EANS-Adhoc: Österreichische Post AG Q1 2011/ INCREASED REVENUE AND EARNINGS DESPITE DECLINING LETTER MAIL BUSINESS

- Increased revenue
  - Revenue up 1.6% from the previous year on a comparable basis
  - Mail Division -0.2%, Parcel & Logistics +6.4%
- Improved earnings
  - EBITDA of EUR 70.8m (margin of 12.4%)
  - EBIT +7.6% to EUR 48.8m
- Ongoing solid cash flow and balance sheet
  - Operating cash flow before changes in working capital of EUR 47.7m
  - Cash and cash equivalents of EUR 326.2m on the balance sheet
- Outlook for 2011 confirmed
  - Targeted revenue growth of 1-2% in 2011
  - EBITDA margin at the upper end of the targeted range of 10-12%

AN OVERVIEW OF DEVELOPMENTS AT AUSTRIAN POST

The first quarter of 2011 proceeded very satisfactorily for Austrian Post. Revenue rose 1.6% on a comparable basis. "As originally intended, we succeeded in more than compensating for the volume decline in addressed letter mail by generating growth in direct mail and parcels", says CEO Georg Pölzl. The revenue increase of the Group to EUR 571.3m against the backdrop of measures taken to enhance efficiency led to an EBIT improvement of 7.6%, or EUR 48.8m. Revenue of the Mail Division only fell by 0.2% on a comparable basis. The trend towards electronic substitution of letters, the decrease in high value mail items and the reduced weight of mail items being posted is continuing. This decline was offset by the extraordinarily positive development of direct mail items, driven by strong economic development. EBIT of the Mail Division rose slightly to EUR 65.1m.

The Parcel & Logistics division continued to post gratifying revenue growth. Despite ongoing price pressure, revenue improved in all regions, all in all by 6.4%. Austrian Post´s top priority here is to improve efficiency and profitability. Changes affecting the Branch Network Division are ongoing, notably the continuing expansion to a total of 1,866 postal service points, including 1,164 third-party operated postal partner offices. The declared objective is to exploit this transformation as the basis for sustainably improving divisional earnings in 2011 compared to the previous year.

On a Group level, the outlook for 2011 has been confirmed. The company aims to generate revenue growth of 1-2% and to improve profitability to the upper end of the target EBITDA margin range of between 10% and 12%. "In addition to this targets, it is also important to develop innovative and online services", CEO Pölzl continues.

REVENUE DEVELOPMENT OF THE DIVISIONS*

EURm	Q1 2010	Q1 2010 comparable basis**	Q1 2011	Change comparable basis %	Change EURm
Total revenue	585.6	562.5	571.3	1.6%	8.9
Mail	348.2	325.0	324.2	-0.2%	-0.8
Parcel & Logistics	195.9	195.9	208.5	6.4%	12.6
Branch Network	40.9	40.9	38.4	-6.2%	-2.5
Corporate	1.3	1.3	1.2	-11.5%	-0.2
Consolidation	-0.7	-0.7	-0.9	33.4%	-0.2
Working days in Austria***	62	62	63	---	---

* External sales of the divisions
** Excl. the meiller Group (pro-forma consolidation)
*** Calendar working days

In order to enable an analysis of Austrian Post´s revenue development, revenue in 2010 has been adjusted for the meiller companies. Their deconsolidation reduces the comparable revenue of the Mail Division by EUR 23.2m. Revenue on a comparable basis increased by 1.6% in the first quarter of 2011 to EUR 571.3m. The revenue decline in the Mail and Branch Network Divisions was more than compensated by growth in the Parcel & Logistics Division. Moreover, the year-on-year quarterly comparison also shows one additional working day in Q1 2011. Revenue in the Mail Division was down 0.2% on a comparable basis. 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 4.0% drop in revenue in the Letter Mail Business Area. In contrast, revenue increased for both addressed and unaddressed direct mail items, which can be attributed to the positive impact of the improving economic situation at the beginning of the year as well as positive effects in various sectors. The Parcel & Logistics Division achieved a further increase in revenue of 6.4% to EUR 208.5m in the first quarter of 2011, characterised by rising parcel volumes and ongoing price pressure. Growth was generated in Austria as well as in Germany/Benelux and in South East and Eastern Europe. The organisational structure of the Branch Network is currently undergoing change which also affects its revenue and cost structure. Revenue derived from the financial services business is subject to a new cost-based compensation plan concluded with the banking partner BAWAG P.S.K. Revenue in the Branch Network attributable to retail products declined, particularly in the case of telecommunication products.

