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annual report

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- Significant increase of Group revenues, up 33.3% to EUR 2,315.7m - Successful acquisitions in 2007: ten new companies, corresponding to investments of EUR 72m - Earnings before interest and tax (EBIT) increased by 32.0% to EUR 162.8m - Operating cash flow before changes in working capital improved 5.3% to EUR 292.4m - Outlook for 2008: stable to slight increase in revenue, EBIT slightly below 2007 - Optimisation of the capital structure - proposal to the Annual General Meeting: - Basic dividend of EUR 1.40 per share - Special dividend of EUR 1.00 per share - Authorisation of share buy-back programme of up to 10% of share capital

Good business development The business of Austrian Post proceeded favourably in 2007. Total revenue increased by 33.3% to EUR 2,315.7m. A major contribution to the growth in revenues (about EUR 500m) can be attributed to the initial consolidation of trans-o-flex (Parcel & Logistics Division), acquired at the end of 2006. On balance, revenues from the Mail Division were up 5.3%, and the Parcel & Logistics Division improved by 225.3%. In contrast, the Branch Network Division posted a decline in revenues of 1.2%.

Revenue EUR m	2006	2007	Change 2006/2007 in%	Structure 2007 in%
Total revenue	1,736.7	2,315.7	+33.3%	100.0%
Mail	1,311.3	1,381.0	+5.3%	59.6%
Parcel&Logistics	227.1	738.6	+225.3%	31.9%
Branch Network	194.4	192.1	-1.2%	8.3%
Other/Consolidation	4.0	4.1	+2.1%	0.2%

Internationalisation drive
With the acquisition of ten companies Austrian Post successfully continued its selective international expansion strategy, establishing a foothold in new markets or new niche segments. In the meantime, 27% of Austrian Post´s total revenue is generated abroad, compared to less than 3% in 2006. As a consequence, Austrian Post has further positioned itself as a niche player and a local integrator in CEE. Austrian Post invested a total of EUR 72m in 2007 for these acquisitions.

EBIT up 32%

EUR m	2006	2007	Change 2006/2007 in%	Q4 2006	Q4 2007
Revenue	1,736.7	2,315.7	+33.3%	465.6	648.4
EBITDA	231.7	292.7	+26.3%	58.3	102.2
EBIT	123.3	162.8	+32.0%	29.6	44.4
Profit for the period	99.8	122.6	+22.9%	29.1	26.5
Earnings per Share (EUR)	1.43	1.75	+22.9%	0.42	0.38

Earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post totalled EUR 292.7m in 2007, up 26.3% compared to the previous year. Accordingly, the EBITDA margin amounted to 12.6%. The depreciation and amortisation totalling EUR 130.0m include one-off effects such as impairment losses for property, plant and equipment and intangible assets along with impairment losses for goodwill amounting to EUR 32.1m in total. Impairment losses primarily apply to the Parcel & Logistics

Division as well as to the Other/Consolidation segment.

Earnings before interest and tax (EBIT) of Austrian Post in 2007 increased by 32.0% compared to the preceding year, to EUR 162.8m. Accordingly, the EBIT margin amounted to 7.0%.

All operational company divisions made a positive contribution to this performance. The Mail Division achieved an EBIT of EUR 274.3m, the Parcel & Logistics Division contributed EUR 12.8m, and the Branch Network Division generated an EBIT of 13.6m.

Earnings before tax rose 26.3% year-on-year, to EUR 164.9m. After deducting the income tax expense amounting to EUR 42.2m, the profit after tax totalled EUR 122.6m. Accordingly, the consolidated profit for the period of Austrian Post for the year 2007 rose by 22.9%, to EUR 122.6m, and is almost completely assigned to the shareholders of Austrian Post. Only EUR 0.1m of the profit for the period is assigned to minority interests. Earnings per share rose from EUR 1.43 to EUR 1.75.

