AUSTRIAN POST IN 2016:
STABLE REVENUE AND HIGHER EBIT

- **Revenue remained stable (excl. trans-o-flex)**
  - Mail & Branch Network -1.6%: partially offsetting the ongoing substitution of letter mail
  - Parcel & Logistics +3.9%: growth despite intensified competition
  - Reported Group revenue of EUR 2,030.5m
- **Earnings up once again**
  - EBIT at EUR 202.3m above prior-year operating earnings (+2.2%)
  - Net earnings per share of EUR 2.26
- **Record dividend and employee profit-sharing bonus**
  - Proposal to the Annual General Meeting: dividend of EUR 2.00 per share (+2.6%)
  - Employee bonus at all-time high of EUR 853
- **2017: setting the direction for future viability**
  - New customer solutions: e-Letter, shöpping, expansion of self-service zones, digital offerings
  - Outlook: stable development of operating earnings (EBIT) also targeted for 2017

Austrian Post showed a very satisfactory development in the 2016 financial year. In spite of difficult conditions, Group revenue (adjusted for the disposed German subsidiary trans-o-flex) remained stable at a high level. Operating earnings were also gratifying against the backdrop of a challenging market environment. EBIT improved by 2.2% to EUR 202.3m. The profit for the period reached EUR 152.7m, corresponding to undiluted earnings of EUR 2.26 per share. “In spite of a challenging market environment and increased competition, we once again succeeded in positively developing the company. The resolute continuation of our strategy and the commitment of our employees played an important role in this”, says Georg Pölzl, CEO of Austrian Post.

MAIL REVENUE HELD UP WELL – FURTHER INCREASE IN PARCEL REVENUE

The Mail & Branch Network Division succeeded in partially offsetting the structurally related decline in mail volumes. On balance, revenue of the division only fell slightly by 1.6%. The company continued the expansion of its self-service offering in the branch network, and offered around 335 self-service zones to customers at the end of 2016. In the Parcel & Logistics Division, Austrian Post managed to successfully withstand intensive competition and generate revenue growth of 3.9% (excl. the former subsidiary trans-o-flex). The outstanding logistics and service quality of Austrian Post served as the basis for the renewed volume increase on the Austrian parcel market, from 80m to 81m parcels.

FOCUS ON NEW CUSTOMER SOLUTIONS

"In 2017 we are aiming for an even more customised response to fulfil individual customer preferences for delivery on the basis of an improved service offering. We are continuously investing in innovative customer solutions and service upgrades. The launch of a completely new product, the 'Packet', enables us to specifically respond to customer needs on the fast-growing e-commerce market, and create a sleek and quick solution for small online orders", Austrian Post CEO Georg Pölzl states. February 27, 2017 marked the launch of the new e-Letter i.e. a secure digital form of delivery. Thanks to this cost-free service for recipients, all important documents are collected and then deposited in an e-letterbox for customers. Austrian Post will soon facilitate the retail presence on the Internet starting on April 5, 2017 on the basis of its new "shöpping" marketplace. The shöpping platform should become a business hub for domestic retailers and consumers thanks to its broad product range and the typical delivery quality ensured by Austrian Post.

RECORD DIVIDEND AND EMPLOYEE PROFIT-SHARING BONUS

On the basis of a strong cash flow and a solid balance sheet, Austrian Post will propose that the Annual General Meeting scheduled for April 20, 2017 approve distribution of a dividend of EUR 2.0 per share (2015: EUR 1.95). In this way, the company once again underlined its positioning as a reliable and predictable investment. Austrian Post employees are also benefitting from the business results. Over the last 15 years, Austrian Post has implemented a voluntary employee profit-sharing bonus scheme. This year eligible employees will receive for 2016 the highest amount ever paid since this initiative was launched, namely a gross bonus of EUR 853 (2015: EUR 832). The Austrian Post Group employs 21,695 people, including 17,448 at Österreichische Post AG.

