INVESTOR INFORMATION
11 August 2022

AUSTRIAN POST IN H1 2022: Q2 trend improvement against challenging market environment

Business environment H1 2022

- Difficult market environment due to inflation and energy supply uncertainty
- Marginal decline of parcel volumes behind last year's lockdown-related strong volumes
- Improved second-quarter trend with respect to volume development, revenue and earnings

H1 2022 volumes impacted by special and catch-up effects

- Austrian letter mail volumes down by 3% on an operational level but 1% up if special effects included
- Parcel volumes after strong previous year in Austria –5%; Turkey –20%; CEE +10%

H1 2022 revenue down by 4% from the high 2021 level (Q2: –0.8%)

- Mail: –1.4% to EUR 599.5m (Q2: +1.1%)
- Parcel & Logistics: –8.9% to EUR 572.0m or –0.8% excl. Parcel Turkey (Q2: –5.1% or +2.0% excl. Parcel Turkey)
- Retail & Bank: +49.3% to EUR 54.2m (Q2: +49.3%)

H1 2022 earnings below previous year with Q2 improvement

- EBITDA –2.7% to EUR 179.4m (Q2: +14.9%)
- EBIT –12.0% to EUR 91.0m (Q2: +17.7%)

Outlook 2022 unchanged

- Uncertainties remain (delivery bottlenecks, energy market)
- Revenue targeted as close as possible to prior-year performance (basis 2021 revenue: EUR 2.5bn)
- EBIT still expected in the range between 2021 (EUR 205m) and 2020 (EUR 161m)

The first half of 2022 for Austrian Post was shaped by very challenging conditions. Interruptions in international value chains have put an upward pressure on costs intensified by the war in Ukraine. This backdrop and the extraordinarily high parcel volumes in the prior-year quarters make it for a challenging start into 2022. However, volume development on the Austrian parcel market showed an improved trend, with only a 1% decline in the second quarter compared with a 9% in the first one. "Our focus on delivery quality and many customer acquisition initiatives are proving successful. This gives us cause for optimism in the second half of the year," says CEO Georg Pölzl.

Group revenue in the first half-year 2022 totalled EUR 1,211.8m (–4.0%), whereas second-quarter revenue showed an improved trend, with revenue down by only 0.8%. In particular, the parcel business in Turkey was strongly impacted due to inflation and currency effects compared with an extraordinarily successful year in 2021. When excluding Parcel Turkey, however, Group revenue increased by 0.1% in the first half of 2022. The Mail Division reported a revenue decrease of 1.4% in the first six months of the year and Parcel & Logistics revenue fell by 8.9% in total but only by 0.8% excluding Parcel Turkey. In contrast, the Retail & Bank Division developed positively, generating a 49.3% revenue increase to EUR 54.2m in the first six months of 2022.

The key earnings figures in the first half of 2022 were also considerably below the prior-year level, although there was an improvement in the second quarter. EBITDA of the first half-year fell by 2.7% to EUR 179.4m, whereas earnings before interest and tax (EBIT) declined by 12.0% year-on-year from EUR 103.4m to EUR 91.0m. The Mail Division generated EBIT of EUR 82.9m compared to EUR 82.4m in the prior-year period. The good revenue development supported by special effects from one-off mailings created a positive momentum. The Parcel & Logistics Division reported an EBIT of EUR 45.5m in the first half of 2022, down from EUR 59.7m in the first half of 2021. This decline is mainly attributable to the difficult environment in the Turkish market. The Retail & Bank Division showed an EBIT of minus EUR 20.4m in the first half of 2022, implying an earnings improvement of 24.4% compared to minus EUR 27.0m in the previous year. The ramp-up of the financial services business due to the acquisition of the retail business of ING at the end of 2021 had a positive impact, while higher integration-related and IT expenses produced a negative impact.

