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OUR MISSION

To provide world class postal, distribution and financial services with unrivalled local community access and global connections.

OUR VISION

Working together as a united team, our ambition is to outperform the new competition we face, delivering a better quality service, more efficiently, to more customers by continuously adapting, innovating and implementing change.

OUR VALUES

Quality Customer Service

Put the customer first in everything we do, consistently delivering world class service quality.

Commercial Success

Achieve commercial success, earning profits that can sustain and develop the business.

Cost Competitiveness & Efficiency

Run a cost competitive, efficient operation.

Respect & Personal Responsibility

Respect each other and take personal responsibility.

Respected Corporate Citizen

Care for the environment and be engaged in the community as respected corporate citizens.

Innovation & Change

Continually innovate, adapt and implement change successfully.

BOARD OF DIRECTORS AND CORPORATE INFORMATION



1. Christoph Mueller Chairman Designate

Announced as Chairman 26 March 2013

Mr Mueller joined Aer Lingus as its Chief Executive Officer (CEO) in September 2009. He previously held the position of Executive Aviation Director at TUI Travel plc., a FTSE 100 company. Mr Mueller previously held senior executive positions in a number of companies in the aviation industry including Daimler Benz Aerospace and Lufthansa AG. He served as the Chief Financial Officer of DHL Worldwide from 2002 to 2004 and became a member of the Executive Committee of Deutsche Post AG in 2004 after the acquisition of DHL by Deutsche Post AG. He is a member of the Board of Tourism Ireland. He has an MBA from the University of Cologne and he also completed an Advanced Management Program at Harvard Business School.

2. Noel Adamson Employee Director

Appointed 1 November 2012

Mr Adamson joined the Post Office in 1981 as a Postman in the Central Sorting Office in Dublin's Sheriff Street. He has been employed as a Postperson in Fairview Delivery Services Unit 3 for the last 18 years. Throughout his employment he has been an active member of the Communications Workers' Union. He is the current chairman of the Standing Orders Committee and he also holds the positions of Assistant Secretary and Health & Safety Officer with the Dublin Postal Delivery Branch.

3. Patrick Compton Employee Director - 1

Appointed 1 November 2012; Sixth term

Mr Compton has worked in the postal service for the past 40 years and his current position is that of Partnership Co-ordinator, based in Roscommon. He was a member of the National Executive of the Communications Workers Union for 22 years and its President in 1986. He was also a director of The Prize Bond Company Limited for many years. He is active in community development in his local area and he is the County Roscommon GAA Coaching & Games Development Officer.

4. Donal Connell, C.ENG., F.I.E.I., B.E. Director - 2, 3

Appointed on 14 August 2006

Mr Connell was appointed as Chief Executive on 14 August 2006. He began his career in the Department of Posts and Telegraphs and has held senior management positions in Unitrode Corporation, 3Com Corporation and Maxtor Ireland where he was General Manager prior to joining An Post. He is a non-executive Director of Xilinx Corporation's European Board and he is Chairman of An Post National Lottery Company.

5. Thomas Devlin Employee Director

Appointed 1 November 2012; Third Term

Mr Devlin began his career in the Post Office in 1976 when he joined the Department of Posts and Telegraphs as a Junior Postman working as a messenger in the Minister's Office. He is currently employed as a Delivery Service Manager in Malahide Delivery Service Unit, Co. Dublin. An active member of the Communications Workers' Union, he served on the National Executive for two years and was Chairman of the SDS Dublin Motor Drivers' Branch from 1996 to 2004.

6. Paul Henry A.C.A., M. Accounting, B.A. (Bus & Econ) Director - 1

Appointed 15 September 2011

Mr Henry, a Chartered Accountant, has worked as a Senior Internal Audit Manager and Senior Financial Analyst with Dublin Airport Authority PLC since 2008. Prior to that he worked with PriceWaterhouseCoopers, Dublin with whom he trained as a Chartered Accountant.

7. William Mooney Employee Director

Appointed 1 November 2012

Mr Mooney joined the Post Office in 1982 as a Junior Postman. He is currently employed as a Post Office Clerk in the GPO. He is a member of the National Executive of the Communications Workers' Union and he also holds the position of Secretary of the Dublin Postal Clerks Branch Committee.

8. Martina O'Connell Employee Director

Appointed 1 November 2012

Martina O'Connell joined An Post in 1993 as an Auxiliary Post Person and is now working as a Postal Operative in Cork's South City Delivery Office. An active member of the Communications Workers' Union since she joined the Company, Martina has been a member of the National Executive Council since 2002 and serves on a number of sub committees.



**9. Peter Ormond B.A. (Bus. Mgt.)
Director**

Appointed 8 March 2011

Mr Ormond is the Marketing Manager with Mid Ireland Tourism since March 2010 prior to which he was the Community Services Programme Manager for Kildermac Development Association. His other work experiences are in auctioneering, in sales and marketing, and in logistics. He is a member of Offaly County Council and was its Chairman in 2005/2006. He is also a member of the Education Finance Board.

**10. John Quinlivan B.SC.
(Mgt. & Law), M.SC. (SPL. PLG.),
Dip. In Public Admin.
Director - 3**

Appointed 24 June 2008; Second Term

Mr Quinlivan has had a lengthy career in local government, serving in senior positions in nine counties, including 15 years as Louth County Manager. He served for five years as a member of the National Roads Authority and he also served as a member of the Local Government Management Services Board, the Local Government Computer Services Board and An Comhairle.

**11. William Scally M.A. Barrister-at-Law
Director**

Appointed 11 December 2012

Mr Scally has had a lengthy career in Economics and Public Policy. Up until 2011 he worked on a cooperative basis as an independent public policy and public affairs consultant in the CIPA framework with a wide variety of Irish businesses and representative bodies. He was lead author of Fixing Finance, the 2010 Institute of International and European Affairs publication. Mr Scally has lectured widely on the Irish Government and political process. He worked in Irish Sugar for many years and as a public policy and economic advisor to several Irish Governments. He also served on the board of Forfás.

