AUSTRIAN POST
Half-year financial report 2019

HIGHLIGHTS H1 2019

Revenue

- Revenue increase of 2.7% to EUR 981.1m
- Good parcel growth (+7.8%) and increase in the Mail & Branch Network Division (+1.3%)

Earnings

- EBIT up by 2.5% to EUR 107.7m, EBIT margin of 11.0%
- Earnings per share of EUR 1.17 (+4.6%)

Cash flow and balance sheet

- Operating free cash flow of EUR 99.6m
- Balance sheet total increase to EUR 1,896.9m due to capitalisation of right-of-use assets (leases) pursuant to IFRS 16

Outlook

- Slight increase in revenue forecasted for 2019
- Target of stable operating result (EBIT)

KEY FIGURES

EUR m	H1 2018	**H1 2019**	Change
INCOME STATEMENT			
Revenue	955.2	**981.1**	2.7%
EBITDA	144.3	**162.2**	12.4%
EBITDA margin	15.1%	**16.5%**	–
EBIT	105.1	**107.7**	2.5%
EBIT margin	11.0%	**11.0%**	–
Earnings before tax	108.2	**108.5**	0.2%
Profit for the period	75.9	**79.4**	4.6%
Earnings per share (EUR)[1]	1.12	**1.17**	4.6%
Employees (average for the period, full-time equivalents)	20,284	**20,166**	–0.6%
CASH FLOW			
Gross cash flow	176.2	**163.5**	–7.2%
Cash flow from operating activities	173.4	**123.6**	–28.7%
Investment in property, plant and equipment (CAPEX)	–67.4	**–70.0**	–3.8%
Free cash flow	104.1	**26.2**	–74.8%
Operating free cash flow (Free cash flow before acquisitions/securities and Growth CAPEX)	47.7/134.1[2]	**99.6**	–25.7%[2]

EUR m	31 December 2018	**30 June 2019**	Change
BALANCE SHEET			
Total assets	1,681.2	**1,896.9**	12.8%
Equity	699.1	**625.9**	–10.5%
Net debt/net cash (+/–)	–13.7	**359.7**	>100%
Equity ratio	41.6%	**33.0%**	–
Capital employed	607.9	**906.6**	49.1%

[1] Undiluted earnings per share in relation to 67,552,638 shares
[2] Inclusive of BAWAG P.S.K. special effect of EUR 86.5m (special payment BAWAG P.S.K. of EUR 107.0m less financial services rendered of EUR 20.5m)

STATEMENT BY THE MANAGEMENT BOARD

Ladies and Gentlemen! Dear Shareholders!

Austrian Post can look back at a very good first half-year 2019. Driven by a robust mail business and strong growth in the parcel segment, Austrian Post's Group revenue increased to EUR 981.1m, implying an increase of 2.7%. Both the Mail & Branch Network Division (+1.3%) and the Parcel & Logistics Division (+7.8%) showed a positive development in the reporting period.

The mail business is impacted by the ongoing substitution of traditional letter mail by electronic forms of communication. A structural decrease in addressed direct mail volumes is observable, impacted also by uncertainty relating to the General Data Protection Regulation. The financial services business continues to decline as a consequence of the termination of the cooperation with BAWAG P.S.K. The Mail & Branch Network Division generated higher revenue thanks to the new product and postal rate structure as well as due to elections.

Austrian Post has benefited from the dynamic market growth in the parcel business attributable to the ongoing online shopping trend, resulting in steady growth of parcel volumes. The related competitive intensity and price pressure remain high. Following the competition authorities' approval of the cooperation with Deutsche Post DHL Group, Austrian Post will begin delivering parcels in August 2019. Forecasted future parcel volumes provide a strong incentive for Austrian Post to work high intensity on extensively expanding its parcel logistics capacities in Austria. Trial operations at the new parcel center in Hagenbrunn in the north of Vienna have commenced in July 2019. This centre will become fully operational in September 2019, thus increasing the current capacities by 25%. Construction of the second parcel logistics centre in Kalsdorf near Graz is proceeding on schedule, with completion expected by mid-2020. In the medium term, both total transport and sorting capacities should be doubled. Moreover, Austrian Post is continuously pressing ahead with the expansion of its service offering of self-service and online solutions, making it even easier and more convenient to send and receive parcels.

EBIT of the Austrian Post Group has increased by 2.5% from the prior-year level to EUR 107.7m on the basis of solid revenue development combined with strict cost discipline. This strong development in the first half of 2019 should enable Austrian Post to remain consistent with 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, going forward, we would like to continue along this path. Austrian Post aims to achieve a slight revenue increase for the entire 2019 financial year and stable operating earnings (EBIT) in line with the previous year.

Vienna, 31 July 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 half of 2019.

Revenue and Earnings

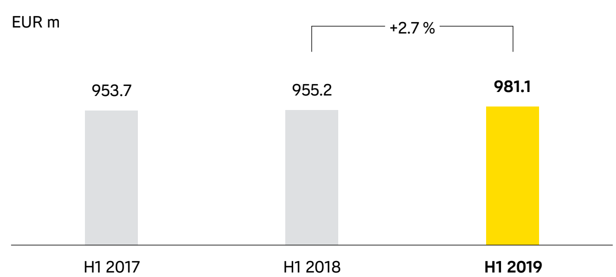
Revenue Development

In the first half of 2019, Group revenue of Austrian Post improved by 2.7% to EUR 981.1m. This development was due to the dynamically growing parcel market resulting in a 7.8% increase in parcel revenue as well as a 1.3% increase in revenue in the Mail & Branch Network Division.

The Mail & Branch Network Division accounted for 71.3% of Group revenue. Revenue development in the first half-year reflected the fundamental decline 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 contrast, the new product structure, growth in the area of Mail Solutions, additional revenue from elections and one-off mailings helped to increase revenue.

The Parcel & Logistics Division generated 28.7% of the total Group revenue in the reporting period against the backdrop of an ongoing upward trend. The 7.8% revenue increase was driven primarily by the organic volume growth in Austria.

Revenue Development



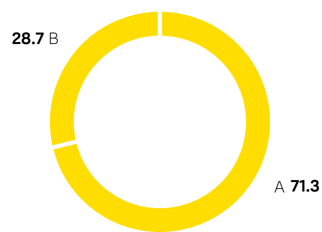
Revenue by Divison

EUR m	H1 2018	H1 2019	Change %	Change EUR m	Q2 2018	Q2 2019
Revenue	955.2	**981.1**	2.7%	25.9	464.6	**488.6**
Mail & Branch Network	695.0	**703.9**	1.3%	8.9	335.4	**349.2**
Parcel & Logistics	262.6	**283.0**	7.8%	20.4	130.4	**142.0**
Corporate/Consolidation	–2.4	**–5.8**	–	–3.4	–1.2	**–2.6**
Working days in Austria	124	**123**	–	–	60	**60**

From a regional perspective, Austrian Post generated 91.8% of its Group revenue in Austria in the first half of 2019. South East and Eastern Europe accounted for 5.8% and Germany for 2.4% of Group revenue.

Revenue by Division H1 2019

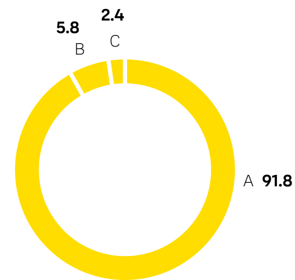
in %



A – Mail & Branch Network
B – Parcel & Logistics

Revenue by Region H1 2019

in %



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

Revenue Development of the Mail & Branch Network Divison

EUR m	H1 2018	**H1 2019**	Change %	Change EUR m	Q2 2018	**Q2 2019**
Revenue	695.0	**703.9**	1.3 %	8.9	335.4	**349.2**
Letter Mail & Mail Solutions	391.0	**408.8**	4.6 %	17.8	188.7	**200.6**
Direct Mail	190.9	**186.3**	-2.5 %	–4.7	91.0	**92.3**
Media Post	64.5	**65.1**	0.9 %	0.6	32.4	**34.4**
Branch Services	48.5	**43.7**	-9.9 %	–4.8	23.4	**21.9**
Revenue intra-Group	53.0	**58.8**	11.0 %	5.8	25.8	**29.1**
Total revenue	748.0	**762.7**	2.0 %	14.7	361.2	**378.3**
thereof revenue with third parties	694.3	**702.6**	1.2 %	8.2	335.0	**348.8**

The revenue of the Mail & Branch Network Division totalled EUR 703.9m in the first half of 2019. Of this amount, 58.1 % 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 9.3 %. Branch Services generated 6.2 % of the division's revenue.

