keywords: Financial Figures/Balance Sheet/6-month report

euro adhoc: Österreichische Post AG / Financial Figures/Balance Sheet / Austrian Post:Good development in the first half-year 2008: revenue up 7.3%, profit for the period improved by 3.4%; outlook for 2008 confirmed once again

14.08.2008

- Group revenue up 7.3% in the first half-year, to EUR 1,198.8m
- Revenue growth in all divisions
- Market share change in the Austrian parcels business as forecasted; restructuring of parcel logistics proceeding as planned
- Good development in the second quarter of 2008:
- Revenue increase of 8.8%
- EBITDA up 22.0%, EBIT rose by 7.4%
- Earnings development in the first half-year 2008 confirms that Austrian Post is on the right track:
- EBIT of EUR 81.9m, EBIT margin of 6.8%
- Group profit for the period improved by 3.4%, to EUR 70.1m
- Operating cash flow before changes in working capital of EUR 123.6m, free cash flow of EUR 89.7m
- Outlook for 2008 confirmed once again: slight increase in revenue, EBIT just slightly below 2007, and then continually rising

Good business development in the first half of 2008
The first half of the 2008 financial year developed very satisfactorily for Austrian Post. The 7.3% increase in revenue is not only related to the initial consolidation of the newly-acquired subsidiaries, but also includes organic growth. This development is even more gratifying in the light of the loss of two important mail order customers in the Austrian parcels segment since the beginning of 2008.

The resulting decline in parcels revenue could be more than compensated for. Total Group revenue climbed by 8.8% in the second quarter of 2008.

All three divisions made a positive contribution to revenue growth. The Mail Division improved by 8.6% in the first half of 2008, whereas revenue of the Parcel & Logistics Division was up 7.1% and the Branch Network Division also registered a gain of 0.2%. Growth in the Mail Division was related to the initial consolidation of the new subsidiaries as well as to an operational increase. Revenue and earnings of the Parcel & Logistics Division were negatively impacted by the loss of two parcels customers, but the newly-acquired subsidiaries could offset the resulting loss of revenue. In particular, financial services developed favourably in the Branch Network Division.

Revenue by division

EUR m	H1 2007	H1 2008	Change	Q2 2007	Q2 2008
Total revenue	1,116.8	1,198,8	+7.3%	541.3	588.9
Mail	663.3	720.5	+8.6%	321.6	350.5
Parcel&Logistics	357.2	382.5	+7.1%	174.3	191.3
Branch Network	93.8	94.0	+0.2%	44.1	46.0
Other/ Consolidation	2.5	1.8	-30.3%	1.4	1.1

Income statement

EUR m	H1 2007	H1 2008	Change	Q2 2007	Q2 2008
Revenue	1,116.8	1,198.8	+7.3%	541.3	588.9
EBITDA	130.2	139.8	+7.4%	52.8	64.4

EBIT	85.0	81.9	-3.6%	29.9	32.1
Profit for the period	67.9	70.1	+3.4%	25.1	28,3
EPS (EUR)	0.97	1.00	+3.8%	0.36	0.40

Besides the 7.3% increase in revenue, the consolidated income statement of Austrian Post shows a 14.3% rise in expenses for raw materials, consumables and services used. This development is related to the acquisitions which were carried out, as well as to higher fuel and transport costs.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was EUR 139.8m in the first half of 2008, a rise of 7.4% compared to H1 2007. The EBITDA margin remained unchanged, at 11.7%. In particular, EBITDA in the second quarter of 2008 improved by 22.0%, to EUR 64.4m.

The earnings before interest and tax (EBIT) of Austrian Post rose 7.4%, to EUR 32.1m. As a consequence, EBIT for the first half of 2008 amounted to EUR 81.9m, which was only 3.6% below the comparable period of the preceding year. This can be attributed to a higher level of depreciation, amortisation and impairment losses in the first half-year (2008: EUR 57.9m; 2007: EUR 45.2m) which includes an impairment loss of EUR 6.2m related to the redimensioning measures in respect to Austrian Post´s logistics operations in Austria.

The EBIT margin amounted to 6.8%. All operating divisions made a positive contribution to earnings. EBIT at the Mail Division was EUR 135.7m, at the Parcel & Logistics Division EUR 7.1m, and at the Branch Network Division 6.7m. Earnings of the Mail Division and the Branch Network Division in the first half of 2008 surpassed the previous year´s level, whereas earnings of the Parcel & Logistics Division declined due to the loss of two large parcels customers in Austria.

The Other/Consolidation segment posted a negative EBIT of EUR 67.6m in the first half of 2008 (H1 2007: minus EUR 69.1m). This item encompasses non-allocable costs for central departments, expenses in connection with unused properties and the increase in the provisions for employee under-utilisation.
Profit for the period of Austrian Post increased by 3.4% in the first half-year 2008, to EUR 70.1m (including a rise of 12.4% in Q2 2008).

Solid balance sheet structure

After deducting the payment of the dividends in the current financial year, Austrian Post continues to have a sound balance street structure, with an equity ratio of about 40%. The net debt position amounted to EUR 222.1m. This financial figure represents the difference between interest-bearing assets (securities, other financial assets and cash and cash equivalents) amounting to EUR 466.9m, and interest-bearing debt (financial liabilities, social capital and other interest-bearing liabilities and provisions) totalling EUR 689.0m.

In the next two to three years, Austrian Post has defined its goal of raising the ratio of net debt to EBITDA of up to 2.0. The Management Board of Austrian Post resolved on August 12, 2008 to exercise its option to implement a share buy-back programme in accordance with the authorisation granted by the Annual General Meeting. The share buy-back programme will last from August 19, 2008 until December 31, 2008 at the latest, involving a volume of up to 5% of the company´s share capital.