OUTLOOK 2017: STABLE DEVELOPMENT TARGETED

The mail and parcel markets have been shaped by two ongoing trends in recent years which are continuing. Volumes of addressed mail are declining, whereas parcel volumes especially to private customers are rising, driven by increasing online orders. Volume declines of about 5% p.a. are expected in the traditional addressed letter mail business. The volume of direct mail will continue to show a diverging development in the individual customer segments and product groups. "On the basis of the aforementioned volume trends as well as the resolute implementation of the initiated measures to promote customer orientation and innovation, Austrian Post will strive to maintain Group revenue at a stable level in 2017", Pölzl says, adding: "We will resolutely continue along our chosen path with respect to efficiency and the cost structure. Investments are planned, and at the same time we will move ahead with improving service and expanding capacities." On the basis of existing volume and revenue forecasts and the continuation of efficient supply of services, Austrian Post aims to generating a stable operating EBIT in the 2017 financial year at the same level as in the 2016 financial year (2016 EBIT: EUR 202.3m).

The entire version of the outlook as well as detailed information (excerpts) from the Group Management Report can be found starting on page 4. The complete Financial Report 2016 is available at www.post.at/ir--> *Reporting.*

KEY FIGURES

EUR m	2015	2016	Change 2015/2016 %	EUR m	Q4 2015	Q4 2016
Revenue excl. trans-o-flex	**1,903.9**	**1,895.6**	**-0.4%**	**-8.2**	**527.1**	**520.1**
Revenue	2,401.9	2,030.5	-15.5%	-371.5	655.4	520.1
thereof Mail & Branch Network Division	1,501.7	1,478.0	-1.6%	-23.7	412.2	399.6
thereof Parcel & Logistics Division	900.2	552.5	-38.6%	-347.7	243.2	120.5
Parcel & Logistics Division excl. trans-o-flex	402.1	417.6	3.9%	15.5	114.9	120.5
thereof Corporate/Consolidation	0.1	0.0	-56.2%	-0.1	0.0	0.0
Other operating income	99.2	70.1	-29.3%	-29.1	48.8	20.0
Raw materials, consumables and services used	-749.6	-495.2	33.9%	254.4	-203.6	-111.2
Staff costs	-1,106.0	-1,035.2	6.4%	70.8	-292.3	-250.4
Other operating expenses	-344.0	-277.3	19.4%	66.7	-106.1	-77.1
Results from financial assets accounted for using the equity method	1.1	-15.8	<-100%	-17.0	1.3	-16.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**302.7**	**277.1**	**-8.5%**	**-25.7**	**103.4**	**85.3**
Depreciation and amortisation	–85.0	-72.6	14.6%	12.4	-21.0	-18.3
Impairment losses	–128.7	-2.3	98.2%	126.4	-128.6	-0.3
Earnings before interest and tax (EBIT)	**89.0**	**202.3**	**>100%**	**113.2**	**-46.2**	**66.8**
thereof Mail & Branch Network Division	284.7	285.1	0.1%	0.3	76.1	87.4
thereof Parcel & Logistics Division	-105.4	18.5	>100.0%	123.9	-121.9	-6.3
thereof Corporate/Consolidation	-90.3	-101.3	-12.2%	-11.0	-0.5	-14.4
Operating EBIT	**198.0**	**202.3**	**2.2%**	**4.3**	**62.8**	**66.8**
Other financial result	2.0	-0.7	<-100%	-2.7	-0.6	0.5
Earnings before tax (EBT)	**91.0**	**201.5**	**>100%**	**110.5**	**-46.8**	**67.3**
Income tax	–19.5	-48.8	<-100%	-29.3	14.3	-15.0
Profit for the period	**71.6**	**152.7**	**>100%**	**81.2**	**-32.5**	**52.3**
Earnings per share (EUR)[1]	1.06	2.26	>100%	1.20	-0.48	0.62
Cash flow from operating activities	**216.2**	**223.6**	**3.4%**	**7.4**	**62.6**	**64.6**
Investments in property, plant and equipment (CAPEX)	-104.7	-103.3	1.3%	1.4	-43.4	-47.0
Operating free cash flow before acquisitions/securities (before old/new headquarters)	**160.5[2]**	**156.8**	**-2.3%**	**-3.6**	**28.6**	**25.5**

[1] Undiluted earnings per share in relation to 67,552,638 shares
[2] Excluding tax payments of EUR 9.2m in connection with the sale of the former corporate headquarters

