AUSTRIAN POST H1 2018:

PARCEL GROWTH COMPENSATED FOR DECLINE IN THE MAIL BUSINESS

Revenue

- Slight revenue increase in the first half of 2018 of 0.2% to EUR 955.2m
- Parcel growth (+12.1%) compensated for the decline in Mail & Branch Network (–3.7%)

Earnings

- EBIT up 2.8% to EUR 105.1m
- Earnings per share of EUR 1.12 (–0.5%)

Cash flow and balance sheet

- Higher cash flow due to special payment of BAWAG P.S.K.
- Conservative balance sheet structure with low level of financial liabilities

Outlook 2018 unchanged

- Targeted stability in revenue and earnings

Group revenue of Austrian Post improved by 0.2% in the first half of 2018 to EUR 955.2m. The consistency of prevailing trends was once again demonstrated by developments in the mail and parcel business. Revenue growth of 12.1% in the Parcel & Logistics Division compensated for the 3.7% decline in the Mail & Branch Network Division.

The Mail & Branch Network Division accounted for 72.6% of Austrian Post's revenue. The decrease in revenue in the first half-year of 2018 was due to the fundamental decline in addressed letter mail as a consequence of electronic substitution, as well as lower revenue from addressed and unaddressed advertising mail compared to the previous year and the structural decline in the financial services business. In contrast, the Mail Solutions business showed growth in document logistics and output management. Moreover, the Letter Mail & Mail Solutions business generated growth as a result of increased international e-commerce volumes.

The Parcel & Logistics Division generated 27.4% of Group revenue in the reporting period, continuing its upward trend. The 12.1% increase in revenue was primarily driven by organic volume growth in Austria. Here Austrian Post is profiting from dynamic market growth based on the ongoing online shopping trend. The related competitive intensity and price pressure remain high. "We are optimistic that we will be able to continue maintaining our strong position in this highly competitive market thanks to our outstanding delivery quality and a broad offering of individual customer solutions", says Austrian Post CEO Georg Pölzl. "On the one hand, we are investing in expanding parcel logistics capacities in order to be able to handle the steep increase in parcel volumes in the future. On the other hand, we are promoting innovations to steadily expand the service offering for the benefit of our customers", he adds. In this connection, the ground-breaking ceremony for the new parcel centre in Hagenbrunn

north of Vienna took place on July 10, 2018. Medium-term sorting capacity should be more than doubled to 100,000 parcels per hour. In addition, the company is steadily pressing ahead with the expansion of its service offering based on self-service and online solutions to make it increasingly easier and more convenient to send or receive parcels.

Austrian Post is also being called upon to adapt its service offering in the mail business to current customer requirements in order to ensure its sustainable success. Austrian Post expanded its product portfolio effective July 1, 2018 by introducing a new letter mail product within the context of universal postal services. In line with international trends, the new product and postal rate model offers the option to choose between time-critical and not time-critical items and was well received in the first weeks.

Group EBIT rose by 2.8% year-on-year to EUR 105.1m on the basis of good revenue development combined with strict cost discipline. The solid development in the first half of 2018 should enable Austrian Post to remain committed to its clear capital market positioning as a reliable dividend stock. “Reliability and stability towards our shareholders and other stakeholders of our company are at the heart of our strategic activities – and we would like to continue along the path we have taken”, adds CEO Georg Pölzl. Accordingly, Austrian Post aims to achieve a stable development in revenue and operating results for the entire year 2018 in line with its prior-year performance.

The complete version of the outlook and detailed information from the Interim Report H1 2018 can be found starting on page 4. The entire version is available on the Internet at www.post.at/ir --> Reporting.

