ANNUAL
REPORT 2010

2 PART

FIGURES & VALUES

Annual Report **AUSTRIAN POST** | PART 2

2010

Post

FACTS & FIGURES OF AUSTRIAN POST 2010.

HIGHLIGHTS 2010

- **HIGHER REVENUE**

  – Revenue up 0.3% from the previous year on a comparable basis
  – Mail Division –0.5%, Parcel & Logistics +4.4%

- **INCREASED EARNINGS**

  – EBITDA of EUR 262.1m (margin of 11.1%)
  – EBIT +5.0% to EUR 156.9m

- **FREE CASH FLOW ENABLES AN ATTRACTIVE DIVIDEND**

  – Free cash flow of EUR 153.6m (EUR 2.3 per share)
  – Dividend proposal to the Annual General Meeting: EUR 1.60 per share

- **OUTLOOK FOR 2011 WITH GROWTH TARGET**

  – Revenue growth in 2011 of 1-2%
  – EBITDA margin at the upper end of the targeted range of 10-12%

KEY FIGURES AUSTRIAN POST

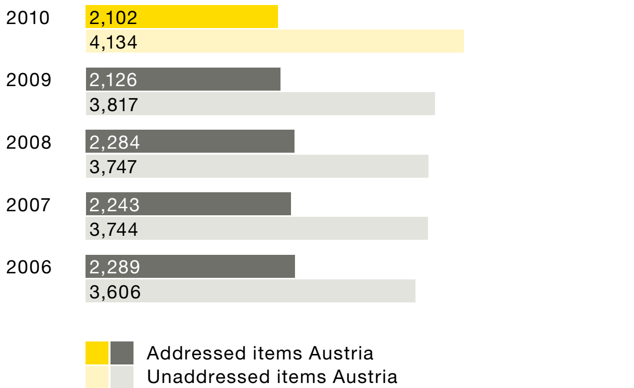
EUR m		2008	2009	2010	Change 2009/2010
Income statement					
Revenue	EUR m	2,441.4	2,356.9	2,351.1	–0.2%
Revenue on a comparable basis	EUR m	–	2,343.5	2,351.1	+0.3%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EUR m	321.7	269.2	262.1	–2.6%
EBITDA margin	%	13.2%	11.4%	11.1%	–
Earnings before interest and tax (EBIT)	EUR m	169.5	149.4	156.9	+5.0%
EBIT margin	%	6.9%	6.3%	6.7%	–
Earnings before tax (EBT)	EUR m	158.2	124.8	148.7	+19.1%
Profit for the period	EUR m	118.9	79.7	118.4	+48.5%
Earnings per share[1]	EUR	1.71	1.18	1.75	+48.5%
Employees (average for period, full-time equivalents)		27,002	25,921	24,969	–3.7%
Cash flow					
Operating cash flow before changes in working capital and tax	EUR m	278.3	220.7	196.0	–11.2%
Cash flow from operating activities before tax	EUR m	274.8	254.8	240.8	–5.5%
Cash flow from operating activities	EUR m	233.4	230.0	178.9	–22.2%
Investment in property, plant and equipment	EUR m	102.9	65.6	45.5	–30.7%
Acquisition/disposal of subsidiaries	EUR m	30.5	1.1	12.7	>100%
Free cash flow	EUR m	210.3	236.9	153.6	–35.1%
Free cash flow before the acquisition/disposal of securities	EUR m	162.4	199.6	143.6	–28.0%
Balance sheet					
Total assets	EUR m	1,874.6	1,775.3	1,715.1	–3.4%
Capital and reserves	EUR m	741.5	673.7	690.8	+2.5%
Non-current assets	EUR m	1,252.1	1,141.3	1,067.6	–6.5%
Current assets	EUR m	622.5	634.0	647.5	+2.1%
Net debt	EUR m	–270.2	–231.2	–126.6	+45.2%
Net debt/EBITDA		0.84	0.86	0.48	+43.8%
Equity ratio	%	39.6%	38.0%	40.3%	–
Return on equity (ROE)	%	16.8%	13.9%	20.7%	–
Gearing ratio	%	36.4%	34.3%	18.3%	–
Capital employed	EUR m	952.5	861.7	767.5	–10.9%
Return on capital employed (ROCE)	%	17.4%	16.5%	19.3%	–
Post share					
Share price at the end of December	EUR	24.10	19.02	24.73	+30.0%
High/low (closing price)	EUR	29.75/20.44	26.14/18.00	24.73/18.20	–
Dividends per share (for the financial year)	EUR	1.50	1.50	1.60[2]	+6.7%
Special dividends per share	EUR	1.00	–	–	–
Total Shareholder Return	%	+10.5%	–10.7%	+37.9%	–
Market capitalisation at the end of December	EUR m	1,628.0	1,284.9	1,670.6	+30.0%
Shares in circulation at the end of December	Shares	67,552,638	67,552,638	67,552,638	–
Free float	%	47.2%	47.2%	47.2%	–
Revenue by division (external sales)					
Mail Division	EUR m	1,460.0	1,396.8	1,389.4	–0.5%
Parcel & Logistics Division	EUR m	785.9	768.4	802.0	+4.4%
Branch Network Division	EUR m	192.2	189.6	157.9	–16.7%
EBIT by division					
Mail Division[3]	EUR m	254.5	221.1	238.2	+7.7%
Parcel & Logistics Division[3]	EUR m	–25.5	–9.3	11.0	>100%
Branch Network Division[3]	EUR m	14.5	–9.2	–20.2	>100%

[1] In relation to 69,505,601 shares, from 2009 related to 67,552,638 shares
[2] Proposal to the Annual General Meeting on April 28, 2011
[3] Before voluntary severance payment expenses (changed reporting since 2010)

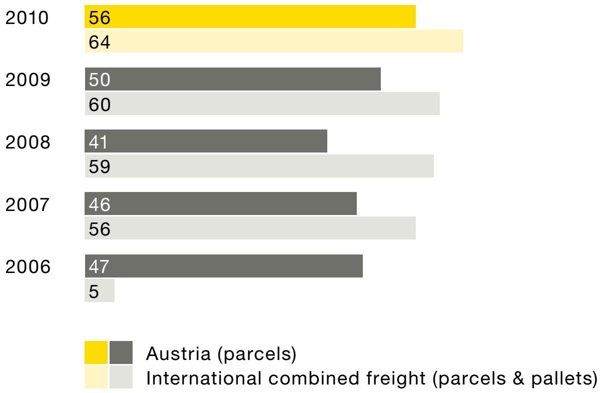
Note: For a ten-year overview of key indicators, see page 119

DEVELOPMENT OF KEY INDICATORS

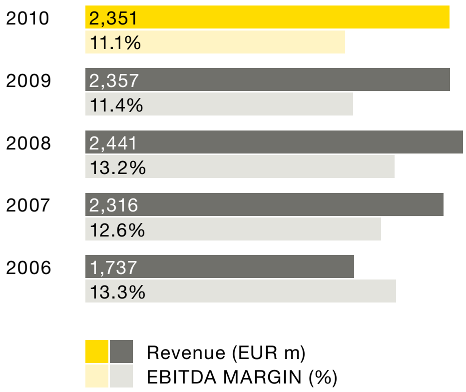
POST SHIPMENTS ITEMS MILLION



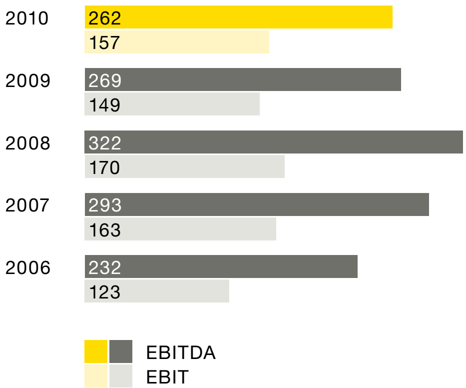
PARCEL SHIPMENTS ITEMS MILLION



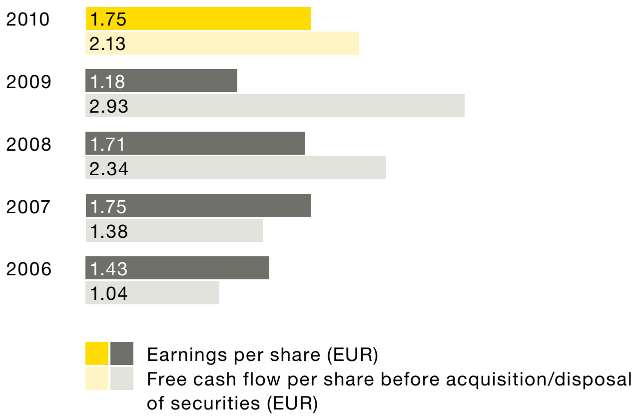
REVENUE AND EBITDA MARGIN



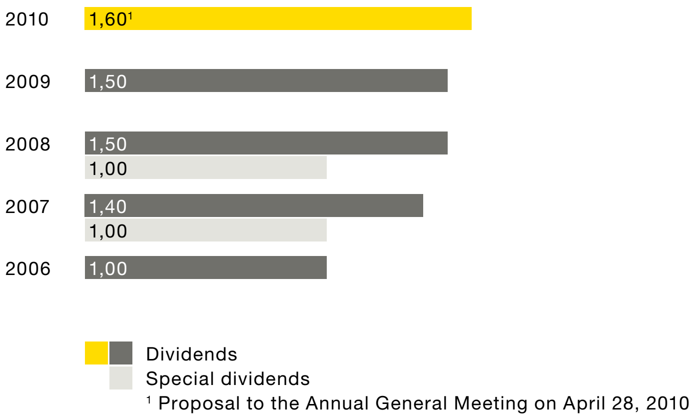
EBITDA AND EBIT EUR M



EARNINGS PER SHARE FREE CASH FLOW PER SHARE



DIVIDENDS PER SHARE EUR



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

PLEASE ALSO REFER TO PART 2 / "VALUES & TARGETS" OF THE ANNUAL REPORT 2010
The Company, Customers & Marketplace, Future & Strategy, Stakeholders

INTRODUCTION BY THE MANAGEMENT BOARD

LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

Austrian Post is continuing on its growth path. Against the backdrop of a considerably more favourable economic environment, the year 2010 was a good year for us and one which we can be satisfied with. This is reflected by the development of our key performance indicators, but also the fact that our fundamental strategy has paid off: by generating additional revenue, especially from our parcel and logistics business, we achieved our goal of compensating for generally decreasing letter mail volumes.

REVENUE DROP REVERSED TO ACHIEVE GROWTH

Total revenue of Austrian Post rose 0.3%, or EUR 7.6m, to EUR 2,351.1m on a comparable basis. Adjusted to take account of the changed reporting of prepaid phone cards, the business results of Austrian Post in 2010 developed very satisfactorily compared to the previous year. We returned to our growth path earlier than we had hoped for. Whereas the letter mail business declined as expected, our parcel and logistics activities posted steady growth throughout the year, thus more than offsetting this decrease.

ONLY MODERATE DECLINE FOR LETTERS

Revenue of the Mail Division fell by only 0.5%. The trend towards electronic substitution of letters continued, along with the drop in value-added mail services and the average weight of mail items. Intensive customer acquisition efforts combined with positive one-off effects such as numerous elections and one additional working day in 2010 managed to counteract this trend together with the positive development in the advertising mail segment. Following a decline in the previous year, EBIT of the Mail Division could be increased from EUR 221.1m to EUR 234.9m, thanks to a consistent increase in efficiency.

TURNAROUND IN THE PARCEL BUSINESS

The Parcel & Logistics Division showed a very positive development in 2010. Although the price situation remained tense, the company succeeded in increasing parcel volumes and attracting new customers. On this basis, total revenue not only increased 4.4% year-on-year, including 9.6% growth in Austria and 8.5% like-for-like in Germany, but EBIT massively improved from minus EUR 9.3m in the prior year to EUR 10.5m in 2010. Thus the division clearly achieved its targeted turnaround.

EXTENSIVE REORGANISATION OF THE BRANCH NETWORK

We continued as planned with the restructuring of our branch network and even succeeded in increasing its density by expanding the number of outlets from 1,552 to 1,850. The simultaneous conversion of company-operated branches to third-party operated postal partner offices served to considerably streamline operations. Revenue fell by EUR 31.7m, but total operating costs could also be reduced by EUR 34.7m. A third of the revenue drop can be attributed to the previously mentioned change in revenue reporting for prepaid phone cards. However, changing consumer behaviour was also responsible, as demonstrated by the decrease in letter mail volumes handled by the post offices as well as in sales of telecommunication products and banking services. On balance, EBIT of the Branch Network Division in the current restructuring phase before the voluntary severance payments for employees was clearly negative, at minus EUR 20.2m.

We will continue optimising our network of postal service points in the future as a means of further improving our cost structure and taking the changed communications behaviour of consumers into account. An important role will be played by the cooperation with our banking partner BAWAG P.S.K., which was renewed and intensified shortly before the end of 2010. It enables each partner to focus on its core competencies and features an even more attractive offering for customers in about 520 newly-designed joint locations. Against the backdrop of the well-advanced reorganisation of the branch network, the Branch Network Division will be merged with the mail division by the end of 2011.

COST REDUCTIONS LEAD TO EBIT IMPROVEMENT

In the light of the external pressure on our revenue development, we are continuously striving to sustainably reduce both staff and operating costs. Thanks to our efforts to systematically take advantage of employee attrition as well as the new collective wage agreement, we succeeded in achieving a significant reduction in direct personnel expenditures, although considerable restructuring costs arose in connection with staff cutbacks. As a result, earnings before interest and tax (EBIT) of Austrian Post could be increased by 5.0%, to EUR 156.9m.

ATTRACTIVE DIVIDENDS

Since the IPO took place in 2006, Austrian Post has maintained its positioning as an attractive dividend-paying stock. The company features a high level of profitability, as reflected in an EBITDA margin of 11.1% in 2010 within the targeted range of 10-12%, complemented by a solid balance sheet with a high equity ratio, a low level of financial liabilities and a high level of cash and cash equivalents. The free cash flow generated in 2010 amounting to EUR 153.6m comprises a good basis for continuing our attractive dividend policy. Future dividends should reflect the positive earnings development of the Group. For this reason, we have decided to recommend to the Annual General Meeting to approve a dividend payout of EUR 1.60 per share for the 2010 financial year.

SUCCESSFUL IMPLEMENTATION OF OUR STRATEGY

With respect to the strategic direction Austrian Post will be taking in the future, we continue to adhere to our demanding goals. In 2009, we defined four core strategies for the further development of the Group – and have already made considerable progress in implementing them in the course of 2010. Examples included the launch of new products and services in all segments, encompassing our very successful online offering, an increase in the volume of direct mail items, further growth in the international parcel and logistics business as well as structural improvements, enhanced efficiency and cost reduction in many areas, ranging from the expanded combined delivery of letters and parcels, optimisation on various fronts with respect to our staff as well as the setting up of a central procurement department. In the past year, we also developed new corporate principles which succinctly define the importance Austrian Post and its employees attach to service quality and customer orientation. This was done to ensure a clear orientation and a mutually shared foundation of values in a time of far-reaching change.

FURTHER GROWTH AND IMPROVED EFFICIENCY

In continuing our business strategy, we shall make every effort in the future to compensate for the pressure on revenue arising from the trend towards electronic substitution in the letter mail segment. The basis for this will be posting growth in our parcel and logistics business. But we also want to score points with customers by offering attractive, up-to-date services, for example a new, simplified and size-based product portfolio for letters. All in all, we are striving to generate revenue growth of 1-2% p.a. in the years to come. In order to achieve and maintain our targeted EBITDA margin of 10-12% per year, we have put comprehensive customer orientation and further consistent improvements in efficiency at the top of our agenda. For one thing, this relates to optimising the infrastructure in Austria, where the current emphasis at present is on restructuring the branch network, as already mentioned. At the same time, we are also devoting considerable attention to improving the performance of our international subsidiaries. For 2011 we even expect that our EBITDA margin will be at the upper end of the targeted range due to the changed form of consolidation of the meiller companies.

Finally, we do not want to forget to sincerely thank our employees, who made a decisive contribution once again towards the very solid development of our company in 2010. Similarly, we extend our thanks to our shareholders for their ongoing interest and loyalty.

> "... made considerable progress in implementing our four core strategies in 2010 ..."

Georg Pölzl
Chairman of the Management Board

Rudolf Jettmar
Deputy Chairman of the Management Board

Herbert Götz
Member of the Management Board

Walter Hitziger
Member of the Management Board

Carl-Gerold Mende
Member of the Management Board

CORPORATE GOVERNANCE REPORT PURSUANT TO SECTION 243B AUSTRIAN COMMERCIAL CODE

Austrian Post is a joint stock company which is listed on the Vienna Stock Exchange. Austrian law, particularly stock corporation and capital market regulations and stipulations concerning co-determination, the Articles of Association and the by-laws for corporate bodies of the company together with the Austrian Corporate Governance Code (ÖCGK) comprise the framework governing corporate governance.

1. CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of Austrian Post are committed to adhering to the principles of good corporate governance, and thus meeting investor expectations with regard to the responsible, transparent and long term-oriented management of the company. The January 2010 version of the Austrian Corporate Governance Code, which is of relevance for this Annual Report, contains 83 rules for good corporate governance, which are divided into three categories:

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

The Austrian Corporate Governance Code is available on the Austrian Post website at www.post.at/ir as well as on the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

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

- **Rule 31** (disclosure of Management Board remuneration): The fixed and variable remuneration components granted to each member of the Management Board are not disclosed individually in the Corporate Governance Report but jointly as a sum total. This takes account of the principle of the confidentiality of protectable information with regard to each Management Board member and the company.
- **Rule 39** (decision-making in urgent cases): In urgent cases, the Supervisory Board is authorised to make decisions by circulation procedure. Moreover, the by-laws of the Supervisory Board stipulate that meetings may be convened in particularly urgent cases without adhering to the specified period of advance notice.
- **Rule 41** (establishing a Nomination Committee): The duties of the Nomination Committee are assumed by the Presidential Committee, so that an appropriate forum is assured.
- **Rule 43** (establishing a Remuneration Committee): The duties of the Remuneration Committee are assumed by the Executive Committee of the Supervisory Board, so that an appropriate forum is assured.

Compliance
In order to prevent insider dealings, Austrian Post has introduced binding, Group-wide compliance guidelines in line with currently valid Austrian capital market regulations and the Compliance for Issuers Ordinance of the Financial Market Authority. The Compliance Officer of the Austrian Post Group monitors adherence to these guidelines and keeps an up-to-date insider list. Austrian Post is developing its compliance organisation above and beyond its legal obligations with the goal of establishing an integrated, Group-wide compliance management system. In addition to ensuring adherence to the binding capital market regulations, this system is designed to promote the lawful and guideline-compliant behaviour of employees and provide support by implementing specific measures. The awareness and understanding of compliance requirements are promoted and updated by means of regular training given to those employees who are subject to these requirements.

Directors’ dealings are always disclosed publicly at www.post.at/ir with reference to the appropriate website of the Financial Market Authority in accordance with legal regulations and the rules contained in the Austrian Corporate Governance Code (C-Rule 73).

Audit, internal control system and risk management
Deloitte Audit Wirtschaftsprüfungs GmbH was appointed by the Annual General Meeting held on April 22, 2010 to be the auditor of the annual financial statements and consolidated financial statements of Austrian Post for the 2010 financial year in accordance with the recommendation submitted by the Supervisory Board. The audit fee invoiced by Deloitte Audit Wirtschaftsprüfungs GmbH, comprising the total costs for auditing the annual financial statements and consolidated annual financial statements of Austrian Post and carrying out the audits for Austrian Post subsidiaries, amounted to EUR 309,144 (excl. VAT). For related consulting services, Deloitte Audit Wirtschaftsprüfungs GmbH received a remuneration of EUR 171,098 (excl. VAT).

Austrian Post's Group-wide internal control system (ICS) uses process-integrated measures, mechanisms and controls. A uniform platform has been created for the ICS of Austrian Post, which identifies the most important business processes. Operating activities are documented in a comprehensible manner and supplemented with risk assessment and internal control documentation. The ICS, based on the company's existing risk management and process structures, encompasses the internal control activities relating to major risks and monitors the internal control implementation process. The Internal Audit department carries out an ex post examination of compliance with relevant regulations, which, in turn, serves as the basis for determining the effectiveness of integrated controls and mechanisms. The Management Board reports to the Audit Committee about the internal audit plan for the following year and the audit results.

A Group-wide, binding Code of Conduct (code of ethics and business behaviour) was developed in the 2010 financial year, setting principles of ethical and irreproachable behaviour for all employees in the Group. The code is oriented to international agreements and ethical standards as well as the principles contained in the UN Global Compact.

Shareholders
The share capital of Austrian Post is divided into 67,552,638 non-par value shares. There are no voting rights restrictions or syndicate agreements applying to Austrian Post of which the company is aware. The principle of "one share – one vote" applies without exception. The Republic of Austria holds a 52.8% stake in Austrian Post through the privatisation and industrial holding company ÖIAG.

Austrian Post attaches considerable importance to ensuring that all shareholders are treated equally and provided with comprehensive information. Above and beyond the legally binding reporting and disclosure requirements (i.e. annual and quarterly reports, ad-hoc announcements, publication of directors' dealings), Austrian Post regularly reports about ongoing developments at the company by means of press releases as well as analyst, press and shareholder conferences. This is done in compliance with the principle emphasising the fair and equal treatment of all shareholders. All reports and releases as well as key presentations held at these conferences are available at www.post.at. Austrian Post published five ad-hoc announcements in the year 2010, which can be accessed online at www.post.at/ir.

2. MANAGEMENT BOARD

Composition of the Management Board
The Management Board of Austrian Post is comprised of five members. At its meeting held on November 16, 2010, the Supervisory Board appointed Peter Umundum as a Member of the Management Board with responsibility for Parcel & Logistics. In this function, he succeeds Carl-Gerold Mende, who will vacate his Management Board position on March 31, 2011. Peter Umundum was awarded a three-year contract and will take up his seat on the Management Board on April 1, 2011.

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

Rudolf Jettmar
Deputy Chairman of the Management Board, Chief Financial Officer, first appointed August 1, 1999 (current term of office expires June 30, 2012). Born 1947
Rudolf Jettmar studied law at the University of Vienna and business administration at the Vienna University of Economics before working for various tax consultancies. In 1979, he gained his professional qualifications as a chartered accountant and in 1982 as an auditor. From 1982 to 1999, he served as a member of the Management Board of Österreichische Verkehrskreditbank. In August 1999, Rudolf Jettmar was appointed as the Chief Financial Officer and Deputy Chairman of the Management Board of Austrian Post.

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

Herbert Götz
Member of the Management Board, Head of the Branch Network Division, first appointed March 1, 2004 (current term of office expires December 31, 2011). Born 1963
Herbert Götz specialised in mechanical engineering at the Vienna University of Technology before working at the Austrian Foreign Trade Office in Los Angeles, as an assistant professor at the Institute for Robotics and Cybernetics at the Vienna University of Technology and department sub-head for industrial policies at the Association of Austrian Industrialists. He spent several years working as an economic consultant and cabinet chief of Vice Chancellor Erhard Busek and continued his career by joining Siemens AG Austria in 1995. Here, Herbert Götz served as head of the Information and Communication Networks Division until his appointment as a Member of the Management Board of Austrian Post in March 2004.

Additional functions: Supervisory Board member of BAWAG P.S.K. Versicherung AG, Third Deputy Chairman of the Supervisory Board of Omnimedia Werbegesellschaft m.b.H., Supervisory Board member of the Vienna Technical Museum and Austrian Media Center.

Walter Hitziger
Member of the Management Board, Head of the Mail Division, first appointed May 1, 2004 (current term of office expires December 31, 2011). Born 1960
Walter Hitziger studied industrial engineering and business administration at the Graz University of Technology before working for the beer company Steirerbrau AG – Steirische Brauindustrie AG (Gösser/Puntigamer) with responsibility for distribution logistics. He served as division manager at Agiplan Planungsgesellschaft and Econsult Betriebsberatungsgesellschaft in Vienna in the years 1990-1997. In 1997, Walter Hitziger was named a member of the Management Board of bauMax Handels AG with responsibility for procurement and logistics before being appointed a Member of the Management Board of Austrian Post in May 2004.

Carl-Gerold Mende
Member of the Management Board, Head of the Parcel & Logistics Division, first appointed June 15, 2008 (current term of office expires March 31, 2011). Born 1956
After working briefly at Frankfurt Airport, Carl-Gerold Mende started his professional career at DHL in Germany before serving at Federal Express Europe Inc. starting in 1985, most recently as a member of the German management with responsibility for the "Central District". He simultaneously concluded his studies in business administration at the University of Applied Sciences in Rendsburg. Carl-Gerold Mende was appointed to the management board of General Parcel Logistics in 1993 and later Senior Vice President of GLS Holding, Amsterdam from 2001 to 2004 before joining Royal Mail in London as its International Director. In June 2008, he was appointed a Member of the Management Board of Austrian Post. Carl-Gerold Mende will vacate his Management Board position on March 31, 2011.

Peter Umundum
First appointed April 1, 2011 (current term of office expires on March 31, 2014). Born 1964
Following studies in computing and technical mathematics, Peter Umundum commenced his professional career in 1988 at Steirerbrau AG, where he assumed managerial responsibility for software development and the Organisation and Computing Department. In 1994, he moved to Styria Medien AG as the head of IT and just two years later was appointed as the CEO of the subsidiary Media Consult Austria GmbH. In 1999, he acted as one of the founders and CEO of redmail. In 2001, Peter Umundum became Managing Director of the "Die Presse" daily newspaper and three years later he joined the executive management of the "Kleine Zeitung" daily newspaper. In 2005, he moved to Austrian Post as one of the Managing Directors of the Letter Division, which is the company's largest business area, where he will serve until taking up his seat on the Management Board.

ORGANISATION (STATUS: DECEMBER 31, 2010)

Georg Pölzl	Compliance/Corporate Governance and Strategic Projects, Corporate Communications, Communications Strategy, Human Resources Management, Strategy and Group Development, Investor Relations, Internal Auditing, Risk Management and Compliance, Country Cooperation
Rudolf Jettmar	Finance and Accounting, Corporate Controlling, Treasury, Information Technology, Central Procurement, Legal, Corporate Real Estate
Herbert Götz	Branch Network incl. Philately, Advertising Coordination Austria
Walter Hitziger	Mail Division incl. Freight Transport, Logistics Coordination
Carl-Gerold Mende	Parcel & Logistics, Sales Coordination

Mode of operation of the Management Board
The by-laws for the Management Board stipulate the assignment of responsibilities and cooperation within the Management Board. It also defines the information and reporting obligations of the Management Board as well as a catalogue of measures requiring the formal approval of the Supervisory Board. The Management Board discusses the current business development at Austrian Post, makes necessary decisions and adopts the required resolutions within the context of meetings held at least every 14 days. The Members of the Management Board continually exchange information with each other, division managers and heads of central business units.

A so-called Executive Management Council consisting of 35 top level employees has been established to support the Management Board, playing an advisory and supporting role with respect to all operational and strategic issues affecting Austrian Post.

The Management Board regularly provides the Supervisory Board with timely and comprehensive information about all relevant issues pertaining to business development, including the assessment of the risk situation and risk management at Austrian Post and all key Group subsidiaries. In the spirit of good corporate governance, open discussions take place between the Management Board and the Supervisory Board and within these two bodies. Furthermore, the Chairman of the Supervisory Board maintains regular contact to the Chairman of the Management Board, discussing the strategic business development and risk management of the company with him.

At a meeting held on January 20, 2011, the Supervisory Board of Austrian Post formally approved the practical implementation of the results of an organisational and structural project. Against the backdrop of the ongoing conversion of company-operated post offices to postal partner offices as well as the successful realignment of Austrian Post's cooperation with BAWAG P.S.K., it was resolved to merge the Mail and Branch Network Divisions at the beginning of 2012. The aim is to position the company to ensure even greater efficiency and, at the same time, more strongly focus on customer proximity and market requirements.

Measures to promote the career advancement of women
As a company operating in accordance with the principles of sustainable development, Austrian Post actively focuses on socially relevant issues such as equal opportunity at work. It resolutely opposes any kind of discrimination and bullying. There are no gender-based salary differences, with men and women receiving equal pay for equal work and qualifications at Austrian Post.

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

3. SUPERVISORY BOARD

The Supervisory Board consists of twelve members – eight shareholder representatives elected by the Annual General Meeting and four employee representatives elected by the Central Works Council of Austrian Post. The following changes took place in the composition of the Supervisory Board in the 2010 financial year: Dieter Bock, Horst Breitenstein, Hans Wehsely and Rainer Wieltsch vacated their positions at the Supervisory Board effective of the Annual General Meeting on April 22, 2010. Edgar Ernst, Erich Hampel, Günter Leonhartsberger and Chris E. Muntwyler were elected by the Annual General Meeting 2010 to serve on the Supervisory Board of Austrian Post for a term of office lasting five years until the end of the Annual General Meeting, which will discharge the Management and the Supervisory Board for the 2014 financial year.

On October 19, 2010, Andreas Schieder was appointed by the newly constituted Central Works Council to succeed Gerhard Fritz as a Member of the Supervisory Board of Austrian Post pursuant to Section 110 Labour Constitution Act.