**12. Lorraine Tormey
Postmaster Director**

Appointed 1 January 2013

Ms Tormey has worked in the family post office business in Rathowen, Co Westmeath all her life and she was appointed Postmistress there in 2001. She is also Postmistress of Austin Friar Street Post Office in Mullingar. Ms Tormey is Secretary of the Westmeath Branch of the Irish Postmasters' Union (IPU); Director and Company Secretary of Rathowen Community Development and she is involved in a broad variety of local business and community development initiatives.

**13. James Wrynn BSC.BCOMM., MBA.
Director - 1**

Appointed 15 September 2011

Mr Wrynn is a former Senior Lecturer in Strategic Management in DIT and Head of the Department of Administrative Studies in DIT's Faculty of Business. He served on the Board of ESB for more than ten years and during his term of office served as Deputy Chairperson from 1995–2000. He also chaired ESB Board Committees on International Investment and Strategic Response to Deregulation.

Secretary

Jack Dempsey

Registered Office

General Post Office
O'Connell Street
Dublin 1

Auditor

KPMG, Chartered Accountants

Bankers

Bank of Ireland

Solicitors

Matheson Ormsby Prentice

Registered Number

98788

Key To Board Committees

1. Audit And Risk
2. Personnel
3. Remuneration

CHAIRMAN (DESIGNATE)'S STATEMENT



The contribution of a high quality postal service to a modern economy is essential and accepted throughout the world. Declining traditional mail volume has caused many countries to examine the financial model behind the provision of the Universal Service Obligation. I am aware that An Post has continued to keep abreast of developments, whilst taking action to address the impact of this ongoing decline. In so doing, the Group has changed its revenue mix with non-core mail activities increasing steadily year-on-year.

It is recognised that An Post has improved its customer service in recent years. The Company continues to enjoy a very good reputation for the quality of its international mail service.

DOING MORE

**The Group has
changed its revenue
mix with non-core
mail activities
increasing steadily
year-on-year.**

An Post has many unique assets; it has an unrivalled retail network, a mail collection and delivery network with a countrywide reach, a diverse set of products and services, a strong and trusted brand and a committed and experienced workforce. Despite the evolution of the digital business environment, these assets remain relevant to both business and personal customers alike. One of the key challenges facing the Company is to ensure that these are applied in a manner which will ensure a sustainable future for the organisation.

I understand that significant change has taken place over the last number of years and that necessary change programmes are ongoing. My own experience indicates that such change will continue as the business aligns itself with demand and volume in order to remain competitive and meet changing customer demands. Improved flexibility, efficiency, cost effectiveness and innovation will be key elements in the Company's drive to provide superior customer service across all aspects of the business.

An Post has played a pivotal role in the Irish economy and society for many years. It is a great privilege and responsibility for me to join the Company as Chairman.

I look forward to working with the Board, Management and staff of An Post to position the Company as they continue to deal with difficult economic and market challenges whilst exploiting new commercial opportunities for the core business and subsidiary companies.

The Company wishes to thank those who retired from the Board during the year namely, Jerry Condon, Anne Connolly, Paddy Costello, Gerry O'Toole and Alan Sloane. Thanks are also due to John Fitzgerald (former Chairman) and Catherine Woods, both of whom retired in February 2013. Their contributions during their terms of office are very much appreciated.

Christoph Mueller, Chairman (Designate)

MANAGEMENT

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<div>5.</div> 	<div>10.</div> 

1. Donal Connell, C.ENG., F.I.E.I., B.E.
Chief Executive

Mr Connell was appointed as Chief Executive on 14 August 2006. He began his career in the Department of Posts and Telegraphs and has held senior management positions in Unitrode Corporation, 3Com Corporation and Maxtor Ireland where he was General Manager prior to joining An Post. He is a non-executive Director of Xilinx Corporation's European Board and he is Chairman of An Post National Lottery Company.

2. John Daly, A.C.M.A., M.SC.(MGMT.)
Retail Operations Director

Mr Daly joined An Post in December 1988 having worked previously as a Management Accountant in FÁS. During the early part of his career with An Post, he worked in the Finance Directorate as a Management Accountant. He then held various senior finance and management positions within the Retail division before being appointed to his current position in October 2006. He is Chairman of The Prize Bond Company Limited.

3. Jack Dempsey, B.COMM., M.B.A., M.P.A.
Company Secretary

Mr Dempsey joined the Post Office in 1968 as an Executive Officer in the Department of Posts and Telegraphs. During his career, he has gained wide experience in all aspects of postal operations and commercial activities, both national and international, occupying a variety of senior management positions across the Company. He was appointed as Company Secretary in March 2011.

4. Peter Gallagher, B.SC., M.B.A., M.INST.D
Director of Strategy and Business Excellence

Mr Gallagher joined An Post in April 2007 as Head of Strategy and Business Excellence. Prior to joining An Post, he had been a Partner in PA Consulting Group's Global Business Transformation Practice where he led major transformational and business operational improvement programmes for private & public sector clients. Previous roles include Director of Strategy with KPMG Consulting and Business Operations Manager (UK & Ireland) for Dell Computer Corporation.

5. Pat Knight, M.SC.(MGMT.), F.C.I.P.D.
Human Resources Director

Mr Knight joined An Post in March 2004 as Human Resources Director. Previously, he had been General Manager Human Resources at Waterford Crystal, which he joined in 1986 and where he held senior HR roles, both in Ireland and the UK. Previous experience includes work as a Personnel Officer with Bord na Móna plc. He is a Trustee of the An Post Superannuation Schemes and a director of Air Business Limited.

6. Brian McCormick, B.E.(MECH.), M.B.A.
Services Director

Mr McCormick joined An Post in May 2002 as Strategy Director and was appointed to his current position of Services Director in October 2003. Prior experience includes CRH plc and Merrion Corporate Finance where he was a Director. He is a Trustee of the An Post Superannuation Schemes and Chairman of One Direct (Ireland) Limited and Air Business Limited.

7. Liam O'Sullivan
Mails Operations Director

Mr O'Sullivan joined An Post in 1985. During his career, he has gained broad experience across the full range of the Company's business. He has held various senior managerial and project management positions in the Company. He was appointed as Mail Processing Director in July 2004 and also served a period as Director of Collection & Delivery Change Programmes and Operations. He took up his current position in April 2009. He is a Director of GeoDirectory Limited.