The difficult business environment is expected to continue into the second half of the year. There is also the risk that the energy market will remain unpredictable and that the gas supply in parts of Europe is not secure. Austrian Post aims to address these unfavourable conditions in terms of both revenue and costs. For this reason, price adjustments are just as necessary as efficiency improvements in internal processes. Assuming a continuation of sufficient energy and gas supply in Europe, the company continues its efforts to generate revenue in 2022 as close to the level of 2021 as possible. From today's perspective, Group earnings (EBIT) in 2022 should be in the range of the results reported in the last two years (2021 EBIT: EUR 205m; 2020 EBIT: EUR 161m). The ambition of the company remains to get as close as possible to the 2021 level. The underlying prerequisite is predictability of gas and energy supply in Austrian Post's markets.

The planned investment programme to expand the logistics infrastructure and to ensure a sustainable vehicle fleet will be fundamentally maintained. Individual investments are being reviewed to ensure adherence to all profitability targets. "By putting the expanded capacities of the parcel logistics centre in Upper Austria into operation in September 2022, our sorting capacities on this site can be significantly expanded. This means a total capacity of 131,000 parcels per hour sorted in our logistics centres throughout Austria," states CEO Georg Pölzl. "We want to make our capacities just as fit for 2030 and equally the conversion of our vehicle fleet to CO_2-free delivery," Georg Pölzl concludes.

The complete version of the outlook as well as detailed information (excerpts) from the Group management report for the first half of 2022 can be found starting on page 4. The entire report is available on the Internet under post.at/ir in the Reporting - Download Centre.

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KEY FIGURES

EUR m	H1 2021[1]	H1 2022	Change %	Change EUR m	Q2 2021[1]	Q2 2022
Revenue	1,262.6	**1,211.8**	**-4.0%**	**-50.9**	**615.6**	**610.4**
Mail	608.2	599.5	-1.4%	-8.7	297.3	300.7
Parcel & Logistics	628.1	572.0	-8.9%	-56.0	304.4	288.9
Retail & Bank	36.3	54.2	49.3%	17.9	18.6	27.7
Corporate/Consolidation	-9.9	-14.0	-40.5%	-4.0	-4.6	-6.9
Other operating income	43.1	59.2	37.4%	16.1	20.9	30.8
Raw materials, consumables and services used	-355.0	-349.4	1.6%	5.6	-169.5	-173.8
Expenses for financial services	-2.3	-6.4	<-100%	-4.1	-1.3	-3.2
Staff costs	-587.6	-571.8	2.7%	15.7	-284.1	-283.9
Other operating expenses	-176.8	-165.1	6.6%	11.7	-96.3	-83.2
Results from financial assets accounted for using the equity method	0.4	0.1	-81.7%	-0.3	0.1	-0.1
Net monetary gain	0.0	1.1	>100%	1.1	0.0	1.1
EBITDA	**184.5**	**179.4**	**-2.7%**	**-5.0**	**85.5**	**98.2**
Depreciation, amortisation and impairm. losses	-81.1	-88.4	-9.1%	-7.4	-41.8	-46.8
EBIT	**103.4**	**91.0**	**-12.0%**	**-12.4**	**43.7**	**51.4**
Mail	82.4	82.9	0.6%	0.5	36.9	41.8
Parcel & Logistics	59.7	45.5	-23.9%	-14.2	23.8	28.0
Retail & Bank	-27.0	-20.4	24.4%	6.6	-8.5	-9.7
Corporate/Consolidation[2]	-11.7	-16.9	-44.6%	-5.2	-8.6	-8.7
Financial result	4.7	-13.5	<-100%	-18.2	2.3	-14.6
Profit before tax	**108.1**	**77.5**	**-28.3%**	**-30.6**	**45.9**	**36.8**
Income tax	-23.9	-22.7	5.2%	1.2	-11.7	-12.5
Profit for the period	**84.2**	**54.8**	**-34.9%**	**-29.4**	**34.3**	**24.3**
Earnings per share (EUR)[3]	**1.18**	**0.83**	**-29.4%**	**-0.35**	**0.47**	**0.38**
Gross cash flow[4]	**227.4**	**161.9**	**-28.8%**	**-65.5**	**117.9**	**84.0**
Cash flow from operating activities	**281.5**	**45.0**	**-84.0%**	**-236.5**	**157.5**	**65.6**
CAPEX	47.0	58.7	24.9%	11.7	28.6	35.1
Free cash flow	**267.1**	**-54.2**	**<-100%**	**-321.4**	**149.5**	**-15.8**
Operating free cash flow[5]	**139.1**	**105.8**	**-23.9%**	**-33.3**	**64.7**	**33.7**

