International Post Corporation

A good year Austrian Post in 2018

14-03-2019

The business of Austrian Post has developed very well in 2018. Group revenue increased by 1.0% to EUR 1,958.5m. Growth in the parcel business (+11.5%) could offset the decline in the mail business (-2.5%) in spite of the challenging market environment. Austrian Post has also succeeded in achieving its 2018 targets. Based on the solid revenue development combined with stringent cost discipline, Group EBIT amounted to EUR 210.9m, comprising a year-on-year increase of 1.5%.

The mail business area in the reporting period continued to be characterised by a general decrease in addressed letter mail volumes caused by electronic substitution, lower direct mail revenue compared to the strong advertising business in the previous year and a redimensioned financial services business. The new product and rate model which took effect on July 1, 2018, offering customers the option to choose between time-critical and not time-critical mail items, had a positive impact on revenue development.

Significant increases were generated in the parcel business, where Austrian Post profited from dynamic market growth driven by the ongoing e-commerce trend. The related competition and price pressure remain high. Parcel volumes have increased by 11% to 108 million parcels despite these challenging conditions.

Further volume growth is expected in the parcel segment despite own delivery by a large-volume customer in the Vienna region. "The top priority is to double the logistics capacity of Austrian Post in the medium term", says Chief Executive Officer Georg Pölzl. "The first step of a comprehensive investment programme was already taken through the construction of a new logistics centre in Hagenbrunn", Pölzl adds. The facility is scheduled to be completed in the summer of 2019, enabling additional sorting capacity of up to 14,000 parcels per hour. This implies a 25% expansion of the existing capacity. Construction of a new logistics centre in Kalsdorf near Graz is in preparation. The ground-breaking ceremony will take place on March 18, 2019.

On the basis of the good earnings, strong cash flow and solid balance sheet, the Management Board will propose that the Annual General Meeting approves a dividend of EUR 2.08 per share for the 2018 financial year (2017: EUR 2.05 per share). The 1.5% dividend increase is consistent with EBIT

growth. This once again underlines the positioning of Austrian Post as a reliable and predictable investment. This is also beneficial for the employees. For the last 17 years Austrian Post has voluntarily offered its employees a profit-sharing scheme. Eligible employees will receive a bonus of EUR 889, which is by 1.6% higher than in the previous year.

Austrian Post is striving for stability in its operating earnings once again in the 2019 financial year. The efficiency of services should be increased, accompanied by a change in structures and processes. For example, mail and parcel logistics are combined under one unified operational management as of the beginning of 2019. The objective is to leverage further synergies in the new structure based on volume forecasts for Austrian Post's mail and parcel business in order to further expand its role as the quality leader on the Austrian mail and parcel market. The long-term partnership concluded with Deutsche Post DHL Group will also contribute to this. The cooperation is subject to a review by the Austrian and German competition authorities. Subject to the favourable decision to be taken, this partnership should start in the course of 2019, in which case the delivery of DHL parcels to private customers in Austria will be handled by Austrian Post.

"The key to our success is the capability to precisely satisfy current customer needs", CEO Georg Pölzl states. "Our comprehensive delivery services throughout Austria stand for quality and reliability. This is guaranteed on a daily basis by the tireless commitment of our employees, for which we would like to sincerely thank them. Together we will succeed in remaining the preferred partner of our customers", Georg Pölzl concludes.

The entire report is available on the Internet at post.at/ir (Reporting).

Source: Austrian Post

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