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EANS-News: Österreichische Post AG / AUSTRIAN POST Q1-3 2014: REVENUE AT THE PRIOR-YEAR LEVEL; SLIGHT EBIT INCREASE; OUTLOOK CONFIRMED FOR 2014

9-month report

- Market environment
  - Revenue development in the mail business impacted by election effects during the course of the year
  - Solid growth of the Austrian parcel market, intense competition in the international parcel sector
- Revenue
  - Group revenue at the same level as in the previous year (-0.1% in both Q1-3 and Q3)
  - Higher revenue Q1-3 in the parcel business (+3.3%) and decrease in the mail segment (-2.0%)
- Earnings
  - Continuing efficiency enhancement and cost optimisation
  - Slight EBIT rise of 0.8% in Q1-3 and 1.9% in Q3
- Outlook for 2014 confirmed
  - Stable revenue development in a challenging market environment
  - Further EBIT improvement targeted

OVERVIEW OF AUSTRIAN POST

Austrian Post generated Group revenue of EUR 1,732.7m in the first three quarters of 2014, the same level as in the previous year. The solid growth rate of 3.3% achieved in the parcel business almost completely offset the 2.0% revenue decline in the mail segment.

Mail revenue was influenced by election effects during the course of the year. In particular, no significant revenue was generated from elections in the third quarter, whereas national council elections contributed EUR 6m in revenue in the third quarter 2013. The downward trend in mail volumes caused by the substitution of letters through electronic forms of communication also continued. In contrast, revenue growth in Mail Solutions had a positive impact. Once again the parcel business showed steady growth, expanding by 3.3% from the previous year. The ongoing trend toward increased e-commerce provided growth not only for the Austrian parcel market, but also for the parcel subsidiaries in South East and Eastern Europe, which showed exceptionally high growth rates. Revenue in Germany only rose slightly.

Operating result (EBIT) rose by 0.8% from the previous year to EUR 132.6m on the basis of solid revenue development and ongoing cost discipline. Third-quarter EBIT was also up 1.9% to EUR 33.8m, with both the current and prior-year periods impacted by special effects. From an operational perspective, Austrian Post continued to push ahead with its innovation and efficiency measures in the first three quarters of 2014. The opening of the new Allhaming Logistics Centre provided an important impetus. The Allhaming facility, the largest investment project implemented by Austrian Post in recent years, is equipped with state-of-the-art, high-performance sorting technologies. In addition, 225 self-service zones with 110 pick-up stations have already been installed at Austrian Post's branch offices. In spite of the extensive investment programme, free cash flow remained at a high level, providing a solid basis to support future investments and Austrian Post's attractive dividend policy.

"With respect to the outlook for the entire year 2014, we continue to expect stable revenue development, but will strive to further improve earnings (EBIT). The main focus of our strategic activities is our consistent focus on customer needs in order to consolidate market leadership in our core business and simultaneously exploit opportunities in growth markets. Moreover, we are striving to maintain our strong focus on innovation and efficiency in all processes. This is the only way we can remain faithful to our basic philosophy; emphasising reliability, continuity and predictability, also when it comes to our earnings development, and generate sustainable value for the benefit of all stakeholders", says Austrian Post CEO Georg Pölzl.

REVENUE DEVELOPMENT IN DETAIL

Austrian Post's revenue remained steady during the first nine months of 2014. Group revenue declined by just 0.1% to EUR 1,732.7m. The parcel business continued to show solid growth of 3.3% during the reporting period, almost fully compensating for the 2.0% drop in mail revenue. Third-quarter revenue was also down marginally by 0.1% to EUR 560.8m.

The Mail & Branch Network Division accounted for the largest share or 62.6% of total Group revenue in the first three quarters of 2014. Divisional revenue in the reporting period was impacted by election effects. Generally, elections and referendums result in substantial revenue contributions because absentee voting is gaining in popularity and direct mail items are a popular means of communication in election campaigns. The revenue contributions of elections totalled EUR 14m in the first three quarters of 2013 but were somewhat lower at about EUR 9m in the comparable period of 2014. The third quarter particularly illustrates the uneven distribution of elections and referendums over the course of the year. Elections did not generate any significant revenue in the third quarter of 2014, whereas national council elections contributed EUR 6m in revenue in the prior-year period. On balance, divisional revenue fell by 2.0% to EUR 1,086.0m in the reporting period. This decline can be attributed to the ongoing electronic substitution of letters as well as decreasing direct mail volumes. Revenue was down 2.3% in the third quarter, in particular due to the lack of positive revenue effects from elections.