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EXCERPTS FROM THE GROUP MANAGEMENT REPORT:

REVENUE DEVELOPMENT IN DETAIL

In the 2016 financial year, reported Group revenue of Austrian Post fell by EUR 371.5m compared to the previous year to EUR 2,030.5m. This decline is mainly attributable to the sale of the subsidiary trans-o-flex in April 2016. The company contributed revenue of EUR 134.8m in 2016, in contrast to the revenue of EUR 498.1m generated in 2015. Adjusted for the disposed company trans-o-flex in both years, revenue remained stable in a year-on-year comparison at EUR 1,895.6m. The Parcel & Logistics Division, excluding trans-o-flex, generated a revenue increase of 3.9% in 2016, whereas revenue of the Mail & Branch Network Division fell by 1.6% in the same period.

Revenue of the **Mail & Branch Network Division** could be maintained at a good level in spite of the negative volume development. The overall decline of 1.6% to EUR 1,478.0m in 2016 was due to the ongoing electronic substitution of letter mail, a change in the invoicing model for mobile products and the sale of two mail subsidiaries in CEE in 2015 (negative effect of EUR 3.8m). In contrast, the higher revenue contribution from elections at the amount of around EUR 8m had a positive effect.

In the 2016 financial year, Letter Mail & Mail Solutions revenue at EUR 801.3m fell slightly by 0.9% compared to the prior-year level. The basic trend towards the substitution of letters by electronic forms of communication continued. In contrast to 2015, the higher contributions from elections and the increased number of international e-commerce shipments positively impacted revenue development. Revenue in the Direct Mail business fell by 2.8% in the reporting period to EUR 416.7m. This development is primarily due to the differing advertising activities on the part of individual customer groups. This business area is influenced by the overall economic environment and is subsequently subject to greater fluctuations. Revenue was negatively affected by EUR 3.0m through the sale and deconsolidation of two mail subsidiaries in Hungary and Slovakia. In contrast, the increase in international addressed and unaddressed direct mail volumes as well as elections had a positive effect on revenue. Media Post revenue rose by 0.6% in 2016 to EUR 141.6m. This is particularly related to various one-time mailings. Branch Services revenue at EUR 118.4m represents a decrease of EUR 5.4m from the previous year. However, this difference is due to a change in the invoicing model for mobile products totalling EUR 8.6m in contrast to the decline in the corresponding expense item. Adjusted for this effect, revenue actually increased, which was mainly due to higher sales volumes for mobile products.

Total revenue of the **Parcel & Logistics Division** fell by EUR 347.7m in 2016 to EUR 552.5m due to the aforementioned sale of the subsidiary trans-o-flex. Adjusted to take account of trans-o-flex revenue, the division actually generated a revenue increase of 3.9% against the backdrop of intense competition. From a regional perspective, 61.9% of total revenue in the Parcel & Logistics Division was generated in Austria in 2016, compared to 23.9% in Germany and 14.3% by the subsidiaries in South East and Eastern Europe. Business in Austria developed well against the backdrop of

intensified competition, expanding by 1.3%. The markets in South East and Eastern Europe also showed growth of 2.7%.

EXPENSE AND EARNINGS DEVELOPMENT

Raw materials, consumables and services used fell from EUR 749.6m to EUR 495.2m during the reporting period, which is due to the sale of trans-o-flex. However, costs for services used increased, particularly as a consequence of expanded parcel volumes in the core business.

Austrian Post's staff costs amounted to EUR 1,035.2m in 2016, comprising a drop of EUR 70.8m from the previous year. This development was mainly the result of the sale of trans-o-flex. On a like-for-like basis excluding trans-o-flex, total staff costs fell by 1.6% or EUR 16.5m, which was mainly due to the resolute continuation of measures to enhance efficiency and improve the staff structure. Moreover, various legal changes during the period under review led to a positive effect.

In addition to ongoing operational staff costs, staff costs also encompass various non-operational items such as termination benefits and changes in provisions, which are primarily related to the specific employment situation of civil servants at Austrian Post in Austria. These costs remained largely stable compared to 2015. The adjustment of the interest rate for various staff-related provisions led to a negative earnings effect of EUR 14.1m in 2016, whereas the lower allocations to provisions for social plans, employee under-utilisation, the voluntary transfer of employees to the federal public service and various restructuring provisions had an overall positive effect.

