AUSTRIAN POST IN 2017:
INCREASE IN REVENUE AND EARNINGS

Revenue increase in 2017 driven by dynamic parcel growth

- Revenue up 2.3% to EUR 1,938.9m (excl. trans-o-flex)
- Mail revenue decline (-2.1%) more than offset by parcel growth (+17.7%)

Expansion of service offering and logistics structures

- Growth leads to higher market share in the parcel business
- Extensive capacity increases and expansion of service offering planned

Earnings improvement based on good revenue development

- EBIT increase of 2.7% to EUR 207.8m
- Increase in earnings per share to EUR 2.45 due to special effect

Outlook for 2018 and attractive dividend policy confirmed

- Target of stable revenue and EBIT development also in 2018
- Dividend proposal to the Annual General Meeting of EUR 2.05/share (+2.5 %)

Austrian Post showed a very satisfactory business development in the 2017 financial year. Group revenue increased by 2.3% to EUR 1,938.9m compared to EUR 1,895.6m in the previous year (excl. trans-o-flex). The Mail & Branch Network Division reported a revenue decline of 2.1% to EUR 1,447.8m due to the ongoing trend of e-substitution, which was more than offset by the 17.7% increase in Parcel & Logistics divisional revenue up to EUR 495.6m. The parcel business showed strong growth as a result of the e-commerce trend against the backdrop of continuing high competitive intensity. In spite of these challenging conditions, parcel volumes rose by 20%, thus increasing Austrian Post's overall market share from 45% to 47%. "This proves that the services provided by Austrian Post meet the highest standards with respect to quality and delivery speed. We are striving in both the mail and the parcel segment to improve our high quality level and steadily develop our products on the basis of current customer needs even further", says CEO Georg Pölzl.

The trends over previous quarterly periods continued in the fourth quarter. Traditional addressed letter mail volumes decreased in the year under review by about 5%. That is why it is even more important to maintain the high quality standards and to continually develop the product offering – both physical and electronic - in line with customer requirements. Direct mail volumes rose by about 5% during the reporting period, underlining the fact that flyers and interactive marketing remain indispensable components of the advertising mix of companies. The parcel business showed an even higher growth, with a rise of 20% to 97m parcels on the back of the ongoing trend of online-shopping.

FURTHER EARNINGS IMPROVEMENT

The set goal to further increase earnings was also achieved. Group EBIT rose to EUR 207.8m (+2.7% compared to EUR 202.3m in 2016). The Mail & Branch Network Division slightly improved earnings to EUR 289.6m in spite of declining revenue, whereas EBIT of the Parcel & Logistics Division at EUR 42.8m surpassed the prior-year results significantly. The intensification of logistics synergies between the mail and parcel businesses positively impacted earnings during the reported period. About 52% of all parcels were delivered by letter mail logistics in 2017, and this share is expected to increase in the future. Profit for the period was up to EUR 165.0m in 2017 from EUR 152.7m in the previous year, including the positive effect in the other financial result from the sale of securities. This corresponds to earnings per share of EUR 2.45, up from EUR 2.26 in 2016.

HIGHER DIVIDENDS (+2.5%) AND EMPLOYEE PROFIT SHARING (+2.6%)

Based on the strong cash flow and solid balance sheet, the Management Board of Austrian Post will propose to the Annual General Meeting scheduled for April 19, 2018 to approve a dividend of EUR 2.05 per share (2016: EUR 2.00). This once again underlines Austrian Post's positioning as a reliable and predictable company. Employees also benefit from this development. Austrian Post has offered its employees a voluntary profit-sharing scheme for 16 years. Employees entitled to participate will receive a bonus of EUR 875, up 2.6% from the prior-year level.