[1] The presentation of financial services in the consolidated income statement has been adjusted. Income from financial services is recognised under revenue, while expenses from financial services are reported separately (previously, income and expenses from financial services were presented net under revenue).
[2] Includes the intra-Group cost allocation procedure
[3] Undiluted earnings per share in relation to 67,552,638 shares
[4] The presentation of the provision of financial services has been adjusted. Interest from financial services were reported separately as part of cash flow from operating activities.
[5] Free cash flow before acquisitions/securities/money market investments, Growth CAPEX and core banking assets

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EXCERPTS FROM THE MANAGEMENT REPORT H1 2022

REVENUE DEVELOPMENT IN DETAIL

In the first half of 2022, Austrian Post's Group revenue decreased by 4.0% year-on-year to EUR 1,211.8m. However, the second quarter showed an improved trend, with revenue down by only 0.8%. In particular, the parcel business in Turkey was strongly impacted by inflation and currency effects following an extraordinarily successful year in 2021. Half-year revenue has increased by 0.1% without accounting for the Turkish business (Parcel Turkey).

The Mail Division reported a 1.4% drop in revenue in the first six months of the 2022 financial year, whereas revenue of the Parcel & Logistics Division fell by 8.9%, or 0.8% excluding the business in Turkey (Parcel Turkey). In contrast, the Retail & Bank Division developed positively, showing a 49.3% revenue increase to EUR 54.2m in the first six months of 2022. The Mail Division generated 48.9% of Austrian Post's revenue in the first half of 2022. The 1.4% revenue decrease can be attributed to structural decline of addressed letter mail volumes due to electronic substitution and lower international mail volumes. This contrasted with positive special effects on traditional letter mail volumes and catch-up effects in the direct mail business which had suffered during the lockdown periods. The Parcel & Logistics Division accounted for 46.7% of Group revenue. In particular, the Turkish parcel business showed a decline compared to the successful business development in the previous year due to the current market situation (inflation and currency effects). Parcel revenue in Austria fell by 1.9% year-on-year compared to a 6.3% revenue increase generated in Southeast and Eastern Europe. The Logistics Solution business showed a stable development. The Retail & Bank Division generated a 4.4% share of total revenue in the first half-year 2022, with revenue of EUR 54.2m or 49.3%. In December 2021, the retail business of ING was acquired. This produced positive effects in the net interest and commission income of bank99.

Revenue of the **Mail Division** totalled EUR 599.5m in the first half of 2022, of which 62.6% can be attributed to the Letter Mail & Business Solutions area. Direct Mail accounted for 27.0% of total divisional revenue, and Media Post had a 10.4% share.
In the first half of 2022, **Letter Mail & Business Solutions** revenue amounted to EUR 375.3m, implying a year-on-year decrease of 4.2%. The basic downward volume trend resulting from the substitution of letters by electronic forms of communication continued. However, the second quarter of 2022 was characterised by positive special effects related to one-off mailings from public authorities and energy suppliers. In the current reporting period, operating letter mail volumes were down by 3% from the first half of 2021 and showed an increase of 1% when including the special effects. Further development will also be impacted by the difficult environment. Inflation-related price increases for fuel, energy and staff costs must be taken into consideration. In turn, this led to necessary adjustments in postal rates: A rate adjustment for Economy Letters took place on 1 July 2022 and Priority Letters will be adjusted as of 1 October 2022. International letter mail also showed a volume decline, whereas the Business Solutions area reported a stable development.
Direct Mail revenue increased by 2.6% year-on-year to EUR 161.7m in the first half of 2022. The government-imposed store closings in response to COVID-19 had an extremely negative effect on the advertising business in the previous year. For this reason, a catch-up effect is noticeable with respect to direct mail volumes, but increased volatility can be expected. The pressure in the direct mail business is intensified by higher prices for energy and paper.
Revenue from **Media Post**, i.e., the delivery of newspapers and magazines, increased by 6.5% from the prior-year period to EUR 62.6m. This increase can be attributed to additional volumes.

