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annual report

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AUSTRIAN POST 2010: INCREASED IN REVENUE ON A COMPARABLE BASIS AND HIGHER EARNINGS (EBIT +5.0%) DIVIDEND PROPOSAL OF EUR 1.60/SHARE

- Higher revenue - Revenue up 0.3% from the previous year on a comparable basis - Mail Division -0.5%, Parcel & Logistics +4.4% - Increased earnings - EBITDA of EUR 262.1m (margin of 11.1%) - EBIT +5.0% to EUR 156.9m - Free cash flow enables attractive dividends - Free cash flow of EUR 153.6m (EUR 2.3 per share) - Dividend proposal to the Annual General Meeting: EUR 1.60 per share - Outlook 2011 with growth target - Goal to achieve 1% to 2% revenue growth in 2011 - EBITDA margin at the upper end of the targeted range of 10% to 12%

AUSTRIAN POST AT A GLANCE The year 2010 developed very satisfactorily for Austrian Post. This is reflected in the development of key performance indicators as well as the fact that the underlying strategy proved to be successful. The trend towards declining addressed letter mail volumes was more than compensated by additional revenues, particularly in the parcel & logistics business. Total revenue of Austrian Post rose 0.3%, to EUR 2,351.1m, adjusted on a comparable basis to take account of the changed reporting of pre-paid telephone cards. Accordingly, the company´s business operations in 2010 returned to a growth path earlier than expected.

Revenue of the Mail Division fell by only 0.5% in 2010. The trend towards electronic substitution of letters continued, along with the drop in high value mail items. Intensive customer acquisition efforts combined with positive one- off effects, such as numerous elections and one additional working day in 2010, managed to counteract this trend together with the positive development for advertising mail.

The Parcel & Logistics Division showed a positive development in 2010. Although the price situation remained tense, the division succeeded in increasing parcel volumes as well as attracting new customers. On this basis, total revenue not only increased 4.4%, including 9.6% growth in Austria and 8.5% in Germany, on a comparable basis, but most importantly, Austrian Post succeeded in improving EBIT from minus EUR 9.3m in the prior year to EUR 10.5m in 2010, thereby achieving an earnings turnaround.

The development of the Branch Network Division reflects changed consumer behavior, as demonstrated by the overall decline in letter mail volumes posted at the branch offices as well as the lower sales of telecommunication products and banking services. The conversion of the branch network proceeded on schedule, featuring an increase in the number of postal service points from 1,552 to 1,850 outlets, including 1,117 postal partner offices, up from 418 at the beginning of 2010.

In the light of external pressure on revenue development, considerable importance is being attached to cost discipline with respect to staff costs and operating expenses. Austrian Post succeeded in achieving further cost reductions in 2010. As a result, earnings before interest and tax (EBIT) rose by 5.0% to EUR 156.9m. The company´s profitability shown by an EBITDA margin of 11.1%, a solid balance sheet structure and a high free cash flow continue to serve as the basis for an attractive dividend policy. Accordingly, the Management Board will propose to the Annual General Meeting to distribute a dividend of EUR 1.60 per share (+ 6.7%) for the 2010 financial year.

"In continuing to pursue our current business strategy, we will do everything in our power to compensate for the downward pressure on revenue resulting from electronic substitution in letter mail by achieving growth in other business areas", says Austrian Post CEO Georg Pölzl. "On balance, we are aiming to achieve a revenue growth between 1% and 2% in 2011, and the EBITDA margin should be at the upper end of our targeted range of 10% to 12%", he adds.