8. Peter Quinn, B.COMM., F.C.A., M.B.A.
Chief Financial Officer

Mr Quinn joined An Post in August 2004. Prior to this he held senior financial and strategic positions in PJ Carroll and Company plc and Monaghan Mushrooms Limited. He is a Chartered Accountant and trained in practice with KPMG. He is a director of An Post National Lottery Company.

9. Liam Sheehan
Sales and Marketing Director

Mr Sheehan joined An Post in 2000 as General Manager Sales & Marketing and he was appointed as Sales & Marketing Director in October 2006. He has extensive experience in the Irish fast moving consumer goods sector and in brand creation, channel management and sales strategy. He previously held senior Sales & Marketing positions in Procter & Gamble and in Guinness and he was Commercial Director with Erin Foods. He is a director of The Prize Bond Company Limited. He is also Chairman of The Gift Voucher Shop Limited.

10. Barney Whelan, B.SC., M.B.A., F.P.R.I.I.
Director of Communications and Corporate Affairs

Mr Whelan joined An Post in January 2005. Having spent many years in the aquaculture industry, he was responsible for public relations and brand communications at the ESB. He subsequently held the position of Director, Sales and Marketing at The Food Safety Promotion Board. He was appointed to his current position in October 2006.

CHIEF EXECUTIVE'S REVIEW



During 2012 the Company maintained its strategic focus, continuing to adapt internal structures, products, service offerings, work practices and workflows to the evolving business environment.

Our strategic investment programme has positioned us to compete at the highest level, enabling us to meet the ever-changing needs of our customers now and into the future. Equally, we continue to focus on areas which can generate new and enhanced revenue. An Post is now among the world's best postal service providers in terms of service quality and we remain dedicated to sustaining this position on an ongoing basis.

CHANGING

Meeting the ever-changing needs of our customers



2012 Revenue

● **€501M**
MAILS

● **€169M**
RETAIL OPERATIONS

● **€111M**
SUBSIDIARIES

We are midway through our ambitious Change Programmes and have built on the achievements of previous years including:

- A reduction in annualised operating costs of €100m
- A core Company workforce reduction of 1,284 full time equivalents (FTE), while increasing mails service quality to record levels
- Substantial growth in the turnover of subsidiary companies which increased their contribution to the Group
- Continued strong retail performance

This approach will continue as An Post, in common with other global postal operators, deals with declining mail volumes, increased electronic substitution and significant changes in the business environment.

Financial performance

A Group operating loss of €17.5m was recorded for the year (2012), against a prior year profit of €2.2m. This is the first trading loss incurred by the Group since 2003 and is not sustainable in the medium term. The single largest contributing factor has been the unprecedented decline in traditional mail largely driven by the economic crisis. The Company has experienced a reduction of 27% in volumes since the peak of 2007. The scale of the decline is similar to that seen in other countries.

Mails revenue in 2012 amounted to €501m, 1.1% lower than 2011. The Company benefitted from price increases of €6.5m for USO services weighing more than 50 grams and certain non-USO products; a 9% increase in the volume of parcels and packets and improved pricing on international mail paid through Terminal Dues. The volume of traditional mail fell by 5.2% during the course of the year; however, the rate of decline was lower in the second half of the year. The Company is budgeting for a further 5% decline during 2013, which we feel is reasonable given recent trends and the ongoing economic environment.

The Retail division performed well with revenue at €169m compared with €171.6m the previous year. Products such as Sterling and Dollar sales contributed €4.4m, up 13% on 2011, compensating for reduced income from the NTMA contract, which covers the provision of State Savings products.

The Company's subsidiaries increased their revenue to €111m from €80m in 2011 reflecting solid growth in their respective product portfolios. Each is in a strong position within their particular market and they benefit from their association with An Post. As Aviva closed their branch network, the addition of their local branch business to One Direct, as well as the continued growth of The Gift Voucher Shop are positive indicators for the year ahead.

Mails Quality of Service

The Company consistently improved the performance of next-day delivery of single piece domestic mail with significant improvement over the previous year. These results were achieved against a background of the ongoing re-engineering of collection and delivery operations nationwide as well as the major automation engineering programme at the Company's Mails Centres.

Quality results for International Mail again showed a strong performance with 97% of mail delivered in Ireland within three days of posting in Europe against the EU Postal Directive Target of 85% and a European average of 95.4%, and 96.5% of mail delivered in Europe within three days of posting in Ireland. This continues to place An Post as one of the leading performers in Europe.

COMPETING

Reducing operational costs and investing in infrastructure

- ▼ **€53.4M**
REDUCTION IN LABOUR COST
SINCE 2008
- ▲ **4,500**
POSTAL OPERATIVES EQUIPPED WITH
MOBILE SCANNING DEVICES

Strategic approach

Our strategic approach to the changing business environment over the last few years has included specific focus on:

- Cost reduction in pay and non-pay
- Diversified and increased revenue
- Mails price adjustment
- Retail

The delivery of each of these pillars is required for our business model to succeed.

During the period of the current five year plan we will see a continued decline in traditional mail volumes and revenue. The current phase of losses is regrettable but will be addressed within the current five year plan while mitigating measures, including necessary action on mails pricing, take effect. The Company has already achieved a permanent €100m reduction in annualised pay and non-pay costs and will build on its track record of progress in this area in the years to come.

Change Programme

In the period since 2008, the staff full time equivalent (FTE) numbers in the core Company declined by 1,284 and the annualised labour cost has been reduced by €53.4m. The average staff FTE level in 2012 was 396 lower than 2011. The Company will continue to implement its planned staff FTE reduction programme this year and in the years to come. The current plan requires a staff reduction of 2,600 FTEs during the period 2009–2016. This equates to an average annual reduction of 325 FTEs. We are currently half way through this programme and an average staff reduction of 321 FTEs per annum has been achieved.

The programme has resulted in extensive non-pay savings of €35.5m in 2012 (i.e. 22.5% lower) when compared to 2008. Whilst we experienced inflation in some cost headings such as fuel and electricity during the year, this was offset by savings in professional services and other areas.

