PRESS RELEASE

AUSTRIAN POST Q1–3 2018:
PARCEL GROWTH COMPENSATES FOR MAIL DECLINE

Revenue

- Revenue increase of 0.8% to EUR 1,416.4m in the first three quarters of 2018
- Parcel growth (+11.5%) compensated for the decline in the Mail & Branch Network Division (–2.6%)

Earnings

- EBIT up by 1.5% to EUR 141.9m
- Earnings per share of EUR 1.56 (–0.8%)

Cash flow and balance sheet

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

Outlook 2018 and 2019

- Targeted stability in revenue and operating earnings

Austrian Post's Group revenue in the first three quarters of 2018 improved to EUR 1,416.4m, comprising a year-on-year increase of 0.8%. Growth in the parcel business (+11.5%) compensated for the decrease of revenue in the Mail & Branch Network Division (–2,6%).

The Mail & Branch Network Division accounted for 72.3% of total Group revenue. The mail business was characterised by a fundamental decline in addressed letter mail volumes due to electronic substitution, along with lower direct mail revenue compared to the strong advertising business in the previous year and the structural reduction in financial services revenue. In turn, the new product and postal pricing model offering customers the choice between time-critical and not time-critical items since July 1, 2018 has positively impacted the division's revenue development.

The Parcel & Logistics Division generated 27.7% of Group revenue in the period under review against the backdrop of an ongoing upward trend. The 11.5% revenue increase was primarily driven by organic volume growth in Austria. Austrian Post profited from dynamic volume growth related to the ongoing online shopping trend. The implied competition 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", states Austrian Post CEO Georg Pölzl. A capacity expansion programme was launched to enable the company to handle the steep increase in parcel volumes in the future on the basis of expanding existing sorting capacities as quickly as possible. The ground-breaking ceremony for the new parcel centre in Hagenbrunn in the north of Vienna took place in July 2018. Preparations are underway for construction of a new logistics centre in Kalsdorf near Graz. Austrian Post is also

steadily pressing ahead to enhance its service offering based on self-service and online solutions to make it even easier and more convenient to send and receive parcels.

It is important for Austrian Post to roll out a new nationwide financial services business by the beginning of 2020 alongside its regular mail and parcel operations. An important step in this process is the implementation of a banking joint venture with FinTech Group AG.

These targeted growth investments should enable Austrian Post to safeguard its strategic positioning, whereas the cash flow from operating activities will continue to be used for investments in the operating business and maintaining the attractive dividend policy.

On the basis of the solid revenue development combined with strict cost discipline, Group EBIT totalled EUR 141.9m, implying a year-on-year increase of 1.5%. This solid development in the first nine months of 2018 should enable Austrian Post to maintain its clear capital market positioning as a reliable dividend stock. “Reliability and stability towards our shareholders and other stakeholders of our company remain the focal point of our strategic activities, and we want to continue along this path”, 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 the previous year.

You can find the complete version of the outlook as well as detailed information (excerpts) from the Interim Report for the First Three Quarters of 2018 starting on page 4. The entire report is available on the Internet at post.at/ir --> Reporting.

