AUSTRIAN POST

Interim report for the first quarter of 2019

HIGHLIGHTS Q1 2019

Revenue

- Slight revenue increase of 0.4% to EUR 492.5m
- Good parcel growth (+6.7%) compensated for the decline in the Mail & Branch Network Division (–1.4%)

Earnings

- EBIT up by 1.3% to EUR 57.4m
- Earnings per share of EUR 0.64 (+3.4%)

Cash flow and balance sheet

- Operating free cash flow of EUR 60.8m
- Capitalisation of right-of-use assets from leases according to IFRS 16 increased the balance sheet total by EUR 270m

Outlook

- Targeted stability of revenue and earnings in the core business

KEY FIGURES

EUR m	Q1 2018	**Q1 2019**	Change
INCOME STATEMENT			
Revenue	490.6	**492.5**	0.4%
EBITDA	76.5	**84.6**	10.7%
EBITDA margin	15.6%	**17.2%**	–
EBIT	56.7	**57.4**	1.3%
EBIT margin	11.6%	**11.7%**	–
Earnings before tax	58.4	**60.8**	4.2%
Profit for the period	41.8	**43.3**	3.5%
Earnings per share (EUR)[1]	0.62	**0.64**	3.4%
Employees (average for the period, full-time equivalents)	20,193	**20,197**	0.0%
CASH FLOW			
Gross cash flow	107.4	**86.1**	–19.9%
Cash flow from operating activities	175.9	**72.3**	–58.9%
Investment in property, plant and equipment (CAPEX)	–41.0	**–19.7**	52.0%
Free cash flow	134.2	**19.0**	–85.9%
Operating free cash flow[2] (Free cash flow before acquisitions/securities and Growth CAPEX)	55.1	**60.8**	10.4%

EUR m	Dec. 31, 2018	**March 31, 2019**	Change
BALANCE SHEET			
Total assets	1,681.2	**1,980.1**	17.8%
Equity	699.1	**737.5**	5.5%
Net debt/net cash (+/–)	–13.7	**208.7**	>100%
Equity ratio	41.6%	**37.2%**	–
Capital employed	607.9	**868.5**	42.9%

[1] Undiluted earnings per share in relation to 67,552,638 shares
[2] Q1 2018: excluding special effects of EUR 95.9m as a result of the termination of the cooperation agreement with BAWAG P.S.K.

STATEMENT BY THE MANAGEMENT BOARD

Ladies and Gentlemen! Dear Shareholders!

Austrian Post's Group revenue in the first quarter of the current financial year amounted to EUR 492.5m, comprising a slight increase of 0.4% year-on-year. In spite of a challenging market environment, growth in the parcel business (+6.7%) succeeded in compensating for the decline in the Mail & Branch Network Division (–1.4%).

The mail business continues to be driven by the ongoing substitution of traditional letter mail by electronic forms of communication. A structural decline in addressed direct mail volumes is perceptible, impacted also by uncertainty relating to the General Data Protection Regulation. The new product and postal pricing model as well as additional revenue from elections have positively influenced revenue development.

The trend towards e-commerce is continuing in the parcel business, with parcel volumes steadily increasing in Austria. Austrian Post profits from dynamic market growth driven by the ongoing online shopping trend. The related competitive intensity and price pressure remain high. Predicted future parcel volumes have led Austrian Post to work full steam ahead on an extensive expansion of parcel logistics capacities in Austria. Parcel capacities are expected to increase by 25% starting in summer of 2019 when the new parcel centre in Hagenbrunn in the north of Vienna starts its operation. The ground-breaking ceremony for the second planned parcel centre in Kalsdorf near Graz took place on March 18, 2019. Completion is scheduled for mid-2020. Overall transport and sorting capacities should each be doubled over the medium-term. Furthermore, Austrian Post is steadily pressing ahead with the expansion of its service offering based on self-service and online solutions, making it easier and more convenient to send and receive parcels. On the basis of the solid revenue development combined with strict cost discipline, Group EBIT rose by 1.3% year-on-year to EUR 57.4m.

A dividend of EUR 2.08 per share was distributed on April 25, 2019. In this way, Austrian Post has once again confirmed its clear capital market positioning as a reliable dividend stock. Reliability and stability towards shareholders and other stakeholders of our company remain the focal point of our strategic activities, and we want to continue along this path. Accordingly, Austrian Post aims to achieve a stable development in both revenue and operating earnings in the core business in line with the previous year.

Vienna, May 16, 2019

The Management Board

GEORG PÖLZL
CEO
Chairman of the Management Board

WALTER OBLIN
Deputy CEO
Mail & Finance

PETER UMUNDUM
Member of the Management Board
Parcel & Logistics

BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

Changes in the Scope of Consolidation

There were no significant changes in the scope of consolidation in the first quarter of 2019.

