Österreichische Post AG

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euro adhoc: Österreichische Post AG / Financial Figures/Balance Sheet / Austrian Post: Group revenue Q1-3 2008 plus 7.0% Austrian Post not significantly impacted by current financial crisis; outlook for 2008 confirmed

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9-month report

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- Group revenue up 7.0% in Q1-3, to EUR 1,784.6m

- Mail: good revenue development in all business areas, stable earnings
    - Parcel & Logistics: lower margins due to integration costs and streamlining of operations
    - Branch Network: slight rise in financial services despite global financial crisis
    - Group earnings lower than in 2007 due to competitive changes in Austrian market and one-off effects
- Austrian Post not significantly impacted by current financial crisis
    - No current external borrowing requirements
    - Operating cash flow covers capital expenditure and dividends
    - Financial investment policy based on the lowest possible risk
- Postal market largely considered to be stable
- Outlook for 2008
    - Increasing revenue
    - Earnings before interest and tax (EBIT) in 2008 at the same level as 2007 and then rising in 2009
    - Basic dividend in 2009 above previous year´s payment of EUR 1.40 per share

Austrian Post overview The first nine months of the 2008 financial year developed relatively well for Austrian Post. Total revenues increased by 7.0%, which relates to the initial consolidation of the newly-acquired subsidiaries as well as organic growth.

Austrian Post had several challenges to overcome during the first three quarters of 2008: the changing competitive situation in the Austrian parcels market, higher costs due to increasing prices for fuel and transport as well as the integration of new subsidiaries.

Up until now, Austrian Post has for the most part been spared the consequences of the current financial crisis. This can be primarily attributed to the company´s solid balance sheet structure. Austrian Post has a high equity ratio, and no external borrowing requirements at present. The investment policy is distinctively conservative. Investments are financed by the current operating cash flow. This stability has resulted in a solid share price performance in the year 2008. Whilst the DJ Euro Stoxx Transportation index has declined by 47.9% since the beginning of the year, the Austrian Post share has only receded in value by 3.7% as at the end of October 2008.

Austrian Post confirms its outlook for 2008 in terms of a forecast increase in total revenue of about 5%, although forecast accuracy is affected by the changing international economic environment. This projected rise includes the consolidation of the recently acquired subsidiaries. Despite the change in the Austrian parcels business, Austrian Post expects its earnings before interest and tax (EBIT) to match the level achieved in the preceding year while rising in 2009.

In order to ensure that the defined business targets are achieved, the management of Austria Post will do everything possible, both in the short- and medium-term, to preserve the flexibility and efficiency of the company and thus sustain the value of the company.

Business development - earnings On balance, total revenue increased by 7.0% in the first three quarters of the 2008 financial year, to EUR 1,784.6m. This rise can be primarily attributed to the initial consolidation of the new subsidiaries (plus EUR 102.8m), as well as organic growth (plus EUR 14.5m). During the period under review, revenues of the Mail division were up 7.7% and the Parcel & Logistics division expanded by 8.2%. Revenues of the Branch Network division declined by 1.0%. Revenue in all three business areas of the Mail division developed positively. Despite the ongoing trend towards electronic substitution, business in the Letter Mail business area remained virtually constant, whereas the Infomail business area (addressed and unaddressed advertising) and the Media Post business area achieved solid organic growth. Revenue of the Parcel & Logistics division climbed 8.2%, to EUR 575.2m, which is due to the growth of the premium parcel segment (parcel delivery within 24 hours) both in Austria and abroad, as well as acquisition-related growth.

Revenue by division EUR m	Q1-3 2007	Q1-3 2008	Change %	Q3 2007	Q3 2008
Total revenue	1,667.3	1,784.6	+7.0%	550.4	585.8
Mail	990.4	1,066,8	+7.7%	327.0	346.3
Parcel & Logistics	531.6	575.2	+8.2%	174.4	192.7
Branch Network	141.8	140.3	-1.0%	48.0	46.3
Other/Consolidation	3.6	2.3	-35.4%	1.0	0.5

Revenue EUR m	Q1-3 2007	Q1-3 2008	Change %	Q3 2007	Q3 2008
Revenue	1,667.3	1,784.6	+7.0%	550.4	585,8
EBITDA	190.5	186.9	-1.9%	60.3	47.1
EBIT	118.3	103.0	-13.0%	33.3	21.0
EBT	123.4	111.1	-10.0%	36.9	22.0
Profit for the period	96.1	87.5	-8.9%	28.2	17.4
Earnings per share*) (EUR)	1.37	1.25	-8.8%	0.40	0.25

*)2007 basis of 70.0m shares; 2008 basis of 69.9m shares

Besides the 7.0% increase in revenues, the consolidated income statement of Austrian Post also shows a 14.9% rise in expenses for raw materials, consumables and services used to EUR 564.1m. This development is related to the consolidation of the acquired subsidiaries, as well as to higher fuel and transport costs during the period under review. In the first three quarters of 2008, EBITDA amounted to EUR 186.9m, a decline of 1.9% compared to Q1-3 2007. The EBITDA margin was 10.5%.

