Q1

INTERIM REPORT FOR THE
FIRST QUARTER OF **2017**

Post

Highlights Q1 2017

– REVENUE

– Revenue increase of 4.0% to EUR 488.7m (excl. trans-o-flex)
– Revenue development positively impacted by seasonal effects

– EARNINGS

– EBIT up 6.4% to EUR 54.4m
– Continuing focus on efficiency enhancement and cost discipline
– Increase in earnings per share to EUR 0.60

– CASH FLOW AND BALANCE SHEET

– Operating free cash flow at EUR 55.2m above the previous year
– Conservative balance sheet structure with a low level of financial liabilities

– OUTLOOK 2017

– Aim to generate stable Group revenue in 2017 (2016: EUR 1.9bn)
– Targeted EBIT in line with 2016 performance

Key Figures

EUR m	Q1 2016	Q1 2017	Change
INCOME STATEMENT			
Revenue	592.8	**488.7**	–17.6%
Revenue excl. trans-o-flex	**469.7**	**488.7**	**4.0%**
EBITDA	69.4	**77.7**	12.0%
EBITDA margin	11.7%	**15.9%**	–
EBIT	**51.1**	**54.4**	**6.4%**
EBIT margin	8.6%	**11.1%**	–
EBT	50.8	**54.2**	6.7%
Profit for the period	38.7	**40.4**	4.5%
Earnings per share (EUR)[1]	**0.57**	**0.60**	**4.6%**
Employees (average for the period, full-time equivalents)	22,952	**20,579**	–10.3%
CASH FLOW			
Gross cash flow	70.7	**65.0**	–8.0%
Cash flow from operating activities	**60.1**	**61.8**	**2.9%**
Investment in property, plant and equipment (CAPEX)	–17.1	**–14.8**	13.8%
Operating free cash flow[2]	**52.0**	**55.2**	**6.1%**

EUR m	Dec. 31, 2016	March 31, 2017	Change
BALANCE SHEET			
Total assets[3]	1,541.8	**1,576.6**	2.3%
Equity	670.0	**710.8**	6.1%
Net cash (–)	–25.7	**–82.2**	<–100.0%
Equity ratio	**43.5%**	**45.1%**	**–**
Capital employed	567.9	**551.6**	–2.9%

[1] Undiluted earnings per share in relation to 67,552,638 shares
[2] Free cash flow before acquisitions/securities and before new corporate headquarters
[3] Includes assets held for sale in the amount of EUR 2.4m as at Dec. 31, 2016 and EUR 1.9m as at March 31, 2017

Statement by the Management Board

Ladies and Gentlemen!
Dear Shareholders!

In the first quarter of the current financial year, Austrian Post's Group revenue amounted to EUR 488.7m. Adjusted for the subsidiary trans-o-flex sold in April 2016, the revenue increase equals 4.0%. This gratifying development was strongly influenced by seasonal effects. There were two additional working days in a year-on-year comparison, and the late Easter holidays had a very positive impact on first-quarter direct mail and parcel revenue. The launch of a simplified product structure featuring the new product named the "Packet", a special mailing offering tailored to the requirements of the e-commerce market, also contributed to the upward revenue development. The basic underlying trends in the mail and parcel segments continued in the first quarter of 2017. The mail business is still being shaped by the ongoing substitution of traditional letters by electronic forms of communication. A positive trend in direct mail was evident for stationary retail outlets, although volatile direct mail volumes are to be expected in the further course of the year due to the lack of impetus from elections. At the same time, Austrian Post is profiting from dynamic parcel growth. Parcels to private customers are strongly increasing thanks to the ongoing popularity of online shopping against the backdrop of intense competition and strong price pressure.

Operating earnings (EBIT) totalled EUR 54.4m, an increase of EUR 3.3m from the previous year. This improvement can be attributed to the gratifying revenue development combined with stringent cost discipline. Synergies in the delivery of letters and parcels, also resulting from the market launch of the new "Packet", are now being more efficiently used. Also in the first quarter of 2017 Austrian Post continued to press ahead with investments in innovative customer solutions and efficient logistics. The company is planning to build a new logistics centre north of Vienna to ensure its future ability to handle a strong increase in parcel volumes with the usual high quality. Moreover, construction work on the new corporate headquarters is proceeding according to plan, and will be completed in the autumn of 2017.

A dividend of EUR 2.00 per share for the past financial year was distributed on May 4, 2017. In this way, Austrian Post once again continued 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. Accordingly, Austrian Post targets a stable development of revenue and operating earnings for the entire 2017 financial year at the same level as achieved in the previous year.

Vienna, May 3, 2017

The Management Board

Georg Pölzl
Chairman of the Management Board –
Chief Executive Officer

Walter Oblin
Member of the Management Board –
Chief Financial Officer

Walter Hitziger
Member of the Management Board –
Mail & Branch Network Division

Peter Umundum
Member of the Management Board –
Parcel & Logistics Division

Business environment and legal framework

— ECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) slightly raised its growth forecast for the global economy. Thanks to the renewed momentum in China's economic output as well as rising consumer prices and robust financial markets, a 3.5% growth rate is expected for 2017 following 3.1% in the previous year. In spite of the short-term improvement in growth prospects, the IMF sees threats to the world economy due to the increasing risk of geopolitical tensions, the creation of trade barriers and rising interest rates in the USA. The IMF expects the eurozone's economic performance in 2017 to remain at the prior-year growth rate of 1.7% (IMF, April 2017).

The Austrian economy is anticipated to expand more strongly following the 1.5% GDP increase achieved in 2016. Foreign trade should make a greater contribution to economic growth alongside good domestic demand, which in turn benefits from favourable labour market conditions. The Austrian Institute of Economic Research (WIFO) forecasts 2.0% growth of the Austrian economy in the current year and 1.8% in 2018 (WIFO, March 2017).

According to available economic data, signs continue to point to growth in South East and Eastern Europe. The IMF expects the CEE region to achieve economic growth of 3.0% in 2017 (e.g. 2.9% in Bulgaria, Croatia and Hungary, 3.0% in Serbia and Bosnia Herzegovina). The IMF expects GDP in Turkey to increase by 2.5% (IMF, April 2017).

