

ADDED VALUES

ANNUAL REPORT | AUSTRIAN POST | THE MAGAZINE

2011



Kathrin Käfer, Marketing, Mail & Branch Network Division

POST AROUND THE CLOCK

AUSTRIAN POST IS THERE FOR ITS CUSTOMERS 24/7 THANKS TO NEW SERVICES.

EVEN MORE BENEFITS AND CONVENIENCE FOR CUSTOMERS

AN INTERVIEW WITH THE
POST MANAGEMENT BOARD.

PLUS 70% SINCE THE IPO

IMPRESSIVE TOTAL SHAREHOLDER
RETURN IN THE YEARS 2006–2011.

VALUE PACKAGE

AUSTRIAN POST OFFERS CLEAR ADDED VALUES TO ITS CUSTOMERS, EMPLOYEES AND INVESTORS. THIS IS BECAUSE IT LINKS PROFESSIONAL OPERATIONS, CUSTOMER ORIENTATION AND INNOVATION IN ITS BUSINESS MODEL TO APPRECIATION AND RESPECT, FINANCIAL STABILITY AND SUSTAINABLE PROFITABILITY.





From left to right: Verena Knott-Birkbauer (Accounting), Johannes Haselberger (Marketing, Parcel & Logistics Division), Sonja Kögel (Sales, Mail & Branch Network Division), Verena Abu-Dayeh (Human Resources Development and Training)

VISION/ MISSION

- We deliver value – 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.





“... CREATE VALUE FOR ALL STAKE- HOLDERS...”

EDITORIAL

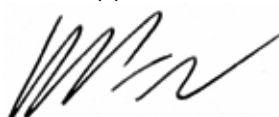
Austrian Post reported very good results in the 2011 financial year in spite of a very difficult market environment. This confirms our strategic positioning and shows that we are also making good progress in the operational implementation of our development plans. Thus, we have succeeded once again in creating value for the benefit of our stakeholders.

In particular, the employees who are behind us on this path and who I would like to sincerely thank for their hard work and commitment are the ones who are responsible for our achievements. Supporting, appreciative and performance-oriented – this comprises our value package for employees. With this in mind, we pressed ahead intensively with developing our corporate principles in 2011 as part of a process initiated in 2010. Accordingly, we developed guidelines on leadership quality and a leadership culture together with our executives. Details on this topic can be found starting on page 32.

The revenue figures can only turn out to be favourable if the customers are satisfied with our offering and services. For this reason, our corporate principles say, “Everything we do revolves around our customers.” We also did this in 2011. We expanded our network of postal service points, designed simpler and size-based letter mail products and introduced new online services to our offering, to name just a few of our activities. It goes without saying that we will continue to maintain our high delivery quality. We have included all information on how we give our customers an added value starting on page 12.

Hand in hand with the earnings improvement, we are also able to offer a higher dividend on behalf of our shareholders – provided that the General Meeting agrees to our proposal. Thus, once more Austrian Post has proven itself to be an attractive investment – reliable, predictable and solid.

Sincerely yours,



Georg Pölzl



CONTENTS

COMPANY & STRATEGY

- 08 Interview with the Management Board
- 12 Cover story – Post around the clock
- 20 Highlights 2011
- 22 Austrian Post at a glance
- 23 Top performance
- 24 International operations
- 28 Strategy
- 32 New corporate principles, new values
- 36 Compliance

THE WORLD OF LETTERS

- 38 Mail & Branch Network Division
- 40 Market environment
- 42 Current trends
- 44 Focus on the customer

THE WORLD OF PARCELS

- 50 Parcel & Logistics Division
- 52 Market environment and trends
- 54 Focus on the customer

Index

Acquisitions 24, 27, 49, 65
CO₂ neutral 14, 30, 55, 78ff
Corporate principles 32ff
Corporate social responsibility 68ff
Customer value 12ff, 44ff, 54ff
Earnings 2011 9ff, 60ff

Indicators 62, 72, 74, 85
Internationalisation 24ff, 29, 50ff, 56
Investor Relations 62ff
Liberalisation 12ff, 24, 27, 40
Management guidelines 32ff
New products/services 12ff, 44ff, 54ff

Share 60ff, 66f, 85
Strategy 9ff, 28ff
Top performance 23, 84
Total Shareholder Return 62ff
World of letters 38ff
World of parcels 50ff



SHARE & OWNERS

- 60 Financial overview
- 62 Investor relations
- 66 Corporate Governance

STAKEHOLDERS & RESPONSIBILITY

- 68 Sustainability
- 71 Stakeholders
- 72 Employees
- 75 Society
- 77 Economy
- 78 Environment



SERVICE

- 84 Facts
- 85 Figures
- 86 Contest
- 87 Glossary

Imprint

Media owner and publisher: Österreichische Post AG, Haidingergasse 1, 1030 Wien, Austria,
T: +43 (0) 577 67-0, E: info@post.at, I: www.post.at, FN: 180219d, Commercial Court of Vienna
Concept, design and project coordination: be.public Werbung Finanzkommunikation, Vienna, Projektagentur Weixelbaumer KG, Linz
Photos: Wolfgang Pohn, Werner Streitfelder, Christoph Heinzel, Georg Molterer, Jungwirth, Petra Spiola, BAWAG P.S.K., trans-o-flex,
Österreichische Post AG, First Climate, South Pole, Steven McGee, Libro, Schäfer Shop
Printing: Niederösterreichisches Pressehaus, St. Pölten. Editorial deadline: March 1, 2012



From left to right: Walter Hitziger, Georg Pölzl, Peter Umundum, Rudolf Jettmar

“... EVEN MORE CUSTOMER BENEFIT AND CONVENIENCE ...”

INTERVIEW WITH THE MANAGEMENT BOARD



Mr. Pölzl, how satisfied are you with the development of the Austrian Post Group in 2011?

Pölzl: Austrian Post developed very well. We made progress in successfully implementing many of the initiatives we undertook. We managed to exceed our expectations in several areas, and in some areas we had to initiate measures designed to further improve our performance. Our market environment and the technologies available to us are continually changing. We are monitoring this very carefully and will also further develop our business on an ongoing basis.

Mr. Jettmar, how is this satisfaction reflected in the company's performance figures?

Jettmar: Even in what is by no means an easy macroeconomic environment, we succeeded in raising Group revenue by 4.2% on a comparable basis and, on this foundation, we increased earnings by 7.3%. We were also able to materially improve the structure of operational costs. On balance, we achieved the second best results in company history.

Thus, Austrian Post once again created significant value in 2011 ...

Pölzl: Indeed, the strategic path we are pursuing is the right one. And on an operating level we know precisely where we can make further improvements. Our good level of profitability comprises a very solid basis for the long-term creation of value. Our domestic and international shareholders have confidence in what we are doing, and we are committed to maintaining their trust.

A very impressive overall picture. And what is the situation in the individual divisions?

Hitziger: As the new name already indicates, there were a number of

new developments in the Mail & Branch Network Division in 2011. An important milestone was the integration of the Mail and Branch Network divisions entailing numerous synergy effects. Parallel to this reorganisation, we expanded our network of postal partner offices to 1,258 postal partners, and put our cooperation with BAWAG P.S.K. on a new footing. The fact that all this was very well received by customers demonstrates that we are moving in the right direction. We also took decisive steps to further develop our letter mail business in 2011. For example, we introduced a completely new product portfolio, which is not primarily based on the weight of mail items but on size and delivery speed. Since February 2012, we have also been delivering direct mail items throughout the country in the collective advertising envelope called KUVERT. At the same time, we are also offering our business customers the opportunity to individualise addressed direct mail items more strongly than in the past. Thus, we will be able to offer an even more diverse and customer-oriented range of services. We will decisively continue on this path.

Umundum: The development of our parcels business in Austria also proceeded very satisfactorily. We succeeded in consolidating or expanding our market position according to plan, and establishing new services for both private and business customers. We increased our market share in the business customer segment to about 18% in line with our strategy. The next interim goal we have defined is increasing our market share to 20%. We launched a performance enhancement programme for our subsidiary trans-o-flex focusing on revenue and costs, which should help the company to achieve the targeted margin improvement. In addition to the issues of growth and profitability, we worked on developing new services for customers. Pilot operations for the drop-off and receiving boxes developed very well. The Austria-wide rollout will begin in 2012.

And how is the company doing in CEE?

Umundum: We are very satisfied with the parcels business in the South East and Eastern Europe region, and the performance of our subsidiaries is consistently in line with our expectations. On balance, the parcel subsidiaries of Austrian Post generated revenue of EUR 67.3m in South East and Eastern Europe in 2011.

Hitziger: We now have four subsidiaries in the CEE region for advertising mail and letter mail delivery – for the most part in countries with high growth potential in these areas. Our newest subsidiary joined us in 2011. I am talking here about Romania, where we managed a so-called “soft entry” into the domestic market by acquiring a 26% stake in PostMaster s.r.l., one of the country’s leading alternative postal service providers. If business develops favourably, we intend to intensify our business operations in this segment.

to ensure greater flexibility in our core business, in order to make production as adaptable and cost-efficient as possible. For this reason we are optimising our logistics activities. The customer-oriented expansion of our network of postal service points also serves this purpose. We are offering our customers an optimal portfolio which we are continually expanding and upgrading. But we are also not losing sight of the liberalisation process in CEE markets.

Umundum: In the Parcel & Logistics Division, we are mainly focusing on the issues of growth and profitability. Following the successful expansion in recent years, it is now important to enhance profitability. For this reason, we are doing everything we can to increase the efficiency of our logistics operations. This means an even better cooperation with our logistics partners but also a rounding off of our product portfolio, where prices must be adjusted to reflect



How are things going to continue? What improvements or expansion plans do you have in the pipeline?

Pölzl: The development of our business in the past two years has demonstrated that we are on the right path. This is based on two cornerstones. On the one hand, the focus is on safeguarding our core business and continually optimising operations on the basis of efficiency-enhancing measures. On the other hand, we must and want to take advantage of growth opportunities and further press ahead with our customer- and service-oriented approach. We aim to continue in pursuing both strategic thrusts at a high intensity in the future. Many projects have already been initiated, in order to meet the demand for “24/7” or round-the-clock availability and service and make it a reality on all levels of our business. The aim here is to provide even more customer benefits and greater convenience.

Hitziger: Our aim is to remain the number one provider on the Austrian market in the letter mail and direct mail segments. This means we have to permanently work on ourselves. Above all, we are striving

costs. At the same time, we are taking advantage of our European market potential within the context of a broad-based export drive, and are paying particular attention to intensifying our partnerships, above all via the EURODIS network. Naturally, the basis for all this is a customer-oriented service portfolio. Therefore we are enhancing the level of services on behalf of our private customers in Austria through simplification and enabling greater use of self-service. In addition, we want to simplify the lives and business activities of our business customers in Austria and abroad by providing additional services.

What role do your new corporate principles play in all these initiatives?

Pölzl: For me it is extremely important to actively develop the issue of ensuring a corporate and leadership culture. This is the foundation for our employees to experience the basic values of support, appreciation and performance-orientation in their everyday professional life and also to breathe life into these values themselves. In particular, our employees deserve to benefit from the modern and



future-oriented value framework we have created as well as a uniform leadership culture based on esteem, which in turn serves as the foundation for ensuring our mutual success also in the future.

Speaking of the future, what do you expect Austrian Post's dividend policy will be in the years to come?

Jettmar: We continue to pursue our dividend policy of distributing at least 75% of the Group net profit to our shareholders. This means that dividends should develop positively in line with our business development. By the way, this is also the case this year. We are proposing a dividend of EUR 1.70 per share for the 2011 financial year. This corresponds to a dividend yield of 7.3% on the basis of the share price of EUR 23.30 at the end of December 2011.

And how do you expect business in the 2012 financial year to develop?

Pölzl: The market environment will certainly continue to be difficult in many customer segments due to economic uncertainties. Nevertheless, thanks to strict cost discipline and massive efforts to develop and market customer-oriented services, we should manage to maintain Group revenue at a stable level and also achieve an EBITDA margin in the targeted range of 10% to 12%.

Thank you for this interview.

MANAGEMENT BOARD – FACTBOX

GEORG PÖLZL

Born 1957, has been the Chairman of the Management Board and Chief Executive Officer (CEO) of Austrian Post since October 2009.

RUDOLF JETTMAR

Born 1947, has served as the Deputy Chairman of the Management Board and Chief Financial Officer (CFO) of Austrian Post since 1999. His term of office expires at the end of June 2012.

WALTER HITZIGER

Born 1960, served as a Member of the Management Board of Austrian Post and was also Director of the Mail Division and Head of Logistics from May 2004 to August 2011. Since September 2011 he has had management responsibility for the newly merged Mail & Branch Network Division.

PETER UMUNDUM

Born 1964, assumed the position of Member of the Management Board of Austrian Post and Director of the Parcel & Logistics Division in April 2011.

WALTER OBLIN

Born 1969, will assume responsibility for financial operations as the designated Chief Financial Officer (CFO) of Austrian Post starting in July 2012.



Martina Bösel,
Deliverer, Vienna

Fritz Krammer,
Deliverer, Gleisdorf



Mario Berbalk,
Branch employee, Wiener Neustadt

POST AROUND THE CLOCK

FOCUS ON CUSTOMERS

Austrian Post is undergoing continuous change. “We have massively modernised our operations in recent years. Today we offer services which give our customers real added value and correspond to the needs of a highly developed service society”, says Austrian Post CEO Georg Pölzl. A few years ago the “post office clerk” and “post office” were the only interfaces between the sender and recipient. Now Austrian Post offers an extensive range of innovative and efficient services on different levels, all with one target in mind: to design simpler letter mail and parcel services and consistently increase customer satisfaction.

Austrian Post has the goal of structuring its processes on the basis of numerous services so that they are available to customers 24 hours a day, seven days a week. This applies to the entire ‘life cycle’ in the shipment process, from franking and dropping off to ongoing track and trace and receiving mail items. Investments in new technologies and innovative self-service systems make this possible“, says Georg Pölzl. The new offering includes services featuring names such as “Parcel Stamp”, “Post Drop-Off Box”, “Track & Trace”, “E-mail/SMS Notification” and the “Post Pick-Up Box”. One goal is behind all this: flexibility for the customer.

FLEXIBILITY AND SELF-SERVICE AROUND THE CLOCK



... and off it goes in the mail

This already begins with the stamp for the parcels, which can be conveniently configured and printed from the Internet at home. In future, stamps will also be available from automatic franking machines located in the post office foyer. Afterwards one can drop off the franked mail item at the next post office branch, at one of the more than 1,200 postal partner offices, with the rural delivery staff or at an OMV petrol station featuring a VIVA shop – and off it goes in the mail. Innovative self-service stations in several post offices – the new Post Drop-Off Boxes – enable parcels to be dropped off even outside of normal business hours. The parcel is put in the Post Drop-Off Box, after which the customer receives a printed confirmation of mailing and can use it to see at any time where his "package" is at a given moment – simply by using the online postal service "Track & Trace".

Open Sesame!

The level of convenience for recipients is also increasing. Upon request a recipient can be informed per e-mail or text message (SMS) of the scheduled delivery date of the parcel. In case the recipient is not at home there is a new possibility, which is being expanded in the more densely populated areas of Austria. The innovative Mail Receiving Box enables parcels to end up where they should be, namely in the house of the recipient. "If the recipient is not at home, the delivery staff puts a notification card in his letterbox and the mail item is put in the Mail Receiving Box in the hallway. With the chip contained in the notification card, the parcel can be removed from the box – without having to wait at the post office counter at all", says an enthusiastic Peter Umundum, Director of the Parcel & Logistics Division.

Service offering is being extended

A futuristic scenario? "On the contrary", Umundum adds. "The online parcel stamp has already been successfully integrated into everyday life. We have gone through very successful pilot phases for the mail drop-off and receiving boxes. Now these innovations are being implemented and will soon be widely available. The entire concept is being continually optimised, and will be extended to encompass practical services for all sizes of mail items", he concludes.



"Our customers require innovative and flexible solutions to promote their own business. At the same time we stand out thanks to our sustainability efforts, as our CO₂ NEUTRAL DELIVERY initiatives shows."

ANDREA RODLAUER
Sales, Mail & Branch Network
Division

Logistics and manpower as the key to success

A central pillar underlying the success of new services is and will continue to be a high-powered logistics infrastructure, and naturally the highly motivated employees who will ensure that mail items are processed quickly, reliably and in a trustworthy manner.

Austrian Post offers a convincing solution across the board. The bare figures themselves are impressive enough: 25m mail items each day, some 1bn letters, 59m parcels and 5bn direct mail items and magazines each year. This is only possible thanks to a highly innovative and nationwide logistics infrastructure. The six letter mail and seven parcel distribution centres throughout

the country feature conveyor belts for sorting with a total length of 17.5km and state-of-the-art scanning equipment. Combined with Austria's largest fleet of 9,000 vehicles, of which 265 are electric-powered, this serves as the foundation for excellent service. 11,500 employees delivering mail subsequently ensure that parcels and let-

ters smoothly end up reaching the intended recipients. All this makes Austrian Post the undisputed leader in the postal services segment in Austria, and one of the best-performing postal services providers in Europe. In 2011, Austrian Post once again succeeded in enhancing its high level of delivery quality: quality measurements indicated that 96.1% of all letters were delivered on the following working day, a better result than the legally stipulated minimum of 95%. Austrian



Post is also number one in Austria with respect to the delivery of advertising mail and parcels – 98% of all these items are delivered on the next working day. Thus, Austrian Post also ranks among the top postal service providers in terms of delivery quality in international comparison.

DER UMWELT ZULIEBE: CO₂ NEUTRALE ZUSTELLUNG.

Als größtes Logistikunternehmen Österreichs sind wir uns unserer Verantwortung gegenüber der Umwelt bewusst. Durch den Einsatz umweltfreundlicher Technologien, unser Engagement im Bereich alternativer Energieformen und die Unterstützung von Klimaschutzprojekten, können wir Ihnen eines garantieren: Wir stellen Ihre Post CO₂ neutral zu – und das in ganz Österreich.

Wenn's wirklich wichtig ist, dann lieber mit der Post.



www.post.at/co2neutral

Advertisement for Austrian Post's initiative CO₂ NEUTRAL DELIVERY



Ongoing improvements

It should stay that way. For this reason, the company is continuously investing in the modernisation of its sorting facilities and vehicle fleet and the upgrading of its IT systems. The innovative strength of Austrian Post can be shown by taking a new delivery model for unaddressed direct mail items, to name just one example. They will be collected, neatly arranged in a so-called KUVERT, a specially designed collective envelope for advertising mail and delivered twice a week to 3.2m households and companies in Austria. This is made possible by three new “collator distribution centres” operated by Austrian Post. “These distribution centres located in Vienna, Graz and Oberwang will make use of high-tech machines – our ‘collators’ – which will automatically and thus very efficiently handle the arrangement of various advertising brochures and flyers. We have not only successfully fulfilled the wish voiced by end customers for more transparency and order in their letterboxes, but have also developed a high-tech logistics process for the benefit of our business customers”, states Robert Modliba, Head of the Production & Logistics Business Area in the Mail & Branch Network Division.



**“... with the new
KUVERT advertising
envelope we have also
developed a high-tech
logistics process
for the benefit of
our customers.”**

ROBERT MODLIBA
Head of Production & Logistics,
Mail & Branch Network Division

One can also see what the optimisation of logistics processes specifically means on the basis of the increasing use of “joint delivery”, which is postal jargon for the combined delivery of letter mail and parcels. “We are striving to jointly implement letter mail and parcel delivery services outside of the heavily populated areas for both cost and environmental reasons. About 40% of the parcels to private households are already being jointly delivered, a strongly increasing trend”, as Walter Hitziger, Director of the Mail & Branch Network Division and Peter Umundum, Director of the Parcel & Logistics Division both agree.

High level of customer satisfaction

These diverse efforts have paid off. Last but not least, this has been shown by the high customer satisfaction scores achieved by Austrian Post within the context of its customer satisfaction survey in 2011. An impressive 94% of the total number of about 300,000 respondents said they are extremely satisfied with the quality of letter mail delivery services provided by Austrian Post. 80% of those taking part in the survey said parcels should continue to be delivered by Austrian Post in the future. And 91% of the respondents place considerable confidence in Austrian Post and its delivery staff.

In terms of delivery staff, “mail carriers” are generally given high marks in Austria. This was evidenced in the recent voting for the “most popular mail carrier”, which Austrian Post organised in co-operation with a daily newspaper. 250,000 Austrians took part in this activity to vote for their favourite “postman”. “The extensive participation surprised me and indicated that each and every member of the delivery staff – just as much as the employees in the post office branches – sustainably impacts the image of our company in the eyes of our customers. The fact that so many people took part in the voting shows that our delivery staff have an extremely good

relationship with their customers”, says a satisfied Walter Hitziger, Director of the Mail & Branch Network Division, in commenting on this highly symbolic choice.

Much more than deliverer of letters

So what is the fundamental difference between Austrian Post and alternative postal providers in Austria? Austrian Post also has an important role in society. It fulfils its legal mandate of providing so-called universal postal services, i.e. providing the highest quality postal services every day to every doorstep in all corners of the country at a uniform price. This highly responsible task places high demands on the company and its employees, and requires continuing customer-oriented adjustments to the general conditions of a liberalised postal market.

Postal partner offices – a complete success

An important measure being carried out in this context is the restructuring of the branch network, which Austrian Post again consistently expanded in 2011. A key element is the very successful postal partner office concept. A total of 1,258 postal partner offices, e.g. food stores, petrol stations, tobacconists and municipal authorities, improved the regional availability of postal services at the end of 2011. On balance, 1,880 own and third-party operated postal service points in Austria ensured more service, shorter distances and better opening hours, also safeguarding the sustainable supply of services to the population. At the same time, existing economic structures in rural areas were strengthened. The branch network of Austrian Post will be further expanded in the upcoming years and will thus be much denser than the legally stipulated minimum. The 32,000 responses submitted by customers within the context of a broad-based online survey sent out a clear message: 86% of the respondents are very satisfied with their postal partner offices. This is what we like to hear!

Intensified cooperation with BAWAG P.S.K.

The strategic cooperation between Austrian Post and BAWAG P.S.K., in which postal and banking services are being offered in jointly operated outlets, is continually being expanded. Both partners are focusing on their core competencies, but make use of the synergies offered at the jointly-run branch offices. The cooperation is excellent, an opinion expressed by Arnold Ketschler, Austrian Post team manager in a jointly-run outlet in Graz. “The concept works very well. The postal and banking employees work together constructively. This is extremely important, above all with respect to reciprocal cross-selling. We profit from the new customers of BAWAG P.S.K., and the bank from ours”, he says. About 520 joint outlets are to be established across the country by the end of 2012.



INTERVIEW



“... simple, flexible
and reliable.”

THOMAS AUBÖCK
Head of Sales, Large and
Business Customers, Mail &
Branch Network Division

Mr. Auböck, this time the Annual Report of Austrian Post has been written in line with the slogan “added value for customers”. What added value does Austrian Post create for its letter mail customers?

Auböck: We are intensively orienting our entire business to the needs of our customers. They desire easy-to-understand, transparent products. They want to be able to flexibly handle these products and they expect Austrian Post to live up to its word. And we can offer all this. Let me give you one example from the advertising mail segment. In a customer survey we found out that customers would prefer to get their advertising brochures in an envelope and gain a better overview of what has been deposited in their letterboxes. We reacted to this input and are now sending all these leaflets bundled together twice a week and neatly arranged in the new KUVERT. This has been a complete success!

As a sales manager you also shared responsibility for introducing the new product portfolio in the letter mail segment in 2011. What has changed and why?

Auböck: Perhaps let me first explain how the situation has changed. In the eight years since the last change in postal rates, the product and service offering of Austrian Post has continuously expanded and improved. Thus customers increasingly demanded greater simplicity and transparency. For this reason we fundamentally modernised our postage rates both for private and business customers and oriented them to the wishes of our customers. We standardised formats, calculate postage mainly on the basis of size and offer the choice between different delivery speeds.

How have customer requirements changed in the letter mail segment in recent years, and what is Austrian Post doing to fulfil them?

Auböck: It goes without saying that the letter mail business has been subject to major changes. In the direct mail segment one can observe an ongoing professionalisation and specialisation in our target group-orientation. Here we are winning the favour of our advertising customers with state-of-the-art services which support them in precisely addressing their target groups, e.g. by profiling or geomarketing. Of course it is also necessary to generate added value for customers in the field of dual delivery (Editor's note: physical and digital). The letter mail business is not immune to the effects of the digital revolution. And that is why Austrian Post offers products and services which meaningfully link the analogue and digital worlds with each other.

Thank you for the interview.

INTERVIEW



“... score points with customer proximity, convenience and quality...”

THOMAS BISSELS
Head of Sales & Marketing,
Parcel & Logistics Division

Mr. Bissels, as the sales and marketing manager for Parcel & Logistics Austria, you are very close to customers. What does today's customer want?

Bissels: Driven by online business, the demands of recipients in particular have significantly changed and expanded in recent years. Growing importance is being attached to customer orientation. We quickly and successfully reacted to this with a product and service offensive. Naturally we are also continuously working on further improving our offering. In the coming years, we will continue to expand our services and thus defend and enlarge our customer base.

What do these growing demands consist of and how will Austrian Post specifically react to them?

Bissels: People expect quick and on-time delivery, a high level of transparency and, naturally, as much convenience as possible. And we are trying to offer this to them wherever we can. We are also scoring points with customers in the parcels segment with high quality, short delivery times and precise delivery services. In addition, we offer quick and transparent exchange of data on the basis of our shipment tracking system. Furthermore, our shipment software significantly simplifies the shipment preparation process. Here I am talking about the online parcel stamp. This bundle of services is rounded off by innovative ideas for alternative delivery channels such as the Mail Receiving Box, which we are just beginning to roll out, or the e-mail/SMS notification service to parcel recipients.

