

EANS-Adhoc: AUSTRIAN POST H1 2010:y / SECOND-QUARTER INCREASE IN REVENUE AND EARNINGS LEADS TO STABLE HALF-YEAR RESULT AND IMPROVED CASH FLOW

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AUSTRIAN POST H1 2010:
SECOND-QUARTER INCREASE IN REVENUE AND EARNINGS LEADS TO STABLE HALF-YEAR RESULT AND IMPROVED CASH FLOW

- Q2: Good second quarter leads to stable half-year
 - Revenue +0.7%; EBIT +5.8%
- H1: Half-year 2010 development confirms forecasted trends
 - Decline in the Mail Division of -0.9% to EUR 682.1m due to electronic substitution
 - Growth in the Parcel & Logistics Division of 4.3% to EUR 387.0m
 - Group revenue and EBIT at the previous year's level
- Improved domestic and international cost structure
 - Cost reduction measures have a positive impact
 - Turnaround at subsidiaries begins to take hold
- Cash flow reflects efficient use of financial resources and good development
 - Operating cash flow before changes in working capital and tax up 14.8% to EUR 115.3m
 - Free cash flow before the acquisition/disposal of securities improves by 31.3% to EUR 46.3m

AUSTRIAN POST AT A GLANCE

The business development of Austrian Post in the first half of 2010 proceeded very satisfactorily. A good second quarter revenue featuring a 0.7% revenue increase and an earnings improvement of 5.8% led to a stable development in the first six months of 2010 as a whole. Total Group revenue in the first half-year amounted to EUR 1,150.1m, whereas EBIT was EUR 74.5m, at a comparable level to the prior-year period.

Sales measures and innovations contributed to keeping the volume decline in the Mail Division as low as possible. The revenue increase of 4.3% in the Parcel & Logistics Division showed an ongoing rise in transport volumes. 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.

In order to counteract structural changes in the postal business, Austrian Post will continue to take all the measures it considers necessary to enhance the productivity of the company. Notable successes with respect to operating costs and direct personnel expenditures could already be achieved in the first half of 2010. Cost reduction measures in Austria as well as the turnaround of Austrian Post's international subsidiaries are beginning to take hold. The Branch Network Division is also undergoing constant changes. Unprofitable company-operated branches are being systematically converted into postal partner offices. Austrian Post will continue to pursue its strategy of improving service quality and the cost structure.

"We are on the right path, both in terms of the development of our business operations as well as the implementation of strategic measures", says Austrian Post CEO Georg Pölzl. "We have succeeded in counteracting the revenue decline in the letter mail business for the most part, and exploiting growth opportunities in the parcels segment. Although our cost structure has substantially improved it is absolutely essential to continue working on further enhancing efficiency", Pölzl adds.

The measures Austrian Post is persistently implementing within the context of its strategic programme Post@2011 are designed to exploit revenue growth opportunities as well as to realise potential cost savings.

The earnings strength of Austrian Post and the efficient use of available financial resources is best demonstrated by the operating cash flow before taxes, which was increased by 14.8% in the first half-year 2010. Based on this development, we confirm our original forecast for the year 2010. Revenue is expected to decrease by 1% to 2% from the comparable figure for 2009, but the EBITDA margin will continue to be in a range between 10% and 12%.

REVENUE DEVELOPMENT IN DETAIL

The revenue development of Austrian Post in the first half-year 2010 confirmed the forecasted trends. Whereas the Mail Division posted a decline, the Parcel & Logistics Division reported continuing growth. On balance, the second quarter proceeded extremely satisfactorily, reflected by a 0.7% revenue increase. In the first half of 2010, total revenue of Austrian Post was down by only 0.5% from the previous year to EUR 1,150.1m.

During the first six months of 2010, revenue of the Mail Division only decreased by 0.9% in a year-on-year comparison. This can be attributed to the gains achieved by the Infomail and Media Post Business Areas. The main trends negatively affecting the Mail Division continued, i.e. the electronic substitution of letters, the declining business with high value mail items and the reduced weight of the mail being posted. However, intensive efforts to attract customers and innovative ideas limited the revenue decrease. Similarly, one-off effects and an additional working day in the second quarter in comparison to 2009 positively impacted the performance of the Mail Division.

