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# EANS-Adhoc: Österreichische Post AG / AUSTRIAN POST 2013: SLIGHT RISE IN REVENUE AND EARNINGS IMPROVEMENT; OUTLOOK 2014 SHOWS CONTINUITY (with document)

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Financial Figures/Balance Sheet/annual report
13.03.2014

- Market environment
  - Positive revenue effects due to elections dampen volume decline in the Austrian mail business
  - Ongoing robust growth in the Austrian parcel market
  - Strong competitive pressure in the international parcel business
- Higher revenue
  - Revenue increase of 0.8% in 2013 (excl. Benelux)
  - Slight growth both in the mail and parcel businesses (excl. Benelux)
- Further earnings improvement
  - Slightly improved EBIT of EUR 186.0m despite impairment losses
  - Earnings negatively impacted by special effects
- Strong cash flow and solid balance sheet
  - Stable cash flow finances future-oriented investments and dividends
  - Solid balance sheet structure with low level of debt
- Attractive dividends
  - Continuation of attractive dividend policy
  - Dividend proposal of EUR 1.90 per share to the Annual General Meeting
- Outlook for 2014 reflects continuity
  - Stable revenue development targeted in a challenging market environment
  - Goal achieving an EBITDA margin of 10-12% and improved EBIT

OVERVIEW OF AUSTRIAN POST

Austrian Post showed a good performance in the 2013 financial year against the backdrop of a challenging business environment on the postal and logistics markets. Revenue increased by 0.8% in the reporting period compared to the prior-year figure adjusted to take account of the Benelux subsidiaries divested by Austrian Post in 2012. This positive revenue development was due to growth in the parcel business as well as in the company's strategic international investments. At the same time, positive revenue effects from elections and referendums helped cushion the steady volume decline in the mail segment. This structural trend of declining letter mail volumes as a consequence of electronic substitution is continuing. Moreover, the advertising spending of several customers, and thus the revenue derived from direct mail items, was subject to cyclical fluctuations. In addition to the pressure on physical outlets resulting from e-commerce, a market consolidation process in the retail sector was perceptible. In contrast, clear growth was generated in the parcel business, both in Austria and in South East and Eastern Europe, whereas parcel revenue in the German market declined slightly.

The Group's operating profit featuring an EBIT of EUR 186.0m was slightly higher than in the previous year, but was impacted by special measures carried out in the third quarter of 2013. EBIT included positive effects on provisions, along with impairment losses on goodwill for the trans-o-flex Group in the amount of EUR 27.0m. Earnings per share amounted to EUR 1.82, at the same level as in the previous year, whereas both years included write-downs in the financial result.

"We can be satisfied with our performance in 2013. The increase in revenue and earnings once again demonstrates that the strategic path we have chosen is the right one. In the future, we will also pursue growth in the parcel business and

in our international business in order to compensate for declining mail volumes. In this regard, all our activities will be consistently oriented towards the needs of our customers, in order to consequently increase our service level", says Chief Executive Officer Georg Pölzl. "The 2013 financial year was fully geared to implementing extensive future-oriented investments, such as for our new logistics centre in Upper Austria. The good earnings and cash flow development also enables us to continue our attractive dividend policy", Pölzl adds. The Management Board of Austrian Post will propose the distribution of a dividend of EUR 1.90 per share for approval by the Annual General Meeting planned for April 24, 2014.
Austrian Post aims to achieve a stable revenue development again. With respect to earnings, the targeted EBITDA margin in the range of 10% to 12% is confirmed. In addition, the company is also striving to generate a further improvement in its EBIT. The operating cash flow generated by Austrian Post will continue to be prudently and purposefully used to finance sustainable efficiency improvements, structural measures and future-oriented investments.