And what about the business segment?

Bissels: We have considerably increased our competence in the field of delivery business parcels in recent years, and we succeeded in capturing a major market share in this highly competitive market. We were already able to increase our market share in Austria in this segment to 18%, and our medium-term target is to reach a level of over 20%. Here customer proximity, tailored solutions and of course the highest service quality play a decisive role. The outstanding support provided to customers by our customer service team and our field staff comprises a further pillar of our success.

Thank you for the interview.

What does the customer need?

And what do the customers think about the changes in the branch network operated by Austrian Post? Within the context of a representative customer survey carried out in July and October 2011, 83% of the customers expressed their satisfaction with the level of service provided at the post office branches. This is similar to the feedback relating to postal partner offices, with 86% of the respondents very satisfied or satisfied with the quality of service. 79% of the people would recommend their branch office or postal partner office to others. These figures confirm that the structural transformation of Austrian Post's nationwide branch network is proceeding quite well and offers numerous advantages which are recognised by customers.



New, simplified product portfolio for letters

Austrian Post also reacted in the past financial year to the general desire for reducing the complexity of postal services, and introduced a simplified product structure in the letter mail segment. Postage is no longer primarily based on weight but on the size of the mail items. The sizes “Standard”, “Standard Plus”, “Maxi” and “Maxi Plus” can be easily posted in any letterbox. The size “Großbrief” (large letter) is for sending all contents which do not fit into standard letterboxes, but at a favourable price. Moreover, business customers have the choice between “Premium” and “Economy” letters. The “Premium” product is delivered on the next working day, whereas the lower-priced “Economy” rate for larger volumes is for delivery within three working days.

Strong partner in the B2B segment

Providing an added value for customers is also Austrian Post's priority when it comes to business customers. “Companies require a strong and reliable partner for delivery and logistics. These are qualities which characterise Austrian Post more than ever before. Therefore numerous large domestic and international customers have faith in the experience and competence of Austrian Post”, says Max Moser, Head of Parcel Logistics Austria. For example, large customers such as Nespresso recently extended their contracts, and other prominent companies such as Gabor Schuhe once again decided to rely on the parcel delivery services of Austrian Post.



“Based on the cooperation with Austrian Post, we can now guarantee that delivery of the orders placed by Nespresso Club members will take place within 48 hours.”



DIETMAR KEUSCHNIG
Managing Director, Nespresso Austria



However, Austrian Post not only offers optimal business solutions in the traditional parcel logistics segment, but also with respect to addressed and unaddressed direct mail items and improving business processes. The company is continuously expanding these types of services, as the Mail Solutions Business Area demonstrates. "We offer cross-media system solutions for business customers, specialising in the optimisation of their business and administrative processes. Moreover, we are in-

creasing the corporate success of our customers on the basis of target group-oriented dialogue solutions", states Christian Weiss, Head of the Mail Solutions & Marketing Business Unit. This is shown in practice by the successful cooperation with Generali Group Austria. Austrian Post is not only responsible for mailroom management of the insurance company, but also supports it in digitalising incoming mail, printing insurance policies and other documents as well as in the complex field of address management. Ewald Schwanzer, Head of Central Services of Generali Group Austria, says the advantages are obvious. "The decisive reason for contracting Austrian Post to handle these important services was our objective of concentrating on our core business. The cooperation with Austrian Post enabled us to reduce costs in a short time, and to increasingly deploy our employees for tasks benefitting our customers, against the backdrop of the high quality and flexibility provided by Austrian Post."



"One can only be successful on the Internet on a long-term basis with tools which really offer added value."

MIRJAM TEICHT
Head of Online Innovation Management

Austrian Post online

Customers attach great importance to flexibility. The Internet as well as mobile applications are playing an increasingly crucial role. For this reason, Austrian Post is continually expanding its online service offering. Mirjam Teicht, Head of Online Innovation Management, knows exactly what is important. "Our main question is: What does the customer need? What can we do to make his life easier? One can only be successful on the Internet on a long-term basis with tools which really offer added value." Austrian Post is on the right track in developing an effective response. This is demonstrated by the broad selection of its online services, which are being well received by customers but are also being continually further developed and improved. These services underline the fact that Austrian Post is already actively shaping its future.

COMMENTARY



CHRISTIAN WEISS
Head of the Mail Solutions & Marketing Business Unit

BUSINESS COMMUNICATIONS 2.0

Intelligent communications solutions in the business customer segment will become increasingly important thanks to the enormous density in the flow of goods and information. Austrian Post with its innovative products and high-performance services is a competent contact partner for linking the physical and digital worlds of communication.

In past decades, companies have had to master numerous challenges: in part a fundamental transformation of their markets, rapid technological development and the growing networking and interconnectedness of society. All this has led to a far-reaching change in communications processes in society.

The efficient and flexible linkage of digital and physical forms of communication is a key factor today in handling complex business processes. Austrian Post recognised these developments at an early stage and now offers innovative system solutions to optimise the business and administrative processes of its business customers through its "Mail Solutions Business Unit".

In this case, Austrian Post sees itself as a full service provider for operating data and document-intensive forms of business communications. Dual delivery and reception (digital/physical), effective mailroom management, digital document processing, integrated printing services and effective CRM applications in connection with innovative online services ensure greater efficiency and a higher level of flexibility.

This not only enables a customer-oriented optimisation of communications processes, but also sustainably reduces operating costs. Austrian Post ensures the right impact because it offers the required know-how, sophisticated analysis tools and comprehensive data material.

HIGHLIGHTS 2011

E-mail/SMS notification, receiving boxes, parcel stamps, drop-off boxes

For many people, these names conceal completely new services. But soon they will be integral parts of people's everyday lives. All these services have one goal in mind: customers must be able to drop off or receive their mail items as easily as possible.



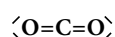
Yellow + Red = Post + BAWAG P.S.K.

The first jointly-operated branch office of both companies was opened in Innsbruck in January 2011, offering the entire service and product range of Austrian Post and the bank under one roof. At present, there are 329 such joint outlets, with approximately 520 planned to be put into operation in Austria by the end of 2012.



Choice of the best mail carrier – 250,000 votes cast

And the winner is ... Thomas Unger from Taidten in Burgenland. A splendid success crowned by a wonderful prize for Mr. Unger. Since then he can call a brand-new Fiat 500 his own. Naturally, the vehicle is painted in "Austrian Post yellow".



Carbon dioxide – CO₂

We aim to reduce CO₂ emissions wherever possible, for example by using alternative energy sources in the form of electric-powered vehicles, along with the compensation of currently unavoidable CO₂ emissions. Austrian Post already succeeded in 2011 in delivering all mail items in a CO₂ neutral manner – strictly monitored by TÜV Austria.



One KUVERT – and finally some order!

74% of Austrians want more transparency and a greater insight into what is in their letterboxes. This was the result of a nationwide survey involving about 300,000 consumers. And Austrian Post has responded to their wish. State-of-the-art sorting technology makes it possible to bundle advertising mail items in one envelope. The launch took place in four Viennese districts in the middle of October 2011. It will be rolled out throughout the country in February 2012 to some 3.2m households.





Postal jargon: HBFA and LAK

Cumbersome words such as “Cluster Box Units” and “Rural Drop-Off Boxes” stand behind these abbreviations in German. They stand for letter boxes in residential buildings or the drop-off points for several households in rural areas. In 2011, Austrian Post started converting hundreds of thousands of such drop-off points which do not conform with EU regulations. In this respect, Austrian Post is not only assuming an enormous logistical burden but also the costs.



Post sells 180,000 spruce trees

You understood correctly! People received a specially selected mix of seeds of domestic spruce trees from Tyrol, the Salzkammergut and Waldviertel regions, Styria and Carinthia with every purchase of the block of stamps “Europe 2011 – Year of Forests”.



Only five instead of 14

In May, Austrian Post simplified its previous 14-tier pricing model which was primarily based on weight. Now there are only five different rates in which the format of the mail item is the main factor in most cases. This means a considerable simplification for customers.



Post to 265 Viennese primary schools

A new teaching aid is designed to give pupils – the letter writers of tomorrow – a playful insight into the manifold tasks which Austrian Post fulfils. Stamps and Fridolin, the Post “fox”, are also included.



“Bun venit” – A “welcome” to Austrian Post in Romania

- 290m unaddressed direct mail items
- 20m addressed direct mail items
- 130 employees and a delivery staff of 1,500 people
- Revenue of about EUR 10m

... these are the most important figures describing PostMaster s.r.l. in Romania, of which Austrian Post acquired a 26% stake in 2011.



40 years of trans-o-flex

The pioneer in the fields of combined freight and the transport of sensitive goods celebrated a round birthday. The largest foreign subsidiary of Austrian Post was established in 1971.

AUSTRIAN POST AT A GLANCE

RELIABLE PARTNER

Everyday life in Austria would be unimaginable without Austrian Post. With annual revenue of EUR 2.3bn and around 23,000 employees, it is Austria's leading logistics and postal services provider. Austrian Post reliably takes care of things, regardless of whether letters, direct mail, print media or parcels are transported. For this purpose, it operates a branch network consisting of 1,880 own or third-party operated postal service points, making it one of the largest private customer networks in the country.

The company makes an important contribution to safeguarding the nation's communications and logistics infrastructure based on its nationwide and reliable supply of high-quality postal services on behalf of the Austrian population and economy. However, the radius of its business operations goes far beyond Austria's borders. Today, Austrian Post boasts 24 operating subsidiaries in twelve European countries. It now generates about 30% of its revenue abroad. The company's business outside of Austria focuses on the parcel and logistics and the unaddressed direct mail item segments.

High-performance structure

Since September 1, 2011, Austrian Post has divided its business activities into two operating divisions: the Mail & Branch Network Division as well as the Parcel & Logistics Division. The merger of the previous Mail Division

with the Branch Network Division serves as the foundation for further service improvements and the exploitation of synergies, which are embedded in the new division and reflected in the entire path a letter must take – from drop off in the branch office to delivery by the delivery staff. In the 2011 Annual Report, the revenue and financial indicators will still be published for the three traditional divisions of Austrian Post – Mail, Parcel & Logistics and Branch Network – in order to enable better comparability of the business results. However, starting with the 2012 financial year, reporting will only include the new structure with two divisions.

Solid business model

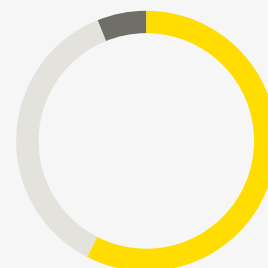
Austrian Post is relying upon a solid business model at a time of ongoing changes in its market environment:

- The core business in the letter mail segment, the most important generator of revenue and earnings, will be continuously optimised and modernised.
- Austrian Post will exploit opportunities in the growth field of parcel and logistics in a targeted manner.
- Ongoing performance improvements safeguard profitability, value creation and dividends.

Details on the strategic orientation of Austrian Post and related measures are found in the Strategy section (p. 28).



REVENUE DISTRIBUTION 2011
IN %



	57.4%	Mail
	36.0%	Parcel & Logistics
	6.5%	Branch Network

THE NEW DIVISIONAL STRUCTURE

MAIL & BRANCH NETWORK DIVISION



MAIL Acceptance, sorting and delivery of letters, addressed and unaddressed direct mail items (advertising mail), newspapers and regional media as well as various supplementary letter-related services and online services.

BRANCH NETWORK Acceptance of letters, parcels, EMS items and direct mail items and various supplementary postal services in own and third-party operated branch offices. Sale of retail goods and telecommunications products as well as banking services of the cooperation partner BAWAG P.S.K.

PARCEL & LOGISTICS DIVISION



PARCEL & LOGISTICS Acceptance, sorting and delivery of parcels and express mail items, offering of speciality logistics services such as combined freight, temperature-controlled logistics, contract logistics and value logistics (transport and handling of large amounts of cash).

TOP PERFORMANCE

11,500 employees in delivery bring mail each day to **4.2m households and companies** throughout Austria

1,049 bicycles are currently being used by Austrian Post in Austria

4,100 kilometres is how much the delivery staff walks daily

1,880 postal service points comprised Austrian Post's nationwide branch network at the end of 2011

74 logistics locations are operated by the parcel subsidiaries of Austrian Post in South East and Eastern Europe

11,000,000 parcels are transported annually in the B2B market in South East and Eastern Europe

265 electric-powered vehicles are currently being used by Austrian Post in Austria

10 international climate protection projects were supported by Austrian Post in 2011, thus compensating for more than **80,000 tonnes of CO₂**

60m customers come to Austrian Post's postal service points every year

59m parcels are delivered in Austria each year by Austrian Post

66m mail items in the speciality logistics market are successfully delivered in Western Europe each year

22,000 mail drop-off points are made available to customers by Austrian Post

40 years is how long trans-o-flex, Austrian Post's largest foreign subsidiary, has been operating

6,300 kilometres is the distance the delivery staff in Austria rides by bike everyday



INTERNATIONAL OPERATIONS

Austrian Post has also proactively taken advantage of the dynamic changes in the European postal market. Starting in 2001, it not only expanded to neighbouring countries in South East and Eastern Europe, but also to Western Europe, and built up a focused business portfolio with a particular emphasis on parcel and logistics services as well as unaddressed direct mail items. Accordingly, it has successfully positioned itself as a provider of specialised postal services in attractive market niches, for example speciality logistics focusing on combined freight (combined transport of parcels and pallets), active temperature-controlled products, mainly in the pharmaceutical industry, as well as contract logistics. At the same time, Austrian Post has established a foothold in selected growth regions. In the meantime, Austrian Post derives about 30% of its annual revenue from its international business operations generated by some 3,000 employees.

Austrian Post is already active in twelve markets

As a result of its successful expansion beyond the country's borders, Austrian Post is present in a total of twelve markets with a varying service portfolio. Accordingly, it operates subsidiaries specialising in the distribution of advertising materials in Hungary, Croatia, Romania and Slovakia, and also delivers addressed mail items in the metropolitan areas of these countries. Austrian Post is number one in the unaddressed direct mail segment in Hungary, Croatia and Romania. With the acquisition of a 26% stake in the Romanian company PostMaster s.r.l., it took a further step in 2011 towards implementing its international growth strategy. Interesting growth opportunities will open up especially in South East and Eastern Europe due to the full-scale market liberalisation in 2013, which Austrian Post is already preparing for today. Austrian Post also operates its own sales subsidiary in Germany, Austrian Post International Deutschland, which offers international mail shipment solutions to German customers. A promising cooperation has also been estab-

lished with Swiss Post. 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 a joint venture. The new company MEILLERGHP is the leading direct mail producer in the German market and a high-performing player in the European market for addressed advertising mail.

Today, Austrian Post is active in the Belgian, Bosnian, Croatian, Dutch, German, Hungarian, Luxembourg, Montenegrin, Serbian and Slovakian markets, offering integrated logistics services. Thus, Austrian Post has successfully positioned itself as a specialist in interesting market niches and regions with high growth potential. For example, it is the top provider in Germany for the fine distribution of shipments in the pharmaceutical sector as well as in the field of combined freight. Austrian Post serves as the leading provider of parcel delivery services for business customers in Slovakia, Croatia, Serbia and Bosnia. It also serves the Slovak and Croatian markets in cooperation with the international logistics specialist UPS.

EURODIS enables logistics services in 34 countries

Beyond its twelve "own" markets, Austrian Post can also offer professional logistics services in many other European countries. Together with its parcel subsidiaries, Austrian Post is the largest partner in the EURODIS transport network specialising in combined freight, which covers 34 countries in Europe. The network exploits the synergies provided by joint network structures with high performing players. Thus, all members of the EURODIS network can transport goods even more quickly, efficiently and securely without system interruption – an ideal basis for a further expansion of the network's market position in the growing international transport business. In 2011, another effective partner joined the EURODIS network, namely SDA Express Courier in Italy. The operational start-up is scheduled to begin in February 2012.

- Austrian Post Group
- EURODIS Members
- EURODIS Cooperation Partners



NO. 1 IN NUMEROUS MARKETS

AUSTRIA

No.1 for letters, direct mail, media post and private customer parcels

GERMANY

No. 1 for final distribution of pharmaceutical mailings, combined freight and direct mail production

SLOVAKIA, CROATIA, SERBIA AND BOSNIA

No. 1 for parcels to business customers

CROATIA, HUNGARY AND ROMANIA

No. 1 for unaddressed direct mail items



INTERVIEW



“... successfully captured
a leading market position.”

STEFAN HEIGLAUER
Head of CEE,
Parcel & Logistics Division

Austrian Post has built up a considerable business portfolio in South East and Eastern Europe in recent years. What conclusions can you draw for the Parcel & Logistics Division in the past few years?

Heiglauer: Our subsidiaries in South East and Eastern Europe were originally established as small private companies, which successively worked to capture market share and are now well positioned in the market. As a result of this development, the core business of our CEE subsidiaries is the express delivery of parcels in the B2B segment – in contrast to the domestic postal providers, which mainly focus on the private customer delivery (X2C) segment. Success gives us confidence. In many countries, our subsidiaries are the leaders in B2B delivery in their respective markets. Based on this good position, we have also been building up our business in the private customer segment over the last two years.

What challenges do you see in the region? How does Austrian Post stand out from its competitors?

Heiglauer: Customers are very price-sensitive. This does not allow for much leeway and requires a great deal of flexibility with respect to the services being offered. Here we are doing quite well. Moreover, we are trying to distinguish ourselves from the competition on the basis of quality, for example when it comes to support and customer care, quality as well as IT solutions. A key success factor will be the ability to further expand our cross-border logistics solutions. Our subsidiaries are already very strong in their domestic markets, but there is additional potential in the international parcel transport segment, which can be exploited by more strongly linking the individual national networks.

How does the postal and logistics market in South East and

Eastern Europe differ from the one in Austria?

Heiglauer: There is no such thing as a typical Eastern European market. The markets are very heterogeneous, and the economic development in the CEE countries varies considerably. Moreover, it is important not to underestimate the cultural as well as the religious diversity, especially in South East Europe. One requires more understanding and sensibility at a socio-cultural level. In addition, there is still the need to catch up when it comes to the transport infrastructure in Bosnia-Herzegovina, Serbia and partly in Slovakia. The countries are working on this, but developments depend on public funding, and expansion requires time in a phase marked by strained national budgets.

How do you see the future of this market? Which regions will develop particularly favourably?

Heiglauer: Certainly the Balkan region continues to boast the biggest potential. But one thing applies to all markets: The X2C segment will post interesting growth rates in the future as well. The new technologies and the boom in e-commerce will also sustainably shape business in this region – as is currently the case in Western Europe. We are making good progress in this field and look forward to opportunities which will arise.

What growth opportunities exist for Austrian Post? Does the company plan to expand further?

Heiglauer: The countries of South East and Eastern Europe are located in an economically and also geopolitically interesting region. They comprise an important interface to the large economic regions of Russia and Turkey. We want to consistently expand our existing strengths in the individual markets of the regions and take the right steps with restraint and moderation.

Thank you for the interview.

NEWS

ENTRY IN ONE OF THE LARGEST CEE MARKETS

Austrian Post acquires a 26% shareholding in the Romanian firm PostMaster s.r.l.

After establishing business operations in Hungary, Slovakia and Croatia, Austrian Post is now also represented on the Romanian market. PostMaster was founded in 2007 and is already the leading nationwide provider among the alternative postal companies. Its core business is the delivery of addressed and unaddressed direct mail items. As a result, PostMaster already boasts a very good starting position for the upcoming postal market liberalisation in Romania in 2013 – a solid basis for further growth.



“We consider market liberalisation in our neighbouring CEE countries to be a major growth opportunity and want to become the leading alternative postal provider.”

ANDREAS DRAGOSITS
Head of CEE,
Mail & Branch Network Division

OVERVIEW

TWELVE MARKETS – 24 SUBSIDIARIES

Country	Company/share ¹	Field of activity
Austria	Österreichische Post AG	Letter mail, addressed direct mail, media post
		Parcel, express mail services (EMS), combined freight
	Österreichische Post AG, feibra	Unaddressed direct mail
	Scanpoint	Scanning/archiving of documents
	Online Post Austria GmbH	Electronic services
	Scherübl Transport, 74.9%	Temperature logistics
Germany	Post Wertlogistik	Valuable good transport
	trans-o-flex	Combined freight, storage logistics, value-added services
	trans-o-flex Thermomed	Temperature logistics
	MEILLERGHP, 65.0%	Direct mail services and production
Belgium	Austrian Post International Deutschland	International mail
	trans-o-flex Belgium	Combined freight, temperature logistics
Netherlands	trans-o-flex Netherlands	Combined freight, temperature logistics
Slovakia	Slovak Parcel Service (SPS), In Time	Express and parcel, combined freight
	Kolos	Unaddressed and addressed direct mail
	Scanpoint	Scanning/archiving of documents
Czech Republic	MEILLERGHP, 65.0%	Direct mail services and production
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
Romania	PostMaster s.r.l., 26.0%	Unaddressed and addressed direct mail

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

STRATEGY

STRIVING FOR PROFITABLE GROWTH

AUSTRIAN POST HAS CLEARLY- DEFINED STRATEGIC GOALS

Austrian Post is facing ongoing changes in the international postal and logistics market, which pose major challenges but also open up big opportunities. For this reason, management is focusing on sustainably safeguarding the future of the company. To achieve this, three main business targets have been set:

I. Revenue:

medium-term growth of 1–2 % annually

Austrian Post strives to more than compensate for the volume decline of 3–5% p.a. for addressed letter mail due to electronic substitution by taking advantage of other growth opportunities. This growth will be supported by new service offerings, innovative approaches to customer service and retention as well as a greater product differentiation.

II. High profitability:

sustainable EBITDA margin of 10–12 %

Austrian Post aims to maintain its high level of profitability, even in a fully liberalised market. For this reason, it is essential to continually enhance the efficiency of all operational processes. Services will be consistently tailored to customer needs, and logistics operations will be streamlined as much as possible. In this way, Austrian Post will sustainably protect its earnings as well as its cash flow.

III. Dividends:

continuation of attractive dividend policy

In terms of total shareholder return, Austrian Post has generated a 70% increase in value for its shareholders since the IPO of 2006. Last but not least, an important contribution has been made by the attractive dividend policy, which remains a key cornerstone of its corporate philosophy. Each year Austrian Post strives to distribute a dividend to shareholders amounting to at least 75% of Group net profit. The aim is to further develop the dividend payout ratio in line with Group net results.

1.

**DEFENDING MARKET
LEADERSHIP
IN THE CORE BUSINESS**

2.

**PROFITABLE GROWTH
IN SELECTED MARKETS**

3.

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

4.

**CUSTOMER ORIENTATION
AND INNOVATION**

FOUR CORE STRATEGIES DETERMINE THE PATH

Based on these targets, the Management Board of Austrian Post defined four core strategy pillars at the beginning of 2010. Austrian Post has made very good progress since then in implementing these strategies. Thus, the strategic approach defined by Austrian Post is taking the company in the right direction. For this reason, the persistent pursuit of these core strategies will remain an important corporate compass also in the future. The priorities for implementation will be adapted to current developments on an annual basis.

1.

MARKET LEADERSHIP

Defending market leadership in the core business

Austrian Post is the undisputed market leader in Austria – both in the letter mail segment and in the transport and delivery of parcels, especially to private customers. In 2011, Austrian Post succeeded in maintaining its market position even after the complete liberalisation of the Austrian postal market, generating a revenue increase of 4.4%. The strategic positioning of its subsidiary feibra and its targeted further development as a useful complementary provider in the field of unaddressed and addressed direct mail delivery have proven to be successful. Moreover, revenue from private and business customers could also be further expanded in the Austrian parcels segment.

Priorities in 2012

Austrian Post will continue to pay particular attention to defending its leading market position in letter mail delivery services in 2012. Potential changes in the advertising sector will be offset by a customer-oriented, differentiated service offering of Austrian Post itself and its subsidiary feibra. In the parcel and logistics business, Austrian Post is striving to increase its market share in the B2B parcel segment to over 20% in addition to defending its market leadership in X2C parcels. Furthermore, it will increasingly offer additional logistical services along the value chain and promote its activities in the field of logistics for valuable goods.

2.

WACHSTUM

Profitable growth in selected markets

In order to compensate for declining volumes in the letter mail business, Austrian Post will rely on a focused growth strategy. The priority will be on the parcel and logistics business, which Austrian Post will expand in Austria and Germany as well as in South East and Eastern Europe. The focus will be on B2B and B2C parcel services, combined freight and temperature-controlled logistics.

However, growth opportunities also exist in the letter mail segment. This applies equally to the markets in South East and Eastern Europe, which will be fully liberalised for the most part as of 2013. In 2011, Austrian Post successfully continued its growth path in South East and Eastern Europe by expanding its letter mail and parcel activities in the region. A particularly important step was the recent acquisition of a stake in the Romanian postal services provider PostMaster s.r.l.

After setting up a joint venture between the Austrian Post subsidiary meiller direct and the direct mail business area of Swiss Post Solutions, the year 2011 was characterised by a far-reaching restructuring and integration process at the newly formed company MEILLERGHP. On balance, revenue growth is proceeding satisfactorily in the international parcel and logistics business. However, optimisation potential exists with respect to the profitability of several subsidiaries, especially in Western Europe. Therefore, Austrian Post is intensively working to improve the margin and cost structure of these companies. Accordingly, a comprehensive programme was initiated to enhance the performance of trans-o-flex as well as MEILLERGHP.