COMPOSITION OF THE SUPERVISORY BOARD (STATUS: DECEMBER 31, 2010)

Management representatives			
Name (year of birth)	**Main job**	**Further Supervisory Board or comparable positions**	**First appointed**
Peter Michaelis, Chairman (1946)	Member of the Management Board of Österreichische Industrieholding Aktiengesellschaft	Supervisory Board mandates (Chairman): Telekom Austria AG, OMV AG, APK Pensionskasse AG	May 18, 2001
Edith Hlawati, Deputy Chairman (1957)	Partner of the law firm Cerha Hempel Spiegelfeld Hlawati	Supervisory Board: Telekom Austria AG (Deputy Chairman)	April 26, 2007
Edgar Ernst (1952)	Management consultant	Supervisory Board mandates: Gildemeister AG (Germany), Deutsche Postbank AG (Germany), TUI AG (Germany)[1]	April 22, 2010
Erich Hampel (1951)	Management consultant	Supervisory Board mandates: UniCredit Bank Austria AG (Deputy Chairman), B&C Industrieholding GmbH (Chairman), Bausparkasse Wüstenrot AG (Deputy Chairman), Donau Chemie AG (Deputy Chairman), Österreichische Kontrollbank AG (Chairman), ÖRAG Österreichische Realitäten AG (Chairman), Österreichische Lotterien GmbH, Österreichisches Verkehrsbüro AG	April 22, 2010
Günter Leonhartsberger (1968)	Division Head, Corporate Investment Management and Privatisation at Österreichische Industrieholding AG		April 22, 2010
Chris E. Muntwyler (1952)	CEO of Conlogic AG (Switzerland)	Administrative Council of Panalpina World Transport AG (Switzerland)	April 22, 2010
Gerhard Roiss (1952)	Deputy Chairman of OMV AG, Managing Director of OMV Refining & Marketing GmbH	Supervisory Board mandates: Borealis AG (Vice Chairman), Petrom SA (Bucharest) (Vice Chairman), Petrol Ofisi (Istanbul) (Chairman), Deputy Chairman of the Supervisory Board of several OMV AG subsidiaries	April 26, 2007
Karl Stoss (1956)	Chairman of Casinos Austria AG, Managing Director of Österreichische Lotterien GmbH, President of the Austrian Olympic Comittee	Supervisory Board mandates: Casinos Austria International Holding GmbH, Burgtheater GmbH, Innsbruck-Tirol Olympische Jugendspiele 2012 GmbH (Deputy Chairman), Kathrein & Co. Privatgeschäftsbank AG (Deputy Chairman), Omnimedia WerbegesmbH (First Deputy Chairman)	April 4, 2006

[1] Effective February 9, 2011

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

SUPERVISORY BOARD MEMBERS WHO VACATED THEIR POSITIONS DURING THE 2010 FINANCIAL YEAR (EFFECTIVE DATE)

Dieter Bock (April 22, 2010)
Horst Breitenstein (April 22, 2010)
Hans Wehsely (April 22, 2010)
Rainer Wieltsch (April 22, 2010)
Gerhard Fritz (October 18, 2010)

COMMITTEES OF THE SUPERVISORY BOARD[1]

Executive Committee	Peter Michaelis (Chairman), Edith Hlawati
Presidential Committee	Peter Michaelis (Chairman), Edith Hlawati, Helmut Köstinger
Audit Committee	Peter Michaelis (Chairman), Edgar Ernst, Günter Leonhartsberger, Karl Stoss, Helmut Köstinger, Manfred Wiedner

Diversity
In selecting members of the Supervisory Board, the focus is on choosing people offering the relevant expertise and experience in management positions. Moreover, the composition of the Supervisory Board also pays attention to ensuring sufficient diversity. In this regard it is important to note that one of the 12 Supervisory Board members is a woman, four are under the age of 50 and two are not Austrian nationals.

Independence of the Supervisory Board
In accordance with the stipulations contained in the Austrian Corporate Governance Code (C-Rule 53), the Supervisory Board has defined the following six criteria to determine the independence of Supervisory Board members, which are compliant with Appendix 1 of the Austrian Corporate Governance Code:

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

[1] Until the date on which the Supervisory Board was newly constituted (April 22, 2010), or in the case of the Central Works Council (October 18, 2010), the committees consisted of the following members: Executive Committee (Peter Michaelis, Rainer Wieltsch), Presidential Committee (Peter Michaelis, Rainer Wieltsch, Gerhard Fritz), Audit Committee (Peter Michaelis, Hans Wehsely, Karl Stoss, Gerhard Fritz, Manfred Wiedner).

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

All the members of the Supervisory Board elected by the Annual General Meeting declared their independence in accordance with these criteria. Moreover, the Supervisory Board consists of six representatives who can be considered as independent from the core shareholder of Austrian Post. Accordingly, the majority of the Supervisory Board members do not have any direct relationship to the majority shareholder of the company (C-Rule 54).

The Supervisory Board does not include former Management Board members or top executives, nor do any "interlocking relationships" exist. The company has not granted any loans to members of the Supervisory Board.

Mode of operation of the Supervisory Board
The Supervisory Board as a whole, its committees as well as the Chairman and Deputy Chairman of the Supervisory Board regularly evaluate and monitor the management of the company. For this purpose, comprehensive presentations and consultations take place within the framework of Supervisory Board and committee meetings as well as detailed discussions with the Management Board members, especially on the part of the Executive Committee of the Supervisory Board. The Supervisory Board has resolved to establish committees consisting of its own members to carry out specific functions:

- The **Executive Committee** is responsible for regulating the relationships between the company and the members of the Management Board, with the exception of the appointment and revocation of the Management Board members, as well as granting options to obtain shares in the company. The Executive Committee also performs the functions of the Remuneration Committee as regards the remuneration to be paid to the members of the Management Board.
- The **Presidential Committee** also serves as the Nomination Committee and deals with issues relating to appointing members of the Management Board.
- The **Audit Committee** is responsible for auditing and preparing the approval of the company's annual financial statements, the auditing of the consolidated annual financial statements, the proposal on distribution of profits, the Management Report and the Corporate Governance Report. Considerable importance is attached to monitoring reporting processes, the effectiveness of the internal control, internal audit and risk management systems. Furthermore, the Audit Committee is responsible for preparing the proposal of the Supervisory Board for selection of the auditor of the annual accounts, and monitoring the independence of the auditor.

Number and agenda of meetings
The Supervisory Board and Management Board intensively discussed the strategic orientation and business development in all areas of the company within the context of ten Supervisory Board meetings and six meetings of the Audit Committee. The key issues discussed at the Supervisory Board meetings held during the 2010 financial year were, in addition to issues relating to the Management Board, defining the cornerstones of Austrian Post's business strategy and the medium-term objectives of the company in the light of the liberalisation of the postal market in 2011. In two special sessions, the Supervisory Board dealt with the further development of the branch network strategy and the cooperation with the banking partner BAWAG P.S.K. as well as the founding of a joint venture of meiller direct GmbH with Swiss Post.

In addition, the Executive Committee convened when required, discussing, amongst other issues, the severance payment for Mr. Mende and negotiations and conclusion of an employment contract with Mr. Umundum.

In 2010, the Presidential Committee dealt with submitting a recommendation and preparing the resolution of the Supervisory Board relating to the appointment of a new Management Board member with responsibility for Parcel & Logistics.

The Audit Committee carries out the duties and responsibilities assigned to it by Section 92 Para. 4a Stock Corporation Act. In its meeting on the financial statements and consolidated financial statements of Austrian Post for the 2010 financial year, in which the auditors took part, the Audit Committee properly carried out its responsibilities as stipulated by law. Moreover, the Audit Committee intensively dealt with the quarterly (interim) financial statements for the 2010 financial year. The Audit Committee recommended to the Supervisory Board to propose Deloitte Audit Wirtschaftsprüfungs GmbH as the auditor of the annual accounts of Austrian Post for the 2010 financial year.

All Supervisory Board members were present at two of the ten Supervisory Board meetings. Average attendance was 86% in 2010. No Supervisory Board member took part in less than 50% of all Supervisory Board meetings.

4. REMUNERATION REPORT

The remuneration report summarises the principles applied in determining the remuneration of the Management Board of Austrian Post, and describes the amount and structure of income received by the members of the Management Board. Moreover, the remuneration report also presents the principles and amount of remuneration paid to the members of the Supervisory Board, as well as information disclosing the shareholdings of the Management Board and Supervisory Board.

Management Board
The remuneration system is based on the fundamental idea of taking a three-tiered approach (fixed and variable salary components as well as a Long-Term Incentive Programme), which should apply in the case of good operating results. The fixed salary is linked to the salary structure of publicly listed Austrian companies, and takes into account the range of responsibilities assumed by each of the members of the Management Board.

The variable remuneration system is linked to a large extent to measureable, short-term performance indicators and also encompasses the achievement of qualitative performance targets. The variable salary component may not surpass the limit of 100% of the total annual fixed salary. The corresponding remuneration is paid in the following year.

The total cash remuneration paid to the members of the Management Board in the 2009 and 2010 financial years is comprised of the following:

CASH REMUNERATION

EUR 000s	2009	2010
Fixed	1,765	1,840
Variable	1,670	1,507
Total remuneration	**3,435**	**3,347**

In December 2009, the Supervisory Board approved a Long-Term Incentive Programme (LTIP) for the Management Board applying to the 2010-2012 financial years, which takes account of the EU recommendation on remuneration policies dated April 30, 2009. The aim is to align the interests of company management with those of Austrian Post shareholders to achieve a medium-term to long-term increase in shareholder value. The LTIP which lasts for three years is contingent upon participants making their own one-time investments. The calculation of the number of required shares is based on the average share price in the fourth quarter of 2009. At the beginning of the programme, target values were defined for key performance indicators (total shareholder return, free cash flow and earnings per share), whereby each indicator is considered to be equally important. The achievement of objectives is monitored over a period of three years.

All members of the Management Board also receive payment in kind. In case the employment contract is terminated, members of the Management Board are entitled to severance pay of up to one year's annual salary, in those cases based on the provisions contained in either the Austrian Salaried Employees Act or the Company Employee and Self-Employed Pension Plan Act. All members of the Management Board have concluded a pension fund agreement, under which Austrian Post is required to pay 10% of the individual's fixed annual gross salary into the pension fund each year. The Management Board members do not have any "change of control" clauses in their contracts.

The members of the Management Board of Austrian Post are insured within the framework of Directors and Officers Liability Insurance (D&O), which covers judicial and extrajudicial protection against unfounded claims for damages as well as the settlement of such claims which may be considered as legally justified.

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

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

In addition, the Management Board initiated a Long-Term Incentive Programme (LTIP) in the 2010 financial year for senior managers, in which selected members of various management levels of the Group are entitled to participate. The LTIP links pre-defined, measurable, long-term and sustainable criteria (total shareholder return, free cash flow and earnings per share) and is contingent upon participants making their own corresponding investment.

Supervisory Board
Remuneration of the Supervisory Board for the previous financial year is determined annually by the Annual General Meeting, which also decides on the fee for attending meetings. At present, the fee totals EUR 300 per session. Furthermore, travel expenses incurred by the members are covered. The Annual General Meeting held on April 22, 2010 resolved to grant an annual fixed sum totalling EUR 15,000 for the 2010 financial year applying to each of the members of the Supervisory Board, whereas EUR 25,000 was awarded to the Chairman of the Supervisory Board and EUR 20,000 to the Deputy Chairman. Remuneration is made on a pro-rata basis if a member did not belong to the Supervisory Board for the entire financial year. Payment is generally made immediately after the Annual General Meeting.

The total remuneration granted to the Supervisory Board in the 2010 financial year (including attendance fees and travel expenses) amounted to EUR 168,600, broken down as follows:

SUPERVISORY BOARD REMUNERATION (INCLUDING ATTENDANCE FEES) IN EUR

Peter Michaelis, Chairman	29,500
Edith Hlawati, Deputy Chairman	17,700
Dieter Bock (to April 22, 2010)	15,900
Horst Breitenstein (to April 22, 2010)	15,600
Edgar Ernst (since April 22, 2010)	2,400
Erich Hampel (since April 22, 2010)	1,500
Helmut Köstinger	2,400
Günter Leonhartsberger (since April 22, 2010)	2,400
Chris E. Muntwyler (since April 22, 2010)	1,500
Martin Palensky	2,400
Gerhard Roiss	16,800
Andreas Schieder (since October 19, 2010)	300
Karl Stoss	17,100
Hans Wehsely (to April 22, 2010)	16,800
Manfred Wiedner	4,500
Rainer Wieltsch (to April 22, 2010)	21,800
Total	**168,600**

The employee representatives perform their duties at the Supervisory Board on an honorary basis, and are compensated for their involvement in the Central Works Council in accordance with their respective employment contracts. They are only entitled to receive attendance fees. They may only be discharged of their responsibilities by the Central Works Council, but this may occur at any time.

5. DIRECTORS' DEALINGS

Sales and acquisitions of Austrian Post shares made by members of the Management Board and Supervisory Board of Austrian Post are reported to the Austrian Financial Market Authority within five days after the transactions have been concluded, and published on the Financial Market Authority website in accordance with Section 48d Stock Exchange Act. The following shareholdings were reported to the Austrian Financial Market Authority during the period under review:

SHARES OWNED

	Dec. 31, 2009	Purchase	Sale	Dec. 31, 2010
Management Board				
Georg Pölzl	12,254	6,000	–	18,254
Rudolf Jettmar	9,110	2,000	–	11,110
Herbert Götz	28,684	–	–	28,684
Walter Hitziger	7,000	1,600	–	8,600
Carl-Gerold Mende	0	–	–	0
Supervisory Board				
Peter Michaelis	600	–	590	10
Total	**57,648**	**9,600**	**590**	**66,658**

6. EXTERNAL EVALUATION

Austrian Post regularly submits to an external evaluation of its compliance with the C-Rules and R-Rules of the Austrian Corporate Governance Code. The most recent appraisal carried out by KPMG Austria GmbH for the period January 1, 2008 to December 31, 2008 concluded that the public declaration on the part of Austrian Post relating to its observance of the Austrian Corporate Governance Code corresponds to its actual business practices. The evaluation reports are available at www.post.at/ir. The next evaluation is planned for the 2011 financial year.

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Rudolf Jettmar
Deputy Chairman of the Management Board
Chief Financial Officer

Herbert Götz
Member of the Management Board
Director of the
Branch Network Division

Walter Hitziger
Member of the Management Board
Director of the
Mail Division

Carl-Gerold Mende
Member of the Management Board
Director of the
Parcel & Logistics Division

REPORT OF THE SUPERVISORY BOARD OF AUSTRIAN POST ON THE 2010 FINANCIAL YEAR

The electronic substitution of letters, the effects of postal market liberalisation, volume growth and high competitive intensity for parcel services were major factors impacting the business development of Austrian Post in the 2010 financial year.

From a legal and regulatory point of view, the year 2010 was characterised by preparations for the full-scale opening of the postal market as of January 1, 2011. On the basis of the Post@2011 programme launched at the end of 2009, Austrian Post defined its main strategic approaches and started implementing a series of strategic initiatives throughout the Group.

The Supervisory Board and Management Board intensively discussed further business and strategic development of the company at ten Supervisory Board sessions and six meetings of the Audit Committee during the year under review. The Supervisory Board was informed in detail about the business development, financial position, profit and loss and cash flows of the company, the personnel situation as well as investment projects as part of ongoing reporting in all meetings. The Management Board regularly provided the Supervisory Board with timely and comprehensive information, both written and oral, on all relevant issues relating to the business development of Austrian Post and its principal subsidiaries, including the risk situation and risk management. As a result of this reporting, the Supervisory Board supervised and supported the management activities of the Management Board at an ongoing basis.

In an extraordinary meeting held in September 2010, the Supervisory Board approved a joint venture with Swiss Post, stipulating the merger of the Austrian Post subsidiary meiller direct GmbH with the direct mail activities of Swiss Post at the beginning of 2011. In another extraordinary session in October 2010, the Supervisory Board extensively discussed the branch network strategy of the company and the cooperation of Austrian Post with its banking partner BAWAG P.S.K. In line with the current branch network concept, the two companies will focus on their core competencies and make use of their partner's infrastructure. Customers will be able to take advantage of a full range of postal and banking services offered by a sustainably secure network of more than 500 locations throughout Austria.

Carl-Gerold Mende will vacate his position on the Management Board effective March 31, 2011. For this reason, the Presidential Committee was assigned responsibility for filling the position of member of the Management Board with responsibility for the Parcel & Logistics Division in September 2010. In November 2010, the Supervisory Board appointed Peter Umundum to serve as a member of the Management Board with responsibility for Parcel & Logistics as of April 1, 2011 until March 31, 2014.

Furthermore, at a meeting held in November 2010 the Supervisory Board formally approved the implementation of an organisational and structural project. The results were discussed in an extraordinary meeting held in January 2011. The Supervisory Board decided to merge the Mail and Branch Network Divisions in the medium term. Thus, the company is reacting to ongoing changes in the postal market and aims to strengthen its competitiveness and customer proximity.

In six meetings, the Audit Committee duly carried out the responsibilities assigned to it. Deloitte Audit Wirtschaftsprüfungs GmbH was elected by the Annual General Meeting held on April 22, 2010 to serve as the auditors for the annual financial statements and consolidated annual financial statements of Austrian Post for the 2010 financial year. Quarterly results were discussed in detail by the Audit Committee. The Supervisory Board was continually provided with information about the results of the Audit Committee meetings.

There were several changes in the composition of the Supervisory Board in the past financial year. Dieter Bock, Horst Breitenstein, Hans Wehsely and Rainer Wieltsch vacated their positions at the Supervisory Board effective of the end of the Annual General Meeting on April 22, 2010. Edgar Ernst, Erich Hampel, Günter Leonhartsberger and Chris E. Muntwyler were elected by the Annual General Meeting 2010 to serve on the Supervisory Board of Austrian Post for a term of office lasting five years. All other shareholder representatives in the Supervisory Board were re-elected. On October 19, 2010, Andreas Schieder was appointed by the newly constituted Central Works Council to succeed Gerhard Fritz as a Member of the Supervisory Board of Austrian Post pursuant to Section 110 Labour Constitution Act.

In the constituent session of the Supervisory Board which took place on April 22, 2010 following the end of the Annual General Meeting, Peter Michaelis was elected as Chairman of the Supervisory Board and Edith Hlawati as Deputy Chairman. Further information on the composition and mode of operation of the Supervisory Board and its remuneration are contained in the Corporate Governance Report.

The annual financial statements and consolidated annual financial statements of Austrian Post as at December 31, 2010 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH and were granted an unqualified auditor's opinion. The Management Report and Group Management Report are consistent with the company and consolidated annual financial statements. All documentation relating to the annual financial statements, the profit appropriation proposal as submitted by the Management Board, the Corporate Governance Report and the auditor's report, were thoroughly discussed in the Audit Committee together with the auditors and subsequently presented to the Supervisory Board. The Supervisory Board examined all the documents in accordance with Section 96 of the Austrian Stock Corporation Act, and did not discover any inconsistencies or objections and thus formally approved the results of the audit. The Supervisory Board formally approved the annual financial statements for the 2010 financial year, which are hereby adopted in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act, and declares its acceptance of the IFRS consolidated financial statements, the Management Report, the Group Management Report and the Corporate Governance Report pursuant to § 245a of the Austrian Commercial Code.

The Supervisory Board concurs with the Management Board's proposal to distribute a basic dividend of EUR 108,084,220.80 from the net profit amounting to EUR 149,361,639.94 and to carry forward the balance of EUR 41,277,419.14 to the new account.

Finally, I would like to sincerely thank the members of the Management Board as well as all employees for their outstanding commitment and dedicated work performed in the 2010 financial year. I would like to ask our customers in Austria and abroad to maintain their confidence in and loyalty to the company.

March 14, 2011

Peter Michaelis m.p.
Chairman of the Supervisory Board

STATEMENT OF THE SUPERVISORY BOARD CHAIRMAN

Dear shareholders,

the 2010 financial year was successful for Austrian Post. The company managed to offset the revenue decline resulting from the electronic substitution of letters by growing in other segments, particularly in the parcels business. Austrian Post not only exceeded its targets with respect to revenue and earnings. Other financial indicators also underline the company's strengths: The balance sheet stands out due to its low level of net debt and high liquidity, and the solid cash flow serves as the basis for an attractive dividend policy.

In line with the strategy it has adopted, Austrian Post is now called upon to press ahead with its efforts to enhance customer orientation and achieve greater efficiency in order to generate sustainable growth in a fully liberalised postal market.

I would like to express my thanks to the management of Austrian Post and the employees for their accomplishments over the past year. It is their commitment and hard work which contributed to the success of the company.

Peter Michaelis m.p.

GROUP MANAGEMENT REPORT 2010

1. BUSINESS ENVIRONMENT AND LEGAL FRAMEWORK

1.1 ECONOMIC AND MARKET ENVIRONMENT

Following the severe downturn of the economy, which contracted by 3.5% in 2009, the economic situation in Austria improved again in 2010. The Austrian economy profited from the favourable international business environment. In 2010, GDP in Austria climbed by 2.0%, according to the Austrian Institute of Economic Studies (WIFO), whereas the average inflation rate was at 1.8% (WIFO), primarily as a result of higher crude oil prices. A further cyclical recovery is expected in 2011, featuring a GDP rise of 2.2% and inflation of 2.1% (WIFO). The upswing will be driven by strong export activity related to the significant growth of the world economy, which expanded by 5.0% in 2010. Global GDP growth is expected to reach a level of 4.4% in 2011 according to the International Monetary Fund (IMF). Consumer demand on the part of private households and an upturn in investment activity in Austria are also contributing to economic growth.

Economic growth in Germany is predicted to be 2.2% in 2011. The markets in South East and Eastern Europe are expected to post very positive growth rates according to IMF forecasts: Slovakia +4.3%, Hungary +2.0%, Serbia +3.0%, Bosnia-Herzegovina +3.0%.

Population growth and the increase in the number of households are important factors impacting the development of the letter mail and parcel markets in a country in addition to its economic output. The Austrian population expanded slightly also in 2010, growing by 0.4% (Statistics Austria).

The fundamental trend towards electronic substitution of letter mail volumes will continue. In particular, telecommunication and utility companies are trying to reduce physical mail volumes. The total volume of direct mail items is dependent on advertising expenditures of companies. The quarterly forecast published by ZenithOptimedia expects advertising investments in Western Europe to expand more sharply than originally anticipated, posting growth of 3.2% in 2011. In contrast to other advertising channels, the fundamentally positive development in direct communications is expected to continue. Direct mailings to consumers will maintain their importance in the overall communications mix.

Parcel volumes in Austria are rising thanks to the growing importance of online shopping. The freight and express mail business increased once again due to the improved economic situation and an expanded service offering. International parcel and freight volumes will be very dependent on the strength of the economic upswing and trade flows as well as the related price development. The parcel and logistics market in 2010 showed a positive volume trend both in the domestic and international markets, driven by increasing global trade as well as Internet sales. However, competitive intensity remains high.

1.2 LEGAL FRAMEWORK

In anticipation of the full-scale liberalisation of the postal market, which took effect on January 1, 2011, the year 2010 was characterised by preparatory measures from a legal and regulatory point of view.

In a first step, postal services for mail items weighing over 20 kg and Express Mail Service (EMS) items have no longer been tax-exempt since July 2010, in accordance with a clear decision taken by the European Court of Justice. Since then, the value added tax has been levied for such services in addition to the existing postal rates provided that the place of supply is in Austria and the shipment is not sent to a third country. In a further step, postal services, which are not encompassed in the legally prescribed Universal Postal Service Obligation, are no longer VAT-exempt as of January 1, 2011. Postal services included in the Universal Postal Service Obligation continue to be tax-free and will be billed without the value added tax provided that the place of supply is in Austria. The related General Terms and Conditions were presented to the regulatory authority in the fall of 2010 and acccepted.

The new regulations contained in the Postal Market Act relating to the branch network, which came into effect in December 2009, have led to a corresponding transformation process. After implementing the legally stipulated approval process with the regulatory authority, company-operated post offices with Austrian Post's own staff were converted to third-party operated postal service points in 2010. Austrian Post had to demonstrate that the post offices affected by the restructuring are unprofitable on a long-term basis, and that the population would continue to be provided with area-wide universal postal services through alternative postal service points. In addition, the affected communities had to be informed in a timely manner about the planned structural changes in the branch network.

Moreover, in November 2010, Austrian Post presented its new General Terms and Conditions to the regulatory authority describing a simplified, customer-oriented product and service portfolio with format-based postal rates. Following an extensive evaluation, the regulatory authority approved the General Terms and Conditions, which will take effect as of May 2011.

2. BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

2.1 CHANGES IN THE CONSOLIDATION SCOPE

The consolidation scope of Austrian Post was expanded in the 2010 financial year to include feibra West GmbH (Austria, Mail Division) and Post d.o.o. za usluge (Croatia, Mail Division) as well as LogIn Service d.o.o. (Bosnia-Herzegovina, Parcel & Logistics Division). All three companies are own incorporations. ThermoMed Life Sciences GmbH & Co KG was integrated into trans-o-flex ThermoMed GmbH & Co KG. Eurodis GmbH, which had been fully consolidated, was consolidated at equity as of July 1, 2010. Eurodis coordinates the European-wide parcel shipments among the partner companies, which include the European subsidiaries of Austrian Post. The stake held in Electronic Bill Presentment and Payment GmbH (EBPP) was raised from 40.0% to 100.0% as of July 1, 2010. The direct mail producer meiller direct was brought into a joint venture with Swiss Post at the end of 2010. The newly created company MEILLERGHP, in which Austrian Post owns a 65.0% shareholding, has been consolidated at equity since December 20, 2010.

2.2 REVENUE AND EARNINGS DEVELOPMENT

The development of Austrian Post revenues in 2010 proceeded very satisfactorily. Austrian Post succeeded in increasing revenue like-for-like in a year-on-year comparison by 0.3% or EUR 7.6m, to EUR 2,351.1m. In 2009, in line with the original presentation of revenue, EUR 13.3m in revenue had been reported from sales of prepaid phone cards. Whereas the Mail Division posted the expected decrease in revenue, the Parcel & Logistics Division continued its steady growth throughout the year, more than compensating for this decline.

Revenue of the Mail Division fell by only 0.5% in a year-on-year comparison. The main trends negatively affecting the Mail Division continued, i.e. the electronic substitution of letters, the declining business in high value mail items and the reduced weight of mail items being posted, leading to a 2.5% drop in revenue in the Letter Mail Business Area. However, intensive efforts to attract new customers, positive one-off effects related to elections, an additional working day in 2010 and the positive development of advertising mail in the Infomail Business Area (up 1.8%) successfully counteracted the effects of these trends.

The Parcel & Logistics Division featured an ongoing rise in business volume in 2010. Although the price situation remained tense, the division profited from good volume development as well as an increase in new customers. Despite the termination of unprofitable transport logistics operations, division revenue rose by 4.4% year-on-year, and even climbed by 9.6% in Austria. In Germany, the comparable increase was more than 6.0%.

The revenue and organisational structure of the Branch Network Division is undergoing change. Against this backdrop, sales decreased by EUR 31.7m, whereas total costs were reduced by EUR 34.7m at the same time. The changed reporting of revenue derived from sales of prepaid phone cards also contributed EUR 10.7m to the revenue decline. Internal sales were also down by EUR 13.7m due to the increasing direct collection of letters and parcels from large customers.

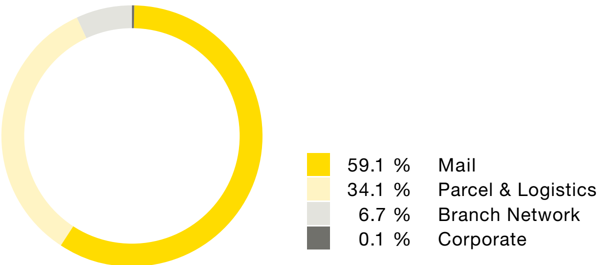
MANAGEMENT REPORT

REVENUE BY DIVISION[1]

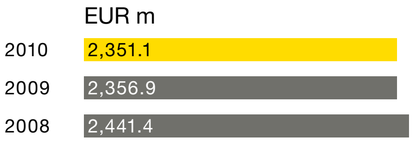
EUR m	2008	2009	2010	Change 2009/2010 %	Change 2009/2010 EUR m	Structure 2010
Total revenue	**2,441.4**	**2,356.9**	**2,351.1**	**–0.2%**	**–5.8**	**100.0%**
Mail	1,460.0	1,396.8	1,389.4	–0.5%	–7.4	59.1%
Parcel & Logistics	785.9	768.4	802.0	4.4%	33.6	34.1%
Branch Network	192.2	189.6	157.9	–16.7%	–31.7	6.7%
Corporate	3.2	4.4	5.1	15.7%	0.7	0.2%
Consolidation	0.0	–2.2	–3.1	40.5%	–0.9	0.1%
Working days in Austria[2]	253	251	252	–	–	–

[1] External sales of the divisions
[2] Calendar working days

REVENUE BY DIVISION %



REVENUE



INCOME STATEMENT

EUR m	2008	2009	2010	Change 2009/2010	Structure 2010
Revenue	**2,441.4**	**2,356.9**	**2,351.1**	**–0.2%**	**100.0%**
Other operating income	81.0	89.6	90.5	1.0%	3.9%
Raw materials, consumables and services used	–778.2	–766.1	–771.0	0.6%	32.8%
Staff costs	–1,119.2	–1,139.3	–1,120.7	–1.6%	47.7%
Other operating expenses	–304.5	–277.0	–288.8	4.3%	12.3%
Results of investments consolidated at equity	1.2	5.1	1.0	–79.6%	0.0%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**321.7**	**269.2**	**262.1**	**–2.6%**	**11.1%**
Depreciation, amortisation and impairment losses	–152.2	–119.8	–105.2	–12.1%	4.5%
thereof impairment losses	47.5	22.4	8.8	–60.7%	0.4%
Earnings before interest and tax (EBIT)	**169.5**	**149.4**	**156.9**	**5.0%**	**6.7%**
Other financial result	–11.3	–24.6	–8.2	66.6%	0.3%
Earnings before tax (EBT)	**158.2**	**124.8**	**148.7**	**19.1%**	**6.3%**
Income tax	–39.3	–45.1	–30.3	–32.9%	1.3%
Profit after tax = Profit for the period	**118.9**	**79.7**	**118.4**	**48.5%**	**5.0%**
Earnings per share (EUR)	1.71	1.18	1.75	48.5%	–

It is essential for Austrian Post to continually improve productivity and efficiency in order to counteract the revenue pressure it faces. Staff costs, which comprise the largest operating expense item of Austrian Post and account for about 50% of revenue, amounted to EUR 1,120.7m, a reduction of 1.6%, or EUR 18.6m, from the prior-year level. In addition to direct personnel expenditures for salaries and wages, staff costs also encompass changes in staff-related provisions as well as restructuring costs in line with the voluntary social plan for employees leaving the company.

