AUSTRIAN POST Q1 2018:
PARCEL GROWTH COMPENSATED FOR DECLINE IN THE MAIL BUSINESS

Revenue

- Revenue up 0.4% to EUR 490.6m
- Parcel growth (+12.9%) compensated for the decline in the mail business (–3.5%)

Earnings

- EBIT increase of 4.3% to EUR 56.7m
- Earnings per share of EUR 0.62 (+3.5%)

Cash flow and balance sheet

- Increase in reported cash flow due to special payment by BAWAG P.S.K.; operating free cash flow (excl. special effects) of EUR 55.1m at the prior-year level
- Conservative balance sheet structure with low level of financial liabilities

Outlook

- Aiming for stability in revenue and earnings
- Focus on expanding capacities and the service offering

In the first quarter of 2018, Group revenue of Austrian Post improved by 0.4% to EUR 490.6m. The continuation of trends in the mail and parcel businesses was once again confirmed. Revenue growth of 12.9% in the Parcel & Logistics Division compensated for the 3.5% revenue decline in the Mail & Branch Network Division. The Mail & Branch Network Division with first-quarter revenue of EUR 359.6m accounted for 73.1% of Group revenue during the period under review. The division's drop in revenue can be attributed mainly to three reasons: the fundamental decrease in the addressed letter mail as a result of electronic substitution, lower direct mail revenue in the first quarter of 2018 compared to the strong advertising business in the first quarter of the previous year and the structurally-related decline in the financial services business. Additional revenue generated by elections in the fields of Letter Mail & Mail Solutions, Direct Mail and Media Post increased the revenue.

The Parcel & Logistics Division generated revenue of EUR 132.2m, or 26.9% of total Group revenue in the reporting period, a continuation of the upward trend. The 12.9% growth in revenue was primarily driven by organic volume growth in Austria. Austrian Post is profiting from dynamic market growth driven by the 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 quality of delivery and a broad offering of individual customer solutions", says CEO Georg Pölzl. "Moreover, we launched a capacity expansion programme that will enable us to handle the steep increase in parcel volumes in the future." Medium-term sorting capacity should be more than doubled to 100,000 parcels per hour. Furthermore, Austrian

Post continuously expands the service offering based on self-service and online solutions to make it even easier and more convenient to send or receive parcels.

Austrian Post is also called upon to adapt its service offering in the mail business to current customer requirements. The basic downward trend in mail volumes prevailing in recent years continued, with a drop of about 5% in traditional addressed mail in the first quarter of 2018. This makes it even more important for Austrian Post to maintain its high quality standards and expand both its physical and electronic product offering. Accordingly, Austrian Post is expanding its product portfolio effective July 1, 2018 by introducing a new letter mail product within the context of universal postal services. In the wake of international trends, the new product and tariff model offers the choice between time-critical and not time-critical delivery. In addition to the PRIO (priority) option featuring next-day delivery, an ECO (economy) delivery will be offered for delivery within 2-3 days as well as an ECO Business service for delivery within 4-5 days. Direct mail revenue also fell in the first quarter of 2018. However, for the most part this drop is attributable to the strong first quarter of the previous year. As a result of the early Easter holidays, the weak advertising phase during the Holy Week took place in the first quarter of the current financial year in contrast to the Holy Week in the second quarter of 2017.

Group EBIT rose by 4.3% year-on-year to EUR 56.7m on the basis of the good revenue development combined with strict cost discipline. The intensification of logistics synergies between the Mail & Branch Network and Parcel & Logistics divisions also had a positive impact on the company's performance.

A dividend of EUR 2.05 per share was distributed on May 3, 2018. In this way, Austrian Post has once again confirmed 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 this path we have taken we would like to continue ", 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. "We want to remain faithful to our positioning as a reliable company going forward. In the spirit of customer orientation, the quality of our services will continue to be the focus of our business operations", concludes Pölzl.