STABLE OUTLOOK CONFIRMED FOR 2018

Austrian Post confirms its previously communicated outlook for the 2018 financial year expecting a stable revenue development. Stable operating earnings are also targeted, assuming a continuation of current basic mail and parcel trends. Against the backdrop of ongoing market growth for private customer parcels, measures are being taken to double sorting capacities over the next four years to more than 100,000 parcels/hour. For this reason, in addition to ongoing investments in the core business, also growth investments in the field of parcel logistics are planned. "Our objective is to expand existing sorting capacities as quickly as possible. We want to maintain our positioning as a reliable company in the future, and continue to keep the focus of our operations geared to quality and reliability", concludes CEO Georg Pölzl.

The complete version of the outlook and detailed information from the Management Report 2017 can be found starting on page 4. The entire version is available on the Internet at www.post.at/ir --> Reporting.

KEY FIGURES

EUR m	2016[1]	2017	Change 2016/2017 %	EUR m	Q4 2016[1]	Q4 2017
Revenue	2,030.5	1,938.9	–4.5%	–91.6	520.1	534.3
Revenue excl. trans-o-flex	**1,895.6**	**1,938.9**	**2.3%**	**43.3**	**520.1**	**534.3**
Mail & Branch Network	1,478.5	1,447.8	–2.1%	–30.7	399.7	392.5
Parcel & Logistics	556.0	495.6	–10.9%	–60.4	121.4	143.1
Parcel & Logistics excl. trans-o-flex	421.1	495.6	17.7%	74.4	121.4	143.1
Corporate/Consolidation	–4.0	–4.5	–12.5%	–0.5	–1.1	–1.4
Other operating income	70.1	112.7	60.7%	42.6	20.0	69.5
Raw materials, consumables and services used	–495.2	–409.9	17.2%	85.2	–111.2	–113.4
Staff costs	–1,035.2	–1,020.1	1.5%	15.1	–250.4	–275.3
Other operating expenses	–294.1	–325.0	–10.5%	–30.9	–93.9	–118.3
Results from financial assets accounted for using the equity method	0.9	–1.9	<–100%	–2.9	0.7	–0.8
EBITDA	**277.1**	**294.6**	**6.3%**	**17.5**	**85.3**	**95.9**
Depreciation, amortisation and impairment losses	–74.8	–86.8	–16.1%	–12.0	–18.5	–28.0
EBIT	**202.3**	**207.8**	**2.7%**	**5.5**	**66.8**	**67.9**
Mail & Branch Network	285.1	289.6	1.6%	4.6	87.4	89.6
Parcel & Logistics	18.5	42.8	>100%	24.3	–6.3	13.9
Corporate/Consolidation	–101.3	–124.7	–23.1%	–23.4	–14.4	–35.6
Other financial result	–0.7	12.8	>100%	13.5	0.5	12.2
Earnings before tax	**201.5**	**220.6**	**9.5%**	**19.1**	**67.3**	**80.0**
Income tax	–48.8	–55.6	–13.9%	–6.8	–15.0	–20.9
Profit for the period	**152.7**	**165.0**	**8.0%**	**12.3**	**52.3**	**59.1**
Earnings per share (EUR)[2]	2.26	2.45	8.2%	0.18	0.77	0.88
Cash flow from operating activities	**223.6**	**255.7**	**14.4%**	**32.1**	**64.6**	**89.1**
Investment in property, plant and equipment (CAPEX)	**–103.3**	**–102.1**	**1.2%**	**1.2**	**–47.0**	**–52.6**
Free cash flow	**118.5**	**146.6**	**27.5%**	**28.1**	**16.5**	**30.7**
Operating free cash flow[3]	**156.8**	**171.4**	**9.3%**	**14.6**	**25.5**	**36.2**

[1] Adjustment of revenue in segment reporting as well as adjustment of other operating expenses and income for financial assets accounted for using the equity method
[2] Undiluted earnings per share in relation to 67,552,638 shares
[3] Free CF before acq./securities and new headquarters; 2017 adjusted for the effect of temporary cash holdings belonging to customers but not yet remitted to them

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EXCERPTS FROM THE GROUP MANAGEMENT REPORT:

REVENUE DEVELOPMENT IN DETAIL

In the 2017 financial year, Group revenue of Austrian Post fell by EUR 91.6m to EUR 1,938.9m as compared to the prior-year level. This decline is due to the disposal of the subsidiary trans-o-flex in April 2016. Taking account of trans-o-flex the adjusted revenue was up 2.3% or EUR 43.3m. The Parcel & Logistics Division, adjusted for trans-o-flex, generated revenue growth of 17.7% in 2017, whereas revenue of the Mail & Branch Network Division fell by 2.1% in the same period. Dynamic parcel growth more than compensated for the revenue decrease in the mail business. The launch of a simplified product structure on January 1, 2017 with a mailing offering featuring the “Packet” tailored to the requirements of the e-commerce market also had a positive impact on revenue development.

Revenue of the **Mail & Branch Network Division** totalled EUR 1,447.8m. Of this amount, 54.1% can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 28.5% of total divisional revenue. Media Post i.e. the delivery of newspapers and magazines had a share of 9.5%. Branch Services generated 7.9% of the division’s revenue. In the 2017 financial year, Letter Mail & Mail Solutions revenue amounted to EUR 782.8m, a drop of 2.4% from the previous year. The downward volume development as a consequence of the substitution of letters by electronic forms of communication continued. As a result, letter mail volume was down by about 5% during the reporting period. Mix effects related to the new product structure and postal rate adjustments for individual products, for example letters with advice of receipt, positively impacted revenue development. In contrast, the segment change of the Bulgarian subsidiary M&BM Express OOD, which has been assigned to the Parcel & Logistics Division since January 1, 2017, had the opposite effect of reducing divisional revenue.

Revenue of the Direct Mail business fell by 0.8% to EUR 413.3m in the 2017 financial year. This slight drop in revenue can be attributed to the South East and Eastern European region, where Austrian Post is increasingly focusing on the parcel segment and gradually withdrawing from the mail business. The direct mail revenue decrease of EUR 4.6m in South East and Eastern Europe was mainly due to the deconsolidation of the subsidiaries in Romania and Poland. The advertising business in Austria showed a revenue increase during the year under review in spite of the lower revenue contributions from elections compared to the previous year. The unaddressed direct mail segment generated a considerable revenue increase, driven in part by the good development with customers in the food retailing business, whereas revenue from addressed direct mail items fell slightly. On balance, direct mail volumes in Austria rose by about 5% in 2017. Media Post revenue fell by 3.1% year-on-year to EUR 137.1m. This development is mainly due to the declining subscription business for newspapers and magazines.

Branch Services revenue totalling EUR 114.6m represents a decrease of 3.2% from the previous year. Higher sales of retail products were in contrast to the structural decline in revenue from financial services.

Reported total revenue of the **Parcel & Logistics Division** decreased in 2017 from EUR 556.0m to EUR 495.6m. Divisional revenue was up 17.7 % excluding trans-o-flex which was deconsolidated in April 2016 and contributed revenue of EUR 134.8m in the previous year. Adjusted for positive one-off effects, the underlying revenue growth in 2017 is estimated to be about 12%. Additional revenue during the reporting period was generated by the launch of a simplified product structure featuring the new “Packet”. Moreover, the segment change of the Bulgarian subsidiary M&BM Express OOD, which was still assigned to the Mail & Branch Network Division in the previous year, took place as of January 1, 2017. Revenue of the Parcel & Logistics Division was up 15.3 % when adjusted to take account of M&BM Express OOD. This strong growth resulted mainly from the ongoing e-commerce trend, which led to a substantial increase in private customer parcels. Generally, the Austrian parcel market is developing very dynamically, producing double-digit growth rates. Austrian Post once again benefitted disproportionately from this market growth in the reporting period. Intense competition still prevails. At the same time, quality requirements and delivery speed as well as price pressure are increasing.