Revenue and Earnings

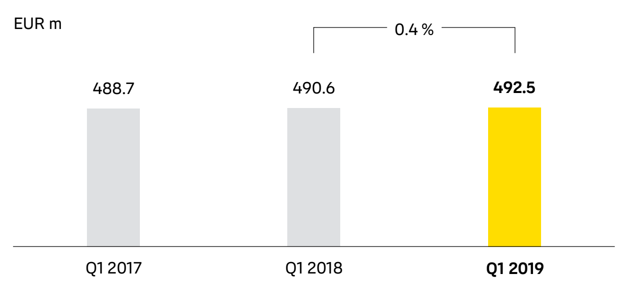
Revenue Development

In the first quarter of 2019, Group revenue of Austrian Post improved by 0.4% to EUR 492.5m. The dynamically growing parcel market resulted in a 6.7% increase in parcel revenue, which compensated for the revenue decline of 1.4% in the Mail & Branch Network Division.

The Mail & Branch Network Division accounted for 71.6% of the Group revenue. The decline in first-quarter divisional revenue was due to the fundamental decrease in addressed letter mail volumes as a result of electronic substitution, lower Direct Mail revenue and the gradual redimensioning of the financial services business in 2019. In turn, the new product structure, growth in the area of Mail Solutions and additional revenue from elections helped to increase revenue.

The Parcel & Logistics Division generated 28.4% of the total Group revenue in the reporting period against the backdrop of an ongoing upward trend. The 6.7% revenue increase was driven primarily by organic volume growth in Austria.

Revenue Development



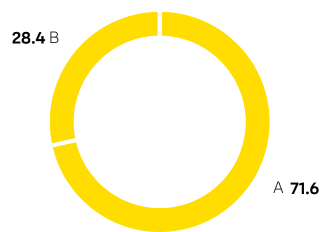
Revenue by Division

EUR m	Q1 2018	Q1 2019	Change %	Change EUR m
Revenue	490.6	**492.5**	0.4%	1.9
Mail & Branch Network	359.6	**354.7**	–1.4%	–4.9
Parcel & Logistics	132.2	**141.0**	6.7%	8.8
Corporate/Consolidation	–1.2	**–3.2**	–	–2.0
Working days in Austria	64	**63**	–	–

From a regional perspective, Austrian Post generated 91.9% of its Group revenue in Austria in the first quarter of 2019. South East and Eastern Europe accounted for 5.6% and Germany for 2.5% of Group revenue.

Revenue by Division Q1 2019

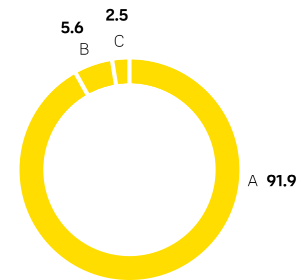
in %



A – Mail & Branch Network
B – Parcel & Logistics

Revenue by Region Q1 2019

in %



A – Austria
B – South East & Eastern Europe
C – Germany

Revenue Development of the Mail & Branch Network Division

EUR m	Q1 2018	**Q1 2019**	Change %	Change EUR m
Revenue	359.6	**354.7**	–1.4 %	–4.9
Letter Mail & Mail Solutions	202.2	**208.2**	2.9 %	6.0
Direct Mail	100.0	**94.0**	–6.0 %	–6.0
Media Post	32.2	**30.7**	–4.7 %	–1.5
Branch Services	25.2	**21.8**	–13.3 %	–3.4
Revenue intra-Group	27.2	**29.7**	9.2 %	2.5
Total revenue	386.8	**384.4**	–0.6 %	–2.4
thereof revenue with third parties	359.3	**353.7**	–1.5 %	–5.5

Revenue of the Mail & Branch Network Division totalled EUR 354.7m in the first quarter of 2019. Of this amount, 58.7 % can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 26.5 % of the total divisional revenue. Media Post had a share of 8.6 %. Branch Services generated 6.2 % of the division's revenue.

In the first quarter of 2019, Letter Mail & Mail Solutions revenue amounted to EUR 208.2m, comprising a year-on-year increase of 2.9 %. The new product structure and additional revenue from elections had a positive impact on revenue. The downward volume development as a consequence of the substitution of letters by electronic forms of communication continued. The basic volume trend in Austria showed a drop of about 3.5 % in the first three months of 2019, the annual expectation is about 5 %. The Mail Solutions business area reported a revenue increase of 5.4 %, mainly in the fields of document logistics and output management.

Revenue of the Direct Mail business fell by 6.0 % in the first quarter of 2019 to EUR 94.0m. Several customers continued to show uncertainty with respect to addressed mail items as a result of the new General Data Protection Regulation. Unaddressed direct mail is primarily impacted by the decline in retail sales and shift effects related to the Easter holidays.

Media Post revenue from the delivery of newspapers and magazines was down by 4.7 % in a year-on-year comparison to EUR 30.7m. This development is mainly attributable to the declining subscription business for newspapers and magazines.

Branch Services revenue amounted to EUR 21.8m in the first quarter of 2019, a drop of 13.3 % from the prior-year level. In line with the agreement concluded with the banking partner BAWAG P.S.K., the termination of the partnership will be completed by the end of 2020. Financial services revenue will be continually reduced in 2019.

