PRESS INFORMATION

AUSTRIAN POST Q1 2014:

SLIGHT REVENUE AND EARNINGS DECLINE BASED ON A STRONG PRIOR-YEAR QUARTER; OUTLOOK CONFIRMED FOR 2014

- Market environment
  - Ongoing trend towards electronic substitution of mail
  - Solid growth on the Austrian parcel market
  - Tough competition in the international parcel sector
- Revenue
  - Slight revenue decline of 0.7% as expected following positive election effects in Q1 2013
  - Higher revenue in the parcel business but decrease in the mail segment
- Earnings
  - EBIT down 2.6% compared to strong prior-year quarter
  - Resolute efficiency enhancement and cost optimisation
- Outlook for 2014 confirmed
  - Stable revenue development in a challenging market environment
  - EBIT improvement aspired for 2014

OVERVIEW OF AUSTRIAN POST

In the first quarter of 2014, revenue and earnings of Austrian Post developed in line with expectations. Total Group revenue declined slightly by 0.7% to EUR 598.4m compared to a very good prior-year quarter benefitting from positive revenue effects mainly arising from elections and referendums. Whereas mail revenue declined as expected, the parcel and logistics business showed an increase of 3.7% during the reporting period. The Austrian market as well as the subsidiaries in Central and Eastern Europe and Germany generated a rise in revenue. In Germany, the focus continues to be on increasing the profitability of the services rendered. In the mail segment, growth was achieved especially in new business areas such as Mail Solutions. At the same time, Austrian Post is fighting for every letter in its traditional mail business by providing individualised customer solutions.

Operating results (EBIT) declined by 2.6% from the previous year to EUR 58.2m due to the somewhat lower Group revenue. The earnings development of the individual divisions makes it clear that the focus will continue to be on resolutely implementing efficiency enhancement measures. In the mail segment, the revenue decrease could be almost completely offset by a cost optimisation drive. In the parcel business, negative effects in connection to the trans-o-flex Group such as write-downs and structural measures had an impact. The Corporate segment showed a slight EBIT improvement due to the reduced need to allocate provisions.

"In terms of the 2014 outlook, we expect a stable revenue development, but at the same time are striving to further increase earnings. The main focus of our strategic activities is continued efficiency enhancement in addition to the consistent orientation to the needs of our customers. That is why we are continuing our investment programme in 2014, featuring capacity expansion measures, new sorting technologies and innovative solutions", says CEO Georg Pölzl. From the capital market point of view, Austrian Post remains committed to its clear positioning as a reliable and predictable dividend stock. Accordingly, the Annual General Meeting held on April 24, 2014 approved the resolution to distribute a dividend of EUR 1.90 per share for payment on May 8, 2014.

REVENUE DEVELOPMENT IN DETAIL

In the first quarter of 2014, reported revenue of the Austrian Post Group slightly declined as expected compared to the prior-year quarter. A significant influencing factor in the previous year was the large number of elections and referendums which positively affected mail volumes in 2013. Accordingly, revenue in the first quarter of 2014 amounted to EUR 598.4m, a drop of 0.7% from the first quarter of 2013 but higher than in 2012.

The Mail & Branch Network Division accounted for the largest share or 63.2% of total Group revenue in the first quarter of 2014. Divisional revenue was at an extraordinarily high level in the prior-year period due to numerous elections held in Austria in the first half of 2013. Revenue of the Mail & Branch Network Division totalled EUR 378.8m in the first quarter of 2014. The year-on-year decline of 3.1% was due to these special effects as well as the ongoing electronic substitution of letters and lower direct mail volumes. The Parcel & Logistics Division contributed 36.7% to total Group revenue, with revenue in the first quarter rising by 3.7% to EUR 220.0m.

The **Mail & Branch Network Division** generated external revenue of EUR 378.8m in the first quarter of 2014. Of this amount, 54.7% can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 27.9% of total divisional revenue and Media Post, including newspaper and magazines, had a 9.3% share in the first quarter of the year. In addition, Branch Services accounted for 8.1% of divisional revenue.

Revenue in the field of Letter Mail & Mail Solutions fell by 1.2% from the previous year to EUR 207.1m. The substitution of letter mail by electronic media is continuing as before. Decreases took place, for example, in the customer segment comprising the public sector. Elections such as the Austrian Chamber of Labour elections in the federal provinces provided added impetus but did not have such a pronounced impact on revenue as in 2013. New services offered in the field of Mail Solutions posted growth. However, the basic trend of declining letter mail volumes remains valid.