The results of the financial assets accounted for using the equity method amounted to minus EUR 15.8m in 2016 compared to plus EUR 1.1m in 2015. The change in reporting for the stake held in Aras Kargo a. s. to a financial asset (previously a financial asset accounted for using the equity method) negatively impacted earnings to the amount of EUR 16.7m. This can be mainly attributed to the related requirement to recognise the currency translation reserves in profit and loss.

On balance, earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post in the 2016 financial year totalled EUR 277.1m, compared to EUR 302.7m in the previous year. Earnings in 2015 included a positive net effect of EUR 23.0m from claims related to non-wage costs paid in previous periods less any compensation payments. The EBITDA margin of the Austrian Post Group rose from 12.6% to 13.6%.

Earnings before interest and tax (EBIT) in 2016 amounted to EUR 202.3m, following a reported EBIT of EUR 89.0m in the previous year. However, total impairment losses of EUR 131.9m were recognised in 2015, as previously mentioned, primarily in connection with the subsidiary trans-o-flex, as well as the aforementioned positive net effect of EUR 23.0m. Adjusted for these special effects, operating EBIT in 2015 actually amounted to EUR 198.0m. Adjusted for the special effects recognised in 2015, operating EBIT in 2016 rose by 2.2%, and the EBIT margin improved from 8.2% to 10.0%.

Earnings before tax (EBT) in 2016 totalled EUR 201.5m, compared to the prior-year figure of EUR 91.0m. The reported net earnings in the year 2015 were mainly burdened by the aforementioned special effects. The income tax expense amounted to EUR 48.8m, up from EUR 19.5m in 2015. After deducting income tax, the Group's profit for the period (profit after tax) was EUR 152.7m, compared to EUR 71.6m in the prior-year period. Accordingly, undiluted earnings per share equalled EUR 2.26 for the 2016 financial year, compared to EUR 1.06 per share in the previous year. Adjusted for the previously described special effects, profit for the period in 2015 was EUR 142.2m, or earnings per share of EUR 2.10.

The **Mail & Branch Network Division** showed a largely stable earnings development in the 2016 financial year despite the revenue decline, which was the result of strict cost discipline. EBITDA of the division was EUR 319.7m, compared to EUR 322.9m in 2015. Divisional EBIT remained stable at EUR 285.1m. In 2015, an impairment loss on goodwill of EUR 6.1m was recognised for the subsidiary in Romania, whereas 2016 included an impairment loss on goodwill of EUR 2.0m for the same company.

The **Parcel & Logistics Division** generated an EBITDA of EUR 29.8m in 2016, down from EUR 37.9m in the 2015 financial year. The change in reporting for the stake held in Aras Kargo a. s. to a financial asset (previously a financial asset accounted for using the equity method) negatively impacted earnings to the amount of EUR 16.7m. This can be mainly attributed to the related recognition of the currency translation reserves in profit and loss. EBIT of the division in the 2016 financial year totalled EUR 18.5m compared to minus EUR 105.4m in the previous year. In 2015, Austrian Post recognised impairment losses of EUR 125.8m in connection with the subsidiary trans-o-flex. Adjusted for the aforementioned effects, operating EBIT of the Parcel & Logistics Division in 2016 improved to EUR 35.2m from EUR 20.4m in 2015, which is mainly attributable to the disposal of the former subsidiary trans-o-flex.

The **Corporate Division** (including Consolidation) encompasses all non-allocable expenses for central departments in the Group assigned to it as well as staff-related provisions. In addition, the division encompasses innovation management and the development of new business models. EBIT of the Corporate Division fell from minus EUR 90.4m to minus EUR 101.3m, due the positive net effect of EUR 23.0m in the previous year from claims related to non-wage costs paid in previous periods. Positive effects on staff costs were reported in 2016 due to various legal changes.

CASH FLOW AND BALANCE SHEET

The cash flow from operating activities of EUR 223.6m was EUR 7.4m higher than in the previous year. The increase was mainly the result of the decline in trade receivables as well as the lower provisions and trade payables.

