# PROMISE

Annual Report / Austrian Post / *Magazine*



2012

**COVER STORY: WALK THE TALK**
SUCCESS IS NO COINCIDENCE.

**GOALS ACHIEVED FOR 2012**
AN INTERVIEW WITH AUSTRIAN POST'S MANAGEMENT BOARD.

**STRONG STOCK**
POST SHARE WITH A TOTAL SHAREHOLDER RETURN OF 120% SINCE THE IPO.

Post



Manfred Warmuth, Managing Director of kika/Leiner, and Sabine Ernst, Key Account Manager at Austrian Post.

# You can rely



**RELIABILITY FOR OUR SHAREHOLDERS**
Solid, predictable and sustainably profitable

**RELIABILITY FOR OUR CUSTOMERS**
Engaging, trustworthy and secure

**RELIABILITY FOR OUR EMPLOYEES**
Supportive, respectful and fair

# on Austrian Post

# EDITORIAL

Trustworthiness, reliability and predictability are essential values of Austrian Post. We keep the promises we make, and are thus an attractive and stable partner for our customers, employees and shareholders. All stakeholders should be able to count on us creating sustainable value for them.

This commitment, which is valid for all activities of our company, is also enormously important to me personally. I emphasised this fact in my introduction to last year's annual report, and I am happy to report that we made extensive progress in achieving this objective in spite of the tense general economic situation. This is confirmed in the current annual report, which presents a series of examples from different business areas in the company.

Naturally, this does not mean that we are going to rest on our laurels. We have set even more demanding targets for the future in almost all areas. The further development of the company in line with our misson statement is a key priority for the entire management team of Austrian Post. This is the only way that we can fulfil our ambition to do business on a sustainable basis.

After we addressed many structural issues and positioned ourselves well economically and strategically, the issue of customer relationships is a top priority for us. A company must never stop striving to seek new solutions in order to fulfil the needs of the customers and improve the level of service. This is because everything we do revolves around our customers.

It is just as important for our long-term success to offer employees and executives of our company diverse professional developement and career advancement opportunities. We are all part of Austrian Post, and we can only respond together to the increasingly rapid changes on the marketplace and successively meet the demand for a more customised product and service offering by displaying the highest possible level of professional competence.

As you see, we also have very ambitious goals for the future. We will continue to take great care to ensure that we keep the promises that we make. You can count on that.

Sincerely yours,



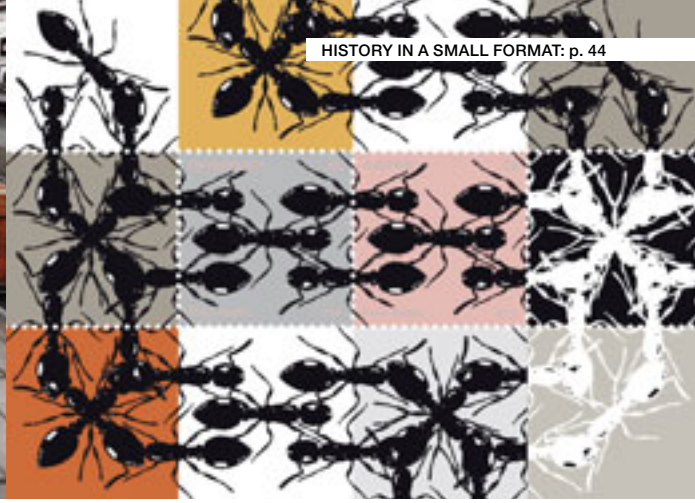
Georg Pölzl




MISED
DELIVERED



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# PROMISE – DELIVER

# Annual Report



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AUSTRIAN POST

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Austrian Post is pursuing an integrated approach with respect to the contents and structure of this report, which is oriented to the demands of the company's most important stakeholder groups.

# *Walk the talk*

## Success is no coincidence

***How does one measure the success of a company? On the basis of high sales, strong EBIT and a sound balance sheet? Or by taking the gratifying development of the share price and an attractive total shareholder return? On the basis of the high level of satisfaction displayed by customers and employees who ultimately decide upon the survival of the company on the marketplace? Or do you consider the environmental indicators which hopefully show that economic success has not been achieved at the expense of the environment or future generations?***

All these indicators undoubtedly comprise proof of the success of a company. But by no means do figures alone reveal everything there is to know. "Success must ultimately be measured on whether a company keeps its promises, whether the targeted objectives could actually be reached. Earlier one would have referred to agreements in which 'a handshake suffices'", says Austrian Post CEO Georg Pölzl in outlining the basic attitude of the company. "This absolute commitment to reliability and predictability on behalf of customers, employees, partners and shareholders clearly shows that success in all dimensions of a company's business activities – economic, social and ecological – is not a mere coincidence but must be hard-won and is the result of persistent efforts."





Regional media are among the most widely read newspapers in Austria, with 128 different publications and a total of four million readers. Thanks to its logistics know-how, Austrian Post has shown itself to be a reliable delivery partner for years. Photo: Romana Stelzl, Managing Director of bz Wiener Bezirkszeitungen (left) and Mario Brajevic, Key Account Manager at Austrian Post.



The MTH Retail Group, which includes the successful retail chain stores LIBRO and PAGRO, relies on the know-how of Austrian Post in transporting cash and for its cash management. Photo: Andreas Hämmerle, CFO MTH Retail Group (left), and Walter Fellacher, Managing Director of Post.Wertlogistik.

## 2012 was once again a strong year of implementation

The fact that this also applies to the year 2012 is underlined by Austrian Post's motto "Promise – Deliver" in this annual report. In 2012 the company not only posted a strong performance but determinedly realised the goals set at the beginning of the reporting period. "In spite of the challenging economic situation, we succeeded in safeguarding or even further expanding our market leadership in Austria, both in the mail and the parcel business", says a satisfied Georg Pölzl. "On the basis of our uncompromising focus on our customers, numerous measures to streamline our cost structure, the optimisation of operational processes and ongoing investments in new technologies, we have accomplished what we set out to do", he adds.

## Customers can rely just as much on Austrian Post …

The focus of Austrian Post's thinking and behaviour is the customer – from the letter mail recipient to the sender of parcels, from business customers to people using services provided at the branch offices. Thanks to a broad range of new products, innovative online and offline services and attractive value added services, the customer gets much more from Austrian Post – more customer benefits, more service, more convenience, more flexibility: in short, Austrian Post does what it says: **PROMISE – DELIVER.**

On the basis of a targeted expansion of its service offering to include 24 x 7 services in the form of self-service zones, franking machines and drop-off boxes for letters and parcels, it is even easier nowadays to make use of postal services in a quick and uncomplicated manner. Austrian Post is excellently positioned thanks to the planned and implemented enlargement of the postal partner network to 1,376 third-party operated postal service points, and operates a network with a total of 1,931 postal service points which is considerably denser than the legally stipulated minimum. Customers benefit from longer opening hours, the combination of postal services with the offering of other local businesses and the strengthening of the existing local and regional retail infrastructure. The business area Post Logistics Services which was established in 2012 offers customised solutions for business customers requiring a competent partner for complex parcel logistics services. On the basis of its successful roll-out of KUVERT, the practical collective envelope for direct mail items, Austrian Post has demonstrated that it can launch completely new types of products on the market place which are highly valued by both advertising customers and consumers after just a few months in use, and which have become indispensable to the advertising industry.



Austrian Post proves it is the perfect partner for business customers. The Austrian furniture store kika/Leiner relies on the multi-faceted services provided by Austrian Post for its direct mail, and thus continually improves the impact on consumers. Photo: Sabine Ernst, Key-Account Manager at Austrian Post (left), and Manfred Warmuth, Managing Director of kika/Leiner.

### ... as all other stakeholder groups

However, the principle of keeping its promises not only applies to the commitments made by Austrian Post to its customers, but also to all its stakeholder groups i. e. its owners, employees, society and not least the environment.

Austrian Post offers its shareholders a solid, predictable balance sheet and dividend policy, in which at least 75% of the Group net profit should be distributed to shareholders. **PROMISE – DELIVER.**

Austrian Post creates a dynamic working environment with a wide range of opportunities for further education and professional development, working relationships based on appreciation and respect, and a healthy and safe workplace environment: **PROMISE – DELIVER.**

Society not only profits from the reliable postal and logistics services provided by the company, which comprise a central pillar of Austria's communications and transport infrastructure, but also from the extensive social initiatives undertaken by Austrian Post: **PROMISE – DELIVER.**

Finally, Austrian Post continually makes every effort to reduce its consumption of resources and ship all items in Austria in a $CO_2$ neutral manner without exception: **PROMISE – DELIVER.**

Trust, reliability and strength in implementation are the virtues Austrian Post will continue to focus on in the future in order to resolutely fulfil its strategic objectives and further increase shareholder value. **PROMISED.**





# THE KEY TO SUCCESS

In spite of the prevailing economic uncertainties, Austrian Post developed extremely positively in 2012, and managed to successfully achieve the goals it defined. The company's strong position on the domestic market of Austria was maintained and further consolidated, both in the Parcel & Logistics Division as well as in the Mail & Branch Network Division. Austrian Post also explored important opportunities in the growth markets of South East and Eastern Europe. In addition to its strategic positioning, the performance indicators also turned out well. Group revenue increased to EUR 2,366.1m, EBIT climbed by a gratifying 8.9% to EUR 182.4m, and the free cash flow also proved to be extremely solid, boasting an increase of 5.7%.

The facts and figures show that Austrian Post fulfilled the expectations placed on it in the past financial year, and generated solid value, comprising value which the company as well as important stakeholders i. e. employees, shareholders and society sustainably profit from. More than half of the cash flow from operating activities was used for future-oriented measures, namely investments in new facilities as well as acquisitions of subsidiaries. Employees of Austrian Post benefitted from wages, salaries and social contributions totaling more than EUR 1bn. Austrian Post paid more than EUR 200m to the Republic of Austria, and thus indirectly to its citizens in the form of the value added tax and income tax. And last but not least, it is important not to forget the dividends paid to the owners. Pending approval by the Annual General Meeting on April 18, 2013, a total of EUR 64m will be paid to the majority owner ÖIAG and EUR 57m to the private shareholders of the company. Accordingly, a great many people will profit from the value generated by Austrian Post in the year 2012.

In order to enable Austrian Post to safeguard its value creation in the future as well, the company will do everything in its power to maintain its strong market position on its domestic market and also exploit international market opportunities. This will be based on future-oriented investments in new facilities, new services and products as well as a clear service commitment to its customers. One thing is clear: Austrian Post will not grow weary of optimising efficiency in all its operational processes, and uncompromisingly align its services to the needs of its customers. This is because customer satisfaction is the most important key to success.

# AUSTRIAN POST AT A GLANCE

| MAIL & BRANCH NETWORK | PARCEL & LOGISTICS |
|---|---|
| • Letters<br>• Addressed/unaddressed direct mail<br>• Newspaper and regional media<br>• Online services<br>• Branch network services | • Parcels<br>• Combined freight<br>• Express mail<br>• Temperature-controlled logistics<br>• Fulfillment<br>• Value logistics |
| Revenue of EUR 1,508m | Revenue of EUR 858m |

| | |
|---|---|
| **Group revenue** | **EUR 2,366m** |
| Group EBIT | EUR 182m |
| Group EBITDA margin | 11.5% |
| Group EBIT margin | 7.7% |

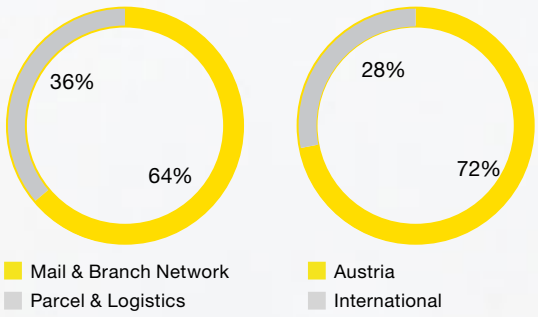
*An indispensable part of everyday life in Austria*

With annual revenue of EUR 2.4bn and approx. 23,000 employees, Austrian Post is the country's leading logistics and postal services provider. Austrian Post reliably takes care of its job, regardless of whether letters, direct mail and print media are transported and delivered or parcels are stored and shipped. For this purpose it operates a branch network consisting of more than 1,900 own or third-party operated postal service points, making it one of the largest private customer networks in Austria.

## Solid business model

Austrian Post relies on a solid business model in a time characterised by ongoing changes in its market environment. The core business in the mail segment, the most important generator of revenue and earnings, is being continually optimised and modernised. Austrian Post is exploiting additional opportunities in the growth segment of parcel and logistics in a targeted manner. Ongoing performance improvements in the entire company are designed to ensure profitability, value creation and attractive dividends. Details on the strategic orientation of Austrian Post and the related measures can be found in the Strategy section (from p. 20), whereas the investment profile is presented in the Share & Owners section in greater detail (from p. 60).

**REVENUE DISTRIBUTION**







→ Austrian Post transported a record volume of 65m parcels in Austria in 2012.

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

# A strong market position

- **AUSTRIA**
  No. 1 for letters, direct mail items, media post and parcels
- **GERMANY**
  No. 1 for direct mail production
- **SLOVAKIA, CROATIA, SERBIA AND BOSNIA**
  No. 1 for business customer parcels
- **CROATIA, HUNGARY, SLOVAKIA, POLAND AND ROMANIA**
  No. 1 for unaddressed direct mail items
- **BULGARIA**
  No. 1 for hybrid mail (printing and addressed delivery)

A list of selected Austrian Post subsidiaries can be found on p. 49 and p. 59.




**1bn**

Austrian Post recieves 1bn letters for delivery every year.

**4.3bn**

4.3bn direct mail items are delivered in Austria each year by Austrian Post.

**4.3m**

The Austrian Post delivery staff visit 4.3m households and companies throughout Austria each day.

**74**

**265**

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

The branch network employees and delivery staff of Austrian Post have more than 100m customer contacts each year.

**100m**



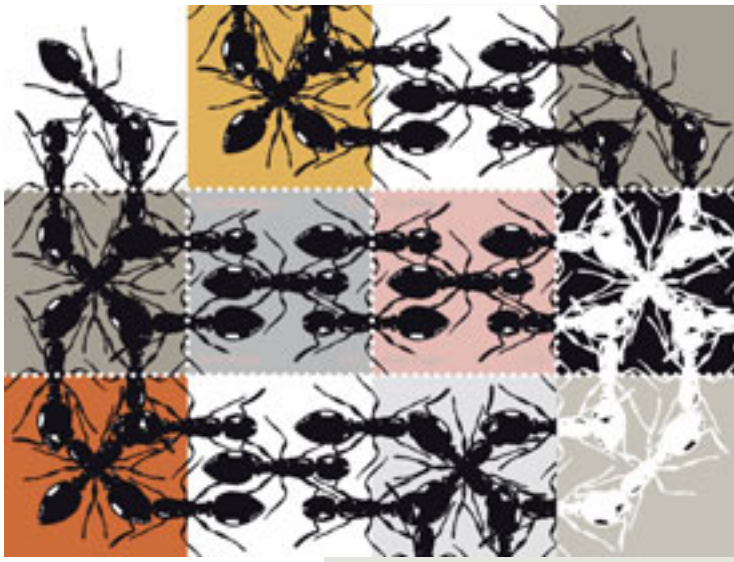
**9,000 handhelds** were supplied to the mail deliverers, who are now state-of-the-art.

There were a total of **17 applicants** for the **six European seats in the Universal Postal Union**. Austrian Post prevailed, and for the first time in 18 years is once again represented in the top governing body of the Universal Postal Union.

**57,243,504 stamps** were produced in the year 2012, with motives ranging from the Alpine Association and Alpine zoo to contemporary art by Peter Kogler and Zagreb.

Only **21 letter mail distribution centres** around the world have received the certificate **"Excellence in the Management and Processing of International Letter Mail"** issued by the International Post Corporation (IPC). The logistics centres of Austrian Post in Vienna and Hall in Tyrol are two of them.





# HIGHLIGHTS 2012

The more than **160** year history of Austrian stamps imprinted upon more than **3,100** stamp issues can be admired in the newly opened gallery inaugurated in 2012 at corporate headquarters.



Austrian Post and BAWAG P.S.K. under one roof: the **first joint branch office** was opened in **January 2011.** In the meantime, the **400th** combined **bank and post office** was opened in Vienna in September 2012, marking an important milestone.

Rudolf Kemler was elected to the Supervisory Board by the Extraordinary General Meeting with **46,479,138 votes.**




Thanks to approx. **50 franking machines, 100 Post Drop-Off Boxes** and **2,000 Post Pick-Up Boxes,** the sending and receiving of mail items is becoming increasingly easy and convenient. And this is possible around the clock **365 days a year.**

**100 people** are employed by **Systemlogistik**, a company acquired by Austrian Post in 2012. As a result, Webshop logistics, value added delivery, marketing services and distribution logistics/outsourcing can be offered.



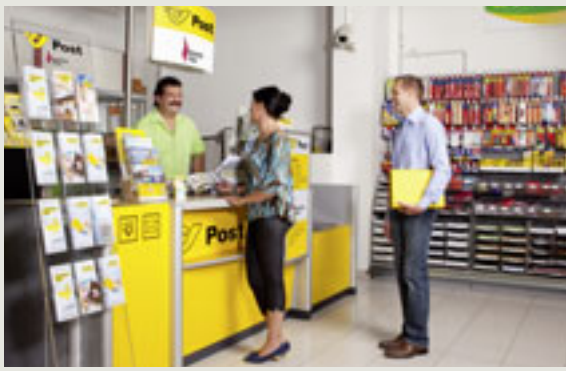
**Close to 45,000,000 new customers:** Austrian Post acquires Kolportaż Rzetelny in Poland and also entered the Bulgarian market by purchasing a stake in M&BM Express. In Romania Austrian Post acquired the remaining 74% shareholding in PostMaster.

Rudolf Jettmar served as Chief Financial Officer of Austrian Post for **4,712 days.** He was succeeded in July 2012 by **Walter Oblin.**

# TS

The **1st branch office in the new design** was presented **in May** 2012.

In **2001**, the first **postal partner in Austria** went into operation in the federal province of Styria. In September 2012 Austrian Post opened its **1,300th** postal partner outlet – once again in Styria.



About **3,100 primary school pupils** were given **"school boxes"**, interactive teaching materials developed by Austrian Post for third graders.






Since February the KUVERT, the collective envelope for advertising mail ensuring greater order in people's letterboxes, has been used throughout the country. The response of the customers and the number of envelopes is also impressive. A total of **299,882,364 KUVERTs** were produced in 2012.



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

# "... we achieved our goals for 2012."

***Mr. Pölzl, are you satisfied with the 2012 financial year?***
PÖLZL: I am actually very satisfied considering the overall economic environment in which we had to assert ourselves. In spite of the restrained economic development which posed challenges in several of our market segments, we succeeded in achieving the most important goals we defined for the past financial year. Above all, we further strengthened our position on the domestic market of Austria, both in the mail and parcel segments. On this basis we fulfilled our earnings expectations for the past year. On balance, we increased Group revenue by 0.7% to EUR 2,366.1m, and EBIT improved by 8.9% to EUR 182.4m.

***These are actually remarkable results against the backdrop of difficult conditions. What were the biggest challenges?***
PÖLZL: In addition to the ongoing electronic substitution of traditional letter mail, we were confronted with weakening demand in the direct marketing segment in Austria during the course of the year, but were also challenged by our logistics operations in Germany. We focused on increasing margins in our German business and managed to continually improve the cost structure thanks to the initiated measures, whereas in Austria we were forced to contend with the volatility of the advertising market.

***Mr. Oblin, you have served as the CFO of Austrian Post since the middle of 2012. From your point of view, what are the most important accomplishments in the 2012 financial year?***
OBLIN: We succeeded in continuing on the path we mapped out, both in terms of revenue and costs. Thus we are in the gratifying position of reporting increased earnings and improved cash flow to our shareholders, which in turn will enable us to distribute a dividend of EUR 1.80 per share. Naturally, this requires the approval of the Annual General Meeting. It is also extremely gratifying for me to see how Austrian Post has been able to convince the capital market of the quality of the company on the basis of its defensive business model. The increase in shareholder value since the IPO in 2006 has been an impressive 121% as measured by the total shareholder return, including a rise of 41% in 2012 alone.

***What can we expect from Austrian Post in the years to come?***
OBLIN: Continuity. This was the case over the past years and will apply to the future as well with respect to our balance sheet and dividend policies, but also our operating business. Our objective must be to ensure an ongoing stable revenue development and to work on maintaining an efficient cost structure.

***Mr. Hitziger, how did the letter mail segment of Austrian Post perform in the light of the trend towards declining letter volumes?***
HITZIGER: In 2012 we again faced the challenge of decreasing volumes in the traditional mail business, which we had also struggled with in previous years. For this reason, it was extremely important for us to maintain our leading market position in Austria, and at the same time to keep a tight grip on cost developments. In particular, we succeeded in reaching an agreement with the Central Works Council on a new, up-to-date salary scale for our delivery staff. At the same time, we continued to invest in the modernisation of our logistics operations. As a result, we achieved significant improvements in work processes thanks to the high level of automation, especially in the pre-sorting of direct mail items.

# "... most important target is *enhancing* the profitability."





***And how did the restructuring of the branch network proceed?***
HITZIGER: The restructuring is proceeding on schedule. The biggest priority is our nationwide presence, which was further expanded now that we have 1,931 postal service points. 1,376 of them are already postal partners i. e. externally operated outlets, whereas 555 are company-operated locations. In the future, all of our own (approximately 500) post branches should be operated jointly with our banking partner BAWAG P.S.K. This increases efficiency for us, but primarily means greater value for our customers.

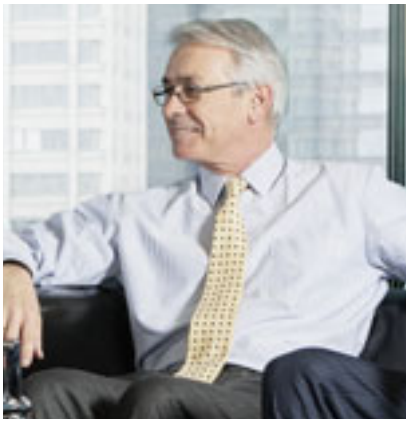
***Customer value and efficiency are also important issues in the Parcel & Logistics Division. Mr. Umundum, aren't you faced with the challenge of coping with ongoing increases in parcel volumes?***
UMUNDUM: That's correct. Particularly in Austria, we see that Austrian Post is dynamically growing in the parcel segment. This development is being driven by the rise in Internet orders placed by our private customers as well as our increased market share in parcels for business customers, which we once again expanded in 2012. We achieved our targeted market share of 20%, and our newly defined goal is 25%.

***To what extent are you satisfied with the international parcels business of Austrian Post?***
UMUNDUM: In this area we are certainly not where we want to be and have to be. As expected, our markets in Southeast and Eastern Europe developed positively, featuring a significant volume increase. In Western Europe we took an important step forward by disposing of our loss-making subsidiaries in the Benelux. Moreover, performance-enhancing measures were also successfully initiated in the German market, but this will remain an important issue for the upcoming year. In addition, we aim to optimise our international networks on the basis of establishing further partnerships. I was very satisfied with our performance in the field of temperature-controlled logistics.

***What do you specifically plan to do in 2013?***
UMUNDUM: A major concern is further enhancing profitability. On the German market we are putting "quality before quantity" and focusing our efforts on the segments in which we have a dominant market position, especially the transport of products for the pharmaceutical and health care sectors. Moreover, we have to successively optimise our logistics capabilities by redefining core processes and actively managing them ourselves. At the same time, we aim to further press ahead with enhancing convenience and self-service solutions on behalf of our private customers in all our activities on the Austrian market. For example, the Post Pick-Up Boxes are designed to improve the delivery success rate for parcels on the first attempt. This is also much more convenient for customers because they no longer have to pick up the parcels from the nearest postal service point.

***Mr. Hitziger, a clear customer focus is also important in the mail business. What changes do you have in the pipeline?***
HITZIGER: We have ambitious plans for 2013, and in particular want to develop a product and service offering which will be available to private customers around the clock. For this reason, we will not only successfully remodel our branch offices in the new design, but will put a greater emphasis on providing considerably more comfort and convenience by offering self-service solutions by dropping off mail items or using franking machines. On this basis we will also deal with the issue of waiting times.





***Have you achieved your customer orientation targets for the most part?***
PÖLZL: You can never cross the finishing line when it comes to customer service and convenience. That is why we are making great efforts to ensure that the focus of our thinking and our actions – everything we do – will revolve even more around our customers and their needs. For me it is extremely important that all employees at Austrian Post, whether at lower level positions or the Management Board, think in a customer-oriented manner in all the decisions they make.



*What will be new for shareholders in addition to the many customer innovations?*
OBLIN: As I mentioned before, we are focusing on continuity and want to be reliable and predictable for our shareholders. Our positioning on the capital market is clear and should remain the same. We are implementing a defensive business model. Combined with a strong balance sheet and solid cash flows, this will continue to serve as the basis for a sustainably attractive dividend policy.

*Mr. Pölzl, what are your specific goals for 2013?*
PÖLZL: In 2013 we should manage to at least keep Group revenue stable at a level comparable to 2012, and if possible to achieve a slight increase. We will continue to focus on strict cost discipline in our processes, and also further optimise our operating business on the basis of modernisation measures. Therefore I expect earnings in 2013 to be within the targeted EBITDA margin of 10–12%. At the same time, we will maintain our policy of distributing a dividend to our shareholders corresponding to at least 75% of the Group net profit. In any case, the proposed dividend of EUR 1.80 per share for the year 2012 comprises a dividend yield of 5.8% in relation to the share price of EUR 31.20 at the end of 2012. In line with our motto, this also means for me: **PROMISE – DELIVER.**

## MANAGEMENT BOARD

### GEORG PÖLZL
Born in 1957, Chief Executive Officer (CEO) and Chairman of the Management Board of Austrian Post since October 2009.

### WALTER OBLIN
Born in 1969, responsible for the financial management of Austrian Post as Chief Financial Officer (CFO) since July 2012.

### WALTER HITZIGER
Born in 1960, Member of the Management Board of Austrian Post since May 2004, with responsibility for the newly merged Mail & Branch Network Division since September 2011.

### PETER UMUNDUM
Born in 1964, Member of the Management Board and Director of the Parcel & Logistics Division since April 2011.

# STRATEGY
# Sustainable increase in value

## FOCUSED ON CLEAR STRATEGIC OBJECTIVES

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

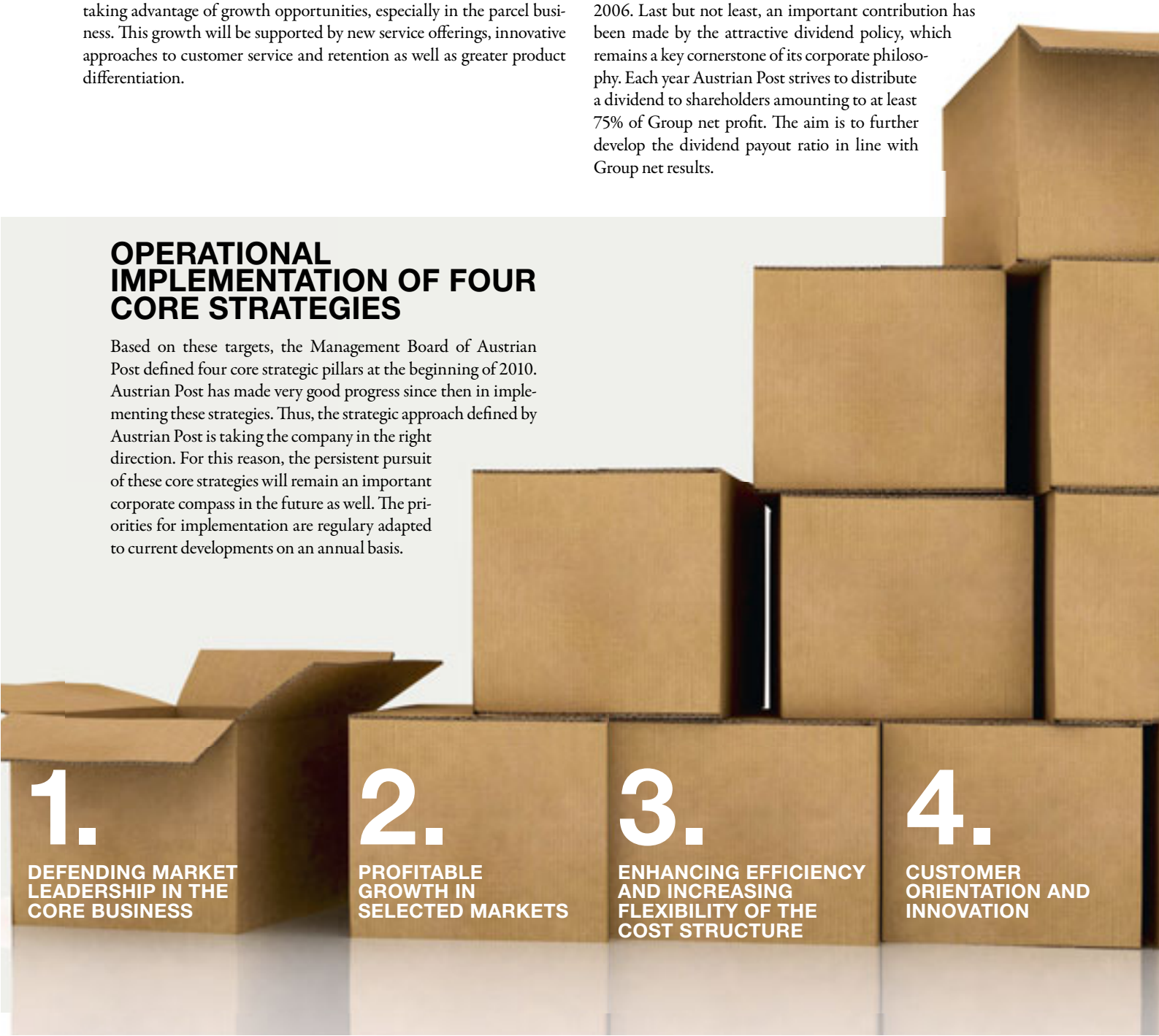
***1. Revenue:***
***medium-term growth of 1–2% annually***
Austrian Post strives to more than compensate for the volume decline of 3–5% p. a. for addressed letter mail due to electronic substitution by taking advantage of growth opportunities, especially in the parcel business. This growth will be supported by new service offerings, innovative approaches to customer service and retention as well as greater product differentiation.

