Half-year financial report 2007

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Österreichische Post AG

However you look at it:
Austrian Post brings something for everybody.

Highlights H1 2007

Group revenues up 29.6% compared to 2006, following integration of trans-o-flex

Successful acquisitions in the first half of 2007:
- Scanpoint Europe (Germany/digitalisation and administration of documents)
- meiller direct (Germany/direct mail production)
- Road Parcel and Merland Expressz (Hungary/parcels services)
- Scherübl (Austria/temperature-controlled special logistics)

Purchase of a 5% shareholding in the consortium acquiring Austrian Post's banking partner BAWAG P.S.K.

EBIT (Earnings before interest and tax) climb 28.2%, to EUR 85.0m

Key figures Austrian Post

		H1 2006	H1 2007	Change in %
Income statement				
Revenue	EUR m	861.4	1,116.8	+29.6%
EBITDA (Earnings before interest, tax, depreciation and amortisation)	EUR m	117.9	130.2	+10.5%
EBITDA margin	%	13.7%	11.7%	–
EBIT (Earnings before interest and tax)	EUR m	66.3	85.0	+28.2%
EBIT margin	%	7.7%	7.6%	–
EBT (Earnings before tax)	EUR m	67.3	86.6	+28.5%
Profit for the period	EUR m	51.6	67.9	+31.5%
Earnings per share (basis of 70m shares)	EUR	0.74	0.97	+31.5%
Employees (average for period, full-time equivalents)		24,294	24,910	+2.5%
Cash flow				
Operating cash flow before changes in working capital	EUR m	141.2	136.9	–3.1%
Cash flow from operating activities	EUR m	82.6	135.4	+64.0%
Investment in property, plant and equipment	EUR m	14.6	42.0	+65.2%
Investment in Group holdings	EUR m	0.0	6.5	–
Free cash flow	EUR m	122.0	23.3	–80.9%
Balance sheet		**Dec. 31, 2006**	**June 30, 2007**	
Total assets	EUR m	1,901.6	1,920.2	+1.0%
Non-current assets	EUR m	1,272.9	1,356.4	+6.6%
Current assets	EUR m	614.9	561.4	–8.7%
Non-current assets held for sale	EUR m	13.8	2.4	–82.3%
Capital and reserves	EUR m	821.4	820.2	–0.1%
Non-current liabilities	EUR m	564.0	591.0	+4.8%
Current liabilities	EUR m	516.2	509.0	–1.4%
Key balance sheet indicators		**Dec. 31, 2006**	**June 30, 2007**	
Interest-bearing liabilities	EUR m	–607.6	–653.2	+7.5%
Interest-bearing assets	EUR m	433.7	472.2	+11.4%
Net debt/net cash position	EUR m	–173.9	–181.0	+4.1%
Equity ratio	EUR m	43.2%	42.7%	–

Statement by the Management Board

Austrian Post achieved a good overall performance in the first half of 2007. In addition to a positive development in our existing business, we successfully continued our targeted acquisition drive, designed to strengthen our core business activities.

Positive revenue and earnings development

In the first half of 2007, Austrian Post succeeded in increasing Group revenues by 29.6%, to EUR 1,116.8m, whereas earnings before interest and tax (EBIT) climbed 28.2%, to EUR 85.0m. The main reasons were the integration of our new subsidiaries, but also organic growth. Accordingly, the Mail Division improved revenues by 2.0%, to EUR 663.3m. The Parcel & Logistics Division increased revenues by 220.7%, to EUR 357.2m, primarily as a consequence of the consolidation of trans-o-flex as at January 1, 2007. The Branch Network Division posted a decline in revenues of 3.1%.
Thanks to this quite solid performance, the financing of the acquisitions as well as the payment of the dividend for the 2006 business year amounting to EUR 70.0m will be covered, for the most part, by the cash flow achieved in the first half of 2007.

Continuation of targeted acquisitions

In Q2 2007, we successfully continued our expansion drive. In addition to acquiring a majority shareholding in Scherübl Transport, an Austrian company specialising in controlled-temperature logistics, we also succeeded in taking an important step forward in penetrating the parcels logistics market in Hungary, our eastern neighbour, by means of the acquisition of Road Parcel Logistics and Merland Expressz. Moreover, Austrian Post participated in a consortium purchasing a 5% shareholding in the banking partner BAWAG P.S.K. In addition to the opportunity of making a profitable and value-enhancing investment, the stake in BAWAG P.S.K. represents the chance to proactively promote a jointly developed offensive business strategy for the financial services provided by our branch network.
The acquisition of the German direct marketing company meiller direct enables us to offer our customers the entire portfolio of direct marketing services, which not only encompasses the conception, printing and delivery of advertising mail, but also the possibility to print invoices, account statements or other types of customer information. meiller direct strengthens Austrian Post's capabilities in the field of direct marketing.

The acquisitions we have mentioned represent a significant expansion of our existing services portfolio. The integration of these companies in our Group is proceeding on schedule. We also continue to consistently pursue our three-pronged strategy, based on optimising our core business activities, creating new areas of competence along the value added chain, and further developing our international networks. In this regard, we intend to purchase additional companies that fulfil our strict economic criteria.

Outlook

All in all, Austrian Post anticipates constant organic revenues and growth in 2007 due to the initial consolidation of the German specialist logistics company trans-o-flex. As initially forecast, we continue to expect earnings before interest and tax (EBIT) to increase by 20%–25% in comparison to 2006.

Anton Wais Chairman of the Management Board	Rudolf Jettmar Deputy Chairman of the Management Board	Herbert Götz Member of the Management Board	Walter Hitziger Member of the Management Board

Business development in the first half of 2007

Economic and market environment

The favourable economic environment in Austria further improved in the first half of 2007. Economic growth forecasts were once again revised upwards, with GDP growth now expected to reach a level of 3.1% in 2007. On this basis, the market for the letter mail and parcels segments is also developing positively.

