus shares or are paid in cash. The number of bonus shares is linked to achieving pre-defined performance criteria. Target values were defined for key performance indicators at the beginning of the programme. The primary indicators in use are earnings per share (EPS), free cash flow and total shareholder return (TSR), with each indicator considered to be equally important. The achievement of objectives is monitored over a period of three years.

The total bonus is oriented to the achievement of the objectives defined on the basis of the previously mentioned parameters as well as the share price development. The maximum and minimum bonuses to be paid after the three-year period are limited to 175% for the first tranche and 200% for the second tranche, with the minimum set at 25% respectively of the amount defined in case all objectives have been fully achieved.

The bonus can be paid either in shares or in cash. As at December 31, 2011, the number of bonus shares in the first tranche totalled 187,338, and 393,045 shares in the second tranche. The average weighted current value per share was EUR 24.69 in the first tranche and EUR 25.70 in the second. As at December 31, 2011, the total arithmetic current value for the two tranches was EUR 4.6m and EUR 10.1m respectively. This was calculated on the basis of a model derived from the expected achievement of performance criteria and the expected share price. The expected costs of the share-based payment programme are allocated over the performance period as a provision. A total of EUR 4.0m was allocated for the share-based payment programme in the 2011 financial year. As at the balance sheet date the pro rata provision amounted to EUR 5.3m.

5. 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 the recognition 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 to the carrying amounts of the following assets and liabilities in upcoming business years:

5.1 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, 2011: EUR 176.9m; December 31, 2010: EUR 177.1m) is based on assumptions regarding the discount rate, retirement age, life expectancy, fluctuation rates and future salary increases.

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

EUR m	Assumed discount rate		Salary or pension increases	
	–1% point	+1% point	–1% point	+1% point
Termination benefits	12.7	–10.3	–10.4	12.4
Pensions	0.3	–0.2	–0.2	0.2
Jubilee benefits	8.6	–8.1	–8.1	8.5

5.2 PROVISIONS FOR UNDER-UTILISATION

The measurement of provisions for under-utilisation of individual organisational units (carrying amount as at December 31, 2011: EUR 239.0m; December 31, 2010: EUR 244.1m) is based on assumptions regarding staff turnover, retirement age, discount rate, future salary increases and the future degree of capacity utilisation per employee.

If all other parameters remain constant, a change in the assumed capacity utilisation of +/– 10 percentage points, or a change in the discount rate or assumed salary increases of +/– 1 percentage point, respectively, would have the following effects on the provisions allocated:

EUR m	Average capacity utilisation		Assumed discount rate		Salary increase	
	–10% points	+10% points	–1% point	+1% point	–1% point	+1% point
Under-utilisation	–28.7	30.9	17.3	–15.3	–15.6	17.2

5.3 ASSETS AND LIABILITIES IN CONNECTION WITH BUSINESS COMBINATIONS

Within the context of acquisitions, estimates and assumptions are required to be made in connection with the determination of the fair value of the acquired assets and liabilities. The value of intangible assets is determined on the basis of a suitable valuation method, depending on the type of asset and the availability of information. (Refer to Note 4.1 Consolidation Principles contained in the chapter “Accounting policies”). As a rule, the fair value of land and buildings is determined by independent experts.

5.4 IMPAIRMENT OF INTANGIBLE ASSETS, GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

The assessment of the recoverability of intangible assets, goodwill and property, plant and equipment is based on future-oriented assumptions. The underlying assumptions used to determine the recoverable amount within the context of impairment tests are described in Note 4.9 Impairment.

5.5 FINANCIAL INSTRUMENTS

Alternative financial valuation methods are applied to evaluate the recoverability of financial instruments if no active market exists for these financial instruments. The underlying parameters used to determine the fair value of these financial instruments are partially based on future-oriented assumptions, which are described in the corresponding sections of the notes to the consolidated financial statements.

6. STANDARDS WHICH ARE PUBLISHED BUT NOT YET APPLIED

In the financial year 2011, the Austrian Post Group did not yet apply ahead of schedule the standards, interpretations and revisions to existing standards outlined below and published by the IASB. The Group is currently evaluating the applicability to and effects of the new and revised standards and interpretations upon the consolidated financial statements of Austrian Post.

New standards and interpretations		Effective date IASB[1]	Endorsed in EU
IFRS 9	Financial Instruments	Jan. 1, 2015	–
IFRS 10	Consolidated Financial Statements	Jan. 1, 2013	–
IFRS 11	Joint Arrangements	Jan. 1, 2013	–
IFRS 12	Disclosure of Interests in Other Entities	Jan. 1, 2013	–
IFRS 13	Fair Value Measurement	Jan. 1, 2013	–
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Jan. 1, 2013	–
Revised standards and interpretations			
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters	July 1, 2011	–
IFRS 7	Financial Instruments: Disclosures – Transfer of Financial Assets	July 1, 2011	November 2011
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	Jan. 1, 2013	–
IAS 1	Presentation of Items in the Other Total Comprehensive Income	July 1, 2012	–
IAS 12	Deferred Tax: Recovery of Underlying Assets	Jan. 1, 2012	–
IAS 19	Amendments to IAS 19 Employee Benefits	Jan. 1, 2013	–
IAS 27	Separate Financial Statements	Jan. 1, 2013	–
IAS 28	Investments in Associates and Joint Ventures	Jan. 1, 2013	–
IAS 32	Offsetting Financial Assets and Financial Liabilities	Jan. 1, 2014	–

[1] To be applied in the financial year beginning on or after the effective date

The new IFRS 9 standard is designed to replace, on a step-by-step basis, IAS 39 “Financial Instruments: Recognition and Measurement”. A division into three phases was resolved upon. Up until now, Phase 1 (Classification and Valuation of Financial Instruments) is the only one that has been completed. The standard currently published refers to the classification and valuation of financial assets and financial liabilities, and to the de-recognition of financial assets and financial liabilities. Phases 2 (Impairment) and 3 (Hedge Accounting) still have to be completed.

IFRS 10 creates an universal definition of the term "control" and establishes a single basis for the proof of the existence of a corporate parent-subsidiary relationship. This, in turn, is associated with the classification of the consolidation scope. The new standard replaces the previously applicable IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation of Special Purpose Entities".

The new IFRS 11 regulates the accounting of circumstances in which a company exercises joint control over a joint company or joint operations. The previously existing option of the proportionate consolidation of jointly-managed companies has been eliminated. Such companies are now to always be recognised in the accounts using the equity method. In cases in which a joint operation exists, assets, liabilities, income and expenses that are directly attributable to the participating company are to be directly incorporated into its consolidated financial statements.

IFRS 12 lays down the disclosures required to be made by companies employing both of the new standards – IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements" – in the compilation of financial statements. It supersedes the obligations to disclose currently contained in IAS 28 "Investments in Associates".

The new IFRS 13 standard describes how fair value is to be measured, and expands the disclosures required to be made on it. The objective is the establishment of a definition of "fair value" applying to all standards, and of a set of methods universally applicable to this term's measurement. Also especially encompassed are the disclosures in the notes associated with this.

The IFRIC 20 interpretation governs the reporting of stripping costs incurred in the production phase of a surface mine.

The amendment of IFRS 1 resulted in the replacement of the previously employed reference to the date of January 1, 2004 as being the firmly-set time of transition with the generally applicable formulation of "time of transition into IFRS". The amendment also features the incorporation of rules for all cases of companies not being able to meet all rules established by the IFRS due to hyperinflation.

The amendments in IFRS 7 pertain to the expansion of obligations to make disclosures on the transfer of financial assets. They are intended to enable the parties addressed by the financial statements to understand the relationships between the assets that have been transferred but not totally de-recognised and the corresponding financial liabilities. Also to be made more transparent is the de-recognised financial assets' link between the nature of the continuing relationship and the risks associated with it.

The amendments of IAS 32 encompass the incorporation of further rules of disclosure contained in IFRS 7 and pertaining to offsetting financial instruments. These are intended to enable the reconciliation of the gross and net risk positions of financial instruments. These disclosures are also to be made for instruments forming part of comprehensive offsetting or similar agreements, even in cases in which the underlying instruments are not reported in an offsetting manner.

Both of the components of the income statement (profit/loss as well as other comprehensive income) can continue to be depicted in a single chart or in two successive ones. In accordance with IAS 1, companies have to subdivide the items depicted in the other comprehensive income into two categories – depending upon whether or not they will be recorded in the future in the income statement (so-called "recycling").

The amendment of IAS 12 "Income Taxes" contains a partial clarification on the treatment of temporary tax differences associated with the application of the fair value model of IAS 40. It is often difficult to judge whether existing differences will be reversed in the course of the continuing use or of sale of property held as investment property. The amendment foresees the employment of the basic assumption of reversal through sale.

The option of taking into account actuarial gains and losses through the application of the corridor method was removed through the amendment of IAS 19. This causes actuarial gains and losses to be taken into account in the period in which they have been incurred. The entry is made in the other comprehensive income. These are thus directly incorporated in the equity. The adapted IAS 19 also requires more extensive disclosure in the notes on defined benefit plans.

The rules on separate financial statements are still governed by IAS 27. The other components of IAS 27 have been superseded by IFRS 10 “Consolidated Financial Statements”.

With the release of IFRS 10, IFRS 11 and IFRS 12, only consequentual modifications were made to IAS 28.

An offsetting of financial instruments remains only possible in cases of meeting the conditions of IAS 32. The amendments of IAS 32 solely comprise the incorporation in the guidelines of application of clarifications of the terms of “present times” and “simultaneousness”.

7. INCOME STATEMENT DISCLOSURES

7.1 REVENUE AND SEGMENT REPORTING

Austrian Post distinguishes among the following primary segments classified by their divisional structure, which reflect the different services offered by the company.

Mail
The core business of the Mail Division consists of the acceptance and delivery of letters and other mail items in Austria and the forwarding of 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. Services along the value chain (data and output management, document scanning as well as the conception and production of documents and direct mailings) complement the product range.

Parcel & Logistics
The Parcel & Logistics Division offers parcel, express and logistics services in Austria, Germany, the Benelux as well as in South East and Eastern Europe. Logistics services primarily focus on the fields of combined freight, the transport of pharmaceutical products and temperature-controlled transport as well as B2B and B2C parcel services.

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

Corporate
Activities which cannot be assigned to the divisions are reported in the Corporate segment. For example, these include the property and IT services operations as well as the organisational unit Internal Labour Market.

Consolidation
Intra-Group eliminations are shown in the Consolidation column.

2010 financial year EUR m	Mail	Parcel & Logistics	Branch Network	Corporate	Consoli-dation	Group
External sales	1,389.4	802.0	157.9	5.1	–3.1	2,351.1
Internal sales	54.3	24.4	171.5	168.8	–419.0	0.0
Total revenue	**1,443.7**	**826.4**	**329.3**	**173.8**	**–422.1**	**2,351.1**
Profit/loss from operations	234.4	10.5	–30.8	–58.3	0.0	155.9
Results of investments consolidated at equity	0.5	0.0	0.0	0.6	0.0	1.0
EBIT	**234.9**	**10.5**	**–30.8**	**–57.7**	**0.0**	**156.9**
Segment assets	279.8	425.6	59.2	470.2	–0.7	1,234.1
Investments consolidated at equity	26.4	0.1	0.0	0.9	0.0	27.3
Segment liablities	310.0	105.2	77.0	410.1	–1.6	900.7
Segment investments	31.5	15.0	3.7	10.7	0.0	60.8
Depreciation, amortisation and impairment losses	40.0	26.5	5.9	32.8	0.0	105.2
thereof impairment losses recognised in profit or loss	5.2	2.1	0.0	1.5	0.0	8.8
Employees[1]	14,841	4,008	4,274	1,846	0	24,969

2011 financial year EUR m	Mail	Parcel & Logistics	Branch Network	Corporate	Consoli-dation	Group
External sales	1,347.6	846.5	153.1	5.4	–4.0	2,348.7
Internal sales	57.1	24.9	170.7	158.4	–411.2	0.0
Total revenue	**1,404.7**	**871.5**	**323.8**	**163.9**	**–415.2**	**2,348.7**
Profit/loss from operations	307.1	–28.3	–17.8	–82.1	0.0	178.9
Results of investments consolidated at equity	–11.4	0.0	0.0	0.8	0.0	–10.6
EBIT	**295.7**	**–28.3**	**–17.8**	**–81.3**	**0.0**	**168.3**
Segment assets	345.4	392.5	46.6	432.8	–7.7	1,209.5
Investments consolidated at equity	17.2	0.1	0.0	0.3	0.0	17.5
Segment liabilities	313.6	124.4	81.0	398.2	–9.3	907.9
Segment investments	43.4	18.4	8.9	21.3	0.0	92.0
Depreciation, amortisation and impairment losses	27.1	40.3	8.0	39.0	0.0	114.4
thereof impairment losses recognised in profit or loss	0.1	16.8	2.5	8.3	0.0	27.6
Employees[1]	13,667	4,057	3,815	1,830	0	23,369

[1] Annual average, full-time equivalents

NOTES TO THE SEGMENT REPORTING BY DIVISION

Internal and external accounting policies are harmonised at Austrian Post Group. There are no differences between the measurement of segment results, segment assets and segment liabilities and those of the Group.

External revenue corresponds to the total of segment revenue with external customers after consolidation of services provided within the Group. Internal sales are revenues derived from transactions with other segments. 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 Obligation.

Segment assets consist of non-current assets (excluding financial investments in securities and other assets, investments in associates and deferred tax) and current assets (excluding financial investments in securities and other assets, cash and cash equivalents and tax receivables).

Non-current liabilities (excluding financial liabilities and deferred tax) and current liabilities (excluding financial liabilities and liabilities as well as tax provisions and deferred tax liabilities) 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 figures for employees are the full-time equivalents of the average segment headcounts for the respective financial years.

