AUSTRIAN POST Q1 2016:

REVENUE DECREASE OF 1.2%, EBIT NEGATIVELY IMPACTED BY INTEREST RATE EFFECTS, STABLE OUTLOOK FOR 2016 CONFIRMED

- **Revenue**
  - Revenue decline of 1.2% to EUR 592.8m
  - Mail revenue decline attributable to volume decrease and specific effects
  - Stable development in the parcel segment
- **Earnings**
  - EBIT down 5.3% to EUR 51.1m
  - Earnings negatively impacted by interest rate effects for staff-related provisions
  - Earnings per share of EUR 0.57
- **Cash flow and balance sheet**
  - Increase in the cash flow from operating activities to EUR 60.1m
  - Strong cash position and low level of financial liabilities
- **Outlook 2016**
  - Revenue forecast of EUR 2.0 bn (current business portfolio)
  - Targeted stable development of operating earnings (EBIT)

OVERVIEW OF AUSTRIAN POST

Revenue of the Austrian Post Group in the first quarter of 2016 totalled EUR 592.8m, a slight decline from the previous year. The parcel segment showed a stable revenue development, whereas revenue decreased in the mail business, which continues to be impacted by the ongoing substitution of traditional letter mail by electronic forms of communication. In particular, public sector customers as well as banks and insurance companies are trying to reduce mail volumes. Moreover, in general, mail revenue is strongly influenced by election effects. However, no elections took place during the period under review, in contrast to the prior-year quarter. Business with direct mail showed a diverging development of individual customer segments. The volume of addressed direct mail items declined in contrast to the rise in unaddressed mail volumes.

The trend towards increased e-commerce is continuing in the parcel segment, leading to further growth of parcel volumes in Austria. At the same time, there has been a perceptible intensification of competition which Austrian Post is addressing through ongoing investments at the customer interface. Customer service was enhanced to include Saturday and evening delivery. In addition, the company offers a range of innovative customer solutions. For example, 306 self-service zones and 218 pick-up stations throughout Austria were available to customers as at the end of March 2016. The market trends positively impacting the business operations of Austrian Post's international subsidiaries in

South East and Eastern Europe continued. The German subsidiary trans-o-flex was sold, with the closing and deconsolidation taking place effective April 8, 2016.

EBIT of Austrian Post amounted to EUR 51.1m in the first quarter of 2016, or EUR 2.8m below the prior-year quarter. This development can be mainly attributed to interest rate effects on staff-related provisions, which were EUR 4.7m higher than in the previous year. However, these effects could be partially offset by further cost optimisation and enhanced efficiency.

A dividend of EUR 1.95 per share for the past financial year was distributed to shareholders on April 28, 2016. In this way, Austrian Post once again remains committed to its clear capital market positioning as a reliable dividend stock. “The focus of our strategic activities is ensuring reliability and consistency on behalf of our company’s shareholders and other stakeholders. We intend to continue along this path in the future,” says CEO Georg Pölzl. Austrian Post is striving to generate revenue of EUR 2.0 bn in 2016 on the basis of its current business portfolio, taking account of the sale and deconsolidation of the German subsidiary trans-o-flex. Furthermore, the company also aims to achieve a stable development of its operating earnings (EBIT).

REVENUE DEVELOPMENT IN DETAIL

In the first quarter of 2016, Group revenue of Austrian Post decreased by 1.2% from the prior-year level to EUR 592.8m. The Parcel & Logistics Division showed a stable revenue development, whereas the Mail & Branch Network Division reported a revenue decline during the period under review.

Revenue of the **Mail & Branch Network Division** totalled EUR 370.5m in the first quarter of 2016, implying a year-on-year decrease of 1.9%. Generally speaking, revenue development is strongly influenced by election effects in addition to the electronic substitution of letter mail. There were no elections in the period under review, whereas revenue effects from elections in the first quarter of 2015 amounted to EUR 3.5m. Moreover, the revenue decrease is due to a changed invoicing model for mobile products and the disposal of two mail subsidiaries in Hungary and Slovakia in 2015.

In the first quarter of 2016, revenue in the Letter Mail & Mail Solutions business of EUR 204.9m represents a drop of 0.7% from the prior-year level. The basic trend towards declining mail volumes related to the substitution of letters by electronic forms of communication continues, with the decrease in the first quarter of 2016 at the upper end of the predicted range of minus 3-5%. Furthermore, the lack of elections and discontinuation of one-time mailings by various customers in the fields of banking and insurance services had a negative impact on revenue development.

Revenue in the Direct Mail business fell by 5.7% to EUR 102.9m in the first three months of 2016. This decline is mainly attributable to the above-mentioned lack of revenue from elections and the sale of two mail subsidiaries. In the first quarter of 2016, Media Post revenue rose 2.1% year-on-year to EUR

34.3m. This included the annual index-based adjustment. Branch Services revenue at EUR 28.4m remained stable in spite of the changed invoicing model for mobile products.

