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EANS-Adhoc: AUSTRIAN POST IN H1 2011 / GOOD DEVELOPMENT IN THE FIRST HALF-YEAR UNDERLINES POSITIVE OUTLOOK

6-month report

19.08.2011

- Increased revenue
  - Revenue up 2.9% from the previous year on a comparable basis
  - Mail Division on a comparable basis +2.1%, Parcel & Logistics +6.2%
- Improved earnings
  - EBITDA of EUR 124.8m (margin of 11.0%)
  - EBIT +9.1% to EUR 81.3m
- Ongoing solid cash flow and balance sheet
  - Operating cash flow before changes in working capital up 15.5% to EUR 93.3m
  - Cash and cash equivalents of EUR 264.2m
- Outlook for 2011
  - Revenue in 2011: continuation of the development in the first half-year (+2.9%)
  - EBITDA margin at the upper end of the targeted range of 10-12%

AN OVERVIEW OF DEVELOPMENTS AT AUSTRIAN POST

"The first half of 2011 proceeded very satisfactorily for Austrian Post. We are on the right track, pursuing our strategy of offsetting declining letter mail volumes by generating growth in the parcel business and advertising mail", comments CEO Georg Pölzl. "In the mail and parcel segments we succeeded in maintaining our market leadership position and continuing our development in other markets."

Against this backdrop, total revenue of the Austrian Post Group rose by 2.9% to EUR 1,137.9m on a comparable basis, adjusted for the meiller companies which were deconsolidated at the end of 2010. The Parcel & Logistics Division posted the biggest increase of 6.2%, followed by the Mail Division, whose revenue rose by 2.1%. This was in contrast to the revenue decrease of 6.2% in the Branch Network Division.

The persistent focus on efficiency improvements and enhancing the flexibility of the cost structure showed positive effects in the first half of 2011. As a consequence, EBIT of Austrian Post climbed 9.1% to EUR 81.3m, with all operating divisions generating positive earnings growth. EBIT of the Mail Division was up 10.2%, the Parcel & Logistics Division reported a 69.3% rise and the Branch Network Division an increase of 33.7%, the latter not least due to effective restructuring measures. Of the 1,876 postal service points, a total of 1,212 are already third-party operated postal partner offices, a rise of 456 in the past year.

On the basis of this development, a continuation of the revenue increase is expected, as shown by the 2.9% revenue growth achieved in the first half-year. With respect to the development of earnings, Austrian Post confirms its objective of generating a sustainable EBITDA margin between 10% and 12%. The EBITDA margin for the entire year 2011 is expected to be at the upper end of the targeted range.

"The basis of our operations is our consistent customer orientation, to which we attach considerable importance to in all our decision-making processes. Innovative products and services with self-service features are significant factors underlying our business operations", says Pölzl. "Our current Austria-wide initiative `CO2 neutral delivery´ is also in line with this approach to pro-actively support each of our customers demanding ecologically sustainable logistics services. Thus, key cornerstones of Austrian Post´s corporate strategy are the efficiency improvements and adjustments carried out as a response to the continuing changes in the market environment", Pölzl adds.

REVENUE DEVELOPMENT OF THE DIVISIONS*

EUR m	H1 2010	H1 2011	Change %	Change EUR m	Q2 2010	Q2 2011
Total revenue**	1,106.0	1,137.9	2.9%	31.9	543.5	566.5
Mail**	637.9	651.5	2.1%	13.5	312.9	327.3
Parcel & Logistics	387.0	410.9	6.2%	23.9	191.1	202.4
Branch Network	80.0	75.0	-6.2%	-4.9	39.1	36.6
Corporate	2.6	2.5	-1.6%	0.0	1.2	1.3
Consolidation	-1.5	-2.1	-34.5%	-0.5	-0.8	-1.1
Working days***	123	124	-	-	61	61

* External sales of the divisions
** Figures for 2010 and changes excl. meiller Group (pro forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity
*** Calendar working days in Austria