RECONCILIATION

The reconciliation of segment assets and liabilities to the corresponding Group figures is presented as follows:

Reconciliation of assets **EUR m**	**2010**	**2011**
Segment assets	**1,234.1**	**1,209.5**
Investments consolidated at equity	27.3	17.5
Assets not assigned to segments		
Securities and other financial assets	89.6	74.8
Deferred tax	49.9	54.6
Cash and cash equivalents	313.1	310.6
Other interest and tax receivables	0.9	1.4
Group assets	**1,715.1**	**1,668.3**

Reconciliation of liabilities **EUR m**	**2010**	**2011**
Segment liabilities	**900.7**	**907.9**
Liabilities not assigned to assets		
Non-current and current financial liabilities	84.3	34.0
Deferred tax	14.2	12.4
Income tax provisions	25.0	12.7
Other interest and tax liabilities	0.0	-0.8
Group liabilities	**1,024.2**	**966.3**

NOTES TO THE GEOGRAPHICAL SEGMENT REPORTING

2010 financial year EUR m	Austria	Germany	Other countries	Group
External sales	1,629.7	581.9	139.6	2,351.1
Segment assets	895.7	259.0	79.4	1,234.1
thereof non-current	659.2	187.9	53.8	900.9
Segment investments	43.3	13.4	4.1	60.8

2011 financial year EUR m	Austria	Germany	Other countries	Group
External sales	1,687.4	523.2	138.0	2,348.7
Segment assets	871.0	259.0	79.5	1,209.5
thereof non-current	642.6	183.8	44.2	870.5
Segment investments	77.8	7.8	6.4	92.0

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.

Information about important customers
Austrian Post is not dependent on any important customers which require disclosure pursuant to IFRS 8.

7.2 OTHER OPERATING INCOME

EUR m	2010	2011
Work performed by the enterprise and capitalised	1.0	0.9
Disposal of property, plant and equipment	24.3	8.8
Rents and leases	24.0	23.7
Unchargeable expenses	5.5	4.8
Damages	3.1	2.3
Other	32.7	34.2
	90.5	**74.6**

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

The income from rents and leases in 2011 primarily relate to Österreichische Post AG (Austrian Post). The corresponding assets are recognised on the balance sheet as at December 31, 2011 with a net carrying amount of EUR 209.1m (December 31, 2010: EUR 227.1m).

Other operating income also includes income from currency translation, totalling EUR 1.2m (2010: EUR 0.4m). In addition, the item other operating income in the 2011 financial year includes income from personnel leasing and administration of EUR 6.3m as (2010: EUR 6.2m), pallet income totalling EUR 5.6m (2010: EUR 4.4m) as well as proceeds from contractual penalties amounting to EUR 2.4m (2010: EUR 1.6m).

7.3 RAW MATERIALS, CONSUMABLES AND SERVICES USED

EUR m	2010	2011
Material		
Transportation and heating fuel	27.3	33.7
Retail products	31.1	27.3
Stamps	2.7	2.3
Tools, equipment and clothing	19.4	15.5
Spare parts and sundry raw materials and consumables	1.4	1.7
Industrial paper	19.4	0.0
Remeasurement	0.5	3.0
	101.8	**83.5**
Services used		
International postal carriers	67.2	66.3
Advertising distributors	34.3	37.8
Energy	25.4	21.3
Transport	491.9	513.7
Other	50.4	37.2
	669.2	**676.3**
	771.0	**759.8**

7.4 STAFF COSTS

EUR m	2010	2011
Wages and salaries	845.9	805.3
Severance payments	35.3	24.5
Post-employment benefit expenses	0.1	0.2
Expense for statutory levies and contributions	227.0	210.1
Other staff costs	12.5	10.0
	1,120.7	**1,050.1**

In the 2011 financial year, contributions of EUR 1.8m (2010: EUR 1.6m) to the employee benefit fund in respect of defined contribution termination benefit obligations were recognised as an expense.

The breakdown of the termination benefit expense is as follows:

EUR m	2010	2011
Management Board	–0.1	0.5
Executive staff	0.5	1.5
Other employees	34.8	22.6
	35.3	**24.5**

The pension contributions made to the Republic of Austria for the 2011 financial year (less the employee contributions by civil servants) amounted to EUR 63.2m (2010: EUR 66.0m).

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

	2010	2011
Blue-collar employees	2,171	1,468
White-collar employees	13,451	13,042
Civil servants	11,438	10,672
Trainees	77	57
Total number	**27,137**	**25,239**
Corresponding full-time equivalents	**24,969**	**23,369**

7.5 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR m	2010	2011
Impairment losses on goodwill	**2.1**	**15.3**
Intangible assets		
Scheduled depreciation	11.9	10.1
Impairment losses	0.6	0.1
	12.6	**10.2**
Property, plant and equipment		
Scheduled depreciation	80.7	73.1
Impairment losses	5.8	11.5
	86.6	**84.6**
Investment property		
Scheduled depreciation	3.8	3.5
Impairment losses	0.2	0.7
	4.0	**4.2**
	105.2	**114.4**

The impairment tests carried out as at December 31, 2011 resulted in an impairment loss on goodwill to the amount of EUR 15.3m, of which EUR 13.0m was assigned to the cash generating unit trans-o-flex Germany and EUR 2.3m to the cash generating unit City Express Serbia, both in the Parcel & Logistics Division. The impairment tests were based on the medium-term planning of the respective cash generating unit. The discount rate (WACC) used to determine the utility value of the cash generating unit trans-o-flex Germany amounts to 7.1% (2010: 6.9%).

Impairment losses on property, plant and equipment to the amount of EUR 11.5m, based on an evaluation of the utility value primarily in connection with technical ageing, include EUR 7.6m assigned to buildings belonging to the Corporate Division as well as EUR 2.5m to other equipment, furniture and fittings in the Branch Network Division of the parent company Österreichische Post AG. Furthermore, an impairment loss to the amount of EUR 1.4m was recognised on property and buildings at trans-o-flex Belgium B.V.B.A. in the Parcel & Logistics Division.

7.6 OTHER OPERATING EXPENSES

EUR m	2010	2011
IT services	28.0	28.5
Maintenance	41.5	39.7
Leasing and rental payments	78.8	76.1
Travel and mileage	27.7	26.6
Contract and leasing staff	13.5	14.0
Consultancy	13.8	13.4
Waste disposal and cleaning	14.4	13.7
Communications and advertising	12.9	15.3
Telephone	5.8	5.0
Insurance	9.8	9.2
Other taxes (excl. income taxes)	8.1	8.0
Other	34.6	70.5
	288.8	**320.0**

Other operating expenses included expenses from currency translation of EUR 0.7m (2010: EUR 0.8m) recognised in profit or loss. Moreover, the item other operating expenses in the 2011 financial year includes costs of EUR 18.3m in connection with IFRS 5 as well as expenses amounting to EUR 8.9m for the legally stipulated replacement of the existing cluster box units in accordance with the Postal Market Act 2011, and a loss of EUR 3.3m arising from the deconsolidation of Eurodisnet GmbH, Weinheim.

7.7 OTHER FINANCIAL RESULT

EUR m	Note	2010	2011
Interest income		3.4	6.3
Income from securities		0.7	1.0
Gains on the disposal of securities		0.0	0.1
		4.1	**7.4**
Interest expense (financial liabilities)		–3.8	–3.7
Interest expense (interest effects of provisions)	(8.13.1)	–8.5	–7.7
Losses on the disposal of securities and other shareholdings		0.0	–0.8
Expenses from currency translation		0.0	–0.2
		–12.2	**–12.3**
Revaluation of derivative financial instruments	(9.2.5)	**0.0**	**–0.4**
		–8.2	**–5.2**

7.8 EARNINGS PER SHARE

		2010	2011
Profit for the period attributable to equity holders of the parent company	(EUR m)	118.4	123.8
Weighted average number of outstanding no-par value shares used in calculating basic earnings per share	(Shares)	67,552,638	67,552,638
Weighted average number of outstanding no-par value shares used in calculating diluted earnings per share	(Shares)	67,646,564	67,937,037
Basic earnings per share	(EUR)	**1.75**	**1.83**
Diluted earnings per share	(EUR)	**1.75**	**1.82**

The weighted average number of outstanding no-par value shares used in determining the diluted earnings per share is calculated as follows:

		2010	2011
No-par value shares	(Shares)	67,552,638	67,552,638
Shares issued without payment in return:			
Share-based incentive programme	(Shares)	93,926	384,399
Weighted average number of outstanding no-par value shares used in calculating diluted earnings per share	(Shares)	**67,646,564**	**67,937,037**

8. BALANCE SHEET DISCLOSURES

8.1 GOODWILL

EUR m	2010	2011
Historical costs		
Balance at January 1	**233.5**	**219.2**
Additions arising from acquisitions	3.1	0.4
Additions	1.7	0.0
Disposal arising from final consolidations	18.4	3.3
Disposals	0.6	0.0
Balance at December 31	**219.2**	**216.3**
Impairment losses		
Balance at January 1	**51.7**	**35.4**
Additions	2.1	15.3
Disposal arising from final consolidations	18.4	0.0
Balance at December 31	**35.4**	**50.7**
Net carrying amount on January 1	**181.8**	**183.8**
Net carrying amount on December 31	**183.8**	**165.5**

Disposals from deconsolidation amounting to EUR 3.3m are related to Eurodisnet GmbH, Weinheim.

The following table shows the goodwill by segments:

EUR m	Dec. 31, 2010	Dec. 31, 2011
Mail		
feibra	29.1	29.1
Online Post Austria GmbH	3.1	3.1
Other	10.4	10.4
	42.6	**42.6**
Parcel & Logistics		
trans-o-flex Germany	127.9	111.6
Other	13.4	11.4
	141.3	**123.0**
	183.8	**165.5**

8.2 INTANGIBLE ASSETS

2010 financial year EUR m	Note	Customer relationships	Trademarks	Other intangible assets	Total
Historical costs					
Balance at January 1, 2010		**73.8**	**30.0**	**40.2**	**144.0**
Additions arising from acquisitions		0.0	0.0	0.1	0.1
Disposals arising from final consolidations		11.0	1.3	3.2	15.4
Additions		3.2	0.0	6.1	9.3
Disposals		0.0	0.0	0.2	0.2
Transfers		0.0	0.0	0.1	0.1
Currency translation differences		–0.3	0.0	0.0	–0.4
Balance at December 31, 2010		**65.7**	**28.7**	**43.1**	**137.5**
Depreciation and impairment losses					
Balance at January 1, 2010		**44.2**	**2.2**	**30.9**	**77.3**
Disposals arising from final consolidations		8.4	0.0	2.5	10.9
Additions	(7.5)	6.5	0.4	5.7	12.6
Disposals		0.0	0.0	0.1	0.1
Currency translation differences		–0.2	0.0	0.0	–0.2
Balance at December 31, 2010		**42.0**	**2.7**	**33.9**	**78.6**
Carrying amount on January 1, 2010		**29.6**	**27.8**	**9.4**	**66.7**
Carrying amount on December 31, 2010		**23.7**	**26.1**	**9.2**	**58.9**

2011 financial year EUR m	Note	Customer relationships	Trademarks	Other intangible assets	Total
Historical costs					
Balance at January 1, 2011		**65.7**	**28.7**	**43.1**	**137.5**
Additions		0.0	0.0	11.0	11.0
Disposals		0.4	0.0	3.1	3.4
Transfers		0.0	0.0	0.0	0.0
Held for sale		0.0	0.0	–0.1	–0.1
Currency translation differences		–0.1	0.0	0.0	–0.1
Balance at December 31, 2011		**65.2**	**28.7**	**50.8**	**144.8**
Depreciation and impairment losses					
Balance at January 1, 2011		**42.0**	**2.7**	**33.9**	**78.6**
Additions	(7.5)	6.1	0.4	3.7	10.2
Disposals		0.0	0.0	2.1	2.1
Currency translation differences		–0.1	0.0	0.0	–0.1
Balance at December 31, 2011		**48.0**	**3.1**	**35.5**	**86.6**
Carrying amount on January 1, 2011		**23.7**	**26.1**	**9.2**	**58.9**
Carrying amount on December 31, 2011		**17.3**	**25.6**	**15.3**	**58.2**

Intangible assets contain trademarks with indefinite useful lives amounting to EUR 25.2m (Dec. 31, 2010: EUR 25.2m).

Trademarks amounting to EUR 0.4m, which were not subject to scheduled amortisation due to their indefinite lives, will be subject to amortisation over a period of four years starting in the 2009 financial year due to the decision made in December 2008 to successively replace trademarks in the Parcel & Logistics Division acquired within the context of acquisitions in South East and Eastern Europe by the trans-o-flex brand.

Capitalised customer relationships are amortised on a straight-line basis and show a residual useful life of one to seven years.