In the first half of 2019, Letter Mail & Mail Solutions revenue amounted to EUR 408.8m, implying a 4.6 % year-on-year increase. The new product structure and additional revenue from elections had a positive impact on revenue. The downward volume development as a result of the substitution of letters by electronic forms of communication continued. The basic volume trend in Austria exhibited a drop of about 3.5 % in the first half of 2019. The Mail Solutions business area reported a revenue increase of EUR 1.9m, mainly in the fields of document logistics and output management.

The revenue of the Direct Mail business fell by 2.5 % in the first half of 2019 to EUR 186.3m. Several customers still appear uncertain with respect to addressed mail items as a result of the General Data Protection Regulation. Unaddressed direct mail is influenced primarily by the decline in retail sales and reduced weight of mail items being posted.

Media Post revenue from the delivery of newspapers and magazines was up slightly by 0.9 % from the prior-year period to EUR 65.1m. Revenue in the first half of 2019 was positively impacted by elections.

Branch Services revenue amounted to EUR 43.7m in the first half of 2019, a drop of 9.9 % 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	H1 2018	**H1 2019**	Change %	Change EUR m	Q2 2018	**Q2 2019**
Revenue	262.6	**283.0**	7.8 %	20.4	130.4	**142.0**
Premium Parcels	123.3	**146.7**	19.0 %	23.4	61.4	**77.9**
Standard Parcels	111.8	**107.4**	–3.9 %	–4.4	54.8	**49.4**
Other Parcel Services	27.5	**28.9**	4.9 %	1.3	14.2	**14.7**
Revenue intra-Group	2.5	**2.0**	–18.9 %	–0.5	1.2	**1.0**
Total revenue	265.2	**285.1**	7.5 %	19.9	131.6	**143.0**
thereof revenue with third parties	260.9	**278.4**	6.7 %	17.5	129.6	**139.7**

The revenue of the Parcel & Logistics Division improved by 7.8 % to EUR 283.0m in the first half of 2019 compared to EUR 262.6m in the previous year. Growth in the parcel business is based on the ongoing e-commerce trend in Austria. Austrian Post was able to participate in 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 51.8 % of the total divisional revenue in the first six months of 2019. This represents a revenue increase of 19.0 % to EUR 146.7m in the first half of 2019.

Standard Parcels, which mainly constitute shipments to private customers in Austria, contributed 38.0 % to the division's revenue. This business area showed a revenue decline of 3.9 % to EUR 107.4m in the first half of 2019. There is a clear trend towards volume shifts favouring the faster delivery of parcels.

Other Parcel Services, which include various additional logistics services, accounted for the revenue of EUR 28.9m in the first six months of 2019, implying a 4.9 % year-on-year increase.

From a regional perspective, 80.0 % of the total revenue in the Parcel & Logistics Division was generated in Austria and 20.0 % by the subsidiaries in South East and Eastern Europe. The parcel business in Austria produced revenue growth of 7.8 % in the first half of 2019. Revenue in the highly competitive South East and Eastern European region was also up by 7.8 % in the first six months of 2019.

Group Earnings

EUR m	H1 2018	**H1 2019**	Change %	Change EUR m	Q2 2018	**Q2 2019**
Revenue	955.2	**981.1**	2.7%	25.9	464.6	**488.6**
Other operating income	50.9	**42.2**	–17.2%	–8.8	16.3	**21.2**
Raw materials, consumables and services used	–206.2	**–218.7**	–6.1%	–12.5	–102.3	**–108.5**
Staff costs	–516.5	**–507.3**	1.8%	9.2	–242.5	**–255.6**
Other operating expenses	–137.8	**–134.7**	2.3%	3.2	–67.5	**–68.3**
Results from financial assets accounted for using the equity method	–1.3	**–0.5**	64.4%	0.8	–0.7	**0.2**
EBITDA[1]	144.3	**162.2**	12.4%	17.9	67.9	**77.6**
Depreciation, amortisation and impairment losses	–39.3	**–54.5**	–38.8%	–15.2	–19.5	**–27.3**
EBIT[2]	105.1	**107.7**	2.5%	2.6	48.4	**50.3**
Other financial result	3.2	**0.8**	–75.1%	–2.4	1.5	**–2.6**
Earnings before tax	108.2	**108.5**	0.2%	0.3	49.9	**47.7**
Income tax	–32.3	**–29.1**	9.9%	3.2	–15.8	**–11.6**
Profit for the period	75.9	**79.4**	4.6%	3.5	34.1	**36.0**
Earnings per share (EUR)[3]	1.12	**1.17**	4.6%	0.05	0.50	**0.53**

[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 (51.7%), raw materials, consumables and services used (22.3%) and other operating expenses (13.7%).

Austrian Post's staff costs amounted to EUR 507.3m in the first half of 2019, implying a year-on-year decline of 1.8% or EUR 9.2m. Operational staff costs remained stable compared to the prior-year period. The Austrian Post Group employed an average of 20,166 people in the first six months of 2019, which represents a 0.6% year-on-year decline. Steady efficiency improvements and structural changes made it possible to compensate for salary increases mandated by collective wage agreements.

The non-operational staff costs of Austrian Post include termination benefits and changes in provisions, which are related primarily to the specific employment situation of civil servants at Austrian Post. Non-operational staff costs declined in the current reporting period, whereas the prior-year period included about EUR 20m of provisions for the redimensioning of financial services.

Raw materials, consumables and services used rose by 6.1% to EUR 218.7m, which is related primarily to increased expenses for higher transport services required to handle the large parcel volumes.

Other operating expenses fell by 2.3% to EUR 134.7m. This decrease is mainly due to the elimination of lease expenses related to the first-time application of the accounting standard IFRS 16. This was in contrast to higher IT and consulting costs. Other operating income totalled EUR 42.2m in the first half of 2019, down from EUR 50.9m in the previous year. The first half of 2018 included a one-off income of about EUR 20m, comprising a 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 improved to minus EUR 0.5m from minus EUR 1.3m in the previous year.

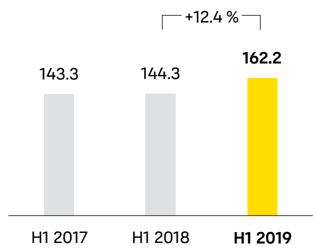
The application of IFRS 16 expands the reporting of lease relationships, which in turn impacts the presentation of Group earnings. The effect on other operating expenses amounted to EUR 16.5m, which correspondingly affected EBITDA. Accordingly, EBITDA equalled EUR 162.2m, a year-on-year increase of EUR 17.9m. This corresponds to an EBITDA margin of 16.5%. In contrast, depreciation, amortisation and impairment losses related to IFRS 16 rose by EUR 15.7m and the interest expense was up by EUR 2.2m.

Group earnings exhibit a stable to slightly positive development. EBIT of EUR 107.7m represented a year-on-year improvement of 2.5% year-on-year. The EBIT margin equalled 11.0%.

The upward valuation of the stake held in FinTech Group AG in the amount of EUR 3.3m has positively impacted the Group's other financial result of EUR 0.8m in the first half of 2019. After deducting the income tax of EUR 29.1m, the Group's profit for the period equalled EUR 79.4m (+4.6%). Earnings per share amounted to EUR 1.17, as compared to EUR 1.12 per share in the first half of the previous year.

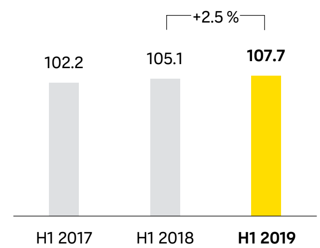
EBITDA

EUR m



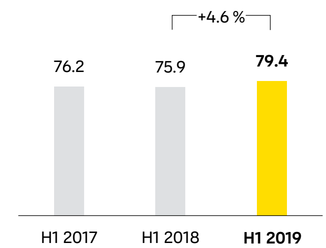
EBIT

EUR m



Profit for the Period

EUR m



EBITDA and EBIT by Division

EUR m	H1 2018	**H1 2019**	Change %	Change EUR m	**Margin[1] H1 2019**	Q2 2018	**Q2 2019**
EBITDA	144.3	**162.2**	12.4%	17.9	**16.5%**	67.9	**77.6**
Mail & Branch Network	148.5	**153.9**	3.7%	5.4	**20.2%**	69.9	**72.8**
Parcel & Logistics	25.8	**28.5**	10.6%	2.7	**10.0%**	12.2	**14.8**
Corporate/Consolidation	–29.9	**–20.2**	32.4%	9.7	**–**	–14.2	**–10.0**
EBIT	105.1	**107.7**	2.5%	2.6	**11.0%**	48.4	**50.3**
Mail & Branch Network	138.7	**142.3**	2.6%	3.6	**18.7%**	65.1	**67.0**
Parcel & Logistics	20.4	**20.4**	0.3%	0.1	**7.2%**	9.5	**10.8**
Corporate/Consolidation	–54.1	**–55.1**	–1.8%	–1.0	**–**	–26.3	**–27.4**

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

From a divisional perspective, EBITDA of the Mail & Branch Network Division totalled EUR 153.9m in the first six months of 2019, a year-on-year increase of 3.7%. Divisional EBIT improved by 2.6% to EUR 142.3m. The revenue increase and a high level of cost discipline have positively affected earnings.

