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EANS-Adhoc: Österreichische Post AG / Revenue down by 3.6%, EBIT decline of 8.0%

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6-month report

13.08.2009

Austrian Post in the First Half-Year 2009: Revenue down by 3.6%, EBIT decline of 8.0% Ongoing difficult market environment in 2009 makes cost savings the top priority

- Difficult market environment: economic forecasts predict decline in Austria's GDP of about 4%; companies strive to reduce volume and weight of mail items and intensify electronic communication - Group revenue down 3.6%, or EUR 42.8m - Mail (-4.5%): Decrease of daily letter mail and direct mail items - Parcel & Logistics (-3.0%): Recession-related volume decline and price pressure; growth on the Austrian market supported by the new customer Hermes - Branch Network (+1.3%): Positive development of telecommunications products; stable revenue from financial services - Earnings before interest and tax (EBIT) decrease 8.0%, to EUR 75.4m - Initial successes of efficiency-enhancing and cost-reduction measures, which continue to be the top priority

Austrian Post at a glance The tendencies shown in the first half of the 2009 financial year confirm the expectation that the international economic crisis will also pose a major challenge to Austrian Post. This is primarily related to the fact that letter mail and parcel volumes are dependent on overall market developments, consumption patterns of the population and advertising expenditures of companies. In addition, in the current business environment, many companies are trying to counteract declining revenues by cutting costs. The result of this development, as well as the structural change related to the increasing substitution of letters by electronic media, negatively affects daily business letter mail and parcel delivery volumes. Accordingly, the total revenue of Austrian Post fell by 3.6% or EUR 42.8m to EUR 1,156.0m in the first half of 2009 compared to the preceding year. Group revenue declined in the second quarter by 4.8%, to EUR 560.8m.

Both the Mail and Parcel & Logistics Divisions were subject to major changes. The Mail Division posted a 4.5% drop in revenue caused by the reduction in daily business mail and direct mail items, whereas the Parcel & Logistics Division recorded a 3.0% contraction in revenue based on a recession-related price pressure on premium parcels.

In contrast, business with standard parcels developed positively, supported by the volume growth of the new customer Hermes. In 2008, Austrian Post already began to implement measures to improve efficiency and reduce costs as a means of counteracting the consequences of the economic downturn. The result has been perceptible successes in cutting operating expenses and adjusting personnel capacities. On balance, Austrian Post has realised cost savings of about EUR 36m. However, the decline in earnings was primarily shaped by the drop in revenue of EUR 42.8m, and salary increases amounting to EUR 22m in the first half of 2009. Earnings before interest and tax (EBIT) were down 8.0%, to EUR 75.4m.

As a result, Austrian Post will intensify implementation of the measures being taken to counteract the economic crisis. This relates both to initiatives designed to increase sales as well as further cost reductions. The company should manage to compensate for salary increases in 2009 on the basis of socially acceptable changes, such as taking advantage of the process of employee fluctuation and not filling job vacancies. The collective wage agreement valid for new employees as of August 1, 2009 will also positively support these efforts. Further savings in operating expenses are also planned. Austrian Post aims to cut the total costs of raw materials, consumables and services used and other operating expenses by at least EUR 30m below the comparable level for 2008.

"The economic situation and structural changes require systematic cost reductions at all levels," says Rudolf Jettmar, Chairman of the Management Board and Chief Executive Officer of Austrian Post.

Business development - earnings in detail The recession in 2009 has clearly left its mark on many companies. Declining revenues and increased cost pressure have led to an intensified decline in business mail volumes for letters and parcels. Austrian Post's business development was not only negatively affected by the severe downturn, but also by the fewer working days in the first half of the year compared to H1 2008. Accordingly, total revenue of Austrian Post fell by 3.6%, or EUR 42.8m in a year-on-year comparison, to EUR 1,156.0m. Group revenue declined in the second quarter of 2009 by 4.8%, to EUR 560.8m.