Priorities in 2012

Opportunities will arise due to the further liberalisation of the European letter mail market. The Slovakian market will be liberalised as of 2012, and by 2013 the remaining EU member states will be open to competition, namely countries in which Austrian Post is already strongly represented by its subsidiaries. There is also additional revenue potential, which can be exploited on the basis of a new service offering in the "Mail Solutions" area, including address management, digitalisation and mailroom services.

At the same time, Austrian Post is striving to further develop the EURODIS network in the parcels segment, and also increase international shipments within the context of an export drive based on the expansion of its existing business as well as on strategic partnerships within Europe. In Germany, the focus will mainly be on expanding the contract logistics business. The priorities at trans-o-flex and MEILLERGHP will be on the continued implementation of the ongoing earnings improvement programme and further growth in selected submarkets.



3.

EFFICIENCY

Enhancing efficiency and increasing flexibility of the cost structure

A key issue is defending the company's cost leadership and ensuring the ongoing increase of efficiency in its logistics and delivery operations. Therefore, Austrian Post implemented a large number of efficiency enhancement measures during the period under review, consistently reducing operational staff costs and material costs. The further intensification of the joint delivery of letters and parcels in Austria led to material synergies. Investments in the Parcel & Logistics Division in 2011 also included upgrading the vehicle fleet for parcel delivery.



Moreover, Austrian Post also realised consistent process improvements in distribution and delivery.

The structural transformation of the branch network in cooperation with BAWAG P.S.K. was initiated in January 2011 with the opening of the first jointly-operated branch offices, and speedily implemented in the course of the year. 329 joint outlets were established by the end of 2011. The postal partner network was persistently enlarged, and already encompassed a total of 1,258 third-party operated postal partner offices at the end of the financial year. The previous Mail and Branch Network divisions were merged into a new division – the Mail & Branch Network Division – in September 2011. This restructuring serves as the foundation for further service improvements and synergies as a means of increasing the division's profitability.

Priorities in 2012

Following the definition of the new corporate principles in 2011, further efforts will be made to embed the performance culture in the entire company. Moreover, work is being done on implementing new delivery models designed to further increase the efficiency and flexibility of the cost structure. The structural transformation and the merger of the Austrian Post and BAWAG P.S.K. networks will be continued in 2012, in order to enable the company to offer an attractive, customer-oriented service portfolio throughout the country in a cost-effective manner. Simultaneously, the postal partner network should be further expanded, and the targeted network of 520 branch offices jointly operated by Austrian Post and BAWAG P.S.K. should be achieved.

4.

CUSTOMER

Customer orientation and innovation

Austrian Post will only be successful in the long term on the basis of attractive offerings, which correspond to specific customer requirements. That is why the company is focusing on targeted innovation in its product offering as well as providing an attractive and diverse range of services. A service and quality drive focusing on private customers and oriented to optimising the service profile and customer satisfaction across Austrian Post's entire spectrum of products and services was designed to help achieve this goal.

The simplification of the product portfolio featuring size-based postal rates and the choice between a "Premium" and an "Economy" tariff for business customers was very well received. In the field of advertising mail, use of the new direct mail envelope KUVERT and the possibility of more strongly individualising addressed direct mail items also turned out to be major milestones. Pilot testing carried out on the Post Drop-Off and Pick-Up boxes were also well accepted by customers within the context of pilot projects. In addition to this, Austrian Post further developed its online services with electronic post, online parcel stamps and the online e-shop. In particular, these efforts included the "Post Manager" serving as a secure communications platform for customers who want to receive and administer their official mail online. In 2011, Austrian Post also started its highly-regarded initiative focusing on sustainable environmental and climate protection. Accordingly, all letters, parcels and direct mail items are now being delivered in a CO₂ neutral manner.

Priorities in 2012

The consistent focus on customers with the goal of promoting innovative self-service products will be intensified in 2012. In this context, measures were also implemented to increase the use of online postal services. Since February 2012, the KUVERT is being distributed to all Austrian households throughout the country and thus established on the Austrian market. The focus in the branch network will be on further implementing the quality and service initiative launched in 2011, including, amongst other measures, a customer-oriented modernisation of the branch office design.



INTERVIEW



Walter Oblin (left), Carsten Wallmann (right)



“... customer orientation, quality and efficiency are the most important success factors ...”

WALTER OBLIN

Head of Strategy and Group Development, designated CFO

CARSTEN WALLMANN

Head of Strategic Projects

Mr. Oblin, as Head of Strategy and Group Development, you are intensively dealing with strategic issues and naturally observe the business environment in your sector. What are the most significant trends and influencing factors in the postal market?

Oblin: International trends naturally include increasing competition due to market liberalisation initiated by the EU and the substitution of traditional letter mail by electronic media. Both factors pose a challenge to postal companies. In contrast, the stable significance of direct marketing which is primarily done via mailings has had a positive impact, of course along with online shopping which has led to a revolution in conventional purchasing processes and thus to a significant rise in parcel volumes.

Mr. Wallmann, what influence do the economic environment and legal framework have on Austrian Post's operations in this regard?

Wallmann: Both are decisive factors. Postal companies are impacted by the overall economic situation, for example when it comes to direct marketing or parcel and logistics volumes. In terms of the legal framework, universal postal services in particular are very strictly and comprehensively regulated by regulatory authorities, a fact which imposes high requirements on us. Austrian Post operates in a fully competitive market, but is still obliged to guarantee the supply of basic postal services throughout Austria.

And how can a postal company win over customers in the light of these very challenging external factors?

Oblin: The best factors for success are products and services which really, very precisely and innovatively meet customer requirements. Our services must offer a tangible added value, such as extensive customer proximity on the basis of a nationwide distribution network combined with alternative means of access, above all in the form of online services. Moreover, quality and reliability are decisive, which in turn presuppose the existence of a highly effective logistics network, as well as a persistent cost discipline, in order to operate on an economically solid basis. In a nutshell, customer orientation, quality and efficiency are the most important success factors.

Thank you for this interview.

Management on the basis of clearly-defined parameters

The operational management of the Group and the divisions of Austrian Post is carried out at a top level and based on the indicators revenue, EBIT and cash flow. Moreover, depending on the management level, special performance indicators (such as quality) are also included.

To enhance the value of the company, it is equally important to promote services with existing and new customers and to organise the cost structure as efficiently as possible. In recent years, Austrian Post has succeeded in both financing the required investments and acquisitions from its cash flow as well as maintaining its attractive dividend policy.

Austrian Post has defined strict criteria regarding investments in new facilities and infrastructure as well as acquisitions in order to ensure a suitable return on investment.

NEW CORPORATE PRINCIPLES, NEW VALUES



Together we are strong

Austrian Post is not only intensively working on its products and services but also on itself. First and foremost is its corporate and leadership culture, which was put on a fundamentally new basis over the last two years. It is a fact that only clearly-defined and mutually held visions and values enable a company to act in a target-oriented and sustainable manner. At the beginning of 2010, Austrian Post began to focus on developing its new corporate principles. In formulating these corporate principles, Austrian Post linked several objectives reflecting changes in the marketplace and its own activities as well as the economy and the overall working environment.

Broad-based development process

For the Management Board, it was important to involve as many employees from all different business areas as possible, in order to create a solid foundation for the new set of values. For this reason, some 500 employees actively participated in drafting the new corporate principles within the context of a broad-based, multi-phased top-down/bottom-up process. The result of this comprehensive evaluation and discussion process were three value categories with the corresponding principles:

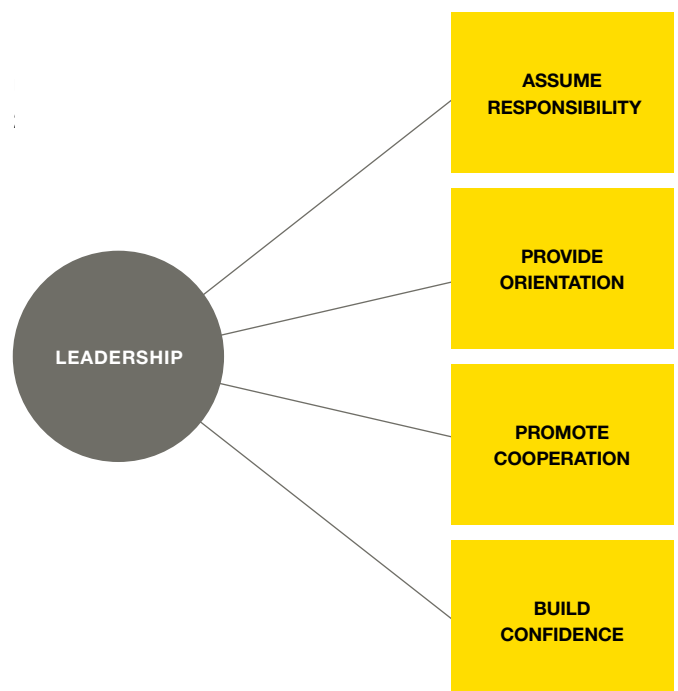
- **Customer orientation:**
Everything we do revolves around our customers
- **Profitability and sustainability:**
We are future-oriented
- **Communication and appreciation:**
We are all part of Austrian Post

A variety of measures now serves the purpose of implementing and embedding these new corporate principles in the daily work of all employees. The objectives of the corporate principles can only be achieved if they are consciously put into practice: a cultural change in the way employees deal with each other, customers and partners of Austrian Post, the strengthening of employee identification with the company and increasing the attractiveness of Austrian Post as an employer.

Leadership guidelines derived from the corporate principles

In particular, executives should serve as promotional ambassadors on behalf of the company. New leadership guidelines were developed in 2011 in order to give them an orientation guide. They serve as the common bond linking the more than 2,000 managers and executives working for the Austrian Post Group. For this purpose, four core values were initially developed and formulated at a conference attended by 300 executives. A series of workshops involving 162 executives and employees from all business areas and regions was held as the basis for subsequently developing specific leadership guidelines.

THE LEADERSHIP GUIDELINES
OF AUSTRIAN POST ARE BASED
ON FOUR GUIDING VALUES:

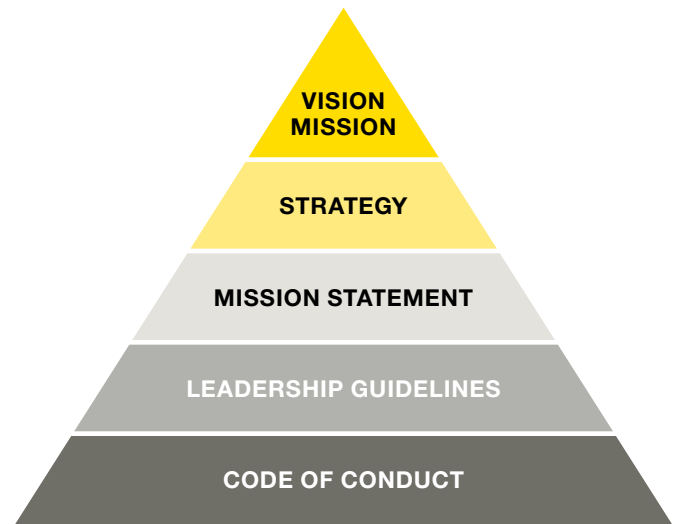


Further specifications developed at Management Days

Some 1,350 senior managers spent three Management Days in Vienna, Salzburg and Graz in September and October 2011, focusing on how to specifically implement these guidelines in everyday working life. In lively discussions, they developed numerous approaches to demonstrate how executives could assume responsibility and be motivated to lead in accordance with the defined values. These guidelines have already been largely implemented and embedded in people's daily work at the company.

Clearly-defined mutually held values as the basis for economic success

The successful development of the company requires a common understanding of objectives on the basis of values, guidelines and behavioural principles. On this basis a Code of Conduct was developed, serving as a binding code of behaviour for all employees.



INTERVIEW



“... executives bear special responsibility as role models.”

FRANZ NIGL
Head of Human Resources
Management

Mr. Nigl, why does Austrian Post require leadership guidelines?

Nigl: In our company, the demands placed on executives have considerably changed in recent years. In times when Austrian Post was still state-owned, the organisation was structured in a very hierarchical fashion. Today the emphasis is on teamwork – and thus we need a modern and up-to-date leadership style. At the same time, market demands and the wishes of our customers are much more complex today than they were even a few years ago. For these reasons, we put down in writing for the very first time what leadership means at Austrian Post, and thus created common guidelines to which everyone can benchmark their activities. This not only simplifies the work of executives, but creates a common understanding throughout the Group and promotes integration. In this process, it was important to us that the development of these leadership guidelines was put on a broad basis by relying on surveys, workshops and group work. As a result, our executives also see their own personal values reflected in the guidelines.

How can you ensure that these leadership guidelines are actually lived and practiced by everyone?

Nigl: On the one hand, by this joint development designed to enable executives to identify with the company as much as

possible. On the other hand, this will be ensured by the fact that we work sustainably and not selectively. We will continually check to see where and how we can support our executives to carry out their tasks as effectively as possible. Moreover, I am especially happy that we were able to immediately follow up on the aspect of sustainability and will launch our “Executive Academy” in 2012. This programme is designed to efficiently bundle all executive development measures. One thing should generally be kept in mind: outstanding executives and employees are the cornerstone of innovative strength and thus the ongoing success of a company. And we know that we are competing with other companies. For this reason, we want to be in the forefront with our activities.

What does Austrian Post expect of an executive?

Nigl: In principle, every employee must assume responsibility for their share of work. The executives have a special responsibility to act as role models. For this reason, we not only promote their professional and organisational skills but also their social competence. Our managers should be appreciated and respected by their employees.

What do you think characterises a good manager?

Nigl: I fully support the four core values of our leadership guidelines: assuming responsibility, providing orientation, promoting cooperation and building confidence. If I manage to do this and thus set an example in my role as an executive, I can be proud of my work and will be able to win over my employees. This includes always asking myself if I am doing the right thing everywhere, or if there is something I can change about the way I work.

Thank you for the interview.

MANAGEMENT DAYS 2011

WE ARE ALL PART OF AUSTRIAN POST

“

We focused on the issue of motivation at the Management Day. It was very interesting to get to know the different points of view held by colleagues from the various divisions who are directly in contact with customers, and who thus face different challenges than the central business units.

CORNELIA ROCKENBAUER
Head of Business Operations (Group Real Estate)

”

“

I was really pleased with the Management Day in Graz, especially the personal talks with executives with whom one otherwise has no chance to interact directly. The time was almost too short due to the fact that so many people were present. The exchange of views with branch managers from other regions in Austria was also very interesting.

ASTRID GRASSL
Branch Manager, 1050 Vienna

”

“

The corporate principles are an important component of every large company. I welcome the fact that Austrian Post has also developed its own corporate principles and is breathing life into them. In addition, with the leadership guidelines we have jointly developed, the company offers an orientation guide to employees for their daily cooperation.

MICHAEL WIESENER
Head of Postal Processing

”

“

The Management Days were professionally organised. I thought the day was quite exciting, because one had the chance to openly exchange views with other colleagues across all divisions. Moreover, you could choose the topic you wanted depending on your interests, and work with others on it.

MANFRED STEINBACHER
Delivery Base Manager in Baden

”





COMPLIANCE



“Compliance affects all of us.”

GEORG PÖLZL
CEO

The term “compliance” plays an increasingly important role in a corporate context. It stands for adherence to legal regulations and regulatory guidelines as well as fulfilling key ethical standards to which the company commits itself to observing. The demands are manifold and complex and require targeted activities and effective structures. In 2010, Austrian Post also began establishing a modern compliance management system, in short “CMS”. The objective is to create a Group-wide compliance organisation providing all employees with a behaviour-oriented and practical advisory offering.

THE COMPLIANCE MANAGEMENT SYSTEM OF AUSTRIAN POST



Communicative approach

The central Compliance Office led by Andrea Scholz is supported by regional compliance representatives in Austria and abroad in implementing Group-wide activities. In this connection, Austrian Post strongly relies on an open and trustworthy dialogue with employees. “We have a strongly communicative approach. Compliance can only sustainably function in the company when employees get quick and practice-oriented responses to their questions”, Andrea Scholz says. “For this reason, we have set up our own Compliance Help Desk, which has been available around the clock to our employees via e-mail since the middle of 2011. In addition, colleagues can contact us via Intranet and by phone. This naturally also applies to our international subsidiaries and offices“, Ms. Scholz adds. Compliance management must encompass everyone and thrives from the conviction that compliance is not only driven by management but must be anchored throughout the whole Group and practiced from the bottom up. Georg Pölzl, Chairman of the Management Board of Austrian Post, sets the direction for employees. “Compliance affects all of us and is not a one-way street. The principles apply to the entire management, staff representatives and all employees!”

From Group corporate principles and compliance strategy to a compliance organisation

Based on the three core corporate values, “Everything we do revolves around our customers“, “We are future-oriented“ and “We are all part of Austrian Post“, the compliance strategy adopted by Austrian Post defines the objectives underlying specific measures to be taken within the framework of compliance management. In particular, the emphasis is on providing employees with guidelines on how to act in their daily work, and thus the ability to identify reputational risks as well as financial risks at an early stage and avoid them altogether. As a means of implementing these strategic goals, a compliance structure was established which supports management as well as employees throughout the Group in dealing with compliance issues. “There is a ‘Compliance Committee’, which consists of the heads of the legal, human resources, information technology, internal auditing, risk management and compliance departments as well as the Data Protection Supervisor and Group Compliance Officer and assumes the function of an advisory council, making recommendations to the Management Board of Austrian Post on suitable measures to be taken in cases of serious violations of compliance rules. Thus, we have prescribed a clear procedure to be followed in such cases“, says Compliance Officer Scholz. Regional compliance representatives have been appointed to ensure that compliance functions on a Group-wide basis. They are available for training and advising employees in the individual divisions and subsidiaries and serve as the first local point of contact to respond to specific questions posed by employees.

The process continues

The ongoing integration of the compliance organisation in the subsidiaries of Austrian Post, especially in the CEE region, is planned for the year 2012. The focal points of its work will be the issues of compliance awareness and anti-corruption. The Group-wide implementation of these main areas of training will be supported by the launch of a separate e-learning tool on the topic of compliance. In addition, all measures will be accompanied by a separate communications campaign. Moreover, Austrian Post has initiated the certification process for its compliance management system.

The Code of Conduct

On the basis of its new corporate principles, Austrian Post already adopted its Code of Conduct and Ethics back in 2010. It contains the principles applicable to the behaviour of all the people working for the company – the Management Board, executives and all employees. The Group-wide introduction of the Code of Conduct and Ethics was commenced in the 2011 financial year. “Our Code of Conduct is the basis for an open, respectful and legally compliant corporate culture, which we are committed to complying with and which we have to breathe life into every single day”, says CEO Georg Pözl.

INFO BOX

A cost-free hotline has been installed for telephone inquiries from within Austria and abroad.

Compliance Help Desk:

E: compliance.helpdesk@post.at

Hotline Austria:

T: 0800 202 224

Hotline International:

T: 0800 202 224 26

Hotline Serbia:

T: 00431 57767 24317

ANDREA SCHOLZ
Compliance Officer



INTERVIEW



“Compliance is more than just adhering to laws and rules.

It is a question of integrity and how we deal with one another.”

MICHAEL STADLMANN
Head of Internal Auditing,
Risk Management and Compliance

Mr. Stadlmann, what does compliance mean for Austrian Post?

Stadlmann: Compliance means that all the relevant laws, regulatory provisions as well as internal guidelines and codes of conduct applying to the company are completely complied with. Actually, it is rather simple: Unlawful behaviour or behaviour which violates binding rules, e.g. corruption, bribery, embezzlement or insider trading, is not tolerated under any circumstances at Austrian Post. Here in the company we only want to be involved in honest business activities. This applies to everyone, from the members of the Management Board to people on the delivery staff. But we are going a step further because we want to make a contribution towards creating an environment in which managers and employees can comply with ethical principles of behaviour in their daily work on the basis of our new corporate principles.

Why is this issue so important to Austrian Post?

Stadlmann: There is a simple explanation. Laws must be adhered to or else one may suffer the consequences. Initially the purpose is to minimise liability risks to the company and the persons involved. In fact, a paradigm change has occurred here. A company no longer can afford to ignore compliance issues. But by far the question is not only the financial risk if the company has to pay fines or when an investigation costs an enormous amount of time and attention on the part of the management. It's rather a question of the company's reputation. We can only be sustainably successful on the basis of proper business practices.

How should an employee know if he or she is acting in accordance with the law?

Stadlmann: In principle, I believe that every employee has a good instinct of what is permissible and what is not. Sometimes extensive ignorance and uncertainty still prevail. For others the term compliance is so abstract and difficult to grasp that it seems to have no relevance to their everyday lives. However, one has to deal with compliance issues more often than you would imagine. For example, is a sales employee or purchaser allowed to accept or give presents? To what extent is it acceptable to extend invitations? The consequences for companies which act improperly are often enormous as recent events reported in the media have shown us. For Austrian Post this means we want to inform, enlighten and sensitize employees even more. We have to create awareness for the importance of this issue and make it clear that every one of us is responsible. On the other hand, we have to train our colleagues and offer them real support in their everyday work.

What support does your compliance organisation specifically offer?

Stadlmann: We are focusing on providing an action-oriented consulting offering for specific questions. Everyone in the company can contact us directly. There is a Code of Conduct which provides the framework for ethical, respectful and legally compliant behaviour. In addition to this, there are other tools for specific situations and cases. For example, we have prepared guidelines for giving and accepting gifts. Furthermore, we have developed a whole series of communications and training measures which are being successively rolled out. Moreover, there is also a compliance help desk, which is accessible per e-mail and telephone from Austria and abroad. We will successively further roll out and strengthen our compliance management system throughout the Group.

What role do the managers play from your point of view?

Stadlmann: A very decisive one! Above all I expect our executives to set an example, acting with integrity and in compliance with the law, and always have an open ear for questions posed by their colleagues. At the same time, it is important to emphasize that one must be prepared for consequences and penalties in the case of misconduct. Improper conduct and unlawful behaviour must nowhere and at no time be tolerated.

Thank you for the interview.

In 2012, we want to consolidate our position as the number one provider with our customers”, says Walter Hitziger, Member of the Management Board of Austrian Post. “There are good reasons why we are the logical partner for private individuals and companies”, Hitziger is convinced. “This also means we have to permanently work on ourselves in order to offer optimal solutions to customers. User-friendly products, uncompromising excellent quality and high cost awareness are the keys to success here.”

Austrian Post also has ambitious plans for 2012. In particular, it is striving to determinedly pursue its overall strategy. At the same time, the specific projects are being consequently implemented and concluded. A lot was done in 2011, and many projects were initiated and successful preparatory work was done for 2012. “We are focusing on many important projects both in the logistics business and in the branch network. Thus, the new product KUVERT reflects customer wishes, and we are also working together with BAWAG P.S.K. as well as our postal partners to speedily expand our network of postal service points.”

At the same time, Austrian Post is focusing on intensive market development work and growth. “Operational excellence is the basis for the ongoing expansion of our business. We can offer our Austrian customers an optimal portfolio with two brands, ‘Austrian Post’ and ‘feibra’, which we are continually expanding along the value chain. Let me only mention ‘Mail Solutions’, i.e. the implementation of upstream or downstream activities from actual postal services, e.g. the digitalisation of incoming mail or the in-house distribution of mail at a customer’s site”, Hitziger explains.

Growth does not have to stop at Austria’s borders. “We also aim to grow steadily in South East and Eastern Europe. The entry into the Romanian market in 2011 was certainly an important step in this direction.”

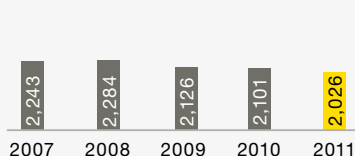
“... also want to consolidate our position as number one with our customers in 2012...”

WALTER HITZIGER

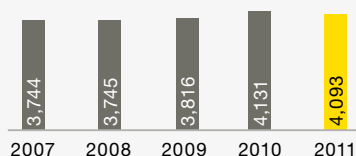
Board Member, Mail & Branch Network Division

MAIL ITEMS IN MILLIONS

Addressed mail items in Austria

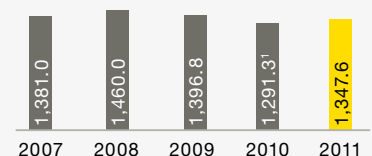


Unaddressed mail items in Austria



EXTERNAL SALES IN EUR m

¹ On a comparable basis





HIGHLIGHTS 2011

- New, simplified size-based product portfolio with five tariff rates
- Postal partner openings and comprehensive implementation of the branch office concept with BAWAG P.S.K.
- Merger of the Mail Division and the Branch Network Division to create the new Mail & Branch Network Division
- Advertising envelope KUVERT began pilot operations in individual Viennese districts in October

MAIL & BRANCH NETWORK DIVISION

EVERYTHING UNDER ONE ROOF

Austrian Post laid the groundwork for further service improvements and synergies in 2011 on the basis of an organisational realignment of its business operations. The previously separate Mail and Branch Network divisions were merged to create the new Mail & Branch Network Division. Thus, the responsibility for the entire life cycle of a letter – from the time it is posted at a branch office or letterbox until it is delivered by the company's staff – is now in the hands of a single division. Its broad-based core business ranges from the acceptance, sorting and delivery of letters, postcards, addressed and unaddressed direct mail items and newspapers to the sale of banking services as well as postal and telecommunications products. The service portfolio is complemented by new services for business and advertising mail, such as address and data management, mailroom management, intelligent scanning and response management.

Dense distribution network, full service

A total of 1,880 postal service points throughout Austria are now at the disposal of customers, comprising the largest private customer network in the country. Close to 3,800 employees in the branch network ensure customer proximity and competent consulting. A further 13,000 employees deliver the mail every day to 4.2m households and companies throughout Austria. Each year more than 6.1bn mail items are delivered in Austria.