The Parcel & Logistics Division generated 37.4% of total Group revenue, with revenue in the first three quarters rising by 3.3% to EUR 647.9m. Divisional revenue rose by 3.8% in the third quarter of 2014. From a regional perspective, 56% of total revenue in the Parcel & Logistics Division was generated in Germany in the first three quarters of 2014, 35% in Austria and 9% by the subsidiaries in South East and Eastern Europe. Revenue in Germany rose slightly by 0.8%, although the challenging competitive environment and the price pressure in this market continue to have a noticeable impact on the business. Revenue growth in Austria reached a level of 6.0%, supported by the trend towards online shopping as well as increases in the business segment. In total, the subsidiaries in South East and Eastern Europe posted substantial revenue growth, amounting to 9.0% in the first three quarters of the year.

EXPENSE AND EARNINGS DEVELOPMENT

Raw materials, consumables and services used declined by 2.0% or EUR 11.2m in the reporting period to EUR 545.5m. This development is primarily due to the decrease in costs for external transport services in Germany. The business model of the trans-o-flex Group was characterised by a high level of external value creation, which is currently being reduced thanks to the takeover of several distribution companies.

Staff costs of Austrian Post totalled EUR 815.4m in the first three quarters of 2014, an increase of 4.0% or EUR 31.0m. This rise can be partly attributed to the previously-mentioned integration of distribution companies in Germany, which in turn led to a decline of services used. Operational staff costs of salaries and wages were at a similar level to the previous year excluding these effects (like-for-like basis). This shows that the continuing strict efficiency enhancement measures and improvement of staff structure offset inflation-based cost increases. On balance, the average number of employees (full-time equivalents) working for Austrian Post in the first three quarters of the year amounted to 24,005 people, compared to 24,257 employees in the prior-year period.

The rise in staff costs is also due to special effects which primarily had an impact on the year-on-year comparison of third quarter results. In the third quarter of 2013, the reduction in the provision for under-utilisation had a positive effect totaling EUR 16.3m, whereas adjustments to the parameters for interest-bearing staff-related provisions (discount interest rate, salary increases) led to a negative effect of EUR 11.8m in the third quarter of 2014. In addition, staff costs in the first three quarters of 2014 include wage-related contributions from previous periods of about EUR 7m from previous periods and also again termination benefits of EUR 17m.

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 202.2m in the first nine months, comprising an EBITDA margin of 11.6%. The prior-year EBITDA was 10.0% higher, but was impacted by the already-mentioned positive staff-related special effects.

Depreciation, amortisation and impairment losses totalled EUR 67.6m in the first three quarters of 2014, a drop of EUR 23.4m from the prior-year level. Whereas an impairment loss of EUR 27.0m was recognised for goodwill at the trans-o-flex Group in Germany in the third quarter of 2013, the period under review was marked by an impairment loss of EUR 4.9m reported for goodwill at the Polish subsidiary PostMaster Sp. z o.o. As a result, earnings before interest and tax (EBIT) in the first three quarters of 2014 increased slightly by 0.8% year-on-year to EUR 132.6m. The corresponding EBIT margin was 7.7%.

After deducting other financial results, earnings before tax (EBT) amounted to EUR 130.2m in the first three quarters of 2014, an increase of 1.1% year-on-year. Income tax at EUR 30.4m was higher than the comparable figure of EUR 23.9m in the first three quarters of 2013, attributable to the effects from deferred taxes in the previous year. Due to this higher tax effect, the Group net profit (profit after tax for the period) amounted to EUR 99.8m, a drop of 4.9% from the previous year. This corresponds to undiluted earnings per share of EUR 1.47 for the first nine months of 2014.