Revenue Development of the Parcel & Logistics Division

EUR m	Q1 2018	**Q1 2019**	Change %	Change EUR m
Revenue	132.2	**141.0**	6.7 %	8.8
Premium Parcels	61.9	**68.9**	11.2 %	6.9
Standard Parcels	57.0	**58.0**	1.9 %	1.1
Other Parcel Services	13.3	**14.1**	6.1 %	0.8
Revenue intra-Group	1.3	**1.1**	–19.4 %	–0.3
Total revenue	133.5	**142.1**	6.4 %	8.5
thereof revenue with third parties	131.3	**138.7**	5.6 %	7.4

Revenue of the Parcel & Logistics Division improved by 6.7 % to EUR 141.0m in the first quarter of 2019 compared to EUR 132.2m in the previous year. Growth in the parcel business is based on the ongoing e-commerce trend in Austria. Austrian Post was able to join this market growth during the period under review despite a large customer's own delivery operations in Vienna. Intense competition and high price pressure continue to prevail. At the same time, demands imposed on quality and delivery speed are increasing. The Austrian parcel market is expected to show upper single-digit growth in the 2019 financial year.

On balance, the Premium Parcels business (parcel delivery within 24 hours) accounted for 48.8 % of the total divisional revenue in the first three months of 2019. This represents a revenue increase of 11.2 % to EUR 68.9m.

Standard Parcels, which mainly constitutes shipments to private customers in Austria, contributed 41.2 % to the division's revenue. This business area generated revenue growth of 1.9 % to EUR 58.0m in the first quarter of 2019.

Other Parcel Services, which include various additional logistics services, accounted for revenue of EUR 14.1m in the first three months of 2019, comprising a year-on-year increase of 6.1 %.

From a regional perspective, 80.5 % of the total revenue in the Parcel & Logistics Division was generated in Austria and 19.5 % by the subsidiaries in South East and Eastern Europe. The Austria business has produced the revenue growth of 6.2 % in the first quarter of 2019. Revenue in the highly competitive South East and Eastern European region was up by 8.7 % in the first three months of 2019.

Group Earnings

EUR m	Q1 2018	**Q1 2019**	Change %	Change EUR m
Revenue	490.6	**492.5**	0.4%	1.9
Other operating income	34.6	**21.0**	–39.3%	–13.6
Raw materials, consumables and services used	–103.9	**–110.3**	–6.1%	–6.4
Staff costs	–274.0	**–251.7**	8.1%	22.3
Other operating expenses	–70.3	**–66.3**	5.6%	4.0
Results from financial assets accounted for using the equity method	–0.6	**–0.7**	–8.2%	0.0
EBITDA[1]	76.5	**84.6**	10.7%	8.2
Depreciation, amortisation and impairment losses	–19.8	**–27.2**	–37.7%	–7.4
EBIT[2]	56.7	**57.4**	1.3%	0.7
Other financial result	1.7	**3.4**	>100%	1.8
Earnings before tax	58.4	**60.8**	4.2%	2.5
Income tax	–16.5	**–17.5**	–6.0%	–1.0
Profit for the period	41.8	**43.3**	3.5%	1.5
Earnings per share (EUR)[3]	0.62	**0.64**	3.4%	0.02

[1] Earnings before depreciation, amortisation, impairment losses, other financial result and income tax
[2] Earnings before other financial result and income tax
[3] Undiluted earnings per share in relation to 67,552,638 shares

Earnings Development

The largest expense items in relation to Austrian Post's Group revenue are staff costs (51.1%), raw materials, consumables and services used (22.4%) and other operating expenses (13.5%).

Austrian Post's staff costs amounted to EUR 251.7m in the first quarter of 2019, implying a year-on-year decline of 8.1%. Operational staff costs increased only marginally. The Austrian Post Group employed an average of 20,197 people in the first three months of 2019. 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 declined in a year-on-year comparison. There were no significant expenses in the first quarter of 2019, whereas the prior-year period included about EUR 20m of provisions allocated for the redimensioning of financial services.

Raw materials, consumables and services used rose by 6.1% to EUR 110.3m, which is primarily related to higher costs for outsourced transport services required to handle increased parcel volumes.

Other operating expenses fell by EUR 4.0m to EUR 66.3m. This decrease is mainly due to the elimination of leasing expenses related to the first-time application of the accounting standard IFRS 16. Other operating income totalled EUR 21.0m in the first quarter of 2019, compared to EUR 34.6m in the previous year. The first quarter of 2018 included an one-off income of about EUR 20m comprising 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 include proportional profits for the period of joint venture and associated companies and amounted to minus EUR 0.7m (–8.2%).

