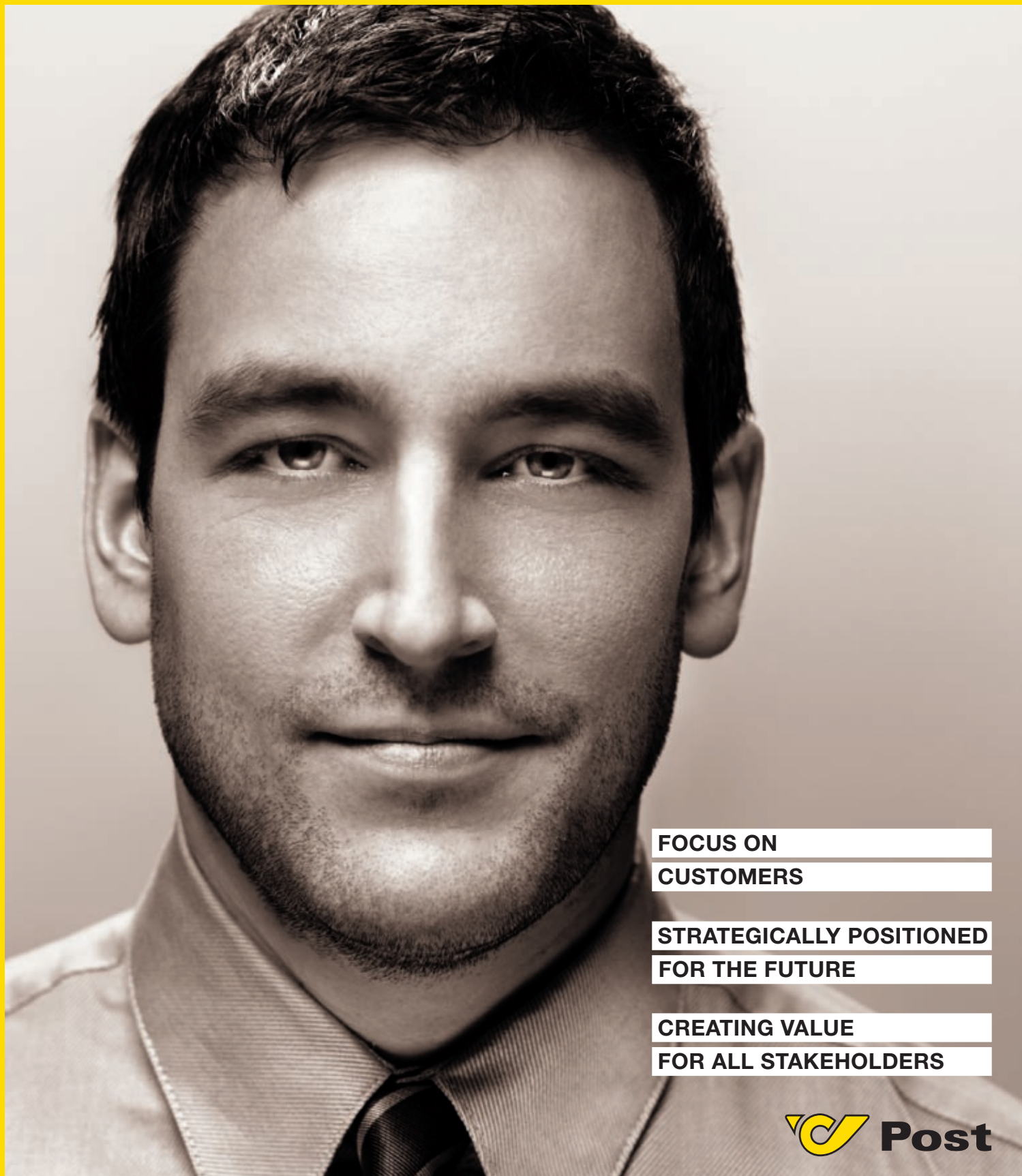


ANNUAL
REPORT 2010

1 PART

VALUES & TARGETS

Annual Report AUSTRIAN POST | PART 1



FOCUS ON
CUSTOMERS

STRATEGICALLY POSITIONED
FOR THE FUTURE

CREATING VALUE
FOR ALL STAKEHOLDERS



THE MAGAZINE OF AUSTRIAN POST 2010.

WE DELIVER VALUES



RELIABLY, CONFIDENTIALLY, PERSONALLY AND SUSTAINABLY

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ANNUAL REPORT

EDITORIAL



“Ongoing change is the most important pre-requisite underlying our future corporate success. We want to remain an attractive dividend-paying stock with an interesting portion of future potential”.

The year 2010 had a decisive impact on Austrian Post's future development, as a result of a broad range of corporate and operational changes.

We clearly detailed the goals and strategic measures for the Austrian Post Group as well as for each division within the context of a broad-based strategy. We have made good implementation progress in all areas.

At the same time, we formulated our new corporate principles, redefining our basic values with respect to quality, customer proximity, efficiency and profitability. We also intensively worked on achieving a more customer-oriented simplification and expansion of our product portfolio as well as building up our network of postal service points by cooperating with partners.

Thanks to a wealth of other measures, Austrian Post is rising up to the future challenges it will face – from the full market liberalisation for letter mail to the transformation of the communications and consumer behaviour of our customers.

Ongoing change is the most important driving force to ensure that we will retain the qualities that investors in Austria and abroad value so much: a stable, attractive dividend stock offering interesting future perspectives.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'G. Pölzl', written over a light blue horizontal line.

Georg Pölzl



VISION/ MISSION CORPORATE PRINCIPLES

VISION/MISSION

WE DELIVER VALUES – RELIABLY,
CONFIDENTIALLY AND PERSONALLY.

WE ARE THE FIRST CHOICE FOR OUR
CUSTOMERS, PARTNERS AND EMPLOYEES –
YESTERDAY, TODAY AND TOMORROW.

WE ARE THE LEADING POSTAL AND
LOGISTICS PROVIDER IN AUSTRIA.
AS A SUCCESSFUL SPECIALIST WE
ARE GROWING IN EUROPE.

CORPORATE PRINCIPLES

WE FOCUS ON
OUR CUSTOMERS

WE ACT IN A
FUTURE-ORIENTED MANNER

WE ARE ALL AUSTRIAN POST

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Austrian Post
The Management Board

IF IT REALLY COUNTS,
RELY ON AUSTRIAN POST.



Post

COMMITTED TO A SUSTAINABLE ENHANCEMENT OF VALUE



*The Management Board of Austrian Post from l. to r.:
Georg Pölzl, Rudolf Jettmar (sitting), Walter Hitziger,
Carl-Gerold Mende, Herbert Götz (standing).*

A DISCUSSION WITH THE MEMBERS OF THE MANAGEMENT BOARD OF AUSTRIAN POST

2010 was a year in which Austrian Post underwent several changes. What were the most important initiatives?

PÖLZL: For us it was important to press ahead decisively in 2010 with the strategy we adopted, and simultaneously work on the further development of the Group. The underlying basis of our efforts was the definition of trend-setting targets for the Group and our employees within the context of a broad-based discussion of values. An important goal is to embed customer-oriented behaviour in the daily professional life of all our employees. This deliberate redefinition of the values for which we stand has led to enormous changes in the company.

And how would one rate the performance of Austrian Post in the past year?

JETTMAR: On balance, we are very satisfied with the business development in 2010. We succeeded in achieving a 0.3% increase on a comparable basis year-on-year, or EUR 7.6m, to EUR 2,351.1m. There was only a relatively slight drop in the mail business, whereas we registered the expected growth in our parcels activities. Moreover, we further improved our earnings situation in the light of our ongoing efforts to operate efficiently in terms of costs.



What were the main elements contained in the Post@2011 strategy project? Are there growth opportunities for the company in addition to defending market leadership in Austria?

PÖLZL: We succeeded in maintaining market leadership in our core business areas, but still have to deal with the effects of electronic substitution. For this reason, we are relying on achieving growth in the parcels segment as a means of compensating for the unavoidable losses in the letter mail segment. In 2010, we once again managed to exploit opportunities in the dynamic domestic and international business.

“... want to more strongly promote customer orientation ...”

And what about profitability in the parcels business?

MENDE: We achieved a turnaround in the parcels business in the year 2010. Losses reversed, with earnings climbing from minus EUR 9.3 m to EUR 11.0 m. At the same time, we aim to increase the relatively modest net profit margin of 1% at present to a level of 4-5% in the medium term. This target is set with respect to both sales and costs.

How high is the contribution of international activities compared to the domestic business? What will be the situation in the future?

MENDE: Currently about 75% of parcel and logistics revenues are derived from our international business. We anticipate ongoing volume growth in the parcels segment, which confirms our strategy. However, our primary goal is to enhance the profitability of our international subsidiaries.



You aim to embed the new corporate principles as strongly as possible in the hearts and minds of the employees. What are you doing to ensure that this actually takes place?

PÖLZL: The new corporate principles and its underlying values are very important to me. This is something I try to convey to employees every chance I get and, above all, to be a living example of it. Every executive at Austrian Post is also an ambassador and multiplier and, of course, this naturally applies to me as well. We will also succeed in breathing life into these principles on the basis of a cultural change in the way we deal with each other and with our customers and partners, by strengthening the identification with the company and increasing its attractiveness.

How sustainable is Austrian Post's business model in the light of the pressure on letter mail volumes?

HITZIGER: It is a fact that our medium-term planning is based on the assumption that letter mail volumes will continue to decline, in contrast to the ongoing rise in parcel volumes and revenues. Both developments are ultimately being driven by the new technical possibilities opened up by the Internet. On balance, we are striving to post moderate growth on a medium-term basis, and thus definitely consider our business model to be sustainable.

What does the full-scale market opening for letters as of January 2011 actually mean for you?

HITZIGER: In the light of a fully liberalised letter mail market, we have set ourselves the task of pressing ahead even more decisively with our customer-oriented approach, and promoting simple, self-service or online-compatible solutions. Our new product line for letters will no longer be based primarily on weight, but on easily understand-



able criteria mainly related to letter dimensions. Large customers will also have the option of choosing whether letters are to be delivered as standard or priority mail. In any case, we think we are fully prepared to operate in a completely liberalised market.

“... offer a solid business model and attractive dividends ...”

The branch network is undergoing an enormous transformation process. Will the restructuring also once again enhance its profitability?

GÖTZ: Precisely. The earnings situation will continually improve in the next few years, against the backdrop of the well-advanced conversion of company-operated post offices to postal partner offices as well as the successful realignment of Austrian Post's cooperation with BAWAG P.S.K. The definition of the tasks and responsibilities of the branch network has completely changed. For this reason, following the restructuring, the Branch Network Division and Mail Division will be merged at the beginning of 2012.

Has the concept of postal partner offices proven its value? What do the customers say?

GÖTZ: According to the surveys we have carried out, the vast majority of our third-party operated branch offices – what we call “postal partner offices” – are very highly accepted, because it is simply very practical and convenient for people to take care of their postal needs while they are at local shops or at the pharmacy. They can also take advantage of longer opening hours in most cases. Moreover, network density has increased thanks to the large number of new postal partners.

Accordingly, the number of postal service points rose from 1,552 to 1,850 in 2010 alone.

What are your expectations for 2011?

JETTMAR: We believe we are on track to achieve our medium-term targets in 2011. This means we are aiming for a slight growth in revenue. The EBITDA margin should continue to be in the range of 10-12%. Thus, we are operating on the assumption of a solid business development for 2011 as well.

What do you tell an investor who asks you whether he should invest in Austrian Post?

PÖLZL: Austrian Post not only offers a solid business model but an attractive dividend policy as well, which is particularly important for the majority of our traditional investors. Since the Initial Public Offering in 2006, our performance has enabled us to increase our shareholders' investment return by over 69%, as calculated by the total of the distributed dividends combined with the share price gains (total shareholder return). This represents an impressive yield for a period of four and a half years.

Does this mean shareholders can also count on receiving stable dividends in the future?

PÖLZL: That's correct. We are aiming to continue distributing a dividend of at least 75% of net profit. Of course, our dividend policy is also closely linked to our growth opportunities. In any case, the dividend payout should reflect our business development. We are committed to a sustainable enhancement in value, naturally on the condition that our performance allows for this.

Thank you for the interview.



AUSTRIAN POST

**MODERN, DYNAMIC,
CUSTOMER-ORIENTED**

With annual revenue of EUR 2.4bn and about 25,000 employees, Austrian Post is the country's leading logistics and service provider. It includes 23 operating subsidiaries located in 11 European countries. The company is committed to providing basic postal services throughout Austria and guarantees the highest quality service both in the mail and parcel segments.

MARKET LEADER IN AUSTRIA, SUCCESSFUL SPECIALIST IN EUROPE

Austrian Post is number one in delivering letters, direct mail items and parcels to private customers in Austria. The reliable, top-quality postal services provided to the Austrian population and business community enable Austrian Post to make an important contribution to maintaining and safeguarding the communications and logistics infrastructure of the country.

“No. 1 in Austria.”

In addition to its leading position in the domestic market, Austrian Post with its subsidiaries abroad has positioned itself as a successful specialist in pre-defined segments and regions with high-growth potential. According to its own analysis, it has the following market position in the individual markets and segments: Austrian Post is the number one company in Germany for the distribution of pharmaceutical shipments as well as combined freight. Austrian Post is also the top provider of delivery services for parcels to business customers in Slovakia, Croatia, Serbia and Bosnia-Herzegovina, and is the market leader for unaddressed advertising mail in Hungary, Croatia and Slovakia.

TOP PERFORMANCE AND CUSTOMER PROXIMITY



The high-quality service and proximity to customers is the basis for the solid foundation of customer confidence en-

joyed by Austrian Post. The company is seen as an integral part of everyday life in Austria, based on the 6.2bn delivered mail items and 62m customer contacts in the postal service points each year, as well as the 4.2m households and companies served every day by the Austrian Post delivery staff. Innovative solutions and services tailored to customer requirements combined with outstanding performance characterise the high performance culture of Austrian Post.



*Extensive customer proximity in the postal service points:
62m customer contacts per annum.*

THE AUSTRIAN POST GROUP AT A GLANCE

MAIL	PARCEL & LOGISTICS	BRANCH NETWORK	REVENUE DISTRIBUTION
			
MAIL Letters, addressed and unaddressed direct mails, newspapers and magazines	PARCEL & LOGISTICS Parcels, combined freight, temperature-controlled logistics, contract logistics	BRANCH NETWORK Postal services, financial services, telecommunication products and retail goods	59.1% Mail 34.1% Parcel & Logistics 6.7% Branch Network 0.1% Corporate

THREE DIVISIONS

Historically, Austrian Post has been organised in **three divisions: Mail, Parcel & Logistics and Branch Network**. Austrian Post generates some 30% of its revenue outside Austria, mainly parcel and logistics services in neighbouring markets.

SOLID BUSINESS MODEL

In a time of ongoing changes in the market environment, Austrian Post is relying on a solid business model:

- 1. The core business in letter mail, the most important contributor to revenue and earnings, will be continually optimised and modernised**
Austrian Post is counteracting the trend towards declining letter mail volumes caused by electronic substitution on the basis of a systematic, customer-oriented expansion of its product and service offering, in addition to its quality and performance excellence. Full-scale postal market liberalisation as of January 1, 2011 offers the opportunity to tailor services to market requirements in accordance with international trends.
- 2. Austrian Post exploits additional opportunities in the promising Parcel & Logistics growth area in a targeted manner**
In past years, Austrian Post was able to increase its annual business volume in this dynamic business area from about EUR 200m to approximately EUR 800m

in revenue at present. In this regard, it significantly expanded its business with business customers, simultaneously extending the scope of its services from Austria to neighbouring markets in Central Europe. This second pillar will continue to gain in importance.

“A high level of customer confidence based on reliable service at a consistently high quality.”

- 3. Continuous performance improvements ensure profitability, value enhancement and dividends**
By decisively optimising its business, Austrian Post not only meets market expectations but ensures its profitability in the interest of employees and shareholders. This is accompanied by ongoing structural changes in the company, featuring greater flexibility and realignment of the post office network as well as the resolute modernisation and automation of its operations. The main objectives are system optimisation and efficiency enhancement, a sustainable increase in company value as well as attractive dividends for shareholders.

Details on the strategic orientation of Austrian Post and related measures can be found in the “Strategy” section (page 38ff).



THE POST BRINGS IT ALL

EVERY DAY, EVERY DOOR



“More than 11,000 employees bring 25m mail items daily to their recipients ...

Day in and day out, no matter what the weather is like, the delivery staff of Austrian Post consisting of more than 11,000 employees is actively engaged in bringing 25m mail items to their recipients each day, travelling about 200,000 km in the process. More than 95% of all letters are already delivered the next working day – securely and at a fair price. This makes Austrian Post the fastest and most reliable mail carrier in Austria and one of the best in Europe.