REVENUE DEVELOPMENT BY DIVISION (EURm) Total revenue* 2009: 2,356.9; 2010: 2,351.1 (-0.2%) Total revenue on a comparable basis 2009: 2,343.5; 2010 2,351.1 (+0.3%) Mail 2009: 1,396.8; 2010 1,389.4 (-0.5%) Parcel&Logistics 2009: 768.4; 2010 802.0 (4.4%) Branch network* 2009: 189.6; 2010: 157.9 (-16.7%) Corporate 2009: 4.4; 2010 5.1 (15.7%) Consolidation 2009: -2.2; 2010: -3.1 (40.5%) Working days in Austria**: 2009: 251; 2010: 252

*)Reporting of 2009 revenue includes EUR 13.3m in revenue from pre-paid telephone cards **)Calendar working days

The development of Austrian Post revenues in 2010 was positive. Austrian Post succeeded in increasing revenue on a comparable basis by 0.3% or EUR 7.6m, to EUR 2,351.1m.

In 2009, in line with the original presentation of revenue, EUR 13.3m in revenue had been reported from sales of pre-paid telephone cards. Whereas the Mail Division posted the expected decrease in revenue, the Parcel & Logistics Division continued its steady growth throughout the year, more than compensating for this decline. Revenue of the Mail Division fell by only 0.5% in a year-on-year comparison. The main trends negatively affecting the Mail Division continued, i.e. electronic substitution of letters, the declining business in high value mail items and the reduced weight of mail items being posted, leading to a 2.5% drop in revenue in the Letter Mail Business Area. However, intensive efforts to attract new customers, positive one-off effects related to elections, an additional working day in 2010 and the positive development of advertising mail in the Infomail Business Area (up 1.8%) successfully offset these trends. The Parcel & Logistics Division featured an ongoing rise in business volume in 2010. Although the price situation remained tense, the division profited from good volume development as well as an increase in new customers. Despite the termination of unprofitable transport logistics operations, division revenue rose by 4.4% year-on-year, and even climbed by 9.6% in Austria. In Germany, the comparable increase was 8.5%. The revenue and organisational structure of the Branch Network Division is undergoing change. Against this backdrop, sales decreased by EUR 31.7m, whereas total costs were reduced by EUR 34.7m at the same time. The reporting of revenue in 2009 still included revenue of EUR 13.3m from pre-paid telephone cards. Internal sales were also down by EUR 13.7m due to the increasing direct collection of letters and parcels from large customers.

INCOME STATEMENT (EURm) Revenue 2009: 2,356.9; 2010: 2,351.1 (-0.2%) EBITDA 2009: 269.2; 2010: 262.1 (-2.6%) EBIT 2009: 149.4; 2010: 156.9 (5.0%) Profit after tax = Profit for the period 2009: 79.7; 2010 118.4 (48.5%) Earnings per share (EUR) 2009: 1.18; 2010 1.75 (48.5%) It is essential for Austrian Post to continually improve productivity and efficiency in order to counteract the revenue pressure it faces. Staff costs, which comprise the largest operating expense item of Austrian Post and account for about 50% of revenue, amounted to EUR 1,120.7m, a reduction of 1.6%, or EUR 18.6m, from the prior-year level. Direct personnel expenditures before restructuring expenses and the provision for employee underutilisation were reduced by more than EUR 30m compared to the previous year. Savings were achieved through employee attrition, as well as via the positive effects of the new collective wage agreement, which came into effect in August 2009. The average number of employees fell by 952 on a year-on- year comparison, to 24,969 people. This change is related to diverse restructuring costs of about EUR 65m, including severance payments for employees who have accepted the voluntary social plan putting them on temporary leave until they reach retirement age, as well as termination benefits and provisions for restructuring. Earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post amounted to EUR 262.1m in 2010. Accordingly, the EBITDA margin was 11.1%, once again in the targeted range of 10-12%. Earnings before interest and tax (EBIT) of Austrian Post improved by 5.0% to EUR 156.9m in 2010 due to the fact that the revenue drop was more than compensated by cost savings. The EBIT margin was 6.7%.