REVENUE DEVELOPMENT IN DETAIL
Austrian Post reported total revenue of EUR 2,366.8m in 2013, at the same level as in the previous year. Adjusted to take account of the revenue of EUR 17.3m generated by the Benelux subsidiaries, which Austrian Post divested in the first half of 2012, the year-on-year revenue increase actually amounted to 0.8%.
Revenue of the Mail & Branch Network Division rose by 0.2% to EUR 1,510.8m. The positive revenue effects of new Group companies and elections and referendums in Austria were reflected in both the Letter Mail and Direct Mail segments.
In the Letter Mail & Mail Solutions business area, revenue improved by 1.2% from the prior-year period to EUR 793.7m. The substitution of letter mail by electronic media is continuing as before. Decreases took place, for example, in the telecommunications customer segment and in the public sector. In contrast, various elections provided added impetus, due to the fact that the option of voting by absentee ballot has emerged as a popular instrument of direct democracy. New services offered in the field of Mail Solutions also posted growth. However, the basic trend of declining letter mail volumes continues.
Revenue in the Direct Mail business fell by 0.8% in 2013 to EUR 441.8m. This field is particularly impacted by fluctuations in the economy and advertising behaviour. The weaker economy and the pressure exerted by online business on retail stores led to dampened advertising spending on the part of several customers. Moreover, a market consolidation process was perceptible in the retail sector. The year 2013 was generally characterised by declining direct mail volumes, especially in the unaddressed segment, as well as greater volatility of the advertising industry.
In the Parcel & Logistics Division, revenue in the 2013 financial year, adjusted to take account of the disposed subsidiaries in the Benelux region, rose by 2.0% to EUR 857.3m. From a regional perspective, the Austrian parcel market generated the strongest growth, with revenue up 7.8%, whereas revenue declined in Germany.
Premium Parcels (parcel delivery within 24 hours), which are mainly used in the business-to-business segment, generated revenue of EUR 643.7m in 2013, a decrease of 1.1% from the previous year. This decline is primarily due to the deconsolidation of the Benelux subsidiaries as well as the downward trend in Germany. Adjusted to take account of the former Benelux subsidiaries, the Premium Parcel business actually posted a 1.3% rise in revenue.
Disproportionately high growth was generated with business customer parcels as well as higher quality private customer parcels in Austria. The Standard Parcel business, which mainly involves shipments to private customers in Austria, also posted growth, with revenue up 2.2% to EUR 181.7m. Revenue of EUR 32.0m was achieved in the field of Other Parcel Services, which encompasses various complementary logistics services such as fulfilment, warehousing and value logistics (e.g. the transport of cash and valuables). This represents an increase of 8.2%.
From a regional perspective, 57% of total revenue in the Parcel & Logistics Division was generated in Germany, 35% in Austria and 8% by the Austrian Post subsidiaries in South East and Eastern Europe. The Austrian and CEE markets developed very positively, whereas in Germany revenue achieved by the subsidiary trans-o-flex was down by 1.8% due to the challenging competitive environment. At the same time, revenue growth in Austria reached a level of 7.8%, driven by the trend towards online shopping as well as the higher market share in the business parcel segment. On balance, the South East and Eastern European subsidiaries posted revenue growth of 6.2%.

## EXPENSE AND EARNINGS DEVELOPMENT

Staff costs comprise a major portion of the cost structure of Austrian Post. Accordingly, 47.8% of the total operating expenses incurred by Austrian Post in 2013 can be attributed to staff costs. The second largest expense item accounting for 33.6% of operating expenses is raw materials, consumables and services used, of which a large part relates to external transport services. Other operating expenses represent 13.3% of the total costs, and 5.3% is attributable to depreciation and amortisation.

The item raw materials, consumables and services used declined by 1.8% in the reporting period to EUR 753.3m. This development is primarily due to the decrease in costs for external transport services. In particular in Germany, the business model of the trans-o-flex Group was always characterised by a high level of external value creation. This was reduced in 2013 by the acquisition of distribution companies as well as optimisation measures implemented in the network.

Total staff costs of Austrian Post in 2013 were down 1.6% or EUR 17.9m from the prior-year level to EUR 1,073.5m. The decrease is mainly due to lower non-operational staff costs. Operational staff costs, which mainly consist of salaries, wages, jubilee benefits, bonuses and auxiliary wage costs amounted to EUR 1,043.1m in the reporting period and were at approximately the same level as in the previous year. Persistent efficiency enhancement measures succeeded in counteracting regular salary increases. Moreover, the implemented measures also offset additional staff costs from newly acquired companies in South East and Eastern Europe as well as higher staff costs in Germany. On balance, the average number of employees (full-time equivalents) working for Austrian Post amounted to 24,211 people in 2013, compared to 23,181 employees in 2012.

Non-operational staff costs totalled EUR 30.4m in 2013. In addition to severance payments, this figure also includes changes in provisions, which are primarily related to the specific employment situation of civil servants at Austrian Post. Accordingly, provisions were allocated in 2013 for social plans, employee under-utilisation and the voluntary transfer of employees to the federal public service.