The following table shows trademarks by segment at December 31, 2010 and December 31, 2011:

EUR m	Dec. 31, 2010	Dec. 31, 2011
Parcel & Logistics		
trans-o-flex Germany	25.2	25.2
Other	0.9	0.4
	26.1	**25.6**

8.3 PROPERTY, PLANT AND EQUIPMENT

2010 financial year EUR m	Note	Property and buildings	Technical plant and machinery	Other equipment, furniture and fittings	Prepay-ments and assets under construction	Total
Historical costs						
Balance at January 1, 2010		**851.9**	**191.6**	**288.5**	**24.7**	**1,356.8**
Disposals arising from final consolidations		21.7	28.2	3.4	0.0	53.3
Additions		7.1	9.8	30.9	2.0	49.8
Disposals		14.4	4.0	28.7	0.0	47.1
Transfers		9.4	11.0	1.0	–20.8	0.5
Reclassification pursuant to IAS 40		–17.6	0.0	0.0	0.0	–17.6
Currency translation differences		0.2	0.4	–0.4	0.0	0.3
Balance at December 31, 2010		**814.9**	**180.6**	**288.0**	**6.0**	**1,289.4**
Depreciation and impairment losses						
Balance at January 1, 2010		**374.2**	**123.9**	**162.9**	**0.0**	**661.0**
Disposals arising from final consolidations		3.4	12.0	1.8	0.0	17.3
Additions	(7.5)	27.3	19.0	40.3	0.0	86.6
Disposals		11.4	1.7	26.6	0.0	39.6
Transfers		0.0	0.1	0.6	0.0	0.6
Reclassification pursuant to IAS 40		–12.8	0.0	0.0	0.0	–12.8
Currency translation differences		0.0	0.1	–0.2	0.0	–0.1
Balance at December 31, 2010		**373.8**	**129.4**	**175.2**	**0.0**	**678.5**
Net carrying amount on January 1, 2010		**477.7**	**67.6**	**125.6**	**24.7**	**695.7**
Net carrying amount on December 31, 2010		**441.0**	**51.1**	**112.8**	**6.0**	**610.9**

2011 financial year EUR m	Note	Property and buildings	Technical plant and machinery	Other equipment, furniture and fittings	Prepay-ments and assets under construction	Total
Historical costs						
Balance at January 1, 2011		**814.9**	**180.6**	**288.0**	**6.0**	**1,289.4**
Additions		6.5	6.2	52.6	15.6	80.9
Disposals		13.4	2.0	46.9	0.0	62.3
Transfers		1.2	3.4	0.2	–4.8	0.0
Reclassification pursuant to IAS 40		–29.1	0.0	0.0	0.0	–29.1
Held for sale		–4.1	–1.0	–5.6	0.0	–10.7
Currency translation differences		–0.3	0.0	–0.2	0.0	–0.5
Balance at December 31, 2011		**775.7**	**187.2**	**288.1**	**16.8**	**1,267.7**
Depreciation and impairment losses						
Balance at January 1, 2011		**373.8**	**129.4**	**175.2**	**0.0**	**678.5**
Additions	(7.5)	32.2	14.2	38.2	0.0	84.6
Disposals		10.6	1.9	43.4	0.0	56.0
Transfers		0.0	0.0	0.0	0.0	0.0
Reclassification pursuant to IAS 40		–21.9	0.0	0.0	0.0	–21.9
Held for sale		–1.4	–0.5	–2.9	0.0	–4.8
Currency translation differences		0.0	0.0	–0.1	0.0	–0.2
Balance at December 31, 2011		**372.2**	**141.1**	**166.9**	**0.0**	**680.2**
Net carrying amount on January 1, 2011		**441.0**	**51.1**	**112.8**	**6.0**	**610.9**
Net carrying amount on December 31, 2011		**403.6**	**46.0**	**121.2**	**16.8**	**587.5**

The net carrying amount of property, plant and equipment pledged as collateral amount to EUR 10.1m (Dec. 31, 2010: EUR 16.4m).

Cross Border Lease

In the 2002 business year, Österreichische Post AG (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 net carrying amount of the property, plant and equipment pledged as collateral totalled EUR 8.8m (Dec. 31, 2010: EUR 14.4m). The cross-border lease 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 market value by the end of term of the lease agreement, at least though at the end-of-term purchase option price.

Österreichische Post AG (Austrian Post) has assigned its obligation to pay the lease instalments, including an EBO (expected benefit obligation) payment if made, to two payment undertakers. For this purpose, Österreichische Post AG (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 Österreichische Post AG (Austrian Post). Österreichische Post AG (Austrian Post) is faced with the residual risk of a claim in the event of the insolvency of the payment undertakers. Österreichische Post AG (Austrian Post) provided additional collateral in the form of securities due to the lower credit rating assigned to the payment undertakers.

At the balance sheet date, the rating of the two payment undertakers was as follows:

	Dec. 31, 2010	Dec. 31, 2011
Standard & Poor's:	A+ (Positive) / AA– (Negative)	A+ (Stable) / AA– (Stable)
Moody's:	A1 (Stable) / Aa3 (Stable)	A1 (Positive) / Aa3 (Negative)

At December 31, 2011, the outstanding amount to be paid by the payment undertakers totalled EUR 87.1m (December 31, 2010: EUR 84.9m).

The net present value benefit originally accruing to the company is carried under deferred income (December 31, 2011: EUR 4.8m; December 31, 2010: EUR 5.3m) and recognised in profit or loss over the term of the agreement.

FINANCE LEASES

NET CARRYING AMOUNTS AND USEFUL LIVES OF THE LEASED ASSETS

EUR m	Useful lives in years	Carrying amount Dec. 31, 2010	Carrying amount Dec. 31, 2011
Property and buildings	43	22.2	7.4
Technical plant and machinery	5–10	2.6	1.9
Other equipment, furniture and fittings	5–10	5.6	4.7

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

EUR m	2010	2011
Minimum lease payments		
Not later than one year	6.0	3.5
Later than one year and not later than five years	11.2	9.6
Later than five years	2.0	0.0
	19.3	**13.1**
Less:		
Future finance costs	**–2.2**	**–1.6**
Present value of the minimum lease payments		
Not later than one year	5.5	2.9
Later than one year and not later than five years	9.6	8.5
Later than five years	2.0	0.0
	17.1	**11.5**

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

For part of the lease contracts, payments are linked to a three-month EURIBOR. There were no such payments in connection with lease contracts in the 2011 financial year, as in the previous year.

8.4 INVESTMENT PROPERTY

EUR m	Note	2010	2011
Historical cost			
Balance at January 1		**105.7**	**105.2**
Additions		0.1	0.1
Disposals		18.2	11.9
Transfers		17.6	29.1
Balance at December 31		**105.2**	**122.5**
Depreciation and impairment losses			
Balance at January 1		**68.7**	**71.3**
Additions	(7.5)	4.0	4.2
Disposals		14.2	7.7
Transfers		12.8	21.9
Balance at December 31		**71.3**	**89.7**
Net carrying amount on January 1		**37.0**	**33.9**
Net carrying amount on December 31		**33.9**	**32.8**

EUR m	Dec. 31, 2010	Dec. 31, 2011
Fair value	118.9	162.8
Rental income	11.7	11.8
Expenses arising from property generating rental income	3.2	3.1
Expenses arising from property not generating rental income	1.5	1.4

No external borrowing costs were capitalised in 2011, as in the previous financial year.

The income from rents and leases and operating expenses for leased properties only include income and expenses related to third parties. Intra-Group expenses and income are not included in the table above.

8.5 INVESTMENTS CONSOLIDATED AT EQUITY

Composition of net carrying amounts EUR m	Interest in %	Dec. 31, 2010	Interest in %	Dec. 31, 2011
D2D – direct to document GmbH, Wien	30.0	3.8	30.0	0.0
Eurodis GmbH, Weinheim	59.4	0.1	59.4	0.1
FEIPRO Vertriebs GesmbH, Gaweinstal	50.0	0.3	50.0	0.3
Kolos Marketing s.r.o., Nyrany	10.0	0.0	10.0	0.0
Mader Zeitschriftenverlagsgesellschaft m.b.H., Wien	25.1	1.2	–	–
MEILLERGHP GmbH, Schwandorf	65.0	21.1	65.0	14.7
OmniMedia Werbegesellschaft m.b.H., Wien	21.0	0.9	21.0	0.3
PostMaster s.r.l., București	–	–	26.0	2.2
		27.3		**17.5**

MEILLERGHP GmbH is a joint venture pursuant to IAS 31 due to the contractually agreed rights of co-determination of Swiss Post. The shares in Kolos Marketing s.r.o. are consolidated at equity, due to the fact that the joint venture MEILLERGHP GmbH owns the remaining 90%.

Reconciliation of net carrying amounts EUR m	2010	2011
Net carrying amount at January 1	**8.3**	**27.3**
Addition arising from acquisitions	0.0	2.1
Addition arising from loss of controlling influence	29.1	0.0
Addition arising from shareholder contribution	0.0	4.0
Disposal arising from sale of investments consolidated at equity	0.0	–1.4
Disposal arising from business combinations in stages	–2.9	0.0
Impairment loss	0.0	–3.9
Proportionate share of profit for the period	–7.0	–8.9
Dividends	–0.2	–1.6
Currency translation differences	0.0	–0.2
Net carrying amount at December 31	**27.3**	**17.5**

The addition arising from acquisition to the amount of EUR 2.1m relates to the purchase of PostMaster s.r.l., București. The addition arising from the shareholder contribution of more than EUR 4.0m relates to MEILLERGHP GmbH, Schwandorf.

The disposal arising from the sale of investments consolidated at equity of EUR 1.4m can be attributed to the sale of Mader Zeitschriftenverlagsgesellschaft m.b.H., Wien. The proceeds resulting from the sale amount to EUR 2.1m and are included in the results of investments consolidated at equity. The impairment loss of EUR 3.9m is derived from the valuation of D2D – direct to document GmbH, Wien.

The results of investments consolidated at equity amounting to EUR minus 10.6m (2010: EUR 1.0m) consist of the following:

EUR m	2010	2011
Proportionate share of profit for the period	–7.0	–8.9
Proceeds from the disposal of Mader	–	2.1
Impairment loss D2D – direct to document GmbH	–	–3.9
Final consolidations of meiller companies	–21.0	–
Revaluation of shareholding in MEILLERGHP GmbH	29.0	–
Share of profit/loss of investments consolidated at equity	**1.0**	**–10.6**

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

EUR m	Dec. 31, 2010	Dec. 31, 2011
Assets	10.1	7.4
Liabilities	7.5	6.5

EUR m	2010	2011
Revenue	28.9	31.7
Profit for the period	0.9	1.6

The following table presents an aggregate report containing financial information about the joint ventures of Austrian Post:

EUR m	Dec. 31, 2010	Dec. 31, 2011
Non-current assets	44.7	38.1
Current assets	26.2	16.2
Non-current liabilities	16.8	11.6
Current liabilities	41.3	38.4

EUR m	2010	2011
Income	65.9	101.0
Expenses	80.9	111.0

In addition to existing loans (EUR 16.6m) as well as existing contingent liabilities (EUR 4.4m) towards the joint venture MEILLERGHP GmbH, there is also a contractually stipulated financial obligation of EUR 4.9m (December 31, 2010: EUR 11.5m).

8.6 FINANCIAL INVESTMENTS IN SECURITIES

December 31, 2010 EUR m	Carrying amount	Unrealised gains/ losses	Realised gains/ losses	Fair value Due within 1 year	Due in more than 1 year	Total
Available for sale securities						
Investment funds	0.3	0.0	0.0	0.0	0.3	0.3
Bond issues	48.0	–2.4	0.0	24.8	23.1	48.0
	48.3	**–2.4**	**0.0**	**24.8**	**23.4**	**48.3**

December 31, 2011 EUR m	Carrying amount	Unrealised gains/ losses	Realised gains/ losses	Fair value Due within 1 year	Due in more than 1 year	Total
Available for sale securities						
Investment funds	0.2	0.0	0.0	0.0	0.2	0.2
Bond issues	33.9	–6.6	0.0	12.1	21.9	33.9
	34.1	**–6.6**	**0.0**	**12.1**	**22.1**	**34.1**

The interest rates for the fixed interest securities are between 3.0% and 4.9% (December 31, 2010: 3.0% and 3.8%).

8.7 OTHER FINANCIAL ASSETS

EUR m	Dec. 31, 2010	Dec. 31, 2011
Available for sale financial instruments		
Strategic and other stakes	40.6	40.6
Financial instruments valuated at the cost of acquisition		
Other stakes	0.8	0.0
	41.4	**40.6**

On balance, the carrying amount of the strategic stake in BAWAG P.S.K. recognised as other financial assets as at December 31, 2011 is EUR 36.4m (December 31, 2010: EUR 36.4m), which corresponds to the present value.

8.8 INVENTORIES

EUR m	Dec. 31, 2010	Dec. 31, 2011
Materials and consumables	9.4	9.6
Less write-downs	–4.5	–5.1
Unfinished goods	0.0	0.0
Retail products	13.4	13.4
Less write-downs	–2.1	–3.5
Services not yet invoiced	0.0	0.0
	16.3	**14.4**

The carrying amount of inventories recognised at net realisable value amounted to EUR 0.2m (December 31, 2010: EUR 0.3m). Value adjustments were necessary, particularly due to their limited commercial utility or long periods of storage.

8.9 RECEIVABLES

The following table shows receivables after impairments:

EUR m	Dec. 31, 2010 Term to maturity within 1 year	Dec. 31, 2010 Term to maturity of more than 1 year	Dec. 31, 2010 Total	Dec. 31, 2011 Term to maturity within 1 year	Dec. 31, 2011 Term to maturity of more than 1 year	Dec. 31, 2011 Total
Trade receivables	250.9	0.0	250.9	255.8	0.0	255.8
Receivables from investments consolidated at equity	8.9	0.3	9.2	2.9	15.0	18.0
Other receivables	58.1	13.0	71.1	64.4	11.4	75.8
	317.9	**13.3**	**331.1**	**323.2**	**26.4**	**349.6**

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 2010 and 2011 financial years:

EUR m	2010	2011
Balance at January 1	**17.5**	**17.1**
Change	–0.3	0.4
Balance at December 31	**17.1**	**17.5**

8.10 CASH AND CASH EQUIVALENTS

EUR m	Dec. 31, 2010	Dec. 31, 2011
Bank balances	27.2	22.6
Short-term deposits (demand deposits)	283.7	284.5
Cash on hand	2.2	3.4
	313.1	**310.6**

The average interest rate for demand deposits was 1.9% at December 31, 2011 (December 31, 2010: 1.2%).

The fair values correspond to the carrying amounts.

8.11 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

In the year 2011, Österreichische Post AG (Austrian Post) determined a plan to dispose of trans-o-flex Nederland B.V., Dordrecht, and trans-o-flex Belgium B.V.B.A., Turnhout, both of which are fully owned subsidiaries of Austrian Post.

Accordingly, the assets and liabilities of trans-o-flex Nederland B.V. and trans-o-flex Belgium B.V.B.A., which are assigned to the Parcel & Logistics Division, are classified as "Non-current assets held for sale and discontinued operations" as a disposal group pursuant to IFRS 5. Specified property, plant and equipment, cash and cash equivalents, financial liabilities as well as specified liabilities and provisions are excluded from this reclassification. Austrian Post assumes that the disposal will be concluded within the next three quarters.