***2. High profitability:***
***sustainable EBITDA margin of 10–12%***
Austrian Post aims to maintain its high level of profitability, even in a fully liberalised market. For this reason, it is essential to continually enhance the efficiency of all operational processes. Services will be consistently tailored to customer needs, and logistics operations will be streamlined as much as possible. In this way, Austrian Post will sustainably protect its earnings as well as its cash flow.

***3. Dividends:***
***continuation of attractive dividend policy***
In terms of total shareholder return, Austrian Post generated increase in value of more than 120% for its shareholders since the IPO of 2006. Last but not least, an important contribution has been made by the attractive dividend policy, which remains a key cornerstone of its corporate philosophy. Each year Austrian Post strives to distribute a dividend to shareholders amounting to at least 75% of Group net profit. The aim is to further develop the dividend payout ratio in line with Group net results.

## OPERATIONAL IMPLEMENTATION OF FOUR CORE STRATEGIES

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



# 1. DEFENDING MARKET LEADERSHIP IN THE CORE BUSINESS

## PROMISE

The objective of Austrian Post is to be or remain the market leader in the Austrian mail and parcel business.

## DELIVER

In spite of the complete liberalisation of the market, Austrian Post managed to maintain its dominant position in the letter mail business once again in 2012. Furthermore, Austrian Post consolidated its leading market position in the parcel segment. An independent test carried out by the Association for Consumer Information (VKI) confirmed the outstanding level of quality provided by Austrian Post in its parcel delivery operations. In the meantime, Austrian Post's market share in the business parcel segment amounts to 22%. In line with its strategy, the company also once again expanded its core competencies in parcel distribution along the value chain by acquiring Systemlogistik Distribution GmbH.

### *Preview of 2013*

Austrian Post will continue to focus on safeguarding profit margins in its mail business by emphasising the strengths of physical communication channels. The company is continuing to pursue the further development of its subsidiary feibra as an alternative delivery option in a fully liberalised market, as well as the focused expansion of new products and services for the advertising market. At the same time, new business models arising as a consequence of electronic substitution will be integrated into the existing service offering, in order to position Austrian Post as the first choice for sending and receiving mail items and information – both physically and electronically.

In its parcel and logistics business, Austrian Post is striving to defend its market leadership in the X2C segment, and further increase its market share in the B2B parcel business to 25%. In the light of volume growth, special attention will be paid to ensuring that service quality remains very good. The fulfillment offering will be further expanded as a supplementary parcel distribution service on the basis of the acquisition of Systemlogistik Distribution GmbH.

# 2. PROFITABLE GROWTH IN SELECTED MARKETS

### *Preview of 2013*

The focal point of the Parcel & Logistics Division will be to expand its market presence in the CEE region on the basis of further expansion steps, and if appropriate, through further acquisitions. The top management priority for the German subsidiary trans-o-flex will be on implementing further optimisation measures following the stabilised business results achieved in 2012. Against the background of new GDP guidelines (EU guidelines on Good Distribution Practice of Medical Products for Human Use, details see p. 49), trans-o-flex will devote particular attention to developing customer-oriented solutions for the increased demands placed upon the distribution of pharmaceuticals. With the newly constructed logistics centre in Alzenau, a specialised storage facility for pharmaceutical products has been available since the beginning of 2013.

## PROMISE

In addition to its core business, Austrian Post is exploiting existing potential in growth segments in order to compensate for declining letter mail volumes. The focus here is on the parcel and logistics business, but the mail segment also offers growth opportunities.

## DELIVER

In international postal traffic, exports of Parcel Logistics Austria increased by about 15% in 2012. The performance enhancement programme launched for the trans-o-flex network in Germany showed initial successes in 2012. The loss-making subsidiaries in Belgium and the Netherlands were sold.

We also achieved significant performance improvements in CEE, where every fourth item was already delivered to private customers in 2012.

Austrian Post, including its subsidiaries, ranks among the biggest providers in the unaddressed direct mail segment in Central and Eastern Europe. In 2012 the company succeeded in entering the Polish and Bulgarian markets by acquiring new subsidiaries. Austrian Post decisively strengthened its position in the Romanian market thanks to the complete takeover of its existing subsidiary there.

# 3. ENHANCING EFFICIENCY AND INCREASING FLEXIBILITY OF THE COST STRUCTURE

## *Preview of 2013*

The main focus will be on implementing programmes designed to reduce material costs as well as process and administrative costs, in addition to planning and implementing a joint mail and parcel centre in Upper Austria and investing in the further modernisation of the company's sorting technology. The priority in the branch network will be to further develop the Postal Partner network and to establish self-service zones and self-service postal branch offices.

## PROMISE

A top priority of Austrian Post is to defend its cost leadership and continually enhance efficiency in all business areas.

## DELIVER

The installation and operational start of three new distribution centres resulted in a considerable increase in efficiency in 2012. In turn, this also led to a significant reduction in sorting times in the delivery process. On balance, Austrian Post invested approximately EUR 15m in 2012 to modernise its logistics infrastructure.

Parcel Logistics Austria invested in quality and new capacities with its new Incoming Parcel Depot Wien Nord. As a result 140 new delivery routes were created each day.

In order to ensure an efficient delivery process, Austrian Post has optimised the delivery frequency of non-time-critical unaddressed direct mail items. A new standardised and flexible working time model was created for the approximately 9,000 employees on the delivery staff. As of 2013, the mail carriers will be paid according to actual working time and not on the basis of lump sum payments. Fluctuating volumes are compensated by time windows.

# 4. CUSTOMER ORIENTATION AND INNOVATION

## PROMISE

Attractive products and services corresponding to specific customer requirements are the basis for the long-term success of Austrian Post. For this reason, the company is relying on targeted innovation in its product offering as well as providing an attractive and diverse range of services.

## DELIVER

Austrian Post expanded its portfolio of services in 2012 to implement various round-the-clock services, including the online parcel stamp and the Post Drop-Off and Post Pick-Up Boxes. In addition, setting up self-service zones featuring franking machines and Drop-Off Boxes in the post branch offices will help to reduce waiting times.

The KUVERT, a collective envelope for direct mail items ensuring greater order in domestic letterboxes, has been just as well received by consumers as by advertising customers.

Austrian Post also continued the restructuring of its branch network in 2012 by opening an additional 118 postal partner offices. At the same time, within the context of the initiative launched by BAWAG P.S.K. and Austrian Post to set up jointly operated branches, a total of 435 outlets for banking and postal services were put into operation throughout Austria. On balance, a total of 1,931 postal service points were at the disposal of customers at the end of 2012.

## *Preview of 2013*

Austrian Post will determinedly press ahead with its strategy of expanding its network of postal outlets and its portfolio of self-service products. In addition to numerous self-service foyers, special self-service postal branch offices should also be established in the future, enabling customers to package, frank and drop off the mail items for shipping themselves, or to pick up the delivered mail items from the automatic parcel machines built into the walls. The first pilot post office testing this concept was put into operation in November 2012. At the same time, Austrian Post is continually working to further develop its online distribution channels, its portfolio of online marketing solutions and more sophisticated e-commerce solutions in order to position itself as the top Austrian provider of online communications.

"... additional efficiency improvements and a further flexibilisation of the cost structure are key **success factors.**"



**CARSTEN WALLMANN**
Head of Strategy & Group Development

***Mr. Wallmann, what do you consider to be the most important factors driving success in the postal business over the next five years?***
WALLMANN: I believe there are four key points to make in this regard. First, there is the volume decline in the letter mail business ranging between 3% and a maximum of 5% p. a. We can only partially influence this trend, but naturally we must do everything we can in order to counteract this development by offering attractive new products and services. Second, we will pay special attention to compensating for increased factor costs and the above-mentioned volume decline by achieving additional efficiency improvements and a further flexibilisation of the cost structure. The third factor is the continuation of volume growth in the parcel business on the basis of the ongoing increase in e-commerce. Here we should be able to profit from current developments. Fourth, we will have to exploit new growth areas, whether in the parcel and logistics business or in mail delivery.

***The parcel business is growing, but competition has perceptibly increased. What are the key factors in this case?***
WALLMANN: On the one hand, success certainly involves ensuring end customer convenience. The delivery location and delivery time are especially important to consumers. Parcel companies which offer flexible solutions such as those provided by Austrian Post will have a competitive advantage. On the other hand, the issue of "economies of scale" will play a key role. The higher the volumes of a parcel service provider, the more favourable the cost structure is, and the more competitive the offering turns out to be. Finally, there is also the issue of international connections. The margins in the international business are still somewhat higher than on the domestic market. For this reason, it is essential to offer high quality, cost-effective network links. Austrian Post is already very well positioned now with respect to B2B shipments as a partner of the EURODIS network, and also with X2C parcels thanks to its cooperation with the E-Parcel Group (EPG).

## COMMENTARY

A comprehensive controlling system takes account of the overall structure of the company. Our focus is clearly on revenue, EBIT and cash flow. At the same time, we attach great importance to the viability and profitability of investments in new facilities and infrastructure as well as corporate acquisitions. This is the only way to ensure that the right decisions are made at the right time.

All in all, we focus on adherence to unified standards and a clear orientation at top management levels to achieving the targeted results. These cornerstones are complemented by specific productivity and quality indicators for each business area. A high level of transparency among the various cash generating units should contribute to supporting the growth of new business areas, and ensuring that the factor of cost efficiency is a priority in all areas.

"Professional **controlling** requires clearly defined parameters."



**ALEXANDER KOCH**
Head of Group Controlling

On balance, Austrian Post has not only succeeded in financing the necessary investments and acquisitions from its cash flow but also in maintaining an attractive dividend policy.

# OBJECTIVES + VALUES +

Austrian Post not only boasts clearly defined goals and a sophisticated strategy, but also a sound set of values which comprise, so to speak, the intellectual underpinnings of its business operations. "Ambitious goals and strategies are important, but at the same time we have to consider how we want to go down this path", says Austrian Post CEO Georg Pölzl in underlining the purpose of the mission statement developed by the company in recent years. "This involves the long-term orientation and ultimate purpose and meaning of what we do. This not only applies to the management levels, but to every single employee. Everybody will only really pull in the same direction if the entire staff has a clear idea where we are going and why this is so." Issues such as the business model and strategy are naturally important, but they are only partial aspects of the big picture. "When I joined the company in 2009, we first dealt with the hard facts. Above all, we analysed the business model in order to define clear and reachable goals and develop a strategy on how we could further develop this business model", Georg Pölzl adds.

## Broad-based development process

The next step was soon to begin developing a new mission statement, in order to breathe life into the business strategy. Within the context of a broad-based process, three value categories with the corresponding principles were defined to serve as guideposts for Austrian Post in the future. "We subsequently worked to identify the issues which really matter if we want to find our way and not stray away from the goals we set."

As many employees as possible from different business areas were involved in a multi-phased, top-down/bottom-up process to create a solid foundation for the new set of values. "The result was a focus on three value categories: customer orientation, profitability and sustainability as well as appreciation and communication". Pölzl emphasises. "In this manner we put together the right tool kit, so to speak, in order to also ensure that our attitudes reflect all changes taking place in the marketplace."
Pölzl confirms that customer orientation is particularly important to him. "As our mission statement says, everything we do revolves around our customers. And this is a never-ending pro-

"A company must never grow tired of continuously seeking new solutions to fulfil customer requirements and increase the level of service."





## MISSION STATEMENT

**1 CUSTOMER ORIENTATION**
Everything we do revolves around our customers

**2 PROFITABILITY AND SUSTAINABILITY**
We are future-oriented

**3 COMMUNICATION AND APPRECIATION**
We are all part of Austrian Post

# LEADERSHIP = FUTURE

cess. Every business unit must continually review their actions and improve as a means of evolving in a future-oriented manner. A company must never grow tired of continuously seeking new solutions to fulfil customer requirements and increase the level of service", he adds.

## The leadership culture breathes life into the mission statement

In order to really fill this commitment with life, it is essential to get the entire staff on board. For this reason, a large part of the work required to further develop this mission statement focused on the issue of leadership. "A well-developed leadership culture is the pre-requisite for motivating about 20,000 people to commit themselves to pursuing the same goals. And in particular, this means that the top executives have to credibly embody these principles and put them into practice in their everyday work", says Georg Pölzl, who has set his sights very high.

To ensure that this actually happens, Austrian Post worked together with the executives in the Group to develop the company's own leadership guidelines which are based on four guiding values: assume responsibility, provide orientation, promote cooperation and build confidence. Based on this, a broad range of opportunities were offered, especially to executives, to enable them to actively participate in the roll-out and the further development of these leadership guidelines as well as the strategic orientation of Austrian Post. A series of workshops and management days were held focusing on topics such as customer orientation, appreciation and the future-oriented further development of business activities. In 2012 about 500 executives attended a management day held near Vienna, whereas approximately 1,500 participants from middle and senior management levels formed more than 50 working groups taking part in open space events in Vienna and Salzburg.

The development of the Code of Conduct, i. e. a binding code of behaviour for all employees, also served to help achieve the goal of embedding the jointly shared values and principles in the company's daily business.

## Sustainability and future viability go hand in hand

Sustainable business management will be the natural consequence if the company succeeds in orienting all its activities to embody the three core values laid out in the mission statement. "If a company is steered in the right direction when it comes to the fundamental issues underlying its operations, it will more or less act automatically in a future-oriented and thus sustainable manner. This not only encompasses economic aspects, but also the environment, the social environment and of course the employees. Clear values are needed for all these areas to serve as guideline to ensure a secure long-term future. If we can fill these principles with life, we will successively fulfil our responsibilities in all these four dimensions and indeed operate sustainably."

**SUSTAINABLE DEVELOPMENT**

**ECONOMY**

**ECOLOGY**

**SOCIETY**

**EMPLOYEES**



# WE ARE ALL PART OF AUSTRIAN POST. THE MISSION STATEMENT IS ALIVE AND WELL.










## Post management day
### 500 executives

In January 2012 about **500 executives** attended a **management day** held in Vösendorf near Vienna, whereas approximately 1,500 participants from middle and senior management levels formed more than 50 working groups taking part in **open space events** in Vienna and Salzburg. This was followed by another **management day** which took place in January 2013. The mission statement, values, leadership culture, strategy and future development opportunities comprised the focal points of all these events. In addition, **270 executives** took part in the programme **"A day visiting customers"** in order to have









a "live experience" of the daily work of the delivery staff or branch managers and thus gain a better understanding of **customer requirements** as well as the **day-to-day commitment** of the mail carriers and branch office employees.

# Open space events
1,500 participants











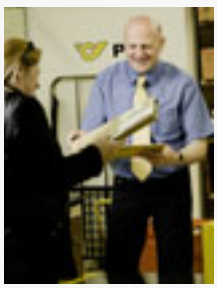





# A day visiting customers
270 executives









# STAKEHOLDER CONCERNS
## AS THE BASIS FOR THE SUSTAINABILITY STRATEGY

***The sustainability targets and measures defined by Austrian Post are always oriented to the demands and expectations of its stakeholders. For this reason, Austrian Post is pursuing an ongoing dialogue with its stakeholders via a diverse range of channels, inviting them to interact and provide feedback. The purpose of this stakeholder management is to identify opportunities and risks at an early stage, find out what specific expectations stakeholders have and establish good relationships to them or strengthen these ties.***

## PROMISE

"We aim to further promote a dialogue and interaction with our stakeholders."

## DELIVER

Austrian Post maintains an ongoing dialogue with its various stakeholder groups. As a result, it gets to know its strengths and weaknesses from a different perspective and can thus identify problems and opportunities early on. The second structured roundtable with stakeholders was held with representatives of all stakeholder groups in June 2012. Suggestions and critical feedback were integrated in the development of new sustainability measures to help the company evolve in the interests of all stakeholder groups.

### *Stakeholder Roundtable 2012*

For this purpose Austrian Post already held its second Stakeholder Roundtable on June 26, 2012. Some 30 stakeholders discussed the following five key issues with CEO Georg Pölzl and management representatives, with the goal of providing impetus to future sustainability activities:

- Shaping the operating environment
- Service commitment and market environment
- Qualifications and change
- Responsibility to society
- Impact on the environment

### *Positive comments and constructive criticism*

"We suggest making public sector employment laws more flexible."

"Is it still an up-to-date thing to deliver mail every day?"

"The customer is the top priority, and thus customer proximity. The basis for this are the employees, who can be entrusted to show even greater commitment."

„Naturally it is a matter of course for a publicly traded company not to lose sight of profitability for the benefit of shareholders."

"The mail carriers perform physical work. That is why special attention should be paid to ensuring that they remain productive until the legally stipulated retirement age."

"The yellow notification card and queues should become a relic of the past as soon as possible."

"The company can do even more to avoid emissions and increase efficiency."

"The nationwide supply of postal services safeguards the survival of the regions."



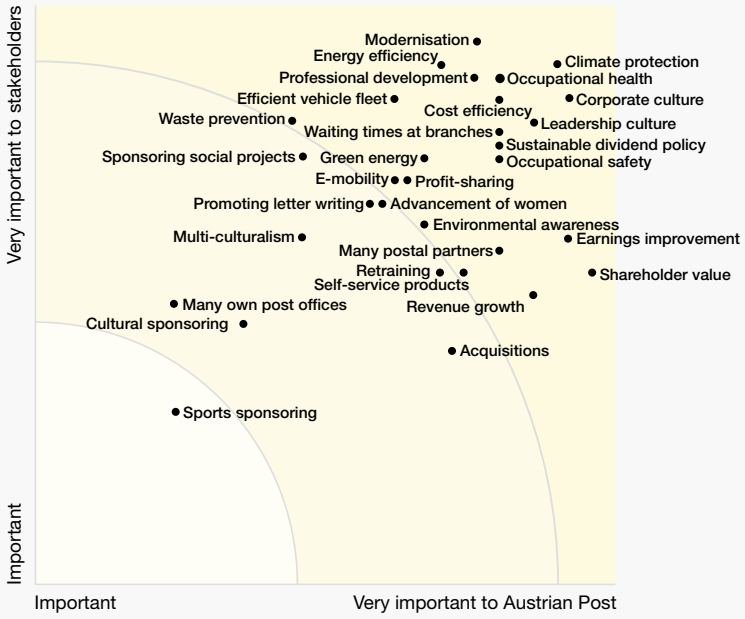


# WHAT MOVES STAKEHOLDERS, WHAT MOVES AUSTRIAN POST?

***Key issues for all stakeholder groups***

The first step required as the basis for deciding which economic, ecological, social and societal measures the company should take is to identify the issues which are important for the company and its stakeholders. For this purpose, Austrian Post gave its stakeholders the opportunity to choose among a broad range of topics and asked them to evaluate them individually. With the help of this analysis, several core issues emerged for Austrian Post and its stakeholders, for example modernisation, climate protection, energy efficiency, the training and professional development of employees, occupational health and promoting the corporate culture. These issues will be considered matters of priority for Austrian Post. The measures taken by the company in these areas in 2012 are presented from p. 68 onwards.

MATERIALITY MATRIX OF AUSTRIAN POST




# VALUE CREATION FOR ALL STAKEHOLDERS

In 2012 Austrian Post generated Group revenue and other operating income of EUR 2,438.1m. After deducting advance outlays of EUR 1,142.8m, the total value creation amounted to EUR 1,295.3m. The most important stakeholder groups of Austrian Post – employees, shareholders and society – profit from this. EUR 870.0m was paid to employees in the form of salaries and wages and EUR 228.8m as auxiliary wage costs. Austrian Post paid income taxes and other duties of EUR 36.1m to the Republic of Austria. Dividend payments to shareholders for the 2012 financial year totalled EUR 121.6m, including EUR 64m distributed to the majority owner ÖIAG.

VALUE CREATION OF AUSTRIAN POST

| EUR m | 2011 | 2012 |
|---|---|---|
| **Value creation** | | |
| Revenue and other operating income | 2,423.2 | 2,438.1 |
| less advance outlays | –1,186.2 | –1,142.8 |
| thereof raw materials, consumables and services used | –759.8 | –766.9 |
| thereof other operating expenses | –312.0 | –287.1 |
| **Value added** | **1,237.1** | **1,295.3** |
| **Distribution** | | |
| to employees (wages, salaries, social contributions) | 1,057.7 | 1,098.8 |
| thereof social contributions | 210.1 | 228.8 |
| to shareholders (dividends) | 114.8 | 121.6 |
| thereof ÖIAG | 60.7 | 64.3 |
| to the Republic of Austria (taxes and duties) | 47.3 | 36.1 |
| to creditors (interest) | 3.7 | 1.7 |
| Remaining amount | 13.5 | 37.2 |
| **Value added** | **1,237.1** | **1,295.3** |

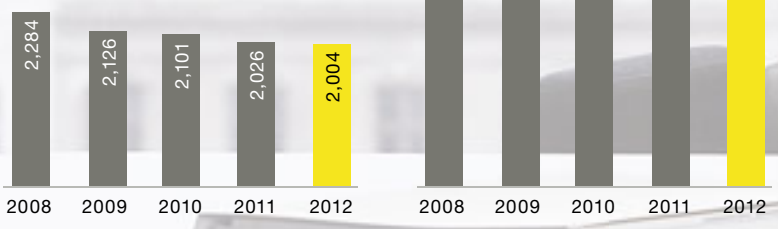
# MAIL & BRANCH NETWORK

## CONVENIENCE FIR

## PROMISE

"We want to be the first choice for our customers."

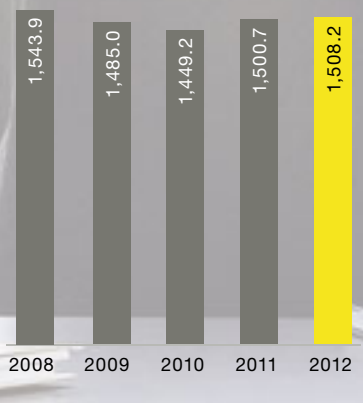
**MAIL ITEMS IN AUSTRIA IN MILLIONS**




Addressed mail items

Unaddressed mail items

**EXTERNAL SALES IN EUR M[1]**




[1] Reporting according to the new segment structure as of January 1, 2012; figures for 2008–2011: pro-forma consolidation



# DELIVER

"Customer orientation was also our main focus in 2012."

**WALTER HITZIGER**
Board Member, Mail & Branch Network Division

In this way, we succeeded in offering our customers an even more extensive range of solutions tailored to their specific information and communications requirements. The practical collective envelope KUVERT proved to be a particularly attractive concept for our advertising customers. Thanks to this innovative solution we once again proved that we are the perfect partner for the increasingly complex advertising market. The expansion of our nationwide network of postal service points provided our private customers with even greater access to our high quality services. We simultaneously and intensively worked on developing additional online and self-service solutions.

## HIGHLIGHTS 2012

Launch of the advertising envelope KUVERT throughout all of Austria, and the putting into operation of three high-tech distribution centres

IT and logistics optimisation along the entire delivery chain, agreement reached on a new working time model for mail carriers

Development of a new branch office design for the outlets operated jointly with banking partner BAWAG P.S.K.

Entry into the Polish and Bulgarian letter mail markets, increase of Austrian Post's stake in its Romanian subsidiary PostMaster s.r.l. to 100%

# MARKET ENVIRONMENT & TRENDS

***"Liberalisation means increased competition in the letter mail business, but also opens up opportunities to successfully develop and grow our business", says Walter Hitziger, Member of the Management Board and Director of the Mail & Branch Network Division. "Simultaneously we have been witnessing the ongoing trend towards the substitution of traditional letters by electronic forms of communication, especially e-mails". The third important influencing factor is the overall economic situation. This primarily impacts the volume of flyers and direct mails distributed via conventional postal channels. High volatility was perceptible due to the restrained economic climate.***

## Complete liberalisation of the European letter mail market

The European letter mail market has been fully liberalised since the beginning of the year 2013. In 2011 most EU member states completely opened their national markets in previously reserved areas (letters weighing up to 50g) by implementing the EU's Third Postal Directive. In 2012, Slovakia followed suit, and the remaining EU member states for which exceptions had been granted, namely Czech Republic, Greece, Cyprus, Latvia, Luxembourg, Hungary, Malta, Poland and Romania, also liberalised their postal markets at the beginning of 2013. The aim of this liberalisation process is to open up the postal market in all EU member states to free competition, and to abolish existing monopolies. This is designed to ensure an efficient, market- and customer-oriented supply of postal services.

## Implementation still unfinished in some cases

The extent to which the individual member states have actually liberalised their national postal markets varies considerably. This is particularly the case in South East and Eastern Europe, where the required regulations partly have not yet been enacted, for example in Romania. In part, the new laws create considerable entry barriers, for example in Hungary, and impede efforts on the part of new market participants to develop or expand their business operations in these countries.

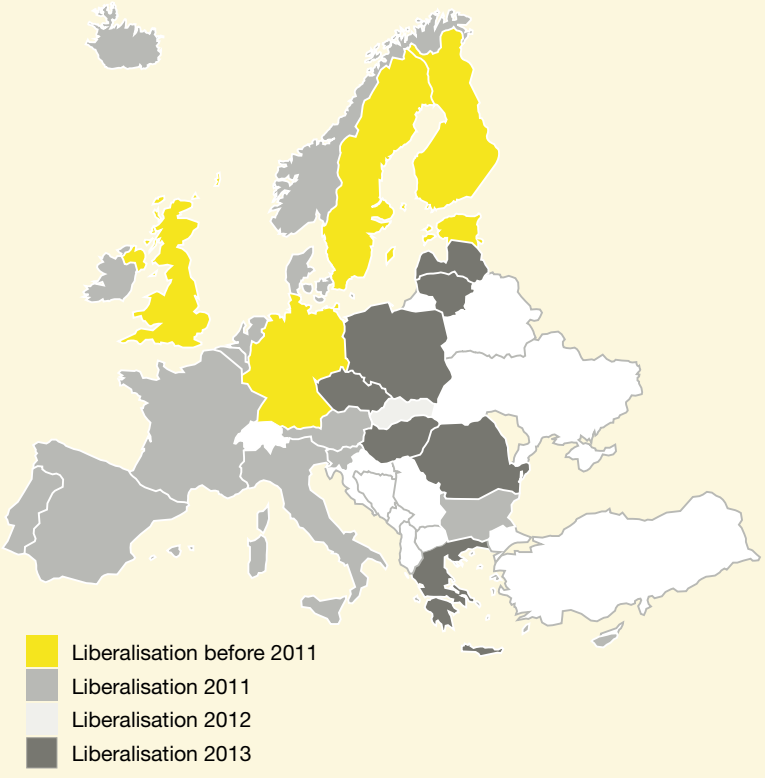
## CEE: Gradual entry in the market for addressed mail items

In addition to Austrian Post's successful operations in delivering parcels and unaddressed advertising mail, liberalisation comprises an opportunity for the company to gradually establish a foothold in these countries and enter the market for delivering letters and addressed direct mail items. This is specifically planned in Hungary, Croatia, Slovakia and Romania, four markets in which all the necessary steps are being prepared. An application for an operating licence has been submitted to authorities in Hungary, and Austrian Post is about to file such an application in Croatia as well. Following the successful acquisition of large customers in Romania, Austrian Post is successively expanding its delivery network for letters weighing less than 50 grams. In addition, the Austrian Post subsidiary Kolos is intensifying its activities in Slovakia's highly competitive market for the delivery of addressed advertising mail. A pilot programme is also underway in cooperation with CZ Post in Bratislava.