Earnings before interest and tax (EBIT) for Austrian Post amounted to EUR 103.0m in the first three quarters of 2008, down from EUR 118.3m in the previous year. This decline can be primarily attributed to a combination of exceptionals and one-off effects, such as higher operating expenses for transport and fuel, along with higher social compensation expenses for employees as well as losses relating to the integration of the new subsidiaries. In addition, the higher level of depreciation, amortisation and impairment losses totalling EUR 83.9m (Q1-3 2007: EUR 72.2m) encompasses impairment losses of EUR 6.2m primarily related to streamlining measures within Austrian Post´s parcel logistics operations in Austria. All operating divisions made a positive contribution to earnings. EBIT at the Mail division was EUR 190.5m, at the Parcel & Logistics division EUR 6.7m, and the Branch Network division generated an EBIT of EUR 9.5m. Earnings of the Mail division and the Branch Network division in the first three quarters were at the same level as the previous year, whereas earnings of the Parcel & Logistics division declined due to the loss of two large parcels customers in Austria as well as the integration costs relating to the new subsidiaries in the Netherlands and Belgium.

The Other/Consolidation segment posted a negative EBIT of EUR 103.7m in the first three quarters of 2008 (Q1-3 2007: minus EUR 100.6m). This item encompasses unallocated costs for central departments, expenses in connection with unused properties and the increase in the provision for employee under-utilisation.

Profit for Austrian Post for the period amounted to EUR 87.5m.

Solid Balance sheet structure Austrian Post features a solid balance sheet structure. On the assets side, total assets of Austrian Post amounted to EUR 1,937.0m. Non-current assets predominate, accounting for 69.9% of total assets, or EUR 1,353.2m. The largest non-current asset items are property, plant and equipment, at EUR 715.8m, intangible assets and goodwill, at EUR 318.4m, and "financial investments in securities" (primarily fixed income investments) and other financial investments of EUR 207.6m. The principle current asset items are receivables, at EUR 380.0m, followed by cash and cash equivalents, at EUR 175.6m The investment policy aims for the lowest possible risk.

On the equity and liabilities side, the balance sheet total is primarily comprised of capital and reserves (39.6%) and non-current liabilities (31.6%). Non-current liabilities of EUR 611.2m largely consist of provisions totalling EUR 512.9m including provisions for under-utilisation, which rose by EUR 29.0m in the first three quarters of 2008, to EUR 359.9m. Current liabilities amounting to EUR 558.5m also include current financial liabilities of EUR 98.7m. A main part of all current and non-current financial liabilities (EUR 148.6m) is chiefly related to trans-o-flex.

Free Cash flow of EUR 112.1m Total operating cash flow before changes in working capital amounted to EUR 161.7m in the first three quarters of 2008, below the comparable figure for Q1-3 2007 due to changes in non-current provisions. Moreover, higher tax back payment was made in 2008.

The cash flow from changes in working capital amounted to minus EUR 32.2m in the first three quarters of 2008. This is primarily due to increased receivables from other postal companies. On balance, total cash flow from operating activities was EUR 129.5m in the first nine months of 2008.

The cash flow from investing activities of minus EUR 17.4m comprised the purchase of property, plant and equipment amounting to EUR 60.9m, the acquisition of subsidiaries including the acquisition of further interests in subsidiaries totalling EUR 5.7m, the proceeds from the disposal of property, plant and equipment of EUR 12.1m, and proceeds from the sale of "financial investments in securities" (primarily fixed income investments) amounting to EUR 23.1m. On balance, total free cash flow reported in the first three quarters of the 2008 financial year was EUR 112.1m, up from EUR 91.6m year-on-year.

Employees During the period under review, the average number of employees (full-time equivalents) in the Austrian Post Group increased by 6.3%, or 1,619 employees, compared to the first three quarters of 2007, to a total of 27,141 employees at present. This increase is related to the acquisition of subsidiaries. In contrast, Austrian Post reduced the number of its employees on its domestic market of Austria by about 320 people compared to the first nine months of the preceding year. Most of Austrian Post´s labour force (a total of 23,200) work for the parent company, Österreichische Post AG.

