EANS-Adhoc: Österreichische Post AG / AUSTRIAN POST H1 2014: STABLE REVENUE DEVELOPMENT AND SLIGHT EBIT INCREASE; OUTLOOK CONFIRMED FOR 2014

Financial Figures/Balance Sheet/6-month report

- Market environment
  - Ongoing trend towards e-substitution of mail but product innovations with stabilising effect
  - Solid growth of the Austrian parcel market, tough competition in the international parcel sector
- Revenue
  - Stable development of Group revenue (-0.1% in H1; +0.6 in Q2)
  - H1 revenue higher in the parcel business (+3.0%), slight decrease in the mail segment (-1.8%)
- Earnings
  - Rise in both EBITDA and EBIT
  - Strict efficiency enhancement and service offensive
- Outlook for 2014 confirmed
  - Stable revenue development in a challenging market environment
  - EBIT improvement aspired for 2014

OVERVIEW OF AUSTRIAN POST

Following a strong comparative period at the same time last year, Austrian Post managed to keep Group revenues in the first half of 2014 at a constant level. As in previous periods, the parcel business showed solid revenue growth of 3.0% in a year-on-year comparison. At the same time, Austrian Post was successful in counteracting the downward trend in mail volumes caused by electronic substitution thanks to its product innovations and sales initiatives. As a result, the revenue decline in the mail segment was kept quite low at 1.8%. In particular, revenue in the mail business developed very gratifyingly in the second quarter of 2014, which was partly driven by positive revenue effects such as growth in the field of Mail Solutions and elections. For example, a record 15% of votes cast by Austrian voters in the EU elections were submitted by absentee ballot. Once again, the Austrian parcel market provided significant growth impetus. In addition, Austrian Post's parcel subsidiaries in South East and Eastern Europe generated exceptionally high growth rates.

On the basis of a solid revenue development and strong cost discipline, operating results (EBIT) rose slightly to EUR 98.8m. The earnings development of the individual divisions shows the importance of the ongoing cost optimisation initiative. The revenue decline in the mail business was almost completely offset by efficiency enhancement measures. Negative effects related to the trans-o-flex Group, such as write-downs and structural measures, still burdened the parcel business in the first quarter of the year, but earnings improved slightly in the second quarter.

"Looking ahead to the entire 2014 financial year, we expect a stable revenue development. At the same time we are striving to achieve a further improvement in earnings (EBIT). In addition to resolute cost optimisation in all processes, focusing our operations to customer needs is at the heart of our strategic activities. In order to further cement our market leadership in our core business, we are continually expanding our self-service solutions and online services such as the new Post App. However, we will also exploit opportunities in growth markets and are currently testing the future field of food logistics", says Austrian Post CEO Georg Pölzl.

REVENUE DEVELOPMENT IN DETAIL

Group revenue remained consistently high for the first half of 2014. On balance, total revenue was down marginally, by 0.1% in the first half-year to EUR 1,171.9m. Second-quarter revenue was up slightly by 0.6%, due mainly to positive revenue effects in the mail business.

The largest share, or 63.2%, of total Group revenue accounted the Mail & Branch Network Division in the first half of 2014. However, divisional revenue in the reporting period fell by 1.8% to EUR 741.2m. This drop can be attributed to the ongoing electronic substitution of letters as well as decreasing direct mail volumes. In the second quarter of 2014, the revenue decline slowed to 0.4% due to offsetting positive revenue effects, such as the EU elections. The Parcel & Logistics Division generated 36.8% of total Group revenue, with revenue in the first half rising by 3.0% to EUR 431.5m. Divisional revenue was also up by 2.3% in the second quarter of 2014.

The Mail & Branch Network Division generated external revenue of EUR 741.2m in the first half of 2014. Of this amount, 53.7% can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 28.5% of total divisional revenue and the field of Media Post, including newspaper and magazines, had a 9.6% share. In addition, Branch Services accounted for 8.2% of divisional revenue.

Letter Mail & Mail Solutions revenue remained stable, with a slight plus of 0.1% from the previous year to EUR 397.7m. The substitution of letter mail by electronic media continues as previously. There were declines in some areas, such as the small and medium business customer segment. In contrast, ongoing sales initiatives and product innovations offset the decline caused by e-substitution. Events such as the Austrian Chamber of Labour elections in the federal provinces and the EU elections contributed positively. New services offered in Mail Solutions also contributed growth. On balance, positive revenue effects more than offset the decreases during the reporting period. However, the basic trend of declining letter mail volumes remains valid.

Revenue in the Direct Mail business was down 3.8% in the first half of 2014 to EUR 211.5m. This field is continually influenced by customer advertising expenditure volume and, amongst other factors, by the overall economic environment as well. The pressure exerted by online business on traditional mail order companies and retail stores led to reduced advertising spending by several customers. Moreover, several retail segments were affected by market consolidation. The unaddressed segment, in particular, was subject to declining direct mail volumes, especially building supplies stores.