Revenue in the Direct Mail business was down 6.3% in the first quarter of 2014 to EUR 105.7m, which can be partly attributed to the lower revenue effects from elections compared to the previous year. Direct mail volumes are generally affected by overall economic momentum and the advertising

activities of customers. The pressure exerted by online business on traditional mail order companies and retail stores led to dampened advertising spending on the part of several customers in Austria as well as in South East and Eastern Europe. Moreover, the unaddressed segment in particular was subject to declining direct mail volumes, especially in the customer segment of building supplies stores.

Media Post revenue also remained at a stable level of EUR 35.3m, comprising a decrease of 0.1% in a quarterly comparison. Branch Services revenue was down to EUR 30.8m, due to the fact that adjustments to service rates charged to customers on the part of telecommunication providers led to a drop in revenue from mobile telephony products.

External sales of the **Parcel & Logistics Division** rose by 3.7% in the first quarter of 2014 to EUR 220.0m, with Premium Parcels generating the lion’s share or 75.0% of total divisional revenue (parcel delivery within 24 hours).

Premium Parcels which are mainly used in the business-to-business segment, generated revenue of EUR 165.0m in the first quarter of 2014, a rise of 3.8% from the previous year. The good development was the consequence of revenue growth generated with existing customers as well as the company’s success in attracting new customers. The business parcel segment in Austria developed well, whereas disproportionately high growth was also achieved in the higher value parcels to private customers.

Standard Parcels, which mainly involve shipments to private customers in Austria, posted first-quarter revenue of EUR 46.1m, comprising a slight increase of 0.3%. Other Parcel Services, which includes various additional logistics services such as fulfilment, warehousing and cash logistics, generated revenue of EUR 8.9m in the first quarter of 2014, a rise of EUR 1.6m from the previous year.

From a regional perspective, 57% of total revenue in the Parcel & Logistics Division was generated in Germany in the first quarter of 2014, 35% in Austria and 8% by the subsidiaries in South East and Eastern Europe. Revenue in Germany was up by 2.6%, although the challenging competitive environment and the price pressure on this market will continue to have a significant impact on the business. At the same time, revenue growth in Austria reached a level of 4.4%, supported by the trend towards online shopping as well as the higher market share in the business parcel segment. In total, the South East and Eastern European subsidiaries posted first-quarter growth of 8.7%.

EXPENSE AND EARNINGS DEVELOPMENT

The item raw materials, consumables and services used declined by 1.8% in the reporting period to EUR 183.8m. This development is primarily due to the decrease in costs for external transport services. In particular, in Germany the business model of the trans-o-flex Group is characterised by a high level of external value creation, which has been reduced due to the acquisition of distribution companies.

Staff costs of Austrian Post remained largely stable at EUR 280.6m in the first quarter of 2014. The operational staff costs of salaries and wages, which are included in this total, were slightly higher than in the previous year as a consequence of the integration of the distribution companies. Persistent efficiency enhancement measures and the optimisation of the staff structure succeeded in counteracting the regular salary increases. On balance, the average number of employees (full-time equivalents) working for Austrian Post in the first quarter of 2014 amounted to 23,732 people, compared to 23,829 employees in the first quarter of 2013. Moreover, staff costs in the first quarter of 2014 also included termination benefits as well as well as wage-related contributions from previous periods, each totalling about EUR 6m.

The lower Group revenue also resulted in a slight decrease in earnings. Earnings before interest, tax, depreciation and amortisation (EBITDA) of the Austrian Post Group fell by 1.5% to EUR 78.8m, corresponding to an EBITDA margin of 13.2%. Earnings before interest and tax (EBIT) amounted to EUR 58.2m, a decrease of 2.6% from the previous year. The corresponding EBIT margin was 9.7%.

After deducting the income tax of EUR 13.8m, the Group net profit (profit after tax for the period) amounted to EUR 43.7m, a decline of 6.4% compared to the first quarter of 2013. This comprises undiluted earnings per share of EUR 0.64 for the first quarter of 2014.

From a divisional perspective, the earnings situation was characterised by only minor changes compared to the first quarter of the previous year. The **Mail & Branch Network Division** generated an EBITDA of EUR 85.4m, a drop of 1.0% and an EBIT of EUR 77.9m, down 1.4%. The revenue decrease was almost completely offset by stringent cost discipline.

EBITDA of the **Parcel & Logistics Division** amounted to EUR 10.7m, compared to EUR 12.4m in the first quarter of 2013, whereas EBIT totalled EUR 5.5m, down from EUR 7.4m in the previous year in the first quarter of 2013. The EBIT decline can be attributed to the negative effects of EUR 2.7m relating to the trans-o-flex Group. Write-downs on receivables as well as various structural measures within the context of the efficiency enhancement programme were necessary.

The **Corporate Division** basically encompasses all expenses for central departments in the Group as well as staff-related provisions. The reduced expenses for staff-related provisions for under-utilisation in the first quarter of 2014 resulted in a slightly improved EBIT of minus EUR 25.3m.