Pursuant to IFRS 5, assets and liabilities of the disposal group will be reported separately from continuing operations in the balance sheet. Business transactions between the disposal group and the continuing operations of the Group companies are completely eliminated in accordance with IAS 27 "Consolidated and Separate Financial Statements".

The following table shows the assets and liabilities of the disposal group as well as impairment losses:

EUR m	Reclassification pursuant to IFRS 5	Impairment losses/other provisions[1]	Total classification pursuant to IFRS 5
Intangible assets	0.1	0.1	0.0
Property, plant and equipment	5.9	3.2	2.8
Investments consolidated at equity	0.0	0.0	0.0
Inventories	0.2	0.2	0.0
Receivables	11.8	11.8	0.0
Total assets in the disposal group	**17.9**	**15.2**	**2.8**
Non-current provisions	0.3	0.0	0.3
Deferred tax liabilities	0.7	0.0	0.7
Current provisions	0.1	3.1	3.2
Current liabilities	6.4	0.0	6.4
Total liabilities in the disposal group	**7.5**	**3.1**	**10.6**

[1] Impairment losses/Other provisions are reported as other operating expenses.

8.12 CAPITAL AND RESERVES

Capital and reserve items
The share capital of Österreichische Post AG (Austrian Post) amounts to EUR 337.8m, which is split into 67,552,638 non-par value bearer shares with voting rights and entitled to participate in profits.

The number of shares outstanding, which are entitled to dividends, developed as follows during the 2011 financial year:

	Shares
Balance at January 1, 2011	67,552,638
Balance at December 31, 2011	**67,552,638**
Weighted average number of shares in the 2011 financial year	**67,552,638**

The main shareholder of Österreichische Post AG (Austrian Post) is Österreichische Industrieholding AG (ÖIAG), Wien, the privatisation and industrial holding company, with a 52.8% shareholding based on the number of outstanding shares.

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 financial instruments encompasses the revaluation of available for sale securities as well as the market value of hedging instruments. The item revaluation of available for sale securities encompasses gains and losses on changes in the market value measurements of available for sale securities, which are directly recognised in equity without recognition to profit or loss. The amounts are shown 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 2011 financial year amounted to EUR 123.8m (2010: EUR 118.4m). 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 Österreichische Post AG (Austrian Post) at the balance sheet date on December 31, 2011. The profit shown in the balance totalled EUR 134.6m (2010: EUR 149.4m).

The Management Board will propose a dividend for the 2011 financial year totalling EUR 114.8m, corresponding to a basic dividend of EUR 1.70 per share (2010: EUR 108.1m, basic dividend of EUR 1.60 per 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.

Within the context of its dividend policy for the upcoming years, on the medium-term basis Austrian Post intends to continue its existing dividend policy based on a solid balance sheet structure and the generation of an appropriate cash flow. Assuming the continuation of the company's successful business development, Austrian Post will distribute at least 75% of the profit for the period (Group net profit) to its shareholders. The dividends should develop in line with the Group net profit.

The economic capital corresponds to the capital and reserves which are reported in the consolidated balance sheet. Taking the balance sheet total of EUR 1,668.3m as at December 31, 2011 as a basis (December 31, 2010: EUR 1,715.1m), the equity ratio as at December 31, 2011 amounts to 42.1% (December 31, 2010: 40.3%).

8.13 PROVISIONS

EUR m	Dec. 31, 2010 Term to maturity within 1 year	Dec. 31, 2010 Term to maturity of more than 1 year	Total	Dec. 31, 2011 Term to maturity within 1 year	Dec. 31, 2011 Term to maturity of more than 1 year	Total
Provisions for termination benefits	0.0	79.1	79.1	0.0	80.2	80.2
Provisions for pensions	0.0	2.4	2.4	0.0	2.4	2.4
Provisions for jubilee benefits	0.0	95.6	95.6	0.0	94.3	94.3
Other employee provisions	97.4	231.8	329.2	87.9	214.7	302.6
Other provisions	37.8	5.7	43.5	44.9	5.1	50.0
	135.1	**414.6**	**549.7**	**132.8**	**396.7**	**529.5**

8.13.1 PROVISIONS FOR TERMINATION BENEFITS, PENSIONS AND JUBILEE BENEFITS

2010 financial year **EUR m**	**Termination benefits**	**Pensions**	**Jubilee benefits**	**Total**
Present value of the obligation at January 1, 2010	**72.9**	**5.4**	**93.7**	**171.9**
Disposals arising from final consolidations	0.0	–3.3	–0.2	–3.4
Current service cost	5.2	0.1	4.9	10.1
Interest expense	3.6	0.3	4.6	8.5
Actuarial gains/losses	4.8	0.3	–1.0	4.1
Actual payments	–7.4	–0.3	–6.4	–14.1
Present value of the obligation at December 31, 2010	**79.1**	**2.4**	**95.6**	**177.1**

2011 financial year **EUR m**	**Termination benefits**	**Pensions**	**Jubilee benefits**	**Total**
Present value of the obligation at January 1, 2011	**79.1**	**2.4**	**95.6**	**177.1**
Current service cost	5.4	0.1	4.9	10.4
Interest expense	3.5	0.1	4.1	7.7
Actuarial gains/losses	–0.7	0.0	–4.4	–5.1
Actual payments	–7.1	–0.2	–5.9	–13.2
Present value of the obligation at December 31, 2011	**80.2**	**2.4**	**94.3**	**176.9**

Expenses for termination benefits, pensions and jubilee benefits are included in staff costs, with the exception of the interest expense, which is included in the financial result.

The following table shows the current value of provisions for termination benefits, pensions and jubilee benefits over the last five years:

EUR m	Termination benefits	Pensions	Jubilee benefits	Total
December 31, 2007	68.6	5.4	92.5	166.5
December 31, 2008	69.0	5.3	91.4	165.8
December 31, 2009	72.9	5.4	93.7	171.9
December 31, 2010	79.1	2.4	95.6	177.1
December 31, 2011	80.2	2.4	94.3	176.9

The following table shows the actuarial adjustments – gains (-) and losses (+) – in percentage points of the present value of the obligation (as at December 31, 2011) for termination benefits, pensions and jubilee benefits for the 2011 financial year. For the 2007 to 2009 financial years the entire actuarial gains (-) and losses (+) are calculated in percentage points for the present value of the obligation (as at December 31, 2010) for termination benefits, pension and jubilee benefit provisions.

	2007	2008	2009	2010	2011
Termination benefits	–0.1%	1.6%	2.1%	–1.1%	–0.9%
Pensions	–2.8%	1.5%	0.0%	0.0%	0.0%
Jubilee benefits	–1.3%	–3.3%	–1.5%	–5.6%	–4.6%

8.13.2 OTHER PROVISIONS FOR EMPLOYEES

2010 financial year EUR m	Employee under-utilisation	Other employee-related provisions	Total
Balance at January 1, 2010	**285.6**	**74.5**	**360.2**
Disposals arising from final consolidations	0.0	–3.2	–3.2
Transfer	–12.0	0.2	–11.8
Allocation	19.5	67.7	87.2
Use	–17.8	–50.7	–68.5
Reversals	–44.4	–4.3	–48.7
Accrued interest	13.1	1.0	14.1
Balance at December 31, 2010	**244.1**	**85.1**	**329.2**

2011 financial year EUR m	Employee under-utilisation	Other employee-related provisions	Total
Balance at January 1, 2011	**244.1**	**85.1**	**329.2**
Transfer	–13.5	–0.1	–13.6
Allocation	71.7	51.6	123.3
Use	–22.7	–56.9	–79.6
Reversals	–49.6	–13.8	–63.4
Accrued interest	9.1	0.7	9.8
Held for sale	0.0	–3.1	–3.1
Balalance at December 31, 2011	**239.0**	**63.6**	**302.6**

Other provisions for employees encompass provisions for under-utilisation and other employee-related provisions.

Provisions of EUR 71.7m were allocated for employee under-utilisation in the 2011 financial year on the basis of ongoing internal organisational processes designed to adjust capacities to changing market conditions. In particular, provisions amounting to EUR 14.1m were allocated for Austrian Post employees who transfer to various federal ministries and whose staff costs will be refunded by Austrian Post for a specified time.

The reclassification of EUR 13.5m in the 2011 financial year (2010: EUR 12.0m) related to liabilities for those employees who permanently transferred to the federal public service.

Those employees, who were no longer involved in the working process, continued to take advantage of opportunities offered by Austrian Post (voluntary termination benefits, stop-gap measures in line with the social plan, retirement pursuant to Section 14 Public Sector Employment Law) to leave the company, and a number of employees were reintegrated into the working process. As a result, a total of EUR 49.6m in provisions for employee under-utilisation were reversed.

The other employee-related provisions largely related to provisions for employee profit-sharing schemes, other performance-related bonuses and other outstanding employee entitlements.

Other employee-related provisions are included provisions totalling EUR 4.8m for the stop-gap measures in line with the social plan as well as provisions of EUR 5.9m for restructuring, which primarily related to planned personnel adjustments in the Branch Network Division.

8.13.3 OTHER PROVISIONS

2010 financial year EUR m	Services not yet rendered	Other	Total
Balance at January 1, 2010	**21.2**	**17.2**	**38.4**
Disposals arising from final consolidations	0.0	–1.1	–1.1
Transfer	0.0	0.3	0.3
Allocation	21.8	9.4	31.2
Use	–21.2	–3.0	–24.2
Reversals	0.0	–1.2	–1.2
Accrued interest	0.0	0.1	0.1
Currency translation	0.0	0.0	0.0
Balance at December 31, 2010	**21.8**	**21.6**	**43.5**

2011 financial year EUR m	Services not yet rendered	Other	Total
Balance at January 1, 2011	**21.8**	**21.6**	**43.5**
Allocation	26.0	12.7	38.7
Use	–21.8	–8.8	–30.6
Reversals	0.0	–1.3	–1.4
Accrued interest	0.0	0.1	0.1
Held for sale	0.0	–0.4	–0.4
Currency translation	0.0	0.0	0.0
Balance at December 31, 2011	**26.0**	**23.9**	**50.0**

The provisions for services not yet provided encompass the elimination of orders for services not yet provided as at December 31, 2011 as well as outstanding customer prepayments for stamps and frankings as at December 31, 2011, for which Austrian Post had not yet provided corresponding services as at the balance sheet date.

The item 'Other provisions' mainly related to provisions for legal expenses, legal, auditing and consulting fees as well as provisions for damages. The item 'Other provisions' also included a provision of EUR 7.9m for the replacement of the cluster box units as legally stipulated in the Postal Market Act 2011.

8.14 TAX PROVISIONS

EUR m	2010	2011
Balance at January 1	**33.9**	**25.0**
Allocation	2.1	11.4
Use	–10.9	–23.1
Reversals	0.0	–0.5
Balance at December 31	**25.0**	**12.7**

8.15 FINANCIAL LIABILITIES

EUR m	Dec. 31, 2010			Dec. 31, 2011		
	Term to maturity within 1 year	Term to maturity of more than 1 year	Total	Term to maturity within 1 year	Term to maturity of more than 1 year	Total
Borrowings from banks	4.9	12.2	17.0	5.0	9.4	14.4
ABCP programme liabilities and factoring	44.6	0.0	44.6	2.6	0.0	2.6
Finance lease liabilities	5.0	12.0	17.0	2.9	8.5	11.5
Derivative financial instruments	0.0	0.0	0.0	0.0	0.2	0.2
Other financial liabilities	0.0	0.5	0.5	0.1	0.5	0.6
	54.5	**24.6**	**79.1**	**10.6**	**18.6**	**29.2**

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

EUR m	Fair value Dec. 31, 2010	Effective interest rate 2010	Fair value Dec. 31, 2011	Effective interest rate 2011
Borrowings from banks				
Fixed interest borrowings	13.1	3.41%	12.6	2.1%–3.6%
Variable interest borrowings	4.9	0.25%–3.5%	2.9	6.0%
	18.0		**15.4**	
ABCP programme liabilities and factoring	44.6	1.78%–3.18%	2.6	2.5%–3.0%
Finance lease liabilities	17.2	3.75%–10.79%	11.5	1.9%–11.4%
Derivative financial instruments	0.0	n. a.	0.2	3.2%
Other financial liabilities	0.5	3.00%	0.6	3.0%–4.8%
	80.3		**30.3**	

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.

In 2006, Austrian Post assumed an Asset Backed Commercial Paper (ABCP) programme during an acquisition. As part of this programme with a maturity of five years and a maximum limit of EUR 51.6m, existing and future trade payables (December 31, 2010: EUR 41.7m) were sold to a special purpose entity not affiliated with Austrian Post. In the consolidated financial statements, the sold and assigned trade receivables continued to be reported as trade receivables due to the remaining economic risk. The amounts stipulated in the ABCP programme (December 31, 2010: EUR 42.4m) were reported as current liabilities. This Asset Backed Commercial Paper Programme expired in August 2011.

In the 2010 financial year, trans-o-flex Belgium B.V.B.A. concluded a factoring agreement. The sold receivables on the balance sheet date amounted to EUR 3.9m (December 31, 2010: EUR 3.7m). The sold and assigned trade receivables will continue to be reported as trade receivables due to the remaining economic risk. The EUR 2.6m (December 31, 2010: EUR 2.2m) received from the factoring bank will be reported as current liabilities together with the ABCP programme.

