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EANS-Adhoc: Österreichische Post AG / AUSTRIAN POST Q1-3 2010: GOOD QUARTERLY AND NINE-MONTH RESULTS EBIT AND CASH FLOW SURPASS PRIOR-YEAR LEVEL

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6-month report

17.11.2010

- Good results in Q3 - Revenue down 0.7% from the previous year - EBIT up 10.9% - Q1-3 at prior-year level - Revenue only decreased slightly by minus 0.6% - EBIT rises 1.2% to EUR 94.8m - Improved cash flow, solid financial position - Operating cash flow before changes in working capital and tax improves by 12.1% to EUR 164.8m - Balance sheet boasts a high level of cash and cash equivalents at EUR 266.5m - Outlook: Stable development - EBIT 2010 expected at last year's level - Medium-term EBITDA margin target between 10% and 12% confirmed

AUSTRIAN POST AT A GLANCE The first nine months of the 2010 financial year developed very satisfactorily for Austrian Post. On balance, Group revenue declined during this period. However, the actual decline of minus 0.6% turned out to be very moderate. Growth in the Parcel & Logistics Division could almost completely compensate for the revenue drop in the other segments. Moreover, Austrian Post succeeded in counteracting the downward trend on the basis of efficiency-enhancing measures as well as reductions in operating costs and direct personnel expenditures. In the first three quarters of 2010, earnings before interest and tax (EBIT) of Austrian Post rose 1.2% from the prior-year level, and even climbed by 10.9% in the third quarter in a year-on-year comparison. The financial situation of the Group is extremely stable. The cash and cash equivalents at the disposal of Austrian Post totaled EUR 266.5m at the end of September 2010, whereas the operating cash flow before changes in working capital and tax increased by 12.1% to EUR 164.8m.

In the Mail Division, the trend towards the electronic substitution of letters and the reduced weight of mail items posted by customers is continuing. However, intensive efforts to attract new customers as well as positive one-off effects managed to limit the revenue decrease to 0.6%. An important further development and value enhancement of the service portfolio is the planned joint venture between Austrian Post and Swiss Post. The two companies will combine their activities in the conception and printing of addressed advertising mail within the framework of a joint venture. This new cooperative venture offers customers one-stop-shop services, and enables the two partners to exploit potential synergies on the basis of product specialisation at the individual locations.

The Parcel & Logistics Divisions posted revenue growth in all regions and an overall increase of 3.8% in the first three quarters of 2010. Growth in the core business was even higher in the light of the fact that unprofitable transport logistics operations were terminated in Germany at the end of last year. Successes were achieved with the international cooperation strategy, with two new partners in England and France now expanding the EURODIS parcel network.

The Branch Network Division is undergoing constant change. Unprofitable company-operated branches are continually being converted to postal partner offices. In the meantime, Austrian Post has opened its 1000th postal partner office, and the total number of postal service points in Austria has risen to 1,866 in Austria. An important step to further develop the branch network was taken with the extension and intensification of the cooperation with the partner bank BAWAG P.S.K. In the future, the full range of postal and banking products and services offered by BAWAG P.S.K. and Austrian Post will be available at more than 500 locations throughout Austria.

In order to effectively counteract the structural changes taking place in the postal business, Austrian Post will continue to take all the measures it considers necessary to enhance the efficiency and productivity of the company. "Against the backdrop of the upcoming full-scale liberalisation of the Austrian letter mail market as of January 1, 2011, we are confident that we are moving in the right direction. The top priority is to offer efficient and innovative services in line with market requirements," says CEO Georg Pölzl. The aim is to maintain an outstanding level of service, and to ensure an earnings situation featuring the targeted EBITDA margin of between 10% and 12% annually.