The Parcel & Logistics Division featured an ongoing rise in business volume. 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 in Germany, revenue in the first half of 2010 rose 4.3% in a year-on-year comparison, and even climbed 6.0% in the second 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 15.2m, whereas total costs were reduced by EUR 19.1m. The changed reporting of revenue derived from sales of prepaid phone cards based on new Austrian VAT regulations also contributed EUR 5.3m to the revenue decline. Internal sales were down by EUR 7.3m due to the increasing direct collection of letters and parcels from large customers.

Revenue by division

EURm	H1	H1	Change	Q2	Q2		
	2009	2010	%	EURm	2009	2010	
Total revenue (external sales)	1,156.0	1,150.1	-0.5%	-5.8	560.8	564.5	
Mail	688.4	682.1	-0.9%	-6.3	335.5	333.9	
Parcel&Logistics	371.1	387.0	+4.3%	+15.9	180.2	191.1	
Branch Network	95.2	80.0	-16.0%	-15.2	44.2	39.1	
Other	2.1	2.6	+20.3%	+0.4	0.4	1.2	
Consolidation	-0.9	-1.5	-71.3%	-0.6	0.2	-0.8	
Working days in Austria (Calendar)	122	123	---	---	60	61	

Income Statement

EUR m	H1	H1	Change	Q2	Q2		
	2009	2010	%	EURm	2009	2010	
Revenue	1,156.0	1,150.1	-0.5%	-5.8	560.8	564.5	
EBITDA	126.5	124.8	-1.4%	-1.8	54.3	56.4	
EBIT	75.4	74.5	-1.1%	-0.9	27.6	29.2	
Profit for the period	56.2	54.1	-3.8%	-2.1	22.5	20.6	
Earnings per share (EUR)	0.83	0.80	-3.8%	-0.03	0.33	0.31	

Top management priorities at Austrian Post are to counteract the revenue decline related to reduced letter mail volume and also increase productivity and efficiency.

Staff costs comprise the largest operating expense item of Austrian Post at EUR 562.1m, accounting for close to 50% of total revenue. In addition to direct personnel expenditures for salaries and wages, staff costs also encompass changes in staff-related provisions along with restructuring costs in line with the voluntary social plan for employees leaving the company.

Direct personnel expenditures could be reduced by about EUR 15m compared to the first half of 2009. On average, the total workforce decreased by 939 employees in a year-on-year comparison, to 24,961 people. Costs related to employee social plan payments such as termination benefits and staff-related provisions amounted to approximately EUR 18m.

Savings in operating costs were 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 six months of 2010 totalled EUR 11.1m compared to the preceding year. The changed reporting of prepaid phone cards in the financial statements of Austrian Post resulted in a reduction of EUR 5.3m. Further savings were achieved with energy, fuel and heating costs.

Other operating income declined slightly to EUR 34.5m during the period under review, including income from rents and leases of EUR 12.0m.

In the first half-year 2010, earnings before interest and tax (EBIT) of Austrian Post only declined by 1.1%, or EUR 0.9m, to EUR 74.5m, which is related to the fact that the revenue drop could be largely compensated by cost savings. EBIT only decreased in the first quarter of 2010, whereas it actually rose by 5.8% in the second quarter compared to the prior-year level. The EBITDA margin was 10.9%, the EBIT margin 6.5%.

In comparing earnings indicators, it is important to note that the previous year's performance was positively affected by proceeds of EUR 4.4m derived from the sale of a 49.8% stake in Mader Zeitschriftenverlags GmbH.

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. On balance, employee social plan payments totalled EUR 5.3m, of which the largest share of EUR 2.9m was allocated to the Branch Network Division. Division earnings excluding employee social plan payments changed as follows: The Mail Division generated an EBIT increase of EUR 5.1m to EUR 119.6m in the first half-year 2010. EBIT of the Parcel & Logistics Division rose by EUR 9.6m to EUR 6.2m, whereas EBIT at the Branch Network Division declined by EUR 4.8m to minus EUR 8.7m.