— MARKET ENVIRONMENT

In addition to the overall economic environment, the business development of Austrian Post is mainly influenced by the following international trends, which pose risks but also offer opportunities:

In the mail business, the electronic substitution of traditional letter mail is continuing. This global trend impacts all postal companies and is essentially irreversible. In particular, customers in the public sector as well as banks and insurance companies are trying to reduce mail volumes. As a result, Austrian Post continues to expect a decline of about 5% per annum. In contrast, the business with direct mail items strongly depends on the intensity of advertising activities by companies. In this regard, the markets for addressed and unaddressed advertising mail show a diverging volume development. Several customer segments are under pressure due to increasing activities of online retailers, whereas other segments are generating growth. Multi-channel communication and interactive marketing should tend to grow in importance in addition to online advertising.

Parcel volumes in the private customer segment are increasing due to the constantly growing importance of online shopping. In particular, the CEE markets lag behind in the e-commerce segment, which should tend to result in more dynamic growth of parcel volumes.

The development of the international parcel and freight business is largely dependent on general economic trends, international trade flows and related price developments. Competitive intensity and price pressure remain high in this area. Trade flows and the required logistics services are becoming increasingly globalised. For this reason, international shipments represent another important factor impacting the growth of the European courier, express and parcel (CEP) market.

— LEGAL FRAMEWORK

The legal framework for Austrian Post's business operations is mainly based on the Austrian Postal Market Act, which took full effect on January 1, 2011:

- Austrian Post remains the universal service provider in Austria even after full-scale market liberalisation, guaranteeing high quality postal services throughout Austria. As legally stipulated, the regulatory authorities (Post Control Commission) carried out an evaluation in 2016 to determine whether other postal service companies can provide universal postal services prescribed by law. This is not the case.
- The Universal Postal Service Obligation is limited primarily to mail posted at the legally stipulated access points, i.e. postal service points or letterboxes, based on general terms of trade (not individually negotiated).

This safeguards the supply of basic postal services to the Austrian population and economy. Postal services for mail items brought to sorting centres by large customers, with the exception of newspapers, are not considered to be an integral component of universal postal services.

- A change in the Postal Market Act took effect on November 27, 2015. This enables Austrian Post to offer, in addition to letter mail (with strict delivery time standards), so-called non-priority letter mail within the context of universal postal services. The delivery time of these non-priority letters is regularly allowed to take up to four days. However, in this respect Austrian Post does not yet offer such a universal postal service product.
- The regulatory authority approved innovation of the company's product structure effective January 1, 2017. This includes adjustments to letter mail and parcel products, especially the launch of a new product, the "Packet", designed for lightweight shipments.

Business development and economic situation

— CHANGES IN THE SCOPE OF CONSOLIDATION

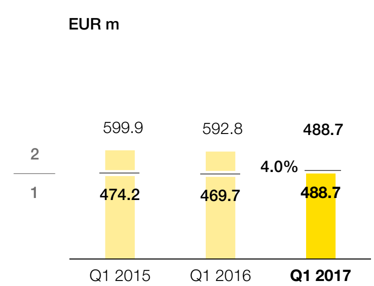
The segment change for M&BM Express OOD, Bulgaria from the Mail & Branch Network Division to the Parcel & Logistics Division took place effective January 1, 2017. The underlying reason for this reclassification is the conversion of the company's business model from a focus on letter mail to parcel distribution. Austrian Post owns a 76% stake in M&BM Express OOD.

— REVENUE AND EARNINGS

REVENUE DEVELOPMENT

In the first quarter of 2017, Group revenue of Austrian Post fell by EUR 104.1m from the prior-year level to EUR 488.7m. 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 4.0% or EUR 19.0m. Two seasonal effects positively impacted first-quarter revenue development. First, the reporting period featured two additional working days.

REVENUE DEVELOPMENT



1 – Revenue excl. trans-o-flex
2 – trans-o-flex

Moreover, the disproportionately strong business in the pre-Easter weeks led to substantial volume increases for parcels and direct mail items in March 2017. As a consequence of the very late Easter holidays, the somewhat weaker advertising phase during the Holy Week took place in the second quarter of the current financial year in contrast to the Holy Week in the first quarter of 2016.

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 positively influenced revenue development.

REVENUE BY DIVISION

EUR m	Q1 2016	Q1 2017	Change %	Change EUR m
Group revenue	592.8	**488.7**	–17.6%	–104.1
Group revenue excl. trans-o-flex	**469.7**	**488.7**	**4.0%**	**19.0**
Mail & Branch Network	370.5	**372.4**	0.5%	1.9
Parcel & Logistics	222.3	**116.2**	–47.7%	–106.1
Parcel & Logistics excl. trans-o-flex	99.2	**116.2**	17.2%	17.0
Corporate/Consolidation	0.0	**0.0**	–1.4%	0.0
Calendar working days in Austria	62	**64**	–	–

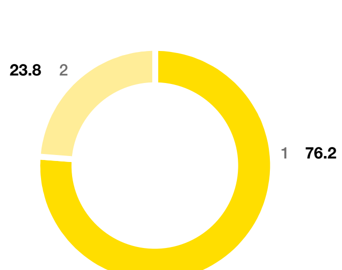
The Mail & Branch Network accounted for the largest share or 76.2% of Group revenue in the first three months of 2017. On balance, revenue of the division rose by 0.5% to EUR 372.4m during the period under review. This increase is mainly due to the aforementioned positive seasonal effects. The general trend towards electronic substitution of traditional letter mail is continuing.

The Parcel & Logistics Division contributed 23.8% of Group revenue in the reporting period. Adjusted for the subsidiary trans-o-flex sold in April 2016, the division generated revenue growth of 17.2% in the first quarter of 2017. The revenue increase excluding the segment change of the Bulgarian subsidiary M&BM Express OOD equalled 14.5%. The upward revenue development was primarily driven by the ongoing trend towards online shopping reinforced by the previously mentioned seasonal effects.

