EANS-Adhoc: Österreichische Post AG / AUSTRIAN POST H1 2012: Revenue growth (+3.1%) and earnings improvement (EBIT +13.5%) in the first half of 2012, Outlook for 2012 confirmed despite unstable economic environment

- Increased revenue in H1
  - Revenue up 3.1% in the first half of 2012 despite weaker economy
  - Positive half-year development in the mail and parcel segments
- Further earnings improvement in the first half-year
  - EBITDA increase of 6.5% to EUR 132.9m
  - EBIT rise of 13.5% to EUR 92.2m
- Strong cash flow and solid balance sheet
  - Operating cash flow before changes in working capital of EUR 112.3m
  - Equity ratio increased to 40.7%
- Outlook for 2012 confirmed
  - Stable or slightly rising revenue
  - EBITDA margin within the targeted range of 10-12% and objective of further EBIT improvement

OVERVIEW OF AUSTRIAN POST
Against the backdrop of a dampened economic environment, the revenue and earnings figures of the Austrian Post Group developed in line with expectations. On balance, revenue rose 3.1% in the first half of 2012. Revenue of the Parcel & Logistics Division increased by 4.9% and the Mail & Branch Network Division posted a 2.1% rise. Earnings before interest and tax (EBIT) also further improved by 13.5% in the first six months of 2012 to EUR 92.2 million. Both divisions made a positive contribution to this growth.
The economic environment of the postal market continues to be characterised by a structural transformation. The trend towards the electronic substitution of letters and increased parcel volumes related to online shopping is continuing. At the same time, the impact of the challenging economic situation has become apparent. "With respect to Austrian Post's current and future business development, it is important that the company continues to advance further on the basis of its four strategic cornerstones", says Austrian Post CEO Georg Pölzl.
In this regard Austrian Post's market leadership in its core business was further expanded by strengthening its foothold in the Austrian parcel market. At the same time, further progress was made toward greater efficiency with a new performance-oriented remuneration model for delivery staff. The earnings potential of the strategic investments held by the Group was improved thanks to the disposal of its subsidiaries in the Benelux region and targeted acquisitions. Whereas the growth path in the mail area in South East and Eastern Europe was continued by strategic investments in Poland and Bulgaria, the purchase of a company in Austria expanded Austrian Post's service portfolio in the parcel segment. Consistent customer orientation is a top priority in the further development of the Group. Accordingly, online and self-service solutions were also strongly promoted.
"It can be assumed that the entire 2012 financial year will be impacted by a restrained economic environment. Nevertheless, we should succeed in achieving a stable or slightly rising revenue development on a comparable basis. The Group continues to strive for an EBITDA margin of 10-12% and an improvement in its earnings before interest and tax (EBIT)", CEO Georg Pölzl adds.

REVENUE DEVELOPMENT IN DETAIL
In the first half of 2012, Austrian Post succeeded in increasing its total revenue by 3.1%, to EUR 1,173.1m. Group revenue developed in line with expectations against the backdrop of an uncertain economic situation.
Revenue in the Mail & Branch Network Division rose by 2.1% to EUR 741.6m. The trend towards declining letter mail volumes caused by electronic substitution along with the prevailing economic uncertainty and related negative effects on the advertising industry had a dampening effect on overall volume development. In addition, there was a perceptible volume shift from direct mail items to higher quality letter mail products, and shipments in the field of online

shopping are increasingly being sent as letter mail items instead of parcels. Moreover, the change in the product portfolio of Austrian Post as of May 1, 2011 led to positive effects in the first four months of 2012 compared to the prior-year period. New services in the Mail Solutions segment also contributed to growth.
The former Branch Network Division is now encompassed in the Mail & Branch Network Division. Revenue and costs in the new management structure developed as planned. On balance, Austrian Post featured a total of 1,889 postal service points as at June 30, 2012, of which 1,283 are third-party operated postal partner offices.
Revenue of the Parcel & Logistics Division rose by 4.9% to EUR 430.8m. From a regional perspective, the Austrian parcel market generated the highest growth, followed by a good revenue development in Germany. In the first half-year, revenue of the disposed Benelux subsidiaries is still partially included in the income statement. The Dutch company was deconsolidated as at March 15, 2012, whereas the Belgian subsidiary was deconsolidated effective May 31, 2012.