INCOME STATEMENT
EURm Q1 Q1 2011 Q1 Change
2010 comparable 2011 comparable
basis* basis %
Revenue 585.6 562.5 571.3 1.6%
EBITDA 68.3 --- 70.8 3.7%
EBIT 45.3 --- 48.8 7.6%
Profit for the period 33.4 --- 37.4 11.8%
Earnings per share (EUR) 0.49 --- 0.55 11.8%
* Excl. meiller Group (pro-forma consolidation)

The year-on-year revenue growth of 1.6% or EUR 8.9m also affects the cost structure of the Group, due to the fact that higher parcel volumes also increases expenses for parcel logistic subcontractors. Due to the increased purchase of external transport services, operating expenses for raw materials, consumables and services used rose 8.1% on a comparable basis to EUR 182.8m.

Staff costs on a comparable basis declined by EUR 13.1m from the prior-year figure. The decrease is related to operating improvements as well as the lower extraordinary staff costs. Direct personnel expenditures before restructuring expenses and provision for employee under-utilisation were down by about EUR 7m. Savings were also achieved by taking advantage of employee attrition. The average number of employees fell by 895 in a year-on-year comparison, to 23,266 employees. Extraordinary staff costs also declined, for example severance payments for employees who accepted the voluntary social plan putting them on temporary leave until they reach retirement age, as well as termination benefits and provisions for restructuring. The provision for employee under-utilisation fell slightly from the prior-year level of EUR 244.1m to EUR 238.7m in the first quarter of 2011.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post amounted to EUR 70.8m in the first quarter of 2011, a rise of 3.7% from the prior-year quarter. The EBITA margin was 12.4%. EBIT rose 7.6% to EUR 48.8m, resulting in an EBIT margin of 8.5%. The Mail Division generated a slight EBIT rise of EUR 0.2m in the first quarter of 2011, to EUR 65.1m. The Parcel & Logistics Division also showed a positive development, with EBIT at EUR 5.2m compared to EUR 4.1m in the first three months of 2010. In contrast, EBIT of the Branch Network Division fell from minus EUR 2.1m to minus EUR 4.2m. EBIT of the Corporate segment improved from minus EUR 21.5m to minus EUR 17.3m in the first quarter of 2011 due to the lower level of provisions required in the period under review. The Corporate segment 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 results of MEILLERGHP, the subsidiary in which Austrian Post has a 65% shareholding, is included in the results of investments consolidated at equity, which amounted to minus EUR 2.1m.

Earnings before tax rose 10.1% to EUR 47.7m. After deducting income taxes totalling EUR 10.3m, the Group net profit (profit after tax for the period) amounted to EUR 37.4m. This corresponds to earnings of EUR 0.55 per share for the first quarter of 2011, a rise of 11.8% 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 high amount of cash and cash equivalents. On balance, an analysis of the balance sheet of Austrian Post shows a considerable level of current and non-current financial resources. As at March 31, 2011, Austrian Post had cash and cash equivalents of EUR 326.2m and financial investments in securities amounting to EUR 51.4m. Accordingly, the financial resources at the disposal of Austrian Post as at the end of March 2011 totalled EUR 377.6m in contrast to financial liabilities of only EUR 70.1m.

CASH FLOW

In the first quarter of 2011, the operating cash flow before changes in working capital at EUR 47.7m was below the prior-year level, which is due to the reclassification of non-current provisions in working capital, i.e. as liabilities and current provisions. Taxes paid of EUR 16.6m also include tax payments for prior periods of EUR 7.2m. Taking account of all the changes in working capital, the cash flow from operating activities totalled EUR 25.7m. The biggest negative effect was the rise in receivables by EUR 16.6m, which is related, amongst other reasons, to the increased receivables as a consequence of new value added tax regulations as well as clearing effects with international postal companies. The free cash flow, negatively impacted by the increase in receivables, amounted to EUR 23.2m in the first quarter of 2011, compared to EUR 30.1m in the prior-year quarter.

EMPLOYEES

During the period under review, the average number of full-time employees at Austrian Post fell by 3.7% on a comparable basis from the prior-year quarter, or 895 people, to 23,266. The workforce at all divisions declined with the exception of the Parcel & Logistics Division. Most of Austrian Post´s labour force, namely 19,854 full-time equivalent employees, is employed by the parent company Österreichische Post AG. More than 3,400 people are employed by subsidiaries.