With respect to geographical segments, Austrian Post generated 91.9% of its Group revenue in Austria in the first quarter of 2017, whereas South East and Eastern Europe accounted for 5.6% and Germany for 2.5% of Group revenue.

REVENUE BY DIVISION Q1 2017

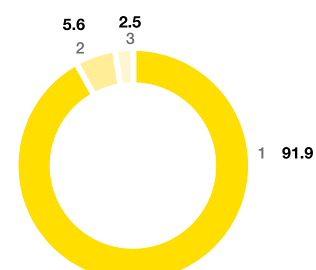
in %



1 – Mail & Branch Network
2 – Parcel & Logistics

REVENUE BY REGION Q1 2017

in %



1 – Austria
2 – South East & Eastern Europe
3 – Germany

REVENUE DEVELOPMENT OF THE MAIL & BRANCH NETWORK DIVISION

EUR m	Q1 2016	Q1 2017	Change %	Change EUR m
Revenue with third parties (external)	**370.5**	**372.4**	**0.5%**	**1.9**
Letter Mail & Mail Solutions	204.9	**206.4**	0.7%	1.5
Direct Mail	102.9	**105.9**	2.9%	3.0
Media Post	34.3	**31.5**	–8.2%	–2.8
Branch Services	28.4	**28.6**	0.8%	0.2
Revenue with other segments (intra-Group)	21.3	**23.8**	11.6%	2.5
Total revenue	391.8	**396.2**	1.1%	4.4

Revenue of the Mail & Branch Network Division totalled EUR 372.4m. Of this amount, 55.4% can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 28.4% of total divisional revenue. Media Post, i.e. the delivery of newspapers and magazines, had a share of 8.5%. Branch Services generated 7.7% of the division's revenue.

In the first quarter of 2017, Letter Mail & Mail Solutions revenue amounted to EUR 206.4m, an increase of 0.7% from the previous year. The basic trend towards declining letter mail volumes as a result of the substitution of letters by electronic forms of communication is continuing, although this development was offset by several positive revenue effects during the period under review. On one hand, the first quarter of 2017 had two working days more than in the prior-year quarter. However, this positive effect will be reversed again in the course of the year, with 2017 as a whole featuring two fewer working days than 2016. In addition, the new product structure and postal rate adjustments for individual products, for example letters with confirmed receipt, led to higher revenue in a year-on-year comparison. 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. Taking into account these revenue effects and one-time mailings on the part of individual customers, there continued to be a basic downward trend of minus 5% in the reporting period with respect to the volume development of traditional letter mail.

In the first three months of 2017, revenue of the Direct Mail business climbed 2.9% to EUR 105.9m. In addition to the two additional working days in a year-on-year comparison, revenue growth is mainly attributable to the increased advertising activities on the part of individual customer groups in the weeks before Easter. The weaker advertising phase during the Holy Week of 2017 took place in the second quarter due to the very late Easter holidays.

Media Post revenue fell by 8.2% year-on-year to EUR 31.5m. This drop of EUR 2.8m is primarily due to the declining subscription business for newspapers and magazines.

Furthermore, revenue development in the Letter Mail, Direct Mail and Media Post areas are generally strongly impacted by election effects. The division generated about EUR 19m in additional revenue from elections in the year 2016, whereas elections should not make any significant contributions to revenue in the current financial year. No major revenue contributions can be attributed to elections in the first quarter of both 2016 and 2017. However, this effect will complicate revenue comparisons in the further course of the year.

Branch Services revenue remained stable at EUR 28.6m, showing a reduction in financial services and a rise in sales of retail products.

REVENUE DEVELOPMENT OF THE PARCEL & LOGISTICS DIVISION

EUR m	Q1 2016	Q1 2017	Change %	Change EUR m
Revenue with third parties (external)	222.3	**116.2**	–47.7%	–106.1
Premium Parcels	166.9	**55.2**	–66.9%	–111.7
Standard Parcels	46.0	**52.8**	14.7%	6.8
Other Parcel Services	9.3	**8.2**	–11.6%	–1.1
Revenue with third parties (external) excl. trans-o-flex	**99.2**	**116.2**	**17.2%**	**17.0**
Revenue with other segments (intra-Group)	2.8	**2.2**	–19.7%	–0.5
Total revenue	225.0	**118.4**	–47.4%	–106.6

Total revenue of the Parcel & Logistics Division decreased in the first quarter of 2017 from EUR 222.3m to EUR 116.2m. Divisional revenue was up 17.2% excluding the deconsolidated company trans-o-flex, which contributed revenue of EUR 123.1m in the first quarter 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 14.5% when adjusted to take account of M&BM Express OOD.

Generally speaking, the private customer parcel market developed very dynamically due to the ongoing e-commerce trend. The Austrian parcel market shows a basic trend of 10% annual growth. Intense competition and high price pressure continue to prevail. In particular, the disproportionately strong Easter business led to higher parcel volumes from online orders. Furthermore, two extra working days in a year-on-year comparison positively impacted the division's revenue development.

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 fulfil the requirements of online orders.

On balance, the Premium Parcels business (parcel delivery within 24 hours) accounted for 47.5% of total divisional revenue in the first quarter of 2017. On a like-for-like basis excl. trans-o-flex, revenue rose 18.1% to EUR 55.2m. Above all, substantial growth rates were achieved by higher value parcels for private customers. The subsidiaries in the CEE region also reported growth.

Standard Parcels, which mainly involves shipments to private customers in Austria, contributed 45.4% to the division's revenue. This segment generated revenue of EUR 52.8m, comprising a rise of 14.7% from the prior-year quarter. The market launch of the new "Packet" and a general volume increase for return parcels also raised revenue.

Other Parcel Services, which includes various additional logistics services, accounted for revenue of EUR 8.2m in the period under review. Adjusted for trans-o-flex, revenue in this business area climbed by EUR 1.8m, which is attributable to the segment change of M&BM Express OOD.