Each day Austrian Post collects mail from its customers from about 22,000 pick-up points. The mail is sorted at night and distributed to delivery bases throughout the country. And most of it is brought by the company's delivery staff to the recipients – a total of 4.2m Austrian households and companies. On balance, Austrian Post transports approximately 1bn letters in this manner each year. Thus, it not only fulfils its demanding legal mandate of providing universal postal services, but also simulta-

neously safeguards one of the most important communication channels in our country. As if this was not enough in itself, the company also reliably brings some 4.5bn direct mail items, 770m print media and 56m parcels to recipients throughout Austria at a high delivery speed.

TOP PERFORMANCE BASED ON A STATE-OF-THE-ART LOGISTICS INFRASTRUCTURE

This top performance is only possible thanks to a highly modern network and the personal dedication of all employees involved in letter mail and parcel logistics. Austrian Post has invested about EUR 500m in recent years to modernise its logistics infrastructure and machinery – and thus to enhance its delivery quality. Simply speaking, it is difficult to manually sort and distribute the daily mail volume of 4m letters and 200,000 parcels.

UNIVERSAL SERVICE OBLIGATION IS A GREAT RESPONSIBILITY

For Austrian Post, the universal service obligation represents a great responsibility, which the company is committed to fulfilling despite the related financial burden. Providing top quality, nationwide “every day, every door” service at a standard price in accordance with the Universal Service Obligation of the federal government sets high demands, not least from a business perspective. This distinguishes Austrian Post from fully flexible alternative postal providers, who are not required to fulfil the same obligations. In addition to its dialogue with policy-makers aiming to convince them of the need for fair financing mechanisms and competitive standards, Austrian Post also attaches considerable importance to its cooperation with cities and municipalities. The local communities are crucial partners in all issues relating to ensuring secure and reliable postal services.

NEW CONCEPTS FOR NATIONWIDE SERVICE

Joint initiatives aiming to achieve “More Post for Austria” are playing an important role in the light of current changes in the market environment. In this regard, Austrian Post is actively assuming responsibility and developing innovative concepts to ensure that the population continues to be provided with area-wide universal postal services. In particular the combination of company-operated post offices and partner-operated postal service points has proven its value over the years. The concept of postal partner offices, in which local tobacconists, retail shops or even municipal offices cooperate with Austrian Post, is very successful. Based on their expanded offering, the postal partner offices contribute to strengthening local services.



... and cover a distance
of about 200,000 km
every single day.“



A delivery staff of more than 11,000 employees ensures local postal services for the population, increasingly with the help of electric bicycles.



MAIL DIVISION

GROWTH IN NEW SEGMENTS



Letter Mail, Infomail and Media Post: The Mail Division delivers more than 6.2bn mail items in Austria annually.

BUSINESS OPERATIONS

The Mail Division encompasses the business areas of Letter Mail, Infomail and Media Post. The division's core business consists of the acceptance, sorting and delivery of letters, postcards, addressed direct mail items and un-addressed household advertising mail, newspapers and regional media.

“Each year some 6.2bn mail items are delivered to 4.2m households and companies.”

The delivery staff of about 11,000 people deliver mail every day to a total of 4.2m households and companies throughout Austria, corresponding to more than 6.2bn mail items annually. This range of services is complemented by new services for business and advertising mail, including address and data management,

mailroom management, intelligent scanning and response management.

HIGHLIGHTS IN 2010

Decline in letter mail volumes, growth in advertising mail

Austrian Post was again faced with an ongoing volume decline as a consequence of the electronic substitution of letters. In the light of this trend, the number of addressed letters transported by Austrian Post fell by about 3%. In contrast, the volume of addressed and unaddressed direct mail items was up by 6%. Revenue losses attributed to the winter 2010 bankruptcy of Quelle, then Austrian Post's largest mail order customer, were successfully offset by new customer acquisition and new services offered to direct mail customers.

Increasing importance of new products and services

Austrian Post once again launched a series of product innovations well received by the market as part of its on-line offensive. They range from online versions of services such as redirections and holiday mailboxes to products like the “e-Postcard” or “meinbrief.at”. Austrian Post was also successful in providing services such as mailroom management and digital post processing. Details can be found on page 26 and 28.

Improved service and lower costs based on the combined delivery of letters and parcels

In 2010, Austrian Post significantly expanded the combined delivery of letters and parcels in rural areas. This approach takes advantage of the knowledge of local areas on the part of the delivery staff, enabling improved services, avoidance of route duplication and a reduction in fuel consumption and CO₂ emissions.



High-tech sorting equipment guarantees high delivery speeds.

Joint venture with Swiss Post to expand international direct mail activities

Austrian Post and Swiss Post have bundled their activities in the field of addressed advertising mail within the framework of a joint venture concluded in 2010, thus establishing a new and more powerful player in the European market. The Austrian Post company meiller direct GmbH merged with the business operations of Swiss Post Solutions in the direct mail business area at the beginning of 2011. The new company is operating under the name MEILLERGHP, of which Austrian Post holds a 65% stake and Swiss Post 35%. The strategic focus of the new company will be the consulting, concept preparation and production of individualised, addressed advertising mail, in particular the production of direct mails and envelopes as well as letter shop activities.

Acquisition of redmail customers by Austrian Post and feibra

Effective February 2, 2010, Austrian Post assumed responsibility for servicing the customers of its competitor redmail in those regions not covered by the company. Unaddressed mail items are being delivered by feibra, a fully owned Austrian Post subsidiary.

Launch of addressed direct mail service by feibra

Feibra, which has specialised in the delivery of unaddressed direct mail until now, started various pilot projects during the period under review to develop its delivery service for addressed mail and thus prepare for the liberalised postal market. Accordingly, it successfully delivered telephone directories and higher weight mail items in Lower Austria.

Absentee voting in 2010 supported by Austrian Post

Together with the Austrian Ministry of the Interior, Austrian Post developed a convenient and simple access to absentee ballots, helping to successfully stop the continuing decline in voter turnout in past years. By using a self-mailer (folded mailing as official voting information containing an absentee ballot order form as a response card), voters were informed in a timely manner about the upcoming election. At the same time, election materials could be requested easily and conveniently from home. The most recent successful example is the Vienna municipal elections in October 2010, in which 15.9% of the votes were cast by absentee ballot.

“Austrian Post is safeguarding its market leadership position in the letter mail business by offering numerous new products and services.”



New services such as mailroom management on behalf of companies are becoming increasingly important.



PARCEL & LOGISTICS DIVISION

FURTHER GROWTH AND TURNAROUND

BUSINESS OPERATIONS

The Parcel & Logistics Division of Austrian Post is represented in ten European countries with its own subsidiaries. In 2010, Austrian Post successfully took advantage of its regional market shares in the B2B business as well as the growing potential in the private customer segment. Basically, Austrian Post's parcels segment relies on nationwide service and the strongest possible market position as the basis for offering efficient logistics and additional services to its customers, which are tailored to the needs of the respective market and segments.

Austrian Post provides services in the following segments:

	B2C ¹ C2C ²	B2B ³	Com- bined freight	Temperature- controlled logistics
Austria	■	■	■	■
Germany		■	■	■
Belgium		■	■	■
Netherlands		■	■	■
Slovakia	■	■	■	
Hungary	■	■	■	
Serbia	■	■	■	
Montenegro	■	■	■	
Bosnia- Herzegovina	■	■	■	
Croatia	■	■	■	

¹ Business to Consumer ² Consumer to Consumer ³ Business to Business

HIGHLIGHTS IN 2010

Growth and turnaround

The Parcel & Logistics Division accomplished its growth mission for 2010 in all regions. On balance, it achieved rev-

enue growth of 4.4% or 7.8% on a like-for-like basis compared to 2009. At the same time, profitability increased, as demonstrated by a clear EBITDA and EBIT turnaround.

Recognised quality leadership in Austria

The additional volume of parcels delivered in Austria in 2010 helped push up total parcel volume to a record high level. All in all, the number of parcels transported by Austrian Post climbed by 12% in comparison to 2009, or 6m parcels, to a total of 56m. On the one hand, an important reason underlying this success was the delivery quality, as demonstrated by the more than 96% of all parcels encompassed under the universal service obligation, which were delivered to recipients on time, much higher than legally stipulated. On the other hand, the growing Internet business also played a key role. The attractive online services of Austrian Post, including the newly launched online parcel stamp, also made a positive contribution.



In addition to its core business, Austrian Post is focusing on interesting logistic niche markets such as the temperature-controlled transport of goods.



No matter what the size or weight might be – Austrian Post delivers each and every parcel swiftly and reliably.

Successful development of the B2B business in Austria

In particular, the consistently high quality and reliability of Austrian Post's delivery performance in 2010 led to a volume increase of more than 15% for business customers. The launch of the "Premium Light" product, focusing on shipping small-sized parcels in recognition of the growing importance of online commerce, also gained widespread acceptance from business customers.

Positive revenue development of trans-o-flex Germany

trans-o-flex Germany also achieved a gratifying revenue increase of about 8.5% on a comparable basis in 2010. The main driving force underlying this success was particularly the B2B combined freight offering, both on the domestic market and for European exports. The targeted expansion of its sectoral focus and the extended service offering enabled trans-o-flex to take the initial steps required to enter the growing B2C market.

Customer-oriented expansion of temperature-controlled transport

trans-o-flex ThermoMed, which specialises in the temperature-controlled transport of goods for the pharmaceutical industry, boasts a nationwide network in Germany, the Benelux countries and also in Austria (via the subsidiary Scherübl Transport) for the transport of goods requiring a constant temperature to be maintained between 2°C and 8°C or between 15°C and 25°C.

Expansion of the international combined freight network EURODIS

EURODIS, the distribution network for the combined transport of goods on pallets and parcels (combined freight) established by the Austrian Post subsidiary trans-o-flex, attracted strong cooperation partners in 2010. Since June 2010, Sernam has been responsible for France and UK Mail for Great Britain and Ireland as partners in the network, which now covers 34 countries. The network also includes Redur for Spain and Portugal as well as Austrian Post and its subsidiaries in South East and Eastern Europe. EURODIS achieved volume growth of approximately 40% in 2010 thanks to the membership of these new partners as well as organic growth.

Sustainable management of economic crisis in South East and Eastern Europe

The industry focus was expanded in order to offer interesting solutions to an even broader customer base. Thus Austrian Post was able to attract additional business customers in South East and Eastern Europe. This development combined with the economic recovery in many countries helped raise total revenue in this region by approximately 12%. Austrian Post maintained its market leadership in the national markets of Slovakia, Croatia and Serbia. Other engines of revenue growth were the extension of the combined freight offering, the successful cooperation with the international logistics specialist UPS in Slovakia and Croatia as well as the expansion of the private customer business.



BRANCH NETWORK WORK DIVISION

CUSTOMER-ORIENTED EXPANSION AND RESTRUCTURING



*Attractive service offering
and competent support.*

*Post offices are being continually adapted
to the new needs of customers.*

BUSINESS OPERATIONS

The branch network of Austrian Post ranks among the largest private customer networks in the country, offering high-quality postal, banking and communications products and services to its customers throughout Austria. Featuring a total of 1,850 company-operated branches and third-party operated outlets and almost 4,300 employees, the branch network ensures nationwide customer proximity. In addition, approximately 500 BAWAG P.S.K. banking consultants stationed in the branches and approximately 80 mobile consultants provide competent advice on financial issues.

HIGHLIGHTS IN 2010

Far-reaching network restructuring

Austrian Post speedily pressed ahead with the customer-oriented restructuring of its post office network in 2010.

An integral part of this effort has involved the resolute implementation of the postal partner concept. At the end of 2010, the network of third-party operated postal service points consisted of 1,117 postal partners, compared to 418 at the beginning of the year. Thus, the postal partner initiative proved to be highly successful. Moreover, the total number of postal service points also increased during the reporting period from 1,552 at the start of the 2010 financial year to 1,850 by year's end. As a result, the network is actually much denser than the legally stipulated minimum of 1,650 postal service points.

Renewed and intensified cooperation with BAWAG P.S.K.

At the end of 2010, the strategic partnership of Austrian Post with its longstanding banking partner was put on a new footing. Both companies bundled their strengths and now offer the entire range of postal, telecommunications and banking services to customers at approximately 520

jointly operated outlets throughout Austria in the future. Both partners are focusing on their core competencies, and alternately make use of the other partner's network. The jointly-run branch offices will be set up at the locations of both companies, which are judged to be most suitable to fulfil customer needs. The first new branch office in line with the new concept was opened in Innsbruck in December 2010.

High quality service confirmed once again

In addition to ongoing improvement measures, including comprehensive training and further education, Austrian Post is attaching great emphasis to ensuring greater objectivity and transparency in order to improve the quality of its service and consulting. In 2010, its adherence to high service standards was once again evaluated by an independent testing institute. Responses on 36 quality criteria were collected from more than 2,100 anonymous test visitors to the post offices on the basis of mock-up shopping. The results show that the overwhelming majority of post offices demonstrated a very good level of service. The postal partner offices also achieved very high service quality rates.

Solid performance for banking services

Despite the difficult market environment, Austrian Post was very successful in selling financial products in 2010. In the year under review, more than 33,000 new bank accounts were opened, and more than EUR 400m were invested in securities. Sales of insurance policies (pension plans and single premium policies) rose by 16% to over EUR 130m. Despite the major external challenges, Austrian Post also registered good sales figures for its financing products, increasing revenue by 9% to about EUR 180m.

Sale of telecommunication products confirms advisory quality

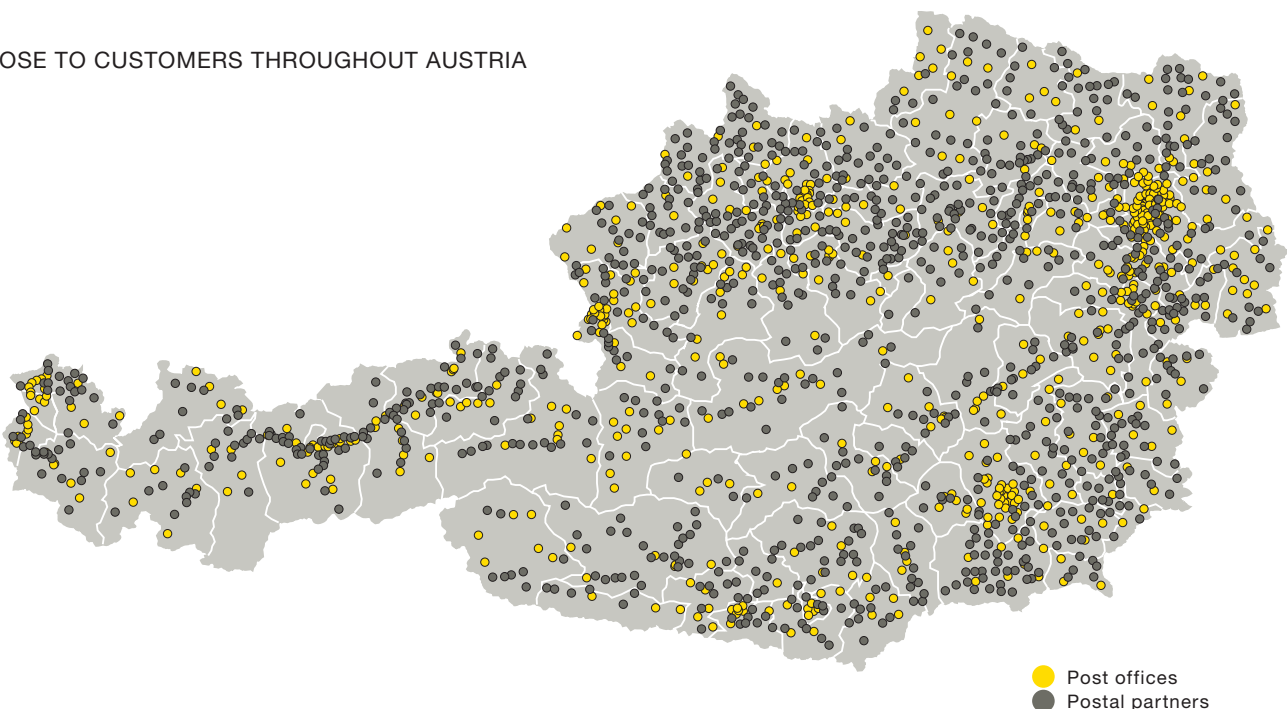
The number of Telekom Austria high-speed Internet connections sold by the post offices increased to approximately 90,000 in the reporting period, thus also confirming the competence of employees. In a highly competitive market, Austrian Post once again proved to be the most successful sales partner of A1 Telekom in launching the iPhone4. In addition to product offerings focusing on the topics of packing and dispatching mail items, attractive travel offers made in cooperation with the tour operator Reisefalke GmbH round off the product portfolio in the branch offices of Austrian Post.

“The branch network of Austrian Post was significantly expanded in 2010 within the framework of the postal partner campaign.”