The Parcel & Logistics Division achieved revenue growth against the backdrop of intense competition and margin pressure and generated an EBITDA of EUR 28.5m (+10.6%) and an EBIT of EUR 20.4m (+0.3%) in the first half of 2019. EBIT continues to be burdened by higher costs in the logistics network to avoid capacity bottlenecks. Volume and revenue increases are being handled with the support of extensive logistics measures.

The EBIT of the Corporate Division (incl. Consolidation) fell by 1.8% to minus EUR 55.1m, primarily due to higher IT and consulting expenses. The Corporate Division provides non-operational services typically provided for the purpose of managing and control 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	31 December 2018	**30 June 2019**	Structure 30 June 2019
ASSETS			
Property, plant and equipment, intangible assets and goodwill	736.1	**1,043.5**	55.0 %
Investment property	78.4	**77.6**	4.1 %
Financial assets accounted for using the equity method	9.2	**14.7**	0.8 %
Inventories, trade and other receivables	439.6	**423.4**	22.3 %
Other financial assets	107.7	**127.6**	6.7 %
thereof financial investments in securities/money market investments	55.8	**76.5**	–
Cash and cash equivalents	310.0	**210.1**	11.1 %
Assets held for sale	0.3	**0.1**	0.0 %
	1,681.2	**1,896.9**	100 %
EQUITY AND LIABILITIES			
Equity	699.1	**625.9**	33.0 %
Provisions	551.1	**555.8**	29.3 %
Other financial liabilities	10.3	**307.3**	16.2 %
Trade and other payables	420.6	**407.9**	21.5 %
	1,681.2	**1,896.9**	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 Austrian Post was EUR 1,896.9m as at 30 June 2019.

Property, plant and equipment increased by EUR 303.9m to EUR 956.7m as at 30 June 2019 due to the capitalisation of right-of-use assets from leases pursuant to IFRS 16 and thus constituted the largest single balance sheet item. Intangible assets totalled EUR 28.0m whereas goodwill reported for acquisitions amounted to EUR 58.7m at the end of the first half of 2019. Receivables of EUR 299.3m represented one of the largest single balance sheet items in current assets. Moreover, Austrian Post had a high amount of cash and cash equivalents equalling EUR 210.1m. Taking into account financial investments in securities and money market investments of EUR 76.5m, Austrian Post showed a high level of current and non-current financial resources totalling EUR 286.5m.

The equity and liabilities side of the balance sheet is characterised by a high equity ratio of 33.0 % as at 30 June 2019. The decline in equity compared to previous periods is primarily due to the initial application of the accounting standard IFRS 16, which led to a 5.5 % drop in the equity ratio as at 30 June 2019. Equity of the Austrian Post Group equalled EUR 625.9m at the balance sheet date. Non-current liabilities consist primarily of provisions totalling EUR 377.8m (including non-current provisions for employee under-utilisation of EUR 173.1m) and other financial liabilities of EUR 242.2m (including non-current lease liabilities of EUR 242.1m). Other financial liabilities increased because operating leases are also recognised as lease liabilities in line with the application of IFRS 16. Current liabilities mainly consisted of trade payables and other liabilities of EUR 328.1m (including trade payables of EUR 183.0m).

Cash Flow

EUR m	H1 2018	**H1 2019**
Gross cash flow	176.2	**163.5**
Cash flow from operating activities	173.4	**123.6**
Cash flow from investing activities	–69.3	**–97.4**
thereof maintenance CAPEX	–38.2	**–21.2**
thereof growth CAPEX	–29.1	**–48.8**
thereof cash flow from acquisitions/divestments	–0.9	**–4.7**
thereof acquisition/disposal of securities/money market investments	0.0	**–20.0**
thereof other cash flow from investing activities	–1.0	**–2.8**
Free cash flow	104.1	**26.2**
Free cash flow before acquisitions/securities	105.0	**50.8**
Operating free cash flow (Free cash flow before acquisitions/securities and Growth CAPEX)	47.7/134.1[1]	**99.6**
Cash flow from financing activities	–139.2	**–126.2**
thereof dividends	–138.8	**–141.0**
Change in cash and cash equivalents	–35.1	**–100.0**

[1] Inclusive of BAWAG P.S.K. special effect of EUR 86.5m (special payment BAWAG P.S.K. of EUR 107.0m less financial services rendered of EUR 20.5m)

Cash Flow

Due to the special payment totalling EUR 107.0m made by BAWAG P.S.K. in the first half-year of 2018, cash flow figures are comparable only to a limited extent. In the first half of 2019, the gross cash flow amounted to EUR 163.5m in contrast to EUR 176.2m in the prior-year period. A one-off income of EUR 20.1m as a lump sum compensation by BAWAG P.S.K. was included in the previous year. The cash flow from operating activities equalled EUR 123.6m in the reporting period compared to the prior-year figure of EUR 173.4m. The first half-year of 2018 included the entire special effect of EUR 86.5m in connection with the termination of the cooperation agreement with BAWAG P.S.K. (EUR 107.0m less services rendered in the first half of 2018 in the amount of EUR 20.5m).

The cash flow from investing activities amounted to minus EUR 97.4m in the first six months of 2019 compared to minus EUR 69.3m in the first half of 2018. This increase in the cash flow resulted primarily from money market investments in the amount of EUR 20.0m during the period under review as well as from higher payments for the acquisition of property, plant and equipment (CAPEX). They amounted to EUR 70.0m in the first half of 2019, up from EUR 67.4m in the previous year.

Operating free cash flow amounted to EUR 99.6m in the current reporting period compared to EUR 47.7m in the first half of the previous year, or EUR 134.1m including the positive special effect related to the termination of the co-operation with BAWAG P.S.K.

The cash flow from financing activities consisted mainly of dividend payments, and totalled minus EUR 126.2m in the first six months of 2019.

Investments

Additions to property, plant and equipment and intangible assets totalled EUR 97.9m in the first six months of 2019 (including additions from right-of-use assets pursuant to IFRS 16 of EUR 16.7m). This exceeded the prior-year figure of EUR 60.9m. Investments included EUR 91.5m for property, plant and equipment and EUR 6.4m 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 20,166 full-time equivalents in the first six months of 2019. This comprises a decrease by 118 full-time equivalents compared to the first half of 2018. Most of Austrian Post's staff (17,090 full-time equivalents) is employed by the parent company Österreichische Post AG.

Employees by Division

Average for the period, full-time equivalents	H1 2018	**H1 2019**	Share H1 2019
Mail & Branch Network	14,042	**13,992**	69.4 %
Parcel & Logistics	4,099	**4,123**	20.4 %
Corporate	2,143	**2,051**	10.2 %
Group	20,284	**20,166**	100 %

Events After the Reporting Period

On 31 July 2019, the signing of the closing memorandum on the planned cooperation with Deutsche Post DHL Group took place. Accordingly, the partnership with Deutsche Post DHL Group will be effective as at 1 August 2019, and employees, three parcel logistics centres and ten delivery bases in Austria will be taken over by Austrian Post in form of an asset deal.

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 half 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 unfavourable 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 participate in 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 during 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.

Related Party Transactions

There were no major changes in related party transactions in the first half of 2019. Information on related party transactions is provided in the Annual Report 2018 of Austrian Post (see the Annual Report 2018, Financial Report, Consolidated Financial Statements, Note 11.3).

Outlook 2019

The market development of the mail and parcel business in the first half of 2019 confirmed the trends forecasted for the entire financial year. Austrian Post expects a slight revenue increase in 2019. Positive one-off effects from elections and special mailings as well as the growth in the parcel business should ensure a positive trend in spite of declining letter mail volumes. With respect to the partnership agreed with Deutsche Post DHL Group in Austria, the delivery of parcels in Austria by Austrian Post will begin as at 1 August 2019 following the approval by the competition authorities. Furthermore, Austrian Post will take over employees and selected logistics sites.

The traditional letter mail business is anticipated to experience volume declines of about 5% per annum in the medium term. The direct mail business is subject to a volume decrease, which is also a result of the latest data protection regulations. In contrast, despite the high level of competitive intensity, Austrian Post expects further growth in the parcel business. This is driven by both the expansion of e-commerce as well as by the parcel delivery cooperation with Deutsche Post DHL Group 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 to accelerate the investment effort. As has already been announced, Austrian Post plans growth investments in excess of EUR 50m in 2019 in addition to maintenance investments of 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 for sorting technology in connection with the cooperation with Deutsche Post DHL Group. The full capacity operation of the parcel logistics centre in Hagenbrunn in the north of Vienna starting in September 2019 will increase capacity by 25%. The construction of the second parcel logistics centre in Kalsdorf near Graz is proceeding on schedule, with completion expected in mid-2020. A further logistics centre in Thalgau/Salzburg is under planning.