Revenue of the Mail Division in the first half-year 2009 decreased by 4.5%, primarily due to declining business in the Letter Mail and Infomail (addressed and unaddressed direct mail items) business areas. The economic downturn and the resulting reduction in daily business mail volumes, the substitution of letter mail by electronic media and delays in advertising expenditures for direct

marketing had a perceptibly negative impact on earnings.

The recession-related decline in parcel volumes and international price pressure combined to negatively affect the revenue development of the Parcel & Logistics Division (-3.0%), in particular in the premium parcel segment. In contrast, business with standard parcels in Austria expanded, supported by the volume growth of the new customer Hermes.

The 1.3% revenue growth generated by the Branch Network Division can be attributed to the good development in sales of mobile telephony and fixed line products. The development of the financial services business was stable.

Revenue by division*)

EUR m	H1 2008	H1 2009	Change	Q2 2008	Q2 2009
Total revenue	1,198.8	1,156.0	-3.6%	588.9	560.8
Mail	720.5	688.4	-4.5%	350.5	335.5
Parcel&Logistics	382.5	371.1	-3.0%	191.3	180.2
Branch Network	94.0	95.2	+1.3%	46.0	44.5
Other/Consolidation	1.8	1.2	-30.6%	1.1	0.6
Working day in Austria**)	125	122	-	62	60

*) External sales of the divisions

**) Calendar working day

Income statement

EUR m	H1 2008	H1 2009	Change	Q2 2008	Q2 2009
Revenue	1,198.8	1,156.0	-3.6%	588.9	560.8
EBITDA	139.8	126.5	-9.5%	64.4	54.3
EBIT	81.9	75.4	-8.0%	32.1	27.6

Austrian Post's priorities are increasingly focused on a sales offensive as well as activities designed to improve efficiency and reduce costs. These measures have achieved initial successes. The decline in revenue of EUR 42.8m and the salary increase of about EUR 22m could be partially compensated by operational cost savings of approximately EUR 36m. Although initial savings have been achieved in respect to material costs and other operating expenses, additional positive effects based on the initiated measures will be primarily expected in the second half of the financial year.

Staff costs of Austrian Post, the largest operating expense item, amounted to EUR 560.9m in H1 2009 and comprising close to 50% of total revenue. The wage agreements concluded at the end of 2008, stipulating salary increases of 3.7% as of January 1, 2009 on the basis of the high inflation rate prevailing in 2008, pushed up staff costs. The salary increases accounted for EUR 22m in additional costs throughout the Group, which could only be counteracted by socially acceptable measures such as taking advantage of employee fluctuation. The total average number of employees fell by 889 people from the preceding year, to 25,900 employees.

All operating divisions suffered from recession-related reductions in earnings.

The Mail Division generated a positive EBIT of EUR 114.5m (EUR -21.2m from H1 2008), whereas EBIT at the Parcel & Logistics Division was negative, at EUR -3.4m (EUR -10.5m change), and the Branch Network Division posted an EBIT of EUR -4.0m (EUR -10.7m change).

In contrast, an earnings improvement was achieved in the Other/Consolidation segment, which encompasses non-allocated costs for central departments, expenses in connection with unused properties, income from rents and leases, gains on the disposal of property, plant and equipment, expenses in connection with the employee social plan and the change in the provision for employee under-utilisation. In the first half of 2009, the necessity for new allocations to the provision for employee underutilisation was low. In fact, an increasing number of employees for whom provisions had been previously allocated could be reintegrated into the company's operations. On balance, the provision for employee under-utilisation could be reduced by EUR 22.3m. In contrast, a total of EUR 15.1m was allocated as a provision for employees who voluntarily accepted the employee social plan stipulating temporary leave until they reach retirement age. As a result, EBIT of the Other/Consolidation segment improved to EUR -31.8m.

The financial result of Austrian Post declined to EUR -0.1m in the first half of 2009, which is related, amongst other reasons, to lower interest rates and a positive one-off effect in the previous year.

Earnings before tax fell by 15.5%, to EUR 75.2m. After deducting income taxes totalling EUR 19.1m, net profit for the period (earnings after tax) amounted to EUR 56.2m, corresponding to EUR 0.83 per share in the first half-year 2009, compared to EUR 1.00 per share in the previous year, and EUR 0.33 per share in the second quarter of 2009 after EUR 0.40 per share in Q2 2008.