From a regional perspective, 80.4% of total revenue in the Parcel & Logistics Division was generated in Austria in the 2017 financial year and 19.6% by the subsidiaries in South East and Eastern Europe. The business in Austria as well as in the CEE/SEE markets showed substantial growth rates. Revenue rose 16.2% in Austria in the period under review. Revenue increased by 24.0% in South East and Eastern Europe, with EUR 9.9m being due to M&BM Express OOD, Bulgaria, which is now assigned to the Parcel & Logistics Division. On a like-for-like basis, revenue in CEE/SEE was up by 11.3% in 2017.

EXPENSE AND EARNINGS DEVELOPMENT

Staff costs comprise a major factor in the cost structure of Austrian Post’s operating expenses. Accordingly, 55.4% of total operating expenses incurred by Austrian Post in 2017 were attributed to staff costs. The second largest expense item, accounting for 22.3% of operating expenses, was raw materials, consumables and services used, of which a large part related to external transport services. Other operating expenses comprised 17.6% of total costs, whereas depreciation, amortisation and impairments accounted for 4.7%.

Raw materials, consumables and services used fell to EUR 409.9m in the 2017 financial year from EUR 495.2m in the previous year. Taking account of the disposal of trans-o-flex, this item increased by EUR 13.3m, mainly due to higher costs for outsourced transport services required to handle parcel volume growth. Austrian Post’s staff costs amounted to EUR 1,020.1m in 2017, comprising a drop of 1.5% from the previous year. On a like-for-like basis excluding trans-o-flex, total staff costs were up by EUR 8.9m from the prior-year level. This was primarily attributable to the increased allocation to provisions for non-operational staff cost.

This rise was in contrast to a stable development for salaries and wages, which demonstrates that the resolute continuation of measures to enhance efficiency and improve the staff structure was able to compensate for annual salary increases mandated by collective agreements and biennial pay rises. On balance, the Austrian Post Group employed an average of 20,524 people (full-time equivalents) in the 2017 financial year, compared to 21,187 employees (excl. trans-o-flex) working for Austrian Post in 2016. In addition to operational staff costs, staff costs of Austrian Post also include various non-operational costs, for the most part termination benefits and changes in provisions, which are primarily related to the specific employment situation of civil servants at Austrian Post. The above-mentioned increase in the need to allocate provisions resulted mainly from the realignment of the financial services business in the branch network. In the context of the gradual separation of the cooperation with the banking partner BAWAG P.S.K., an initial agreement was concluded with regards to the redimensioning of bank consultancy services for which corresponding provisions were allocated. These provisions were netted against amounts stipulated in the change agreement and tended to increase expenses.

The year 2017 showed a considerable increase in both other operating expenses and other operating income. Other operating income rose to EUR 112.7m compared to EUR 70.1m in the previous year. Other operating income in the reporting period included claims related to non-wage labour costs paid in previous periods. Netted against any compensation payments, which are reported under other operating expenses, these claims amounted to EUR 21.0m in 2017. As a result of these compensation payments along with higher IT and consulting costs, other operating expenses in the period under review amounted to EUR 325.0m compared to EUR 294.1m in the previous year. The year 2016 included a negative effect of EUR 16.7m relating to the requirement to recognise the currency translation reserves in profit and loss, which was attributable to the change in reporting for Austrian Post's stake in Aras Kargo a.s. to a financial asset (previously a financial asset accounted for using the equity method).

EBITDA of the Austrian Post Group totalled EUR 294.6m in 2017, up from EUR 277.1m in 2016. This represents an increase by EUR 17.5m or 6.3%. As a result, the EBITDA margin of the Group rose from 13.6% to 15.2%. In addition to the operating development of the mail and parcel businesses, earnings in both 2016 and 2017 were impacted by positive and negative special effects which, on balance, largely offset each other. These special effects in 2016 almost completely impacted EBITDA. In contrast, the negative effects in the period under review were related to impairment losses. For this reason, the 2017 financial year showed a substantial increase in EBITDA, which was reduced on the level of EBIT and profit for the period.