The draft proposal for a further liberalisation of the European postal market, presented by the EU Commission at the end of 2006, was extensively discussed within the framework of EU institutions, in particular by the EU Parliament. Finally, on July 11, 2007, the EU Parliament proposed to postpone the planned postal market liberalisation from 2009 to 2011. One reason for the decision was the lack of a functioning financing mechanism to ensure universal postal services in a liberalised market. The additional two years provide an opportunity to develop comprehensive solutions for this and other unresolved issues. However, the legislative process is still not yet completed on a European level. The proposed new guidelines must be approved by the EU Council of Ministers in the autumn of 2007.

Changes in consolidation

As of January 1, 2007, the 74.9% shareholding in the specialist logistics company trans-o-flex, legally acquired effective December 21, 2006, was incorporated into the consolidated financial statements of Austrian Post. In addition, the initial consolidation of two other subsidiaries took place: Weber Escal/Croatia, as at January 2, 2007 (consolidated at 100%), and Scanpoint Europe, Germany, effective January 31, 2007 (consolidated at 51.0%).

On April 25, 2007, Austrian Post acquired a 74.9% shareholding in Scherübl Transport GmbH, Austria, which is a transport company specialising in temperature-controlled logistics. In addition to temperature-controlled transport, its core competencies are emergency deliveries and special transports. Moreover, on May 2, 2007, Austrian Post acquired a 100% shareholding in the Hungarian companies Road Parcel Logistics Kft. and Merland Expressz Kft., which operate in the field of business-to-business parcel logistics in Hungary. The initial consolidation will take place as at the date of acquisition.

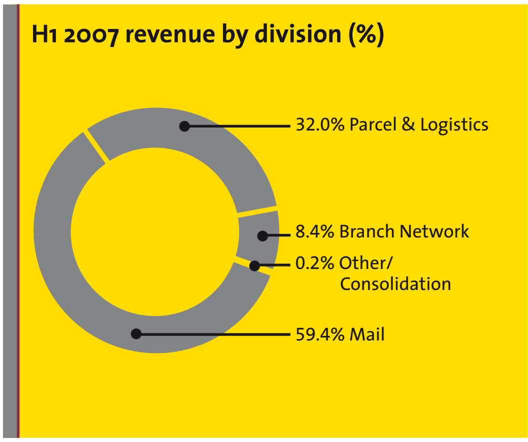
Business development – earnings

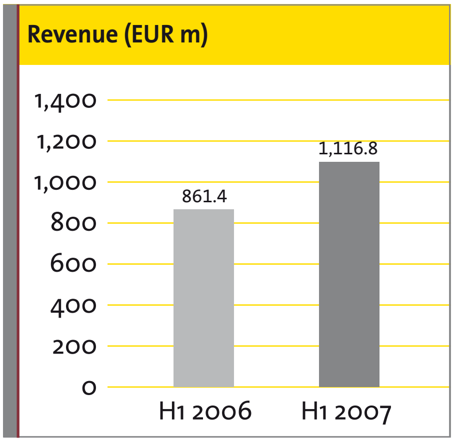
Austrian Post performed very positively in the first half of 2007. Austrian Post increased its total revenues by 29.6%, to EUR 1,116.8m. This rise is primarily attributed to the initial consolidation of trans-o-flex (Parcel & Logistics Division), acquired at the end of 2006, which contributed additional revenues of about EUR 240m, as well as organic growth. Revenues from the Mail Division were up 2.0%, and the Parcels & Logistics Division improved by 220.7%. In contrast, the Branch Network Division posted a decline in revenues of 3.1%. Austrian Post's performance in Q2 2007 basically followed the same pattern. Total revenues in Q2 2007 climbed by 29.8%, to EUR 541.3m. Revenues in the Mail Division increased by 2.2% compared to Q2 2006, the Parcel & Logistics Division improved by 219.0%, whereas Branch Network Division revenues fell by 5.2% in Q2 2007.

Revenue by division[1]

EUR m	H1 2006	H1 2007	Change in %	Structure H1 2007 in %	Q2 2006	Q2 2007
Total revenue	**861.4**	**1,116.8**	**+29.6%**	**100.0%**	**417.1**	**541.3**
Mail	650.5	663.3	+2.0%	59.4%	314.7	321.6
Parcel & Logistics	111.4	357.2	+220.7%	32.0%	54.6	174.2
Branch Network	96.8	93.8	–3.1%	8.4%	46.5	44.1
Other/Consolidation	2.7	2.5	–4.8%	0.2%	1.3	1.4

1) External sales





Income statement

EUR m	H1 2006	H1 2007	Change in %	Structure H1 2007 in %	Q2 2006	Q2 2007
Revenue	**861.4**	**1,116.8**	**+29.6%**	**100.0%**	**417.1**	**541.3**
Other operating income	28.5	37.0	+29.6%	3.3%	15.6	16.1
Raw materials, consumables and services used	–126.6	–322.8	+155.0%	28.9%	–60.5	–157.5
Staff costs	–539.4	–569.3	+5.5%	51.0%	–268.7	–281.7
Other operating expenses	–106.8	–131.8	+23.4%	11.8%	–55.3	–65.1
Share of profit/loss of associates	0.7	0.3	–54.4%	–	0.2	–0.3
EBITDA (Earnings before interest, tax, depreciation and amortisation)	**117.9**	**130.2**	**+10.5%**	**11.7%**	**48.5**	**52.8**
Depreciation and amortisation	–51.6	–45.2	–12.4%	4.1%	–31.2	–23.0
EBIT (Earnings before interest and tax)	**66.3**	**85.0**	**+28.2%**	**7.6%**	**17.3**	**29.9**
Other financial result	1.1	1.6	+47.4%	0.1%	1.1	0.9
EBT (Earnings before tax)	**67.3**	**86.6**	**+28.5%**	**7.8%**	**18.3**	**30.7**
Income tax	–15.7	–18.7	+18.9%	1.7%	–3.7	–5.6
Profit after tax = Profit for the period	**51.6**	**67.9**	**+31.5%**	**6.1%**	**14.6**	**25.1**
Minority interests	–	0.2	–	–	–	0.2

The structure of the income statement of Austrian Post has changed considerably as a result of the initial consolidation of trans-o-flex, which features a very flexible cost structure, a comparatively low share of staff costs and a high level of external services used. Accordingly, Austrian Post's staff costs now only comprise about 50% of total revenues (previously more than 60%), whereas the share of expenses for raw materials, consumables and services used has climbed to roughly 29% of total revenues (previously about 15%).