KEY FIGURES

EUR m	Q1–3 2017[1]	Q1–3 2018	Change %	Change EUR m	Q3 2017[1]	Q3 2018
Revenue	1,404.7	1,416.4	0.8%	11.7	451.0	461.1
Mail & Branch Network	1,055.3	1,027.3	–2.6%	–28.0	333.9	332.3
Parcel & Logistics	352.4	392.9	11.5%	40.4	118.1	130.2
Corporate/Consolidation	–3.1	–3.8	–24.1%	–0.7	–1.0	–1.4
Other operating income	43.2	73.9	71.1%	30.7	15.5	22.9
Raw materials, consumables and services used	–296.5	–313.3	–5.7%	–16.8	–100.2	–107.0
Staff costs	–744.8	–756.9	–1.6%	–12.1	–230.4	–240.4
Other operating expenses	–206.7	–211.3	–2.2%	–4.6	–80.0	–73.4
Results from financial assets accounted for using the equity method	–1.1	–1.7	–57.1%	–0.6	–0.4	–0.5
EBITDA	**198.7**	**207.1**	**4.2%**	**8.4**	**55.4**	**62.8**
Depreciation, amortisation and impairment losses	–58.8	–65.2	–10.8%	–6.3	–17.7	–25.9
EBIT	**139.9**	**141.9**	**1.5%**	**2.0**	**37.7**	**36.9**
Mail & Branch Network	200.0	199.0	–0.5%	–1.0	55.1	60.3
Parcel & Logistics	28.9	26.6	–8.0%	–2.3	10.0	6.3
Corporate/Consolidation	–89.1	–83.7	6.0%	5.3	–27.3	–29.7
Other financial result	0.6	4.2	>100%	3.6	0.7	1.0
Earnings before tax	**140.6**	**146.2**	**4.0%**	**5.6**	**38.5**	**37.9**
Income tax	–34.7	–40.9	–17.9%	–6.2	–8.8	–8.5
Profit for the period	**105.9**	**105.3**	**–0.6%**	**–0.6**	**29.7**	**29.4**
Earnings per share (EUR)[2]	1.57	1.56	–0.8%	–0.01	0.44	0.43
Cash flow from operating activities	**166.5**	**252.5**	**51.6%**	**85.9**	**57.6**	**79.1**
Investment in property, plant and equipment (CAPEX)	**–49.5**	**–86.2**	**–74.3%**	**–36.8**	**–21.5**	**–18.9**
Free cash flow	**115.9**	**129.6**	**11.9%**	**13.7**	**52.0**	**25.6**
Free cash flow before acquisitions/ securities and growth CAPEX[3]	**135.2**	**196.9**	**45.6%**	**61.7**	**42.1**	**62.8**

[1] Adjustment of revenue in segment reporting and adjustment of the recognition of profit and loss in the income statement resulting from the disposal of financial assets accounted for using the equity method, recognition is carried out under other operating income or expenses.
[2] Undiluted earnings per share in relation to 67,552,638 shares
[3] Q1–3 2017, Q3 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 nine months of 2018, Group revenue of Austrian Post improved by 0.8% to EUR 1,416.4m. Revenue growth of 11.5% in the Parcel & Logistics Division compensated for the 2.6% revenue decline in the Mail & Branch Network Division.

The Mail & Branch Network Division accounted for 72.3% of Group revenue during the period under review. The decline in divisional revenue during the first three quarters of 2018 was due to the fundamental decrease in addressed letter mail as a result of electronic substitution, lower direct mail revenue compared to the previous year and the structural decline in the financial services business. In turn, the new product structure, expansion in the area of Mail Solutions and growth driven by increased international e-commerce volumes helped to increase revenue. The Parcel & Logistics Division generated 27.7% of total Group revenue in the reporting period against the backdrop of an ongoing upward trend. The 11.5% revenue increase was driven primarily by organic volume growth in Austria.

Revenue of the **Mail & Branch Network Division** totalled EUR 1,027.3m in the first three quarters of 2018. Of this amount, 57.0% can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 27.0% of total divisional revenue. Media Post, i.e. the delivery of newspapers and magazines had a share of 9.0%. Branch Services generated 7.0% of the division’s revenue. In the first nine months of 2018, Letter Mail & Mail Solutions revenue amounted to EUR 585.2m, representing a year-on-year increase of 1.9%. Third-quarter revenue was up by 9.1% to EUR 194.2m. The downward volume development as a consequence of the substitution of letters by electronic forms of communication continued. Revenue was impacted by various special effects, especially in the third quarter of 2018. Transported volumes were supported by numerous one-off mailings by banks. Furthermore, a positive pricing outcome effect took place thanks to the launch of the new product structure as of July 1, 2018. Moreover, additional revenue of EUR 12.0m was achieved by increased international e-commerce volumes, which were largely recognised as direct mail revenue in the previous year. The Mail Solutions business area generated a higher revenue of EUR 4.0m, mainly in the fields of document logistics and output management. In contrast, 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 have negatively impacted the revenue. Revenue of the Direct Mail business amounted to EUR 277.9m in the first nine months of 2018, comprising a year-on-year decline of 6.8%. Third-quarter 2018 revenue fell by 8.7%. The revenue decrease resulted from a drop in operating revenue of about 2–3% and the previously mentioned change in the product assignment of international mail items. In addition, higher direct mail revenue was generated in the previous year from elections and a strong increase related to new sales initiatives, whereas direct mail volumes decreased in the reporting period. Several customers showed uncertainty with respect to addressed mail items as a result of the