Austrian Post's target is to achieve stability in the development of its operating earnings. The focus in the core business will clearly be on volume development in the mail and parcel segment as well as on optimising the logistics infrastructure in Austria. The company will continue to press ahead with measures designed to reduce costs and enhance efficiency.

Austrian Post is currently working intensively on developing its own financial services offering. A decision on owner control procedures with the European Central Bank (ECB) through the Austrian Financial Market Authority (FMA) on the 80-20 joint venture of Austrian Post/GRAWE Banking Group is expected by the end of 2019. The offering of new financial services will be launched in the second quarter of 2020. The basis will be a lean business model leveraging the sales and branch network of Austrian Post and offering a risk-minimised product portfolio of proprietary and third-party products. With respect to the development of its new financial services offering, Austrian Post forecasts start-up losses for the first three years, to be followed by positive earnings contributions afterwards.

All in all, Austrian Post targets stable operating earnings (EBIT) in 2019 based on good development in the core business including various start-up costs to develop its financial services business.

Vienna, 31 July 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 INTERIM FINANCIAL STATEMENTS

Consolidated Income Statement for the first Half of 2019

EUR m	H1 2018	**H1 2019**	Q2 2018	**Q2 2019**
Revenue	955.2	**981.1**	464.6	**488.6**
Other operating income	50.9	**42.2**	16.3	**21.2**
Total operating income	1,006.2	**1,023.3**	481.0	**509.8**
Raw materials, consumables and services used	–206.2	**–218.7**	–102.3	**–108.5**
Staff costs	–516.5	**–507.3**	–242.5	**–255.6**
Depreciation, amortisation and impairment losses	–39.3	**–54.5**	–19.5	**–27.3**
Other operating expenses	–137.8	**–134.7**	–67.5	**–68.3**
Total operating expenses	–899.8	**–915.2**	–431.9	**–459.7**
Profit from operations	106.3	**108.2**	49.0	**50.1**
Results from financial assets accounted for using the equity method	–1.3	**–0.5**	–0.7	**0.2**
Financial income	7.7	**4.8**	3.1	**–1.3**
Financial expenses	–4.5	**–4.0**	–1.6	**–1.3**
Other financial result	3.2	**0.8**	1.5	**–2.6**
Total financial result	1.9	**0.3**	0.8	**–2.5**
Profit before tax	108.2	**108.5**	49.9	**47.7**
Income tax	–32.3	**–29.1**	–15.8	**–11.6**
Profit for the period	75.9	**79.4**	34.1	**36.0**
Attributable to:				
Shareholders of the parent company	75.9	**79.3**	34.0	**36.0**
Non-controlling interests	0.0	**0.0**	0.1	**0.0**

EARNINGS PER SHARE (EUR)				
Basic earnings per share	1.12	**1.17**	0.50	**0.53**
Diluted earnings per share	1.12	**1.17**	0.50	**0.53**

Consolidated Statement of Comprehensive Income for the first Half of 2019

EUR m	H1 2018	**H1 2019**	Q2 2018	**Q2 2019**
Profit for the period	75.9	**79.4**	34.1	**36.0**
Items that may be reclassified subsequently to the income statement:				
Currency translation differences – investments in foreign businesses	–0.2	**0.0**	–0.2	**0.0**
Changes in fair value FVOCI – debt instruments	–0.1	**0.0**	0.0	**0.0**
Total items that may be reclassified	–0.2	**0.0**	–0.2	**0.0**
Items that will not be reclassified subsequently to the income statement:				
Changes in fair value FVOCI – equity instruments	–8.6	**–4.1**	–8.6	**–4.1**
Revaluation of defined benefit obligations	0.5	**–10.0**	0.2	**–3.5**
Tax effect of revaluation	–0.1	**2.5**	0.0	**0.9**
Total items that will not be reclassified	–8.2	**–11.6**	–8.5	**–6.7**
Other comprehensive income	–8.4	**–11.6**	–8.7	**–6.7**
Total comprehensive income	67.5	**67.8**	25.4	**29.4**
Attributable to:				
Shareholders of the parent company	67.4	**67.7**	25.3	**29.4**
Non-controlling interests	0.0	**0.0**	0.1	**0.0**

Consolidated Balance Sheet as at 30 June 2019

EUR m	31 Dec. 2018	**30 June 2019**
ASSETS		
Non-current assets		
Goodwill	58.7	**58.7**
Intangible assets	24.5	**28.0**
Property, plant and equipment	652.8	**956.7**
Investment property	78.4	**77.6**
Financial assets accounted for using the equity method	9.2	**14.7**
Other financial assets	62.4	**51.1**
Contract assets	0.1	**0.1**
Other receivables	14.5	**12.7**
Deferred tax assets	77.6	**79.0**
	978.2	**1,278.6**
Current assets		
Other financial assets	45.4	**76.5**
Inventories	17.3	**12.0**
Contract assets	23.5	**19.4**
Trade and other receivables	305.7	**299.3**
Tax assets	1.0	**1.1**
Cash and cash equivalents	310.0	**210.1**
	702.8	**618.2**
Assets held for sale	0.3	**0.1**
	1,681.2	**1,896.9**
EQUITY AND LIABILITIES		
Equity		
Share capital	337.8	**337.8**
Capital reserves	91.0	**91.0**
Revenue reserves	298.5	**237.3**
Other reserves	–30.1	**–41.8**
Equity attributable to the shareholders of the parent company	697.1	**624.3**
Non-controlling interests	2.0	**1.6**
	699.1	**625.9**
Non-current liabilities		
Provisions	386.3	**377.8**
Other financial liabilities	3.5	**242.2**
Trade and other payables	31.1	**31.2**
Deferred tax liabilities	0.8	**0.6**
	421.7	**651.8**
Current liabilities		
Provisions	164.8	**178.0**
Tax liabilities	6.8	**11.8**
Other financial liabilities	6.8	**65.1**
Trade and other payables	333.0	**328.1**
Contract liabilities	49.0	**36.2**
	560.4	**619.2**
	1,681.2	**1,896.9**

Consolidated Cash Flow Statement for the first Half of 2019

EUR m	H1 2018	**H1 2019**
OPERATING ACTIVITIES		
Profit before tax	108.2	**108.5**
Depreciation, amortisation and impairment losses	39.3	**54.5**
Results from financial assets accounted for using the equity method	1.3	**0.5**
Provisions non-cash	30.0	**12.8**
Other non-cash transactions	–2.6	**–12.7**
Gross cash flow	176.2	**163.5**
Trade and other receivables	24.9	**5.4**
Inventories	–2.4	**5.2**
Contract assets	–4.2	**4.1**
Provisions	–31.9	**–7.2**
Trade and other payables	4.3	**–11.3**
Contract liabilities	37.2	**–12.8**
Taxes paid	–30.7	**–23.4**
Cash flow from operating activities	173.4	**123.6**
INVESTING ACTIVITIES		
Acquisition of intangible assets	–4.5	**–6.6**
Acquisition of property, plant and equipment/investment property	–67.4	**–70.0**
Cash receipts from disposal of assets	3.4	**3.5**
Acquisition of financial assets accounted for using the equity method	–1.0	**–4.8**
Sale of financial assets accounted for using the equity method	0.1	**0.1**
Acquisition of financial investments in securities/cash market investments	–5.0	**–30.0**
Cash receipts from sales of financial investments in securities/cash market investments	5.0	**10.0**
Loans granted	–1.2	**–0.5**
Dividends received from financial assets accounted for using the equity method	0.0	**0.1**
Interest received	1.3	**0.7**
Cash flow from investing activities	–69.3	**–97.4**
Free cash flow	104.1	**26.2**
FINANCING ACTIVITIES		
Repayment of long-term financing (including current parts of long-term financing)[1]	–0.2	**–14.4**
Changes in short-term financing[1]	0.2	**31.5**
Dividends paid	–138.8	**–141.0**
Interest paid	–0.3	**–2.4**
Cash flow from financing activities	–139.2	**–126.2**
Change in cash and cash equivalents	–35.1	**–100.0**
Cash and cash equivalents at 1 January	290.0	**310.2**
Cash and cash equivalents at 30 June	254.9	**210.2**