8.16 PAYABLES

	Dec. 31, 2010			Dec. 31, 2011		
EUR m	**Term to maturity within 1 year**	**Term to maturity of more than 1 year**	**Total**	**Term to maturity within 1 year**	**Term to maturity of more than 1 year**	**Total**
Trade payables	210.5	0.0	210.5	202.6	0.0	202.6
Payables to investments consolidated at equity	1.4	0.0	1.4	2.2	0.0	2.2
Payables on unused holidays	46.3	0.0	46.3	47.9	0.0	47.9
Other payables	72.1	25.9	98.1	93.8	25.2	119.1
	330.3	**25.9**	**356.2**	**346.6**	**25.2**	**371.8**

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

8.17 INCOME TAX

EUR m	**2010**	**2011**
Income tax expense for the current year	37.7	44.1
Tax credits or tax arrears from prior tax years	0.4	–0.1
Changes in deferred tax	–7.8	–4.7
	30.3	**39.3**

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, 2010	Dec. 31, 2011
Deferred tax assets arising from temporary differences		
Intangible assets	0.0	0.1
Goodwill	0.5	0.3
Financial assets	19.9	32.0
Provisions	23.9	17.0
Financial liabilities	0.4	0.5
	44.6	**50.0**
Deferred tax liabilities arising from temporary differences		
Customer relationships	–5.5	–3.8
Trademarks	–7.2	–7.1
Other intangible assets	–0.1	0.0
Property, plant and equipment	–6.4	–5.3
Inventories	–0.1	–0.1
Receivables	–0.9	–0.8
Liabilities	–0.1	–0.1
	–20.2	**–17.2**
Deferred tax arising from tax loss carry-forwards	**11.3**	**9.4**
Total net deferred tax	**35.7**	**42.2**
Deferred tax assets	49.9	54.6
Deferred tax liabilities	–14.2	–12.4
Total net deferred tax	**35.7**	**42.2**

The following deferred tax assets were not recognised:

EUR m	Dec. 31, 2010	Dec. 31, 2011
Deferred tax assets on:		
Unused tax loss carry-forwards	20.4	13.0
Other valuation differences	1.0	0.8

The development and the breakdown of all 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
Balance at January 1, 2010	**43.2**	**15.4**
Changes affecting net income	**7.0**	**–0.8**
Changes recognised directly in equity		
Available for sale securities	–0.4	0.0
Hedging	0.1	0.0
Disposals arising from final consolidations	0.0	–0.4
	–0.3	**–0.4**
Balance at December 31, 2010	**49.9**	**14.2**
Balance at January 1, 2011	**49.9**	**14.2**
Changes affecting net income	**3.6**	**–1.8**
Changes recognised directly in equity		
Available for sale securities	1.0	0.0
	1.0	**0.0**
Balance at December 31, 2011	**54.6**	**12.4**

RECONCILIATION OF DEFERRED TAX EXPENSE

EUR m	2010	2011
Profit before tax	**148.7**	**163.1**
Expected taxes on income	**37.2**	**40.8**
Tax deductions due to		
Impairments losses / future reversals	–12.3	–15.3
Adjustments to foreign tax rates	–0.4	–1.2
Other tax reducing items	–2.8	–4.0
	–15.5	**–20.4**
Tax increase due to		
Impairment losses on goodwill	0.5	–0.6
Tax-free dividends and investment income	–0.3	2.3
Other tax increasing items	2.6	4.6
	2.9	**12.5**
Income tax expense for the period	**24.5**	**32.9**
Income tax expense/income from prior years	0.4	–0.1
Change in unrecognised deferred tax assets arising from carry-forwards	5.4	6.4
Current tax expense	**30.3**	**39.3**

9. OTHER DISCLOSURES

9.1 CASH FLOW DISCLOSURES

Cash and cash equivalents encompass cash in hand and demand deposits. Cash equivalents correspond to current, highly liquid financial investments, which can be converted into specified cash amounts at any time and are only subject to immaterial fluctuations in value.

The following additional disclosures to the consolidated cash flow statement are provided:

Cash payments relating to the acquisition and divestments of subsidiaries
The cash flow arising from the acquisition and divestments of subsidiaries is comprised of the following:

EUR m	2010	2011
Acquisition of subsidiaries		
Purchase prices		
Acquisition date in the current financial year	–2.4	0.0
Acquisition date in previous years	–1.2	–0.4
	–3.6	**–0.4**
Cash and cash equivalents acquired	0.9	0.0
	–2.6	**–0.4**
Divestments		
Divested cash and cash equivalents	–9.8	0.0
	–9.8	**0.0**
Total	**–12.5**	**–0.4**

Other non-cash transactions
The other non-cash transactions neutralised in the operating cash flow from changes in working capital are comprised of the following:

EUR m	2010	2011
Non-cash expenses pursuant to IFRS 5	0.0	18.3
Results from final consolidations	0.8	3.3
Valuation of loans granted	0.0	4.4
Other	0.0	1.5
Total	**0.8**	**27.5**

Sundry non-cash transactions
The initial recognition of assets and financial liabilities resulting from financial lease contracts first concluded in the 2011 financial year amounting to EUR 3.4m as at December 31, 2011 (December 31, 2010: EUR 1.6m) did not lead to any change in the cash flow from investing activities due to the fact that these represent non-cash transactions. The subsequent leasing payments will be reported in the cash flow from financing activities.

9.2 FINANCIAL INSTRUMENTS

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

9.2.1 FINANCIAL ASSETS

The following table shows the carrying amounts of the financial assets in the 2010 and 2011 financial years:

Financial assets EUR m	**Available for sale (fair value)**	**Available for sale (at cost)**	**Loans and receivables**	**Hedging**	**Cash and cash equivalents**	**Carrying amount**
Balance at December 31, 2010						
Securities	48.3	0.0	0.0	0.0	0.0	48.3
Trade receivables	0.0	0.0	250.9	0.0	0.0	250.9
Receivables from investments consolidated at equity	0.0	0.0	9.2	0.0	0.0	9.2
Derivative financial assets	0.0	0.0	0.0	0.3	0.0	0.3
Other receivables	0.0	0.0	31.0	0.0	0.0	31.0
Strategic stakes and other investments	40.6	0.8	0.0	0.0	0.0	41.4
Cash and cash equivalents	0.0	0.0	0.0	0.0	313.1	313.1
	88.9	**0.8**	**291.0**	**0.3**	**313.1**	**694.1**
Other sundry assets						39.8
	88.9	**0.8**	**291.0**	**0.3**	**313.1**	**733.9**

Financial assets EUR m	**Available for sale (fair value)**	**Available for sale (at cost)**	**Loans and receivables**	**Hedging**	**Cash and cash equivalents**	**Carrying amount**
Balance at December 31, 2011						
Securities	34.1	0.0	0.0	0.0	0.0	34.1
Trade receivables	0.0	0.0	255.8	0.0	0.0	255.8
Receivables from investments consolidated at equity	0.0	0.0	18.0	0.0	0.0	18.0
Derivative financial assets	0.0	0.0	0.0	0.2	0.0	0.2
Other receivables	0.0	0.0	31.2	0.0	0.0	31.2
Strategic stakes and other investments	40.6	0.0	0.0	0.0	0.0	40.6
Cash and cash equivalents	0.0	0.0	0.0	0.0	310.6	310.6
	74.8	**0.0**	**305.0**	**0.2**	**310.6**	**690.5**
Other sundry assets						44.5
	74.8	**0.0**	**305.0**	**0.2**	**310.6**	**735.0**

9.2.2 FINANCIAL LIABILITIES

The following table shows the carrying amounts of financial liabilities for the 2010 and 2011 financial years:

Financial liabilities EUR m	Recognised at amortised cost	Finance leases	Hedging	Carrying amount
Balance at December 31, 2010				
Interest bearing financial liabilities	61.6	17.0	0.0	78.6
Other non-current financial liabilities	0.5	0.0	0.0	0.5
Trade payables	210.5	0.0	0.0	210.5
Liabilities to investments consolidated at equity	1.4	0.0	0.0	1.4
Other liabilities	24.5	0.0	0.0	24.5
	298.5	**17.0**	**0.0**	**315.4**
Other sundry liabilities				119.8
	298.5	**17.0**	**0.0**	**435.3**

Financial liabilities EUR m	Recognised at amortised cost	Finance leases	Hedging	Carrying amount
Balance at December 31, 2011				
Interest bearing financial liabilities	17.1	11.5	0.0	28.6
Other non-current financial liabilities	0.5	0.0	0.0	0.5
Trade payables	202.6	0.0	0.0	202.6
Liabilities to investments consolidated at equity	2.2	0.0	0.0	2.2
Derivative financial liabilities	0.0	0.0	0.2	0.2
Other liabilities	23.8	0.0	0.0	23.8
	246.2	**11.5**	**0.2**	**257.9**
Other sundry liabilities				143.2
	246.2	**11.5**	**0.2**	**401.1**

9.2.3 FAIR VALUE HIERARCHY

The following table presents financial instruments whose subsequent measurements are to be carried out at fair value. These fair value measurements are classified according to three levels, depending on the extent of applicability of the fair values:

Level 1: Fair value measurements arising from quoted prices (unadjusted) in active markets for identical financial assets or liabilities.

Level 2: Fair value measurements based on parameters other than quoted prices included within Level 1 (data) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements arising from models using parameters for the valuation of assets or liabilities, which are not based on applicable market data (unapplicable inputs).

EUR m	Level 1	Level 2	Level 3	Total
Balance at December 31, 2010				
Financial assets in the category "Recognised at fair value through profit or loss"				
Derivative financial assets	0.3	0.0	0.0	0.3
Financial assets in the category "Available for sale"				
Securities	48.3	0.0	0.0	48.3
Strategic stakes and other investments	0.0	0.0	40.6	40.6

EUR m	Level 1	Level 2	Level 3	Total
Balance at December 31, 2011				
Financial assets in the category "Recognised at fair value through profit or loss"				
Derivative financial assets	0.2	0.0	0.0	0.2
Financial assets in the category "Available for sale"				
Securities	34.1	0.0	0.0	34.1
Strategic stakes and other investments	0.0	0.0	40.6	40.6
Financial liabilities in the category "Recognised at fair value through profit or loss"				
Other derivative financial liabilities	–0.2	0.0	0.0	–0.2

No transfers between the Levels 1 and 2 took place during the year under review.

The reconciliation of Level 3 measurements at fair value applying to financial assets for the 2010 and 2011 financial years was as follows:

EUR m	Available for sale 2010	Available for sale 2011
Opening balance January 1	**40.6**	**40.6**
Total gains and losses	0.0	0.0
Recognised through profit or loss under Other financial result	0.0	0.0
Closing balance December 31	**40.6**	**40.6**

9.2.4 DERIVATIVE FINANCIAL INSTRUMENTS

The following table shows the base value and market value of the different derivative financial instruments:

EUR m	Dec. 31, 2010 Nominal (base value)	 Market value	Dec. 31, 2011 Nominal (base value)	 Market value
Other derivative financial instruments				
Structured interest rate swaps	5.0	0.3	8.0	–0.1
Structured interest rate caps	2.0	0.0	38.1	0.0
		0.3		**0.0**

Austrian Post has concluded interest rate swaps with an average term to maturity of 7.0 years as a means of reducing the interest rate risk of interest bearing securities and financial liabilities.

The fixed interest rates on the interest to be paid ranged between 1.7% and 4.8% as at December 31, 2011 (December 31, 2010: 3.0% to 3.8%).

The average variable interest rates, which may be subject to significant changes during the terms of the swap contracts, are linked to interbank interest rates.

The market value of various derivative financial instruments 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 to be taken of current market conditions as well as current interest rate levels, and the creditworthiness of the counterparties.

Furthermore, Austrian Post concluded an interest rate cap for an investment loan with a remaining term to maturity of 3.5 years as well as an interest rate cap to limit the interest of Group financial liabilities with a remaining term to maturity of 2.5 years.

9.2.5 NET GAINS AND LOSSES

The following table shows the net gains and losses as contained in the consolidated income statements for the 2010 and 2011 financial years:

EUR m	2010	2011
Available for sale financial assets		
Income from dividends and securities	0.7	1.0
Proceeds from the disposal of securities and other shareholdings	0.0	–0.7
	0.7	**0.3**
Financial assets and liabilities recognised at fair value through profit or loss	0.0	–0.4
Financial liabilities recognised at amortised cost	–0.8	–0.6
Loans and receivables	0.0	–0.1
	–0.9	**–1.1**
	–0.1	**–0.8**

In the 2010 financial year, the entire net gains of EUR 0.7m were recognised directly in the income statement. In the 2011 financial year, the net losses from the disposal of financial assets available for sale amounting to EUR 0.1m were taken from the reserve for the revaluation of held-for-sale financial instruments and the net gains of EUR 0.3m were reported directly in the income statement.

The result of financial assets and liabilities recognised at fair value through profit or loss corresponds to the gains/losses from the valuation and the disposal of derivative financial instruments.

9.2.6 TOTAL INTEREST INCOME AND EXPENSE

The total interest income and expenses for financial assets and liabilities excluding the financial instruments at fair value through profit or loss are presented as follows:

EUR m	2010	2011
Interest income from cash and cash equivalents	2.5	4.3
Other interest income	0.0	0.7
	2.5	**5.0**
Interest expense for loans and borrowings	2.0	1.3
Other interest expense	1.7	2.2
	3.7	**3.4**

9.3 RISKS AND RISK MANAGEMENT

9.3.1 TYPES OF RISK

Liquidity risk
The purpose of Austrian Post's liquidity risk management procedures is to maintain the solvency of the Group at all times. The liquidity management system is based on a liquidity plan which is regularly subject 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, 2010 and December 31, 2011:

December 31, 2010 EUR m	Carrying amount	Gross cash flow	Term to maturity Within 1 year	1–5 years	More than 5 years
Financial liabilities					
Borrowings from banks (fixed interest)	12.1	13.1	2.8	10.4	0.0
Borrowings from banks (variable interest)	4.9	5.0	3.9	1.1	0.0
ABCP programme and factoring liabilities	44.6	44.6	44.6	0.0	0.0
Finance lease liabilities	17.0	19.8	6.2	11.6	2.0
Other financial liabilities (excl. derivatives)	0.5	0.5	0.5	0.0	0.0
	79.1	**83.1**	**57.9**	**23.1**	**2.0**
Liabilities – financial instruments					
Trade payables	210.5	210.5	210.5	0.0	0.0
Liabilities to investments consolidated at equity	1.4	1.4	1.4	0.0	0.0
Other liabilities – financial instruments	24.5	24.5	22.1	0.6	1.8
	236.4	**236.4**	**234.0**	**0.6**	**1.8**
Total financial liabilities	**315.4**	**319.4**	**291.9**	**23.7**	**3.9**
Other sundry liabilities	119.8	120.0	103.2	16.8	0.0
Total liabilities	**435.3**	**439.5**	**395.1**	**40.5**	**3.9**

December 31, 2011 EUR m	Carrying amount	Gross cash flow	Term to maturity Within 1 year	 1–5 years	 More than 5 years
Financial liabilities					
Borrowings from banks (fixed interest)	11.5	12.6	2.3	10.2	0.0
Borrowings from banks (variable interest)	2.9	2.9	2.9	0.0	0.0
Factoring liabilities	2.6	2.6	2.6	0.0	0.0
Finance lease liabilities	11.5	13.1	3.5	9.6	0.0
Derivative financial liabilities	0.2	0.2	0.0	0.0	0.2
Other financial liabilities (excl. derivatives)	0.6	0.6	0.6	0.0	0.0
	29.2	**31.9**	**11.9**	**19.8**	**0.2**
Liabilities – financial instruments					
Trade payables	202.6	202.6	202.6	0.0	0.0
Liabilities to investments consolidated at equity	2.2	2.2	2.2	0.0	0.0
Other liabilities – financial instruments	23.8	23.8	22.3	0.5	1.0
	228.6	**228.6**	**227.2**	**0.5**	**1.0**
Total financial liabilities	**257.9**	**260.5**	**239.0**	**20.3**	**1.2**
Other sundry liabilities	143.2	143.3	119.7	23.5	0.0
Total liabilities	**401.1**	**403.8**	**358.8**	**43.9**	**1.2**

Credit/counterparty/product/payment undertaker 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 the highest 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. The security portfolio consists solely of securities on investor grade level. 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.