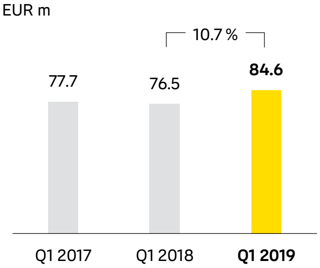
The application of IFRS 16 expands reporting of leasing relationships, which in turn impacts the presentation of Group earnings. The effect on other operating expenses amounted to EUR 8.1m, which correspondingly affected EBITDA. Accordingly, EBITDA equalled EUR 84.6m, a year-on-year increase by EUR 8.2m. This corresponds to an EBITDA margin of 17.2%. In contrast, depreciation, amortisation and impairment losses related to IFRS 16 rose by EUR 7.7m and the net interest expense was up by EUR 1.1m.

In the result a stable to slightly positive development is shown. The EBIT of EUR 57.4m represented an improvement of 1.3 % year-on-year. The EBIT margin equalled 11.7 %.

The upward valuation of EUR 5.4m for the stake held in FinTech Group AG has positively impacted the Group's other financial result of EUR 3.4m in the first quarter of 2019. After deducting income tax of EUR 17.5m, the Group's profit for the period equalled EUR 43.3m (+3.5 %). Earnings per share were EUR 0.64, compared to EUR 0.62 per share in the first quarter of the previous year.

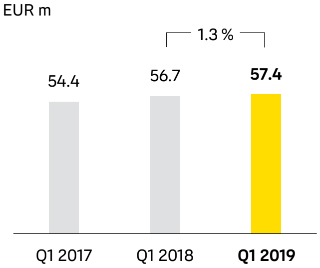
EBITDA

EUR m



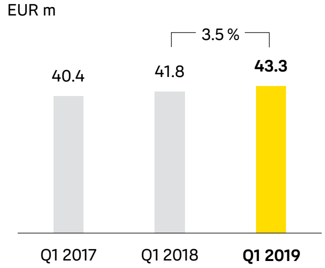
EBIT

EUR m



Profit for the Period

EUR m



EBITDA and EBIT by Division

			Change		
EUR m	Q1 2018	**Q1 2019**	%	EUR m	**Margin[1] Q1 2019**
EBITDA	76.5	**84.6**	10.7 %	8.2	**17.2 %**
Mail & Branch Network	78.6	**81.1**	3.2 %	2.5	**21.1 %**
Parcel & Logistics	13.6	**13.7**	0.8 %	0.1	**9.6 %**
Corporate/Consolidation	–15.7	**–10.2**	35.2 %	5.5	**–**
EBIT	56.7	**57.4**	1.3 %	0.7	**11.7 %**
Mail & Branch Network	73.6	**75.3**	2.4 %	1.7	**19.6 %**
Parcel & Logistics	10.9	**9.7**	–10.8 %	–1.2	**6.8 %**
Corporate/Consolidation	–27.8	**–27.6**	0.6 %	0.2	**–**

[1] Margin of the divisions in relation to total revenue

From a divisional perspective, EBITDA of the Mail & Branch Network Division totalled EUR 81.1m in the first three months of 2019, a year-on-year increase of 3.2 %. Divisional EBIT improved by 2.4 % to EUR 75.3m. The revenue decline could be offset by a high level of cost discipline.

The Parcel & Logistics Division achieved revenue growth against the backdrop of intense competition and margin pressure and generated an EBITDA of EUR 13.7m (+0.8 %) and an EBIT of EUR 9.7m (–10.8 %) in the first quarter of 2019. The EBIT decline is mainly attributable to higher costs in the logistics network to avoid capacity bottlenecks. This shows that volume and revenue increases are managed on the basis of higher logistics expenses.

The EBIT of the Corporate Division (incl. Consolidation) improved by 0.6 % to minus EUR 27.6m, primarily due to lower costs for social plan models. The Corporate Division provides non-operational services typically rendered for the purpose of managing and controlling at a Corporate Group level. These services include, amongst 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.

Assets and Finances

Balance Sheet Structure by Item

EUR m	Dec. 31, 2018	**Mar. 31, 2019**	Structure Mar. 31, 2019
ASSETS			
Property, plant and equipment, intangible assets and goodwill	736.1	**1,009.8**	51.0 %
Investment property	78.4	**77.7**	3.9 %
Financial assets accounted for using the equity method	9.2	**14.6**	0.7 %
Inventories, trade and other receivables	439.6	**416.5**	21.0 %
Other financial assets	107.7	**143.4**	7.2 %
thereof financial investments in securities/money market investments	55.8	**86.1**	–
Cash and cash equivalents	310.0	**318.0**	16.1 %
Assets held for sale	0.3	**0.1**	0.0 %
	1,681.2	**1,980.1**	100 %
EQUITY AND LIABILITIES			
Equity	699.1	**737.5**	37.2 %
Provisions	551.1	**567.8**	28.7 %
Other financial liabilities	10.3	**273.5**	13.8 %
Trade and other payables	420.6	**401.2**	20.3 %
	1,681.2	**1,980.1**	100 %

Balance Sheet Structure

Austrian Post pursues a conservative balance sheet policy and financing structure. This is demonstrated by the high equity ratio and solid amount of cash and cash equivalents invested at the lowest possible risk.