Direct personnel expenditures before restructuring expenses and the provision for employee under-utilisation were reduced by more than EUR 30m compared to the previous year. Savings were achieved through employee attrition, as well as via the positive effects of the new collective wage agreement, which came into effect in August 2009. The average number of employees fell by 952 in a year-on-year comparison, to 24,969 people. This change is related to diverse restructuring costs of about EUR 65m, including severance payments for employees who have accepted the voluntary social plan putting them on temporary leave until they reach retirement age, as well as termination benefits and provisions for restructuring.

Due to the specific employment situation at the company, staff costs of Austrian Post traditionally include high staff-related provisions, including the provision for employee under-utilisation, which declined from EUR 285.6m to EUR 244.1m in the 2010 financial year. This also includes provisions for tenured employees who cannot be integrated at all or only partly into normal business operations, along with provisions for employees who transfer to the federal government to carry out administrative duties. The decrease in the provision for employee under-utilisation was the consequence, amongst other reasons, of the re-integration of employees into normal business operations as well as provisions related to the change in the discount rate in 2010 from 5% to 4.5%. The cash-relating use in 2010 amounted to EUR 17.8 m.

In principle, the allocation of the provision for employee under-utilisation is based on determining the average under-utilisation for all staff costs, taking into account a deduction for staff attrition, up to retirement or early termination of services, as long as the surplus capacity cannot be reduced for tenured employees. If the average level of under-utilisation is reduced in subsequent years, or if the employees are reintegrated into normal business operations, this leads to a reversal of the provision allocated in previous periods. Provisions are completely released if employees leave the company.

Austrian Post already reached an agreement with the Ministry of Internal Affairs in 2009 as well as with the Ministries of Finance and Justice in 2010 enabling employees to transfer to the federal government whereas staff costs for these employees will be borne by Austrian Post until 2014. A provision for these staff costs up until the middle of 2014 was already allocated. Due to the actual transfer of employees, provisions of EUR 12.0m were reclassified as liabilities.

Operating expenses for raw materials, consumables and services used rose by 0.6% in 2010. The largest operating expense item in this category is the purchase of external transport services (EUR 491.9m in 2010), which also rose as a result of the revenue growth generated in the parcel and logistics business. Retail products of the branch network declined by EUR 10.7m, in part due to the changed reporting of prepaid phone cards. Other operating expenses rose by 4.3% due to higher communication expenses and leasing and rental payments.

During the period under review, other operating income rose by 1.0%, to EUR 90.5m, including income from rents and leases of EUR 24.0m and proceeds from the disposal of property, plant and equipment of EUR 24.3m.

EBITDA BY DIVISION

EUR m	2008	2009	2010	Change 2009/2010
Total EBITDA	**321.7**	**269.2**	**262.1**	**–2.6%**
Mail[1]	297.1	271.1	278.2	2.6%
Parcel & Logistics[1]	34.8	20.5	37.5	82.9%
Branch Network[1]	20.5	–3.3	–14.2	>100%
Corporate[1]	–13.5	–10.1	–21.5	>100%
Consolidation[1]	0.0	0.3	0.0	>100%
Voluntary severance payments for employees	–17.2	–9.3	–17.8	91.6%

[1] Excluding voluntary severance payments for employees (changed reporting since 2010)

Earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post amounted to EUR 262.1m in 2010, a drop of 2.6% from the prior-year level. Accordingly, the EBITDA margin was 11.1%, and is still in the targeted range of 10-12%.

Depreciation, amortisation and impairment losses of Austrian Post totalled EUR 105.2m in 2010. This includes depreciation and amortisation of EUR 96.4m (thereof EUR 80.7m for property, plant and equipment) as well as impairment losses of EUR 8.8m (thereof EUR 5.8m for property, plant and equipment).

EBIT BY DIVISION

EUR m	2008	2009	2010	Change 2009/2010
Total EBIT	**169.5**	**149.4**	**156.9**	**5.0%**
Mail[1]	254.5	221.1	238.2	7.7%
Parcel & Logistics[1]	–25.5	–9.3	11.0	>100%
Branch Network[1]	14.5	–9.2	–20.2	>100%
Corporate[1]	–56.8	–44.2	–54.3	22.9%
Consolidation[1]	0.0	0.3	0.0	>100%
Voluntary severance payments for employees	–17.2	–9.3	–17.8	91.6%

[1] Excluding voluntary severance payments for employees (changed reporting since 2010)

Earnings before interest and tax (EBIT) of Austrian Post improved by 5.0% to EUR 156.9m in 2010 due to the fact that the revenue drop was more than compensated by cost savings. The EBIT margin was 6.7%.

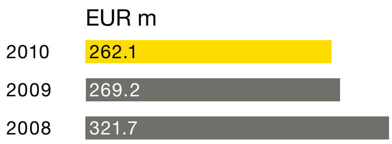
Starting in the 2010 financial year, voluntary severance payments are assigned to the particular division in which they arise, whereas the benefits had been previously recognised in the “Corporate” segment. For better comparability, the development of division earnings excluding these expenses is presented here: the Mail Division generated an EBIT increase of EUR 17.1m in 2010 to EUR 238.2m. EBIT of the Parcel & Logistics Division rose by EUR 20.3m to EUR 11.0m, whereas EBIT of the Branch Network Division amounted to minus EUR 20.2m, a decline of EUR 11.0m. On balance, voluntary employee severance payments at Austrian Post totalled EUR 17.8m, of which the largest share or EUR 10.6m was allocated to the Branch Network Division.

EBIT of the “Corporate” segment excluding voluntary employee severance changed from minus EUR 44.2m to minus 54.3m. This encompasses, amongst other items, non-allocated costs for central departments, expenses in connection with unused properties as well as the change in staff-related provisions. The reduction in earnings was primarily influenced by the restructuring provisions relating to the redimensioning of the Branch Network.

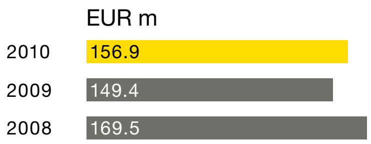
The other financial result of Austrian Post amounts to minus EUR 8.2m in 2010, compared to minus EUR 24.6m in 2009. The other financial result in the previous year included an impairment loss of EUR 20.0m relating to Austrian Post’s shareholding in BAWAG P.S.K.

Earnings before tax increased from EUR 124.8m to EUR 148.7m. After deducting income taxes totalling EUR 30.3m, the Group net profit (profit after tax for the period) amounted to EUR 118.4m, corresponding to earnings of EUR 1.75 per share for the 2010 financial year. This was in comparison to earnings of EUR 1.18 per share for 2009.

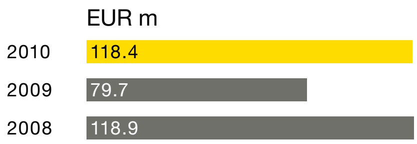
EBITDA



EBIT



PROFIT FOR THE PERIOD



2.3 ASSETS AND FINANCES

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

BALANCE SHEET STRUCTURE BY ITEM

EUR m	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Structure Dec. 31, 2010 in %
Assets				
Property, plant and equipment and intangible assets and goodwill	1,002.1	944.3	853.7	49.8%
Investment property	36.5	37.0	33.9	2.0%
Investments consolidated at equity	7.3	8.3	27.3	1.6%
Inventories, receivables and other assets	448.2	393.8	397.4	23.2%
Financial investments in securities	92.5	56.7	48.3	2.8%
Other financial assets	39.9	41.4	41.4	2.4%
Cash and cash equivalents	248.1	293.8	313.1	18.3%
	1,874.6	**1,775.3**	**1,715.1**	**100.0%**
Equity and liabilities				
Capital and reserves	741.5	673.7	690.8	40.3%
Provisions	585.4	604.4	574.7	33.5%
Financial liabilities	148.6	126.8	79.1	4.6%
Payables and others	399.1	370.4	370.5	21.6%
	1,874.6	**1,775.3**	**1,715.1**	**100.0%**

The analysis of the balance sheet of Austrian Post shows a considerable level of financial resources on the assets side. On balance, Austrian Post had cash and cash equivalents of EUR 313.1m as at December 31, 2010, and financial investments in securities amounting to EUR 48.3m. Accordingly, financial resources at the disposal of Austrian Post rose from EUR 350.5m to EUR 361.3m in 2010. The payment of a dividend in May 2010 amounting to EUR 1.50 per share or a total of EUR 101.3m for the 2009 financial year was already taken into account. The investment policy of Austrian Post is based on the lowest possible risk. The largest asset item is property, plant and equipment, intangible assets and goodwill with EUR 853.7m.

On the equity and liabilities side, the main items are capital and reserves (40.3%) and provisions (33.5%), the latter including provisions for employee under-utilisation of EUR 244.1m. The decline in current and non-current financial liabilities to EUR 79.1m is related to the repayment of borrowings from banks.

Due to the fact that the existing liquidity on the balance sheet (financial resources of EUR 361.3m) exceeds financial liabilities of EUR 79.1m, Austrian Post does not intend to make use of external funding nor does it require a credit rating at the present time.

BALANCE SHEET STRUCTURE BY TERM

EUR m	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Structure Dec. 31, 2010 in %
Assets				
Non-current assets	1,252.1	1,141.3	1,067.6	62.2%
thereof other financial assets and financial investments in securities	132.2	97.9	89.4	5.2%
Current assets	622.5	634.0	647.5	37.8%
thereof cash and cash equivalents	248.1	293.8	313.1	18.3%
	1,874.6	**1,775.3**	**1,715.1**	**100.0%**
Equity and liabilities				
Capital and reserves	741.5	673.7	690.8	40.3%
Non-current liabilities	551.8	514.0	479.4	28.0%
thereof provisions	466.2	453.4	414.6	24.2%
Current liabilities	581.3	587.6	544.9	31.8%
thereof provisions	119.2	150.9	160.1	9.3%
	1,874.6	**1,775.3**	**1,715.1**	**100.0%**

Total assets of Austrian Post amounted to EUR 1,715.1m. Non-current assets predominate on the assets side, accounting for 62.2% of total assets, or EUR 1,067.6m. The largest non-current asset items are property, plant and equipment, totalling EUR 610.9m, as well as financial investments in securities and other financial assets at EUR 89.4m. The principal current asset items are receivables, at EUR 317.9m, and cash and cash equivalents, at EUR 313.1m.

On the equity and liabilities side, the main items are capital and reserves, which make up 40.3% of the balance sheet total, followed by non-current liabilities (28.0%) and current liabilities (31.8%). Non-current liabilities of EUR 479.4m largely consist of provisions totalling EUR 414.6m.

Current liabilities amounting to EUR 544.9m primarily relate to trade payables, at EUR 210.5m.

2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.4.1 LIQUIDITY/NET DEBT

EUR m	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Interest-bearing liabilities	**–655.9**	**–629.5**	**–540.3**
thereof financial liabilities	–148.6	–126.3	–78.6
thereof interest-bearing provisions	–501.1	–497.3	–456.5
Interest-bearing assets	**385.8**	**398.3**	**413.7**
thereof financial investments in securities	92.5	56.7	48.3
thereof cash and cash equivalents	248.1	293.8	313.1
Net debt	**–270.1**	**–231.2**	**–126.6**
Net debt/EBITDA ratio	**0.84**	**0.86**	**0.48**
Gearing ratio[1]	**36.4%**	**34.3%**	**18.3%**

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

At the end of 2010, Austrian Post had a net debt position of EUR 126.6m. This is defined as the difference between interest-bearing assets (securities, other financial assets, and cash and cash equivalents) amounting to EUR 413.7m, and interest-bearing liabilities (financial liabilities and other interest-bearing liabilities, social capital and other interest-bearing provisions) of EUR 540.3m. The ratio of net debt to EBITDA is 0.48. The gearing ratio is 18.4%.

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

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

2.4.2 CASH FLOW

EUR m	2008	2009	2010
Operating cash flow before changes in working capital	**237.0**	**195.8**	**134.1**
+/– Cash flow from changes in working capital	–3.5	34.1	44.9
= Cash flow from operating activities	**233.4**	**230.0**	**178.9**
+/– Cash flow from investing activities	–23.1	6.9	–25.3
= Free cash flow	**210.3**	**236.9**	**153.6**
+/– Cash flow from financing activities	–271.6	–191.2	–134.4
= Net change in cash and cash equivalents	**–61.2**	**45.7**	**19.3**

The comparability of cash flows in the 2009 and 2010 financial years is limited due to one-off effects. These years were subject to varying tax payments as well as the reclassification of non-current provisions as liabilities and current provisions. These changes were the underlying reason for the simultaneously strong increase in the cash flow from changes in working capital to EUR 44.9m in 2010.

On balance, the cash flow from operating activities totalled EUR 178.9m in 2010, compared to EUR 230.0m in 2009. Excluding the tax expense, which were affected by high one-off effects in 2010, the cash flow from operating activities before tax amounted to EUR 240.8m as opposed to EUR 254.8m in 2009. This difference includes increased financial resources required for restructuring costs in 2010.

The cash flow from investing activities was minus EUR 25.3m in 2010, including the purchase of property, plant and equipment (CAPEX) amounting to EUR 45.5m and proceeds from the disposal of property, plant and equipment of EUR 27.4m.

Total free cash flow was EUR 153.6m. The proposed dividend payment of EUR 1.60 per share comprises a total dividend payout of EUR 108.1m.

2.4.3 CAPITAL INVESTMENTS AND ACQUISITIONS

Capital expenditure at Austrian Post reached a level of EUR 45.5m in 2010, a decline of EUR 20.1m from the previous year. Investments mainly involved the purchase of delivery vehicles (a 35% share of total investments), office equipment, fixtures and fittings for sorting centres, delivery bases and post offices (10%), the upgrading of letter mail sorting equipment with improved reading software as well as technical plant and machinery for the Group subsidiaries trans-o-flex and meiller (about 20%).

Austrian Post also invested in the expansion of its parcel conveyor lines in 2010 in order to keep up with growing parcel volumes. The capacity of the machinery in the sorting centres in Austria is dimensioned to fulfil regulatory stipulations requiring a specified delivery speed in Austria (delivery of 95% of all letters on the next working day or 90% of all parcels within two working days). At peak times, in particular before Christmas, the transported volumes rise by up to 50%. About 15% of the total capital expenditure was dedicated to construction measures in Austria (redesigning post offices) and Slovakia (new SPS sorting centre in Košice).

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

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

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

The cash outflow for the acquisition/sale of subsidiaries as well as associates was EUR 12.7m in 2010. Every acquisition presupposes a unified Group-wide selection process. The decision-making basis is a due diligence test followed by an evaluation by means of the discounted cash flow method.

2.4.4 EARNINGS AND PERFORMANCE INDICATORS

	2008	2009	2010
EBITDA margin[1]	13.2%	11.4%	11.1%
EBIT margin[2]	6.9%	6.3%	6.7%
ROE[3]	16.8%	13.9%	20.7%
ROCE[4]	17.4%	16.5%	19.3%
Capital Employed (EUR m)	952.5	861.7	767.5

[1] EBITDA margin = EBITDA/revenue
[2] EBIT margin = EBIT/revenue
[3] Return on equity = Profit for the period/capital and reserves on January 1 less dividends paid
[4] Return on capital employed = EBIT/average capital employed

CAPITAL EMPLOYED

EUR m	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
+ Intangible assets and goodwill	276.2	248.5	242.8
+ Property, plant and equipment	725.9	695.7	610.9
+ Investment property	36.5	37.0	33.9
+ Investments consolidated at equity	7.3	8.3	27.3
+ Investments in not consolidated companies	0.8	0.8	0.8
+ Inventories	26.3	22.3	16.3
+ Receivables[1]	356.7	321.1	319.4
– Non interest-bearing debt	–477.1	–472.1	–483.9
	952.5	**861.7**	**767.5**

[1] Less interest-bearing receivables

In the 12 months to the end of 2010, capital employed by Austrian Post declined by EUR 94.2m to EUR 767.5m. The return on capital employed thus improved from 16.5% to 19.3% during the year under review.

The aim of Austrian Post is to optimise capital employed in accordance with specific branch conditions. Investments are carried out to enable increased productivity. The focus of Austrian Post's receivables management is to continually check the creditworthiness of customers in order to switch to advanced payment or payment in cash in case the customer is designated as a risk or to demand a bank guarantee. Furthermore, invoicing intervals are shortened depending upon the payment behaviour of the particular debtor. Management is regularly informed about the level of outstanding receivables in order to be able to take appropriate measures if necessary.

2.4.5 DELIVERY SPEED

Austrian Post aims to be a provider of high quality postal services. In particular, prevailing legal regulations stipulate high standards relating to delivery speed for letters and parcels. In 2010, Austrian Post managed to deliver 95.4% of all letters on the next working day, above the 95.0% level stipulated by law. With regard to parcel deliveries as defined by in the Universal Service Ordinance (primarily private parcels), Austrian Post delivered 94.9% of all parcels within two working days, clearly surpassing the statutory target of 90.0%.

2.4.6 EMPLOYEES

During the period under review, the average number of full-time employees at Austrian Post fell by 3.7% from the prior-year figure, or 952 people, to 24,969. The workforce at all divisions declined with the exception of the Parcel & Logistics Division. Most of Austrian Post's labour force, namely 20,695 full-time equivalent employees, works for the parent company, Österreichische Post AG. Close to 4,300 people are employed by subsidiaries.

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

	2008	2009	2010	Share
Mail	15,835	15,232	14,841	59.4%
Parcel & Logistics	4,066	3,976	4,008	16.1%
Branch Network	4,931	4,719	4,274	17.1%
Corporate	2,170	1,994	1,846	7.4%
Total	**27,002**	**25,921**	**24,969**	**100.0%**

MANAGEMENT REPORT

2.4.7 PROFESSIONAL TRAINING AND CAREER DEVELOPMENT

The target group and competence-oriented training and professional development of employees comprise an important part of Austrian Post's human resources activities, and were intensively carried out again in 2010. The measures implemented consisted of specialised instruction, continuing education courses, coaching and training in all business areas of the company. In addition, Austrian Post attached great importance to the training of management staff within the framework of special executive training programmes.

In order to optimise the service offering in both post offices and postal partner outlets, intensive training programmes and further education courses were carried out in the Branch Network Division, including branch manager and financial consultant trainings, telecom sales colleges and training for postal partners to ensure the continuing improvement of the advisory services offered in the branch offices. The Mail Division offered team-building workshops, sales training and seminars for key account managers. In addition to regularly planned professional training courses, the Parcel & Logistics Division implemented executive training and customer management programmes as well as language training, amongst others.

2.4.8 HEALTH AND OCCUPATIONAL SAFETY

Occupational safety, health protection and health care comprise key elements of Austrian Post's corporate policy. Motivated and productive employees are the backbone of the tried-and-trusted logistics concept that ensures the best possible delivery to customers. An indispensable pre-requisite is a healthy and safe working environment. For this reason, Austrian Post is striving to embody a corporate culture emphasising the importance of promoting health and occupational safety in all its business activities, and is committed to its social responsibility with respect to the well-being of its employees.

2.4.9 ENVIRONMENT

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

Transport operations are carried out in the most environmentally compatible manner possible. This is achieved on the basis of optimal route planning as well as the use of a modern vehicle fleet, regular maintenance and ongoing driver training to enhance ecological efficiency. At present, Austrian Post very successfully makes use of 77 natural gas-powered delivery vehicles along with some 70 electric mopeds and electric bicycles.

For the purpose of implementing sustainable waste management, Austrian Post is actively working to reduce the environmental burden from waste to a minimum. Austrian Post makes a significant contribution to reducing residual waste on the basis of the separation of recyclable materials according to material types. At the same time, these measures enable the economically and ecologically meaningful utilisation of these valuable residual materials.

Since January 2010, the CO_2-neutral dispatching of parcels is being offered in Germany by the Austrian Post subsidiary trans-o-flex. CO_2 emissions arising in the transport process are compensated by the simultaneous promotion of external climate protection projects. trans-o-flex chose this approach to enable customers to take targeted measures to improve their own emission balances. Called “co$_2$de green”, this product involves trans-o-flex purchasing renewable energy certificates of recognised external climate protection projects to compensate for greenhouse gas emissions. More specifically, support is being provided at present as a result of this special service to a wastewater treatment plant in Thailand and clean energy generation in China. All CO_2 emissions arising from the transport of “co$_2$de green” shipments in Germany are offset. The surcharge per parcel is fully dedicated to certificate climate protection projects.

With respect to offsetting greenhouse gas emissions, trans-o-flex invests in advance by purchasing a specified amount of certificates, then passing on the added costs assigned to each parcel to customers. In this manner, transport-related emissions totalling about 900 tons of CO_2 are offset. trans-o-flex intends to expand the “co$_2$de green” programme in April 2011 and offer CO_2-neutral transport solutions also in the Benelux countries. The same will be offered in Austria by the subsidiary Scherübl.

2.4.10 RESEARCH AND DEVELOPMENT/INNOVATION MANAGEMENT

As a pure service company, Austrian Post does not carry out any designated research and development activities. Product innovations arise on the basis of an ongoing analysis of market and customer requirements.

An important success factor in changing markets is the development and market launch of innovative products and the expansion of the existing product portfolio. In the 2010 financial year, Austrian Post implemented a broad range of innovative solutions in the field of online and other services.

The Online Offensive 2010 launched new product innovations in the mail and parcel and logistics segments in addition to the relaunch of the entire website. The “e-Postcard” makes it possible for a customer to select his own desired photo theme including a text of his choice, which is then printed in high quality and delivered by Austrian Post. The extension of the product “meinbrief.at” enables not only the delivery of e-invoicing but also the electronic delivery of registered or certified mail items (“RSa/RSb” letters) from public authorities. A further innovation in the Austrian parcels business is the online parcel stamp. The customer chooses the desired parcel stamp online, prints it out conveniently at home and then takes the postage-paid parcel to a postal service point or gives it to the rural delivery staff.

Austrian Post also expanded its extensive offering in the field of mailroom management. Accordingly, business customers are offered services such as data management, printing, enveloping, dispatching, processing and sorting of incoming mail, digitalisation and internal distribution. The implementation of ORCA, a sorting software, has enabled Austrian Post to improve the recognition rates for postal codes in the automatic reading of addresses by the letter mail and flat sorting machines.

2.5 EVENTS AFTER THE REPORTING PERIOD

In accordance with the revised legal framework involving value added tax exemptions for postal services, Austrian Post changed its business terms and conditions although the product and tariff structure remained the same. Starting on January 1, 2011, postal services encompassed under the Universal Postal Service Obligation will continue to be exempt from value added tax, whereas all other postal services will no longer be VAT-exempt.

In January 2011, it was resolved to merge the Mail and Branch Network Divisions by the beginning of 2012. This decision was taken against the backdrop of the well-advanced conversion of company-operated post offices to postal partner offices as well as the successful realignment of Austrian Post’s cooperation with BAWAG P.S.K.

As of May 2011, Austrian Post will offer a new product portfolio for letter mail services in Austria as well as for cross-border postal services involving a simplified, customer-oriented product and service portfolio with format-based postal rates, also for the universal postal service obligation. Austrian Post presented its new General Terms and Conditions describing the new product portfolio within the framework of the Universal Postal Service Obligation to the regulatory authority in November 2010. Following an extensive evaluation, the regulatory authority approved the General Terms and Conditions for letter mail and addressed direct mail items. As a result, the new terms and conditions with new products and postal rates will take effect starting at the beginning of May 2011.

3. PERFORMANCE OF DIVISIONS

3.1 MAIL DIVISION

Market environment in 2010
The substitution of letters by electronic media, an important trend affecting the postal sector over the last few years, continued uninterruptedly in 2010. In the light of the recessionary year 2009, many business customers are continuing to take various measures designed to save costs. Mail items are no longer sent to customers or transmitted on the basis of electronic solutions.

In contrast, following a volume decline in the year 2009, particularly with mail order companies, the segment encompassing addressed and unaddressed advertising mail is showing an upward trend. Surveys of customers and the development of business with large customers demonstrate that the use of direct mailings to all households or specific target groups continues to be a highly attractive advertising tool with a high response quality.

Business development of the Mail Division in 2010

EUR m	2008	2009	2010	Change 2009/2010 %	Change 2009/2010 EUR m
External sales	**1,460.0**	**1,396.8**	**1,389.4**	**–0.5%**	**–7.4**
Letter Mail	783.7	741.9	723.0	–2.5%	–18.9
Infomail	541.5	521.4	531.0	1.8%	9.6
Media Post	134.8	133.5	135.3	1.4%	1.9
Internal sales	45.3	50.1	54.3	8.4%	4.2
Total revenue	1,505.3	1,446.9	1,443.7	–0.2%	–3.2
EBITDA before voluntary employee severance payments	**297.1**	**271.1**	**278.2**	**2.6%**	**7.1**
Depreciation and amortisation	34.6	32.1	34.8	8.4%	2.7
Impairment losses	8.0	17.9	5.2	–71.1%	–12.7
EBIT before voluntary employee severance payments	**254.5**	**221.1**	**238.2**	**7.7%**	**17.1**
Voluntary employee severance payments	0.0	0.0	–3.3	–	3.3
EBITDA margin[1]	19.7%	18.7%	19.3%	–	–
EBIT margin[1]	16.9%	15.3%	16.5%	–	–
EBIT after voluntary employee severance payments	254.5	221.1	234.9	6.2%	13.8
Employees[2]	15,835	15,232	14,841	–2.6%	–392

[1] Result before voluntary employee severance payments; referring to total revenue
[2] Average for the period, full-time equivalents

External sales of the Mail Division in 2010 fell by 0.5% from the comparable period of 2009 to EUR 1,389.4m and thus showed a better development than initially expected at the beginning of the year. Intensive customer acquisition efforts combined with positive one-off effects such as numerous elections and one additional working day in 2010 managed to minimise the volume decline caused by the electronic substitution of letters.

Revenue generated by the Letter Mail Business Area declined as expected, down 2.5% or EUR 18.9m from the prior-year period. The trend towards the substitution of letters by electronic media is continuing, for example in the customer segments of financial services and telecommunications. A decline was also evident in other areas as well as in the public sector, which cut back on the number of registered letters it posted. The mailing of passports and national insurance cards comprised positive one-off effects.

In contrast, revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail items) in 2010 rose by 1.8% or EUR 9.6m compared to the previous year's level. Efforts to acquire new customers were successful, and were thus able to compensate for the loss of large customers in 2009. Positive impetus came from mail order houses and elections in the year 2010. On balance, the Infomail Business Area registered a positive volume development albeit with lower average weights of mail items. In terms of revenue, the business development of the direct mail producer meiller direct was virtually stable. The company was brought into a joint venture with Swiss Post at the end of 2010. The newly established company MEILLERGHP, in which Austrian Post holds a 65% stake, is consolidated at equity as of December 20, 2010.

Revenue of the Media Post Business Area increased by 1.4% or EUR 1.9m due to the growing business volume generated by company magazines and the effects of regional elections.

All in all, the Mail Division posted an EBITDA before voluntary employee severance payments of EUR 278.2m in 2010, a rise of 2.6% from the comparable period of the previous year. EBIT before voluntary employee severance payments climbed by 7.7% to EUR 238.2m. This earnings improvement is primarily related to efficiency increases. Both operating expenses and staff costs could be reduced. Voluntary employee severance payments amounted to EUR 3.3m.

3.2 PARCEL & LOGISTICS DIVISION

Market environment in 2010

The market environment of the parcel and logistics sector was shaped by an upward volume trend in 2010. Following the economic downturn in 2009 and its related negative effects on prices and delivery volumes, the market first stabilised in 2010 before growth set in. The favourable economic situation in the EU led to volume increases with business customers (B2B), but on the basis of a continuing high level of competition. A shortage of freely available transport capacity led to increased prices for external transport services.

Generally, international, cross-border business recovered more quickly than the domestic one. For price reasons, the prevailing trend is of customer migration from express to standard services. The special product combined freight offered by Austrian Post, in which parcels and pallets are transported within one network, delivered growth rates both in the field of health care/pharmaceuticals and with SMEs.

Volume growth was also observed in the private customer business (B2C). The most important growth driver was the online mail order business via the Internet. Demands increased for additional services in the delivery of parcels to private customers.

Business development of the Parcel & Logistics Division in 2010

EUR m	2008	2009	2010	Change 2009/2010 %	Change 2009/2010 EUR m
External sales	**785.9**	**768.4**	**802.0**	**4.4%**	**33.6**
Internal sales	30.1	24.2	24.4	0.6%	0.1
Total revenue	816.0	792.6	826.4	4.3%	33.7
EBITDA before voluntary employee severance payments	**34.8**	**20.5**	**37.5**	**82.9%**	**17.0**
Depreciation and amortisation	26.9	25.7	24.4	–5.1%	–1.3
Impairment losses	33.4	4.1	2.1	–48.7%	–2.0
EBIT before voluntary employee severance payments	**–25.5**	**–9.3**	**11.0**	**>100%**	**20.3**
Voluntary employee severance payments	0.0	0.0	–0.5	–	0.5
EBITDA margin[1]	4.3%	2.6%	4.5%	–	–
EBIT margin[1]	–3.1%	–1.2%	1.3%	–	–
EBIT after voluntary employee severance payments	–25.5	–9.3	10.5	>100%	19.8
Employees[2]	4,066	3,976	4,008	0.8%	32

[1] Result before voluntary employee severance payments; referring to total revenue
[2] Average for the period, full-time equivalents

In 2010, external sales of the Parcel & Logistics Division climbed by 4.4% to EUR 802.0m as a result of good volume development. The parcel and logistics market showed an overall trend towards positive volume growth although price pressure remained intense.

