AUSTRIAN POST H1 2017:
HIGHER REVENUE AND EARNINGS

Revenue increase driven by dynamic parcel growth

- Revenue up 1.9 % to EUR 953.7m (excl. trans-o-flex)
- Mail decline more than offset by parcel growth

Quality leadership in Austria

- Further development of the product portfolio in line with customer demand
- All-time high customer satisfaction
- Optimisation of delivery synergies and capacity expansion

Earnings rise due to the good revenue development

- EBIT increase of 3.6 % to EUR 102.2m
- Continuing focus on efficiency enhancement and cost discipline
- Increase of earnings per share to EUR 1.13

Outlook 2017

- Stable or slightly higher Group revenue forecast for 2017 (2016: EUR 1.9bn)
- Targeted EBIT at the same level as in the previous year

In the first half of the current financial year, Austrian Post's Group revenue amounted to EUR 953.7m. Adjusted for the subsidiary trans-o-flex sold in April 2016, the revenue increase equals 1.9 %. Revenue in the mail business was down only slightly from the prior-year level although the trend towards electronic substitution of traditional letter mail continued. In turn, the parcel business generated substantial growth. Austrian Post profited from dynamic market growth and the ongoing online shopping trend. On the basis of the solid revenue development combined with strict cost discipline, operating earnings (EBIT) totalled EUR 102.2m, comprising a year-on-year rise of 3.6 %. "We are very satisfied with the revenue development, which was primarily driven by dynamic parcel growth. In the first half-year, we have once again succeeded in asserting our strong market position in this highly competitive market due to our outstanding delivery quality and a broad offering of individualised customer solutions. Moreover, the new product portfolio enables an even more efficient leveraging of synergies in the delivery of letters and parcels", comments Georg Pölzl, Chief Executive Officer of Austrian Post.

MAIL DECLINE COMPENSATED BY PARCEL GROWTH

Revenue of the Mail & Branch Network Division fell by 2.2 % to EUR 720.9m during the period under review. The downward revenue development in the first six months of 2017 was primarily attributable to the ongoing trend towards electronic substitution of traditional letter mail. Direct mail revenue has also decreased in the second quarter mainly due to the lack of impetus from elections. Mix effects related to the new product structure and increased one-off mailings by individual customers, predominantly banks and insurance companies. Revenue of the Parcel & Logistics Division increased in the first half-year 2017 by 16.7 % to EUR 232.7m (excl. trans-o-flex). This strong growth resulted mainly from the ongoing e-commerce trend, which led to a substantial rise in private customer parcels. The

basic upward revenue trend in the first six months of 2017 is estimated to equal somewhat more than 10 %. Additional revenue was also generated through the launch of a simplified product structure featuring the new product, the “Packet”, a special product offering designed to meet the requirements of online orders. Intense competition still prevails. At the same time, demand for quality and delivery speed as well as price pressure is increasing.

QUALITY LEADERSHIP IN THE CORE BUSINESS

Austrian Post remains the undisputed market leader in the delivery of letters, direct mail items and parcels. “We must continue to work on our high quality standards in order to maintain and enhance our competitive edge in the future”, states Pölzl. The most recent customer survey demonstrates that customers acknowledge Austrian Post’s ambitions. “Our customer satisfaction index is currently at an all-time high, and the image trend also shows a positive development. However, we will not rest on our laurels. The results are actually an incentive for us to work resolutely on further expanding our customer solutions”, Pölzl adds. Austrian Post continued to press ahead with investments in innovative customer solutions and efficient logistics in the first half of 2017. An extensive, Austrian-wide capacity expansion programme is in the works and will enable Austrian Post to handle strong growth in parcel volumes in the future and maintain high quality standards.