KEY FIGURES

EUR m	H1 2017[1]	H1 2018	Change %	Change EUR m	Q2 2017[1]	Q2 2018
Revenue	953.7	955.2	0.2%	1.6	465.0	464.6
Mail & Branch Network	721.4	695.0	–3.7%	–26.4	348.8	335.4
Parcel & Logistics	234.4	262.6	12.1%	28.3	117.3	130.4
Corporate/Consolidation	–2.0	–2.4	–16.9%	–0.3	–1.0	–1.2
Other operating income	27.7	50.9	83.7%	23.2	13.0	16.3
Raw materials, consumables and services used	–196.3	–206.2	–5.1%	–10.0	–96.4	–102.3
Staff costs	–514.4	–516.5	–0.4%	–2.1	–251.4	–242.5
Other operating expenses	–126.7	–137.8	–8.8%	–11.2	–64.4	–67.5
Results from financial assets accounted for using the equity method	–0.8	–1.3	–69.2%	–0.5	–0.2	–0.7
EBITDA	**143.3**	**144.3**	**0.7%**	**1.0**	**65.6**	**67.9**
Depreciation, amortisation and impairment losses	–41.1	–39.3	4.5%	1.9	–17.7	–19.5
EBIT	**102.2**	**105.1**	**2.8%**	**2.9**	**47.8**	**48.4**
Mail & Branch Network	145.0	138.7	–4.3%	–6.3	71.0	65.1
Parcel & Logistics	19.0	20.4	7.4%	1.4	9.6	9.5
Corporate/Consolidation	–61.8	–54.1	12.5%	7.7	–32.7	–26.3
Other financial result	–0.1	3.2	>100%	3.3	0.0	1.5
Earnings before tax	**102.1**	**108.2**	**6.0%**	**6.2**	**47.9**	**49.9**
Income tax	–25.9	–32.3	–24.9%	–6.4	–12.1	–15.8
Profit for the period	**76.2**	**75.9**	**–0.4%**	**–0.3**	**35.8**	**34.1**
Earnings per share (EUR)[2]	1.13	1.12	–0.5%	–0.01	0.53	0.50
Cash flow from operating activities	**108.9**	**173.4**	**59.1%**	**64.4**	**47.1**	**–2.6**
Investment in property, plant and equipment (CAPEX)	**–28.0**	**–67.4**	**<–100%**	**–39.4**	**–13.2**	**–26.4**
Free cash flow	**63.9**	**104.1**	**62.8%**	**40.2**	**33.7**	**–30.1**
Free cash flow before acquisitions/ securities and growth CAPEX[3]	**93.2**	**134.1**	**44.0%**	**41.0**	**38.0**	**–16.9**

[1] Adjustment of revenue in segment reporting
[2] Undiluted earnings per share in relation to 67,552,638 shares
[3] Q2 2017, H1 2017: Free cash flow before acquisitions/securities and new corporate headquarters

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EXCERPTS FROM THE GROUP MANAGEMENT REPORT:

REVENUE DEVELOPMENT IN DETAIL

In the first half of 2018, Group revenue of Austrian Post improved by 0.2% to EUR 955.2m. The consistency of trends in the mail and parcel businesses was once again confirmed. Revenue growth of 12.1% in the Parcel & Logistics Division compensated for the 3.7% revenue decline in the Mail & Branch Network Division. The Mail & Branch Network Division accounted for 72.6% of Group revenue during the period under review. The drop in divisional revenue in the first half-year was the result of the fundamental decrease in addressed letter mail as a result of electronic substitution, lower direct mail revenue compared to the previous year and the structurally-related decline in the financial services business. Growth in Mail Solutions, additional revenue from elections and growth due to on higher international e-commerce volumes pushed up the revenue. The Parcel & Logistics Division generated 27.4% of total Group revenue in the reporting period against the backdrop of an ongoing upward trend. The 12.1% revenue increase was primarily driven by organic volume growth in Austria.