Media Post revenue in the first half of 2014 rose slightly by 0.9% year-on-year to EUR 71.4m. At the same time, Branch Services revenue was down by EUR 6.2m to EUR 60.6m, due to adjustments to telecommunications service rates charged to customers by contractual partners resulting in a drop of revenue from mobile telephony products. Financial services segment revenue also declined.

External revenue of the Parcel & Logistics Division rose by 3.0% in the first half of 2014 to EUR 431.5m. Most market share gains can be attributed to the Premium Parcels business (parcel delivery within 24 hours), which accounts for around 75% of total divisional revenue. These products are mainly used by business customers. Premium Parcels generated revenue of EUR 323.4m in the first half of the year, a rise of 2.9%. This positive development was a consequence both of revenue growth from existing customers and Austrian Post's success in attracting new customers. In addition to the strong development of the business parcel field in Austria, strong growth was also achieved in the higher value parcels for private customers.

Standard Parcels, which mainly involve shipments to private customers in Austria, posted first half-year revenue of EUR 90.6m, an increase of 1.1%. Other Parcel Services, which includes various additional logistics services such as fulfilment, warehousing and cash logistics, generated revenue of EUR 17.6m in the first half of 2014, a rise of EUR 2.5m from the previous year.

From a regional perspective, 57% of total revenue in the Parcel & Logistics Division was generated in Germany in the first half of 2014, 35% in Austria, and 8% by the subsidiaries in South East and Eastern Europe. Revenue in Germany was up by 1.2% in the first half year, although the challenging competitive environment and the price pressure in this market continue to have a perceptible impact on the business. At the same time, revenue growth in Austria reached a level of 4.6%, a development which is supported by the trend towards online shopping as well as the higher market share in the B2B business. In total, the subsidiaries in South East and Eastern Europe posted revenue growth of 8.5% in the first half of 2014.

EXPENSE AND EARNINGS DEVELOPMENT

Raw materials, consumables and services used declined by 2.6% or EUR 9.6m to EUR 362.8m. 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 distribution companies.

Staff costs of Austrian Post remained stable in the first half of 2014 at EUR 551.7m. The operational staff costs of salaries and wages, which are included in this total, were higher in the reporting period compared to the prior-year level as a consequence of the integration of the distribution companies in Germany. The continuing strict efficiency enhancement measures and improvement of the staff structure offset inflation-based cost increases. Staff costs in the first half of 2014 also included termination benefits totalling approximately EUR 11m as well as wage-related contributions from previous periods of about EUR 7m.

Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 3.7% to EUR 145.1m on the basis of a solid revenue development and the consistent implementation of efficiency enhancement measures. This corresponded to an EBITDA margin of 12.4%. Depreciation, amortisation and impairment losses totalled EUR 46.3m in the first half of 2014, an increase of EUR 4.8m from the prior-year level attributable to an impairment loss of EUR 4.9m for goodwill at the Polish subsidiary PostMaster Sp. z o.o. As a result, earnings before interest and tax (EBIT) climbed only marginally by 0.4% from the previous year to EUR 98.8m. The corresponding EBIT margin was 8.4%.

After deducting income tax of EUR 23.4m, the Group net profit (profit after tax for the period) amounted to EUR 73.6m, a decline of 3.8% compared to the first half of 2013. This corresponds to undiluted earnings per share of EUR 1.08 for the first half-year 2014.

From a divisional perspective, the Mail & Branch Network Division generated an EBITDA of EUR 158.9m during the period under review, a rise of 1.0%, whereas EBIT totalled EUR 138.9m, down 2.1% from the previous year. The revenue decrease in the mail business was almost completely offset by strong cost discipline. The previously mentioned impairment loss on goodwill of Austrian Post's Polish subsidiary also negatively impacted the division's earnings.

EBITDA of the Parcel & Logistics Division amounted to EUR 22.5m in the first half of 2014, the same as in the previous year, whereas EBIT totalled EUR 12.1m compared to the prior-year figure of EUR 12.4m. Divisional earnings improved in the second quarter, following the first-quarter negative effects of EUR 2.7m relating to the trans-o-flex Group. Write-downs on receivables as well as various structural measures were necessary within the context of the ongoing efficiency enhancement programme carried out during the reporting period.

The Corporate Division (including Consolidation) basically encompasses all expenses for central departments in the Group as well as staff-related and other provisions. The reduced need to allocate provisions for employee under-utilisation in the first half of 2014 resulted in a slightly improved EBIT of minus EUR 52.2m in this division.

CASH FLOW AND BALANCE SHEET

In the first half of 2014, operating cash flow amounted to EUR 95.9m, down by EUR 11.4m from the comparable prior-year figure. In contrast to the previous year, the cash flow from operating activities in the first half of 2014 includes higher tax payments as well as payments connected to wage-related contributions from previous periods.