From a divisional perspective, the Mail & Branch Network Division generated an EBITDA of EUR 223.2m during the period under review, a decline of 4.4%, whereas EBIT totalled EUR 195.5m, down 6.3% from the prior-year level. This development is attributable, amongst other factors, to the lower positive effects from elections compared to the previous year. In particular, higher-margin addressed mail items showed a decline. Divisional earnings were negatively impacted by an impairment loss of EUR 4.9m recognised for goodwill at the Polish subsidiary PostMaster Sp. z o.o. in the second quarter and adjustments to the parameters for interest-bearing staff-related provisions in the third quarter totalling minus EUR 4.0m.

EBITDA of the Parcel & Logistics Division amounted to EUR 34.2m in the first nine months of 2014, up from EUR 27.9m in the first three quarters of 2013, whereas EBIT totalled EUR 18.5m in the reporting period compared to the prior-year figure of minus EUR 14.4m. In addition to operational improvements, this substantial rise is primarily the consequence of negative effects in the previous year, namely the impairment loss of EUR 27.0m on goodwill of the trans-o-flex Group and write-downs of EUR 5.1m relating to the trans-o-flex Group, mainly on receivables.

The Corporate Division (including Consolidation) basically encompasses all expenses for central departments in the Group as well as staff-related provisions and other provisions. EBIT was down to minus EUR 81.5m, a decrease of EUR 18.6m mainly attributable to special effects in the third quarter. The reduced need to allocate provisions for employee under-utilisation positively impacted earnings in the previous year, whereas adjustments to parameters for interest-bearing staff-related provisions had a negative effect of EUR 7.4m in the third quarter of 2014.

CASH FLOW AND BALANCE SHEET

In the first three quarters of 2014, operating cash flow amounted to EUR 164.6m, down by EUR 7.1m from the comparable prior-year figure. In contrast to the previous year, the cash flow from operating activities includes payments for wage-related contributions from previous periods.

The cash flow from investing activities of minus EUR 43.9m in the first nine months of 2014 was significantly lower than the prior-year level. Not only were there hardly any payments made in the reporting period in connection with acquisitions, but the cash outflows for the purchase of property, plant and equipment reported at EUR 53.0m were below the prior-year period. At the same time, proceeds from the redemption of financial investments in securities amounting to EUR 13.0m increased the cash flow. Free cash flow totalled EUR 120.7m in the reporting period. Free cash flow before acquisitions and securities reached EUR 108.6m, a stable high level compared to EUR 109.1m in the previous year.

Austrian Post pursues a conservative balance sheet policy and financing structure. This is demonstrated by the high equity ratio, low financial liabilities and solid cash and cash equivalent levels invested with the least possible risk. Equity of the Austrian Post Group totalled EUR 661.8m as at September 30, 2014, corresponding to an equity ratio of 41.3%. An analysis of the financial position of the company shows a high level of current and non-current financial resources of EUR 276.4m (cash and cash equivalents of EUR 223.8m as well as financial investments in securities of EUR 52.6m). These financial resources are in contrast to financial liabilities of only EUR 18.9m.

EMPLOYEES

The average number of employees (full-time equivalents) at the Austrian Post Group totalled 24,005 people during the first nine months of 2014, comprising a reduction of 252 employees from the prior-year period, whereas the staff of the trans-o-flex Group increased by 484 employees (full-time equivalents) due to the integration of various distribution companies in Germany. Most of Austrian Post's staff or a total of 18,471 employees (full-time equivalents) is employed by the parent company Österreichische Post AG.

OUTLOOK 2014

The mail and parcel businesses continued to develop in line with expectations in the third quarter of 2014. For this reason, Austrian Post confirms its previously announced outlook for the full year 2014 of stable revenue. Decreases in mail revenue should be offset by higher parcel revenue.

It is also important for the company to counteract the ongoing volume decline for addressed mail on a long-term basis by introducing customer-oriented solutions. The international baseline scenario consists of a 3-5% annual decrease in addressed mail volumes as a consequence of electronic substitution. Up until now, Austrian Post has succeeded in keeping this decline at the lower end of the anticipated range as a result of a series of measures. Another structural trend is the pressure exerted by e-commerce on many retail companies, selectively affecting individual sectors and their advertising spending.