OUTLOOK CONFIRMED FOR 2011

Austrian Post expects the following postal market trends in 2011 to continue. 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. For 2011, Austrian Post anticipates that the volume of addressed letter mail in Austria will also decrease by 3-5% p.a., reflecting international trends. This will be primarily driven by the electronic substitution of letters and the decline of high value products. The positive volume development of direct mail items is expected to continue. Austrian Post expects further volume growth in the Parcel & Logistics Division in 2011, driven by the positive overall economic development. However, efficiency enhancement and margin improvement will remain the division´s top priorities. Based on these volume estimates, Austrian Post anticipates Group revenue growth in 2011 of 1% to 2% on a comparable basis. With respect to profitability, the objective is to achieve a sustainable EBITDA margin between 10% and 12% each year. Austrian Post is striving to reach the upper end of the targeted range 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 expected financing requirements involve total capital expenditure of about EUR 80-90m p.a. This will primarily focus on replacement investments in existing facilities as well as in new and more efficient sorting facilities. 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 foreseen at the present time.

PERFORMANCE OF THE DIVISIONS

MAIL DIVISION

In order to enable a consistent revenue analysis of the Mail Division, the revenue achieved in 2010 has been adjusted to take account of the former meiller companies. The joint venture MEILLERGHP established at the end of 2010, in which Austrian Post has a 65% stake, will no longer be fully consolidated in 2011, but rather consolidated at equity. The deconsolidation of the meiller companies reduces the comparable 2010 revenue of the Infomail Business Area by EUR 23.2m. Accordingly, external sales of the Mail Division were down by only 0.2% on a comparable basis, or EUR 0.8m. This slight decrease is related, amongst other factors, to the positive effects of increased direct mail volumes. Revenue generated by the Letter Mail Business Area declined as expected by 4.0%, or EUR 7.6m. The main reasons were the substitution of letters by electronic media and the lower volume of high value letter mail items. In the first quarter of 2011, revenue achieved by the Infomail Business Area (addressed and unaddressed direct mail items) rose by 7.0% on a comparable basis, or EUR 7.4m. Volume increased for both addressed and unaddressed mail items, which can be attributed to favourable economic developments at the beginning of the year and positive growth effects in various sectors. Revenue of the Media Post Business Area fell 1.8%, or EUR 0.6m, due to the decline in volume for addressed newspapers. On balance, EBITDA of the Mail Division was down to EUR 71.6m in the first quarter of 2011, whereas EBIT rose 0.4%, to EUR 65.1m.

PARCEL & LOGISTICS DIVISION

External sales of the Parcel & Logistics Division climbed 6.4% in the first quarter of 2011, to EUR 208.5m. The basis for this increase was higher parcel volumes although price pressure continued 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 6.2% in the first quarter of 2011, to EUR 162.7m. The German subsidiary trans-o-flex accounted for approximately three quarters of premium parcel revenue. Parcel volumes from business customers in Austria and in South East and Eastern Europe also continued to develop very positively. Premium parcel revenue also increased in Belgium and the Netherlands, where the implementation of restructuring measures was intensified. The standard parcels product segment used mainly for shipments to private customers in Austria also achieved growth. Revenue climbed by 1.3%, to EUR 40.7m. The performance of the Parcel & Logistics Division improved. EBIT rose by 25.6%, to EUR 5.2m.

BRANCH NETWORK DIVISION

The large-scale transformation taking place in the branch network is evident by taking a close look at the changed structure of postal service points. As at the end of March 2010, Austrian Post still had 1,121 company-operated post offices and 546 third-party operated postal partner offices, corresponding to a total of 1,667 postal service points. One year later, at the end of March 2011, Austrian Post already operated 1,866 postal service points, consisting of 702 company-operated branches and 1,164 postal partner offices. This change also affects the revenue and cost structure of the Branch Network Division. In a quarterly comparison, external sales fell by EUR 2.5m, to EUR 38.4m, whereas total operating costs were also reduced. The revenue decline is due to decreasing sales of telecommunications products as well as a new compensation agreement concluded with BAWAG P.S.K. effective January 1, 2011. Financial services will no longer be based on commissions, but compensated primarily on the basis of the actual costs incurred. Internal sales of postal services also further decreased and were down 2.7%, or EUR 1.2m, from the prior-year quarter. 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 large customers within the context of the enhanced services offered by Austrian Post. The new partnership with Austrian Post´s banking partner BAWAG P.S.K. is off to a good start in 2011. By the end of May 2011, a total of 13 jointly operated outlets were adapted and re-opened. By the end of 2011, about 385 branch offices will offer the opportunity for both partners to focus on their core competencies. EBIT of the Branch Network Division amounted to minus EUR 4.2m in the first quarter of 2011. However, Austrian Post anticipates an earnings improvement in 2011 compared to the year 2010 as a consequence of the restructuring measures which are being fully implemented.

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The interim report Q1 2011 is available in the internet: www.post.at/ir/en --> Publications --> Financial Reports

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