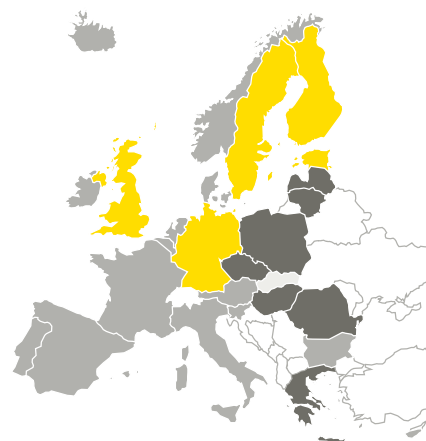


MARKET ENVIRONMENT

Complete liberalisation of the European letter mail market increases competition

The year 2011 represented an important turning point in Europe's letter mail market. The EU's Third Postal Directive prescribes the complete opening 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. The directive requires most member states to establish the legal framework underlying a full liberalisation of their postal markets as of January 1, 2011. Exceptions were granted to the Czech Republic, Greece, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Poland and Romania. In these cases, the deadline for implementing the Third Postal Directive was extended to December 31, 2012.

MULTI-STAGE LIBERALISATION



- Liberalisation before 2011
- Liberalisation 2011
- Liberalisation 2012
- Liberalisation 2013

The status of the liberalisation efforts differs considerably among the individual EU member states. Some countries have so far only prepared initial drafts of laws governing the conversion of the Third Postal Directive into national regulations, whereas other markets have already been fully liberalised.

Based on the EU's Third Postal Directive, the new Postal Market Act was passed by Austria's Parliament and fully took effect on January 1, 2011. Thus Austria's letter mail market was fully opened to competition in line with the EU guidelines.

Elimination of the letter mail monopoly

Austrian Post's monopoly on transporting letter mail items weighing up to 50 grams, which ensured the same high quality delivery throughout Austria, was abolished effective December 31, 2010. At the same time, as of January 1, 2011, Austrian Post no longer received any indirect compensation for the obligations arising from fulfilling the Universal Service Obligation. Even after the full-scale liberalisation of the Austrian market, Austrian Post as the universal services provider will continue to guarantee nationwide and high quality postal services for the benefit of the entire population.

Universal Service Obligation and compensation for net costs

In order to maintain the supply of basic services, the newly-defined Universal Service Obligation limits the spectrum of basic postal services mainly to mail items which can be posted at legally stipulated access points, for example postal service points or letterboxes. Accordingly, postal services for mail items brought to sorting centres by large customers, with the exception of newspapers, are not considered to be an integral component of universal postal services. 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 costs exceed 2% of the entire annual costs incurred by Austrian Post. Since January 1, 2011, the VAT exemption only applies to postal services, which are provided by a universal services provider within the context of the legally prescribed Universal Service Obligation. In contrast, it does not apply to services in which the terms and conditions are defined on an individual basis.

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

Network of postal service points

The Postal Market Act prescribes a minimum of 1,650 postal service points. 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 1,880 postal service points as at December 31, 2011 in the interest of ensuring nationwide, customer-oriented postal services. Austrian Post is only authorised to convert company-operated post offices manned by its own staff to postal partner offices, following an administrative procedure 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 other 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 Drop-Off Boxes

The Postal Market Act stipulates the replacement of existing Cluster Box Units and Rural Drop-Off Boxes without mail slots with newer ones containing mail slots. In its role as a universal service 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 10% will be related to the actual number of licensed postal operators.



“The full liberalisation brings great changes on the postal market.”

ANNELIESE ETTMAYER

Head of the
Legal Department

INTERVIEW



“European postal service reform has been a success.”

WERNER STENGG

Head of the Postal and Online Services Unit,
DG Internal Market, European Commission

Mr. Stengg, as a postal market expert of the European Commission, you have helped shape the liberalisation of the European postal market, most of which has been liberalised since January 1, 2011. What specifically happened in 2011?

Stengg: 16 member states comprising 95 % of the total EU postal volume were obliged to implement the EU's Third Postal Directive as at January 1, 2011. All of them actually did so with the exception of Portugal. However, although this positive development seems encouraging from a statistical point of view, and the timely implementation of an EU directive in 94% of the cases is an outstanding track record compared to other EU guidelines, it is also important to make sure now that the directive is being correctly applied. The postal directive does not only stipulate a permanent market opening, but also involves ensuring that fair competitive conditions are created. For this reason, it is very important to note that the European Regulators Group for postal services established by the EU Commission started working in the year 2011. There have already been initial results in the fields of cost accounting, the allocation of common costs for universal postal and other services, the net costs of providing universal postal services, user satisfaction, cross-border products and access issues.

What steps do you expect to be taken in anticipation of 2013?

Stengg: In 2013, all EU member states will have liberalised their postal markets. If we look back just a few years, we can see that the reform of Europe's postal sector has been a success. The postal monopolies have been transformed into efficient, market- and customer-oriented companies. At the same time, the quality of postal services has improved. The market opening has not led to a catastrophe, as some people feared. But it also did not result in completely competitive markets overnight. The aim

was never to ensure competition for competition's sake, possibly to the detriment of customers or employees. In fact, liberalisation was more about creating the necessary incentives to make the postal sector more competitive overall. This is because the real challenge for postal companies is not only fair competition, but mainly changes in communications behaviour and the related products. In 2013 the EU Commission will present its first Application Report following full-scale market liberalisation, including an initial assessment and if necessary proposing further steps to be taken.

How do you envision the postal market to be in the year 2020?

Stengg: Naturally any precise prediction would only be a matter of speculation, considering the fact, to put things bluntly, that eight years today correspond to 80 years of development in earlier times. However, you can be sure that in 2020 a modern postal market will be just as important for the economy and consumers as it is today. It is obvious that we will experience a further structural decline in demand with respect to written correspondence in letters. At the same time, the share of direct mail and especially of product shipments (i.e. parcel and express items) as a percentage of the total shipment volumes will further increase. Here different factors are playing a decisive role, for example the increase in e-commerce. This is a core issue for us. For this reason the EU Commission will present a Green Paper on Cross-Border Parcel Delivery this year. If postal companies want to remain at the heart of society, they will have to change. I am confident that innovative companies will continue to play a key role in business and society, also in the year 2020.

Thank you for the interview.

CURRENT TRENDS

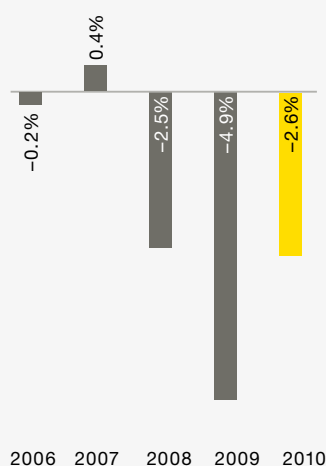
Austria ranks in the middle of Europe in per capita mail volumes

In European comparison, Austria ranks in the middle of the pack in Europe with an annual per capita volume of 230 letters and addressed direct mail items. This was the conclusion of the Global Postal Industry Report which is regularly prepared by the International Post Corporation (IPC), the umbrella organisation of postal companies founded in 1989 and headquartered in Brussels. The range of mail items per capita and year differs significantly from an international perspective. In part, mail volumes are impacted by differences in regional customs and habits, for example whether consumers prefer the distribution of advertising mail by postal companies or via print media. In addition, the legal framework also plays an important role. On that basis, the potential for electronic substitution which can be exploited by competition varies.

Electronic substitution reduces letter mail volumes

For years, the volume of traditional letter mail items has been declining, because letters are being replaced by electronic forms of communications. This is not only driven by new technological advances but also increasing economic pressure which has resulted in cost savings in all fields, particularly during the crisis years. The trend away from letters and towards electronic communications has intensified in

DEVELOPMENT OF LETTER MAIL VOLUMES IN HIGHLY DIGITISED ECONOMIES



Source: IPC, Global Postal Industry Report 2011

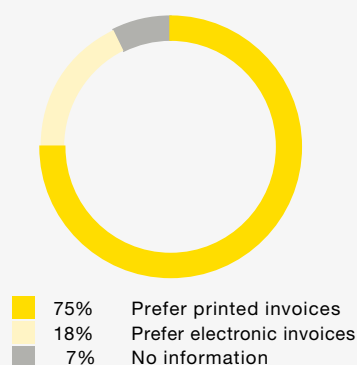


recent years. Experts at the Copenhagen Institute for Future Studies have concluded that the annual decrease in the current decade will amount to 2–3% per year. According to IPC data, the decline in 2009 was even more dramatic. Postal companies have reacted to these developments with new offerings, which link online communications with physical forms of communication, e.g. the dual delivery of letters, which can be sent to the recipient electronically upon request as well as physically. In this context, Austrian Post has also already launched a series of very well-received online products.

Customers prefer physical delivery

It seems that the trend towards electronic substitution is partly being forced upon people, in the light of the fact that many customers prefer the traditional letter. This is not only the assertion made in an IPC study, according to which 71% of consumers in Austria and 64% in Europe prefer to receive letters in physical form and not online. An IFES study prepared on behalf of Austrian Post comes to a similar conclusion. 75% of the people interviewed prefer to receive their invoices per post, and only 18% desire electronic invoices. The respondents also confirmed that physical mail is read more attentively, which also increases the value for the sender. This wish voiced by consumers should serve to counteract the trend towards electronic substitution somewhat.

75% OF AUSTRIANS PREFER INVOICES PRINTED ON PAPER



Source: IFES 2011, n=750

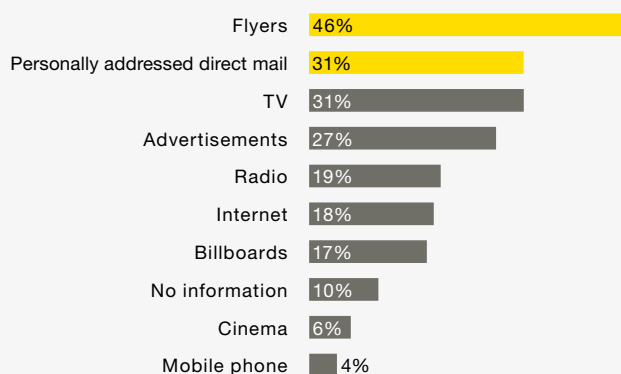


Direct mail has a strong position in the marketing mix

Consumers also have great sympathy for advertising information conveyed in physical form. A customer satisfaction survey carried out by Austrian Post, in which 46% of the respondents say flyers are their favourite type of advertising, and 31% prefer addressed direct mail, is not the only evidence of this. The consumer survey in the spring of 2011 showed a clear preference for written advertising: 70% of the interviewees stated, that they pay more attention to ad-

vertising via mail, only 7% pay attention to electronic advertising. For this reason, direct mailings are a valuable part of the marketing mix of many companies, which appreciate this tool due to its high response quality. In international comparison, Austria is in the top ranks when it comes to the number of direct mail items per capita. Even in a period characterised by a volatile economic development, Austrian Post still managed to achieve a solid revenue performance in this segment.

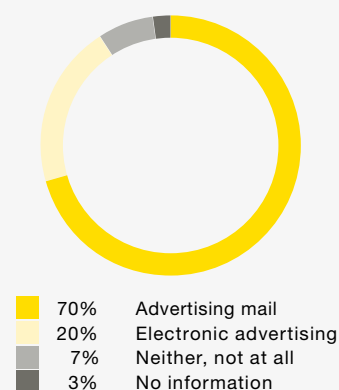
AUSTRIAN POST'S ADVERTISING MEDIA ARE THE MOST POPULAR TOOLS



Source: Customer Satisfaction Survey of Austrian Post, October 2010

ADVERTISING MAIL VIA POST IS READ WITH HIGHEST ATTENTION

"Which advertising mail do you pay more attention to?"



Source: IFES 2011, n=750

FOCUS ON THE CUSTOMER

END CUSTOMER DRIVE: AUSTRIAN POST BRANCH OFFICES ARE BEING CONTINUALLY IMPROVED

Expansion of the post partner network, further intensification of the cooperation with BAWAG P.S.K. Austrian Post has initiated a new programme for the 2012 financial year as part of its strategic and organisational reorientation efforts. It is designed to ensure an even greater focus in the future on customer orientation in the branch network. On the basis of the successful transformation over the past 24 months, the newly-formed Mail & Branch Network Division aims to implement a detailed branch network strategy in the coming years and thus further optimise its end customer orientation, performance and profitability at the point of sale. For this purpose, specific concepts were developed in six areas which will now be successively put into practice in the branch network: "Network Structure", "Branch Office Design", "Product Range", "Organisation", "Staff" and "Management". Walter Hitziger, member of the Management Board and Director of the Mail & Branch Network Division, says: "With commitment and dedication, our employees and executives have been actively involved in recent years in our efforts to steadily improve our branch network and thus create a basis for a successful future. The new initiative is the next important step towards a modern and customer-oriented branch network organisation."

CONSISTENT EXPANSION OF THE POSTAL PARTNER NETWORK

Today, Austrian Post operates 1,880 postal service points throughout Austria, and thus one of the largest private customer networks in the country. Most of these outlets are third-party operated postal

partner offices. They are local businesses in different sectors, which offer the products and services of Austrian Post in addition to their own offerings. The concept has been a full success. It safeguards the efficient supply of postal services to the population, promotes economic structures in rural areas and offers longer opening hours. In addition, customers are very satisfied with their postal partners, as demonstrated in a study carried out in 2011 (details are provided on page 12). For this reason, Austrian Post decisively pursued the expansion of its postal partner network in 2011. Whereas the company had 418 cooperation partners at the beginning of 2010, this figure has risen in the meantime to 1,258 at the end of 2011 – and this upward trend will continue. The concept will also be increasingly implemented in metropolitan areas and further optimised in the year 2012. "We will once again expand our product portfolio. For example, we plan to introduce additional retail goods modules. In addition, we are consistently focusing on local quality optimisation and, in this context, offer special training opportunities including e-learning. This will help the postal partners and result in even greater customer satisfaction", says Wolfgang Lesiak, Head of the Branch Network Sales Unit of Austrian Post.



**"... together with our postal
partner offices we are
consistently focusing on local
quality optimisation..."**



WOLFGANG LESIAK
Head of Sales, Branch Network



POST & BAWAG P.S.K.: EXPANSION OF COOPERATION

Instead of operating parallel bank and post branch offices, the postal and banking services provided by Austrian Post and BAWAG P.S.K. are now being offered together in numerous jointly operated outlets

since the beginning of 2011. The concept has proven its worth and will be further expanded. By the end of 2012, some 520 jointly operated branch offices will exist throughout the country, including about 100 in Vienna. Along with the expansion of the postal partner network, the Austrian capital will have more postal service points at the end of 2012 than it did before the restructuring process of the Austrian Post branch network began. Karin Nistelberger, Head of the Branch Network Sales Unit of Austrian Post, summarises the advantages of this strategic cooperation in a nutshell: "For us this partnership is ideal. Austrian Post and BAWAG P.S.K. can meaningfully combine their respective strengths and thus create synergies. At the same time, both partners can focus on their core business". Walter Hitziger, member of the Management Board of Austrian Post, comments on the successful cooperation of the two companies: "Whoever goes to the post office also goes to the bank at the same time – and vice versa. In this way, we are further expanding our product and service offering."

**"Austrian Post
and BAWAG P.S.K.
can purposefully
combine their respective
strengths and thus
create added value."**

KARIN NISTELBERGER
Head of Sales, Branch Network



COMMENTARY



WOLFGANG KLEIN
Member of the Managing
Board, BAWAG P.S.K.

**"Joint branch office drive of
Austrian Post and BAWAG
P.S.K. precisely fulfils customer
needs."**

The idea of implementing a branch network offensive is the logical further development of a tried and tested cooperation, but also a really new beginning in Austria-wide customer support and service. The bank and Austrian Post under one roof – with all the related advantages for the country and its people. Because of the fact that BAWAG P.S.K. and Austrian Post are taking advantage of this historical opportunity, two of the biggest traditional domestic companies are working day in and day out to improve services and products on behalf of the customers.

Our branch office campaign is being well received by people, and in many different ways. With the expanded opening and banking hours, we fulfil the long-desired customer wish in line with the slogan "BAWAG P.S.K. – In the midst of life". Customers have reacted positively to the easy orientation supported by a clearly understood spatial concept – with postal services and financial transactions, on the one side, and a banking advisory zone, on the other. The design of all joint sites together with modern, high-quality self-service areas makes this cooperation between BAWAG P.S.K. and Austrian Post even more perceptible and a more gratifying experience in many ways and is a decisive step towards further accommodating our customers.

Together we are managing to fulfil our responsibility as a local supplier of services in the postal and banking segments. We will soon have more than 500 jointly operated branch offices. In this way, BAWAG P.S.K. and Austrian Post are making a clear commitment to Austria as a place worth living, and thus to operating in the domestic market.



**“With our new
KUVERT we create
greater order in
Austrian letterboxes.”**

ANITA SCHLÖGL
Responsible for the new product KUVERT

AUSTRIAN POST BUNDLES ADVERTISING MAIL

The new advertising envelope KUVERT fulfils customer wishes for greater transparency in their letterboxes.

In a nationwide customer survey, more than 70% of the respondents said that they would prefer to have all their advertising flyers and brochures neatly arranged and bundled in an envelope instead of getting them individually every day during the week. The main underlying reasons given are the wish for greater order in the letterboxes and the clear separation of advertising mail from addressed

letters. Austrian Post promptly reacted and will now deliver direct mail items bundled in the new collective advertising envelope called KUVERT. “With this collective envelope we are giving Austrian households precisely what they want, namely greater order in their letterboxes. At the same time, the advertising tools of brochures and flyers have become even more attractive. They can be removed from the letterboxes all at once and conveniently taken home to browse through”, says Anita Schlögl, who is responsible for the new product KUVERT. In addition, the new concept entails obvious advantages for advertising customers and increases the planning of advertising measures based on fixed delivery dates twice weekly to 3.2m households and companies throughout Austria. The direct mail items will be accepted at three locations in Vienna, Graz and Oberwang and bundled fully automatically from high-tech machines called col-lators. The high-quality advertising tools thus create added value. With this initiative, Austrian Post has demonstrated once again that innovative, state-of-the-art products and logistics solutions create added value for the customers.

INTERVIEW



**“Direct mail in
letterboxes is
indispensable...”**

PETER WAHLE
Member of the Managing Board,
Sport Eybl & Sports Experts AG

Mr. Wahle, what is the significance of traditional direct mail advertising for the number one sporting goods retailer in Austria?

Wahle: First of all, it is important to mention that direct marketing has changed considerably in recent years due to the new digital possibilities which exist. However, despite this “digital revolution” and new forms of advertising such as e-mail marketing, online marketing and advertising in social networks, traditional print mailings re-

main a key success factor with respect to customer acquisition and retention. The figures speak for themselves. We can only reach two thirds of our regular customers via their letterboxes.

So print advertising is well received?

Wahle: Definitely! Printed direct mailings continue to be far superior to digital media when it comes to impact and customer responses. However, the high costs mean that this type of advertising must be very precisely oriented to specific target groups.

Which trends can be observed in the field of direct marketing?

Wahle: Communication between the retail sector and customers – both digital and print – will be increasingly individualised in the future. Moreover, the intelligent combination of traditional and modern digital marketing channels will gain in importance. That is why we need the right partner and innovative solutions. We are also devoting attention to the issue of mobile devices, because iPads and smartphones have become indispensable aspects of everyday life and open up completely new perspectives.

Thank you for the interview.



THE DIRECT MARKETING TOOL OF AUSTRIAN POST: MORE FLEXIBLE THAN EVER

In the middle of 2011, Austrian Post made its advertising product “Info.Mail” even more flexible. Thanks to this product innovation the fully individualised design of every direct mail item is possible, starting with a circulation of 400 copies. Since then, customers have been able to personally address every single recipient. This enables real one-to-one marketing with precise messages and individual graphic designs.



“Advertising mail is an extremely important part of the advertising mix.”

MARTIN WOLF
Head of Sales, Advertising Mail

“Direct mail items are an indispensable part of the advertising mix of companies. It is our job to support our customers in appealing to their target audiences even more effectively. The new variability in advertising mail items helps them to do just that”, says Martin Wolf, Head of Advertising Mail Sales, who is satisfied with the new offering. “Austrian Post is also unbeatable in terms of delivery quality. Delivery on schedule for 98% of all advertising mail is an impressive performance in international comparison”, he adds.



INTERVIEW



“... we prefer classical mail correspondence.”

KARL JAGSCH
Member of the Management Board, KSV 1870 Holding AG

Mr. Jagsch, as a member of the Managing Board of the KSV 1870 Holding AG, you know the significance of functioning processes in business communications. What is the relevance for the KSV 1870 Group of sending letter mail using the services provided by Austrian Post Group compared to e-mails?

Jagsch: The partnership between the KSV1870 Group and Austrian Post dates back more than 140 years. In this time we have both continually adapted our operations and emerged as modern service companies. However, the type of cooperation has remained the same. Back then and today, our letters and parcels are being delivered by Austrian Post. This distribution channel will remain an integral part of our daily work processes, because we operate in an extremely communication-intensive business. Furthermore, our members and customers expect the binding nature of the written word. Thus we prefer classical mail correspondence.

What is the most important thing required to ensure the efficient delivery of letters?

Jagsch: Flexible acceptance times are the pre-requisite for rapid processing, and thus an important factor. We expect letters which are posted in the afternoon to be delivered quickly. In no case should they be left behind until the next day. For example, at our receivables management company KSV1870 Forderungsmanagement GmbH, payment reminders must be quickly and reliably sent out and return mail must be immediately checked to ensure the correct address. Creditors also have to be quickly informed about insolvencies to enable adherence to the stipulated deadlines for registering claims. In this case the services provided by Austrian Post support our process and business areas for the benefit of our customers and members.

From the customer's point of view, how must the postal sector of the future be oriented?

Jagsch: Innovative ideas should focus on optimally linking e-mail and dispatching by traditional mail, for example by setting up an e-mail account for every recipient in the country enabling reliable delivery to be carried out and documented. E-mails which were not opened would be printed in an automated process and then delivered physically by mail. In the service business individualised approaches in consulting business customers will become even more important. Business customer consultants could carry out potential analyses on site in the respective companies in order to work together with the customers to identify opportunities for greater cost efficiency.

Thank you for the interview.

THE MOST POPULAR MAIL CARRIER IN AUSTRIA

Enormous participation in the voting for the most popular mail carrier in Austria organised by Austrian Post in cooperation with a daily newspaper.

An incredible 250,000 votes were cast in only three weeks. The election of the “Postman of the Year” is proof of the good reputation of Austrian Post’s delivery staff in Austria. Thomas Unger from the Municipality of Tadten (Burgenland) ranked first in the overall polling thanks to countless votes cast by people in his community.



THOMAS UNGER
Most popular mail carrier in Austria

“I do my daily work with great conviction!”

“I enjoy my work and do it with great conviction. And the entire community took part. I am particularly delighted about this! My sincere thanks go to all of my supporters.”

The overwhelming majority of the 11,500 people delivering mail were given several votes, whereas more than ten personal ballots were cast for about one-third of the delivery staff. “We did not only get ballots. There was a lot of written praise for the individual mail carriers, even handicrafts were submitted. We are really pleased with this positive response, but also consider it to be a mandate to orient our operations even more to the wishes of our customers“, says Austrian Post Management Board member Walter Hitziger.

HYBRID RETURN RECEIPT - SOUNDS COMPLICATED, BUT IS ACTUALLY QUITE SIMPLE

Since November 1, 2011, government offices, public authorities and institutions have been able to make use of the hybrid return receipt (advice of receipt) for the very first time. How does it work? The mail item is sent in a standard blue machine-processable envelope for RSA and RSb letters (two types of registered mail with return receipt) and a clearly assignable shipment ID. Parallel to the physical mail items, the customers are sent a notification electronically. The electronic delivery status can be tracked by the customer. After the mail item has been successfully delivered, the shipper is sent delivery confirmation electronically as a PDF file. The physical confirmations of delivery are sent collectively on a monthly basis by mail. Moreover, it is possible for Austrian Post to store the delivery confirmations for a period of five years. If the customer requires the original proof of delivery, this can be requested by phone or e-mail.

AUSTRIAN POST OFFERS INNOVATIVE SERVICES ON THE INTERNET

Austrian Post also gets a warm welcome online!

A total of more than 29,000 registered users already use numerous postal services on the Internet – easily, quickly and flexibly. Redirections, vacation hold, notification of absence, authorisation to receive mail, the online parcel stamp, Mein Brief.at, e-postcard and much more are available to customers. “Our extensive online service offering is already being intensively used by many customers. 27,000



THE POST MANAGER CHARACTER

online requests were processed in the year 2010. In the meantime, this figure has risen to 99,000 in 2011, and the upward trend is expected to continue. For this reason, the online offering is continually being expanded and upgraded with new features“, says Mirjam Teicht, Head of Online Innovation Management, who is pleased with the progress being made in increasing the diversity of Austrian Post’s online offering. The online services of Austrian Post are characterised by a high degree of security and reliability. For example the “Post Manager”, the latest product in the company’s service portfolio on the Internet, is the ideal place for sensitive electronic documents and news. Regardless of whether you are talking about electronically registered letters, invoices or other important documents, the Post Manager automatically collects them from various portals and presents them in a transparent and understandable manner.