The staff costs of Austrian Post amounting to EUR 569.3m include an allocation to the provisions for employee under-utilisation of EUR 49.9m in the first half of 2007 (H1 2006: EUR 56.2m). This item amounted to EUR 29.5m in Q2 2007 (Q2 2006: EUR 27.0m). The average number of people employed in the first half year (full-time equivalents) rose by 616 to 24,910, primarily due to the integration of trans-o-flex.

In the first half of 2007, EBITDA rose by 10.5% year-on-year to EUR 130.2m (EBITDA in Q2 2007: EUR 52.8m). The EBITDA margin amounted to 11.7%.

EBIT by division

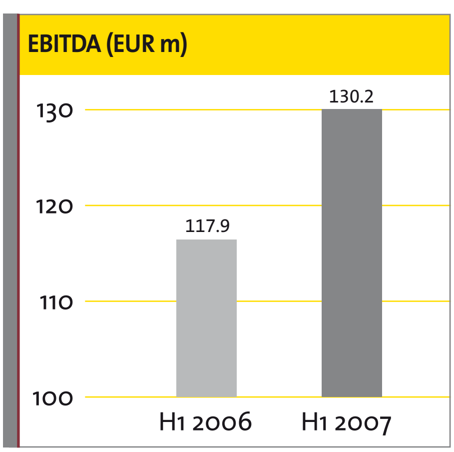
EUR m	H1 2006	H1 2007	Change in %	Q2 2006	Q2 2007
Total EBIT	**66.3**	**85.0**	**+28.2%**	**17.3**	**29.9**
Mail	131.3	133.4	+1.6%	53.7	59.0
Parcel & Logistics	9.5	14.9	+56.9%	3.9	5.3
Branch Network	11.0	5.8	–47.2%	4.2	1.2
Other/Consolidation	–85.5	–69.1	+19.2%	–44.6	–35.6

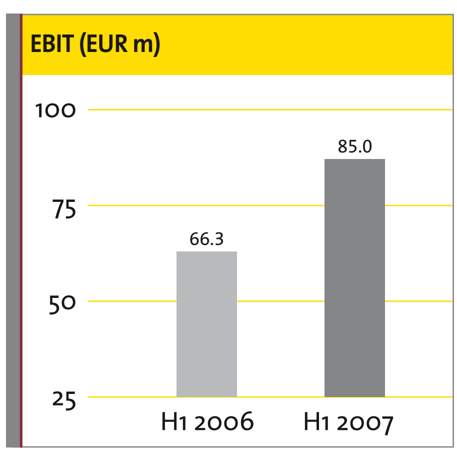
In the first half of 2007, the EBIT (earnings before interest and tax) of Austrian Post increased by 28.2%, to EUR 85.0m, in comparison to the preceding year. Accordingly, the EBIT margin amounted to 7.6%. In Q2 2007, Austrian Post achieved an EBIT of EUR 29.9m, up from EUR 17.3m in Q2 2006.

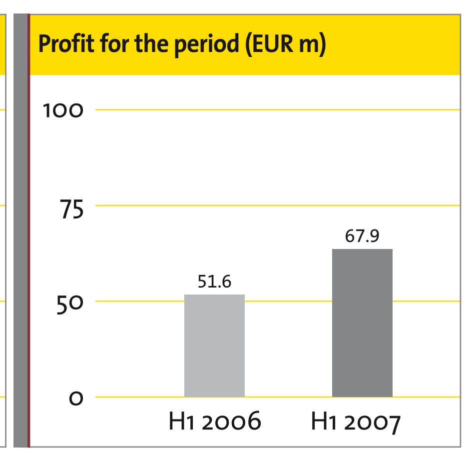
All operating divisions made a positive contribution to earnings. EBIT at the Mail Division was EUR 133.4m, at the Parcel & Logistics Division EUR 14.9m, and at the Branch Network Division EUR 5.8m.

The Other and Consolidation segment once again posted a negative EBIT of EUR 69.1m in the first half year (H1 2006: minus EUR 85.5m). This item encompasses costs for central departments, expenses in connection with unused properties, as well as increases in provisions for under-utilisation.

On balance, earnings before tax rose 28.5% to EUR 86.6m, while profit for the period improved by 31.5%, to EUR 67.9m. Accordingly, earnings per share amounted to EUR 0.97 in the first half of 2007 (Q2 2007: EUR 0.36).







Assets and finances

Balance sheet analysis

EUR m ASSETS	Dec. 31, 2006	June 30, 2007	Structure June 30, 2007 in %
Non-current assets	1,272.9	1,356.4	70.6%
thereof other financial assets and investments in securities	204.5	285.2	14.9%
Current assets	614.9	561.4	29.2%
thereof cash and cash equivalents	229.4	182.3	9.5%
Non-current assets held for sale	13.8	2.4	0.1%
	1,901.6	**1,920.2**	**100.0%**

EQUITY AND LIABILITIES			
Capital and reserves	821.4	820.2	42.7%
Non-current liabilities	564.0	591.0	30.8%
thereof provisions	425.8	463.1	24.1%
Current liabilities	516.2	509.0	26.5%
	1,901.6	**1,920.2**	**100.0%**

Non-current assets predominate on the assets side, accounting for more than 70%, or EUR 1,356.4m, of Austrian Post's total assets of EUR 1,920.2m as at June 30, 2007. The largest non-current asset items are property, plant and equipment, with EUR 677.3m, financial investments in securities and other financial assets of EUR 285.2m, as well as intangible goodwill totalling EUR 280.8m.

