AUSTRIAN POST Q1-3 2013:

REVENUE GROWTH AND EARNINGS IMPROVEMENT IN THE FIRST NINE MONTHS; OUTLOOK FOR 2013 CONFIRMED

- Stable market environment
  - Satisfactory mail business in Austria, positive revenue effects due to elections
  - Ongoing robust growth in the Austrian parcel market
  - Strong competition in the international parcel business
- Higher revenue
  - Revenue increase Q1-3 of 1.7% (excl. Benelux)
  - Slight growth in both the mail and parcel business (excl. Benelux)
- Increased earnings
  - Non-cash balance sheet measures in the third quarter
  - Slightly improved EBIT Q1-3 of EUR 131.5m in spite of impairment losses
- Outlook for 2013 confirmed
  - Stable or slightly positive revenue development expected
  - Goal of earnings improvement

OVERVIEW OF AUSTRIAN POST

The positive development during the first half of 2013 continued in the third quarter of the year. Accordingly, total revenue of Austrian Post in the first nine months of the current financial year, adjusted to take account of the disposed Benelux subsidiaries, increased by 1.7% from the previous year. In particular, the mail business developed very gratifyingly, benefitting in part from special effects. In addition to the revenue contributions of the newly acquired companies in Central and Eastern Europe, parliamentary elections and several regional elections and referendums generated additional revenue. At the same time, the structural trend of declining letter mail volumes as a consequence of electronic substitution is continuing. Moreover, the advertising spending of several customer sectors remains restrained due to slow economic momentum. The Austrian parcel business, in turn, continues to profit from the online shopping boom. As a result, both the private and business customer segments once again posted growth during the period under review.

The situation in the international parcel and logistics business is more difficult. In particular, the German trans-o-flex Group is subject to strong competition and high price pressure. This also turns out to be the reason for a special effect which impacted the earnings situation of the Group in the reporting period. In light of the challenging market environment which trans-o-flex Group faces, and the reduced earnings situation, an impairment loss on goodwill of EUR 27.0m was reported in the third quarter of 2013. On an operational level, within the context of a far-reaching earnings improvement

programme, external services at important locations are being reintegrated in order to sustainably improve the earnings situation.

In addition to the non-cash effect of the above-mentioned impairment on goodwill, there were also positive special effects such as the added revenue generated by the election year 2013 and a decline in the provisions required in the third quarter. As a result, earnings before interest and tax (EBIT) of Austrian Post improved slightly to EUR 131.5m. The earnings per share at EUR 1.54 also surpassed the prior-year level. “Based on these results, we can confirm our outlook for the 2013 financial year. Revenue should remain stable or increase slightly, and we are striving to improve EBIT”, says Austrian Post CEO Georg Pölzl.

In order to achieve these targets, great importance will be attached to cost discipline and efficiency enhancement throughout the Group also in the future, which will simultaneously push ahead with efforts to modernise business processes. Austrian Post also wants to exploit opportunities in promising markets. An important milestone was recently achieved in this regard with the acquisition of a 25% stake in Aras Kargo a.s. enabling the company’s entry into the Turkish parcel market. In order to further enhance our level of service, the focus of all activities will be persistently oriented to the needs of our customers.

REVENUE DEVELOPMENT IN DETAIL

In the first three quarters of 2013, Austrian Post’s reported revenue totalled EUR 1,734.2m, an increase of 0.7% from the comparable prior-year period. Adjusted to take account of the revenue of EUR 17.3m generated by the disposed and deconsolidated subsidiaries in the Benelux region in the first half of 2012, the revenue increase in the first three quarters of 2013 amounted to 1.7%.

Revenue of the Mail & Branch Network Division rose by 1.5%, or EUR 16.5m, to EUR 1,107.7m. On the one hand, this gratifying development can be attributed to the consolidation of new subsidiaries in Poland, Romania and Bulgaria (EUR 17.5m). On the other hand, the revenue increase is also due to the positive impetus provided by elections and referendums held in Austria during the first nine months of 2013. In addition, services offered in the field of Mail Solutions also posted growth during the reporting period. Before special effects, the trend towards declining mail volumes and restrained advertising spending led to a revenue decline in the mail business of about 2.5%.