Capital investment in further automation within the Mails business continued during 2012 with the installation of new processing equipment at our Portlaoise and Dublin Mails Processing Centres, as well as the upgrade of equipment at Cork and Athlone Mails Processing Centres. This project is already delivering significant improvements in read rates allowing mail, of various categories, to be sorted to the level of the post-person's delivery route, thereby contributing to cost savings, efficiencies and staff FTE reductions.

The application of diverse technology solutions continues to underpin the Company's Change programme and business strategy. During 2012, a state of the art SAN (Storage Area Network) was deployed to meet increasing data storage requirements. Some 4,500 Postal Operatives were equipped with mobile scanning devices allowing the capture of customer signatures at point of delivery and enabling real-time upload of vital information to the Track and Trace system.

Within the Retail network, investment was focused on new product innovation, systems improvement and the upgrading of premises. An Post will continue to maximise the use of technology as an integral part of its approach to new business challenges in an ever changing and uncertain environment.

Pensions

The An Post pension scheme deficit improved to €285m at 31 December 2012, down from €484m, mainly due to improved investment performance. Active negotiations are in progress with our Unions in order to meet the Minimum Funding Standard.

Regulation and Price

There was no price adjustment for postal services within the scope of the universal postal service relating to postal packets weighing less than 50 grams during the period from March 2007 to December 2012. A price application seeking reasonable price increases was submitted to ComReg in February 2012.

On 1 March 2013, ComReg approved an increase of 5c in the standard domestic letter rate from 55c to 60c. With this increase, An Post pricing continues to compare very favourably with postal service providers in the EU, including the UK, France, Germany and Belgium.

CONTRIBUTING

Partnering Government and commercial organisations

25.2 MILLION

BILLPAY TRANSACTIONS ON BEHALF OF
216 COMMERCIAL ENTITIES

€9,445 MILLION

VALUE OF STATE BENEFITS PAID BY AN
POST ON BEHALF OF THE DEPARTMENT
OF SOCIAL PROTECTION

Given the unprecedented and permanent decline in Mails volumes and revenue to-date, largely driven by the economic downturn, Mails prices are not currently at a sustainable level. Therefore regular price adjustments along with major cost reduction and revenue enhancement are necessary and form a key part of the Company's business plan.

The Communications Regulation (Postal Services) Act, 2011 provides for the introduction of a Price Cap Mechanism for services within the scope of the Universal Service where ComReg is of the opinion that there is no effective competition in the market for the supply of the postal service concerned.

The Price Cap Mechanism means an overall limit on the annual percentage change in prices based on the annual percentage change in the Consumer Price Index (CPI) and includes an adjustment to incentivise the efficient provision of the relevant services. The introduction of an appropriate Price Cap Mechanism is essential to the achievement of the Company's objective of securing regular and necessary price adjustments in the years to come.

There were a number of developments in relation to the regulation of Quality of Service during 2012. In February, ComReg served legal proceedings on An Post under the terms of the European Communities (Postal Services) Regulations 2002, seeking an order from the High Court that An Post comply with the 94% next day delivery target for single piece mail. It also sought to impose a financial penalty for alleged non-compliance with the Quality of Service standard.

An Post is vigorously contesting this action through the High Court as also reported in last year's Annual Report. Our internal metrics continue to show a significantly higher level of performance. An Post believes that the way forward is a new single domestic monitor of performance, agreed with ComReg, independently operated and audited, which would also provide the Company with timely diagnostic information.

In late 2011, ComReg issued An Post with a direction to provide next-day delivery of mail in respect to two addresses, both of which were for the same property and neither of which was a valid postal address. An Post successfully brought Judicial Review proceedings of ComReg's Direction and, in October 2012, the High Court, agreeing with An Post, made an order quashing ComReg's Direction and granted the reliefs sought by An Post. ComReg subsequently indicated that it intends to appeal the High Court Decision to the Supreme Court.

A major programme has been successfully implemented during the last number of years to improve service quality. This is reflected by the high level of performance shown by the independent Quality of Service monitoring of our international mail streams. The Company will continue to focus on achieving results which place it among the world's best performers.

New revenue

The generation of additional income streams is also a fundamental part of the strategy of the Group. This will continue to be achieved by the addition of new products and services in the mails and retail businesses as well as the subsidiary companies, all of which are closely aligned with An Post's core activity. The Company has allocated cash in its forecast to facilitate the appropriate investment to enable these companies to achieve their plans and take advantage of opportunities which will arise in their sectors. Ambitious stretch targets have been set and our performance to date is evidence of the ability of the Group to succeed in this context.

The Company is also proud of its achievements on behalf of the Government in managing the State Savings portfolio, the National Lottery Company and in servicing the customers of the Department of Social Protection. These activities serve to illustrate An Post's successful track record across diverse sectors. The increase in State Savings through the post office from a book of €6 billion in 2007 to almost €17 billion today has been very significant. In a similar manner the €225m raised in 2012 through the National Lottery for good causes is also an important achievement. It is worth noting that the National Lottery continues to rank among the best performing lotteries in the world as measured by La Fleur's and An Post looks forward to participating in the forthcoming National Lottery Licence bid process.

DOING MORE

Running the largest financial services network in the country

1,150
OUTLETS

1.7 MILLION
CUSTOMERS WEEKLY

6
OPEN 6 DAYS A WEEK

Servicing Government business

The 1983 Act sets one of the objects of An Post as “To provide counter services for the Company’s own and Government business and provided they are compatible with these services and with the principal objects set out ...for others as the Company sees fit.” An Post is actively participating in the current Department of Social Protection “Provision of cash services” tender. The Company is confident that it will submit the strongest offer and looks forward to a positive outcome for all concerned.

An Post is well positioned to provide more Government services through its network. We run the largest financial services network in the country, comprising more than 1,150 outlets mainly operated by independent retailers employing over 3,000 people in their local communities. This network offers the opportunity to access the 1.7m customers using the post office on a weekly basis. It provides a range of financial services and is central to the day-to-day financial planning of many of our citizens. The post office remains one of the most trusted institutions in the country.

