EANS-Adhoc: AUSTRIAN POST IN 2011: Increase in revenue (+4.2%) and earnings (EBIT +7.3%); Dividend proposal to the Annual General Meeting of EUR 1.70 per share (+6.3%)

- Higher revenue
  - Revenue rise of 4.2% from the previous year on a comparable basis
  - Mail Division +4.4%, Parcel & Logistics +5.6%
- Further increase in earnings
  - EBITDA of EUR 282.7m represents a margin of 12.0%
  - EBIT up 7.3% to EUR 168.3m
- Strong cash flow and solid balance sheet
  - Free cash flow up 5.8% to EUR 162.5m
  - Equity ratio of 42.1%
- Attractive dividend
  - Dividend proposal to the Annual General Meeting of EUR 1.70 per share (+6.3%)
  - Dividend yield of 7.3% based on closing share price at end of 2011
- Outlook 2012 with growth target
  - Stable or slight rise in revenue expected on a comparable basis
  - EBITDA margin once again at the upper end of the targeted range of 10-12%

OVERVIEW OF DEVELOPMENTS AT AUSTRIAN POST

The 2011 financial year proceeded very satisfactorily for Austrian Post. The revenue and earnings indicators once again demonstrated the fact that the strategic orientation of the Group is on the right track. Austrian Post succeeded in maintaining its leading market position even after complete liberalisation of Austria´s letter mail market at the beginning of 2011. Not only parcels but also the letter mail and direct mail segments showed a good development. "Our goal is to offer innovative services to our customers", says Austrian Post CEO Georg Pölzl. "The new option to choose between `Premium´ and `Economy´ letters as well as the positive development of business parcels and advertising mail show that we can also offer the solutions that businesses demand even in a challenging market environment", he adds.

In 2011, Austrian Post increased its Group revenue by 4.2% on a comparable basis to EUR 2,348.7m. Thus, the revenue increase was significantly higher than the medium-term growth target of 1-2% per year. Revenue growth was achieved by the Parcel & Logistics Division (+5.6%) as well as by the Mail Division (+4.4%). In the letter mail segment, innovative new customer solutions, volume growth from e-commerce as well as the new range of products and stamps were the primary reasons for growth.

The market environment in the Parcel & Logistics Division in 2011 was characterised by positive volume developments and growth in market share. With regard to profitability, the business development in Austria and in South East and Eastern Europe was very satisfactory, but the performance in the German/Benelux market was below expectations. As a result, a comprehensive performance improvement programme was initiated at the end of 2011, which in particular led to one-off effects involving structural measures and impairment losses. Above all, the extraordinary expenses related to the restructuring and disposal of the subsidiaries in Belgium and the Netherlands.

In spite of these one-off effects, Group earnings were further improved on the basis of the revenue increase and strict cost discipline. EBITDA amounted to EUR 282.7m, corresponding to a margin of 12% and thus at the upper end of the targeted EBITDA range. EBIT climbed by 7.3% to EUR 168.3m. This positive development, combined with a solid balance sheet and a high equity ratio, is the basis for a sustainable dividend policy. A dividend increase of 6.3% to EUR 1.70 per share will be proposed to the Annual General Meeting.

For the year 2012, a stable or slightly positive development of Group revenue on a comparable basis is expected following the 4.2% revenue growth in 2011. With respect to the earnings development of Austrian Post, the objective of generating a sustainable EBITDA margin of 10-12% remains valid. Austrian Post also aims to further improve earnings before interest and tax (EBIT).

Moreover, Austrian Post will also focus on the development of innovative solutions tailored to customer requirements in 2012. "After successful pilot operations in autumn 2011, we have been delivering national direct mail items bundled in the collective advertising folder KUVERT throughout the country since February 2012. We are also investing in innovative self-service systems such as the drop-off and pick-up boxes. These have been successively rolled out in urban areas following test operations carried out in 2011. All these solutions have one goal in mind: greater flexibility and simplified services for customers", Georg Pölzl concludes.