CLEAR POSITIONING: RELIABILITY AND STABILITY

Solid development in the first half of 2017 should enable Austrian Post to continue its commitment to a clear capital market positioning as a reliable dividend stock. “Reliability and predictability for shareholders and other stakeholders of our company continue to be the focus of our strategic activities, and we aim to continue along this path in the future”, Pölzl concludes. Accordingly, Austrian Post anticipates a stable or slightly positive revenue development for the entire year 2017 and targets operating earnings at least at the same level as achieved in the previous year.

The entire version of the outlook as well as detailed information (excerpts) from the Half-year Management Report can be found on page 4. The Half-year Financial Report 2017 is available at www.post.at/ir--> *Reporting.*

KEY FIGURES

EUR m	H1 2016	H1 2017	Change %	Change EUR m	Q2 2016	Q2 2017
Revenue excl. trans-o-flex	**936.3**	**953.7**	**1.9%**	**17.4**	**466.6**	**465.0**
Revenue	1,071.1	953.7	–11.0%	–117.4	478.3	465.0
thereof Mail & Branch Network Division	736.8	720.9	–2.2%	–15.8	366.3	348.5
thereof Parcel & Logistics Division	334.3	232.7	–30.4%	–101.6	112.1	116.5
Parcel & Logistics Division excl. trans-o-flex	199.5	232.7	16.7%	33.2	100.3	116.5
thereof Corporate	0.0	0.0	–	0.0	0.0	0.0
Other operating income	36.2	27.7	–23.4%	–8.5	12.7	13.0
Raw materials, consumables and services used	–286.3	–196.3	31.4%	90.0	–103.1	–96.4
Staff costs	–545.3	–514.4	5.7%	30.8	–258.8	–251.4
Other operating expenses	–139.1	–126.7	9.0%	12.5	–61.9	–64.4
Results from financial assets accounted for using the equity method	0.6	–0.8	<–100%	–1.3	0.5	–0.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**137.2**	**143.3**	**4.5%**	**6.1**	**67.8**	**65.6**
Depreciation, amortisation and impairment losses	–38.5	–41.1	–6.7%	–2.6	–20.2	–17.7
Earnings before interest and tax (EBIT)	**98.6**	**102.2**	**3.6%**	**3.5**	**47.6**	**47.8**
thereof Mail & Branch Network Division	143.2	145.0	1.2%	1.7	71.7	71.0
thereof Parcel & Logistics Division	16.9	19.0	12.2%	2.1	9.2	9.6
thereof Corporate/Consolidation	–61.5	–61.8	–0.4%	–0.3	–33.2	–32.7
Other financial result	–0.5	–0.1	81.7%	0.4	–0.3	0.0
Earnings before tax (EBT)	**98.1**	**102.1**	**4.0%**	**3.9**	**47.3**	**47.9**
Income tax	–24.4	–25.9	–6.3%	–1.5	–12.2	–12.1
Profit for the period	**73.8**	**76.2**	**3.3%**	**2.4**	**35.1**	**35.8**
Earnings per share (EUR)[1]	1.09	1.13	3.4%	0.04	0.52	0.53
Cash flow from operating activities	**109.3**	**108.9**	**–0.4%**	**–0.4**	**49.3**	**47.1**
Investment in property, plant and equipment (CAPEX)	**–38.5**	**–28.0**	**27.3%**	**10.5**	**–21.4**	**–13.2**
Operating free cash flow[2]	**91.2**	**93.2**	**2.2%**	**2.0**	**39.1**	**38.0**

[1] Undiluted earnings per share in relation to 67,552,638 shares
[2] Free cash flow before acquisitions/securities and before new corporate headquarters

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EXCERPTS FROM THE GROUP MANAGEMENT REPORT:

REVENUE DEVELOPMENT IN DETAIL

In the first half of 2017, Group revenue of Austrian Post fell by EUR 117.4m from the prior-year level to EUR 953.7m. This revenue decrease is attributable to the sale of the subsidiary trans-o-flex in April 2016. Adjusted for the disposed company trans-o-flex, revenue increased in a year-on-year comparison by 1.9 % or EUR 17.4m. Second-quarter Group revenue was down 0.3 % to EUR 465.0m (excl. trans-o-flex). On the one hand, the diverging quarter-on-quarter revenue development was due to seasonal effects. The first quarter of 2017 featured two additional working days, whereas the second quarter had two fewer working days. On the other hand, second-quarter revenue showed a somewhat weaker development in a year-on-year comparison, in light of the fact that additional revenue was generated from elections in the comparable period of 2016. In contrast, 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 has positively influenced revenue development.