The principal current asset items are receivables, at EUR 354.3m, as well as cash and cash equivalents, at EUR 182.3m.

On the equity and liabilities side, the main items in the balance sheet are capital and reserves (42.7%) and non-current liabilities (30.8%). Non-current liabilities of EUR 591.0m largely consist of provisions totalling EUR 463.1m, including provisions for under-utilisation, which rose EUR 37.3m in the first half year to EUR 308.2m.

At present, Austrian Post has a net debt position of EUR 181.0m. This financial figure represents the difference between interest-bearing assets (securities, cash and cash equivalents) amounting to EUR 472,2m, and interest-bearing debt (provisions, financial liabilities, social capital and other interest-bearing liabilities) totalling EUR 653.2m.

Cash flow

In the first half of 2007, operating cash flow before changes in working capital fell by 3.1%, to EUR 136.9m, compared to the same period of the previous year, despite the rise in earnings before tax. This can be primarily attributed to higher tax payments.

The cash flow from changes in working capital was negative by EUR 1.4m in the first half of 2007. Receivables as well as liabilities decreased in the period under review.

EUR m		H1 2006	H1 2007
Operating cash flow before changes in working capital		**141.2**	**136.9**
+/–	Cash flow from changes in working capital	–58.7	–1.4
=	**Cash flow from operating activities**	**82.6**	**135.4**
+/–	Cash flow from investing activities	39.5	–112.1
=	**Free cash flow**	**122.0**	**23.3**
+/–	Cash flow from financing activities	–38.8	–70.5
=	**Net change in cash and cash equivalents**	**83.2**	**–47.1**

Total cash flow from operating activities amounted to EUR 135.4m in the first half year.

The cash flow from investing activities totalled minus EUR 112.1m during the period under review, comprising the purchase of property, plant and equipment amounting to EUR 42.0m, the acquisitions carried out in the first half year (Weber Escal, Scanpoint, Scherübl, Road Parcel, Merland Expressz) as well as the purchase of a 5% stake in the consortium acquiring BAWAG P.S.K.

In the first half of 2007, total free cash flow was EUR 23.3m, before the dividend payout amounting to EUR 70.0m.

Capital expenditure

In the first half year, capital expenditure on the part of Austrian Post reached a level of EUR 42.0m. The majority of the investments related to projects in Austria. The focus was on investments designed to acquire a developed piece of commercial property to expand the existing logistics centre in Salzburg, to upgrade technical equipment as well as to modernise and expand the sorting centres in Austria. Austrian Post invested a total of EUR 6.5m to acquire subsidiaries and EUR 76.4m to acquire other financial assets (purchase of a shareholding in the consortium acquiring BAWAG P.S.K.).

Employees

In the first half of 2007, the average number of full-time employees at Austrian Post increased by 2.5%, or 616 employees, compared to the same period in the preceding year, to the current level of 24,910 employees. As a result of the acquisition of trans-o-flex and other subsidiaries, the average number of Austrian Post employees climbed by 1,100 in the first half of 2007, compared to the annual average.

Employees by division[1)]

	H1 2006	H1 2007	Structure in %	2006
Mail	15,132	14,954	60.0%	15,311
Parcel & Logistics	2,280	3,255	13.1%	2,265
Branch Network	5,218	5,055	20.3%	5,236
Other/Consolidation	1,664	1,647	6.6%	1,645
Total	**24,294**	**24,910**	**100.0%**	**24,456**

1) Average for period, full-time equivalents

Main risks/uncertainties for the remaining six months of the 2007 business year

As a postal and logistics services provider operating on an international basis, Austrian Post is subject to different risks in carrying out its business activities. The company proactively deals with these strategic and operational risks. The focus on its core business activities along with decades of experience in this business have enabled Austrian Post to identify risks at an early stage, evaluate them and take precautionary measures.

The risk management efforts of Austrian Post, as well as the major risks it is subject to – regulatory and legal risks, market and competitive risks, risks arising from the structure of employment contracts, technical and financial risks – are described in detail in the consolidated financial statements for 2006 and in the Annual Report 2006 of Austrian Post (see Annual Report 2006, pages 72-75).

Uncertainties pertaining to the remaining six months of the 2007 business year can be deduced from these risks. In the Mail Division, the anticipated mail volumes are subject to seasonal fluctuations and are based on the economic development in the respective customer segments. Subsequently, planning assumptions may naturally deviate from the actual figures. Furthermore, Austrian Post is subject to increasing competition. As already mentioned, a German parcel services company commenced operations on the Austrian market on July 1, 2007. The owner of the new competitor, operating in the mail order business, was formerly an important parcels customer of Austrian Post, accounting for about 8m parcels annually in Austria (total number of parcels delivered by Austrian Post in 2006: approx. 47m). This is the primary reason for assuming a corresponding decline in Austrian Post's revenues in the country's parcels market.

Earnings from financial services provided by the Branch Network Division are strongly dependent on the business development of Austrian Post's banking partner BAWAG P.S.K.
Austrian Post is working hard to maintain customer loyalty by offering an attractive portfolio of services, and to counteract any decreases in mail volumes by developing new products and services.

Outlook for 2007

Within a business environment characterised by increasing competition, Austrian Post continues to expect a stable mail market for the year 2007. All in all, Austrian Post continues to anticipate that organic revenue will remain constant in the 2007 business year. Additional growth will be driven by the initial consolidation of new subsidiaries. Austrian Post maintains its original forecast that earnings before interest and tax (EBIT) will be 20%–25% higher in 2007 in comparison to 2006.
The basis for this expected increase is the contribution to earnings on the part of the new subsidiaries, as well as a further improvement in operating income.

Events after the end of the interim reporting period
On May 10, 2007, Austrian Post signed an agreement to acquire a 100% shareholding in the German direct marketing service provider meiller direct. The services provided by meiller direct encompass the production of documents and direct mailings at two production facilities located in Germany and the Czech Republic. With its approximately 1,100 employees, meiller direct achieved revenues of EUR 112m in the 2006 business year.