Stamps – the “calling cards” of every postal company

Austrian Post issued numerous attractive special commemorative stamps and additional interesting philatelic products in 2010 again. The featured topics ranged from art and important anniversaries, politics and religion to nature and sports. The highlights were joint international stamp issues with Israel, Romania and Argentina along with the embroidered postal stamp block “Petit Point”.

CLOSE TO CUSTOMERS THROUGHOUT AUSTRIA





INTER-NATIONALLY PRESENT

SUCCESSFUL IN THE HEART OF EUROPE

In recent years, Austrian Post has proactively taken advantage of the opportunities opened up by dynamic changes in Europe's postal market, building up a focused business portfolio in Central and South East/Eastern Europe with a particular emphasis on parcel and logistics services as well as unaddressed direct mail. Accordingly, it has successfully positioned itself as a provider of specialised postal services in attractive market niches, for example specialty logistics focusing on combined freight and temperature-controlled logistics, as well as in geographic growth markets.

Since 2001, Austrian Post has concentrated its efforts on a targeted expansion in neighbouring countries in South East and Eastern Europe as well as in Western Europe in addition to the ongoing optimisation and expansion of its core business in the domestic market of Austria. The main focus is on entering those markets with which Austria has close trading ties. In the meantime, international activities account for about 30% of revenue generated by some 4,000 employees abroad.

23 COMPANIES IN 11 MARKETS

Austrian Post is represented in Hungary, Croatia and Slovakia with subsidiaries specialising in the distribution of advertising materials, and also delivers addressed direct mail items in the metropolitan areas of these countries. Whereas these services are provided by existing companies in Hungary and Slovakia, Austrian Post set up a new company in Croatia, Post d.o.o., and began building up its own delivery network. Furthermore, Austrian Post has its own sales subsidiary in Germany, Austrian Post International, which provides advisory services for international postal dispatch solutions for the German market. Since the beginning of 2011, the direct mail activities of Swiss Post Solutions and the Austrian Post subsidiary meiller direct GmbH have been bundled within the context of a joint venture. The new company MEILLERGHP is the leading direct mail producer in Germany.

Today Austrian Post is active in the Belgian, Bosnian, Croatian, Dutch, German, Hungarian, Montenegrin, Serbian and Slovak markets, offering integrated logistics services. Austrian Post serves the Slovak and Croatian markets in cooperation with the international logistics specialist UPS.


All in all, Austrian Post has successfully established a foothold in selected segments and regions with high growth potential. According to its own analysis, it has the following market position in the individual markets and segments: Austrian Post is the market leader in Germany for the distribution of shipments in the pharmaceutical sector, as well as in the combined freight segment. It also serves as the leading provider of parcel delivery services for business customers in Slovakia, Croatia, Serbia and Bosnia-Herzegovina, and is the market leader for un-addressed advertising mail in Hungary and Croatia.


EXTENSIVE PRESENCE IN CENTRAL AND SOUTH EAST/EASTERN EUROPE




NR. 1 IN NUMEROUS MARKETS

 **AUSTRIA:** No. 1 for letters, addressed direct mail items, unaddressed direct mail items, media post, parcels to private customers, and nationwide coverage with postal service points

 **GERMANY:** No.1 for dispersion of pharmaceutical mailings, combined freight, and direct mail production

 **SLOVAKIA, CROATIA, SERBIA AND BOSNIA-HERZEGOVINA:** No.1 for parcels to business customers

 **HUNGARY AND CROATIA:** No.1 for unaddressed direct mail items

AUSTRIAN POST IS CURRENTLY REPRESENTED BY 23 OPERATING SUBSIDIARIES IN THE LETTER MAIL AND PARCEL SEGMENTS IN 11 COUNTRIES:

Country	Company/share ¹	Field of activity
Austria	Österreichische Post AG	Letter mail
		Addressed direct mail
		Media post
	Österreichische Post AG, feibra	Unaddressed direct mail
	Scanpoint	Document scanning/archiving
	EBPP (Electronic Bill Presentment and Payment)	Electronic services
	Österreichische Post AG	Express and parcel, combined freight
	Scherübl Transport, 74.9%	Temperature logistics
Germany	Post Wertlogistik	Valuable good transport
	trans-o-flex, trans-o-flex Thermoméd	Express, combined freight, speciality logistics, temperature logistics
	MEILLERGHP, 65.0%	Direct mail services
	Austrian Post International Deutschland	International mail
Belgium	trans-o-flex Belgium	Express, combined freight, temperature logistics
Netherlands	trans-o-flex Nederland	Express, combined freight, temperature logistics
Slovakia	Slovak Parcel Service (SPS), In Time	Express and parcel, combined freight
	Kolos	Unaddressed and addressed direct mail
Czech Republic	MEILLERGHP, 65.0%	Direct mail services
	Scanpoint	Document scanning/archiving
Hungary	trans-o-flex Hungary	Express and parcel, combined freight
	feibra Magyarország	Unaddressed and addressed direct mail
Serbia	City Express	Express and parcel, combined freight
Montenegro	City Express Montenegro	Express and parcel, combined freight
Bosnia-Herzegovina	24-VIP	Express and parcel, combined freight
Croatia	Overseas Trade	Express and parcel, combined freight
	Weber Escal	Unaddressed direct mail
	Post d.o.o.	Addressed direct mail

¹ The precise shareholding is only listed if Austrian Post has less than a 100% stake.



NEW CORPORATE PRINCIPLES

CLEARLY-DEFINED VALUES IN A TIME OF CHANGE

A company cannot operate in a forward-looking and sustainable manner without clear visions and values. With this in mind, Austrian Post – operating in a market environment subject to major changes – developed new corporate principles in 2010. In this respect, it was important to involve a large number of employees in the process, in order to put the new value framework on a solid foundation.

MULTI-FACETED OBJECTIVES AND CHALLENGES

In formulating its new mission statement, Austrian Post linked several objectives reflecting changes in the marketplace and its own activities as well as the economy and the overall working environment:

- Cultural change – in the way employees deal with each other, but also with customers and partners of Austrian Post
- Strengthening identity and identification with the company – pride in one's own company and its contribution to society
- Increasing the attractiveness of the company – for employees, customers and other stakeholders

BROAD-BASED DEVELOPMENT PROCESS

Austrian Post developed the draft of the new corporate principles in spring and summer 2010 within the framework of a broad-based, multi-phased top down/bottom up process. The basis was laid by a separate corporate principles team, set up as part of the “performance culture” project, which eventually defined four value categories:

- Customer orientation and drive for innovation
- Efficiency and performance orientation
- Reliability and quality
- Appreciation and open communications

Subsequently, this basic framework was translated into specific contents and discussed in detail by executives and

employees. At first, the individual value categories were interpreted and commented upon by the Executive Management Council of Austrian Post by means of an online questionnaire. The next step was for 156 executives and employees from all divisions and different levels to develop specific examples and definitions at six workshops. Finally, the top 270 executives of Austrian Post got involved in the process on the basis of an online survey, and asked to submit their feedback. On balance, some 500 employees directly contributed to the development of the new corporate principles.

COMPACT RESULTS

Three value categories were defined as a consequence of this comprehensive evaluation and discussion process:

- Customer orientation
- Profitability and sustainability
- Communication and appreciation

BREATHING LIFE INTO THE NEW CORPORATE PRINCIPLES

Now the challenge is to implement the new corporate principles in the daily work of all Austrian Post employees and embed these principles in their hearts and minds. The above-mentioned objectives can only be achieved if the corporate principles are consciously put into practice. Key elements of implementing these values in the day-to-day business operations of Austrian Post are:

- Projects and implemented measures as a means of integrating the new values into everyday work
- Executives as ambassadors and multipliers
- Communication measures to support the roll-out of the new value framework

More than 500 employees took part in numerous workshops, intensively contributing to the development of trend-setting corporate principles.

**THREE GUIDING
PRINCIPLES:**

- WE FOCUS ON OUR CUSTOMERS**
- WE ACT IN A FUTURE-ORIENTED MANNER**
- WE ARE ALL AUSTRIAN POST**

These guiding principles were complemented by definitions developed in the workshops and questionnaires and finally approved by the Executive Management Council.



“BECAUSE IT IS REALLY IMPORTANT TO ME, MY FOCUS IS ALWAYS ON THE SUCCESS OF OUR **CUSTOMERS.**”

CLAUDIA RACK

Key Account Manager

Mail Order Business

*Guiding principle 1
We focus on our customers*

*We inspire our customers
We are the preferred choice for all our customers
We stand for reliability, confidentiality and efficiency*





PROXIMITY TO CUSTOMERS

APPRECIATION AND TRUST

In a liberalised postal market, customer satisfaction is one of the main pillars underlying the successful business development of Austrian Post. With its attractive and understandable product offering, innovative services and a broad-based service offensive, Austrian Post demonstrates that the focal point of its corporate decision-making is the customer.

In this respect, Austrian Post operates on the assumption that customer satisfaction is more than just correctly performing a service, but also has something to do with appreciation and trust. For this reason, Austrian Post focuses on ensuring the most individualised and targeted response to customer needs as possible. Austrian Post must not only take into consideration the changes



“Austrian Post enjoys outstanding customer satisfaction rates thanks to its nationwide postal network throughout Austria as well as its attractive, demand-oriented offering.”



A top priority of Austrian Post is to ensure long-term postal services throughout Austria.

in life styles and living environments related to the Internet, enhanced mobility, the increase in single households etc., but also the need for simpler, easily understandable products and greater convenience.

In the past financial year, Austrian Post undertook numerous initiatives in this area, accompanied by ongoing performance and quality controls, which consistently resulted in outstanding feedback on the part of customers.

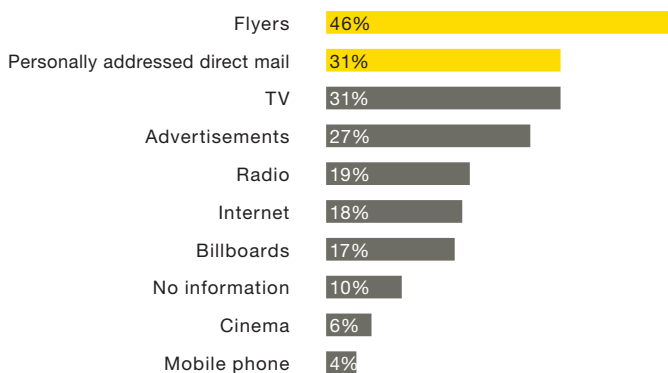
Customer satisfaction survey of 3.6m households shows outstanding results

The customer satisfaction survey sent to 3.6m households in November 2010 by the Mail Division proceeded gratifyingly. The return rate of over 8% already indicated the extensive interest displayed by the population in the services provided by Austrian Post. The subsequent evaluation of feedback showed that 94% of the respondents were very satisfied or satisfied with letter mail delivery services. Furthermore, 91% of the people surveyed expressed their trust in Austrian Post.

Positive feedback with respect to advertising media offered by Austrian Post

In response to the question which advertising materials about new products and promotional campaigns people most highly valued, 46% of respondents mentioned flyers as the most popular form of advertising media, and 31% said personally addressed advertising mail was the preferred choice. These results were also confirmed by the independently implemented industry tracking service of the marketing institutes TMC Media Consulting and marketagent.

AUSTRIAN POST'S ADVERTISING MEDIA ARE THE MOST POPULAR TOOLS



Source: Customer Satisfaction Survey of Austrian Post, October 2010

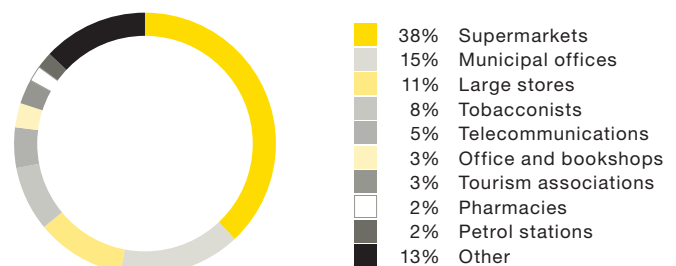
Denser post office network than prescribed by law

Austrian Post, which has always offered its customers a dense network of postal service points featuring attrac-

tive offers and opening hours, worked intensively in 2010 to expand and optimise its network. The figures speak for themselves: at the beginning of 2010, the network of postal service points operated by Austrian Post consisted of 1,552 locations, of which 418 were postal partners. In the last 12 months, some 700 additional postal partners were added, thus ensuring that the network is much denser than stipulated by prevailing legal regulations. The new Postal Market Act prescribes a total of 1,650 postal service points. In contrast, Austrian Post operated more than 1,850 postal service hubs as of the end of December 2010, of which 1,117 were postal partner offices.

LOCAL SHOPS AS CUSTOMER-ORIENTED PARTNERS OF AUSTRIAN POST

Sector breakdown of postal partners, January 2011



Source: Austrian Post

Greater customer convenience based on simplification of products and services

The strategic objective defined by Austrian Post in developing new products is the ability to offer clearly structured and simplified products oriented to the specific needs of people. An important step will be taken on May 1, 2011, when Austrian Post changes from weight-based postal rates for letters to five standard formats. Moreover, business customers will be able to select the preferred delivery speed in the form of economy and priority products.

One-stop shop: significant growth in mailroom management

Comprehensive service above and beyond conventional postal services brings Austrian Post closer to its customers. For this reason, it has been consistently expanding its offering for years, and now provides an extensive portfolio of business services, from data management, printing, enveloping and dispatching to incoming mail processing and sorting, digitalisation and internal distribution. Success proves Austrian Post is on the right track: revenue derived from mailroom management services once again increased in 2010, this time by 70%. This positive development can be attributed to new customers, for example the Generali Group Austria, as well as new product and service offers.



INNOVATION AT THE CUTT- ING EDGE

IDEAL SYNTHESIS OF PRINT AND ONLINE SERVICES

At times of massive changes in business and communications processes, Austrian Post is leveraging technological progress to proactively develop innovative, customer-oriented services. Continuing product improvements together with the traditional strengths – security, trust and reliability – are the main pillars of Austrian Post's corporate strategy.

In addition to transporting and delivering letters and parcels, Austrian Post also offers new products to its customers, innovatively responding to changes in the way private and business customers communicate. Two different worlds are optimally brought together under one roof: conventional offline communications based on physi-

cal mail items, and new online service offerings. Numerous new and improved products and services were introduced in the past financial year:

The “Online-Offensive 2010“ launched new letter mail and parcel services

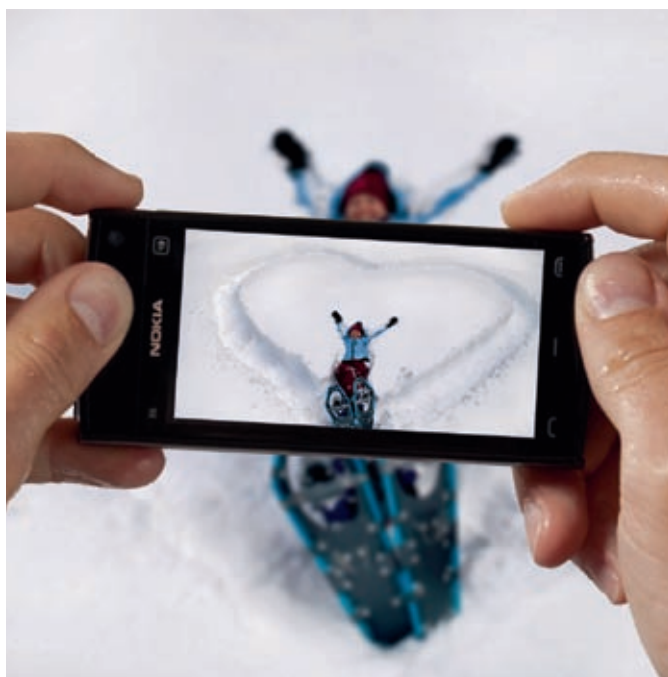
Within the context of its online service initiative, Austrian Post introduced several important new product innovations to the market, not to mention the relaunch of its entire Website. The “e-Postcard” came on stream in June 2010, making it possible for a customer to select his own desired photo theme including a text of his choice, which is then printed in high quality and delivered by Austrian Post. Shortly beforehand, Austrian Post successfully made conventional postal services accessible online, such as redirections and holiday mailboxes.

100% takeover of EBPP

The 100% takeover of EBPP (Electronic Bill Presentment and Payment) GmbH in June 2010, one of Austria's leading providers of electronic invoicing, represented a further milestone in the company's history. In the meantime, its core competencies in the field of e-invoicing have been expanded to include the product “meinBrief.at” – an innovative dual delivery service, for which the level of security even allows for the legally compliant electronic delivery of registered or certified mail items (“RSa/RSb letters”) from public authorities. Principally speaking, the documents are digitally dispatched but delivered physically if electronic delivery is not possible.