Revenue of the **Mail & Branch Network Division** totalled EUR 695.0m in the first half of 2018. Of this amount, 56.3% can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 27.5% of total divisional revenue. Media Post i.e. the delivery of newspapers and magazines had a share of 9.3%. Branch Services generated 7.0% of the division's revenue. In the first half of 2018, Letter Mail & Mail Solutions revenue amounted to 391.0m, a drop of 1.3% from the previous year. Second-quarter 2018 revenue was down 0.4% to EUR 188.7m. The downward volume development as a consequence of the substitution of letters by electronic forms of communication continued. The basic volume development trend during the period under review was about minus 5% in Austria. The segment change of the Croatian subsidiary Weber Escal d.o.o. assigned to the Parcel & Logistics Division since January 1, 2018 as well as the exit from the mail business in South East and Eastern Europe negatively impacted revenue. In contrast, new services relating to conventional letter mail transport had the opposite effect of increasing divisional revenue. Mail Solutions generated growth of EUR 2.6m mainly in the fields of document logistics and output management. Moreover, the Letter Mail & Mail Solutions business area reported additional revenue of EUR 6.4m from increased international e-commerce volumes. Revenue of the Direct Mail business amounted to EUR 190.9m in the first six months of 2018, representing a year-on-year decline of 6.0%. Second-quarter 2018 revenue decreased by 6.4%. This decline is related to a 2-3% drop in operating revenue and a changed product assignment of international mail items. Customers displayed uncertainty with respect to addressed mail items as a consequence of the new General Data Protection Regulation. Similarly, the exit from the direct mail business in South East and Eastern Europe also reduced revenue. Media Post revenue was down 3.8% to EUR 64.5m in a year-on-year comparison. Revenue in the second quarter of 2018 decreased by 9.0%. This development is mainly attributable to the declining subscription business for newspapers and magazines. Branch Services revenue fell 12.1% in the first half of 2018 to EUR 48.5m. Second-quarter 2018 revenue was down to the same extent by 12.1%. In line with the agreement concluded with the banking partner BAWAG P.S.K., a step-by-step dissolution of the partnership is to take place for the most part by the end of 2019. Revenue generated by consulting services will be continuously reduced but the offer of counter transactions will remain unchanged.

Total revenue of the **Parcel & Logistics Division** rose by 12.1% in the first half of 2018 to EUR 262.6m from EUR 234.4m in the previous year. The segment change of the Croatian subsidiary Weber Escal d.o.o. effective January 1, 2018 increased the revenue, in light of the fact that the company was still recognised as part of the Mail & Branch Network Division in the prior-year period. Adjusted for Weber Escal d.o.o., divisional revenue was up by 9.7%. This strong growth in the parcel business resulted mainly from the ongoing e-commerce trend in Austria. Austrian Post has once again benefitted from this market growth during the reporting period, with national revenue showing double-digit growth in the first half of 2018. Intense competition still prevails. At the same time, demand for quality and delivery speed as well as price pressure are increasing. From a regional perspective, 80.0% of total revenue in the Parcel & Logistics Division was generated in Austria in the first half-year 2018 and 20.0% by the subsidiaries in South East and Eastern Europe. The business in Austria showed revenue growth of 11.8% in the first half of 2018. Revenue in the highly competitive South East and Eastern European region was up 13.3% during the first six months of 2018, with EUR 5.6m of this increase due to the segment change of Weber Escal d.o.o., Croatia.

EXPENSE AND EARNINGS DEVELOPMENT

The largest expense items in relation to Austrian Post's Group revenue are staff costs (54.1%), raw materials, consumables and services used (21.6%) and other operating expenses (14.4%), which is in contrast to other operating income.

Austrian Post's staff costs amounted to EUR 516.5m in the first half of 2018, representing a year-on-year increase by 0.4%. The included operational staff costs of EUR 490.5m were at the prior-year level. Steady efficiency improvements and structural changes made it possible to compensate for salary increases mandated by collective wage agreements. In addition to operational staff costs, staff costs of Austrian Post 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. Non-operational staff costs of EUR 26.0m in the first half of 2018 were somewhat higher than in the previous year. Provisions in the amount of EUR 21.8m allocated for the redimensioning of financial services constituted the largest share of these costs. In contrast, lower expenses for social plan models had the opposite effect.