REVENUE DEVELOPMENT IN DETAIL

Revenue by division

EURm	Q1-3 2009	Q1-3 2010	Change %	Q3 2009	Q3 2010
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Total revenue (external sales)	1,723.2	1,713.2	-0.6%	-10.0	567.3	563.1
Mail	1,018.7	1,011.2	-0.7%	-7.5	330.3	329.1
Parcel & Logistics	561.5	582.9	+3.8%	+21.3	190.4	195.8
Branch Network	141.2	117.6	-16.7%	-23.5	46.0	37.7
Other	3.2	3.7	+15.5%	+0.5	1.1	1.2
Consolidation	-1.4	-2.3	-61.2%	-0.9	-0.5	-0.7
Working days in Austria (Calendar)	188	189	---	---	66	66

The revenue development of Austrian Post in the first three quarters of 2010 confirmed the forecasted trends. However, the revenue decline of 0.6% turned out to be very moderate. The business development of Austrian Post in the third quarter of 2010 was also in line with the overall trend, with revenue down by 0.7%.

During the first nine months of 2010, revenue of the Mail Division fell 0.7% in a year-on-year comparison (Q3 2010: minus 0.4%), which can be attributed to the gains achieved by the Infomail and Media Post Business Areas. The trend towards the electronic substitution of letters is continuing. However, the revenue decrease was limited due to intensive efforts designed to attract new customers, positive one-off effects related to elections and an additional working day in the second quarter in comparison to the prior-year period.

The Parcel & Logistics Division featured an ongoing rise in business volume. Although the price situation remains tense, the division profited from good volume development as well as an increase in new customers. Despite the termination of unprofitable transport logistics operations in Germany, revenue in the first three quarters of 2010 rose 3.8% year-on-year and 2.9% in the third quarter compared to the prior-year level.

The revenue and organisational structure of the Branch Network Division is undergoing change. External sales decreased by EUR 23.5m, whereas total costs were reduced by EUR 26.1m. The changed reporting of revenue derived from sales of prepaid phone cards based on the new Austrian VAT regulations contributed EUR 8.1m to the revenue decline.

Income Statement

EUR m	Q1-3		Change		Q3	
	2009	2010	%	EURm	2009	2010
Revenue	1,723.2	1,713.2	-0.6%	-10.0	567.3	563.1
EBITDA	168.9	168.9	0.0%	0.0	42.3	44.1
EBIT	93.7	94.8	+1.2%	+1.1	18.3	20.3
Profit for the period	67.4	68.1	+1.0%	+0.7	11.2	14.0
Earnings per share (EUR)	1.00	1.01	+1.0%	+0.01	0.17	0.21

It is essential for Austrian Post to continually improve productivity and efficiency in order to counteract the revenue decline of EUR 10m. Staff costs, which comprise the largest operating expense item of Austrian Post at EUR 839.2m, remained constant in a year-on-year comparison.

In addition to direct personnel expenditures for salaries and wages, staff costs also encompass changes in staff-related provisions as well as restructuring costs in line with the voluntary social plan for employees leaving the company. Direct personnel expenditures were reduced by about EUR 20m compared to the first three quarters of 2009. On average, the total workforce decreased by 938 employees year-on-year to 25,161 people. The diverse costs related to employee social plan payments amounted to approximately EUR 30m. Provisions had to be increased as a result of the currently low discount rate.

Operating costs were reduced by EUR 10.8m in the first three quarters of 2010. Retail products encompassed in the item raw materials, consumables and services used declined by EUR 8.1m, in part due to the changed reporting of prepaid phone cards.

In the first nine months of 2010, earnings before interest and tax (EBIT) of Austrian Post rose by 1.2% or EUR 1.1m from the prior-year level. This is related to the fact that the revenue drop was compensated by cost savings. Third-quarter 2010 EBIT even improved by EUR 2.0m to EUR 20.3m.

There was a change in the reporting of termination benefits relating to the voluntary social plan for employees. Since the beginning of 2010, these expenses have been assigned to the particular division in which they arise, whereas termination benefits had been previously recognised in the "Other" segment. Division earnings excluding employee social plan payments changed as follows: The Mail Division generated an EBIT increase of EUR 6.1m to EUR 170.5m in the first three quarters of 2010. EBIT of the Parcel & Logistics Division rose by EUR 15.6m to EUR 9.3m, whereas EBIT at the Branch Network Division amounted to minus EUR 14.8m, a decline of EUR 8.0m. On balance, employee social plan payments at Austrian Post totalled EUR 10.2m, of which the largest share or EUR 6.3m was allocated to the Branch Network Division.