Online parcel stamp

In November 2010, Austrian Post complemented its existing online offering with an additional service, the online parcel stamp. The customer chooses the de-



With the “e-Postcard” the customer can choose his own photo motif, add the desired text and send it online ...



sired parcel stamp online and pays for it on the Internet. Following the complete data entry, the parcel stamp can be conveniently printed out at home and affixed to the parcel. This post-paid parcel is either deposited by the customer at a postal service point (company-operated post office or postal partner office) or given to the rural delivery staff.

“Proactively responding to changed communication habits.”

Numerous innovative direct marketing services

Austrian Post offers a diverse range of attractive direct marketing solutions, especially for business customers. In addition to professional data management and a convenient outsourcing offering, the perfect interaction of print and Internet in particular comprises a major advantage. For example, the multimedia product “Perfect Response” ensures enormously high response rates.

Significant growth of digital post processing

Revenue in the field of digital post processing, carried out by the subsidiary Scanpoint, rose considerably in 2010. The company's core expertise lies in physically handling incoming mail and converting it into digital information. The focus is on processing incoming invoices, which are recorded, sorted and prepared in line with customer requirements – thus reducing total processing time by up to 75%. Moreover, Scanpoint offers innovative archive digitalisation services, e.g. for personnel records.



... and Austrian Post prints the card in a high quality and delivers it.

Successful implementation of the latest ORCA sorting software

Austrian Post continually strives to develop state-of-the-art solutions for internal logistics operations. For example, ORCA (Opening Reading Coding Architecture) is the latest reading software for the letter sorting and flat sorting machines of Austrian Post. The use of the new system platform enabled the company to improve the recognition rates for postal codes by 5 percentage points and those of the entire address (delivery areas) by more than 8 percentage points. At the same time ORCA was introduced, Austrian Post modernised and harmonised the control system of all letter and flat sorting machinery.



TOP PER- FORMANCE

SERVING THE CUSTOMER

Statistically speaking, Austrian Post delivers two letter mail items every day to every household and company in Austria. In European comparison, Austrian Post offers very high delivery quality. Thus, Austrian Post is not only a reliable logistics provider but

one of the country's most important companies, boasting Austria's largest retail customer network. Here are some examples of the top-notch performance of Austrian Post and its employees:



Vienna



more than 3x daily



Paris

4,300 km

The delivery staff walks 4,300 km daily.
That's more than three times Vienna – Paris.

200,000 KM EACH DAY

ON BEHALF OF CUSTOMERS



MOPEDS: Drive more than 18,000 km each day. That's almost three times Vienna – New York.



VEHICLES AND TRANSPORTERS : 6,800 motor vehicles and transporters travel some 175,000 km daily. That's four times around the world.



BICYCLES: Account for about 6,500 km daily. That's more than four times Vienna – London.

100,000 people
visit the Christkindl (Christmas)
Post Office each year during Advent

100,000 school cones

were delivered by Austrian Post and the radio station Ö3 to schools throughout
Austria as part of a school cone campaign for first graders

900,000 is the number
of BAWAG P.S.K. customers in Austria

56m

parcels are delivered in Austria each year by Austrian Post

22,000
letter pick-up points are at the disposal
of customers throughout Austria

6,500 km

Bicycles account for about 6,500 km daily

4.2m

6,200,000,000

mail items are transported annually, making the Mail
Division the country's largest logistics provider

Austrian households and companies are served by
Austrian Post each day

62m

customers come to Austrian Post's postal service points every year

1,850
postal service points were in oper-
ation in Austria at the end of 2010

1,250 mopeds

are used by the delivery staff of the Mail Division in
Austria for speedy delivery in suburban locations

3,300,000

advent calendars with 24 sweet treats
were brought by Austrian Post to its custom-
ers in December 2010 as a small token
of appreciation

1,030 bicycles
are being used by Austrian Post in Austria

10,000,000

parcel shipments are transported by Austrian Post and its
subsidiaries in the B2B market in South East and Eastern Europe

2,000

visitors found their way to the Austrian-wide
Logistics Day at Austrian Post's logistics centres



THE EURO- PEAN POSTAL MARKET

BUSINESS ENVIRONMENT AND TRENDS

The postal market is facing massive changes, both worldwide and also in Europe. This transformation involves market liberalisation and digital substitution of conventional letter mail as well as the ongoing boom in online shopping. In this business environment many postal companies are focusing on diversifying their operations.

NUMEROUS POSTAL COMPANIES OPERATE IN SEVERAL SEGMENTS AT THE SAME TIME

The European postal market traditionally encompasses three segments:

- **Communications**
(transport and delivery of letters, direct mail and print media),
- **Logistics**
(parcel delivery, express mail and logistics/freight services) and
- **Retail**
(branch network business with postal and banking services, retail products)

Each of these segments operates in a different market environment and appeals to different target groups. Depending on the historical development and specific market conditions, the composition and weighting of these three business areas varies considerably from one postal market or postal provider to the next.

CURRENT TRENDS – CHALLENGES AND OPPORTUNITIES

The business environment in Austrian Post's three long-standing core markets, i.e. communications, logistics and retail, is subject to major changes. The increasing digitalisation of communications and business processes, the liberalisation of the letter mail market, the global economic crisis as an additional impetus to change as well as funda-

mental structural transformations pose new challenges to postal companies. They also represent an opportunity to successfully grow and further develop the business.

1.

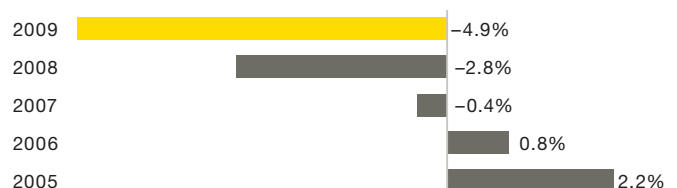
SUBSTITUTION

Substitution of letters by electronic communication

The intensified cost pressure resulting from the economic crisis has recently accelerated the growing preference for electronic communications

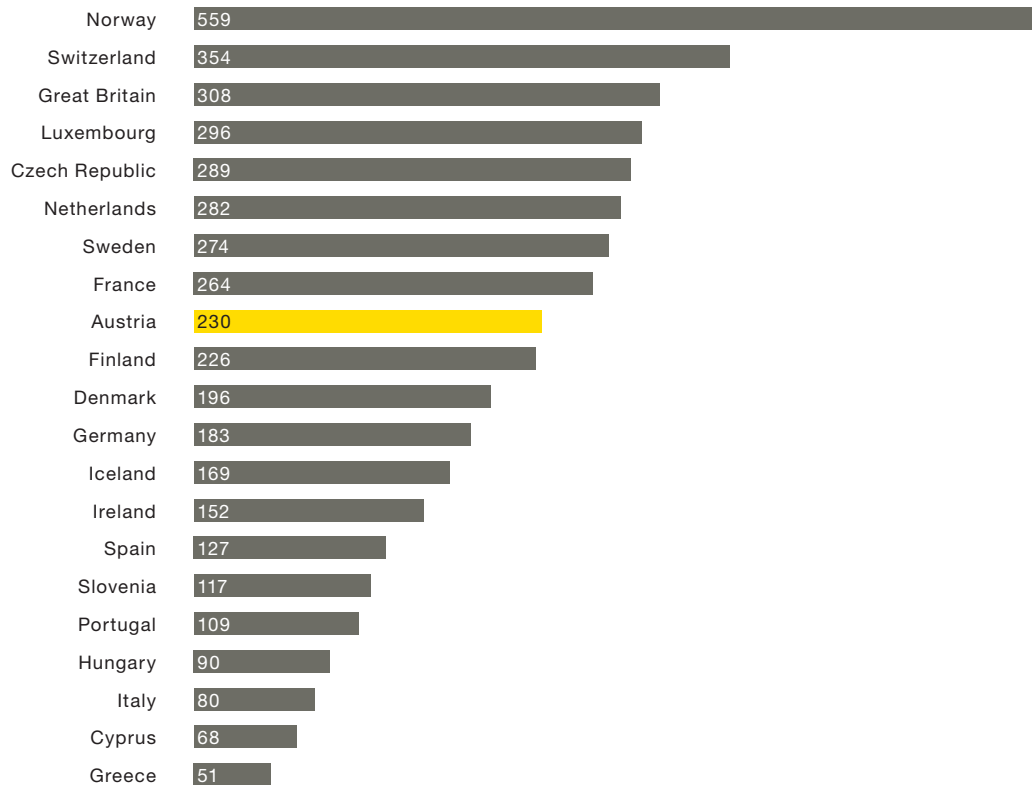
instead of conventional letter mail, which has been evident for several years across the globe. Postal companies try to counteract this development by offering their own digital solutions. In line with this trend, Austrian Post is also offering various online or hybrid services as well as the dual delivery of letters and has already launched a series of well-received online products in this segment. Austria only ranks in the middle of the pack in Europe with respect to the volume of addressed letters per capita. As a result, the substitution effects on Austrian Post's letter mail volumes are somewhat weaker in international comparison.

DEVELOPMENT OF LETTER MAIL VOLUME IN HIGHLY DIGITALISED ECONOMIES



Source: IPC, Global Postal Industry Report 2010

AUSTRIA RANKS IN THE MIDDLE OF EUROPE FOR LETTERS AND ADDRESSED MAIL ITEMS PER CAPITA/YEAR



Source: IPC, Global Postal Industry Report 2009

2.

DIRECT MAIL

Positive trend for direct mail in Austria

In contrast, the still intact market for dialogue marketing in Austria continues to provide positive impetus.

Thanks to their high response quality,

direct mailings to all households or to specific target groups are an important part of the marketing mix of many companies. In international comparison, Austria is in the top ranks with respect to direct mail items per capita. Thus Austrian Post benefits from largely stable mail volumes in this segment.

3.

ONLINE SHOPPING

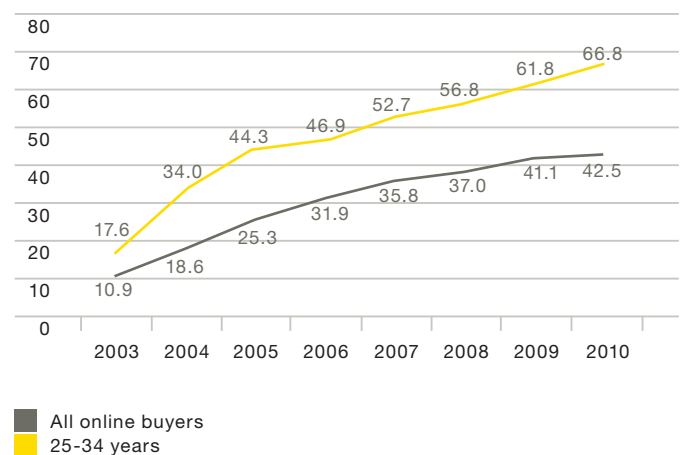
Ongoing boom in online shopping

The continuing dynamic growth in distance commerce, particularly via online channels, has added further impetus to the postal sector. In

particular, the B2C parcels business, i.e. the delivery of parcels from companies to private recipients, has posted ongoing growth thanks to the boom in online shopping. The latest figures show that 43% of people aged 16-74 already purchased products or services on

the Internet. 67% of the 25-34 age group already make use of the Internet for shopping purposes.

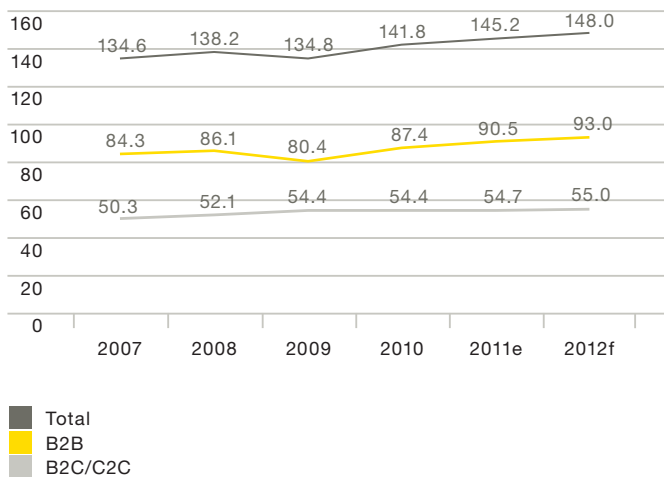
ONGOING INCREASE IN ONLINE BUYERS IN AUSTRIA %



Source: Statistics Austria

Further growth in parcels volumes is expected in the light of the increasing popularity of the Internet for ordering goods and services. In addition, the Internet is radically changing customer expectations and behaviour. Even more importance is being attached to contractually binding high-speed delivery and reliability. This is also putting even greater demands on postal and logistics companies with respect to the quality of their service.

QUANTITY OF PARCELS IN AUSTRIA M PARCELS



Source: Kreutzer, Fischer & Partner

4.

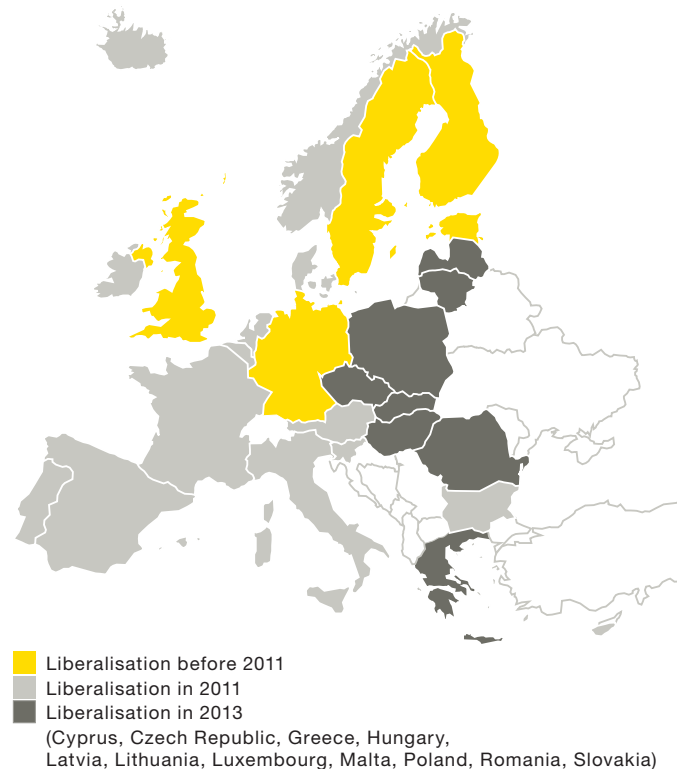
COMPETITION

Competition based on the full-scale liberalisation of Europe's letter mail market

The EU's Third Postal Directive stipulates the complete opening up of Europe's national postal markets in previously "reserved areas". The aim of this liberalisation is to open up the postal market in all EU member states to free competition, and to abolish existing monopolies if necessary.

Accordingly, the member states are required to establish the legal framework underlying a full liberalisation of their postal markets as of January 1, 2011. Exceptions have been granted to Cyprus, the Czech Republic, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Poland, Romania and Slovakia. In these cases, the deadline for implementing the Third Postal Directive has been extended to December 31, 2012. The status of the liberalisation efforts varies considerably among the individual EU member states. Some countries have so far only prepared initial drafts of laws governing the conversion of the EU Postal Directive into national regulations, whereas others have already been fully liberalised.

MULTI-PHASED LIBERALISATION TIMETABLE



Based on the EU's Third Postal Directive, the new Postal Market Act was passed by Austria's Parliament, which now fully took effect on January 1, 2011. The most important changes are:

Elimination of the letter mail monopoly

Austrian Post's monopoly on transporting letter mail items weighing up to 50 grams, which ensures the same high quality delivery throughout Austria, 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 costs of fulfilling the Universal Service Obligation, i.e. providing guaranteed, nationwide and high quality postal services for the benefit of the entire population.

Universal Service Obligation and compensation for net costs

Austrian Post will remain the country's universal postal services provider and thus guarantee "every day, every door" service in 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. post offices, postal partner offices or letter-boxes. Accordingly, postal services for mail items brought to sorting centres by large customers are not considered to be an integral component of 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 exceed EUR 1m 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.

Licensing obligation for postal services

As of January 1, 2011, the right to carry out postal delivery services for letters weighing up to 50 grams (including sealed direct mail) necessitates obtaining a license.

Network of postal service points

The Postal Market Act prescribes a minimum of 1,650 postal service points. In addition, Austrian Post must ensure that all municipalities with over 10,000 inhabitants as well as 90% of the people living in the urban areas of all district capitals must have access to a postal service point within a radius of two kilometres. In all other regions, the prescribed maximum distance to a postal service point is ten kilometres. Austrian Post has surpassed these legal requirements with a network of 1,850 postal service points at the end of 2010 in the interest of ensuring nationwide, customer-oriented postal services.

“Continuing high demands imposed by the Universal Service Obligation.”

