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EANS-News: AUSTRIAN POST IN 2015: REVENUE INCREASE OF 1.6% - OPERATING EBIT UP 2.6% - SALE OF TRANS-O-FLEX LED TO IMPAIRMENT LOSSES - STABLE OUTLOOK FOR 2016

annual result

Market environment
- Mail: Basic trend of e-substitution continued in 2015; differentiated development of direct mail items
- Parcel: Growth of e-commerce; increasing competition and price pressure

Revenue
- Revenue increase of 1.6% to EUR 2,401.9m
- Growth in the mail (+0.9%) and parcel (+2.9%) segments

Earnings
- Operating EBIT of EUR 198.0m (+2.6%)
- Impairment losses relating to sale of the German trans-o-flex Group
- Reported EBIT of EUR 89.0m due to one-off effects

Cash flow and dividends
- Increase in free cash flow before acquisitions/securities to EUR 178.3m
- Proposal to the Annual General Meeting: Stable dividend of EUR 1.95 per share

Outlook for 2016
- Stable operating earnings development targeted

OVERVIEW OF AUSTRIAN POST

Austrian Post recorded a solid operating performance in the 2015 financial year. In spite of challenging market conditions, Group revenue rose by 1.6% to EUR 2,401.9m.

The Mail & Branch Network Division achieved revenue growth of 0.9% to 1,501,7m in 2015 in a structurally shrinking market. Once again the basic trends shaping the letter mail and logistics markets in recent years continued in 2015: The volume of addressed mail items is under increasing pressure both on a national and international level due to the substitution of conventional letter mail by electronic communication. Revenue growth was driven by raised postal rates as of March 1, 2015 as well as the impetus provided by the increased handling of international cross border mail volumes.

During the reporting period, the Parcel & Logistics Division generated revenue growth of 2.9% through differing regional developments. The outstanding logistics and service quality of Austrian Post served as the basis for the volume increase of 8% to 80 million parcels. On Austrian Post's international markets, the parcel business in South East and Eastern Europe developed positively. In contrast, the business development of the German trans-o-flex Group remained below expectations.

For this reason, Austrian Post assessed various strategic options for the logistics company trans-o-flex within the context of an evaluation process carried out in 2015. Austrian Post reached an agreement with strategic investors LOXXESS Group and Schoeller Holding to sell trans-o-flex. "We have made a clear decision offering good development perspectives for all parties involved", says Georg Pölzl, Chief Executive Office of Austrian Post. The acquisition is expected to take place in the coming weeks subject to approval of the German Competition Authority. The disposal of trans-o-flex led to a one-off non-cash effect in the consolidated financial statements for 2015, on an adjusted basis the Group reported a good operating result.

Operating EBIT before special effects improved by 2.6% to EUR 198.0m, an upward trend which reflects developments over the first three quarters of the year. EBIT of Austrian Post for the 2015 financial year was negatively impacted by special effects, which consisted principally of two items. Firstly, an impairment of EUR 131.9m was reported, mostly in connection with the sale of the trans-o-flex subsidiary. Secondly, the consolidated financial statements of Austrian Post for 2015 contain a positive net effect of EUR 23.0m resulting from claims related to non-wage costs paid in previous periods. On the basis of the operating EBIT of EUR 198.0m, the above-mentioned one-off effects in 2015 resulted in a reported EBIT of EUR 89.0m.

Free cash flow before acquisitions and securities totalled EUR 178.3m in 2015, ahead of the comparable figure of EUR 151.7m in 2014. This solid cash flow comprises a good basis for Austrian Post to finance its future investments and dividends. On this basis, the Management Board will propose to the Annual General Meeting that a dividend of EUR 1.95 per share is to be distributed for the 2015 financial year, thus continuing the Group's attractive dividend policy.

Generally speaking, the basic trends affecting the letter mail and parcel markets, which have intensified internationally, are expected to continue in 2016. Revenue forecasts of Austrian Post for 2016 depend on a potential change in its portfolio. Earnings in 2016 will be impacted by revenue trends relating to letter mail and parcel volumes, but also by new, innovative business opportunities and the ongoing implementation of the targeted efficiency enhancement programme. On balance, Austrian Post is striving to maintain a stable development with an operating result (EBIT) at the same level as in 2015.