Within the framework of a cross-border lease transaction, a one-time grant payment was made enabling Austrian Post to assign its obligation to pay the lease instalments, including an EBO payment, to payment undertakers. The selected payment undertakers were financial institutions with top credit ratings (qualified issuer). In the case of the equity payment undertaker, minimum ratings were stipulated. If the ratings fall below these defined levels, the payment undertaker has to contribute securities as additional collateral. In the event that the ratings drop below a certain level, Austrian Post is obliged to change the existing equity payment counterparty. In order to be able to react in a timely manner to the situation of the payment undertaker, a quarterly evaluation of the ratings of the payment undertaker is made as well as the ratings of comparable financial institutions. In addition, at every balance sheet date, the payment undertaker is required to confirm that the transaction has been carried out, as planned and to disclose the remaining payment instalments.

The delinquency structure for receivables in the 2010 and 2011 financial years is as follows:

EUR m	Note	Not overdue	Overdue within 1 year	Overdue in more than 1 year	Total
Balance at December 31, 2010					
Carrying amount before impairment (financial instruments)		**256.5**	**40.1**	**11.9**	**308.5**
Less: individual valuation adjustments		1.9	3.7	10.5	16.2
Less: collective valuation adjustments		0.9	0.1	0.0	0.9
Carrying amount after impairment (financial instruments)		**253.7**	**36.3**	**1.4**	**291.4**
Carrying amount of other receivables					**39.8**
	(8.9)				**331.1**

EUR m	Note	Not overdue	Overdue within 1 year	Overdue in more than 1 year	Total
Balance at December 31, 2011					
Carrying amount before impairment (financial instruments)		**280.9**	**28.7**	**12.9**	**322.5**
Less: individual valuation adjustments		0.8	2.6	12.7	16.1
Less: collective valuation adjustments		1.0	0.1	0.0	1.1
Carrying amount after impairment (financial instruments)		**279.1**	**26.0**	**0.2**	**305.3**
Carrying amount of other receivables					**44.3**
	(8.9)				**349.6**

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 investments in securities, other financial assets and financial liabilities.

Management of interest rate risk related to Austrian Post's financial assets and liabilities 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 and interest rate caps. 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 Notes 8.6 investments in securities and 8.7 other financial assets to the consolidated financial statements. Detailed information on financial liabilities is presented in Note 8.15 financial liabilities.

If all other parameters remained constant, a change in the actual market interest rate of +/– 1 percentage point would have the following effects on the items listed in the table below:

EUR m	Market price +1% point	–1% point
2010 financial year		
Other financial result	3.2	–3.2
2011 financial year		
Other financial result	3.4	–3.4

Foreign exchange risk
Foreign exchange risk refers to potential losses arising from the market changes in connection with fluctuations in exchange rates.

There are no foreign exchange risks on the asset 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.

9.3.2 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. In addition, 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.

Furthermore, 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 and accounting of financial transactions separate, electronic data storage).

9.4 OTHER COMMITMENTS

Other financial commitments chiefly arise from operating rental and lease agreements with respect to buildings used in the production or supply of goods and services. There are also operating rental and lease agreements for technical plant and machinery, furniture and fixtures.

The future minimum leasing payments in the 2010 and 2011 financial years arising from operating lease and rental agreements which cannot be terminated before the end of the respective maturity period comprise the following:

EUR m	2010	2011
Not later than one year	49.1	52.2
Later than one year and not later than five years	137.1	143.9
Later than five years	174.7	156.9
	360.9	**353.1**

The main rental and leasing agreements for buildings used in the production or supply of goods and 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. Austrian Post entered into non-terminable rental and leasing agreements with future minimum lease payments of EUR 0.1m (2010: EUR 2.6m).

In the 2011 financial year, a total of EUR 51.2m (2010: EUR 51.7m) in payments within the context of operating rental and lease agreements were recognised in the income statement. The entire amount related to minimum lease payments.

Austrian Post entered into acquisition obligations as at December 31, 2011 for intangible assets amounting to EUR 0.1m (December 31, 2010: EUR 0.0m). Purchases of items of property, plant and equipment led to commitments of EUR 25.4m as at December 31, 2011 (December 31, 2010: EUR 6.4m).

Information on the cross-border lease transaction is provided in Note 8.3 Property, Plant and Equipment and Note 9.3.1 Types of Risk.

In the 2011 financial year, Austrian Post assumed liabilities on behalf of the joint venture MEILLERGHP GmbH which are described in Note 8.5 Investments consolidated at equity.

9.5 RELATED PARTY TRANSACTIONS

The Republic of Austria holds a 52.8% 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, joint venture companies and associated companies as well as members of the Management Board and Supervisory Board of Austrian Post, managing directors of Group subsidiaries and senior executives are to be considered as related parties

There is an agreement with BBG Bundesbeschaffung GmbH, Wien, in the name of and for the account of the federal government, for the delivery of postal items for federal agencies. During the 2011 financial year, delivery services valued at EUR 114.3m (2010: EUR 99.8m) were rendered for the federal agencies stipulated in the agreement. As at December 31, 2011, receivables from the BBG Bundesbeschaffung GmbH amounting to EUR 10.7m (December 31, 2010: EUR 9.0m) were recognised.

Revenue relating to services provided by Austrian Post on behalf of the Federal Computing Centre of Austria totalled EUR 31.9m in 2011 (2010: EUR 30.3m). As at December 31, 2011, receivables from the Federal Computing Centre of Austria amounting to EUR 2.4m (December 31, 2010: EUR 2.3m) 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 provided 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 as at December 31, 2011 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. The expense incurred for services provided by the ÖBB Group amounted to EUR 15.1m in 2011 (2010: EUR 17.4m). As at December 31, 2011, receivables from the ÖBB Group totalled EUR 0.1m (December 31, 2010: EUR 0.6m). Payables recognised to the ÖBB Group totalled EUR 0.2m as at December 31, 2011 (December 31, 2010: EUR 0.3m), whereas the income for services rendered by Austrian Post to ÖBB 2011 amounted to EUR 2.2m (2010: EUR 1.8m).

As at December 31, 2011, Austrian Post recognised receivables from Telekom Austria AG of EUR 7.6m (December 31, 2010: EUR 6.5m) and payables amounting to EUR 4.7m (December 31, 2010: EUR 2.9m). In the 2011 financial year, Austrian Post provided services on behalf of Telekom Austria AG valued at EUR 73.5m (2010: EUR 68.2m), whereas the expense incurred for services provided by Telekom Austria AG in the 2011 financial year amounted to EUR 38.8m (2010: EUR 46.6m).

At the balance sheet date, Austrian Post recognised payables to OMV Group of EUR 1.5m (December 31, 2010: EUR 2.5m). The expense incurred for services provided by OMV Group on behalf of Austrian Post totalled EUR 16.3m in the 2011 financial year (2010: EUR 13.4m), whereas the income for services provided by Austrian Post for OMV Group amounted to EUR 0.4m (2010: EUR 0.3m).

There are related-party relationships with joint venture companies in connection with direct marketing services at normal market terms and conditions. At the balance sheet date, receivables from joint venture companies amounted to EUR 17.2m (December 31, 2010: EUR 6.6m), whereas payables totalled EUR 0.0m (December 31, 2010: EUR 0.1m). In the 2011 financial year, expenses amounted to EUR 0.6m and income was EUR 2.0m.

There are related-party relationships with associated companies connected with advertising and public relations work as well as postal transport services, which are provided at normal market terms and conditions. The services provided by associated companies amounted to EUR 10.8m in the 2011 financial year (2010: EUR 8.1m). Revenue from associates accounted for 0.1% of total revenue in the 2011 financial year (2010: 0.9%). At the balance sheet date, receivables from associated companies amounted to EUR 0.7m (December 31, 2010: EUR 2.5m), and liabilities to associates were EUR 2.2m (December 31, 2010: EUR 1.3m).

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 2010 and 2011 financial years:

EUR m	Supervisory Board	Management Board	Senior executives	Total
2010 financial year				
Short-term employment benefits	0.2	3.4	16.2	19.8
Post-employment benefits	0.0	0.0	0.0	0.0
Other long-term employment benefits	0.0	–0.1	0.0	–0.1
Termination benefits	0.0	0.0	0.1	0.1
Share-based remuneration	0.0	0.6	0.8	1.3
	0.2	**3.8**	**17.1**	**21.1**

EUR m	Supervisory Board	Management Board	Senior executives	Total
2011 financial year				
Short-term employment benefits	0.2	3.8	17.7	21.7
Post-employment benefits	0.0	0.9	0.3	1.2
Other long-term employment benefits	0.0	0.0	0.0	0.0
Termination benefits	0.0	0.0	0.2	0.2
Share-based remuneration	0.0	1.4	2.6	4.0
	0.2	**6.1**	**20.8**	**27.1**

No business relationships existed with top executives during the 2011 financial year.

9.6 AUDIT FEES

The following fees for the auditor Deloitte Audit Wirtschaftsprüfungs GmbH and its related companies were paid in the 2011 financial year:

Services rendered by auditors in EUR	**2011**
Audit	
Individual and consolidated financial statements of Austrian Post as at December 31, 2011	156,200.00
Financial statements of Austrian Post subsidiaries as at December 31, 2011	110,500.00
Other valuation and certification services	0.00
Tax consulting services	1,485.00
Other consulting services	177,940.00
	446,125.00

9.7 AUSTRIAN POST COMPANIES

Company and location	**Interest in %**	**Method of consolidation**
Post Paket Service GmbH, Wien	100.00	FC
Post & Co Vermietungs OG, Wien	100.00	FC
Post International Beteiligungs GmbH, Wien	100.00	FC
Post.Wertlogistik GmbH, Wien	100.00	FC
Post.Maintain Management Objektverwaltungs- und instandhaltungs GmbH, Wien	100.00	FC
Medien.Zustell GmbH, Wien	100.00	FC
Austrian Post International Deutschland GmbH, Bonn	100.00	FC
Post Immobilien GmbH, Wien	100.00	FC
Post eins Beteiligungs GmbH, Wien	100.00	FC
Post zwei Beteiligungs GmbH, Wien	100.00	FC
Post drei Beteiligungs GmbH, Wien	100.00	FC
Post vier Beteiligungs GmbH, Wien	100.00	FC
A4 Business Solutions GmbH, Wien	100.00	FC
Post fünf Beteiligungs GmbH, Wien	100.00	FC
Weber Escal d.o.o., Zagreb	100.00	FC
Scanpoint GmbH, Wien	100.00	FC
Scanpoint Deutschland GmbH, Schwandorf	100.00	FC
Scanpoint Slovakia s.r.o., Brezno	100.00	FC
feibra GmbH, Wien	100.00	FC
PROWERB Gesellschaft für produktive Werbung GmbH, Wien	100.00	FC
feibra Magyarország Kft, Budapest	100.00	FC
PS Postservicegesellschaft m.b.H., Wien	100.00	FC
feibra West GmbH, Wien	100.00	FC
Post d.o.o. za usluge, Zagreb	100.00	FC
Online Post Austria GmbH, Wien	100.00	FC
Overseas Trade Co Ltd d.o.o., Zagreb	100.00	FC
Slovak Parcel Service s. r. o., Bratislava	100.00	FC

Company and location	Interest in %	Method of consolidation
IN TIME s.r.o., Bratislava	100.00	FC
Kolos s.r.o., Bratislava	100.00	FC
Austrian Post International Ungarn Kft, Gyal	100.00	FC
trans-o-flex Hungary Kft, Gyal	100.00	FC
City Express d.o.o., Beograd	100.00	FC
trans-o-flex Austria GmbH, Wien	100.00	FC
24-VIP d.o.o., Sarajevo	100.00	FC
City Express Montenegro d.o.o, Podgorica	100.00	FC
Post sechs Beteiligungs GmbH, Wien	100.00	FC
Post sieben Beteiligungs GmbH, Wien	100.00	FC
Post acht Beteiligungs GmbH, Wien	100.00	FC
Post neun Beteiligungs GmbH, Wien	100.00	FC
trans-o-flex Germany		
trans-o-flex Logistics Group GmbH, Weinheim	100.00	FC
trans-o-flex GmbH, Weinheim	100.00	FC
trans-o-flex Verwaltung GmbH, Weinheim	100.00	FC
trans-o-flex Schnell-Lieferdienst GmbH & Co KG, Weinheim	100.00	FC
trans-o-flex Transport Logistik GmbH, Weinheim	100.00	FC
trans-o-flex Customer-Service GmbH, Weinheim	100.00	FC
trans-o-flex Linienverkehr GmbH, Weinheim	100.00	FC
trans-o-flex Logistik Service GmbH, Weinheim	100.00	FC
trans-o-flex Admin-Service GmbH, Weinheim	100.00	FC
trans-o-flex IT-Service GmbH, Weinheim	100.00	FC
ThermoMed Verwaltungs GmbH, Weinheim	100.00	FC
trans-o-flex ThermoMed GmbH & Co KG, Weinheim	100.00	FC
trans-o-flex Accounting Service GmbH, Weinheim	100.00	FC
trans-o-flex Billing Service GmbH, Weinheim	100.00	FC
Scherübl Transport GmbH, Frankenburg/a.H.[1]	74.90	FC
trans-o-flex Nederland B.V., Dordrecht[3]	100.00	FC
trans-o-flex Belgium B.V.B.A., Turnhout[3]	100.00	FC
LogIn Service d.o.o., Sarajevo	100.00	FC
Distributions GmbH, Bergkirchen	100.00	FC

