

*For immediate release*

SingPost Group's unaudited results  
for the first quarter ended 30 June 2014

### **Underlying Profit Flat on Weaker Mail Performance**

*Operating conditions of postal business remain challenging  
Mail operating profit down 4.8% on higher costs, increased investments into service improvements  
Scaling up ecommerce logistics network to tap ecommerce growth in Asia Pacific and create sustainable revenue growth*

**Singapore, 5 Aug 2014** – Singapore Post Limited (“SingPost”) today announced its unaudited results for the first quarter ended 30 June 2014. Below are some highlights:

#### **FINANCIAL HIGHLIGHTS**

	<b>Q1FY14/15</b> (S\$M)	<b>Q1FY13/14</b> (S\$M)	<b>Variance</b> (%)
<b>GROUP RESULTS</b>			
Revenue	<b>210.9</b>	201.3	4.8
Rental & Property-Related Income	<b>10.8</b>	11.2	(3.6)
Total Expenses	<b>179.7</b>	165.8	8.4
Net Profit	<b>39.2</b>	37.3	5.1
Underlying Net Profit	<b>36.2</b>	36.2	(0.2)
Net Cash from Operating Activities	<b>51.3</b>	58.2	
Earnings per Share	<b>1.863cts</b>	1.775cts	

#### **Underlying Profit Flat on Weaker Mail Performance**

- Operating conditions of postal business remain challenging
- Mail operating profit down 4.8% on higher costs, increased investments into service improvements
- Domestic mail volume decline mitigated by one-off postings

SingPost continues to grapple with a declining postal industry and rising costs. Despite that, the Group achieved a 4.8% increase in revenue to S\$210.9 million in the first quarter of FY2014/15, as growth in ecommerce related activities continued to offset declines in the traditional postal business.

In the Mail division, revenue from domestic mail declined slightly but overall mail revenue grew 7.4% to S\$123.2 million boosted by growth in ecommerce related transshipment business and higher one-off corporate postings relating to the Personal Data Protection Act which came into effect in July 2014.

Logistics revenue was higher by 4.1% to S\$97.6 million with growth in contributions from ecommerce logistics activities under Quantum Solutions, the domestic parcel business, the freight forwarding business of Famous Holdings, and Lock+Store self-storage business.

In Retail & eCommerce, revenue from financial services and eCommerce services grew 9.7% to S\$22.8 million offsetting declines in traditional retail and agency services. Revenue from eCommerce services was boosted by growth in its Omigo and vPOST business.

Rental and property-related income fell 3.6% to S\$10.8 million as a result of lower contributions from SingPost's properties.

Total expenses amounted to S\$179.7 million, an increase of 8.4% compared to the same quarter last year. The increase was mainly due to the continued investment in service improvements as well as resources for the Group's transformation, change in business model to a diversified group and growth in lower margin businesses. The Group will continue to maintain tight control over all expenses and spend only on strategic areas which contribute to growth and service quality.

Net profit was higher by 5.1% at S\$39.2 million, compared to S\$37.3 million in the same quarter last year. Excluding one-off items, underlying net profit was flat at S\$36.2 million.

Dr Wolfgang Baier, SingPost's Group Chief Executive Officer said: "It is crucial that SingPost remains focused on its primary role as a postal operator and invest to maintain quality service even as costs rise. We continue to face declines in the traditional postal business but ecommerce-related activities for the quarter gave revenue a 4.8% boost. There is tremendous cost pressure. Mail operating profit declined 4.8% as a result of higher operating costs and the change in the mail profile. The higher operating costs were mainly attributed to increased manpower costs in Singapore from additional postman hires and higher overtime costs, to enhance service quality. SingPost's frontline staff's annual wages have increased almost 10 per cent in the last two years. This comprises a more than 3% annual wage increase this year and last year's 6% increase from the SingPost Inclusivity Fund launched to help our lower-income staff cope with the rising cost of living."

Added Dr Baier: "In many developed countries, mail volumes have declined 10-40% over the past five years. Going forward, industry research anticipates global volumes to continue declining between 1% and 4% per annum across all segments of mail. Singapore has seen a similar declining trend, with our postmen delivering fewer letters but to more addresses. As a result, domestic mail volume per letterbox has declined 13% over the same period. To survive, postal operators need to invest to increase productivity and customer service as well as diversify to sustain the revenue growth."

Dr Baier continued: "To address the declining mail business, the industry is cutting back on service and reducing costs through headcount shrinkage. SingPost on the other hand, has continued to invest in our service. We remain committed to serve Singapore well. For example, we have introduced a slew of measures to cater to the growing trend in online shopping. These include Saturday deliveries for mail packages, 24/7 call centre service and the upgrading of post offices to provide a better customer experience including 24/7 access to important services. We are also rationalising our retail products at the post offices to focus more on postal services."

SingPost has started installing its new S\$45 million integrated sorting machines as it retires the old machines in phases. It has taken extra measures including putting in additional resources to ensure that service quality is not affected during the 8-month transition period. SingPost has hired an additional 70 postmen to augment its operations.

The new machines which are expected to be commissioned towards the end of 2014 will increase productivity significantly. They are able to sort 95% of letters compared to the current 85% and more than 90% publications from the current 58%. For packages, more than 90% will be machine-sorted compared to 85% by the current machines. Throughput for the new integrated sorting machines will also increase by 21% per hour.

SingPost is also replacing its fleet of scooters with three-wheelers which provide better safety for the postmen and are able to carry about 40% more mail including packages than the two-wheelers. It has recently introduced second-generation three-wheelers which are able to carry another 25% more mail, thus increasing productivity further.