EBIT of the Other segment excluding employee social plan payments fell from minus EUR 50.5m to minus EUR 59.9m. The earnings decline is primarily due to changes in provisions. The currently low interest rate through reduced discount factor requires a higher allocation of provisions.

Total Group earnings before tax fell by EUR 2.6m to EUR 88.7m in the first three quarters of 2010. After deducting income taxes totalling EUR 20.6m, the Group net profit (profit after tax for the period) amounted to EUR 68.1m, corresponding to earnings of EUR 1.01 per share for the first nine months of the 2010 financial year. This was in comparison to earnings of EUR 1.00 per share in the prior-year period.

SOLID BALANCE SHEET WITH HIGH CASH AND CASH EQUIVALENTS Austrian Post takes a risk-averse business approach. This is demonstrated by its high equity ratio, the low level of financial liabilities and the high amount of cash and cash equivalents. All in all, Austrian Post boasts a considerable amount of current and non-current financial resources. Austrian Post had cash and cash equivalents of EUR 266.5m as at September 30, 2010, and financial investments in securities amounting to EUR 53.2m. Accordingly, the financial resources at the disposal of Austrian Post in the first three quarters of 2010 totalled EUR 319.9m at the end of September 2010. As opposed to the total financial resources of Austrian Post, financial liabilities only amount to EUR 125.2m.

IMPROVED CASH FLOW In the first nine months of 2010, operating cash flow before changes in working capital and tax increased by 12.1% or EUR 17.8m to EUR 164.8m. Diverse tax payments for prior periods negatively affected the operating cash flow before changes in working capital, which totalled EUR 115.0m and was thus below the previous year's level.

The cash flow from changes in working capital amounted to minus EUR 11.7m in the first three quarters of 2010, partly due to the higher level of receivables. The cash flow from investing activities at minus EUR 24.1m includes the purchase of property, plant and equipment (CAPEX) amounting to EUR 29.0m, and proceeds from the disposal of property, plant and equipment of EUR 6.5m.

The free cash flow was thus EUR 79.2m, which is therefore higher than the comparable figure of EUR 77.0m in the previous year.

EMPLOYEES During the period under review, the average number of full-time employees at Austrian Post fell by 3.6%, or 938 people, to 25,161. This decline can be primarily attributed to the lower number of employees working for the Mail and Branch Network Divisions and in the Other segment.

Most of Austrian Post's labour force (20,902 full-time equivalent employees) is employed by the parent company, Austrian Post. More than 4,000 employees work for subsidiaries.

OUTLOOK Austrian Post expects the same trends affecting business development in the previous quarters to continue in the fourth quarter and thus for the entire 2010 financial year. Austrian Post expects total Group revenue in 2010 to decrease by 1% to 2% compared to 2009, based on declining volumes in the Mail and Branch Network Divisions accompanied by an increase in business volume in the Parcel & Logistics Division. The development of operating costs and earnings is also anticipated to remain constant. In line with the prevailing tendencies in the first three quarters, the prospect of achieving a Group EBIT in 2010 at last year's level seems realistic. The required capital expenditures (CAPEX) will amount to about EUR 65m in 2010.

On a medium-term basis, the previously described trends and particularly the electronic substitution of traditional letter mail are expected to continue. For this reason, Austrian Post will do everything it can in order to be successful in accordance with its four core strategies.

Against the backdrop of the upcoming full-scale liberalisation of the Austrian letter mail market as of January 1, 2011, Austrian Post is confident that it is headed in the right direction. The top priority is to offer efficient and innovative services in line with market requirements. Austrian Post presented two planned changes in its General Terms and Conditions to the responsible regulatory authority. On the one hand, the terms and conditions were adapted to reflect revisions in the Austrian VAT law. For this reason, Austrian Post will offer both VAT-taxable and VAT-free postal services starting in January 2011. Furthermore, Austrian Post plans a change in the product structure of mail items encompassed under the universal service obligation, which will take effect starting on April 1, 2011.