Company and location	Interest in %	Method of consolidation
MEILLERGHP		
MEILLERGHP GmbH, Schwandorf[2]	65.00	EM
MEILLERGHP CZ s.r.o., Nyrany[2]	65.00	
MEILLERGHP a.s., Pilsen[2]	65.00	
MEILLERGHP SARL, Versailles[2]	65.00	
Mailstep Holding a.s., Prag[2]	65.00	
GHP Direct France s.a.r.l., Le Chesnay[2]	65.00	
MEILLERGHP AB, Landskrona[2]	65.00	
MEILLERGHP Sp.z.o.o., Kraków[2]	65.00	
GHP Direct Rus o.o.o., Moskva[2]	65.00	
Kolos Marketing s.r.o., Nyrany[2]	58.50	EM
Kolos Marketing s.r.o., Nyrany	10.00	EM
D2D - direct to document GmbH, Wien	30.00	EM
FEIPRO Vertriebs GesmbH, Gaweinstal	50.00	EM
PostMaster s.r.l., Bucureşti	26.00	EM
Omnimedia Werbegesellschaft m.b.H., Wien	21.00	EM
Eurodis GmbH, Weinheim	59.40	EM
OMNITEC Informationstechnologie-Systemservice GmbH, Wien	50.00	NC

[1] 100% of the shares of Scherübl Transport were consolidated on the basis of the put option of the minority shareholders, and thus no minority interest is shown in equity. The full amount of goodwill is recognised.
[2] The profit for the period of the company MEILLERGHP GmbH consolidated at equity corresponds to the proportionate profit for the period of the MEILLERGHP Group and includes a proportionate share of the profit for the period of the subsidiaries.
[3] Held for sale
FC = Full consolidation, EM = Equity method, NC = No consolidation due to immateriality

The trans-o-flex companies based in Germany have decided to take advantage of the legally permissible waiver of disclosure requirements pursuant to Sections 264 Para. 3 and 264 b German Commercial Code.

9.8 EVENTS AFTER THE REPORTING PERIOD

Within the context of the strategic reorientation of the Austrian Post Group, implemented within the context of the Group-wide project ORG 2012, there are changes in the segment structure as of January 1, 2012. The existing “Mail” and “Branch Network” segments are merged to create a new segment, called the “Mail and Branch Network”. At the same time, a further division of the now existing segments “Mail & Branch Network”, “Parcel & Logistics” and “Corporate” into subsegments was accomplished. The new segmentation reflects the strategic business areas of the Austrian Post Group, which are the basis of the internal organisational, management and reporting structures.

In this connection, the reporting logic of the Austrian Post Group was also changed as of January 1, 2012. Whereas reporting 2011 focused on the former division-based organisational structure, divided into the “Mail”, “Parcel & Logistics”, “Branch Network” and “Corporate” divisions, the new reporting logic subdivides the company’s operations into the “Mail & Branch Network”, “Parcel & Logistics” and “Corporate” divisions as of the 2012 financial year. With this new organisation, Austrian Post is pursuing the goal of enhancing the quality of its reporting in order to fulfill the growing need for information both internally and externally.

In the 2011 financial year, Österreichische Post AG (Austrian Post) decided to dispose of its subsidiaries trans-o-flex Netherland B.V., Dordrecht and trans-o-flex Belgium B.V.B.A, Turnhout. The negotiations with the potential purchaser are still in progress.

February 20, 2012 marked the signing of the acquisition of a 26% stake in the Bulgarian company M&BM Express OOD by Austrian Post. The company operates in the fields of hybrid mail, addressed and unaddressed mail items for business customers and printing. The purchase agreement stipulates an option for Austrian Post to acquire an additional 25% stake in 2013 and 2014, respectively.

The Management Board of Austrian Post approved the audited consolidated financial statements for the financial year ending on December 31, 2011 for transmission to the Supervisory Board on March 1, 2012. The Supervisory Board is responsible for reviewing and approving the audited consolidated financial statements.

Vienna, March 1, 2012

The Management Board

Georg Pölzl
Chairman of the Management Board

Rudolf Jettmar
Deputy Chairman of the Management Board

Walter Hitziger
Member of the Management Board

Peter Umundum
Member of the Management Board

STATEMENT OF ALL LEGAL REPRESENTATIVES PURSUANT TO SECTION 82 PARA. 4 (3) STOCK EXCHANGE ACT

As the legal representatives of Austrian Post we declare, to the best of our knowledge, that the consolidated financial statements for the 2011 financial year, which were prepared in accordance with the applicable financial reporting standards, present a fair and accurate picture, in all material respects, of the profit, asset and financial position of the Group, that the Group Management Report presents the business development, earnings and overall situation of the Group in such a manner as to provide a fair and accurate picture of the profit, asset and financial position of the Group, and that the Group Management Report also describes the most important risks and uncertainties facing the Group.

Vienna, March 1, 2012

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Rudolf Jettmar
Deputy Chairman of the Management Board
Chief Financial Officer

Walter Hitziger
Member of the Management Board
Director of the Mail & Branch Network Division

Peter Umundum
Member of the Management Board
Director of the Parcel & Logistics Division

INDEPENDENT AUDITOR'S REPORT

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Österreichische Post Aktiengesellschaft, Vienna ("the Group") for the financial year from January 1, 2011 to December 31, 2011. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2011, the consolidated income statement and statement of comprehensive income, cash flow statement and statement of changes in equity for the year ended December 31, 2011 and the Notes.

Management's Responsibility for the Consolidated Financial Statements and the Accounting Records
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; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit
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 (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

These 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements. We believe that the 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, the consolidated financial statements are in accordance with legal requirements and present fairly, in all material aspects, the financial position of the Group as of December 31, 2011 and of its financial performance and its cash flows for the financial year from January 1, 2011 to December 31, 2011 in accordance with International Financial Reporting Standards as adopted in the EU.

Conclusion on Management Report for the Group
Laws and regulations applicable in Austria require us to perform audit procedures to determine whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the Group. The auditor's report has to state whether the consolidated management report for the Group is consistent with the consolidated financial statements and whether the disclosures according to Section 243a Austrian Commercial Code apply.

In our opinion, the consolidated management report for the Group is consistent with the consolidated financial statements. The disclosures according to Section 243a Austrian Commercial Code apply.

Vienna, March 1, 2012

Deloitte Audit Wirtschaftsprüfungs GmbH

Walter Müller m.p.
Certified Public Accountant

Josef Spadinger m.p.
Certified Public Accountant

The publication or dissemination of the consolidated financial statements with our auditor's report is only permissible in the version we have formally approved. This auditor's report exclusively relates to the German-language and complete consolidated financial statements including the Group Management Report. For deviating versions refer to Section 281 Para. 2 Austrian Commercial Code.

GLOSSARY/INDEX

GLOSSARY

Capital employed
Intangible assets and goodwill
+ Property, plant and equipment
+ Investment property
+ Investments consolidated at equity
+ Investments in non-consolidated companies
+ Inventories
+ Receivables
+ Non-current asset held for sale
– Non-interest bearing debt
= Capital Employed

Earnings before interest and taxes (EBIT)
Profit from operations plus the share of profit/loss of at equity consolidated companies.

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)
EBIT plus depreciation and amortisation.

Earnings before Taxes (EBT)
Earnings before taxes.

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

EBITDA margin
Ratio of EBITDA to revenue.

EBIT margin
Ratio of EBIT to revenue.

INDEX

Equity ratio
Ratio of equity to total capital (total assets).

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
+ Other interest-bearing provisions
= Interest-bearing debt
– Financial investments in securities
– Other financial assets and interest-bearing receivables
– Cash and cash equivalents
= Interest-bearing assets
= Net debt/Net cash position

Return on Capital Employed (ROCE)
Ratio of EBIT to the average capital employed.

Return on equity (ROE)
Ratio of profit after tax to equity (excluding discontinued operations) at January 1, less dividends paid: measures the profitability of a company.

HISTORY OF AUSTRIAN POST

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
1928	Introduction of home letterboxes
1938	Integration into the German Reichspost organisation
1945	Resumption of postal services in Austria Reorganisation and reconstruction of the Austrian postal branch network
1957	Introduction of drop-off mailboxes for rural delivery staff Start-up of a mechanical parcel sorting facility at the Viennese post office 101 (Western Railway Station)
1959	Start-up of a mechanical letter mail sorting and postal pouch conveying system
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)
1999	Austrian Post as legally independent entity (for postal and post bus operations) Targeted investments in modernisation of the logistics infrastructure
2000	Post bus business spun off to the ÖIAG
2001	Acquisition of feibra Austria (unaddressed direct mail)
2002	Acquisition of Slovakian parcel companies Slovak Parcel Service (SPS) and In-Time
2003	Acquisition of Overseas Trade (Croatia)
2005	Purchase of feibra Hungary (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); Weber Escal (unaddressed advertising/Croatia), trans-o-flex (B2B specialty logistics/Germany)
2007	Further acquisitions and penetration of niche markets: acquisition of Weber Escal (unaddressed advertising/Croatia), Scanpoint Europe (document digitalisation/Germany), Road Parcel Logistics and Merland Expressz (parcels market/Hungary), Scherübl Transport (pharmaceuticals transport/Austria), meiller direct (direct marketing/Germany), VOP and DHL EXPRESS DDS (parcels business/Belgium and Netherlands), ST Media (unaddressed advertising/Croatia), City Express (parcels business/Serbia and Montenegro); purchase of a 5% stake in BAWAG P.S.K.

2008	Integration of existing subsidiaries and selective acquisitions: 24VIP (parcels business, Bosnia-Herzegovina), Cont-Media (direct marketing, Croatia), HSH Holding (parcels business, Belgium)
2009	Austrian Post Act creates the legal framework for the fully liberalised letter mail market starting January 1, 2011. Acquisition of Rhenus Life Science (pharmaceutical logistics), Germany; new collective wage agreement concluded for new employees.
2010	Increase of stake in EBPP Electronic Bill Presentment and Payment GmbH, a leading provider of electronic invoicing, from 40% to 100%. Expansion and intensification of cooperation between BAWAG P.S.K. and Austrian Post. Launch of new online services, for example the e-postcard. Austrian subsidiary meiller direct, a direct mail producer, is part of a joint venture with Swiss Post. Austrian Post owns a 65% shareholding in the newly created firm MEILLERGHP.
2011	Complete liberalisation of the Austrian letter mail market as of January 1, 2011. Renaming of the fully-owned subsidiary EBPP Electronic Bill Presentment and Payment GmbH into Online Post Austria GmbH. Acquisition of a 26% stake in the Romanian firm PostMaster s.r.l.

2011 AT A GLANCE

January
The first redesigned joint BAWAG P.S.K./Austrian Post branch office is officially opened. The new branch office concept for all of Austria is inaugurated in Innsbruck.

The Supervisory Board lays the groundwork for a future-oriented organisational structure. The previously separate Branch Network and Mail divisions are to be merged in the medium-term.

March
The Supervisory Board decides upon the future management structure of Austrian Post. Management Board member Walter Hitziger is named as Head of the Mail & Branch Network Division. Walter Oblin is appointed to succeed Rudolf Jettmar as Chief Financial Officer.

April
All items on the agenda of the Annual General Meeting of Austrian Post are approved, including the proposal of the Management Board to distribute a dividend of EUR 1.60 per share.

May
As of May 1, 2011, Austrian Post simplifies its former weight-based pricing with 14 categories and creates a new system with only five rates primarily based on size.

The new Klick.Brief considerably facilitates everyday office work – the sender only requires one mouse click, from printing to delivery.

June
Austrian Post launches a trainee programme to turn eleven trainees into junior employees.

The Austrian Post subsidiary PS GmbH begins with the conversion of the cluster box units in autumn.

July
Austrian Post presents its new initiative CO_2 NEUTRAL DELIVERY: all mail items in Austria are delivered in a climate-neutral manner as of 2011.

September
The next step in the restructuring of Austrian Post is the creation of the new Mail & Branch Network Division as of September 1, 2011.

The new pick-up box is tested: the preliminary results of their use in urban apartment complexes are very satisfactory.

October
Austrian Post puts its first 18 electric-powered vehicles into use.

Pilot operations begin for the new KUVERT: advertising mail will be bundled and delivered in one collective envelope.

Austrian Post announces parcel deliveries via SMS and e-mail.

Austrian Post acquires a 26% stake in PostMaster s.r.l., the leading alternative postal provider in Romania.

November
The new service and communications platform “Post Manager” is launched. It offers a high level of security for all important and confidential documents and records.