## Austria: Letter mail market fully opened to competition since January 1, 2011

Effective January 1, 2011, Austria's letter mail market was fully opened to competition due to the adoption of the Postal Market

MULTI-STAGE LIBERALISATION PLAN



Act enacted in line with EU guidelines. The most important provisions in the new law stipulate an end to Austrian Post's monopoly on transporting letter mail items weighing up to 50 grams and the related redefinition of universal postal services. Austrian Post is still required to guarantee high quality postal services throughout the entire country. Moreover, the legislation prescribes the obligation for other postal companies entering the Austrian market to obtain a license, stipulates the minimum requirements for the branch network and procedures for Austrian Post to convert company-operated post offices into third-party operated branch offices (postal partners). Finally, the Postal Market Act requires Austrian Post to replace the existing cluster box units and rural drop-off boxes.

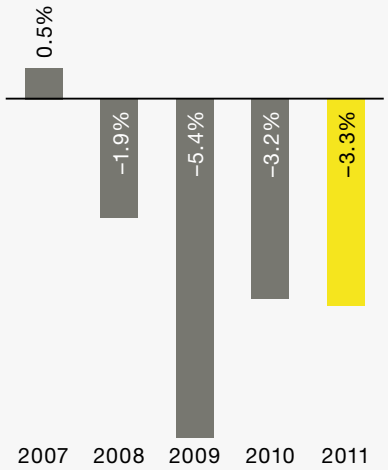
## Electronic substitution continues

For years the volume of traditional letter mail items has been declining because letters are being replaced by electronic forms of communication. This development is not only being driven by new technological advances but also increasing economic pressure, particularly in economically tense periods. The trend away from letters and towards electronic communications is continuing. The actual decline in 2011 for highly digitised economies was recently estimated at more than 3% by the International Post Corporation (IPC). Postal companies have reacted to these developments with various new offerings, usually linking online communications with physical forms of communication, i. e. the dual delivery of letters. One argument in favour of traditional letters is that both private and business customers still clearly prefer the physical delivery of important documents, for example invoices. This was confirmed by an IFES study (IFES – Austrian Institute for Empirical Social Studies) contracted by Austrian Post.

## Volumes of direct mail items subject to considerable volatility

Advertising expenditures in Austria in 2012 were driven by the overall economic situation and were thus characterised by increased volatility. The Austrian Ministry of Finance reported that its income from the advertising tax had declined by 1.3% in 2012 compared to the previous year. Direct mails and conventional advertising leaflets and flyers – communication instruments of relevance to Austrian Post – still have a permanent place in the advertising mix of companies, even if their overall market share decreased. In the first half of 2013, the advertising market is expected to contract. However, the volume of direct mails will rise, according to Media FOCUS Research. The trend towards a growing number of household and commercial addresses also has a positive effect on Austrian Post's business. Between 2011 and 2012, this figure climbed from 4.28m to 4.32m.

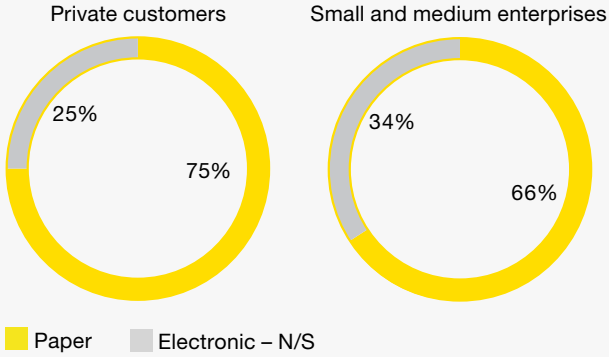
DEVELOPMENT OF LETTER MAIL VOLUMES IN HIGHLY DIGITISED ECONOMIES




Source: IPC, Global Postal Industry Report 2011

PREFERENCE FOR THE PHYSICAL DELIVERY OF IMPORTANT DOCUMENTS

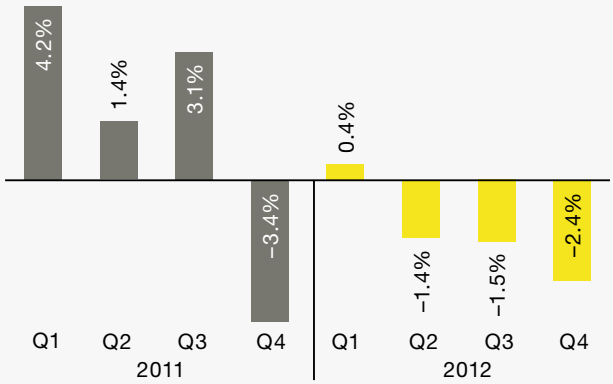
SHARE IN PERCENT




Sources:
Private customers: IFES 2011, n = 750; SMEs: IFES 2012, n = 500

ADVERTISING EXPENDITURES IN AUSTRIA 2011/2012

CHANGE FROM PRIOR-YEAR QUARTER IN PERCENT




Source: Advertising tax, Austrian Ministry of Finance 2012



## PROMISE

"We want to support our customers to reach their target groups with pinpoint accuracy."

"Thanks to precise, multi-faceted geomarketing data, we achieve significantly greater flexibility and accuracy in our household advertising."

**KERSTIN NEUMAYER**
Head of Marketing at BILLA

# WITH FULL SERVICE TO SUCCESS

The REWE Group, which owns the retail chain stores BILLA, MERKUR, ADEG, PENNY and BIPA, is Austria's market leader in the food and drugstore segments, and requires a reliable partner with experience and know-how to ensure a strong presence in a highly competitive market. That is why REWE relies on the extensive service portfolio of Austrian Post for its advertising mail. Kerstin Neumayer, Head of Marketing at BILLA, says: "For example, Austrian Post prepares distribution plans for our unaddressed household advertising. Thanks to precise, multi-faceted geomarketing data, we achieve significantly greater flexibility and accuracy. Above all, we can take account of specific regional offerings when new stores are opened, and thus place the precisely timed flyers with modified advertising supplements exactly where we want them to be."

Within the context of the successful loyalty card programme implemented by REWE's retail subsidiaries, Austrian Post also offers solutions to sustainably improve the return on investment of the business group. Accordingly, Austrian Post is in charge of the complex address management of all the approximately 3.1m owners of BILLA loyalty cards, and also handles the dispatching of personalised loyalty card mailings. Within the context of ongoing communications with the loyalty card users and the meaningful interaction of online and offline advertising, the REWE Group is always closely aligned to the needs of its customers thanks to the support provided by Austrian Post.

By the way: like many Austrian Post customers, the REWE Group also successfully makes use of the KUVERT, the popular collective envelope for direct mail items delivered by Austrian Post rolled out in 2012, to advertise its own brands such as "Ja! Natürlich" and "Clever".

## DELIVER

Austrian Post is continually working to optimise and improve its service portfolio, and supports its customers in developing effective marketing instruments. Austrian Post helps its customers to improve their advertising impact, generate higher response rates and thus sustainably increase revenue – from the delivery of unaddressed mail items using continuously updated geomarketing data along with addressed and increasingly individualised direct mail to the meaningful interaction of online and offline marketing tools.

# Setting sights on the domestic market: "Servus in Stadt & Land"

## Austrian Post and Red Bull Media House – a success story

When the Red Bull Media House started its German-language magazine "Servus in Stadt & Land", success was uncertain in the light of the competitive Austrian magazine market. In launching its new publication oriented to a traditionally-minded readership, Red Bull Media House decided to place its trust in the address data and target group analysis of Austrian Post in order to send out samples to potential readers. Moreover, Red Bull Media House used other services provided by Austrian Post in the field of subscription advertising, from the online platform "Abo-Shop" (subscription shopping) to the production of target group-oriented mailings for subscription offers.

The success was quite impressive: after only three months, the number of subscribers climbed from just a few hundred to over 10,000. Today "Servus in Stadt & Land" boasts 70,000 subscribers and is a showcase example of unprecedented media growth in Austria, not least due to numerous support measures implemented by Austrian Post.

Thomas Auböck, Head of Key and Business Accounts, summarises the range of services carried out on behalf of the magazine "Servus in Stadt & Land": "From the very beginning Red Bull Media House put its trust in us, and has fared excellently in the process. Today our services encompass geomarketing services, the print production of subscription advertising, the mailing and distribution of the magazine, the evaluation of customer profiles and address management. Moreover, since 2012 the Red Bull Media House has also made use of the KUVERT, our collective envelope for direct mail items, in order to advertise for its magazine. To sum up, we really provide full service."

In the fall of 2012, the cooperation between the Red Bull Media House and Austrian Post was intensified. Due to the unexpectedly high demand for regional products from Austria which were introduced as part of the "Servus" magazine's seasonal reporting, the Red Bull Media House and Austrian Post agreed to set up a sales partnership. Since then, the magazine "Servus in Stadt & Land" has been on display throughout Austria in more than 500 postal branch offices together with a selection of the products shown in the magazine. A complete success for both partners.

## GROWTH WITH THE RIGHT PARTNER



**WOLFGANG WINTER**
General Manager Print
Red Bull Media House GmbH

"Austrian Post was the right partner for us from the very beginning. The reliability, high level of quality, flexibility in its offering and the trust and good cooperation are the parameters which show that we are right. Last but not least, we mutually profited from each other's strengths. 'Servus in Stadt & Land' is a unique Austrian magazine. And Austrian Post has always been one of the most trustworthy, reliable and innovative companies in the country."

## MORE DEMOCRACY – WITH AUSTRIAN POST'S KNOW-HOW

The votes cast by citizens comprise the basis for the democratic decision-making process in our country, and the cornerstone for the entire system of representative democracy. Power emanates from the people, according to Article 1 of the Austrian Constitution. Accordingly, a living, vibrant democracy means participation on the basis of information, motivation and mobilisation.
For this purpose Austrian Post offers a range of innovative solutions enabling political parties, interest groups, political initiatives and other groups to identify and precisely appeal to their respective target groups. Austrian Post remains 100% neutral in the process, and complies with all relevant data protection regulations.

"Our customers get a powerful tool from us to mobilise their supporters within the context of their campaigns."

**JOSEF HÖFLER**
Key Account Manager
Branch Public



"On the basis of the neutral political campaign service 'Post Elect', we offer the perfect tool to geographically and thematically locate target groups", explains Josef Höfler, Key Account Manager Branch Public at Austrian Post. "Our customers are provided with a powerful tool to mobilise people as part of their campaigns using our continuously updated address database, which contains the up-to-date addresses of virtually all adult Austrians eligible to vote and which can be differentiated according to their age, gender, family status, education, income and interests."
Austrian Post also offers reliable and trustworthy solutions to increase voter turn-out and thus strengthen democratic legitimacy within the context of formally casting votes via absentee ballots or expressing their opinions in ballot measures, referendums and plebiscites. The services provided by Austrian Post encompass a pick-up service for the voting information produced by electoral authorities, the dispatching of pre-personalised poll card applications, the legally compliant mailing of poll cards as registered mail, the personalised delivery of the poll card, the transport of the poll card to the respective district election authorities and much more.

## PROMISE

"We are striving to achieve even greater customer orientation in our branch offices."

# Form follows function

*Austrian Post makes a strong impression thanks to its new postal branch office design*

### Something is happening in Austrian Post's branch network

The year 2012 was once again an eventful year for the branch network of Austrian Post. In particular, Austrian Post consistently pushed ahead with the restructuring of its network of postal service points. As at December 31, 2012, Austrian Post boasted a total of 1,931 company-operated and third-party operated postal service points, thus considerably more than the legally stipulated number of 1,650 outlets. The increased density of the branch network and thus improved access to traditional postal services was mainly due to the expansion of the postal partner network. The customers appreciate this. Shorter distances, longer opening hours and the promotion of rural economic structures have turned the cooperation with postal partners into a recipe for success, which should also be continued in the future.



In the process, Austrian Post has intensified the partnership with its network of postal partners, which has grown to a total of 1,376. The portfolio of measures ranges from more support and an increased number of training sessions to a greater range of partner-specific products, processes and commissions. Postal partners were provided with relevant information at three postal partner fairs held in Graz, Salzburg and St. Pölten, amongst other measures. The feedback was extremely positive. "This was a clear indication that the postal partners were satisfied with the overall support as well as with the remuneration system", concluded Wolfgang Lesiak, Head of Branch Office Sales. Wolfgang Petrik, postal partner in Vienna-Grinzing, confirmed this: "Austrian Post held out the prospect that I would win many new customers as part of the postal partner cooperation. This proved to be completely true. Naturally higher customer frequency leads to higher profits."

In 2012, the cooperation between Austrian Post and BAWAG P.S.K. was intensified in line with the slogan "Whoever goes to BAWAG P.S.K. now also goes to Austrian Post". By the end of 2012 a total of 453 branch offices were converted into joint outlets. They now offer postal and bank services, retail and telecommunications products under one roof in a clearly designed, well structured and friendly branch office atmosphere.

The strategic advantages of this concept are obvious. Austrian Post and BAWAG P.S.K. can meaningfully combine their respective strengths and create synergies. And the customer also benefits. The new design and the expanded offering have been well received, and a majority of the customers have a positive memory of their experience visiting the postal branch office. In four representative surveys with a total of 76,700 responses, 90% confirmed that their previous visit to a branch office of Austrian Post was "excellent" or "very good". And 90% would recommend the branch office to others. The conversion of the jointly operated outlets is progressing rapidly, and will be completed by mid 2013.

## DELIVER

Austrian Post is presenting its branch offices in a new look, thus giving customers an enhanced overview and orientation. People's attention is more strongly drawn to four core areas: "Postal Services", "Banking Services", "Telecommunications" and "Self-Service Zone". An unobstructed view of the counter as well as a clear and simple customer orientation system help customers to continually keep track of where they are. The spacious communications area featuring a wide range of products invites customers to linger and experiment. Handhelds and smart phones are available to try out. New and modern product display tables create order and help people maintain an overview of things. The new branch office design has been well received by customers. 84 post branch offices were already remodelled in the new design up to December 31, 2012.







# SELF-SERVICE MAKES EVERYTHING MORE SIMPLE

*Fully equipped and modern self-service zones create greater flexibility for customers*

Customers demand flexibility in terms of time when it comes to their postal and banking services. Traditional bank and post office opening hours create an orderly framework and are essential for complex service requirements, but customers also need access to the most important services offered by Austrian Post without being dependent on branch office opening hours. This is why Austrian Post is consistently focusing on self-service at its new branch offices, and is taking advantage of state-of-the-art and customer-friendly technologies.

"The new self-service system is well received by our customers."




**CHRISTINE KALCHBAUER**
Branch Office Manager in Vienna-Floridsdorf

The aim is to convert the entire mailing process for letters and parcels – from packaging and franking to shipping – into a self-service process in special self-service zones established throughout the country, which are available 24 hours a day, seven days a week. The concept earmarks packing tables in the post branches with free adhesive tape and packing paper, user-friendly franking machines and Post Drop-Off Boxes for the simple shipping of letters and parcels. This self-service offering will be complemented by important banking services (deposits, withdrawals, bank transfers) and automated teller machines provided by BAWAG P.S.K. along with photocopiers with coin slots.

A total of 106 Post Drop-Off Boxes and 44 franking machines were installed by the end of 2012. And the number is increasing rapidly. Christine Kalchbauer, Branch Office Manager in Vienna-Floridsdorf, is justifiably proud of her post branch office which was redesigned in the spring of 2012: "We have always been a pilot outlet for Austrian Post innovations. The new self-service system is well received by our customers. As a consequence, our staff working at the counters has more time to deal with customer requests requiring their personal attention", she says. In spite of the highest possible level of user-friendliness in the self-service areas, the employees in the post branch office are naturally available to support customers in using the modern devices installed in the self-service foyers.

**COMMENTARY**

# Nah&Frisch merchants profit from the postal partnership

**Andreas Nentwich, Managing Director of ZEV Nah&Frisch Marketingservice Gesellschaft m.b.H., speaks on behalf of more than 160 Nah&Frisch shopkeepers who also serve as postal partners.**

Nah&Frisch considers itself to be a multifunctional local supplier featuring real customer orientation, a high level of commitment, advisory skills and that extra bit of personal service. The postal partnership fits our neighbourhood store concept very well, and is an additional source of income for dedicated shopkeepers. As a postal partner, the Nah&Frisch business people enjoy a welcome competitive advantage in the highly contested retail food sector. In addition, the products and services offered within the framework of the postal partnership optimally complement the positioning of Nah&Frisch as a multifunctional local supplier, and make an important contribution to preserving regional supply structures. For the shopkeepers, the postal partnership results in increased sales thanks to higher customer frequency, and simultaneously the opportunity to attract new customers.

Today more than 160 of the total of 550 Nah&Frisch business people also serve as postal partners. I hope we will further expand our position as an important postal partner, for the benefit of our business people and our customers.



**ANDREAS NENTWICH**
Managing Director
ZEV Nah&Frisch Marketingservice




## ADVERTISING ENVELOPE "KUVERT" – A COMPLETE SUCCESS

The KUVERT, the new collective envelope for direct mail items delivered by Austrian Post, has been ensuring greater order in domestic letterboxes since February 2012. The KUVERT enables people to remove advertising from the letterboxes all at once, and conveniently take it home to browse through. The success speaks for itself: with an outreach of 33.5% after just a few months, the practical use of the KUVERT is already enormously high, the rate of discarding the direct mail as trash is low, and business customers are increasingly exploiting this medium as an effective advertising channel. Moreover, with Post.alive, the clever smart phone application which enables a meaningful link between offline contents on the KUVERT and online offers, the new advertising instrument developed by Austrian Post generates additional value for the customers.

By the way, the KUVERT is distributed twice a week to 3.2m households and companies throughout Austria, and enjoys a high level of acceptance in the population after only a few months.

# Pimp my campaign!

## Response rates doubled for OBI's direct mails




The do-it-yourself construction store chain OBI operates one of the most successful loyalty card programmes in Austria. It relies on the know-how provided by straberger conversations and Austrian Post for the conception and implementation of its direct mail campaigns. In order to increase the response rate to its direct mailings and further strengthen the positioning of the OBI "Biber Bonus Card" as one of the most attractive loyalty card programs in Austria, OBI decided once again to take a new and innovative approach as part of an extensive campaign optimisation initiative with the interesting name "Pimp my Campaign". It was carried out in cooperation with Austrian Post, the Austrian Dialogue Marketing Association (DMVÖ) and the advertising agency straberger conversations.

The focus of the creative strategy was put on the garden. On the basis of the traditional campaign with the slogan "The Garden of Eden – Easy for everyone!!!", a gender-specific direct mailing was developed which targeted women and men differently as "Eve and Adam in their own garden paradise" in order to increase the emphasis on gardening at the beginning of the season. The key visual and the text were adapted to both target groups in order to appeal to women and men in a gender-specific manner. Both mailings contained a 10% off coupon on the entire OBI product range to strengthen their effectiveness. In addition to the physical mailing, a reminder was sent by e-mail as well as a thank-you note if the discount card was actually used, in each case adapted to the gender of the recipient. The reminder was sent to everyone who had not redeemed the discount card.

The results speak for themselves: by appealing to men and women differently in their own garden paradise, the issue of gardening was more strongly emphasised just at the right time. The response rate achieved by OBI doubled compared to a similar direct mailing carried out in the previous year.

## COMMENTARY



**PETER RAUCH**
Managing Director of straberger conversations

As part of our analysis and strategic conception work, we developed a marketing dialogue programme across all communications channels tailored to the specific requirements of our client. In our planning and conception work but also in the operational implementation phase, we gladly rely on the know-how of Austrian Post which offers us valuable services, for example when it comes to address management.

The objective of the work done on behalf of our customer OBI was to develop a conceptual proposal for establishing and strengthening a direct dialogue with the "Biber Bonus Card" customers. "Pimp My Campaign!" opened up the opportunity for us to complement measures which were already implemented, and turned out to be a perfect test scenario for new approaches to customer communications. The response clearly showed that customers appreciated this novel approach derived from the overall dialogue strategy, with a very pointedly expressed and consistently creative implementation. The great response rate of up to 29% demonstrates how strong direct marketing can be.

# ONGOING OPTIMISATION OF ONLINE SERVICES

*Added value for customers is the key to success*

Austrian Post is determinedly working on developing new and innovative tools for its online services to provide customers with perceptible added value. In the past, Internet services mainly targeted private customers. In the past financial year, Austrian Post also enhanced its offering for business customers to make it more user-friendly. Online authorisation to receive mail for up to five people, an address shop ensuring a dialogue precisely pinpointing the desired target group, online collection services and an improved product finder for business customers are just a few of the examples how they can profit from the improved online services offered by Austrian Post.

The cost free "Versandmanager" service (literally: Shipping Manager), which assists business customers in preparing distribution plans and enables the online notification of the dispatching of their mail items, was further improved. Now registered users have completely new functions at their disposal, such as customer data and order management systems and an address analysis with a cost-free address check.

The services provided by the popular "Post Manager", the ideal virtual depositor for sensitive electronic documents and news, were optimised for business customers in 2012, and expanded by including a signature service for PDF documents as well as a document management system. This enables the quick and simple shipping of legally valid documents via electronic means of communication. In addition, registered documents can now be sent online. The recipient receives the letter physically, and the sender can monitor that the document was actually received. As in the past, all documents are stored in a secure Austrian banking computer centre, and the text is encoded while accessing or storing the file. Based on a dispatch module, Austrian Post offers a complete solution to customers shipping large volumes of mail ensuring the fully automatic and secure delivery of documents in various qualities. Authorities can now simply take advantage of the cost-effective and quick mailing options for registered RSa and RSb letters to the addressee requiring an advice of receipt. Austrian Post assumes responsibility for the data processing, printing and mailing. The advice of receipt is automatically sent as a PDF as part of the mailing file.



**ANDREA LUTTENBERGER**
Product Manager
Online Innovation Management

"The Post Manager now makes it possible to ship, transfer or deliver mail items online."

## BUSINESS COMMUNICATIONS 2.0

"We see ourselves as a full service provider for carrying out data-intensive and document-intensive forms of business communications. Dual shipment and reception (digital/physical), effective mailroom management, integrated printing services and effective CRM applications in connection with innovative online services are the basis for more efficiency and greater flexibility", says Georg Mündl, Head of Mail Solutions at Austrian Post.

**Facts 2012:** Mail processing for about 100 corporate customers – processing of about 100m documents by the Austrian Post subsidiary Scanpoint.

# SAYING GOODBYE TO PILES OF PAPER!

*Handheld devices make life easier for the delivery staff*

With regard to parcel deliveries, modern handheld devices already belong to the standard equipment for mail carriers. Since 2012 handhelds have also been deployed in delivery letter mail items which require a confirmation of receipt. The effect should not be underestimated. The mail carriers save a lot of time and effort. This is because a separate confirmation form had to be filled out earlier for every delivery, and the mail carriers had to update the IT system with all hand signed receipts after completing the delivery rounds. Now all this has been eliminated. Sirife Deniz, mail carrier in Vienna's 4th district, sees the introduction of handhelds for use in letter mail deliveries in a positive light. "I hardly save any time in actually bringing the mail items, but if you think of the work and the piles of paper afterwards which are no longer necessary, it is clear that the handheld is a real improvement!"

In addition, one should not disregard the ecological potential in such a large company like Austrian Post. Every slip of paper which is filled out not only means additional administrative work, but also involves a waste of raw materials. The conversion to handheld computers to confirm the receipt of registered letters helps Austrian Post to contribute once again to a responsible use of valuable natural resources.



**SIRIFE DENIZ,** mail carrier in Vienna's 4th district, believes the introduction of handheld devices for use in letter mail deliveries has considerably reduced her workload.




"Collators" enable the mechanical bundling of unaddressed direct mail items and is used in packing

# HIGH-SPEED THANKS TO HIGH-TECH

Austrian Post achieved significant capacity and efficiency increases in 2012 as well as a sustainable improvement in the working conditions of its employees thanks to extensive investments made in new technologies. This was very much to the delight of employees, who naturally greeted the labour-saving measures. But customers are also satisfied. "On the basis of these innovations, Austrian Post proactively reacts to changes in customer behaviour and demands. In addition, these investments lead to process improvements and thus cost savings", says Robert Modliba, Head of Production and Logistics.

A total of six new so-called "flatsorters" in Vienna, Linz, Salzburg, Graz and Hall in Tyrol provide for a considerably more efficient sorting of mail items up to a B4 format (250 x 353 mm), a thickness of 32mm and a maximum weight of 2 kilos. These machines not only significantly increase the range of mail items which can be processed, but also the throughput and sorting depth. The new facilities can process at least 38,000 mail items per hour. Austrian Post invested more than EUR 10m in the new equipment and an additional EUR 8m in new inserting machines known as "collators". These are machines which can mechanically bundle unaddressed mail items instead of having it done manually. They are being deployed to put together the new KUVERT, the successful collective envelope for Austrian Post's advertising mail which was launched on the marketplace in 2012. This enhances efficiency and reduces some of the manual sorting work.

Austrian Post also invested an additional EUR 9m to purchase handheld devices for its letter carriers. And this will continue in the future. "We plan to make ongoing investments in process optimisation in the years to come, for example the replacement of machines for small letter mail items, the introduction of software-based automatic sequencing and the implementation of a higher level of automation in the Linz distribution centre", adds Robert Modliba.



"Flatsorters" handle the fully automated sorting of mail shipments, and are able to process 38,000 items per hour

# "... a powerful piece of technology!"

***Mr. Hadek, as Head of the Letter Centre Vienna you directly work with the latest innovations in the sorting process. What were the investment priorities in the past financial year?***
HADEK: A next generation flatsorter facility was installed at the Letter Centre Vienna in 2012 and put into operation at the beginning of 2013. The machinery represents a so-called Open Mail Sorter (OMS) which enables an enormous throughput. The conveyor technology naturally had to be adapted, and the entire control system for the large letter sorting plant was modernised. In addition, we upgraded the internal vehicle fleet consisting of forklift trucks, and subjected the unloading robots to a complete overhaul.

***Which investments are you particularly proud of?***
HADEK: Without doubt the new flatsorter impresses me the most. It is the heart of the letter centre and a powerful example of high-tech!

***How satisfied are you, and which operational improvements were made as a result of these investments?***
HADEK: The machine is running very smoothly, even in this early phase. It is something we hoped for but did not necessarily expect to happen. The handling on the part of our employees is also going well, and the interest on the part of colleagues from other sectors continues unabatedly. We repeatedly organise tours of the facility. Improvements clearly arise thanks to the high productivity of the new system which sorts mail items significantly faster than the previous generation, handles a broader range of processing tasks, and does everything fully automatically.

***The Letter Mail Centre Vienna celebrated its 10th anniversary in 2012. Please give us a short summary of its accomplishments. What will the future look like in terms of the technology being used?***
HADEK: Since it was opened, the Letter Centre Vienna has served as the basis for a significant increase in efficiency by merging several locations in one site, simplifying logistics processes and last but not least, by its high degree of automation. The ten years of its existence have been a pronounced success. The consequence of ongoing process optimisation, technical improvements and especially the experience and outstanding work of the approximately 1,000 employees and executives in the 10th year of operating the facility were the best quality and throughput results ever achieved. I am personally proud of the fact that the accomplishments of the Letter Centre Vienna were confirmed by a Certificate of Excellence issued by the International Post Corporation (IPC). The investments will continue in the future as well. In the near future we will replace the sorting machinery for small letters with a state-of-the-art facility, thus guaranteeing a high level of performance!

***Thank you for the interview.***



**CHRISTOPH HADEK**
Head of the Letter Centre Vienna

UPU UNIVERSAL POSTAL UNION

## AUSTRIAN POST IN THE UNIVERSAL POSTAL UNION

### Austrian Post once again elected to the top governing body of the Universal Postal Union

At the 25th Universal Postal Congress of the Universal Postal Union (UPU) held in Katar, Austrian Post was elected to the Postal Operations Council (POC).

The election to serve on this important international board gives Austrian Post the opportunity once again to actively shape the global development of the postal industry for the first time in 18 years. There were a total of 17 applicants for only six "European seats", and Austrian Post was able to assert itself. Johanna Taxerer, Head of International Mail & Affairs at Austrian Post, was pleased with this success. "The election underlines the fact that we have done a good job in building up our business, and that our expertise is internationally recognised."

Founded in Bern in 1874, the Universal Postal Union is now a specialised agency of the United Nations, regulating the international cooperation of postal authorities and the overall framework for international postal traffic. With 192 member states, the UPU is the largest forum for the cooperation among government representatives, postal authorities and postal operators. "We now have one of a total of 40 voting rights, and can thus actively impact the regulatory and economic agenda. The invoicing modalities among the postal companies and the global standardisation of quality are of immense importance", Johanna Taxerer adds. The next Universal Postal Congress will be held in Istanbul in 2016.