As some banks seek to rationalise their branch networks they have recognised that many of their retail transactions could be done more efficiently and cost effectively within the post office network. This arrangement allows access to a variable cost model for transactions and offers their customers banking services in our community based retail network, six days a week. The number of transactions continues to grow on an annual basis proving that there is a high level of customer engagement with these services. In 2012 approximately three million transactions were processed in this way as we extended our service provision for AIB in particular, and also for Danske Bank. In recent years there has been an increase in the number of services available through the local post office. The advent of One4all Gift Cards, postfone, and Sterling and Dollar sales has been welcomed by our clients and customers alike. These services continue to experience solid growth despite Ireland’s ongoing difficult retail environment.

As many Government Departments continue to encourage online retail transactions they are also faced with much higher costs for the remaining offline transactions. A similar opportunity is available to these bodies to utilise our locally-based network, to improve access to Government services and deliver significant cost savings by availing of the variable cost model for transactions as described above. One case in point is the development in meeting the Government’s intention to achieve financial inclusion through the provision of a Basic Bank Account. The Company is confident that it can play a pivotal role in Government achieving this by utilising the post office network.

The post office network has delivered an excellent service to the Department of Social Protection and their clients for decades. In many rural and urban areas, the post office is the only outlet offering a range of affordable and easily accessible financial services. The results of a recent pilot project suggest that financial inclusion initiatives will not succeed unless delivered through the retail network of choice – the post office.

It is worth noting that throughout this period of adjustment, rationalisation and investment, the Company’s reputation and its standing among the public, as measured by Millward Brown, has improved steadily. All reputation parameters have improved in a statistically significant manner year-on-year.

Ireland’s ongoing economic situation presents an extremely difficult business environment. An Post will address the consequent challenges with determination during this coming year and thereafter. The Company will continue to adapt its structures and resources to face the changing business reality. The development of innovative products and services is a central part of the business strategy as is the continued provision of a high quality, value-for-money, relevant and customer-focussed service.

Finally, I wish to thank the Minister for Communications, Energy and Natural Resources, Pat Rabbitte T.D., and his officials for their assistance and support during 2012.

Donal Connell, Chief Executive

27 March 2013

SUBSIDIARIES

Success is being achieved by a number of businesses which can take advantage of the expertise and presence of the core company. The following are the primary successes in the subsidiary arena:



National Lottery Company

An Post is very proud of the achievements of this business over the 26 years of its existence. The management and staff have developed a highly successful Company and the funds raised have considerably assisted beneficiaries across the country. €225m was distributed to good causes in 2012.

The Government will issue a tender for the awarding of the next Lottery Licence in the coming months. An Post looks forward to participating in the forthcoming National Lottery Licence bid process.



One Direct

One Direct took over the personal lines (motor and home) insurance business formerly conducted by Aviva through its own branch network. This represents a significant increase in business. It facilitates consolidation of the distribution channel operated by One Direct from its call centre in Athlone with the physical post office network. This added business together with a strong performance in all lines of insurance, motor, home and life gives additional strength to the brand in the market.



Air Business

This Mails sector business, based in the UK has seen considerable growth in the past two years. Turnover in 2012 exceeded €75m. This business concentrates on fulfilment, subscription management and distribution, through international mail channels, primarily for large international publishing clients. Current customers include such prestigious titles as The Economist, Informa's Lloyds List, the British Medical Journal, Country Life, Vogue, The Lancet, New Scientist and various other academic and educational publications

PostPoint

Postpoint

This payments channel, in addition to the post office network, offers our customers and product suppliers alike a very valuable service. There is some decline in the traditional mobile top-up market and margins have been reduced for all payment companies in this sector. This channel saw transactions amounting to €250m in value during 2012. New, innovative product developments and changes in technology are maintaining relevance and the Group is committed to development in this sector.



The Gift Voucher Shop

The One4all gift card is the gift voucher of choice in Ireland. Innovation and product development have kept this to the forefront. In addition, expansion into the UK has added to the size of this business. This subsidiary contributed positively to the operating result at the Group and is a very significant part of the Company's retail operations.

Group turnover for 2012 was €807.3m, marginally ahead of the previous year's €806.7m.

The Group operating loss of €17.5m was impacted by further decline in core mails volumes, delays in securing approval from the Commission for Communications Regulation (ComReg) for necessary price adjustments and some delays in implementation of our cost reduction programmes. Postal Operators dealing with the particular challenges of the postal market must be able to price products and services according to market forces, and in this regard An Post looks forward to the successful introduction of the new ComReg price cap mechanism in 2014. These results also reflect a most challenging domestic economy.

	2012 €m	2011 €m
Turnover	807.3	806.7
Group operating (loss)/profit	(17.5)	2.2
Net assets (excluding pension liability)	297.3	319.0

The financial year 2012 ended with a Group Operating Loss of €17.5m compared to a Group Operating Profit of €2.2m the previous year. However, comparison of the two years is skewed by the exceptional €28m revenue generated by the General Election and Presidential Election mailings in 2011.

Revenue

Overall mails revenue in 2012 totalled €501m, 1.1% lower than 2011. The volume of traditional mail reduced by 5.2% in the course of the year, with the rate of decline slowing significantly from 6.8% in the first half of the year to 3.6% in the second half.

Compensating to some degree for the above mentioned decline in traditional mail volume was growth in parcels and packet volumes, price increases in some non-USO services and new improved rates payable to the Company by international postal administrations and mail operators for delivering their mail in Ireland.

Revenue in the retail division held up well at €169m compared with €171.6m the previous year. The value of State Savings reached €16.3 billion by the end of December 2012, an increase of €2.2 billion on the prior year. Other new retail income streams showed encouraging growth including commission-free Sterling and Dollar sales and additional agency services for AIB, Danske Bank and other financial services and utility providers.

Subsidiaries

Revenue from An Post subsidiary businesses increased to €111m from €80m, generating a profit before tax and goodwill of €8.5m. This reflects solid growth in the primary subsidiaries which continue to perform strongly in their respective markets and which benefit greatly from their association with the post office network. The takeover by One Direct of Aviva's local motor and home insurance branch business, as they closed their branch network in the Autumn, and the continued growth of The Gift Voucher Shop (One4All) are positive indicators for the year ahead. Profit margins remain strong across the businesses.