In March 2014, SingPost introduced a new concept post office, designed with spacious auto-lobbies allowing 24/7 access to key services, including parcel collection services, stamp purchases, shipping and payment services. With the integration of the key services with digital access under one roof, customers are able to complete their transactions conveniently, efficiently and at their own time. Feedback from both customers and staff has been positive and SingPost is progressively rolling out more of such new concept post offices from the current four.

**Scaling up ecommerce logistics network to tap ecommerce growth in Asia Pacific and create sustainable growth**

- Scaling up investments in logistics infrastructure to tap fast growth
- Strategic acquisitions to strengthen end-to-end ecommerce logistics value chain
- Focus on customer service and operations excellence across Asia Pacific

With letter mail volumes expected to continue declining while operating expenses such as labour costs increase, SingPost will maintain its focus on strengthening and expanding its end-to-end ecommerce logistics solutions network to tap the growth in ecommerce, particularly in Asia Pacific.

SingPost's eCommerce business continued to gain momentum with growth from vPOST and Omigo and the acquisition of new monobrand customers including Levi's and JRunway.com.

SingPost's wholly-owned subsidiary Quantum Solutions has been expanding its regional network, rolling out operations in more cities in the Philippines and Thailand. It has also been strengthening its infrastructure and capacity in the region to meet the increased demand especially in Singapore, South east Asia and Australia.

On 31 July 2014, SingPost announced that a total of 220.096 million new ordinary shares and existing treasury shares had been issued and transferred to Alibaba Investment Limited, a wholly-owned subsidiary of Alibaba Group Holding Limited, in accordance with the terms of the Investment Agreement. With the completion of the issuance, Alibaba Investment Limited will hold a 10.32% stake in SingPost. The companies continue to discuss their strategic business cooperation to create an international e-commerce logistics platform, to tap e-commerce opportunities in Southeast Asia and beyond.

Continuing its growth strategy, SingPost acquired F. S. Mackenzie, a UK-based company which focuses on freight forwarding and customs clearance in Europe and The Store House, which operates an established self-storage solutions business in Hong Kong.

Dr Baier added: "To capitalise on the growing ecommerce trends, we need to scale up our investments in logistics infrastructure in Singapore and in the region. As for our core mail business, we are investing S\$100 million over three years from FY2013/14 to upgrade the postal infrastructure and improve service quality and productivity in Singapore."

**Dividends**

Cashflow generation remained strong, with net cash from operating activities amounting to S\$51.3 million in Q1 FY2014/15.

The Board of Directors has declared an interim quarterly dividend of 1.25 cents per ordinary share (tax exempt one-tier) payable on 29 August 2014.

*End*

**About Singapore Post Limited**

(Reg. No. 199201623M)

Singapore Post (SingPost) is the leading provider of mail, logistics and ecommerce solutions in Singapore and the Asia Pacific region, with operations in more than 10 countries.

As Singapore's national postal service provider, SingPost offers trusted communications through domestic and international postal services as well as end-to-end integrated mail solutions covering secure data printing, letter-shopping, delivery and mailroom management, among others. For over 150 years, SingPost has been delivering a trusted and reliable service to citizens, residents, corporations and businesses in Singapore.

As part of its transformation, SingPost has been steadily expanding beyond Singapore, leveraging its regional platform Quantum Solutions and other subsidiaries and partners. With its regional network and infrastructure, SingPost offers fully integrated ecommerce logistics solutions covering the four areas of freight, customs & regulations management, warehousing & fulfilment, last mile delivery & returns as well as ecommerce web services, to its customers.

SingPost won the World Mail Award for ecommerce in June 2014 and was ranked the top postal agency in the world in an Accenture report. SingPost also gained international acclaim when it was bestowed the Service Provider of the Year 2012 award by Postal Technology International. SingPost is the only company to win the Universal Postal Union's EMS Cooperative award for its Speedpost courier service every year since 2001.

SingPost's subsidiaries and businesses include:

- SP eCommerce (<http://www.specommerce.com/>), an ecommerce enabler that provides brands and retailers with integrated end-to-end ecommerce solutions
- Quantum Solutions (<http://www.quantiumsolutions.com/>) specialises in logistics and fulfilment services to businesses within the Asia Pacific region
- Famous Holdings (<http://www.famous.com.sg/>), an established Singapore-based sea freight consolidator and freight-forwarder with a regional presence in 6 countries
- Lock+Store (<http://www.lockandstore.com/>), a leading self-storage operator in Singapore
- DataPost (<http://www.datapost.com.sg/>), the biggest data print bureau in the region
- Speedpost (<http://www.speedpost.com.sg/>), a leading provider for courier service in Singapore and international shipping to more than 200 destinations across the globe
- vPOST (<http://www.vpost.com.sg/>), one of the largest online shopping and shipping services providers in Southeast Asia
- Omigo Marketplace (<http://www.omigo.com.sg/>), Singapore's online marketplace for consumers to shop and for SMEs and international brands to sell online
- vBOX (<https://www.vbox.com.sg/index.jsp>), a digital mailbox with bill payment services which can be accessed anywhere, anytime

SingPost was listed on the Main Board of the Singapore Exchange in 2003. To learn more about SingPost, please visit [www.singpost.com](http://www.singpost.com).

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**For general information on SingPost, call 1605 toll-free  
or visit [www.singpost.com](http://www.singpost.com)**

**Media contact**

Tay Poh Choo, Corporate Communications  
Tel. +65 6845-6409 / 9739-0290

**Analyst contact**

Selena Chong, Investor Relations  
Tel. +65 6845-6720 / 9011-6600