In order to enable a consistent analysis of Austrian Post´s revenue development, revenue in 2010 has been adjusted for the meiller companies. The deconsolidation of these companies reduced the comparable revenue of the Mail Division by EUR 44.2m in the first half-year 2010. The joint venture MEILLERGHP established at the end of 2010, in which Austrian Post has a 65% stake, is not fully consolidated in 2011, but consolidated at equity instead.
Revenue on a comparable basis increased by 2.9% in the first half of 2011 to EUR 1,137.9m. Revenue growth was generated in the Parcel & Logistics Division (+6.2%) and the Mail Division (+2.1%). In contrast, revenue of the Branch Network Division fell by 6.2% compared to 2010. The year-on-year comparison includes one additional working day in H1 2011.
Revenue in the Mail Division was up by 2.1% on a comparable basis to EUR 651.5m. The substitution of letters by electronic media was offset by positive effects such as changes in the letter mail portfolio, self-service products and advance purchases of the new line of postage stamps. Moreover, the revenue increase for addressed and unaddressed direct mail items clearly shows the good economic development of the advertising industry.
Revenue of the Parcel & Logistics Division climbed by 6.2% to EUR 410.9m in the first half of 2011 due to rising parcel volumes and against the backdrop of ongoing price pressure. Growth was generated in Austria as well as in Germany,

Benelux and South East and Eastern Europe.
The organisational structure of the Branch Network Division is currently undergoing change. In the last 12 months the number of third-party operated postal partner offices has risen from 756 to 1,212. This change has affected the division´s revenue and cost structure as well as the redefined partnership with BAWAG P.S.K.. Since January 1, 2011, revenue from the financial services business has been subject to a new cost-based compensation plan. The division´s external sales were down 6.2% to EUR 75.0m.

INCOME STATEMENT

EUR m	H1 2010	H1 2011	Change %	Change EUR m	Q2 2010	Q2 2011
Revenue*	1,106.0	1,137.9	2.9%	31.9	543.5	566.5
EBITDA	124.8	124.8	0.0%	0.0	56.4	53.9
EBIT	74.5	81.3	9.1%	6.8	29.2	32.5
Profit for the period	54.1	62.0	14.7%	7.9	20.6	24.6
Earnings per share (EUR)	0.80	0.92	14.7%	0.12	0.31	0.36

* Figures for 2010 and changes excl. meiller Group (pro forma consolidation); 2011: joint venture MEILLERGHP consolidated at equity

The revenue growth of 2.9% or EUR 31.9m also affects the cost structure of the Group, due to the fact that higher parcel volumes also led to an increase in expenses for parcel logistics subcontractors. As a consequence of the increased purchase of external transport services, operating expenses for raw materials, consumables and services used rose 7.2% on a comparable basis to EUR 360.8m. Staff costs on a comparable basis declined by EUR 6.1m from the prior-year figure. This decrease includes a reduction of operational staff costs by EUR 15.2m, whereas non-operational staff costs rose. Savings in operational staff costs were also achieved by taking advantage of voluntary employee departures. On a comparable basis, the average number of employees fell by 786 to 23,250 employees.

Non-operational staff costs, for example restructuring expenses and the provision for employee under-utilisation, increased in the first half-year 2011. Accordingly, a total of EUR 15.6m was allocated to the provision for employee under-utilisation for an additional 108 employees who are likely to transfer to the federal public service. Austrian Post already reached an agreement with the Ministry of Internal Affairs in 2009 as well as with the Ministries of Finance and Justice in 2010 stipulating that staff costs for these employees will be borne by Austrian Post until June 2014. On the balance sheet of Austrian Post, these total staff costs are reported as a provision. As a consequence, the provision for employee under-utilisation increased year-on-year from EUR 244.0m to EUR 248.5m. The cash-related use of these provisions in the first half of 2011 amounted to EUR 12.3m.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post amounted to EUR 124.8m in the first half of 2011, precisely matching the prior-year level. The EBITDA margin was 11.0%. EBIT rose 9.1% to EUR 81.3m, corresponding to an EBIT margin of 7.1%.