new General Data Protection Regulation. Similarly, the exit of Austrian Post from the direct mail business in South East and Eastern Europe also had the effect of reducing revenue.
Media Post revenue was down by 4.1% to EUR 92.8m in a year-on-year comparison. Revenue in the third quarter of 2018 fell by 5.0%. This development is attributable mainly to the declining subscription business for newspapers and magazines. Branch Services revenue declined by 17.0% in the first nine months of 2018 to EUR 71.5m. Third-quarter 2018 revenue was down by EUR 8.0m. 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 from consulting services will be continuously reduced but the offer of counter transactions will remain unchanged. The change in accounting treatment of sales in the area of telecommunications and services in line with IFRS 15 also tended to reduce revenue, in contrast to the decrease in the corresponding cost position.

Total revenue of the **Parcel & Logistics Division** rose by 11.5% in the first nine months of 2018 to EUR 392.9m from EUR 352.4m in the previous year. The segment change of the Croatian subsidiary Weber Escal d.o.o. effective January 1, 2018 increased revenue during the reporting period, given 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 9.1%. This strong growth in the parcel business resulted mainly from the ongoing e-commerce trend in Austria. Austrian Post benefitted from this market growth during the reporting period, with national revenue showing a basic upward trend of 10% in the first three quarters of 2018. Intense competition still prevails. At the same time, the demand for quality and delivery speed as well as price pressure are increasing. From a regional perspective, 80.0% of the total revenue in the Parcel & Logistics Division was generated in Austria in the first three quarters of 2018 and 20.0% by the subsidiaries in South East and Eastern Europe. The business in Austria showed revenue growth of 11.3% in the first nine months of 2018. Revenue in the highly competitive South East and Eastern European region was up by 12.0% during the period under review, with EUR 8.3m 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 (53.4%), raw materials, consumables and services used (22.1%) and other operating expenses (14.9%), which is in contrast to other operating income.

Austrian Post’s staff costs amounted to EUR 756.9m in the first nine months of 2018, comprising a year-on-year increase of 1.6%. The included operational staff costs for wages and salaries were largely stable compared to the previous year. Steady efficiency improvements and structural changes made it possible to offset 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 including changes in provisions and various parameter adjustments in the first three quarters of 2018 were higher than in the previous year. Provisions in the amount of EUR 21.6m allocated for the redimensioning of financial services comprised the largest share of these costs. Moreover, there was a negative effect in the amount of EUR 9.2m, which resulted from the adjustment of the calculation basis for the actuarial valuation of provisions for jubilee benefits. In contrast, lower expenses for social plan models had the opposite effect.

Raw materials, consumables and services used were up by 5.7% to EUR 313.3m, which is primarily related to higher costs for outsourced transport services required to handle the increase in parcel volumes. Other operating expenses increased by 2.2% to EUR 211.3m. This rise is mainly due to higher IT and maintenance costs.

Other operating income amounted to EUR 73.9m in the first three quarters of 2018, compared to the prior-year level of EUR 43.2m. This includes one-off income of EUR 20.1m representing the lump sum compensation by 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 included proportional profits for the period of joint venture and associated companies, and amounted to minus EUR 1.7m.