"The election to serve on the Postal Operations Council is a major success."



**JOHANNA TAXERER**
Head of International Mail & Affairs




# AUSTRIAN POST

*In spite of the tense economic situation, Austrian Post continues to focus explicitly on the markets in South East and Eastern Europe*



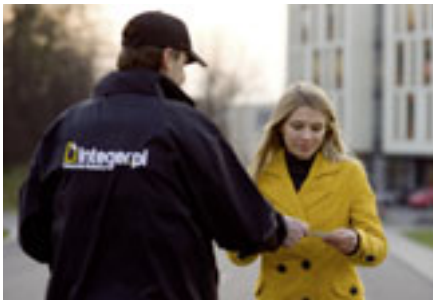

"We believe in the region, which still boasts enormous catch-up potential", says Andreas Dragosits, Head of CEE Mail, who is confident that the slowdown in economic growth only comprises a temporary break. "An economic upturn is already expected in 2013 for our future growth markets. The ongoing rise in the standard of living in the CEE countries will also lead to increasing mail volumes in the coming years."

### New markets in Romania, Poland and Bulgaria

Austrian Post already established a foothold in numerous markets of South East and Eastern Europe years ago in order to profit from the positive long-term growth trend in the CEE region. Further important expansion steps took place again in 2012, above all the entry into new markets. In November 2012, Austrian Post succeeded in acquiring a 100% shareholding in the Romanian company PostMaster s.r.l., 26% of which had already been purchased in October 2011. As a consequence, Austrian Post is now the sole owner of the leading alternative postal provider in one of the largest CEE markets. In Poland, Austrian Post took over 100% of the shares of Kolportaź Rzetelny, whereas it entered the Bulgarian market by acquiring a 26% shareholding in M&BM Express to begin with. Kolportaź Rzetelny is the Polish market leader in the delivery of unaddressed direct mail items, boasting a market share of 36%. For its part, M&BM Express is the top alternative letter mail service provider in Bulgaria, and the market leader in the field of hybrid mail. "These companies not only represent the spearhead of our entry in three important regional markets. As strong local postal service providers, they also offer a good starting position from which to profit from the market opening in the letter mail segment", according to Andreas Dragosits

### Liberalisation means additional opportunities

The complete liberalisation of the letter mail market in the CEE region stipulated by the EU for the year 2013 represents additional growth potential for Austrian Post to exploit. In addition to the company's successful activities in the parcel and unaddressed advertising mail segments, the market opening also provides an opportunity for Austrian Post to establish a stronger foothold in delivering letters and addressed direct mail items. This is specifically planned in Hungary, Croatia, Slovakia and Romania, four markets in which all the necessary steps are already being prepared.





# IN CEE

**NO. 1 IN NUMEROUS MARKETS**

**AUSTRIA**
No. 1 for letters, direct mail items and media post

**GERMANY**
No. 1 for direct mail production

**CROATIA, HUNGARY, SLOVAKIA, POLAND, ROMANIA**
No. 1 for unaddressed direct mail items

**BULGARIA**
No. 1 for hybrid mail (digital and printing delivery)

## "... kept all of its promises."



**ALEXANDER DIMITROV**
Chief Commercial Officer VIVACOM

*What are you looking for when you select a partner for delivering addressed mail items?*
DIMITROV: The professional handling of postal services is important to every company, especially for a firm with millions of customers throughout the country. For this reason, we place high expectations on business partners. They have to meet the highest quality standards and we also attach great importance to fairness, transparency, speed and having the provider's own logistics and transport network covering Bulgaria at our disposal.

*In 2004 VIVACOM became the first customer of M&BM Express in Bulgaria in the field of hybrid mail. Why did you choose M&BM Express?*
DIMITROV: M&BM Express committed itself to fulfilling all our expectations mentioned above, and they have kept all their promises. The company deals with all challenges by displaying a high level of professionalism. Furthermore, the dialogue between M&BM Express and VIVACOM is outstanding, and we enthusiastically cooperate to implement new ideas. I am not talking here about the little details, but M&BM Express is top-notch in every regard, from the level of service, flexible availability to reliability and documentation. And the price is also right. In this way the company will certainly stand out in what is now a liberalised market.

MAIL & BRANCH NETWORK – INTERNATIONAL PRESENCE

| Country | Company/interest[1] | Field of activity |
|---|---|---|
| Austria | Österreichische Post AG, feibra | Letter mail<br>Addressed direct mail<br>Media post<br>Unaddressed direct mail |
| | Scanpoint | Scanning/archiving of documents |
| | D2D, 30% | Printing and mailing of documents |
| | Online Post Austria | Electronic services |
| Germany | MEILLERGHP, 65% | Direct mail services and production |
| | Austrian Post International Germany | Cross border mail (letter mail and direct mail) |
| Slovakia | Kolos | Unaddressed and addressed direct mail, letter mail, hybrid mail |
| Hungary | feibra Magyarország | Unaddressed and addressed direct mail, letter mail, hybrid mail |
| Croatia | Weber Escal | Unaddressed direct mail |
| | Post d.o.o. | Addressed direct mail, hybrid mail |
| Romania | PostMaster | Unaddressed and addressed direct mail, hybrid mail |
| Bulgaria | M&BM Express, 26% | Unaddressed and addressed direct mail, letter mail, hybrid mail |
| Poland | Kolportaź Rzetelny | Unaddressed direct mail |

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

# History in a small

## *New postage stamp gallery of Austrian Post offers historic overview of stamps*



**COMMENTARY**

**JÖRG PRIBIL**
Head of Philately & Stamps

### *"Philately Hot Spots" enjoy great popularity*

To a great extent the year 2012 was successful for Austrian Post's philately operations. In addition to issuing numerous special stamps we were also successful with appropriate complementary products. In addition, due to the high demand for philately products, we set up 76 sales points – so-called "Philately Hot Spots" – in selected postal branches. We are offering our entire philately assortment at these sites in a particularly customer-friendly manner. And as experience has shown, this offering has met with a lively response from our customers.

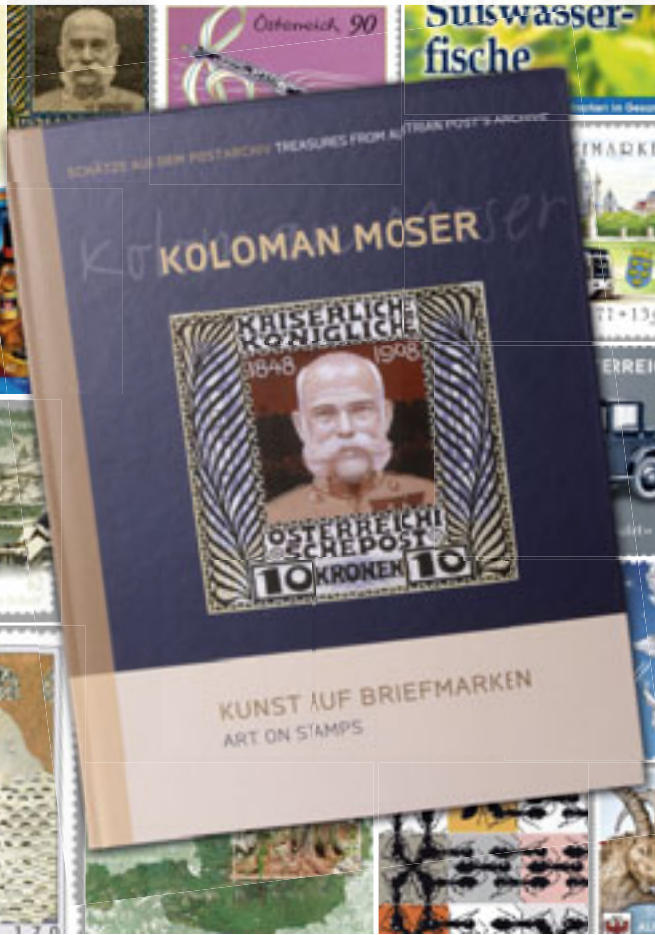
Furthermore, we could introduce a new product, "Meine Marke 48", to our product line of individualised stamps. This is an innovative philatelic service which enjoys great popularity.







The first Austrian stamp with the national coat of arms and the double-headed eagle was issued on June 1, 1850. Since then, more than 3,100 different examples of these unique types of work of art have appeared, many of them designed by outstanding artistic personalities. In a certain sense November 21, 2012 represented an historical event, at least for the likes of stamp lovers. On this day the postage stamp gallery was opened at the corporate headquarters of Austrian Post presenting an overview of all the stamps which have been issued in Austria up to the present day. Accordingly, Austrian Post has made 88 square metres available to give sufficient well-earned space to stamps as a modern-day phenomenon. The appealing and informative displays provide a deep insight into the world of philately, and also offer an interesting review of history and stories about Austria's past. Starting in the beginning of the year this philately exhibition is also accessible to interested members of the public within the context of events, stamp presentations and special exhibitions.



# format

***Products for presents and collections***

Postage stamps represent the traditional product of Austrian Post. Since 1850 they have been a guarantee for value and beauty, but also a documentation of the prevailing spirit in a particular day and age. However, Austrian Post offers even more. First-rate stamp collections, trendy books with integrated postage stamps along with attractive gift ideas related to stamps and the hobby of collecting stamps offer something special for every field of interest and every taste – and these products are always modern, creative and up to date.

With the book "Koloman Moser – Art on Stamps", Austrian Post has started a series of art books devoted to the treasures in the Austrian Post archive. The products are available in all postal branches, selected postal partners and naturally in the online shop of Austrian Post (onlineshop.post.at).

***"Meine Marke" – stamps as individual as people can be***

Customers of Austrian Post can lend their own personal touch to every mail item and thus attract greater attention to the shipment by turning to "Meine Marke" (My Stamp), a product which has been available for years. Thanks to its considerable advertising effect and the high level of sympathy felt by customers and business partners, the customised postage stamp has become a distinctive standard bearer for companies of every size. Since 2012 a new flexible product called "Meine Marke 48" (My Stamp, 48 cents) scores points not only with its attractive price but also the delivery speed. As personalised products, stamp booklets open up completely new possibilities for companies and associations.

# "There's life in the old dog yet!"



**CHRISTOPH LEITL**
President of the Austrian Federal Economic Chamber and enthusiastic philatelist

***Mr. Leitl, how important do you think Austrian stamps are internationally?***

LEITL: Austrian stamps are highly regarded internationally. On the one hand, Austria enjoys great popularity as a tourist destination and thus a high level of awareness. On the other hand, stamps produced by Austrian Post are small but very interesting works of art, and thus a reflection of their times. Virtually all areas in society, from history and culture, science and sports to business and technology, are artistically processed and convey Austria's identity and history all over the world.

***Recently a new gallery of postage stamps was opened at Austrian Post's corporate headquarters. You personally attended the opening, and are a big supporter of this ambitious project. Are you satisfied with the results?***

LEITL: First of all, I am very grateful to Austrian Post for taking this very important initial step. People without roots cannot unfold their energy for the future. The history of one's own country is significant, and stamps have always been an important means of making history tangible. The foundation has now been laid for a postal museum. This is simply indispensable for our country, and I am convinced we will continue on this path.

***You are considered to be an enthusiastic philatelist. What is the secret behind stamps as a product? How is it possible that stamps remain so popular in spite of the Internet and smart phones?***

LEITL: This is a question I have often been asked. Many believe that the good old postage stamp is in the process of dying out due to our modern means of communication. But how does the saying go? There's life in the old dog yet! Stamps will continue to have a permanent place in the lives of people, the same as printed books or printed newspapers and magazines. A letter without a stamp is like a wine glass without any wine in it!

***Thank you for this interview.***

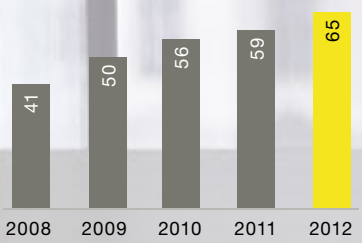
# PARCEL & LOGISTICS

## PROFITABLE GROWTH

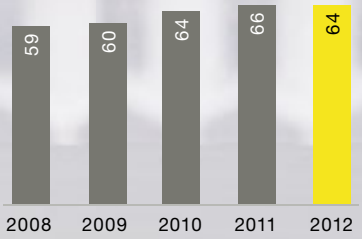
## PROMISE

"We want to increase our market share and simultaneously improve profitability."

**PARCEL VOLUMES IN MILLIONS**




Austria (Parcels)




International combined freight (parcels & pallets)

**EXTERNAL SALES IN EUR M**





# DELIVER

## "We have made extensive progress in 2012, both in the domestic and international markets."

**PETER UMUNDUM**
Board Member, Parcel & Logistics Division

On the Austrian market we succeeded in raising our parcel volumes in 2012 to 65m. But private customers are not the only ones who continue to place their confidence in Austrian Post as the most reliable and convenient partner for parcels. Austrian business customers increasingly consider Austrian Post to be their preferred logistics service provider, as demonstrated by a market share which has grown to 22%.

We also further expanded our international presence. At the same time, we managed to improve the profitability of our international subsidiaries, which is much more important for a sustainably solid business model. This development should and must continue in the future.



## HIGHLIGHTS 2012

Expansion of the domestic B2B market share to 22%, and further consolidation of the market leadership in the private customer business

Acquisition of the fulfillment specialist Systemlogistik Distribution GmbH, and founding of a new business area called Post Logistics Services

Strong growth in the field of pharmaceutical logistics, and continuation of the efficiency enhancement programme in the trans-o-flex Group

Expansion of private customer business of CEE subsidiaries – revenue more than doubled over the past three years

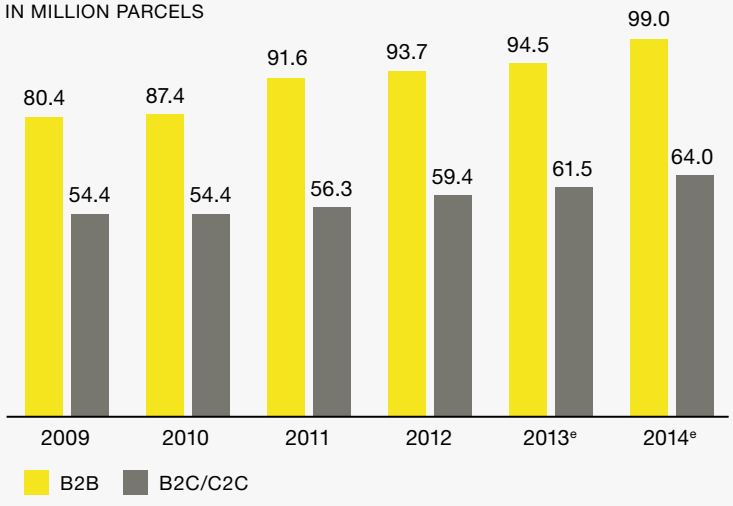
# MARKET ENVIRONMENT & TRENDS

***"The parcel and logistics market is driven by two main factors: the overall economic development, which we usually manage to significantly outperform thanks to our parcel volumes, and the ongoing trend towards online shopping, which has served as the basis for our enormous growth in the B2B segment and continues to provide dynamic impetus to the business", comments a satisfied Peter Umundum, Member of the Management Board and Director of the Parcel & Logistics Division.***

## Parcel volumes grow faster than economy as a whole

Even if economic growth recently lost momentum, forecasts for the European courier, express and parcel market (in short "CEP") are extremely optimistic. A study carried out by the management consulting company A.T. Kearney shows that the European CEP sector grew at a similar rate in 2011 to 2010. This was primarily driven by international shipments, but domestic parcel volumes also increased. Accordingly, the annual increase in parcel volumes is sustainably 2–3 percentage points higher than overall GDP growth. The total volume of shipments in the European CEP market is expected to rise to 6.5bn by 2014. Accompanying this upward trend in parcel volumes is enhanced pressure on prices and margins. As a result, attractive solutions and greater efficiency are gaining in importance.

PARCEL VOLUMES:
POSITIVE TREND IN AUSTRIA
IN MILLION PARCELS




Source: Kreutzer Fischer & Partner

## Online shopping continues to boom

The Internet retailing business continues to expand unabatedly, and is the basis for the sustainable increase in parcel volumes, especially in the B2C segment. The latest "Industry Report Internet Shopping in Austria" prepared by the Institute for Research in Retailing at the University of Cologne concludes that sales from domestic online shopping will rise to EUR 4.9bn by the year 2016, or by more than half the current market volume. Between 2007 and 2011, e-commerce in Austria had already expanded by 278%, almost quadrupling in volume. On average, every Austrian spent a remarkable EUR 378 on Internet shopping. The main driving force behind this growing online business is Austrians aged 25–34. According to Statistik Austria (Austrian Statistical Office) 70.6% of them purchased products or services on the Internet in the past year, followed by 63.8% of the 35–44 year olds and 45.3% of the 45–54 year olds.

## Austria: Post increases its market share

On its domestic market of Austria, Austrian Post is the only one of the "established" national postal providers in Europe which succeeded in achieving higher growth rates than the global players entering the market. As planned, the company was able to increase its market share in the business parcel segment to 22%, and is now working to further expand it towards the 25% threshold. This is happening against the backdrop of a positive long-term trend which the market and competition experts Kreutzer Fischer & Partner (KFP) identified in their latest study. Not only the B2C business but also the more cyclically-driven B2B segment is showing a robust upward trend.

## International markets

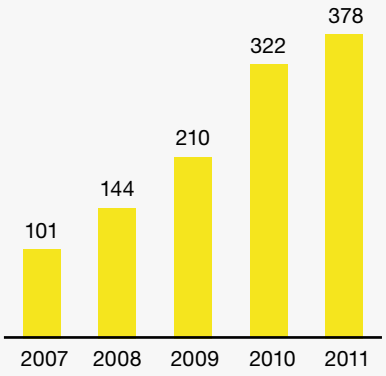
Performance indicators are also positive with respect to the development of Austrian Post's international markets. In Germany, the CEP Study 2012 prepared by the business and transport consultancy KE Consult predicts further volume growth, in the light of the fact that the pre-crisis level was already reached or surpassed in 2011. Here Austrian Post is strongly present with the trans-o-flex Group in the B2B business, but also in the fields of combined freight, temperature-controlled logistics and contract logistics. Compared with other industries, the CEP sector is expected to show one of the highest growth rates. Whereas the volume

of parcel shipments is anticipated to climb by 2.9% annually until the year 2016, express parcel volumes will likely expand even by 6.9% per year. The EU's new Good Distribution Practice (GDP) guidelines pose major challenges in the niche market for pharmaceutical logistics, but also open up new opportunities for highly specialised firms such as trans-o-flex ThermoMed.

Even if the dynamic catch-up process of the South East and Eastern European economies recently slowed down, and even came to a standstill in several countries, the medium- and long-term perspectives for this region remain favourable. The forecasts of the International Monetary Fund (IMF) for economic growth in 2013 of Austrian Post's CEE markets of Slovakia, Hungary, Croatia, Serbia, Bosnia-Herzegovina and Montenegro are consistently positive. According to the IMF, these economies are expected to expand in 2013 compared to their performance in 2012. In the light of the region's low per capita parcel volume, the CEP sector will also benefit from this development, driven for the most part by the constant rise in e-commerce.

AUSTRIANS ARE BUYING MORE AND MORE ONLINE

DEVELOPMENT OF PER CAPITA SALES IN THE AUSTRIA INTERNET RETAILING BUSINESS IN EUR




Source: IFH Retail Consultants

"The last mile distribution of medical products will change, and quality will improve."



**NICOLA SPIGGELKÖTTER**
Pharmaceutical expert and Managing Director of the management consultancy Knowledge & Support



***Ms. Spiggelkötter, the European Union is creating a new framework for transporting pharmaceutical products by revising the so-called GDP guidelines. What is actually the objective of the guidelines relating to "Good Distribution Practice"?***

SPIGGELKÖTTER: The objective of good distribution practice as described in the GDP guidelines is to ensure the quality of distribution operations for pharmaceuticals, and strengthen the integrity of the supply chain on the basis of a bundle of measures which are designed to prevent the spread of counterfeit medicines.

***How should these guidelines be converted into national laws?***

SPIGGELKÖTTER: The new guidelines should be published in the spring of 2013. A six-month transition period will begin with this publication date. Then the EU member states will be called upon to enact these guidelines. National regulations in Germany and Austria such as the Ordinance on Internal Regulations for Wholesalers already feature provisions explicitly calling for compliance with relevant GDP processes.

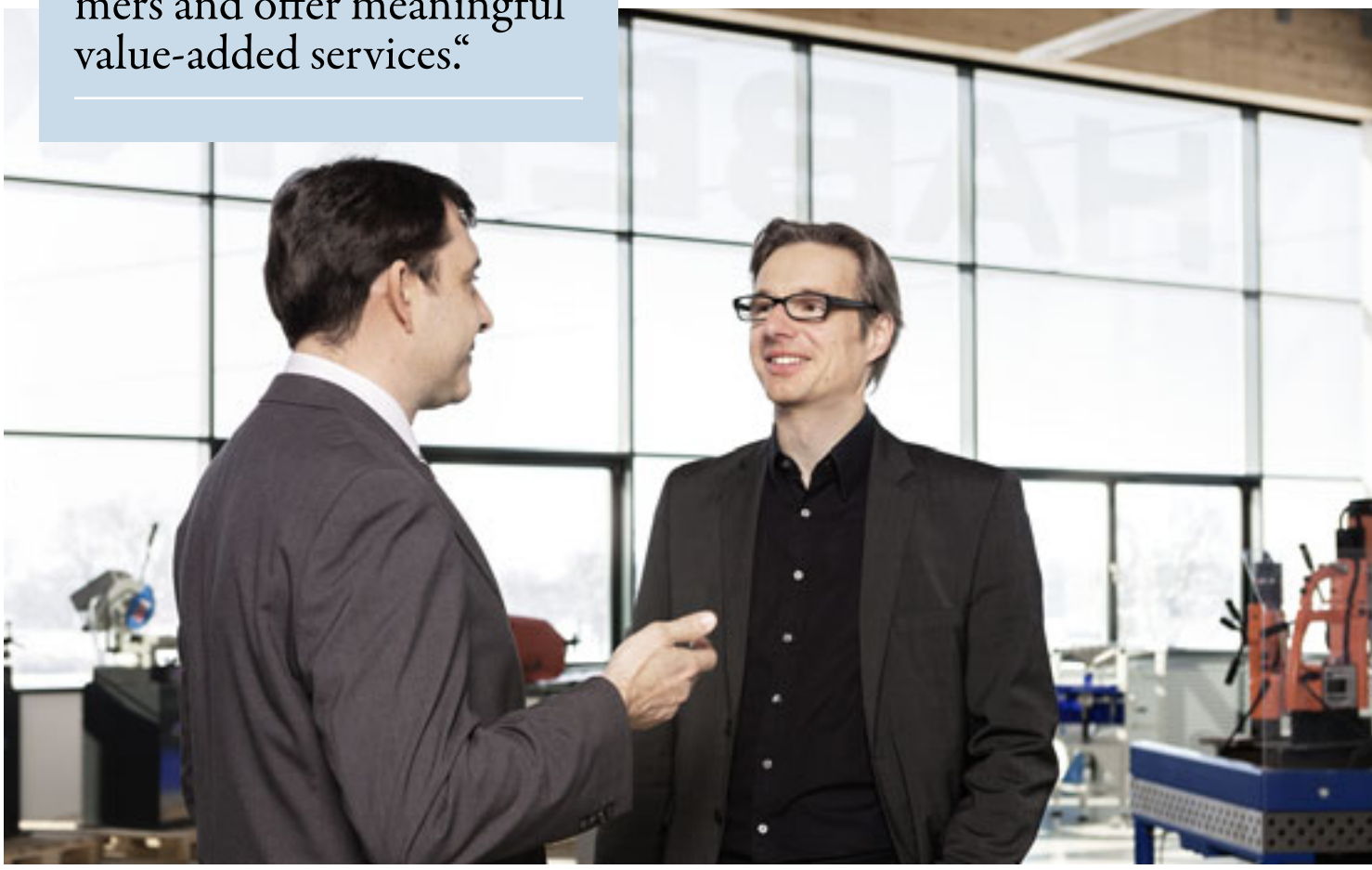
***What will be the effects of the new rules on the market and future players?***

SPIGGELKÖTTER: The specific effects on market participants cannot be assessed yet. However, one thing is already clear: the impact will be fundamental, sustainable and ultimately for the benefit of consumers. In particular, transport companies and courier services will have to critically examine entrenched transport processes, vehicle equipment and the core aspects of their quality management systems, and make adjustments if necessary. This could potentially require substantial investments. In any case, the new guidelines will change the last mile distribution of medical products and enhance overall quality.

***Thank you for this interview.***

## PROMISE

„We want to further improve the service level for our business customers and offer meaningful value-added services.“



# Successful on a highly competitive market

*The Haberkorn Group is one of Austria's largest distributors of technical products and protective equipment, with more than 100,000 goods on stock for industry, construction and trade. Now Austrian Post ist entrusted with responsibility for distribution.*

The Haberkorn online shop offers a user-friendly overview of all products, thus facilitating the order process, also for industrial quantities. However, the delivery of the ordered goods requires efficient dispatch and transport structures ensuring quick and reliable delivery.

Since February 2012 the Haberkorn Group has contracted Austrian Post to be its exclusive deliverer of about 100,000 parcels annually. Thanks to its high performance, state-of-the-art logistics infrastructure and not least the $CO_2$ neutral delivery of all parcels in Austria, Austrian Post once again successfully prevailed on the highly competitive domestic B2B parcel market.

Robert Bettin, Sales Manager Parcel Logistics Region West, precisely summarises the cooperation with Haberkorn: “The high quality demands of the Haberkorn Group pose a challenge which we are fully committed to mastering every day. I am happy that we have been able to succeed by operating as an innovative and environmentally conscious parcel services provider, and could attract Haberkorn as a new customer.”

# Impulses in the B2B-Market

In line with the motto "The parcel logistics specialists of Austrian Post are real professionals and take pleasure in logistics!", Austrian Post is positioning itself as a B2B services provider with solutions along the entire logistics value chain. In addition to transporting and delivering parcels via a very closely-knit distribution network, the Parcel & Logistics Division also encompasses the fields of value logistics and fulfillment in the small business segment. This was communicated in the second half of the year within the context of an eye-catching campaign which will be continued in the first half of 2013. The aim of the new brand presence is to emphasise the enormous flexibility of Austrian Post and its strength in personally dealing with customers in addition to the core values of "security, efficiency and reliability".





## DELIVER

More quality, operational excellence and a customer-oriented service portfolio helped Austrian Post to increase its share on the Austrian B2B market to 22%.

In recent years Austrian Post has invested heavily to enhance the quality and capacities of its networks, and the company has been rewarded for this by its customers. Austrian Post achieved the best parcel volume in its history, reaching a peak level of 65m parcels in the year 2012.

## ONE MILLION ADDITIONAL PARCELS FROM HERMES

### *Austrian Post further intensifies cooperation with Hermes Logistik*

In 2011, the longstanding cooperation between Austrian Post and the Hermes Logistics Group of Germany, Austrian Post's largest parcel customer, was extended for another eight years. In addition to delivering all the private customer parcels from Hermes, Austrian Post has also been picking up the parcel shipments from all 1,400 Hermes parcel shops in Austria since September 2012, and delivers them to the end customers. The pre-requisites for this expanded partnership were the high quality and good price-performance ratio offered by Austrian Post. The newly acquired parcel volume amounts to about 1m parcels annually, and contributes to Austrian Post's ability to further strengthen its market position in the X2C segment.