The balance sheet total of Austria Post was EUR 1,980.1m as at March 31, 2019.

Property, plant and equipment increased by EUR 270.3m to EUR 925.2m as at March 31, 2019 due to capitalisation from right-of-use assets from leases pursuant to IFRS 16 and thus constituted the largest single balance sheet item. Intangible assets totalled EUR 25.8m, whereas goodwill reported for acquisitions amounted to EUR 58.7m at the end of the first quarter 2019. Receivables of EUR 281.3m represents one of the largest single balance sheet items in current assets. Moreover, Austrian Post has a high amount of cash and cash equivalents equalling EUR 318.0m. Taking financial investments in securities and money market investments of EUR 86.1m into account, Austrian Post shows a high level of current and non-current financial resources totalling EUR 404.0m.

The equity and liabilities side of the balance sheet is characterised by a high equity ratio of 37.2 % as at March 31, 2019. This corresponds to equity of EUR 737.5m. Non-current liabilities consist primarily of provisions totalling EUR 391.4m (including non-current provisions for employee under-utilisation of EUR 179.4m) and other financial liabilities of EUR 243.5m (including non-current leasing liabilities of EUR 243.3m). Other financial liabilities increased because operating leases are also recognised under financial liabilities in line with the application of IFRS 16. Current liabilities mainly consisted of trade payables and other liabilities of EUR 313.7m (including trade payables of EUR 168.9m).

Cash Flow

EUR m	Q1 2018	**Q1 2019**
Gross cash flow	107.4	**86.1**
Cash flow from operating activities	175.9	**72.3**
Cash flow from investing activities	–41.7	**–53.4**
thereof maintenance CAPEX	–24.7	**–9.9**
thereof growth CAPEX	–16.2	**–9.8**
thereof cash flow from acquisitions/divestments	–0.6	**–2.1**
thereof acquisition/disposal of securities/money market investments	0.0	**–30.0**
thereof other cash flow from investing activities	–0.2	**–1.6**
Free cash flow	134.2	**19.0**
Free cash flow before acquisitions/securities	134.8	**51.1**
Operating free cash flow[1] (Free cash flow before acquisitions/securities and Growth CAPEX)	55.1	**60.8**
Cash flow from financing activities	0.4	**–11.0**
Change in cash and cash equivalents	134.6	**7.9**

[1] Q1 2018: excluding special effects of EUR 95.9m as a result of the termination of the cooperation agreement with BAWAG P.S.K.

Cash Flow

Due to a special payment of EUR 107.0m in total made by BAWAG P.S.K. in the first quarter of 2018, cash flow figures are only comparable to a limited extent. In the first quarter of 2019, the gross cash flow amounted to EUR 86.1m in contrast to EUR 107.4m in the prior-year period. One-off income of EUR 20.1m as lump sum compensation by BAWAG P.S.K. was included in the previous year. The cash flow from operating activities equalled EUR 72.3m in the reporting period compared to the prior-year figure of EUR 175.9m. The first quarter of 2018 included the entire special effect of EUR 95.9m in connection with the termination of the cooperation agreement with BAWAG P.S.K. (EUR 107.0m less services rendered in the first quarter of 2018 in the amount of EUR 11.1m).

The cash flow from investing activities reached a level of minus EUR 53.4m in the first three months of 2019 compared to minus EUR 41.7m in the first quarter of 2018. This increase resulted primarily from money market investments in the amount of EUR 30.0m. In contrast, lower payments for the acquisition of property, plant and equipment (CAPEX) had the opposite effect. They amounted to EUR 19.7m in the first quarter of 2019, down from EUR 41.0m in the previous year.

Operating free cash flow adjusted for the special effect in 2018 rose to EUR 60.8m in the period under review from EUR 55.1m in the prior-year quarter.

Cash flow from financing activities amounted to minus EUR 11.0m in the first three months of 2019. The difference of minus EUR 11.4m compared with the previous period was mainly due to the first-time application of the accounting standard IFRS 16, which requires the repayment of liabilities and interest from leasing agreements to be reported under the cash flow from financing activities.

Investments

Additions to property, plant and equipment and intangible assets totalled EUR 35.0m in the first three months of 2019 (including additions from right-of-use assets pursuant to IFRS 16 of EUR 8.4m). This was below the prior-year figure of EUR 35.6m. Investments included EUR 32.3m for property, plant and equipment and EUR 2.7m for intangible assets in the period under review. The bulk of investments related to the investment programme designed to expand the parcel logistics infrastructure.

Employees

The average number of employees in the Austrian Post Group totalled 20,197 full-time equivalents in the first three months of 2019. This is an increase of five full-time equivalents compared to the first quarter of 2018. Most of Austrian Post's staff (17,118 full-time equivalents) is employed by the parent company Österreichische Post AG).

