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EANS-Adhoc: Österreichische Post AG / Revenue decline of 3.4%, EBIT down 9.0% Cost reduction measures show initial savings

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9-month report

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Austrian Post Q1-3 2009: Revenue decline of 3.4%, EBIT down 9.0% Cost reduction measures show initial savings

- Ongoing difficult market environment in 2009: Postal services negatively impacted by recession and electronic substitution - Group revenue Q1-3 down 3.4%, or EUR 61.4m - Downward trend continues in Q3: revenue declines 3.2%, or EUR 18.6m - Volume decline in letter mail and international parcels business, but growth in Austrian parcels volumes - Efficiency enhancement and cost reduction measures have a positive effect: Savings in staff costs and operating expenses - Earnings before interest and tax (EBIT) in Q1-3 decreases by 9.0% to EUR 93.7m EBIT in Q3 down 12.8% - Focus on costs, cash flow and a solid balance sheet structure - Operating cash flow before changes in working capital in Q1-3 of EUR 128.4m (minus EUR 33.4m) - Free cash flow before the acquisition/sale of securities only EUR 20.5 below the previous year - Balance sheet: surplus of cash and cash equivalents compared to financial liabilities - Georg Pölzl assumed office as CEO on October 1, 2009

Austrian Post at a glance Developments during the first three quarters of the 2009 financial year show that the economic downturn has also had a negative impact on the business operations of Austrian Post. Letter mail and parcel delivery volumes are dependent on the overall market development, consumption patterns of the population and advertising expenditures of companies. Many companies are trying to achieve cost savings also in respect to postal costs, which has negative consequences on delivery volumes and prices for Austrian Post. Accordingly, total revenue of Austrian Post fell by 3.4% in the first nine months of the 2009 financial year, to EUR 1,723.2m. Group revenue declined in the third quarter by 3.2%, to EUR 567.3m.

Revenue in the Mail Division decreased considerably, falling 4.5%, which can be attributed to the economic downswing as well as the e-mail substitution of letters. Similarly, the Parcel & Logistics Division also recorded a drop in revenue (- 2.4%) as a result of recession-related price pressure on an international level. In contrast, the parcel business in Austria developed very positively, registering significant volume growth driven by the new customer Hermes. In the Branch Network Division, lower internal sales reflect the current structural change: prior to market liberalisation, letters are being increasingly picked up from large customers. As a result of these changed customer requirements and the recession-related decrease in mail and parcel delivery volumes, it is absolutely essential to adapt the structure of the branch network and increasingly rely on partner-operated postal service points.

The top priority of Austrian Post is to implement cost reduction measures as a means of counteracting this loss of revenue. Various measures have been initiated in order to sustainably cut staff costs as well as operating expenses. Austrian Post succeeded in compensating for the extensive salary increases in 2009, which were based on the high inflation rate of the previous year, by taking advantage of employee fluctuation and thus reducing its total staff by more than 1,000 employees. Net savings in operating expenses of EUR 12.0m were also achieved.

In the first three quarters of the 2009 financial year, earnings before interest and tax (EBIT) fell 9.0% from the previous year, to EUR 93.7m. Third- quarter EBIT was down by 12.8%. For the year 2009 as a whole, the current economic environment and the cost-cutting measures implemented by Austrian Post's customers are expected to continue having a negative impact on delivery volumes of postal services. A fundamental improvement in the overall economic situation is not anticipated at the present time.

"On the basis of the ongoing difficult environment for providing postal services, it is important for me to carry out all possible measures at our disposal, both in terms of revenues as well as reducing costs, in order to optimally cope with this market situation", says the new CEO Georg Pölzl.

Business development - earnings in detail The business development of Austrian Post in the first three quarters of 2009 was shaped by the economic downturn. The recession led to the intensified decline in business mail volumes for letters and parcels, and thus also accelerated the trend towards the electronic substitution of letter mail by electronic media. Accordingly, total revenue of Austrian Post during the first nine months fell 3.4%, or EUR 61.4m, to EUR 1,723.2m. Third-quarter Group revenue was down 3.2%, to EUR 567.3m.