Austrian Post is only authorised to convert company-operated post offices manned by its own staff to postal partner offices following an approval process in which it must demonstrate that the post offices affected by the restructuring process will remain unprofitable on a long-term basis. Moreover, it must show that setting up alternative postal service points will ensure that the population continues to be provided with nationwide Universal Postal Services. In addition, the affected communities must be informed in a timely manner about the planned structural changes in the branch network.

Cluster box units and rural postal drop-off boxes

The Postal Market Act stipulates the replacement of existing cluster box units in houses and rural postal drop-off boxes without mail slots with newer ones containing mail slots. In its role as a universal services provider, Austrian Post is required to implement this conversion by the end of 2012. 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.




The strategic partnership of Austrian Post with BAWAG P.S.K. enables both partners to focus on their core business.


INFLUENCING AND SUCCESS FACTORS

IN THE POSTAL SECTOR

In addition to the aforementioned market trends and market opening, the postal sector is strongly influenced by other external and internal factors:

 **EXTERNAL:** External factors which the company can only influence to a limited extent:

- Population growth
- Economic development
- Inflation rate and staff costs
- Regulatory environment

 **INTERNAL:** The following factors can be managed or optimised by the company itself. In this regard, Austrian Post has been able to position itself very well in recent years:

- Strong brand with high brand awareness and positive value framework
- Attractive products oriented to customer requirements
- Customer proximity and nationwide distribution network
- Security of supply
- Productive and cost-efficient logistics networks
- Competitive results of direct and indirect processes



“BECAUSE IT’S
REALLY IMPORT-
ANT TO ME, I DO
EVERYTHING I
CAN TO ACHIEVE
OUR GOALS AND
OPERATE IN AN
ECONOMICALLY
SUSTAINABLE
MANNER.”

CHRISTINE MAHRLE

Head of Marketing International

and International Affairs / Mail Division

Guiding principle 2

We act in a future-oriented manner

We work in a results-oriented manner to secure our market position

We set demanding targets

We use resources sparingly and sustainably





STRATEGY

STABILITY AND GROWTH

Based on its strong position in Austria, Austrian Post has clearly defined its business strategy: safeguarding and expanding its market leadership position in Austria as well as growing in selected markets. The basis for this is ongoing efficiency improvement and the increased flexibility of the cost structure, as well as consistent customer orientation and innovation in all its activities.

CLEARLY DEFINED BUSINESS TARGETS

Current developments on the international postal and logistics market pose major challenges to Austrian Post, but also open up new opportunities. The programme Post@2011 launched at the end of 2009 defined the main strategic thrusts, which were translated into Group-wide strategic initiatives in 2010.

The Austrian Post strategy is oriented to achieve three main business targets:

Revenue: Medium-term growth of 1-2% annually

Austrian Post should be able to more than compensate for the expected annual 3-5% volume decline for addressed letter mail by taking advantage of growth opportunities, such as the annual growth of more than

6% expected in the parcels business. This growth will be supported by new service offerings, innovative approaches to customer service and retention as well as greater product differentiation based on an optimal price-performance ratio.

High profitability: Sustainable EBITDA margin of 10-12%

Austrian Post aims to maintain its high level of profitability also in a liberalised postal market. For this reason, it is essential to further enhance the efficiency of all operational processes. Services will be even more closely tailored to provide customer value, and logistics operations will be optimally streamlined in order to sustainably safeguard earnings and cash flow.

Dividends: Continuation of attractive dividend policy

As communicated to investors at the time of the IPO, Austrian Post aims to offer attractive yields on the capital invested by shareholders. For this reason, Austrian Post will continue its current dividend policy, i.e. a regular dividend payout ratio of at least 75% of the net profit for the period. Austrian Post strives to distribute a dividend which develops in line with the Group net profit.

CLEARLY-DEFINED OBJECTIVES FOR THE DOMESTIC MARKET AND GROWTH REGIONS



- **Austria**
Objective: Market, cost and quality leadership in multi-channel delivery and related value-added services
- **International**
Objective: Market leadership in segments and regions with high growth potential
 - Parcel, combined freight and temperature-controlled logistics
 - South East and Eastern Europe

“With its four core strategies, Austrian Post has clearly defined the cornerstones of its further development.”

1.

**DEFENDING MARKET
LEADERSHIP IN THE
CORE BUSINESS**

2.

**GROWING IN
SELECTED MARKETS**

3.

**ENHANCING EFFICIENCY AND
INCREASING FLEXIBILITY OF
THE COST STRUCTURE**

4.

**CUSTOMER ORIENTATION
AND INNOVATION**

FOUR CORE STRATEGIES

Based on these objectives, Austrian Post has defined four core strategies:

1. Defending market leadership in the core business

Austrian Post is the undisputed market leader in Austria's letter mail segment as well as in the transport and delivery of parcels, particularly to private recipients. In the years 2009 and 2010, Austrian Post succeeded in gaining additional market share in many segments despite the recession and tough price competition. The Group aims to defend its strong position in the future, especially in the letter mail market, which has been fully liberalised in the meantime.

2. Growing in selected markets

In addition to defending its core business, Austrian Post will pursue growth in selected segments. The priority will be on its parcel and logistics business, focusing on further expanding Austrian Post's position in the combined freight, temperature-controlled logistics and B2B/B2C parcels segments in Austria and Germany as well as in South East and Eastern Europe. Moreover, Austrian Post is also expanding its service offering for letter mail customers.

3. Enhancing efficiency and increasing flexibility of the cost structure

In order to consolidate its clear cost leadership in Austria, Austrian Post plans a further significant efficiency enhancement in respect to its logistics and delivery processes. Key measures include the ongoing improvement of the distribution network, the further expansion of the branch network while integrating more entrepreneurial models, the development of new business models and targeted cost reductions in respect to administration costs and operating expenses.

4. Strengthening customer orientation and innovation

Austrian Post will only be successful in the long term if it can adapt its service offering to fulfil the changing needs of customers. For this reason, the company will not only focus on reducing complexity but on developing innovation throughout its business systems and driving forward a broad-based service campaign. This includes an online initiative designed to increase the convenience of conventional postal services and offer new digital products in the field of electronic postal services.



Austrian Post is successively defending its market leadership position in Austria and is growing in selected markets.

SIGNIFICANT PROGRESS IN THE YEAR 2010

Austrian Post has developed various packages of measures and initiated a series of projects in order to implement these four core strategies. The portfolio encompasses both Group-wide initiatives as well as specific projects in each division. In 2010, significant positive results have already been achieved. Over the next few years the measures and initiatives will make consistent progress and further be developed.

1.

MARKET LEADERSHIP

Defending market leadership in the core business

Initiatives in 2010

The volume decline in the Mail Division not only decelerated, but a volume increase for direct mail items was actually registered. Austrian Post's market share in the B2B parcel segment also grew. The new parcel product "Premium Light" was launched, especially targeting business customers.

Projects in 2011

The letter mail services of Austrian Post will be further modernised and expanded starting in 2011, the year of complete market liberalisation. In line with legal stipulations, postal services will be classified as either VAT-taxable

or VAT-exempt. The subsidiary feibra will be further developed in order to attract new customers based on a greater differentiation in pricing/performance. feibra's distribution network was expanded in 2010, enabling it to offer its services throughout Austria.

2.

GROWTH

Growing in selected markets

Initiatives in 2010

Austrian Post continued along its growth trajectory in the parcel and logistics business in 2010, focusing on the combined freight, temperature-controlled logistics and B2B/B2C parcels segments in Austria and Germany as well as in South East and Eastern Europe. In its international business, Austrian Post achieved a turnaround in the past financial year after years of strong expansion. Important progress was also made with partners: Based on a joint venture between meiller direct and the direct mail business operations of Swiss Post Solutions operating under the corporate name MEILLERGHP, a new more powerful provider of addressed advertising mail for the European market was established.

Projects in 2011

The priority is to generate further growth while increasing the profitability of the international business operations of the Parcel & Logistics Division and taking greater advantage of the international parcel and freight distribution network EURODIS. At the same time, an expansion of the service portfolio in the mail and parcel segments in South East and Eastern Europe is planned.

3.

EFFICIENCY

Enhancing efficiency and increasing flexibility of the cost structure

Initiatives in 2010

A broad range of efficiency enhancement measures were also implemented in 2010 in all business areas. In addition, tangible synergies were realised during the period under review by intensifying the joint delivery of letters and parcels. A series of measures was also implemented to increase efficiency, for example the successful restructuring of the branch network. In addition, Austrian Post concluded an intensified strategic cooperation agreement with BAWAG P.S.K. to jointly exploit synergies and future business potential in this important segment for the post offices. In the field of human resources, the foundation was laid to establish a performance-oriented corporate culture among employees, also based on the development of the new corporate principles. Moderate salary increases, a new collective wage agreement and staff cutbacks enabled the company to reduce staff costs in 2010. Furthermore, the internal labour market was restructured. The Career and Development Centre (KEC) was abolished. Employees whose jobs were made redundant will now be professionally trained and equipped with the qualifications required to assume positions

within or outside of the company in cooperation with the Austrian Employment Service AMS.

Projects in 2011

An additional major improvement in the efficiency of letter mail logistics should be achieved in 2011 by introducing new delivery models and modernising sorting technology. At the same time, the structural transformation of the branch network will be continued together with Austrian Post's banking partner BAWAG P.S.K. The primary objective is to create a customer-oriented service offering featuring variable cost structures.

“Austrian Post made considerable progress implementing its strategy in 2010.”

4.

CUSTOMERS

Customer orientation and innovation

Initiatives in 2010

Within the context of its online initiative, Austrian Post succeeded in enhancing the convenience of conventional postal services by launching new online services enabling online redirections, vacation mail holding services and purchasing of parcel stamps. The offering for customers was also extended on the basis of new hybrid products and innovative technologies, for example the well-received “e-Postcard”. Enormous progress was made in the field of dual delivery due to the 100% take-over of the Internet service provider EBPP in 2010. The company enables Austrian Post to transmit documents both physically and electronically, for example as demonstrated by the new product “meinbrief.at”. But the further development of Austrian Post's offering was not limited to electronic products and services: the branch network was enlarged to 1,850 postal service points, including more than 1,100 postal partner offices, in order to ensure the optimal nationwide physical access to Austrian Post's distribution network.

Projects 2011

In order to further optimise performance and enhance product portfolio, Austrian Post has started a service and quality offensive focusing on private customers, which will extend throughout the year 2011. The product portfolio for conventional letter mail will be simplified in 2011 with a size-based rate structure together with a choice of premium or economy products. At the same time, the further development of online services is planned in the e-Post, e-Letter and e-Shop segments.

Management based on clear parameters

The operational management of the Austrian Post Group and its divisions is based on revenue, EBIT and cash flow. In order to increase shareholder value, it is equally important to promote the implementation of services on behalf of existing and new customers as well as to ensure the most efficient cost structure possible. In recent years, Austrian Post has succeeded in maintaining a high cash flow before changes in working capital as the basis for financing required investments or acquisitions and reliably paying dividends. Austrian Post also follows strict criteria with respect to investments in new facilities, infrastructure or subsidiaries as a means of ensuring an appropriate return on investment.



Customer orientation also means continually expanding the self-service products and service offerings.

CLEARLY DEFINED BUSINESS TARGETS



GROWTH: Medium-term revenue increase of 1-2% annually



HIGH PROFITABILITY: Sustainable EBITDA margin of 10-12%



ATTRACTIVE DIVIDEND POLICY:

Payout ratio of at least 75% of the Group net profit; sustainable dividends should reflect the business development



INVESTMENT STORY

CLEAR TARGETS, ATTRACTIVE RETURNS

At its Initial Public Offering in spring of 2006, Austrian Post presented its business model tailored to offer **attractive and sustainable dividends** to shareholders of the company. Austrian Post's goal has been to safeguard its existing and sound core business in the mail and parcels segments based on its leading market position, and to exploit growth opportunities in the more dynamic parcels market in Austria and abroad.

OPTIMISATION AND MODERNISATION IN THE MAIL BUSINESS, EXPANSION IN THE PARCELS SEGMENT

The substitution by electronic media leads to continuing volume pressure in the mail segment. For one thing, Austrian Post is working to offset the ensuing downward revenue trend through ongoing optimisation efforts and the development of additional, attractive and modern products in the mail business. Moreover, Austrian Post focuses on achieving growth in the parcels business, which still shows interesting growth rates both domestically and internationally. The main impetus comes from the highly dynamic e-commerce segment. On balance, Austrian Post is striving to generate medium-term revenue growth of 1-2% p.a. on this basis.


HIGH EARNINGS MARGINS AND SOLID BALANCE SHEET AS THE BASIS FOR AN ATTRACTIVE DIVIDEND POLICY


In the interest of a sustainably attractive earnings margin and higher cash flows, Austrian Post continually works to further improve its service and efficiency in all business areas. A further important cornerstone of the positive performance is the solid balance sheet structure of Austrian Post, which recently showed cash and cash equivalents of EUR 361m in contrast to financial liabilities of only approximately EUR 79m. Within the context of its dividend policy, the company is working hard to further increase dividends in line with an upward earnings development, thus offering an attractive return on investment to its shareholders.

DIVIDEND STOCK WITH AN ATTRACTIVE TOTAL

SHAREHOLDER RETURN

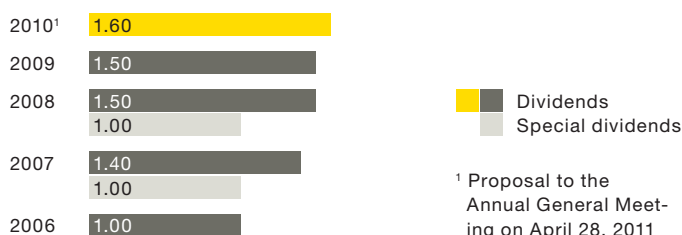
 **SOLID BALANCE SHEET:** Cash and cash equivalents of EUR 361m compared to financial liabilities of only EUR 79m

 **STRONG CASH FLOW:** Enables attractive dividends to be paid

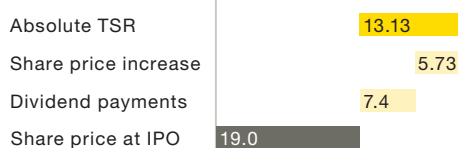
 **ATTRACTIVE TOTAL SHAREHOLDER RETURN (TSR):** 69.1% since the IPO in 2006¹

¹ Basis: Share price increase by EUR 5.73 and dividend payments of EUR 7.40 result in a TSR of EUR 13.13

DIVIDENDS PER SHARE FOR THE FINANCIAL YEAR EUR



TOTAL SHAREHOLDER RETURN OF 69.1% EUR



SHARE AND INVESTOR RELATIONS

SOLID DIVIDEND STOCK

MARKET ENVIRONMENT

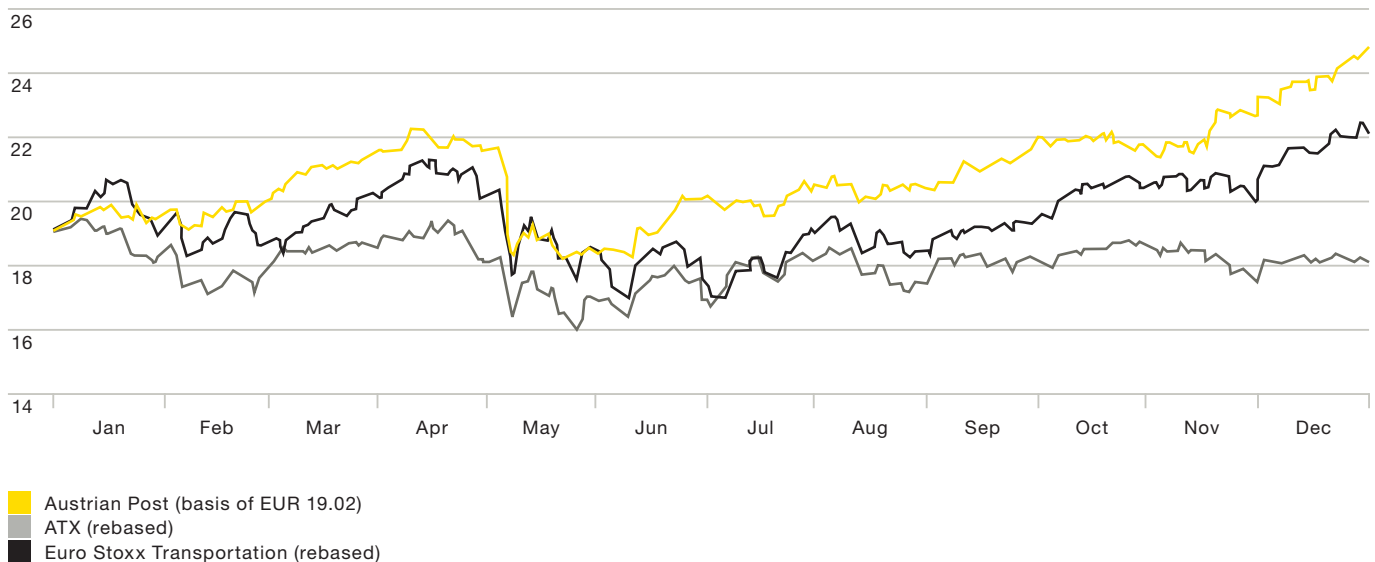
The year 2010 featured a recovery on all major international stock exchanges. The Austrian benchmark index ATX registered a 16.4% rise in value, the DAX was up 16.1% and the Dow Jones Industrial gained 11.0%. In most cases, the indices thus rose again to the levels attained in 2008. The debt crisis in Europe and in the USA was the dominant issue at the stock markets, but was considered to be less relevant by the end of the year due to good company fundamentals. On balance, the prevailing mood of investors continually improved. The more favourable economic forecasts for 2011 also contributed to the upswing. The Austrian Post share as a declared dividend-paying stock performed very well in this market environment, and recorded a 30.0% rise in value.