REVENUE DEVELOPMENT IN DETAIL

Group revenue of Austrian Post rose by 1.6% in the 2015 financial year to EUR 2,401.9m compared to the previous year. Both the Parcel & Logistics Division as well as the Mail & Branch Network Division contributed to this revenue growth, expanding by 2.9% and 0.9% respectively.

Revenue of the Mail & Branch Network Division totalled EUR 1,501.7m in 2015. Letter Mail & Mail Solutions revenue at EUR 808.4m climbed 2.3% from the previous year. The basic trend towards declining mail volumes related to the substitution of letters by electronic communication continued. This was more than offset by postal rates as of March 1, 2015 and growing international cross border mail volumes. Revenue in the Direct Mail business fell by 0.5% to EUR 428.7m during the reporting period. This decline is mainly due to the sale of two mail subsidiaries in Hungary and Slovakia. Media Post revenue was down 1.7% in 2015 to EUR 140.8m, which was mainly due to the general decline in the business with daily, weekly and monthly newspapers and magazines. Branch Services revenue at EUR 123.8m in the year under review represented a rise of EUR 0.7m from the previous year. This increase is primarily the result of a change in the invoicing model of certain retail goods. Revenue from mobile telephony products and financial services in cooperation with the company's banking partner BAWAG P.S.K. continued to decline, though a positive trend for mobile telephony products was evident in the fourth quarter in comparison to the prior-year period.

Revenue of the Parcel & Logistics Division rose by 2.9% in a year-on-year comparison to EUR 900.2m. From a regional perspective, 54.0% of total revenue in the Parcel & Logistics Division was generated in Germany, compared to 37.5% in Austria and 8.5% by the subsidiaries in South East and Eastern Europe. Whereas the business in Austria and the CEE markets developed very positively, revenue generated by the German trans-o-flex Group fell by 0.5% due to the challenging competitive situation. In contrast, revenue in Austria rose by 7.4% in 2015, driven by the trend towards online shopping and a market share increase in the business parcel segment. On balance, the subsidiaries in South East and Eastern Europe posted a substantial revenue increase of 6.6%.

EXPENSE AND EARNINGS DEVELOPMENT

Austrian Post's staff costs amounted to EUR 1,106.0m in the 2015 financial year, comprising a slight decline of 0.3%. The operational staff costs for salaries and wages included in this amount declined from the previous year. In addition to ongoing operational staff costs, staff costs also include various non-operational costs such as termination benefits and changes in provisions, which are primarily related to the specific employment situation of civil servants at Austrian Post.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of the Austrian Post Group amounted to EUR 302.7m (margin 12.6%), compared to the prior-year level of EUR 333.8m. This difference is mainly due to the positive contribution to EBITDA arising from the sale of Austrian Post's former corporate headquarters in 2014 for EUR 62.4m. The year 2015 included the repayment claims related to non-wage costs paid in previous periods less any compensation payments, with a net effect of EUR 23.0m.

Operating EBIT of Austrian Post improved by 2.6% to EUR 198.0m. The comparable figure of EUR 192.9m in 2014 resulted from the adjustment for the positive revenue effect of EUR 62.4m relating to the sale of Austrian Post's former corporate headquarters offset against impairment losses of EUR 58.4m.

Two special effects impacted the company's business results in 2015. On balance, Austrian Post reported impairment losses of EUR 131.9m for 2015, of which EUR 125.8m relate to the German trans-o-flex Group which classified as held for sale. In addition, a positive net effect of EUR 23.0m was recognised from the already-mentioned claims related to non-wage costs paid in previous periods less any compensation payments. Accordingly, the reported EBIT totalled EUR 89.0m.

The reported net earnings were negatively impacted by the above-mentioned special effects. After deducting the income tax expense, the profit for the period (Group net profit) amounted to EUR 71.6m, compared to the prior-year level of EUR 146.8m. This corresponds to undiluted earnings per share of EUR 1.06 for the 2015 financial year. Adjusted for the effects after tax as described above, Group net profit for the period totalled EUR 142.2m, or EUR 2.10 per share.