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

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

EUR m	Share capital	Capital reserves	Revenue reserves	Other reserves: IAS 19 reserve	Other reserves: Revaluation of financial instruments / FVOCI reserve	Other reserves: Currency translation reserve	Equity attributable to shareholders of the parent company	Non-controlling interests	Equity
Balance as at 31 December 2017	337.8	91.0	287.7	–19.2	2.4	–1.7	697.9	0.9	698.8
Adjustment on initial application of IFRS 9 (net of tax)	0.0	0.0	1.0	0.0	–0.1	0.0	0.9	0.0	0.9
Adjustment on initial application of IFRS 15 (net of tax)	0.0	0.0	5.7	0.0	0.0	0.0	5.7	0.0	5.7
Adjusted balance as at 1 January 2018	337.8	91.0	294.4	–19.2	2.3	–1.7	704.6	0.9	705.4
Profit for the period	0.0	0.0	75.9	0.0	0.0	0.0	75.9	0.0	75.9
Other comprehensive income	0.0	0.0	0.0	0.4	–8.6	–0.2	–8.4	0.0	–8.4
Total comprehensive income	0.0	0.0	75.9	0.4	–8.6	–0.2	67.4	0.0	67.5
Dividends paid	0.0	0.0	–138.5	0.0	0.0	0.0	–138.5	–0.3	–138.8
Transactions with owners	0.0	0.0	–138.5	0.0	0.0	0.0	–138.5	–0.3	–138.8
Balance as at 30 June 2018	337.8	91.0	231.8	–18.8	–6.3	–1.9	633.5	0.6	634.1

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

EUR m	Share capital	Capital reserves	Revenue reserves	Other reserves: IAS 19 reserve	Other reserves: FVOCI reserve	Other reserves: Currency translation reserve	**Equity attributable to shareholders of the parent company**	Non-controlling interests	**Equity**
Balance as at 1 January 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	79.3	0.0	0.0	0.0	**79.3**	0.0	**79.4**
Other comprehensive income	0.0	0.0	0.0	–7.5	–4.1	0.0	**–11.6**	0.0	**–11.6**
Total comprehensive income	0.0	0.0	79.3	–7.5	–4.1	0.0	**67.7**	0.0	**67.8**
Dividends paid	0.0	0.0	–140.5	0.0	0.0	0.0	**–140.5**	–0.5	**–141.0**
Transactions with owners	0.0	0.0	–140.5	0.0	0.0	0.0	**–140.5**	–0.5	**–141.0**
Balance as at 30 June 2019	337.8	91.0	237.3	–23.6	–16.3	–1.8	**624.3**	1.6	**625.9**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2019

1. Summary of Accounting Principles

The consolidated financial statements of Österreichische Post AG as at 30 June 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid as at 30 June 2019, as issued by the International Accounting Standards Board (IASB) and adopted by the European Union, and the additional requirements of Section 245a of the Austrian Commercial Code (UGB).

These consolidated interim financial statements have been prepared on the basis of IAS 34 Interim Financial Reporting. The consolidated interim financial statements do not include all the notes usually contained in the financial statements for the entire financial year. Accordingly, these consolidated interim financial statements should be read in connection with the consolidated financial statements for the 2018 financial year. The accounting and valuation methods as well as the explanations and notes to the financial statements are fundamentally based on the same accounting and valuation methods underlying the consolidated financial statements for the 2018 financial year with the exception of the initial application of new and revised standards as explained below. The consolidated interim financial statements are presented in Euros.

All amounts are stated in millions of euros (EUR m) unless otherwise stated. When aggregating rounded amounts and percentages, rounding differences may occur due to the use of automated calculation aids.

2. Changes in Accounting and Valuation Methods

2.1 Revisions to International Financial Reporting Standards

2.1.1 MANDATORY APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new and revised standards were applied on a mandatory basis for the first time during the first half of 2019:

Mandatory application of new standards/interpretations		Effective date[1]
IFRS 16	Leases	1 Jan. 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 Jan. 2019

Mandatory application of revised standards		Effective date[1]
Miscellaneous	Improvements to IFRS (2015–2017)	1 Jan. 2019
IAS 19	Plan Amendments, Curtailment or Settlement	1 Jan. 2019
IAS 28	Long-term Interests in Associates and Joint Ventures	1 Jan. 2019
IFRS 9	Prepayment Features with Negative Compensation	1 Jan. 2019

[1] To be applied in the financial year beginning on or after the effective date.

Numerous new or revised standards took effect in the current reporting period. The first-time application of the new standard IFRS 16 resulted in changes to the accounting methods used by the Austrian Post Group. The effects of the initial application of this standard are subsequently described in Note 2.2 Significant changes based on the initial application of IFRS 16 Leases. Revisions to other standards do not have any effects on the accounting methods of the Austrian Post Group.

2.1.2 INTERNATIONAL FINANCIAL REPORTING STANDARDS WHICH ARE PUBLISHED BUT NOT YET APPLIED

The following standards and interpretations have been endorsed or are in the process of endorsement by the European Union. However, mandatory application of these standards will only take place in the future.

New standards not yet applied		Endorsement EU	Effective date[1]
IFRS 17	Insurance Contracts	to be decided	planned 1 Jan. 2021

Revised standards not yet applied		Endorsement EU	Effective date[1]
Miscellaneous	Amendments to References to the Conceptual Framework in IFRS	planned 2019	planned 1 Jan. 2020
IFRS 3	Definition of a Business	planned 2019	planned 1 Jan. 2020
IAS 1/IAS 8	Definiton of Materiality	planned 2019	planned 1 Jan. 2020

[1] To be applied in the financial year beginning on or after the effective date.

The new and revised standards which have not yet been applied are not expected to have any material impact on the consolidated financial statements of Österreichische Post AG.

2.2 Significant Changes Based on the Initial Application of IFRS 16 Leases

IFRS 16 Leases was published in January 2016 and has to be applied for the first time on a mandatory basis for financial years beginning on or after 1 January 2019. The new standard replaces the previous regulations contained in IAS 17 and the related interpretations. In particular, the accounting treatment of lease agreements by the lessee is redefined.

According to the new standard, the decisive factor in the accounting treatment of a lease is whether the leased object is an identifiable asset, the lessee has the right to direct the use of the asset and obtains the resulting economic benefits. The previous distinction between finance lease and operating lease agreements no longer applies. The lessee now recognises a liability for every lease in the amount of the future lease payments. At the same time, the right-of-use asset is capitalised as the present value of future lease payments and is subsequently depreciated on a straight-line basis.

The Austrian Post Group initially applied IFRS 16 effective 1 January 2019.

The main application of IFRS 16 for the Austrian Post Group in its capacity as a lessee relates to real estate lease contracts for logistics sites, branch offices and administrative buildings. Apart from that, there are also lease contracts for vehicles.

Accounting and valuation methods were adjusted accordingly. The initial application takes place in line with the modified retrospective approach without any adjustment of comparative information for previous periods.

The Austrian Post Group makes use of its option not to reassess whether or not an agreement comprises a lease pursuant to IFRS 16, provided that the agreement is already in effect at the time of initial application. Accordingly, the definition of a lease pursuant to IAS 17 and IFRIC 4 will continue to apply for leases which existed before 1 January 2019.

For the initial application of IFRS 16, Austrian Post has chosen the option to state the right-of-use assets at the transition date to the amount of the lease liability adjusted by the previously recognised amounts paid or received in advance for leases previously classified as operating lease agreements. As a consequence, there will be no impact on the equity of the Austrian Post Group. The following table shows the adjustments made on the level of the individual balance sheet items:

EUR m	31 Dec. 2018	Adjustments IFRS 16	**1 Jan. 2019**
ASSETS			
Non-current assets			
Goodwill	58.7		**58.7**
Intangible assets	24.5		**24.5**
Property, plant and equipment	652.8	270.3	**923.1**
Investment property	78.4		**78.4**
Financial assets accounted for using the equity method	9.2		**9.2**
Other financial assets	62.4		**62.4**
Contract assets	0.1		**0.1**
Other receivables	14.5	–1.2	**13.3**
Deferred tax assets	77.6		**77.6**
	978.2	269.1	**1,247.2**
Current assets			
Other financial assets	45.4		**45.4**
Inventories	17.3		**17.3**
Contract assets	23.5		**23.5**
Trade receivables and other receivables	305.7	–0.1	**305.6**
Tax assets	1.0		**1.0**
Cash and cash equivalents	310.0		**310.0**
	702.8	–0.1	**702.7**
Assets held for sale	0.3		**0.3**
	1,681.2	268.9	**1,950.2**
EQUITY AND LIABILITIES			
Equity			
Share capital	337.8		**337.8**
Capital reserves	91.0		**91.0**
Revenue reserves	298.5		**298.5**
Other reserves	–30.1		**–30.1**
Equity attributable to the shareholders of the parent company	697.1		**697.1**
Non-controlling interests	2.0		**2.0**
	699.1		**699.1**
Non-current liabilities			
Provisions	386.3		**386.3**
Other financial liabilities	3.5	243.2	**246.7**
Trade and other payables	31.1		**31.1**
Deferred tax liabilities	0.8		**0.8**
	421.7	243.2	**664.9**
Current liabilities			
Provisions	164.8		**164.8**
Tax liabilities	6.8		**6.8**
Other financial liabilities	6.8	25.8	**32.6**
Trade and other payables	333.0		**333.0**
Contract liabilities	49.0		**49.0**
	560.4	25.8	**586.2**
	1,681.2	268.9	**1,950.2**

For leases previously classified as finance leases, the carrying amount of the leased assets pursuant to IAS 17 as well as the carrying amount of the lease liabilities pursuant to IAS 17 are recognised as the initial carrying amount of the right-of-use assets and the lease liability pursuant to IFRS 16. As a result, no adjustments to the consolidated balance sheet of the Austrian Post Group are necessary.