The documents are stored in a secure Austrian banking computer centre and are encrypted, both while they are being accessed and also during the storage process. Further information and registration: www.post.at/postmanager

LINKING TRADITION AND PROGRESS – THE ARCHDIOCESE OF VIENNA COUNTS ON THE ONLINE SERVICES OF AUSTRIAN POST



JOSEF WEISS

Head of the church contribution service, Archdiocese of Vienna

The Archdiocese of Vienna is keeping its finger on the pulse of the times and is using the new “Post Manager” service of Online Post Austria, which now reaches its members simply, securely and conveniently online. Thus everyone who pays their church dues via an automatic direct debit transfer system and who has already registered with the Post Manager can view the current status of their contributions at any time and quickly gain access to the information, for example when filing for tax declaration. “With this cooperation, we are responding to the needs of people making their church contributions and reach them either traditionally by mail or electronically. By simplifying the process, we also reduce costs at the same time”, says Josef Weiss

ON A SUCCESS PATH IN CEE

Post acquires a 26% stake in PostMaster s.r.l. in Romania.

Following its entry into the letter mail market in Hungary, Slovakia and Croatia, Austrian Post is now also represented in Romania’s letter mail market. The date October 20, 2011 marked the closing of the purchase of a 26% shareholding in the top alternative postal provider in Romania, PostMaster s.r.l. Thus Austrian Post has taken another important step towards implementing its growth strategy and entering one of the largest CEE markets. The core business of PostMaster s.r.l. is the delivery of addressed direct mail items (weighing over 50 grams). As a result of the acquisition, Austrian Post has a good starting position for the upcoming market liberalisation in Romania in the year 2013.

HERE I AM HUMAN, HERE I SHOP!

Post subsidiary KOLOS s.r.o.: Strong partner of dm in Slovakia.

Since 2005, the Austrian Post subsidiary KOLOS s.r.o. has been successfully cooperating with the drugstore chain dm, which operates a dense network of stores in Slovakia. The cooperation of dm with the direct marketing specialist KOLOS is being continually expanded. “Since the implementation of our customer loyalty programme in the year 2009, we have had to completely rethink our communications strategy. In this sense, we could fully rely on the innovative concepts supplied by KOLOS”, says Janka Krivdová, Authorised Signatory in the Marketing & Purchasing Department of dm Slovakia. KOLOS implemented a specially designed product for dm in the Slovakian market, which motivates customers to shop using discount coupons. “We jointly developed a marketing tool which can very precisely approach dm’s individual target groups, and at the same time take care of address optimisation and print management“, says Henrich Lauko, Managing Director of KOLOS s.r.o. And also the addressed distribution of the popular customer magazines “dm Journal” and “dm Journal Express” is carried out by the Austrian Post subsidiary.



JANKA KRIVDOVÁ

Marketing and Sales, dm Slovakia

SENDING LETTERS MADE EASY

Austrian Post is making its products fit for the future and is increasingly orienting them to the wishes and needs of its customers. As of May 1, 2011, it introduced its new product portfolio in the letter mail area. The new offering of Austrian Post features easier to understand postal rates linked to the size of the mail items, easier handling and greater availability. And the new regular stamps speak for themselves ...



In the Parcel & Logistics Division, the issues of growth and profitability are currently the priorities of the Austrian Post Management Board Member Peter Umundum. “Austrian Post has attractive growth opportunities in the parcels business, which we have proactively and successfully exploited in recent years. In this regard, we should not lose sight of our profitability. Thus, our focus is on ‘profitable growth’.”

Accordingly, Austrian Post is doing everything in its power to enhance the efficiency of its logistics processes, both in the domestic as well as the international parcel and logistics business. “On the one hand, this means a better interaction with our logistics partners. On the other, we will have to improve our product portfolio with cost-related pricing. Thus, our efforts are focusing on both revenue and costs”, he states. Integrated process standards also play an important role for Peter Umundum. “We are working on the operational excellence of all our logistics sites and exploit synergies whenever possible.”

At the same time, Austrian Post is taking advantage of the market potential in Europe and is particularly striving to intensify its European partnerships. The main platform for its efforts is the EURODIS network, which comprises a logistics platform for 34 European countries. “Of course, the basis for further growth is a customer-oriented service portfolio”, Peter Umundum adds. “In the parcels business, it is becoming increasingly important to offer comprehensive services. We are doing everything we can to further improve the service level on behalf of our customers by means of simplifying services and including a strong self-service component. We also want to simplify the business activities of our business customers in Austria and abroad by offering additional services along the value chain. In Austria, our goal is to increase our market share with business customers to over 20%.”

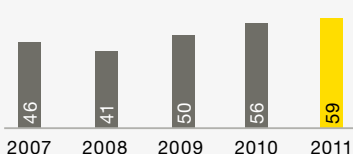
**“... increase market share
and simultaneously
improve profitability with
attractive new services...”**

PETER UMUNDUM

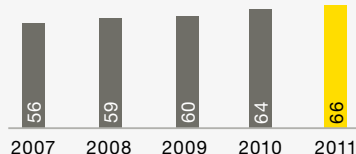
Member of the Management Board
Director of the Parcel & Logistics Division

PARCEL SHIPMENTS IN MILLIONS

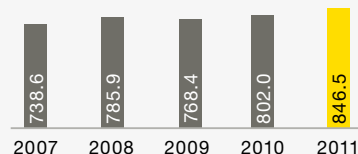
Austria
(parcels)



International combined freight
(parcels & pallets)



EXTERNAL SALES IN EUR m





HIGHLIGHTS OF 2011

- Market leadership with private customers in Austria; share of the B2B market further expanded to about 18 %
- Comprehensive service drive with new self-service solutions
- trans-o-flex: focus on service-oriented pricing and increasing productivity
- Strong growth in the X2C business in South East Europe – every fourth parcel is already being delivered to private customers

PARCEL & LOGISTICS DIVISION

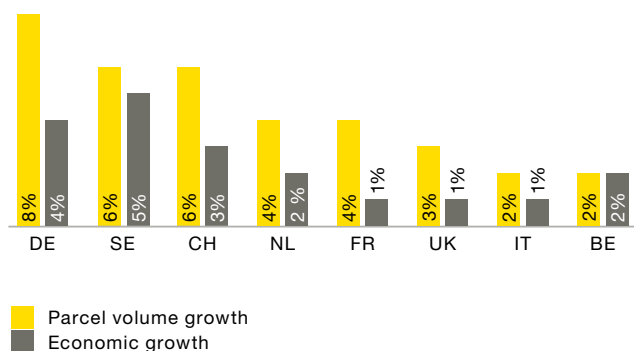
SUCCESSFUL IN AUSTRIA AND EUROPE

The Parcel & Logistics Division of Austrian Post offers its services in eleven European countries. In international markets, this consistently takes place via the company's own subsidiaries. The main business of the division is transporting parcels and EMS items for private and business customers. EMS stands for "Express Mail Service" – the premium express product offered by Austrian Post. But the product and service portfolio also includes a broad spectrum of speciality logistics solutions, for example so-called combined freight (the joint transport of individual parcels and pallets), temperature-controlled logistics (transport of temperature-sensitive goods in the range of 2 to 8 and 15 to 25 degrees Celsius) and contract logistics (customer-specific logistics services, from Webshop logistics to warehousing, commissioning and value-added services such as the setting up of electronic devices).

The recipe for Austrian Post's success is comprehensive, nationwide service and the strongest possible market position so that it can offer efficient logistics and supplementary services tailored to the respective market on behalf of its customers. Last but not least, it is important to mention the EURODIS distribution network, which encompasses transport companies in 34 countries. Together they ensure reliable combined freight distribution services for parcels and pallets throughout Europe.

Austrian Post achieved good growth rates in its parcel and logistics business. In 2011, it succeeded in expanding its B2B business, increasing its regional market share and taking advantage of the growing potential in the private customer segment. The catchword here is "online shopping".

PARCEL VOLUMES GROW FASTER THAN GDP



Source: A.T. Kearney, 2011



MARKET ENVIRONMENT & TRENDS

Ongoing growth in online shopping

Internet shopping has added new impetus to the European market for courier, express and parcel services (in short "CEP"). This is the conclusion of a study carried out by the management consulting company A.T. Kearney in August 2011, which examined the CEP sector in 13 European countries. According to this survey, the total volume of shipments in Europe rose by 6% in 2010 to 5bn, even slightly above the pre-crisis level of 4.8bn in 2008. In particular, the B2C parcel business, or the delivery of parcels to private recipients, has posted continuous increases, thus benefitting from the boom in online shopping. A.T. Kearney foresees even bigger growth rates here than in the business-to-business segment (B2B). B2C items currently account for 43% of the total volume in Europe, whereas the comparable international figure is much lower at 10%.

The trend towards online shopping has also continued uninterruptedly in Austria. The latest figures show that 45% of Austrians aged 16–74 already purchase products or services on the Internet. 62% of the 16–24 age group and 59% of the 25–34 year olds already make use of the Internet for shopping purposes (Austrian Statistical Office 2011). Further growth is expected, as indicated by a study implemented by the Boston Consulting Group (BCG) in January 2011. The growth rates of about 5% in the years 2008–2010 show the positive upward trend which is likely to intensify in the upcoming years. However, the Internet has radically transformed customer expectations and behaviour. Greater emphasis is being placed on the quickest possible availability and alternative possibilities to receive the products. This naturally places increasingly high demands on postal and logistics providers.

Parcel volumes expanding more than the overall economy

Parcel volumes are not only growing, but they are expanding at a faster rate than the economy, a phenomenon identified by A.T. Kearney in the above-mentioned study. On balance, the annual increase in parcel volumes is two to three percentage points above comparable GDP growth. Even if most CEP revenue is derived from the domestic business, the European CEP market in 2010 even expanded more quickly internationally than nationally. The most important routes were those between Europe and China and between Europe and the USA. A.T. Kearney anticipates a growth in shipment volumes of 4% annually until the year 2013. As a result, the total volume of shipments in Europe is expected to rise to 5.7bn by the end of 2013.

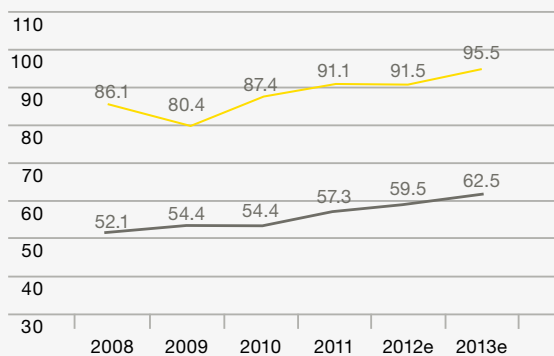
Main markets of Austrian Post show a positive trend

Austrian Post has profited from the ongoing rise in parcel volumes in its domestic Austrian market. The latest market analysis published by the market and competition experts Kreutzer Fischer & Partner (KFP) see a very gratifying upward trend for both B2B and B2C parcels. Whereas the more cyclically dependent B2B segment declined somewhat in the crisis year 2009, but has clearly been expanding since then, the B2C segment has maintained its robust upward trend, even during the crisis.

The overall picture is favourable for the most important markets in which Austrian Post operates. The CEP market in Germany, where Austrian Post is strongly present in the B2B business, combined freight, temperature-controlled logistics and contract logistics thanks to its trans-o-flex Group, is characterised by further growth. In 2008 and 2009, the effects of the economic and financial crisis were clearly felt. In contrast, the market came close to matching its previous growth path in 2010. The CEP companies surveyed in the context of a study expected market growth of over 20% in the period 2011–2015. Even if the current trend continued, market growth would reach a level of about 14% in the same period (KE-CONSULT, CEP Study 2010).

In spite of an uncertain economic environment, industry experts predict further growth in the CEP market of South East and Eastern Europe, although there will be considerable differences in the development of the individual regions (ITA Consulting, February 2011). Moderate growth is anticipated in Slovakia, Hungary and Croatia in the coming years, whereas double-digit growth rates are expected again in the medium term. This development will be primarily driven by increasing e-commerce volumes. Moreover, EU accession on the part of Croatia will have a positive impact on the development of the parcel and logistics market. In contrast, experts foresee a relatively moderate market development in Serbia.

**PARCEL VOLUMES:
POSITIVE TREND IN AUSTRIA
IN MILLION PARCELS**



■ B2B ■ B2C/C2C

Source: Kreutzer Fischer & Partner

COMMENTARY



“Whoever is well-positioned is a step ahead...”

CHRISTIAN KILLE

Professor of Trade Logistics
at the University of
Applied Sciences Würzburg
and Advisory Board Member
at the Fraunhofer Institute

Prof. Kille, how do you assess the development of the European CEP market in 2011?

Kille: The market for courier, express and parcel services succeeded in profiting from the positive economic impetus in the first half of 2011. The growth rate measured in terms of revenue “only” rose by 5%, while other logistics segments posted more impressive increases. However, several CEP segments even managed to achieve double-digit growth rates. E-commerce continued to be a driving force, as in previous years. In particular, CEP services capable of distributing shipments beyond the norm profited the most. The confidence placed in logistic service providers has improved in recent years. And thus goods with special handling are being increasingly offered on the Internet.

Do trends in Austria, Germany, Benelux and CEE vary at all?

Kille: Austria, Germany and the Benelux countries are considered to be highly differentiated markets, where growth rates are lower in comparison to Eastern Europe and where greater creativity and efficiency are expected. However, it should also be possible to generate solid growth rates in the East European markets even with standardised services. Whoever has a good position in Eastern Europe can expect constant revenue growth. Companies which are well-positioned and can offer high-quality value-added services are clearly a step ahead of the others.

How will the CEP market develop in the coming years, particularly in 2012?

Kille: Despite the cautious economic forecasts for 2012, CEP companies can take advantage of considerable potential in the strongly growing CEP business volumes. But this is not the only growth area of the future. Shipping and dispatching companies are searching for ways to enhance flexibility along the logistics chain, giving them greater room for maneuver in volatile markets. This not only applies to the outsourcing of traditional logistics services, but also increasingly to assembly, packing, finishing and other industry- or retail-related value-added services. In the meantime, logistics providers are able to offer such solutions in the required quality. There are interesting growth perspectives in the CEP market as a consequence of declining order size combined with opportunities in e-commerce.

Many thanks for this interview.

FOCUS ON THE CUSTOMER

INTERVIEW



“... consistent overall concept for optimal delivery ...”

RUDOLF ROITNER
Managing Director, Schäfer Shop GmbH

Mr. Roitner, what were the underlying reasons for Schäfer Shop to cooperate with Austrian Post?

Roitner: The underlying reason for cooperating with Austrian Post was a consistent overall concept for the optimal delivery to our customers, including the overnight services which are so important in the B2B segment. The strong willingness by Austrian Post and its employees to further their development and even to implement smaller requirements in their logistics structures enhances our performance with customers.

What are the advantages offered by Austrian Post compared to its competitors?

Roitner: Austrian Post enjoys a good reputation with our customers. The nationwide presence enables every entrepreneur to make use of our services, regardless of whether their shop is located in a remote valley or in the centre of the Austrian capital. The frequent personal contact with the delivery staff ensures a high level of flexibility in direct local contact, even in the case of such a large company.

Thank you for the interview.



24/7 PARCELS

Shipping and receiving parcels around the clock

Austrian Post offers 24/7 parcel services to its customers thanks to a clever combination of innovative ideas and high-tech hardware. Shipping parcels is more convenient and easier than ever before thanks to services such as the purchase of the parcel stamp on the Internet, self-service parcel drop-off in branch office foyers to online parcel “Track & Trace”. In addition, the automatic parcel machines “Post 24” enable customers to pick up their parcels day and night without waiting at the counters. This service has only been available in Vienna up until now, but will also be rolled out in the federal provinces in 2012. And it is as easy to use as you can imagine: if the parcel arrives in an automatic parcel machine, the customer receives an SMS with a special pick-up code. Enter the code – remove the parcel – finished!

But it gets even better: the new “Mail Receiving Box” will make running down to the post office completely obsolete. The principle is simple but clever, and fulfils customer demands for greater flexibility: if the parcel recipient is not at home, the mail carrier puts a notification card with a chip function in the person’s letterbox and the parcel in the Mail Receiving Box located in the hallway. Thanks to the chip on the card, the recipient will be able to open the Mail Receiving Box and remove his or her package. With the new system picking up parcels from the post office will become a relic of the past. After a successful pilot phase, the Mail Receiving Box will now be offered in larger residential buildings in Austria. Customer feedback has been extremely positive. “A convincing concept, implemented

in a user-friendly way. And it saves me from having to go to the post office” was only one of the numerous responses.



“Our self-service products offer maximal flexibility to our customers.”

MAX MOSER
Head of Parcel Logistics Austria

The so-called “E-mail/SMS Notification” is also a completely new service. It is currently being applied and will be rolled out on a broad basis in the near future – with material added value for the customer. “Customers have shown themselves to be very pleased with the new notification system. If they are informed by a text message as to when the parcel will be delivered, they can naturally adjust their plans more effectively. The number of notifications declines as does the burden on the branch offices, and above all: the customer has greater flexibility“, says Alfred Winkler, parcel deliverer from Linz, who was given positive feedback within the context of the intensive testing phase.

BUSINESS-TO-BUSINESS DE LUXE

Austrian Post offers strong solutions in the B2B segment

With respect to parcel services for business customers, the best solutions are just good enough. "Austrian Post continually makes sure that it proactively fulfils the high demands in this segment and offers services which provide customers with a clear added value. For this reason, Austrian Post with its customised products and services is also the leader in the B2B segment", says Max Moser, Head of Parcel Logistics Austria. The shipment of parcels on behalf of companies is in

good hands thanks to the business solutions developed by Austrian Post – whether they involve the standardised shipping software "EasyPAK" allowing for the user-friendly, flexible and quick processing of the parcels to be shipped or the "Business Cockpit", which clearly displays all information on the current status of shipments and serves as the basis for detailed user-friendly analysis. "Austrian Post is also focusing on innovation for its customer service. In addition to

traditional personal customer advisory services and support, we also intensively make use of new communications channels", Moser adds. For example, the requested data and information are directly transmitted to the customer via the customer service area of Austrian Post's shipping software. Austrian Post is also taking the issue of sustainability to heart: all parcels transported by Austrian Post in Austria are now being delivered in a CO₂ neutral manner.

INTERVIEW



LIBRO - Reprint free of charge

MARTIN WALDHÄUSL
CEO, MTH Retail Group

Mr. Waldhäusl, you have been working closely with Austrian Post for many years as Managing Director of the MTH Retail Group. Such well-known brands as the Libro and Pagro chain stores belong to your company. What were the original reasons for this cooperation?

Martin Waldhäusl: We were convinced by the comprehensive B2C offering of Austrian Post. Moreover, the good image which Austrian Post enjoys with many of our customers as a parcel services company is an additional USP for us. And from our suppliers we know that the B2B services provided by Austrian Post are quite good and the cooperation with Austrian Post works extremely well.

And which specific advantages does Austrian Post offer in comparison to other parcel service providers?

Martin Waldhäusl: Austrian Post can rely on a very well developed delivery network, which provides nationwide service throughout all of Austria. The slogan "If things are really important you can rely on Austrian Post" addresses points which are very important to us, also in the relationship we have with our customers, namely trust and reliability.

“... trust and reliability...”

Thank you for the interview.

INTERVIEW



Robert Polster

DIETSMAR KEUSCHNIG
Managing Director, Nespresso Austria

Mr. Keuschnig, what were the reasons for choosing to cooperate with Austrian Post?

Keuschnig: Austrian Post is a long-term, reliable partner which offers nationwide services to the Austrian population and a high service level. For example, based on the cooperation with Austrian Post, we can now guarantee that delivery of the orders placed by Nespresso Club members will take place within 48 hours.

What competitive advantages are offered by Austrian Post?

Keuschnig: One special benefit is the CO₂ neutral delivery of letters, parcels and advertising mail. With this initiative, Austrian Post supports the ambition of Nespresso to minimise the ecological footprint in all business areas.

“... CO₂ neutral delivery is a special benefit...”

Thank you for the interview.

INTERVIEW



“... outstanding service – everything from a single provider ...”

PATRICK SCHULZ

Director Logistics and Supply
Operations Mid Europe, Pfizer

Mr. Schulz, Pfizer as a leading research-oriented global pharmaceutical company has been working closely with trans-o-flex for 35 years. What services do you make use of here?

Schulz: The comprehensive offering of the trans-o-flex Group won us over. We make use of the warehousing services for parts of our pharmaceutical portfolio as well as for our advertising materials. We ship parcels and pallets with the trans-o-flex express service, and we take advantage of the temperature-controlled distribution network of ThermoMed for our chilled products.

What advantages does trans-o-flex offer compared to other service providers?

Schulz: As a customer, it is important for us to see the extent of the flexibility provided by trans-o-flex to meet the requirements of the pharmaceutical market. As a verifiable industry specialist in the pharmaceutical sector, trans-o-flex offers outstanding services, from the producer to the various recipient groups. The growing demand for cross-border distribution is being increasingly met by ThermoMed thanks to its continually growing outreach in Europe, recently with its subsidiaries in Austria and Benelux as well as cooperation partners in Denmark and France since 2011.

Thank you for the interview.

STRONG SUBSIDIARY TRANS-O-FLEX

Consistent productivity increases ensure sustainable development

The German logistics group trans-o-flex, the largest subsidiary of Austrian Post with about 1,600 employees, can also point to solid revenue growth in 2011. At the same



time, it is making itself fit for the future with consistent productivity increases and by optimising its price structure. “A new clear price structure for the transport of heavy and bulky goods safeguards the exceptional flexibility of trans-o-flex services and also ensures usage-based costing”, explains Oliver Rupps, CEO of trans-o-flex.

The business model of the logistics company operating throughout Europe is based on three pillars:

■ trans-o-flex Schnell Lieferdienst offers a nationwide network in Germany for the efficient and safe transport of parcels and pallets. Numerous express and additional services, e.g. the transport of hazardous goods without special clauses for limited quantities, round off the offering of the combined freight specialist. In addition, trans-o-flex ensures nationwide combined freight transport in 33 other European countries in its role as a shareholder and partner of the EURODIS network.

■ Under the umbrella of trans-o-flex Logistik-Service, additional logistics services are offered, from warehousing and commissioning of goods, value-added services, e.g. the setting up of sales displays or electronic devices, to the development and implementation of separately designed transport networks for individual custom-

ers. Customised solutions, high quality and a strong network comprise the decisive strengths of this segment.

■ Finally, trans-o-flex ThermoMed offers so-called actively temperature-controlled logistics solutions for pharmaceutical goods, covering Germany, Austria, Benelux and since 2011 France and Denmark as well. ThermoMed’s own special network ensures the rapid and reliable transport of temperature-sensitive goods within the range of 2–8°C and 15–25°C. “With our market entry in Denmark, we now have the largest network for the comprehensive fine distribution of pharmaceutical products with active temperature control throughout Europe. This gives us more flexibility, es-

pecially on long international routes, and above all, enables us to offer a high level of security”, says Carsten Glos, Managing Director of trans-o-flex Thermomed.



“We are making trans-o-flex fit for the future on the basis of consistent productivity increases and the optimisation of the price structure.”

OLIVER RUPPS
CEO, trans-o-flex

AUSTRIAN POST IN THE EUROPEAN LOGISTICS NETWORK EURODIS

High performance network simplifies parcel distribution

The parcel logistics operations of Austrian Post belong to a network of logistics companies in 34 European countries named EURODIS. The EURODIS network links Europe's leading transport companies to form an efficient combined freight distribution service for parcels and pallets.

In addition to the subsidiaries of Austrian Post, EURODIS includes such strong partners as Redur in Spain and Portugal, SDA Express in Italy, as well as UK Mail in England and Ireland. They are all capable of quickly and securely transporting items

ranging from a parcel weighing just one kilogramme to an 800 kg pallet without interruption.

The combined freight services offered by EURODIS thus successfully fill the gap between parcel service providers and cargo companies in 34 European countries. "EURODIS offers its partners the chance to sustainably expand their market position in the growing international parcel transport business", explains Carsten Siebe, Managing Director of EURODIS.

EURODIS IN NUMBERS – STRONG AND CONTINUOUSLY GROWING PRESENCE IN EUROPE

Revenue (partners)	EUR 1.9bn
Area coverage	34 countries (EU and EFTA)
Quantity of sendings	approx. 140,000,000 per year (national/international)
Vehicles	approx. 30,500
Network	35 gateways (>330 depots)
Employees	approx. 40,000
Sectors	Automobile-/vehicle industry, electronics, life sciences, lifestyle, textile sector

INTERVIEW



trans-o-flex: "A single competent contact partner for the most diverse tasks ..."

MIRJA ERNST

Marketing and PR Manager,
Sisley Germany

Ms. Ernst, as the Marketing and PR Manager of Sisley Germany, you attach great importance to the perfect presentation of your cosmetics and body care products in shops. In this regard, what are the specific features of your cooperation with the Austrian Post subsidiary trans-o-flex?

Ernst: We are provided with a complete range of services by trans-o-flex Logistik-Service for setting up our high-quality sales displays, the so-called "cosmetic displays". This relieves the burden on our field staff, and the Sisley products are optimally positioned and presented in perfumeries.

Why are you using this service offered by trans-o-flex?

Ernst: trans-o-flex is one of the very few full service providers to provide one-stop handling of transport and special services – at a high quality and at a good price. We have only a single contact partner to deal with for the entire range of tasks that need to be performed, from the acceptance of incoming goods and display assembly to a two-man delivery service. The company works quickly and reliably. The employees wear the Sisley T shirts when setting up the displays in the perfumeries and are friendly and professional. We are thoroughly satisfied.

Thank you for the interview.