Performance of divisions

Mail Division

Mail Division – key figures

EUR m	H1 2006	H1 2007	Change in %	Q2 2006	Q2 2007
External sales	**650.5**	**663.3**	**+2.0%**	**314.7**	**321.6**
Letter Mail	386.0	393.1	+1.8%	183.2	188.9
Infomail	200.5	206.5	+3.0%	97.9	99.5
Media Post	64.1	63.7	–0.6%	33.6	33.1
Internal sales	33.9	24.4	–28.1%	16.6	12.0
Total revenue	684.5	687.7	+0.5%	331.4	333.6
EBIT	**131.3**	**133.4**	**+1.6%**	**53.7**	**59.0**
EBIT margin[1)]	19.2%	19.4%	–	16.2%	17.7%
Employees[2)]	15,132	14,954	–1.2%	–	–

1) Relative to total revenue
2) Average for period, full-time equivalents

In the first half of 2007, year-on-year external sales by the Mail Division rose by 2.0% compared to the same period last year, to EUR 663.3m. External sales in Q2 2007 were 2.2% higher than in Q2 of the previous year.

Business development in the Letter Mail Business Area was quite positive, achieving a 1.8% increase in revenues in the first half of 2007, whereas Q2 revenues were up 3.1% compared to Q2 2006. The growth in revenues is primarily attributed to the initial consolidation of Scanpoint Europe (digitalisation and archiving of documents), acquired during the period under review, and the delivery of passports in Austria. The subsequent revenue increase more than compensated for the decline in business in other areas.

External sales of the Infomail Business Area (addressed and unaddressed advertising) climbed by 3.0%, to EUR 206.5m, during the period under review. Q2 2007 revenue growth amounted to 1.6%. Due to one-off effects reported in the first six months of 2006, the Media Post Business Area recorded a decrease in revenues amounting to 0.6% in the first half of 2007.

On balance, the Mail Division achieved an EBIT of EUR 133.4m in the first half of 2007, a rise of 1.6% compared to the first half of 2006. Q2 2007 EBIT totalled EUR 59.0m.

Parcel & Logistics Division

Parcel & Logistics Division – key figures

EUR m	H1 2006	H1 2007	Change in %	Q2 2006	Q2 2007
External sales	**111.4**	**357.2**	**+220.7%**	**54.6**	**174.2**
Internal sales	24.1	15.9	–33.8%	12.3	7.6
Total revenue	135.4	373.1	+175.5%	67.0	181.8
EBIT	**9.5**	**14.9**	**+56.9%**	**3.9**	**5.3**
EBIT margin[1)]	7.0%	4.0%	–	5.9%	2.9%
Employees[2)]	2,280	3,255	+42.8%	–	–

1) Relative to total revenue
2) Average for period, full-time equivalents

External sales by the Parcel & Logistics Division climbed to EUR 357.2m during the first half of 2007. The increase chiefly relates to the initial consolidation of trans-o-flex, which contributed about EUR 240m in revenues, but is also partly the result of organic growth. Revenues posted by Austrian Post's subsidiaries in Slovakia and Croatia also further increased.

There were initial signs pointing to increased competition particularly in the mail order business to private customers (business-to-consumer), for delivering international post, as the result of the market entry of Hermes, the German parcel services provider, at the end of Q2. In any case, Austrian Post anticipates a decline in parcels volumes and revenues in the second half of 2007, due to the fact that the owner of Hermes was formerly an important parcels customer of Austrian Post, mailing about 8m parcels annually. In 2006, Austrian Post delivered about 47m parcels in Austria.

In terms of costs, increased IT expenditures in the Parcel & Logistics Division during the first half of 2007 resulted from the implementation of a new logistics software system enabling comprehensive data collection.

All in all, the Parcel & Logistics Division posted EBIT amounting to EUR 14.9m (Q2 2007: EUR 5.3m) in the first half of 2007, an increase of 56.9% compared to the same period of 2006.

Branch Network Division

Branch Network Division – key figures

EUR m	H1 2006	H1 2007	Change in %	Q2 2006	Q2 2007
External sales	**96.8**	**93.8**	**–3.1%**	**46.5**	**44.1**
Internal sales	106.6	103.4	–3.1%	52.6	50.9
Total revenue	203.4	197.1	–3.1%	99.1	95.0
EBIT	**11.0**	**5.8**	**–47.2%**	**4.2**	**1.2**
EBIT margin[1]	5.4%	2.9%	–	4.2%	1.3%
Employees[2]	5,218	5,055	–3.1%	–	–

1) Relative to total revenue
2) Average for period, full-time equivalents

External sales by the Branch Network Division for the first half of 2007 declined by 3.1%, to EUR 93.8m, compared to the same period of the preceding year. Sales for prepaid cards in the mobile telephony segment declined as the result of falling demand (lower rates generally result in longer phone calls). The decrease in financial services revenues resulted from the transfer of customer deposits which could not yet be won back, in connection with uncertainties surrounding Austrian Post's financial partner BAWAG P.S.K. in the year 2006, as well as the shifting of savings deposits to savings forms with a lower commission fee for Austrian Post).

Internal sales also fell by 3.1% in the first half of 2007, which can be attributed to a decline in the volume of letters posted compared to the first half of 2006.

As a result of the decrease in revenues, EBIT (earnings before interest and tax) of the Branch Network Division declined from EUR 11.0m to EUR 5.8m in the first half of 2007.

