AUSTRIAN POST Q1-3 2016:

STABLE REVENUE DEVELOPMENT ADJUSTED FOR SALE OF TRANS-O-FLEX; EBIT UP 0.2%; OUTLOOK CONFIRMED

- **Revenue**
  - Stable revenue development Q1–3 excl. former subsidiary trans-o-flex (mail business -1.0%, parcel segment +3.5%)
  - Revenue after sale of trans-o-flex of EUR 1,510.4m
- **Earnings**
  - EBIT of EUR 135.5m at the prior-year level (+0.2%)
  - Quarterly development during the year impacted by election effects and interest-bearing provisions (non-cash)
- **Cash flow and balance sheet**
  - 3.5% increase in the cash flow from operating activities to EUR 158.9m
  - Conservative balance sheet structure with strong cash position; equity ratio of 40.0%
- **Outlook**
  - Revenue forecast 2016 of EUR 2.0bn (current business portfolio) remains unchanged
  - Targeted stable development of operating earnings (EBIT) for 2016 and 2017

OVERVIEW OF AUSTRIAN POST

In the first nine months of 2016, Group revenue of Austrian Post amounted to EUR 1,510.4m, compared to EUR 1,746.5m in the prior-year period. The revenue deviation can be mainly attributed to the sale of its former subsidiary trans-o-flex in April 2016. Adjusted for the disposed company trans-o-flex, revenue remained stable compared to the prior-year period.

The mail business, Austrian Post's largest business area, continues to be impacted by the ongoing substitution of addressed letter mail by electronic forms of communication. The Mail & Branch Network Division showed a slight revenue decrease of 1.0% in the first three quarters of 2016 to EUR 1,078.3m. In contrast, the trend towards online shopping continued unabated in the parcel segment. Despite intensified competition, Austrian Post succeeded in further increasing parcel revenue in Austria. Adjusted for the revenue of the former subsidiary trans-o-flex, the Parcel & Logistics Division generated revenue growth of 3.5% in the first nine months of 2016.

Operating earnings (EBIT) of Austrian Post totalled EUR 135.5m, a slight rise of 0.2% from the previous year. The disposal of the subsidiary trans-o-flex as well as higher revenue contributions from elections to the amount of EUR 3.0m had a positive effect on earnings in a year-on-year comparison.

This was in contrast to an increase of EUR 12.8m in non-operational staff costs (including changes in provisions related to a change in the discount interest rate) compared to last year.
“Our top priority is to further strengthen Group profitability based on an offering of innovative solutions and the ongoing expansion of services for the benefit of our customers. At the same time, we are continuing our efforts to optimise costs and enhance efficiency”, says Austrian Post CEO Georg Pölzl. “Accordingly, stability is our primary objective, not only for 2016 but for 2017 as well. This target applies to the development of revenue and earnings as well as the investment and dividend policy of the Austrian Post Group.”

REVENUE DEVELOPMENT IN DETAIL

In the first nine months of 2016, Group revenue of Austrian Post fell to EUR 1,510.4m from the prior-year figure of EUR 1,746.5m due to the sale of the subsidiary trans-o-flex. Adjusted in both years for the disposed company trans-o-flex, revenue remained stable at EUR 1,375.5m (Q1-3 2015: EUR 1,376.7m).

Mail & Branch Network Division revenue was down 1.0% to EUR 1,078.3m during the period under review. Third-quarter revenue fell by 2.8% due to lower revenue contributions from elections than in the prior-year period. Moreover, there was one calendar working day less in a quarterly comparison. Revenue of the division's Letter Mail & Mail Solutions segment amounted to EUR 584.5m in the first three quarters of 2016, slightly below the prior-year level. The basic trend towards the substitution of letters by electronic forms of communication is continuing. This was in contrast to an additional growth in international volumes. Revenue in the Direct Mail business decreased by 2.3% to EUR 304.3m in the first nine months of 2016. This development is primarily the result of the sale of mail subsidiaries in Hungary and Slovakia in the previous year as well as the reduced advertising activities on the part of individual customers. In contrast, the increase in international direct mail volumes had a positive effect on revenue. Media Post revenue rose by 1.3% year-on-year to EUR 101.8m, which is particularly related to various one-time mailings. Branch Services revenue fell to EUR 87.8m in the first nine months of 2016, comprising a drop of 2.8% from the previous year. The positive development of mobile products was offset by a change in the corresponding invoicing model.