The cash flow from investing activities of minus EUR 12.6m in the first half of 2014 was lower than in the prior-year. 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 22.2m were below the prior-year period. At the same time, proceeds from the redemption of financial investments in securities amounting to EUR 13.0m served to increase the cash flow. Free cash flow totalled EUR 83.2m in the reporting period. Free cash flow before acquisitions and securities reached EUR 70.5m, a rise of EUR 11.6m from 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 641.2m as at June 30, 2014, corresponding to an equity ratio of 41.1%. An analysis of the financial position of the company shows a high level of current and non-current financial resources of EUR 241.3m (cash and cash equivalents of EUR 188.3m as well as financial investments in securities of EUR 53.1m). These financial resources are in contrast to financial liabilities of only EUR 19.9m.

EMPLOYEES

The average number of employees (full-time equivalents) at the Austrian Post Group totalled 23,722 people during the period of review, comprising a decline of 185 employees from the prior-year period. The staff of the trans-o-flex Group increased by 492 employees due to the integration of various distribution companies in Germany. Most of Austrian Post's staff or a total of 18,186 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 second quarter of 2014. For this reason, Austrian Post confirms its previously announced outlook for the entire year 2014, in which the company is striving to achieve a stable revenue development. Decreases in mail revenue should be compensated by higher parcel revenue.

On a long-term basis, it is important for the company to counteract the ongoing volume decline for addressed mail 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 thanks to a series of different measures. In order to keep the reduction in Mail revenues at a moderate level, the company's fundamental goal

is to pursue ongoing sales initiatives and innovation supported by inflation-related price adjustments. Another structural trend is the pressure exerted by e-commerce on many retail companies and the resulting volatile advertising spending on the part of these affected firms.
In contrast, in the Parcel & Logistics Division online shopping is the driving force behind growth in the private customer business, expected to amount to 3-6% annually depending on the region. The development of the business parcel field in the individual markets depends on the state of the economy and the current competitive situation.
Austrian Post is implementing a programme of measures to achieve "operational excellence" in order to further increase the efficiency of the services provided. The new automation and sorting technologies should enable Austrian Post to consistently exploit its cost reduction potential. For this reason, capital expenditure in the year 2014 will once again be in the range of about EUR 90-100m. 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.
With respect to its earnings development, the Austrian Post Group remains committed to the target of achieving a sustainable EBITDA margin of 10-12%. The company is also striving to improve its earnings before interest and tax (EBIT) in 2014.

OVERVIEW OF KEY INDICATORS

EUR m	H1 2013	H1 2014	Change %	EUR m	Q2 2013	Q2 2014
Revenue	1,173.1	1,171.9	-0.1%	-1.2	570.2	573.5
thereof Mail & Branch Network Division	754.6	741.2	-1.8%	-13.5	363.7	362.3
thereof Parcel & Logistics Division	419.0	431.5	3.0%	12.5	206.9	211.5
thereof Corporate/ Consolidation	-0.5	-0.8	-58.2%	-0.3	-0.3	-0.4
Other operating income	34.0	32.5	-4.5%	-1.5	16.8	15.9
Raw materials, consumables and services used	-372.4	-362.8	-2.6%	-9.6	-185.2	-179.0
Staff costs	-550.6	-551.7	0.2%	1.2	-270.3	-271.1
Other operating expenses	-141.0	-143.7	1.9%	2.7	-69.9	-72.2
Results of investments consolidated at equity	-3.3	-1.1	67.8%	2.3	-1.6	-0.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	139.9	145.1	3.7%	5.2	59.9	66.3
Depreciation, amortisation and impairment losses	-41.5	-46.3	11.6%	4.8	-21.3	-25.7
Earnings before interest and tax (EBIT)	98.4	98.8	0.4%	0.4	38.6	40.6
thereof Mail & Branch Network Division	141.9	138.9	-2.1%	-3.0	62.9	60.9
thereof Parcel & Logistics Division	12.4	12.1	-2.0%	-0.3	5.0	6.6
thereof Corporate/ Consolidation	-55.9	-52.2	6.7%	3.7	-29.3	-27.0
Other financial result	-2.0	-1.8	6.8%	0.1	-1.1	-1.1
Earnings before tax (EBT)	96.4	97.0	0.6%	0.6	37.6	39.5
Income tax	-20.0	-23.4	17.4%	3.5	-7.8	-9.7
Profit for the period	76.5	73.6	-3.8%	-2.9	29.8	29.9
Earnings per share (EUR)1	1.12	1.08	-3.4%	-0.04	0.44	0.44
Cash flow from operating activities	107.3	95.9	-10.6%	-11.4	57.4	45.3
Investments in property, plant and equipment (CAPEX)	-49.9	-22.2	-55.5%	27.7	-27.7	-11.1
Free cash flow before acquisitions/ securities	58.8	70.5	19.7%	11.6	30.8	32.5

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

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