Revenue of the **Parcel & Logistics Division** fell by 8.9% in the first half of 2022 to EUR 572.0m. This sharp decrease is attributable mainly to the **parcel business in Turkey**. Turkish revenue in the local currency of the ongoing profitable subsidiary rose by 23% (after valuation IAS 29 hyperinflation) in the first half-year, but a decline of 32.6% had to be reported in euro (–25.7% in the second quarter of 2022). **Parcel Austria** also experienced a 1.9% revenue decline in the first half of 2022. Parcel volumes have now entered a phase of normalisation following extraordinarily strong volume growth in the prior-year periods (first half-year 2021 +20%, first half-year 2020 +36%). However, the trend improved with second-quarter revenue up by 3.4%.
The **parcel business in Southeast and Eastern Europe** continues to generate growth rates, with revenue up by 6.3% to EUR 85.6m in the first six months of 2022 (+8.9% in the second quarter of 2022).
Revenue of the **Logistics Solutions** area (incl. Consolidation), which provides special logistics services such as the transport of COVID-19 test kits, fell by 5.4% to EUR 34.6m in the period under review. Positive special effects relating to logistics services in the previous year were reduced in the current reporting period.

Revenue of the **Retail & Bank Division** improved by 49.3% in the first half of 2022 to EUR 54.2m from the prior-year level of EUR 36.3m. **Branch Services** revenue fell by 12.7%, from EUR 21.5m to EUR 18.7m, in the period under review. **Income from Financial Services** at the amount of EUR 35.4m in the first half of 2022 showed strong growth due to the acquisition of the retail business of ING at the end of 2021. As of the beginning of August 2022, bank99 already has 250,000 customers.

EARNINGS DEVELOPMENT

The largest expense items in relation to Austrian Post's Group revenue are staff costs (47.2%), raw materials, consumables and services used (28.8%) and other operating expenses (13.6%). 7.3% can be attributed to depreciation, amortisation and impairment losses and 0.5% to expenses for financial services.

Staff costs in the first half of 2022 totalled EUR 571.8m, implying a decline of 2.7% or EUR 15.7m. Operational staff costs remained stable compared to the prior-year period. The Austrian Post Group employed an average of 27,144 people (full-time equivalents) in the first six months of 2022 compared to the average of 27,489 employees in the prior-year period (–1.3%). In addition to operational staff costs, staff costs of Austrian Post also include various non-operating staff-related expenses such as severance payments and changes in provisions, which are primarily related to the specific employment situation of civil servant employees at Austrian Post. The net effect from the allocation or reversal of provisions in non-operating staff costs in the first half of 2022 was marginal.

Raw materials, consumables and services used were down by 1.6% to EUR 349.4m. This decline is mainly due to the currency translation of the Turkish lira, which resulted in lower expenses in euro year-on-year. At the same time, higher fuel and energy costs as well as transport services performed by external service providers had the opposite effect.

Other operating income increased by 37.4% in the first half of 2022 to EUR 59.2m and is mainly attributed to COVID-19 related reimbursements from the Austrian Federal Government in connection with sick leaves of employees as well as a positive valuation effect from the put option liability for the remaining 20% stake in Aras Kargo. Other operating expenses fell by 6.6% to EUR 165.1m.

EBITDA amounted to EUR 179.4m in the first half of 2022, comprising a decrease of 2.7% from the prior-year level of EUR 184.5m. This implies an EBITDA margin of 14.8%. Depreciation, amortisation and impairment losses amounted to EUR 88.4m in the first six months of 2022, implying an increase of 9.1% year-on-year or EUR 7.4m. This increase is attributable mainly to investments in new sites for the parcel logistics infrastructure. Due to the application of the financial reporting standard IAS 29 (Financial Reporting in Hyperinflationary Economies), all items of the income statement were adjusted on the basis of a general price index starting at the point in time in which they were initially recorded (thus from 1 January 2022). The net monetary gain or loss is shown as a separate item in the consolidated income statement. For detailed information, refer to Note 5.1 in the Consolidated Interim Financial Statements. The net monetary gain equalled EUR 1.1m at the end of the second quarter of 2022. Group EBIT amounted to EUR 91.0m in the first half of 2022, compared to EUR 103.4m in the prior-year period. The EBIT margin amounted to 7.5%. The EBIT of the first half of 2022 included special effects of EUR +10.9m in connection with the Turkish subsidiary Aras Kargo (valuation option of remaining 20%, IAS 29 hyperinflation, goodwill impairment).