The premium parcel product segment (parcel delivery within 24 hours) generated total revenue of EUR 630.5m in 2010. This corresponds to a 1.0% rise, which was negatively affected by the termination of loss-making transport logistics operations in Germany in the middle of 2009. The adjusted revenue in this product segment derived from the German market actually shows a volume increase of more than 6% year-on-year, which is mainly related to new customer acquisition. The subsidiary trans-o-flex in Germany accounted for approximately three quarters of premium parcel revenue. The business parcel segment in Austria, where Austrian Post enjoys a 15% market share, and in South East and Eastern Europe also continued to develop very positively.

The standard parcels product segment in Austria posted an even higher growth rate, with revenue rising by 19.5% to EUR 160.8m. The main reasons for this positive development were organic growth, the increased mail order business since June 2009 as well as parcel volumes shifted from the premium to the standard segment.

There was a clear turnaround in the performance of the Parcel & Logistics Division. In 2010, EBIT excluding voluntary employee severance payments rose to EUR 11.0m, up EUR 20.3m from the previous year.

3.3 BRANCH NETWORK DIVISION

Market environment in 2010
The organisation of the branch network is facing a fundamental transformation. The substitution of letters by electronic media leads to a steady decline in letter mail volumes in the branch offices for both private and business customers. Austrian Post is dealing with this change by transforming its organisational structure.

Other business areas at Austrian Post are also affected by changing consumer behaviour, such as the business with telecommunications products and banking services. Sales of telecommunications products suffer due to market saturation, whereas additional applications as well as mobile Internet services are being promoted. The generally weak purchasing power has led to a preference for lower-priced prepaid products and, above all, to mobile telephones without any contractual obligations. At the same time, the higher margin business with the initial registration of mobile phones is declining. The retail banking segment, where Austrian Post sells financial products of its banking partner BAWAG P.S.K., features high competitive intensity and strong margin pressure due to the currently low interest rates.

MANAGEMENT REPORT

Business development of the Branch Network Division in 2010

EUR m	2008	2009	2010	Change 2009/2010 %	Change 2009/2010 EUR m
External sales	**192.2**	**189.6**	**157.9**	**–16.7%**	**–31.7**
Internal sales	206.3	185.2	171.5	–7.4%	–13.7
Total revenue	398.5	374.8	329.3	–12.1%	–45.4
EBITDA before voluntary employee severance payments	**20.5**	**–3.3**	**–14.2**	**>100%**	**–10.9**
Depreciation and amortisation	6.0	5.9	5.9	1.5%	0.1
Impairment losses	0.0	0.0	0.0	–	–
EBIT before voluntary employee severance payments	**14.5**	**–9.2**	**–20.2**	**>100%**	**–11.0**
Voluntary employee severance payments	0.0	0.0	–10.6	–	10.6
EBITDA margin[1]	5.1%	–0.9%	–4.3%	–	–
EBIT margin[1]	3.6%	–2.5%	–6.1%	–	–
EBIT after voluntary employee severance payments	14.5	–9.2	–30.8	–	–21.6
Employees[2]	4,931	4,719	4,274	–9.4%	–445

[1] Result before voluntary employee severance payments; referring to total revenue
[2] Average for the period, full-time equivalents

The organisation of the branch network of Austrian Post is undergoing change, which impacts revenue development as well as the cost structure. External sales of the Branch Network Division fell by EUR 31.7m in 2010, whereas total costs were reduced by EUR 34.7m.

Part of the revenue decline, a sum of EUR 10.7m in 2010, is related to the changed reporting of revenue from prepaid phone cards. During the 2009 financial year, the nominal value of prepaid phone cards was still recognised as revenue, whereas the related costs of the goods sold were reported as raw materials, consumables and services used. Since January 1, 2010, only the commission derived from prepaid phone card sales is recognised. Moreover, sales of retail products declined in 2010. In particular, telecommunications products in the field of mobile telephony are subject to market saturation.

Financial services and the related commissions earned also showed a downward trend, which is attributable to reduced margins and the related low interest rate environment at the present time.

Internal sales with postal services also further decreased, and were down by 7.4% or EUR 13.7m. There has been a fundamental reduction in the volume of letters posted and subsequently transported by the branch network. Moreover, letters are increasingly being picked up directly from customers within the context of the enhanced services offered by Austrian Post.

However, the service and cost structure of the branch network is being continually improved as a result of the restructuring of the Branch Network Division. Unprofitable company-operated branches in Austria are being converted by Austrian Post into partner-operated postal service points. In 2010 Austrian Post increased the total number of postal service points from 1,552 to 1,850, which included the rise of third-party operated postal service points from 418 to 1,117. Plans call for converting additional unprofitable company-operated branches to postal partner offices. This will lead to a significant improvement in the cost structure in the years to come.

At the end of 2010, the strategic partnership of Austrian Post with its banking partner BAWAG P.S.K. was put on a new footing. Both companies are focusing on their core competencies, and alternately make use of the other partner's network. In the future, customers will be able to take advantage of the entire product and service portfolio of BAWAG P.S.K. and Austrian Post at more than 500 locations.

EBIT of the Branch Network Division excluding voluntary employee severance payments amounted to minus EUR 20.2m in 2010, down from minus EUR 9.2 in the comparable period of 2009. The workforce of the Branch Network Division was reduced by 445 employees compared to the prior-year period. Due to the restructuring, voluntary employee severance payments amounted to EUR 10.6m.

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

4.1 OUTLOOK 2011

Austrian Post expects the same international macroeconomic trends prevailing in 2010 to continue in 2011. The electronic substitution of letters, effects arising from postal market liberalisation and volume growth for parcel services will continue to have a major impact on business development.

The company expects the volume of addressed letter mail to decline by 3-5% p.a., reflecting international trends. This will be primarily driven by electronic substitution of letters along with the trend towards higher direct mail volumes.

Austrian Post is meeting the challenges posed by the fully liberalised letter mail market as of January 1, 2011 with a new customer-oriented offering and will introduce a completely new product portfolio in May 2011. The aim of the new product structure is to simplify its products and services and ensure a market-oriented offering for business customers. The new model will feature postal rates linked to the dimensions of the mail items and not to weight. The focus will be on standard sizes, which can be easily and simply understood by customers. Moreover, business customers will be given the opportunity to select their preferred delivery speed, as is standard practice internationally. A premium product will ensure letter mail delivery on the next working day, whereas a more favourably priced economy product will deliver letters within two to three working days. Moreover, the offering for addressed advertising mail will be expanded.

Due to improved international economic conditions, medium-term growth of over 6% p.a. is expected in the Parcel & Logistics Division, also in the 2011 financial year.

Based on these volume estimates, Austrian Post is striving to achieve Group revenue growth of 1-2% in 2011. Taking account of the at equity consolidation of its 65% stake in the joint venture MEILLERGHP, it should be possible on a comparable basis to compensate for the volume pressure arising from the electronic substitution of letters.

Within the context of its strategy programme, a series of operational measures will continue to be implemented in order to drive up revenue by exploiting growth opportunities and also realise cost savings. The aim is to maintain the high profitability of the company and achieve a sustainable EBITDA margin of 10-12% each year. This range will also apply in 2011. The upper part of this scale is the objective of Austrian Post following the change in consolidation for the company MEILLERGHP.

The operating cash flow generated by Austrian Post will continue to be used mainly to finance future-oriented investments and dividend payments. In terms of its financing requirements, Austrian Post anticipates total capital expenditure to reach a level of about EUR 80-90m p.a. in the years to come. This will primarily focus on replacement investments in existing facilities as well as in new and more efficient sorting facilities. The top priority in the company's international business will be to enhance performance and expand existing networks. Potential acquisitions will only take place in the core business areas of Austrian Post, and only for companies with growth-oriented business models. No major acquisitions are expected at the present time.

The Management Board of Austrian Post will propose to the upcoming Annual General Meeting scheduled for April 28, 2011 to distribute a dividend of EUR 1.60 per share. The current attractive dividend policy will be continued in the medium-term based on a solid balance sheet structure and cash flow generation. Austrian Post aims to achieve a dividend payout ratio to shareholders of at least 75% of the Group net profit assuming a continuation of the company's good business development. The dividend should develop further in line with profitability.

4.2 MAIN RISKS AND UNCERTAINTIES

4.2.1 RISK MANAGEMENT

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

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

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

4.2.2 STRUCTURE OF EMPLOYMENT CONTRACTS

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

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

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

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

Comprehensive measures have been taken to improve the qualifications of Austrian Post's employees. Above and beyond this initiative, a special company agreement has been reached with employees to cushion the effects of restructuring measures. Austrian Post deals with related employment issues by promoting more flexible working processes and working time models.

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

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

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

4.2.3 TECHNICAL RISKS

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

4.2.4 REGULATORY AND LEGAL RISKS

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

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

The Postal Market Act stipulates that Austrian Post is the only postal services provider in Austria required to provide

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

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

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

The public relations activities of Austrian Post have made it a priority to engage in an ongoing dialogue with all its stakeholders with respect to the issue of liberalisation. The company considers itself responsible for making people aware of the unresolved issues in connection with compensation for Universal Postal Services, and the problems arising as the result of an asymmetric market liberalisation.

At present, Austrian Post does not assume that it will be obliged to grant its competitors access to all its services on an unbundled basis. If this did indeed happen, these firms could potentially provide services in segments of the postal market which are particularly lucrative, and rely on partial services provided by Austrian Post in less lucrative business segments. This could also potentially lead to adverse effects on earnings.

The change in value added tax regulations for postal services could have adverse effects on revenue development, in particular from customer groups which are not entitled to a VAT deduction.

Austrian Post is subject to legal restrictions by regulatory authorities in setting its business terms and conditions (including postal rates) in providing universal postal services. For this reason, the company only has limited flexibility to impose price adjustments for the Universal Postal Services as a means of reacting to market changes.

The competencies enjoyed by the regulatory authority have remained unchanged. Austrian Post is currently holding discussions with the regulatory authority with respect to the interpretation of the precise scope of Universal Postal Services. A difference in the definition of the limits to Universal Postal Services could be reflected in the market-oriented structure of the product portfolio and pricing policies.

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

Above and beyond the regulatory environment governing the postal market, Austrian Post has to observe quite a few legal restrictions in carrying out its normal business operations. Due to competition law, the company only has limited flexibility with regard to its contractual and de facto ability to shape its business environment. In the past, Austrian Post was subject to antitrust investigations and processes evaluating the legitimacy of agreements and business practices on the part of Austrian Post in the light of existing antitrust regulations. Other legal risks may arise as the consequence of unexpected court cases initiated by competitors or customers.

In order to optimally avoid as far as possible any potential adverse effects on earnings resulting from regulatory and legal risks, Austrian Post strives to expand its value added chain and product portfolio in its core processes, as a means of offering its customers even better services and achieving an optimisation of service quality.

4.2.5 FINANCIAL RISKS

Financial risks of Austrian Post encompass liquidity risk, credit, counterparty and product risk, interest rate risk, foreign exchange risk as well as organisational risks. A more detailed presentation of financial risks is included in the notes to the consolidated financial statements of Austrian Post

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

4.2.6 MARKET AND COMPETITIVE RISKS

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

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

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

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

Austrian Post has taken steps to counteract the decline in mail volumes resulting from the greater use of e-mails by developing new products and services, for example in the Infomail Business Area or in the B2B (business-to-business) segment, but above all, along the value chain. The possibility cannot be excluded that a change in legal regulations with regard to the delivery of government mail will put responsibility for delivering some of these mail items in the hands of competitors and not only Austrian Post. Diversifying business operations into different markets enables Austrian Post to more effectively spread or minimise risks in individual segments.

A key feature of Austrian Post's business strategy is to achieve growth through selective acquisitions and cooperation agreements. In this regard, it is important to identify suitable acquisition targets and to successfully integrate acquired companies. The future profitability of these projects depends, to a large extent, on investment requirements, acquisition costs as well as political, economic and legal factors. For this reason, all investments must be made in accordance with strict financial criteria. In the Branch Network Division, earnings from financial services depend on the market success of Austrian Post's cooperation partner BAWAG P.S.K., whereas its success in the communications segment is closely linked to the market success of its cooperation partner Telekom Austria.

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

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

As an international postal and logistics services provider, Austrian Post is subject to a variety of risks in carrying out its business operations. The company proactively deals with these strategic and operational risks. The focus on its core business activities along with decades of experience in the business, have enabled Austrian Post to identify risks at an early stage, evaluate them and take suitable precautionary measures.

5.1 SCOPE OF MONITORING

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

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

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

5.2 RISK ASSESSMENT

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

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

This multiple-phase verification of the data contained in the accounts involves the central analysis of the Group companies' accounts before consolidation (entity level) and, in further steps, after consolidation on a position, segment and Group-level. The centralised analysis of data comprises the verification of the eliminations required to be carried out, the depiction of segments in accordance with IFRS 8 as well as alterations in reporting methods affecting the Group.

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

5.3 CONTROL MEASURES

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

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

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

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

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

5.4 INFORMATION AND COMMUNICATIONS

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

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

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

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

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

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

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

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

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

5.5 MONITORING

The focal point of Austrian Post's operational risk management is the identification, evaluation and control of major risks which arise from the company's business operations. This process is coordinated by key managers in the various divisions and business areas. The division-oriented organisation is structured into three operative divisions and five business areas, as well as in central support and advisory service units.

The subsidiaries within Austrian Post are assigned to the various divisions and business areas in accordance with the particular focus of their business activities. The major business risks in these operational units are continuously identified and monitored, serving as the basis for determining appropriate risk management measures, e.g. backups or emergency plans.

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

Additional key instruments to control and counteract risk include Group-wide guidelines for dealing with major risks, planning and control processes as well as ongoing reporting. These guidelines encompass, for example, the definition of limits and monitoring of adherence to these limits as well as compliance with internal rules designed to limit financial risks and the strict adherence to the principle of having two pairs of eyes oversee all business transactions.

These guidelines represent an integral part of the company's internal control system, and are designed, amongst other things, to ensure proper internal and external financial reporting. The planning and control processes serve as an early-warning system, and simultaneously as the basis to evaluate the effectiveness of management procedures.

The Internal Control System (ICS) serves as part of the risk management system, and encompasses risk-oriented procedures integrated into day-to-day business operations. Accordingly, appropriate measures support project implementation or are carried out within the context of upstream or downstream operations. The ICS is based on precise information on accounting and financial reporting processes, and also encompasses upstream processes. The effectiveness of the ICS is regularly evaluated by Group auditing.

6. INFORMATION PURSUANT TO SECTION 243A AUSTRIAN COMMERCIAL CODE

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

Through Österreichische Industrieholding AG (ÖIAG) the Republic of Austria holds a 52.8% stake in Austrian Post, based on the number of outstanding shares (a total of 67,552,638 following the withdrawal of all treasury stock totalling 2,447,362 shares on April 24, 2009). Austrian Post is not aware of any other shareholders holding more than 10% of the company's shares.

As far as the company knows, there are no shareholders who possess shares with special controlling interests. Employees who are shareholders of Austrian Post exercise their voting rights on an individual basis. No regulations exist which can be directly inferred from the law with regard to the appointment or dismissal of members of the Management Board or the Supervisory Board, or as regards changes to be made in the company's Articles of Association.

Authorised capital: pursuant to Section 5 of the Articles of Association of Austrian Post, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 175,000,000 by issuing up to 35,000,000 new non-par bearer shares against cash contributions within a period of five years after registration of the amendment to the Articles of Association into the commercial register, as well as to determine the issue price and issue conditions. The modification of the Articles of Association was entered into the commercial register on March 18, 2006.

Conditional capital: pursuant to Section 5 of the Articles of Association of Austrian Post, the Management Board is authorised to issue interest-bearing convertible bonds, involving conversion or subscription rights of up to 35,000,000 new bearer shares with a total value of up to EUR 175,000,000 within a period of five years after registration of the amendment to the Articles of Association into the commercial register. To this purpose, the share capital of the company was raised conditionally by up to EUR 175,000,000 by issuing up to 35,000,000 non-par bearer shares with voting rights. The modification of the Articles of Association was entered in the commercial register on April 21, 2006.

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

Vienna, March 1, 2011

Georg Pölzl
Chairman of the
Management Board

Rudolf Jettmar
Deputy Chairman of the
Management Board

Herbert Götz
Member of the
Management Board

Walter Hitziger
Member of the
Management Board

Carl-Gerold Mende
Member of the
Management Board

IFRS CONSOLIDATED FINANCIAL STATEMENTS 2010

CONSOLIDATED INCOME STATEMENT FOR THE 2010 FINANCIAL YEAR

EUR m	Note	2009	2010
Revenue	(7.1)	2,356.9	2,351.1
Other operating income	(7.2)	89.6	90.5
Total operating income		2,446.5	2,441.7
Raw materials, consumables and services used	(7.3)	–766.1	–771.0
Staff costs	(7.4)	–1,139.3	–1,120.7
Depreciation, amortisation and impairment losses	(7.5)	–119.8	–105.2
Other operating expenses	(7.6)	–277.0	–288.8
Total operating expenses		–2,302.2	–2,285.8
Profit from operations		**144.3**	**155.9**
Results of investments consolidated at equity	(8.5)	5.1	1.0
Other financial result	(7.7)	–24.6	–8.2
Total financial result		**–19.5**	**–7.2**
Profit before tax		**124.8**	**148.7**
Income tax	(8.16)	–45.1	–30.3
Profit for the period		**79.7**	**118.4**
Attributable to:			
equity holders of the parent company		79.7	118.4
EUR			
Basic earnings per share	(7.8)	**1.18**	**1.75**
Diluted earnings per share	(7.8)	**1.18**	**1.75**
EUR m			
Profit from operations		144.3	155.9
Share of profit/loss of investments consolidated at equity	(8.5)	5.1	1.0
Earnings before interest and tax (EBIT)		**149.4**	**156.9**

STATEMENT OF COMPREHENSIVE INCOME FOR THE 2010 FINANCIAL YEAR

EUR m	Note	2009	2010
Profit for the period		**79.7**	**118.4**
Currency translation differences	(8.11)	–0.5	–0.8
Revaluation of financial instruments held for sale	(8.11)	23.2	1.6
Deferred taxes	(8.16)	–5.8	–0.4
Revaluation of financial instruments hedging	(8.11)	6.0	–0.5
Deferred taxes	(8.16)	–1.5	0.1
Other comprehensive income		**21.4**	**0.0**
Total comprehensive income		**101.1**	**118.4**
Attributable to:			
equity holders of the parent company		101.1	118.4

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2010

EUR m	Note	Dec. 31, 2009	Dec. 31, 2010
Assets			
Non-current assets			
Goodwill	(8.1)	181.8	183.8
Intangible assets	(8.2)	66.7	58.9
Property, plant and equipment	(8.3)	695.7	610.9
Investment property	(8.4)	37.0	33.9
Investments consolidated at equity	(8.5)	8.3	27.3
Financial investments in securities	(8.6)	56.5	48.0
Other financial assets	(8.7)	41.4	41.4
Receivables	(8.9)	10.5	13.3
Deferred tax assets	(8.16)	43.2	49.9
		1,141.3	**1,067.6**
Current assets			
Financial investments in securities	(8.6)	0.2	0.2
Inventories	(8.8)	22.3	16.3
Receivables	(8.9)	317.7	317.9
Cash and cash equivalents	(8.10)	293.8	313.1
		634.0	**647.5**
		1,775.3	**1,715.1**
Equity and liabilities			
Capital and reserves	(8.11)		
Share capital		337.8	337.8
Capital reserves		130.5	130.5
Revenue reserves		128.2	106.5
Revaluation of financial instruments		–2.6	–1.8
Currency translation reserves		0.2	–0.6
Profit for the period		79.7	118.4
		673.7	**690.8**
Non-current liabilities			
Provisions	(8.12)	453.4	414.6
Financial liabilities	(8.14)	32.3	24.6
Payables	(8.15)	12.8	25.9
Deferred tax liabilities	(8.16)	15.4	14.2
		514.0	**479.4**
Current liabilities			
Provisions	(8.12)	117.0	135.1
Tax provisions	(8.13)	33.9	25.0
Financial liabilities	(8.14)	94.5	54.5
Payables	(8.15)	342.1	330.3
		587.6	**544.9**
		1,775.3	**1,715.1**

CONSOLIDATED CASH FLOW STATEMENT FOR THE 2010 FINANCIAL YEAR

EUR m	Note	2009	2010
Operating activities			
Profit before tax		124.8	148.7
Depreciation, amortisation and impairment losses	(7.5)	119.8	105.2
Results of investments consolidated at equity	(8.5)	–5.1	–1.0
Write-ups, write-downs of financial instruments	(7.7)	20.0	0.0
Non-current provisions		–12.8	–35.3
Gain/loss on the disposal of non-current assets		–21.9	–22.5
Gain/loss on the disposal of financial instruments		0.1	0.0
Taxes paid		–24.9	–61.9
Net interest received/paid		–4.0	0.7
Currency translation		–0.2	–0.7
Other non-cash transactions	(9.1)	0.0	0.8
Operating cash flow before changes in working capital		**195.8**	**134.1**
Changes in net working capital			
Receivables		39.9	–5.5
Inventories		4.0	2.3
Current provisions		9.7	22.3
Payables		–19.4	25.7
Cash flow from changes in net working capital		**34.1**	**44.9**
Cash flow from operating activities		**230.0**	**178.9**
Investing activities			
Purchase of intangible assets		–3.4	–7.8
Purchase of property, plant and equipment and investment property		–65.6	–45.5
Proceeds from the disposal of non-current assets		30.3	27.4
Acquisition/disposal of subsidiaries	(9.1)	–4.4	–12.5
Acquisition/disposal of investments consolidated at equity		3.4	–0.3
Acquisition of financial investments in securities		–24.7	0.0
Acquisition of other financial instruments		–1.5	0.0
Proceeds from the disposal of financial investments in securities		63.6	10.0
Dividends received from investments consolidated at equity	(8.5)	0.7	0.2
Interest received		8.7	3.1
Cash flow from investing activities		**6.9**	**–25.3**
Free cash flow		**236.9**	**153.6**
Financing activities			
Changes in financial liabilities		–17.6	–29.3
Dividends paid		–168.9	–101.3
Interest paid		–4.7	–3.8
Cash flow from financing activities		**–191.2**	**–134.4**
Net change in cash and cash equivalents		**45.7**	**19.3**
Cash and cash equivalents at January 1		248.1	293.8
Cash and cash equivalents at December 31		**293.8**	**313.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2009 financial year EUR m	Share capital	Treasury shares	Capital reserves	Revenue reserves	Revaluation of financial instruments Held for sale	 Hedging	Currency translation reserves	Profit for the period	Consolidated equity
Balance at January 1, 2009	**350.0**	**–12.2**	**130.5**	**178.2**	**–20.4**	**–4.2**	**0.7**	**118.9**	**741.5**
Withdrawal of treasury shares	–12.2	12.2							0.0
Dividends paid				–50.0				–118.9	–168.9
Profit for the period								79.7	79.7
Other comprehensive income					17.4	4.5	–0.5		21.4
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**17.4**	**4.5**	**–0.5**	**79.7**	**101.1**
Balance at December 31, 2009	**337.8**	**0.0**	**130.5**	**128.2**	**–3.0**	**0.3**	**0.2**	**79.7**	**673.7**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2010 FINANCIAL YEAR

1. BASIS OF PREPARATION

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

The headquarters of Austrian Post are in Vienna, Austria. The mailing address is Austrian Post, Postgasse 8, 1010 Vienna. The company is registered in the company register at the Vienna Commercial Court under the registry number FN 180219d.

2. SUMMARY OF ACCOUNTING PRINCIPLES

The consolidated financial statements of Austrian Post for the 2010 financial year have been prepared in accordance with the binding International Financial Reporting Standards (IFRS) valid as at December 31, 2010, as issued by the International Accounting Standards Board (IASB) and adopted by the European Union. These consolidated financial statements of Austrian Post correspond to the valid and applicable IFRS as at December 31, 2010, as published by the IASB.

In the 2010 financial year, the following new or revised standards and interpretations were binding for the first time:

New standards and interpretations		**Effective date in EU**[1]
IFRIC 17	Distribution of Non-cash Assets to Owners	Oct. 31, 2009
Revised standards and interpretations		
IFRS 1	First-Time Adoption of International Financial Reporting Standards	Jan. 1, 2010
IFRS 1	Additional Exemptions for the First-Time Adoption of International Financial Reporting Standard	Jan. 1, 2010
IFRS 2	Changes: Share-based Payments	Jan. 1, 2010
IFRS 3/IAS 27	Business Combinations: Consolidated and Separate Financial Statements (IFRS)	July 1, 2009
IAS 39/IFRS 7	Reclassification of Financial Assets: Effective Date and Transition	Sept. 13, 2009
IAS 39	Financial Instruments: Recognition and Measurements - Permissible Transactions in Hedging Relationships	July 1, 2009
Diverse	Annual Improvements to IFRS 2009	Jan. 1, 2010

[1] Applicable for financial years beginning on or after the above-mentioned date

The revised standards IFRS 1, IAS 39 and the interpretation IFRIC 17 are not applicable to Austrian Post at the present time. The "Improvements to IFRS" will not have any material impact on the presentation of the consolidated financial statements of Austrian Post.

The revisions to IFRS 2 define the accounting for share-based payments in the form of a cash settlement within the Group. The amendments clarify in detail how the individual subsidiaries in a group should account for specified share-based payment arrangements in their own financial statements. The revisions stipulate that a company receiving goods or services in a share-based payment arrangement must account for those goods and services, no matter which entity in the group settles the transactions and regardless if the transaction is settled in shares or in cash. The amendments to IFRS 2 do not have any material impact on the presentation of the consolidated financial statements at the present time.

The changes undertaken in IFRS 3 “Business Combinations” alter the treatment of acquisition costs and the accounting of step acquisitions and changes in interests held, with loss or retention of control. The revised standard features a greater scope of application and an option for the recognition of goodwill and an alteration in the accounting of contingent consideration. The amendments also affect reacquired rights, contingent liabilities, indemnification agreements and intangible assets. Additionally, effects arise from the revaluation of the initial recognition and classification of assets and liabilities acquired with a business. Together with the revised evaluation of the partial disposal of subsidiaries, the updated IAS 27 “Consolidated and Separate Financial Statements” reforms the accounting of non-controlling interests. The Group expects an impact on the presentation of the consolidated financial statements as well as on the Group’s asset and financial position in case of business combinations when adopting the revised IFRS 3 and IAS 27 for the first time. In the 2010 financial year the first-time application resulted in the effects as described in Note “3. Consolidation” regarding business combinations and final consolidation due to loss of control.

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

3. CONSOLIDATION SCOPE

In addition to the parent company Österreichische Post AG, a total of 23 domestic subsidiaries (December 31, 2009: 21) and 33 foreign subsidiaries (December 31, 2009: 41), in which the company directly or indirectly holds a majority of the voting rights, are included in consolidation. Furthermore, 4 domestic companies (December 31, 2009: 5) and 3 foreign companies (December 31, 2009: 0) are consolidated at equity.

Changes in the consolidation scope
The following consolidation group changes were carried out in the 2010 financial year:

Company name	Interest from	Interest to	Date of transaction	Note
Mail Division				
feibra GmbH (feibra Tirol GmbH)[1]	–	100.0%	March 1, 2010	Merger
feibra West GmbH	–	100.0%	January 28, 2010	Incorporation
Post d.o.o. za usluge	–	100.0%	January 8, 2010	Incorporation
EBPP Electronic Bill Presentment and Payment GmbH	40.0%	100.0%	July 1, 2010	gradual acquisition
R-Electronic-Bill-Presentment Beteiligungs GmbH	–	100.0%	July 1, 2010	Acquisition
meiller direct GmbH	100.0%	65.0%	December 20, 2010	Disposal of interest
meiller direct cz. s.r.o.	100.0%	65.0%	December 20, 2010	Disposal of interest
meiller direct sarl.	100.0%	65.0%	December 20, 2010	Disposal of interest
meiller direct ltd.	100.0%	65.0%	December 20, 2010	Disposal of interest
meiller direct AB	100.0%	65.0%	December 20, 2010	Disposal of interest
Kolos Marketing s.r.o	100.0%	68.5%	December 20, 2010	Disposal of interest

Company name	Interest from	to	Date of transaction	Note
Parcel & Logistics Division				
trans-o-flex ThermoMed GmbH & Co KG (ThermoMed Life Sciences GmbH & Co KG – vormals Rhenus Life Sciences GmbH & Co KG)[2]	–	100.0%	February 1, 2010	Accretion
Eurodis GmbH	80.0%	59.4%	June 15, 2010	Disposal of interest
LogIn Service d.o.o.	–	100.0%	January 7, 2010	Incorporation
tof Logisitic Service GmbH (TTL Tour Trans Log Service GmbH)[1]	–	100.0%	September 1, 2010	Merger
Thermomed Verwaltungs GmbH (ThermoMed Life Sciences Verwaltung GmbH – vormals Rhenus Life Sciences Verwaltungs GmbH)[1]	–	100.0%	October 1, 2010	Merger

1 The Group subsidiaries listed in parenthesis were merged with the initially listed Group subsidiary, and are therefore no longer included in the consolidation scope.
2 Accretion of the company ThermoMed Life Sciences GmbH & Co KG listed in parenthesis - formerly Rhenus Life Sciences GmbH & Co KG - to the limited partner due to the withdrawal of the general partner ThermoMed Life Sciences Verwaltungs GmbH - formerly Rhenus Life Sciences GmbH & Co KG.

Mail Division
With effect from July 1, 2010, the Austrian Post Group acquired a 100% stake in R-Electronic-Bill-Presentment Beteiligungs GmbH, which in turn holds a 60% interest in EBPP Electronic Bill Presentment and Payment GmbH. Thus the 40% share in EBPP Electronic Bill Presentment and Payment GmbH previously held by Austrian Post was increased to 100%.