EBIT excluding social plan payments of the Other segment fell from minus EUR 26.7m to minus EUR 37.3m. 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 provisions allocated for employees who accepted the voluntary social plan putting them on temporary leave until they reach retirement rose by EUR 7m. All in all, the provision for employee under-utilisation and the provision for employees transferring to the Austrian federal government remained constant for the most part.

The other financial result of Austrian Post declined from minus EUR 0.1m to minus EUR 4.0m in the first half-year 2010, which is related, amongst other factors, to lower interest rates.

Earnings before tax fell by EUR 4.7m to EUR 70.6m. After deducting income taxes totalling EUR 16.5m, the Group net profit (profit after tax for the period) amounted to EUR 54.1m, corresponding to earnings of EUR 0.80 per share for the first half of the 2010 financial year, compared to EUR 0.83 per share in the first half of 2009.

BALANCE SHEET WITH HIGH EQUITY RATIO

Austrian Post takes a risk-adverse business approach. This is demonstrated by its high equity ratio, the relatively low level of financial liabilities and

the high amount of cash and cash equivalents.

All in all, the analysis of the balance sheet of Austrian Post shows a considerable level of current and non-current financial resources. Austrian Post had cash and cash equivalents of EUR 243.4m as at June 30, 2010, and financial investments in securities amounting to EUR 52.6m.

Accordingly, the financial resources at the disposal of Austrian Post in the first half of 2010 totalled EUR 296.0m at the end of June 2010. As opposed to the total financial resources of Austrian Post, financial liabilities only amount to EUR 128.4m. The Equity ratio was 37.3%

IMPROVED CASH FLOW

Operating cash flow before changes in working capital amounted to EUR 80.7m in the first half of 2010. This decline of EUR 2.0m is primarily due to different income tax payments in the half-year comparison. The operating cash flow before changes in working capital and taxes was EUR 115.3m, a rise of 14.8% from the previous year's level.

The cash flow from changes in working capital amounted to minus EUR 21.9m in the first half of 2010, primarily as the result of a lower level of liabilities. On balance, the cash flow from operating activities in the first half-year 2010 totalled EUR 58.8m, compared to EUR 58.9m in the comparable period of 2009.

The cash flow from investing activities at minus EUR 7.5m includes the purchase of property, plant and equipment (CAPEX) amounting to EUR 14.9m, and proceeds from the disposal of property, plant and equipment of EUR 5.8m.

The free cash flow was EUR 51.3m. The improved operating performance is reflected in the free cash flow before the acquisition or disposal of securities, which climbed by 31.3% to EUR 46.3m, a rise of EUR 11.0m above the previous year's level.

EMPLOYEES

During the period under review, the average number of full-time employees at Austrian Post fell by 3.6%, or 939 people, to 24,961. 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 (20,720 full-time equivalent employees) is employed by the parent company, Österreichische Post AG. More than 4,000 employees are employed by subsidiaries.

OUTLOOK 2010

Current trends in the letter mail and parcels businesses confirm the forecasted development. Austrian Post continues to predict a Group revenue decrease of between 1% and 2% in 2010 compared to 2009.

Revenue in the Mail Division will further decline, primarily as a result of electronic substitution and the lower weight of mail items being posted. The Parcel & Logistics Division showed an ongoing improvement in revenue from the parcels business. This situation is expected to continue during the course of the year in line with current economic forecasts.

A series of measures have been implemented in order to exploit potential cost savings. Austrian Post aims to achieve a sustainable EBITDA margin of 10-12% annually, in 2010 as well as in subsequent years.

With regard to the expected financing requirements for 2010, Austrian Post anticipates total capital expenditure to reach a level of about EUR 65m. The priority in Austrian Post's international business will be to further integrate and expand existing networks, and to improve the operating results of its subsidiaries, which are expected to generate a sustained earnings contribution in 2010.