From a regional perspective, 80.6% of total revenue in the Parcel & Logistics Division was generated in Austria in the first quarter of the 2017 financial year and 19.4% by the subsidiaries in South East and Eastern Europe. The business in Austria and in the CEE markets showed substantial growth. Revenue rose 15.6% in Austria and 24.5% in the CEE region. However, EUR 2.6m of this increase is due to M&BM Express OOD, which was assigned to the Parcel & Logistics Division. Revenue in CEE was up by 9.9% on a like-for-like basis.

CONSOLIDATED INCOME STATEMENT

EUR m	Q1 2016	Q1 2017	Change %	Change EUR m
Revenue	**592.8**	**488.7**	**–17.6%**	**–104.1**
Other operating income	23.5	**14.8**	–37.2%	–8.7
Raw materials, consumables and services used	–183.1	**–99.9**	45.5%	83.3
Staff costs	–286.4	**–263.0**	8.2%	23.5
Other operating expenses	–77.3	**–62.3**	19.4%	15.0
Results from financial assets accounted for using the equity method	0.1	**–0.5**	<–100.0%	–0.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**69.4**	**77.7**	**12.0%**	**8.3**
Depreciation, amortisation and impairments	–18.4	**–23.4**	–27.3%	–5.0
Earnings before interest and tax (EBIT)	**51.1**	**54.4**	**6.4%**	**3.3**
Other financial result	–0.2	**–0.1**	46.7%	0.1
Earnings before tax (EBT)	**50.8**	**54.2**	**6.7%**	**3.4**
Income tax	–12.2	**–13.8**	–13.6%	–1.7
Profit for the period	**38.7**	**40.4**	**4.5%**	**1.7**
Earnings per share (EUR)[1]	0.57	**0.60**	4.6%	0.0

[1] Undiluted earnings per share in relation to 67,552,638 shares

EARNINGS DEVELOPMENT

Raw materials, consumables and services used fell to EUR 99.9m during the period under review, down from EUR 183.1m in the previous year. However, taking account of 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 263.0m in the first quarter of 2017, comprising a drop of 8.2%. On a like-for-like basis excluding trans-o-flex, staff costs in the reporting period were only slightly below the previous year. The decisive continuation of measures to enhance efficiency and improve the staff structure succeeded in compensating for annual salary increases and biennial pay rises.

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.

Total non-operational staff costs including changes in provisions relating to revised discount interest rates totalled EUR 13.5m in the first quarter of 2017, a slight drop from the prior-year level. The discount interest rates for various staff-related provisions were increased against the backdrop of the development of international interest rates, which led to a positive earnings effect of EUR 4.1m. In contrast, higher expenditures for termination benefits and social plan models had the opposite effect.

Other operating income at EUR 14.8m in the first quarter of the 2017 financial year was clearly below the previous year. This was in contrast to a reduction of EUR 15.0m in other operating expenses to EUR 62.3m. Adjusted for the disposed subsidiary trans-o-flex, a slight rise in both other operating income and other operating expenses was recorded. Proceeds from various real estate projects improved earnings, whereas expenses rose for IT services, consulting and communications.

The results of the financial assets accounted for using the equity method amounted to minus EUR 0.5m compared to EUR 0.1m in the first quarter of 2016. The prior-year figure included a positive earnings contribution from the Turkish company Aras Kargo a.s., which has been recognised as a financial asset since the end of 2016.

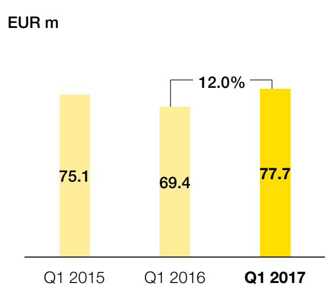
On the basis of the good revenue development in Austria and the CEE region, earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post rose by 12.0% or EUR 8.3m in the first quarter of 2017 to EUR 77.7m, corresponding to an EBITDA margin of 15.9%.

Total depreciation, amortisation and impairment in the reporting period amounted to EUR 23.4m, a rise of EUR 5.0m from the previous year. This development can be attributed to an impairment loss of EUR 2.7m on goodwill for the Croatian subsidiary Weber Escal d.o.o. Further impairment losses were recognised at Overseas Trade Co Ltd d.o.o. amounting to EUR 2.7m.

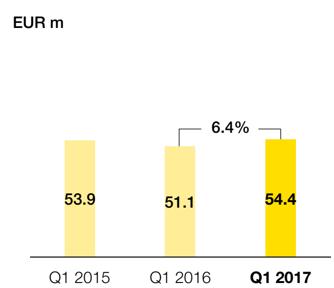
Accordingly, earnings before interest and tax (EBIT) in the first three months of 2017 were EUR 54.4m, comprising a rise of 6.4% or EUR 3.3m from the previous year. The EBIT margin equalled 11.1%.

The other financial result amounted to EUR 0.1m in the first quarter of 2017. As a result, earnings before tax amounted to EUR 54.2m, compared to the prior-year figure of EUR 50.8m. The income tax expense equalled EUR 13.8m, up EUR 1.7m from the first quarter of 2016. After deducting income tax, the Group's profit for the period (profit after tax) was EUR 40.4m, up from EUR 38.7m in the previous year. Accordingly, undiluted earnings per share were EUR 0.60 for the first three months of 2017, compared to EUR 0.57 per share in the prior-year period.