EBPP Electronic Bill Presentment and Payment GmbH is a leading company in the field of electronic invoicing and offers a broad range of solutions for the electronic dispatching of documents. On the basis of this acquisition, Austrian Post aims to enhance its customer orientation and innovation by implementing dual delivery i.e. the delivery of documents in both physical and electronic form with the new product “meinbrief.at“.

As Austrian Post now owns a 100% stake, EBPP Electronic Bill Presentment and Payment GmbH is no longer recognised as investments in associates but is fully consolidated as of July 1, 2010 in the consolidated financial statements of Austrian Post.

The purchase price for the 60% stake in EBPP Electronic Bill Presentment and Payment GmbH as well as the 100% stake in R-Electronic-Bill-Presentment Beteiligungs GmbH amounted to EUR 2.4m.

Based on the purchase price for the new 60% stake, the existing 40% interest in the company was revaluated pursuant to IFRS 3.42. This revaluation to the corresponding fair value of EUR 1.6m resulted in a loss of EUR 1.3m. Hence the total purchase price amounted to EUR 4.0m. The transaction resulted in goodwill to the amount of EUR 3.1m.

The goodwill results from Austrian Post’s strategic objective to be a full-service provider for all types of postal delivery and to be considered as the first and most competent point of contact for electronic mail. Due to the challenges posed by market developments, particularly increased demand for secure electronic delivery and communication, Austrian Post wants to actively shape the market development of electronic mail delivery.

The following assets and liabilities were assumed by Austrian Post in connection with the acquisitions of EBPP Electronic Bill Presentment and Payment GmbH und R-Electronic-Bill-Presentment Beteiligungs GmbH:

EUR m	Fair value	Carrying amount before acquisition
Non-current assets		
Goodwill	3.1	0.0
Other intangible assets	0.1	0.1
	3.2	**0.1**
Current assets		
Cash and cash equivalents	0.9	0.9
Current liabilities		
Current provisions and liabilities	0.1	0.1
Net acquired assets	**4.0**	**0.9**

Since their inclusion in the consolidated financial statements of Austrian Post, the new subsidiaries acquired in the course of the 2010 financial year have generated revenue of EUR 0.2m and a negative EBIT of EUR 0.1m, which are reported in the consolidated income statement for 2010.

If these acquisitions and the related initial consolidation had already taken place on January 1, 2010, it would have added EUR 0.4m to Austrian Post's total revenue, and an EBIT of EUR -0.2m to Austrian Post's total EBIT.[1]

Based on a contract signed October 15, 2010, Austrian Post entered into a joint venture with Swiss Post for the purpose of bundling their international activities in the field of addressed direct advertising mail. Austrian Post holds a 65% stake in the joint venture, whereas 35% are owned by Swiss Post.

Within the joint venture, the Austrian Post subsidiary meiller direct GmbH, Schwandorf (Germany) was merged with the Direct Mail Business Area of Swiss Post Solutions GmbH, Bamberg (Germany) including their subsidiaries as at the closing date of December 20, 2010. The joint venture will operate with its subsidiaries in the Czech Republic, Poland, Russia, France and Sweden. The strategic focus of the new company will be on the consulting, conception and production of individualised, addressed advertising mail, especially including the production of direct mails and envelopes as well as letter shop activities.

The new company is considered to be a joint venture pursuant to IAS 31 on the basis of the contractually agreed rights of co-determination of Swiss Post. Austrian Post is not able to exercise any controlling influence because the minority shareholder has been granted significant rights of co-determination and competencies which disprove the existence of any supposed controlling influence exercised by Austrian Post. Therefore, meiller direct GmbH as well as its subsidiaries will no longer be included as fully consolidated companies in the consolidation scope of Austrian Post. The share held by Austrian Post in the group of companies encompassed in the joint venture MEILLERGHP GmbH will be consolidated at equity.

The revaluation of Austrian Post's share in the joint venture amounted to EUR 29.0m. The valuation date was December 31, 2010. The valuation was based on a business plan jointly developed by the joint venture partners. The valuation was based on the discounted cash flow method (gross value). The enterprise value for the unlevered firm was calculated as the present value of the free cash flows discounted using the weighted average cost of capital (WACC). In order to determine the market value of equity which is relevant for the valuation of Austrian Post's stake, the market value of net debt was deducted from the enterprise value. The above-mentioned value of the share was determined by an external indicative valuation.

[1] The pro-forma information is only for comparative purposes and does not necessarily depict the precise results which would have arisen if the transaction had actually been carried out as at January 1, 2010. The information provided is not to be considered as an indicator of future events.

Parcel & Logistics Division
In the middle of June 2010, Austrian Post sold a 20.6% stake in Eurodis GmbH. Due to the assignment of voting rights by selling the shares, Austrian Post lost its control and influence in the company. Therefore the remaining shares in Eurodis GmbH are consolidated according to the equity method starting with July 1, 2010.

The purchase price corresponded to the pro-rata nominal capital. The deconsolidation results in a gain of EUR 0.4m, which is reported as other operating income.

4. ACCOUNTING POLICIES

4.1 CONSOLIDATION POLICIES

Subsidiaries are included in the consolidated financial statements starting from the time at which Austrian Post gains a controlling interest in the company. The capital consolidation for companies included in the consolidated financial state-ments for the first time is carried out in accordance with the purchase method. In this case, the respective acquisition costs are allocated to the identifiable acquired assets and liabilities including contingent liabilities.

The value of intangible assets is determined on the basis of an earnings-oriented valuation method (income approach), depending on the type of asset and the availability of information. For the valuation of customer relationships (customer list) the multi-period excess earnings method is used, which measures the current value of the cash flows resulting exclusively from the intangible assets. In determining the relevant incremental cash flow, estimated payments for the contributory asset charges are taken into account, based on the assumption that the intangible assets in question can only generate cash flow together with other tangible and intangible assets. The valuation of a trademark is carried out on the basis of the relief from royalty method, in which the value of the intangible asset is determined as a fictive current value for the respective license payments, based on the assumption that the corresponding asset is owned by a third party.

Any remaining capitalised difference on the asset side between the acquisition costs and the value of the identifiable and revalued net assets is reported as goodwill. Any remaining capitalised difference on the liabilities side will be immediately recognised in profit or loss following the repeated valuation of the identifiable and revalued assets, liabilities, contingent liabilities and acquisition costs.

Shareholdings in companies on which a significant influence can be exercised (investments in associates), generally involving an interest of between 20% to 50%, as well as jointly managed companies, are accounted for using the equity method. Shareholdings in companies in which a controlling interest is not possible due to contractually stipulated minority shareholder rights are also accounted for using the equity method.

Pursuant to the equity method, shareholdings are first reported at the costs of acquisition, and later increased or reduced by the respective changes in equity in proportion to the particular stake held by Austrian Post. The goodwill of an associated company or jointly managed company is part of the carrying amount of the investment.

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

4.2 CURRENCY TRANSLATION

The consolidated financial statements are presented in euros. The euro is both the functional currency and the reporting currency of Group companies located in Austria, and in the European Economic and Monetary Union. The functional cur-rency of the foreign subsidiaries and associated companies is the respective local currency, as they conduct their operations independently in financial, economic and organisational terms.

Business transactions in foreign currencies
Transactions of Group companies in foreign currencies are accounted for using the reference exchange rate at the date of transaction. The monetary assets and liabilities are converted into euros at the valid European Central Bank reference rate on the balance sheet date. Foreign exchange gains and losses arising at the balance sheet date are reported as a net profit or loss in the course of the financial year.

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

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

	Reference rate at balance sheet date		Average annual rate	
1 EUR	**Dec. 31, 2009**	**Dec. 31, 2010**	**2009**	**2010**
British Pound	0.8881	0.8608	0.8909	0.8578
Bosnian Convertible Mark	1.9558	1.9558	1.9558	1.9558
Croatian Kuna	7.3000	7.3830	7.3400	7.2891
Swedish Krona	10.2520	8.9655	10.6191	9.5373
Serbian Dinar	95.8888	105.4982	94.0364	103.0501
Czech Koruna	26.4730	25.0610	26.4349	25.2840
Hungarian Forint	270.4200	277.9500	280.3270	275.4786

4.3 RECOGNITION OF REVENUE AND EXPENSE

The recognition of revenue and other operating income is generally reported when the particular service has been rendered, the level of the revenue can be reliably measured, and it is likely that the economic benefit from the transaction will flow to the entity. Contracted services which have not yet been rendered by Austrian Post as at the balance sheet date, as well as outstanding customer prepayments for stamps and frankings, are designated as deferred income.

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

4.4 EARNINGS PER SHARE

The earnings per share are calculated on the basis of the profit for the period attributable to the shareholders of Austrian Post divided by the weighted average of the outstanding shares in 2010. Shares repurchased during a specific period are taken into account on a pro rata temporis basis for the period of time in which they are still outstanding shares. There were no dilutive effects in the 2010 financial year. Accordingly, there is no difference between basic and diluted earnings per share.

4.5 GOODWILL

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

4.6 INTANGIBLE ASSETS

Intangible assets acquired in return for payment are reported at cost and are amortised on a straight-line basis over a period of three to ten years, depending on their economic useful lives or the contract period. When there are indications that an asset is impaired, and if the recoverable amount is lower than the amortised costs, the asset is written down to the recoverable amount. If the reasons for impairment cease to apply, the write-downs are reversed.

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

Intangible assets with indefinite lives and goodwill are not subject to amortisation, but are subject to annual impairment tests. This also applies if there is no reasonable assumption that impairment is necessary. In case particular events or changes take place which would point to a potential impairment, then impairment tests will also be carried out if necessary.

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

4.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at acquisition or production cost less depreciation and impairment losses. Depreciation rates are linked to the expected useful lives of the particular items.

Depreciation is calculated on a straight-line basis in accordance with the following useful lives which are applied uniformly throughout the company:

Useful lives	Years
Buildings	20–50
Technical plant and machinery	5–10
Vehicle fleet	2–8
IT equipment	3–5
Other equipment, furniture and fittings	5–20

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

4.8 INVESTMENT PROPERTY

Investment property is property held to earn rental income and/or for the purpose of capital appreciation, and which could be sold in separate portions. Recognition of the owner occupied portion of the property is carried out in accordance with the percentage of use. Investment property is carried in the balance sheet at acquisition cost less accumulated depreciation, which is performed on a straight-line basis, applying useful lives of between 20 and 50 years. The fair values of the investment properties included in the notes to the consolidated financial statements were essentially determined by experts at an Austrian Post subsidiary, using generally accepted valuation methods. Measurement is carried out on the basis of a profit oriented valuation approach. As a rule, the income approach was used, and the discounted cash flow method in the event of more complex investment property. The comparable method of valuation using comparable transactions in an active market was applied to the valuation of undeveloped property.

4.9 IMPAIRMENT

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

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

If the recoverable amount cannot be determined for an individual asset, assets are assigned to cash generating units (CGU) for the purpose of impairment tests. CGU are groups of assets on the lowest possible level that generate separately identifiable cash flows and which are monitored for internal management purposes. Accordingly, impairment tests are carried out at the level of sub-segments or Group companies.

In the course of an impairment test, the property, plant and equipment of a CGU, including the assets and liabilities assigned to it pursuant to IAS 36, are compared to the recoverable amount of the CGU. If the carrying amount is higher than the recoverable amount, the carrying amount of the CGU will be reduced to its recoverable amount. If the reasons for an impairment no longer apply, then the write-down is reversed (except goodwill). The recoverable amount of a CGU is determined by using the discounted cash flow method (DCF). This calculation is based on the business planning for the year 2011, the medium-term planning for a period of three years (2012-2014), and perpetuity, which takes account of the expected long-term growth rates for the individual CGU representing up to 1.0% p.a. Capital costs are calculated according to the weighted average cost of capital (WACC) formula and in accordance with the capital asset pricing model (CAPM) in line with the individual conditions of the CGU. During the period under review, the weighted average cost of capital in the Euro-zone ranged from 5.8% to 8.2%, and in other countries from 7.8% to 14.5%.

Pursuant to IAS 36, property, plant and equipment for which there are indications that a specific asset is impaired or if the reasons which led to an impairment in earlier reporting periods no longer apply, are subject to an impairment test at the balance sheet date. If the recoverable amount is less than the amortised costs, the asset is written down. If the reasons for an earlier impairment no longer apply, then the write-down is reversed. The higher carrying amount resulting from the reversal of the write-down may not exceed the amortised costs.

4.10 FINANCE LEASES

If the major risks and rewards related to the leased assets are transferred to Austrian Post (finance leases pursuant to IAS 17), these assets are capitalised as non-current assets at the lower of their fair value or the present value of the future minimum lease payments. The leased assets are depreciated over the expected useful life or the duration of the lease, if shorter. The future lease payments arising from these leasing agreements are reported under financial liabilities.

4.11 FINANCIAL ASSETS

At Austrian Post, financial assets are assigned to the following classes, pursuant to IFRS 7: financial investments in securities, other financial assets, receivables as well as cash and cash equivalents. These financial assets are classified as loans and receivables, held to maturity investments, available for sale financial assets, and financial assets at fair value through profit or loss in accordance with IAS 39.

Loans and receivables are recognised at amortised costs. The valuation is carried out at the fair value when recognised. Any existing difference between the acquisition costs and the repayment amount (premium or discount) is amortised over the term to maturity using the effective interest rate method and included in the financial result.

If there are any indications of an impairment applying to these loans and receivables, they are written down to the present value of the expected future cash flows. At Austrian Post, the share of irrecoverable receivables is determined on the basis of a maturity analysis, taking the customer and market structure into account. Moreover, impairments are carried out if, on the basis of objective evidence, it is unlikely that the loan or receivable will be recovered. Impairments are generally reported in an impairment account. If the reason for impairment ceases to apply, the write down is reversed (up to the amor-tised costs).

Available for sale financial assets are carried at fair value. Unrealised gains and losses are separately disclosed under revaluation of securities until realised, taking account of deferred taxes. The carrying amounts of the available for sale financial assets are evaluated at every balance sheet date to determine if there is objective evidence of impairment. Objective evidence, for example, may comprise financial difficulties on the part of the debtor, default or delay in payments of interest or principal, the discontinuation of an active market, or significant changes in the economic, legal or market-related environment. If the reason for impairment ceases to apply, in the case of equity instruments the impairment loss is reversed and directly recognised in equity, and in that of debt instruments the reversal is included in the net profit or loss. Sales and purchases are accounted for at the settlement date.

Other financial assets for which there is no regulated market, and whose fair value cannot be reliably measured using established valuation methods, are recognised at acquisition costs. Impairment is reported with recognition to profit or loss. Any reversals of write-downs are neither recognised in profit or loss nor directly in equity.

4.12 INVENTORIES

Inventories are stated at the lower amount of acquisition costs and net realisable value at the balance sheet date. The measurement of the inventories is implemented in accordance with the moving average cost formula. Any impairments resulting from obsolescence or unsaleability are taken into account in determining the net realisable value.

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

4.13 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are measured at the lower of the carrying amount and the fair value less costs to sell. Non-current assets are classified as non-current assets held for sale, when the carrying amount will be recovered through a sales transaction and not through continuing use. This principally applies only in those cases when the sale is highly probable, and the asset in its current state is available for sale.

4.14 PROVISIONS FOR TERMINATION BENEFITS, PENSIONS AND JUBILEE BENEFITS

Provisions for severance payments
The provisions for severance payments apply to legal and contractual entitlements on the part of employees. Employees working for Group companies in Austria are entitled to severance pay when they reach the legally stipulated retirement age, as well as when their employment contracts are terminated by the employer. The amount of the latter depends on the number of years of service of the employees in question and the operative salary at the time the employment is terminated. Civil servants normally have no entitlement to termination benefits. The provisions are calculated on an actuarial basis, using the projected unit credit method. All actuarial gains and losses are immediately recognised in profit or loss.

Severance payments in respect to salaried employees who are working for Austrian Group companies and started after December 31, 2002, are fulfilled by regular contributions of the respective amounts to the employee benefit fund. In addition to this, there is no other obligation on the part of Austrian Post.

Provisions for pensions
The pension obligations on the part of Austrian Post encompass both a defined contribution plan as well as a defined benefit plan.

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

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

Provisions for jubilee benefits
Austrian Post is in some cases obliged to pay jubilee benefits to salaried employees and civil servants to mark service jubilees.

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

The provisions for jubilee benefits are calculated in a similar manner to the provisions made for termination benefits and pensions, in accordance with the project unit credit method.

With the exception of the interest expense, all changes in the provisions for termination benefits, pensions and jubilee benefits are reported under staff costs. The interest effect is recognised in the financial result.

The following parameters were used as the basis for calculating provisions for termination benefits, pensions and jubilee benefits at December 31, 2009 and December 31, 2010:

	2009	2010
Interest rate	5.0%	4.5%
Salary or pension increases	graduated (0%–4%)	graduated (0%–4%)
Staff turnover reduction	graduated (0%–20%)	graduated (0%–20%)
Retirement age		
Female employees	55–67	60–65
Male employees	60–67	65
Civil servants	60–65	60–65

4.15 PROVISIONS FOR UNDER-UTILISATION

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

These employment statuses are onerous contracts pursuant to IAS 37, in which the unavoidable costs to fulfil the contractual obligations are higher than the expected economic benefit.

The provisions for under-utilisation apply to those members of staff who have already been assigned to the “Internal Labour Market”. Moreover, the provisions for under-utilisation are also recognised for employees whose transfer to the “Internal Labour Market” has been approved, but not yet fully concluded due to internal organisational processes, or whose transfer is not possible at present due to illness or a particular transfer clause in the employment contract.

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

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

For tenured employees who have been leased to a logistics company, for whom Austrian Post is only contractually remunerated in accordance with the collective labour agreement stipulating salary levels for this particular company, provisions are made for the salary expense surpassing the remuneration accorded to Austrian Post, including attributable administrative costs. Provisions are calculated as the current value of the underfunded salary for each particular employee up to retirement.

The provisions for under-utilisation are determined based on annual salary increases of 4.0% (2009: 4.0%) and a discount rate of 4.5% (2009: 5.0%).

4.16 OTHER PROVISIONS

In accordance with IAS 37, contingent legal or constructive obligations to third parties which result from past events, which are likely to require an outflow of economic benefit and which can be reliably estimated are recorded as other provisions. The provisions are recognised at the amounts capable of reliable estimation at the time of preparation of the annual financial statements. Provisions are not recognised in those cases where a reliable estimate is not possible. In the event that the present value of a provision determined on the basis of a market interest rate differs materially from the nominal value, the present value of the obligation is recognised.

Provisions for onerous contracts are recognised, if the unavoidable costs required to fulfil the contractual obligations are higher than the expected economic benefit.

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

4.17 FINANCIAL LIABILITIES

At Austrian Post, financial liabilities are classified as financial liabilities and payables, pursuant to IAS 39. Financial liabilities are stated at the amount actually received less transaction costs, plus or minus a premium/discount. The difference between the amount received and the amount to be repaid is distributed over the maturity in accordance with the effective rate method and disclosed as part of the financial result.

Trade payables and other liabilities are measured at amortised cost.

4.18 INCOME TAX

The income tax expense reported for the year under review comprises the income tax calculated for individual Austrian Post companies on the basis of taxable income and the applicable tax rates in the countries concerned (current tax) as well as changes in deferred taxes.

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

Deferred tax is calculated on the basis of the prevailing tax rates in the individual countries at the balance sheet date or which have been publicly announced as applicable at the point in time in which the deferred tax assets and tax liabilities are realised. For Austrian Group companies, the calculation of deferred taxes is based on a corporate tax rate of 25%.

The following table shows the corporate tax rates applied in calculating deferred taxes for foreign companies:

Country	Tax rate
Belgium	34.0%
Bosnia-Herzegovina	10.0%
Germany	28.1%–30.9%
Croatia	20.0%
Montenegro	9.0%

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

4.19 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilised as a means of hedging interest rate fluctuations and raw material price change risks.

All derivative financial instruments are reported as assets or liabilities. Derivative financial instruments and embedded derivatives, which comprise an integral part of specified contracts and which must be reported separately, are recognised at fair value at the time of acquisition and in subsequent periods. Unrealised valuation gains or losses from derivative financial transactions are reported as net profit or loss.

Derivative financial instruments (hedging transactions) used to hedge assets and liabilities contained in the balance sheet, are reported at their fair value. Valuation gains and losses are immediately recognised in profit or loss.

Derivative financial instruments (hedging transactions) used to hedge future cash flow fluctuations in respect of assets and liabilities which are not reported in the balance sheet are also recognised at their fair value. The effective part of the profit or loss is directly recognised in a separate item under capital and reserves. Any ineffective part is recognised in the financial result.

4.20 SHARE-BASED INCENTIVE PROGRAMME

In December 2009, the Supervisory Board of Austrian Post decided to introduce a share-based payment programme for the period 2010 to 2012. Members of the Management Board and selected top executives are entitled to participate in the programme, provided they acquire a certain number of Post shares in accordance with pre-defined guidelines, and maintain this shareholding continuously up until the end of the subsequent year after the termination of the performance period (December 31, 2013). Georg Pölzl, Rudolf Jettmar, Herbert Götz and Walter Hitziger are the Management Board members taking part in this programme.

The number of Austrian Post shares required to be purchased by members of the Management Board was oriented to a specified percentage of their gross fixed salaries in 2009 divided by the reference price of the Austrian Post share for the fourth quarter of 2009, and totalled 46,306 shares as at December 31, 2010. The number of Austrian Post shares to be acquired by top executives was determined on the basis of a pre-defined group of participants and amounted to 57,000 shares as at December 31, 2010.

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

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

The bonus can be paid either in shares or in cash. As at December 31, 2010, the current book value of this obligation amounted to EUR 4.9m. This was calculated on the basis of a model derived from the expected achievement of performance criteria and the expected share price. The expected costs of the share-based payment programme are distributed over the performance period as a provision. For this reason, a pro rata provision of EUR 1.3m (thereof Management Board members: EUR 0.6m, top executives: EUR 0.7m) was allocated on the balance sheet date.

5. ESTIMATES AND FUTURE-ORIENTED ASSUMPTIONS

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates in the application of its accounting and measurement policies, and to make assumptions about future developments which materially influence the recognition and valuation of assets and liabilities, the reporting of other obligations at the balance sheet date and the recognition of income and expense for the business year. In particular, there is a risk that the use of the following assumptions and estimates may require adjustments of the carrying amounts of the following assets and liabilities in upcoming business years:

5.1 PROVISIONS FOR TERMINATION BENEFITS, PENSIONS AND JUBILEE BENEFITS

The valuation of the existing provisions for termination and jubilee benefits as well as pensions (carrying amount as at December 31, 2010: EUR 177.1m; December 31, 2009: EUR 171.9m) is based on assumptions regarding the discount rate, retirement age, life expectancy and future salary increases.

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

EUR m	Assumed discount rate		Salary or pension increases	
	–1% point	+1% point	–1% point	+1% point
Termination benefits	13.2	–10.8	–10.8	13.0
Pensions	0.3	–0.2	–0.2	0.2
Jubilee benefits	9.5	–8.2	–8.3	9.4

5.2 PROVISIONS FOR UNDER-UTILISATION

The measurement of provisions for under-utilisation of individual organisational units (carrying amount as at December 31, 2010: EUR 244.1m; December 31, 2009: EUR 285.6m) is based on assumptions regarding the degree of capacity utilisation per employee. The future level of capacity utilisation can turn out to be higher or lower, depending upon the actual development of the capacity utilisation of these employees, and the success of the occupational retraining measures implemented by Austrian Post. If the average capacity utilisation of all employees taken into account as at December 31, 2010 had, for example, been 10 percentage points lower (higher) than the measurement actually recorded, the required provisions would have comprised an additional EUR 30.9m (EUR 30.9m).

The calculation of the provisions made for under-utilisation is also based on assumptions made about retirement age, discount rate and future salary increases. The increase (decrease) of the assumed interest rate by, for example, 1 percentage point would subsequently lead to a decline (rise) of the provisions to be made by EUR 16.3m (EUR 18.4m). The increase (decrease) of the assumed salary increase by, for example, a single percentage point would lead to a rise (decline) of the provisions to be made by EUR 18.1m (EUR 16.2m).

5.3 ASSETS AND LIABILITIES IN CONNECTION WITH BUSINESS COMBINATIONS

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

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

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

5.5 FINANCIAL INSTRUMENTS

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

6. STANDARDS WHICH ARE PUBLISHED BUT NOT YET APPLIED

In the 2010 financial year, Austrian Post did not apply the following standards, interpretations and revisions to existing standards published by IASB ahead of time:

New standards and interpretations		Effective date IASB[1]	Endorsed in EU
IFRS 9	Financial Instruments: Financial Assets	Jan. 1, 2013	–
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010	July 10, 2010
Revised standards and interpretations			
IFRS 1	Limited Exemption from Comparative IFRS 7 disclosures	July 1, 2010	July 10, 2010
IFRS 1	Amendment to Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters	July 1, 2011	–
IFRS 7	Financial Instruments: Disclosures - Transfer of Financial Assets	July 1, 2011	–
IAS 12	Amendment to Deferred Tax: Recovery of Underlying Assets	Jan. 1, 2012	–
IAS 24	Related Party Disclosures	Jan. 1, 2011	July 10, 2010
IAS 32	Financial Instruments: Classification of Rights Issues	Feb. 1, 2010	Dec. 9, 2010
IFRIC 14	Amendment to Prepayment of a Minimum Funding Requirement	Jan. 1, 2011	July 10, 2010
diverse	Annual Improvements to IFRS 2010	mostly Jan. 1, 2011	–

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

The newly published standard IFRS 9 “Financial Instruments: Financial Assets” regulates the measurement and presentation of financial instruments and is designed to gradually replace IAS 39: “Financial Instruments: Recognition and Measurement“. The first project phase to replace IAS 39, published in November 2009, refers to the classification and measurement of financial instruments. Austrian Post continually evaluates publications in connection with IFRS 9 with regard to their applicability and potential effects on the Austrian Post Group.

Austrian Post is currently evaluating the consequences of applying IAS 24, which more precisely defines related parties and simplifies the disclosure requirements of publicly owned companies, on the presentation of the consolidated financial statements of Austrian Post.

The revised version of IAS 32 includes, amongst other changes, the accounting for appreciation rights, options and warrants in relation to the acquisition of a fixed number of equity instruments from the issuer in a different currency from the functional currency. The revised reporting guidelines contained in IAS 32 do not have any effect on the profit, asset and financial position of the Group at the present time.

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

The new interpretation IFRIC 19 and the revised standards IFRS 1, IFRS 7 and IAS 12 do not have any material impact on the consolidated financial statements of Austrian Post at the present time.

Small-scale adjustments were made to existing standards and interpretations within the context of the annual “Improvements to IFRS“. Austrian Post is currently evaluating their potential impact, but does not expect them to have any material effect on the consolidated financial statements of the Group.

7. INCOME STATEMENT DISCLOSURES

7.1 REVENUE AND SEGMENT REPORTING

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

Mail
The core business of the Mail Division consists of the acceptance and delivery of letters and other mail items in Austria and the forwarding of these mail items abroad. Its business activities also encompass the acceptance and delivery of advertising mail (direct mail items), newspapers and regional media as well as a broad spectrum of complementary services in the field of direct marketing. Services along the value chain (data and output management, document scanning, as well as the conception and production of documents and direct mailings) complement the product range.

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

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

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

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

2009 financial year EUR m	Mail	Parcel & Logistics	Branch Network	Corporate	Consoli-dation	Group
External sales	1,396.8	768.4	189.6	4.4	–2.2	2,356.9
Internal sales	50.1	24.2	185.2	169.1	–428.6	0.0
Total revenue	**1,446.9**	**792.6**	**374.8**	**173.4**	**–430.8**	**2,356.9**
Profit/loss from operations	216.5	–9.3	–9.2	–54.0	0.3	144.3
Results of investments consolidated at equity	4.6	0.0	0.0	0.5	0.0	5.1
EBIT	**221.1**	**–9.3**	**–9.2**	**–53.5**	**0.3**	**149.4**
Segment assets	368.1	424.1	54.7	485.2	–1.0	1,331.1
Investments consolidated at equity	8.1	0.0	0.0	0.3	0.0	8.3
Segment liablities	310.8	107.4	75.3	436.3	–4.7	925.1
Segment investments	23.1	22.8	3.3	25.1	0.0	74.3
Depreciation, amortisation and impairment losses	50.0	29.8	5.9	34.0	0.0	119.8
thereof impairment losses recognised in profit or loss	17.9	4.1	0.0	0.4	0.0	22.4
Employees[1]	15,232	3,976	4,719	1,994	0	25,921

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

[1] Annual average, full-time equivalents

NOTES TO THE SEGMENT REPORTING BY DIVISION

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

External revenue corresponds to the total of segment revenue with external customers after consolidation of services rendered within the Group. Internal sales are revenue derived from transactions with other segments. In addition to revenue derived from specific services provided, the Mail Division provides remuneration to the Branch Network Division in the form of an infrastructure contribution, to compensate for the expenses arising from the Universal Service Obligation.

Starting in 2010 prepaid phone cards will be sold on a commission basis. The reporting of the net commission earned instead of the previous gross value as the purchase and sale of retail products leads to a decrease of EUR 10.7m in revenue of the Branch Network Division.

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

Non-current liabilities (excluding financial liabilities and deferred tax) and current liabilities (excluding financial liabilities and liabilities as well as tax provisions and deferred tax liabilities) are shown as segment liabilities.

Segment investments include investments in intangible assets and goodwill, and in property, plant and equipment.

Since the 2010 financial year, termination benefits are assigned to the respective segment in which they are incurred. Previously, they were reported in the "Corporate" segment.

Depreciation, amortisation and impairment losses relate to the assets attributed to the respective divisions.

The figures for employees are the full-time equivalents of the average segment headcounts for the respective financial years.