CASH FLOW AND BALANCE SHEET

The cash flow from operating activities in 2015 amounted to EUR 216.2m compared to EUR 232.2m in 2014. This difference can be attributed to higher tax payments as well as an increase in trade receivables. This effect was partly offset by a rise in liabilities.

Cash flow from investing activities reached a level of minus EUR 49.0m in 2015, which was significantly lower than in 2014. This development mainly related to the sale of Austrian Post's former corporate headquarters in Vienna's first district, for which the outstanding balance of the purchase price of EUR 60.0m was paid in the first quarter of 2015. Cash outflows for the acquisition of property, plant and equipment (CAPEX) amounted to EUR 104.7m during the reporting period, above the level of EUR 82.6m in the previous year. CAPEX included payments of about EUR 33m for the construction of Austrian Post's new corporate headquarters.

In aggregate, free cash flow during the reporting period was EUR 167.2m, up from EUR 162.8m in the previous year. Free cash flow before acquisitions/securities reached EUR 178.3m, thus higher than the prior-year figure. This provides a good basis for Austrian Post's ability to finance investments and dividends in the future.

Austrian Post pursues a conservative balance sheet and financing structure. This is primarily demonstrated by the high equity ratio, low 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 641.7m as at December 31, 2015, corresponding to an equity ratio of 39.8%. The analysis of the company's financial position shows a high level of financial resources totaling EUR 356.7m. This includes cash and cash equivalents of EUR 299.6m and securities of EUR 57.2m. These financial resources are in contrast to financial liabilities of only EUR 12.6m.

EMPLOYEES

The average number of full-time employees at the Austrian Post Group totalled 23,476 people during the period under review, comprising a decrease of 436 employees from the prior-year period. Most of Austrian Post's staff (full-time equivalents) is employed by the parent company Österreichische Post AG (a total of 17,983 full-time equivalents). A total of 5,493 people (full-time equivalents) are employed by the subsidiaries.

OUTLOOK 2016

Generally speaking, the basic trends impacting the letter mail and logistics markets in recent years are expected to continue in 2016. Volumes of addressed mail are under pressure on both a national and international level, whereas parcel volumes to private customers are rising, driven by increasing online orders. In addition to the current basic trends in the mail and parcel business, the revenue forecasts for Austrian Post in 2016 also considerably depend on a potential change in its portfolio. This could be a deconsolidation of the trans-o-flex Group or a potential increase in the stake held by Austrian Post in the Turkish parcel services provider Aras Kargo, which will be decided in the course of the year. With the exception of these two measures, Austrian Post is striving to maintain a largely stable revenue development in 2016.

In the mail business, the basic trend of e-substitution i.e. the substitution of traditional letter mail by electronic communication is likely to continue, resulting in further volume declines. This downward trend is also anticipated for 2016, accompanied by a drop in mail volumes within the predicted range of minus 3-5%. The direct mail business will continue to show a differentiated development in the individual customer segments, with a decrease perceptible for addressed direct mail items in particular.

The development of the Parcel & Logistics Division is impacted by differing trends in the private and business parcel segments. Considerable growth continues to be anticipated in the private customer parcel segment due to the steadily growing online business. At the same time, intensified competition is expected as a result of the positive development in this market segment. In turn, this could impact parcel prices and volumes and thus the company's business development. In contrast, subdued economic growth prospects are unlikely to provide much impetus to the business parcel segment.

On balance, Austrian Post aims to achieve a stable development in 2016, with an operating EBIT at the prior-year level.

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. With this in mind, operational capital expenditure (CAPEX) of about EUR 80m is planned in 2016, focusing on sorting technologies, logistics and customer solutions. In addition, Austrian Post is in the process of building its new corporate headquarters in Vienna's third district. The project is expected to be completed in 2017. The Management Board will propose to the Annual General Meeting scheduled for April 14, 2016 to approve the distribution of a dividend amounting to EUR 1.95 per share for the 2015 financial year. Thus, the company is once again continuing its attractive and predictable dividend policy on the basis of a solid balance sheet structure and the generated cash flow. Austrian Post adheres to its objective of distributing at least 75% of the Group's net profit to its shareholders.