The complete version of the outlook and detailed information from the Interim Report Q1 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	Q1 2017[1]	Q1 2018	Change %	Change EUR m
Revenue	488.7	490.6	0.4%	2.0
Mail & Branch Network	372.6	359.6	–3.5%	–13.0
Parcel & Logistics	117.1	132.2	12.9%	15.2
Corporate/Consolidation	–1.0	–1.2	–17.3%	–0.2
Other operating income	14.8	34.6	>100%	19.9
Raw materials, consumables and services used	–99.9	–103.9	–4.0%	–4.0
Staff costs	–263.0	–274.0	–4.2%	–11.0
Other operating expenses	–62.3	–70.3	–12.9%	–8.0
Results from financial assets accounted for using the equity method	–0.5	–0.6	–12.5%	–0.1
EBITDA	**77.7**	**76.5**	**–1.6%**	**–1.3**
Depreciation, amortisation and impairment losses	–23.4	–19.8	15.5%	3.6
EBIT	**54.4**	**56.7**	**4.3%**	**2.3**
Mail & Branch Network	74.0	73.6	–0.6%	–0.4
Parcel & Logistics	9.4	10.9	15.6%	1.5
Corporate/Consolidation	–29.1	–27.8	4.5%	1.3
Other financial result	–0.1	1.7	>100%	1.8
Earnings before tax	**54.2**	**58.4**	**7.7%**	**4.2**
Income tax	–13.8	–16.5	–19.7%	–2.7
Profit for the period	**40.4**	**41.8**	**3.5%**	**1.4**
Earnings per share (EUR)[2]	0.60	0.62	3.5%	0.02
Cash flow from operating activities	**61.8**	**175.9**	**>100%**	**114.1**
Investment in property, plant and equipment (CAPEX)	**–14.8**	**–41.0**	**<–100%**	**–26.2**
Free cash flow	**30.2**	**134.2**	**>100%**	**104.0**
Operating free cash flow[3]	**55.2**	**55.1**	**–0.2%**	**–0.1**

[1] Adjustment of revenue in segment reporting
[2] Undiluted earnings per share in relation to 67,552,638 shares
[3] Q1 2018: Free cash flow before acquisitions/securities and Growth CAPEX, excluding special effects of EUR 95.9m as a result of the termination of the cooperation agreement with BAWAG P.S.K.; Q1 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 quarter of 2018, Group revenue of Austrian Post improved by 0.4% to EUR 490.6m. The continuation of trends in the mail and parcel businesses was once again confirmed. Revenue growth of 12.9% in the Parcel & Logistics Division compensated for the 3.5% revenue decline in the Mail & Branch Network Division. The Mail & Branch Network Division accounted for 73.1% of Group revenue during the period under review. The division's first-quarter drop in revenue can be attributed mainly to three reasons: the fundamental decrease in addressed letter mail as a result of electronic substitution, lower direct mail revenue in the first quarter of 2018 compared to the strong advertising business in the first quarter of the previous year and the structurally-related decline in the financial services business. Additional revenue of EUR 2.3m generated by elections in the fields of Letter Mail & Mail Solutions, Direct Mail and Media Post increased revenue, whereas there were no revenue contributions from elections in the prior-year period. The Parcel & Logistics Division generated 26.9% of total Group revenue in the reporting period with the continuing positive trend. The 12.9% growth in revenue was primarily driven by organic volume growth in Austria.