Costs for termination benefits amounting to EUR 26.5m in the 2013 financial year were at the prior-year level. In contrast, the expenses for provisions for employee under-utilisation, including the provisions for employees transferring to the federal public service, were reduced by EUR 17.6m in 2013. The fact that several programmes for employees impacted by restructuring measures could be carried out more quickly than originally expected positively impacted the provisions for employee under-utilisation. Similarly, the year 2013 also saw a positive effect with respect to the provision for employees transferring to the federal public service.

In the 2013 financial year, EBITDA of the Austrian Post Group increased to EUR 304.5m. The rise of EUR 33.3m can be largely attributed to the previously-mentioned positive effect on provisions in non-operational staff costs in the amount of EUR 17.6m. As a consequence of this special effect, the EBITDA margin improved to 12.9%.

On balance, depreciation, amortisation and impairment losses totalled EUR 118.5m during the period under review. This includes the impairment loss on goodwill for the trans-o-flex Group in the amount of EUR 27.0m, which is related to the intensely competitive market situation and the reduced earnings situation of the company. Other impairment losses totalled EUR 8.1m, slightly above the comparable prior-year figure of EUR 7.2m. Taking account of the two special effects with respect to staff costs and depreciation, amortisation and impairments, earnings before interest and tax (EBIT) totalled EUR 186.0m, a rise of 2.0% from the previous year. The corresponding EBIT margin was 7.9%.

The other financial result of Austrian Post amounted to minus EUR 14.8m in 2013. This includes the complete write-down on receivables arising from shareholder loans to the amount of EUR 10.6m from the joint venture company MEILLERGHP. The underlying reason for this write-down is the current difficult market environment, the uncertain development of the company and the subordinated nature of the loans. The other financial result in 2012 also included the write-down of Austrian Post's indirect shareholding in the bank BAWAG P.S.K. in the amount of EUR 28.4m.

The tax burden in 2013 totalled EUR 47.2m. After deducting the income tax, the Group net profit (profit after tax for the period) amounted to EUR 124.0m, a rise of 0.7% from the previous year. Thus, earnings per share remained at a constant level of EUR 1.82 for the 2013 financial year.

From a divisional perspective, the company's earnings situation is also impacted by the above-mentioned special effects. The Mail & Branch Network Division generated an EBITDA of EUR 320.7m, a rise of 4.4%, and an EBIT of EUR 281.8m, up 3.4% from the previous year. This improvement can be attributed to the positive revenue effects in the election year 2013 as well as the fact that earnings in the prior-year period were negatively impacted by an impairment loss of EUR 9.6m recognised for Austrian Post's stake in MEILLERGHP.
EBITDA of the Parcel & Logistics Division in 2013 amounted to EUR 42.8m, whereas EBIT totalled minus EUR 4.9m. This includes the EUR 27.0m impairment loss on goodwill for the trans-o-flex Group as well as write-downs on receivables to the amount of EUR 7.1m. The efficiency enhancement programme in the trans-o-flex Group includes the reintegration of external services by acquiring selected distribution partners. Four distribution companies in Germany (Locations: Hürth near Cologne, Duisburg, Dortmund and Meinerzhagen) were acquired in the fourth quarter of 2013 to ensure that these services comprise part of the company's own value creation. The objective is to optimise operating costs and exploit synergies in the field of distribution logistics.
The Corporate Division basically encompasses all expenses for central departments in the Group as well as staff-related provisions and the earnings contribution of selected new business areas. In addition, the division also encompasses innovation management and the development of new business models. The above-mentioned reduced expenses for staff-related provisions in 2013 resulted in an improved EBIT of minus EUR 90.9m compared to minus EUR 115.4m in the previous year (including consolidation).

CASH FLOW AND BALANCE SHEET

In the 2013 financial year, operating cash flow before changes in working capital totalled EUR 299.4m, above the prior-year level. On balance, the changes in net working capital totalled minus EUR 49.0m during the period under review, compared to minus EUR 29.8m in 2012. The difference can be mainly attributed to the reduction in liabilities as well as the use of current provisions. As a result of this development, the cash flow from operating activities amounted to EUR 250.4m, slightly above the comparable prior-year figure.