AUSTRIAN POST AND HERMES LOGISTIK GMBH

Continuation of successful cooperation

Hermes Logistik GmbH, one of the largest German parcel delivery service companies in the B2B segment, has long relied on Austrian Post for the delivery of parcels to end customers in Austria. The cooperation between Austrian Post and its largest parcel customer will now be put on a longer-term footing and extended for a further eight years. "This is a major success – and proof that punctuality, reliability and cost efficiency pay off", says Thomas Bissels, Head of Sales and Marketing in Austria.



NO. 1 IN NUMEROUS MARKETS

AUSTRIA

No. 1 in parcel distribution

X2C: Leading market position upheld

B2B: Market share expanded to 18 %

GERMANY

No. 1 in the fine distribution of pharmaceutical goods and for combined freight (joint transport of parcels and pallets)

SLOVAKIA, CROATIA, SERBIA AND BOSNIA-HERZEGOVINA

No. 1 for parcels to business customers

AUSTRIAN POST DELIVERS VALUES

Since 2012, the Value Logistics Business Area has been part of the Parcel & Logistics Division. Its core business is the Austria-wide transport of larger sums of cash including pickup and delivery as well as various preparatory and follow-up services in the cash centre, coin counting and processing, the filling and maintenance of automated teller machines as well as special storage services for coins, documents on behalf of custom-

ers such as banks, commercial companies or ministries. "We offer our customers tailor-made transport and value-added services for the secure and professional handling of cash. The service ranges from the professional storage of coins and documents to filling automatic teller machines and the delivery of cash throughout Austria", says Walter Fellacher, Managing Director of Austrian Post's Value Logistics.



"Austrian Post offers tailor-made transport and value-added services for the secure and professional handling of cash."

WALTER FELLACHER

Managing Director, Post Wertlogistik



THE BEST IN THE EAST

Strong positioning of Austrian Post's Eastern European subsidiaries

Austrian Post with its seven logistics subsidiaries in Slovakia, Hungary, Croatia, Serbia, Bosnia-Herzegovina and Montenegro ranks among the leader parcel delivery companies in the South East and Eastern European region. In Slovakia and Croatia, Austrian Post also successfully cooperates with the international logistics specialist UPS. All in all, a strong development: the subsidiaries in Croatia, Serbia, Slovakia and Bosnia-Herzegovina are market leaders in their respective countries for ex-

press business parcels – both in terms of the volume of parcels delivered and total revenue. The CEE subsidiaries of Austrian Post are also on a growth path in the B2C segment. Every fourth parcel it transports in the region is already being delivered to end customers. The continuous growth of these companies serves as the basis for new investments. Accordingly, four new distribution centres were constructed in Bratislava, Košice, Zagreb and Budapest in recent years.



COMMENTARY

**Overseas in Croatia:
“... flexible and
excellently organised.”**

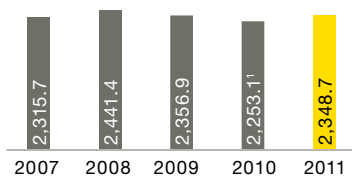
The traditional Slovenian company Lisca has been producing exclusive women's lingerie, swimwear and blouses since 1955. Since then, it has continuously expanded to numerous countries throughout Europe. Lisca has been cooperating on the Croatian market with the Austrian Post subsidiary Overseas, the industry's market leader in Croatia for parcel delivery services, since 1996. Josipa Poljičak, Managing Director of Lisca in Zagreb, is very satisfied with this cooperation:

We require reliable and punctual partners to ship goods to our end customers. That is why we have been working together with Overseas for many years.

The company reacts flexibly to our demands and is excellently organised. Parcels are delivered within one working day after the incoming order but no later than two working days. Not a single parcel has been lost in spite of a volume of over 650 items per month. Moreover, the professional and friendly delivery staff of Overseas is an important factor in our customer retention efforts. The positive feedback of our customers shows that Overseas is doing an outstanding job.

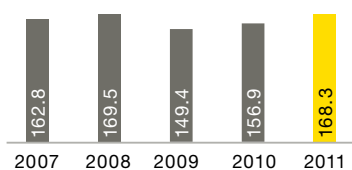


REVENUE EUR m

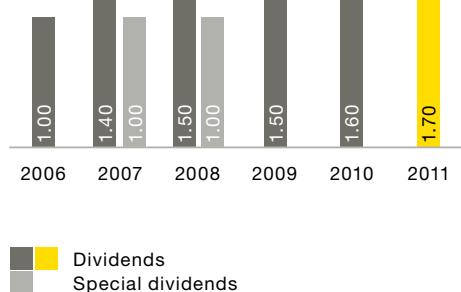


¹ On a comparable basis excl. meiller Group

EBIT EUR m



DIVIDENDS PER SHARE IN EUR



HIGHLIGHTS 2011

- Revenue increase of 4.2% on a comparable basis: good development in the parcel and letter mail business and with advertising mail
- EBITDA margin of 12%; EBIT rise of 7.3% to EUR 168.3m
- Free cash flow up 5.8% to EUR 162.5m
- Dividend proposal of EUR 1.70 per share to Annual General Meeting

“... we create value
for our
shareholders...”

RUDOLF JETTMAR
CFO



Austrian Post also continued its successful growth path in 2011. “The revenue increases achieved in the mail and parcel business once more underline the fact that our strategic positioning is right and that the operational implementation is proceeding well”, says a satisfied CFO Rudolf Jettmar. On balance, Group revenue rose 4.2% on a comparable basis to EUR 2,348.7m against the backdrop of a challenging business environment.

Earnings indicators of the Group developed even better in 2011, due to the fact that Austrian Post placed considerable emphasis on the strategic pillars of efficiency enhancement and increased flexibility of the cost structure. “In 2011, we did our homework and could significantly improve the structure of operating costs”, Jettmar adds. All in all, EBITDA rose by 7.9%, corresponding to a margin of 12.0% in relation to revenue. “We clearly achieved our goal of an EBITDA margin between 10% and 12%.” Despite impairment losses and structural measures, EBIT improved by a pleasing 7.3% to EUR 168.3m, and the Group net profit for the period amounted to EUR 123.8m. “With earnings per share of EUR 1.83 we are able to continue our attractive dividend policy”, Rudolf Jettmar says.

Since the IPO in 2006, the business development of the company is also impressive in an international comparison. “Naturally, our shareholders should also participate in this success. We have a clear positioning as an attractive dividend stock, with a dividend yield of over 7% (based on our dividend proposal of EUR 1.70 per share). We create value for our owners. Since the IPO, we have generated a total shareholder return of 70% on behalf of our shareholders.”

INVESTOR RELATIONS

“True values prove their value especially in stormy times.”

Austrian Post positions itself as a stable dividend stock for the capital markets. This has been impressively demonstrated in recent years. “We offer investors values which are more important than ever before”, Austrian Post CEO Georg Pölzl is convinced. “Austrian Post is predictable, solid and reliable. This is naturally very attractive in times of volatile capital markets”, he says.

The basis for this optimism is the solid core business of Austrian Post, which enables the generation of steady and strong cash flows. The company also boasts a strong balance sheet. “We only require about EUR 14.4m in bank liabilities, and have a very comfortable equity ratio of 42.1% of total assets. This makes us largely independent of financial market turbulences. In addition, it is important to mention our clear commitment to a sustainable dividend policy. In any case, we distribute at least 75% of the Group net profit as dividends to shareholders. Thus, our owners profit directly from a positive business development.” On balance, investors have done well with the Austrian Post share. The total shareholder return since the IPO in 2006 has been a respectable 70%.

COMMENTARY



“... a solid balance sheet ...”

GABRIELA ZRAUNIG
Head of Finance and Accounting

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

The analysis of the balance sheet of Austrian Post Group shows that assets, in addition to the largest items such as property, plant and equipment, intangible assets and goodwill at EUR 811.3m as well as inventories, receivables and other with EUR 418.6m, also feature a considerable level of financial resources. On balance, as at December 31, 2011, Austrian Post has financial resources of EUR 344.7m at its disposal. These financial resources on the balance sheet far exceed the financial liabilities of EUR 29.2m. Thus, the company has an extremely solid financial standing.

As at December 31, 2011, capital and reserves of the Austrian Post Group amounted to EUR 702.0m, corresponding to an equity ratio of 42.1%. The gearing ratio was only 8.8% at the end of the reporting period. I am proud that what we do, we do well.

INVESTMENT STORY

SOLID BUSINESS MODEL, ATTRACTIVE RETURNS

With respect to its shareholders, Austrian Post already clearly defined an important objective at the time of its Initial Public Offering in the spring of 2006: to enhance shareholder value and, on that foundation, generate sustainable and attractive dividends on the basis of its solid business model.

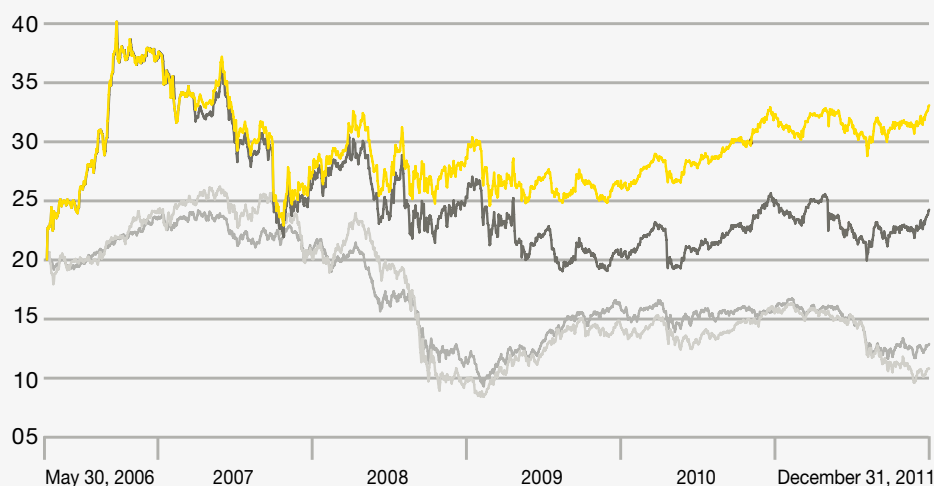
The main foundation of this business model is the solid core business of Austrian Post in the letter mail and parcel segments. Here the priority is to sustainably safeguard the leading market position of Austrian Post. In this regard, the company aims to achieve solid medium-term revenue growth of 1–2% annually. Austrian Post works to counteract the electronic substitution of traditional letter mail and the resulting volume decline by developing modern and attractive supplementary products in the letter mail business. Moreover, interesting growth opportunities in the parcel and logistics segment continue to open up. The main input is being provided by the ongoing boom in Internet commerce. The focus of all company decisions is always on ensuring an efficient cost structure and a high level of profitability. The overall goal is to generate a sustainable EBIT margin of 10–12%. Together with a solid balance sheet, this enables Austrian Post to distribute a solid and sustainable dividend each year – which Austrian Post is committed to doing on behalf of its shareholders.

Total shareholder return of Austrian Post at the very top of the rankings

Investors who subscribed to the Austrian Post share during the IPO in May 2006 can be pleased with a total shareholder return of 70% over the period. Close to a third can be attributed to share price gains, the remaining two-thirds are the result of an attractive and consistent dividend policy. Thus since the IPO, Austrian Post has ranked among the most profitable shares on the Vienna Stock Exchange and compares favourably with other listed inter-

national postal and logistics companies. Austrian Post is striving to continue this success story in the future. The basis will remain an attractive dividend policy, a fundamental cornerstone of its corporate philosophy. Each year Austrian Post intends to achieve a dividend payout ratio of at least 75% of Group net profit for the year to its shareholders. Thus, the objective is to further develop dividends in line with the Group net profit for the year.

TOTAL SHAREHOLDER RETURN OF 70% SINCE THE IPO



Austrian Post
TSR: +70.0%
Dividend: EUR 9.00

Austrian Post:
Share price: -25.4%

EuroStoxx
Transportation: -38.2%

ATX: -49.5%

Basis: Austrian Post
(Share price: EUR 19.00
as of Mai 30, 2006)

KEY POST SHARE AND DIVIDEND INDICATORS

		2010	2011	Change 2010/2011
Earnings per share	EUR	1.75	1.83	4.6%
Dividends per share	EUR	1.60	1.70 ¹	6.3%
Special dividends per share	EUR	–	–	–
Dividend payout	EUR m	108.1	114.8 ¹	6.3%
Free cash flow per share	EUR	2.27	2.41	5.8%
Dividend yield ²	%	6.5%	7.3%	–
Total shareholder return (annual performance + dividends) ³	%	+37.9%	+0.7%	–
Total shareholder return since the IPO	%	+69.1%	+70.0%	–
Share price performance	%	+30.0%	–5.8%	–
PE (price/earnings) ratio at the end of December	–	14.1	12.7%	–9.9%
Share price at the end of December	EUR	24.73	23.30	–5.8%
High/low (closing price)	EUR	24.73/18.20	24.73/18.93	–
Market capitalisation at the end of December	EUR m	1,670.6	1,574.0	–5.8%
Shares in circulation at the end of December	Shares	67,552,638	67,552,638	–
Free float	%	47.2%	47.2%	–

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

² Dividends per share divided by share price at year-end of the respective financial year

³ Change in the share price year-on-year plus dividend payment in the respective year (excluding reinvestment of the dividends)

SOLID DEVELOPMENT, HIGH TRANSPARENCY

STABLE SHARE IN A TURBULENT ENVIRONMENT

In 2011, international stock markets suffered from a truly difficult market environment. The development of share prices on the stock exchanges was relatively stable in the first half of the year. However, uncertainty in the markets grew during the summer months, which was mainly due to the European sovereign debt crisis. The consequence were substantial losses on all important benchmark indices. In the course of the year, the Dow Jones Industrial registered a 5.5% decline in value, whereas the DAX even posted a 14.7% loss in the same period. The Vienna Stock Exchange was faced with a more dramatic downturn, closing the year at minus 34.9%. In 2011, the DJ Euro Stoxx Transportation Index fell by 19.0%.

Austrian Post shares, which have been listed on the Vienna Stock Exchange since May 31, 2006, ranked among the absolute top performers against this backdrop. Despite unfavourable market conditions, the Austrian Post share price held up well, and closed at EUR 23.30 at the end of trading in 2011, corresponding to a relatively moderate decline of 5.8%. On the basis of this share price, market capitalisation totalled close to EUR 1.6bn. Almost 20m Austrian Post shares were traded on the Vienna Stock Exchange in 2011, with the total volume of trading reaching a level of about EUR 450m (counted once). On balance, the share price of Austrian Post has climbed by EUR 4.30 since its IPO.

Attractive dividends

Austrian Post aims to continue offering attractive dividends and total shareholder returns to its shareholders. The Management Board will propose the distribution of a dividend of EUR 114.8m for the 2011 financial year to the Annual General Meeting scheduled for April 17, 2012. This corresponds to a dividend of EUR 1.70 per share to be distributed on May 2, 2012. On the basis of a share price of EUR 23.30 as at the end of December 2011, the dividend yield amounts to 7.3%. Therefore, since the IPO, Austrian Post will have paid its shareholders a total dividend of EUR 9.00 per share. Taking account of the issue price of EUR 19.00 (May 30, 2006), the yield (total shareholder return) including the share performance has been 70.0%.

Within the context of its dividend policy, Austrian Post Group intends to achieve a dividend payout ratio in the coming years of at least 75% of Group net profits for the year attributable to Austrian Post shareholders. This is based on the assumption that the company successfully continues its business development and that no unforeseen circumstances arise. Accordingly, the company strives to distribute a sustainable dividend developing in line with Group net profits for the year.

Represented in numerous indices

Since September 18, 2006 Austrian Post shares have been a constituent of the Austrian Traded Index ATX, the benchmark index of the Vienna Stock Exchange. It consists of the 20 Austrian blue-chip companies with the highest trading volume and the largest market capitalisation. At the end of December 2011, the weighting of Post shares in the ATX was 2.7%. In addition to the ATX, Post shares are

also represented on ATX Prime, on VÖNIX, the Austrian sustainability index, and on the DJ Euro Stoxx Transportation Index.

Number of shares remains unchanged

Since the share buy-back programme involving 2,447,362 shares in the year 2008 and the subsequent cancellation of all treasury shares on April 24, 2009, the share capital of Austrian Post has continued to be 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.

Investor relations: great importance attached to transparency

Since its IPO on the Vienna Stock Exchange, Austrian Post has attached considerable importance to active communications with investors and analysts. In addition to numerous visits made by institutional investors and analysts in Vienna, the Management Board as well as the investor relations team continually held meetings with representatives of the financial community in Austria and international financial centres such as Frankfurt, London, Amsterdam, Paris, Stockholm, Madrid, New York, Toronto and Boston in 2011. On balance, an intensive dialogue with some 250 institutional investors took place during 40 roadshows and investor conferences.

The high quality of Austrian Post's reporting was underlined by two awards granted for its Annual Report 2010: once again the company won the second place award among all firms listed on the ATX at the Austrian Annual Report Award of the business magazine "Trend". On an international level, the Annual Report 2010 entitled "The Values of Austrian Post" was awarded the silver prize at the Econ Awards for Corporate Communications in the category Annual Report/Print.

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

Extensive 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 processes of investors. At the same time, the analyst reports provide Austrian Post with valuable feedback from experts in the sector, concerning the strategy and development of the company. At the end of February 2012, Austrian Post is regularly monitored by a total of twelve 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 and UBS. An overview of the latest recommendations of these investment banks can be found on the Internet at www.post.at/ir >> **Our Share >> Analyst Coverage.**

Investor relations contact: Harald Hagenauer
T: +43 (0) 57767 30401, F: +43 (0) 57767 30409
E: investor@post.at, I: www.post.at/ir

INTERVIEW



“... currently the best defensive stock on the Vienna Stock Exchange ...”

From left to right: Harald Hagenauer, Head of Investor Relations, talks with the analysts Christoph Schultes, Erste Group, and Bernd Maurer, Raiffeisen Centrobank.

Maurer: The Post share is one of the most attractive dividend stocks on the market. For this reason there is one question which is the focus of investor attention. How sustainable is the dividend?

Hagenauer: We are clearly positioned as a stable dividend stock. Our investors expect an attractive dividend, and recent years have shown that we have not failed to live up to their expectations. This year we also plan to distribute an attractive dividend, which will further develop in the future in line with the Group net profit.

Maurer: Will the company continue to be able to generate the dividend from its operating business?

Hagenauer: Yes. We assume that our performance in the future will continue to make this possible.

Schultes: Due to the strong cash flow position of Austrian Post, investors are also interested in knowing whether acquisitions are planned. What strategy is being pursued here?

Hagenauer: The top priority of the Group is clearly improving its performance. Smaller acquisitions which complement our core business are possible, but only in companies with growth-oriented business models.

Schultes: Will the trend towards the electronic substitution of letter mail continue uninterrupted?

Hagenauer: In the coming years we anticipate a volume decline of 3–5% for addressed letters. In contrast, direct mail items will remain an important component of the marketing mix of companies.

Maurer: Speaking of growth – will trends such as online shopping

also enable stable growth in the parcels business in the years to come?

Hagenauer: Studies confirm that e-commerce is clearly a popular trend and will remain that way. This will result in higher volumes of private customer parcels. We can exploit this situation based on the joint delivery of parcels and letters in Austria. But the B2B business also continues to boast gratifying volume increases which tend to be somewhat higher than GDP growth.

Now let me pose a question to the analysts. How do you see the potential of Austrian Post?

Schultes: From our point of view the Post share is currently the best defensive stock on the Vienna Stock Exchange. Its performance in recent months was outstanding.

Maurer: I can only agree with you on this. No other share better fulfils the profile of an attractive defensive stock. The business model and dividends as well as the balance sheet and cash position all point in the right direction.

Hagenauer: What would add further impetus to the share?

Maurer: Ongoing cost reductions, positive surprises in letter mail volumes but also increased free float, if possible over 50%, would add impetus to the share's attractiveness. In this way the investor base could be expanded or further stabilised.

Schultes: The focus must be on continuing the attractive dividend policy.

Hagenauer: Thank you for this discussion.



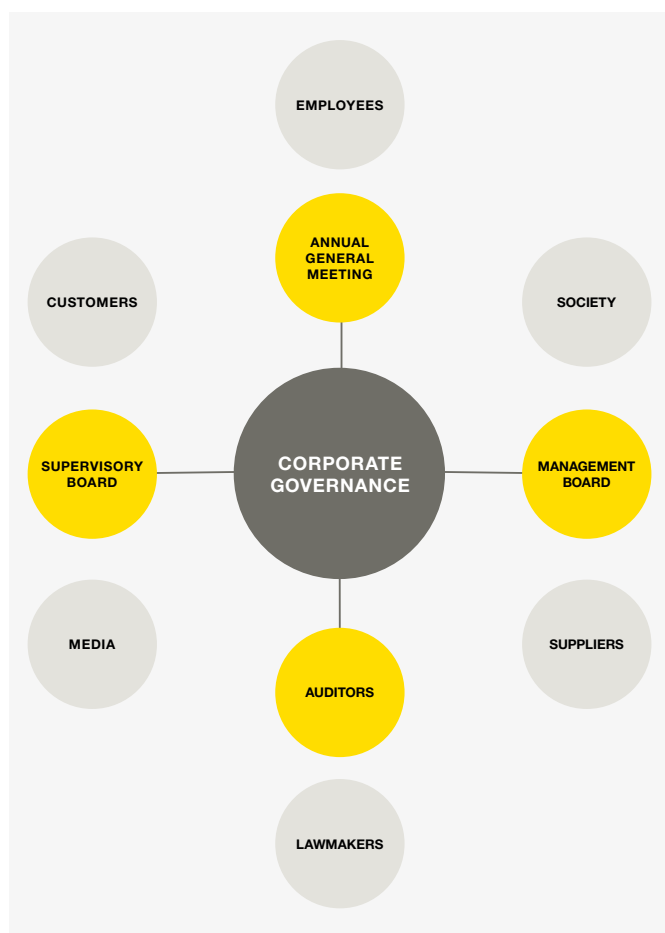
CORPORATE GOVERNANCE

CHECKS & BALANCES

In carrying out its business operations, Austrian Post not only attaches the utmost importance to professionalism but also to its business management. Naturally, this extends to corporate governance, in which Austrian Post also relies on best practice.

Confidence based on transparency

But what exactly is corporate governance? This term originating in the USA, which has become increasingly important also in Europe over the last 15 years, characterises the legal and factual framework for the management and supervision of a company. The overriding goal is to gain the confidence of investors by promoting a regulated cooperation of the Supervisory Board, Management Board and shareholders as well as transparency regarding corporate management and supervision. In this regard, the discussions focus on the management structure of publicly listed companies due to the fact that there is a relatively large distance between the company's management and shareholders because of the broad distribution of the shares.



Legal regulations plus voluntary compliance

Corporate governance is very complex and encompasses both binding and voluntary measures: adherence to laws, regulations and rules, compliance with recognised standards and recommendations as well as the development and observance of own corporate guide-

lines. The term has been decisively shaped by the Austrian Corporate Governance Code, serving as an important interface between company and capital market laws. The code is not a law, but a set of "best practice" guidelines functioning on the basis of "comply or explain". The Austrian Corporate Governance Code follows the principle of self-commitment compliance. This means compliance to the rules is on a voluntary basis.

The Austrian Corporate Governance Code was put together by the Austrian Working Group for Corporate Governance. The first version was published on October 1, 2002. Since then, it has been revised annually to reflect the latest national and international legal developments.

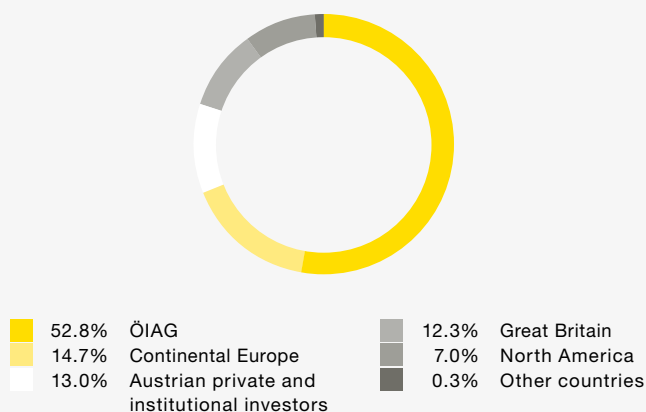
Austrian Post and corporate governance

Austrian Post has been committed to complying with the stipulations contained in the Austrian Corporate Governance Code since its IPO in 2006. Over the years, the company has developed high internal standards which ensure "good corporate governance". In addition to adhering to recognised formal processes, the constructive exchange of views between the Supervisory Board and the Management Board is of crucial importance. The willingness to deal with difficult questions is decisive in this case. For example, the two boards regularly discuss risky business areas and potential courses of action.

Shareholder structure of Austrian Post

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 ÖIAG (Österreichische Industrieholding AG) in the share capital of Austrian Post thus decreased from a 100% stake to 51.0%, or a total of 37.5m 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 2012 concluded that, in addition to the main shareholder ÖIAG, 39 % of the shares are held by European investors (plus 1 percentage point compared to the previous analysis of January 2011). All in all, 13% of these shares are held by private and institutional investors in Austria (plus 3 percentage points), 15% in Continental Europe (minus 3 percentage points)

and 12% in Great Britain (plus 1 percentage point). A total of 7% of the shares (minus 1 percentage point) 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 share of more than 2%.

INTERVIEW



“... open and constructive discussions between the Management and Supervisory Board...”

MARKUS BEYRER

Chairman of the Supervisory Board of Austrian Post

Mr. Beyrer, you have been Chairman of the Supervisory Board of Austrian Post since April 2011, and also CEO of ÖIAG since July 2011. How are you doing with your new responsibilities?