Consolidated interim financial statements

Consolidated income statement

EUR m	H1 2006	H1 2007	Q2 2006	Q2 2007
Revenue	**861.4**	**1,116.8**	**417.1**	**541.3**
Other operating income	28.5	37.0	15.6	16.1
Total operating income	889.9	1,153.8	432.7	557.4
Raw materials, consumables and services used	–126.6	–322.8	–60.5	–157.5
Staff costs	–539.4	–569.3	–268.7	–281.7
Depreciation, amortisation and impairment losses	–51.6	–45.2	–31.2	–23.0
Other operating expenses	–106.8	–131.8	–55.3	–65.1
Total operating expenses	–824.4	–1,069.1	–415.7	–527.3
Profit from operations	**65.6**	**84.7**	**17.0**	**30.2**
Share of profit/loss of associates	0.7	0.3	0.2	–0.3
Other financial result	1.1	1.6	1.1	0.9
Total financial result	**1.8**	**1.9**	**1.3**	**0.6**
Profit before tax	**67.3**	**86.6**	**18.3**	**30.7**
Income tax	–15.7	–18.7	–3.7	–5.6
Profit after tax	**51.6**	**67.9**	**14.6**	**25.1**
Profit for the period	**51.6**	**67.9**	**14.6**	**25.1**
Attributable to:				
Equity holders of the parent company	51.6	67.6	14.6	25.0
Minority interests	0.0	0.2	0.0	0.2
EUR				
Basic earnings per share	0.74	0.97	0.21	0.36
Diluted earnings per share	0.74	0.97	0.21	0.36
EUR m				
Profit from operations	65.6	84.7	17.0	30.2
Share of profit/loss of associates	0.7	0.3	0.2	–0.3
Earnings before interest and tax (EBIT)	**66.3**	**85.0**	**17.3**	**29.9**

Consolidated balance sheet

EUR m	Dec. 31, 2006	June 30, 2007
ASSETS		
Non-current assets		
Intangible assets and goodwill	272.7	280.8
Property, plant and equipment	665.3	677.3
Investment property	38.3	35.4
Investments in associates	3.5	3.4
Financial investments in securities	198.6	203.0
Other financial assets	5.9	82.3
Receivables	28.2	13.9
Deferred tax assets	60.3	60.4
	1,272.9	**1,356.4**
Current assets		
Financial investments in securities	0.2	5.2
Other financial assets	0.3	0.3
Inventories	21.0	19.3
Receivables	364.0	354.3
Cash and cash equivalents	229.4	182.3
	614.9	**561.4**
Non-current assets held for sale	**13.8**	**2.4**
	1,901.6	**1,920.2**

EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	350.0	350.0
Capital reserves	274.5	274.5
Revenue reserves	96.4	126.2
Revaluation of securities	–0.1	0.1
Currency translation reserves	0.9	1.1
Profit for the period	99.8	67.6
	821.4	**819.5**
Minority interests	0.0	0.7
	821.4	**820.2**
Non-current liabilities		
Provisions	425.8	463.1
Financial liabilities	82.0	74.7
Payables	19.7	17.3
Deferred tax liabilities	36.5	35.9
	564.0	**591.0**
Current liabilities		
Provisions	94.4	97.3
Financial liabilities	66.7	78.1
Payables	355.1	333.6
	516.2	**509.0**
	1,901.6	**1,920.2**

Consolidated cash flow statement

EUR m	H1 2006	H1 2007
Operating activities		
Profit before tax	67.3	86.6
Depreciation, amortisation and impairment losses	51.6	45.2
Write-downs/write-ups of financial assets	–1.4	–0.4
Long-term provisions	49.5	37.3
Gain/loss on disposal of non-current assets	–7.3	–9.0
Gain/loss on disposal of financial assets	–0.4	0.0
Taxes paid	–14.8	–18.5
Net interest received	–3.1	–4.4
Currency translation	–0.1	0.1
Operating cash flow before changes in working capital	**141.2**	**136.9**
Changes in working capital		
Receivables	0.5	26.5
Inventories	–1.1	1.7
Payables	–53.5	–32.4
Deferred tax	0.1	0.1
Short-term provisions	–4.7	2.6
Cash flow from changes in working capital	**–58.7**	**–1.4**
Cash flow from operating activities	**82.6**	**135.4**
Investing activities		
Purchase of intangible assets	–3.5	–2.6
Purchase of property, plant and equipment	–14.6	–42.0
Acquisition of subsidiaries	0.0	–6.5
Acquisition of associates	–2.8	0.0
Acquisition of financial investments in securities	–42.0	–9.0
Acquisition of other financial assets	0.0	–76.4
Proceeds from sale of non-current assets	36.0	16.0
Proceeds from sale of financial investments in securities	61.8	0.1
Dividends received from associates	0.2	0.4
Interest received	4.4	7.8
Cash flow from investing activities	**39.5**	**–112.1**
Free cash flow	**122.0**	**23.3**
Financing activities		
Changes in financial liabilities	2.5	3.0
Dividends paid	–40.0	–70.0
Interest paid	–1.3	–3.4
Cash flow from financing activities	**–38.8**	**–70.5**
Net change in cash and cash equivalents	**83.2**	**–47.1**
Cash and cash equivalents at January 1	174.5	229.4
Cash and cash equivalents at June 30	**257.7**	**182.3**

