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euro adhoc: Österreichische Post AG / Annual Reports / Austrian Post 2006 Annual Results: Increase in Revenue and Earnings

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annual report

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- Revenue up 2.1%: improvement in all divisions - Earnings before interest and tax (EBIT): +19.7%; earnings before tax: +29.3% - Dividend proposal: EUR 70m (+75% year-on-year) - Profit for the period: EUR 1.43 per share - Outlook for 2007: higher revenue based on consolidation of trans-o-flex, 20% to 25% rise in EBIT expected

2006 was a very successful year for Austrian Post. In addition to the gratifying business development, the main highlights included the IPO, which the Post very successfully concluded as only the third publicly listed postal operator in Europe, and most recently, the successful acquisition of a majority shareholding in the German specialised logistics company trans-o-flex, a milestone in Austrian Posts business-to-business parcels services.

Improved revenue in all divisions The positive trend in the business development of Austrian Post in recent years was maintained in the 2006 financial year. Once again, the company achieved an improvement in terms of both revenue and EBIT. Thanks to growth generated in all divisions, total revenue rose by 2.1%, to EUR 1,736.7m. Revenue in the Mail Division was up 1.6%, the Parcel & Logistics Division improved by 7.2%, and Branch Network Division revenue climbed 0.3%.

The Mail Division posted an increase in revenue in its direct mail business (advertising), as well as in the Media Post Business Area. The biggest increase, in relative terms, was generated by the Parcel & Logistics Division, with very solid revenue growth in international parcels deliveries. The Branch Network Division also posted a slight rise in revenue.

Revenue	Change			Contri-	
EUR m	2004	2005	2006	2005/2006	2006
Total revenue	1,654.4	1,701.6	1,736.7	+2.1%	100.0%
Mail	1,255.3	1,290.8	1,311.3	+1.6%	75.5%
Parcel&Logistic	199.0	211.8	227.1	+7.2%	13.1%
Branch Network	196.2	193.8	194.4	+0.3%	11.2%
Other	3.9	5.1	4.0	-22.5%	0.2%

Earnings significantly surpass last year results

The EBIT (earnings before interest and tax) of Austrian Post increased by 19.7% in 2006, climbing to EUR 123.3m in comparison to the preceding year.

Accordingly, the EBIT margin amounted to 7.1%. All operative divisions made a positive contribution to this performance. The Mail Division achieved an EBIT of EUR 271.6m, the Parcel & Logistics Division contributed EUR 20.8m, and the Branch Network Division generated an EBIT of EUR 11.5m.

Earnings before tax (EBT) rose by 29.3% year-on-year, to EUR 130.5m. After deducting the income tax expense amounting to EUR 30.8m, the consolidated profit for the period of Austrian Post totalled EUR 99.8m, or an earning per share amounting to EUR 1.43.

Earnings	Change			
EUR m	2004	2005	2006	2005/2006
Revenue	1,654.4	1,701.6	1,736.7	+2.1%
EBITDA	203.1	223.8	231.7	+3.5%

EBIT	82.2	103.0	123.3	+19.7%
EBT	76.7	100.9	130.5	+29.3%
Profit after tax	46.8	90.1	99.8	+10.7%
Profit for the period	50.0	99.9*	99.8	-0.2%

* Including EUR 9.8m from discontinuing operations

Solid balance sheet structure - equity ratio of 43%

The acquisition of trans-o-flex led to an increase in total assets amounting to EUR 358.5m. The item-by-item balance sheet analysis for Austrian Post shows a considerable amount of financial resources on the assets side. Austrian Post has cash and cash equivalents totalling EUR 229.4m, and financial assets of EUR 208.6m. The equity ratio amounted to 43.2% at the end of 2006.

Stable cash flow development

In 2006, operating cash flow before changes in working capital fell by 1.8%, to EUR 277.9m, despite the rise in earnings before tax. This can be mainly attributed to advanced tax payments.

The generated cash flow was primarily used for investments in property, plant and equipment, the acquisition of subsidiaries and dividend payments. After deducting these items, the net increase in cash and cash equivalents amounted to EUR 55.0m in 2006.

Dividend increase

Due to the positive business development, the Management Board of Austrian Post will propose to the Annual General Meeting a dividend payment of EUR 1.00 per share will be distributed for 2006. This equals a total dividend of EUR 70m, up 75% compared to the dividend of EUR 40m paid for 2005.

Employees

In 2006, the average number of full-time employees at Austrian Post declined by 2.9%, to 24,456, from a total of 25,192 employees in the preceding year.

Outlook for 2007

Austrian Post continues to expect a stable mail market for the year 2007. The decline in letter mail volumes resulting from the substitution of the traditional letter by electronic media will be counteracted by expected increases in direct mail (Infomail Business Area) and in the Parcel & Logistics segment (including acquisitions). Generally, increased competition is anticipated in the letter mail as well as in the parcels business (in particular business to consumer parcels).

All in all, Austrian Post anticipates that organic revenue will remain constant in 2007. Additional growth will be driven by the German specialised logistics company trans-o-flex, which will be incorporated into the consolidated profit and loss statement of Austrian Post for the first time in 2007. Earnings before interest and taxes (EBIT) are predicted to be 20% to 25% higher in 2007 than the level of EUR 123,3m posted in 2006. There are two main reasons for this expected increase: first, the contribution to revenue and earnings to be made by trans-o-flex, and second, a further improvement in operating income.

Events after the balance sheet date

With the formal closing of the transaction on January 2, 2007, Austrian Post legally acquired its 100% shareholding in Weber Escal, Croatia.

At the end of January 2007, Austrian Post also finalised the acquisition of a 51% shareholding in Scanpoint Europe, which specialises in the efficient digitalisation and administration of documents (bills, correspondence).

Change of ownership at BAWAG P.S.K. Concerning the takeover of BAWAG P.S.K., Austrian Posts financial services partner, the bidding group led by Cerberus invited Austrian Post to acquire a minority stake in BAWAG P.S.K. Austrian Post sees this as a chance to make a profitable and value-enhancing investment, and, at the same time, to proactively promote a jointly developed offensive business strategy in the field of financial services. Therefore, the offer is being carefully evaluated. Parallel to this, Austrian Post will hold negotiations with the new owner and management of BAWAG P.S.K., in order to intensify its existing cooperation and ensure its ongoing success on a long-term basis.

Increased competition in the parcels segment Austrian Post is the undisputed market leader in the B2C and C2C private customer segments, with a market share of 95%. According to unconfirmed press reports, the German parcel services provider Hermes plans to enter the Austrian market. The owner of Hermes is the mail order company

Otto. As part of the Unito Group (Otto, Universal), it is a major customer of Austrian Post.

The market entry of new postal operators in the private customer segment will only have a slight impact on the earnings development of Austrian Post in 2007, due to the high qualitative market demands, and the high complexity of building up a logistics network.

On a medium-term basis, Austrian Post anticipates a loss of revenue and the necessity to implement price reductions for existing customers as the result of increasing competition from alternative postal services providers. The possibility can not be ruled out that growing competition might potentially lead to a medium-term decline in Austrian Posts parcel services revenue amounting to EUR 20m to 25m.

In 2006, Austrian Post successfully entered the market for parcel services on behalf of business customers, the B2B business-to-business segment, and has already managed to attract several renowned customers for its expanded service portfolio. Moreover, the German specialised logistics company trans-o-flex, with revenue of about EUR 480m, was acquired at the end of 2006.

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