REVENUE DEVELOPMENT IN DETAIL

For the following analysis of Austrian Post´s revenue development, revenue in 2010 was adjusted for the meiller companies deconsolidated as of December 20, 2010. The deconsolidation of these companies reduced the comparable revenue of the Mail Division by EUR 98.0m in 2010. The joint venture MEILLERGHP established at the end of 2010, in which Austrian Post has a 65% stake, is consolidated at equity.

Revenue on a comparable basis increased to EUR 2,348.7m in 2011, a rise of 4.2%. Revenue growth was generated in the Parcel & Logistics Division (+5.6%) and the Mail Division (+4.4%). In contrast, revenue of the Branch Network Division fell by 3.0% in the same period. There were 250 calendar working days in 2011, two working days less than in the previous year (252 calendar working days).

Revenue in the Mail Division rose to EUR 1,347.6m, an increase of 4.4% on a comparable basis. The ongoing substitution of letters by electronic media was in contrast to the positive effects related to the shifting of volumes from parcel to letter mail services in e-commerce, additional revenue generated in the field of Mail Solutions as well as the new product portfolio and range of stamps introduced in May 2011. Moreover, the growth in revenue derived from addressed and unaddressed direct mail items clearly shows the sound nature of the advertising industry, in which direct mailings provided by Austrian Post constitute an important component of its marketing mix.

Revenue in the Parcel & Logistics Division climbed by 5.6% in 2011 to EUR 846.5m, due to rising volumes and against the backdrop of ongoing price pressure. Growth was generated in Austria as well as in the regions Germany/Benelux and South East and Eastern Europe.

The organisational structure of the Branch Network Division is currently undergoing change. Over the last 12 months, the number of third-party operated postal partner offices has risen from 1,117 to 1,258 as at the end of 2011. 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. Thus, the division´s external sales were down 3.0% to EUR 153.1m.

INCOME STATEMENT

The revenue growth of 4.2%, or EUR 95.6m on a comparable basis, also affected the cost structure of the Group. Higher revenue and parcel volumes increased the purchase of external transport services carried out by parcel logistics subcontractors. Moreover, the growing reliance on postal partner offices led to an increase in the services used by the Group, although staff costs declined. As a consequence, operating expenses for raw materials, consumables and services used rose by 6.6% on a comparable basis, to EUR 759.8m.

Staff costs on a comparable basis at EUR 1,050.1m were 3.4% below the prior-year level. Operational staff costs fell by EUR 28.0m, to a total of EUR 1,017.0m. Savings in operational staff costs were achieved by taking advantage of voluntary employee departures. On a comparable basis, the average number of employees fell by 673 year-on-year to 23,369 employees (full-time equivalents).

Non-operational staff costs, which amounted to EUR 33.0m in 2011, include all investments designed to achieve a sustainable improvement in the cost structure, such as structural measures, termination payments or staff-related provisions.

Other operating income fell by 14.5% on a comparable basis to EUR 74.6m. This was primarily due to lower proceeds from the disposal of property, plant and equipment, which only amounted to EUR 8.8m in 2011. Income from rents and leases of EUR 23.7m were at the same level as in the previous year.

Other operating expenses were up 14.8% on a comparable basis to EUR 320.0m. This increase is partly due to measures relating to the commercial realisation of the operating companies in Belgium and the Netherlands. Moreover, costs arose for the conversion to the new cluster box units, which must be carried out by the end of 2012 in accordance with the stipulations of the Postal Market Act.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of

Austrian Post improved to EUR 282.7m in 2011, a rise of 7.9%. Accordingly, the EBITDA margin was 12.0% and was at the upper end of the targeted range of 10-12%, as predicted.

Depreciation, amortisation and impairment losses of Austrian Post totalled EUR 114.4m in the reporting period. This figure consisted of depreciation and amortisation of EUR 86.8m as well as impairment losses of EUR 27.6m. Earnings before interest and tax (EBIT) of Austrian Post rose by 7.3% to EUR 168.3m, corresponding to an EBIT margin of 7.2%.

All operating divisions improved their earnings during the period under review. EBIT of the Mail Division climbed to EUR 295.7m, and the Branch Network Division continued its restructuring efforts, concluding 2011 with an EBIT of minus EUR 17.8m, a significant improvement compared to minus EUR 30.8m in the previous year.