INCOME STATEMENT

Revenue growth of EUR 35.2m to EUR 1,173.1m also affected operating expenses for raw materials, consumables and services used, which rose by EUR 18.6m to EUR 379.5m. In particular, cost increases were due to higher purchases of external transport services to handle rising parcel volumes, as well as higher commissions for postal partner offices as a consequence of the structural transformation of the branch network.
Staff costs rose by 1.7% year-on-year, or EUR 8.9m, to EUR 549.5m. The operational staff costs included in this figure increased by 1.6% from the first half of 2011. The average number of employees in the Group declined by 269 compared to the prior-year period to 22,981 employees (full-time equivalents). Non-operational staff costs, which amounted to EUR 30.1m in the first half of 2012, include all investments designed to achieve a sustainable improvement in the cost structure, such as restructuring measures. Accordingly, allocations were made to various provisions relating to employee under-utilisation or employees transferring to the federal public service during the reporting period. All in all, the provisions for employee under-utilisation reported on the balance sheet of Austrian Post, currently at EUR 239.2m, have remained constant for the most part since the beginning of 2012. The cash-related use of these provisions in the first half-year amounted to EUR 13.9m. Due to internationally low interest rate levels, it was already necessary in the first quarter to reduce the discount interest rate for existing, interest-bearing provisions of Austrian Post by 0.25 percentage points. The lower discount factor led to increased provisioning requirements totalling EUR 8.5m.
In the first half of 2012, earnings before interest, tax, depreciation and amortisation (EBITDA) of the Austrian Post Group improved to EUR 132.9m. Accordingly, the EBITDA margin was 11.3%. Earnings before interest and tax (EBIT) rose by 13.5% to EUR 92.2m, corresponding to an EBIT margin of 7.9%. From a divisional perspective, both operating divisions improved their operating results during the period under review. EBIT in the Mail & Branch Network Division rose 10.1% in the first half-year to EUR 135.0m, mainly as a consequence of the above-mentioned revenue increase. The Parcel & Logistics Division also showed an improvement. EBIT increased to EUR 11.4m. All effects relating to the disposal of Austrian Post's former subsidiaries in Belgium and the Netherlands were integrated in the earnings figures as final transaction costs recognised in the second quarter. EBIT in the Corporate segment was down to minus EUR 54.2m. Amongst other reasons, this decline can be attributed to the reduction of the discount interest rate for provisions of 0.25 percentage points and the related increase in provisioning requirements.
Earnings before tax of the Austrian Post Group rose 15.1% to EUR 91.3m. After deducting income taxes totalling EUR 20.6m, the Group net profit (profit after tax for the period) amounted to EUR 70.8m. This corresponds to earnings of EUR 0.44 per share for the second quarter of 2012 and EUR 1.05 per share for the first half of the year (+14.2%).

CASH FLOW

Operating cash flow before changes in working capital amounted to EUR 112.3m in the first six months of 2012, or EUR 19.0m above the comparable prior-year period. The cash flow from investing activities of minus EUR 53.6m includes cash outflows for the purchase of property, plant and equipment (CAPEX) totalling minus EUR 25.5m, and cash inflows derived from the disposal of property, plant and equipment of EUR 6.2m. Accordingly, free cash flow before acquisitions/divestments amounted to EUR 87.4m, or EUR 22.3m above the comparable figure in the first half of the previous year. All in all, a total of EUR 37.7m in expenditures related to the disposal of Austrian Post's subsidiaries in the Benelux and for the acquisitions in Poland, Bulgaria and Austria.

EMPLOYEES
The average number of full-time employees at the Austrian Post Group totalled 22,981 people in the first half of 2012, corresponding to a decline in the workforce by 269 employees from the prior-year period. Most of Austrian Post's labour force is employed by the parent company Österreichische Post AG (a total of 19,407 full-time equivalents).