**GERALD FITZ**
Director Logistics Haberkorn Holding AG

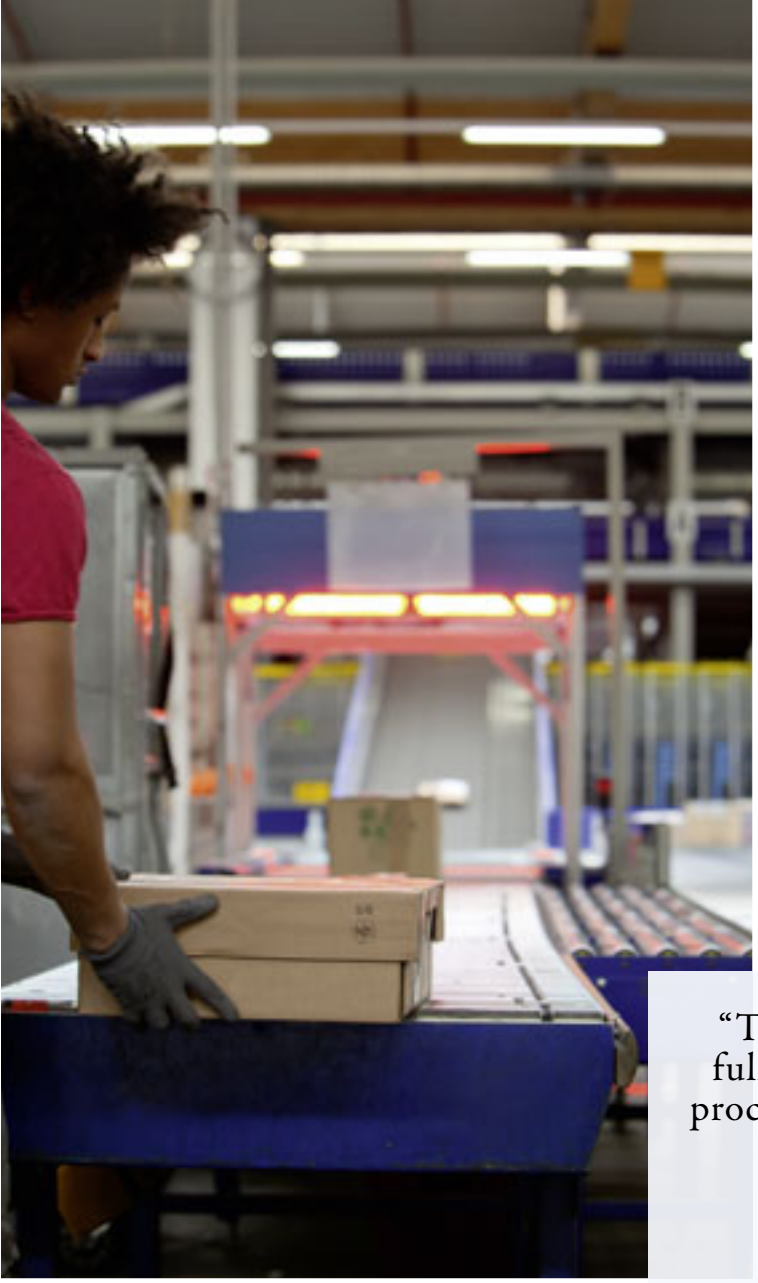
# "We need a strong partner."

***Mr. Fitz, what are the most important success factors in your business? What role does Austrian Post play in your operations as a logistics company?***
FITZ: The main success factors in our business are a unique assortment of products, professional consulting, innovative services and modern logistics solutions. In addition to customer-specific solutions such as the so-called Kanban system for process control and e-business connections, the quick and reliable delivery of items on stock is very important. For this reason we need a strong partner who can ensure that the delivery process meets the demands of our customers with respect to speed and reliability.

***What were the underlying reasons for your decision to work with Austrian Post?***
FITZ: The decisive factor was its dense delivery network along with late pick-up ties in our logistics centres. As a result, we could guarantee next-day delivery for all orders arriving before 3 p. m.

***What would you wish from Austrian Post in the future?***
FITZ: Ongoing consistency and reliability, a high level of innovation in developing new products and services and the determined implementation of the activities it initiated in the field of environmental protection, where Austrian Post has proven to be a pioneer.

***Thank you for this interview.***



# More Logistics-Power in the north of Vienna

## Austrian Post opens Incoming Parcel Depot Wien Nord

The transport of more than 65m parcels in the year 2012 comprises a new record for Austrian Post. In addition to the necessary logistics know-how, parcel volumes of this size also require a high-performance infrastructure. Austrian Post is continually investing in delivery bases as well as distribution and storage centres in order to further expand its position as the undisputed market leader in Austria. Accordingly, the company opened a new, high-powered delivery base in the north of Vienna in October 2012. The high tech logistics centre boasts a throughput volume of about 30,000 parcels per day, thus relieving the burden on the existing distribution centre in Vienna-Inzersdorf. "Moreover, the favourable geographical location results in a perceptible reduction of our transport traffic", explains Reinhard Machowetz, Delivery Manager at the Incoming Parcel Depot Wien Nord. "Thanks to the quick training of our 190 employees, the changeover to full-scale operations proceeded smoothly. By the way, the new parcel hub was planned and constructed in the record time of only eleven months."

"The changeover to full-scale operations proceeded smoothly."



**REINHARD MACHOWETZ**
Delivery Manager Incoming Parcel Depot Wien Nord

## EURODIS NETWORK LAYS THE GROUNDWORK FOR GROWTH

*The parcel logistics operations of Austrian Post belong to a network of logistics companies in 34 European countries with the appealing name EURODIS*

The B2B network EURODIS links Europe's leading transport companies to form an efficient combined freight distribution service for parcels and pallets. In addition to the subsidiaries of Austrian Post, EURODIS includes such strong partners as Redur in Spain and Portugal, SDA Express in Italy, UK Mail in England and Ireland and Bonafide in Switzerland. They are all capable of quickly and securely transporting items ranging from a parcel weighing just 1 kg to an 800 kg pallet without interruption.

By integrating the Italian firm SDA and Post NL in the Netherlands, important core European markets could be covered by new strong partners in 2012. In France, the bankruptcy of the EURODIS partner Sernam was quickly compensated by the addition of a new, highly efficient delivery partner. Moreover, the operational performance in the network was significantly enhanced by active quality management. "In this way we created the essential pre-requisites needed to achieve our long-term growth targets", says Carsten Sieb, Managing Director of EURODIS.





# Send it with Austrian Post

## High quality food from regional production

In a period characterised by a globalised food industry, high quality products from regional producers and traceable sources are becoming increasingly important for many consumers. The "Verein Genuss Logistik Burgenland", an association in the federal province of Burgenland for the marketing of typical regional products, is dedicated to linking courageous farmers and interested consumers. "We provide comprehensive logistics to farmers and commercial producers of typical regional products and link them to the retail, industrial and tourism sectors in Burgenland and neighbouring regions", says Jürgen Frank, who is the chairman of the association. As a result, a favourably priced, fast and simple sales channel is available to the members, enabling them to supply via Austrian Post in a quick and uncomplicated manner from their homes or their own facilities. The parcels are directly picked up from the production sites by Austrian Post and are delivered throughout the entire country starting on the next day. For Austrian Post this sales partnership is also a sign of its commitment to responsible economic management.

"Online retailers require strong logistics partners."



**BETTINA LORENTSCHITSCH**
Head of the Commerce Department, Austrian Federal Economic Chamber

***Ms. Lorentschitsch, the Internet is also becoming an increasingly important sales channel in the retail sector. How many retail companies have a Website or operate an online shop?***
LORENTSCHITSCH: About 20,000 out of the total of approximately 39,000 retail companies in Austria have a Website today. And some 5,700 retailers, or 15% of the total, also use the Internet to sell their products.

***Which tasks does the Federal Economic Chamber perform in this regard, and how does it support its members?***
LORENTSCHITSCH: Retail sales in Austria via e-commerce amount to almost EUR 2bn, although online shopping still accounts for only a fraction of total sales in the Austrian retail sector. Enormous potential still exists in this segment. However, key issues must be clarified in order to be successful on the Internet. This applies to everything relating to strategic orientation, marketing, payment, storage, logistics and the processing of returns. In this case it is essential to make the necessary preparations.

***What opportunities do you see for Austrian Post here? How can it support the retail sector?***
LORENTSCHITSCH: As I mentioned, the core issues in e-commerce are storage logistics, shipping and dealing with returns. Here online retailers require strong partners which offer logistics concepts ensuring the smooth processing of orders, but also the handling of returned goods. Austrian Post has the necessary know-how. That is why we are happy that Austrian Post is taking part in our series of events as our partner.

***Thank you for the interview.***



## OFFICIAL MEMBERSHIP IN THE EPG

*Austrian Post's membership in the E-Parcel Group (EPG), which was contractually agreed upon in April, took effect on August 1, 2012*

A total of 27 national parcel logistics companies operate an integrated European X2C delivery network for parcels under the umbrella name EPG (map on the left). The standard strengths of the network include the reliable level of quality, a continuous track & trace system and international return shipments. The high level of service is ensured on the basis of ongoing monitoring and performance-based remuneration systems. Austrian Post's membership in EPG ideally complements its affiliation with the B2B network EURODIS.

COMMENTARY

## *Highest level of flexibility and continuing cost controls*

The latest figures confirm that the upward trend is continuing with respect to sales in the distance selling segment, thanks to the ongoing boom in online shopping. In particular, retail businesses with fixed locations require customised and flexible services which go above and beyond the conventional delivery of parcels, and which encompass special services such as the handling of sweepstakes or promotions in addition to storage, picking, packaging and shipment. Combined with the high-performance parcel delivery network of Austrian Post, customers have a comprehensive range of services from a single provider at their disposal. Consistent outsourcing ultimately minimises the customer's risk, due to the fact that we make the required services available "on demand" and can quickly adapt the scope of our services to specific requirements. Our quick handling also guarantees that our customers can also quickly "physically go online" and thus serve end customers with short lead times. As a consequence we offer the highest degree of flexibility and ongoing cost controls on behalf of our customers.



**GERALD GREGORI**
Head of Post Logistics Services



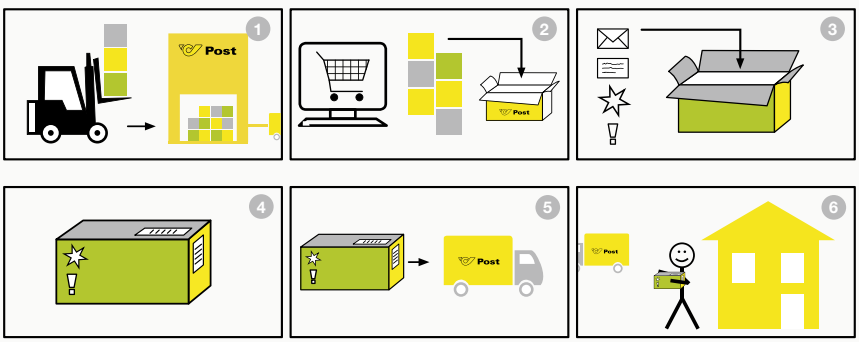
# Everything in one parcel – Post Logistics Services

### New business area offers innovative value-added services

Austrian Post has developed additional competencies along the entire logistics value chain, and is successful as a provider of a broad range of solutions. The company is now offering these value-added services under the umbrella of the newly established Post Logistics Services business area set up in 2012.

Through its fully-owned subsidiary **Systemlogistik**, Austrian Post offers customised fulfillment solutions for companies which aim to outsource complex logistics services and require a competent partner. The service portfolio includes the storage, picking and packaging of goods, deliveries to sales outlets and returns management as well as

## COMFORT AND COST SAVINGS FOR THE CUSTOMER




1 Receipt of goods on pallets 2 Picking in line with the customer's order 3 Value-added services (enclosure of personalised greeting cards, gift wrapping, creation of sets, special labelling etc.) 4 Transport protection, packing, labelling 5 Shipment as a parcel 6 Returns handling (classification, processing, disposal)

### *The fulfillment services of Austrian Post*

Austrian Post offers numerous valuable logistics services which go above and beyond the conventional delivery of parcels and can be summarised with the word "fulfillment" or the fulfilling of orders. Fulfillment encompasses all services which are rendered after the actual order is placed by the customer and all related process steps required to "fulfil" orders.



marketing-specific services such as customer club management, product sampling and the organising of sweepstakes. Thus Austrian Post is proactively responding to the growing importance of online shopping, and also offers a diverse range of Webshop logistics services. The broad service spectrum ranges from the programming of online shops to the complete processing of orders, shipments and complaints. Both B2C and B2B customers are highly satisfied with the offering of Systemlogistik. Roman Leydolf, founder and Managing Director of Systemlogistik: "We are a 'last mile logistics provider' boasting very high quality standards, compactly offering customers everything under one roof, from developing a Webshop to the entire logistics chain."

In turn, **Post.Wertlogistik** is one of the two full-service providers for the secure transport and storage of cash and valuables active nationwide. Today it is the market leader in this segment, and offers cash management and automatic teller machine services as well as services relating to the secure transport of valuables across national borders. Banks, commercial enterprises and public institutions comprise the main customers of Post.Wertlogistik.

## *Best Practice*
## FULFILLMENT FOR RENAULT

*Since 2010 Renault Austria has been taking advantage of a wide range of fulfillment services offered by Systemlogistik, the new subsidiary of Austrian Post. As a consequence, it saves time, resources and money. All advertising and trade fair materials such as folders, pens, high desks or brochure stands are delivered to and stored by Systemlogistik. The Renault dealer conveniently orders the materials when needed by using the user-friendly online system. The desired goods are commissioned on the same day as the order, packed for transport and sent to the desired site. Moreover, displays for trade fairs and car dealerships are promptly assembled, packed and delivered on pallets in line with Renault's specific requirements.*

## "... no worries about cash anymore."

***Mr. Hämmerle, the MTH Retail Group has been using Austrian Post's value logistics services since 2012. Why did you decide in favour of Post.Wertlogistik?***
HÄMMERLE: Post.Wertlogistik offers us the necessary servicing of our LIBRO and PAGRO stores, as well as the entire cash management for this purpose. The money is not only picked up and securely transported, but is also counted and deposited onto an account. Together we have developed the right processes for our individual requirements, and everything is working out extremely well!

***How would you assess the cooperation with Post.Wertlogistik?***
HÄMMERLE: The start of our partnership really proceeded to our utmost satisfaction. Our branch offices throughout Austria are reliably supplied at the arranged times. The daily receipts are picked up and on the next day we receive the specified quantities of change we have ordered. This is secure and professional, and there is no need at all to worry about the cash.

***Many thanks for this interview.***



Walter Fellacher, Managing Director of Post.Wertlogistik, talks to Andreas Hämmerle, CFO MTH Retail Group

# “High quality and excellent service.”



**REINER SCHÄFER**
Director Logistics, STADA Arzneimittel AG

***Mr. Schäfer, what do you consider to be the strengths of trans-o-flex?***
SCHÄFER: The strengths of trans-o-flex are its quality and service as well as the ability to supply pharmacies and pharmaceutical wholesalers in line with market practices, and above all reliably. We highly value the know-how and particularly the company‘s flexibility to react to individual customer needs.

***From your perspective, can the trend towards temperature-controlled logistics for pharmaceuticals still be stopped?***
SCHÄFER: In my opinion this trend can no longer be reversed. Today the majority of shipments in international transport are already temperature-controlled, and it is only a question of time until the domestic market follows suit. The implementation of new European guidelines is an important milestone which will further promote the development of the business in this direction. The demands which already apply to storage today will be successively transferred to transport operations as well.

***You are one of the first customers to use the new pharmaceutical warehouse of trans-o-flex in Alzenau. What are the advantages of this new facility, and what convinced you?***
SCHÄFER: The longstanding successful partnership considerably facilitated our decision to expand our cooperation with trans-o-flex to include storage services and thus exploit synergies. The competence and delivery quality of trans-o-flex we have been used to for many years were convincing arguments, also with respect to the new warehouse in Alzenau. In addition we benefit from an attractive price-performance ratio.

***STADA has now been working together with trans-o-flex for 15 years. Which troubleshooting do you most vividly remember?***
SCHÄFER: What easily comes to my mind is the partnership with trans-o-flex in launching a new product on the marketplace. There were several challenges in delivering this new product. For this reason, routinely supplying it to the trans-o-flex network for next-day delivery could not take place. However, in order to be able to deliver the goods as announced, trans-o-flex organised about 25 delivery vehicles on short notice whereas simultaneously the picking of the new goods was still in full swing. In the late evening the products were directly transported to the delivery depots, in order to integrate the products into the delivery cycle for delivery on the next day. This helped us very much. In particular, when a product is launched on the marketplace it is crucial to have the goods available punctually.

***Many thanks for this interview.***

# trans-o-flex further sharpens its pharmaceutical focus



**Since a 100% stake in the German logistics group trans-o-flex was acquired in the year 2008, it has been the largest subsidiary owned by Austrian Post, with a staff of about 1,500 employees.**

In 2012 the trans-o-flex Group intensively worked on optimising its processes and cost structure, once again sharpening its focus on the pharmaceutical and health care industries. “In 2012 we carried out important strategic measures in order to further strengthen our market position and competitiveness”, says Oliver Rupps, Spokesman of the Management Board of trans-o-flex.

The bundling of the Group-wide industry know-how in a new pharmaceutical competence centre and adjustments made to the sales organisation as well as construction of two new storage and logistics hubs in Hamburg and Alzenau near Frankfurt am Main were designed to help achieve this goal. Whereas the new site at the Port of Hamburg focuses on integrated warehouse solutions for imported goods, thus supporting the contract logistics solutions of trans-o-flex in Northern Germany, the new centre in Alzenau is specially oriented to the needs of the pharmaceutical industry. The trans-o-flex Group generates about 50% of its total revenue from customers in this segment, and is thus well positioned in an attractive and highly specialised niche market.

“At the same time, we considerably improved cost structures while maintaining a high level of quality, and the management of our network was put on a completely new basis“, Oliver Rupps continues. “In this way we can offer our customers real added value. On balance, this comprises a solid foundation for the profitable growth of the trans-o-flex Group in the coming years.”

trans-o-flex also expanded in 2012 by acquiring the remaining 25.1% of the shares in its Austrian subsidiary trans-o-flex ThermoMed Austria. In this way, the Austrian specialist for the temperature-controlled transport of medical products was completely integrated into the trans-o-flex Group.



## SUCCESSFUL BUSINESS MODEL WITH THREE PILLARS

**1.** In the field of **express delivery services, trans-o-flex Schnell-Lieferdienst** offers a nationwide network in Germany for the efficient and safe transport of parcels and pallets (so-called "combined freight"). Numerous express and additional services e. g. the transport of hazardous goods round off the offering of the combined freight specialist. Furthermore, trans-o-flex ensures nationwide combined freight transport in 33 other European countries in its role as a shareholder and partner of the EURODIS network. Within the context of its express delivery services, trans-o-flex also offers a large number of specialised industry solutions, for example for the pharmaceutical or entertainment industries and the field of household electronics.

**2.** Additional **logistics services** are offered under the umbrella of **trans-o-flex Logistik-Service,** from the warehousing and picking of goods, value-added services such as the setting up or replenishment of sales displays or electronic devices to the development and implementation of transport networks for individual customers. Customised solutions, high quality and a strong network comprise the decisive strengths of this segment.

**3.** **trans-o-flex ThermoMed** offers so-called **actively temperature-controlled logistics solutions** for pharmaceutical goods, covering Germany, Austria, Benelux and since 2011 France and Denmark as well. ThermoMed's own special network ensures the quick and reliable transport of temperature-sensitive goods within the range of 2–8°C and 15–25°C.



# A PRIME LOCATION

*New pharmaceutical logistics centre in Alzenau*

In Alzenau in Lower Franconia, only 30 minutes from Frankfurt Airport and directly linked to the A45 highway, the contract logistics specialist trans-o-flex Logistik-Service moved into its newly constructed logistics centre in January 2013. The facility, which is tailored to the specific requirements of the pharmaceutical and health care sectors, has created 80 new jobs and is optimally positioned, but not only in terms of traffic connections. "The new building underlines our focus on comprehensive, high-quality logistics solutions for the pharmaceutical industry, with which we generate about 50% of our total revenue in the trans-o-flex Group", says Oliver Rupps, Spokesman of the Management Board of trans-o-flex. "We are simultaneously expanding our capacities once again, thus creating ideal conditions to implement international logistics concepts as well."




During the initial expansion stage, a warehouse with storage space of 10,000 square metres was built in Alzenau, featuring a high-bay racking system with 12,000 storage spaces and 10,600 lower shelf spaces. In line with specific customer demands, the site fulfils all the standards of good manufacturing practice (GMP) in the pharmaceutical sector. The logistics centre is completely air conditioned. Temperature recording and monitoring document adherence to the desired temperature range, and the pest control standards are also met. A state-of-the-art conveyor and picking system ensures quick and reliable shipping processes.

This is the seventh logistics site operated by trans-o-flex Logistik-Service in addition to Kerpen and Frechen near Cologne, Weinheim, Heidelberg, Roth near Nuremberg and the warehouse in Hamburg which was first put into operation in 2012. In addition to the actual transport of goods, the spectrum of services offered includes product-specific storage, inventory management, packaging management, order entry, confectioning, picking, shipment, returns management, IT services, techno services, trade fair services and customs clearance for imported and exported goods.



**ANDREAS MAYR**
Head of Strategic Investments Parcel CEE

"We are also persistently optimising our operations in CEE."

## HIGH LEVELS OF SATISFACTION

In 2012, four Austrian Post subsidiaries in the parcel business carried out detailed customer surveys in 2012 as part of their efforts to effectively implement the principle defined by Austrian Post that "everything we do revolves around our customers". The aim was to objectively register current levels of customer satisfaction, and identify improvement potential. The results were extremely gratifying. 93% of a total of 1,323 customers who participated in the survey stated that they were very satisfied with the performance of our parcel service providers. "The customers stated that delivery within the agreed upon period of time, an uncomplicated delivery process and the careful handling of the delivered goods were the most important aspects for customers", explains Maria Fürhacker, Business Development Parcel CEE at Austrian Post.

The subsidiaries not only perform very well in fulfilling these criteria, but the customer orientation, friendliness and problem-solving competence of the employees were also singled out for praise by customers. In this way, both business and private customers are highly satisfied with the core competences of Austrian Post's CEE subsidiaries. Accordingly, these companies rate among the best in their respective markets. "However, there is no reason for us to rest on our laurels", says Andreas Mayr, Head of Strategic Investments Parcel CEE. "In CEE we focus on innovation and will expand our offering for business and private customers."

# A strong presence in CEE

## Parcel subsidiaries of Austrian Post are well positioned in Central and Eastern Europe

The year 2012 was one of the most successful in the history of Austrian Post's CEE parcel subsidiaries. Item volumes transported by the subsidiaries increased by about 10% to a total of 12m. The development of the B2C business was particularly successful.

New customers were won and further volume increases were generated thanks to the outstanding quality of service and innovative products. In addition, the ongoing volume growth made it necessary to expand and simultaneously modernise the logistics infrastructure in some markets (refer to article on the bottom).

Austrian Post achieved an important interim success in Bosnia-Herzegovina. As a consequence of a comprehensive restructuring and optimisation process, the subsidiary 24 VIP Logistics Services managed a turnaround and concluded the financial year with positive business results. The main underlying reasons for this success were a significant improvement of the production cost levels, the reduction of overhead costs, the increase in the value creation of existing processes and the renegotiation of contracts with suppliers. A targeted streamlining of the portfolio and a sales campaign rounded off the bundle of measures which were implemented.



# NEW LOGISTICS HUBS IN HUNGARY AND SLOVAKIA

*Austrian Post subsidiaries open high-tech sorting centres*

Austrian Post also relies on state-of-the-art technologies in its logistics infrastructure, and is continually investing in new facilities and sites. Accordingly, the Hungarian logistics subsidiary trans-o-flex Hungary opened its new corporate headquarters in Budapest in January 2012. The new facility encompasses a modern distribution centre and depot in addition to office space, and is also conveniently located traffic-wise thanks to its connections to the M0, M1 and M5 motorways. The reason for moving was that the old distribution centre had reached the limits to its capacity. Moreover, the conveyor belt technology no longer fulfilled the demands of a growing company.

This was followed by the official opening in November 2012 of the new sorting centre operated by the Slovakian parcel subsidiaries Slovak Parcel Service s.r.o. and In Time s.r.o. in Žilina-Strečno. It was necessary to expand capacities and establish a new facility to enable future growth and the loading of loose goods. The new sorting centre is the second largest hub of the Slovakian subsidiaries, and a key cornerstone of Austrian Post's growth strategy on the Slovakian market. It features a modern sorting facility with a capacity of 2,500 parcels per hour. The hall with a floor area of more than 2,600 square metres and 61 gates, including 27 for trucks, is also partially used by Kolos, the Slovakian letter mail subsidiary of Austrian Post.



# "... quick and absolutely reliable."

**CSABA KERESZTES**
Logistics Direktor
Extreme Digital

***Mr. Keresztes, Extreme Digital is an electronic wholesaler which operates the most successful online shop in Hungary. 10% of the entire online sales in Hungary are generated by Extreme Digital. You need strong logistics partners behind you. Why did you choose trans-o-flex Hungary?***
KERESZTES: We expect on-time service, reliability and perfect customer support from a business partner. This is precisely what trans-o-flex Hungary offers us. In recent years we tried out several service providers, and were thus able to gain a certain amount of experience. The advantage of trans-o-flex Hungary is that it successfully fuses the flexibility of a medium-sized enterprise with the professionalism of a multinational postal service company.

***In which areas is the cooperation with trans-o-flex Hungary particularly strong?***
KERESZTES: In addition to domestic transport services, trans-o-flex is also in charge of our parcels for foreign deliveries to Slovakia, the Czech Republic and Romania. 50–90 parcels are transported daily to one of these countries. This takes place quickly and absolutely reliably.

***How does Extreme Digital profit from this partnership?***
KERESZTES: The underlying factors crucial to our successful foreign expansion are marketing and logistics. We do not have any sales outlets in neighbouring countries, and are thus only accessible to our customers on the Internet. Nevertheless, we are also successful in these countries, which is not least due to the logistics power of trans-o-flex Hungary.

***Thank you for the interview.***



# B2C IN CEE

*Post subsidiaries boast a solid development in the B2C parcel business*

Three years ago the CEE subsidiaries of Austrian Post which had previously delivered parcels to business customers also started to bring parcels to private customers. At that time, Austrian Post once again directly competed with the respective national postal companies and various private parcel service providers, and defined the ambitious goal of becoming the market leader among the private parcel delivery companies in its CEE markets. This goal was attained in 2012 in Croatia, Serbia and Slovakia. Austrian Post is also making major progress considering that every fourth item delivered in CEE in 2012 was destined for private customers. This ambitious strategy will be continued. Austrian Post will continue striving to increase its market share based on efficient production, customer-oriented solutions and sustainable concepts in the B2C segment.

PARCEL & LOGISTICS – INTERNATIONAL PRESENCE

| Country | Company | Field of activity |
|---|---|---|
| Austria | Österreichische Post AG | Parcel, express mail services (EMS), combined freight |
| | Sytemlogistik GmbH | Warehousing, fulfillment |
| | Post. Wertlogistik GmbH | Value logistics |
| Germany | trans-o-flex Logistics Group (express delivery service, ThermoMed, logistics service) | Combined freight, storage logistics, value-added services, temperature-controlled logistics |
| Slovakia | Slovak Parcel Service (SPS), In Time | Express and parcel, combined freight |
| Hungary | trans-o-flex Hungary | Express and parcel, combined freight |
| Serbia | City Express | Express and parcel, combined freight |
| Montenegro | City Express Montenegro | Express and parcel, combined freight |
| Bosnia-Herzegovina | 24 VIP Logistics Services | Express and parcel, combined freight |
| Croatia | Overseas Trade | Express and parcel, combined freight |

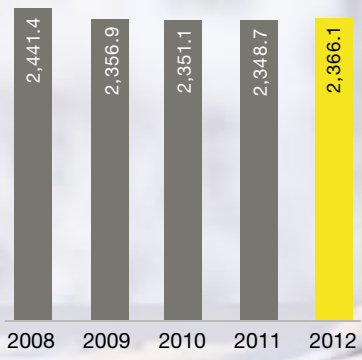
# SHARE & OWNERS

## A SOLID INVESTMENT

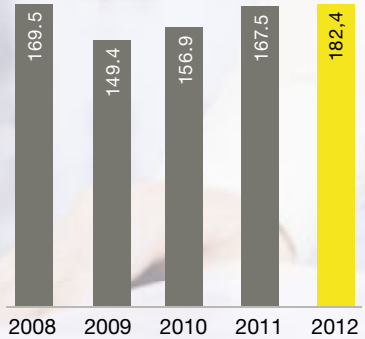
## PROMISE

"We create value for our shareholders."

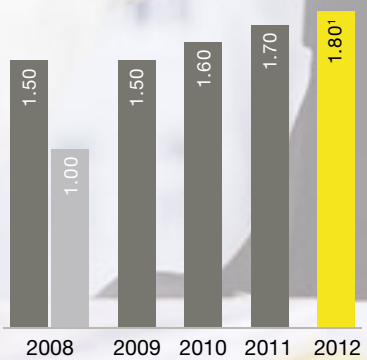
**REVENUE IN EUR M**




**EBIT IN EUR M**




**DIVIDENDS PER SHARE IN EUR**




[1] Proposal to the Annual General Meeting on April 18, 2013



# DELIVER

## "We continued to consistently pursue our strategic approach."

**WALTER OBLIN**
Board Member, CFO

In the year 2012 Austrian Post once again demonstrated what has been evident for years: against the backdrop of a volatile capital market development, companies with a solid performance and a consistent story are highly valued by investors. Austrian Post shareholders benefited form a total shareholder return of more than 40% in 2012. The investments of the investors has even more than doubled since the IPO in 2006. The basis of our investment story and the backbone of our attractiveness for investors is our sustainable dividend policy, which we of course intend to continue in the future.



