

AUSTRIAN POST Q1 2017: INCREASE IN REVENUE AND EARNINGS

Revenue positively impacted by seasonal effects

- Revenue increase of 4.0% to EUR 488.7m (excl. trans-o-flex)
- Seasonal effects due to the late Easter holiday and two additional working days
- Basic trends in volume development continue (letters about -5%, parcels about +10%)

Stringent focus on customer needs

- New product structure tailored to the requirements of e-commerce market
- Expansion of digital service portfolio (e.g. e-letter, shöpping.at)
- Expansion of capacities in the parcel business

Earnings rise due to the good revenue development

- 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

Outlook 2017 confirmed

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

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 positive 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. 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. "We are very satisfied with the first-quarter revenue and earnings development, although the increase was mainly driven by seasonal effects. The basic volume development trends are continuing, with letter mail declining as a result of electronic substitution and the parcel business profiting from the dynamic growth of the online shopping market. We are striving to achieve a stable development with respect to both revenue and earnings for the entire 2017 financial year", comments Georg Pölzl, CEO of Austrian Post.

MAIL REVENUE HELD UP WELL – FURTHER RISE IN PARCEL REVENUE

Revenue of the Mail & Branch Network 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 with a decline of minus 5% per year is continuing. Adjusted for the subsidiary trans-o-flex sold in April 2016, the Parcel & Logistics 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. 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.

QUALITY LEADERSHIP IN THE CORE BUSINESS

“Thanks to the consistent orientation of our business operations to current customer needs and the ongoing improvement of our service offering, Austrian Post remains the undisputed market leader in the delivery of letters, direct mail items and parcels”, Pölzl adds. In particular, the digital service portfolio is constantly being expanded. Recently, the company launched the e-letter. About 90,000 activations demonstrate the enormous interest in this new solution. The new online marketplace “shöpping.at” is also in a state of infancy. The shöpping platform should become a business hub for domestic retailers and consumers thanks to its broad product range and the high delivery quality guaranteed by Austrian Post. At the same time, Austrian Post will continue to strongly focus on enhancing efficiency and developing new innovative solutions. Synergies in the delivery of letters and parcels, also resulting from the market launch of the new “Packet”, are now being more efficiently used. 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.

CLEAR POSITIONING: RELIABILITY AND STABILITY

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”, says Pölzl. Accordingly, Austrian Post targets a stable development for the entire 2017 financial 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. 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 2016 (2016 EBIT: EUR 202.3m).

The entire version of the outlook as well as detailed information (excerpts) from the Group Management Report can be found starting on page 4. The complete Interim Report Q1 2017 is available at www.post.at/ir--> Reporting.



KEY FIGURES

EUR m	Q1 2016	Q1 2017	Change	
			%	EUR m
Revenue excl. trans-o-flex	469.7	488.7	4.0 %	19.0
Revenue	592.8	488.7	-17.6 %	-104.1
thereof Mail & Branch Network Division	370.5	372.4	0.5 %	1.9
thereof Parcel & Logistics Division	222.3	116.2	-47.7 %	-106.1
Parcel & Logistics Division excl. trans-o-flex	99.2	116.2	17.2 %	17.0
thereof Corporate/Consolidation	0.0	0.0	-1.4 %	0.0
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 impairment losses	-18.4	-23.4	-27.3 %	-5.0
Earnings before interest and tax (EBIT)	51.1	54.4	6.4 %	3.3
thereof Mail & Branch Network Division	71.6	74.0	3.4 %	2.5
thereof Parcel & Logistics Division	7.8	9.4	21.2 %	1.6
thereof Corporate/Consolidation	-28.3	-29.1	-2.9 %	-0.8
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
Cash flow from operating activities	60.1	61.8	2.9 %	1.7
Investments in property, plant and equipment (CAPEX)	-17.1	-14.8	-13.8 %	2.4
Operating free cash flow²	52.0	55.2	6.1 %	3.2

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 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. 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 of the **Mail & Branch Network 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. 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.

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. 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.

EXPENSE AND 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.

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%.

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.

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.

CASH FLOW AND BALANCE SHEET

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. 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.

Austrian Post pursues a conservative balance sheet and financing structure. This is primarily demonstrated by the high equity ratio, low financial liabilities and the solid level of cash and cash equivalents invested with the least possible risk. Equity of the Austrian Post Group amounted to EUR 710.8m as at March 31, 2017, corresponding to an equity ratio of 45.1%. The analysis of the company's financial positions shows a high level of financial resources. This includes cash and cash equivalents of EUR 307.9m and securities of EUR 75.5m. These financial resources are in contrast to financial liabilities of only EUR 5.5m.

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 the 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).