Pricing

Ongoing price adjustments coupled with ongoing cost reduction and new revenues are an essential part of the Company's business plan. The Communications Regulation (Postal Services) Act, 2011 provides for the introduction of a Price Cap Mechanism for services within the scope of the Universal Service where ComReg is of the opinion that there is no effective competition in the market for the supply of the postal service concerned. The Price Cap Mechanism means an overall limit on the annual percentage change in prices based on the annual percentage change in the Consumer Price Index (CPI) and includes an adjustment to incentivise the efficient provision of the relevant services. The introduction of an appropriate Price Cap Mechanism is essential to the achievement of the Company's objective of securing regular and necessary price adjustments in the years to come.

Costs

Change programme implementation continued apace over the course of the year. In the period since 2008 the core company has achieved an FTE reduction of 1,284 and the cost of labour has reduced by €53.4m. In the year 2012 labour hours equated to 9,641 FTE's. This was 396 lower than in 2011 and reflects the impact of ongoing change programmes on the cost base.

Core non-pay costs were reduced by €4m in 2012. There has been inflation in some areas such as fuel and electricity which is being offset by savings in the cost of professional services and other cost categories. Additional costs were incurred in the servicing of incremental parcel and packet handling where we are increasing our market share of national and international business.

Cash

The cash resources of the Group at 31 December, 2012 were €112m (€150m in 2011). During the year €28m was invested in capital expenditure and €17m in voluntary service/voluntary early retirement schemes. The cash impact of the trading loss of €17.5m is mitigated by the non-cash depreciation and amortisation charges of €25m.

Fixed Assets

Capital expenditure in 2012 amounted to €28m. There were no significant asset disposals during the year. Further capital spend of the same magnitude is planned for 2013, including the completion of investment in the latest generation of mails processing equipment.

Pension Schemes

The An Post balance sheet at 31 December 2012 includes a pension deficit of €285m (€484m in 2011). Assumptions that are in line with industry norms are used in the calculation of charges and the balance sheet deficit. These are primarily a discount rate of 4%, long run pay/pension inflation of 1.5% and investment return of 7.5% for equities, 3% for bonds and 4% for other asset classes.

Pension Schemes such as the defined benefit scheme at An Post have to address the requirements of the Pensions Board for Minimum Funding Standards. An Post expects to be in a position to make the changes necessary to the scheme so that it can attain the necessary minimum funding standard, as laid down by legislation.

Outlook

2012 is the first year to record an operating loss since 2003. This is not sustainable in the medium term. Implementation of the ongoing change programmes, achieving price re-alignment and the growth of new revenue streams in core and subsidiary businesses are the key drivers in achieving a return to profitability.

The Communications Regulation (Postal Services) Act 2011 ('the Act') was enacted in August 2011.

Requirements of the USO (Universal Service Obligation)

Under Section 17 of the Act, An Post is designated as a Universal Postal Service Provider for a period of 12 years.

Under Section 16 of the Act, Universal Postal Service means that on every working day, except in circumstances or geographical conditions deemed exceptional by ComReg, there is at least:

- (i) one clearance, and
- (ii) one delivery to the home or premises of every person in the State or, as ComReg considers appropriate, under such conditions as it may determine from time to time, to appropriate installations.

Universal service shall include the following minimum facilities:

- (a) the clearance, sorting, transport and distribution of postal packets up to 2 kgs;
- (b) the clearance, sorting, transport and distribution of postal parcels to a weight limit to be specified by order of ComReg (or in the absence of this 20kgs);
- (c) the sorting, transportation and distribution of parcels from other Member States up to 20kgs in weight;
- (d) services for registered items;
- (e) services for insured items within the State and to and from all countries which, as signatories to the Convention of the Universal Postal Union, declare their willingness to admit such items whether reciprocally or in one direction only; and
- (f) postal services, free of charge, to blind and partially sighted persons.

As required by Section 16(9) of the Act, in July 2012, ComReg made regulations specifying the services to be provided by An Post relating to the provision of the Universal Postal Service. The Communications Regulation (Universal Postal Services) Regulations, S.I. 280 of 2012, which sets out these services, is available on www.irishstatutebook.ie or www.comreg.ie.

Access to Universal Services

An Post provides access to its services through its network of 57 Company post offices, 1,095 postmaster-operated post offices and 166 postal agents. In addition, some 1,188 retail premises are licensed to sell postage stamps, as active licensed agents. To facilitate physical access to the service, approximately 5,000 post boxes are distributed widely throughout the State. There are 43 designated acceptance points for bulk mail services.

Tariffs

The following is a summary of the prices for standard services weighing up to 50g which were applicable during 2012.[†]

Ireland & NI	Letters (up to C5)	Large Envelopes	Packets	Parcels
Standard Post	55c 54c if Ceadúnas or meter	95c	€2.20	€6.50
Registered Post*	€5.25	€5.25	€5.25	€10.50

* The fee payable for the basic registered service covers compensation up to a maximum of €320. Further compensation up to a limit of €1,500 is available for €4 and up to a limit of €2,000 for €5 based on declared value at time of posting.

International Destinations	Letters (up to C5)	Large Envelopes	Packets	Parcels
Standard Post	82c	€1.50	€2.70	GB €18.25 ROW €22.00
Registered Post**	€5.17	€5.85	€7.05	GB €23.00 ROW €27.00

**Availability of service dependent on postal administration in destination country. Compensation up to €320 in GB; €150 in Europe; €100 for parcels and €35 for letters outside Europe

[†] With effect from 2 April 2013, An Post changed its tariffs for Standard Post within the Universal Service. The tariffs for items weighing up to 50g were increased and these tariffs now apply to items up to 100g resulting in a reduction in the previous tariff for items weighing between 51-100g. The new Standard Post rates for Ireland and Northern Ireland for items weighing up to 100g are 60c for letters, €1.05 for large envelopes and €2.40 for packets. Discounts apply if payment is made by meter. The tariffs for all other destinations for items weighing up to 100g are 90c for letters, €1.65 for large envelopes and €3.00 for packets. International Standard parcel prices were also increased.