The following practical simplifications are used within the context of the initial application of IFRS 16:

- A discount rate is applied to a portfolio of similarly structured lease agreements.
- Leases with a remaining term of less than twelve months are treated as short term leases.
- Recourse is made to the assessment of provisions for onerous leases instead of a separate testing for impairment pursuant to IAS 36.
- The initial direct costs are not recognised in the valuation of the right-of-use asset in the initial application of this standard.

Lease liabilities The valuation of leases previously classified as operating leases takes place using the present value of the remaining lease payments discounted at the incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate of the Austrian Post Group equals 1.6%.

In the light of future minimum lease payments based on non-cancellable operating leases as at 31 December 2018, the following reconciliation to the opening balance sheet value of the lease liabilities is reported as at 1 January 2019:

EUR m	**2019**
Obligations from noncancellable operating lease agreements disclosed as at 31 December 2018	**54.3**
Obligations from operating lease agreements which exceed noncancellable periods as at 31 December 2018	**245.0**
Short-term leases and leases of low-value assets	**–0.6**
Other	**–7.6**
Gross lease liabilities as at 1 January 2019	**291.2**
Discounting	**–22.3**
Lease liabilities as at 1 January 2019	**268.9**
Finance lease liabilities recognised as at 31 December 2018	**3.7**
Lease liabilities recognised as at 1 January 2019	**272.7**

The lease liabilities are recognised in the consolidated balance sheet of the Austrian Post Group as part of Other financial liabilities:

EUR m	1 Jan. 2019	**30 June 2019**
Lease liabilities		
non-current	246.5	**242.1**
current	26.2	**27.2**
	272.7	**269.3**

Right-of-use assets Right-of-use assets are included under the same balance sheet items in which the assets underlying the lease agreements were also reported. There were no onerous leases at the time of initial application, so that no impairment loss on the right-of-use assets had to be recognised.

The following table shows the development of the right-of-use assets within the balance sheet item Property, plant and equipment. The right-of-use assets reported as at 1 January 2019 also include assets which had already been recognised as finance leases as at 31 December 2018.

EUR m	Property and buildings	Technical plant and machinery	Other equipment, furniture and fittings	**Total**
RIGHT-OF-USE ASSETS				
Carrying amount at 1 January 2019	277.5	0.1	2.3	**279.9**
Additions	15.0	0.0	1.6	**16.7**
Disposals	–5.5	0.0	–0.1	**–5.6**
Scheduled amortisation	–15.1	0.0	–0.6	**–15.7**
Carrying amount at 30 June 2019	271.9	0.1	3.2	**275.3**

The following amounts were recognised in the **consolidated income statement** in connection with IFRS 16 in the first half of 2019:

EUR m	**H1 2019**
Expenses relating to leases of low-value assets	**0.1**
Expenses relating to short term leases	**0.5**
Other operating expenses	**0.7**
Scheduled amortisation of right-of-use assets	**15.7**
Depreciation, amortisation and impairment losses	**15.7**
Interest expense from lease liabilities	**2.2**
Financial expenses	**2.2**

No significant changes arise as a result of existing lease agreements in which Austrian Post acts as the lessor as well as sublease agreements in which Austrian Post serves as an intermediate lessor. Income from operating leases recognised under Other operating income in the consolidated income statement of the Austrian Post Group amount to EUR 10.9m.

Cash outflows for leases in the amount of EUR 17.2m are recognised in the **consolidated cash flow statement** for the first half of 2019.

3. Consolidation Scope

In addition to the parent company Österreichische Post AG, a total of 24 domestic subsidiaries (31 December 2018: 24) and eleven foreign subsidiaries (31 December 2018: eleven) are included in the consolidated interim financial statements. Furthermore, four domestic companies (31 December 2018: four) and one foreign company (31 December 2018: two) are consolidated according to the equity method.

3.1 Changes in the Consolidation Scope

The following changes in the consolidation scope took place in the first half of 2019:

Company name	Interest from	Interest to	Date of transaction	Comment
MAIL & BRANCH NETWORK				
D2D - direct to document GmbH, Vienna	30.00%	70.00%	30 Jan. 2019	Acquisition
PARCEL & LOGISTICS				
IN TIME SPEDICE, spol. s r.o., Prague	31.50%	0.00%	26 Apr. 2019	Sale
CORPORATE				
ADELHEID GmbH, Berlin	50.44%	51.34%	5 Feb. 2019	Capital increase

MAIL & BRANCH NETWORK

D2D – direct to document GmbH Effective 30 January 2019, Austrian Post acquired an additional 40 % stake in D2D – direct to document GmbH, Vienna, thus increasing its shareholding to 70 %. D2D will continue to be classified as an associate pursuant to IAS 28 and accounted for using the equity method. This is because Austrian Post does not have a controlling influence in D2D due to its existing corporate governance but only exercises a significant influence over the company. The acquisition cost of the additional shares amounted to EUR 1.8m.

PARCEL & LOGISTICS

IN TIME SPEDICE, spol. s r.o. Effective 26 April 2019, Austrian Post sold the shares it held in the associate IN TIME SPEDICE, spol. s r.o. The end of the significant influence exercised over the company and its consolidation at equity did not result in any material effects on Austrian Post's consolidated financial statements.

Furthermore, with regard to the acquisition of a further 33 % of the shares in **adverserve Holding GmbH**, Vienna, (Mail & Branch Network segment), Austrian Post agreed upon a trusteeship solution effective 31 March 2019, depositing EUR 1.2m into a trust account for this purpose. An independent trustee holds the decision-making, control and participation rights arising as a result of the additional 33 % stake. Austrian Post is only entitled to its share of the dividends in line with a related contractual agreement. Accordingly, Austrian Post does not have the possibility to exercise a controlling influence over the company. For this reason, the company will continue to be classified as an associate as at 30 June 2019 pursuant to IAS 28 and accounted for using the equity method in the consolidated financial statements of Austrian Post. The expiration of the trustee agreement (no earlier than August 2019) will enable Austrian Post to gain a controlling influence over the company. Subsequently, adverserve Holding GmbH will be fully consolidated in the consolidated financial statements of Austrian Post.

4. Accounting and Valuation Methods

4.1 Income Tax

The Austrian Post Group calculates the income tax expense for the period applying the prevailing tax rate to the total amount of the expected revenue.

4.2 Leases

Starting 1 January 2019, the decisive factor in the accounting treatment of a lease is whether the leased object is an identifiable asset, the lessee has the right to direct the use of the asset and obtains the resulting economic benefits. Right-of-use assets relating to the leased asset are capitalised and liabilities are recognised at the present value for the payment obligations entered into.

The **lease liabilities** contain the following lease payments:

- Fixed payments less any lease incentives
- Variable lease payments that depend on an index or an interest rate
- Amounts expected to be paid by the lessee under residual value guarantees
- Exercise prices of purchase options if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating leases if the lease terms reflect the lessee exercising an option to terminate the lease.

Lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. Otherwise, lease payments are discounted using the incremental borrowing rate.

Right-of-use assets are measured at cost, and consist of the following:

- Amount of the lease liability at its initial recognition
- Lease payments made at or before the commencement of the lease less any lease incentives received
- Any initial direct costs incurred by the lessee
- Estimate of costs to be incurred by the lessee for removal or restoration obligations

Subsequent measurement is carried out at cost. The right-of-use assets are depreciated on a straight-line basis over the period of the lease. If ownership is passed to the lessee at the end of the term of the lease or it is taken into account that the lessee will likely exercise a purchase option, then depreciation is carried out until the end of the useful life of the leased object.

In particular, real estate leases include renewal and termination options. These conditions offer a company the greatest possible flexibility. When determining the lease term, all relevant facts and circumstances that create an incentive for the lessee to exercise the option to renew or not to exercise the termination option are taken into account. In connection with determining the lease term, real estate leases are assigned to intragroup maturity categories. Changes in lease terms in connection with renewal and termination options are only considered if they are reasonably certain.

Payments for short-term leases (less than twelve months) and leases involving assets of low value are recognised as expenses in the consolidated income statement.