EBIT of the Parcel & Logistics Division amounted to minus EUR 28.3m in 2011. This includes impairment losses on goodwill and property, plant and equipment of EUR 16.8m as well costs for structural measures at the amount of EUR 22.0m, and deconsolidation effects of EUR 3.3m. These expenses were mainly related to the restructuring and commercial realisation of the subsidiaries in Belgium and the Netherlands. The disposal process initiated in the fourth quarter resulted in the assets and liabilities of these subsidiaries being classified as a disposal group held for sale. The valuation stipulated by IFRS 5 led to impairment losses and provisions, which are included in the recognised structural measures. On a comparable basis, excluding structural measures and impairment losses, EBIT of the Parcel & Logistics Division actually rose by 9.3% to EUR 13.8m.

EBIT of the Corporate segment was down from minus EUR 57.7m in 2010 to minus EUR 81.3m in 2011. This difference can be attributed to higher income from real estate sales in the 2010 financial year as well as higher depreciation and amortisation in the reporting period. Moreover, the Corporate segment also encompasses costs for central departments, as well as changes in staff-related provisions and restructuring.

Earnings before tax rose 9.7% to EUR 163.1m. After deducting income taxes totalling EUR 39.3m, the Group net profit (profit after tax for the period) amounted to EUR 123.8m. This corresponds to earnings of EUR 1.83 per share for the 2011 financial year (+4.6%) from the EUR 1.75 per share in 2010.

CASH FLOW

The operating cash flow before changes in working capital amounted to EUR 248.6m, significantly higher than in the previous year. Improved earnings, lower tax payments compared to the prior year and higher other non-cash transactions contributed to this development. The cash flow from operating activities increased by 27.6% to EUR 228.2m.

The cash flow from investing activities was minus EUR 65.8m in 2011, including the purchase of property, plant and equipment (CAPEX) amounting to EUR 73.8m and proceeds from the disposal of property, plant and equipment of EUR 23.9m. Total free cash flow was EUR 162.5m, a rise of 5.8% from the prior-year level.

EMPLOYEES

During the period under review, the average number of full-time employees at Austrian Post fell by 2.8% from the prior-year figure, or 673 people, to 23,369. Most of Austrian Post´s labour force, namely 19,907 full-time equivalent employees, works for the parent company, Österreichische Post AG (Austrian Post). Approximately 3,500 people are employed by subsidiaries.

OUTLOOK FOR 2012

In 2012, Austrian Post assumes that its business development will continue to be impacted by two main factors: the structural change in the letter mail business and the overall economic situation. Against this backdrop, the company expects a stable or slightly positive development of Group revenue for the 2012 financial year following the strong revenue growth of 4.2% in 2011. Austrian Post´s medium-term growth target of 1-2% per year remains unchanged.

The structural change is manifested by the steady decline in addressed letter mail volumes. Austrian Post expects the decrease to amount to 3-5% p.a., reflecting international trends. In contrast, increasing e-commerce will ensure ongoing growth in the transported parcel volumes, especially in the private customer segment.

The dampened economic forecasts for 2012 could lead to restrained consumer activity but also impact the advertising industry. However, Austrian Post expects that direct mail items, the most efficient advertising tool, will continue to maintain its importance as part of the marketing mix of companies. Against this backdrop, Austrian Post assumes it will succeed in maintaining its strategic path and also achieving its operating targets, even in the face of a difficult market environment.

One focal point of the Group is to enhance the profitability of the services offered, especially in business areas which have been performing below expectations. With respect to sustainable earnings development, Austrian Post confirms the targeted EBITDA margin in the range of 10% to 12%. The company is also striving to achieve a further improvement in earnings before interest and tax (EBIT).

The operating cash flow generated by Austrian Post will continue to be prudently used mainly to finance sustainable efficiency improvements and future-oriented investments. In terms of its financing requirements, Austrian Post anticipates total capital expenditure to reach a level of about EUR 80-90 million in 2012. This will primarily focus on replacement investments in existing facilities as well as on continuous modernisation and efficiency enhancement, for example on the basis of a new sorting technology for direct mail items. Acquisitions to round off and safeguard Austrian Post´s core business are a probability. However, 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 17, 2012, the distribution of a dividend of EUR 1.70 per share for the 2011 financial year. The current attractive dividend policy will continue based on a solid balance sheet structure and suitable cash flow generation. Austrian Post aims to achieve a dividend payout ratio to shareholders of at least 75% of Group net profits. The dividend should develop further in line with Group net profits assuming a continuation of the company´s good business development.