In the Parcel & Logistics Division, revenue in the first three quarters of 2013, adjusted to take account of the disposed subsidiaries in the Benelux region, rose by 2.1% to EUR 627.5m. From a regional perspective, the Austrian parcel market generated the strongest growth, with revenue up 9.6%, whereas revenue declined in Germany by 2.1%.

REVENUE BY DIVISION[1]

EUR m	Q1–3 2012	Q1–3 2013	Change %	Change EUR m	Q3 2012	Q3 2013
Total revenue	**1,722.9**	**1,734.2**	**0.7%**	**11.3**	**549.8**	**561.1**
Revenue excl. Benelux subsidiaries[2]	**1,705.7**	**1,734.2**	**1.7%**	**28.5**	**549.8**	**561.1**
Mail & Branch Network	1,091.2	1,107.7	1.5%	16.5	349.6	353.1
Parcel & Logistics	632.0	627.5	–0.7%	–4.5	201.1	208.5
Parcel & Logistics excl. Benelux subsidiaries[2]	614.7	627.5	2.1%	12.7	201.1	208.5
Corporate	10.6	5.1	–52.5%	–5.6	5.3	1.3
Consolidation	–10.9	–6.0	44.8%	4.9	–6.2	–1.8
Calendar working days in Austria	188	188	–	–	64	65

[1] External sales of the divisions
[2] The closing of the disposal of trans-o-flex Nederland B.V. took place as of March 15, 2012, for trans-o-flex Belgium B.V.B.A as of May 31, 2012

INCOME STATEMENT

The positive revenue development of the Group included increases in Austria and in South East and Eastern Europe, whereas revenue declined in the German parcel and logistics business, which is characterised by a high share of external transport services. This is the underlying reason for the decrease in operating expenses for raw materials, consumables and services used, which fell by 1.1% to EUR 556.5m.

Staff costs were down slightly by 1.3% year-on-year to EUR 784.4m. This figure encompasses all operational staff costs as well as non-operational staff costs in the Group, which are primarily designed to enable a sustainable improvement in the cost structure, such as severance payments, restructuring measures and provisions.

Operational staff costs amounted to EUR 764.4m in the first three quarters of the year, equivalent to a slight rise of 0.5%. Non-operational staff costs totalled EUR 19.9m in the nine months of 2013 compared to the prior-year level of EUR 34.0m. In addition to ongoing severance payments, this figure also includes changes in provisions. Due to the continuing reduction in the workforce, the need for provisions for employee under-utilisation decreased in comparison to 2012. Accordingly, this provision fell by a total of EUR 16.3m in the third quarter of 2013. As a consequence, total provisions for employee under-utilisation have dropped since the beginning of 2013 from EUR 229.1m to EUR 217.8m.

The results of the investments consolidated at equity amounted to minus EUR 4.9m in the first three quarters of 2013. The comparable prior-year results of minus EUR 12.1m included the impairment loss of EUR 9.6m reported for Austrian Post's stake in the company MEILLERGHP, which is consolidated at equity.

In the first three quarters of 2013, earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post Group increased to EUR 222.6m. The rise of EUR 29.4m is mainly the result of the previously-mentioned reduced need for staff-related provisions to the amount of EUR 16.3m in the third quarter of 2013. As a consequence of this special balance sheet measure, the EBITDA margin improved to 12.8%.

On balance, depreciation, amortisation and impairment losses totalled EUR 91.0m during the period under review. This includes the impairment loss on goodwill for the German trans-o-flex Group. Goodwill on the balance sheet of Austrian Post was written down by the amount of EUR 27.0m to EUR 84.4m, which is related to the intensely competitive market situation and the reduced earnings situation. These two non-cash special balance sheet measures with respect to staff costs and depreciation, amortisation and impairments resulted in earnings before interest and tax (EBIT) of EUR 131.5m, slightly higher than in the first three quarters of the previous year.