Employees by Division

Average for the period, full-time equivalents	Q1 2018	**Q1 2019**	Share Q1 2019
Mail & Branch Network	14,025	**13,961**	69.1 %
Parcel & Logistics	4,046	**4,103**	20.3 %
Corporate	2,121	**2,134**	10.6 %
Total	20,193	**20,197**	100 %

Main Risks and Uncertainties

As an international postal and logistics services provider, the Austrian Post Group is subject to a variety of operational risks in running its business operations. Austrian Post deals with these risks responsibly. The focus on its core business activities, as well as decades of experience in the business, have enabled Austrian Post to identify these risks at an early stage, evaluate them and quickly take appropriate precautionary measures.

The main risks and uncertainties faced by Austrian Post, such as the structure of employment contracts, regulatory, legal risks, financial and technical risks as well as market and competitive risks along with information on the internal controlling system and risk management with regard to the accounting process are described in detail in the Annual Report 2018 of Austrian Post (see the Annual Report 2018, Financial Report, Group Management Report, sections 4 and 5, and the Consolidated Financial Statements, Note 10.2).

The first quarter of the current financial year was also subject to certain risks and uncertainties. Shipment volumes in the Mail & Branch Network Division and in the Parcel & Logistics Division are subject to structural declines, seasonal fluctuations and also depend on the economic development of the respective customer segments. Experience has shown that unfavorable economic conditions faced by customers of Austrian Post have negative effects on the development of letter mail, direct mail and parcel volumes. Furthermore, a subdued economic situation could also have an impact on the Group's competitive position and thus achievable prices for postal services. Traditional letter mail items as well as advertising mail are increasingly under pressure by electronic forms of communication. The parcel market is positively impacted by the online shopping trend, but, at the same time market participants become more active in order to profit from this market growth. The resulting shifts in market share and increased price pressure could negatively impact Austrian Post's earnings situation.

In the branch network, Austrian Post is partly dependent on strategic partners in the field of telecommunication products and financial services. In 2017, the cooperation agreement was terminated by the banking partner BAWAG P.S.K. Subsequently, Austrian Post and the GRAWE Banking Group reached an agreement at the beginning of April 2019 to establish a focused financial services business in Austria which is planned to be operationally rolled out in the course of 2020.

All the above-mentioned risks could lead to a significant volume decrease and, thus, to a corresponding drop in earnings, for example due to various structural measures and restructuring costs, or following valuation adjustments. In addition, the performance of subsidiaries or any required impairment losses could affect the earnings of Austrian Post.

Furthermore, the business model of Austrian Post is characterised by a high staff cost structure. Deviations from planned wages and salaries can have adverse effects. Depending on the economic development of customer segments, the number of employees is also subject to fluctuations. In turn, this can negatively impact earnings.

Outlook 2019

The market development of the mail and parcel business in the first quarter confirmed the trends forecasted for the 2019 financial year. The traditional letter mail business is anticipated to experience volume declines of about 5% annually as a consequence of electronic substitution. The direct mail business is also generally declining, additionally influenced by the current data protection regulations. In contrast, good growth rates are expected in the Austrian parcel business in 2019, driven by the expansion of e-commerce. Competitive intensity – especially due to own delivery by a large customer in Vienna – as well as demands for delivery quality remain high.

Austrian Post expects a stable or slightly improved revenue development for the 2019 financial year, depending on the actual start of the planned cooperation with Deutsche Post DHL Group in Austria. Both companies have agreed upon a long-term partnership. This collaboration is subject to a review by Austrian and German competition authorities. Provided a positive decision is made, the partnership should begin in the course of 2019. It stipulates the delivery of parcels in Austria by Austrian Post. In addition, it is planned that Austrian Post will take over the employees and a majority of its logistics facilities in Austria.

Against the backdrop of the expected volume development in the parcel business, the investment programme to expand capacities is the top priority in the company's further development. The objective is to double parcel sorting capacities and accelerate the investment effort. Austrian Post plans basic investments of about EUR 70m in 2019 in addition to growth investments in excess of EUR 50m. Moreover, investments in the range of EUR 25m are expected for expanding the existing properties or acquiring new land, as well as EUR 15m for sorting technology resulting from the cooperation with Deutsche Post DHL Group. Starting the operation of a parcel centre in Hagenbrunn in the north of Vienna is expected to increase capacity by 25% beginning in summer of 2019. Construction of a second logistics centre located in Kalsdorf near Graz has also been initiated.

Another target of Austrian Post is to achieve stability in the development of its operating earnings of the core business in 2019 (2018 EBIT: EUR 210.9m).

In this regard, the focus will clearly be on volume development in the mail and parcel business as well as optimising the logistics infrastructure in Austria. The company will continue to press ahead with measures designed to reduce costs and enhance efficiency.