In total, depreciation, amortisation and impairment losses in the reporting period amounted to EUR 86.8m, compared to EUR 74.8m in the previous year. Planned depreciation and amortisation at EUR 72.8m in 2017 was at the prior-year level, whereas impairment losses rose from EUR 2.3m to EUR 14.1m. The impairment losses recognised in the 2017 financial year related to goodwill of subsidiaries, as well as impairment losses on selected properties and buildings. EBIT in 2017 reached EUR 207.8m compared to the prior-year level of EUR 202.3m, comprising a rise of 2.7% or EUR 5.5m and an improvement in the EBIT margin from 10.0% to 10.7%.

The other financial result increased from minus EUR 0.7m in the previous year to EUR 12.8m in the 2017 financial year. This rise was mainly due to a positive effect in the amount of EUR 11.0m from the sale of indirectly held shares in BAWAG Group AG. After deducting income tax, the Group's profit for the period (profit after tax) increased to EUR 165.0m from the prior-year figure of EUR 152.7m. Accordingly, undiluted earnings per share were EUR 2.45 for the 2017 financial year compared to EUR 2.26 in the previous year.

From a divisional perspective, EBITDA reported by the **Mail & Branch Network Division** totalled EUR 312.8m in 2017, comprising a year-on-year decrease of 2.1%. Divisional EBIT in the reporting period improved by 1.6% to EUR 289.6m despite the revenue decline. The intensification of logistics synergies and the increased delivery of parcels and the new "Packet" by mail logistics positively impacted the division's earnings development during the period under review. In 2017, about 52% of parcels were already delivered by mail logistics.

The **Parcel & Logistics Division** generated an EBITDA of EUR 58.1m in the year under review, up from EUR 29.8m in the previous year. EBIT was EUR 42.8m compared to the prior-year figure of EUR 18.5m. The year 2016 included a change in reporting for the stake held in Aras Kargo a.s. to a financial asset, which negatively impacted earnings in the amount of EUR 16.7m. Adjusted for this effect, earnings in the previous year totalled EUR 35.2m. Accordingly, on an operating basis the division succeeded in improving earnings by 21.7%. The high level of profitability is above all attributable to the good utilisation of the logistics infrastructure in the Austrian parcel business.

EBIT of the **Corporate Division** (incl. Consolidation) fell by EUR 23.4m to minus EUR 124.7m. A positive effect in staff costs related to various legal changes increased earnings in 2016, whereas the Corporate Division was impacted by both positive and negative earnings effects in the reporting period. Claims related to non-wage labour costs paid in previous periods comprised a positive effect. In contrast, impairment losses and an increased need to allocate provisions in connection with the realignment of financial services in the branch network negatively impacted earnings.

CASH FLOW AND BALANCE SHEET

The gross cash flow totalled EUR 273.7m in the 2017 financial year compared to EUR 274.7m in the 2016 financial year. The cash flow from operating activities of EUR 255.7m was EUR 32.1m higher than in the previous year. The increase is attributable to lower payments in connection with provisions compared to the previous year as well as higher liabilities. The increase in trade and other receivables had the opposite effect. The cash flow from investing activities reached a level of minus EUR 109.1m in 2017 compared to the prior-year level of minus EUR 105.1m. Free cash flow in 2017 thus totalled

EUR 146.6m. Operating free cash flow (before acquisitions/securities and the new corporate headquarters) rose from EUR 156.8m in 2016 to EUR 178.3m in the year under review. This rise can be partly attributed to increased cash holdings by customers. In the context of business activities of one of its subsidiaries, Austrian Post holds temporarily cash belonging to customers, which has not been remitted to them yet. These cash holdings are subject to fluctuations, which do not reflect the operating development of the company. Adjusted for this effect, the operating free cash flow of Austrian Post amounted to EUR 171.4m in the 2017 financial year. 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 policy and financing structure. This is demonstrated by the high equity ratio, low financial liabilities and the solid level of cash and cash equivalents invested at the lowest possible risk. Equity of the Austrian Post Group amounted to EUR 698.8m as at December 31, 2017, corresponding to an equity ratio of 41.7%. The analysis of the company's financial position shows a high level of liquidity. This includes cash and cash equivalents of EUR 290.0m and securities of EUR 80.6m. These financial resources are in contrast to financial liabilities of only EUR 6.8m.