Beyrer: Austrian Post is an Austrian flagship company, which is of crucial importance to the Austrian business location and the population due to its nationwide services as well as its strategically vital logistics infrastructure. To serve as the Chairman of the Supervisory Board of Austrian Post and actively shape the further development of the company is an extremely interesting and also challenging task which I am glad to fulfil. As the Chairman of the Managing Board of ÖIAG, my job is to ensure that the management of the holdings we are in charge of performs its duties according to professional and economic criteria. In this respect we are on the right track.

The term corporate governance is decisively influenced by the Austrian Corporate Governance Code. What influence does the code actually have on corporate practices?

Beyrer: The approach taken, which emphasises flexible self-regulation tailored to corporate requirements on the basis of the “comply or explain” principle and the objectives of the code to make the Austrian corporate governance system transparent and understandable, should definitely be welcomed. The Austrian Corporate Governance Code provides a good regulatory and “best practice” framework for the management and supervision of companies. Austrian Post has taken into account the guidelines contained in the code since its IPO in 2006, and in several cases even goes beyond these stipulations. For example, in 2011 three meetings of the Audit Committee took place which reported on the issues of “Internal Auditing, Risk Management and Compliance”. The code only recommends one report per year on internal auditing.

In the past few months, the issue of diversity has been intensively discussed by the Supervisory Board. What is your personal opinion on this?

Beyrer: The challenges faced by supervisory boards in their activities have become much more complex, multi-faceted and

time-consuming over the last few years. In order to effectively meet these challenges, it is important to ensure a balanced composition of supervisory boards. In addition to an understanding of business and legal aspects, the ideal supervisory board should also boast specific industry know-how as well as international experience and social competence. A stronger presence of women on Austrian supervisory boards would also be a positive development. However, the discussion should be on the basis of qualifications and skills and should not be reduced to fulfilling quotas.

What is the situation of Austrian Post in this context?

Beyrer: Two of the eight shareholder representatives on the Supervisory Board are qualified women. With a proportion of women amounting to 25 %, we significantly surpass the ATX average. Moreover, two of the Supervisory Board members are not Austrian nationals. The current composition also ensures a balance of competencies and skills. By the way, Austrian Post generally strives to continuously increase the percentage of women in management positions and not only on the Supervisory Board!

Which issues did the Supervisory Board of Austrian Post focus on in its work?

Beyrer: In addition to legally prescribed issues such as auditing consolidated annual financial statements or electing auditors of the company’s accounts, the Supervisory Board also dealt primarily with the opportunities and risks for Austrian Post’s business development as well as the strategic orientation of the Group. In addition, further development of the management structure was also on our agenda. The merger of the Mail and Branch Network divisions resolved upon in January 2012 means the Management Board was reduced from five to four members.


How do you assess your cooperation with the Management Board?

Beyrer: A “best-in-class” Supervisory Board can only function if our interaction with the Management Board is based on trust. Aspects such as a lively culture of open debate and a constructive team spirit are decisive factors in ensuring a professional and performance-oriented cooperation. All the sessions I have chaired at Austrian Post have been characterised by open and constructive discussions. The culture underlying our work is based on mutual trust and always pursues the overriding goal of working to sustainably increase value for the benefit of the company. I will do my best to ensure that this is also the case in the future.

Thank you for this interview.



Emilie, daughter of an employee of Austrian Post



**“... only those who
think sustainably
can really act
entrepreneurially ...”**

GEORG PÖLZL
CEO

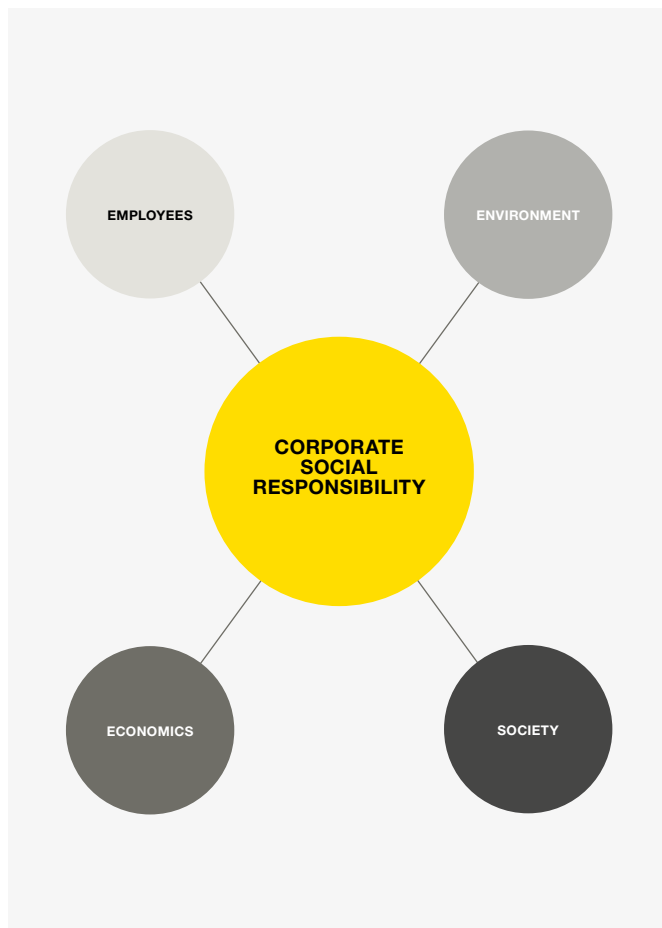
We do not shape the future tomorrow but today. And whoever already reflects today about how the world will look tomorrow or the day after, and how one has to structure a company accordingly in order to be able to fulfil its responsibilities on a long-term basis, is also a responsible businessman.” The standpoint taken by Austrian Post CEO Georg Pölzl with respect to sustainability is unambiguous. “It would be completely absurd to think only about the next financial year and to focus on short-term profits.” The important thing is to lay the groundwork for sustainable development in the coming years.

“We are very intensively dealing with issues relating to our responsibility towards our stakeholders and our social environment”, Georg Pölzl continues. “In this regard, we think in four different dimensions: society, employees, environment and economy”, he adds. The issues to which Austrian Post is devoting its attention range from the reliability of supply, social engagement and the appreciation and support provided to its employees as well as the optimal use of natural resources and the sustainable increase of shareholder value. Only a profitable company can make a meaningful contribution on a long-term basis.

SUSTAINABILITY IN MIND

Austrian Post is committed to its responsibility towards its stakeholders and its social environment. With this in mind, Austrian Post developed new corporate principles in 2010, which comprise the foundation for the sustainability strategy of the company. In addition to the two guiding principles “Everything we do revolves around our customers” and “We are future-oriented”, the appreciation of employees and open communications with them are of overriding importance. “A company can only be successful if the employees are proud of what they are doing and can contribute to the reputation of the company. In contrast, only a successful company can seriously assume its corporate social responsibility on a long-term basis, and thus meet social and ecological needs”, Austrian Post CEO Pölzl states.

As a publicly listed company Austrian Post is naturally committed to economic success on behalf of its owners – the Republic of Austria as well as institutional and private shareholders. Moreover, the company is aware of its responsibility towards society, its employees and the environment. Accordingly, in the year 2007 Austrian Post joined the UN Global Compact, a sustainability-oriented initiative of the United Nations. Thus, the company is obliged to comply with global principles of ethical and ecological business practices.



COMMENTARY



**“... we welcome
the commit-
ment of
Austrian Post.”**

BETTINA STEINBRUGGER
Project Manager, respACT

Responsible business practices create added value for everyone, because they benefit the company and society at the same time. The respACT member companies are dedicated to linking market-based thinking and behaviour to ecological and social criteria, and promoting an open, partnership-oriented dialogue with their stakeholders.

As the leading corporate platform for corporate social responsibility and sustainable development in Austria, we welcome the commitment of domestic companies, and greatly appreciate what Austrian Post is doing as a long-standing respACT member.



“I have been a postal partner since November 2010. If you make an effort, you can strengthen your own business model. Postal partners have to support the whole concept – no half-heartedness.”

FRITZ HUBMANN
Postal partner in Stainz

“The targets regarding emission reduction could be even more ambitious, paper could be used from sustainable sources and employees could be sensibilised more strongly for environmental topics.”

ARMAND COLARD
Corporate Relations, WWF

ONGOING DIALOGUE WITH ALL STAKEHOLDERS

The sustainability targets and measures defined by Austrian Post are always oriented to the demands and expectations of its stakeholders. “Different interest groups perceive the corporate social responsibility of Austrian Post differently, or have other expectations

of the company. For this reason, we are pursuing a dialogue with our stakeholders via a diverse range of channels, and invite them to interact with us and give us their feedback”, says Austrian Post CEO Georg Pölzl.

For this purpose, a structured stakeholder roundtable was held in 2011 for the first time to discuss the expectations of the individual stakeholder groups with CEO Pölzl. The objective was to receive input for future sustainability activities and identify key issues. Within the context of this dialogue, Austrian Post was, in fact, given a lot of fresh input, but critical issues were also discussed openly. “Naturally we take these concerns very seriously and, wherever possible, purposefully integrate them into our sustainability strategy”, Georg Pölzl emphasises.



STAKEHOLDER GROUPS OF AUSTRIAN POST

Customers	Shareholders	Employees	Business partners	Industry representatives
Society	Environment	Communities	Regulatory environment	Media

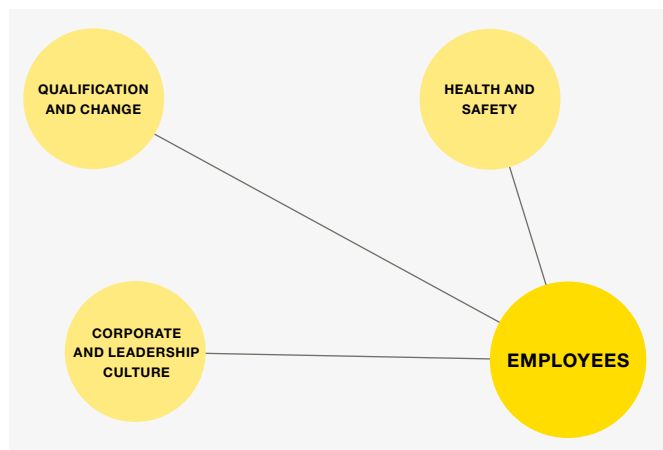
EMPLOYEES

As one of the biggest employers in the country, Austrian Post is clearly aware of its responsibility to its employees. Motivated and productive employees are the basis for corporate success, and high value must be placed on the factor “employees“, especially in a service company.

An important pre-requisite is a healthy and safe working environment. Occupational safety, health protection and healthcare comprise key elements of our corporate policy”, says Franz Nigl, Head of Human Resources Management. “We want and must ensure future perspectives for our employees in a market environment in which the demands on staff are continually subject to change, and individually promote their professional development”, he adds.

Targets

- Creating individual future perspectives
- Promoting a corporate and leadership culture
- Promoting occupational health and safety



AUSTRIAN POST – EMPLOYEE INDICATORS

	2009	2010	2011
Employees Group (FTE¹)	25,921	24,969	23,369
Employees Austrian Post (FTE¹)	21,598	20,695	19,907
thereof women (FTE, %)	29.6%	29.5%	29.3%
Civil servants (FTE)	11,803	11,005	10,266
Salaried employees (FTE)	9,306	9,456	9,429
Full-time employees (total)	19,498	18,559	17,785
thereof women (%)	23.5%	23.3%	23.1%
Part-time employees (total)	4,075	3,977	3,812
thereof women (%)	87.4%	85.0%	83.3%
Average tenure of civil servants at Austrian Post (years)	26	26	27
Average tenure of salaried employees at Austrian Post (years)	11	11	11
Employees (FTE) according to age			
under 30 years	1,571	1,567	1,600
30–50 years	15,395	14,344	13,210
over 50 years	4,631	4,785	5,098
Fluctuation (%) ²	7.3%	9.9%	8.6%
Sick leave rate for employees (FTE, %)	7.3%	7.5%	7.4%

¹ FTE ... Full-time equivalents

² Employee attrition relating to permanent staff with at least six months employment

AUSTRIAN POST PROMOTES DIVERSITY

Within the context of its diversity management, Austrian Post explicitly strives to promote social diversity and constructively seeks to benefit from the diversity of its staff. On the one hand, this applies to natural differences in gender, ethnic background, age and disability. On the other hand, it also applies to subjective differences such as religion and lifestyle. In 2011, an average of 19,907 employees were working for Austrian Post. One-third of them were women.

In addition to some 600 men, about 3,200 women make use of part-time work models with which Austrian Post promotes the compatibility of family and professional life. Moreover, based on the place of birth, Austrian Post employees come from a total of 52 differ-

ent countries. Some 410 employees are not Austrian nationals, and a significantly higher number have a migration background. Five people with a migration background also hold management positions at Austrian Post.

In recent years, Austrian Post has more than fulfilled its employment obligations towards people with disabilities. More than 1,100 people with special needs are employed by the company. People with disabilities work in a diverse range of positions, for example as executives, Central Works Council representatives, on the delivery staff or as post office employees.



“Business Cross Mentoring” – special programme for women

One focal point of Austrian Post’s diversity management efforts in 2011 was promoting the career advancement of women. Austrian Post already boasts a large share of women in management positions, which reached a level of 23.3% in 2011. A woman, the lawyer Edith Hlawati, serves as Deputy Chairman of the Supervisory Board. A new concept is designed to particularly promote the advancement of female “high potentials” in the company in order to support them in their next career move. Accordingly, the initiative entitled “Business Cross Mentoring” serves to provide professional support to success-oriented women within the context of a training programme with flat hierarchies.

“I look forward to getting to know the point of view held by others, the manifold opportunities to exchange experiences internally



“Business Cross Mentoring is a great opportunity to further develop myself professionally and personally.”

URSULA BACHMAIR
Manager in the Legal Department

and externally, and exciting talks with my mentor. As the writer Antoine de Saint-Exupéry once said, ‘In order to see clearly it is enough to change the direction you look in’,” says Ursula Bachmair, who is participating in the programme.

OCCUPATIONAL HEALTH AND SAFETY

Austrian Post attaches considerable importance to the health and safety of its employees. The main focal points of the company’s multifaceted internal health care programme include trainings on safe and healthy workplace behaviour, tips on doing exercise, tobacco and alcohol abuse prevention, ensuring health-promoting and ergonomic working conditions as well as creating workplaces tailored to the needs of disabled or older employees. A top priority are preventive health care offerings, in order to prevent potential health problems from arising in the first place. Exten-

sive health check-up opportunities were offered to employees in 2011 within the context of four Austrian Post “Health Days”. Moreover, more than 2,800 inspections of workplaces were carried out by security experts and occupational physicians in order to create an ergonomic working environment. Austrian Post is also continuing to participate in “Fit for the Future – the Programme to Maintain Work Ability”, an initiative launched back in 2008 by the Austrian Social Insurance for Occupational Risks and the Social Security Administration.

COMMENTARY



“... try something completely different ...”

JOHANNES KARNER
District Solicitor in Vienna

Since 2011 I have worked as a district solicitor in Vienna. Previously I was the head of a delivery base in the first district of Vienna. The reason for my change was that I wanted to try out something completely new, and gain new experience in an extremely interesting and exciting environment. That is why I took advantage of this positive career development and further education opportunity, and invested one and a half years of training to become a district solicitor. This has opened up new and interesting perspectives for me.

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 its 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 and more favourably priced holiday deals to child care and day care services during vacations. Furthermore, support is provided for health care measures and recreational activities contributing to maintaining the health of employees.

The purpose of the joint welfare association “post.sozial” is to provide social support to active employees of Austrian Post and its subsidiaries, but also retired employees as well as family members and surviving dependants of employees.

The funding for “post.sozial” is based on annual contributions of 1% of the total wage bill of Austrian Post and its subsidiaries. Total funding amounted to EUR 6.7m in 2011. The joint welfare association is also supported by third-party donations.

POST.SOZIAL – KEY FIGURES 2011

post.sozial	Total funding	EUR	6.7m
fair.reisen	Number of overnight stays		55,973
helfens.wert	Food coupons	EUR	4.7m
	Paid financial assistance	EUR	605,060
sehens.wert	Number of discounted admission tickets		17,890
postler.kids	Support for children's holiday camps	EUR	10,954

THE INTERNAL LABOUR MARKET

The competition on the postal market is steadily increasing. This has been accompanied by the complete liberalisation of the letter mail market since the beginning of 2011. The increasingly demanding environment in which Austrian Post operates thus requires ongoing efficiency improvements and adjustments to the company's personnel structure. Responsible corporate behaviour means reacting to changes faced by employees and planning the path to be taken, which is so crucial to the future of Austrian Post, in a proactive and socially compatible manner. Accordingly, the company initiated the “Internal Labour Market”, an effective platform designed to ensure that the employees affected by restructuring measures gain the qualifications required for new jobs inside or outside the company.

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 the employer and employees

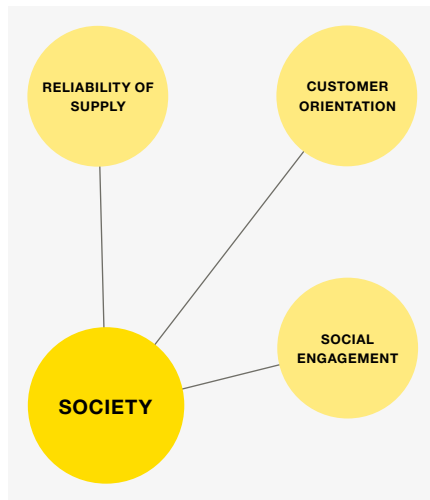
Post employees transfer to the federal public service

In 2011, civil servants at Austrian Post once again changed jobs to transfer to the Ministry of Internal Affairs, Ministry of Justice and Ministry of Finance. They offer Austrian Post employees new and interesting career perspectives. Numerous applications and visits to information events show that Austrian Post is on the right track. In the meantime, more than 300 civil servants have transferred to the federal public service, demonstrating that the competencies acquired at Austrian Post are in demand at the ministries.



Raphael Wolf, participant in a holiday camp

SOCIETY



RELIABILITY OF SUPPLY

Only Austrian Post delivers letters and parcels each day to every address and doorstep throughout Austria. The company is a reliable partner, and thus makes a valuable contribution to providing basic services for Austrian cities and municipalities in the form of postal services that are of outstanding quality. As a result, more than 95% of all letters are already delivered to recipients on the next working day.

Austrian Post is always close to its customers. The branch network featuring 1,880 outlets ranks among the largest private customer networks in the country. Austrian Post moved ahead rapidly in 2011 with its customer-oriented restructuring drive. These efforts included the expansion of the postal partner concept. Previously, the focus was on rural areas. In contrast, in 2011 Austrian Post also increasingly offered entrepreneurs in metropolitan areas the opportunity to enter into a partnership with the company.

Postal partners: advantages at a glance

- Customers benefit from proximity to the postal partner outlets
- Longer shop opening hours
- Promotion of existing economic structures in rural areas
- Efficient full service of postal services above and beyond the legally stipulated mandate

As a provider of universal postal services, Austrian Post bears a considerable responsibility to society. It makes an important contribution towards maintaining and safeguarding the communications infrastructure on the basis of providing reliable, top-quality nationwide postal services in Austria.

Austrian Post wants to offer services to meet the modern needs of society. Its attractive, innovative services and a comprehensive service offensive demonstrate that the customer is the focal point of all its business decisions. Because of its importance to the country, Austrian Post is also committed to taking an active part in society. One priority is to be involved in projects which have a direct connection to the core business of the company – its high logistics competence and nationwide network of branch offices.

Targets

- Expanding reliable, nationwide postal services
- Making and fulfilling the company's performance promise
- Promoting its social engagement



COMMENTARY



PETER KOITS
Mayor of Wels

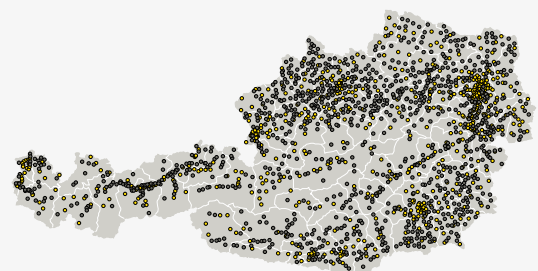
Sustainable work for the people in Wels is a clear goal of my policies. The path we have taken together with the people in charge at Austrian Post is also a sustainable one. With the opening of postal partner offices, postal services in our city have been put on a sustainable footing. I also see this as an important step in the direction of customer orientation.

With seven postal partners in all sectors, Wels is a trendsetter in this initiative. It is good to know, especially in insecure times marked by a financial and economic crisis, that our postal services are on a solid basis thanks to postal partner offices. Flexibility is also an issue. The expanded opening hours of the postal partners, especially our two petrol stations, fulfil the needs of our urban population.

For me postal partner offices are a success model in the city and show where political decision makers and the business community can work together effectively in order to achieve the best results on behalf of the people.

PRESENT NATIONWIDE ALL OVER AUSTRIA

■ Branches
■ Postal partners



“Ö3-WUNDERTÜTE”: NEW RECORD

For the seventh time, “Ö3-Wundertüte” repeated its previous efforts to convert old mobile phones into cash donations for Austrian families in need during the weeks of Advent. The empty “mobile phone bags” were brought to the people once again by the more than 11,000 people on Austrian Post’s delivery staff, and Austrian Post, as always, took care of transporting the filled paper bags. In the winter of 2010/11, more than 400,000 mobile phones were collected. This year this joint campaign organised

by the charity Caritas together with the radio station Ö3, Mondi and Austrian Post broke all previous records. This time a total of 467,000 mobile phones were donated. In turn, this resulted in a cash sum of EUR 700,000 raised for the emergency relief funds of “Licht ins Dunkel” (“Bring Light into the Darkness”) and of Caritas. Both offer quick support to a countless number of families. Whether to help pay the rent and electricity bills or finance aids for children with disabilities, the initiative has succeeded time and again in making emergency stopgap payments as a means of improving the life situation of families in distress. The enormous response rate of the filled Ö3-Wundertüte bags also provided work to ten long-term unemployed people, who were involved in processing the huge amount of mobile phones in order to separate the devices ready for the junkyard from those which still work. Defective mobile phones are recycled in an environmentally compatible manner by certified and strictly monitored companies, whereas mobile phones in good working order were prepared and reused.



FROM OLD TO SOMETHING HIP – DESIGN & ENVIRONMENTAL PROTECTION

Fashionable shoulder and laptop bags were created in the Austrian Post design from original Austrian Post delivery bags within the context of a project in cooperation with “gabarage upcycling design”, the socioeconomic organisation of the Anton Proksch Institute. gabarage upcycling design employs (formerly) addicted individuals, who are being prepared in the course

of a year to (re-)enter the normal job market. In addition, gabarage also provides vocational guidance and support in searching for a job. The bags were first presented at the Vienna Fashion Night in June 2011.

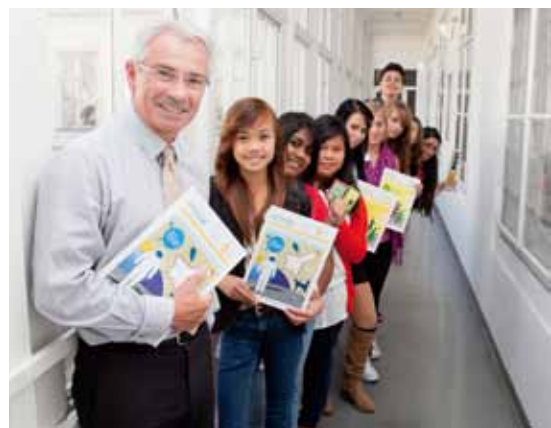


Proceeds from the sale of the limited edition of the bags

were donated to a UNICEF school project in Malawi/Africa.

READ – WRITE – POST

Austrian Post developed teaching materials for the third grade in an initiative entitled “Die Post macht Schule”, which presents the responsibilities and services of Austrian Post and aims to motivate pupils to read and write. The teaching aid provides pupils with playful access to the manifold tasks performed by Austrian Post as the country’s largest logistics service company.



In addition to a guidebook for teachers, the “school box” also includes worksheets and information booklets for pupils, a film in DVD format about Austrian Post and last but not least stamps featuring a particularly popular motif, namely Fridolin, the Austrian Post fox mascot. The school boxes were distributed to 260 Viennese primary schools in October 2011.

AUSTRIAN POST & “ZEITUNG IN DER SCHULE”

In cooperation with the association “Zeitung in der Schule” (a newspaper in school), Austrian Post designed one issue of its workbook “MiniZ” on the issue of “Post and Postage – The Way News is Sent”. The association “Zeitung in der Schule” provides various types of teaching materials and thus supports children and youth by helping them orient themselves to Austria’s media landscape. At the same time, it promotes the reading and writing abilities of pupils in Austrian school classes.



ECONOMY

Austrian Post pursues the objectives of safeguarding and expanding its market leadership and further growing on a long-term basis. Targeted strategic measures are designed to contribute to achieving these goals. The top priority for Austrian Post's management is to ensure profitability on a sustainable basis. Only a successful company can seriously assume its corporate social responsibility on a long-term basis and make an appropriate contribution to fulfilling social and ecological needs.