Segment reporting

Business segments (divisions)
H1

EUR m	Mail 2006	Mail 2007	Parcel & Logistics 2006	Parcel & Logistics 2007	Branch Network 2006	Branch Network 2007	Other/Consolidation 2006	Other/Consolidation 2007	Group 2006	Group 2007
External sales	650.5	663.3	111.4	357.2	96.8	93.8	2.7	2.5	861.4	1,116.8
Internal sales	33.9	24.4	24.1	15.9	106.6	103.4	–164.6	–143.7	0.0	0.0
Total revenue	**684.5**	**687.7**	**135.4**	**373.1**	**203.4**	**197.1**	**–161.9**	**–141.1**	**861.4**	**1,116.8**
Profit/loss from operations	131.1	133.2	9.5	15.0	11.0	5.8	–86.0	–69.4	65.6	84.7
Share of profit/loss of associates	0.2	0.2	0.0	–0.1	0.0	0.0	0.5	0.2	0.7	0.3
EBIT	**131.3**	**133.4**	**9.5**	**14.9**	**11.0**	**5.8**	**–85.5**	**–69.1**	**66.3**	**85.0**
Segment assets	358.3	369.7	60.9	434.5	57.3	44.8	585.6	531.4	1,062.2	1,380.5
Investments in associates	3.2	2.9	0.0	0.0	0.0	0.0	0.6	0.5	3.8	3.4
Segment liabilities	285.4	299.5	32.4	211.1	74.8	83.1	298.8	410.9	691.4	1,004.6
Segment investments	5.2	12.5	2.1	20.1	1.0	2.8	9.8	21.9	18.1	57.3
Depreciation, amortisation and impairment losses	22.5	13.0	4.4	10.5	3.4	2.4	21.3	19.3	51.6	45.2
thereof: impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non cash-expenses	2.4	2.9	0.4	0.3	0.4	1.4	46.4	32.7	49.5	37.3
Employees[1]	15,132	14,954	2,280	3,255	5,218	5,055	1,664	1,647	24,294	24,910

1) Average for period, full-time equivalent

Geographical segments
H1

EUR m	Austria 2006	Austria 2007	Germany 2006	Germany 2007	CEE 2006	CEE 2007	Total 2006	Total 2007
External sales	842.7	842.5	1.3	250.9	17.4	23.4	861.4	1,116.8
Segment assets	1,048.3	1,063.2	0.3	297.0	13.6	20.3	1,062.2	1,380.5
Segment investments	17.5	44.9	0.0	5.9	0.5	6.5	18.1	57.3

Business segments (divisions)
Q2

EUR m	Mail 2006	Mail 2007	Parcel & Logistics 2006	Parcel & Logistics 2007	Branch Network 2006	Branch Network 2007	Other/Consolidation 2006	Other/Consolidation 2007	Group 2006	Group 2007
External sales	314.7	321.6	54.6	174.2	46.5	44.1	1.3	1.4	417.1	541.3
Internal sales	16.6	12.0	12.3	7.6	52.6	50.9	–81.5	–70.5	0.0	0.0
Total revenue	**331.4**	**333.6**	**67.0**	**181.8**	**99.1**	**94.9**	**–80.2**	**–69.1**	**417.1**	**541.3**
Profit/loss from operations	53.6	59.3	3.9	5.4	4.2	1.2	–44.6	–35.7	17.0	30.2
Share of profit/loss of associates	0.2	–0.3	0.0	–0.1	0.0	0.0	0.1	0.1	0.2	–0.3
EBIT	**53.7**	**59.0**	**3.9**	**5.3**	**4.2**	**1.2**	**–44.6**	**–35.6**	**17.3**	**29.9**

Geographical segments
Q2

EUR m	Austria 2006	Austria 2007	Germany 2006	Germany 2007	CEE 2006	CEE 2007	Total 2006	Total 2007
External sales	407.6	406.5	0.9	122.1	8.7	12.7	417.1	541.3

Consolidated statement of changes in equity

H1 2006 EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation of securities	Currency translation reserves	Profit for the period	Total	Minority interests	Consolidated equity
Balance at January 1, 2006	**10.0**	**614.5**	**36.5**	**0.7**	**0.5**	**99.9**	**762.1**	**0.0**	**762.1**
Changes in consolidation									
Disposals							0.0		0.0
Increase in equity investments							0.0		0.0
Other net gains and losses not recognised in the income statement									
Currency translation differences					–0.1		–0.1		–0.1
Revaluation of securities				–0.5			–0.5		–0.5
Net gains and losses recognised in the income statement									
Changes in revenue reserves			59.9			–59.9	0.0		0.0
Profit for the period						51.6	51.6		51.6
Total recognised gains and losses	**0.0**	**0.0**	**59.9**	**–0.5**	**–0.1**	**–8.3**	**51.0**	**0.0**	**51.0**
Dividends						**–40.0**	**–40.0**		**–40.0**
Capital increase from company's own resources	**340.0**	**–340.0**					**0.0**		**0.0**
Balance at June 30, 2006	**350.0**	**274.5**	**96.4**	**0.2**	**0.5**	**51.6**	**773.2**	**0.0**	**773.2**

H1 2007 EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation of securities	Currency translation reserves	Profit for the period	Total	Minority interests	Consolidated equity
Balance at January 1, 2007	**350.0**	**274.5**	**96.4**	**–0.1**	**0.9**	**99.8**	**821.4**	**0.0**	**821.4**
Changes in consolidation									
Disposals							0.0		0.0
Increase in equity investments							0.0		0.0
Other net gains and losses not recognised in the income statement									
Currency translation differences					0.2		0.2		0.2
Revaluation of securities				0.3			0.3		0.3
Net gains and losses recognised in the income statement									
Changes in revenue reserves			29.8			–29.8	0.0		0.0
Profit for the period						67.6	67.6	0.7	68.3
Total recognised gains and losses	**0.0**	**0.0**	**29.8**	**0.3**	**0.2**	**37.9**	**68.1**	**0.7**	**68.8**
Dividends						**–70.0**	**–70.0**		**–70.0**
Capital increase from company's own resources							**0.0**		**0.0**
Balance at June 30, 2007	**350.0**	**274.5**	**126.2**	**0.1**	**1.1**	**67.6**	**819.5**	**0.7**	**820.2**

Notes

1 Basis of preparation

The consolidated interim financial statements of Austrian Post for the half year ending June 30, 2007 have been prepared in accordance with IAS 34 and the binding International Financial Reporting Standards (IFRS) valid as at June 30, 2007, as adopted by the European Union.

The accounting and valuation methods as well as the information and explanations are essentially the same as those applied in the preparation of the consolidated financial statements for the 2006 business year. The exception is the new Interpretation found in IFRIC 10 which has been binding since January 1st. Application of the new accounting and valuation methods has not had any major effect on the consolidated interim financial statements of Austrian Post. The new IFRIC 11 (valid for annual periods beginning on or after March 1, 2007) will not be applied ahead of schedule.