## HIGHLIGHTS 2012

Revenue increase of 0.7% (+1.9% excl. Benelux) with growth in both operating divisions

EBITDA margin of 11.5% at the upper end of the targeted range, and further rise in EBIT to EUR 182.4m

Free cash flow before acquisitions/divestments of EUR 170.5m (+5.7%) or EUR 2.52 per share

Continuation of the attractive dividend policy: proposal of EUR 1.80 per share to the Annual General Meeting

# THE INVESTMENT STORY OF AUSTRIAN POST

What are the reasons motivating investors to acquire Austrian Post shares?

### 1 SOLID BUSINESS MODEL

- Stable revenue development based on Austrian Post's leading market position in Austria
- Sustainable earnings strength due to an efficient cost structure (EBITDA margin of 10–12%)

### 2 STRONG BALANCE SHEET AND SOLID CASH FLOW

- Conservative balance sheet structure – high amount of cash and cash equivalents and low level of financial liabilities
- The solid cash flow serves as the basis for future-oriented investments

### 3 ATTRACTIVE DIVIDEND POLICY

- Development of dividends based on profitability and the generated cash flow
- Annual dividend payout of at least 75% of the Group net profit planned

# AUSTRIAN POST ON THE CAPITAL MARKET

*The Austrian Post share has been listed on the Vienna Stock Exchange since May 2006, and has been consistently successful*



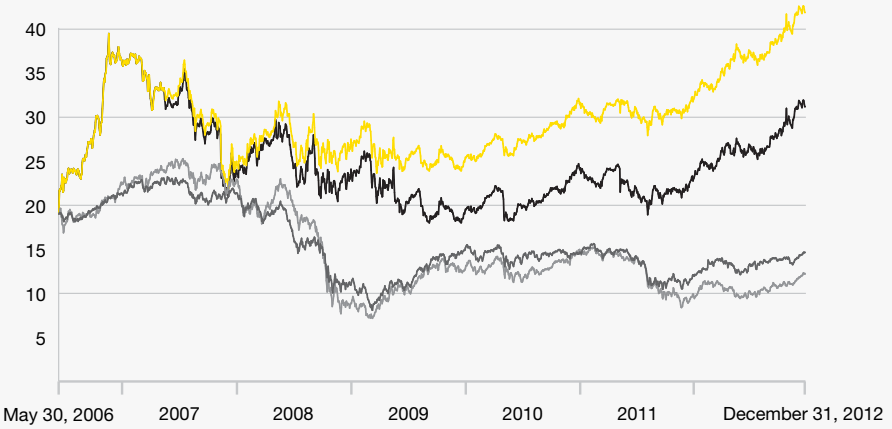
Whereas international capital markets have been subject to major fluctuations as a result of the financial, economic and sovereign debt crises along with other factors, the Post share has proven to be as "solid as a rock" for many investors. Even in difficult times it often achieved a sound performance. In particular, this development was driven by the clearly appealing investment story, which the company has consistently adhered to, also in recent periods characterised by a challenging market environment.

## Solid, predictable and reliable

– is the way Austrian Post wants to appear to its investors. In recent years Austrian Post has impressively demonstrated that these attributes do, in fact, apply to the company. In line with the motto PROMISE – DELIVER, the goals communicated to shareholders were achieved and the "promises" were kept. This attractive investment profile is based on four cornerstones – a solid business model (1) featuring a strong balance sheet and a solid cash flow (2), which in turn serve as the basis for an attractive dividend policy (3), together with the clear commitment to reach the communicated targets (4). The objective in the mail and parcel segments is to sustainably safeguard the company's leading market position in the future, aiming to generate medium-term revenue growth of 1–2% annually. The electronic substitution of traditional letter mail is counteracted by Austrian Post based on its development of modern supplementary products. Moreover, interesting growth opportunities in the parcel and logistics segment continue to open up. The main impetus continues to be provided by the ongoing boom in Internet commerce.

The focus of all company decisions is always on ensuring an efficient cost structure and a high level of profitability. The overall goal is to generate a sustainable EBITDA margin of 10–12%, which, in conjunction with a solid balance sheet, will enable Austrian Post to distribute an attractive and sustainable dividend each year – which Austrian Post feels committed to doing on behalf of its shareholders in accordance with the motto **PROMISE – DELIVER.**

TOTAL SHAREHOLDER RETURN OF 120% SINCE THE IPO




Austrian Post
Total Shareholder Return: +120.5%
Dividend: EUR 10.70

Austrian Post
Share price: +64.2%

EuroStoxx Transportation
Value: –22.9%

ATX
Value: –35.8%

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

## 4 PROMISE AND DELIVER

- Cautious and realistic guidance featuring clearly-defined objectives
- Clear commitment to achieving communicated objectives

**Medium-term revenue growth of** 1–2% annually

**EBITDA margin of** 10–12%

**Dividend for 2012 of** EUR 1.80 **per share**[1]

**Dividend yield of** 5.8%[1]

[1] Proposal to the Annual General Meeting on April 18, 2013

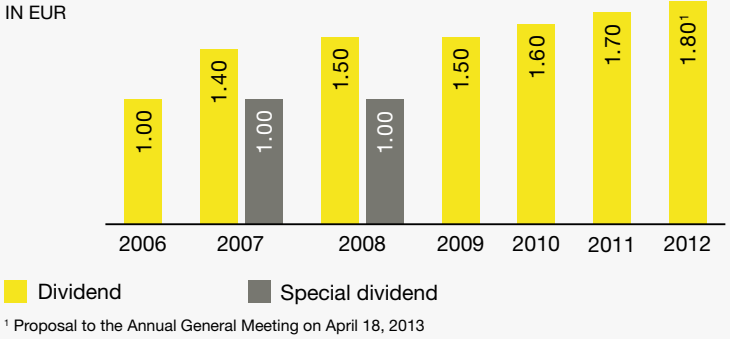
# STRONG PERFORMANCE SINCE THE IPO

At its Initial Public Offering, Austrian Post clearly defined its objective of generating sustainable and attractive dividends on the basis of its solid business model. On balance, investors who subscribed to the Austrian Post share at the time of its IPO in May 2006 have been paid dividends totalling EUR 10.70 per share. In relation to the issue price of EUR 19.00, the shareholders have profited from a return on their investments of more than 55% just on the basis of the dividend payments. Austrian Post aims to continue offering attractive dividends to its shareholders.

The Management Board will propose a dividend payout to its shareholders of EUR 121.6m for the 2012 financial year to the Annual General Meeting scheduled to be held on April 18, 2013. This corresponds to a dividend of EUR 1.80 per share (dividend payment day on May 2, 2013). On the basis of a share price of EUR 31.20 as at the end of December 2012, the dividend yield amounts to 5.8%. Accordingly, Austrian Post ranks among the most attractive dividend stocks on the market, both on the Vienna Stock Exchange trading floor as well as in comparison to its peers in the international postal and logistics sectors. In the future Austrian Post also plans to achieve a dividend payout ratio of at least 75% of the Group net profit for the year attributable to Austrian Post shareholders. This is based on the assumption that the company continues its successful business development and that no unforeseen circumstances arise. Accordingly, the company strives to distribute a sustainable dividend developing in line with the Group net profit.

If the share price development is taken into account in addition to the dividend payments, the yield for the original shareholders is actually much higher. In this regard, the share price of the Post share rose from EUR 19.00 in May 2006 to EUR 31.20 at the end of December 2012. On the basis of the issue price as at May 30, 2006, the total shareholder return including dividend payments equalled 120.5% up until the end of 2012. This means the capital employed by investors actually more than doubled.

DIVIDENDS PER SHARE 2006–2012
IN EUR




[1] Proposal to the Annual General Meeting on April 18, 2013

## SHARE PRICE DEVELOPMENT IN 2012

Following a pronounced period of ups and downs, international stock markets concluded the year 2012 very positively. In particular, developments in Europe throughout the entire year were dominated by the sovereign debt crisis afflicting the eurozone.

The Vienna Stock Exchange began the year very positively, and the Austrian Traded Index ATX, the national benchmark index, climbed to almost 2,250 points within just a few weeks. However, a short time later, the first decline took place, with the index dropping to 2,000 points. By the middle of the year the ATX had slumped to 1,855 points. A clear upward trend set in for most companies listed on the ATX starting in July, though this was regularly interrupted by interim fluctuations. Share prices climbed steeply as of the middle of November.

On balance, the ATX registered a 26.9% rise in value in the entire year 2012. In the same period, the German benchmark index DAX posted a 29.1% increase. European logistics companies developed positively as well, with the Euro Stoxx Transportation Index gaining 24.8% in value. Share price developments on international capital markets varied. For example, the Dow Jones Industrial in the USA only registered a moderate rise of 7.2%.

A closer look at developments on the Vienna Stock Exchange reveals that those stocks which had significantly declined in value since the outbreak of the financial crisis posted above-average share price gains in 2012. The Post share defied this trend despite its strong performance in past years, and once again ranked among the top performers on the vienna Stock Exchange in 2012, registering a 33.9% gain in value.

The Post share closed at EUR 31.20 at the end of trading, corresponding to a market capitalisation of close to EUR 2.1bn. 13m Austrian Post shares were traded on the Vienna Stock Exchange in 2012, with the total volume of trading reaching a level of about EUR 346m (counted once).

# ONGOING COMMUNICATIONS WITH THE CAPITAL MARKET

## Considerable importance attached to transparency

Since its IPO on the Vienna Stock Exchange, Austrian Post has attached considerable importance to active communications with investors and analysts. In addition to numerous visits made by institutional investors and analysts in Vienna, meetings with representatives of the financial community took place again in Austria and in international financial centres such as Frankfurt, London, Dublin, Zurich, Amsterdam, Paris, Madrid, New York and Boston during the year 2012. On balance, the Management Board and the investor relations team carried out an intensive dialogue with some 250 institutional investors at 40 roadshows and investor conferences.

The high quality of Austrian Post's reporting was underlined by the recognition granted at the Austrian Annual Report Award of the business magazine "trend". Austrian Post was ranked first in the category "Best Reporting" in 2012. For the first time, communications between the company and its shareholders and stakeholders were evaluated in addition to the Annual Report 2011, due to the fact that communications take place using various communications channels and on different levels. For example, the Internet presence and sustainability reports are becoming increasingly important. Similarly, greater emphasis is being placed on issues such as corporate social responsibility, sustainability and transparency. Taking all these aspects into account, Austrian Post was given the highest number of points of all the Austrian companies listed on the Vienna Stock Exchange.

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

## Represented in numerous indices

Since September 18, 2006 Austrian Post shares have been listed on the Austrian Traded Index ATX, the benchmark index of the Vienna Stock Exchange. It consists of the 20 Austrian blue-chip companies with the highest trading volume and the largest market capitalisation. At the end of December 2012, the weighting of Post shares in the ATX was 2.8%. In addition to the ATX, Post shares are also represented on ATX Prime, on VÖNIX, the Austrian sustainability index, the Carbon Disclosure Leadership Index and on the Euro Stoxx Transportation.

## Number of shares remains unchanged

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

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SHARE AND DIVIDEND INDICATORS

| | | 2011 | 2012 | Change 2011/2012 |
|---|---|---|---|---|
| Earnings per share[1] | EUR | 1.82 | 1.82 | 0.0% |
| Dividends per share | EUR | 1.70 | 1.80[2] | +5.9% |
| Dividend payout | EUR m | 114.8 | 121.6 | +5.9% |
| Free cash flow per share[3] | EUR | 2.39 | 2.52 | +5.7% |
| Dividend yield[4] | % | 7.3% | 5.8% | – |
| Total Shareholder Return (annual performance + dividends)[5] | % | +0.7% | +41.2% | – |
| Total shareholder return since the IPO | % | +70.0% | +120.5% | – |
| Share price performance | % | –5.8% | +33.9% | – |
| PE (price/earnings) ratio at the end of December[1] | – | 12.8 | 17.1 | – |
| Share price at the end of December | EUR | 23.30 | 31.20 | +33.9% |
| High/low (closing price) | EUR | 24.73/18.93 | 31.95/22.77 | – |
| Market capitalisation at the end of December | EUR m | 1,574.0 | 2,107.6 | +33.9% |
| Shares in circulation at the end of December | Shares | 67,552,638 | 67,552,638 | – |
| Free float | % | 47.2% | 47.2% | – |

[1] Early application of IAS 19 (revised)
[2] Proposal to the Annual General Meeting on April 18, 2013
[3] Cash flow before aquisitions/divestments
[4] Dividends per share divided by share price at year-end of the respective financial year
[5] Change in the share price year-on-year plus dividend payment in the respective year (excluding reinvestment of the dividends)

## ANALYSIS



Austrian Post lacks the growth potential stories – despite this it managed to perform much better than larger peers. Management that is taking the right decisions and is not making any weird sidesteps adds to consistency and stability. Boring as it may seem, the returns tell a different story. This little gem thus made an average annual return of 17.5% versus only 1% for the industry. Based on strong financial ratios and the generation of healthy free cash flows, we think gradual growth of this money machine will be sustainable.

**ANDRE MULDER**
Equity Research, Kepler Capital Markets



Austrian Post has a unique position of strength in its home market, with measured declines in traditional mail segments offset by growth in local parcels and international market opportunities. The clear regulatory position and solid working relationship with the government is encouraging. Steady growth in cash flow and dividends is a welcome source of returns to investors that sets the company apart from the majority of its mail, utility and telecom peers.

**PENELOPE BUTCHER**
Equity Research, Morgan Stanley



In our experience, income yield sustainability is key to mail investors: We find Austrian Post is well regarded in the investor community for its ability to offset structurally declining letter mail volumes, and still deliver a growing dividend. While the outlook is for further decline in mail volumes, our research suggests the company is able to mitigate this through its growing parcel operations, with potential for further growth in the newly liberalised postal markets of the CEE region.

**ANDY JONES**
Equity Research, RBC Capital Markets

## EXTENSIVE RESEARCH COVERAGE

The recommendations and share price expectations voiced by analysts also play an important role in the decision-making processes of investors in addition to considering the overall business environment and the specific characteristics of a company. At the same time, the analyst reports provide Austrian Post with valuable feedback from experts in the sector concerning the strategy and development of the company. At the end of December 2012, Austrian Post was regularly monitored by a total of 14 investment banks.

**Analyses of Austrian Post :**

| |
|---|
| Credit Suisse ❯ Neil Glynn |
| Deutsche Bank ❯ Matthias Pfeifenberger |
| Erste Group ❯ Christoph Schultes |
| Goldman Sachs ❯ John Woodman |
| HSBC ❯ Julia Winarso |
| J. P. Morgan ❯ Christopher G. Combe |
| Kepler Capital Markets ❯ Andre Mulder |
| Macquarie ❯ Robert Joynson |
| MainFirst Bank ❯ Tobias Sittig |
| Morgan Stanley ❯ Penelope Butcher |
| Nomura ❯ Mark McVicar |
| Royal Bank of Canada ❯ Andy Jones |
| Raiffeisen Centrobank ❯ Bernd Maurer |
| UBS ❯ Dominic Edridge |

An overview of the latest recommendations of these investment banks can be found on the Internet at www.post.at/ir >> Our Share >> Analyst Coverage.

# Sustainably focused companies score points on the capital market

In addition to traditional financial indicators such as revenue, EBIT and the equity ratio, investors are increasingly requesting information about social and environmental policies. This is because the long-term success of a company is not based solely on economic performance. Only companies taking a holistic approach featuring initiatives designed to benefit employees, society and the environment will be able to operate successfully on a long-term basis. From a capital market perspective, the renewed acceptance of Austrian Post for listing on the Austrian sustainability index VÖNIX of the Vienna Stock Exchange for the period 2012/13 confirms the holistic manner in which Austrian Post operates. On an international level, Austrian Post also scored top marks in the Carbon Disclosure Project (CDP). It is the world's largest database for corporate environmental and climate change information and is extensively used by capital market participants. In 2012, Austrian Post was involved in this global initiative for the second time, and took a giant leap forward by scoring 86 out of a possible 100 points. As a consequence, Austrian Post is only the second Austrian company to be listed in the important Carbon Disclosure Leadership Index, which honours companies in the German-speaking region of Europe boasting outstanding in-depth reporting on issues relating to climate change.



VÖNIX

CARBON DISCLOSURE PROJECT

"The results achieved by Austrian Post in CDP 2012 are not only impressive because of the significant improvement by 60 disclosure points with respect to transparency, but also due to the specific measures being taken to reduce greenhouse gas emissions."

STEVEN TEBBE, Managing Director, CDP Europe




# Corporate Governance

## Austrian Post attaches the utmost importance to professionalism in its business management

The term "corporate governance" stands for responsible corporate management and control geared towards the long-term creation of value. Key aspects of good corporate governance include the efficient cooperation between the Management Board and Supervisory Board, respect for the interests of shareholders as well as openness and transparency in corporate communications.

Accordingly, corporate governance at Austrian Post encompasses all business areas in the company. It promotes the confidence in the management and supervision of the company on the part of investors, financial markets, business partners, employees and the general public, and is an essential basis for sustained corporate success. In this regard, Austrian Post pursues the objective of continuously improving corporate governance within the Group. Corporate governance should not be viewed as a rigid system of rules and guidelines, but as a process in which values and fundamental views develop further as a reflection of the changing demands of the markets in which the company operates.

The Management Board and Supervisory Board are committed to ensuring the ongoing existence of the company and a sustainable creation of value, relying on a responsible and sustainably-oriented corporate management. An intensive and ongoing dialogue between the two corporate bodies is the basis for an efficient management of the company.

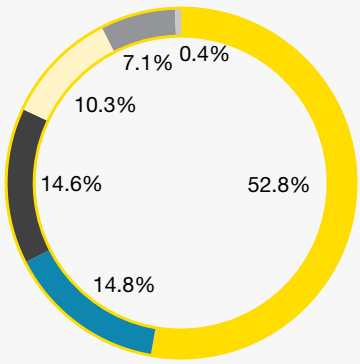
Corporate governance at Austrian Post is oriented to the Austrian Corporate Governance Code, which has served as an indispensable benchmark on the Austrian capital market for the business management of publicly listed companies for the last ten years. The code is based on the principles of self-regulation and voluntary compliance. This means that compliance is on a voluntary basis i. e. ultimately the publicly-listed companies themselves determine which rules they consider to be meaningful in order to successfully compete on the marketplace whilst taking investor expectations into consideration.

### Shareholder structure of Austrian Post

As a consequence of the Initial Public Offering in 2006, 49.0% of the shares were placed with investors. The shareholding held by the Austrian state holding company ÖIAG (Österreichische Industrieholding AG) in the share capital of Austrian Post thus decreased from a 100% stake to 51.0%, or a total of 37.5m of the outstanding shares. In relation to the 67,552,638 shares currently in circulation, ÖIAG holds a 52.8% stake in the company, and thus remains the majority shareholder of Austrian Post. Austrian Post is not aware of any other investors who own more than 5% of the total share capital in the company.

A shareholder ID carried out in January 2013 concluded that, in addition to the main shareholder ÖIAG, 40% of the shares are held by European investors (plus 1 percentage point compared to the previous analysis of January 2012). All in all, 15% of these shares are held by private and institutional investors in Austria (plus 2 percentage points), 15% in Continental Europe (unchanged) and 10% in Great Britain (minus 2 percentage points). A total of 7% of the shares (unchanged) are currently held by North American investors (USA, Canada), whereas investors in the rest of the world account for much less than 1% (unchanged). Private investors in Austria also include Austrian Post employees, who have a combined share of about 2%.

SHAREHOLDER STRUCTURE BY COUNTRY
BASIS: 67.6 MILLION SHARES



***Mr. Kemler, how do you see the current development of Austria as a business location?***
KEMLER: The weak international business environment is also slowing down economic growth in Austria. The Institute for Advanced Studies predicts that GDP growth will reach a level of 0.4% in the EU-27 and at least 0.8% in Austria in 2013. Strengthening the attractiveness of the Austrian business location, stabilising the country's banks and implementing measures to ensure the sustainable consolidation of public finances are necessary to overcome the crisis. Now in particular we must make every effort to further strengthen Austria's competitiveness in international comparison

***What contribution does Austrian Post make to the viability of the country as a business location?***
KEMLER: The infrastructure provided by Austrian Post is a backbone of our society. Austrian Post makes an indispensable contribution to safeguarding national logistics on the basis of its reliable, nationwide supply of postal services to the population. On balance, more than 1,900 postal service points ensure optimal service, shorter distances to access postal services and improved opening times. 3,200 employees in the postal branches take care of 60m customer visits annually, which is really an impressive figure. In addition, Austrian Post fulfils an important function in society. It is responsible for



"... the right *balance* between supervision and support of the Management Board."

**RUDOLF KEMLER**
Chairman of the Supervisory Board of Austrian Post

providing so-called universal postal services within the context of its legal obligations. This means door-to-door postal services are rendered day in and day out, covering every corner of the country. This task places high demands on both the management and the entire staff.

***What specific role can ÖIAG play in this regard?***
KEMLER: ÖIAG carries out an important task in its role as the holding company and privatisation agency for the Republic of Austria. The federal government has asked us to develop the 52.8% stake in Austrian Post in a value-oriented and professional manner. In this way we relieve the burden on policymakers and ensure that the company can act according to economic criteria. We are making Austrian Post fit for the future!

***As the Chairman of the Supervisory Board, what is your opinion concerning the development of Austrian Post?***
KEMLER: In recent years Austrian Post has developed very well. It is important to me that the objectives and strategic measures are vigorously pursued. It should be possible to continue structuring business operations in a future-oriented manner by focusing on customer orientation and cost discipline.

***Concerning your position as Chairman of the Supervisory Board, what do you think constitutes effective work on the part of the Supervisory Board?***
KEMLER: In this day and age, demands imposed upon a Supervisory Board which acts professionally are becoming increasingly complex. Today a Supervisory Board can no longer rely on simply monitoring several performance indicators such as revenue and EBIT. In the current competitive environment, every Supervisory Board member must continually generate added value for the company and consult the Management Board on an equal footing. The skills and know-how of the individual members play an even more crucial role than in the past. A Supervisory Board must be put together like an orchestra. It boasts a conductor serving as a primus inter pares, but it must also have a number of members who can independently and competently master the score of the piece on different instruments. A trusting relationship with the Management Board, a corporate culture fostering lively discussions and a constructive team spirit round off the professional work carried out by the Supervisory Board.

***Do you have a concluding message to convey to the employees of Austrian Post?***
KEMLER: Over the past few years Austrian Post has succeeded in becoming a modern and customer-oriented service company. I would like to thank all employees for their outstanding accomplishments, and ask them to proceed full speed ahead on this path to success in the future. I am convinced that 2013 will be an excellent year for Austrian Post!

***Thank you for this interview.***

# EMPLOYEES & SOCIETY




## PROMISE

"We bear responsibility."

As a provider of universal postal services and one of the biggest employers in the country, Austrian Post bears a high level of social responsibility which it consciously assumes on behalf of its employees and every single Austrian.



# *Shared values and leadership culture*

## IN DEALING WITH ITS EMPLOYEES, AUSTRIAN POST EMBODIES CLEAR VALUES:

» WE ARE OPEN AND HONEST AND TREAT EACH OTHER WITH RESPECT
» WE RECOGNISE, RESPECT AND SUPPORT PERFORMANCE
» WE CONSIDER LEADERSHIP TO BE A VERY SPECIAL KIND OF RESPONSIBILITY

## DELIVER

Austrian Post fulfils its responsibility to the **population** by delivering letters and parcels each day to every address and doorstep throughout Austria, thus ensuring the supply of basic postal services that are of outstanding quality to the Austrian population. Moreover, Austrian Post operates a nationwide branch network of postal service points, which consisted of 1,931 outlets at the end of 2012, 380 more than the comparable figure three years ago.

Austrian Post emphasizes respect and open communications in its relationship to its **employees**. Clear leadership guidelines were developed on the basis of Austrian Post's mission statement in order to make crucial advances towards promoting the corporate and leadership culture. This was done as a means of ensuring a good working environment and productive working conditions in which employees can optimally unfold their skills and exploit their potential. In particular, executives are being called upon to put the key values into practice and live by them on a daily basis in order to embed these principles in the hearts and minds of all employees.

Austrian Post is not only intensively working on its products and services but also on itself. First and foremost is its corporate and leadership culture, which evolved significantly in the year 2012. It is a fact that only clearly-defined and mutually held visions and values enable Austrian Post to act in a target-oriented and sustainable manner. At the beginning of 2010, Austrian Post began to focus on developing its new mission statement featuring three value categories and three main principles. They are being implemented and firmly enshrined in the daily work of all employees through a variety of measures.

**Customer orientation**
Everything we do revolves around our customers

**Profitability and sustainability**
We are future-oriented

**Communication and appreciation**
We are all part of Austrian Post

All the measures impacting employees and society are derived from these value categories.

*For more information on the mission statement and leadership guidelines of Austrian Post, refer to p. 24 onwards.*

# Motivated and productive employees as the basis for corporate success




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

The company wants to ensure future perspectives for its employees in a market environment in which the demands placed on the staff are continually subject to change, and promote their individual professional development. At the same time, it is just as important to ensure a healthy and safe working environment. That is why occupational safety, health protection and healthcare comprise key elements of Austrian Post's human resources management.

**EMPLOYEE OBJECTIVES 2012**

**1.** Further development of a corporate and leadership culture

## OCCUPATIONAL HEALTH AND SAFETY

As a service company, motivated and healthy employees comprise the decisive success factor for Austrian Post. "In order to maintain the ability of our employees to work, also until they reach an advanced age, we must ensure a safe and motivating working environment. Of course the employees themselves are also called upon to preserve their own health.

We are striving to support our colleagues in their efforts to take personal responsibility for their own health care by providing a targeted offering of trainings and information materials", says Ingrid Veis, Head of Safety Services. The focal points of the company's health care programme include training on safe and healthy workplace behaviour, the promotion of good posture, doing exercise and tobacco and alcohol abuse prevention. The company also attaches great importance to creating health-promoting and ergonomic working conditions as well as creating workplaces tailored to the needs of disabled or older employees.

"We are striving to support employees to enable them to take personal responsibility for their own health care."



**INGRID VEIS**
Head of Safety Services

## HEALTH CARE OFFERING IN 2012 IN DETAIL

The nationwide health care offering includes the priority programme "Austrian Post on the move – the right exercises bring something for everybody" launched in 2007. The cornerstone of this initiative is information events concerning correct posture and exercise at the workplace. Up until now close to 16,900 employees have taken part in 590 information events and trainings. In addition to the nationwide offering of free flu vaccinations, Austrian Post also once again offered employees the possibility to take advantage of low-cost TBE, tetanus, diphtheria, polio and hepatitis vaccinations. On balance, more than 3,000 vaccinations were given to employees throughout Austria in 2012 within the context of this drive.

Furthermore, numerous employee counselling sessions led by occupational physicians took place, focusing on issues such as mobbing, burn-out and stress prevention. Within the context of four Austrian Post Health Days extensive health check-ups offered the opportunity to measure blood sugar, cholesterol level and blood pressure and to get detailed medical advice. A total of 360 employees participated. In addition, more than 3,640 inspections of workplaces were carried out by security experts or occupational physicians. Many employees and executives were informed about emergency assistance in case of fire or acute illness as well as in the case of accidents, and also provided with general information about safety-conscious and health-conscious behaviour. This was done within the context of 600 trainings focusing on safe and healthy behaviour at the workplace.

# POST.SOZIAL COMES TO THE AID OF EMPLOYEES IN SO MANY DIFFERENT WAYS

The joint welfare association "post.sozial" reflects the social responsibility of Austrian Post to its employees based on providing additional social services above and beyond legally stipulated obligations. The non-profit association was established to provide social support to active employees of Austrian Post and its subsidiaries as well as to retired employees, family members and surviving relatives of employees. These services range from financial support to employees faced with unusually high costs arising as a result of illness or natural disasters and discounted tickets for cultural and sport events to more favourably priced holiday deals as well as child care and day care services during vacations. Furthermore, support is provided by post.sozial for health care measures and recreational activities contributing to maintaining the health of employees. Since 2012 burn-out prevention has also been included in the association's activities as well as the support of children of employees afflicted by divorce or in cases of death.

1% of the total wage bill paid by Austrian Post and its subsidiaries are devoted to funding the association. Total funding amounted to EUR 6.6m in 2012. The joint welfare association is also supported by third-party donations.