All operating divisions developed positively in the first half of 2011. EBIT of the Mail Division rose by 10.2% to EUR 130.4m, the Parcel & Logistics Division reported a 69.3% increase in EBIT to EUR 10.3m, and the Branch Network Division improved by 33.7% to minus EUR 7.7m.

EBIT of the Corporate segment deteriorated from minus EUR 38.2m to minus EUR 51.7m due to the allocation of EUR 15.6m during the period under review to provisions for employees who are likely to transfer to the federal public service. The Corporate segment encompasses, amongst other items, non-allocated costs for central departments, expenses in connection with unused properties as well as changes in staff-related provisions.

Due to the current restructuring the negative earnings of Austrian Post´s 65%-owned subsidiary MEILLERGHP led to results of investments consolidated at equity of minus EUR 3.0 million.

Earnings before tax rose 12.5% to EUR 79.4m. After deducting income taxes totalling EUR 17.4m, the Group net profit (profit after tax for the period) amounted to EUR 62.0m. This corresponds to earnings of EUR 0.92 per share for the first half of 2011, a rise of 14.7% from the prior-year figure.

BALANCE SHEET

Austrian Post takes a risk-averse business approach. This is demonstrated by its high equity ratio, the low level of financial liabilities and the solid level of cash and cash equivalents invested with the least possible risk.

The analysis of the balance sheet of Austrian Post shows a considerable level of current and non-current financial resources. As at June 30, 2011, Austrian Post had cash and cash equivalents of EUR 264.2m and financial investments in securities amounting to EUR 51.6m.

CASH FLOW

In the first half of 2011, the operating cash flow before changes in working capital, at EUR 93.3m, represents a rise of EUR 12.5m from the prior-year level. Taxes paid at EUR 26.0m also include a tax payment of EUR 7.2m for the 2009 financial year.

The cash flow from changes in working capital declined by EUR 17.2m. The most significant negative effect was the rise in receivables of EUR 12.0m, which is mainly related to the new value added tax regulation applicable since the beginning of 2011.

The cash flow from investing activities was minus EUR 7.5m, including a cash outflow for the purchase of property, plant and equipment (CAPEX) amounting to minus EUR 24.7m as well as a cash inflow derived from the disposal of property, plant and equipment of EUR 14.7m. The total free cash flow was EUR 68.6m, compared to EUR 51.3m in the first half of the previous year.

EMPLOYEES

During the period under review, the average number of full-time employees at Austrian Post totalled 23,250 people, corresponding to a decline in the workforce by 786 employees (on a comparable basis excl. the meiller Group) compared to the prior-year period. The number of employees in the Parcel & Logistics Division increased slightly, whereas the staff of the Mail Division and Branch Network Division was reduced as planned. Most of Austrian Post´s labour force, namely 19,832 full-time equivalent employees, is employed by the parent company Österreichische Post AG.

OUTLOOK 2011

Austrian Post expects the volume of addressed letter mail in Austria to decrease by 3-5% p.a., reflecting international trends. This will be primarily driven by electronic substitution and the decline of high-value products. In contrast, there are indications of a positive development in the business with parcels and direct mail items, driven by the current economic development. Based on these volume estimates, Austrian Post anticipates a continuation of its revenue development for the entire year 2011, as demonstrated by the 2.9% revenue growth in the first half of 2011. The overall revenue development of the Mail Division should be stable or increase slightly on a comparable basis. Austrian Post expects an increase in the revenue of the Parcel & Logistics Division, which will clearly focus on enhancing the profitability of the services offered. With respect to the earnings development of the Group, the company confirms its objective of achieving a sustainable EBITDA margin between 10% and 12%. An EBITDA margin at the upper end of the targeted range is expected for the entire year 2011.