The Group's financial result, which equalled minus EUR 13.5m compared to EUR 4.7m in the first half of 2021, included negative valuation effects of the option obligation for the remaining 20% stake in Aras Kargo amounting to EUR 12.3m. After deducting the income tax of EUR 22.7m, the profit for the period for the first six months of 2022 amounted to EUR 54.8m, down from EUR 84.2m in the prior-year period. This implies undiluted earnings per share of EUR 0.83 compared to EUR 1.18 in the prior-year period.

EARNINGS BY DIVISON

Group EBIT in the first half of 2022 declined from EUR 103.4m to EUR 91.0m and was impacted by the current difficult market environment. In particular, the earnings contribution of the Turkish parcel business was reduced in the first half of 2022 due to inflation and currency pressure after an extraordinarily successful year 2021.

From a divisional perspective, the Mail Division achieved an EBIT of EUR 82.9m in the first half of 2022, compared to EUR 82.4m in the previous year. The good revenue development reinforced by special effects from one-off mailings led to a positive earnings contribution in the division.

The Parcel & Logistics Division generated an EBIT of EUR 45.5m in the first half of 2022, down from EUR 59.7m in the prior-year period. This corresponds to a year-on-year decrease of EUR 14.2m and is primarily attributable to the difficult business environment in the Turkish market. As a result, the earnings contribution of the Turkish subsidiary was positive but lower than in the previous year.

The Retail & Bank Division recorded an EBIT of minus EUR 20.4m in the first half of 2022, compared to minus EUR 27.0m in the first half of 2021. Accordingly, earnings improved by 24.4% or EUR 6.6m. The ramp-up of the financial services business boosted by the acquisition of the retail business of ING at the end of 2021 had a positive effect, whereas higher integration and IT costs negatively impacted earnings.

EBIT of the Corporate Division (incl. Consolidation and intra-Group cost allocation procedure) moved from minus EUR 11.7m to minus EUR 16.9m. The Corporate Division provides non-operating services which are essential for the purpose of administration and financial control of the company. In addition to conventional corporate governance tasks, these services include the management and development of commercial properties not required for operations, the management of significant financial investments, the rendering 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

Gross cash flow in the first half of 2022 amounted to EUR 161.9m compared to EUR 227.4m in the first half of 2021 (–28.8%). Cash flow from operating activities amounted to EUR 45.0m, below the prior-year comparable of EUR 281.5m. In this regard, the biggest effect included the changes in the core banking assets of bank99 totalling minus EUR 89.2m compared to EUR 119.3m in the prior-year period. The change in core banking assets in the current reporting period included, amongst others, the purchase of government bonds in the amount of EUR 284m. Core banking assets include the change in the balance sheet items financial assets from financial services and financial liabilities from financial services excluding cash, cash equivalents and balances with central banks, and thus encompass the deposit and investment business of bank99. Cash flow from operating activities exclusive core banking assets totalled EUR 134.3m in the first half of 2022.

Cash flow from investing activities was minus EUR 99.2m in the first six months of 2022, compared to minus EUR 14.4m in the prior-year period. Expenditure for the acquisition of property, plant and equipment and investment property (CAPEX) amounted to EUR 58.7m in the reporting period.

Austrian Post relies on operating free cash flow as a key indicator to assess the financial strength of its operating business and to cover the dividend for the financial year. Excluding the change in core banking assets, the operating free cash flow totalled EUR 105.8m in the current reporting period compared to EUR 139.1m in the first half of 2021. Cash flow from financing activities came to minus EUR 66.2m in the first six months of 2022, compared to minus EUR 144.6m in the previous year.