ADDRESSES OF SUBSIDIARIES

Austrian Post Headquarters
Haidingergasse 1
1030 Vienna, Austria
T: +43 (0) 577 67 0
I: www.post.at

A4 Business Solutions GmbH
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1010 Vienna, Austria
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I: www.a4b.at

Austrian Post International Deutschland GmbH
Rheinwerkallee 2
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City Express d.o.o.
Kumodraška 240
11010 Belgrade, Serbia
T: +381 (11) 3093 009
I: www.cityexpress.rs

City Express Montenegro d.o.o.
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I: www.cityexpress.me

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feibra Magyarország Kft.
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Kolos s.r.o.
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I: www.kolos.sk

MEILLERGHP GmbH
Gutenbergstraße 1-5
92421 Schwandorf, Germany
T: +49 (0) 9431 620 0
I: www.meillerdirect.com

Overseas Trade Co.Ltd. d.o.o.
Zastavnice 38a
10251 Hrvatski Leskovac, Croatia
T: +385 (1) 460 70 01
I: www.overseas.hr

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1030 Vienna, Austria
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I: www.postimmobilien.at

Post.Maintain Management Objektverwaltungs- und Instandhaltungs GmbH
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I: www.post-master.ro

Post.Wertlogistik GmbH
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1210 Vienna, Austria
T: +43 (0) 577 67 26713

Scanpoint Europe Holding GmbH
Haidingergasse 1
1030 Vienna, Austria
T: +43 (0) 1 512 21 21 0
I: www.scanpoint.eu

Scherübl Transport GmbH
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I: www.scheruebl.com

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I: www.trans-o-flex.be

trans-o-flex Hungary Kft.
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I: www.tof.hu

trans-o-flex Logistics Group GmbH
Hertzstraße 10
69469 Weinheim, Germany
T: +49 (0) 6201 988 0
I: www.trans-o-flex.de

trans-o-flex Nederland B.V.
Koenendelseweg 19
5222 BG´s Hertogenbosch
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I: www.trans-o-flex.nl

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Personal stamps
I: www.meine-marke.at

Austrian Post Online Annual Report 2011
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CSR – Sustainability
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www.post.at/co2neutral

If you want to know more about Austrian Post (annual reports, quarterly reports etc.), we would be happy to put you on our distribution list. Please contact:
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[1] For Austria
[2] Please insert the desired postal code of the post branch office instead of "xxxx" and you will be connected directly.

OVERVIEW OF KEY INDICATORS 2002–2011

Income statement		**2002[1] IFRS**	**2003[2] IFRS**	**2004[2] IFRS**	**2005 IFRS**	**2006 IFRS**	**2007 IFRS**	**2008 IFRS**	**2009 IFRS**	**2010 IFRS**	**2011 IFRS**
Revenue	**EUR m**	**1,571.7**	**1,585.2**	**1,654.4**	**1,701.6**	**1,736.7**	**2,315.7**	**2,441.4**	**2,356.9**	**2,351.1**	**2,348.7**
Other operating income	EUR m	57.4	71.7	73.0	52.9	58.8	72.6	81.0	89.6	90.5	74.6
Raw material, consumables and services used	EUR m	–198.4	–228.8	–241.8	–241.9	–258.0	–692.2	–778.2	–766.1	–771.0	–759.8
Staff costs	EUR m	–1,015.0	–1,020.7	–1,046.6	–1,064.0	–1,063.0	–1,120.4	–1,119.2	–1,139.3	–1,120.7	–1,050.1
Other operating expenses	EUR m	–254.2	–250.6	–236.7	–223.5	–243.9	–284.0	–304.5	–277.0	–288.8	–320.0
Results of investments consolidated at equity	EUR m	1.0	0.9	0.7	–1.3	1.1	0.9	1.2	5.1	1.0	–10.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**EUR m**	**101.6**	**157.7**	**203.1**	**223.8**	**231.7**	**292.7**	**321.7**	**269.2**	**262.1**	**282.7**
EBITDA margin	%	6.5%	9.9%	12.3%	13.2%	13.3%	12.6%	13.2%	11.4%	11.1%	12.0%
Depreciation and amortisation	EUR m	–108.1	–129.6	–120.9	–120.8	–108.4	–130.0	–152.2	–119.8	–105.2	–114.4
Earnings before interest and tax (EBIT)	**EUR m**	**4.1**	**28.1**	**82.2**	**103.0**	**123.3**	**162.8**	**169.5**	**149.4**	**156.9**	**168.3**
EBIT margin	%	0.3%	1.8%	5.0%	6.1%	7.1%	7.0%	6.9%	6.3%	6.7%	7.2%
Other financial result	EUR m	4.7	–2.5	–5.4	–2.1	7.2	2.1	–11.3	–24.6	–8.2	–5.2
Earnings before tax (EBT)	**EUR m**	**–6.6**	**25.6**	**76.7**	**100.9**	**130.5**	**164.9**	**158.2**	**124.8**	**148.7**	**163.1**
Income tax	EUR m	–0.7	–10.8	–29.9	–10.9	–30.8	–42.2	–39.3	–45.1	–30.3	–39.3
Profit from discontinued operations	EUR m	–	2.1	3.2	9.8	–	–	–	–	–	–
Profit for the period	**EUR m**	**–2.5**	**16.9**	**50.0**	**99.9**	**99.8**	**122.6**	**118.9**	**79.7**	**118.4**	**123.8**
Earnings per share[3]	EUR	–0.06	0.21	0.71	1.43	1.43	1.75	1.71	1.18	1.75	1.83
Employees (average for period, full-time equivalents)		29,558	27,713	26,342	25,192	24,456	25,764	27,002	25,921	24,969	23,369

1 Including the insurance arm of Austrian Post (Postversicherung AG)
2 Adjusted for the insurance arm of Austrian Post (Postversicherung AG)
3 Refers to 70,000,000 shares, as of 2008 to 69,505,601 shares, as of 2009 to 67,552,638 shares

Cash flow		2002[1] IFRS	2003[2] IFRS	2004[2] IFRS	2005 IFRS	2006 IFRS	2007 IFRS	2008 IFRS	2009 IFRS	2010 IFRS	2011 IFRS
Operating cash flow before changes in working capital and tax	EUR m	–	–	250.5	316.9	327.1	328.5	278.3	220.7	196.0	290.6
Operating cash flow before changes in working capital	EUR m	121.2	127.6	263.7	283.1	277.6	292.4	237.0	195.8	134.1	248.6
Cash flow from operating activities	EUR m	76.3	145.0	223.8	298.0	238.0	295.9	233.4	230.0	178.9	228.2
Cash flow from investing activities	EUR m	–153.8	–44.4	–125.5	–92.6	–142.6	–142.4	–23.1	6.9	–25.3	–65.8
Free cash flow	EUR m	–	–	–	–	95.4	153.4	210.3	236.9	153.6	162.5
Dividend payout	EUR m	–76.6	100.6	98.3	205.4	95.4	153.5	210.3	236.9	108.1	114.8

Balance sheet											
Total assets	**EUR m**	**1,631.8**	**1,617.9**	**1,795.7**	**1,563.0**	**1,901.6**	**2,058.6**	**1,874.6**	**1,775.3**	**1,715.1**	**1,668.3**
Non-current assets	EUR m	1,287.6	1,021.7	1,011.4	997.4	1,272.9	1,361.9	1,252.1	1,141.3	1,067.6	1,005.1
Current assets	EUR m	344.1	287.4	393.7	542.6	614.9	694.3	622.5	634.0	647.5	660.4
Assets held for sale	EUR m	–	–	–	–	–	–	–	–	–	2.8
Capital and reserves	EUR m	718.9	698.9	712.5	762.1	821.4	874.3	741.5	673.7	690.8	702.0
Non-current liabilities	EUR m	426.3	218.2	287.5	361.3	564.0	598.0	551.8	514.0	479.4	452.9
Current liabilities	EUR m	486.6	405.2	421.0	439.6	516.2	586.3	581.3	587.6	544.9	502.8
Liabilities held for sale	EUR m	–	–	–	–	–	–	–	–	–	10.6
Interest bearing debt	EUR m	–	–	293.1	369.1	607.6	711.5	655.9	629.5	540.3	471.6
Interest bearing assets	EUR m	–	–	196.6	397.1	433.7	538.1	385.8	398.3	413.7	410.1
Net debt	EUR m	–	–	–96.5	28.0	–173.9	–173.4	–270.2	–231.2	–126.6	–61.5
Net debt/EBITDA		–	–	0.48	–0.13	0.75	0.59	0.84	0.86	0.48	0.22
Equity ratio	%	44.1%	43.2%	39.7%	48.8%	43.2%	42.5%	39.6%	38.0%	40.3%	42.1%
Return on equity (ROE)	%	–0.3%	2.5%	7.2%	13.6%	13.8%	16.3%	16.8%	13.9%	20.7%	21.3%
Capital employed	EUR m	–	–	796.2	694.3	935.0	992.2	952.5	861.7	767.5	708.9
Gearing ratio	%	–	–	–	–	–	–	36.4%	34.3%	18.3%	8.8%
Return on capital employed (ROCE)	%	–	–	10.2%	13.8%	15.1%	16.9%	17.4%	16.5%	19.3%	22.8%

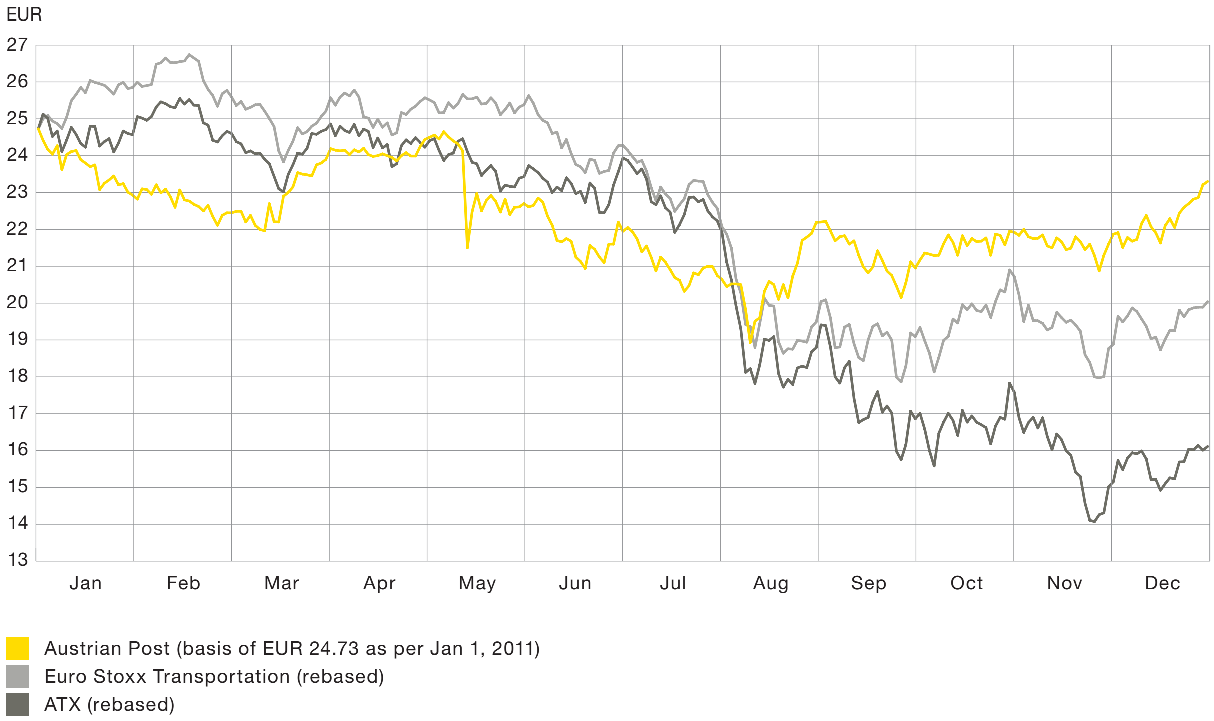
[1] Including the insurance arm of Austrian Post (Postversicherung AG)
[2] Adjusted for the insurance arm of Austrian Post (Postversicherung AG)

FINANCIAL CALENDAR 2012

March 15, 2012	Annual results 2011, publication 7.30 – 7.40 am
April 7, 2012	Record date for participation in the Annual General Meeting
April 17, 2012	Annual General Meeting 2012, Vienna
April 30, 2012	Record date for dividend payment
May 2, 2012	Ex-dividend day and dividend payment day for the dividend of EUR 1.70/share[1]
May 16, 2012	Interim report for the first quarter of 2012, publication 7.30 – 7.40 am
August 10, 2012	Half-year financial report 2012, publication 7.30 – 7.40 am
November 16, 2012	Interim report for the first three quarters of 2012, publication 7.30 – 7.40 am

[1] Proposal to the Annual General Meeting on April 17, 2012

DEVELOPMENT OF THE POST SHARE (JANUARY–DECEMBER 2011)



KEY SHARE INDICATORS

		2002[1]	2003[2]	2004[2]	2005	2006	2007	2008	2009	2010	2011
Share price at December 31		–	–	–	–	36.10	23.99	24.10	19.02	24.73	23.30
Dividends per share	EUR m	0.51	0.51	0.57	0.57	1.00	2.40	2.50	1.50	1.60	1.70[3]
Total Shareholder Return	%	–	–	–	–	+90.0%	–30.8%	+10.5%	–10.7%	+37.9%	+0.7%
Total Shareholder Return since the IPO (issue price of EUR 19.0)	%	–	–	–	–	+90.0%	+31.5%	+44.7%	+31.2%	+69.1%	+70.0%
Market capitalisation at the end of December	EUR m	–	–	–	–	2,527.0	1,679.3	1,628.0	1,284.9	1,670.6	1,574.0

[1] Including the insurance arm of Austrian Post (Postversicherung AG)
[2] Adjusted for the insurance arm of Austrian Post (Postversicherung AG)
[3] Proposal to the Annual General Meeting on April 17, 2012

Basic information Post share

ISIN	AT0000APOST4
Trading symbol (Vienna Stock Exchange)	POST
Reuters Code	POST.VI
Bloomberg Code	POST AV
Total outstanding shares as of December 31, 2011	67,552,638 shares
Listing	Vienna Stock Exchange
Issue price	EUR 19.00
First day of trading	May 31, 2006
Minimum trading unit (smallest tradable number of shares)	1
Type of share	Non-par value shares
Stock split	None

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

This 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”, “plan” or “calculate”. We wish to note that a wide variety of factors could cause actual circumstances – and thus 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 takes precedence.

Editorial deadline: March 1, 2012

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