CASH FLOW AND BALANCE SHEET

In the first quarter of 2014, operating cash flow before changes in working capital amounted to EUR 73.8m, down by EUR 14.7m from the comparable prior-year figure. The changes in working capital totalled minus EUR 23.2m in the reporting period compared to minus EUR 38.7m in 2013. As a result, the cash flow from operating activities at EUR 50.6m was at about the same level as in the previous year. This can be attributed, among other reasons, to a lower growth in receivables.

The cash flow from investing activities of minus EUR 7.8m in the first quarter of 2014 was significantly below the prior-year level. Not only were there hardly any payments made in the reporting period in connection with acquisitions, but the cash outflows for property, plant and equipment (CAPEX) reported at minus EUR 11.2m was considerably below the first quarter of 2013. In contrast, proceeds from the disposal of financial investments in securities amounting to EUR 5.0m tended to increase the cash flow. On balance, the free cash flow totalled EUR 42.8m in the reporting period. The free cash flow before acquisitions and securities was EUR 38.0m, a rise of EUR 9.9m from the prior-year quarter.

Austrian Post pursues a conservative balance sheet policy and financing structure. This is demonstrated by the high equity ratio, the low amount of financial liabilities and the solid level of cash and cash equivalents invested with the least possible risk. Equity of the Austrian Post Group totalled EUR 743.2m as at March 31, 2014, corresponding to an equity ratio of 44.4%. The analysis of the financial position of the company shows a high level of current and non-current financial resources to the amount of EUR 345.6m (cash and cash equivalents plus financial investments in securities). These financial resources are in contrast to financial liabilities of only EUR 23.5m.

EMPLOYEES

The average number of full-time employees at the Austrian Post Group totalled 23,732 people during the period of review, comprising a decline of 97 employees from the prior-year period. Most of Austrian Post's staff or a total of 18,178 employees (full-time equivalents) is employed by the parent company Österreichische Post AG.

OUTLOOK 2014

The general trends in both the mail and parcel businesses continued on a national and international level in the first 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. The decrease in mail revenue should be compensated by higher parcel revenue.

The mail business will continue to be impacted by the ongoing volume decline for addressed mail due to electronic substitution. New regulations stipulating the obligatory electronic delivery of official government mail will tend to accelerate this trend. In line with comparable international markets, the

decrease in letter mail volume is likely to amount to 3-5%. The market for addressed and unaddressed direct mail is being impacted by slower economic growth and the pressure exerted by e-commerce on traditional mail order companies and retail stores.

In contrast, in the Parcel & Logistics Division the online retail business is the driving force behind growth in the private customer segment, expected to total 3-6% annual depending on the region. The development of the business parcel segment 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. Structures and processes in both the mail and parcel logistics are being consistently improved. The new automation and sorting technologies will enable Austrian Post to consistently exploit its cost reduction potential. For this reason, capital expenditure in the year 2014 will once again total about EUR 100m. Profitability is the top priority in the company’s international business operations, encompassing both a 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 **Income statement**	Q1 2013	Q1 2014	Change %
Revenue	602.9	598.4	-0.7%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	80.0	78.8	-1.5%
EBITDA margin[1]	13.3%	13.2%	-
Earnings before interest and tax (EBIT)	59.7	58.2	-2.6%
EBIT margin[1]	9.9%	9.7%	-
Profit before tax	58.8	57.4	-2.4%
Profit for the period	46.6	43.7	-6.4%
Earnings per share (EUR)[2]	0.69	0.64	-6.1%
Employees (average for the period, full-time equivalents)	23,829	23,732	-0.4%
Cash flow			
Operating cash flow before changes in working capital	88.6	73.8	-16.6%
Cash flow from operating activities	49.8	50.6	1.5%
Investment in property, plant and equipment (CAPEX)	-22.3	-11.2	-49.8%
Acquisition/disposal of subsidiaries	-11.0	-0.2	<-100%
Free cash flow before acquisitions/securities	28.1	38.0	35.4%

EUR m **Balance sheet**	Dec. 31, 2013	Mar. 31, 2014	Change %
Total assets	1,641.6	1,672.3	1.9%
Equity	697.1	740.7	6.3%
Non-current assets	1,066.4	1,058.9	-0.7%
Current assets	573.3	613.4	7.0%
Net debt	114.3	73.3	-35.8%
Equity ratio	42.6%	44.4%	-
Capital employed	755.3	758.2	0.4%

[1] EBIT and EBITDA in relation to total Group revenue
[2] Undiluted earnings per share in relation to 67,552,638 shares
[3] Excl. Assets held for sale

The interim report for the first quarter of 2014 is available on the Internet at www.post.at/ir --> Publications --> Financial Reports.

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