OUTLOOK FOR 2012
Austrian Post continues to expect revenue to remain stable or rise slightly on a comparable basis in the entire year 2012. Development of the mail and parcels business is impacted by the dampened economic environment as well as structural changes in the postal and logistics sector. Electronic substitution will lead to a decline in addressed letter mail volumes, whereas increasing e-commerce should result in parcel volume growth. The ongoing economic uncertainty could continue to have a negative effect on the advertising industry and private consumption patterns.
One focal point of the Group will continue to be on enhancing the profitability of the services offered. 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 an improvement in earnings before interest and tax (EBIT) compared to 2011.
The operating cash flow generated by Austrian Post is prudently and purposefully used to finance sustainable efficiency improvements, structural measures and future-oriented investments, and also serves as the basis for an attractive dividend policy. Total capital expenditure (CAPEX) in 2012 is expected to reach a level of about EUR 90m. This will primarily focus on replacement investments in existing facilities as well as on investments to further improve mail and parcel logistics operations.

PERFORMANCE OF DIVISIONS
MAIL & BRANCH NETWORK DIVISION
Since the beginning of the year 2012, the previous Mail Division and the Branch Network Division were merged to create the new Mail & Branch Network Division. The new segment reporting reflects the current organisational, management and reporting structure. Divisional revenue developed very positively in the first half of 2012, rising to EUR 741.6m. In spite of economic uncertainties and the fundamental trend towards declining addressed letter mail volumes, this solid performance could be achieved due to the fact that positive special effects impacted half-year results.
In the Letter Mail Business Area, revenue improved by 7.0% from the prior-year period to EUR 390.3m. The trend towards slightly decreasing letter mail volumes related to electronic substitution continued. However, this was counteracted by volume shifts from direct mail items to higher quality letter mail products as well as various Internet orders, which are no longer sent as parcels but as letter mail items. In addition, changes in the product portfolio of the Letter Mail Business Area, which took effect on May 1, 2011, continued to deliver positive contributions in the first four months of the 2012 financial year.
Revenue of the Direct Mail Business Area fell to EUR 213.6m in the first half-year 2012. This development is attributable to the above-mentioned volume shifts to the Letter Mail Business Area, but also to the current economic uncertainty, which in turn led to a dampening of consumer confidence and a reduction in the volume of direct mail items ordered by companies. In particular, structural related decreases in the business of mail order firms have taken place. In contrast, revenue of the Media Post Business Area improved to EUR 71.6m in the first six months of 2012.
Revenue of the former Branch Network Division, which is now reported in the business area Branch Services, was down to EUR 66.1m. Half of this decrease is due to the reclassification of the value logistics operations as part of the Parcel & Logistics Division, whereas the other half is the result of declining revenue from retail products and financial services.
On balance, EBITDA of the Mail & Branch Network Division increased by 8.4% to

EUR 150.2m in the period under review, and EBIT climbed by EUR 12.4m to EUR 135.0m. The former Branch Network Division is included with an improved but still negative earnings contribution.

PARCEL & LOGISTICS DIVISION
External sales of the Parcel & Logistics Division climbed 4.9% in the first half of 2012, to EUR 430.8m. As at March 15, 2012, an agreement was signed with PostNL regarding its acquisition of the Austrian Post subsidiaries in the Netherlands and Belgium. The deconsolidation of the Dutch company took place as at March 15, 2012, and the disposal of the Belgian subsidiary took effect on May 31, 2012. Since the beginning of the year, the company "Wertlogistik" specialising in value logistics has been a new part of the portfolio offered by the Parcel & Logistics Division, whereas it was previously assigned to Austrian Post's Branch Division. In addition, the firm "Systemlogistik" acquired as at May 31, 2012 expands the range of services offered by the division with respect to warehousing, picking and packing of goods.
The premium parcel segment (parcel delivery within 24 hours), which is mainly used in the business-to-business area, generated a revenue increase of 2.6% in the first half of 2012, to EUR 329.5m. The German subsidiary trans-o-flex, which posted a satisfactory growth rate, accounted for about 60% of this revenue. Parcel volumes of business customers in Austria increased at a disproportionately high rate, whereas intensified price pressure was evident in South East and Eastern Europe. The standard parcels product segment used mainly for shipments to private customers also posted growth. Revenue rose by 8.8%, to EUR 86.5m.
On balance, EBITDA of the Parcel & Logistics Division improved by EUR 22.0m. EBIT in the first half of 2012 amounted to EUR 11.4m, a rise of 10.5% from the prior-year level. This includes various transaction costs relating to the disposal of the subsidiaries in the Netherlands and Belgium.

The half-year financial report 2012 is available on the Internet at:
www.post.at/ir/en --> Publications --> Financial Reports

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