Since the start of the 2010 financial year, voluntary severance payments have been assigned to the particular division in which they arose, whereas the benefits had been previously recognised in the "Corporate" segment. For better comparability, the development of divisional earnings before these expenses is presented here: the Mail Division generated an EBIT increase of EUR 17.1m in 2010 to EUR 238.2m. EBIT of the Parcel & Logistics Division rose by EUR 20.3m to EUR 11.0m, whereas EBIT of the Branch Network Division amounted to minus EUR 20.2m, a decline of EUR 11.0m. On balance, voluntary severance payment expenses at Austrian Post totalled EUR 17.8m, of which the largest share or EUR 10.6m was allocated to the Branch Network Division. EBIT of the "Corporate" segment before voluntary severance payment expenses changed from minus EUR 44.2m to minus 54.3m. This encompasses, amongst other items, non-allocated costs for central departments, expenses in connection with unused properties as well as the change in staff-related provisions. The reduction in earnings was primarily influenced by the restructuring provisions relating to the redimensioning of the Branch Network. The other financial result of Austrian Post declined to minus EUR 8.2m in 2010, compared to minus EUR 24.6m in 2009. The financial result in the previous year included an impairment loss of EUR 20.0m relating to Austrian Post´s shareholding in BAWAG P.S.K. Earnings before tax increased from EUR 124.8m to EUR 148.7m. After deducting income taxes totalling EUR 30.3m, the Group net profit (profit after tax for the period) amounted to EUR 118.4m, corresponding to earnings of EUR 1.75 per share for the 2010 financial year. This was in comparison to earnings of EUR 1.18 per share for 2009.

SOLID BALANCE SHEET WITH HIGH CASH AND CASH EQUIVALENTS Austrian Post pursues a risk-averse business approach. This is demonstrated by the high equity ratio, the low level of financial liabilities and the solid level of cash and cash equivalents. On balance, Austrian Post had cash and cash equivalents of EUR 313.1m as at December 31, 2010, and financial investments in securities amounting to EUR 48.3m. Accordingly, financial resources at the disposal of Austrian Post rose from EUR 350.5m to EUR 361.3m in 2010. Financial liabilities only amounted to EUR 79.1m.

CASH FLOW The comparability of cash flows in the 2009 and 2010 financial years is limited due to non-recurring effects. These years were subject to varying tax payments as well as the reclassification of non-current provisions as liabilities and current provisions. These changes were the underlying reason for the simultaneously strong increase in the cash flow from changes in working capital to EUR 44.9m in 2010. On balance, the cash flow from operating activities totalled EUR 178.9m in 2010, compared to EUR 230.0m in 2009. Excluding the tax expense, which was affected by high non-recurring effects in 2010, the cash flow from operating activities before tax amounted to EUR 240.8m, compared with EUR 254.8m in 2009. This difference includes higher financial resources required for restructuring costs in 2010. The total free cash flow was EUR 153.6m. The proposed dividend payment of EUR 1.60 per share represents a total dividend payout of EUR 108.1m.

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

OUTLOOK Austrian Post expects the same international macroeconomic trends prevailing in 2010 to continue in 2011. The electronic substitution of letters, effects arising from postal market liberalisation and volume growth for parcel services will continue to have a major impact on business development. The company also expects the volume of addressed letter mail to decline by 3-5% in Austria in line with international trends. This will be primarily driven by electronic substitution of letters along with the trend towards higher direct mail volumes.

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

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

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

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

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

PERFORMANCE OF DIVISIONS MAIL DIVISION External sales of the Mail Division in 2010 fell by 0.5% from the comparable period of 2009 to EUR 1,389.4m and thus showed a better development than initially expected at the beginning of the year. Intensive customer acquisition efforts combined with positive one-off effects such as numerous elections and one additional working day in 2010 managed to minimise the volume decline caused by the electronic substitution of letters. Revenue generated by the Letter Mail Business Area declined as expected, down 2.5% or EUR 18.9m from the prior-year period. The trend towards the substitution of letters by electronic media is continuing, for example in the customer segments of financial services and telecommunications. A decline was also evident in other areas as well as in the public sector, which cut back on the number of registered letters it posted. The mailing of passports and national insurance cards comprised positive one-off effects.