EBIT BY DIVISION

EUR m	Q1–3 2012 adjusted[1]	Q1–3 2013	%	Change EUR m	Q3 2012 adjusted[1]	Q3 2013
Total EBIT	**131.0**	**131.5**	**0.4%**	**0.5**	**36.3**	**33.2**
Mail & Branch Network	193.4	208.8	8.0%	15.4	56.3	66.9
Parcel & Logistics	17.0	–14.4	–	–31.3	5.3	–26.8
Parcel & Logistics before impairments	17.0	12.6	–25.6%	–4.3	5.3	0.2
Corporate	–78.7	–63.0	19.9%	15.7	–24.8	–7.0

[1] Adjusted due to the application of IAS 19; refer to Note 1. Summary of Accounting Principles

From a divisional perspective, the company's earnings situation is also impacted by the above-mentioned special balance sheet measures. The Mail & Branch Network Division generated an EBIT of EUR 208.8m, a rise of EUR 15.4m. This increase 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, which is consolidated at equity.

EBIT of the Parcel & Logistics Division in the first three quarters of 2013 amounted to minus EUR 14.4m. However, after taking account of the EUR 27.0m impairment loss on goodwill for the trans-o-flex Group, operating EBIT totalled EUR 12.6m. These earnings also include additional one-off effects of EUR 5.1m, primarily for write-downs on receivables in the third quarter of 2013. The earnings improvement programme in the trans-o-flex Group includes the selective reintegration of external services at important locations. The underlying objective is to improve the cost structure throughout the entire network. In addition, market opportunities will be exploited by a stronger focus on pharmaceuticals and health care on the basis of the EU's new Good Distribution Practice (GDP) guidelines.

The Corporate segment basically encompasses costs for central departments in the Group as well as staff-related provisions. The above-mentioned reduced need for provisions for employee under-utilisation to the amount of EUR 16.3m in the third quarter of 2013 resulted in an improved EBIT of minus EUR 63.0m compared to minus EUR 78.7m in the comparable prior-year period.

After deducting income taxes, the Group net profit (profit after tax) in the first three quarters of 2013 amounted to EUR 104.9m, a rise of 6.0% from the results of the prior-year period. Following the deduction of the profit for the period attributable to non-controlling interests, this corresponds to undiluted earnings per share of EUR 1.54, an increase of 5.2%. In the third quarter earnings per share amounted to EUR 0.42 after EUR 0.39 EUR in the previous year.

CASH FLOW

In the first nine months of 2013, operating cash flow before changes in working capital totalled EUR 236.8m, slightly above the prior-year level. On balance, the changes in net working capital totalled minus EUR 65.0m during the period under review. As a result of this development, the cash flow from operating activities amounted to EUR 171.7m, nearly identical to the comparable prior-year figure.

The cash flow from investing activities of minus EUR 152.5m in the first three quarters of 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 63.4m during the period under review, including investments of EUR 10.8m relating to the new logistics centre in Upper Austria which will be completed by the middle of 2014. In addition, cash outflows of EUR 71.5m related to acquisitions. EUR 50m of this related to the acquisition of a 25% stake in the Turkish company Aras Kargo a.s. Moreover, there was a change in cash flow relating to the securities portfolio, which shifted investments of cash and cash equivalents at the amount of EUR 20.9m to medium-term securities. On balance, free cash flow before acquisitions and securities totalled EUR 109.1m in the first three quarters of 2013.

EMPLOYEES

The average number of full-time employees at the Austrian Post Group totalled 24,257 people in the first nine months of 2013. This comprises an increase of 996 employees from the prior-year period, about 1,600 of whom can be attributed to the newly acquired subsidiaries in Austria, Poland, Bulgaria and Romania. Most of Austrian Post's staff is employed by the parent company Österreichische Post AG (a total of 19,096 full-time equivalents). Austrian Post has been offering a banker training programme in cooperation with BAWAG P.S.K. since 2009. This was complemented in September 2011 by a new training programme for aspiring retail salespeople. More than 20 trainees are currently concluding their vocational training. 30 new trainees will be enrolled in Vienna, Linz and Graz in 2014.

OUTLOOK FOR 2013

Austrian Post confirms its outlook for the entire year 2013. A stable or slightly positive revenue development is expected for the 2013 financial year. The basic trends impacting the mail and parcel businesses will continue.

Revenue in the mail segment is primarily impacted by the ongoing volume decline of traditional addressed letter mail due to electronic substitution, which is likely to amount to 3–5% p.a., reflecting international trends. The market for addressed and unaddressed direct mail items is anticipated to remain weak as a consequence of slow economic momentum. The positive volume effects related to various elections and referendums in Austria will no longer have an impact in the fourth quarter of 2013. The parcel business should continue to profit from growth in the private customer segment, whereas the intensive level of competition in the business customer segment is expected to continue, especially in the German market.