Free cash flow of EUR 89.7m

In the period under review, total operating cash flow before changes in working capital amounted to EUR 123.6m, below the level of the first half of 2007, amongst other reasons as a result of changes in non-current provisions.

The cash flow from changes in working capital amounted to minus EUR 28.7m in the first half of 2008. This is primarily the result of changes in receivables, which totalled minus EUR 15.9m, in payables, amounting to minus EUR 1.4m, and in current provisions of minus EUR 10.3m.

The cash flow from investing activities totalled EUR 5.2m, comprising the purchase of property, plant and equipment amounting to EUR 40.1m, the acquisition of the remaining shareholding of Scanpoint for EUR 2.6m (reported under the item "Acquisition of further interests in subsidiaries"), the proceeds from the disposal of property, plant and equipment totalling EUR 9.4m, and proceeds from the sale of financial investments in securities of EUR 18.3m. On balance, total free cash flow reported in the first half of 2008 was EUR 89.7m.

The cash flow from financing activities in the first half of 2008 included the payment of a basic dividend of EUR 98m, as well as the reduction of financial liabilities of EUR 46.7m. The acquisition of the remaining 23.85% stake in the logistics company trans-o-flex resulted in a reduction in financial liabilities of EUR 20.4m, based on a lower level of liabilities owed to minority interests.

Employees

During the period under review, the average number of full-time employees at Austrian Post increased by 7.5%, or 1,879 employees, compared to H1 2007, to the current level of 26,789 people. This increase is related to the acquisition of subsidiaries. Austrian Post reduced the number of its employees on its domestic market of Austria by about 300 people year-on-year to 22,900 employees.

Outlook for 2008

All in all, Austrian Post expects a slight rise in total revenue for the 2008 financial year. This improvement includes the integration of the newly-acquired subsidiaries. This forecast is based on the assumption of a largely stable development in letter mail and direct mail volumes, an increase in Austrian Post´s international parcels business, as well as a lower volume in the company´s Austrian parcels business due to the loss of two major mail order customers.

Despite these adverse effects on the parcels segment in Austria, Austrian Post expects earnings before interest and tax (EBIT) in 2008 to be just slightly below the level achieved in 2007, and then continually rise in subsequent years.

Accordingly, the EBIT margin will be slightly below 7% in 2008, and then improve once again to 7%-8% in the following years.
Based on a solid cash flow development and balance sheet structure, Austrian Post expects to continue pursuing its attractive dividend policy. It is planned to continually increase the basic dividend on the basis of earnings development, whereas the special dividend depends on future capital requirements.

Performance of divisions

Mail Division

In the first half of 2008, external sales of the Mail Division climbed by 8.6% compared to the same period of the previous year, increasing to EUR 720.5m. This improvement is chiefly related to the initial consolidation of the Austrian Post subsidiary meiller direct, which was acquired in July 2007, as well as operational revenue growth. In the second quarter, growth in external sales amounted to 9.0%, largely compensating for the negative volume effect in the first quarter of 2008 (one working day less than in Q1 2007).

External sales of the Letter Mail Business Area declined by 0.9% in a year-on-year comparison. External sales of the Infomail Business Area (addressed and unaddressed advertising) rose by 27.6% in the first six months of 2008, to EUR 263.4m. This increase includes the first-time consolidation of the direct marketing services provider meiller direct. The Media Post Business Area raised its half-year revenue by 6.1%, which is mainly related to the positive development of regional media, but also to the one-off effects of a regional election in Austria.

On balance, EBIT of the Mail Division in the first half of 2008 was up 1.7%, to EUR 135.7m. EBIT generated by the Mail Division in the second quarter climbed 4.4%, to EUR 61.6m.

Parcel & Logistics Division

External sales of the Parcel & Logistics Division climbed to EUR 382.5m in the first half of 2008, a rise of 7.1%. The main contribution to total revenue (84% of total division sales) was made by the new premium parcel service (parcel delivery within 24 hours to private and business customers, B2C/B2B). In addition to the B2B business in Germany (trans-o-flex), comprising the largest share of Austrian Post´s overall B2B volume, growth in this segment was primarily driven by the expansion of newly-acquired Group companies (Road Parcel, Merland, City Express, DDS, VOP), which did not belong to the scope of consolidation in the comparable period of 2007. Moreover, premium parcels enjoyed popularity on the Austrian B2B and B2C market. In particular, Internet-based companies are increasingly relying on Austrian Post´s quick delivery service.

As expected, revenue decreased in the standard parcels segment in Austria, which comprises 16% of total division sales, due to the market entry of a German parcel services provider. The redimensioning of parcel logistics initiated at the end of 2007 to increase the profitability of parcels services is proceeding as planned. In the first half of 2008, earnings before interest and tax (EBIT) of the Parcel & Logistics Division amounted to EUR 7.1m, which is related to the loss of two large parcels customers in Austria.

Branch Network Division
External sales of the Branch Network Division increased by 0.2% in the first half-year 2008 compared to the same period of the previous year, to EUR 94.0m. The decline in mobile telephony sales could be compensated by the growth in financial services, in particular during the second quarter of 2008. The growth measures which were initiated, such as the sales drive focusing on private customers as well as higher interest rates, had a positive effect. These measures were accompanied by the launch of a program featuring targeted sales training to customer consultants, and an improvement in the assortment of products and services offered in the branch network, which in turn led to a rise in customer deposits.

Internal sales of the Branch Network Division decreased due to lower mail volumes handled by the branch network. Austrian Post succeeded in raising earnings before interest and tax (EBIT) of the Branch Network Division to EUR 6.7m in the first six months of 2008, which is primarily attributable to cost discipline and organisational optimisation measures.

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