RECONCILIATION

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

Reconciliation of assets **EUR m**	**2009**	**2010**
Segment assets	1,331.1	1,234.1
Investments consolidated at equity	8.3	27.3
Assets not assigned to segments		
Securities and other financial assets	98.1	89.6
Deferred tax	43.2	49.9
Cash and cash equivalents	293.8	313.1
Other interest and tax receivables	0.7	0.9
Group assets	**1,775.3**	**1,715.1**

Reconciliation of liabilities EUR m	2009	2010
Segment liabilities	925.1	900.7
Liabilities not assigned to assets		
Non-current and current financial liabilities	126.8	84.3
Deferred tax	15.4	14.2
Income tax provisions	33.9	25.0
Other interest and tax liabilities	0.4	0.0
Group liabilities	**1,101.6**	**1,024.2**

NOTES TO THE GEOGRAPHICAL SEGMENT REPORTING

2009 financial year EUR m	Austria	Germany	Other countries	Group
External sales	1,650.1	566.3	140.5	2,356.9
Segment assets	920.8	309.7	100.7	1,331.1
thereof non-current	693.6	228.6	69.6	991.8
Segment investments	46.5	15.8	11.9	74.3

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

Revenue is presented according to the location of the company performing the service.

Segment assets and investments are reported according to the location of the assets.

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

7.2 OTHER OPERATING INCOME

EUR m	2009	2010
Work performed by the enterprise and capitalised	2.5	1.0
Disposal of property, plant and equipment	24.0	24.3
Rents and leases	25.2	24.0
Unchargeable expenses	5.9	5.5
Damages	2.8	3.1
Other	29.3	32.7
	89.6	**90.5**

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

The income from rents and leases in 2010 primarily relates to Österreichische Post AG. The corresponding assets are recognised on the balance sheet as at December 31, 2010 with a net carrying amount of EUR 227.1m (2009: EUR 233.0m).

Other operating income also includes income from currency translation, totalling EUR 0.4m in 2010 (2009: EUR 0.8m).

7.3 RAW MATERIALS, CONSUMABLES AND SERVICES USED

EUR m	2009	2010
Material		
Transportation and heating fuel	29.4	27.3
Retail products	50.8	31.1
Stamps	3.3	2.7
Tools, equipment and clothing	20.8	19.4
Spare parts and sundry raw materials and consumables	2.1	1.4
Industrial paper	19.3	19.4
Remeasurement	1.0	0.5
	126.7	**101.8**
Services used		
International postal carriers	65.2	67.2
Advertising distributors	31.9	34.3
Energy	24.0	25.4
Transport	477.1	491.9
Other	41.2	50.4
	639.4	**669.2**
	766.1	**771.0**

7.4 STAFF COSTS

EUR m	2009	2010
Wages and salaries	877.2	845.9
Severance payments	21.3	35.3
Post-employment benefit expenses	0.2	0.1
Expense for statutory levies and contributions	229.2	227.0
Other staff costs	11.5	12.5
	1,139.3	**1,120.7**

In the 2010 financial year, contributions of EUR 1.6m (2009: EUR 1.5m) to the employee benefit fund in respect to defined contribution termination benefit obligations were recognised as an expense.

The breakdown of the termination benefit expense is as follows:

EUR m	2009	2010
Management Board	0.1	–0.1
Executive staff	1.1	0.5
Other employees	20.1	34.8
	21.3	35.3

The pension contributions made to the Republic of Austria for the 2010 financial year (less the employee contributions by civil servants) amounted to EUR 66.0m (2009: EUR 65.9m).

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

	2009	2010
Blue-collar employees	2,127	2,171
White-collar employees	13,763	13,451
Civil servants	12,260	11,438
Trainees	59	77
Total number	**28,209**	**27,137**
Corresponding full-time equivalents	**25,921**	**24,969**

7.5 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR m	2009	2010
Impairment losses on goodwill	**17.6**	**2.1**
Intangible assets		
Scheduled depreciation	12.2	11.9
Impairment losses	4.4	0.6
	16.6	**12.6**
Property, plant and equipment		
Scheduled depreciation	81.8	80.7
Impairment losses	0.0	5.8
	81.8	**86.6**
Investment property		
Scheduled depreciation	3.3	3.8
Impairment losses	0.4	0.2
	3.7	**4.0**
	119.8	**105.2**

The impairment tests carried out as at December 31, 2010 resulted in an impairment loss on goodwill amounting to EUR 2.1m, which was exclusively assigned to trans-o-flex Belgium in the Parcel & Logistics Division.

The impairment loss of EUR 0.6m on intangible assets relate to other intangible assets primarily assigned to the Mail Division.

Impairment losses of EUR 5.8m on property, plant and equipment, based on an evaluation of the utility value of these assets, include EUR 2.0m assigned to property and buildings, EUR 1.8m to technical plant and machinery and EUR 2.0m to other equipment, furniture and fittings. Impairment losses of EUR 3.2m relate to the parent company Österreichische Post AG, of which EUR 1.9m account for deposit boxes for letters and EUR 1.2m for property. Furthermore, impairments of EUR 2.6m were recognised for the group of companies belonging to meiller direct ahead of the establishing of a joint venture with Swiss Post, including EUR 1.8m for technical plant and machinery and EUR 0.8m for property.

7.6 OTHER OPERATING EXPENSES

EUR m	2009	2010
IT services	26.4	28.0
Maintenance	43.0	41.5
Leasing and rental payments	73.4	78.8
Travel and mileage	26.0	27.7
Contract and leasing staff	14.9	13.5
Consultancy	11.1	13.8
Waste disposal and cleaning	14.5	14.4
Communications and advertising	9.6	12.9
Telephone	6.5	5.8
Insurance	9.1	9.8
Other taxes (excl. income taxes)	8.0	8.1
Other	34.4	34.6
	277.0	**288.8**

Other operating expenses included expenses from currency translation of EUR 0.8m (2009: EUR 0.9m) recognised in profit or loss.

7.7 OTHER FINANCIAL RESULT

EUR m	Note	2009	2010
Interest income		5.0	3.4
Income from securities		3.1	0.7
Gains on the disposal of securities		0.3	0.0
		8.4	**4.1**
Interest expense (financial liabilities)		–4.6	–3.8
Interest expense (interest effects of provisions)	(8.12.1)	–8.0	–8.5
Impairment on financial instruments held for sale		–20.0	0.0
Losses on the disposal of securities		–0.4	0.0
		–33.1	**–12.2**
Revaluation of derivative financial instruments	(9.2.5)	0.1	0.0
		–24.6	**–8.2**

In the 2009 financial year, a valuation of the fair value of Austrian Post’s stake in the consortium acquiring BAWAG P.S.K., which had originally been included in the item other financial assets, reported a write-down of EUR 20.0m recognised in profit or loss under the item other financial result.

7.8 EARNINGS PER SHARE

		2009	2010
Profit for the period attributable to equity holders of the parent company	(EUR m)	79.7	118.4
Weighted average number of shares outstanding	(Shares)	67,552,638	67,552,638
Basic earnings per share	(EUR)	**1.18**	**1.75**
Diluted earnings per share	(EUR)	**1.18**	**1.75**

8. BALANCE SHEET DISCLOSURES

8.1 GOODWILL

EUR m	2009	2010
Historical costs		
Balance at January 1	**230.7**	**233.5**
Additions arising from acquisitions	3.1	3.1
Additions	0.0	1.7
Disposals arising from final consolidations	0.0	18.4
Disposals	0.2	0.6
Balance at December 31	**233.5**	**219.2**
Impairment losses		
Balance at January 1	**34.1**	**51.7**
Additions	17.6	2.1
Disposals arising from final consolidations	0.0	18.4
Balance at December 31	**51.7**	**35.4**
Net carrying amount on January 1	**196.5**	**181.8**
Net carrying amount on December 31	**181.8**	**183.8**

Disposals amounting to EUR 0.6m relate to the retroactive adjustment of the variable purchase price component in connection to the acquisitions of subsidiaries in previous financial years.

The following table shows the goodwill by segments:

EUR m	Dec. 31, 2009	Dec. 31, 2010
Mail		
feibra	27.4	29.1
EBPP	0.0	3.1
Other	10.7	10.4
	38.1	**42.6**
Parcel & Logistics		
trans-o-flex	130.0	127.9
Other	13.7	13.4
	143.7	**141.3**
Total	**181.8**	**183.8**

8.2 INTANGIBLE ASSETS

2009 financial year EUR m	Note	Customer relationships	Trademarks	Other intangible assets	Total
Historical costs					
Balance at January 1, 2009		**73.8**	**30.0**	**56.3**	**160.1**
Additions		0.6	0.0	3.5	4.1
Disposals		0.4	0.0	19.3	19.8
Transfers		0.0	0.0	–0.2	–0.2
Currency translation differences		–0.3	0.0	0.0	–0.3
Balance at December 31, 2009		**73.8**	**30.0**	**40.2**	**144.0**
Depreciation and impairment losses					
Balance at January 1, 2009		**33.1**	**1.8**	**45.6**	**80.5**
Additions	(7.5)	11.6	0.4	4.6	16.6
Disposals		0.4	0.0	19.2	19.6
Transfers		0.0	0.0	–0.1	–0.1
Currency translation differences		–0.1	0.0	0.0	–0.1
Balance at December 31, 2009		**44.2**	**2.2**	**30.9**	**77.3**
Carrying amount on January 1, 2009		**40.8**	**28.2**	**10.7**	**79.7**
Carrying amount on December 31, 2009		**29.6**	**27.8**	**9.4**	**66.7**

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

Intangible assets contain trademarks with indefinite useful lives amounting to EUR 25.2m (2009: EUR 26.5m).

Trademarks amounting to EUR 0.9m, which were not subject to scheduled amortisation due to their indefinite lives, will be subject to amortisation over a period of four years starting in the 2009 financial year due to the decision made in December 2008 to successively replace trademarks acquired within the context of acquisitions in South East and Eastern Europe by the trans-o-flex brand.

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

No external borrowing costs were capitalised in 2010, as in the preceding financial year.

The following table shows trademarks by segment at December 31, 2009 and December 31, 2010:

EUR m	Dec. 31, 2009	Dec. 31, 2010
Mail		
meiller	1.3	0.0
	1.3	**0.0**
Parcel & Logistics		
trans-o-flex	25.2	25.2
Other	1.3	0.9
	26.5	**26.1**
	27.8	**26.1**

8.3 PROPERTY, PLANT AND EQUIPMENT

2009 financial year EUR m	Note	Property and buildings	Technical plant and machinery	Other equipment, furniture and fittings	Prepayments and assets under construction	Total
Historical costs						
Balance at January 1, 2009		**852.0**	**194.5**	**288.5**	**24.6**	**1,359.6**
Additions arising from acquisitions		0.0	0.0	0.6	0.0	0.6
Additions		15.5	7.3	22.8	20.6	66.2
Disposals		19.4	9.3	26.7	0.8	56.3
Transfers		17.3	–1.1	3.7	–19.7	0.2
Reclassification pursuant to IAS 40		–13.6	0.0	0.0	0.0	–13.6
Currency translation differences		0.2	0.1	–0.3	0.0	0.0
Balance at December 31, 2009		**851.9**	**191.6**	**288.5**	**24.7**	**1,356.8**
Depreciation and impairment losses						
Balance at January 1, 2009		**370.5**	**117.4**	**145.7**	**0.0**	**633.7**
Additions	(7.5)	26.8	16.4	38.7	0.0	81.8
Disposals		15.2	8.7	22.7	0.0	46.6
Transfers		0.0	–1.2	1.2	0.0	0.0
Reclassification pursuant to IAS 40		–7.9	0.0	0.0	0.0	–7.9
Currency translation differences		0.0	0.0	–0.1	0.0	–0.1
Balance at December 31, 2009		**374.2**	**123.9**	**162.9**	**0.0**	**661.0**
Net carrying amount on January 1, 2009		**481.4**	**77.1**	**142.8**	**24.6**	**725.9**
Net carrying amount on December 31, 2009		**477.7**	**67.6**	**125.6**	**24.7**	**695.7**

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

No external borrowing costs were capitalised in 2010, as in the previous financial year.

The net carrying amount of property, plant and equipment pledged as collateral account for EUR 16.4m (2009: EUR 37.4m).

Cross Border Lease

In the 2002 business year, Austrian Post completed a cross-border lease transaction with two U.S. trusts. The company granted these trusts a 99 year usufruct of the mail sorting facilities in Vienna, Graz, Salzburg and Innsbruck, in return for a grant payment of USD 117m. At the same time, a lease agreement was concluded, in which the facilities were leased back to the company for a period of 24 years. The net carrying amount of the property, plant and equipment pledged as collateral totalled EUR 14.4m (2009: EUR 20.8m). The cross-border lease agreement also accords Austrian Post the right to repurchase the usufruct of the sorting facilities, either at a fixed price (EBO payment amount) on January 1, 2022, or at market value by the end of term of the lease agreement, at least though at the end-of-term-purchase-option-price.

Austrian Post has assigned its obligation to pay the lease instalments, including an EBO (expected benefit obligation) payment if made, to two payment undertakers. For this purpose, Austrian Post has paid USD 108.3m and the corresponding liabilities to the payment undertakers, who, for their part, have undertaken to pay the requisite amounts at the agreed upon dates on behalf of Austrian Post. Austrian Post is faced with the residual risk of a claim in the event of the insolvency of the payment undertakers. Austrian Post provided additional collateral in the form of securities due to the lower credit rating assigned to the payment undertakers.

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

	Dec. 31, 2009	Dec. 31, 2010
Standard & Poor´s:	A+ (Stable) / AA- (Negative)	A+ (Positive) / AA- (Negative)
Moody´s:	A1 (Negative) / Aa3 (Stable)	A1 (Stable) / Aa3 (Stable)

At December 31, 2010, the outstanding amount to be paid by the payment undertakers totalled EUR 84.9m (December 31, 2009: EUR 79.1m).

The net present value benefit originally accruing to the company is carried under deferred income (December 31, 2010: EUR 5.3m; December 31, 2009: EUR 5.8m) and recognised in profit or loss over the term of the agreement.

Finance leases

NET CARRYING AMOUNT AND USEFUL LIVES OF THE LEASED ASSETS

EUR m	Useful lives in years	Carrying amount Dec. 31, 2009	Carrying amount Dec. 31, 2010
Property and buildings	31–43	22.6	22.2
Technical plant and machinery	9–10	3.5	2.6
Other equipment, furniture and fittings	4–10	8.4	5.6

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

EUR m	2009	2010
Minimum lease payments		
Not later than one year	8.1	6.0
Later than one year and not later than five years	15.4	11.2
Later than five years	3.0	2.0
	26.5	**19.3**
Less:		
Future finance costs	**–3.4**	**–2.2**
Present value of the minimum lease payments		
Not later than one year	7.0	5.5
Later than one year and not later than five years	13.3	9.6
Later than five years	2.9	2.0
	23.2	**17.1**

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

For part of the lease contracts, payments are linked to a three-month EURIBOR. There were no such payments in connection with lease contracts in 2010, as in the previous year.

8.4 INVESTMENT PROPERTY

EUR m	Note	2009	2010
Historical cost			
Balance at January 1		**95.8**	**105.7**
Additions		0.5	0.1
Disposals		4.2	18.2
Transfers		13.6	17.6
Balance at December 31		**105.7**	**105.2**
Depreciation and impairment losses			
Balance at January 1		**59.3**	**68.7**
Additions	(7.5)	3.7	4.0
Disposals		2.3	14.2
Transfers		7.9	12.8
Balance at December 31		**68.7**	**71.3**
Net carrying amount on January 1		**36.5**	**37.0**
Net carrying amount on December 31		**37.0**	**33.9**

EUR m	Dec. 31, 2009	Dec. 31, 2010
Fair value	117.2	118.9
Rental income	12.2	11.7
Expenses arising from property generating rental income	3.5	3.2
Expenses arising from property not generating rental income	1.1	1.5

No external borrowing costs were capitalised in 2010, as in the previous financial year.

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

8.5 INVESTMENTS CONSOLIDATED AT EQUITY

Composition of net carrying amounts EUR m	Interest in %	Dec. 31, 2009	Interest in %	Dec. 31, 010
D2D – direct to document GmbH, Vienna	30.0	3.8	30.0	3.8
EBPP – Electronic Bill Presentment and Payment GmbH, Vienna	40.0	2.9	–	–
Eurodis GmbH, Weinheim	–	–	59.4	0.1
FEIPRO Vertriebs GesmbH, Gaweinstal	50.0	0.2	50.0	0.3
Kolos Marketing s.r.o., Prague	–	–	10.0	0.0
Mader Zeitschriftenverlagsgesellschaft m.b.H., Vienna	25.1	1.2	25.1	1.2
MEILLERGHP GmbH, Schwandorf	–	–	65.0	21.1
OmniMedia Werbeges.m.b.H., Vienna	21.0	0.3	21.0	0.9
		8.3		**27.3**

The stake held in MEILLERGHP GmbH involves a joint venture. The shares in Kolos Marketing s.r.o. are consolidated at equity, due to the fact that the joint venture MEILLERGHP GmbH owns the remaining 90%.

Reconciliation of carrying amounts EUR m	2009	2010
Net carrying amount at January 1	**7.3**	**8.3**
Addition arising from acquisition	3.3	0.0
Addition arising from loss of controlling influence	0.0	29.1
Disposal arising from sale of investments consolidated at equity	–2.2	0.0
Disposal arising from business combination in stages	0.0	–2.9
Proportionate share of profit for the period	0.6	–7.0
Dividends	–0.7	–0.2
Net carrying amount at December 31	**8.3**	**27.3**

The addition due to the loss of a controlling influence relates to MEILLERGHP GmbH, Schwandorf, with a share of EUR 29.1m, and Eurodis GmbH, Weinheim with a share of EUR 0.1m.The companies were included as fully consolidated companies in the consolidation scope of Austrian Post until December 20, 2010 and June 30, 2010 respectively.

The disposal due to the business combination in stages refers to EBPP Electronic Bill Presentment and Payment GmbH, Vienna. The company has been fully consolidated in the consolidation scope of Austrian Post since July 1, 2010.

The results totalling EUR 1.0m consist of the following:

EUR m	2010
Proportionate share of profit for the period	–7.0
Final consolidations of meiller companies	–21.0
Revaluation of shareholding in MEILLERGHP	29.0
Share of profit/loss of inestments consolidated at equity	**1.0**

MEILLERGHP is included in the proportionate share of the profit for the year at minus EUR 7.9m. On balance, the transactions in connection with the loss of a controlling influence in the meiller companies resulted in an earnings effect of EUR 0.1m.

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

EUR m	Dec. 31, 2009	Dec. 31, 2010
Assets	11.7	10.1
Liabilities	6.6	7.5

EUR m	2009	2010
Revenue	24.5	28.9
Profit for the period	0.6	0.9

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

EUR m	Dec. 31, 2009	Dec. 31, 2010
Non-current assets	0.0	44.7
Current assets	0.0	26.2
Non-current liabilities	0.0	16.8
Current liabilities	0.0	41.3

EUR m	2009	2010
Income	0.0	65.9
Expenses	0.0	80.9

The figures in this table represent preliminary values.

The proportionate financing obligation of Austrian Post towards the joint venture MEILLERGHP GmbH amounted to EUR 11.5m as at December 31, 2010.

8.6 FINANCIAL INVESTMENTS IN SECURITIES

December 31, 2009 EUR m	Carrying amount	Unrealised gains/ losses	Realised gains/ losses	Fair value Due within 1 year	Fair value Due in more than 1 year	Total
Available for sale securities						
Investment funds	0.3	0.0	0.0	0.0	0.3	0.3
Bond issues	56.4	–4.0	–0.1	0.0	56.4	56.4
	56.7	**–4.0**	**–0.1**	**0.0**	**56.7**	**56.7**

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

The interest rates for the fixed interest securities were between 3.0% to 3.8% (2009: 3.8% to 5.0%).

A reversal of the write-downs for fixed interest securities amounting to EUR 1.0m was recognised in profit or loss in the preceding financial year.

8.7 OTHER FINANCIAL ASSETS

EUR m	Dec. 31, 2009 Term to maturity within 1 year	Dec. 31, 2009 Term to maturity of more than 1 year	Dec. 31, 2009 Total	Dec. 31, 2010 Term to maturity within 1 year	Dec. 31, 2010 Term to maturity of more than 1 year	Dec. 31, 2010 Total
Available for sale financial instruments						
Strategic and other stakes	0.0	40.6	40.6	0.0	40.6	40.6
Financial instruments valuated at the cost of acquisition						
Other stakes	0.0	0.8	0.8	0.0	0.8	0.8
	0.0	**41.4**	**41.4**	**0.0**	**41.4**	**41.4**

On balance, the carrying amount of the strategic stake in BAWAG P.S.K. recognised as other financial assets as at December 31, 2010 was EUR 36.4m (December 31, 2009: EUR 36.4m), which corresponds to the present value.

8.8 INVENTORIES

EUR m	Dec. 31, 2009	Dec. 31, 2010
Materials and consumables	12.3	9.4
Less write-downs	–4.5	–4.5
Unfinished goods	2.1	0.0
Retail products	14.9	13.4
Less write-downs	–2.6	–2.1
Services not yet invoiced	0.0	0.0
	22.3	**16.3**

The carrying amount of inventories recognised at net realisable value amounted to EUR 0.3m (December 31, 2009: EUR 3.1m). Value adjustments were necessary, particularly due to their limited commercial utility or long periods of storage.

8.9 RECEIVABLES

The following table shows receivables after impairments:

EUR m	Dec. 31, 2009 Term to maturity within 1 year	Dec. 31, 2009 Term to maturity of more than 1 year	Dec. 31, 2009 Total	Dec. 31, 2010 Term to maturity within 1 year	Dec. 31, 2010 Term to maturity of more than 1 year	Dec. 31, 2010 Total
Trade receivables	261.7	0.0	261.7	250.9	0.0	250.9
Receivables from investments consolidated at equity	2.6	0.0	2.6	8.9	0.3	9.2
Other receivables	53.4	10.5	63.9	58.1	13.0	71.1
	317.7	**10.5**	**328.3**	**317.9**	**13.3**	**331.1**

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

The following table shows the development of impairments for receivables applying to the 2009 and 2010 financial years:

EUR m	2009	2010
Balance at January 1	**16.1**	**17.5**
Change	1.4	–0.3
Balance at December 31	**17.5**	**17.1**

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8.10 CASH AND CASH EQUIVALENTS

EUR m	Dec. 31, 2009	Dec. 31, 2010
Bank balances	33.9	27.2
Short-term deposits (demand deposits)	257.7	283.7
Cash on hand	2.2	2.2
	293.8	313.1

The average interest rate for demand deposits was 1.2% at December 31, 2010 (December 31, 2009: 0.9%).

The fair values correspond to the carrying amounts.

8.11 CAPITAL AND RESERVES

Capital and reserve items
The share capital of Austrian Post amounts to EUR 337.8m, which is split into 67,552,638 no par bearer shares with voting rights and entitled to participate in profits.

The Annual General Meeting of Austrian Post held on April 22, 2008 authorised the Executive Board to repurchase treasury shares during a period of validity of 18 months up to a maximum of 10% of the company's share capital in accordance with the stipulations contained in the Austrian Stock Corporation Act and the Austrian Stock Exchange Act, pursuant to Section 65 Para. 1 (8) Austrian Stock Corporation Act, and to withdraw the treasury shares pursuant to Section 192 Austrian Stock Corporation Act for the purpose of reducing the total share capital of the company.

The share buy-back programme which commenced on August 19, 2008 was concluded on December 31, 2008. A total of 2,447,362 treasury shares were acquired at a nominal value of EUR 12.2m in the 2008 financial year.

Treasury shares to the amount of 2,447,362 shares were completely withdrawn on April 24, 2009. As a result, the share capital was reduced by the nominal value of the treasury shares, EUR 12.2m, from EUR 350.0m to EUR 337.8m.

The number of shares outstanding which are entitled to dividends developed as follows during the 2010 financial year:

	Shares
Balance at January 1, 2010	67,552,638
Balance at December 31, 2010	67,552,638
Weighted average number of shares in the 2010 financial year	67,552,638

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

Austrian Post's capital reserves resulting from capital surplus and contributed capital by shareholders as reported in the consolidated statement of changes in equity correspond to those reported in the company statements of the parent company.

The revenue reserves of Austrian Post comprise the statutory reserve as well as profits accumulated in previous years less dividend payments.

The item revaluation of financial instruments encompasses the revaluation of available for sale securities as well as the market value of hedging instruments. The item revaluation of available for sale securities encompasses gains and losses on changes in the market value measurements of available for sale securities, which are directly recognised in equity without recognition to profit or loss. The amounts are shown after tax.

The currency translation reserves comprise all exchange differences arising from the translation of the annual financial statements of the company's subsidiaries in foreign currencies.

The profit for the period in the 2010 financial year amounted to EUR 118.4m (2009: EUR 79.7m). In accordance with the provisions stipulated in the Austrian Stock Corporation Act, the basis for the distribution of dividends is the annual financial statements of Austrian Post at the balance sheet date on December 31, 2010. The profit shown in the balance totalled EUR 149.4m (2009: EUR 119.7m).

The Management Board will propose a dividend for the 2010 financial year totalling EUR 108.1m corresponding to a basic dividend of EUR 1.60 per share (2009: EUR 101.3m, basic dividend of EUR 1.50 per share).

Capital management
The capital management of Austrian Post aims at ensuring a suitable capital structure to serve as the basis for achieving growth and acquisition targets, as well as a sustainable increase in shareholder value.

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

The economic capital corresponds to the capital and reserves which are reported in the consolidated balance sheet. Taking the balance sheet total of EUR 1,715.1m as at December 31, 2010 as a basis (December 31, 2009: EUR 1,775.3m), the equity ratio as at December 31, 2010 amounts to 40.3% (December 31, 2009: 38.0%).

8.12 PROVISIONS

EUR m	Dec. 31, 2009			Dec. 31, 2010		
	Term to maturity within 1 year	Term to maturity of more than 1 year	Total	Term to maturity within 1 year	Term to maturity of more than 1 year	Total
Provisions for termination benefits	0.0	72.9	72.9	0.0	79.1	79.1
Provisions for pensions	0.0	5.4	5.4	0.0	2.4	2.4
Provisions for jubilee benefits	0.0	93.7	93.7	0.0	95.6	95.6
Other employee provisions	83.9	276.3	360.2	97.4	231.8	329.2
Other provisions	33.2	5.2	38.4	37.8	5.7	43.5
	117.0	**453.4**	**570.5**	**135.1**	**414.6**	**549.7**

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8.12.1 PROVISIONS FOR TERMINATION BENEFITS, PENSIONS AND JUBILEE BENEFITS

2009 financial year EUR m	Termination benefits	Pensions	Jubilee benefits	Total
Present value of the obligation at January 1, 2009	**69.0**	**5.3**	**91.4**	**165.8**
Current service cost	5.2	0.1	5.1	10.4
Interest expense	3.4	0.2	4.4	8.0
Actuarial gains/losses	1.5	0.0	–1.4	0.1
Actual payments	–6.2	–0.3	–5.9	–12.4
Present value of the obligation at December 31, 2009	**72.9**	**5.4**	**93.7**	**171.9**

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

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

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

EUR m	Termination benefits	Pensions	Jubilee benefits	Total
December 31, 2006	66.8	2.3	92.4	161.5
December 31, 2007	68.6	5.4	92.5	166.5
December 31, 2008	69.0	5.3	91.4	165.8
December 31, 2009	72.9	5.4	93.7	171.9
December 31, 2010	79.1	2.4	95.6	177.1

The following table shows the actuarial adjustments – gains (–) and losses (+) – in percentage points of the present value of the obligation (as at December 31, 2010) for termination benefits, pensions and jubilee benefits for the 2010 financial year. The entire actuarial gains (–) and losses (+) in percentage points for the present value of the obligation for termination benefits, pension and jubilee benefit provisions are presented for the 2006 to 2009 financial years.

EUR m	2006	2007	2008	2009	2010
Termination benefits	2.0%	–0.1%	1.6%	2.1%	–1.1%
Pensions	0.0%	–2.8%	1.5%	0.0%	0.0%
Jubilee benefits	–1.4%	–1.3%	–3.3%	–1.5%	–5.6%

8.12.2 OTHER PROVISIONS FOR EMPLOYEES

2009 financial year EUR m	**Employee under-utilisation**	**Other employee-related provisions**	**Total**
Balance at January 1, 2009	**307.8**	**39.7**	**347.5**
Additions arising from acquisitions	0.0	1.1	1.1
Transfer	15.9	1.6	17.5
Allocation	67.1	71.4	138.5
Use	–25.7	–35.9	–61.6
Reversals	–94.2	–3.3	–97.5
Accrued interest	14.7	0.0	14.7
Balance at December 31, 20009	**285.6**	**74.5**	**360.2**

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

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

Provisions of EUR 19.5m were allocated for employee under-utilisation in the 2010 financial year on the basis of ongoing internal organisational processes designed to adjust capacities to changing market conditions. In particular, provisions amounting to EUR 2.6m were allocated for Austrian Post employees who transfer to various federal ministries and whose staff costs will be refunded by Austrian Post for a specified period of time.

The reclassification of EUR 15.9m in the 2009 financial year from other provisions to the provisions for under-utilisation related to provisions for onerous contracts in connection with tenured employees leased to a logistics company (see Note 4.16). The reclassification of EUR 12.0m in 2010 related to liabilities for those employees who permanently transferred to a federal ministry.

Those employees who were no longer involved in the working process continued to take advantage of opportunities offered by Austrian Post (voluntary termination benefits, stop-gap measures in line with the social plan, retirement pursuant to §14 Public Sector Employment Law) to leave the company, and a number of employees were reintegrated into the working process. As a result, a total of EUR 44.4m in provisions for employee under-utilisation were reversed.