Total revenue of the **Parcel & Logistics Division** remained stable in the first quarter of 2016 at EUR 222.3m. The Premium Parcels business (parcel delivery within one working day) contributes the largest share or 75.1% of divisional revenue and generated revenue of EUR 166.9m in the first three months of 2016, implying a rise of 1.0%. In addition to the good development of business parcels in Austria, above-average growth was also achieved in higher value parcels for private customers. In contrast, business in Germany showed a negative development, with revenue down by EUR 2.7m.

EXPENSE AND EARNINGS DEVELOPMENT

Raw materials, consumables and services used were up by 0.4% during the period under review, rising to EUR 183.1m. Although the cost of materials declined, primarily as a consequence of lower fuel prices, the costs for services used increased, particularly as a consequence of expanded international business volumes.

Austrian Post’s staff costs amounted to EUR 286.4m in the first quarter of 2016, a rise of 1.7% year-on-year. Against the backdrop of internationally low interest rates, the discount interest rate was adjusted for various staff-related provisions, which in turn led to a negative earnings effect of EUR 9.5m compared to EUR 4.8m in the first quarter of 2015. The operational staff costs for salaries and wages, which are part of total staff costs, remained largely stable compared to the previous year.

In addition to the ongoing operational staff costs, staff costs also encompass various non-operational costs such as termination benefits and changes in provisions, which are primarily related to the specific employment situation of civil servants at Austrian Post. In addition to the previously-mentioned adjustment to the parameters for interest-bearing provisions, costs for termination benefits totalled EUR 4.9m during the period under review.

In the first quarter of 2016, other operating income at EUR 23.5m was higher than the prior-year figure due to the positive accounting effect arising from the sale of Austrian Post's subsidiary trans-o-flex. On balance, the net amount of accounting effects in connection with the sale of trans-o-flex offset against the operating earnings of the company in the first quarter of 2016 was slightly positive. Other operating expenses climbed 1.2% to EUR 77.3m, which is due to higher maintenance, repair and consulting expenditures, amongst other factors.

On balance, earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post fell by 7.6% or EUR 5.7m to EUR 69.4m in the first quarter of 2016. This decline is primarily due to the above-mentioned interest rate effect for staff-related provisions as well as the drop in revenue. The corresponding EBITDA margin was 11.7%.

Earnings before interest and tax (EBIT) in the first three months of the 2016 financial year reached a level of EUR 51.1m, down 5.3% or EUR 2.8m from the previous year. The EBIT margin was 8.6%.

The other financial result fell to minus EUR 0.2m, from EUR 3.4m in the prior-year quarter. This development is mainly attributable to interest income arising in March 2015 as a consequence of the early termination of a cross-border leasing transaction for various postal sorting facilities. Accordingly, earnings before tax (EBT) in the first quarter of 2016 were EUR 50.8m, compared to EUR 57.4m in the previous year. After deducting income tax to the amount of EUR 12.2 m, the Group net profit for the period (profit after tax) amounted to EUR 38.7m, down from the prior-year figure of EUR 43.8m. This corresponds to undiluted earnings per share of EUR 0.57 for the first three months of 2016.

From a divisional perspective, the **Mail & Branch Network Division** generated EBITDA of EUR 79.7m in the first quarter of 2016, a decline of 5.7%. Due to the lower revenue contributions described above, EBIT of the division amounted to EUR 71.6m, a drop of 6.6% or EUR 5.1m from the previous year.

EBITDA of the **Parcel & Logistics Division** in the first three months of 2016 amounted to EUR 10.5m, compared to the prior-year level of EUR 12.3m. EBIT of the division in the reporting period totalled EUR 7.8m, up EUR 0.6m from the previous year.

EBIT of the **Corporate Division** (including Consolidation) improved by EUR 1.6m to minus EUR 28.3m, although the previously-mentioned parameter adjustment for staff-related provisions resulting in expenses of EUR 9.5m reduced divisional earnings by EUR 6.5m.

CASH FLOW AND BALANCE SHEET

Cash flow from operating activities of EUR 60.1m was slightly above the prior-year level of EUR 59.6m. The decline in trade receivables had a positive effect, whereas higher payments led to a decrease in provisions.

Cash flow from investing activities reached a level of minus EUR 21.8m in the first three months of 2016, compared to a positive cash flow of EUR 33.7m in the prior-year period. This development was mainly related to the sale of Austrian Post's former corporate headquarters, for which the outstanding balance of the purchase price of EUR 60.0m was paid in the first quarter of 2015. Cash outflows for the acquisition of property, plant and equipment (CAPEX) amounted to EUR 17.1m in the first quarter of 2016, above the level of EUR 15.8m in the previous year. CAPEX included payments of EUR 9.6m relating to the construction of Austrian Post's new corporate headquarters. In aggregate, free cash flow during the reporting period was EUR 38.3m, down from EUR 93.3m in the previous year. The difference is primarily due to the above-mentioned sale of Austrian Post's former corporate headquarters. Adjusted to take account of this special effect as well as payments for the new corporate headquarters, operating free cash flow before acquisitions/securities and other cash flow from investing activities amounted to EUR 52.6m in the first quarter of 2016, compared to the prior-year figure of EUR 46.9m.