SHARE PRICE DEVELOPMENT AND TRADING

Austrian Post has been listed on the Vienna Stock Exchange since May 31, 2006 as Europe's third postal company to be publicly traded on the stock market. Whereas the Austrian Post share climbed 30.0% in 2010, the ATX index only rose by 16.4%. The Euro Stoxx Transportation Index, the European index of relevance for Austrian Post, even declined by 2.9%.

Market capitalisation totalled close to EUR 1.7bn based on the EUR 24.73 share price at the end of 2010. More than 25m Austrian Post shares were traded on the Vienna Stock Exchange in 2010, with the total volume of trading reaching a level exceeding EUR 520m (counted once).

DEVELOPMENT OF THE AUSTRIAN POST SHARE IN 2010 EUR





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

ATTRACTIVE DIVIDENDS

Austrian Post continues to pursue its goal of offering an attractive dividend and total shareholder return to its shareholders. The Management Board will propose the distribution of a dividend of EUR 108.1m or EUR 1.60 per share for the 2010 financial year to the Annual General Meeting scheduled for April 28, 2011. On the basis of a share price of EUR 24.73 per share as at the end of December 2010, the dividend yield amounts to 6.5%. Since the IPO, shareholders have been paid a total dividend of EUR 7.40 per share. Taking account of the dividend payments up until the end of 2010 and calculated on the basis of an issue price of EUR 19.00 (May 30, 2006), the yield (total shareholder return) has been 69.1%.

Within the context of its dividend policy, Austrian Post intends to achieve a dividend payout ratio of at least 75% of the Group net profit for the year attributable to Austrian Post shareholders, assuming the company successfully continues its business development and that no unforeseen circumstances arise. The company strives to distribute a sustainable dividend in line with the Group net profit for the year.

REPRESENTED IN NUMEROUS INDICES

Since September 18, 2006, the Austrian Post share has been a constituent of the Austrian Traded Index ATX, the benchmark index of the Vienna Stock Exchange. It consists of the 20 Austrian companies with the highest trading volume and the largest market capitalisation. At the end of December 2010, the weighting of the Post share in the ATX was 2.1%. In addition to the ATX, the Post share is also represented on ATX Prime, on VÖNIX, the Austrian Sustainability Index, and on the Euro Stoxx Transportation Index.

“The Austrian Post share performed significantly better in 2010 than the overall stock market in Austria.”

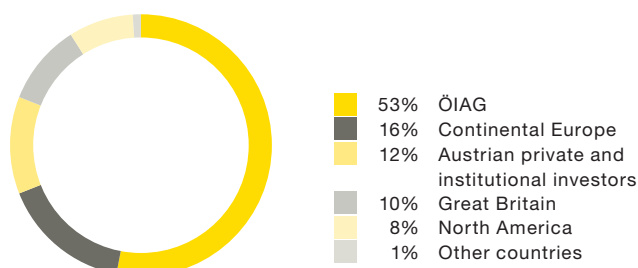
NUMBER OF SHARES

Since the share buy-back programme involving 2,447,362 shares in 2008 and the subsequent withdrawal of all treasury shares on April 24, 2009, the share capital of Austrian Post has been divided into a total of 67,552,638 no-par value bearer shares. This corresponds to a nominal value of EUR 5.00 per share.

SHAREHOLDER STRUCTURE

As a consequence of the Initial Public Offering in 2006, 49.0% of the shares were placed with investors. The shareholding held by the Austrian state holding company Österreichische Industrieholding AG (ÖIAG) in the share capital of Austrian Post decreased from a 100.0% stake to 51.0%, or a total of 35.7m of the outstanding shares. In relation to the 67,552,638 shares currently in circulation, ÖIAG holds a 52.8% stake in the company, and thus remains the majority shareholder of Austrian Post. Austrian Post is not aware of any other investors who own more than 5% of the total share capital in the company.

SHAREHOLDER STRUCTURE BY COUNTRY BASIS: 67.6M SHARES



A shareholder ID carried out in January 2011 concluded that, in addition to the main shareholder ÖIAG, 38% of the shares are held by European investors (plus 4 percentage points compared to the previous analysis of January 2010). 12% of the shares are held by private and institutional investors in Austria (plus 1 percentage point), 14% in Continental Europe (plus 2 percentage points) and 10% in Great Britain (plus 2 percentage points). A total of 8% (minus 2 percentage points) of the shares are currently held by North American investors (USA, Canada), whereas investors in the rest of the world account for much less than 1% (unchanged). Private investors in Austria also include Austrian Post employees, who have a combined stake of more than 2%.

INVESTOR RELATIONS

Austrian Post attaches considerable importance to communications with investors and analysts. In addition to the many visits made by institutional investors and analysts in Vienna, the Management Board as well as the investor relations team continually hold meetings with the financial community in Austria and in international financial centres such as New York, Boston, London, Frankfurt, Milan, Paris, Copenhagen and Stockholm. The intensive dialogue with the capital market was underlined by 40 roadshows and investor conferences with about 250 institutional investors.

The successful efforts of the Investor Relations team were recognised by its third place award for its 2009 annual report, selected among the reports of all companies listed on the ATX index of the Vienna Stock Exchange at the Austrian Annual Report Awards of the Austrian business magazine "trend".

Private investors also made extensive use of Austrian Post's offer to establish a comprehensive two-way dialogue. For example, numerous private shareholders requested in-depth information about Austrian Post, for example at the "GEWINN" investment fair in Vienna. In order to provide information to school pupils, who may be future shareholders or employees, Austrian Post was also present at the "GEWINN" trade fair for pupils.

feedback from experts in the sector concerning the strategy and development of the company. In the year 2010, Credit Suisse renewed its coverage of Austrian Post, followed by the Royal Bank of Canada in January 2011. As at the end of February 2011, the Austrian Post share is regularly monitored by a total of 13 investment banks: CA Cheuvreux, Credit Suisse, Deutsche Bank, Erste Bank, Goldman Sachs, Kepler Capital Markets, Macquarie, MainFirst Bank, Morgan Stanley, Raiffeisen Centrobank, Royal Bank of Canada, UBS and UniCredit. An overview of their latest recommendations can be found on the Internet at: www.post.at/ir >> Our share >> Analyst coverage.

RESEARCH COVERAGE

In addition to considering the overall business environment and the specific characteristics of a company, the recommendations and share price expectations voiced by analysts also play an important role in the decision-making process of investors. At the same time, the analyst reports provide Austrian Post with valuable

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Online Annual Report 2010: www.post.at/ar2010

KEY POST SHARE AND DIVIDEND INDICATORS

		2008	2009	2010	Change 2009/2010
Earnings per share	EUR	1.71	1.18	1.75	+48.6%
Dividends per share ¹	EUR	1.50	1.50	1.60 ²	+6.7%
Special dividends per share ¹	EUR	1.00	–	–	–
Total dividend payout	EUR m	168.9	101.3	108.1	+6.7%
Free cash flow per share ³	EUR	2.34	2.95	2.13	–28.0%
Dividend yields ⁴	%	10.4%	7.9%	6.5%	–
Total Shareholder Return (annual performance + dividends) ⁵	%	+10.5%	–10.7%	+37.9%	–
Total Shareholder Return since the IPO	%	+44.7%	+31.2%	+69.1%	–
Share price performance	%	+0.5%	–21.1%	+30.0%	–
PE (price-earnings) ratio at the end of December	–	14.1	16.1	14.1	–
Share price at the end of December	EUR	24.10	19.02	24.73	+30.0%
High/low (closing price)	EUR	29.75/20.44	26.14/18.00	24.73/18.20	–
Market capitalisation at the end of December	EUR m	1,628.0	1,284.9	1,670.6	+30.0%
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%	–

¹ For the financial year

² Proposal to the Annual General meeting on April 28, 2011

³ Free cash flow before the acquisition/disposal of securities

⁴ Dividend per share divided by share price at year-end of the respective financial year

⁵ Change in the share price year-on-year plus dividend payment in the respective year (excluding reinvestment of the dividends)



“BECAUSE I AM
REALLY IMPOR-
TANT TO MY DAD’S
BOSS, THERE ARE
HOLIDAY CAMPS
WHICH ARE REALLY
A LOT OF FUN.”

RAPHAEL WOLF

Son of Thomas Wolf

Accounting

*Guiding principle 3
We are all Austrian Post*

*We deal with each other openly and respectfully
We recognise, promote and support achievement
We see leadership as a special responsibility*





SUSTAIN- ABLE RESPON- SIBILITY

CORPORATE SOCIAL RESPONSIBILITY



Purposeful responsibility for reliable postal services has a long tradition at Austrian Post.

As one of Austria's largest companies, Austrian Post is aware of its responsibility towards its stakeholders and the social environment. For this reason, the company has committed itself to appropriately considering the interests of all target groups when formulating its business strategies and carrying out its business operations. In doing so, Austrian Post orients its activities to the principles of the UN Global Compact, to which the company has belonged since 2007. The ten fundamental principles contained in the Global Compact define minimum requirements of ecological and social standards. These tenets comprise the primary demands of the international community represented in the United Nations relating to sustainable business management in the interests of all stakeholders.

CSR – ISSUES AND PRINCIPLES

Society

As a provider of universal postal services in Austria, Austrian Post bears a considerable responsibility

towards society. It makes an important contribution by maintaining and safeguarding the communications infrastructure based on its reliable, top quality nationwide postal services. It wants to offer services, which correspond to the needs of its customers.

Employees

Motivated and productive employees are the backbone of Austrian Post's tried-and-trusted logistics concept that ensures daily delivery to its customers. An indispensable prerequisite is a healthy and safe working environment. For this reason, occupational safety, health protection and healthcare comprise key elements of Austrian Post's corporate principles. The company wants to ensure individual future perspectives for employees in a market environment in which the demands on staff are continually subject to change.

Environment

Austrian Post also attaches great importance to the efficient use of natural resources. For this reason, it promotes efforts to conserve natural resources and participates in projects such as the Greenhouse Gas Reduction Programme of PostEurop aiming to reduce greenhouse gas emissions.

Economy

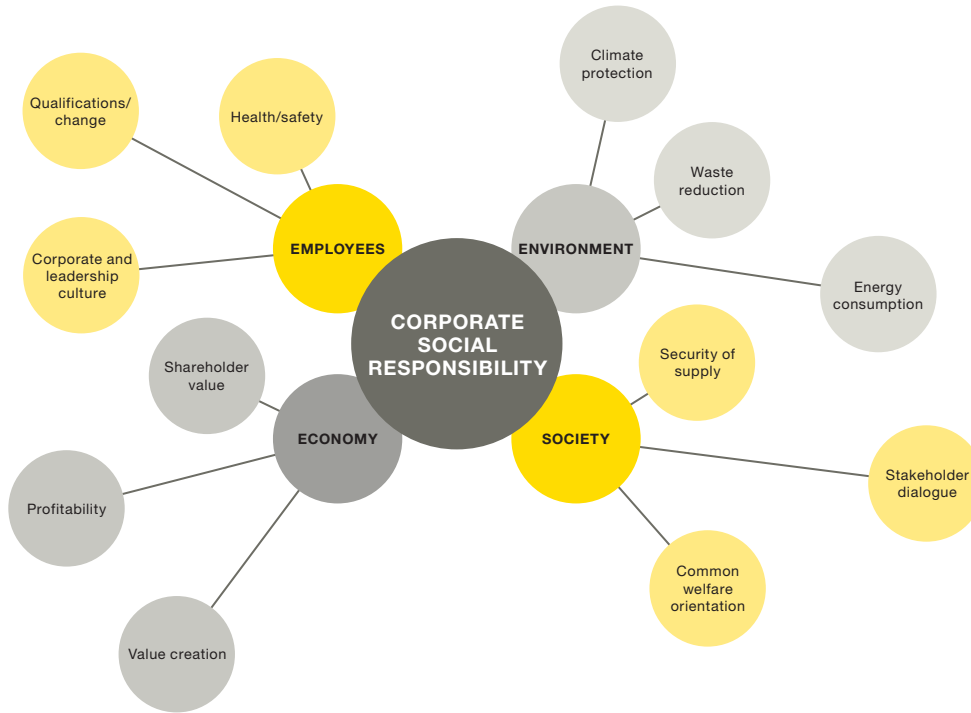
The top priority for Austrian Post's management is to ensure profitability on a sustainable basis. Only a profitable company can seriously assume its corporate social responsibility on a long-term basis, and make an appropriate contribution to fulfilling social needs. Accordingly, sustainably safeguarding profitability is of central importance. With this in mind, Austrian Post continually aims to optimise operations in order to maintain competitiveness.

CSR OBJECTIVES

In the light of Austrian Post's responsibility to its stakeholders, the company has defined four pillars of its sustainability policies. In addition to the economy,









these policies encompass society, the environment and employees.

The latest information on the topic of CSR can be found at www.post.at/csr.



GOOD RELATIONSHIPS TO ALL STAKEHOLDERS

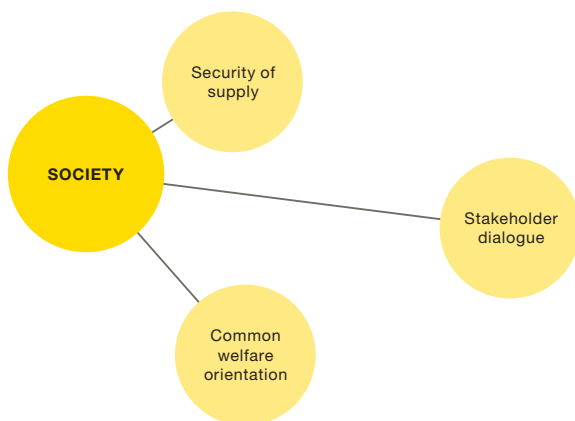
Austrian Post responds to the requirements and concerns of all its stakeholder groups:

-  **CUSTOMERS:** Good relationships among people are the basis for the success of Austrian Post's customers. Thus, Austrian Post provides nationwide postal services at a fair price-performance ratio.
-  **SHAREHOLDERS:** Austrian Post has distributed attractive dividends to its shareholders in recent years, and thus to the Republic of Austria as the majority owner.
-  **EMPLOYEES:** The Austrian Post Group is responsible for some 21,000 employees in Austria and a further approximately 4,000 in its international subsidiaries. It is important for the company to remain a popular employer actively promoting the professional development of its staff.
-  **BUSINESS PARTNERS:** Austrian Post has always been a fair, reliable and predictable business partner to its suppliers and business partners.
-  **ENVIRONMENT:** Austrian Post protects the environment on the basis of the ongoing modernisation of its infrastructure and numerous initiatives to conserve natural resources and avoid waste.
-  **COMMUNITIES:** Nationwide postal services and open dialogue characterise the relationship of Austrian Post to the country's communities. Comprehensive services are also provided in rural areas by postal partner offices and within the context of rural collection points.
-  **REGULATORY ENVIRONMENT:** Austrian Post works in accordance with a regulated mandate to provide postal services with clearly defined stipulations regarding delivery quality and service features.
-  **SOCIETY:** Austrian Post is one of the country's most important employers, guaranteeing the supply of top quality postal services.



RESPONSIBILITY / SOCIETY

RELIABILITY OF SUPPLY AND PUBLIC WELFARE



SOCIAL TARGETS



MAINTAINING nationwide postal services



INTENSIFYING the dialogue with stakeholders



PROMOTING the common welfare and the involvement in local communities

COMMITMENT TO NATIONWIDE SERVICE

Year after year, Austrian Post is the fastest deliverer of mail items throughout the country: at least 95% of all letters are delivered at the next working day. This puts Austria in the top ranks of all European countries. This impressive performance is only possible due to state-of-the-art logistics and the personal commitment of employees in the letter mail and delivery logistics segments.