In the future, investments designed to ensure greater customer convenience and promote higher quality service will be consistently pursued. Postal rates in the mail business will be adjusted as of March 1, 2015 to maintain Austrian Post's innovative strength despite rising inflation-related factor costs since the last pricing changes implemented in 2011.

In contrast, in the Parcel & Logistics Division, online shopping is the driving force behind growth in the private customer segment, expected to amount to 3-6% per year depending on the region. Generally, the development of the business parcel segment in the individual markets depends on the state of the economy, although competition in the parcel business is increasing.

Austrian Post is implementing a programme of measures to achieve "operational excellence" in order to further increase the efficiency of its services. Innovation and cost potential should be consistently exploited on the basis of the new sorting technologies. For this reason, capital expenditure in the year 2014 will total about EUR 90m. Profitability is the top priority in the company's international business operations, encompassing both a strict focus on the core business as well as ensuring the steady increase of efficiency in all processes.

The Austrian Post Group remains committed to the medium-term target of achieving a sustainable EBITDA margin of about 12%. This objective as well as an improvement in earnings before interest and tax (EBIT) also applies to the entire year 2014. Austrian Post's operating results in 2014 should reflect the trend prevailing in the first three quarters of the year. Special effects unrelated to normal business operations could influence overall results for 2014, including potential sales of commercial properties which usually positively impact earnings as well as various structural measures and write-downs which could negatively affect the company's performance.

OVERVIEW OF KEY INDICATORS

EUR m	Q1-3 2013	Q1-3 2014	change %	change EUR m	Q3 2013	Q3 2014
Revenue	1,734.2	1,732.7	-0.1%	-1.6	561.1	560.8
thereof Mail & Branch Network Division	1,107.7	1,086.0	-2.0%	-21.7	353.1	344.9
thereof Parcel & Logistics Division	627.5	647.9	3.3%	20.4	208.5	216.3
thereof Corporate/ Consolidation	-1.0	-1.2	-25.5%	-0.3	-0.5	-0.4
Other operating income	50.2	50.1	0.0%	0.0	16.1	17.7
Raw materials, consumables and services used	-556.5	-545.4	-2.0%	-11.2	-184.1	-182.6
Staff costs	-784.4	-815.4	4.0%	31.0	-233.8	-263.7
Other operating expenses	-216.0	-220.2	2.0%	4.2	-75.0	-76.5
Results of investments consolidated at equity	-4.9	-1.5	68.5%	3.4	-1.6	-0.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	222.6	200.2	-10.0%	-22.3	82.7	55.1
Depreciation, amortisation and impairment losses	-91.0	-67.6	-25.7%	-23.4	-49.5	-21.3
Earnings before interest and tax (EBIT)	131.5	132.6	0.8%	1.1	33.2	33.8
thereof Mail & Branch Network Division	208.8	195.5	-6.3%	-13.3	66.9	56.7
thereof Parcel & Logistics Division	-14.4	18.5	>100%	32.9	-26.8	6.4
thereof Corporate/ Consolidation	-62.9	-81.5	-29.6%	-18.6	-6.9	-29.3
Other financial result	-2.8	-2.4	13.5%	0.4	-0.8	-0.6
Earnings before tax (EBT)	128.7	130.2	1.1%	1.4	32.3	33.2
Income tax	-23.9	-30.4	27.5%	6.6	-3.9	-7.0
Profit for the period	104.9	99.8	-4.9%	-5.1	28.4	26.2
Earnings per share (EUR)*	1.54	1.47	-4.5%	-0.07	0.42	0.39
Cash flow from operating activities	171.7	164.6	-4.2%	-7.1	64.5	68.7
Investments in property, plant and equipment (CAPEX)	-63.4	-53.0	-16.4%	10.4	-13.5	-30.8
Free cash flow before acquisitions/securities	109.1	108.6	-0.5%	-0.5	50.3	38.1

* Undiluted earnings per share in relation to 67,552,638 shares

The interim financial report Q1-3 2014 is available on the Internet at www.post.at/ir --> Publications --> Financial Reports.

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