A full list of current USO tariffs is available in the Guide to Postal Rates (see www.anpost.ie)

Quality of Service

International

The quality performance standard for the delivery of intra-Community cross-border mail was laid down in the Postal Directives (97/67/EC as amended) and is included in Schedule 3 of the Act. The quality standard for postal items of the fastest standard category is as follows:

D+3: 85% of items; D+5: 97% of items, where D refers to the day of posting.

Domestic

The Act requires ComReg to set quality-of-service standards for domestic universal service mail which must be compatible with those for intra-Community cross-border services. ComReg have set a quality-of-service target for domestic single piece priority mail as follows:

D+1: 94% D+3: 99.5%, where D refers to the day of posting.

Quality monitoring

Monitoring of performance against the international targets is carried out by Research International on behalf of International Post Corporation (IPC). Monitoring of the domestic quality of service is carried out by Ipsos MRBI on behalf of ComReg. Details of the most recent results are available from our website www.anpost.ie, with domestic performance also available on www.askcomreg.ie.

In February 2012, ComReg served legal proceedings on An Post under the terms of the European Communities (Postal Services) Regulations 2002, seeking an order from the High Court that An Post comply with the 94% next day delivery target for single piece domestic mail and seeking to impose a financial penalty on An Post for alleged non compliance with the quality of service standard. An Post is defending this action vigorously.

Customer Complaints

An Post is required to maintain records of customer complaints taking into account the relevant European standard IS: EN 14012:2003. The table provides, in relation to mail, a breakdown of written complaints received from customers during 2012. The total continues to represent a minute fraction of the entire mail traffic handled during the year.

Written complaints received from customers:	
Items lost or substantially delayed	18,287
Items damaged	980
Items arriving late	351
Mail collection or delivery:	
Time of delivery	347
Failure to make daily delivery to home or premises	115
Collection times/Collection failures	2
Misdelivery	486
Access to customer service information	-
Underpaid mail	145
Tariffs for single piece mail/discount schemes and conditions	-
Change of address (Redirections)	919
Behaviour and competence of postal personnel	22
How complaints are treated	-
Other (not included in above)	1,789
Total	23,443

Included in the total figure are complaints about registered items, which number 5,563.

In 2012, 475,414 telephone calls were made to An Post Customer Services. Most of these were routine or general enquiries rather than complaints.

The An Post Complaint and Dispute Resolution Procedures are set out in 'Getting it Sorted,' which is available on our website, in retail outlets, and from our Customer Services Centre. We also have a Customer Charter, containing specific pledges to customers regarding our services.

Further Information

Additional information in relation to services provided by An Post is available by phoning An Post Customer Services on CallSave 1850 57 58 59, by email at customer.services@anpost.ie, by visiting www.anpost.ie, or by calling into a local post office.

Sustainability at An Post is firmly based within ongoing business activity, aimed at mitigating our environmental impact, improving quality of life for our customers and enhancing our business offering.

Environment

Following a four year improvement programme, targeting our carbon performance, An Post has achieved significant carbon reduction across our buildings and fleet. Given the relatively large building stock and fleet size, the sustainability programme constitutes improvement and innovation across a range of opportunities to make gains in carbon savings.

Our membership of the International Post Corporation, Energy Management and Monitoring Standard (IPC EMMS), has provided an effective reporting template since 2009.

This system of benchmarking performance among member Posts allows us to drive change within the business, evaluating our Company across a range of indicators. Our participation and performance results are fully audited and published annually as a sector wide, sustainability report.

Within IPC EMMS, we have progressed to mid ranking in terms of both our carbon and energy use. This in turn places us within range of achieving the national public sector energy consumption target of 33% reduction before the year 2020. In this regard we began annual reporting of our energy consumption to the Department of Communications, Energy and Natural Resources in 2012.

In 2013 we aim to improve our IPC EMMS ranking and make even better use of energy by developing an energy management system specific to the Company's needs.

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The Company began preparatory work to implement ISO 50001, Energy Management System during 2012. We aim to achieve accreditation by quarter three, 2013. We believe we will be the first postal operator to achieve this standard, which provides us with a framework to:

- Develop policy for more efficient energy use
- Fix targets and objectives to meet policy
- Use data to better understand and make decisions about our Company's energy use
- Measure the results
- Review policy effectiveness
- Make continuous improvements in the area of energy management

It is envisaged that the scope of ISO 50001 will be extended to incorporate our transport function in 2014.

Throughout 2012 we worked towards our strategic target of a 33% reduction in kWhrs and 20% reduction in CO₂ use.

Energy Use

The vast majority of the Company's energy usage is comprised of:

- Heating and lighting our facilities
- Fuel consumption within our transport fleet

In 2012 An Post consumed 122.15 GWh of energy throughout the Company. The breakdown of which is:

- 22.5 GWh of electricity
- 20.7 GWh of fossil fuels for heating
- 79.15 in fossil fuels for Transport.

Throughout 2012 we have continued working towards the Company's strategic target of a 33% reduction in kWhrs and 20% reduction in CO₂ by undertaking the initiatives and programmes identified below.

- Investment in better control of our lighting systems, which resulted in a considerable saving of 350 MWhrs
- Further upgrades to the Building Management System were implemented in order to improve control of our energy consumption in the GPO. The Building Management System (BMS) project was rolled out to Baldoyle Delivery Service Unit (DSU) and Churchtown DSU saving 160 MWhrs
- The Company's heating project was rolled out to ten offices resulting in 200 MWhrs savings
- Aligning our Energy Management System (EnMS) with ISO 50001
- An energy initiative focusing on heating was piloted in Athlone Mails Centre with initial goals achieved, energy savings of 400MWh are targeted by end 2013
- Incorporating energy efficiency initiatives into all new building works

Actions planned for 2013:

An Post is committed to improving its energy and CO₂ reduction by undertaking the following initiatives for 2013:

- Achieving Certification to ISO 50001.
- Investing further in lighting upgrades throughout our property portfolio.
- The roll out of the energy improvement projects
 - Heating initiatives targeted at our top 30 energy users
 - Temperature control measures introduced to all our Mails Centres
 - A system of internal heating timers to be installed in the majority of our offices
 - A system of heating controls incorporating external/ambient temperature sensors among high energy users.
- Supporting our local offices to implement a Company-wide benchmarking system for energy use, to identify energy improvement opportunities in each office and to contribute to our overall energy performance targets.