Austrian Post in its role as a universal services provider attaches particular importance to carrying out an ongoing dialogue with political decision-makers, especially in cities and municipalities. Communities serve as important

partners to Austrian Post in all issues relating to securing the long-term provision of postal services for the Austrian population. Against the backdrop of changes in the market environment, Austrian Post pays particular attention to carrying out joint initiatives with the goal of ensuring "More Post for Austria". The cooperation with municipal representatives in Austria comprises an important pillar of Austrian Post's active dialogue with its stakeholders.

For years, a combination of company-owned branches and partner-operated postal service points has proven its value in ensuring that nationwide postal services are maintained on behalf of the Austrian population. In particular, the concept of the postal partner offices, in which local tobacconists, retail shops and also municipal offices cooperate with Austrian Post, has been successful. Through their expanded offering, postal partner offices strengthen the local availability of essential services.

POST PARTNER OFFENSIVE 2010

In 2010, Austrian Post made an offer to all municipalities: "A postal service point for each community". Austrian Post aimed at finding new postal partners, in cooperation with the Austrian Association of Municipalities and the Austrian Federal Economic Chamber. This initiative was designed to take account of customer demands for greater accessibility and improved opening hours, particularly in rural areas.

The figures speak for themselves: at the beginning of the year, the network of postal service points in Austria amounted to 418 postal partner offices. By the end of the year, about 700 businesses were added as postal partners, so that the network is much denser than stipulated by law. The new Postal Market Act prescribes a minimum of 1,650 postal service points. At the end of 2010 Austrian Post boasted a network of over 1,850 outlets.

Thus the goal of supplying the Austrian population with nationwide, modern and customer-oriented postal services is being successfully fulfilled.

PROMOTING THE COMMON WELFARE, SOCIAL INVOLVEMENT IN COMMUNITIES

Society

In 2010, Austrian Post supported the “Ö3-Wundertüte” (bag of surprises from the Ö3 radio station) campaign, the biggest and most successful individual fundraising campaign from the “Licht ins Dunkel” (Bring Light into the Darkness) charity drive. Last year, this initiative designed to collect old mobile phones and convert them into cash to help families in need broke all previous records. From the beginning of December 2010 to February 2011, a total of 248,741 bags of surprises were filled.

Austrian Post also provided support to the “Ein Funken Wärme” (A Spark of Warmth) campaign in which the charity Caritas cooperated with the daily newspaper “Kronen Zeitung” to collect donations for needy families.

In the past financial year, Austrian Post served as a partner to the “Day of Sports 2010”. In this context it produced an autographed XXL poster of the commemorative stamp “Day of Sports 2010” and a plot stamp available to be auctioned off at the big “Licht ins Dunkel” fundraising gala, and also financially supported this charity initiative.

Culture

For many years Austrian Post has been promoting outstanding projects in the field of fine arts. The highlight of its cultural sponsoring activities in 2010 was its cooperation with the Albertina Museum and the Essl Museum.

Employee volunteering

Since 2010 Austrian Post has also allowed employees impacted by restructuring measures to work for charitable organisations. Five employees support the “Arbeiter-Samariter-Bund Österreichs” (Austrian Worker's Samaritan Federation) in the fields of training and disaster services in Austria, or for ambulance and rescue services. Two employees are working for Caritas, and one is an emergency paramedic for the Austrian Red Cross. Through this voluntary work, mostly on an honorary basis, Austrian Post also makes a positive contribution to society. Moreover, the voluntary involvement represents an opportunity to learn and acquire new skills and competencies within the context of the work being performed, and thus improve future prospects on the job market.

248,741

From the beginning of December 2010 to February 2011,
a total of 248,741 bags of surprises were filled

“... extensive contributions to various social initiatives ...”

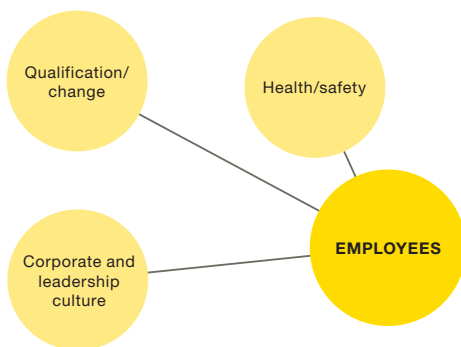


This initiative designed to collect old mobile phones and convert them into cash to help families in need broke all previous records.



RESPON- SIBILITY/ EMPLOYEES

APPRECIATION AND SUPPORT



EMPLOYEE TARGETS



CREATING individual future perspectives



PROMOTING a corporate and leadership culture



DEVELOPING occupational health and safety

letter mail market in 2011. Accordingly, the increasingly demanding business environment in the postal sector requires the company to implement ongoing efficiency improvement measures as well as adjustments to the personnel structure. In this case, responsible corporate behaviour means reacting to the resulting changes confronting employees, thus actively planning and supporting them on their career path in a socially acceptable manner – which is also of primary importance to the future of Austrian Post. Austrian Post set up the “Internal Labour Market”, an effective platform to ensure that the affected employees gain the qualifications required for new jobs inside or outside the company.

The objectives of the Internal Labour Market

- Promoting and supporting internal mobility
- Promoting employee readiness for change and facilitating training and further education measures
- Promoting the respectful interaction of employer and employees

As one of the biggest employers in the country, Austrian Post is aware of its responsibility to all its employees. A future-oriented service company must attach considerable importance to the role of employees as a key success factor. With numerous initiatives and projects, Austrian Post is clearly committed to further train employees in a performance-oriented manner, to ensure that they gain the qualifications required to adapt to changes in the labour market, and to promote their health and safety.

QUALIFICATION AND CHANGE

Responsible implementation of personnel adjustments

Competition in the postal market is continually intensifying, a situation aggravated by full liberalisation of the



Austrian Post acknowledges the performance of its employees, who all make a substantial contribution to value creation.

In 2010 the responsibilities of the Internal Labour Market were defined in detail and divided into four strategic areas for action:

1.

QUALIFICATIONS AND MOTIVATION

- Identifying potential, professional development and training
- Training programme based on individual career advancement
- Re-integration in case of a positive employment success after six months at the latest
- Internal career path counselling
- Promotion of readiness for change on the part of employees

2.

OPTIMISATION OF INTERNAL STAFF DEPLOYMENT

- Optimisation of staff deployment within the division and beyond
- Timely information on upcoming new organisational structures or shutdowns to begin replacement efforts as early as possible
- Reduction in overtime and leased employees
- Develop employment opportunities (e.g. stamp books)

3.

NEW CAREER PERSPECTIVES

- Post employees transferred to the public sector (police/finance and justice ministries)
- Proactive support of job transfer to other areas outside of Austrian Post
- Develop models to transfer employees to municipalities
- Outplacement foundation
- Expansion of employee transfer elsewhere (e.g. charities)

4.

SOCIALLY RESPON- SIBLE MEASURES

- Development of a new social plan
- Target-group specific termination benefit models
- Promotion of outplacement foundation models
- Transition model

New social plan model takes effect

In February 2009, Austrian Post and the works council representatives agreed upon a social plan, which would offer comprehensive support to employees affected by reorganisation measures until the end of 2010. A new social plan was developed in December 2010, shortly before expiration of this model. The new agreement, which took effect on January 1, 2011 and remains in force until December 31, 2012, offers extensive possibilities to provide support to civil servants and employees who are impacted by restructuring measures or job cuts and who wish to reposition themselves on the job market.

New outplacement foundation for professional re-orientation

As a further measure designed to cushion the effects of the restructuring programme, a cooperation agreement

was concluded in the summer of 2010 between Austrian Post and the Vienna Employment Promotion Fund (WAFF) on the basis of the existing social plan in the company. Staff members who have lost their jobs due to restructuring measures and whose employment contract with Austrian Post was terminated by mutual agreement as well as civil servants, who have declared their intention to leave the company, are eligible to participate. The outplacement foundation offers interested employees an ideal opportunity to reposition themselves in the labour market. For this purpose, individual training measures are determined and financially supported by Austrian Post.

Post employees transfer to ministries

The opportunity was also created for civil servants at Austrian Post to transfer to the Austrian Ministry of Justice, Ministry of Internal Affairs or Ministry of Finance. The ministries offer new career perspectives to Austrian Post



employees. The numerous job applications and visits to information events show that Austrian Post is on the right track. In the meantime, the 200 civil servants who have already voluntarily accepted government jobs have demonstrated that the competencies gained at Austrian Post are in great demand.

Cooperation with Austrian Employment Service AMS

Within the framework of the Internal Labour Market, a partnership with the Austrian Employment Service AMS was also launched in December 2010, which will be evaluated after one year and possibly extended. On the basis of this initiative, some 200 participants of Austrian Post's Internal Labour Market can take advantage of the career counselling and training expertise of AMS and thus optimally prepare themselves for new professional challenges.

HEALTH AND SAFETY

Austrian Post attaches considerable importance to the health and safety of its employees. In addition to training courses on safe and healthy workplace behaviour, prevention of musculoskeletal disease, smoking and alcohol abuse prevention, ensuring health-promoting, ergonomic working conditions as well as workplaces tailored to the needs of disabled or older employees are of paramount importance to the company's commitment to health and safety.

In addition to the nationwide vaccination drive providing free flu vaccinations to employees, Austrian Post also once again offered employees the possibility to take advantage of low-cost TBE, tetanus, diphtheria, polio and hepatitis vaccinations in 2010. About 3,700 vaccinations were given to Austrian Post employees throughout the country.

The health care programme entitled "Die Post bewegt" (Austrian Post Moves), launched in 2007 for the mail distribution area, has involved more than 13,200 employees and executives up until now. In the meantime, it was expanded in 2010 to the sorting centre, parcel logistics and freight transport operations due to its great success. The focal point of this health-related initiative targeting all employees in these business areas lies upon information lectures and events about correct posture and exercise at the workplace.

Austrian Post also organised occupational health examinations for night shift employees and those working with computer monitors and screens, which 360 employees have taken advantage of so far.

Approximately 3,000 inspections of workplaces, including the identification and evaluation of dangers and specification of required danger prevention measures, made a major contribution during the reporting period to creating an ergonomic working environment conducive to the good health of employees.

AUSTRIAN POST – EMPLOYEE INDICATORS

	2008	2009	2010
Total number of employees (FTE)¹	22,667	21,598	20,695
thereof women (FTE, %)	29.50%	29.59%	29.45%
Civil servants (FTE)	12,514	11,803	11,005
Salaried employees (FTE)	9,536	9,306	9,456
Full-time employees (total)	20,513	19,498	18,559
Part-time employees (total)	4,163	4,075	3,977
Average tenure of civil servants at Austrian Post (years)	25	26	26
Average tenure of salaried employees at Austrian Post (years)	11	11	11
Age of employees (FTE)			
<30 years	1,976	1,805	1,753
31-50 years	16,157	15,161	14,157
>51 years	4,533	4,631	4,785
Fluctuation (%) ²	6.34%	7.33%	9.85%
Sick leave rate for employees (FTE, %)	7.34%	7.31%	7.47%
Average number of working days lost per accident	17.2	16.4	17.8
Number of occupational accidents (incl. commuting)	1,043	1,050	1,226

¹ FTE ... Full-time equivalents ² Fluctuation of permanent staff with at least six months employment

Extensive health check-up opportunities were offered to employees in 2010 within the context of four Austrian Post Health Days, which measured the blood sugar, cholesterol level and blood pressure of employees and offered detailed medical advice.

CORPORATE AND LEADERSHIP CULTURE

Promoting and supporting a performance culture

As part of its strategic development project Post@2011, the "Performance Culture" project team developed initial guidelines for the new corporate principles. Intensive work was carried out with employees in the different business areas and executives at various management levels in the spring and summer of 2010 to substantiate the corporate principles, which was first presented in the fall of 2010.

Numerous measures were initiated to promote the further development of Austrian Post's corporate culture on the basis of the following core values and employee identification with the company:

- We focus on our customers
- We act in a future-oriented manner
- We are all Austrian Post

The objectives of the new corporate principles focus on:

- Promoting cultural change – in the way employees deal with each other, but also with customers and partners of Austrian Post
- Strengthening identity and identification with the company – pride in one's own company and its contribution to society
- Increasing the attractiveness of the company – for employees, customers and other stakeholders

Training and professional development

The target group and competence-oriented training and professional development of employees comprise an important part of Austrian Post's human resources activities, and were intensively carried out again in 2010. 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.

In order to optimise the service offering in both post offices and postal partner outlets, intensive training programmes and further education courses were carried out in the Branch Network Division, including branch manager and financial consultant training, telecom sales colleges and training for postal partners. The Mail Division offered team-building workshops, sales training and seminars for key account managers. The Parcel &

Logistics Division implemented executive training and customer management programmes as well as language training, amongst others.

Appreciation and open communications

As in the past, the tried and tested "Austrian Post and Management Talk Series" was continued in the Mail Division. These discussions led by top executives provided employees with the opportunity to enter into a personal dialogue with top and middle management and directly get feedback to specific questions. Regular transnational executive events, or "Senior Management Conventions", were also successfully held in 2010.

Equal opportunity

Austrian Post attaches considerable importance to ensuring equal opportunity at work in all business areas, and decisively opposes any kind of discrimination, bullying and sexual harassment. In addition, there are no gender-based salary differences, with men and women receiving equal pay for equal work and qualifications at Austrian Post.

Austrian Post aims to continually increase the share of women holding management positions, in order to ensure that they equally share the responsibility and decision-making authority. The important position of Deputy Chairman of the Supervisory Board is held by a woman, Edith Hlawati. The proportion of women in the Austrian Post management team was about 25% in the 2010 financial year.

Motivation based on profit sharing

Austrian Post has regularly offered a voluntary profit-sharing bonus scheme for many years as one of many approaches designed to enhance employee motivation. Within the context of this programme, which is unique among Austria's large-sized companies, 10% of the EBIT generated by Austrian Post in 2010 (up to a stipulated maximum amount) will be directly distributed to its employees for the tenth straight year.

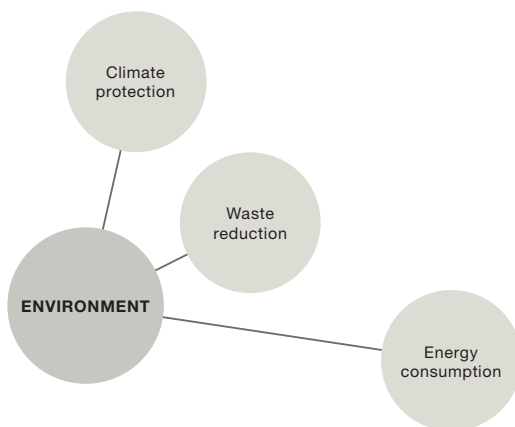
Social services via "post.sozial"

The joint welfare association "post.sozial" reflects the social responsibility of Austrian Post to its employees based on additional social services above and beyond legally stipulated obligations. These services range from financial support to employees faced with unusually high costs arising as a result of illness or natural disasters along with discounted tickets for cultural events to childcare and day care services during vacations, which are provided at particularly favourable rates. Furthermore, support is provided for healthcare measures and recreational activities contributing to maintaining the health of employees.



RESPON- SIBILITY/ ENVIRONMENT

MAXIMUM PRESERVATION OF RESOURCES



ENVIRONMENTAL TARGETS

 **CO₂ REDUCTION BY 10%**
in the years 2008-2012

 **REDUCTION OF ENERGY CONSUMPTION**
by 10% in the period 2008-2012

 **PROMOTION** of resource-saving and
recyclable materials

Austrian Post seriously and actively assumes responsibility for the environment. In this respect, it strives to keep the environmental impact of its business operations to a minimum by applying environmentally friendly technologies and by promoting the efficient use of natural resources. The company is continually aiming to identify potential areas for improvement.

CLIMATE-NEUTRAL DISPATCHING WITH CO₂DE GREEN

Under the title “co₂de green“, the Austrian Post subsidiary trans-o-flex in Germany has been offering CO₂-neutral

dispatching throughout the country since January 2010, thus enabling its customers to improve their emission balance in a targeted manner. In this case, the transport-related CO₂ emissions are compensated by the simultaneous support of recognised external climate protection projects. trans-o-flex acquires certificates from recognised climate protection projects and passes on these costs to its customers on a proportionate basis. More specifically, it is supporting a wastewater purification plant in Thailand and clean energy generation in China. Up until now, about 900 tons of transport-related greenhouse gas emissions have been offset. In 2011, the “co₂de green“ programme is to be expanded to the Benelux countries as well as to Scherübl in Austria.

HIGHER ECOLOGICAL EFFICIENCY IN TRANSPORT OPERATIONS

Transport operations, a very important component of Austrian Post's business activities, are carried out in the most environmentally compatible way. On the one hand, this is achieved on the basis of optimal route planning (avoidance of empty runs, consistent optimisation of vehicle capacity utilisation, reduction in total transport). On the other hand, use of a modern vehicle fleet, regular maintenance and ongoing driver training enhance the ecological efficiency of the company's transport activities.