Solid balance sheet structure - equity ratio of 43% Acquisitions made by Austrian Post during the last two years led to an increase in total assets, to the current level of EUR 2,058.6m. The balance sheet analysis for Austrian Post shows a considerable amount of financial resources on the assets side. Austrian Post has a total position of cash and cash equivalents of EUR 309.4m as at December 31, 2007, and including financial assets and investments in securities, has interest-bearing assets totalling EUR 538.1m. On the equity and liabilities side, the equity ratio amounts to 42.5%. Interest-bearing liabilities total EUR 711.5m. In the light of the low level of net financial liabilities, measures are being implemented to optimise the company´s capital structure.

Cash flow up 5.3% During the period under review, operating cash flow before changes in working capital of Austrian Post increased by 5.3% compared to the preceding year, to EUR 292.4m. This improvement can be primarily attributed to the contributions of the new subsidiaries as well as a lower increase of non-current provisions. Including changes in working capital, cash flow from operating activities amounted to EUR 295.9m in 2007, an increase of 24.3% year-on-year.

During the period under review, the cash flow from investing activities was minus EUR 142.4m, encompassing the purchase of property, plant and equipment amounting to EUR 96.8m, the acquisition of new subsidiaries totalling EUR 71.9m (Weber Escal, Scanpoint, meiller, ST Media, Scherübl, Road Parcel, Merland Expressz, DDS, VOP, City Express) as well as the purchase of a 5% stake in the consortium acquiring BAWAG PSK.

Accordingly, total free cash flow was EUR 153.4m. Taking account of a dividend payout amounting to EUR 70.0m, the net increase in cash and cash equivalents was EUR 80.0m in the 2007 business year.

Employees During the period under review, the average number of full-time employees at Austrian Post rose by 5.3% compared to the previous year, or about 1,300 employees, to the current level of 25,764 employees. This increase is related to the acquisition of new subsidiaries and shareholdings.

Outlook 2008 All in all, Austrian Post expects a stable development to a slight increase (up to 3%) in its total revenue for the year 2008. This includes the integration of the new subsidiaries acquired during the course of 2007. This forecast is based on the assumption of a largely stable development in letter mail and direct mail volumes, an increase in Austrian Post´s international parcels business as well as a lower volume in the company´s Austrian parcels business due to the loss of major mail order customers. Customer losses in the parcels segment are being counteracted by a repositioning and corresponding restructuring of the Parcel & Logistics Division in Austria.

Despite these adverse effects on Austrian Post´s parcels business, the company anticipates that earnings before interest and tax (EBIT) in 2008 will only be slightly below the level achieved in the year 2007, and will then rise in subsequent years. In 2008, the EBIT margin will be slightly below 7%, and then reach the targeted range of between 7% and 8% in the following years. An EBIT margin of 2% - 3% is expected for the Parcel & Logistics Division in the year 2008, which is anticipated to increase to the targeted level of 5% in subsequent years.

Events after the balance sheet date At the end of January 2008, Austrian Post acquired the remaining 49% stake in Scanpoint Europe. The core business of the Scanpoint Group is the data protected digitalisation of documents as well as the delivery of business-relevant information within the context of a customer´s in-house workflow.

Optimisation of the capital structure Austrian Post is striving to ensure a further optimisation of its capital structure. A sound balance sheet and strong cash flow enable the company to distribute cash to shareholders. Austrian Post has defined a medium-term target of achieving a ratio of net debt to EBITDA of 2.0x compared to a ratio of 0.6x in 2007. This target has been derived from the analysis of Austrian Post's historical financial data, the company´s medium-term planning and it's business strategy. Naturally, corporate flexibility and freedom of action also play a role. These considerations have led Austrian Post to develop the following immediate measures.

It will be proposed to the next Annual General Meeting that, in addition to a basic dividend of EUR 1.40 per share (ex-dividend day: May 6, 2008), a special dividend of EUR 1.00 per share will also be distributed (ex-dividend day: September 5, 2008). In addition, it will also be proposed that the Annual General Meeting grant authorisation for Austrian Post to carry out a share buy-back programme over the following 18 month totalling a maximum of 10% of the company´s share capital. In addition, the basic dividend is expected to increase in the coming years and the minimum dividend payout ratio will be raised from 70% to 75% of the profit for the period.

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