Eco-driving challenge

Collection and Delivery staff from around the country participated in the inaugural An Post Eco Driver Challenge. The objective of the event is to encourage sustainable thinking among our drivers, enhance employee engagement and demonstrate that eco-driving is good for both the environment and our business.

anpostschoolbag.ie is an online education resource dedicated to informing primary and secondary level students and teachers about the breadth of An Post's involvement in Irish economic, environmental and community life.

Eco-cleaning products

The Company has completed one full year of using a new range of environmentally friendly cleaning and washroom consumables, having implemented a cohesive nationwide purchasing policy for all An Post properties. The benefits of the product range include vastly reduced packaging, transport and waste. The product is also certified with the EU eco-label, the EU flower.

Workplace

Diversity

An Post is one of eleven founding organisations to have signed the first Diversity Charter Ireland, marking our voluntary commitment to effective diversity management, promoting equality and preventing discrimination on all nine equality grounds which include disability.

An Post has launched a new Equality and Diversity site on our Intranet which presents an extensive resource of information relating to Equality and Diversity issues and legislation; Disability; Policy documents; Gay/Lesbian/Bisexual/Transgender topics; and Work-Life-Balance initiatives within An Post.

The aim of this site is to promote and develop awareness of Equality and Diversity issues and to highlight related topics which can impact on our employees.

Disability Equality eLearning

An Post commenced the roll out of the National Disability Authority's Disability Equality eLearning course, which was produced with the participation of public services bodies (including An Post).

Based on the subject of good customer service, the course focuses on changing attitudes in order to eliminate barriers which restrict access to important facilities, services and information for those with a disability. The training course helps to develop heightened disability awareness – an awareness which is encompassed in our core values, "Respect and Personal Accountability" and "Respected Corporate Citizen".

This course assists An Post in fulfilling its obligations in line with associated Irish legislation (i.e. Disability Act 2005; Equality Status Act 2000, Equality Act 2004; and the Employment Equality Acts 1998 to 2011).

Community

We launched our revised education programme in 2012 with the arrival of anpostschoolbag.ie to primary and secondary schools nationwide.

anpostschoolbag.ie is an online education resource dedicated to informing primary and secondary level students and teachers about the breadth of An Post's involvement in Irish economic, environmental and community life.

We now position our sponsorships within the context of their economic benefit to the country and return on investments.

The anpostschoolbag.ie resource is tailored to schools' own technological capability – whiteboards and PCs. Content focuses on the full range of An Post's mails and retail business services, while delivering classroom activities directly linked to the curriculum. Resources are designed to creatively highlight An Post's commitment to sustainability and community. All information is available in both English and Irish.

An Post Cycling

An Post is the leading supporter of Irish Cycling, a presence we have built on over six years of real commitment to the sport. We are more than a sponsor of cycling - we have earned the role of valued partner in each of the events we support.

We have pioneered a business led approach to maximising participation and audience for the sport at every level.

We remain optimistic that our support will encourage other commercial sponsors to get involved with the sport. This commercial approach to our sponsorship has been important for our business and has worked well for cycling. We now position our achievements in the context of the economic benefits to the country, the return on investment we achieve in terms of brand awareness and our contribution to Irish life through the sport of cycling.

In 2012, An Post supported the An Post Sean Kelly Team, An Post Rás, An Post Cycle Series, An Post Rás na mBan, the Irish Cycling Show and the Irish Paracycling team on the road to the London 2012 Games.

In 2012, An Post issued a total of 37 special and commemorative stamps covering such diverse topics as Significant Science Milestones – Dublin City of Science and Boyle’s Law, Barnardos Ireland, Olympic Games – London 2012, and Europa – “Visit Ireland.”

Included amongst the highlights of the 2012 stamp programme were the four poignant stamps issued to commemorate the Centenary of the sinking of the Titanic; two eerie illustrations by David Rooney to mark the Centenary of the death of Bram Stoker, the creator of Dracula; and a set of memorable stamps to celebrate the 50th International Eucharistic Congress – which was held in Ireland for the first time since 1932.

A series of four stamps was designed by Ger Garland to celebrate Contemporary Arts - Dance. Issued as diamond shaped stamps, and contained within an innovative diamond shaped booklet, the set featured a range of modern dance movements from: Fabulous Beast Dance Theatre, Dance Theatre of Ireland, Irish Modern Dance Theatre and CoisCéim Dance Theatre.

Noted artist, Vincent Killowry created two atmospheric paintings for the Volvo Ocean Race stamps, while Fergus Lyons painted the images on which the Irish Myths and Legends stamp set was based. Designed by Steve Simpson, these legendary stamps depict the adventures of The Children of Lir, Deirdre of the Sorrows, Fionn Mac Cumhaill and Setanta.

Designed by Zinc Design Consultants, the 150th Anniversary of the Dublin Fire Brigade used dramatic photography to capture the heroic actions of members of the Brigade, who risk their lives on a daily basis as a frontline public service.

In addition, 2012 saw the introduction of phase III of the Seventh Definitive Series - Irish Animals and Marine Life. Phase III continued the roll-out of this beautiful series on the recently introduced format, Stamps On A Roll (SOAR). SOAR is now available at all post offices and allows the denomination of the stamp to be printed at the time of purchase.

A diverse portfolio of associated collateral was also produced, including Prestige Booklets, miniature sheets, a Year Pack and First Day Cover Collection. Once again, the Irish Stamps Year Book was produced in both standard and luxury editions. As ever, this strictly limited edition featured all issues from the annual programme, and was produced to the highest standards of design, with stunning imagery and informative text.

In May 2012, an exhibition of more than 30 original Susan Sex paintings from the Irish Wild Flower Definitive stamp series was held in the National Botanic Gardens, Dublin. An Post assisted with the exhibition, temporarily loaning original artwork and producing a six page exhibition brochure.