Revenue of the **Mail & Branch Network Division** fell by 2.2 % to EUR 720.9m during the period under review. The downward revenue development in the first six months of 2017 was primarily attributable to the ongoing trend towards electronic substitution of traditional letter mail. Direct mail revenue has also decreased in the second quarter mainly due to the lack of impetus from elections. On balance, elections contributed EUR 11.5m in additional Mail & Branch Network revenue in the second quarter of 2016 but had no substantial revenue effect in the respective period of 2017.

In the first half of 2017, Letter Mail & Mail Solutions revenue amounted to EUR 395.5m, a drop of 2.0 % from the previous year. Second-quarter 2017 revenue in this area fell by 4.8 % to EUR 189.2m. 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. Furthermore, there were increased one-off mailings in the reporting period on the part of individual customers, predominantly banks and insurance companies. 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. Moreover, substantial revenue contributions were generated by elections in the second quarter of the previous year. The decline in letter mail volumes resulting from the substitution of letters by electronic forms of communication continued during the reporting period. Taking these revenue effects into account, there continued to be a basic downward trend in traditional letter mail volumes averaging minus 4–5 % during the last quarters. In the first six months of 2017, revenue of the Direct Mail business fell 1.5 % to EUR 203.1m. First-quarter revenue from advertising mail increased whereas second-quarter revenue was down 5.9 %. This diverging development is primarily attributable to seasonal effects. The number of working days was distributed differently in a quarterly comparison. In addition, the weaker advertising phase occurred in the second quarter due to the late Easter holidays in the reporting period. Furthermore, elections in the second quarter of 2016 increased revenue, whereas there have been no substantial revenue contributions from elections so far in 2017. Generally speaking, the direct mail business benefitted from an increase in unaddressed mailings (mainly food retailers) in contrast to the decrease in addressed direct mail volumes. Media Post revenue fell by 4.7 % year-on-year to EUR 67.1m. This development is primarily due to the declining subscription business for newspapers and magazines. The decrease in Media Post revenue was reduced to 1.4 % in the second quarter of 2017. Branch Services revenue at EUR 55.2m was down 2.6 % from the previous year, and second-quarter revenue in this area fell by 6.0 %. Higher sales of retail products were in contrast to the structural decline in financial services.

Total revenue of the **Parcel & Logistics Division** decreased in the first half-year of 2017 from EUR 334.3m to EUR 232.7m. Divisional revenue was up 16.7 % excluding the company trans-o-flex which was deconsolidated in the previous year and contributed revenue of EUR 134.8m in the first half of 2016. The segment change effective January 1, 2017 of the Bulgarian subsidiary M&BM Express OOD, which was still assigned to the Mail & Branch Network Division in the prior-year period, had a positive impact on revenue development. Revenue of the Parcel & Logistics Division was up 14.1 % 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 from this market growth in the first half of 2017. The basic upward revenue trend in the first six months of 2017 is estimated to equal somewhat more than 10 %. Additional revenue was generated through the launch of a simplified product structure featuring the new product, the “Packet”, a special product offering designed to meet the requirements of online orders. Intense competition still prevails. At the same time, demand for quality and delivery speed as well as price pressure is increasing. From a regional perspective, 80.1 % of total revenue in the Parcel & Logistics Division was generated in Austria in the first half of the 2017 financial year and 19.9 % by the subsidiaries in South East and Eastern Europe. The business in Austria and in the CEE/SEE markets showed substantial growth. Revenue rose 15.3 % in Austria in the first half of 2017 and 15.0 % in the second quarter. The revenue increase in South East and Eastern Europe in the first six months totalled 22.6 %, with EUR 5.1m of this rise due to M&BM Express OOD, Bulgaria, which is now assigned to the Parcel & Logistics Division. Revenue in CEE/SEE was up by 9.0 % on a like-for-like basis in the first half of 2017.