OUTLOOK 2018 UNCHANGED

Developments over the past quarterly periods confirm the basic underlying trends in the mail and parcel businesses. The company continues to anticipate volume declines of about 5% p.a. in the traditional addressed letter mail business, although volume developments in individual customer segments differ. The direct mail business strongly depends on corporate advertising budgets and the economic environment and is therefore subject to fluctuations. Parcel volumes are developing positively as a result of the increase in online shopping. The e-commerce trend should continue to result in double-digit volume growth of private customer parcels. At the same time, customer requirements with respect to quality and delivery are rising against the backdrop of increasing price pressure.

All in all, Austrian Post forecasts an ongoing stable revenue development in the 2018 financial year (2017 revenue: EUR 1,938.9m). The expected business development is based on various planning assumptions, such as a continuation of the basic trends in the mail and parcel businesses. Addressed letter mail volumes will likely continue to decline by about 5% p.a., whereas a stable development of direct mail revenue should be supported through the projected economic upswing. On a medium-term basis, Austrian Post will be required to adjust its service and product offering in the mail segment to current customer needs. In line with international trends, the company aims to expand the product range and enhance the customer's freedom of choice. As stipulated by law, customers should also be able to select the option of delivery within several working days. In the branch network, structurally related changes in the financial services business are expected to continue. Therefore, the task is to define products and services, which are up to date and will also expand the service offering of the branch network in the future. All strategic options for the period following the end of the cooperation

agreement with Austrian Post's current banking partner BAWAG P.S.K. are being evaluated. An amicable and gradual separation of the cooperation with BAWAG P.S.K. should take place for the most part by the end of 2019. At the same time, a redimensioning of bank consulting services will be carried out, though the offering of counter transactions will be maintained. In the medium term, however, the financial services business will remain an important part of Austrian Post’s business operations, in light of the fact that it comprises a meaningful complement to postal services. Double-digit growth rates are expected in the Austrian parcel market due to the ongoing online shopping boom. This could lead to more intensive competition, stronger price pressure or partial delivery by individual large-volume customers. On the basis of robust market growth and potential market share shifts, growth rates from the mid-single digit to low double-digit range are possible for Austrian Post’s parcel business.

With respect to its earnings development, Austrian Post is pursuing the goal of generating stable operating earnings in 2018 (2017 EBIT: EUR 207.8m). Austrian Post is continually optimising its structures and processes in order to further enhance the efficiency of all its services. In spite of declining volumes, the company anticipates good capacity utilisation of its mail logistics infrastructure, which is being used now more efficiently by means of the joint delivery of letters and parcels. In contrast, Austrian Post is faced with the challenges posed by the structural decline in the traditional banking business and the corresponding need to take structural measures to lay the foundation for a sustainable successful financial services business. Austrian Post will continue to resolutely make investments designed to enhance efficiency and service quality at the customer interface. Against the backdrop of ongoing market growth in the private customer parcel segment, measures are being taken to double sorting capacities within the next four years. As a result, increasing investments in Austrian parcel logistics are being earmarked in the medium term. In addition to the ongoing investments in the core business of about EUR 60-70m annually, additional growth investments are planned for the coming years. The objective is to expand existing sorting capacities as quickly as possible and invest at least EUR 50m for this purpose in 2018. In addition, there is the possibility of expanding existing commercial properties or newly acquiring land. As in the past, the operating cash flow generated by Austrian Post will continue to be used prudently and in a targeted manner to finance sustainable, future-oriented investments. The Management Board will propose to the Annual General Meeting scheduled for April 19, 2018 to approve the distribution of a dividend amounting to EUR 2.05 per share for the 2017 financial year. Thus, the company is once again continuing its attractive and predictable dividend policy on the basis of 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.