Reported revenue of the **Parcel & Logistics Division** totalled EUR 432.0m in the first nine months of 2016 due to the aforementioned sale of the subsidiary trans-o-flex, compared to EUR 657.0m in the previous year. Adjusted for the loss of trans-o-flex revenue, the division actually generated a revenue increase of 3.5% in the first three quarters of 2016 and 3.0% in the third quarter of the year 2016 against the backdrop of a competitive market environment. Business in Austria (+3.6%) and in CEE markets (+2.9%) developed positively despite tough competition, whereas Austrian Post disposed of its German subsidiary trans-o-flex in April 2016.

EXPENSE AND EARNINGS DEVELOPMENT

Raw materials, consumables and services used decreased from EUR 546.0m to EUR 384.0m during the period under review, which is due to the sale of trans-o-flex. However, the costs for services used increased, particularly as a consequence of higher international business volumes in the core business.

Austrian Post’s staff costs amounted to EUR 784.8m in the first three quarters of 2016, comprising a drop of 3.5% from the previous year. The disposal of trans-o-flex reduced staff costs, whereas the adjustment of the discount interest rate for various staff-related provisions led to a negative earnings effect of EUR 19.6m in the first nine months of 2016. The operational staff costs for salaries and wages, which are part of total staff costs, were down 4.1% from the prior-year level due to the sale of trans-o-flex. On balance, the Austrian Post Group employed an average of 21,983 people (full-time equivalents) in the first nine months of 2016, compared to 23,578 employees in the previous year. In addition to 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 Austria. Total non-operational staff costs (including changes in provisions relating to the revised discount interest rate) in the first three quarters of 2016 were EUR 12.8m higher than in the previous year.

During the period under review, other operating income remained stable at EUR 50.1m. The 15.8% decline in other operating expenses to EUR 200.2m can be attributed to the disposal of the subsidiary trans-o-flex.

On balance, earnings before interest, tax, depreciation and amortisation (EBITDA) in the first three quarters of 2016 fell by 3.8% to EUR 191.8m. The corresponding EBITDA margin was 12.7%, comprising an improvement of 1.3 percentage points from the comparable prior-year level. Total depreciation, amortisation and impairment losses in the reporting period amounted to EUR 56.3m, a decrease of EUR 7.8m from the previous year. This difference is mainly due to the disposal of trans-o-flex. An impairment loss on goodwill for the subsidiary PostMaster s.r.l., Romania, to the amount of EUR 2.0m had the opposite effect. On balance, earnings before interest and tax (EBIT) in the first nine months of the 2016 financial year reached a level of EUR 135.5m, slightly higher than the prior-year figure. The disposal of the subsidiary trans-o-flex as well as higher revenue contributions from elections to the amount of EUR 3.0m had a positive effect on earnings. This was in contrast to an increase of EUR 12.8m in non-operational staff costs (including changes in provisions related to a change in the discount interest rate). The EBIT margin climbed from 7.7% to 9.0%.

From a divisional perspective, the **Mail & Branch Network Division** generated an EBITDA of EUR 223.9m in the first nine months of 2016, compared to EUR 232.5m in the previous year. EBIT of the division amounted to EUR 197.6m, down from the prior-year figure of EUR 208.6m. This decline is mainly attributable to the negative effect of EUR 7.1m compared to last year due to the parameter

adjustment for interest-bearing provisions. Moreover, the impairment loss on goodwill for the Romanian subsidiary PostMaster s.r.l. to the amount of EUR 2.0m in 2016 also contributed to this change.

EBITDA of the **Parcel & Logistics Division** in the first nine months of 2016 amounted to EUR 33.2m, compared to the prior-year level of EUR 32.4m. EBIT of the division improved from EUR 16.5m to EUR 24.7m due to the disposal of trans-o-flex.