Raw materials, consumables and services used were up by 5.1% to EUR 206.2m, which is primarily related to higher costs for outsourced transport services required to handle the increase in parcel volumes. Other operating expenses increased by 8.8% to EUR 137.8m. This increase is mainly due to higher maintenance, IT and consulting costs. Other operating income amounted to EUR 50.9m in the first half-year 2018, compared to the prior-year level of EUR 27.7m. This includes one-off income of EUR 20.1m representing a lump sum compensation on the part of the banking partner BAWAG P.S.K.

for shortening the duration of the contractual agreement. The results of the financial assets accounted for using the equity method include proportional profits for the period of joint ventures and associated companies and amounted to minus EUR 1.3m in the first six months of 2018.

Earnings show a stable to slightly positive development. EBITDA at EUR 144.3m was slightly above the previous year, corresponding to an EBITDA margin of 15.1%. Depreciation, amortisation and impairment losses amounted to EUR 39.3m, down by EUR 1.9m from the previous year. No impairment losses were recognised during the reporting period, in contrast to impairment losses of EUR 5.4m recognised in the first half of 2017. EBIT improved by 2.8% year-on-year to EUR 105.1m, implying an EBIT margin of 11.0%.

The other financial result of EUR 3.2m included a positive contribution of EUR 6.1m from interest on claims related to non-wage costs paid in previous periods. Income tax rose by EUR 6.4m compared to the first half of 2017 due to higher tax expenses from previous years. After deducting income tax, the profit for the period totalled EUR 75.9m, comprising a drop of 0.4% year-on-year. Earnings per share equalled EUR 1.12.

From a divisional perspective, EBITDA of the **Mail & Branch Network Division** totalled EUR 148.5m, a drop of 6.0% from the prior-year period. Divisional EBIT was down 4.3% to EUR 138.7m. This decline is mainly attributable to the weaker revenue development. The **Parcel & Logistics Division** achieved revenue growth against the backdrop of intense competition and margin pressure and generated an EBITDA of EUR 25.8m (–4.3%) and EBIT of EUR 20.4m (+7.4%) in the first half of 2018. EBIT of the **Corporate Division** (incl. Consolidation) improved by 12.5% to minus EUR 54.1m. The Corporate Division provides non-operational services for the purpose of managing and controlling at a Corporate Group level. These services include, among other things, the management of commercial properties owned by the Group, the provision of IT services, the development of new business models as well as the administration of the Internal Labour Market of Austrian Post.

CASH FLOW AND BALANCE SHEET

The cash flow in the first half of 2018 was impacted by various special effects. A special payment of EUR 107.0m from BAWAG P.S.K. in connection with the termination of the cooperation agreement with Austrian Post less the financial services provided at the amount of EUR 20.5m in the reporting period resulted in a positive special cash flow effect of EUR 86.5m. Higher maintenance CAPEX and growth CAPEX equalling EUR 67.4m, higher than the prior-year figure of EUR 28.0m, had the opposite effect. Higher payments related to provisions and the income tax expense also tended to reduce the cash flow. The gross cash flow totalled EUR 176.2m in the first half-year 2018, compared to EUR 146.3m in the prior-year period. The cash flow from operating activities amounted to EUR 173.4m in the period under review, up from EUR 108.9m in the previous year. In the first six months of 2018, the cash flow from investing activities reached a level of minus EUR 69.3m, compared to the prior-year figure of minus EUR 45.0m. This increase is due to cash outflows for the acquisition of property, plant and equipment (CAPEX). The difference is primarily attributable to payments totalling EUR 29.1 in the current reporting period for investments made as part of the parcel logistics capacity expansion programme. The free cash flow before acquisitions/ securities and growth CAPEX totalled EUR 134.1m in the first half-year 2018, compared to EUR 93.2m in the previous year.