Austrian Post pursues a conservative balance sheet and financing structure. This is 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 totalled EUR 675.5m as at March 31, 2016, corresponding to an equity ratio of 41.2%. An analysis of the financial position of the company shows a high level of current and non-current financial resources of EUR 397.7m, including cash and cash equivalents of EUR 336.2m as well as financial investments in securities of EUR 61.4m. These financial resources contrast with financial liabilities of only EUR 12.2m.

EMPLOYEES

The average number of employees (full-time equivalents) at the Austrian Post Group totalled 22,952 people during the first three months of 2016. Most of Austrian Post's staff or a total of 17,359 full-time equivalents is employed by the parent company Österreichische Post AG.

OUTLOOK 2016

National and international trends prevailing over the last quarterly periods confirm the basic development in the mail and parcel segments. The volume of addressed letter mail continues to decline against the backdrop of cost-savings measures implemented by customers sending large quantities of mail. In contrast, parcel volumes are rising thanks to the steadily growing online business. On the basis of its current business portfolio, Austrian Post is striving to generate revenue of EUR 2.0 bn in the 2016 financial year after its German subsidiary trans-o-flex was sold and deconsolidated as at April 8, 2016.

In the mail business, the substitution of traditional letter mail by electronic forms of communications is expected to continue, with the decline in recent years within a range of minus 3-5%. In particular, public sector customers as well as banks and insurance companies are trying to reduce mail volumes, so that the decrease in the upcoming quarterly periods is likely to be at a level of about 5%. The volume of direct mail will remain volatile and show a diverging development in the individual customer segments. On balance, the Parcel & Logistics Division is expected to benefit from a growing market, but one which will simultaneously feature intensified competition. Innovative solutions are important to gain market share.

Austrian Post is continuously optimising its structures and processes in order to further enhance efficiency in all the services it provides. In addition to technological improvements and route optimisation measures, the focus in mail logistics is also on nationwide teamwork models in the

delivery organisation. In the Parcel & Logistics Division, the emphasis is on further expanding the quality leadership in Austria. Both delivery quality and the improvement of the service offering are guarantees for a high level of customer satisfaction.

The earnings development of Austrian Post in 2016 will be impacted by volume trends in the mail segment, the market development in the parcel business and the success in implementing the planned efficiency enhancement programme. On balance, Austrian Post aims to achieve a stable development in 2016, with operating earnings (EBIT) at the prior-year level.

The operating cash flow generated by Austrian Post will continue to be used prudently and in a targeted manner to finance sustainable efficiency increases, structural measures and future-oriented investments. With this in mind, operational capital expenditure (CAPEX) of about EUR 80m is planned in 2016, focusing on sorting technologies, logistics and customer solutions. In addition, Austrian Post is in the process of building its new corporate headquarters in Vienna’s third district. The project is expected to be completed in 2017. Austrian Post expects a cash flow development enabling the company to continue its attractive dividend policy.

KEY FIGURES

EUR m	Q1 2015[1]	Q1 2016	Change %	EUR m
Revenue	**599.9**	**592.8**	**-1.2%**	**-7.2**
thereof Mail & Branch Network	377.5	370.5	-1.9%	-7.0
thereof Parcel & Logistics	222.4	222.3	-0.1%	-0.2
thereof Corporate	0.0	0.0	-	-
Other operating income	16.4	23.5	43.4%	7.1
Raw materials, consumables and services used	-182.5	-183.1	-0.4%	-0.7
Staff costs	-281.7	-286.4	-1.7%	-4.7
Other operating expenses	-76.3	-77.3	-1.2%	-0.9
Results from financial assets accounted for using the equity method	-0.6	0.1	>100%	0.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**75.1**	**69.4**	**-7.6%**	**-5.7**
Depreciation, amortisation and impairments	-21.2	-18.4	13.5%	2.9
Earnings before interest and tax (EBIT)	**53.9**	**51.1**	**-5.3%**	**-2.8**
thereof Mail & Branch Network	76.6	71.6	-6.6%	-5.1
thereof Parcel & Logistics	7.2	7.8	7.8%	0.6
thereof Corporate/Consolidation	-29.9	-28.3	5.5%	1.6
Other financial result	3.4	-0.2	<-100%	-3.7
Earnings before tax (EBT)	**57.4**	**50.8**	**-11.4%**	**-6.5**
Income tax	-13.6	-12.2	10.5%	1.4
Profit for the period	**43.8**	**38.7**	**-11.7%**	**-5.1**
Earnings per share (EUR)[2]	0.65	0.57	-11.6%	-0.1
Cash flow from operating activities	**59.6**	**60.1**	**0.8%**	**0.5**
Investments in property, plant and equipment (CAPEX)	-15.8	-17.1	-8.2%	-1.3
Free cash flow before acquisitions/securities	**104.6**	**42.4**	**-59.5%**	**-62.2**

[1] The presentation of revenue and raw materials, consumables and services used in the Parcel & Logistics Division was adjusted. Exported services are recognised according to the net method (previously reported as revenue and expenses for services used).
[2] Undiluted earnings per share in relation to 67,552,638 shares

The interim financial report Q1 2016 is available on the Internet at www.post.at/ir --> Publications --> Financial Reports.

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