POST.SOZIAL – KEY FIGURES 2012

| | | |
|---|---|---|
| post.sozial | Total funding | EUR 6.6m |
| fair.reisen | Number of overnight stays | 58,266 |
| helfens.wert | Food coupons | EUR 4.4m |
| | Paid financial assistance | EUR 1,003,275 |
| sehens.wert | Number of discounted admission tickets | 18,240 |
| | offered events | 119 |
| postler.kids | Support for children's holiday camps | EUR 16,776 |

**2.** Creating individual future perspectives

**3.** Promoting occupational health and safety

AUSTRIAN POST – EMPLOYEE INDICATORS

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| **Employees Group (FTE)[1]** | **24,969** | **23,369** | **23,181** |
| **Employees Austrian Post (FTE)[1]** | **20,695** | **19,907** | **19,534** |
| thereof women (FTE %) | 29.5% | 29.3% | 29.3% |
| Civil servants (FTE) | 11,005 | 10,266 | 9,738 |
| Salaried employees (FTE) | 9,456 | 9,429 | 9,558 |
| Full-time employees (persons) | 18,559 | 17,785 | 17,724 |
| thereof women (%) | 23.3% | 23.1% | 23.7% |
| Part-time employees (persons) | 3,977 | 3,812 | 3,422 |
| thereof women (%) | 85.0% | 83.3% | 85.4% |
| Average tenure of civil servants at Austrian Post (years) | 26 | 27 | 28 |
| Average tenure of salaried employees at Austrian Post (years) | 11 | 11 | 11 |
| Employees (FTE) according to age | | | |
| under 30 years | 1,567 | 1,600 | 1,735 |
| 30–50 years | 14,344 | 13,210 | 12,218 |
| over 50 years | 4,785 | 5,098 | 5,581 |
| Fluctuation (%)[2] | 9.9% | 8.6% | 10.1% |
| Sick leave rate for employees (FTE %) | 7.5% | 7.4% | 7.4% |

[1] FTE … Full-time equivalents
[2] Employee attrition relating to permanent staff with at least six months employment



# Promoting a leadership culture based on management trainings

In a market environment in which the demands imposed upon employees are continually subject to change, Austrian Post must and also wants to create future perspectives for all employees, and promote their individual professional development. In the initial step, executives are called upon to identify employee potential and expand their skills on the basis of individual career development. They are also responsible for creating productive working conditions enabling employees to optimally unfold their skills and exploit their potential.

Accordingly, Austrian Post made it a priority in 2012 to instruct management staff within the framework of special executive training programs. For this purpose, an Executive Academy was established in May 2012. The objective of this initiative offering a customized programme is to support executives in their efforts to implement management guidelines. In 2012 more than 95 practice-oriented trainings were held for more than 300 distribution and group managers and 450 post office branch managers throughout Austria on the key issues of leadership communications, leadership in difficult times and dealing with complaints. In addition, 270 executives took part in the programme "A day visiting customers" in order to have a "live experience" of the daily work of the delivery staff or branch managers and thus gain a better understanding of what they do.

Extensive training courses were also offered in 2012 at Austrian Post's subsidiaries, focusing on leadership, communications, customer orientation and project management. More than 300 employees at the subsidiaries participated in these training sessions.



## Trainings for branch managers

Naturally great importance is attached to service and customer orientation in the branch network. 45 training sessions held over the past one and a half years have provided relevant instruction to some 460 branch managers.



**ROLAND LANGEBNER**
Post Office Branch Manager in Bludenz

"In order to achieve the ambitious objectives of our company, in-depth specialised know-how as well as the required leadership techniques and social competencies are needed. This is precisely what the branch manager training offers in outstanding quality."

## Cross-divisional trainings

188 executives spanning all divisions took part in project management courses, and about 70 middle-level and upper-level managers attended the training entitled "Analysing and communicating in a structured manner". Coachings were also offered in 2012 for the first time.



**SABINE LINHART**
Internal Auditing

"Structured analysis and communication are absolutely essential to my work. I have already been able to make very good use of the information I learned and the insights I gained from this seminar in my daily professional work."

FACTS & FIGURES

## TRAINING AND PROFESSIONAL DEVELOPMENT

The target group and competence-oriented training and professional development of employees comprise a further focal point of Austrian Post's human resources management, and were intensively continued in 2012. The measures implemented consisted of specialized instruction, continuing education courses, coaching and training in all business areas of the company.

- 14,540 person-days
- 8,610 participants
- 16 trainees

## Trainings for department heads
### in the fields of logistics and distribution

In the letter mail logistics area, a total of 318 executives were given instruction in 2012 on the priority areas of leadership communications and leadership in difficult times. 422 executives from the delivery bases also participated in 36 training courses on the topics of leadership behaviour and time management.



**ERNST BRUCKNER**
Amstetten Delivery Base Manager

"I personally benefited so much from the seminar in my work as distribution manager, particularly with regard to motivation, discussion skills and dealing with employees. It was really an important seminar for executives. I would immediately volunteer to attend such an event again!"

# BUSINESS CROSS MENTORING

Austrian Post already boasts a large share of women in management positions, which reached a level of 24.1% in 2012. A special programme is designed to particularly promote the advancement of female "high potentials" in the company.

The Business Cross Mentoring Programme established for this purpose was a great success in 2012. The 12 women taking part not only benefitted from workshops about business style, self-presentation, objectives and visions, but were able to network internally with other colleagues and externally with their respective mentors. Austrian Post is continuing this initiative in the new financial year due to the extremely positive feedback on this mentoring programme, but on an enlarged scale. A total of 32 women are already participating in 2013.

"In addition to many interesting discussions with my mentor, the Business Cross Mentoring Programme also provided me with an opportunity to intensively focus on my personal career goals as well as on my visions and aspirations for the future. I profited a lot from it, and the networking with colleagues was a real plus."



**MARTINA KEINRATH**
Corporate Governance, participant in 2012

# THE INTERNAL LABOUR MARKET

The competition on the postal market is steadily increasing, and the complete liberalisation of the letter mail market at the beginning of 2011 also poses new challenges. The increasingly demanding environment in which Austrian Post operates requires the company to implement ongoing efficiency improvements and adjustments to the company's personnel structure, planning and supporting them on their career path in a cooperative and socially acceptable manner. Accordingly, the company initiated the "Internal Labour Market", an effective platform designed to ensure that the affected employees gain the qualifications required for new jobs inside or outside the company.

## Post employees transfer to the Federal Public Service

In 2012, civil servants at Austrian Post once again changed jobs to transfer to the Ministry of Internal Affairs, Ministry of Justice and Ministry of Finance. They offer Austrian Post employees interesting career perspectives. Numerous applications and visits to information events show that Austrian Post is on the right track. In the meantime, more than 370 civil servants have transferred to the federal public service, demonstrating that the competencies acquired at Austrian Post are very much in demand at the ministries.

## OBJECTIVES OF THE INTERNAL LABOUR MARKET

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

## A DAY VISITING CUSTOMERS

Austrian Post attaches great importance to customer-oriented thinking and action in the spirit of embedding the mission statement in its daily business operations. This presumes that executives have a good knowledge of the processes and activities taking place every working day "on the front". A total of 270 managers were given the opportunity in 2012 to either spend a day accompanying and supporting a mail carrier or helping out at a post office to enable them to gain valuable insights into the daily work of their colleagues on the delivery staff or in the branch network. Last but not least, this measure provided an opportunity to get a better understanding of the challenges and problems involved in interacting with customers.





"I can now provide a much more competent answer in the case of customer complaints in my daily work in receivables management, due to the fact that I have a greater knowledge of the processes involved."



**EUGEN KABELIK**
Head of Receivables Management, Bookkeeping and Accounting

# "... creating future perspectives for employees."



**EDGAR MÜLLER**
Head of the Internal Labour Market
at Austrian Post

***The market environment in which Austrian Post operates is subject to structural changes which also impact the personnel structure of the company. Some Austrian Post employees have had to accept the idea of doing a different type of work. How is Austrian Post supporting them to deal with this?***
MÜLLER: The decisive fact is that we want our consulting offering to reach as many employees in the company as possible, also those who are not directly affected by the structural changes. It is a fact that the more colleagues are aware of their strengths, talents and inclinations, the better it is for the entire company. If this career reorientation takes a longer period of time, the Internal Labour Market also provides advice relating to the outplacement foundation, which agrees upon and implements training measures in cooperation with the participants and Public Employment Service Austria (AMS). The participants in the outplacement foundation receive unemployment benefits for the duration of their training.

With respect to changes within the company, Austrian Post's Internal Labour Market considers itself to be a platform designed to inform employees about career alternatives in the Group, and if necessary, about the additional qualifications required. Moreover, we support employees during the training period, and try to provide the best possible support to them and their respective managers.

***What are the goals of the Internal Labour Market and which measures are being implemented to prepare the affected employees for new types of work?***
MÜLLER: Our objective is to increase the employment rate of employees who lost their previous jobs and to deploy them in areas which reflect their education and pay scales as well as their talents and interests. Let me provide a specific example. In the fall of 2012 Austrian Post launched the programme "Successful perspectives" with the aim of preparing employees for new kinds of work on the basis of internal and external seminars. Simply speaking, the goal is to enhance their "employability", which would significantly increase their flexibility and options in case they lose their jobs.

***The Internal Labour Market is a sensitive issue and entails many challenges. How do you motivate yourself every day?***
MÜLLER: I have often been asked what attitude is actually needed, considering the fact that I am frequently confronted with fear and uncertainty, and sometimes even with anger. Ultimately, my biggest motivation comes from working with people, especially if I succeed in opening up alternatives and new career perspectives. There is nothing more fulfilling than to meet an employee again whose whole face radiates with happiness because he was able to perform well in a new position.

***Which new projects and measures are planned?***
MÜLLER: We are currently negotiating with the federal provinces which repeatedly have attractive job offers, but are also talking to managers in the company who frequently require employees for larger projects. At present we are inquiring about opportunities at our IT support team, which is continuously expanding its product portfolio and already works for companies outside of the Austrian Post Group.

We plan to expand the project "Successful perspectives" to the regions. Furthermore, employees should be informed about the attractiveness of seeking positions outside of the company. There is extensive interest on the part of the labour market in the qualifications of our employees, a fact which is frequently underestimated. In addition, we are paying greater attention to expanding our network and intensifying our contacts to comparable facilities. Networking is a decisive factor on the job market. Many vacant positions are not published but are filled on the basis of recommendations. In the future we will be even more present on the job market.

***Thank you for this interview.***

# *Integrated compliance management*

Austrian Post places great emphasis on the issue of compliance. The awareness of which legal regulations and internal guidelines must be adhered to helps to breathe life into the corporate values and avoid misconduct. Moreover, compliance supports Austrian Post's efforts to be perceived as a reliable and fair partner behaving transparently by its customers, business partners, shareholders and the general public.

In the year 2010, Austrian Post launched its Compliance Management System (CMS), which was successively expanded in the years 2011 and 2012. The aim is to establish a Group-wide compliance culture in order to avoid liability risks and other legal disadvantages which could negatively impact the company and its employees. The conviction underlying these initiatives is that compliance makes a value-added contribution to the development of the company.

## International roll-out continued in the Group

In the year 2012 Austrian Post pressed ahead with the ongoing integration of the compliance organisation in its subsidiaries, especially in the CEE region. Its work focused on the issues of compliance awareness and anti-corruption. The Group-wide implementation of these priorities within the context of classroom instruction will be supported by the launch of a separate e-learning tool in 2013.

The number of regional compliance officers supporting the central Compliance Officer was increased to 17 people in order to implement Group-wide compliance activities. They will be instructed and trained regularly or as needed at "train the trainer" sessions. This will serve as the basis for creating a functioning Group-wide compliance organisation featuring a practical and action-based consulting and training offering to all employees in Austria and all of Austrian Post's international business units.

The "International Compliance Day" held for the first time in September 2012 was attended by all regional compliance officers of Austrian Post, the central compliance team and representatives from the Internal Audit, Risk Management and Legal departments. This event comprised a further step towards the internationalisation and stronger embedding of compliance-related issues in the Group.

## Intensification of communicative approach

In the spirit of a compliance culture which is lived and practiced, Austrian Post makes use of internal communications channels such as the employee magazine, the Post Intranet and announcements made to employees on specific issues. At the same time, selected compliance-related topics, such as the Code of Conduct and Ethics of Austrian Post and the Compliance Help Desk serving as the contact point for inquiries and notifications of potential violations, are communicated within the company and to external stakeholders. The Compliance Help Desk of Austrian Post is at the disposal of employees around the clock via e-mail and a separate Intranet platform. All employees in Austria and abroad can also make use of a separately installed cost-free hotline.

An important communications and information measure was the two-day "International Compliance Day" carried out in 2012, where the regional compliance officers were given extensive training on compliance awareness and anti-corruption. At this event, held at the International Anti-Corruption Academy in Laxenburg, Austrian Post succeeded in attracting renowned representatives of the Anti-Corruption Academy, the Austrian chapter of Transparency International as well as international companies to lecture there.

Austrian Post developed a separate communications campaign at the end of 2012 to enhance awareness of the importance of compliance. It was rolled out at the beginning of 2013 using specially designed posters and folders, and accompanied by a letter by the Chief Executive Officer addressed to all employees. At the same time, the Compliance Help Desk set up in 2011 should be even more firmly embedded in the minds of employees with the help of accompanying communications measures.

**COMPLIANCE HELPDESK**

| | |
|---|---|
| E-Mail | compliance.helpdesk@post.at |
| Hotline Austria | +800 202 224 |
| Hotline international | +800 202 224 26 |
| Hotline Serbia | +43 (0)57767 24317 |

Andrea Scholz, Compliance Officer




Compliance awareness campaign: Combatting against any indiscretion or corruption germs and viruses by implementing extensive precautionary measures.




## Professionalisation of compliance

As part of its CMS, Austrian Post is striving to enhance the professionalism of its compliance organisation. This goal is being pursued based on the ongoing education and training of the entire compliance team. For example, one employee on the central compliance team was successively trained as a certified compliance officer after taking external courses.

In April 2012, the CMS of Austrian Post was evaluated by the Austrian Financial Market Authority (FMA) with respect to issuer compliance. The inspection aimed to monitor adherence to relevant capital market regulations in accordance with the Austrian Stock Exchange Act and the Issuers' Compliance Regulation of the FMA. In its final report, the FMA did not detect any violations of the Stock Exchange Act or the Issuers' Compliance Regulation.

Austrian Post is striving to obtain certification for its compliance management system in 2013. Numerous measures (including the integration of compliance issues in M&A transactions) were already initiated in 2012 to prepare for the certification process.

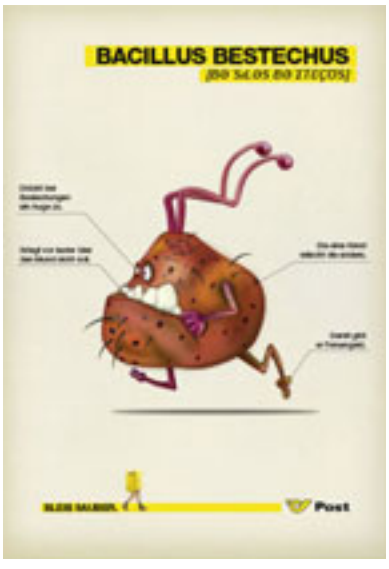
## The Code of Conduct and guidelines based on it

The Code of Conduct developed by Austrian Post in the year 2010 was rolled out throughout the entire Group in 2011 and 2012. For this purpose, the code was translated into seven languages (English, French, Dutch, Slovakian, Czech, Hungarian and Croatian), and made available to all subsidiaries. The Code of Conduct contains the principles applicable to the behaviour of all the people working for the company – the Management Board, executives and all employees.

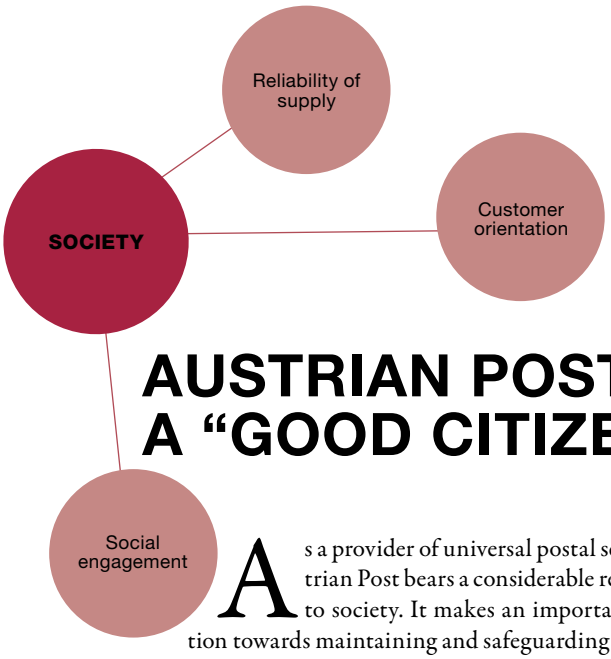
In addition, Austrian Post revised its internal guideline on the "Acceptance and Granting of Gifts, Invitations and Other Advantages" in 2012 on the basis of the changed legal situation arising as a consequence of the Corruption Criminal Code Amendment Act. The new guideline was adopted before the turn of the year and communicated to employees. In 2013, Austrian Post plans to adopt additional guidelines (e. g. "Donations, Sponsoring and Advertising" or on lobbying).








# AUSTRIAN POST AS A "GOOD CITIZEN"

As a provider of universal postal services, Austrian Post bears a considerable responsibility to society. It makes an important contribution towards maintaining and safeguarding the communications infrastructure by providing reliable, top-quality nationwide postal services in Austria. Its attractive and innovative services and a comprehensive service offensive underline the fact that the customer is the focal point of all its business decisions. Because of its importance to the country, Austrian Post is also committed to taking an active part in society. One priority is to be involved in projects which have a direct connection to the core business of the company – its high logistics competence and nationwide network of branch offices.

## Optimal supply for customers

Only Austrian Post delivers letters and parcels each day to every address and doorstep throughout Austria, thus ensuring that basic postal services of outstanding quality are provided to the Austrian population. External quality measurements concluded that 96% of all letters are delivered to recipients on the next working day, higher than the legally stipulated level of 95%.

The obligations defined by the Universal Service Obligation also stipulate a nationwide branch network of at least 1,650 postal service points. Austrian Post surpasses the minimum statutory level in order to optimally serve its customers. At the end of 2012, Austrian Post boasted a network of 1,931 postal service points, thus making it one of the largest private customer service networks in the country.

## Future-oriented restructuring of the branch network

Conditions in the postal sector are being subject to major changes. For this reason, Austrian Post must continually adapt its services and infrastructure in a customer-oriented manner. One key measure is the future-oriented restructuring of the branch network. The emphasis is on the roll-out of the very successful postal partner concept. On balance, a total of 1,376 postal partners, including food stores, petrol stations, tobacconists, municipal authorities and many others, ensured the optimal regional availability and accessibility of Austrian Post and the services it offers, thus comprising an important foundation for the dense network of postal service points throughout the entire country.

## "READ – WRITE – POST"



Austrian Post developed teaching materials for the third class in primary school called "Die Post macht Schule" to promote the reading and writing skills of the younger generation and to raise awareness of the company as an institution in society. Since the launch of this initiative in October 2011, these "school boxes" have been distributed in the meantime to approximately 3,100 Austrian primary schools. They contain worksheets, information brochures, a film about Austrian Post, and last but not least, stamps featuring Fridolin, the Austrian Post fox mascot, which is a particularly popular motive among very young children.

"Earlier Austrian Post needed much longer, but then the letters were delivered more and more quickly. Sometimes I write my grandpa and grandma."



**LEA,** aged 9

## POSTAL PARTNERS – THE BENEFITS ARE CLEAR

- Postal partners promote economic structure in rural areas through local investments and higher customer frequency
- As a rule, postal partners offer longer opening hours, frequently on Saturday as well
- The customers profit from the proximity to the postal partner outlets
- Full service: the efficient supply of postal services above and beyond the legally stipulated mandate

## SOCIETAL OBJECTIVES 2012

1. Expansion of reliable, nationwide postal services
2. Ongoing further development of solutions to enhance customer convenience
3. Promoting business-related, socially-relevant projects and activities




## "Ö3 WUNDERTÜTE"

### A success story continues

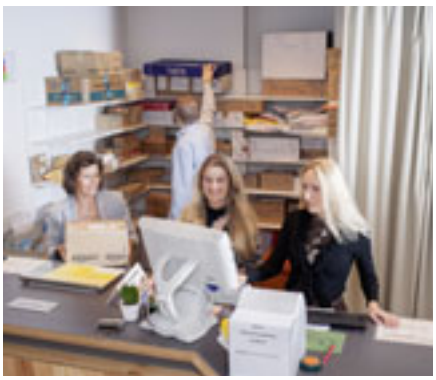
For the 8th time old mobile phones were converted into cash donations for Austrian families in need during the weeks of Advent. As usual, Austrian Post was responsible for distributing the "lucky bags" and subsequently transporting the filled bags. On balance, a total of 250,000 bags were collected, along with full collection boxes in schools and companies. As a result, 457,000 mobile phones were collected, which could be converted into valuable donations for families in need in Austria. The total amount of donations of all Ö3 activities for "Licht ins Dunkel" ("Bring Light into the Darkness") in 2012/13 amounted to EUR 880,000.

# Postal partners in the social sphere



Austrian Post has concluded 41 partnerships with shops and companies in the social sector, making Austrian Post a strong ally for charitable organisations. These partnerships thus fulfil a two-fold social effect: on the one hand, they secure postal services in the local communities, and on the other hand, they help people to (re-)enter the labour market.

One postal partner commemorating a special jubilee also belongs in this category. In September 2012 Austrian Post and Jugend am Werk Steiermark GmbH jointly opened the 1,300th postal partner outlet in Austria. "Jugend am Werk" (Youth at Work) is a social project designed to give new perspectives and opportunites to disadvantaged youth. Their new joint postal service point is located in the middle of the Grazer Messequartier, an innovative apartment house and office complex project in Graz, with two counters providing postal services for the Jakomini district in Graz. At the same time, full-time jobs were given to two women with physical disabilities. "Here jobs with a future were created. They not only guarantee that postal services are provided, but also set an example for successful integration", says Wolfgang Lesiak, Business Unit Manager for Branch Network Sales at Austrian Post. Walerich Berger, Managing Director of Jugend am Werk, adds: "An independent source of income and the full integration in the labour market comprise a major step forward in society for people with special needs. Here Austrian Post is making a valuable contribution in cooperation with Jugend am Werk".



# Post music



At the present time Austrian Post is sponsoring seven Post bands and two Post choirs. These so-called "Post cultural associations" boast more than 400 active members, including 150 employees of Austrian Post as well as employees of Post Bus AG, Telekom Austria AG and private individuals. The musicians frequently dress in historic uniforms, which in some cases date back to the Austrian-Hungarian Monarchy. In the year 2012 the Post cultural associations demonstrated their musical know-how in over 500 performances held at the company itself or in the federal provinces, cities and municipalities. They were also on TV and radio, took part in concert tours in Austria and abroad and recorded music on CDs.

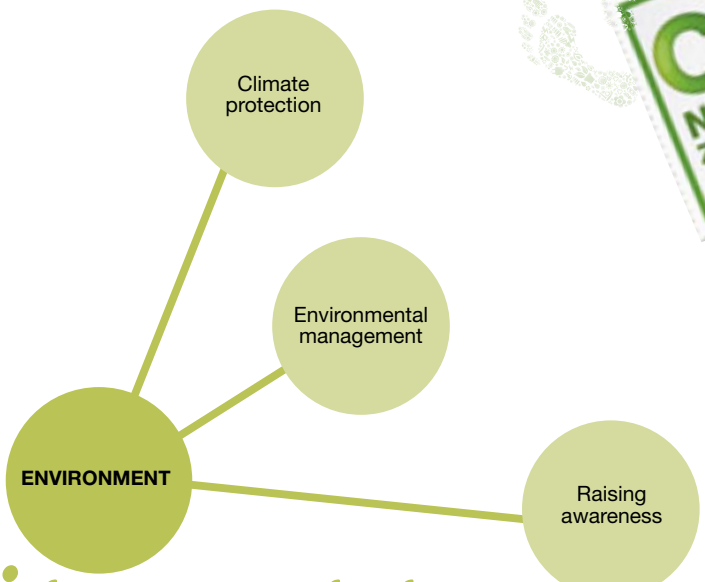
# ENVIRONMENT



## PROMISE

"Austrian Post wants to play a pioneering role in 'green logistics' – on behalf of the environment and its customers."






# Commitment to Climate Protection

## FOR OUR ENVIRONMENT

Environmental protection organisations continually publish warnings. However, the climate-damaging $CO_2$ emissions from fossil fuels continue to increase worldwide, and are partly responsible for climate change. The "Living Planet Report 2012" of the World Wildlife Fund concluded that it takes one and a half years for our planet to replace the natural resources which we as human beings consume in just one year. This cannot continue in the long run. By 2030 we will have used up two "Earths" for our consumption, and three by the year 2050. Each one of us, and also every company, is being called upon to take genuine steps to counteract this development and thus preserve the planet for future generations. Austrian Post wants to make a contribution to climate protection with its initiative $CO_2$ NEUTRAL DELIVERY and serve as a trailblazer in the field of "green logistics".

## FOR OUR CUSTOMERS

The initiative $CO_2$ NEUTRAL DELIVERY enables Austrian Post to help every individual customer to keep house in an even more sustainable manner. This is because all the savings arising from the climate-neutral delivery of postal items can be included in calculating a customer's own climate scorecard. Business customers are issued a certificate each year confirming the $CO_2$ neutral delivery of their mail items.

## DELIVER

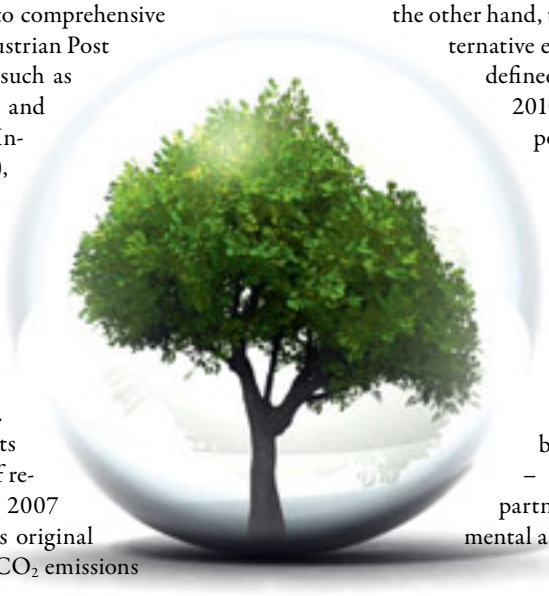
"Since 2011, Austrian Post has been delivering all items in a $CO_2$ neutral manner."

Based on a broad range of measures, from efficiency improvements and the promotion of alternative energy sources to compensation, Austrian Post can guarantee every individual customer that his shipments are delivered to the recipient in a climate-neutral manner. In addition, Austrian Post also plays a pioneering role in the field of e-mobility, underlined by the 265 e-vehicles in the company's vehicle fleet. The next milestone is the planned construction of the largest rooftop photovoltaic plant in Austria at the Letter Mail Logistics Centre Vienna in 2013.

# Successful implementation of an environmental and climate protection strategy

## Austrian Post defines new objectives

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



In the past years major successes were achieved by Austrian Post with respect to reducing the greenhouse gas emissions and energy consumption from its business operations. Austrian Post is not only well on its way towards achieving its objective of reducing $CO_2$ emissions by 10% from 2007 to 2012, but will actually surpass its original target. This is because it already cut $CO_2$ emissions by 15.8% until 2011. On the one hand, this is due to efficiency improvements in the company's core processes, for example optimising building space and operating a modern vehicle fleet. On the other hand, this can be attributed to promoting alternative energy sources. Now Austrian Post has defined even more ambitious targets. From 2010 to 2015, $CO_2$ emissions (incl. transport companies) should be reduced by a further 20%. The remaining emissions will be compensated each year by Austrian Post's support for selected climate protection projects.

At the same time, Austrian Post aims to exploit its position in society as one of the most important service companies in the country in order to build awareness among its stakeholders – customers, employees and business partners – of the importance of environmental and climate protection.