The **Corporate Division** (including Consolidation) accounts for all non-allocable expenses for central departments in the Group as well as staff-related provisions assigned to it. Moreover, the division includes innovation management and the development of new business models. EBIT of the Corporate Division improved by 3.3% to minus EUR 86.9m, although the aforementioned parameter adjustment for interest-bearing staff-related provisions in the Corporate Division reduced divisional earnings.

The other financial result fell to minus EUR 1.3m from plus EUR 2.6m in the prior-year period. This decrease is mainly attributable to the special effect totalling EUR 3.3m 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 nine months of 2016 totalled EUR 134.2m, compared to EUR 137.8m in the previous year. The income tax expense at EUR 33.8m was at the prior-year level. After deducting income tax, the Group’s profit for the period (profit after tax) amounted to EUR 100.5m, down from EUR 104.1m in the previous year. Accordingly, undiluted earnings per share equalled EUR 1.49 for the first three quarters of 2016 compared to the prior-year figure of EUR 1.54 per share.

CASH FLOW AND BALANCE SHEET

The gross cash flow totalled EUR 190.5m in the first three quarters of 2016, compared to EUR 186.4m in the previous year. This increase is primarily attributable to lower tax payments. The cash flow from operating activities of EUR 158.9m was EUR 5.4m above the comparable figure for the first nine months of 2015. In particular, the decline in trade receivables had a positive effect, which offset the drop in trade payables. The cash flow from investing activities reached a level of minus EUR 56.9m in the first nine months of 2016, compared to minus EUR 1.6m in the prior-year period. This decline was mainly related to the positive effect in 2015 from 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. Cash outflows for the acquisition of property, plant and equipment (CAPEX) amounted to EUR 56.3m in the first nine months of 2016, below the level of EUR 61.3m in the previous year. In aggregate, the free cash flow before acquisitions/securities during the reporting period reached a level of EUR 105.0m, down from EUR 158.3m in the previous year. The difference to the prior year is related to the previously mentioned sale of Austrian Post’s former corporate headquarters in 2015. Adjusted to take account of this special effect as well as the payments for the

new corporate headquarters, the operating free cash amounted to EUR 128.9m in the first nine months of 2016, compared to the prior-year figure of EUR 112.0m.

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 596.3m as at September 30, 2016, corresponding to an equity ratio of 40.0%. An analysis of the financial position of the company shows a high level of current and non-current financial resources of EUR 322.5m, including cash and cash equivalents of EUR 261.5m as well as financial investments in securities of EUR 61.1m. These financial resources contrast with financial liabilities of only EUR 5.6m.

EMPLOYEES

The average number of employees (full-time equivalents) at the Austrian Post Group totalled 21,983 people during the first nine months of 2016, comprising a reduction of 1,595 employees from the prior-year period. The decrease is primarily due to the disposal of the German subsidiary trans-o-flex. Most of Austrian Post's staff, 17,562 full-time equivalents, is employed by the parent company Österreichische Post AG.

OUTLOOK

The business operations of Austrian Post continued to develop in line with expectations in the third quarter of 2016. As a result, the outlook for the 2016 financial year remains unchanged. Accordingly, on the basis of its current business portfolio, Austrian Post continues to forecast revenue of EUR 2.0bn in the 2016 financial year.

The volume of addressed letter mail continues to decrease steadily. In contrast, the parcel business driven primarily by e-commerce is showing a consistently positive development. Austrian Post still anticipates volume declines of about 5% p.a. in the traditional addressed mail business. The volume of direct mail will continue to show a diverging development in the individual customer segments and product groups. Overall strong market growth in the Parcel & Logistics Division will be accompanied by intensified competition and new, innovative customer solutions.

Austrian Post also confirms its earnings forecast for 2016. The company expects to generate stable operating earnings in 2016 with EBIT at the level of 2015 on the basis of current trends and developments.