The cash flow from investing activities reached a level of minus EUR 105.1m in 2016 compared to the prior-year level of minus EUR 49.0m. This difference primarily resulted from the positive effect in 2015 relating to the sale of Austrian Post's former corporate headquarters in Vienna's first district, for which the outstanding balance of the purchase price of EUR 60.0m was paid in 2015. Cash outflows for the acquisition of property, plant and equipment (CAPEX) amounted to EUR 103.3m, slightly below the figure of EUR 104.7m in the previous year. CAPEX included investments of EUR 33.5m for the construction of Austrian Post's new corporate headquarters.

The operating free cash flow before acquisitions/securities (before old/new corporate headquarters) amounted to EUR 156.8m in the 2016 financial year, compared to EUR 160.5m in 2015. This provides a good foundation for Austrian Post's ability to finance investments and dividends in the future.

Austrian Post pursues a conservative balance sheet and financing structure. This is primarily demonstrated by the high equity ratio, low financial liabilities and the solid level of cash and cash equivalents invested with the least possible risk. Equity of the Austrian Post Group amounted to EUR 670.0m as at December 31, 2016, corresponding to an equity ratio of 43.5%. The analysis of the company's financial positions shows a high level of financial resources. This includes cash and cash equivalents of EUR 277.8m and securities of EUR 60.9m. These financial resources are in contrast to financial liabilities of only EUR 5.6m.

OUTLOOK 2017

The mail and parcel markets have been shaped by two ongoing trends in recent years. Volumes of addressed mail are under pressure on both a national and international level, whereas parcel volumes to private customers are rising, driven by increasing online orders. The volume forecasts of Austrian Post assume that the basic trends impacting volume developments will continue. The company anticipates volume declines of about 5% p. a. in the traditional addressed letter mail business. The volume of direct mail will continue to show a diverging development in the individual customer segments and product groups. In contrast, online orders are expected to result in a further increase in Austrian Post's parcel volumes, but the company faces intense competition on the parcel market.

An improved service offering should enable Austrian Post to respond more individually to specific customer preferences in delivery in 2017. Austrian Post offers a broad range of letter and direct mail products with various value-added services in physical and electronic form. It fulfils a variety of speed requirements in the parcel business, including same-day delivery. It continuously improves services to make it easier and more comfortable for customers to receive and send parcels. With the launch of the "Packet", a completely new product, Austrian Post specifically caters to customer demands in the fast-growing e-commerce market by creating a sleek and quick solution for small parcel sizes in online retailing.

On the basis of the aforementioned volume trends as well as the resolute implementation of the initiated measures to promote customer orientation and innovation, Austrian Post will strive to maintain Group revenue at a stable level (2016 revenue of EUR 1.9bn excluding trans-o-flex). In order to continue the successful long-term positioning of the company, the focus will be on strengthening Austrian Post's quality leadership in core markets, simultaneously exploiting opportunities in growth markets such as transnational mail volumes or online solutions. In this regard, key issues will be on the further development of the infrastructure with respect to logistics operations and postal service points. Accordingly, it will be essential to define customer needs relating to future postal and financial services in order to design a sustainably viable branch network.

Austrian Post will continue along its chosen path with regard to efficiency and the cost structure. Investments designed to further enhance the efficiency of business operations and optimise process and staff costs are planned. At the same time, the company will continue with service improvements and capacity expansion measures in growth areas. With this in mind, operational capital expenditure (CAPEX) of EUR 70–80m is planned for sorting technologies, logistics and customer solutions. Moreover, construction of the new corporate headquarters in Vienna's third district is moving ahead on schedule, and will be completed in the fall of 2017. On the basis of existing volume and revenue forecasts and the continuation of efficient supply of services, Austrian Post aims to generate stable operating EBIT in the 2017 financial year at the same level as in the year 2016 (2016 EBIT: EUR 202.3m).

The Management Board will propose to the Annual General Meeting scheduled for April 20, 2017 to approve the distribution of a dividend amounting to EUR 2.00 per share for the 2016 financial year. Thus, the company is once again continuing its attractive and predictable dividend policy on the basis of a solid balance sheet structure and the generated cash flow. Austrian Post adheres to its objective of distributing at least 75% of the Group's net profit to its shareholders.