Intercompany leases continue to be primarily reported as operating leases in segment reporting.

The rules contained in IFRS 16 are not applied to leases on intangible assets.

Non-refundable value added tax amounts arising from liabilities in connection with leases are recognised as expenses.

Deferred taxes are recognised on any temporary differences in connection with right-of-use assets and lease liabilities. Accordingly, the initial recognition exemption of IAS 12 is not applied.

5. Future-oriented Assumption and Estimation Uncertainties

5.1 Reference Date for Civil Servants

A further amendment to the Federal Civil Servants Act was undertaken as a consequence of a preliminary ruling handed down by the European Court of Justice on 8 May 2019 relating to the issue of recognising previous employment periods of civil servants. Accordingly, the reference dates for every civil servant before the age of 18 have to be reassessed and, if need be, taken into account in calculating the reference date. Each individual case has to be handled by Österreichische Post AG. There is no possibility to carry out the reassessment automatically due to the lack of electronically stored data. On the basis of the explanations made available by the federal government, Österreichische Post AG allocated provisions of EUR 16.7m as at 30 June 2019 on the basis of the best possible estimate in order to cover any back payments potentially resulting from the recalculation of the reference date for civil servants. For further information, refer to Note 7.4 of the consolidated financial statements of Austrian Post as at 31 December 2018.

5.2 Reclamation of Employer Contributions Related to the Payroll Accounting of Civil Servants

Österreichische Post AG or its legal predecessor made contributions within the context of payroll accounting for the civil servants assigned to it in the period from 1 May 1996 to 31 May 2008. Due to a ruling handed down by the Austrian Administrative Court in 2015, there was no obligation on the part of Österreichische Post AG to make these payments. As a result, the Austrian Federal Finance Court awarded compensation to Österreichische Post AG in the amount of EUR 83.1m for the years 2015 to 2018. Conversely, in contrast to the amounts credited by the court, Österreichische Post AG has obligations for eventual compensation payments, which amounted to EUR 39.9m as at 31 December 2019 on the basis of the best possible estimate and which were recognised as provisions.

With respect to two further legal proceedings on the reclamation of employer contributions related to the payroll accounting of civil servants to the amount of EUR 58.0m, Österreichische Post AG Post filed requests of remittance which the Federal Finance Court rejected in 2017 on grounds of these requests having been filed too late. In this regard, the Austrian Administrative Court repealed this decision on grounds of unlawfulness in 2019 and determined that the requests of remittance were submitted on time. As a result, the Austrian Federal Finance Court has to hand down a corresponding ruling. On 4 June 2019, the Federal Finance Court questioned the amount of the employer contributions within the context of a suspension of proceedings with Österreichische Post AG and the relevant authority. Assets are capitalised for judicially pursued claims when the occurrence of such claims is considered to be virtually certain. This is assumed to be the case when an individual case ruling is handed down by the Federal Finance Court.

In light of the fact that the Federal Finance Court has not yet ruled on the two legal proceedings with regard to the reclamation of employer contributions related to the payroll accounting of civil servants to the amount of EUR 58.0m, no asset was recognised as at 30 June 2019 for these reclamations. However, a contingent asset is stated due to the probability of occurrence in excess of 50%. These contingent assets are in contrast to the contingent liabilities for potential compensation payments in the amount of EUR 27.8m. The estimate concerning compensation payments entails considerable uncertainty in light of the uncertainties relating to the available data as well as the calculation method.

6. Segment Reporting

The following table shows segment disclosures for the reportable segments in the first half of 2018 and the first half of 2019:

H1 2018

EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	Group
Revenue (segments)	695.0	262.6	0.1	–2.5	955.2
Revenue intra-Group	53.0	2.5	8.1	–63.6	0.0
Total revenue	748.0	265.2	8.2	–66.1	955.2
thereof revenue with third parties	694.3	260.9	0.1	0.0	955.2
EBITDA	148.5	25.8	–30.0	0.0	144.3
EBIT	138.7	20.4	–54.1	0.0	105.1
Other financial result					3.2
Profit before tax					108.2

H1 2019

EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	**Group**
Revenue (segments)	703.9	283.0	0.2	–6.1	**981.1**
Revenue intra-Group	58.8	2.0	9.8	–70.6	**0.0**
Total revenue	762.7	285.1	10.0	–76.6	**981.1**
thereof revenue with third parties	702.6	278.4	0.2	0.0	**981.1**
EBITDA	153.9	28.5	–19.1	–1.2	**162.2**
EBIT	142.3	20.4	–55.0	–0.1	**107.7**
Other financial result					**0.8**
Profit before tax					**108.5**

7. Revenue from Contracts with Customers

7.1 Revenue from Contracts with Customers

The following table shows revenue from contracts with customers broken down according to reportable segments and product groups (areas within these segments) as well as the timeframe when revenue is realised:

EUR m	H1 2018	**H1 2019**
Revenue with third parties		
Letter Mail	367.2	**383.3**
Mail Solutions	23.0	**24.2**
Direct Mail	191.0	**186.3**
Media Post	64.5	**65.1**
Branch Services	48.5	**43.7**
Mail & Branch Network	694.3	**702.6**
Premium Parcels	123.2	**144.1**
Standard Parcels	111.3	**106.8**
Other Parcel Services	26.4	**27.5**
Parcel & Logistics	260.9	**278.4**
Other revenue	0.1	**0.2**
Corporate	0.1	**0.2**
Total revenue with third parties	955.2	**981.1**
Revenue Neutorgasse 7 real estate development project (segment Corporate)	4.9	**14.1**
Revenue from Contracts with Customers	960.2	**995.2**

7.2 Assets and Liabilities from Contracts with Customers

The following table contains the status of trade receivables, contract liabilities and contract assets from contracts with customers as at 1 January 2019 and 30 June 2019 pursuant to IFRS 15.

EUR m	1 Jan. 2019	**30 June 2019**
Contract costs	0.1	**0.1**
Trade receivables	260.5	**268.3**
Contract assets	23.5	**19.4**
Contract liabilities	49.0	**36.2**

The costs involved in initiating a contract contain brokerage fees arising in the course of concluding a contract for the sale of apartments in the Neutorgasse 7 real estate development project. These costs are capitalised and depreciated over the term of the contract.

Contract assets in the Austrian Post Group result from the entitlement to receive consideration in exchange for the already fulfilled portion of the contractual obligation relating to the Neutorgasse 7 real estate development project. The contract assets are reclassified as trade receivables as soon as an unconditional entitlement exists to receive consideration when the residential unit is completed and handed over.

Contract liabilities relate to prepayments received for services not yet rendered as at 30 June 2019 within the context of mail and parcel delivery services, as well as services yet to be rendered within the context of the agreement terminating the cooperation with BAWAG P.S.K.

Of the contract liabilities recognised as at 1 January 2019, a total of EUR 23.8m was reported as revenue.

8. Provisions

Austrian Post adjusted the parameters applying to interest-bearing provisions against the backdrop of prevailing interest rates. The discount rate used in the provisions for termination benefits now equals 1.25 % (31 December 2018: 2.00 %), whereas those for jubilee benefits equals 1.00 % (31 December 2018: 1.75 %). The parameter adjustments made in the first half of 2019 led to an actuarial loss of EUR 14.7m in the first half of 2019, of which EUR 10.1m was recognised under other comprehensive income.

The range of the discount rate used in the provisions for employee under-utilisation is 0.00–0.75 % (31 December 2018: 0.50–1.50 %). The parameter adjustments made in the first half of 2019 led to a negative effect of EUR 8.5m recognised under staff costs.

9. Financial Instruments

This note contains an update of the assessments and estimates used in determining the fair value of financial instruments since the last consolidated annual financial statements. The Austrian Post Group assigns its financial instruments to the three levels prescribed within the context of its accounting principles in order to ensure the reliability of the input factors used in determining fair value. An explanation of these levels is included below in the following tables.

9.1 Financial Assets and Liabilities Measured at Fair Value

The following table shows the financial assets and liabilities measured and recognised at fair value as at 31 December 2018 and 30 June 2019:

31 December 2018

EUR m	Level	At fair value through profit or loss (FVTPL)	At fair value through other comprehensive income (FVOCI)	Total
Financial assets				
Measurements carried out at fair value				
Securities	1	44.4	11.4	55.8
Other stakes				
At fair value through profit or loss	1	20.5	0.0	20.5
At fair value through OCI (FVOCI)	3	0.0	31.3	31.3
		20.5	31.3	51.8
Derivative financial assets	3	0.1	0.0	0.1
		65.0	42.7	107.7
Financial liabilities				
Measurements carried out at fair value				
Contingent consideration	3	2.5	0.0	2.5
		2.5	0.0	2.5

30 June 2019

EUR m	Level	At fair value through profit or loss (FVTPL)	At fair value through other comprehensive income (FVOCI)	**Total**
Financial assets				
Measurements carried out at fair value				
Securities	1	45.0	11.4	**56.5**
Other stakes				
At fair value through profit or loss	1	23.8	0.0	**23.8**
At fair value through OCI (FVOCI)	3	0.0	27.1	**27.1**
		23.8	27.1	**50.9**
Derivative financial assets	3	0.2	0.0	**0.2**
		69.0	38.6	**107.6**
Financial liabilities				
Measurements carried out at fair value				
Contingent consideration	3	2.2	0.0	**2.2**
		2.2	0.0	**2.2**

No transfers between Levels 1, 2 and 3 took place during the reporting period between 1 January 2019 and 30 June 2019.