NATURAL GAS AND ELECTRIC-POWERED DELIVERY VEHICLES

Austrian Post is pursuing an innovative and environmentally compatible approach in its mail delivery operations. Supported by the “klima:aktiv mobil” (climate compatible mobility) campaign coordinated by the Federal Ministry of Agriculture, Forestry, Environment and Waste Management. Austrian Post very successfully makes use of 77 natural gas-powered delivery vehicles along with some 70 electric mopeds and electric bicycles.

PARTICIPATION IN INTERNATIONAL CLIMATE PROTECTION PROGRAMMES

Austrian Post's commitment and participation in international programmes – the "Greenhouse Gas Reduction Programme" coordinated by the European association of public postal operators (PostEurop) and the "Environmental Measurement and Monitoring System (EMMS)" of the International Postal Corporation (IPC) – were further expanded in 2010.

Accordingly, the data gathered by Austrian Post on the environmental impact of its business operations was audited and accepted without any reservation by a PostEurop-designated auditor (third-party audit). Austrian Post is proud of the fact that its environmental protection measures are making an important contribution to meeting the international CO₂ reduction target of 10% between 2008 and 2012.

WASTE REDUCTION

For the purpose of implementing sustainable waste management, Austrian Post is actively working to reduce the environmental burden from waste to a minimum. The most sensible, effective and useful measure for the benefit of the environment is to completely avoid waste. If this is not possible, waste must be disposed of in an environmentally compatible way. This means specifically that Austrian Post makes a significant contribution to reducing residual waste on the basis of the separation of recyclable materials according to material types. At the same time, these measures enable the economically and ecologically meaningful utilisation of these valuable residual materials.

AUSTRIAN POST AG – ENVIRONMENTAL INDICATORS

	2008	2009	2010
Consumption of significant quantities of resources (kWh million)			
Total	187.8	173.6	1
Natural gas	32.4	32.3	1
Heating oil	13.8	11.4	1
District heat	46.6	40.0	1
Electricity	95.0	89.9	1
Building space (m²)	1,284,000	1,220,988	1,186,753
thereof owned by Austrian Post	817,000	766,045	748,936
Fuel consumption: petrol, super, diesel, natural gas (l)	15,525,409	15,289,178	15,205,915
thereof diesel	15,112,978	14,899,709	14,745,075
CO₂ emissions (t) according to the Greenhouse Gas Protocol (total)	83,148	79,307	1
Road transport	41,477	40,868	40,621
Buildings and stationary processes	41,671	38,439	1
Vehicle fleet (total)	9,289	9,165	9,248
Bicycles	967	973	1,032
thereof electric bicycles	0	14	64
Mopeds	1,095	1,082	1,252
thereof electric mopeds	6	6	6
Vehicles up to 3.5t	7,031	6,925	6,788
thereof gas-driven vehicles	77	77	77
Vehicles >3.5t	196	185	176
Total number of kilometres (km million)	126	123	120
Paper (t)	484.4	426.4	337.1

¹ Figures not yet available; precise values will be disclosed in the Austrian Post AG Sustainability Report 2010.

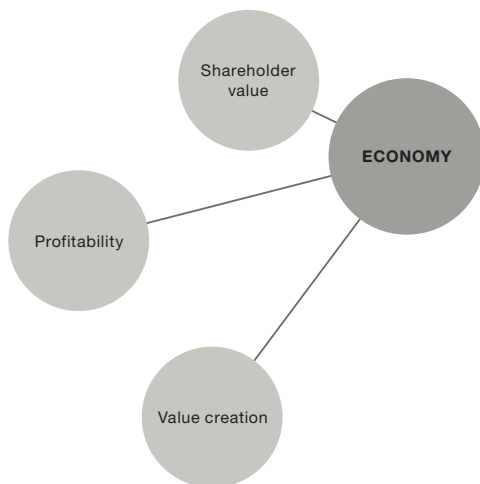
The Greenhouse Gas Protocol (GHG Protocol) is the most widely used international standard for calculating greenhouse gas emissions. www.ghgprotocol.org

As a service provider, Austrian Post primarily uses resources in its vehicle fleet and buildings. Other material consumption such as metals is not of material importance.



RESPON- SIBILITY/ ECONOMY

SUSTAINABLE VALUE ENHANCEMENT



ECONOMIC TARGETS



INCREASE SHAREHOLDER VALUE:

Generate sustainable Total Shareholder Return for shareholders



ENSURE HIGH PROFITABILITY:

Medium-term revenue growth of 1-2% p.a.
Sustainable EBITDA margin of 10-12%



GENERATE VALUE CREATION for stakeholders and thus for the economy

The business model of Austrian Post is based on a strong core business and attractive positions in related markets and business areas. Austrian Post meets the challenges of growing competition by pro-actively changing its own processes, developing new and attractive products and continually improving its efficiency. In this regard, maintaining and increasing shareholder value is of great importance. This is reflected in the defined strategies for further expanding the business model, the solid balance sheet and the attractive total shareholder return.

The focus of Austrian Post's corporate behaviour is the trust of mail recipients and the demand of the company's customers. Based on innovative solutions along the entire value chain, from letter mail delivery and return mail processing, Austrian Post increases its efficiency and generates additional services which ensure that primary distribution structures operate at full capacity.

VALUE ADDED ANALYSIS

The total revenue (including other operating income) of EUR 2,441.7m generated by Austrian Post in the 2010 financial year contrasted with prepayments of EUR 1,165.1m, which included expenses for raw materials, consumables and services used totalling EUR 771.0m as well as other operating expenses of EUR 288.8m. The resulting value added of Austrian Post to the amount of EUR 1,276.6m was primarily distributed directly to employees in the form of salaries and wages and indirectly in the form of social contributions. Shareholders will be paid EUR 108.1m in dividends for 2010. The Republic of Austria held a 52.8% stake, and thus receives a dividend of EUR 57.1m. Income taxes totalled EUR 30.3m.

Austrian Post is a publicly listed company, which has successively developed in recent years. In order to continue achieving its clearly-defined business targets, Austrian Post is oriented to the demands of its customers as well as the needs of its employees and shareholders.



Austrian Post continually strives to create sustainable value.

VALUE ADDED FOR ALL STAKEHOLDERS

EUR m	2009	2010
Value added formation		
Revenue and other operating income	2,446.5	2,441.7
Less advance outlays	-1,162.8	-1,165.1
thereof raw materials, consumables and services used	-766.1	-771.0
thereof other operating expenses	-277.0	-288.8
Value added	1,283.6	1,276.6
Distribution		
to employees (wages, salaries, social contributions)	1,147.3	1,129.2
to shareholders (dividends)	101.3	108.1
to the Republic of Austria (taxes)	45.1	30.3
to creditors (interest)	4.6	3.8
to minority interests	0.0	0.0
Remaining amount	-14.8	5.2
Value added	1,283.6	1,276.6



“BECAUSE IT’S IM-
PORTANT TO ME, I
DO MY JOB PUNC-
TUALLY, PROPERLY
AND IN A FRIENDLY
MANNER. AND I
ENJOY DOING IT.”

CHRISTIAN FALLY

Postman





FACTS & FIGURES

AUSTRIAN POST – KEY FIGURES

		2008	2009	2010	Change 2009/2010
Income statement					
Revenue	EUR m	2,441.4	2,356.9	2,351.1	-0.2%
Revenue on a comparable basis	EUR m	–	2,343.5	2,351.1	+0.3%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EUR m	321.7	269.2	262.1	-2.6
EBITDA margin	%	13.2%	11.4%	11.1%	–
Earnings before interest and tax (EBIT)	EUR m	169.5	149.4	156.9	+5.0%
EBIT margin	%	6.9%	6.3%	6.7%	–
Profit for the period	EUR m	118.9	79.7	118.4	+48.5%
Earnings per share ¹	EUR	1.71	1.18	1.75	+48.5%
Employees (average for the period, full-time equivalents)		27,002	25,921	24,969	-3.7%
Cash flow					
Operating cash flow before changes in working capital and tax	EUR m	278.3	220.7	196.0	-11.2%
Cash flow from operating activities before tax	EUR m	274.8	254.8	240.8	-5.5%
Cash flow from operating activities	EUR m	233.4	230.0	178.9	-22.2%
Investment in property, plant and equipment	EUR m	102.9	65.6	45.5	-30.7%
Acquisition/disposal of subsidiaries	EUR m	30.5	1.1	12.7	>100%
Free cash flow	EUR m	210.3	236.9	153.6	-35.1%
Free cash flow before the acquisition/disposal of securities	EUR m	162.4	199.6	143.6	-28.0%
Balance sheet					
Total assets	EUR m	1,874.6	1,775.3	1,715.1	-3.4%
Capital and reserves	EUR m	741.5	673.7	690.8	+2.5%
Equity ratio	%	39.6%	38.0%	40.3%	–
Return on equity (ROE)	%	16.8%	13.9%	20.7%	–
Post share					
Share price at the end of December	EUR	24.10	19.02	24.73	+30.0%
Dividends per share (for the financial year)	EUR	1.50	1.50	1.60 ²	+6.7%
Special dividends per share	EUR	1.00	–	–	–
Total Shareholder Return	%	+10.5%	-10.7%	+37.9%	–
Market capitalisation at the end of December	EUR m	1,628.0	1,284.9	1,670.6	+30.0%
Free float	%	47.2%	47.2%	47.2%	–
Revenue by division (external sales)					
Mail Division	EUR m	1,460.0	1,396.8	1,389.4	-0.5%
Parcel & Logistics Division	EUR m	785.9	768.4	802.0	+4.4%
Branch Network Division	EUR m	192.2	189.6	157.9	-16.7%
EBIT by division					
Mail Division ³	EUR m	254.5	221.1	238.2	+7.7%
Parcel & Logistics Division ³	EUR m	-25.5	-9.3	11.0	>100%
Branch Network Division ³	EUR m	14.5	-9.2	-20.2	>100%

¹ In relation to 69,505,601 shares, from 2009 in relation to 67,552,638 shares ² Proposal to the Annual General Meeting on April 28, 2011

³ Excluding voluntary employee severance payment expenses (changed reporting since 2010)

AUSTRIAN POST – PERFORMANCE DATA

MAIL DIVISION

Letter Mail

- Acceptance of letter mail at approx. 22,000 postal pick-up points in Austria
- Every day, every door: daily, nationwide delivery of the highest quality (95% of domestic letters are delivered on the next working day)
- Production: letters are printed, enveloped and prepared for mailing
- Delivery of an average of about 1bn letters annually to 4.2m households and companies in Austria
- On-time delivery and pick-up of business mail by a preferred deadline for about 3,600 companies
- Mailroom management: processing of mail for approx. 85 business customers

Infomail

- Delivery of about 680m addressed direct mail items annually in Austria
- Delivery of approx. 2.4bn unaddressed direct mail items annually in Slovakia, Hungary and Croatia
- Delivery of roughly 3.8bn unaddressed direct mail items annually in Austria
- Preparation of geomarketing distribution plans according to geographic, socio-demographic and socio-economic criteria
- Production: flyers, envelopes, catalogues

Media Post

- Delivery of about 440m print media (newspapers and magazines) and 330m regional media in Austria
- Subscription marketing and related services, subscription packages for publishing companies with reader-ship profile analysis, etc.

PARCEL & LOGISTICS DIVISION

Domestic market of Austria

- Delivery of about 56m parcels and EMS items to all households and companies in Austria
- Parcel and EMS service in 220 countries around the world
- Leading service provider for delivery mail order parcels – nationwide delivery of the highest quality
- Parcel pick-up for business customers and processing of mail items in 7 sorting centers and 13 own delivery bases

Specialty logistics in Western Europe

- National and cross-border delivery of 54m combined freight shipments annually in Germany, Belgium and the Netherlands as well as via EURODIS throughout Europe
- 49 trans-o-flex depots – proximity to senders/recipients
- 46 ThermoMed-/Scherübl locations – handling, transport and delivery of temperature-sensitive pharmaceuticals in Germany, the Benelux countries and Austria
- Value-added services and warehousing at 4 logistics locations

B2B market in South East and Eastern Europe

- 73 logistics locations in Slovakia, Hungary, Serbia, Montenegro, Bosnia-Herzegovina and Croatia secure position of B2B market leader in CEE core markets
- Delivery of more than 10m mail items per year
- Cooperation with renowned logistics companies such as UPS

BRANCH NETWORK DIVISION

- 62m customer visits
- 1,850 company-operated post offices and third-party operated outlets
- About 500 stationary and 80 mobile financial consultants

Postal services

- 393m letters and 14m parcels deposited in the branch network
- Handling of the products and services of the Mail Division and the Parcel & Logistics Division (e.g. PO boxes, vacation mail holding service and franking), Branch Network Division products, customer care services for SMEs and the sale of philatelic products

Retail products

- 132,500 mobile telephony products sold, 84,000 orders for broadband products offered by Telekom Austria
- A broad range of telecommunications products (e.g. mobile, fixed line and Internet) as well as post-related retail products and services, such as paper, stationery, office products, IT and entertainment products and lottery

Banking services

- 900,000 PSK bank customers
- 33,000 newly opened accounts
- Securities sales of over EUR 400m
- About 8m cash deposits in 2010
- Sale of PSK banking services in the following fields: savings accounts, loans, private retirement plans, insurance, securities and home loan savings products.



GLOSSARY

GENERAL TERMS

Authorisation to receive mail

Personally addressed mail items such as certified mail, cash on delivery, insured letters, cash payments, registered letters with advice of receipt or those issued by government bodies may be delivered to other people on the basis of authorisation granted by the recipient (with the exception of mail items marked “deliver to addressee only” or “personal”).

Business to Business (B2B)

B2B refers to business transactions between one company and another company.

Business to Consumer (B2C)

In B2C, the private customer and end-user is the recipient of a good or service from a business.

Combined freight

Joint transport of parcels and pallets by one network.

Consumer to Consumer (C2C)

C2C refers to the business relationship between private individuals.

Corporate Governance

The rules and principles of responsible management and control in the interests of all stakeholders; the standards for Austrian companies are laid out in the Austrian Corporate Governance Code.

Delivery bases

Hubs in a distribution network serving as bases from which delivery staff serves their postal delivery areas.

EMS

Austrian Post's Express Mail Service, a product for the fast and secure transport of letters and parcels.

Geomarketing

Planning, coordination and control of target group-oriented distribution of mail items by means of geographic information systems.

Inbound letter mail

Letters transferred to Austrian Post by foreign postal operators for delivery in Austria.

Infomail

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

Liberalisation

Since the beginning of 2011 (and in some countries by 2013) the letter mail market in the EU has been completely liberalised. In the first phase of deregulation, the Austrian market for letter mail and addressed direct advertising items weighing over 350g was opened to competition on January 1, 1998. The market opening was extended to cover items weighing over 100g and all outbound mail, effective January 1, 2003. The final intermediate liberalisation phase, which came into force on January 1, 2006, was the extension of free competition to all letters weighing over 50g.

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Mailroom management

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

Media Post

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

Outbound letter mail

Letters transferred to foreign postal operators by Austrian Post for delivery abroad.

Postal Market Act

The new Postal Market Act passed at the end of 2009 creates a clearly defined legal framework and serves as the basis for the fully liberalised letter mail market in Austria as of January 1, 2011.

Postal partner offices

Chiefly operated by retailers, local businesses, but also communities and tourist boards, the postal partner offices offer selected postal and financial services.

Postal service points

Nationwide postal services in Austria are ensured on the basis of 1,850 company-operated post offices and third-party operated outlets.

Premium Light

Dispatch of small parcels for business customers with guaranteed next-day delivery.

Redirections

On request mail items are temporarily forwarded to another address.

Sponsoring.Post

Sponsoring.Post are mail items sent at lower rates on behalf of associations, community service organisations, religious institutions and other non-profit organisations.

Third Postal Directive

The EU's Third Postal Directive is the basis for the complete liberalisation of the Austrian postal market. This means that as of 2011, other companies are also legally permitted to deliver letters weighing up to 50g (see Liberalisation).

Universal Postal Services

Universal Postal Services refer to the provision of basic postal services to the Austrian population, including delivery to any address throughout Austria five times per week, and a sufficient network of letter boxes and postal service points.

Universal Service Ordinance

In addition to the Postal Market Act, the Universal Service Ordinance regulates the basic provision of postal services to the Austrian population. For example, it stipulates that mail items may be delivered to every Austrian five times a week.

Vacation mail holding service (holiday mailboxes)

Secure and discreet safekeeping of mail items during a recipient's absence, which are available for pickup after the vacation, or will be delivered on a specified date.

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We have prepared this report and checked the figures with the greatest possible care. Nevertheless, the presence of 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 hence actual results – to deviate from the forecasts contained in this report.

Statements referring to people are valid for both men and women.

This annual report is also available in German. In case of doubt, the German version takes precedence.

Editorial deadline: March 1, 2011