During the period under review, revenue of the Mail Division was down 4.5% in a year-on-year comparison and fell by 4.6% in the third quarter. All business areas were negatively affected. The most striking trends were the increased electronic substitution of letter mail in several customer segments, the recession-related savings in postal costs by companies and the reduction or delays in

advertising expenditures for direct mailings.

In the Parcel & Logistics Division, the current economic development led to a decrease in international parcel delivery volumes. Moreover, price pressure arose in all logistics segments due to excess capacity in the freight and transport sectors. On balance, revenue of the Parcel & Logistics Division was down 2.4% in the first three quarters. Based on revenue growth in Austria supported by the new customer Hermes, third-quarter revenue only fell by 1.2%.

External sales of the Branch Network Division with retail products and financial services products were largely stable in the first three quarters of 2009, rising by 0.6%, whereas internal sales decreased considerably due to the lower letter mail and parcel volumes delivered by the branch network.

Revenue by division*)

EUR m	Q1-3 2008	Q1-3 2009	% 2008	Q3 2008	Q3 2009	% 2008
Total revenue	1,784.6	1,723.2	-3.4%	585.8	567.3	-3.2%
Mail	1,066.8	1,018.7	-4.5%	346.3	330.3	-4.6%
Parcel&Logistics	575.2	561.5	-2.4%	192.7	190.3	-1.2%
Branch Network	140.3	141.2	+0.6%	46.3	46.0	-0.7%
Other	2.3	3.2	-	0.5	1.1	-
Consolidation	0.0	-1.4	-	0.0	-0.5	-
Working day in Austria**)	190	188	-	65	66	-

*) External sales of the divisions

**) Calendar working days

Income statement

EUR m	Q1-3 2008	Q1-3 2009	% 2008	Q3 2008	Q3 2009
Revenue	1,784.6	1,723.2	-3.4%	585.8	567.3
EBITDA	186.9	168.9	-9.7%	47.1	42.3
EBIT	103.0	93.7	-9.0%	21.0	18.3
Profit for the period	87.5	67.4	-23.0%	17.4	11.2
Earnings per share (EUR)	1.25	1.00	-20.3%	0.25	0.17

In order to counteract the loss of revenue, cost reduction measures continue to be the top priority of Austrian Post. Various measures have been initiated in order to sustainably cut staff costs as well as operating expenses.

In the first nine months of 2009, total staff costs could be reduced by 3.2%, to EUR 839.8m. A major contribution was made by the reduction in the total workforce by 1,042 employees in a year-on-year comparison, to 26,099 people, primarily as the result of exploiting employee fluctuation and not filling vacant positions. These savings were in contrast to salary increases based on the high inflation rate of 2008, and the accompanying 3.7% rise as of January 1, 2009 within the context of the collective wage agreement.

Savings could be realised in the cost of raw materials, consumables and services used as well as other operating expenses. On balance, these net cost reductions in the first nine months of 2009 amounted to EUR 12.0m compared to the preceding year.

Earnings before interest and tax (EBIT) of Austrian Post were down 9.0% in the first three quarters of 2009, to EUR 93.7m, which is the result of the decline in revenue and the above-mentioned cost savings. EBIT in the third quarter was EUR 18.3m (- 12.8% from Q3 2008).

All operating divisions suffered from recession-related reductions in earnings. The Mail Division generated a positive EBIT of EUR 164.4m (Q1-3 2008: EUR 190.5m), whereas EBIT at the Parcel & Logistics Division was negative, at EUR -6.3m (Q1-3 2008: EUR 6.7m), and the Branch Network Division posted an EBIT of EUR -6.7m (Q1-3 2008: EUR 9.5m).

In contrast, an earnings improvement was achieved in the Other segment, which encompasses non-allocated costs for central departments, expenses in connection with unused properties and for the employee social plan as well as the change in staff-related provisions. In the first nine months of 2009, an increasing number of employees for whom a provision for employee under-utilisation had been previously allocated could be reintegrated into the company's operations, thus leading to a reduction in the provision for employee under-utilisation of EUR 26.5m. In contrast, a provision of EUR 30.6m was allocated for employees who accepted the voluntary social plan putting them on temporary leave until they reach retirement. As a result, EBIT of the Other segment improved to EUR -57.6m, partially as a result of the decreased necessity of allocating provisions in comparison to the preceding year.