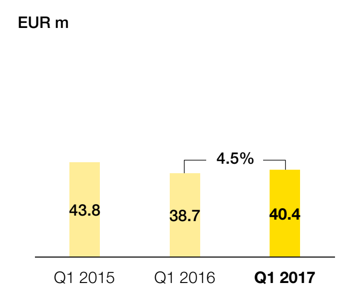
EBITDA



EBIT



PROFIT FOR THE PERIOD



EBITDA AND EBIT BY DIVISION

			Change		Margin
EUR m	Q1 2016	Q1 2017	%	EUR m	Q1 2017
Total EBITDA	**69.4**	**77.7**	**12.0%**	**8.3**	**15.9%**
Mail & Branch Network	79.7	**82.1**	3.0%	2.4	**20.7%**
Parcel & Logistics	10.5	**14.7**	39.7%	4.2	**12.4%**
Corporate/Consolidation	–20.8	**–19.1**	8.4%	1.7	**–**
Total EBIT	**51.1**	**54.4**	**6.4%**	**3.3**	**11.1%**
Mail & Branch Network	71.6	**74.0**	3.4%	2.5	**18.7%**
Parcel & Logistics	7.8	**9.4**	21.2%	1.6	**7.9%**
Corporate/Consolidation	–28.3	**–29.1**	–2.9%	–0.8	**–**

From a divisional perspective, EBITDA reported by the Mail & Branch Network Division totalled EUR 82.1m in the first quarter of 2017, a rise of 3.0%. First-quarter EBIT of the division was EUR 74.0m, compared to EUR 71.6m in the previous year. Driven by further efficiency improvements and strict cost discipline along with the seasonally related revenue increase in the first quarter of the year, EBIT was up 3.4% or EUR 2.5m.

The Parcel & Logistics Division generated an EBITDA of EUR 14.7m in the first three months of 2017, compared to the prior-year level of EUR 10.5m. EBIT in the period under review was EUR 9.4m, representing a year-on-year rise of EUR 1.6m. EBIT of the first quarter 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 encompasses innovation management and the development of new business models. EBIT of the Corporate Division (incl. Consolidation) fell by EUR 0.8m to minus EUR 29.1m. 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 plan models.

— ASSETS AND FINANCES

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.

BALANCE SHEET STRUCTURE BY ITEM

EUR m	Dec. 31, 2016	March 31, 2017	Structure in %
Assets			
Property, plant and equipment	597.6	**587.1**	37.2%
Intangible assets and goodwill	77.5	**74.6**	4.7%
Investment property	69.0	**70.8**	4.5%
Financial assets accounted for using the equity method	9.6	**10.0**	0.6%
Inventories, trade receivables and others	385.9	**387.7**	24.6%
Other financial assets	122.0	**136.7**	8.7%
thereof financial investments in securities	60.9	**75.5**	–
Cash and cash equivalents	277.8	**307.9**	19.5%
Assets held for sale	2.4	**1.9**	0.1%
	1,541.8	**1,576.6**	**100.0%**
Equity and liabilities			
Equity	670.0	**710.8**	45.1%
Provisions	503.3	**493.1**	31.3%
Other financial liabilities	5.6	**5.5**	0.3%
Trade payables and others	361.9	**366.3**	23.2%
Liabilities classified as held for sale	0.9	**1.0**	0.1%
	1,541.8	**1,576.6**	**100.0%**

BALANCE SHEET STRUCTURE

The balance sheet total of Austrian Post amounted to EUR 1,576.6m as at March 31, 2017. On the assets side, property, plant and equipment comprised the largest single balance sheet item at EUR 587.1m, whereas intangible assets totalled EUR 20.9m. The goodwill reported for acquisitions at the end of the first quarter of 2017 amounted to EUR 53.7m. Receivables at EUR 277.8m comprised one of the largest single balance sheet items in current assets. Moreover, Austrian Post boasted a strong cash position (cash and cash equivalents) totalling EUR 307.9m. On the basis of this high level of cash and cash equivalents, the dividend payment of EUR 135.1m for the 2016 financial year took place on May 4, 2017.

The equity and liabilities side of the balance sheet is characterised by a high equity ratio, which equalled 45.1% as at March 31, 2017. This corresponds to equity of EUR 710.8m. Non-current liabilities of EUR 384.4m primarily consisted of provisions totalling EUR 340.7m (including provisions for employee under-utilisation of EUR 159.3m). Current liabilities of EUR 480.4m mainly related to liabilities amounting to EUR 328.1m (including trade payables of EUR 149.9m).

An analysis of the financial position of the company shows a high level of current and non-current financial resources in the amount of EUR 383.4m, comprising cash and cash equivalents totalling EUR 307.9m along with financial investments in securities of EUR 75.5m. These financial resources contrast with financial liabilities of only EUR 5.5m.

CASH FLOW

EUR m	Q1 2016	Q1 2017
Gross cash flow	70.7	**65.0**
Cash flow from operating activities	**60.1**	**61.8**
Cash flow from investing activities	–21.8	**–31.6**
thereof CAPEX excl. new corporate headquarters	–7.5	**–7.4**
thereof CAPEX new corporate headquarters	–9.6	**–7.3**
thereof cash flow from acquisitions/divestments	0.0	**–2.6**
thereof acquisition/disposal of securities	–4.1	**–15.0**
thereof other cash flow from investing activities	–0.5	**0.8**
Free cash flow	38.3	**30.2**
Free cash flow before acquisitions/securities	42.4	**47.9**
Operating free cash flow[1]	**52.0**	**55.2**
Cash flow from financing activities	–1.6	**–0.1**
Change in cash and cash equivalents	36.7	**30.1**

[1] Free cash flow before acquisitions/securities and before new corporate headquarters

CASH FLOW

The gross cash flow totalled EUR 65.0m in the first quarter of 2017, compared to EUR 70.7m in the previous year. The cash flow from operating activities at EUR 61.8m was 2.9% above the prior-year level. In particular, the reduction of liabilities reduced cash flow in the reporting period. In addition, tax payments were somewhat below the prior-year level.

In the first three months of 2017, the cash flow from investing activities reached a level of minus EUR 31.6m, compared to the prior-year figure of minus EUR 21.8m. This deviation is mainly attributable to various movements in securities totalling minus EUR 15.0m, compared to minus EUR 4.1m in the previous year. Moreover, cash outflows for the acquisition of property, plant and equipment (CAPEX) amounted to EUR 14.8m in the first quarter of 2017, below the level of EUR 17.1m in the previous year. This development is due to lower payments for construction of the new corporate headquarters, which totalled EUR 7.3m in the first quarter of 2017.

The operating free cash flow was EUR 55.2m, up from EUR 52.0m in the first quarter of 2016.