The top priority of Austrian Post is to further strengthen the Group’s profitability. On the revenue side, the focus is on offering innovative solutions and continuously expanding the service offering for the benefit of Austrian Post customers. As the leading provider of postal services in Austria in terms of quality and innovative strength, Austrian Post is continually upgrading its product offering in the area of letter mail, direct mail, packets and parcels in a customer-oriented manner.

At the same time, on the cost side, Austrian Post will continue along its chosen path of modernisation and efficiency enhancement. Accordingly, stability is the primary objective, not only for 2016 but for 2017 as well. This target applies to the development of revenue and earnings as well as with respect to the Group’s investment and dividend policy.

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 70m is planned in 2016, focusing on sorting technologies, logistics and customer solutions. Besides, the construction of Austrian Post’s new corporate headquarters in Vienna’s third district is continuing according to schedule and will be completed in 2017. The current business and cash flow development will also enable Austrian Post to adhere to its attractive dividend policy.

PRESS INFORMATION

KEY FIGURES

EUR m	Q1-3[1] 2015	Q1-3 2016	Change %	Change EUR m	Q3 2015[1]	Q3 2016
Revenue	**1,746.5**	**1,510.4**	**-13.5%**	**-236.2**	**571.6**	**439.3**
Revenue excl. trans-o-flex	*1,376.7*	*1,375.5*	*-0.1%*	*-1.2*	*446.3*	*439.3*
thereof Mail & Branch Network Division	1,089.5	1,078.3	-1.0%	-11.2	351.5	341.6
thereof Parcel & Logistics Division	657.0	432.0	-34.2%	-225.0	220.1	97.7
Parcel & Logistics Division excl. trans-o-flex	*287.2*	*297.2*	*3.5%*	*10.0*	*94.8*	*97.7*
thereof Corporate	0.1	0.0	-69.7%	-0.1	0.0	0.0
Other operating income	50.4	50.1	-0.5%	-0.2	17.6	14.0
Raw materials, consumables and services used	-546.0	-384.0	29.7%	162.0	-186.0	-97.7
Staff costs	-813.6	-784.8	3.5%	28.8	-261.8	-239.5
Other operating expenses	-237.9	-200.2	15.8%	37.6	-81.9	-61.1
Results from financial assets accounted for using the equity method	-0.2	0.3	>100.0%	0.5	0.0	-0.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**199.3**	**191.8**	**-3.8%**	**-7.5**	**59.6**	**54.6**
Depreciation, amortisation and impairments	-64.1	-56.3	12.1%	7.8	-20.9	-17.8
Earnings before interest and tax (EBIT)	**135.2**	**135.5**	**0.2%**	**0.2**	**38.7**	**36.8**
thereof Mail & Branch Network Division	208.6	197.6	-5.3%	-11.0	63.2	54.4
thereof Parcel & Logistics Division	16.5	24.7	50.3%	8.3	4.0	7.8
thereof Corporate/Consolidation	-89.8	-86.9	3.3%	2.9	-28.4	-25.4
Other financial result	2.6	-1.3	<-100.0%	-3.9	-0.8	-0.8
Earnings before tax (EBT)	**137.8**	**134.2**	**-2.6%**	**-3.6**	**38.0**	**36.1**
Income tax	-33.8	-33.8	0.1%	0.0	-11.3	-9.4
Profit for the period	**104.1**	**100.5**	**-3.5%**	**-3.6**	**26.7**	**26.7**
Earnings per share (EUR)[2]	1.54	1.49	-3.3%	-0.05	0.39	0.39
Cash flow from operating activities	**153.6**	**158.9**	**3.5%**	**5.4**	**45.9**	**49.6**
Investments in property, plant and equipment (CAPEX)	-61.3	-56.3	8.1%	5.0	-29.3	-17.8
Free cash flow before acquisitions/securities	158.3	105.0	-33.7%	-53.3	20.6	33.0
Operating free cash flow[3]	**112.0**	**128.9**	**15.0%**	**16.9**	**25.2**	**38.9**

[1] The presentation of revenue 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
[3] Free cash flow before acquisitions/securities and other cash flow from investing activities

The interim financial report Q1-3 2016 is available on the Internet at www.post.at/ir --> Publications --> Financial Reports.

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