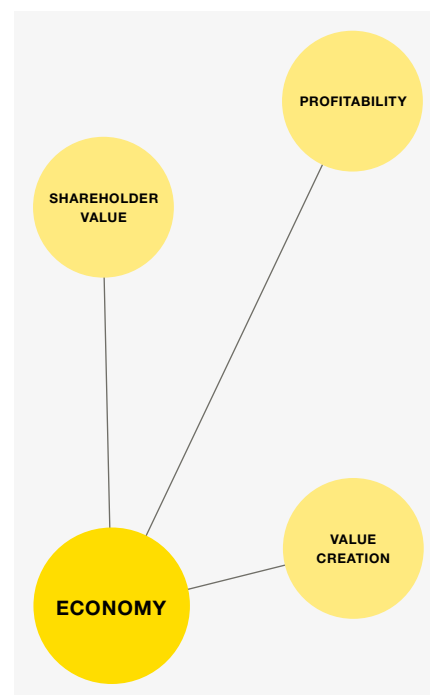
Current developments on the international postal and logistics market pose major challenges to Austrian Post's efforts to achieve its business targets, but also open up new opportunities. In order to exploit these opportunities, Austrian Post clearly formulated its objectives and strategic measures within the framework of a broad-based strategic develop-

ment process, and defined the following strategic approaches:

- safeguarding and expanding its market leadership in Austria as well as
- achieving growth in selected markets;
- the basis for this is ongoing efficiency enhancement as well as the increasing flexibility of the cost structure along with
- consistent customer orientation and innovation in all business activities.

Targets

- Increase shareholder value, supported by an attractive dividend policy
- Medium-term revenue growth of 1–2% p.a.
- Sustainable EBITDA margin of 10–12%

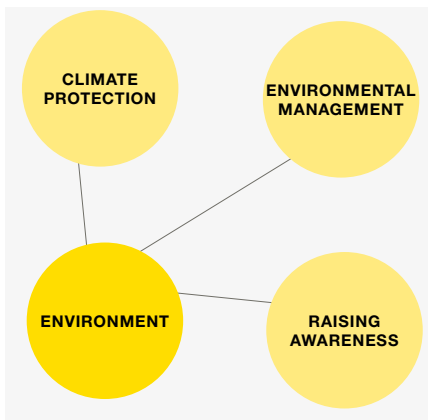


VALUE CREATION FOR ALL STAKEHOLDERS

EUR m	2009	2010	2011
Value creation			
Revenue and other operating income	2,446.5	2,441.7	2,423.2
less advance outlays	-1,162.8	-1,165.1	-1,194.2
thereof raw materials, consumables and services used	-766.1	-771.0	-759.8
thereof other operating expenses	-277.0	-288.8	-320.0
Value added	1,283.6	1,276.6	1,229.0
Distribution			
to employees (wages, salaries, social contributions)	1,147.3	1,129.2	1,057.7
to shareholders (dividends)	101.3	108.1	114.8
to the Republic of Austria (taxes)	45.1	30.3	39.3
to creditors (interest)	4.6	3.8	3.7
Remaining amount	-14.8	5.2	13.5
Value added	1,283.6	1,276.6	1,229.0

ENVIRONMENT

SUCCESSFUL INITIATIVE "CO₂ NEUTRAL DELIVERY"



1. AVOID EMISSIONS AND INCREASE EFFICIENCY

Buildings: monitoring of energy consumption, efficient lighting concepts, optimisation of the building infrastructure

Vehicle fleet: optimised route planning, modern vehicle fleet, driver trainings to promote an environmentally-friendly approach to driving

2. ALTERNATIVE SOURCES OF ENERGY

Frontrunner in the field of e-mobility: 265 electric-powered vehicles in the vehicle fleet

Green electricity: exclusive use of electricity from renewable energy sources

Photovoltaics: evaluation of potential installation of solar energy facilities on distribution centres

3. COMPENSATION

Particular attention to ecological and socio-economic aspects

Voluntary support of national and international climate protection projects

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

As the largest logistics company in the country, Austrian Post is involved in a very energy-intensive business. Its employees walk or travel



more than 200,000km each day using bikes, mopeds, cars and transporters. The company requires about 15m litres of fuel for its vehicles and about 160m kilowatt hours of energy annually for its buildings.

In turn, this results in CO₂ emissions which burden the global climate. On balance, the business operations of Austrian Post caused approximately 95,000t of CO₂ emissions in 2010. Operating buildings and distribution centres account for 35,000t, with another 40,000t arising from the company's own vehicle fleet and the remaining 20,000t from partner companies.

Austrian Post is setting a good example to show how to reduce these greenhouse gas emissions as much as possible. Since the year 2011, all letters, parcels and direct mail items in Austria, without exception, are being delivered in a CO₂ neutral manner. This initiative is being implemented in a three-phase programme. "The top prior-

ity is always to avoid emissions in the company's core processes, i.e. primarily in its buildings and vehicle fleet. The second step is to increasingly rely on alternative energy sources. We are extensively expanding our fleet of electric-powered vehicles in the upcoming years – per end of February, 2012, Austrian Post's fleet contains 18 electric cars and 247 single-track e-vehicles. Third, all emissions which cannot be avoided at the present time will be compensated by support provided to recognised and certified climate protection projects", says Harald Hagenauer, who is responsible for corporate social responsibility initiatives at Austrian Post.

In any case, the emission reduction targets are quite ambitious. From 2008 to 2020, CO₂ emissions (incl. transport companies) are to be reduced by 20%. At the same time, Austrian Post aims to further optimise its internal environmental management system and take advantage of its position in society as one of the most important service companies in the country in order to build awareness among its customers, employees and business partners.

Targets

- Reduction of CO₂ emissions by 20% in the years 2008–2020
- Optimisation of the internal environmental management system
- Raising stakeholders' awareness to the need for environmental and climate protection

In order to ensure that the targeted positive environmental impact is actually achieved, the entire initiative CO₂ NEUTRAL DELIVERY is being supported, monitored and verified by independent experts of TÜV AUSTRIA.



More information at www.post.at/CO2neutral

CO₂ NEUTRAL DELIVERY AS AN INDICATION OF PROACTIVE CUSTOMER ORIENTATION

Austrian Post guarantees every customer that his or her mail item – whether letter, advertising mail or parcel – is being delivered in a CO₂ neutral manner. Business customers will also be issued a certificate each year confirming the CO₂ neutral delivery of their mail items.



“I am driving an electric car – a Citroen Berlingo – and I’m making a good experience. The car handles very well and is particularly silent – I only can hear the fan off the heating. And customers ask me frequently about the car – after all I’m on the road as good as silently.”

KARL WENINGER
Deliverer in St. Pölten

HIGH ECO-EFFICIENCY IN THE VEHICLE FLEET

Transport operations comprise a very important component of Austrian Post’s business operations. That is why it strives to make all transport activities as environmentally compatible as possible within the context of its climate protection strategy. Austrian Post boasts the largest vehicle fleet in Austria with more than 9,500 vehicles. This also includes bicycles, and some of the mail items are delivered on foot (more than 20% of all delivery areas are covered on foot or by using bicycles). Nevertheless, it is vital to sustainably exploit the inherent potential, especially in this area. For this reason, Austrian Post is continuously increasing the efficiency of its vehicle fleet. In addition to the consistent expansion of the share of vehicles operating on the basis of alternative drive systems, particularly vehicles powered by natu-

ral gas or electric cars, the company is also implementing measures to keep the environmental impact of vehicles running on conventional drive systems to a minimum. An important aspect is the ongoing optimisation of route planning. Empty runs are being avoided, the capacity of deployed vehicles is being consistently improved and the number of kilometres needed to transport mail items is being reduced. At the same time, a modern vehicle fleet and regular maintenance enhance the eco-efficiency of the vehicle fleet. Austrian Post employees are also making a significant contribution to climate protection. In cooperation with the automobile association ÖAMTC, the drivers of the Austrian Post delivery vehicles are being continually trained by Austrian Post’s own ECO-trainers in fuel-saving driving techniques.



E-MOBILITY: NO LONGER JUST A VISION

Electric-powered vehicles make a major contribution to reducing greenhouse gas emission, noise and energy consumption due to the fact that electric motors function much more efficiently, are emission-free and generate little noise when in operation. Moreover, state-of-the-art technology for electric cars is more advanced than ever before. For this reason, Austrian Post is in the process of sig-

nificantly expanding its fleet of electric-powered vehicles. In 2011, it purchased 18 electric cars. As a consequence, Austrian Post has 265 e-vehicles in its fleet, and thus ranks among the Austrian trailblazers in the field of e-mobility.

“As the largest logistics company in the country, we are proud to make a pioneering effort in this field. We are confident

that this technology will also be successful in Austrian Post’s business operations”, says CEO Georg Pölzl. “We will consistently move ahead with the expansion of our e-vehicles in the coming years depending on available incentives, technical availability and their suitability for postal operations. By 2015, we plan to integrate more than 1,000 e-vehicles in our fleet”, Pölzl adds.



AUSTRIAN POST RELIES ON “GREEN ELECTRICITY”

Each year, Austrian Post consumes some 160m kWh of energy, of which half is electricity and the remainder natural gas, heating oil and district heat. Since the beginning of 2012, Austrian Post has been deriving its electricity exclusively from renewable energy sources. This is because “green electricity” exploits the natural energies provided by the Earth – solar energy, hydropower, wind power, biomass and geothermal energy. In this case, power generation is environmentally compatible and virtually no greenhouse gas emissions arise. Austrian Post is also currently evaluating the potential for installing photovoltaic facilities on the roofs of its distribution centres.

INTERVIEW



“... renewable energy is an important building block for a credible sustainability strategy ...”

OLAF KIESER
CEO of Energie Steiermark AG

Mr. Kieser, what is the situation on the electricity market in the field of renewable energies in Austria?

Kieser: At present, the market for renewable energies is determined by the legally stipulated feed-in tariffs on the basis of the Green Electricity Act. Due to the current incentives and funding, most of the ecologically compatible facilities (wind power, biomass, photovoltaics) deliver the generated energy to the central settlement agent for green electricity. In turn, they pass the electricity on to electricity traders who are required to purchase the electricity. In 2010, a total of 5,905 GWh was marketed, or about 11% of the total fed into the public power grid in Austria. Funding of EUR 348m was necessary for this volume in order to cover the difference between the higher, subsidised electricity rates and the wholesale prices. This difference was partly paid by the electricity traders and partly by electricity end customers for the benefit of the environment.

How will the market develop in the years to come?

Kieser: The Green Electricity Act was amended in 2011 and the available funding considerably increased starting in 2012. An additional EUR 50m p.a. in available funding is designed

to promote the expansion of green electricity facilities (amount decreasing by EUR 1m each year over the next ten years). Thus, a further expansion of renewable energies in Austria can be expected in the future.

How do you see the sustainability initiatives of Austrian Post, above all its use of renewable energy sources to supply electricity?

Kieser: The complete changeover to renewable energy is an important building block for a credible sustainability strategy. This serves as the basis for the increased reliance on electromobility with respect to its CO₂ scorecard. The participation in wind power facilities, investments in photovoltaics as well as the replacement of fossil fuels by thermal energy could purposefully complement the sustainability strategy. In particular, Energie Steiermark can be a strong partner supporting Austrian Post in these areas as well as with regard to electromobility and smart metering.

Thank you for the interview.

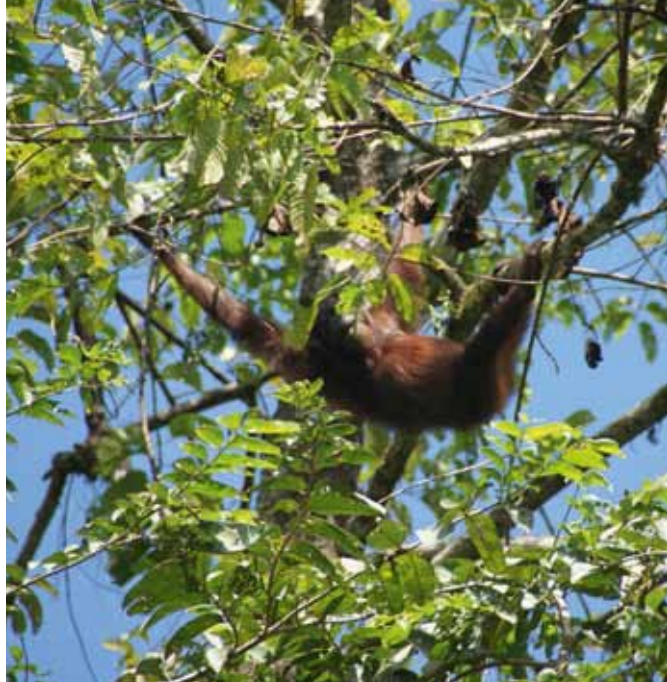


AUSTRIAN POST (ÖSTERREICHISCHE POST AG) – ENVIRONMENTAL INDICATORS

	2009	2010	2011
Consumption of significant quantities of resources (kWh million)	170.7	156.7	1
Building space (m²)	1,220,988	1,186,753	1,130,007
thereof owned by Austrian Post	766,045	748,936	714,622
Fuel consumption: petrol, super, diesel, natural gas (litre million)	15.29	15.21	14.60
thereof diesel	14.90	14.75	14.15
CO₂ emissions (scope 1+2) according to the Greenhouse Gas Protocol (t)	78,609	75,226	1
thereof road transport (own operations)	40,868	40,621	39,010
thereof buildings	37,741	34,605	1
CO₂ emissions (scope 1–3) according to the Greenhouse Gas Protocol (t)	96,706	94,482	1
thereof road transport (own operations)	40,868	40,621	39,010
thereof road transport (partner companies)	18,097	19,256	20,293
thereof buildings	37,741	34,605	1
Vehicle fleet (total)	9,165	9,248	9,650
Bicycles	973	1,032	1,049
thereof electric bicycles	14	64	94 ²
Mopeds	1,082	1,252	1,235
thereof electric mopeds	6	6	6 ²
Vehicles up to 3.5t	6,925	6,788	7,214
thereof natural gas-driven vehicles up to 3.5t	77	77	77
thereof electric-powered vehicles up to 3.5t	–	–	18 ²
Vehicles over 3.5t	185	176	152
Total number of kilometres (km million)	123	120	119
Paper consumption (t)	426.4	337.1	294.3
thereof recycling paper (t)	2.6	25.3	62.0

¹ Figures not yet available; precise values will be disclosed in the Sustainability Report 2011 of Austrian Post. 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.

² The figure of 265 electric-powered vehicles will be reached at the end of February 2012.



Preservation of tropical rain forest in Malaysia



Wind power in India

CLIMATE PROTECTION PROJECTS

According to the current state of research, temperatures are expected to rise by 1–3.5°C by the year 2050 as a result of global warming. Due to this change, scientists predict longer dry periods and an increased number of heat waves as well as flooding and landslides. It is crucial to actively counteract this development. In this regard, the business community must bear a considerable part of the responsibility.

As already mentioned, Austrian Post is also striving to reduce its CO₂ emissions in its own core processes as much as possible and economically feasible. In addition, any

greenhouse gas emissions which cannot be avoided despite the ongoing reductions are compensated by support provided to national and international climate protection projects. “These projects are for the explicit purpose of avoiding CO₂ and thus make an important contribution to the global CO₂ balance”, says Harald Hagenauer. “In this case, we are providing support internationally to climate protection projects in emerging and developing markets. Thus, we ensure technology transfer and economic development and help to improve the standard of living in these countries”.



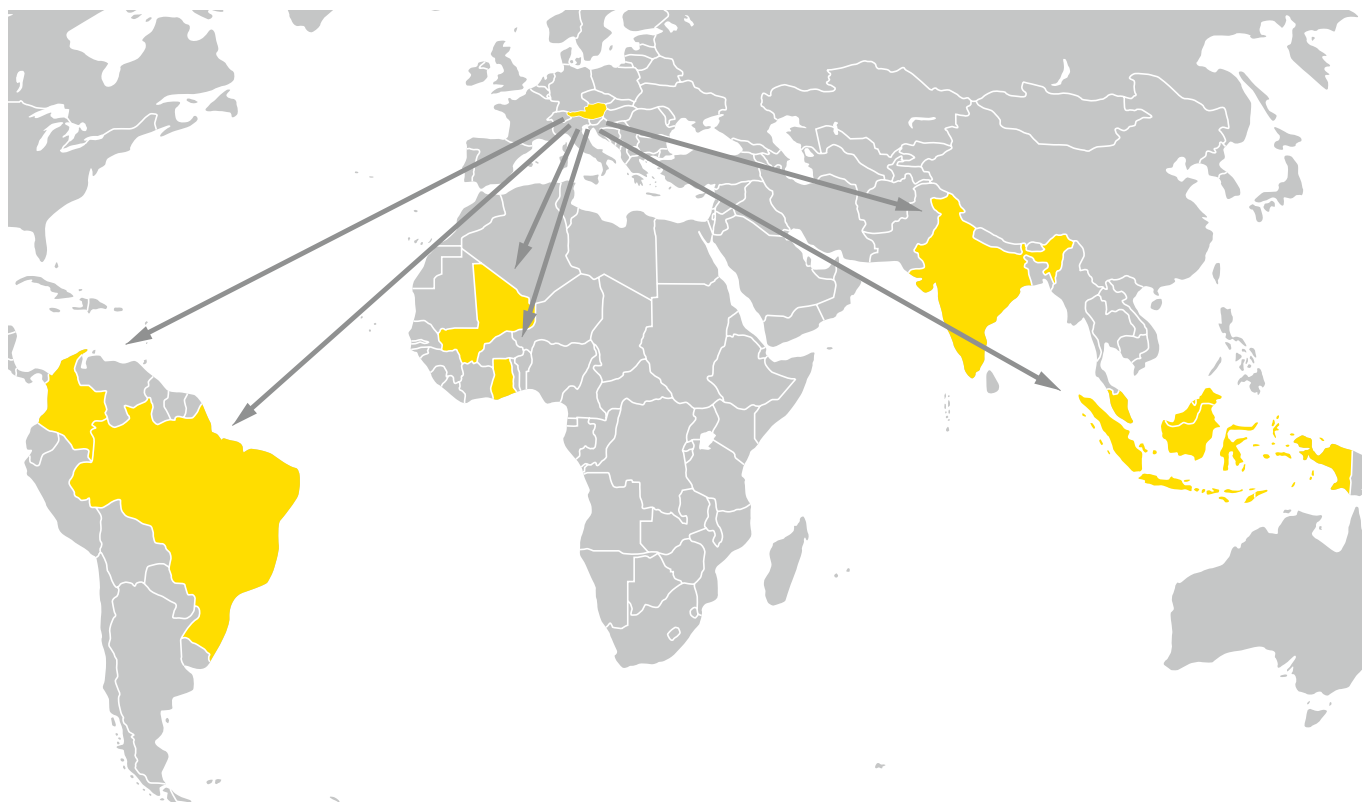
Reforestation in Colombia



Clean energy from water power in India



Efficient cooking stoves in Ghana



SELECTED CLIMATE PROTECTION PROJECTS BY AUSTRIAN POST

MAINTAINING TROPICAL FORESTS	ENERGY-EFFICIENT COOKING STOVES	CLEAN ENERGY FROM HYDROPOWER	CLEAN ENERGY FROM WIND POWER
<p>Location: Malaysia and Colombia</p> <p>Project type: Reforestation</p> <p>Project standard: VCS and CCBS (SCS/Environmental Services Inc.)</p> <p>The strongly degraded primary forest area supported within the framework of the project will be reforested with domestic trees.</p> <p>Positive effects:</p> <ul style="list-style-type: none"> ■ Reduction of CO₂ in the atmosphere ■ Preservation of natural habitats for unique animal and plant species ■ Job creation for the regional population 	<p>Location: Ghana and Mali</p> <p>Project type: Energy efficiency, cooking stoves, prevention of deforestation</p> <p>Project standard: Gold Standard (TÜV North/TÜV South)</p> <p>A large percentage of the fuel requirements in Ghana and Mali is covered by wood and charcoal. Austrian Post supports projects which give the population access to efficient, fuel-saving and eco-friendly cooking stoves.</p> <p>Positive effects:</p> <ul style="list-style-type: none"> ■ Reduction of CO₂ emissions and less deforestation ■ Healthier cooking environment reduces the risk of illness ■ Lower fuel consumption goes easier on family budgets 	<p>Location: India and Indonesia</p> <p>Project type: Renewable energy, hydropower</p> <p>Project standard: VCS and Social Carbon Standard (TÜV North/RINA)</p> <p>Austrian Post promotes the use of renewable energy sources. Its contribution enables the construction of small-scale hydropower plants in Indonesia and India, also creating new jobs for people in the region.</p> <p>Positive effects:</p> <ul style="list-style-type: none"> ■ Reduced dependence on fossil fuels ■ Hundreds of jobs created in the construction phase ■ Positive impetus for the region's infrastructure 	<p>Location: India</p> <p>Project type: Renewable energy, wind power</p> <p>Project standard: VCS (TÜV North/SQS)</p> <p>Austrian Post is making a contribution to building wind power plants in the southern provinces of India. This project supplies sustainably generated energy to the population which lives under the most basic conditions. Moreover, further education and employment programmes are also offered.</p> <p>Positive effects:</p> <ul style="list-style-type: none"> ■ Contribution towards the diversification of the energy supply in India ■ Creation of jobs and expansion of the local infrastructure ■ Health care and further education programmes for the population of the region

SERVICE

FACTS & FIGURES

MAIL & BRANCH NETWORK 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 (at least 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 services: processing of mail for approx. 90 corporate customers

Infomail

- Delivery of about 655m addressed direct mail items annually in Austria
- Delivery of approx. 2.7bn unaddressed direct mail items annually in Slovakia, Hungary, Croatia and Romania
- 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, etc. are printed, individualised, personalised and enveloped

Media Post

- Delivery of about 420m print media (newspapers and magazines) and 340m regional media in Austria
- Subscription marketing and related services, subscription packages for publishing companies with readership profile analysis, etc.

Sales

- 60m customer visits
- 1,880 company-operated post offices and third-party operated outlets

Postal services

- 609m letters and 14m parcels deposited in the branch network
- Handling of letter mail and parcel products (e.g. PO boxes, vacation mail holding and franking services), branch network products, customer care services for SMEs and sale of philatelic products (commemorative stamps)

Retail products

- 121,000 mobile telephony products sold, 55,000 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 (CDs, DVDs) and lottery

PARCEL & LOGISTICS DIVISION

Domestic market of Austria

- Delivery of about 59m parcels and EMS items to all households/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 (more than 96% of parcels transported within the context of the Universal Service Obligation reach their recipients within the legally stipulated period)
- Parcel pick-up for business customers and processing of mail items in seven sorting centres and 13 own delivery bases

Specialty logistics in Western Europe

- National and cross-border delivery of 66m combined freight shipments annually in Germany, Belgium and the Netherlands as well as via EURODIS throughout Europe
- 51 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 six logistics locations

B2X market in South East and Eastern Europe

- 74 logistics locations in Slovakia, Hungary, Serbia, Montenegro, Bosnia-Herzegovina and Croatia secure position as B2B market leader in CEE core markets
- Delivery of 11m mail items per year
- Cooperation with renowned logistics companies such as UPS
- Installation of a B2C network – already every fourth parcel is X2C

SOLID PERFORMANCE IN 2011

INCOME STATEMENT

EUR m	2010	2011	Change in %
Revenue ¹	2,253.1	2,348.7	4.2%
Raw materials, consumables and services used ¹	-712.5	-759.8	6.6%
Staff costs ¹	-1,086.9	-1,050.1	-3.4%
Other operating expenses ¹	-278.7	-320.0	14.8%
Results of investments consolidated at equity	1.0	-10.6	-
EBITDA	262.1	282.7	7.9%
Depreciation and amortisation	-96.4	-86.8	-10.0%
Impairments	-8.8	-27.6	213.7%
EBIT	156.9	168.3	7.3%
Earnings before tax (EBT)	148.7	163.1	9.7%
Income tax	-30.3	-39.3	29.7%
Profit for the period	118.4	123.8	4.6%
Earnings per share	1.75	1.83	4.6%

Good revenue development for letter mail, parcels and advertising mail

EBIT growth of 7.3% to EUR 168.3m

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

CASH FLOW

EUR m	2010	2011	Change in %
Cash flow from operating activities	178.9	228.2	27.6%
Free cash flow	153.6	162.5	5.8%
Free cash flow per share	2.27	2.41	5.8%

Strong cash flow as a basis for the attractive dividend policy

SELECTED KEY INDICATORS

EUR m	2010	2011	Change in %
EBITDA margin ¹ (%)	11.6%	12.0%	-
EBIT margin ² (%)	7.0%	7.2%	-
Net debt	-126.6	-61.5	51.5%
Equity ratio (%)	40.3%	42.1%	-
ROE ³ (%)	20.7%	21.3%	-
Gearing ratio ⁴ (%)	18.3%	8.8%	-
Capital employed (EUR m)	767.5	708.9	-7.6%
ROCE ⁵ (%)	19.3%	22.8%	-
WACC (%)	7.5%	7.1%	-

EBITDA margin of 12% at upper end of the targeted range

High equity ratio and low net debt as a basis for solid balance sheet structure

¹ EBITDA margin = EBITDA/revenue (2010 excl. meiller Group)

² EBIT margin = EBIT/revenue (2010 excl. meiller Group)

³ Return on equity = Profit for the period/capital and reserves on January 1 less dividends

⁴ Gearing ratio = Net debt/capital and reserves

⁵ Return on capital employed = EBIT/average capital employed

CONTEST

WIN A COLLECTION
OF AUSTRIAN STAMPS

GLOSSARY

SECTORAL 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 un-addressed 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 100 g and all outbound

mail, effective January 1, 2003. The final intermediate liberalisation phase, which came into force on January 1, 2006, was the extension of free competition to all letters weighing over 50g.

Mailroom services

Austrian Post operates the mailroom 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 1,880 company-operated post offices and thirdparty operated outlets.

Redirections

On request mail items are temporarily forwarded to another address.

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 have to 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.

ANNUAL REPORT | AUSTRIAN POST | THE MAGAZINE