Earnings show a stable to slightly positive development. EBITDA at EUR 207.1m was 4.2% above the previous year, corresponding to an EBITDA margin of 14.6%. Depreciation, amortisation and impairment losses amounted to EUR 65.2m, comprising a year-on-year increase of EUR 6.3m. In particular, property depreciation and impairment losses were higher than in the prior-year period. EBIT improved by 1.5% from the previous year to EUR 141.9m, implying an EBIT margin of 10.0%.

The other financial result of EUR 4.2m included a positive contribution of EUR 3.4m from interest on claims related to non-wage costs paid in previous periods. Income tax increased by EUR 6.2m compared to the first three quarters of 2017 due to higher tax expenses from previous years. After deducting income tax, the profit for the period totalled EUR 105.3m, representing a year-on-year decrease of 0.6%. Earnings per share equalled EUR 1.56.

From a divisional perspective, EBITDA of the **Mail & Branch Network Division** totalled EUR 214.0m in the first nine months of 2018, a decrease of 1.7% from the prior-year period. Divisional EBIT was down by 0.5% to EUR 199.0m. The high level of cost discipline and the leveraging of further synergies as a consequence of the increased delivery of parcels and packets by letter mail logistics positively impacted earnings. The **Parcel & Logistics Division** achieved revenue growth against the backdrop of intense competition and margin pressure and generated an EBITDA of EUR 34.8m (–11.8%) and EBIT of EUR 26.6m (–8.0%) in the first nine months of 2018. This decrease is mainly attributable to higher costs in the logistics network to avoid capacity bottlenecks as well as an increase in IT and consulting expenses. EBIT of the **Corporate Division** (incl. Consolidation) improved by 6.0% to minus

EUR 83.7m, primarily due to lower costs for social plan models. The Corporate Division provides non-operational services for the purpose of managing and controlling at a Corporate Group level. These services include, among others, the management of commercial properties owned by the Group, the provision of IT services, the development of new business models, and the administration of the Internal Labour Market of Austrian Post.

CASH FLOW AND BALANCE SHEET

The cash flow in the first nine months 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 in the amount of EUR 29.7m in the reporting period resulted in a positive special cash flow effect of EUR 77.3m. In turn, higher maintenance CAPEX and growth CAPEX equalling EUR 86.2m, which was significantly above the prior-year level of EUR 49.5m, had the opposite effect. Higher payments relating to provisions and the income tax expense as well as the acquisition of a 6.5% shareholding in FinTech Group AG also reduced the cash flow. The gross cash flow totalled EUR 251.0m in the first nine months of 2018, compared to EUR 210.7m in the prior-year period. The cash flow from operating activities amounted to EUR 252.5m in the period under review, up from EUR 166.5m in the previous year. In the first nine months of 2018, the cash flow from investing activities reached a level of minus EUR 122.8m, compared to the prior-year figure of minus EUR 50.6m. This increase resulted from payments for the acquisition of property, plant and equipment (CAPEX) and relates mainly to payments totalling EUR 29.3m in the reporting period for investments made as part of the parcel logistics capacity expansion programme. Furthermore, the cash flow from investing activities has also decreased as a consequence of the above-mentioned acquisition of a stake in FinTech Group AG. The free cash flow before acquisitions/securities and growth CAPEX amounted to EUR 196.9m in the first nine months of 2018, compared to EUR 135.2m 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 amount of cash and cash equivalents invested at the lowest possible risk. The balance sheet total of Austrian Post amounted to EUR 1,650.3m as at September 30, 2018. On the assets side, property, plant and equipment comprised the largest single balance sheet item at EUR 639.3m, whereas intangible assets totalled EUR 29.4m. The goodwill reported for acquisitions at the end of the third quarter of 2018 equalled EUR 62.9m. Other financial liabilities amounted to EUR 148.7m, including the stake acquired in FinTech Group AG in the third quarter of 2018 recognised in the amount of EUR 36.7m and the stake in Aras Kargo reported at EUR 26.7m as at September 30, 2018 following the previous valuation of EUR 36.0m as at June 30, 2018. Receivables at EUR 278.4m comprised one of the largest single balance sheet items in current assets. In addition, Austrian Post has a high level of cash and cash equivalents equalling EUR 276.2m. The equity and liabilities side of the balance sheet is characterised by a high equity ratio of 39.6 % as at September 30, 2018. This corresponds to equity of EUR 653.4m. Non-current liabilities of EUR 428.4m consist primarily of provisions totalling EUR 392.0m (including