The aim of the new product structure is to simplify the products and services offered by Austrian Post, and ensure a market-oriented offering for business customers. The new model should lead to size-based rates instead of the current weight-dependent prices. The priority will be on standard sizes offering customers a simple and transparent pricing system. In the future, business customers will be able to decide on the delivery speed, which is common practice around the world. A "premium" product will ensure letter mail delivery on the next working day, whereas a more favourably-priced "economy" product will provide for letter mail delivery within two to three days. The finalisation and presentation of the new product portfolio will take place at the beginning of next year.

This new, customer-oriented product portfolio and efficient, performance-oriented logistics will serve as the basis for Austrian Post to stand its ground in a fully liberalised competitive environment. The aim is to maintain an outstanding service level and ensure an earnings situation featuring the targeted EBITDA margin of between 10% and 12% annually.

PERFORMANCE OF DIVISIONS MAIL DIVISION External sales of the Mail Division fell by 0.7% in the first three quarters of 2010 from the comparable period of 2009 to EUR 1,011.2m. The third quarter decrease was 0.4%. More intensive customer acquisition efforts combined with positive one-off effects such as elections in Austria managed to counteract the volume decline.

In the first three quarters of 2010, revenue generated by the Letter Mail Business Area declined by 2.6% or EUR 14.2m from the prior-year period. The trend towards the substitution of letters by electronic media is continuing, for example in the financial services and telecommunications customer segments. A decline was also evident in other areas as well as in the public sector, which cut back on the number of registered letters it posted.

Revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail items) in the first nine months of 2010 rose by 1.2% or EUR 4.5m compared to the previous year's level. Efforts to acquire new customers were successful, and thus compensated for the loss of the large customer Quelle. On balance, the Infomail Business Area registered a positive volume development albeit with lower average weights of mail items.

Revenue of the Media Post Business Area increased by 2.3% or EUR 2.2m due to the growing business volume generated by

PARCEL & LOGISTICS DIVISION In the first three quarters of 2010, external sales of the Parcel & Logistics Division climbed by 3.8% to EUR 582.9m as a consequence of the good volume development, whereas external sales in the third quarter rose by 2.9%. The parcel and logistics market showed an overall trend towards volume growth although price pressure continued to be intense. The premium parcel product segment (parcel delivery within 24 hours) generated total revenue of EUR 460.7m in the first nine months of 2010. This corresponds to a 0.3% rise in revenue, which was negatively affected by the termination of loss-making transport logistics operations in Germany. The adjusted revenue in this product segment in the German market actually shows a volume increase of about 7% year-on-year, which is mainly related to new customer acquisition. The subsidiary trans-o-flex in Germany accounted for approximately three quarters of premium parcel revenue. The business parcel segment in Austria as well as in South East and Eastern Europe also continued to develop very positively.

There was a clear turnaround in the performance of the Parcel & Logistics Division. In the first three quarters of 2010, EBIT excluding employee social plan payments rose to EUR 9.3m, up EUR 15.6m from the previous year.

Part of the revenue decline, or EUR 8.1m, is related to the changed reporting of revenue from prepaid calling cards as the result of new Austrian VAT regulations. During the 2009 financial year, the nominal value of prepaid calling cards was still recognised as revenue, whereas the related costs of the goods sold were reported as raw materials, consumables and services used. Since January 1, 2010, only the commission derived from prepaid calling card sales is recognised. Moreover, sales of retail products declined in the first three quarters of 2010. In particular, telecommunications products in the field of mobile telephony are subject to market saturation.

Internal sales with postal services also further decreased, dropping by 7.5%. There has been a fundamental reduction in the volume of letters posted and subsequently transported by the branch network. Moreover, letters are increasingly being picked up directly from customers within the context of the enhanced services offered by Austrian Post.

EBIT of the Branch Network Division excluding employee social plan payments amounted to minus EUR 14.8m in the first three quarters of 2010, down from minus EUR 6.7m in the comparable period of 2009. The workforce of the Branch Network Division was reduced by 439 employees compared to the prior-year period. The resulting employee social plan payments amounted to EUR 6.3m.

The interim report Q1-3 2010 is available in the internet: www.post.at/ir/en -> Publications --> Financial Reports

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