PERFORMANCE OF DIVISIONS

MAIL DIVISION

External sales of the Mail Division rose by 4.4% or EUR 56.3m from the prior-year period. Revenue generated by the Letter Mail Business Area improved by 4.5% on a year-on-year comparison, to EUR 755.6m. The ongoing substitution of letters by electronic media was offset by positive effects such as the shifting of volume from parcel to letter mail services in e-commerce, revenue growth in the field of Mail Solutions as well as the newly-designed product and regular stamp portfolio launched in May 2011. The new option for business customers to choose either "Premium" or "Economy" products offers greater flexibility in selecting the desired delivery speed. Most customers decided in favour of the "Premium" products in 2011.

In the 2011 financial year, revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail) rose by 4.9% or EUR 21.3m on a comparable basis. This increase reflects the robust activity on the part of the advertising industry in 2011. Innovative solutions, for example individualised advertising mail, were well received by the market.

Revenue of the Media Post Business Area amounted to EUR 137.7m in 2011, a slight rise of 1.7%.

On balance, EBITDA of the Mail Division during the period under review improved to EUR 322.8m. Automation and efficiency enhancement measures resulted in a clearly pronounced cost discipline in 2011. As a result, EBIT of the Mail Division rose to EUR 295.7m.

PARCEL & LOGISTICS DIVISION

External sales of the Parcel & Logistics Division climbed by 5.6% to EUR 846.5m in 2011. The basis for this increase was higher parcel volumes for private customers and an increase in e-commerce despite price pressure in almost all markets. The standard parcels product segment used mainly for shipments to private customers also posted steady growth in 2011. Revenue rose by 3.8%, to EUR 166.8m.

The premium parcel segment (parcel delivery within 24 hours), which is mainly used in the business-to-business area, generated a revenue increase of 4.7% in 2011, to EUR 659.9m. The German subsidiary trans-o-flex accounted for about 60% of this revenue. Parcel volumes from business customers in Austria and in South East and Eastern Europe continued to develop very positively. Revenue growth was also achieved in Belgium and the Netherlands, but the negative earnings situation of the affected subsidiaries could not be improved despite the higher revenue. For this reason, Austrian Post initiated extensive structural measures in 2011 in order to develop a new logistics solution for this region.

Reported EBIT of the Parcel & Logistics Division amounted to minus EUR 28.3m in

2011. However, this includes impairment losses on goodwill and property, plant and equipment totalling EUR 16.8m as well as structural measures totalling EUR 22.0m and deconsolidation effects of EUR 3.3m. These expenses primarily related to the restructuring as well as the commercial realisation of the subsidiaries in Belgium and the Netherlands.
On a comparable operating basis, excluding the structural measures and impairment losses, EBIT of the Parcel & Logistics Division actually rose by 9.3% to EUR 13.8m.

BRANCH NETWORK DIVISION

The enormous changes taking place in the branch network are reflected in the changed structure of postal service points. On a year-on-year comparison, the number of third-party operated postal partner offices increased during the last twelve months by 141 to a total of 1,258 at the end of 2011. On balance, Austrian Post has more than 1,880 postal service points. This change also affects the revenue and cost structure of the Branch Network Division, as does the contractually redefined partnership with Austrian Post´s banking partner 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.
In 2011, external sales of the Branch Network Division fell by 3.0% to EUR 153.1m, which is related to declining sales of retail and telecommunication products. Internal sales, i.e. postal services provided by the branch network, also decreased slightly once again. However, the restructuring of operations in the branch offices has had a positive impact. Loss-making and inefficient structures are being eliminated or streamlined and fixed costs are being reduced. As a result, EBIT increased by EUR 13.0m from the prior-year level, to minus EUR 17.8m.

The Annual Report 2011 is available in the internet: www.post.at/ir/en --> Publications --> Financial Reports

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