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. The equity of the Austrian Post Group amounted to EUR 634.1m as at June 30, 2018, corresponding to an equity ratio of 39.2%. The analysis of the financial position of the company shows a high level of current and non-current financial resources to the amount of EUR 334.3m. This includes cash and cash equivalents of EUR 254.6m and securities of EUR 79.6m. These financial resources are in contrast to financial liabilities of only EUR 6.8m.

OUTLOOK 2018 UNCHANGED

Developments in the first half-year confirm the forecasts made by Austrian Post with respect to the projected business development in 2018, and the outlook for the entire year 2018 remains unchanged.

Volume developments in the letter mail, direct mail and parcel segments are expected to be in line with trends prevailing in recent quarters. The company continues to anticipate volume declines of about 5% p. a. in the traditional letter mail business. Addressed and unaddressed direct mail is under pressure due to market and sector-specific conditions. Parcel volumes are steadily rising. Double-digit growth for private customer parcels is expected, driven by the expansion of online shopping. Austrian Post continues to forecast an ongoing stable revenue development in the 2018 financial year (2017 revenue: EUR 1,938.9m). Current planning assumptions remain valid. In particular, the decline in addressed letter mail is a prevailing international trend. A further trend in Europe is to increase the freedom of choice and enable customers to select among various delivery speeds for letters and parcels. Effective July 1, 2018, Austrian Post adapted its service offering correspondingly. The new product and postal rate model distinguishes between time-critical mail items (e. g. documents, urgent letters and parcels) and not time-critical items (e. g. telephone invoices, bank account statements). For example, senders now have three options for a standard letter weighing 20g (e. g. C5 envelope) as of July 2018. In addition to the PRIO (priority) option for next-day delivery at a rate of EUR 0.80, ECO (economy) delivery within 2–3 days is offered for EUR 0.70 within the context of the universal service obligation. Furthermore, an ECO BUSINESS service is available for EUR 0.65 for delivery within 4–5 days outside the universal postal service framework.

In the branch network, the dissolution of the financial services partnership with the current banking partner BAWAG P.S.K. is currently under way. Consulting services will be gradually redimensioned by the end of 2019, whereas the offering of counter transactions will be maintained. In the medium term, the financial services business will remain an important part of Austrian Post's business operations. Talks are being held with other potential financial services partners. The company aims to generate a

10% growth in the parcel business. However, as a result of the current market growth, more intense competition, stronger price pressure and partial delivery by an individual large-volume customer starting in the fall of 2018 are expected.

With respect to its earnings development, Austrian Post continues to pursue the goal of generating stable operating earnings in 2018 (2017 EBIT: EUR 207.8m). In spite of declining volumes, the company anticipates good capacity utilisation of its mail logistics infrastructure, which is now being used more efficiently through the joint delivery of letters and parcels. At the same time, Austrian Post will have to meet the challenges of a redimensioned financial services business.

Austrian Post will continue making investments in efficient structures and processes as well as in enhancing the service quality of letters and parcels. Against the backdrop of ongoing market growth in the private customer parcel segment, the objective is to expand the company’s quality leadership. Accordingly, Austrian Post is investing in efficient delivery services, and is successively expanding its offering of options for customers to drop off mail items. Moreover, hourly sorting capacities are to be doubled in the medium term. In addition to the ongoing basic investments in the core business of about EUR 60–70m annually, additional growth investments in the field of parcel logistics are planned for the coming years. The objective is to expand existing sorting capacities as quickly as possible and invest at least EUR 50m for this purpose in 2018. In addition, there is a possibility of expanding existing commercial properties or to acquire new land. As in the past, the operating cash flow generated by Austrian Post will continue to be used prudently and in a targeted manner to finance sustainable, future-oriented investments.