9.2 Financial Assets and Liabilities Not Measured at Fair Value

With respect to these financial instruments, the fair values do not differ from the carrying amounts in most cases, in light of the fact that interest receivables or interest liabilities come close to corresponding to prevailing market rates or the instruments are current.

Due to the primarily short-term nature of trade and other receivables, cash and cash equivalents and trade and other payables, it is assumed that the carrying amounts largely correspond to the fair values.

Other financial liabilities are primarily comprised of lease liabilities with a carrying amount of EUR 269.3m (31 December 2018: EUR 3.7m) and borrowings from banks with a carrying amount of EUR 38.0m (31 December 2018: EUR 6.6m). The fair value must be indicated for borrowings from banks. The fair value is assigned to Level 3 of the fair value hierarchy and amounts to EUR 38.0m (31 December 2018: EUR 6.6m).

9.3 Information on Determining Fair Values

The following table shows the valuation methods and input factors used in determining the fair value:

Level	Financial Instruments	Valuation method	Input factors
MEASUREMENTS CARRIED OUT AT FAIR VALUE			
1	Securities, other stakes	Market approach	Nominal values, stock market price
3	Other stakes	Market approach or net present value approach	Multiples of comparable companies; Business plans and related probability-weighted scenarios; risk-weighted discount rates (WACC)
3	Derivative financial assets	Net present value approach	Business plans and related probability-weighted scenarios; risk-weighted discount rates (WACC)
3	Contingent consideration	Net present value approach	Business plans and related probability-weighted scenarios; discount rates
MEASUREMENTS NOT CARRIED OUT AT FAIR VALUE			
3	Trade receivables and other receivables	–	Carrying amounts as realistic estimates of fair value
3	Other financial liabilities (excluding lease liabilities)	Net present value approach	Payments related to financial instruments, market interest rates of comparable financing
3	Trade and other payables	–	Carrying amounts as realistic estimates of fair value

Material sensitivities in determining the fair values of Level 3 financial instruments can arise from changes to the underlying market data of comparable companies as well as in the input factors (especially discount rates and planning data) applied in determining the net present value.

10. Other Disclosures

The dividend of EUR 2.08 per share (EUR 140.5m) resolved upon in the Annual General Meeting held on 11 April 2019 was distributed on 25 April 2019.

In order to enable Austrian Post to develop its own financial services business, Austrian Post reached an agreement in April 2019 to acquire an 80% stake in Brüll Kallmus Bank AG, part of the GRAWE Banking Group, within the context of a capital increase. The closing of the transaction and thus the inclusion of Brüll Kallmus Bank AG as a fully consolidated subsidiary in the consolidated financial statements of the Austrian Post Group are expected in the fourth quarter of 2019.

11. Events After the Reporting Period

On 31 July 2019, the signing of the closing memorandum on the planned cooperation with Deutsche Post DHL Group took place. Accordingly, the partnership with Deutsche Post DHL Group will begin effective 1 August 2019, and the employees, three logistics centres and ten delivery bases in Austria will be taken over by Austrian Post within the context of an asset deal.

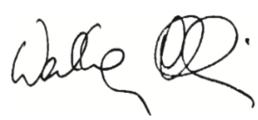
12. Negative Note

The consolidated financial statements of Österreichische Post AG for the first half of 2019 were neither subject to a complete audit nor subject to an auditor's review.

Vienna, 31 July 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

STATEMENT OF LEGAL REPRESENTATIVES PURSUANT TO SECTION 125 PARA. 1 (3) AUSTRIAN STOCK EXCHANGE ACT

As the legal representatives of Österreichische Post AG, we declare, to the best of our knowledge, that the consolidated interim financial statements as at 30 June 2019, which were prepared in accordance with the applicable financial reporting standards, present a fair and accurate picture, in all material respects, of the profit, asset and financial position of the Group, that the Half-Year Group Management Report presents the business development, earnings and overall situation of the Group in such a manner as to provide a fair and accurate picture of the profit, asset and financial position of the Group with respect to the most important events occurring during the first six months of the financial year and its impacts on the consolidated interim financial statements as at 30 June 2019 and also describes principal risks and uncertainties facing the Group for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, 31 July 2019

The Management Board

GEORG PÖLZL
CEO
Chairman of the Management Board

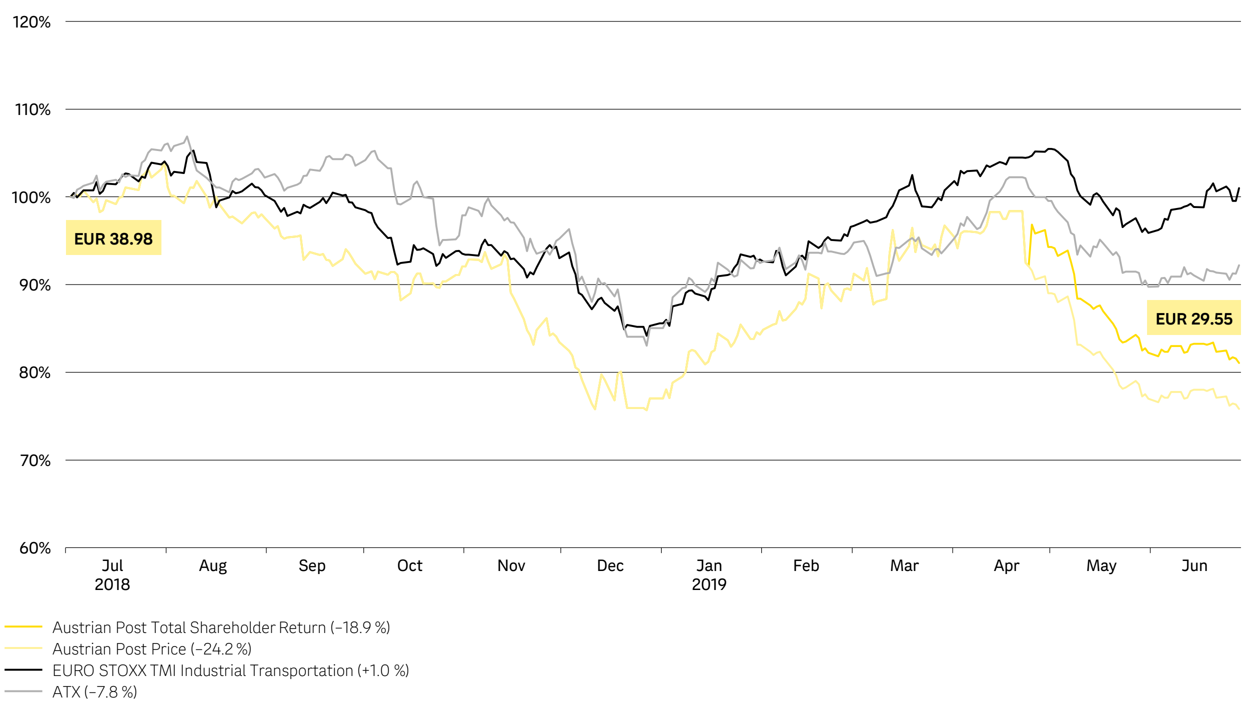
WALTER OBLIN
Deputy CEO
Mail & Finance

PETER UMUNDUM
Member of the Management Board
Parcel & Logistics

Financial Calendar 2019/2020

14 November 2019	Interim report first three quarters 2019, Publication: 07.30–07.40 a.m. CET
12 March 2020	Annual Report 2019, Publication: 07.30–07.40 a.m. CET
16 April 2020	Annual General Meeting 2020, Vienna
28 April 2020	Ex-date (dividend)
29 April 2020	Record date (determination of entitled stocks in connection with dividend payments)
30 April 2020	Dividend payment day
14 May 2020	Interim report for the first quarter 2020, Publication: 07.30–07.40 a.m. CET
7 August 2020	Half-year Financial Report 2020, Publication: 07.30–07.40 a.m. CET
13 November 2020	Interim report for the first three quarters 2020, Publication: 07.30–7.40 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.

Editorial deadline: 31 July 2019

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