In 2019, Austrian Post will take further steps towards developing a new financial services offering. An initial step was taken on the basis of the previously communicated partnership with the GRAWE Banking Group. It is planned for Austrian Post to acquire an 80% stake in Brüll Kallmus Bank AG, part of the GRAWE Banking Group, by means of a capital increase, and thus assume management control of the company. Ownership control procedures were initiated with the European Central Bank (ECB) through the Austrian Financial Market Authority (FMA). Subject to the regulatory approval, Austrian Post will subsequently contribute about EUR 56m within the context of the capital increase. In this way, the legal foundation for creating an independent financial services offering in the course of 2020 will be created. In this context, Austrian Post expects start-up costs within the first three years, which should subsequently lead to positive earnings contributions.

Vienna, May 16, 2019

The Management Board

GEORG PÖLZL
CEO
Chairman of the Management Board

WALTER OBLIN
Deputy CEO
Mail & Finance

PETER UMUNDUM
Member of the Management Board
Parcel & Logistics

Consolidated Income Statement for the first Quarter of 2019

EUR m	Q1 2018	**Q1 2019**
Revenue	490.6	**492.5**
Other operating income	34.6	**21.0**
Total operating income	525.2	**513.5**
Raw materials, consumables and services used	−103.9	**−110.3**
Staff costs	−274.0	**−251.7**
Depreciation, amortisation and impairment losses	−19.8	**−27.2**
Other operating expenses	−70.3	**−66.3**
Total operating expenses	−467.9	**−455.5**
Profit from operations	57.3	**58.1**
Results from financial assets accounted for using the equity method	−0.6	**−0.7**
Financial income	4.6	**6.1**
Financial expenses	−3.0	**−2.7**
Other financial result	1.7	**3.4**
Total financial result	1.1	**2.8**
Profit before tax	58.4	**60.8**
Income tax	−16.5	**−17.5**
Profit for the period	41.8	**43.3**
Attributable to:		
Shareholders of the parent company	41.9	**43.3**
Non-controlling interests	0.0	**0.0**

EARNINGS PER SHARE (EUR)		
Basic earnings per share	0.62	**0.64**
Diluted earnings per share	0.62	**0.64**

Consolidated Statement of Comprehensive Income for the first Quarter of 2019

EUR m	Q1 2018	**Q1 2019**
Profit for the period	41.8	**43.3**
Items that may be reclassified subsequently to the income statement:		
Currency translation differences – investments in foreign businesses	0.0	**–0.1**
Total items that may be reclassified	0.0	**–0.1**
Items that will not be reclassified subsequently to the income statement:		
Revaluation of defined benefit obligations	0.4	**–6.5**
Tax effect of revaluation	–0.1	**1.6**
Total items that will not be reclassified	0.3	**–4.9**
Other comprehensive income	0.2	**–4.9**
Total comprehensive income	42.1	**38.4**
Attributable to:		
Shareholders of the parent company	42.1	**38.4**
Non-controlling interests	0.0	**0.0**

Consolidated Balance Sheet as at March 31, 2019

EUR m	Dec. 31, 2018	**Mar. 31, 2019**
ASSETS		
Non-current assets		
Goodwill	58.7	**58.7**
Intangible assets	24.5	**25.8**
Property, plant and equipment	652.8	**925.2**
Investment property	78.4	**77.7**
Financial assets accounted for using the equity method	9.2	**14.6**
Other financial assets	62.4	**67.8**
Contract assets	0.1	**0.1**
Other receivables	14.5	**13.0**
Deferred tax assets	77.6	**77.7**
	978.2	**1,260.7**
Current assets		
Other financial assets	45.4	**75.6**
Inventories	17.3	**15.3**
Contract assets	23.5	**28.2**
Trade and other receivables	305.7	**281.3**
Tax assets	1.0	**1.0**
Cash and cash equivalents	310.0	**318.0**
	702.8	**719.3**
Assets held for sale	0.3	**0.1**
	1,681.2	**1,980.1**
EQUITY AND LIABILITIES		
Equity		
Share capital	337.8	**337.8**
Capital reserves	91.0	**91.0**
Revenue reserves	298.5	**341.8**
Other reserves	−30.1	**−35.1**
Equity attributable to the shareholders of the parent company	697.1	**735.5**
Non-controlling interests	2.0	**2.0**
	699.1	**737.5**
Non-current liabilities		
Provisions	386.3	**391.4**
Other financial liabilities	3.5	**243.5**
Trade and other payables	31.1	**30.7**
Deferred tax liabilities	0.8	**0.7**
	421.7	**666.3**
Current liabilities		
Provisions	164.8	**176.4**
Tax liabilities	6.8	**11.1**
Other financial liabilities	6.8	**30.0**
Trade and other payables	333.0	**313.7**
Contract liabilities	49.0	**45.1**
	560.4	**576.3**
	1,681.2	**1,980.1**