PERFORMANCE OF DIVISIONS

MAIL DIVISION

External sales of the Mail Division only fell by 0.9% in the first half of 2010 from the comparable period of 2009, to EUR 682.1m. The second quarter decrease was only 0.4%.

Revenue generated by the Letter Mail Business Area declined and were down by 2.8% or EUR 10.3m 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. In contrast, elections and the related possibility of casting absentee ballots as well as one additional working day compared to the preceding year had positive one-off effects in the first half-year 2010.

In the first half of 2010, the revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail items) rose by 1.5% or EUR 3.8m compared to the prior-year level. The Infomail Business Area was characterised by a positive volume development along with lower average weights of mail items. Efforts to acquire new customers were successful, and could thus compensate for the loss of the large customer Quelle.

Revenue of the Media Post Business Area increased by 0.4% or EUR 0.3m due to the growing business volume generated by company magazines.

On balance, the Mail Division posted an EBIT excluding employee social plan payments of EUR 119.6m, a rise of 4.5%, or EUR 5.1m from the comparable period of the previous year. This earnings improvement is primarily related to efficiency increases. Both operating expenses and staff costs could be reduced.

PARCEL & LOGISTICS DIVISION

In the first half of 2010, external sales of the Parcel & Logistics Division climbed by 4.3%, to EUR 387.0m as a consequence of the good volume development. The parcel and logistics market showed an overall trend towards volume growth in the first six months of 2010, although price pressure continued.

The premium parcel product segment (parcel delivery within 24 hours) generated total revenue of EUR 303.9m in the first half-year. The revenue decline of 0.3%, is primarily due to the termination of loss-making transport logistics operations in Germany. Adjusted revenue in this German product segment actually rose by about 8% year-on-year, which is mainly related to new customer acquisition. The subsidiary trans-o-flex in Germany accounts for approximately three quarters of premium parcel revenue. The volume of business parcels in South East and Eastern Europe also development very positively.

Revenue of the standard parcels product segment in Austria developed more gratifyingly, rising by close to 30%, to EUR 78.1m. 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 turnaround in the performance of the Parcel & Logistics Division. In the first half of 2010, EBIT excluding employee social plan payments rose to EUR 6.2m compared to the negative results of minus EUR 3.4m in the first half-year 2009.

Carl-Gerold Mende, member of the Management Board with responsibility for the Parcel & Logistics Division, informed the Supervisory Board of his decision to fulfill his employment contract until June 2011 but for personal reasons not to exercise his option of having the contract extended until 2013. "We respect the personal decision of Mr. Mende. He will continue to carry out his responsibilities with complete dedication and successfully press ahead with the growth strategy of the Parcel & Logistics Division", says Peter Michaelis, Chairman of the Supervisory board.

BRANCH NETWORK DIVISION

The organisation of the branch network is undergoing change, which impacts sales as well as the cost structure. External sales of the Branch Network Division fell by EUR 15.2m in the first six months of 2010, whereas total costs

were reduced by EUR 19.1m.

Part of the revenue decline, or EUR 5.3m, 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 half-year 2010. In particular, telecommunications products in the field of mobile telephony are subject to increasing market saturation.

Financial services and the related commissions earned also showed a downward trend, which is attributable to reduced margins and the current low interest rate environment.

Internal sales with postal services also further decreased, and fell by 7.9%. 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 prior to market liberalisation.

The service and cost structure of the branch network is being continually improved as a result of the structural change taking place in the Branch Network Division. Unprofitable company-operated branches in Austria are being converted by Austrian Post into partner-operated postal service points.

Austrian Post had a total of 1,807 postal service points at the end of June 2010, including 756 operated by external partners. The conversion of additional company-operated branches to postal partner offices is in preparation.

EBIT of the Branch Network Division excluding social plan payments amounted to minus EUR 8.7m in the first half of 2010, down from minus EUR 4.0m in the comparable period of 2009. The workforce of the Branch Network Division was reduced by 387 employees compared to the prior-year period. Employee social plan payments amounted to EUR 2.9m.

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The half year financial report H1 2010 is available in the internet:
www.post.at/ir/en -> Publications --> Financial Reports

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