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## **EANS-Adhoc: Österreichische Post AG AUSTRIAN POST INTRODUCES NEW PRICE STRUCTURE FOR MAIL AS OF MARCH 1, 2015 REGULATORY AUTHORITIES APPROVE INFLATION ADJUSTMENT OF POSTAL RATES**

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Austrian Post is aligning its product and pricing structure to reflect current market conditions. An inflation-related price increase for mail will take place as of March 1, 2015, following the last product and price reform in 2011. The adjustment in postal rates was approved by the relevant regulatory authorities - the Post Control Commission (PCK) and the Austrian Regulatory Authority for Broadcasting and Telecommunications (RTR) - on September 15, 2014. In addition, Austrian Post is making changes to its service portfolio to facilitate customer access, for example the delivery of direct mail or other shipping and handling options for mail items. This will significantly facilitate the processing of postal business, especially with respect to advertising mail for SMEs.

The introduction of a new postal rate structure is also designed to ensure the medium-term balance between the structural decrease in the mail business and the steady increase in staff costs. The objective is to safeguard the long-term rendering of nationwide postal services and maintain their top quality, also in European comparison. "This inflation adjustment secures the sustainable development and innovative strength of Austrian Post in spite of rising costs and declining letter mail volumes. The ongoing expansion of modern services and our product and service offering can also be seen in the persistent modernisation of the branch network. 250 branch offices were completely redesigned in just three years in order to further improve service quality at the customer interface. Moreover, with close to 1,900 postal service points, the availability of postal services was considerably expanded in recent years. In future, we also want to maintain and further upgrade our logistics infrastructure and service quality for the benefit of the Austrian economy", emphasises Georg Pölzl, Chief Executive Officer of Austrian Post. The new inflation-based pricing structure has a mid-table international ranking but, at the same time, offers superior service quality, especially with respect to the quality of delivery and the nationwide availability of postal service points. This has been continually confirmed by international studies.

Rate for standard letters raised from 62 to 68 cents, large letters from EUR 3.80 to 4.00

The price of standard domestic letters in the "Premium" category (delivery on the next working day) will be raised from 62 to 68 cents. The "Economy" option for letters sent by business customers (longer delivery time, minimum of 1,000 items) will now cost 62 cents per letter in line with the new postal rate structure instead of 57 cents. The pricing adjustments are in a comparable range for other formats, i.e. Standard Plus, Maxi and Maxi Plus. For the "Large Letter" format extensively used in the field of e-commerce, postage rates will rise slightly from EUR 3.80 to EUR 4.00 per mail item in order to enable Austrian Post to continue offering an attractive letter mail product for the fast-growing online shopping market. This change in postal rates, the first since the year 2011, is aligned to the inflation rate since that time, in spite of the fact that factor costs relevant to the postal business such as staff costs or tolls have climbed more sharply in the same period. The Consumer Price Index (CPI) has climbed by 10% since the last tariff application was submitted.

On average, the rise in postal rates carried out by Austrian Post will lead to additional costs of close to one euro each year for every Austrian citizen (average postage expenses per person in Austria for sending letters equals EUR 12 per year). Slight adjustments will also be made in rates for sending parcels effective January 1, 2015. For example, the cost of sending a domestic parcel weighing up to 2 kg will rise from EUR 4.47 to EUR 4.60.

#### Customer-oriented further development of postal services

"High quality and the state-of-the-art development of the service portfolio reflect the needs of customers and ensure the high attractiveness of postal services. We are fighting for every letter through broad-based sales initiatives, product innovations and the steady increase in availability of the postal network. In future, we will prioritise our investments designed to enhance customer convenience. For example, one of our goals is to increase the number of Post Pick-up Boxes to 10,000 units," CEO Pölzl adds. These extensive investments will continue in future in order to maintain the high level of services. This is only possible on a medium to long term basis if inflation-related factor cost rises are taken into account in the pricing policy. For this reason, it is a matter of concern to Austrian Post to have general rules put in place - as is the case in other countries - designed to ensure that postal rates continually keep pace with inflation in the future. In turn, this also increases planning reliability for customers. At the same time, the further, up-to-date development of universal postal services must also take place, with the aim of aligning Austrian Post's products to the real needs of customers, as well as to ensure an improved cost-benefit ratio.

#### Long-term stable economic development

On balance, Austrian Post is striving to achieve a stable to slightly positive revenue development in the Group in the medium to long term. The good development of the company in recent years should be continued, and profitability maintained. With the above-mentioned inflation adjustments, Austrian Post strives to generate an EBITDA margin of around 12%. This also provides the basis for continuing investments in new customer solutions in spite of rising factor costs, and to move ahead with modernising operations. In this regard, Austrian Post plans further investments and efficiency increases. For example, Austrian Post aims to promote models enabling civil servants working for the company to transfer to the federal public service. This bundle of measures should sustainably secure the profitability and innovative strength of the company.

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