INVESTMENTS

In the first three months of 2017, additions to property, plant and equipment and intangible assets amounted to EUR 11.7m, below the comparable prior-year figure of EUR 17.4m. This included investments of EUR 10.2m in property, plant and equipment and EUR 1.5m in intangible assets. The focus of Austrian Post's investment programme in the reporting period was on prepayments and assets under construction, primarily relating to the new corporate headquarters scheduled for completion in the autumn of 2017. Furthermore, investments were also particularly made in investment property as well as other equipment, furniture and fittings.

— EMPLOYEES

The average number of employees (full-time equivalents) at the Austrian Post Group totalled 20,579 people in the first three months of 2017, constituting a year-on-year reduction of 2,373 employees. This reduction can be mainly attributed to the disposal of the German subsidiary trans-o-flex. Most of Austrian Post's staff (16,916 full-time equivalents) is employed by the parent company Österreichische Post AG.

EMPLOYEES BY DIVISION

Average for the period, full-time equivalents	Q1 2016	Q1 2017	Share in %
Mail & Branch Network	16,341	**14,946**	72.6%
Parcel & Logistics	4,749	**3,630**	17.6%
Corporate	1,862	**2,003**	9.7%
Total	**22,952**	**20,579**	**100.0%**

EVENTS AFTER THE REPORTING PERIOD

April 19, 2017 marked the formal closing of the sale of the subsidiary PostMaster s.r.l., Romania. Austrian Post had held a 100% stake in the company.

MAIN RISKS AND UNCERTAINTIES

As an international postal and logistics services provider, the Austrian Post Group is subject to a variety of operational risks in carrying out its business operations. Austrian Post deals responsibly with these risks. The focus on its core business activities, along with decades of experience in the business, have enabled Austrian Post to identify these risks at an early stage, evaluate them and quickly take appropriate precautionary measures.

The main risks and uncertainties which Austrian Post faces, such as the structure of employment contracts, technical, regulatory and legal risks, financial as well as market and competitive risks along with information on the internal controlling system and risk management with regard to the accounting process are described in detail in the Annual Report 2016 of Austrian Post (see the Annual Report 2016, Financial Report, Group Management Report, chapters 8 and 9, and the Consolidated Financial Statements, chapter 10.2).

On the basis of the defined risks, there are also uncertainties for the remaining nine months of the current financial year. Projected shipment volumes in the Mail & Branch Network Division and in the Parcel & Logistics Division are subject to seasonal fluctuations and also depend on the economic development of the respective customer segments. Experience has shown that unfavourable economic conditions faced by customers of Austrian Post have negative effects on the development of letter mail, direct mail and parcel volumes. Furthermore, a subdued economic situation could also have an impact on the Group's competitive position and thus the achievable prices for postal services. Furthermore, traditional mail items are being increasingly replaced by electronic forms of communication.

The parcel market is being positively impacted by the online shopping trend, but at the same time competitors are increasing their activities in order to participate in this market growth more strongly. The resulting shifts in market share and increased price pressure could negatively affect Austrian Post's earnings situation.

The product portfolios and pricing policies of various retail goods such as telecommunication products and financial services are determined by Austrian Post's system partners. In turn, this influences the revenue development of the respective product groups in the branch network.

All the above-mentioned risks could lead to a volume decrease to a not insignificant extent, and, thus, to a corresponding drop in earnings or valuation adjustments. Risks above and beyond normal business operations primarily relate to various structural measures and restructuring expenses as well as the use of technical systems. In addition, the performance of subsidiaries or any required impairment losses could affect the earnings of Austrian Post.

RELATED PARTY TRANSACTIONS

There were no major changes in related party transactions in the first quarter of 2017. Information on related party transactions is provided in the Annual Report 2016 of Austrian Post (see the Annual Report 2016, Financial Report, Consolidated Financial Statements, chapter 11.3).

— OUTLOOK 2017

Developments in the first quarter of 2017 show that the basic underlying trends in the mail and parcel businesses are continuing. Against this backdrop, Austrian Post confirms its previously published guidance for the 2017 financial year.

The trends prevailing over the last few quarterly periods with respect to volume flows relevant to the company's business development should continue, provided that the predicted economic upswing persists. 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 strongly differ. Volatile volumes can be expected in the direct mail segment in the course of the year. The increasing use of online shopping channels should continue to lead to strong volume growth of private customer parcels. Austrian Post expects to be able to maintain its leading competitive position and participate in market growth. The basic upward trend in the Austrian parcel business is estimated to be about 10% per year.

On the basis of the expected volume development, Austrian Post aims to generate Group revenue at a stable level in 2017 (comparable revenue in 2016 excl. trans-o-flex of EUR 1.9bn). Fluctuations in revenue development over the individual quarterly periods in comparison to the prior-year figures are to be expected. This is due to positive revenue effects in the Mail & Branch Network in 2016. Additional revenue was generated from elections, especially in the second and fourth quarters of 2016, whereas election-related revenue of this magnitude is not anticipated in the current financial year.

In order to ensure the successful, long-term positioning of the company, the focus is on strengthening Austrian Post's quality leadership in core markets, and further developing postal services to reflect current customer requirements. In addition, the company is leveraging opportunities in growth markets such as transnational mail volumes. It is also essential to tailor the offering of financial services to customer needs. In this regard, the principle of entrepreneurial due diligence demands a proactive and timely evaluation of how financial services can be designed in order to continue operating this business area as successfully as has been the case up until now.

At the same time, Austrian Post will continue to strongly focus on enhancing efficiency and developing new innovative solutions. Against the backdrop of strong market growth for private customer parcels, measures are being taken to 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.

Austrian Post also confirms its existing outlook for 2017 with respect to its earnings development. The targeted revenue development combined with cost discipline and efficiently provided services should result in a stable operating EBIT at the same level as in the year 2016 (2016 EBIT: EUR 202.3m).