The interim financial report FY 2015 is available on the Internet at www.post.at/ir --> Publications --> Financial Reports.
contact

Vienna, March 10, 2016

KEY FIGURES

			Change 2014/2015			
EUR m	2014*	2015	%	EUR m	Q4 2014*	Q4 2015
Revenue	2,363.5	2,401.9	1.6%	38.5	636.0	655.4
thereof Mail & Network Division	1,487.7	1,501.7	0.9%	14.0	402.0	412.2
thereof Parcel & Logistics Division	875.0	900.2	2.9%	25.2	233.8	243.2
thereof Corporate/ Consolidation	0.8	0.1	-87.5%	-0.7	0.2	0.0
Other operating income	134.4	99.2	-26.2%	-35.3	84.3	48.8
Raw materials, consumables and services used	-737.5	-749.6	-1.6%	-12.1	-197.2	-203.6
Staff costs	-1,109.5	-1,106.0	0.3%	3.5	-294.1	-292.3
Other operating expenses	-317.0	-344.0	-8.5%	-27.0	-96.8	-106.1
Results from financial assets accounted for using the equity method	-0.1	1.1	>100%	1.3	1.4	1.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	333.8	302.7	-9.3%	-31.1	133.6	103.4
Depreciation and amortisation	-84.9	-85.0	-0.1%	-0.1	-22.2	-21.0
Impairment losses	-52.0	-128.7	>100%	-76.7	-47.1	-128.6
Operating EBIT adjusted for one offs	192.9	198.0	2.6%	5.1	60.2	62.7
Special effects	4.0	-108.9	<-100%	-112.9	4.0	-108.9
Earnings before interest and tax (EBIT)	196.9	89.0	-54.8%	-107.8	64.2	-46.2
thereof Mail & Branch Network Division	270.0	284.7	5.4%	14.7	74.5	76.1
hereof Parcel &	-19.5	-105.4	<-100%	-85.9	-38.1	-121.9

Logistics Division						
thereof Corporate/ Consolidation	-53.6	-90.3	-68.5%	-36.7	27.9	-0.4
Other financial result	-2.8	2.0	>100%	4.8	-0.4	-0.6
Earnings before tax (EBT)	194.0	91.0	-53.1%	-103.0	63.8	-46.8
Income tax	-47.2	-19.5	58.7%	27.7	-16.8	14.3
Profit for the period	146.8	71.6/142.2**	-	-	47.1	-32.5
Earnings per share (EUR)***	2.17	1.06/2.10**	-	-	-	-
Cash flow from operating activities	232.2	216.2	-6.9%	-16.0	67.6	62.6
Investments in property, plant and equipment (CAPEX)	-82.6	-104.7	-26.8%	-22.1	-29.6	-43.4
Free cash flow before acquisitions/ securities	151.7	178.3	17.5%	26.6	43.2	20.0

* The presentation of Revenue and Raw materials, consumables and services used in the Parcel & Logistics Division was adjusted.
Exported services were recognised according to the net method (previously reported as revenue and expenses for services used)
** Adjusted for special effects
*** Undiluted earnings per share in relation to 67,552,638 shares

Further inquiry note:
Österreichische Post AG
Mag. Ingeborg Gratzer
Leitung Presse & Interne Kommunikation
Tel.: +43 (0) 57767-32010
ingeborg.gratzer@post.at

Österreichische Post AG
DI Harald Hagenauer
Leitung Investor Relations, Konzernrevision & Compliance
Tel.: +43 (0) 57767-30400
harald.hagenauer@post.at

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company: Österreichische Post AG
Haidingergasse 1
A-1030 Wien
phone: +43 (0)57767-0
mail: investor@post.at
WWW: www.post.at
sector: Transport
ISIN: AT0000APOST4
indexes: ATX Prime, ATX
stockmarkets: official market: Wien
language: English