EXPENSE AND EARNINGS DEVELOPMENT

Raw materials, consumables and services used fell to EUR 196.3m during the period under review, down from EUR 286.3m in the previous year. However, taking into account the sale of trans-o-flex, this expense item increased, which is due to higher costs for outsourced transport services to handle parcel volume growth.

Austrian Post’s staff costs amounted to EUR 514.4m in the first half of 2017, comprising a drop of 5.7 %. On a like-for-like basis excluding trans-o-flex, staff costs in the reporting period were somewhat lower than in the previous year. The resolute continuation of measures to enhance efficiency and improve the staff structure succeeded in compensating for annual salary increases and biennial pay rises. As a result, operational staff costs were slightly below the prior-year level. In addition to operational staff costs, staff costs also include 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. Total non-operational staff costs including changes in provisions relating to the revised discount interest rates in the first half of 2017 totalled EUR 23.4m, down EUR 5.7m from the prior-year level. Non-operational staff costs in the reporting period primarily included termination benefits and social compensation. In contrast, a positive earnings effect of EUR 4.2m resulted from the adjustment of discount interest rates for various staff-related provisions against the backdrop of the development of the international interest rate environment.

On the basis of the solid revenue development, earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post rose by 4.5 % or EUR 6.1m in the first half of 2017 to EUR 143.3m, corresponding to an EBITDA margin of 15.0 %. Depreciation, amortisation and impairment losses equalled EUR 41.1m in the first half of 2017, an increase of EUR 2.6m from the previous year. The current reporting period included an impairment loss for goodwill recognised for Weber Escal d.o.o., Croatia, in the amount of EUR 2.7m, whereas an impairment loss on goodwill of EUR 2.0m was reported in the previous year for PostMaster s.r.l., Romania. In addition, the first half-year of 2017 included other impairment losses totalling EUR 2.7m. Accordingly, earnings before interest and tax (EBIT) in the first six months of 2017 were EUR 102.2m, an increase of 3.6 % or EUR 3.5m from the previous year. The EBIT margin equalled 10.7 %.

As a result, earnings before tax amounted to EUR 102.1m, compared to the prior-year figure of EUR 98.1m. The income tax expense equalled EUR 25.9m, up EUR 1.5m from the first half of 2016. After deducting income tax, the Group’s profit for the period (profit after tax) was EUR 76.2m, up from EUR 73.8m in the previous year. Accordingly, undiluted earnings per share were EUR 1.13 for the first six months of 2017.

From a divisional perspective, EBITDA reported by the **Mail & Branch Network Division** totalled EUR 158.0m in the first half of 2017, representing a year-on-year decline of 2.2 %. EBIT in the first half-year improved by 1.2 % to EUR 145.0m despite a drop in revenue. Negative interest rate effects for staff-related provisions reduced prior-year earnings, in contrast to the positive impact on earnings from the intensified logistics synergies and the increased delivery of the new “Packet” by mail logistics.

The **Parcel & Logistics Division** generated an EBITDA of EUR 27.0m in the first six months of 2017, compared to the prior-year level of EUR 22.5m. EBIT in the period under review was EUR 19.0m, representing a year-on-year rise of 12.2 %. EBIT in the first half of 2016 included a slightly positive accounting effect related to the disposal of trans-o-flex.