Austrian Post relies on a solid balance sheet and financing structure. Total assets amounted to EUR 5,157.8m as at 30 June 2022. On the asset side, property, plant and equipment at EUR 1,280.3m constitute one of the largest balance sheet items and included right-of-use assets in connection with leases of EUR 395.5m. In addition, there were intangible assets and goodwill from company acquisitions, which were reported at EUR 160.6m as at 30 June 2022. The balance sheet showed receivables totalling EUR 368.9m, including current trade receivables of EUR 281.7m. Other financial assets amounted to EUR 79.0m as at 30 June 2022. Financial assets from financial services totalled EUR 2,994.3m at the end of the second quarter of 2022 and result primarily from the business activities of bank99.
On the equity and liabilities side of the balance sheet, equity of Austrian Post Group amounted to EUR 640.7m as at 30 June 2022 (implying an equity ratio of 12.4%). The pro forma equity ratio (bank99 accounted for using the equity method) equalled 28% at the end of June 2022. Provisions of EUR 638.7m are shown on the equity and liabilities side at the end of June 2022, trade and other payables totalling EUR 487.1m. Financial liabilities from financial services of EUR 2,833.0m result from business activities of bank99 (deposit and investment business of bank99 customers).

OUTLOOK FOR 2022

The first six months of 2022 posed major challenges to companies, particularly in Europe. The COVID-19 pandemic, countermeasures and the related delays in the global value chain where at the origin of the global inflation trend. The war in Ukraine is now intensifying price pressures on important raw materials and energy sources. These conditions will continue to prevail in the second half of the year. There is also the risk that the energy market will remain unpredictable and that the gas supply in parts of Europe may not be secured.

Targeted revenue stability in 2022

Austrian Post aims to counteract these unfavourable conditions with respect to both revenue and costs. For this reason, price adjustments are just as necessary as efficiency increases in internal processes. Assuming a continuation of energy and gas supplies in Europe, the company continues to strive to generate 2022 revenue which is as close as possible to the 2021 level. Developments in the past months confirm this assumption.

Stable or slightly lower revenue is forecasted for the Mail Division in 2022. The basic volume development for traditional letter mail will continue to show a downward trend of about 5 % p.a. Positive or negative special effects based on one-off mailings are possible on a quarterly basis. Direct mail and media post volumes will remain volatile. Gas and paper prices negatively impact the cost structure of many customers. Necessary price rises will be continuously implemented due to international pressure on factor costs such as fuel, energy, and staff costs. Accordingly, within the context of the company's universal service obligation, postage rates for Economy Letters featuring delivery within 2–3 days were raised effective 1 July 2022. A further step is the upward adjustment of postal rates for Priority Letters as of 1 October 2022.

Revenue in the Parcel & Logistics Division is expected to decline slightly in 2022. The crucial factor in this respect is the challenging development in Turkey. High inflation and currency depreciation against the euro have already led to a decline in Turkish parcel revenue by 32.6 % in euro terms in the first half-year. In contrast, the parcel business in Austria as well as in Southeast and Eastern Europe developed more favourably. The situation should stabilise now following the substantial volume declines in the first quarter of 2022 in relation to the very high comparable figures in 2021. Parcel volumes in Austria could come close to the prior-year figures against the backdrop of difficult market conditions.

Revenue of the Retail & Bank Division will increase significantly in 2022 due to the acquisition of ING's retail business. The priority at present is the integration of the new unit in bank99 as well as the further ramp-up of customers and expansion of the product portfolio.

Group earnings 2022

The earnings outlook for 2022 remains highly uncertain due to the risks in the European energy market. At the same time, further supply chain constraints, entrenched inflation and more subdued consumer behaviour are to be expected. From today's perspective, Group EBIT should be in the range of the results reported in the last two years, namely EUR 205m in 2021 and EUR 161m in 2020. The ambition of the company is to get as close as possible to the level of 2021. The underlying prerequisite is predictability of the gas and energy supply in Austrian Post's markets.

Continuation of investment programme

The planned investment programme to expand the logistics infrastructure and to ensure a sustainable vehicle fleet will be fundamentally maintained. Individual investments are being assessed to ensure meeting all profitability targets. Maintenance CAPEX in Austria, Southeast and Eastern Europe and Turkey totalling about EUR 100m, comprise the basis of the company's investment activities in 2022. Furthermore, growth CAPEX of about EUR 80m is planned in Austria in 2022, assuming the availability of vehicles and construction services. The conversion of logistics processes to enable climate-free delivery plays a key role in all investment projects.