Revenue of the **Mail & Branch Network Division** totalled EUR 359.6m. Of this amount, 56.2% can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 27.8% of total divisional revenue. Media Post, i.e. the delivery of newspapers and magazines, had a share of 8.9%. Branch Services generated 7.0% of the division's revenue. In the first quarter of 2018, Letter Mail & Mail Solutions revenue amounted to EUR 202.2m, a drop of 2.1% from the previous year. The downward volume development as a result 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%. The segment change of the Croatian subsidiary Weber Escal d.o.o., which has been 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. The Mail Solutions business generated increased revenue in the areas of document logistics and output management. Revenue of the Direct Mail business amounted to EUR 100.0m in the first quarter of 2018. The decline of 5.6% is primarily due to the strong performance in the prior-year quarter. As a result of the very early Easter holidays, the weak advertising phase during the Holy Week took place in the first quarter of the current financial year in contrast to the Holy Week in the second quarter of 2017. The exit from the direct mail business in South East and Eastern Europe also had the effect of reducing revenue. Media Post revenue improved by 2.2% year-on-year to EUR 32.2m. Branch Services revenue fell 12.0% in the first three months of 2018 to EUR 25.2m. In line with the agreement concluded with the banking partner BAWAG P.S.K., a step-by-step dissolution of the partnership will be essentially completed 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 12.9% in the first quarter of 2018 to EUR 132.2m from EUR 117.1m in the previous year. The underlying upward revenue trend in the first three months of 2018 continued to exhibit double-digit growth. The segment change of the Croatian subsidiary Weber Escal d.o.o. effective January 1, 2018 increased revenue, due to 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 10.8%. This strong growth in the parcel business resulted mainly from the ongoing e-commerce trend, which led to a substantial increase in private customer parcels. Austrian Post once again benefitted from this market growth during the reporting period. Intense competition still prevails. At the same time, demands on quality and delivery speed as well as price pressure are increasing. From a regional perspective, 80.8% of total revenue in the Parcel & Logistics Division was generated in Austria in the first three months of 2018 and 19.2% by subsidiaries in South East and Eastern Europe. The business in Austria showed revenue growth of 13.1%. Revenue in the highly competitive South East and Eastern European region was up 12.3% during the first three months of 2018, with EUR 2.6m of this increase attributed 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 (55.8%), raw materials, consumables and services used (21.2%) and other operating expenses (14.3%), which is in contrast to other operating income.

Austrian Post’s staff costs amounted to EUR 274.0m in the first quarter of 2018, comprising a year-on-year increase of 4.2%. The included operational staff costs of EUR 247.6m were slightly below the prior-year level. 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, for the most part termination benefits and changes in provisions, which are primarily related to the specific employment situation of civil servants at Austrian Post. Non-operational staff costs in the first quarter of 2018 increased from the previous year. Provisions in the amount of EUR 22.1m allocated for the redimensioning of financial services comprised the largest share of these costs.

Raw materials, consumables and services used were up 4.0% to EUR 103.9m, which is primarily related to higher costs for outsourced transport services required to handle the increase in parcel volumes.

Other operating expenses rose by 12.9% to EUR 70.3m. This increase is mainly due to higher maintenance, IT and consulting costs.

Other operating income in the first quarter of 2018 totalled EUR 34.6m, compared to the prior-year figure of EUR 14.8m. 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 venture and associated companies, and amounted to minus EUR 0.6m in the first three months of 2018.

Earnings showed a stable to slightly positive development. EBITDA at EUR 76.5m was slightly below the previous year, implying an EBITDA margin of 15.6%. Depreciation, amortisation and impairment losses amounted to EUR 19.8m, down EUR 3.6m from the previous year. No impairment losses were recognised during the reporting period, in contrast to impairment losses of EUR 5.4m in the prior-year quarter. EBIT improved by 4.3% year-on-year to EUR 56.7m, comprising an EBIT margin of 11.6%.

The other financial result of EUR 1.7m included a positive contribution of EUR 3.8m from interest on claims related to non-wage costs paid in previous periods. After deducting income tax of EUR 16.5m, the profit for the period totalled EUR 41.8m, up 3.5% from the first quarter of 2017. Earnings per share amounted to EUR 0.62.

From a divisional perspective, the **Mail & Branch Network Division** showed only a slight drop in earnings in the first three months of 2018 against the backdrop of a revenue decrease of EUR 13.0m. EBITDA reported by the division amounted to EUR 78.6m (–4.3%), and EBIT in the reporting period totalled EUR 73.6m (–0.6%). Efficiency enhancement measures as well as the increased delivery of parcels and packets by mail logistics had a positive impact on earnings. The **Parcel & Logistics Division** achieved growth in the light of intense competitive pressure and generated an EBITDA of EUR 13.6m (–7.7%) and an EBIT of EUR 10.9m (+15.6%) in the first quarter of 2018. The core competence of the **Corporate Division** is the development of new business models and online innovation management. In addition, the Corporate Division provides non-operational services for the purpose of administering 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 as well as the administration of the Internal Labour Market of Austrian Post. EBIT of the Corporate Division (incl. Consolidation) improved by 4.5% to minus EUR 27.8m.