The **Corporate Division** encompasses all non-allocable expenses for central departments in the Group as well as staff-related provisions assigned to it. In addition, the division also includes innovation management and the development of new business models. EBIT of the Corporate Division (incl.

Consolidation) fell by EUR 0.3m to minus EUR 61.8m. The increase in the discount interest rate for interest-bearing provisions had a positive effect on earnings in contrast to the negative effect of higher expenses for social compensation.

CASH FLOW AND BALANCE SHEET

The cash flow from operating activities of EUR 108.9m was EUR 0.4m below the prior-year level. Higher payments for provisions in the first half of 2016 were in contrast to the increase in receivables in the period under review, which reduced the cash flow. Cash outflows for the acquisition of property, plant and equipment (CAPEX) amounted to EUR 28.0m in the first half of 2017, below the level of EUR 38.5m in the previous year. This development is due to lower payments for construction of the new corporate headquarters, which totalled EUR 11.1m in the first half of 2017. The operating free cash flow was EUR 93.2m, up from EUR 91.2m in the first half of 2016.

Austrian Post pursues a conservative balance sheet and financing structure. This is demonstrated primarily 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 614.1 m as at June 30, 2017, corresponding to an equity ratio of 42.4 %. The analysis of the company's financial position shows a high level of liquidity. This includes cash and cash equivalents of EUR 206.9m and securities of EUR 75.6m. These financial resources are in contrast to financial liabilities of only EUR 5.7m.

OUTLOOK 2017

Developments in the first half of 2017 confirm the basic underlying trends in the mail and parcel businesses. The company anticipates volume declines of about 5 % p.a. in the traditional addressed letter mail business, although the volume developments in individual customer segments differ significantly. The direct mail business strongly depends on corporate advertising budgets and the economic environment and is thus subject to fluctuations. Moreover, revenue development is also impacted by election effects. Additional revenue was generated from elections in 2016, especially in the second and fourth quarters, whereas election-related revenue contributions are expected in the third quarter of the current financial year due to early parliamentary elections on October 15, 2017. Parcel volumes are developing positively as a result of the increase in online shopping. The e-commerce trend should continue to enhance strong volume growth of private customer parcels. At present, the parcel market in Austria shows an extremely dynamic development with volume growth of more than 10 % p.a. At the same time, customer demand for quality and delivery is rising against the backdrop of increasing price pressure. Austrian Post expects to be able to maintain its leading competitive position and participate in market growth. Volume trends relevant to the company's business development in recent quarters should continue assuming that the predicted economic upswing persists. On this basis, Austrian Post anticipates a stable or slightly higher revenue development for the entire year 2017 (comparable 2016 revenue excl. trans-o-flex: EUR 1,895.6m).

In order to ensure its long-term success, Austrian Post focuses on strengthening its quality leadership in core markets and further developing postal services to meet current customer requirements. In addition, the company is exploring opportunities in growth markets such as transnational mail volumes. It is also essential to tailor the offering of financial services to meet the challenges posed by the structurally-related decline in retail banking. The contractual agreement with Austrian Post's banking partner BAWAG P.S.K. is valid at least until the end of 2020. With regard to the medium-term future, Austrian Post is currently evaluating how its financial services business can be structured in a rapidly changing retail banking environment. At the same time, Austrian Post will continue to focus on enhancing efficiency and investments at the customer interface to improve service quality. Against the backdrop of strong market growth for private customer parcels, measures are being taken to correspondingly expand capacities. On balance, operational capital expenditure (CAPEX) of EUR 70-80m is planned in 2017, primarily in the fields of sorting technologies, logistics and customer solutions. Furthermore, construction work on the new corporate headquarters is moving ahead on schedule, and will be concluded in the autumn of 2017. Higher medium-term investments are foreseen in the growth area of parcel logistics in Austria. Based on the expected revenue development and resolute cost discipline combined with efficient services Austrian Post targets operating earnings at least at the same level as in the previous year (EBIT 2016: EUR 202.3m).