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

Other employee-related provisions also included provisions totalling EUR 11.5m for the stop-gap measures in line with the social plan, as well as provisions of EUR 18.0m for restructuring. A detailed plan to restructure the Branch Network Division along with planned reductions in the workforce was developed in the 2010 financial year.

8.12.3 OTHER PROVISIONS

2009 financial year EUR m	**Services not yet rendered**	**Post employment benefits**	**Other**	**Total**
Balance at January 1, 2009	**23.5**	**3.0**	**32.5**	**59.0**
Additions arising from acquisitions	0.0	0.0	0.0	0.0
Transfer	0.0	0.0	–16.1	–16.1
Allocation	21.2	0.1	6.9	28.2
Use	–23.5	–0.3	–6.4	–30.2
Reversals	0.0	0.0	–2.7	–2.7
Accrued interest	0.0	0.1	0.0	0.1
Currency translation	0.0	0.0	0.0	0.0
Balance at December 31, 2009	**21.2**	**3.0**	**14.2**	**38.4**

2010 financial year EUR m	**Services not yet rendered**	**Post employment benefits**	**Other**	**Total**
Balance at January 1, 2010	**21.2**	**3.0**	**14.2**	**38.4**
Disposals arising from final consolidations	0.0	0.0	–1.1	–1.1
Transfer	0.0	0.0	0.3	0.3
Allocation	21.8	0.0	9.4	31.2
Use	–21.2	0.0	–3.0	–24.2
Reversals	0.0	–0.1	–1.1	–1.2
Accrued interest	0.0	0.1	0.0	0.1
Currency translation	0.0	0.0	0.0	0.0
Balance at Decemebr 31, 2010	**21.8**	**3.0**	**18.7**	**43.5**

The provisions for services not yet rendered relate to the elimination of orders for services not yet rendered as at December 31, 2010, as well as outstanding customer prepayments for stamps and frankings as at December 31, 2010, for which Austrian Post had not yet rendered corresponding services as at the balance sheet date.

The reclassification applying to the item ‘other provisions’ in the 2009 financial year primarily related to provisions for onerous contracts in connection with tenured employees leased to a logistics company (refer to Note 4.15). The provisions were reclassified as provisions for under-utilisation.

The item other provisions mainly relates to provisions for legal expenses, legal, auditing and consulting fees as well as provisions for damages.

8.13 TAX PROVISIONS

EUR m	2009	2010
Balance at January 1	**13.1**	**33.9**
Allocation	22.9	2.1
Use	–1.9	–10.9
Reversals	–0.1	0.0
Balance at December 31	**33.9**	**25.0**

8.14 FINANCIAL LIABILITIES

	Dec. 31, 2009			Dec. 31, 2010		
EUR m	Term to maturity within 1 year	Term to maturity of more than 1 year	Total	Term to maturity within 1 year	Term to maturity of more than 1 year	Total
Borrowings from banks	46.9	11.8	58.7	4.9	12.2	17.0
ABCP programme liabilities	41.3	0.0	41.3	44.6	0.0	44.6
Finance lease liabilities	6.2	16.9	23.2	5.0	12.0	17.0
Other financial liabilities	0.2	3.5	3.6	0.0	0.5	0.5
	94.5	**32.3**	**126.8**	**54.5**	**24.6**	**79.1**

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

EUR m	Fair value Dec. 31, 2009	Effective interest rate 2009	Fair value Dec. 31, 2010	Effective interest rate 2010
Borrowings from banks				
Fixed interest borrowings	13.7	3.7–4.5%	13.1	3.41%
Variable interest borrowings	46.5	1.7–3.4%	4.9	0.25–3.5%
	60.2		**18.0**	
ABCP programme liabilities	41.3	2.1–2.2%	44.6	1.78–3.18%
Finance lease liabilities	23.8	4.7–7.4%	17.2	3.75–10.79%
Derivative financial instruments	0.0	n.a.	0.0	n.a.
Other financial liabilities	3.2	2.4–3.5%	0.5	3.00%
	128.5		**80.3**	

The fair values were determined by the respective banks, by discounting the future payments and applying the current market interest rate. In the case of variable rate items (money and capital market floaters), fair value was equated to the nominal value.

Of reported borrowings from banks, EUR 2.9m (December 31, 2009: EUR 5.8m) are guaranteed by the Republic of Austria pursuant to Section 20 Para. 1 Postal Service Structure Act.

In 2006, Austrian Post assumed an Asset Backed Commercial Paper (ABCP) programme in the course of an acquisition. As part of this programme with a maturity of five years and a maximum limit of EUR 51.6m, existing and future trade payables amounting to EUR 41.7m (December 31, 2009: EUR 41.8m) will be sold to a special purpose entity not affiliated with Austrian Post. In the consolidated financial statements, the sold and assigned trade receivables will continue to be reported as trade receivables due to the remaining economic risk. The amounts stipulated in the ABCP programme totalling EUR 42.4m (December 31, 2009: EUR 41.3m) are reported as current liabilities.

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

8.15 PAYABLES

	Dec. 31, 2009			Dec. 31, 2010		
EUR m	**Term to maturity within 1 year**	**Term to maturity of more than 1 year**	**Total**	**Term to maturity within 1 year**	**Term to maturity of more than 1 year**	**Total**
Trade payables	212.7	0.0	212.8	210.5	0.0	210.5
Payables to investments consolidated at equity	1.3	0.0	1.3	1.4	0.0	1.4
Payables on unused holidays	48.6	0.0	48.6	46.3	0.0	46.3
Other payables	79.6	12.8	92.4	72.1	25.9	98.1
	342.1	**12.8**	**355.0**	**330.3**	**25.9**	**356.2**

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

8.16 INCOME TAX

EUR m	**2009**	**2010**
Income tax expense for the current year	45.1	37.7
Tax credits or tax arrears from prior tax years	0.3	0.4
Changes in deferred tax	–0.2	–7.8
	45.1	**30.3**

The effects on the deferred tax reported in the balance sheet of the temporary differences between the amounts shown in the IFRS consolidated statements and those recognised for tax purposes were as follows:

EUR m	**Dec. 31, 2009**	**Dec. 31, 2010**
Deferred tax assets arising from temporary differences		
Goodwill	0.5	0.5
Financial assets	14.3	19.9
Provisions	22.1	23.9
Financial liabilties	0.5	0.4
Payables	0.3	0.0
	37.7	**44.6**
Deferred tax liabilities arising from temporary differences		
Customer relationships	–7.9	–5.5
Trademarks	–7.6	–7.2
Other intangible assets	–0.2	–0.1
Property, plant and equipment	–7.6	–6.4
Inventories	–0.1	–0.1
Receivables	–1.0	–0.9
Payables	0.0	–0.1
	–24.4	**–20.2**
Deferred tax arising from tax loss carry-forwards	**14.5**	**11.3**
Total net deferred tax	**27.8**	**35.7**
Deferred tax assets	43.2	49.9
Deferred tax liabilities	–15.4	–14.2
Total net deferred tax	**27.8**	**35.7**

The following deferred tax assets were not recognised:

EUR m	**Dec. 31, 2009**	**Dec. 31, 2010**
Deferred tax assets on:		
Unused tax loss carry-forwards	15.2	20.4
Other valuation differences	1.1	1.0

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The development and the breakdown of the entire changes in deferred taxes affecting income or directly recognised in equity are presented in the following table:

EUR m	Deferred tax assets	Deferred tax liabilities
Balance at January 1, 2009	**59.2**	**24.3**
Changes affecting net income	**–8.6**	**–8.9**
Changes recognised directly in equity		
Available for sale securities	–5.8	0.0
Hedging	–1.5	0.0
	–7.3	0.0
Balance at December 31, 2009	**43.2**	**15.4**
Balance at January 1, 2010	**43.2**	**15.4**
Changes affecting net income	**7.0**	**–0.8**
Changes recognised directly in equity		
Available for sale securities	–0.4	0.0
Hedging	0.1	0.0
Disposals arising from final consolidations	0.0	–0.4
	–0.3	–0.4
Balance at December 31, 2010	**49.9**	**14.2**

RECONCILIATION OF DEFERRED TAX EXPENSE

EUR m	2009	2010
Profit before tax	**124.8**	**148.7**
Expected taxes on income	**31.2**	**37.2**
Tax deductions due to		
Tax-free dividends and investment income	–1.3	–0.3
Adjustments to foreign tax rates	–0.3	–0.4
Other tax reducing items	–2.6	–2.8
	–4.1	–3.5
Tax increase due to		
Impairment losses on goodwill	4.3	0.5
Impairment losses/future reversals	3.6	–12.3
Other tax increasing items	9.8	2.6
	17.6	–9.2
Income tax expense for the period	**44.7**	**24.5**
Income tax expense/income from prior years	0.3	0.4
Change in unrecognised deferred tax assets arising from carry-forwards	0.1	5.4
Current tax expense	**45.1**	**30.3**

9. OTHER DISCLOSURES

9.1 CASH FLOW DISCLOSURES

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

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

Cash flow arising from the acquisition of subsidiaries
The cash flow arising from the acquisition of subsidiaries is comprised of the following:

EUR m	2009	2010
Acquisitions of subsidiaries		
Purchase prices		
Acquisition date in the current financial year	–1.3	–2.4
Acquisition date in previous years	–3.2	–1.2
	–4.5	**–3.6**
Cash and cash equivalents acquired	0.1	0.9
	–4.4	**–2.6**
Divestments		
Divested cash and cash equivalents	0.0	–9.8
	0.0	**–9.8**
Total	**–4.4**	**–12.5**

Non-cash transactions
The assets and financial liabilities resulting from finance lease contracts first concluded in the 2010 financial year amounting to EUR 1.6m (2009: EUR 1.4m) did not lead to any change in the cash flow from investing activities or the cash flow from financing activities, due to the fact that these represent non-cash transactions. Subsequent leasing payments will be reported in the cash flow from financing activities.

Non-cash effects of EUR 0.8m resulted from changes in the consolidation scope during the 2010 financial year. EUR 1.2m was a loss relating to the revaluation of the existing stake in EBPP Electronic Bill Presentment and Payment GmbH when Austrian Post increased its shareholding from 40% to 100%. The deconsolidation of Eurodis GmbH relating to a sale of an interest in the company by Austrian Post resulted in a gain of EUR 0.4m.

9.2 FINANCIAL INSTRUMENTS

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

9.2.1 FINANCIAL ASSETS

The following table shows a comparison of the carrying amounts and fair values of the financial assets in the 2009 and 2010 financial years:

Financial assets EUR m	Available for sale (fair value)	Available for sale (at cost)	Loans and receivables	Hedging	Cash and cash equivalents	Carrying amount
Balance at December 31, 2009						
Securities	56.7	0.0	0.0	0.0	0.0	56.7
Trade receivables	0.0	0.0	261.7	0.0	0.0	261.7
Receivables from investments consolidated at equity	0.0	0.0	2.6	0.0	0.0	2.6
Derivative financial assets	0.0	0.0	0.0	0.5	0.0	0.5
Other receivables	0.0	0.0	23.7	0.0	0.0	23.7
Strategic stakes and other investments	40.6	0.8	0.0	0.0	0.0	41.4
Cash and cash equivalents	0.0	0.0	0.0	0.0	293.8	293.8
	97.3	**0.8**	**288.0**	**0.5**	**293.8**	**680.4**
Other sundry assets						39.8
	97.3	**0.8**	**288.0**	**0.5**	**293.8**	**720.2**
Balance at December 31, 2010						
Securities	48.3	0.0	0.0	0.0	0.0	48.3
Trade receivables	0.0	0.0	250.9	0.0	0.0	250.9
Receivables from investments consolidated at equity	0.0	0.0	9.2	0.0	0.0	9.2
Other receivables	0.0	0.0	31.3	0.0	0.0	31.3
Strategic stakes and other investments	40.6	0.8	0.0	0.0	0.0	41.4
Cash and cash equivalents	0.0	0.0	0.0	0.0	313.1	313.1
	88.9	**0.8**	**291.4**	**0.0**	**313.1**	**694.1**
Other sundry assets						39.8
	88.9	**0.8**	**291.4**	**0.0**	**313.1**	**733.9**

9.2.2 FINANCIAL LIABILITIES

The following table shows the carrying amounts of financial liabilities for the 2009 and 2010 financial years:

Financial liabilities EUR m	Loans and payables	Residual carrying amount	Finance leases	Hedging	Other derivative financial instruments	Carrying amount
Balance at December 31, 2009						
Interest-bearing financial liabilities	58.7	41.5	23.2	0.0	0.0	123.3
Other non-current financial liabilities	0.0	3.5	0.0	0.0	0.0	3.5
Trade payables	0.0	212.8	0.0	0.0	0.0	212.8
Liabilities to investments consolidated at equity	0.0	1.3	0.0	0.0	0.0	1.3
Other liabilities	0.0	18.8	0.0	0.0	0.0	18.8
	58.7	**277.7**	**23.2**	**0.0**	**0.0**	**359.6**
Other sundry liabilities						122.2
	58.7	**277.7**	**23.2**	**0.0**	**0.0**	**481.8**
Balance at December 31, 2010						
Interest-bearing financial liabilities	17.0	44.6	17.0	0.0	0.0	78.6
Other non-current financial liabilities	0.0	0.5	0.0	0.0	0.0	0.5
Trade payables	0.0	210.5	0.0	0.0	0.0	210.5
Liabilities to investments consolidated at equity	0.0	1.4	0.0	0.0	0.0	1.4
Other liabilities	0.0	24.5	0.0	0.0	0.0	24.5
	17.0	**281.5**	**17.0**	**0.0**	**0.0**	**315.4**
Other sundry liabilities						119.8
	17.0	**281.5**	**17.0**	**0.0**	**0.0**	**435.3**

9.2.3 FAIR VALUE HIERARCHY

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

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

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

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

EUR m	Level 1	Level 2	Level 3	Total
Balance at December 31, 2009				
Financial assets in the category "Recognised at fair value through profit or loss"				
Derivative financial assets	0.8	0.0	0.0	0.8
Financial assets in the category "Available for sale"				
Securities	56.7	0.0	0.0	56.7
Strategic stakes and other investments	0.0	0.0	40.6	40.6
Balance at December 31, 2010				
Financial assets in the category "Recognised at fair value through profit or loss"				
Derivative financial assets	0.3	0.0	0.0	0.3
Financial assets in the category "Available for sale"				
Securities	48.3	0.0	0.0	48.3
Strategic stakes and other investments	0.0	0.0	40.6	40.6

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

The reconciliation of Level 3 measurements at fair value applying to financial assets for the 2009 and 2010 financial years was as follows:

EUR m	Available for sale 2009	Available for sale 2010
Opening balance at January 1	**60.6**	**40.6**
Total gains and losses	0.0	0.0
Recognised through profit or loss under Other financial result	–20.0	0.0
Closing balance on December 31	**40.6**	**40.6**

9.2.4 DERIVATIVE FINANCIAL INSTRUMENTS

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

EUR m	Dec. 31, 2009 Nominal (basis value)	Dec. 31, 2009 Fair value	Dec. 31, 2010 Nominal (basis value)	Dec. 31, 2010 Fair value
Hedging transactions				
Raw material hedges	7.4	0.5	0.0	0.0
Other derivative financial instruments				
Structured interest rate swaps	5.0	0.3	5.0	0.3
Structured interest rate caps	2.0	0.0	2.0	0.0
		0.3		**0.3**
		0.8		**0.3**

Austrian Post has concluded interest rate swaps with an average term to maturity of 8.8 years as a means of reducing the interest rate risk of fixed interest securities and financial liabilities.

The fixed interest rates ranged between 1.52% and 3.59% as at December 31, 2010 (December 31, 2009: 3.0% to 4.7%). The variable interest rates are linked to interbank interest rates. The average variable interest rates, which may be subject to significant changes during the terms of the swap contracts, are reported at the rates prevailing at the balance sheet date.

The market values of the interest rate swaps correspond to the amount that Austrian Post would receive or be obliged to pay if the transactions were settled at the balance sheet date. Account has been taken of current market conditions such as current interest rate levels, as well as the creditworthiness of the swap counterparties.

Furthermore, Austrian Post concluded an interest rate cap for an investment loan with a remaining term to maturity of 4.5 years.

In the 2010 financial year, Austrian Post concluded a hedging transaction with a bank, as it did in 2009, to safeguard against fuel price fluctuations, amounting to 16,500 metric tons (equal to 8m litres), which were invoiced monthly as of January 2010 on the basis of the specified fuel quantities and the average monthly price on the spot market between the bank and Austrian Post. This hedging transaction expired on December 31, 2010.

The ineffective part of the hedging transaction for fuel amounting to EUR 0.4m was recognised in the 2009 financial year in profit or loss and reported in the financial result. The hedging transaction was an effective hedge in 2010.

9.2.5 NET GAINS AND LOSSES

The following table shows the net gains and losses as contained in the consolidated income statements for the 2009 and 2010 financial years:

EUR m	2009	2010
Available for sale financial assets		
Income from dividends and securities	2.1	0.7
Proceeds from the disposal of securities	–0.1	0.0
Reversals of impairment losses	1.0	0.0
Impairment losses	–20.0	0.0
	–17.0	**0.7**
Financial assets and liabilities recognised at fair value in profit or loss	0.1	0.0
Financial liabilities recognised at amortised cost	0.9	0.8
	1.0	**0.8**
	–16.1	**1.5**

The net losses in the 2009 financial year resulting from the disposal of financial assets available for sale amounting to EUR 20.0m were taken from the provisions for the revaluation of available-for-sale financial instruments and recognised in profit or loss as net gains of EUR 3.0m. The entire net gains of EUR 0.7m in the 2010 financial year were reported directly in the income statement.

The fair value of financial assets and liabilities recognised as a profit or loss corresponds to the gains/losses from the disposal of derivative financial instruments.

9.2.6 TOTAL INTEREST INCOME AND EXPENSE

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

EUR m	2009	2010
Interest income from cash and cash equivalents	3.5	2.5
Interest expense for loans and borrowings	1.9	2.0
Other interest expense	2.2	1.7
	4.1	**3.7**

9.3 RISKS AND RISK MANAGEMENT

9.3.1 TYPES OF RISK

Liquidity risk
The purpose of Austrian Post's liquidity risk management procedures is to maintain the solvency of the Group at all times. The liquidity management system is based on a liquidity plan which is regularly subject to target/performance comparisons and adjusted as necessary. Net interest income is maximised by actively managing payment systems.

The following table shows the maturity dates of the gross payment obligations on the part of Austrian Post as at December 31, 2009 and December 31, 2010:

December 31, 2009 EUR m	Carrying amount	Gross cash flow	Term to maturity Within 1 year	 1–5 years	 More than 5 years
Financial liabilities					
Borrowings from banks (fixed interest)	13.4	13.9	11.7	2.2	0.0
Borrowings from banks (variable interest)	45.3	46.5	35.6	3.8	7.1
ABCP programme liabilities	41.3	41.3	41.3	0.0	0.0
Finance lease liabilities	23.2	26.1	7.1	18.9	0.2
Other financial liabilities (excl. derivatives)	3.6	3.6	2.1	1.5	0.0
	126.8	**131.4**	**97.8**	**26.4**	**7.2**
Liabilities – financial instruments					
Trade payables	212.8	212.8	212.7	0.0	0.0
Liabilities to investments consolidated at equity	1.3	1.3	1.3	0.0	0.0
Other liabilities – financial instruments	18.8	18.8	17.3	0.0	1.5
	232.8	**232.8**	**231.3**	**0.0**	**1.5**
Total financial liabilities	**359.6**	**364.2**	**329.1**	**26.4**	**8.7**
Other liabilities	122.2	122.2	110.8	11.4	0.0
Total liabilities	**481.8**	**486.4**	**440.0**	**37.8**	**8.7**

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

Credit/counterparty/product/payment undertaker risk
The amounts reported on the active side of the balance sheet represent the maximum creditworthiness and default risk, as there are no general netting agreements. The overall risk attached to the receivables is low, as most of the customers pay cash or have agreed to direct debit arrangements. Moreover, most of the outstanding amounts are owed by foreign postal operators, which have excellent credit ratings.

Where there are recognisable default risks in respect to the financial assets, specific provisions are made to account for them. In order to avoid credit risks, financial contracts are only made with contracting parties of the highest creditworthiness. The general credit risk associated with the financial instruments used is therefore regarded as low.

Money market transactions are subject to fixed trading limits. In order to limit the default risk associated with bonds and structured loans, Austrian Post's portfolio is restricted to papers from issuers with at least a single A rating (Moody's or S&P equivalent), or comparable creditworthiness. Likewise, as regards OTC transactions or instruments embedded in structured transactions, consideration is only given to contracting parties with first-class credit ratings. Austrian Post only invests in funds managed by internationally reputable investment companies. In the selection of the financial products held, particularly close attention is paid to liquidity and low exposure to settlement

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

The delinquency structure for receivables in the 2009 and 2010 financial years is as follows:

EUR m	Note	Not overdue	Overdue within 1 year	Overdue in more than 1 year	Total
Balance at December 31, 2009					
Carrying amount before impairment (financial instruments)		**253.0**	**37.3**	**15.4**	**305.8**
Less: individual valuation adjustments		2.8	2.7	10.9	16.4
Less: collective valuation adjustments		0.9	0.1	0.0	1.0
Carrying amount after impairment (financial instruments)		**249.4**	**34.6**	**4.5**	**288.5**
Carrying amount of other receivables					**39.8**
	(8.9)				**328.3**
Balance at December 31, 2010					
Carrying amount before impairment (financial instruments)		**256.5**	**40.1**	**11.9**	**308.5**
Less: individual valuation adjustments		1.9	3.7	10.5	16.2
Less: collective valuation adjustments		0.9	0.1	0.0	0.9
Carrying amount after impairment (financial instruments)		**253.7**	**36.3**	**1.4**	**291.4**
Carrying amount of other receivables					**39.8**
	(8.9)				**331.1**

A hedging transaction was concluded with a bank in both 2009 and 2010 to hedge against fuel price fluctuations. Potential changes in the cash flow from hedging transactions were compensated by payments from the stipulated fuel quantities. These hedging transactions expired on December 31, 2010. The revaluation reserve of EUR 0.3m as at December 31, 2009 was released in the 2010 financial year and recognised in profit or loss.

Interest rate risk

Interest rate risk is the risk of changes in the value of financial instruments, other balance sheet items or interest payment streams as a result of movements in market interest rates. Interest rate risk includes the risk of changes in the present value of fixed interest balance sheet items and the cash flow risk associated with variable risk items.

Exposure to interest rate risk mainly relates to receivables and payables with maturities of more than one year. Such long maturities are not of material importance in the operational area, but do affect financial investments in securities, other financial assets and financial liabilities.

Management of interest rate risk related to Austrian Post's financial assets is based on the portfolio approach. Normally, it is not individual positions but the entire portfolio that is managed, taking account of the underlying transactions. For this purpose, selective use is made of derivative instruments such as interest rate swaps. The financial portfolio is compared with the benchmark on a daily basis.

A detailed presentation of Austrian Post's financial investments in securities and other financial assets is found in Notes 8.6 and 8.7 to the consolidated financial statements. Detailed information on financial liabilities is presented in Note 8.14.

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

EUR m	Market price +1% point	Market price –1% point
2009 financial year		
Other financial result	2.7	–2.6
2010 financial year		
Other financial result	3.2	–3.2

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

There are no foreign exchange risks on the assets side of the balance sheet, as deliveries are almost entirely conducted on a euro basis. The same is normally true of the other underlying financial instruments.

9.3.2 RISK MANAGEMENT

The risk management policies of Austrian Post are aimed at hedging profits against financial risks of all kinds. In managing its financial positions, the Group takes a strategic approach to portfolio assessment and follows conservative policies.

A standardised reporting system is used to track the current financial situation. In addition, Austrian Post has clearly-defined, written strategies and operational guidelines for the management of all financial risks.

Risk management is subject to a body of rules developed by the Management Board, which define the relevant objectives, principles, functions and responsibilities. In addition, these rules lay down standardised processes, so as to provide an assurance of reliable internal auditing.

Furthermore, the organisational risks relating to treasury operations are kept to a minimum by structuring the processes involved in an appropriate manner (e.g. keeping the trading, accounting of financial transactions and electronic data storage functions separate).

9.4 OTHER COMMITMENTS

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

The future minimum leasing payments in the 2009 and 2010 financial years arising from operating lease and rental agreements which cannot be terminated before end of the respective maturity period comprise the following:

EUR m	2009	2010
Not later than one year	48.6	49.1
Later than one year and not later than five years	138.5	137.1
Later than five years	179.1	174.7
	366.1	**360.9**

The main rental and leasing agreements for buildings used in the production or supply of goods or services contain extension and termination clauses which accord with normal market terms and conditions for business properties. The agreements also provide for the indexation of the leasing instalments. In a few cases, lease payments are linked to revenue figures. Austrian Post entered into non-terminable rental and leasing agreements with future minimum lease payments of EUR 2.6m (2009: EUR 2.6m).

In the 2010 financial year, a total of EUR 51.7m (2009: EUR 45.5m) in payments within the context of operating rental and lease agreements were recognised in the income statement. The entire amount related to minimum lease payments.

Austrian Post entered into acquisition obligations as at December 31, 2010 for intangible assets amounting to EUR 0.0m (December 31, 2009: EUR 0.4m). Purchases of items of property, plant and equipment led to commitments of EUR 6.4m as at December 31, 2010 (December 31, 2009: EUR 3.7m).

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

As at December 31, 2007, Austrian Post assumed liability for the timely repayment of a credit line on behalf of MEILLERGHP GmbH, Schwandorf, Germany totalling CZK 200.0m (outstanding amount as at December 31, 2010: EUR 8.0m) with Dresdner Bank AG, Munich.

In 2009 Austrian Post assumed liabilities of EUR 4.0m for MEILLERGHP GmbH (outstanding amount as at December 31, 2010: EUR 3.0m).

In the 2010 financial year Austrian Post assumed liabilities of EUR 4.4m for MEILLERGHP GmbH (outstanding amount as at December 31, 2010: EUR 3.4m).

9.5 RELATED PARTY TRANSACTIONS

The Republic of Austria holds a 52.8% shareholding in Austrian Post through its privatisation and industrial holding company Österreichische Industrieholding AG (ÖIAG). Subsequently, the Republic of Austria and companies in which it has a controlling interest may be considered to be related parties of Austrian Post. Furthermore, all subsidiaries, joint venture companies and associated companies as well as members of the Management Board and Supervisory Board of Austrian Post, managing directors of Group subsidiaries and senior executives are to be considered as related parties.

There is an agreement with BBG Bundesbeschaffung GmbH, Vienna, in the name of and for the account of the federal government, for the delivery of postal items for federal agencies. During the 2010 financial year, delivery services valued at EUR 99.8m (2009: EUR 97.1m) were rendered for the federal agencies stipulated in the agreement. As at December 31, 2010, receivables from the BBG Bundesbeschaffung GmbH amounting to EUR 9.0m (December 31, 2009: EUR 8.9m) were recognised.

Revenue relating to services rendered by Austrian Post on behalf of the Federal Computing Centre of Austria totalled EUR 30.3m in 2010 (2009: EUR 27.8m). As at December 31, 2010, receivables from the Federal Computing Centre of Austria amounting to EUR 2.3m (December 31, 2009: EUR 1.9m) were recognised.

Furthermore, numerous public institutions and agencies as well as companies in which the Republic of Austria has a dominating or controlling interest are direct customers of Austrian Post. These business ties exist based on the portfolio of products and services offered by Austrian Post at prevailing market prices, terms and conditions. The services rendered by Austrian Post in the course of these business relationships are not material in terms of the overall revenue of Austrian Post. Any services for which payment has not yet taken place as at December 31, 2010 are reported as trade payables.

Moreover, Austrian Post made use of services provided at prevailing market rates by the ÖBB Group (national railway system) which is fully owned by the Republic of Austria, in particular Rail Cargo Austria. The expense incurred for services provided by the ÖBB Group amounted to EUR 17.4m in 2010 (2009: EUR 19.7m). As at December 31, 2010, receivables from the ÖBB Group totalled EUR 0.6m (December 31, 2009: EUR 1.1m). Payables recognised to the ÖBB Group totalled EUR 0.3m as at December 31, 2010 (December 31, 2009: EUR 0.2m), whereas the income for services rendered by Austrian Post to ÖBB 2010 amounted to EUR 1.8m (2009: EUR 1.3m).

As at December 31, 2010, Austrian Post recognised receivables from Telekom Austria AG of EUR 6.5m (December 31, 2009: EUR 7.7m) and payables amounting to EUR 2.9m (December 31, 2009: EUR 3.1m). In

2010 Austrian Post rendered services on behalf of Telekom Austria AG valued at EUR 68.2m (2009: EUR 72.2m), whereas the expense incurred for services provided by Telekom Austria AG in 2010 amounted to EUR 46.6m (2009: EUR 59.6m).

At the balance sheet date, Austrian Post recognised payables to OMV Group of EUR 2.5m (December 31, 2009: EUR 2.1m). The expense incurred for services provided by OMV Group on behalf of Austrian Post totalled EUR 13.4m in 2010 (2009: EUR 12.1m), whereas the income for services rendered by Austrian Post for OMV Group amounted to EUR 0.3m (2009: EUR 0.3m).

There are related-party relationships with joint venture companies in connection with direct marketing services at normal market terms and conditions. At the balance sheet date, receivables from joint venture companies amounted to EUR 6.6m, whereas payables totalled EUR 0.1m.

There are related-party relationships with associated companies connected with advertising and public relations work, as well as postal transport services, which are rendered at normal market terms and conditions. The services rendered by associated companies amounted to EUR 8.1m in 2010 (2009: EUR 4.9m). Revenue with associates accounted for 0.9% of total revenue in 2010 (2009: 0.8%). At the balance sheet date, receivables from associated companies amounted to EUR 2.5m (December 31, 2009: EUR 2.3m), and liabilities to associates were EUR 1.3m (December 31, 2009: EUR 0.9m).