The financial result of Austrian Post declined to EUR -2.4m in the first nine months 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 17.8%, to EUR 91.3m. After deducting income taxes totalling EUR 23.9m, the net profit for the period (earnings after tax) amounted to EUR

67.4m, corresponding to EUR 1.00 per share for the first three quarters of the 2009 financial year and EUR 0.17 per share for the third quarter.

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, Austrian Post has a considerable amount of current and non-current financial resources on the assets side. Austrian Post had cash and cash equivalents of EUR 137.9m as at September 30, 2009, and financial investments in securities amounting to EUR 89.9m. As opposed to the total liquid financial resources of EUR 227.8m, the financial liabilities of Austrian Post only amount to EUR 130.1m.

Cash flow Total operating cash flow before changes in working capital amounted to EUR 128.4m in the first nine months of the 2009 financial year, a decline of EUR 33.4m from 2008. The revenue decline had a negative effect on income, which was in part counteracted by cost savings and lower income taxes.

The cash flow from investing activities at EUR -35.0m includes the purchase of property, plant and equipment (CAPEX) amounting to EUR 48.3m. Free cash flow totalled EUR 77.0m. Compared to the decline in revenue of EUR 61.4m, the free cash flow before the acquisition or sale of securities was only EUR 20.5m below the previous year's level.

Employees During the period under review, the average number of full-time employees at Austrian Post fell by 3.8%, or 1,042 people, to 26,099. This decline can be primarily attributed to the lower number of employees working for the Mail Division. Most of Austrian Post's labour force (21,775 people) is employed by the parent company, Österreichische Post AG. The remaining staff of more than 4,300 employees is employed at subsidiaries.

Outlook 2009 Developments during the first three quarters of the 2009 financial year show that the economic downturn has also had the expected negative impact on the regions and markets in which Austrian Post operates. The economic downturn will continue to have a negative impact on the letter mail and parcel delivery volumes of Austrian Post. Large companies are expected to continue the cost-cutting measures they have initiated, leading to ongoing pressure on prices and delivery volumes. Further general economic risks exist, such as increased competitive instability, price pressure, declining consumer spending and potential loss of customers along with the related negative effects on Austrian Post's letter mail and parcels business. Accordingly, the downward trend in revenues is expected to continue. For this reason, the efficiency enhancement and cost reduction programme remains the top priority for Austrian Post. The company expects to counteract the 2009 salary increases by taking advantage of employee fluctuation and not filling vacant positions, thus reducing overall staff costs in 2009. 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, planned capital expenditure (CAPEX) will be cut back by EUR 20.0m in 2009 as a whole, to EUR 80m. Based on these cost reduction measures, Austrian Post will likely generate a Group EBIT in 2009 which is about 10-15% below the level achieved in 2008.

Performance of divisions Mail Division External sales of the Mail Division fell 4.5% in the first three quarters of 2009 from the comparable period of 2008, to EUR 1,018.7m. Revenue in the third quarter was also down 4.6%, to EUR 330.3m. In addition to the economic slowdown, this development is mainly related to the ongoing electronic substitution of letter mail. Furthermore, business results in the comparable third quarter of 2008 included the positive one-off effect of parliamentary elections in Austria.

Revenue generated by the Letter Mail Business Area in the current financial year was down by 4.9%, or EUR 28.3m. The unfavourable business environment led many companies to implement massive cost saving measures. Accordingly, the trend towards the substitution of letters by electronic media intensified, particularly in the telecommunications segment. In contrast, mail volumes in the financial services sector remained relatively stable. International mail volumes also declined.

The revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail items) was also lower than in Q1-3 2008, decreasing by 4.2%, or EUR 16.7m. This downward trend can be attributed to the general decline in advertising expenditures. The number of addressed direct mail items declined, especially from mail order companies, whereas the total volume of unaddressed direct mail items remained relatively constant. Declining business on the part of mail order companies have also had a negative effect on the revenue development of meiller direct (-7.7% in the first nine months of 2009), which specialises in printing services and document management. 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 of 3.2%, or EUR 3.2m, in the first three quarters of 2009.