Consolidated Cash Flow Statement for the first Quarter of 2019

EUR m	Q1 2018	Q1 2019
OPERATING ACTIVITIES		
Profit before tax	58.4	**60.8**
Depreciation, amortisation and impairment losses	19.8	**27.2**
Results from financial assets accounted for using the equity method	0.6	**0.7**
Provisions non-cash	27.9	**9.8**
Other non-cash transactions	0.8	**–12.4**
Gross cash flow	107.4	**86.1**
Trade and other receivables	37.7	**24.8**
Inventories	–0.9	**1.8**
Contract assets	–0.8	**–4.7**
Provisions	2.3	**7.3**
Trade and other payables	–5.3	**–27.2**
Contract liabilities	49.1	**–3.9**
Taxes paid	–13.6	**–11.9**
Cash flow from operating activities	175.9	**72.3**
INVESTING ACTIVITIES		
Acquisition of intangible assets	–2.5	**–3.1**
Acquisition of property, plant and equipment/investment property	–41.0	**–19.7**
Cash receipts from disposal of assets	2.0	**1.7**
Acquisition of financial assets accounted for using the equity method	–0.7	**–2.2**
Sale of financial assets accounted for using the equity method	0.1	**0.1**
Acquisition of financial investments in securities/money market investments	–5.0	**–30.0**
Cash receipts from sales of financial investments in securities	5.0	**0.0**
Loans granted	–0.4	**–0.6**
Interest received	0.7	**0.4**
Cash flow from investing activities	–41.7	**–53.4**
Free cash flow	134.2	**19.0**
FINANCING ACTIVITIES		
Repayment of long-term financing (including current parts of long-term financing)[1]	–0.1	**–7.0**
Change in short-term financing[1]	0.6	**–2.8**
Interest paid	–0.1	**–1.2**
Cash flow from financing activities	0.4	**–11.0**
Change in cash and cash equivalents	134.6	**7.9**
Cash and cash equivalents at January 1	290.0	**310.2**
Cash and cash equivalents at March 31	424.6	**318.1**

[1] Adjustment in presentation - previously presented as "Changes of other financial liabilities"

Consolidated Statement of Changes in Equity for the first Quarter of 2018

EUR m	Share capital	Capital reserves	Revenue reserves	Other reserves: IAS 19 reserve	Other reserves: Revaluation of financial instruments / FVOCI reserves	Other reserves: Currency translation reserves	Equity attributable to share-holders of the parent company	Non-con-trolling interests	Equity
Balance as at December 31, 2017	337.8	91.0	287.7	–19.2	2.4	–1.7	697.9	0.9	698.8
Adjustment due to initial application of IFRS 9 (net of tax)	0.0	0.0	0.6	0.0	–0.1	0.0	0.5	0.0	0.5
Adjustment due to initial application of IFRS 15 (net of tax)	0.0	0.0	5.1	0.0	0.0	0.0	5.1	0.0	5.1
Adjusted status as at January 1, 2018	337.8	91.0	293.3	–19.2	2.3	–1.7	703.5	0.9	704.4
Profit for the period	0.0	0.0	41.9	0.0	0.0	0.0	41.9	0.0	41.8
Other comprehensive income	0.0	0.0	0.0	0.3	0.0	0.0	0.2	0.0	0.2
Total comprehensive income	0.0	0.0	41.9	0.3	0.0	0.0	42.1	0.0	42.1
Balance as at March 31, 2018	337.8	91.0	335.2	–18.9	2.3	–1.7	745.6	0.8	746.4

Consolidated Statement of Changes in Equity for the first Quarter of 2019

EUR m	Share capital	Capital reserves	Revenue reserves	Other reserves: IAS 19 reserve	Other reserves: FVOCI reserves	Other reserves: Currency translation reserves	**Equity attribut-able to share-holders of the parent company**	Non-con-trolling interests	**Equity**
Balance as at January 1, 2019	337.8	91.0	298.5	–16.1	–12.2	–1.8	**697.1**	2.0	**699.1**
Profit for the period	0.0	0.0	43.3	0.0	0.0	0.0	**43.3**	0.0	**43.3**
Other comprehensive income	0.0	0.0	0.0	–4.9	0.0	–0.1	**–4.9**	0.0	**–4.9**
Total comprehensive income	0.0	0.0	43.3	–4.9	0.0	–0.1	**38.4**	0.0	**38.4**
Balance as at March 31, 2019	337.8	91.0	341.8	–21.0	–12.2	–1.9	**735.5**	2.0	**737.5**

Financial Calendar 2019

August 9, 2019	Half-year financial report 2019, Publication: 07:30–07:40 a.m. CET
November 14, 2019	Interim report first three quarters 2019, Publication: 07:30–07:40 a.m. CET

Development of the Post Share (12-Month Comparison)

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We have prepared this report and checked the figures with the greatest possible care. Nevertheless, rounding, typographical and printing errors cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids.

This report also contains forward-looking statements based on the information currently available to us. These are usually indicated by expressions such as “expect”, “anticipate”, “estimate”, “plan” or “calculate”. We wish to note that a wide variety of factors could cause actual circumstances – and thus actual results – to deviate from the forecasts contained in this report.

Statements referring to people are to be understood gender-neutrally.

This report is also available in German. In case of doubt, the German version takes precedence.

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