Solid balance sheet structure Austrian Post pursues a risk-adverse business approach. This is demonstrated by the high equity

ratio, the relatively low level of financial liabilities and the high amount of cash and cash equivalents.

On balance, the analysis of the balance sheet of Austrian Post shows a considerable level of current and non-current financial resources on the assets side. Austrian Post had cash and cash equivalents of EUR 144.6m as at June 30, 2009, and financial investments in securities amounting to EUR 118.0m. Accordingly, total liquid financial resources at the disposal of Austrian Post decreased from EUR 340.6m as at December 31, 2008 to EUR 262.6m as at June 30, 2009, which includes the second-quarter 2009 payment of the dividend for the 2008 financial year. As opposed to total liquid financial resources, the financial liabilities only amount to EUR 132.5m.

Cash flow Total operating cash flow before changes in working capital amounted to EUR 82.7m, which includes ascertainable recession-related effects as well as the lower number of working days. The decline in letter mail and parcel volumes was reflected in a drop in total revenue.

The cash flow from changes in working capital amounted to EUR -23.8m in H1 2009, including increased receivables and a reduction in liabilities and provisions. On balance, the cash flow from operating activities totalled EUR 58.9m in the first six months of 2009.

The cash flow from investing activities at EUR -48.3m includes the purchase of property, plant and equipment (CAPEX) amounting to EUR 37.6m, as well as financial investments in securities, at EUR 24.7m. All in all, the free cash flow generated before financial investments in securities totaled EUR 35.3m.

Employees During the period under review, the average number of full-time employees at Austrian Post fell by 3.3%, or 889 people, to 25,900. This decline can be mainly attributed to the lower number of employees working for the Mail Division. Most of Austrian Post's labour force (21,591 full-time equivalent employees) is employed by the parent company, Österreichische Post AG. The remaining staff of more than 4,300 employees is employed at subsidiaries.

Outlook 2009 The first six months of 2009 have already demonstrated that a more difficult economic environment is to be expected for the year as a whole than originally forecasted at the beginning of the year. Economic forecasts for the markets in which Austrian Post operates have been continually revised downwards. In December 2008, the Austrian Institute of Economic Studies (WIFO) and Institute for Advanced Studies (IHS) predicted negative growth rates in Austria of -0.5% and -0.1% Austria respectively. In the meantime, the most recent forecasts expect a contraction of -3.4% or -4.3%. Austrian Post is also affected by the consequences of this economic downturn. We expect that the deteriorating economic situation will continue to have a negative effect on letter mail, parcel delivery and direct mail volumes.

Negative growth influences letter mail and parcel delivery volumes of Austrian Post late in the business cycle. This was demonstrated by the 2.4% drop in revenue in the first quarter of 2009 and the 4.8% decline in the second quarter. Compared to the previous year also in the second half of 2009, mail volumes are expected to continue declining. It is anticipated that the current state of affairs will persist and that the current downward trend has probably not yet bottomed out.

For this reason, the efficiency enhancement and cost reduction programme will remain the top priority for Austrian Post. The measures which have already been initiated to counteract the economic crisis will continue to be implemented and intensified. The company should succeed in compensating for salary increases in 2009 and correspondingly reducing staff costs by exploiting the process of employee fluctuation and not filling job vacancies. The collective wage agreement valid for new employees as of August 1, 2009 will also positively support these efforts. Further savings in operating costs (excluding staff costs) are also planned. Austrian Post aims to cut the total costs of raw materials, consumables and services used and other operating expenses by at least EUR 30m below the comparable level for 2008. In addition, as already announced, planned capital expenditure (CAPEX) will be cut back by 20% in 2009 as a whole, to EUR 80m.

Performance of divisions Mail Division External sales of the Mail Division fell 4.5% in the first half of 2009 from the comparable period of 2008, to EUR 688.4m. This decline resulted from the economic slowdown, the electronic substitution of letter mail as well as the fewer working days than in the first six months of the previous year.

