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## EANS-Adhoc: Austrian Post / MILESTONES AND OUTLOOK FOR 2019 AND 2020

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Quarterly Report/Company Information  
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- \* Austrian Post predicts revenue increase in 2019 as well as in 2020
- \* Earnings (EBIT) outlook: Stability in operating earnings in 2019 (before provisions for data protection) and also stability in operating earnings in 2020 (before start-up costs for new financial services)
- \* 2019: good operating mail and parcel business featuring positive effects from one-off mailings and outstanding parcel growth supported by cooperation with Deutsche Post DHL Group
- \* Positive decision of European Central Bank (ECB) approving Austrian Post's acquisition of an 80% stake in Brüll Kallmus Bank
- \* Negative effect due to administrative penalty imposed by the Austrian Data Protection Authority
- \* 2020 with three priorities: ensuring capacities and quality against the backdrop of parcel growth, further upgrading of the product portfolio and development of new financial services

Ahead of publication of the Interim Report Q1-3 of Austrian Post on 14 November 2019, the overall picture of the business development in the years 2019 and 2020 can be presented as follows:

### FORECAST FOR 2019: INCREASED REVENUE AND STABLE OPERATING EARNINGS

As was already evident in the half-year revenue development, Austrian Post expects an overall increase in the entire 2019 financial year. Despite the declining mail volumes, positive one-off effects from elections and special mailings but above all from the growing parcel business are driving the positive revenue trend.

The partnership with Deutsche Post DHL Group to delivery parcels in Austria is off to a very good start. Since 1 August 2019, DHL parcels destined for Austria have been delivered by Austrian Post. Total monthly transport and delivery volumes are now about 25% higher than in the previous year. Against the backdrop of this parcel volume development, the capacity expansion investment programme is accorded the highest priority. As previously communicated, growth investments in excess of EUR 50m are planned in 2019 in addition to maintenance investments totalling about EUR 70m. Moreover, investments in the range of EUR 25m are expected to expand existing properties or acquire new land, as well as EUR 15m to purchase sorting technology in connection with the cooperation with Deutsche Post DHL Group.

On balance, Austrian Post targets stable operating earnings (EBIT) in 2019 based on the good development in the core business including various start-up costs to develop its financial services business. This does not include provisions totalling EUR 18m for an administrative fine imposed on Austrian Post by the Austrian Data Protection Authority on grounds of the alleged illegal use of

marketing data. The penalty decision is not legally binding, and Austrian Post intends to exercise its right to file an appeal in a court of first instance.

#### MILESTONES IN 2020 TO SAFEGUARD LONG-TERM STABILITY

Stability is not only the company's underlying objective for 2019 but for 2020 as well. This refers to stability in the high quality and quick delivery of fast-growing parcel volumes and in securing universal postal services in Austria alongside stability in the service offering of the branch network.

##### Parcel growth requires a boost in investment activity

High-quality, quick parcel delivery necessitates the rapid expansion of the company's infrastructure of sorting and logistics centres. Austrian Post is intensifying its planned Austrian parcel logistics investment programme in parcel distribution centres against the backdrop of the current volume growth of about 25%. This is the guarantee for success enabling Austrian Post to ensure the qualitatively best network in Austria. Capacities were already significantly increased when the parcel centre in Hagenbrunn in the north of Vienna became fully operational in September 2019. The next milestones will be the completion of the parcel centre in Kalsdorf near Graz and the logistics centre in Thalgau/Salzburg in the middle of next year. Accordingly, total CAPEX in the 2020 financial year is also expected to match the investments made in 2019.

##### Further development of the product portfolio

Enhanced service options based on the expansion of the letter mail product portfolio have been well received. The new offering features the ECO Letter for not time-critical mail items with a delivery time of two to three days and the PRIO Letter for fast items requiring next-day delivery. At present more than 60% of all letters are delivered on the basis of the not time-critical ECO service.

In line with international developments, the challenge is to continuously create innovative solutions and implement product adjustments to counteract the approx. 5% annual decrease in mail volumes accompanied by rising factor costs. The aim is to develop new customer solutions while moderately raising postage rates to compensate for inflation. Austrian Post is working on innovations in the product portfolio for example the easier access to ECO mail as well as simplifications in the shipment of valuables and dangerous goods. In this way, Austrian Post will continue to ensure that outstanding service can be offered in Austria at favourable rates, especially in an international comparison.

Other innovative solutions will also be developed in the field of private customer parcels. The technical basis for further developing the pick-up service and AllesPost will be launched in 2020. In the future, the pick-up service can also be managed via an App and the functions of AllesPost will be further enhanced. Self-service solutions which have already been installed are being put to very good use and will be significantly expanded. The 10,000 new handhelds for the mail and parcel delivery staff enable further services.

##### New financial services offering as of Q2 2020

Important milestones were achieved enabling Austrian Post to offer a focused financial services business within the Austrian Post branch network starting in the second quarter of 2020.

Following the positive decision of the ECB within the context of ownership control procedures, Austrian Post acquired an 80% shareholding in Brüll Kallmus Bank AG (former sole shareholder: GRAWE Banking Group). After the closing of the transaction, Austrian Post will now contribute about EUR 55m within the context

of a capital increase.

As a result, new financial services will be offered as of the second quarter of 2020. The aim is to be present on the marketplace both on an online basis and also through physical outlets. The Austrian Post network featuring some 1,800 postal service points consisting of company-operated branch offices and postal partners represents an outstanding basis for this. The business model will be focused and risk-adverse, emphasizing current account and payment transaction services. Additional financial services and insurance products should be offered via business partners and round off the product portfolio.

## STABILITY TARGETED FOR 2020

Stable or slightly higher revenue should serve as the basis for achieving a general stability in operating earnings (EBIT) of the core business. However, start-up costs in total of about EUR 40m in the years 2020 and 2021 are expected within the context of building up a new offering of financial services. Austrian Post expects positive earnings contributions from its financial services business starting in 2023.

The high level of financial resources on the balance sheet makes it possible for Austrian Post to finance its targeted growth investments in the logistics infrastructure and new financial services on its own. Accordingly, the generated operating cash flow will continue to be used for investments in the operating business and maintaining Austrian Post's attractive dividend policy.

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