In contrast, revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail items) in 2010 rose by 1.8% or EUR 9.6m compared to the previous year´s level. Efforts to acquire new customers were successful, and were thus able to compensate for the loss of large customers in 2009. Positive impetus came from mail order houses and elections in the year 2010. On balance, the Infomail Business Area registered a positive volume development albeit with lower average weights of mail items. In terms of revenue, the business development of the direct mail producer meiller direct was virtually stable. The company was brought into a joint venture with Swiss Post at the end of 2010. The newly established company MEILLERGHP, in which Austrian Post holds a 65% stake, is consolidated at equity as of December 20, 2010. Revenue of the Media Post Business Area increased by 1.4% or EUR 1.9m due to the growing business volume generated by company magazines and the effects of regional elections.

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

PARCEL & LOGISTICS DIVISION In 2010, external sales of the Parcel & Logistics Division climbed by 4.4% to EUR 802.0m as a result of good volume development. The parcel and logistics market showed an overall trend towards positive volume growth although price pressure remained intense. The premium parcel product segment (parcel delivery within 24 hours) generated total revenue of EUR 630.5m in 2010. This corresponds to a 1.0% rise, which was negatively affected by the termination of loss-making transport logistics operations in Germany in the middle of 2009. The adjusted revenue in this product segment in Germany shows a volume increase of 8.5% year-on-year, which is mainly related to new customer acquisition. The subsidiary trans-o-flex in Germany accounted for approximately three quarters of premium parcel revenue. The business parcel segment in Austria, where Austrian Post enjoys a 15% market share, and in South East and Eastern Europe also continued to develop very positively. The standard parcels segment in Austria posted an even higher growth rate, with revenue rising by 19.5% to EUR 160.8m. The main reasons for this positive development were organic growth, the increased mail order business since June 2009 as well as parcel volumes shifted from the premium to the standard segment. There was a clear turnaround in the performance of the Parcel & Logistics Division. In 2010, EBIT before the voluntary severance payment expenses rose to EUR 11.0m, up EUR 20.3m from the previous year.

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

In line with the original reporting of revenue, EUR 13.3m in revenue derived from pre-paid telephone cards was included in 2009.

During the 2009 financial year, the nominal value of pre-paid telephone cards was 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 pre-paid telephone cards sales is recognised. Moreover, sales of retail products declined in 2010. In particular, telecommunications products in the field of mobile telephony are subject to market saturation.

Financial services and the related commissions earned also showed a downward trend, which is attributable to reduced margins and the related low interest rate environment at the present time. Internal sales with postal services also further decreased, and were down by 7.4% or EUR 13.7m. There has been a fundamental reduction in the volume of letters posted and subsequently transported by the branch network. Moreover, letters are increasingly being picked up directly from customers within the context of the enhanced services offered by Austrian Post. However, the service and cost structure of the branch network is being continually improved as a result of the restructuring of the Branch Network Division. Unprofitable company-operated branches in Austria are being converted by Austrian Post into partner-operated postal service points. In 2010, Austrian Post increased the total number of postal service points from 1,552 to 1,850, which included the rise of third party operated postal service points from 418 to 1,117.

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

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

Vienna, March 15, 2011

The Annual Report 2010 is available in the internet: www.post.at/ir/en -> Publications --> Financial Reports

Der Geschäftsbericht 2010 ist im Internet unter www.post.at/ir -> Publikationen --> Finanzberichte verfügbar.

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Further inquiry note:

Austrian Post
Head of Investor Relations
Mr. Harald Hagenauer
Tel.: +43 (0) 57767 - 30400

Head of Group Communications
Ms. Ina Sabitzer
Tel.: +43 (0) 57767 - 21763
ina.sabitzer@post.at

Group Communication/Press Spokesman
Mr. Michael Homola
Tel.: +43 (0) 57767 - 32010
michael.homola@post.at

Branche: Transport
ISIN: AT0000APOST4
WKN: A0JML5
Index: ATX Prime, ATX
Börsen: Wien / Regulated free trade