Vienna, May 3, 2017

The Management Board

Georg Pölzl
Chairman of the Management Board –
Chief Executive Officer

Walter Oblin
Member of the Management Board –
Chief Financial Officer

Walter Hitziger
Member of the Management Board –
Mail & Branch Network Division

Peter Umundum
Member of the Management Board –
Parcel & Logistics Division

— CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER OF 2017

EUR m	Q1 2016	Q1 2017
Revenue	592.8	**488.7**
Other operating income	23.5	**14.8**
Total operating income	**616.2**	**503.4**
Raw materials, consumables and services used	–183.1	**–99.9**
Staff costs	–286.4	**–263.0**
Depreciation, amortisation and impairment losses	–18.4	**–23.4**
Other operating expenses	–77.3	**–62.3**
Total operating expenses	**–565.2**	**–448.5**
Profit from operations	**51.0**	**54.9**
Results from financial assets accounted for using the equity method	0.1	**–0.5**
Financial income	1.1	**0.7**
Financial expenses	–1.3	**–0.8**
Other financial result	–0.2	**–0.1**
Total financial result	**–0.2**	**–0.7**
Profit before tax	**50.8**	**54.2**
Income tax	–12.2	**–13.8**
Profit for the period	**38.7**	**40.4**
Attributable to:		
Shareholders of the parent company	38.7	**40.5**
Non-controlling interests	0.0	**0.0**

EARNINGS PER SHARE (EUR)		
Basic earnings per share	**0.57**	**0.60**
Diluted earnings per share	**0.57**	**0.60**

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER OF 2017

EUR m	Q1 2016	Q1 2017
Profit for the period	**38.7**	**40.4**
Items that may be reclassified subsequently to the income statement:		
Currency translation differences - investments in foreign businesses	0.4	**0.4**
Changes in the fair value of financial assets available for sale	0.0	**–0.3**
Tax effect of changes in the fair value	0.0	**0.1**
Financial assets accounted for using the equity method - share of other comprehensive income	–0.5	**0.0**
Total items that may be reclassified	**–0.1**	**0.2**
Items that will not be reclassified subsequently to the income statement:		
Revaluation of defined benefit obligations	–6.1	**0.2**
Tax effect of revaluation	1.5	**0.0**
Financial assets accounted for using the equity method - share of other comprehensive income	–0.2	**0.0**
Total items that will not be reclassified	**–4.8**	**0.1**
Other comprehensive income	**–5.0**	**0.3**
Total comprehensive income	**33.7**	**40.7**
Attributable to:		
Shareholders of the parent company	33.7	**40.8**
Non-controlling interests	0.0	**0.0**

— CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2017

EUR m	Dec 31, 2016	March 31, 2017
ASSETS		
Non-current assets		
Goodwill	56.3	**53.7**
Intangible assets	21.2	**20.9**
Property, plant and equipment	597.6	**587.1**
Investment property	69.0	**70.8**
Financial assets accounted for using the equity method	9.6	**10.0**
Other financial assets	76.3	**81.3**
Trade and other receivables	14.6	**14.2**
Deferred tax assets	76.4	**76.9**
	921.0	**914.9**
Current assets		
Other financial assets	45.7	**55.4**
Inventories	18.1	**18.4**
Trade and other receivables	276.6	**277.8**
Current tax assets	0.3	**0.3**
Cash and cash equivalents	277.8	**307.9**
	618.4	**659.9**
Assets held for sale	**2.4**	**1.9**
	1,541.8	**1,576.6**
EQUITY AND LIABILITIES		
Equity		
Share capital	337.8	**337.8**
Capital reserves	91.0	**91.0**
Revenue reserves	257.6	**298.0**
Other reserves	–16.4	**–16.1**
Equity attributable to the shareholders of the parent company	**670.0**	**710.7**
Non-controlling interests	**0.1**	**0.1**
	670.0	**710.8**
Non-current liabilities		
Provisions	369.0	**340.7**
Other financial liabilities	3.7	**3.6**
Trade and other payables	21.6	**39.2**
Deferred tax liabilities	0.9	**0.9**
	395.2	**384.4**
Current liabilities		
Provisions	134.3	**152.3**
Current tax liabilities	4.8	**10.0**
Other financial liabilities	1.8	**1.9**
Trade and other payables	334.6	**316.2**
	475.6	**480.4**
Liabilities of disposal groups classified as held for sale	**0.9**	**1.0**
	1,541.8	**1,576.6**

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST QUARTER OF 2017

EUR m	Q1 2016	Q1 2017
Operating activities		
Profit before tax	50.8	**54.2**
Depreciation, amortisation and impairment losses	18.4	**23.4**
Results from financial assets accounted for using the equity method	–0.1	**0.5**
Provisions non-cash	23.6	**–3.1**
Taxes paid	–10.7	**–9.1**
Other non-cash transactions	–11.3	**–0.9**
Operating cash flow	**70.7**	**65.0**
Trade and other receivables	18.5	**–1.6**
Inventories	0.8	**–0.4**
Provisions	–12.6	**17.2**
Trade and other payables	–17.3	**–18.4**
Cash flow from operating activities	**60.1**	**61.8**
Investing activities		
Acquisition of intangible assets	–1.1	**–1.9**
Acquisition of property, plant and equipment/investment property	–17.1	**–14.8**
Cash receipts from disposal of assets	1.5	**2.5**
Acquisition of financial assets accounted for using the equity method	0.0	**–2.6**
Acquisition of financial investments in securities	–6.0	**–15.0**
Cash receipts from sales of financial investments in securities	1.9	**0.0**
Loans granted	–1.5	**–0.2**
Interest received	0.5	**0.5**
Cash flow from investing activities	**–21.8**	**–31.6**
Free cash flow	**38.3**	**30.2**
Financing activities		
Changes of other financial liabilities	–1.1	**–0.1**
Dividends paid	–0.2	**0.0**
Interest paid	–0.2	**0.0**
Cash flow from financing activities	**–1.6**	**–0.1**
Change in cash and cash equivalents	**36.7**	**30.1**
Cash and cash equivalents at January 1	300.1	**278.0**
Cash and cash equivalents at March 31	**336.8**	**308.1**

– CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER OF 2016

				Other reserves					
EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation reserves	Revaluation of financial instruments	Currency translation reserves	Equity attributable to shareholders of the parent company	Non-controlling interests	Equity
Balance as at January 1, 2016	**337.8**	**91.0**	**238.2**	**–12.5**	**0.2**	**–13.2**	**641.5**	**0.2**	**641.7**
Profit for the period	**0.0**	**0.0**	**38.7**	**0.0**	**0.0**	**0.0**	**38.7**	**0.0**	**38.7**
Currency translation differences - investments in foreign businesses	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.0	0.4
Revaluation of defined benefit obligations	0.0	0.0	0.0	–6.1	0.0	0.0	–6.1	0.0	–6.1
Financial assets accounted for using the equity method - share of other comprehensive income	0.0	0.0	0.0	–0.2	0.0	–0.5	–0.8	0.0	–0.8
Tax effect	0.0	0.0	0.0	1.5	0.0	0.0	1.5	0.0	1.5
Other comprehensive income	**0.0**	**0.0**	**0.0**	**–4.8**	**0.0**	**–0.2**	**–5.0**	**0.0**	**–5.0**
Total comprehensive income	**0.0**	**0.0**	**38.7**	**–4.8**	**0.0**	**–0.2**	**33.7**	**0.0**	**33.7**
Balance as at March 31, 2016	**337.8**	**91.0**	**276.9**	**–17.3**	**0.2**	**–13.3**	**675.2**	**0.3**	**675.5**

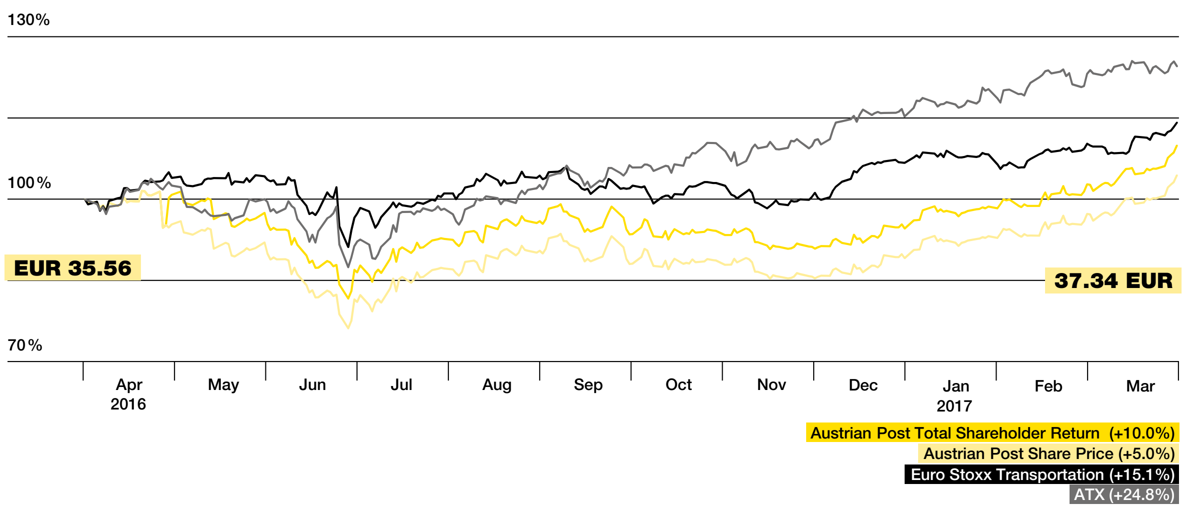
– CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER OF 2017

				Other reserves					
EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation reserves	Revaluation of financial instruments	Currency translation reserves	Equity attributable to shareholders of the parent company	Non-controlling interests	Equity
Balance as at January 1, 2017	**337.8**	**91.0**	**257.6**	**–18.3**	**4.2**	**–2.3**	**670.0**	**0.1**	**670.0**
Profit for the period	**0.0**	**0.0**	**40.5**	**0.0**	**0.0**	**0.0**	**40.5**	**0.0**	**40.4**
Currency translation differences - investments in foreign businesses	0.0	0.0	0.0	0.0	0.0	0.4	**0.4**	0.0	**0.4**
Changes in the fair value of financial assets available for sale	0.0	0.0	0.0	0.0	–0.3	0.0	**–0.3**	0.0	**–0.3**
Revaluation of defined benefit obligations	0.0	0.0	0.0	0.2	0.0	0.0	**0.2**	0.0	**0.2**
Tax effect	0.0	0.0	0.0	0.0	0.1	0.0	**0.0**	0.0	**0.0**
Other comprehensive income	**0.0**	**0.0**	**0.0**	**0.1**	**–0.3**	**0.4**	**0.3**	**0.0**	**0.3**
Total comprehensive income	**0.0**	**0.0**	**40.5**	**0.1**	**–0.3**	**0.4**	**40.8**	**0.0**	**40.7**
Balance as at March 31, 2017	**337.8**	**91.0**	**298.0**	**–18.2**	**4.0**	**–1.9**	**710.7**	**0.1**	**710.8**

FINANCIAL CALENDAR 2017

May 12	Interim Report Q1 2017, Publication 7:30 – 7:40 a.m.
August 10	Half-Year Financial Report 2017, Publication 7:30 – 7:40 a.m.
November 15	Interim Report Q1-3 2017, Publication 7:30 – 7:40 a.m.

DEVELOPMENT OF THE POST SHARE (12-MONTH COMPARISON)



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We have prepared this report and checked the figures with the greatest possible care. Nevertheless, rounding, typographical and printing errors cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids.

This financial report also contains forward-looking statements based on the information currently available to us. These are usually indicated by expressions such as "expect", "anticipate", "estimate", "plan" or "calculate". We wish to note that a wide variety of factors could cause actual circumstances – and thus actual results – to deviate from the forecasts contained in this report.

Statements referring to people are valid for both men and women.

This financial report is also available in German. In case of doubt, the German version takes precedence.

Editorial deadline: May 3, 2017

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