Outlook for 2008 The uncertain global business environment makes it increasingly difficult to develop precise forecasts for upcoming reporting periods. Austrian Post has assumed continuous volume growth in letter mail and direct mail during the current 2008 financial year, and in fact this trend has been confirmed by developments over the first three quarters. Furthermore, Austrian Post expects a solid volume growth in its international parcels business despite intensified competition. Following the loss of two mail order customers, the market share distribution in the Austrian parcels business is expected to remain at the current level. On balance, Austrian Post anticipates an increase in total revenue of about 5% for the 2008 financial year as a whole.

In spite of the changes affecting the Austrian parcels segment, we expect earnings before interest and tax (EBIT) in 2008 to reach the same level achieved in 2007, with EBIT expected to improve in 2009.

In respect to the expected financing requirements for the 2008 and 2009 financial years, Austrian Post estimates that required investments in property, plant and equipment (capex) will total EUR 100m - 110m annually. The company expects to carry out a reduced number of acquisitions during this period, due to the fact that there are no large acquisition targets fulfilling the investment criteria in the foreseeable future. The top priority is the optimal integration of the new Group subsidiaries. In order to ensure that the defined business targets are achieved, the management of Austrian Post will do everything possible, both in the short- and medium-term, to preserve the flexibility and efficiency of the company and thus sustain the value of the company.

Based on strong cash-generation and a solid balance sheet structure, Austrian Post aims to continue pursuing an attractive dividend policy. It is planned to increase the basic dividend above the previous year´s level of EUR 1.40 per share. Payment of a special dividend depends on future capital requirements.

Performance of divisions Mail Division In the first three quarters of 2008, external sales of the Mail division rose by 7.7% compared to the same period of the previous year, increasing to EUR 1,066.8m. This improvement is chiefly related to the initial consolidation of the Austrian Post subsidiary meiller direct, which was acquired in July 2007, as well as organic revenue growth of approximately 1.9%.

External sales of the Letter Mail business area remained quite stable, declining by 0.4% year-on-year primarily as a consequence of the replacement of the traditional letter by electronic media. In contrast, external sales of the Infomail business area (addressed and unaddressed advertising) rose by 22.4% in the first three quarters of 2008. This increase mainly relates to the first-time consolidation of the acquired meiller direct companies, but is also due to organic growth of 4.5%. The Media Post business area also raised its external sales by 7.3% in the first three quarters, which can be attributed to the good performance of regional media, but also to the positive one-off effects of regional and national elections in Austria. In particular, parliamentary elections held at the end of September added impetus to all three business areas.

On balance, EBIT of the Mail division in the first three quarters of 2008 amounted to EUR 190.5m, an increase of 1.1%. EBIT generated by the Mail division in the third quarter totalled EUR 54.8m.

Parcel & Logistics Division External sales of the Parcel & Logistics division climbed to EUR 575.2m in the first three quarters of 2008, a rise of 8.2%. The main contribution to total revenue (84% of division sales) was made by the premium parcel service (parcel delivery within 24 hours to private and business customers), which expanded by 15% to about EUR 485m in the first nine months of 2008, due to both organic growth as well as the acquisition of new companies. On the one hand, growth resulted from acquisitions implemented in South East Europe, i.e. Road Parcel and Merland/Hungary as well as City Express/Serbia. On the other hand, newly-acquired subsidiaries in Western Europe, namely DDS/Netherlands, VOP/Belgium and HSH/Belgium effectively complement the network of the German subsidiary trans-o-flex.

As expected, total volume decreased in the standard parcels segment in Austria (about 15% of division sales), due to the market entry of a German parcel service provider, and is being subject to a streamlining process in 2008, which will be completed by the end of the year.

In the first three quarters, earnings before interest and tax (EBIT) of the Parcel & Logistics division amounted to EUR 6.7m. The decline is related to the expected market share decrease in Austria resulting from the loss of two large parcels customers, as well as the high integration costs for the new subsidiaries in the Netherlands and Belgium as well as increased transport and fuel costs during the period under review.

Branch Network Division External sales of the Branch Network division fell by 1.0% in the first nine months of 2008 compared to the same period of the previous year, to EUR 140.3m. The decline in sales of retail products, in particular sales of mobilephones, was largely compensated by a slight growth in financial services and other post office products. Growth measures were initiated, such as the sales drive targeting private customers. Growth in the financial services segment was achieved despite the current financial crisis prevailing in recent months, in particular for standard products, where demand was stronger. Internal sales of the division were stable. Similarly, earnings before interest and tax (EBIT) of the Branch Network division remained constant due to cost discipline and organisational optimisation measures, with the EBIT margin once again at 3.3%.

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