The operating cash flow generated by Austrian Post will continue to be used to finance future-oriented investments and dividend payments. The financial planning of Austrian Post foresees total capital expenditure of about EUR 80-90m in 2011. This will primarily focus on replacement investments in existing facilities as well as in new and more efficient sorting technology.

The top priorities 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 foreseeable at the present time.

PERFORMANCE OF THE DIVISIONS

MAIL DIVISION

In the first six months of 2011, external sales of the Mail Division were up 2.1% on a comparable basis, or EUR 13.5m.

Revenue generated by the Letter Mail Business Area remained constant at EUR 361.0m on a year-on-year comparison. The substitution of letters by electronic media was offset by positive effects such as changes in the letter mail portfolio, self-service products and advance purchases of the new line of postage stamps. The new option of selecting either Priority or Economy products should successively lead to a trend towards Economy products in upcoming quarterly periods.

In the first half of 2011, revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail items) rose by 5.6% on a comparable basis, or EUR 11.7m. Volume increased for both addressed and unaddressed mail items, reflecting the good economic development of the advertising industry.

The joint venture MEILLERGHP established at the end of 2010 showed operational improvements in the merger phase, as expected.

Revenue of the Media Post Business Area also developed positively, rising by 1.9%, or EUR 1.2m.

On balance, EBITDA of the Mail Division improved by 4.8% to EUR 143.5m during the first half-year of 2011. At the same time, EBIT rose 10.2% to EUR 130.4m.

PARCEL & LOGISTICS DIVISION

External sales of the Parcel & Logistics Division climbed 6.2% in the first half of 2011, to EUR 410.9m. The reason for this increase was higher parcel volumes despite price pressure in almost all markets.

The premium parcel product segment (parcel delivery within 24 hours), which is mainly used in the business-to-business area, generated a revenue increase of 5.6% in the first half of 2011, to EUR 321.0m. The German subsidiary trans-o-flex accounted for more than three quarters of this revenue. Parcel volumes

from business customers in Austria and in South East and Eastern Europe also continued to develop very positively. Revenue growth was also achieved in Belgium and the Netherlands, where the restructuring efforts are intensified and outsourcing measures are carried out.
The standard parcels product segment in Austria used mainly for shipments to private customers also achieved growth. Revenue climbed by 1.8%, to EUR 79.5m. Accordingly, earnings of the Parcel & Logistics Division increased, with EBIT improving by 69.3% to EUR 10.3m.

BRANCH NETWORK DIVISION
The structural adjustments taking place in the branch network are reflected in the changed structure of postal service points. The number of third-party operated postal partner offices has increased from 756 in June 2010 to 1,212 at the reporting date of June 30, 2011. On balance, Austrian Post had 1,876 postal service points at the end of June 2011, compared to 1,807 one year earlier. This change affects the revenue and cost structure of the Branch Network Division, as does the contractually redefined partnership with BAWAG P.S.K. Since the beginning of 2011, financial services are no longer based on commissions but compensated primarily on the basis of the actual costs incurred.
At a year-on-year comparison, external sales of the Branch Network Division fell by 6.2%, which is related to the new compensation agreement concluded with BAWAG P.S.K. as well as to decreasing sales of telecommunications products. Internal sales with postal services further decreased slightly by 1.2% in the first half-year 2011. There has been a general reduction in the volume of letters posted via the branch network. Moreover, letters are increasingly being picked up directly from large customers within the context of the enhanced services offered by Austrian Post. Earnings of the Branch Network Division improved as a consequence of the structural changes. Accordingly, EBIT was up by EUR 3.9m in the first half of 2011 to minus EUR 7.7m.
The new strategic branch office cooperation with the banking partner BAWAG P.S.K. is being rapidly implemented. 132 jointly operated outlets had been adapted and newly opened as at the end of June 2011. By the end of the year, approximately 350 branch offices will offer the opportunity for both partners to focus on their respective core competences.

The half-year financial report 2011 is available in the internet:
www.post.at/ir/en --> Publications --> Financial Reports

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