The cash flow from investing activities of minus EUR 189.9m in 2013 was primarily impacted by higher cash outflows for acquisitions and capital expenditures. Payments for the purchase of property, plant and equipment (CAPEX) totalled EUR 96.4m during the period under review, including investments of EUR 23.4m for property, plant and equipment relating to the new logistics centre in Upper Austria, which will be completed by the middle of 2014. In addition, cash outflows of EUR 69.0m related to payments for acquisitions. The main part, or approximately EUR 50m, was for the acquisition of a 25% stake in the Turkish company Aras Kargo a.s. Moreover, there was a change of minus EUR 24.3m in the cash flow relating to the securities portfolio, which mainly involved a shift of investments of cash and cash equivalents to securities. On balance, the free cash flow before acquisitions and securities was EUR 153.9m in 2013.
Austrian Post pursues a conservative balance sheet and financing structure. This is demonstrated by the high equity ratio, the low amount of financial liabilities and the solid level of cash and cash equivalents invested with the least possible risk. Equity of the Austrian Post Group amounted to EUR 699.4m at the end of December 2013, comprising an equity ratio of 42.6% (incl. equity attributable to non-controlling interests of EUR 2.3m). The available financial resources at the disposal of the Austrian Post Group (cash and cash equivalents and securities) amounted to EUR 305.2m, current and non-current financial liabilities only totalled EUR 21.0m.

EMPLOYEES

The average number of full-time employees at the Austrian Post Group totalled 24,211 people during the period under review, comprising an increase of 1,030 employees from the prior-year period. This rise can be mainly attributed to the newly acquired subsidiaries in Bulgaria, Romania, Germany, Austria and Poland, which employed about 1,600 people (full-time equivalents) in the 2013 financial year. Most of Austrian Post's staff (full-time equivalents) is employed by the parent company Österreichische Post AG (a total of 18,951 full-time equivalents). A total of 5,260 people (full-time equivalents) are employed by the subsidiaries.

OUTLOOK 2014

On the basis of the available economic data, the core region of Austrian Post is expected to show a slightly upward economic growth trend in 2014. The basic trends in the postal sector are set to persist.

Revenue in the mail segment will continue to be impacted by the ongoing volume decline for traditional addressed letter mail due to electronic substitution. In Austria, new regulations stipulating the obligatory electronic delivery of official government mail are expected to have an impact on the business in 2014. In line with international trends, the decrease in letter mail volume is likely to amount to 3-5%. The market for addressed and unaddressed direct mail items will continue to be subject to a volatile volume development. The reduced weight of shipments in some customer segments, for example in the mail order business, could have a negative effect on revenue. Moreover, there is the risk of losing revenue from individual customers due to further market consolidation in the retail sector.

The development of the parcel and logistics business is also dominated by two trends. In the private customer parcel segment, growth of 3-6% is anticipated, depending on the region. The steadily growing field of e-commerce is the driving force behind this increase. The positive development of the business parcel segment depends on a stable economy and the competitive situation. It is crucial to exploit the company's good strategic market position and the resulting revenue potential, especially in the international parcel business.

Following the slight revenue increases in recent years - plus 1.9% in 2012 and plus 0.8% in 2013 excluding the divested Benelux subsidiaries - Austrian Post is striving to achieve an ongoing stable revenue development in 2014, in which the decrease in mail revenue can be compensated by higher parcel revenue.

The efficiency of the services provided must always be a key focus in the postal business. Structures and processes in both mail and parcel logistics will be consistently improved. The new automation and sorting technologies will enable Austrian Post to consistently exploit cost reduction potential. Profitability is the top priority in the company's international business operations, both in terms of concentrating on the core business as well as in ensuring efficient value creation. With respect to its earnings development, Austrian Post remains committed to its target of achieving a sustainable EBITDA margin in the range of 10-12%. The company is also striving to improve its earnings before interest and tax (EBIT) in 2014.

The operating cash flow generated by Austrian Post will continue to be used prudently and in a targeted manner to finance sustainable efficiency increases, structural measures and future-oriented investments. One priority of the investments being made in 2013 and 2014 is the new logistics centre under construction in Upper Austria. As a result, capital expenditure is expected to reach a level of about EUR 100m again in 2014. Other investments will mainly focus on modernisation, replacement of existing facilities and vehicles and capacity expansion in the parcel segment.

The Management Board will propose to the Annual General Meeting scheduled for April 24, 2014 to approve the distribution of a dividend totalling EUR 1.90 per share for the 2013 financial year. Thus, the company is once again continuing its attractive dividend policy on the basis of a solid balance sheet structure and the generated cash flow. Austrian Post aims to distribute at least 75% of the Group's net profit to its shareholders. Assuming the company continues its successful business development, the dividend should develop further in line with the Group's net results.

The Annual Financial Report 2013 is available on the Internet at www.post.at/ir --> Publications --> Financial Reports.

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