CASH FLOW AND BALANCE SHEET

The gross cash flow totalled EUR 107.4m in the first quarter of 2018, compared to EUR 74.1m in the prior-year period. The cash flow from operating activities amounted to EUR 175.9m in the period under review, up from EUR 61.8m in the previous year. This increase is attributable to a special payment made by BAWAG P.S.K. totalling EUR 107.0m as a result of the termination of the cooperation agreement. After deducting financial services provided during the reporting period to the amount of EUR 11.1m, this resulted in special cash flow effects of EUR 95.9m and hence a comparable cash flow from operating activities of EUR 80.0m. In the first three months of 2018, the cash flow from investing activities reached a level of EUR minus 41.7m, compared to the prior-year figure of minus EUR 31.6m. This increase is due to cash outflows for the acquisition of property, plant and equipment (CAPEX) totalling EUR 41.0m in the first quarter of 2018, higher than the prior-year figure of

EUR 14.8m. The difference is primarily attributable to payments of EUR 16.2m in the current reporting period in connection with the capacity expansion programme of Austrian Post. The operating free cash flow (excl. special effects) of EUR 55.1m was at the prior-year level.

Austrian Post pursues a conservative balance sheet policy and financing structure. This is demonstrated by the high equity ratio, low financial liabilities and the solid level of cash and cash equivalents invested at the lowest possible risk. Equity of the Austrian Post Group amounted to EUR 746.3m as at March 31, 2018, corresponding to an equity ratio of 42.0%. The analysis of the company’s financial position shows a high level of liquidity. This includes cash and cash equivalents of EUR 423.9m and securities of EUR 79.8m. These financial resources are in contrast to financial liabilities of only EUR 7.3m.

OUTLOOK 2018 UNCHANGED

First-quarter developments confirm the assessment made by Austrian Post with respect to the projected business development in 2018. 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 addressed letter mail business and stronger volatilities in the quarterly developments of direct mail. Parcel volumes are steadily rising. Double-digit growth for private customer parcels is expected, driven by the expansion of online shopping. All in all, Austrian Post forecasts an ongoing stable revenue development in the 2018 financial year (2017 revenue: EUR 1,938.9m). Current planning assumptions will continue to be valid. In particular, the decline in addressed letter mail is both a national and international trend. A further change in customer needs is the increasing freedom of choice to select among various delivery speeds for letters and parcels. This is already being taken into account in 19 European countries based on a service offering distinguishing between time-critical and not time-critical mail items. Austrian Post will also take advantage of the legal options within the framework of the universal postal service obligation and expand its service offering. The new product and tariff model offers the option to choose between time-critical items (e.g. documents, urgent letters and parcels) and not time-critical items (e.g. telephone invoices and bank statements). For example, if one takes the standard letter weighing 20g, (e.g. a C5 envelope), senders will have three alternatives starting in July 2018: in addition to the PRIO (priority) option for EUR 0.80 featuring next-day delivery, an ECO (economy) delivery will also be offered for EUR 0.70 for delivery within 2-3 days. Moreover, an ECO Business service for EUR 0.65 will be offered above and beyond the universal postal service framework for delivery within 4-5 days.

In the branch network, the dissolution of the financial services partnership with the current banking partner BAWAG P.S.K. will take place over the coming quarterly periods. 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 double-digit growth in the parcel business. However, as a result of current market growth, more intense competition, stronger price pressure or partial own delivery by individual large-volume customers 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). Austrian Post is continually optimising its structures and processes in order to further enhance the efficiency of all its services. In spite of declining volumes, the company anticipates good capacity utilisation of its mail logistics infrastructure, which is being used 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 to resolutely make investments designed to enhance efficiency and service quality at the customer interface. Against the backdrop of ongoing market growth in the private customer parcel segment, measures are being taken to double sorting capacities within the next four years. As a result, increasing investments in Austrian parcel logistics are being earmarked in the medium term. In addition to the ongoing 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 the 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.