Revenue generated by the Letter Mail Business Area was down by 4.8%, or EUR 18.7m. This development demonstrates that many companies are accelerating the ongoing substitution of letters by electronic media as a response to the unfavourable cyclical situation. In particular, there has been a reduction in mail volumes in the telecommunications segment, whereas mail volumes in the financial services sector have remained relatively constant. In addition, a decline in international mail as well as the lower number of working days in the first half of 2009 compared to the previous year also had a detrimental effect on business.

The revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail items) was also lower than in H1 2008, decreasing by 4.9%, or EUR 12.8m. This downward trend can be attributed to the general decline in advertising expenditures. The number of addressed direct mail items has declined, especially from mail order companies. Planned mailings have been reduced, delayed or completely cancelled.

The reduction in direct mail items has also had a negative effect on the revenue development of meiller direct, which specialises in printing services and document management. In contrast, the total volume of unaddressed direct mail items has remained relatively constant.

Due to the prevailing cyclical downturn in the business volume generated by daily newspapers and weekly magazines, the Media Post Business Area also posted a decline in revenue, which fell 0.9%, or EUR 0.6m, in the first half of 2009.

On balance, the Mail Division generated an EBITDA of EUR 132.9m, whereas EBIT in H1 2009 amounted to EUR 114.5m, a decrease of 15.6%, or EUR 21.2m, from the comparable period of the previous year.

Parcel & Logistics Division In the first half of 2009, external sales of the Parcel & Logistics Division declined by 3.0%, to EUR 371.1m, which is mainly related to recessionary trends in core markets. Moreover, downward pressure on prices and a volume decline have been perceptible in all markets.

The premium parcel service (parcel delivery within 24 hours) was the biggest contributor to the total revenue of the Parcel & Logistics Division, accounting for revenue of about EUR 305m. Although the cyclically-related decline in business was more modest than in many other logistics segments, such as in the freight or express businesses, revenue of the premium parcel service fell by 4.8% in the first half of the 2009 financial year.

From a regional perspective, the subsidiary trans-o-flex in Germany accounted for the largest revenue contribution, or about 75% of premium parcel revenue. This was followed by the Austrian market (9%), which featured ongoing growth in B2B parcel volumes, South East Europe (9%) and the trans-o-flex companies in the Netherlands and Belgium (7%).

Total revenue generated by the standard parcels segment in Austria rose 2.3%, to about EUR 62m. Since June 1, 2009, Austrian Post has been responsible for the parcel volumes of the newly won customer Hermes, which positively contributes to this development.

EBIT of the Parcel & Logistics Division in H1 2009 amounted EUR -3.4m, and was thus below the comparable level of the previous year. This can be mainly attributed to the recession-related price and volume pressure, and the resulting negative effects on Group subsidiaries.

Branch Network Division During the first six months of 2009, external sales of the Branch Network Division climbed by 1.3% compared to H1 2008. This improvement is primarily related to sales growth for mobile telephony and fixed line products.

The financial services segment also showed a gratifying development. The volume of savings deposits increased, as did investments in securities.

The change of internal sales of the Branch Network Division, which fell by 8.9%, is attributable to the decrease in philately sales, which climbed in the previous year as a result of positive one-off effects, for example UEFA EURO 2008, and the decline in letter mail and parcel volumes in the branch network. These developments represent recession-related decreases along with the effects of lower mail volumes resulting from the increased pick-up of letter mail from large customers.

EBIT of the Branch Network Division fell to EUR -4.0m, down from EUR 6.7m in the first half of the preceding year. This is mainly the consequence of lower internal sales. The planned savings potential could only be partially realised due to the delay imposed by public authorities in converting small, unprofitable company-operated branches to partner-operated postal service points. About 100 post offices out of the originally planned total of 300 unprofitable company-operated branches will be converted into partner-operated postal partners in the months of July and August 2009. Austrian Post plans to convert further branches. However, this process has been delayed until the end of September 2009 by an official ruling handed down by the Federal Ministry of Transport, Innovation and Technology.

The Half-Year Financial Report 2009 is available on the Internet at: www.post.at/ir --> Publications --> Financial Reports

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