The following remuneration, including changes in provisions, was paid to members of the Management Board and the Supervisory Board, as well as to senior executives in the 2009 and 2010 financial years:

EUR m	Supervisory Board	Management Board	Senior executives	Total
2009 financial year				
Short-term employment benefits	0.2	3.0	12.5	15.6
Post-employment benefits	0.0	0.0	0.0	0.0
Other long-term employment benefits	0.0	0.0	0.0	0.1
Termination benefits	0.0	0.6	1.1	1.7
	0.2	**3.6**	**13.7**	**17.5**
2010 financial year				
Short-term employment benefits	0.2	3.4	13.1	16.6
Post-employment benefits	0.0	0.0	0.0	0.0
Other long-term employment benefits	0.0	–0.1	0.0	–0.1
Termination benefits	0.0	0.0	0.1	0.1
Share-based remuneration	0.0	0.6	0.8	1.3
	0.2	**3.8**	**14.0**	**18.0**

In addition, business relationships existed in the 2010 financial year with top executives totalling EUR 0.0m (2009: EUR 0.1m).

9.6 AUDIT FEES

The following fees for the auditor Deloitte Audit Wirtschaftsprüfungs GmbH and its related companies were paid in the 2010 financial year:

Services rendered by auditors in EUR	2010
Audit	
Individual and consolidated financial statements of Austrian Post as at December 31, 2010	148,500.00
Financial statements of Austrian Post subsidiaries as at December 31, 2010	129,000.00
Other valuation and certification services	31,644.00
Tax consulting services	0.00
Other consulting services	171,098.00
	480,242.00

9.7 AUSTRIAN POST COMPANIES

Company and location	Interest in %	Method of consolidation
Post Paket Service GmbH, Vienna	100.00	FC
Post & Co Vermietungs OG, Vienna	100.00	FC
Post International Beteiligungs GmbH, Vienna	100.00	FC
Post.Wertlogistik GmbH, Vienna	100.00	FC
Post.Maintain Management Objektverwaltungs- und -instandhaltungs GmbH, Vienna	100.00	FC
Medien.Zustell GmbH, Vienna	100.00	FC
Austrian Post International Deutschland GmbH, Bonn	100.00	FC
Post Immobilien GmbH, Vienna	100.00	FC
PTI Immobilienvermittlung GmbH, Vienna	100.00	FC
Post Eins Beteiligungs GmbH, Vienna	100.00	FC
Post Zwei Beteiligungs GmbH, Vienna	100.00	FC
Post Drei Beteiligungs GmbH, Vienna	100.00	FC
Post Vier Beteiligungs GmbH, Vienna	100.00	FC
A4 Business Solutions GmbH, Vienna	100.00	FC
Post Fünf Beteiligungs GmbH, Vienna	100.00	FC
Weber Escal d.o.o., Zagreb	100.00	FC
Scanpoint Europe Holding GmbH, Vienna	100.00	FC
Scanpoint Deutschland GmbH, Schwandorf	100.00	FC
Scanpoint Slovakia s.r.o., Brezno	100.00	FC
feibra GmbH, Vienna	100.00	FC
PROWERB Gesellschaft für produktive Werbung GmbH, Vienna	100.00	FC
feibra Magyarország Kft, Budapest	100.00	FC
PS Postservicegesellschaft m.b.H., Vienna	100.00	FC
feibra West GmbH, Vienna	100.00	FC
Post d.o.o. za usluge, Zagreb	100.00	FC
EBPP Electronic Bill Presentment and Payment GmbH, Vienna	100.00	FC
R-Electronic-Bill-Presentment Beteiligungs GmbH, Vienna	100.00	FC
Overseas Trade Co Ltd d.o.o., Zagreb	100.00	FC

FINANCIAL STATEMENTS

Company and location	Interest in %	Method of consolidation
Slovak Parcel Service s. r. o., Bratislava	100.00	FC
In Time s.r.o., Bratislava	100.00	FC
Kolos s.r.o., Bratislava	100.00	FC
Austrian Post International Ungarn Kft, Gyál	100.00	FC
trans-o-flex Hungary Kft, Gyál	100.00	FC
City Express d.o.o., Belgrade	100.00	FC
trans-o-flex Austria GmbH, Vienna	100.00	FC
24-VIP d.o.o, Sarajevo	100.00	FC
City Express Montenegro d.o.o, Podgorica	100.00	FC
trans-o-flex Germany		
trans-o-flex Logistics Group GmbH, Weinheim	100.00	FC
trans-o-flex GmbH, Weinheim	100.00	FC
trans-o-flex Verwaltung GmbH, Weinheim	100.00	FC
trans-o-flex Schnell-Lieferdienst GmbH & Co KG, Weinheim	100.00	FC
trans-o-flex Transport Logistik GmbH, Weinheim	100.00	FC
trans-o-flex Customer-Service GmbH, Weinheim	100.00	FC
trans-o-flex Linienverkehr GmbH, Weinheim	100.00	FC
trans-o-flex Logistik Service GmbH, Weinheim	100.00	FC
trans-o-flex Admin-Service GmbH, Weinheim	100.00	FC
trans-o-flex IT-Service GmbH, Weinheim	100.00	FC
ThermoMed Verwaltungs GmbH, Weinheim	100.00	FC
trans-o-flex ThermoMed GmbH & Co KG, Weinheim	100.00	FC
trans-o-flex Accounting Service GmbH, Weinheim	100.00	FC
trans-o-flex Billing Service GmbH, Weinheim	100.00	FC
eurodisnet GmbH, Weinheim[2]	100.00	FC
Scherübl Transport GmbH, Frankenburg/a.H.[1]	74.90	FC
trans-o-flex Nederland B.V., Dordrecht	100.00	FC
trans-o-flex Belgium, Turnhout	100.00	FC
LogIn Service d.o.o., Sarajevo	100.00	FC
meiller		
MEILLERGHP GmbH, Schwandorf[3]	65.00	EM
meiller direct CZ sro., Nyrany[3]	65.00	
Swiss Post Solution a.s., Pilsen[3]	65.00	
meiller direct sarl., Paris[3]	65.00	
Mailstep Holding a.s., Prague[3]	65.00	
Mailstep sro., Prague[3]	65.00	
GHP Direct France sarl., Le Chesnay[3]	65.00	
meiller direct AB, Landskrona[3]	65.00	
meiller direct LTD., Kent[3]	65.00	
Swiss Post Solution SP z.o.o., Krakow[3]	65.00	
GHP Direct Russ OOO, Moscow[3]	65.00	
Kolos Marketing s.r.o., Prague[3]	58.50	

Company and location	Interest in %	Method of consolidation
Kolos Marketing s.r.o., Prag	10,00	EM
Mader Zeitschriftenverlagsgesellschaft m.b.H., Vienna	25.10	EM
D2D - direct to document GmbH, Vienna	30.00	EM
FEIPRO Vertriebs GesmbH, Gaweinstal	50.00	EM
OmniMedia Werbeges.m.b.H., Vienna	21.00	EM
Eurodis GmbH, Weinheim	59.40	EM
OMNITEC Informationstechnologie-Systemservice GmbH, Wien	50.00	NC

[1] In the process of being liquidated
[2] 100% of the shares of Scherübl Transport were consolidated on the basis of the put option of the minority shareholders, and thus no minority interest is shown in equity. The full amount of goodwill is recognised.
[3] The profit for the period of the company MEILLERGHP GmbH consolidated at equity corresponds to the proportionate profit for the period of the MEILLERGHP Group and includes a proportionate share of the profit for the period of the subsidiaries.

FC – Full consolidation, EM – Equity method, NC – No consolidation due to immateriality

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

9.8 EVENTS AFTER THE REPORTING PERIOD

In accordance with the changed legal framework involving value added tax exemptions for postal services, Austrian Post changed its business terms and conditions although the product and tariff structure remained the same. Starting on January 1, 2011, postal services encompassed under the universal postal obligation will continue to be exempt from the value added tax, whereas all other postal services will no longer be VAT-exempt.

In January 2011, it was resolved to merge the Mail and Parcel & Logistics Divisions by the beginning of 2012. This decision was taken against the backdrop of the well-advanced conversion of company-operated post offices to postal partner offices as well as the successful realignment of Austrian Post's cooperation with BAWAG P.S.K.

As of May 2011, Austrian Post will offer a new product portfolio for letter mail services in Austria as well as for cross-border postal services involving a simplified, customer-oriented product and service portfolio with weight-based postal rates. Austrian Post presented its new General Terms and Conditions describing the new product portfolio within the framework of the universal postal obligation to the regulatory authority in November 2010. Following an extensive evaluation, the regulatory authority approved the General Terms and Conditions for letter mail and addressed direct mail items. As a result, the new terms and conditions with new products and postal rates will take effect starting in the beginning of May 2011.

The Management Board of Austrian Post approved the audited consolidated financial statements for the financial year ending on December 31, 2010 for transmission to the Supervisory Board on March 1, 2011. The Supervisory Board is responsible for reviewing and approving the audited consolidated financial statements.

Vienna, March 1, 2011

The Management Board

Georg Pölzl
Chairman of the Management Board

Rudolf Jettmar
Deputy Chairman of the Management Board

Herbert Götz
Member of the Management Board

Walter Hitziger
Member of the Management Board

Carl-Gerold Mende
Member of the Management Board

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

As the legal representatives of Austrian Post we declare, to the best of our knowledge, that the consolidated financial statements for the 2010 financial year, which were prepared in accordance with the applicable financial reporting standards, present a fair and accurate picture, in all material respects, of the profit, asset and financial position of the Group, that the Group Management Report presents the business development, earnings and overall situation of the Group in such a manner as to provide a fair and accurate picture of the profit, asset and financial position of the Group, and that the Group Management Report also describes the most important risks and uncertainties facing the Group.

Vienna, March 1, 2011

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Rudolf Jettmar
Deputy Chairman of the Management Board
Chief Financial Officer

Herbert Götz
Member of the Management Board
Director of the
Branch Network Division

Walter Hitziger
Member of the Management Board
Director of the
Mail Division

Carl-Gerold Mende
Member of the Management Board
Director of the
Parcel & Logistics Division

INDEPENDENT AUDITOR'S REPORT

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Österreichische Post Aktiengesellschaft, Vienna ("the Group") for the financial year from 1 January 2010 to 31 December 2010. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2010, the consolidated income statement and statement of comprehensive income, cash flow statement and statement of changes in equity for the year ended 31 December 2010 and the notes.

Management's Responsibility for the Consolidated Financial Statements and the Accounting Records
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit
Our responsibility is to express an opinion on these consolidated financial statements based in our audit. We conducted our audit in accordance with laws and regulations applicable in Austria, and in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit, the consolidated financial statements are in accordance with legal requirements and present fairly, in all material aspects, the financial position of the Group as of 31 December 2010 and of its financial performance and its cash flows for the financial year from 1 January 2010 to 31 December 2010 in accordance with International Financial Reporting Standards as adopted in the EU.

Conclusion on Management Report for the Group

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

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

Vienna, March 1, 2011

Deloitte Audit Wirtschaftsprüfungs GmbH

Walter Müller m.p.
Certified Public Accountant

Josef Spadinger m.p.
Certified Public Accountant

GLOSSARY / INDEX

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

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

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

Earnings before Taxes (EBT)
Earnings before taxes.

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

EBITDA margin
Ratio of EBITDA to revenue.

EBIT margin
Ratio of EBIT to revenue.

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

Free cash flow
Cash flow from operating activities plus the cash flow from investing activities: demonstrates how much liquidity is available to service the net debt.

IFRS
International Financial Reporting Standards; international financial accounting guidelines.

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

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

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

HISTORY OF AUSTRIAN POST

1490	Europe's first standardised postal service, between Innsbruck and Mechelen (Belgium)
1750	Regular passenger carrying mail coach services begin in the mid-18th century.
1787	First-time use of postmarks bearing precise date and place information
1817	Reorganisation of the postage rates system, introduction of letterboxes
1850	Introduction of postage stamps, advent of mail deliveries by rail
1863	International postal conference held in Paris – guidelines for international postal treaties
1869	First postcards, an Austrian invention, are issued
1874	Founding of the World Postal Association
1875	Invention and start-up of a pneumatic capsule pipeline system in Vienna
1916	First indoor cluster box units installed in Austria
1918	World's first civil air mail service in Austria
1928	Introduction of home letterboxes
1938	Integration into the German Reichspost organisation
1945	Resumption of postal services in Austria / Reorganisation and reconstruction of the Austrian postal branch network
1957	Introduction of drop-off mailboxes for rural delivery staff Start-up of a mechanical parcel sorting facility at the Viennese post office 101 (Western Railway Station)
1959	Start-up of a mechanical letter mail sorting and postal pouch conveying system
1966	Introduction of a national system of postal codes
1986	Express Mail Service (EMS) as new service with priority treatment for letters and parcels
1996	Founding of Post und Telekom Austria (PTA)
1999	Austrian Post as legally independent entity (for postal and post bus operations) Targeted investments in modernisation of the logistics infrastructure
2000	Post bus business spun off to the ÖIAG
2001	Acquisition of feibra Austria (unaddressed direct mail)
2002	Acquisition of Slovakian parcel companies Slovak Parcel Service (SPS) and In-Time
2003	Acquisition of Overseas Trade (Croatia)
2005	Purchase of feibra Ungarn (unaddressed direct mail) Increase of shareholding in feibra Austria (unaddressed advertising) to 100%
2006	IPO on the Vienna Stock Exchange – 49% free float Acquisition of Kolos (unaddressed advertising/Slovakia), Wiener Bezirkszeitung (Media Post/Austria) Weber Escal (unaddressed advertising/Croatia), trans-o-flex (B2B specialty logistics/Germany)
2007	Further acquisitions and penetration of niche markets: Acquisition of Weber Escal (unaddressed advertising/Croatia), Scanpoint Europe (document digitalisation/Germany), Road Parcel Logistics and Merland Expressz (parcels market/Hungary), Scherübl Transport (pharmaceuticals transport/Austria), meiller direct (direct marketing/Germany) VOP and DHL EXPRESS DDS (parcels business/Belgium and Netherlands), ST Media (unaddressed advertising/Croatia), City Express (parcels business/Serbia and Montenegro). Purchase of a 5% stake in BAWAG P.S.K.

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

2010 AT A GLANCE

January
Austrian Post, Federal Economic Chamber and the Association of Municipalities decide to intensify efforts to implement the postal partner concept. The mail order house Otto extends its cooperation agreement with Austrian Post for another two years.

February
Effective February 1, Austrian Post and feibra acquire customers from redmail.

March
Austrian Post and the Generali Group Austria strengthen their strategic partnership by concluding a new service agreement.

April
More than 2,000 visitors come to the logistics centres on "Open House Day", gaining an insight in the processing of millions of mail items by dedicated employees and state-of-the-art technologies.

May
Start of the new advertising campaign targeting end consumers with the slogan "If it really counts, rely on Austrian Post."

June
Start of the "e-Postcard", an important link between the Internet and traditional mail. This enables holiday greetings to be sent directly as a postcard from one's mobile phone or via the Internet.

September
The Austrian Post subsidiary EBPP launched the new service "meinbrief.at". The dual delivery enables documents and letters to be sent as the recipient requests, namely electronically via a secure Internet connection or as a physical letter.
Delivery of the new, 75 PS Opel Combo vehicles for delivery staff begins in Linz.

October
Expansion and intensification of the cooperation between BAWAG P.S.K. and Austrian Post. The two companies bundle their strengths and know-how. According to the new branch network concept, the entire spectrum of products and services offered by BAWAG P.S.K. and Austrian Post will be offered at more than 500 locations throughout Austria.
Austrian Post and Swiss Post bundle their international direct mail activities in a joint venture. Austrian Post has a 65% stake in the newly created company MEILLERGHP.

November
Peter Umundum is appointed to the Management Board with responsibility for Parcels & Logistics. He will take up his seat on the Management Board on April 1, 2011.
Austrian Post launches the "Premium light" parcel, which is brought to recipients by the letter mail delivery staff, and whose size and weight generally fits into normal mail boxes.

December
Within the context of the cooperation agreement between the Austrian Employment Service AMS and Austrian Post, AMS experts will support Austrian Post in consulting and training employees in the internal Post Job Market.

ADDRESSES OF SUBSIDIARIES

Austrian Post Headquarters
Postgasse 8
1010 Vienna, Austria
T: +43 (0) 57767-0
I: www.post.at

A4 Business Solutions GmbH
Wipplingerstrasse 23
1010 Vienna, Austria
T: +43 (1) 24777-0
I: www.a4b.at

Austrian Post International Deutschland GmbH
Rheinwerkallee 2
53227 Bonn, Germany
T: +49 (228) 932949-0
I: www.austrianpost.de

City Express d.o.o.
Kumodraška 240
11010 Belgrade, Serbia
T: +381 (11) 3093 009
I: www.cityexpress.rs

City Express Montenegro d.o.o.
Sergeja Jesenjina 7
81000 Podgorica, Crna Gora, Montenegro
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I: www.cityexpress.me

feibra GmbH
Altmannsdorfer Strasse 329
1230 Vienna, Austria
T: +43 (1) 66 130-0
I: www.feibra.at

feibra Magyarország Kft.
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T: +36 (1) 340 9921
I: www.feibra.hu

In Time s.r.o.
Senecká cesta 1
90028 Ivanka pri Dunaji, Slovakia
T: +421 (2) 48 707 901
I: www.intime.sk

Kolos s.r.o.
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Zastavnice 38a
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I: www.overseas.hr

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Postgasse 8
1010 Vienna, Austria
T: +43 (0) 57780-0
I: www.postimmobilien.at

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1010 Vienna, Austria
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Post.Wertlogistik GmbH
Steinheilgasse 1
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Scanpoint Europe Holding GmbH
Postgasse 8, 1010 Vienna, Austria
T: +43 (1) 512 21 21-0
I: www.scanpoint.eu

Scherübl Transport GmbH
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2351 Wiener Neudorf, Austria
T: +43 (2236) 6 77-194-0
I: www.scheruebl.com

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90028 Ivanka pri Dunaji, Slovakia
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I: www.sps-sro.sk

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trans-o-flex Logistics Group GmbH
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T: +49 (6201) 988-0
I: www.trans-o-flex.de

trans-o-flex Nederland B.V.
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T: +31 (78) 6551818
I: www.trans-o-flex.nl

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I: www.weber-escal.com

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I: www.post.at/pr

Business customers[1]
T: 0800 212 212
www.business.post.at

Private customers[1]
Post customer service:
T: 0810 010 100

EMS and parcels information[1]
T: 0810 010 101

Stamp collector's service[1]
T: 0800 100 197
I: www.philatelie.at

Post branches
T: +43(0) 57767.xxxx[2]
I: www.post.at/postfilialen
I: www.xxxx.post.at[2]

Personal stamps
I: www.meine-marke.at

Austrian Post Online Annual Report 2010
www.post.at/ar/2010

CSR – Sustainability
www.post.at/csr

If you want to know more about Austrian Post (annual reports, quarterly reports, etc.),
we would be happy to put you on our distribution list. Please contact:
T: +43 (0) 57767-30401
E: investor@post.at
I: www.post.at/ir

1 For Austria
2 Please insert the desired postal code of the post branch office instead of “xxxx“ and you will be connected directly.

OVERVIEW OF KEY INDICATORS 2001-2010

Income statement		2001[1] IFRS	2002[1] IFRS	2003[2] IFRS	2004[2] IFRS	2005 IFRS	2006 IFRS	2007 IFRS	2008 IFRS	2009 IFRS	2010 IFRS
Revenue	**EUR m**	**1,565.2**	**1,571.7**	**1,585.2**	**1,654.4**	**1,701.6**	**1,736.7**	**2,315.7**	**2,441.4**	**2,356.9**	**2,351.1**
Other operating income	EUR m	69.5	57.4	71.7	73.0	52.9	58.8	72.6	81.0	89.6	90.5
Raw material, consumables and services used	EUR m	–190.9	–198.4	–228.8	–241.8	–241.9	–258.0	–692.2	–778.2	–766.1	–771.0
Staff costs	EUR m	–1,023.8	–1,015.0	–1,020.7	–1,046.6	–1,064.0	–1,063.0	–1,120.4	–1,119.2	–1,139.3	–1,120.7
Other operating expenses	EUR m	–257.8	–254.2	–250.6	–236.7	–223.5	–243.9	–284,0	–304.5	–277.0	–288.8
Results of investments consolidated at equity	EUR m	3.6	1.0	0.9	0.7	–1.3	1.1	0.9	1.2	5.1	1.0
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**EUR m**	**109.4**	**101.6**	**157.7**	**203.1**	**223.8**	**231.7**	**292.7**	**321.7**	**269.2**	**262.1**
EBITDA margin	%	7.0%	6.5%	9.9%	12.3%	13.2%	13.3%	12.6%	13.2%	11.4%	11.1%
Depreciation and amortisation	EUR m	–103.3	–108.1	–129.6	–120.9	–120.8	–108.4	–130.0	–152.2	–119.8	–105.2
Earnings before interest and tax (EBIT)	**EUR m**	**15.1**	**4.1**	**28.1**	**82.2**	**103.0**	**123.3**	**162.8**	**169.5**	**149.4**	**156.9**
EBIT margin	%	1.0%	0.3%	1.8%	5.0%	6.1%	7.1%	7.0%	6.9%	6.3%	6.7 %
Ogther financial result	EUR m	19.5	4.7	–2.5	–5.4	–2.1	7.2	2.1	–11.3	–24.6	–8.2
Earnings before tax (EBT)	**EUR m**	**6.1**	**–6.6**	**25.6**	**76.7**	**100.9**	**130.5**	**164.9**	**158.2**	**124.8**	**148.7**
Income tax	EUR m	–8.1	–0.7	–10.8	–29.9	–10.9	–30.8	–42.2	–39.3	–45.1	–30.3
Profit from discontinued operations	EUR m	–	–	2.1	3.2	9.8	–	–	–	–	–
Profit for the period	EUR m	17.5	–2.5	16.9	50.0	99.9	99.8	122.6	118.9	79.7	118.4
Earnings per share[3]	EUR	0.24	–0.06	0.21	0.71	1.43	1.43	1.75	1.71	1.18	1.75
Employees (average for period, full-time equivalents)		30,357	29,558	27,713	26,342	25,192	24,456	25,764	27,002	25,921	24,969

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

SERVICE

Cash flow		2001[1] IFRS	2002[1] IFRS	2003[2] IFRS	2004[2] IFRS	2005 IFRS	2006 IFRS	2007 IFRS	2008 IFRS	2009 IFRS	2010 IFRS
Operating cash flow before changes in working capital and tax	EUR m	–	–	–	250.5	316.9	327.1	328.5	278.3	220.7	196.0
Cashflow from operating activities before tax	EUR m	–	–	–	–	331.9	287.2	332.0	274.8	254.8	240.8
Cash flow from operating activities	EUR m	49.6	76.3	145.0	223.8	298.0	238.0	295.9	233.4	230.0	178.9
Cash flow from investing activities	EUR m	25.5	–153.8	–44.4	–125.5	–92.6	–142.6	–142.4	–23.1	6.9	–25.3
Dividend payout	EUR m	75.2	–76.6	100.6	98.3	205.4	95.4	153.5	210.3	236.9	108.1

Balance sheet											
Total assets	**EUR m**	**1,601.7**	**1,631.8**	**1,617.9**	**1,795.7**	**1,563.0**	**1,901.6**	**2,058.6**	**1,874.6**	**1,775.3**	**1,715.1**
Non-current assets	EUR m	1,223.2	1,287.6	1,021.7	1,011.4	997.4	1,272.9	1,361.9	1,252.1	1,141.3	1,067.6
Current assets	EUR m	378.6	344.1	287.4	393.7	542.6	614.9	694.3	622.5	634.0	647.5
Capital and reserves	EUR m	749.7	718.9	698.9	712.5	762.1	821.4	874.3	741.5	673.7	690.8
Non-current liabilities	EUR m	400.6	426.3	218.2	287.5	361.3	564.0	598.0	551.8	514.0	479.4
Current liabilities	EUR m	451.5	486.6	405.2	421.0	439.6	516.2	586.3	581.3	587.6	544.9
Interest-bearing debt	EUR m	–	–	–	293.1	369.1	607.6	711.5	655.9	629.5	540.3
Interest-bearing assets	EUR m	–	–	–	196.6	397.1	433.7	538.1	385.8	398.3	413.7
Net debt	EUR m	–	–	–	–96.5	28.0	–173.9	–173.4	–270.2	–231.2	–126.6
Net debt/EBITDA		–	–	–	0.48	–0.13	0.75	0.59	0.84	0.86	0.48
Equity ratio	%	46.8%	44.1%	43.2%	39.7%	48.8%	43.2%	42.5%	39.6%	38.0%	40.3%
Return on equity (ROE)	%	2.2%	–0.3%	2.5%	7.2%	13.6%	13.8%	16.3%	16.8%	13.9%	20.7%
Capital employed	EUR m	–	–	–	796.2	694.3	935.0	992.2	952.5	861.7	767.5
Gearing ratio	%								36.4%	34.3%	18.3%
Return on capital employed (ROCE)	%	–	–	–	10.2%	13.8%	15.1%	16.9%	17.4%	16.5%	19.3%

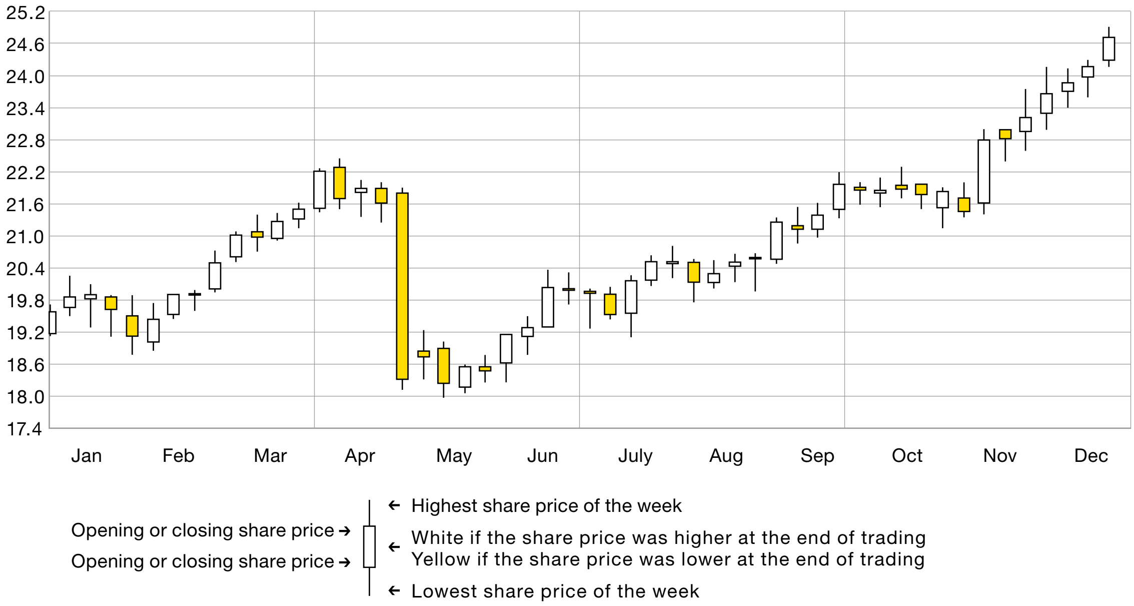
[1] Including the insurance arm of Austrian Post (Postversicherung AG)
[2] Adjusted for the insurance arm of Austrian Post (Postversicherung AG)

FINANCIAL CALENDAR 2011

March 15, 2011	Annual results 2010
April 18, 2011	Record date for participating in the Annual General Meeting
April 28, 2011	Annual General Meeting 2011, Vienna
May 12, 2011	Ex-dividend day and dividend payment day for the dividend of EUR 1.60 per share[1]
May 13, 2011	Interim report for the first quarter of 2011
August 19, 2011	Half-year financial report 2011
November 17, 2011	Interim report for the first three quarters of 2011

[1] Proposal to the Annual General Meeting on April 28, 2011

DEVELOPMENT OF THE POST SHARE (JANUARY-DECEMBER 2010)



SERVICE

Key Post share indicators		2001[1]	2002[1]	2003[2]	2004[2]	2005	2006	2007	2008	2009	2010
Share price at December 31		–	–	–	–	–	36.10	23.99	24.10	19.02	24.73
Dividends per share	EUR m	0.41	0.51	0.51	0.57	0.57	1.00	2.40	2.50	1.50	1.60[3]
Total Shareholder Return	%	–	–	–	–	–	+90.0%	–30.8%	+10.5%	–10.7%	+37.9%
Total Shareholder Return since the IPO (issue price of EUR 19.0)	%	–	–	–	–	–	+90.0%	+31.5%	+44.7%	+31.2%	+69.1%
Market capitalisation	EUR m	–	–	–	–	–	2,527.0	1,679.3	1,628.0	1,284.9	1,670.6

[1] Including the insurance arm of Austrian Post (Postversicherung AG)
[2] Adjusted for the insurance arm of Austrian Post (Postversicherung AG)
[4] Proposal to the Annual General Meeting on April 28, 2011

Basic information Post share

ISIN	AT0000APOST4
Trading symbol (Vienna Stock Exchange)	POST
Reuters Code	POST.VI
Bloomberg Code	POST AV
Total outstanding shares as of December 31, 2010	67,552,638 shares
Listing	Vienna Stock Exchange
Issue price	EUR 19.00
First day of trading	May 31, 2006
Minimum trading unit (smallest tradable number of shares)	1
Type of share	Non-par value shares
Stock split	None

IMPRINT

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

This annual report also contains forward-looking statements based on the information currently available to us. These are usually indicated by expressions such as "expect", "anticipate", "estimate", "plan" or "calculate". We wish to note that a wide variety of factors could cause actual circumstances – and hence actual results – to deviate from the forecasts contained in this report.

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

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

Editorial deadline: March 1, 2011

ANNUAL
REPORT 2010

2 PART

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