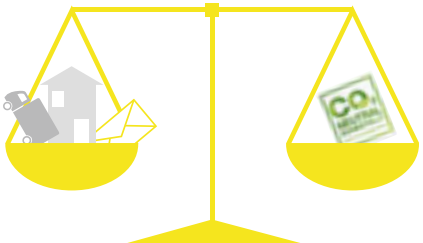
**ENVIRONMENTAL OBJECTIVES 2012**

**1.** Reduction of $CO_2$ emissions by 20% between 2010 and 2015 and annual compensation for remaining emissions

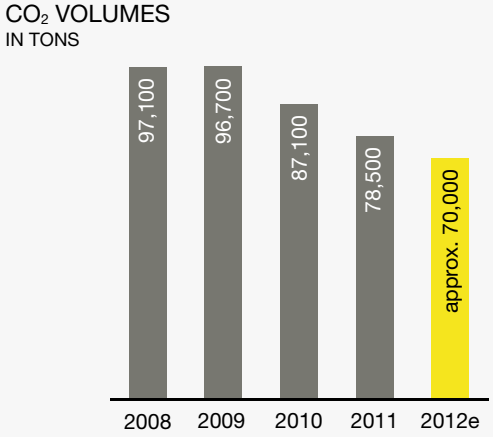
**2.** Expansion and improvement of a central environmental management system

**3.** Sensibilisation of relevant stakeholders to the need for environmental and climate protection

Climate-neutral logistics: the bundle of measures implemented as part of the initiative $CO_2$ NEUTRAL DELIVERY reduces the consumption of resources and greenhouse gas emissions, or compensates for them.



- Logistics sector is an energy-intensive business
- Approx. 9,200 vehicles consume about 14m litres of fuel annually
- About 1.2m square metres of building space require approx. 160m kWh of energy each year
- Each day some 200,000 km are driven as the basis for delivering all mail items in Austria



# $CO_2$ NEUTRAL DELIVERY
## HOW IT WORKS

**All mail items in Austria – regardless of whether they are letters, direct mail items, magazines and newspapers or parcels – have been delivered in a climate neutral manner since 2011.**

### 1 Avoid emissions and increase efficiency

**BUILDINGS**
Monitoring of energy consumption
Efficient lighting concepts
Conversion of heating from oil/gas to district heat
Optimisation of the building infrastructure

**VEHICLE FLEET**
Optimised route planning
Modern vehicle fleet
Driver trainings

### 2 Alternative sources of energy

**BUILDINGS**
Conversion of entire electricity procurement to "green electricity"
Construction of the largest rooftop photovoltaic facility in Austria

**VEHICLE FLEET**
Trailblazer in the field of e-mobility
265 electric powered vehicles in Austrian Posts fleet

### 3 Compensation

All emissions which cannot be avoided at the present time are being voluntarily compensated by supporting to certified domestic and international climate protection projects.

## NATIONAL AND INTERNATIONAL TRAILBLAZER

*Awards confirm that Austrian Post is a forerunner when it comes to climate protection*

Experts on both a national and international level have confirmed the role model effect of the $CO_2$ NEUTRAL DELIVERY initiative and its positive impact on the global climate by bestowing climate protection prizes on Austrian Post. In 2012 Austrian Post was given the "International Postal Technology Award" in the category "Environmental Achievement of the Year". In addition, Austrian Post scored top marks in the Carbon Disclosure Project (CDP), the world's largest database for corporate environmental and climate change information, and became only the second Austrian company to be listed in the important Carbon Disclosure Leadership Index.

The commitment of the company has also been acknowledged in Austria. The $CO_2$ NEUTRAL DELIVERY initiative won first place in the VCÖ Mobility Prize category "Climate friendly freight traffic". Willi Nowak, Managing Director of VCÖ, the Austrian Association for Sustainable Mobility, emphasized the example set by the initiative at the awards ceremony. "Large companies bear a particular responsibility that their activities are not detrimental to the environment and that they operate in a climate-conscious manner. Austrian Post's actions underscore the pioneering role it is playing."



"Austrian Post's actions underscore the pioneering role it is playing."

**WILLI NOWAK**
Managing Director, Austrian Association for Sustainable Mobility (VCÖ)

## EXTERNAL ASSESSMENT AND VERIFICATION

The entire initiative $CO_2$ NEUTRAL DELIVERY is being monitored and assessed by independent experts at TÜV AUSTRIA as a means of ensuring that the targeted positive ecological effects are actually achieved. TÜV not only examines the overall calculations of emissions, but is strongly involved in the process of selecting climate protection projects. Every single aspect of the initiative is evaluated down to the very last detail, in order to be able to confirm with reasonable assurance that Austrian Post really delivers all mail items in Austria in a $CO_2$ neutral manner.

"For Casinos Austria it is important to know that in spite of intensive communications with more than 320,000 Lucky Card owners, the environment is not burdened with additional emissions. The measures taken by Austrian Post to promote alternative energy sources and avoid greenhouse gas emissions as well as activities underlying compensation for $CO_2$ emissions guarantee this. These are the reasons why Austrian Post is the ideal partner for us."

**ROMAN MELCHERT**
Head of Guest Loyalty, Casinos Austria










## CUSTOMERS PROFIT FROM $CO_2$ NEUTRAL DELIVERY

Sustainability aspects are playing an ever increasing role in the business operations of companies. In the logistics industry, customers not only want to know the quantity of emissions by the delivery of their shipments, but increasingly demand environmentally compatible products. Austrian Post supports its customers in improving their own personal climate scorecard by ensuring climate neutral delivery. Since the beginning of 2012, Austrian Post's climate neutral delivery on behalf of business customers has been confirmed by the annual issuing of a certificate. Some 600 large customers received this certificate for the 2011 financial year. Preparations are in full swing to hand over the certificates for 2012. Due to the high level of demand, more certificates will have to be issued than in the previous year.




## ENVIRONMENTAL INDICATORS AUSTRIAN POST AG

| | 2010[1] | 2011 | 2012 |
|---|---|---|---|
| **Consumption of significant quantities of resources (kWh million)** | **164.7** | **158.0** | [2] |
| **Building space (m²)** | **1,186,753** | **1,130,165** | **1,121,801** |
| thereof owned by Austrian Post | 748,936 | 695,840 | 680,144 |
| **Fuel consumption: petrol, super diesel, natural gas (litre million)** | **15.2** | **14.6** | **14.3** |
| thereof diesel | 14.8 | 14.2 | 13.9 |
| **$CO_2$ emissions (scope 1–3) according to the Greenhouse Gas Protocol (t)** | **87,068** | **78,533** | [2] |
| thereof scope 1 – road transport (own operations) | 37,299 | 35,821 | 35,054 |
| thereof scope 1 – buildings | 9,572 | 9,265 | [2] |
| thereof scope 2 – buildings | 22,489 | 14,783 | [2] |
| thereof scope 3 – partner companies | 17,708 | 18,664 | 20,394[3] |
| **Vehicle fleet (total)** | **9,248** | **9,650** | **9,187** |
| Bicycles | 1,032 | 1,049 | 958 |
| thereof electric bicycles | 64 | 94 | 164 |
| Mopeds | 1,252 | 1,235 | 1,078 |
| thereof electric mopeds | 6 | 6 | 80 |
| Vehicles up to 3.5t | 6,788 | 7,214 | 7,005 |
| thereof natural gas-driven vehicles | 77 | 77 | 74 |
| thereof electric-powered vehicles | 0 | 18 | 18 |
| Vehicles over 3.5t | 176 | 152 | 146 |
| **Total number of kilometres (km million)** | **120** | **119** | **119** |

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

[1] The indicators for buildings were revised for the year 2010 due to an optimised data compilation. Moreover, as of 2010 updated $CO_2$ conversion factors were applied for the entire data in order to ensure a consistent calculation over the entire target period.

[2] Data not yet available, but will be published in the Sustainability Report 2012.

[3] Scope 3 emissions in the year 2012 only include the freight share. The emissions caused by postal partners will be presented in the Sustainability Report 2012.

# AUSTRIAN POST RELIES ON RENEWABLE ENERGY

*Installation of Austria's largest rooftop photovoltaic facility*

Since the beginning of 2012, all of the electricity consumed by Austrian Post has been produced from renewable energy sources. This is because "green electricity" is derived from the Earth's natural energies, namely from the sun, water, wind, biomass and geothermal energy. The generation of electricity is environmentally compatible and virtually no greenhouse gas emissions arise in the process. Now Austrian Post is going a step further. In the future the company will not only exclusively use "green electricity" but will also produce it itself. The company is about to announce a tender for the largest rooftop photovoltaic facility in Austria, which will be constructed at the Vienna Letter Centre within the context of the "E-Mobility Post" programme. The logistics centre provides optimal conditions, featuring a roof area of about 30,000 square metres. The planned photovoltaic facility will use one-third of the roof area, and boast a maximum output of about 900 kW. The energy derived from the plant will be able to supply electricity from clean solar energy for the entire e-vehicle fleet of Austrian Post, which is planned grow to more than 1,000 vehicles by 2015. With respect to its electricity consumption, Austrian Post is also striving to exploit potential savings by implementing new efficient lighting concepts.

**COMMENTARY**

## A gigantic step towards a sustainable energy supply



**MANFRED GASSNER**
Manfred Gassner, Project Manager for Austrian Post's photovoltaic facility

Austrian Post is taking a gigantic step towards a sustainable energy supply by constructing a photovoltaic plant on the roof of the Vienna Letter Centre in Vienna-Inzersdorf to supply the energy required to power its entire electric vehicle fleet. On balance, the facility should feature an energy yield of 893,000 kWh each year, corresponding to the energy consumed by about 250 households. The integration of the new plant in the static and electrical concept of the logistics centre will prove to be technically challenging. Naturally, we want to derive the highest possible energy yield.

klima:aktiv mobil

# Delivery under power

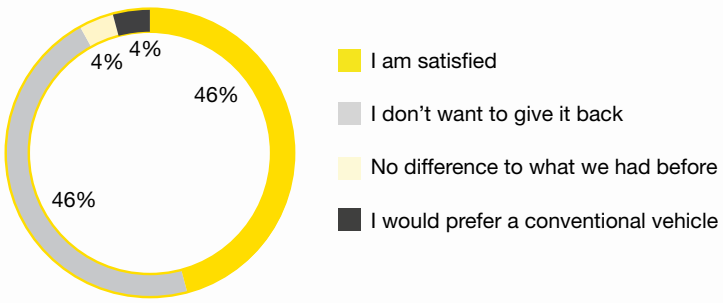
## Austrian Post increasingly relies on e-mobility

The "Energy Strategy 2020" of the Austrian Federal Government defined an ambitious goal in the field of electro mobility. The target is to have 250,000 electric-powered vehicles running on Austria's roads by the year 2020. This requires new mobility concepts, a new infrastructure and above all the will to change one's views. One thing is obvious: effective climate protection is inconceivable unless such ambitions are turned into reality. According to the latest study of the Austrian Federal Environmental Agency, alternative fuel vehicles alone could reduce $CO_2$ emissions by approximately 2.3m tons between 2010 and 2020. These figures underscore the fact that e-mobility offers an important problem-solving approach to help the country achieve these undoubtedly highly ambitious goals. In Austria there are only a very small number of companies which have confidence in this relatively new technology. However, Austrian Post is convinced that in a few years' time the pioneers of e-mobility will rank among the major winners of this climate-neutral mode of transport.




Supported by the funding programme "klima:aktiv mobil" launched by the Austrian Federal Ministry of Agriculture and Forestry, Environment and Water Management, Austrian Post already operated more than 265 electric powered vehicles in its fleet at the beginning of 2012 (of which 247 were single-track e-vehicles along with 18 electric cars) as well as 77 vehicles powered by natural gas. Whereas the single-track e-vehicles have long been part of Austrian Post's vehicle fleet, the company ventured into unchartered territory by purchasing 18 electric cars in 2011. Austrian Post currently has eight electric powered Citroen Berlingo vehicles in use in addition to ten Renault Kangoo cars.

92% OF THE DELIVERY STAFF ARE SATISFIED WITH THEIR E-VEHICLE




The new electric-powered vehicles have been well received by the delivery staff, as a survey carried out at the end of 2012 confirms. 92% of the delivery staff are satisfied with their e-vehicle.

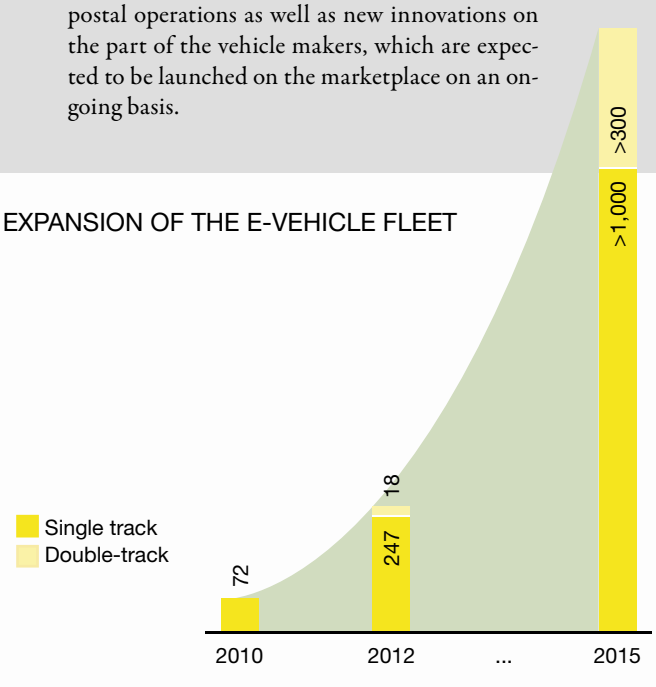
In the daily use of electric-powered vehicles, the delivery staff not only had to cope with the switchover to automatic transmission, but the lack of background noise took some getting used to. "An electric car simply does not make any more noise. In the transition phase I had to occasionally honk my horn. Otherwise the pedestrians wouldn't have been able to realize that a car was approaching", says mail carrier Angela Schiller from Dürnstein, who is one of the very first electric car drivers. Initially there were some problems at extremely low winter temperatures. Ultimately the need to change one's driving style in order to increase efficiency also plays an important role. For this reason, driver trainings focus on optimally handling electric-powered vehicles as well as efficient driving techniques.

All in all, the initial assessment of the test phase was encouraging. Therefore Austrian Post will increasingly rely on this promising future technology. The company specifically plans to integrate more than 1,000 e-vehicles in its fleet by the year 2015. Austrian Post depends on public grants due to the fact that e-mobility is not yet economically feasible at the present time. Austrian Post has found partners for the coming years, namely the Austrian Climate and Energy Fund of the Austrian Federal Government and the klima:aktiv mobil programme of the Austrian Federal Ministry of Agriculture and Forestry, Environment and Water Management, which strongly supports the company's efforts to further expand its fleet of e-vehicles by providing funding and know-how.




With its model region "E-Mobility Post", Austrian Post is one of eight model e-mobility regions in Austria. The company plans to purchase about 300 electric cars, 300 e-mopeds and more than 500 electric bicycles in the period 2012–2015 within the context of this program. This is designed to test and research the practical use of these vehicles in the mail delivery process. The expansion of Austrian Post's fleet of electric-powered vehicles by 2015 depends on the suitability of these vehicles for postal operations as well as new innovations on the part of the vehicle makers, which are expected to be launched on the marketplace on an ongoing basis.

EXPANSION OF THE E-VEHICLE FLEET




"... nine out of ten drivers are satisfied with their e-vehicle."



**BARBARA RATZENBÖCK**
Head of Equipment & Vehicle Fleet

***Austrian Post is one of the Austrian pioneers in the field of electro mobility. What were the reasons for embarking on this new path?***
RATZENBÖCK: Austrian Post operates in a very energy-intensive business. This is why the priority is on avoiding emission in the first place, particularly in the vehicle fleet. The prerequisite is optimised route planning, but also of course the deployment of modern vehicles. Electric-powered cars comprise an ideal upgrading of our modern fleet. In this way, as the largest logistics company in the country, we take responsibility for helping to actively avoid greenhouse gas emissions.

***How would you summarise the initial testing period? Do the mail carriers look favourably upon this new technology?***
RATZENBÖCK: Absolutely. We recently surveyed the drivers, and nine out of ten e-drivers were satisfied with the vehicles. Every second driver is so enthusiastic about the e-vehicle that he does not want to give it back at all. Our colleagues also gave us numerous tips on how to better adapt the vehicles for postal operations. We will take them into account in our next purchase of vehicles.

***What plans do you have for the future? Will Austrian Post move ahead with expanding its e-vehicle fleet?***
RATZENBÖCK: We plan to integrate more than 1,000 e-vehicles in our fleet by the year 2015. This will naturally depend on their suitability for the postal service and their technical availability. In addition, we also want to test alternative models in our delivery operations, for example electro quads and electric three-wheelers.

***Thank you for this interview.***



# Austrian Post combats climate change

## Global support for climate protection projects

Not only states but private individuals and companies such as Austrian Post are being called upon to reduce their $CO_2$ emissions and make a contribution to climate protection in order to keep the negative effects arising from the emissions of climate-damaging greenhouse gases on people and the environment at a tolerable level. Austrian Post accepts its responsibility and is serving as a trailblazer thanks to its initiative $CO_2$ NEUTRAL DELIVERY, as previously mentioned. However, all emissions which cannot be avoided at all or cannot be avoided yet are voluntarily compensated by the support of domestic and international climate protection projects. This is because $CO_2$ compensation is seen as an appropriate and efficient tool to reduce $CO_2$ emissions. For this reason, Austrian Post is providing support to more than 20 certified international climate protection projects in the fields of energy efficiency, reforestation, biomass, geothermal energy as well as wind power and hydropower.

In addition to reducing emissions, particular attention is attached during the selection process to the ecological and socio-economic aspects of the projects in the light of Austrian Post's objective of pursuing a holistically oriented sustainability strategy. Austrian Post also supports smaller projects on a national level which contribute to climate protection on a regional basis in addition to international climate protection projects. The projects are spread out throughout Austria, ranging from the installation of heat pumps, solar and biomass plants to district heating connections.



# BIOGAS IN INDIA

*One project in detail:*
*Clean energy for self-sufficiency*

A majority of the households in rural areas in India are dependent on wood to cover their energy needs. However, as a consequence more firewood is used than can naturally grow back again. In addition, the smoke from the stoves and fireplaces poses a serious danger to people's health. At the same time, the population is suffering from hygienic problems because there is no adequate solution to disposing of animal excrements i. e. cow dung. The selected project is designed to solve both problems in one swoop. Families are being equipped with biogas reactors in which animal excrements can be fermented. This creates the biogas which can be used in the households for the cooking of food, boiling of water and for lighting. On a daily basis, the excrements of only one cow are sufficient to cover a simple household's energy needs. The project impressively demonstrates how climate protection can lead to direct improvements in the quality of life of people in developing countries: reduced soil erosion, preservation of living space for animals and plants, reduction of the burden on human health from combustion residue, and the improvement of local hygienic conditions.






The $CO_2$ calculator given to Austrian Post employees during the campaign "STEP BY STEP for our climate – we are part of it!"

# "STEP BY STEP for our climate – we are part of it!"

## Start of an Austrian Post employee campaign

As a company of national significance and employer for thousands of people in Austria, Austrian Post considers part of its responsibility to increase awareness of the importance of environmental and climate protection. Against this backdrop, the company initiated a campaign targeting employees in 2012 entitled "STEP BY STEP for our climate – we are part of it!". An appealingly designed folder including a $CO_2$ calculator should help to simply determine an individual's personal ecological footprint with respect to his or her place of residence, nutrition, mobility, other areas of consumption and travelling, and to identify areas where potential savings could be achieved. In addition, climate protection tips for everyday life are included in the information materials. Many Austrian Post employees are already setting an example, and are making their own personal contributions to climate protection. One of them is Andrea Weiß, mail carrier in Dornbirn: "Every day I ride my bicycle through Bregenz at five o'clock in the morning to get to the train station, take the train to Dornbirn, where I then walk to the Post delivery base. The same thing takes place on the way back. In this way I save $CO_2$ and also manage to stay fit!"




In a second phase, the campaign shows possibilities for people to compensate for the $CO_2$ emissions they themselves cause. One example is to support reforestation projects. This is because trees can remove considerable amounts of $CO_2$ from the atmosphere during their growth within the process of photosynthesis. A showcase project of this kind is the "Rainforest of the Austrians." The association with the same name, founded 20 years ago by the Austrian environmental protection advocate Michael Schnitzler, has been able to purchase with the help of donations more than 4,000 hectares of the Esquinas Rainforest which spans 159 square kilometres in southwestern Costa Rica, and give this land to the national park administrative authorities. The Esquinas Rainforest is one of the last remaining intact lowland rain forests on the Pacific coast of Central America. Within the context of the campaign "STEP BY STEP for our climate – we are part of it!", Austrian Post employees have the opportunity to support this project and thus make a personal contribution to climate protection.

# SERVICE

## FACTS & FIGURES

### MAIL & BRANCH NETWORK DIVISION

**Letter Mail**
- Acceptance of letter mail at approx. 22,000 postal pick-up points in Austria
- Every day, every door: daily, nationwide delivery of the highest quality (at least 95% of domestic letters are delivered on the next working day)
- Production: letters are printed, enveloped and prepared for mailing
- Delivery of an average of about 1bn letters annually to 4.3m households and companies in Austria
- On-time delivery and pick-up of business mail by a preferred deadline for about 3,300 companies
- Mailroom services: processing of mail for approx. 100 corporate customers; in the process the subsidiary Scanpoint processed about 100m documents in 2012.

**Direct Mail**
- Delivery of about 650m addressed direct mail items annually in Austria
- Delivery of approx. 3.4bn unaddressed direct mail items annually in Slovakia, Hungary, Croatia, Romania, Poland and Bulgaria
- Delivery of roughly 3.6bn unaddressed direct mail items annually in Austria
- Preparation of geomarketing distribution plans according to geographic, socio-demographic and socio-economic criteria
- Production: flyers, envelopes, etc. are printed, individualised, personalised and enveloped

**Media Post**
- Delivery of about 420m print media (newspapers and magazines) and 340m regional media in Austria
- Subscription marketing and related services, subscription packages for publishing companies with readership profile analysis, support in attracting new customers and reading reactivation, professional response management and returns processing

**Branch Office Sales**
- 60m customer visits
- 1,931 company-operated post offices and third-party operated outlets

**Postal services**
- 586m letters and 15m parcels deposited in the branch network
- Handling of letter mail and parcel products (e. g. PO boxes, vacation mail holding and franking services), branch network products, customer care services for SMEs and sale of philatelic products (commemorative stamps)

**Retail products**
- 105,000 mobile telephony products sold, 60,000 orders for fixed line and Internet products offered by Telekom Austria
- A broad range of telecommunications products (e. g. mobile, fixed line and Internet) as well as post-related retail products and services, such as paper, stationery, office and technical products, entertainment products (CDs, DVDs) and lottery

### PARCEL & LOGISTICS DIVISION

**Domestic market of Austria**
- Delivery of about 65m parcels and EMS items to all households/companies in Austria
- Parcel and EMS service to 220 countries around the world
- Leading service provider for delivery of mail order parcels – nationwide delivery of the highest quality (more than 96% of parcels transported within the context of the Universal Service Obligation reach their recipients within the legally stipulated period)
- Parcel pick-up for business customers and processing of mail items in seven sorting centres and 13 own delivery bases
- Fulfillment services such as warehousing, pick-up and packaging of goods, delivering to stores or returns management ("Systemlogistik")
- Marketing services such as advertising material logistics, customer club management, product sampling and event logistics ("Systemlogistik")
- National and international transport of valuables, cash management, services for cash dispensing machines, high security storage ("Post.Wertlogistik")

**Specialty logistics in Western Europe**
- National and cross-border delivery of 52m combined freight shipments annually in Germany, Belgium and in 34 countries in Europe via EURODIS
- 40 sites in the network of trans-o-flex (express delivery service)
- Transport and delivery of temperature-sensitive pharmaceuticals in Germany and Austria (44 ThermoMed locations)
- Logistics services such as warehousing, pick-up and value-added services such as the setting up of sales displays or electronic devices to the customer-specific transport networks seven logistics locations

**B2X market in South East and Eastern Europe**
- 74 logistics locations in Slovakia, Hungary, Serbia, Montenegro, Bosnia-Herzegovina and Croatia secure position as the B2B market leader in CEE core markets
- Delivery of 12m parcels per year
- Cooperation with renowned logistics companies such as UPS
- Installation of a B2C network – already every fourth item is 2C

# SOLID PERFORMANCE IN 2012

INCOME STATEMENT

| EUR m | 2011 | 2012 | Change % |
|---|---|---|---|
| Revenue | 2,348.7 | 2,366.1 | 0.7% |
| Revenue excl. Benelux[1] | 2,304.4 | 2,348.9 | 1.9% |
| Raw material, consumables and services used | –759.8 | –766.9 | 0.9% |
| Staff costs | –1,050.8 | –1,091.4 | 3.9% |
| Other operating expenses | –320.0 | –294.8 | –7.9% |
| Results of investments consolidated at equity | –10.8 | –13.9 | –28.6% |
| Earnings before interest, tax, depreciation and amortisation | 281.9 | 271.2 | –3.8% |
| Depreciation and amortisation incl. impairments | –114.4 | –88.8 | –22.4% |
| EBIT | 167.5 | 182.4 | 8.9% |
| Earnings before tax (EBT) | 162.3 | 151.6 | -6.6% |
| Profit for the period | 123.2 | 123.2 | 0.0% |
| Earnings per share | 1.82 | 1.82 | 0.0% |

Solid revenue development despite difficult economic environment

Improved operating results achieved in both divisions

CASH FLOW

| EUR m | 2011 | 2012 | Change % |
|---|---|---|---|
| Operating cash flow before changes in working capital | 228.2 | 246.7 | 8.1% |
| Investments in property, plant and equipment and intangible assets (CAPEX) | –84.8 | –86.2 | 1.6% |
| Cash flow from acquisitions/divestments | 1.1 | –39.3 | <–100% |
| Free cash flow | 162.5 | 131.3 | –19.2% |
| Free cash flow before acquisitions/ divestments | 161.4 | 170.5 | 5.7% |
| Dividends | 1.70 | 1.80[2] | 5.9% |

Strong cash flow enables future-oriented investments and an attractive dividend policy

SELECTED INDICATORS

| EUR m | 2011 | 2012 | Change % |
|---|---|---|---|
| EBITDA margin | 12.0% | 11.5% | – |
| EBIT margin | 7.1% | 7.7% | – |
| Net debt | –61.5 | –68.5 | 11.4% |
| Equity ratio (%) | 42.1% | 41.7% | – |
| ROE[3] (%) | 21.1% | 21.0% | – |
| Gearing Ratio[4] (%) | 8.8% | 9.7% | – |
| Capital Employed | 708.9 | 713.2 | 0.6% |
| ROCE[5] (%) | 22.7% | 25.6% | – |

EBITDA margin at the upper end of the targeted range of 10–12%

Solid balance sheet structure with low net debt and high level of cash and cash equivalents

Note: early application of IAS 19 (revised version)
[1] The closing of the disposal of trans-o-flex Nederland B.V. took place as at March 15, 2012, and of trans-o-flex Belgium B.V.B.A. as at May 31, 2012
[2] Proposal to the Annual General Meeting on April 18, 2013, dividend payment on May 2, 2013
[3] Return on equity = Profit for the period/capital and reserves on January 1 less dividends
[4] Gearing ratio = Net debt/capital and reserves
[5] Return on capital employed = EBIT/average capital employed

# GLOSSARY

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

**BUSINESS TO BUSINESS (B2B).** B2B refers to business transactions among companies.

**BUSINESS TO CONSUMER (B2C).** In contrast to B2B, the private customer and end-user is the recipient of a good or service from a business.

**COMBINED FREIGHT.** Joint transport of parcels and pallets by one network.

**CONSUMER TO CONSUMER (C2C)** refers to the business relationships between private individuals (end consumers).

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

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

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

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

**LIBERALISATION.** Since the beginning of 2011 (and in some countries by 2013) the letter mail market in the EU has been completely liberalised. In line with this deregulation, the Austrian market for letter mail and addressed direct advertising items weighing over 350g was opened to competition on January 1, 1998. The market opening was extended to cover items weighing over 100 g and all outbound mail, effective January 1, 2003. As at January 1, 2006, free competition was extended to all letters weighing over 50g.

**MAILROOM SERVICES.** Austrian Post operates the mailroom of a company or organization (internal distribution, mail dispatching, delivery).

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

**POSTAL PARTNER OFFICES.** The postal partner offices, which are operated by food stores, tobacconists, local communities, tourist boards, etc. offer selected postal and financial services.

**POSTAL SERVICE POINTS.** Nationwide postal services in Austria are ensured on the basis of 1,931 company-operated post offices and third-party operated outlets.

**REDIRECTIONS.** On request mail items are temporarily forwarded to another address.

**THIRD POSTAL DIRECTIVE.** The Austrian postal market was completely liberalised on the basis of the EU's Third Postal Directive. This means that as of 2011, other companies are also legally permitted to deliver letters weighing up to 50g (see Liberalisation).

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

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

**VACATION MAIL HOLDING SERVICE (HOLIDAY MAILBOXES).** Secure and discreet safekeeping of mail items during a recipient's absence. These items are available for pickup after the vacation, or will be delivered on a specified date.

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