Enhancing the profitability of the services offered will continue to be a key focal point of the Group’s mail and parcel operations. For this reason, Austrian Post will maintain its efforts to promote efficiency increases in the Group. Austrian Post remains committed to its goal to improve earnings before interest and tax (EBIT) in 2013. For the medium-term, Austrian Post confirms the targeted EBITDA margin in the range of 10-12%.

The operating cash flow generated by Austrian Post will continue to be used prudently and in a targeted manner to finance sustainable future-oriented investments. Total capital expenditure is expected to reach a level of about EUR 90m in 2013, mainly focusing on the replacement of existing facilities and thus their continuous modernisation and efficiency enhancement.

PERFORMANCE OF DIVISIONS

MAIL & BRANCH NETWORK DIVISION

Divisional revenue developed very positively in the first three quarters of 2013, increasing by 1.5% to EUR 1,107.7m. This development can be mainly attributed to the first-time full consolidation of new Group subsidiaries (EUR 17.5m) and the positive effects of various elections and referendums in Austria.

Revenue in the field of Letter Mail & Mail Solutions climbed by 1.6% from the prior-year period, rising to EUR 580.9m. The substitution of letter mail by electronic media is continuing as before. Such decreases took place, for example, in the telecommunications customer segment. In contrast, various elections provided added impetus, due to the fact that the possibility 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.

Revenue in the field of Direct Mail also increased in the first three quarters of 2013, climbing by 1.7% to EUR 324.2m. The rise here was also due to the newly consolidated subsidiaries and the positive effects of elections on the business. The weaker economy and the pressure of online business on retail stores have diminished advertising spending. Media Post revenue rose as well by 1.0% during the first nine months of 2013 to EUR 103.5m, and Branch Services revenue was up 1.2% to EUR 99.1m. This can be primarily attributed to higher sales of mobile telephony products, which compensated for the decline in financial services.

On balance, EBIT of the Mail & Branch Network Division improved by EUR 15.4m, which is due to the good revenue development as well as the impairment loss of EUR 9.6m reported in the previous year on the company MEILLERGHP, which is consolidated at equity.

PARCEL & LOGISTICS DIVISION

External sales of the Parcel & Logistics Division decreased by 0.7% to EUR 627.5m in the first three quarters of 2013. However, the prior-year period still included the revenue achieved by the Benelux subsidiaries disposed of during the first half of 2012. Adjusted to take account of the former Benelux subsidiaries, the division actually achieved a 2.1% revenue increase in a year-on-year comparison. This growth was driven by increases in Austria and in South East and Eastern Europe. In contrast, revenue slightly declined in Germany.

Premium Parcels (parcel delivery within 24 hours), which are mainly used in the business-to-business segment, generated revenue of EUR 474.1m in the first three quarters of 2013, a decrease of 2.0% from the previous year. This decline is primarily due to the deconsolidation of the Benelux subsidiaries as well as the downward trend in Germany. Parcel volumes in the business customer and higher-value private customer segments in Austria showed above-average increases.

Standard Parcels, which mainly involve shipments to private customers, posted growth. Revenue rose by 2.7% to EUR 130.1m. Other Parcel Services generated revenue of EUR 23.3m during the period under review. This field includes various additional logistics services such as fulfilment, warehousing and cash logistics.

The earnings development of the Parcel & Logistics Division was impacted by special effects relating to the trans-o-flex Group. In addition to an impairment loss of EUR 27.0m recognised on goodwill, write-downs of EUR 5.1m were recognised for outstanding receivables. External services at trans-o-flex are being reintegrated at selected sites within the context of an earnings improvement programme. Moreover, a stronger focus will be put on the pharmaceutical and healthcare market.

For this reason, EBIT of the Parcel & Logistics Division before impairments was below the prior-year level at EUR 12.6m. Accordingly, the EBIT margin was 2.0% in the first three quarters of 2013.

The interim report for the first three quarters of 2013 is available on the Internet: www.post.at/ir/en --> Publications --> Financial Reports

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