provisions for employee under-utilisation of EUR 207.7m). Current liabilities of EUR 568.5m are dominated by trade payables of EUR 202.7m. 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 355.8m, including cash and cash equivalents totalling EUR 276.2m along with financial investments in securities of EUR 79.6m. These financial resources contrast with financial liabilities of only EUR 4.6m.

OUTLOOK 2018 AND 2019

Current trends in 2018 confirm the forecasts of Austrian Post with regards to the development of upcoming quarterly periods. The basic trends in the letter mail, direct mail and parcel markets are expected to continue. In spite of positive third-quarter effects, addressed letter mail volumes are expected to decrease by about 5% p.a. in the medium term, advertising mail volumes are subject to the dynamics of the respective customer sectors. In contrast, the steady growth of e-commerce strengthens the volume development for private customer parcels, accompanied by high demand for delivery quality and speed.

Stable outlook for 2018 remains unchanged

Austrian Post continues to forecast an ongoing stable to slightly rising Group revenue development in the 2018 financial year (2017 revenue: EUR 1,938.9m). This stability should also apply to 2018 earnings (2017 EBIT: EUR 207.8m). The company assumes that the new product and postal rate model will continue to be well received by customers. It offers the option between time-critical mail items (e.g. documents, urgent letters and parcels) and not time-critical items (e.g. telephone invoices, bank account statements).

In the branch network, the dissolution of the financial services partnership with the current banking partner BAWAG P.S.K. is currently under way, along with preparations to maintain financial services in cooperation with FinTech Group AG as a part of Austrian Post's business operations.

In the prevailing market environment, the parcel business is subject to more intense competition, stronger price pressure and partial own delivery by an individual large-volume customer in the fourth quarter of 2018. Against the backdrop of further volume growth in private customer parcels, the objective is to further improve structures and processes and continuously expand Austrian Post's quality leadership in letter mail and parcel delivery services as well as the offering of options for customers to drop off mail items. In addition to the ongoing maintenance investments in the core business totalling about EUR 70m in 2018, a parcel logistics growth investment programme was launched to increase the existing sorting capacity as quickly as possible. In this respect, growth investments, at the amount of around EUR 50m are expected in 2018, for the most part designed for the new parcel centre in Hagenbrunn in the north of Vienna.

Stable development also targeted for 2019

Addressed letter mail volumes are likely to continue declining by about 5% p.a. in the medium term, whereas parcel volumes will tend to increase. Austrian Post's own parcel growth in the low to mid-single-digit range should be possible despite own delivery by an individual large volume customer in the Vienna area in 2019.

Against the backdrop of this current market environment, Austrian Post is also striving to achieve stability in revenue and operating results in 2019. An important priority in the coming year will be to further expand service and quality leadership and put an end to existing capacity bottlenecks. In addition to maintenance investments of about EUR 70m, growth investments totalling more than EUR 50m will be made again in 2019. In particular, investments will focus on completing the new parcel centre in Hagenbrunn in the north of Vienna as well as the initial construction phase of a parcel distribution centre in the south of Austria (Kalsdorf near Graz). Furthermore, there is a possibility of expanding existing commercial properties or acquiring new land, for example by the existing logistics centre in the south of Vienna.

It is important for Austrian Post to build up a new nationwide financial services business by the beginning of 2020 alongside its regular mail and parcel operations. A key step in this process is the implementation of a banking joint venture with FinTech Group AG. Negative earnings contributions in the first three years are to be expected during the ramp-up phase of this 50/50 joint venture. These targeted growth investments should enable Austrian Post to safeguard its strategic positioning, whereas the cash flow from operating activities will continue to be used for investments in the operating business and maintaining the attractive dividend policy.