On balance, the Mail Division generated an EBIT of EUR 164.4m, a decrease of 13.7%, or EUR 26.1m, from the comparable period of the previous year. EBIT of the Mail Division fell 9.0% in the third quarter, to EUR 49.9m.

Parcel & Logistics Division In the first nine months of 2009, external sales of the Parcel & Logistics Division declined by 2.4%, to EUR 561.5m, which is mainly related to the negative economic growth in core markets. The third quarter revenue decrease corresponded to 1.2%. A recession-related volume decline was perceptible in all markets. Moreover, price pressure arose in all logistics segments due to excess capacity in the freight and transport sectors.

The premium parcel product segment (parcel delivery within 24 hours) generated total revenue of EUR 459.2m in the first three quarters. The revenue decline of 5.4% is strongly linked to the international freight and express mail business, which suffered even more severely from the cyclical downturn. The subsidiary trans-o-flex in Germany accounts for about 75% of the revenue in this segment, followed by the growing parcel business market in Austria (9%), South East and Eastern Europe (9%) and the trans-o-flex companies in the Netherlands and Belgium (7%). The company Rhenus Life Science in Germany, specialising in the transport and storage of temperature-sensitive goods, was acquired effective July 1, 2009.

Revenue of the standard parcels segment in Austria developed more gratifyingly, rising significantly since June 1, 2009 due to the new customer Hermes. Accordingly, revenue was up 8.4% in Q1-3 2009, to EUR 95.0m, whereas Q3 revenue growth totaled more than 20%.

EBIT of the Parcel & Logistics Division in the first three quarters of 2009 amounted to EUR -6.3m, and was thus below the comparable level of the previous year. These results can be mainly attributed to the recession-related price and volume pressure, and the resulting negative effects on Group subsidiaries.

The Parcel & Logistics Division achieved a negative EBIT of EUR 2.9m in the third quarter of 2009, which includes integration costs and operational losses of about EUR 3m applying to Rhenus Life Science, acquired as of July 1, 2009. Except for this development the division posted positive results in the third quarter. Rhenus Life Science is currently being integrated in the temperature-controlled transport logistics of Austrian Post, and should generate a positive EBIT contribution starting in 2010.

Branch Network Division External sales of the Branch Network Division developed in a largely stable manner during the current financial year. Revenue was up 0.6% in the first three quarters of 2009, whereas revenue declined slightly (-0.7%) in the third quarter. Sales growth for mobile telephony and fixed line products were in contrast to lower sales of other retail products. Despite the international financial crisis, the development of financial services offered by Austrian Post remained stable.

The change of internal sales of the Branch Network Division, which fell by 9.4%, 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?, as well as the decline in letter mail and parcel volumes delivered by the branch network. This volume decrease is a structural effect: letters are increasingly being picked up from customers prior to market liberalisation. As a result of these changed customer requirements, it is necessary to reorganise the branch network. At the beginning of the year, about 290 unprofitable post offices were identified which Austrian Post planned to convert to partner-operated postal service points. Approximately 140 of these branches had been converted up until November 2009. However, the conversion of 144 branches has been stopped until the end of December 2009 by a new official ruling handed down by the Federal Ministry of Transport, Innovation and Technology.

EBIT of the Branch Network Division amounted to EUR -6.7m in the first three quarters of 2009, down from EUR 9.5m in the comparable period of 2008. The originally planned cost savings were only partially realised due to the delayed conversion of small, unprofitable post offices by public authorities. Earnings before interest and tax (EBIT) of Austrian Post were down 9.0% in the first three quarters of 2009, to EUR 93.7m, which is the result of the decline in revenue and the above-mentioned cost savings. EBIT in the third quarter was EUR 18.3m (- 12.8% from Q3 2008).

The report of the results for the first three quarters 2009 is available on the Internet at: www.post.at/ir ---Publications --Financial Reports

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