The consolidated interim financial statements are presented in euro. Unless otherwise stated, all amounts are provided in millions of euro (EUR m). Where rounded amounts and percentages are aggregated, rounding related differences may occur due to the use of automated calculation aids.

For more detailed information on the accounting and valuation methods applied, readers are referred to the consolidated annual financial statements for the year ending December 31, 2006, which are the basis for these interim statements.

2 Consolidation

In the consolidated interim financial statements, apart from the parent company, a total of nineteen domestic subsidiaries (December 31, 2006: sixteen) and twenty-eight foreign subsidiaries (December 31, 2006: twenty-three), in which the Company directly or indirectly holds a majority of the voting rights, are included in consolidation.
Furthermore, a total of three domestic companies (December 31, 2006: three) and one foreign company (December 31, 2006: one) are consolidated according to the equity method.

Additions arising from acquisitions

Austrian Post acquired a 74.9% shareholding in Scherübl Transport GmbH, Frankenburg/a.H., legally effective on April 25, 2007. The purchase price amounted to EUR 2.8m. Scherübl Transport GmbH is an Austrian transport company specialising in temperature-controlled logistics. Its core competences are the temperature-controlled delivery of pharmaceutical products, emergency deliveries and special transports.
Moreover, on May 2, 2007, Austrian Post acquired a 100% shareholding in Road Parcel Logistics Kft., Budapest, and Merland Expressz Kft., Sülsáp. The purchase price for both companies, which operate in the field of business-to-business parcel logistics in Hungary, amounted to a total of EUR 4.7m.

The following assets and liabilities were acquired by Austrian Post as part of the acquisition of Scherübl Transport GmbH, Road Parcel Logistics Kft. and Merland Expressz Kft.:

EUR m	Fair value	Carrying amount before acquisition
Intangible assets	2.1	0.0
Goodwill	5.7	0.0
Property, plant and equipment	0.9	0.9
Current assets	2.2	2.2
Non-current provisions and liabilities	–0.6	–0.8
Deferred tax liabilities	–0.5	0.0
Current provisions and liabilities	–1.9	–1.7
Net acquired assets	**7.9**	**0.6**

3 Contingent liabilities and assets

The contingent assets disclosed in the consolidated financial statements for the year ending December 31, 2006 were unchanged in the first half of 2007. There was no material change in the contingent liabilities as compared to the position as at December 31, 2006.

4 Supplementary information

As at June 30, 2007, there were no material changes in the business relationships with related parties as disclosed in the consolidated financial statements for the year ending December 31, 2006.

5 Events after the end of the interim reporting period

All material events after the end of the interim reporting period, such as pending litigation, claims for damages, other obligations or contingent losses, and for which IAS 10 prescribes adjustments or disclosure, have been recognised to the extent known to the Company.

On May 10, 2007, Austrian Post signed an agreement to acquire a 100% shareholding in the German direct marketing service provider meiller direct. The services provided range from the production of documents and mailings, dialogue services to the further professing and finishing of dialogue media. The acquisition is expected to be legally effective by September 30, 2007.

6 Negative note

The consolidated interim financial statements of Austrian Post for the first half of 2007 (January 1, 2007–June 30, 2007) have not been audited. These consolidated financial statements comprise the balance sheet as at June 30, 2007, the income statement, statement of changes in equity and cash flow statement for the first half of the 2007 business year ending on June 30, 2007, as well as a summary of material accounting and valuation policies and other explanatory notes.

7 Statement by the legal representatives

As the legally designated representatives of Austrian Post, we certify, to the best of our knowledge, that the abridged consolidated interim financial statements of Austrian Post for the first half of 2007 have been prepared to comply with approved, authoritative financial accounting and reporting standards, and present a fair and accurate picture of the financial position and the financial performance of Austrian Post and all the companies which have been included in consolidation. Furthermore, we certify, that the management report for the group for the first half of 2007 present a fair and accurate picture, of the financial position and the financial performance of all the companies which have been included in consolidation.

Anton Wais m.p.
(Chairman of the
Management Board)

Rudolf Jettmar m.p.
(Deputy Chairman of the
Management Board)

Herbert Götz m.p.
(Member of the
Management Board)

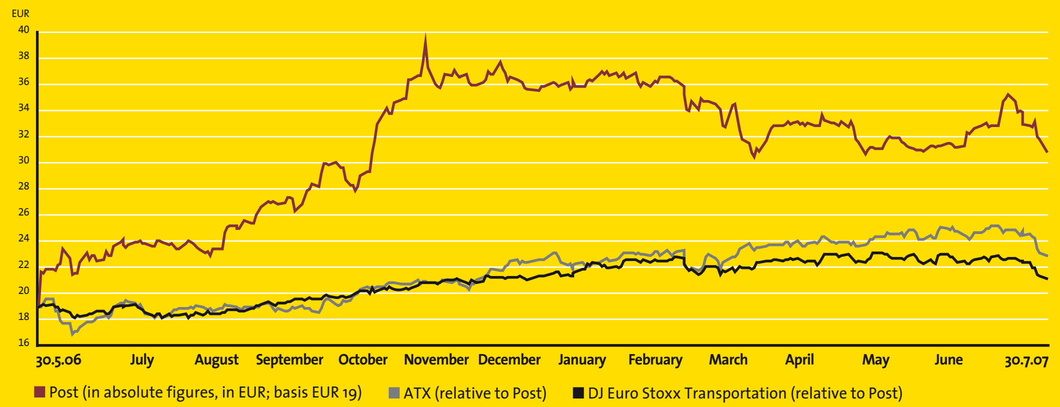
Walter Hitziger m.p.
(Member of the
Management Board)

The Post share

Key share indicators

Price June 30, 2007	EUR 32.87
High/low (intraday) H1 2007	EUR 30.63/EUR 37.25
Earnings per share H1 2007	EUR 0.97
Market capitalisation June 30, 2007	EUR 2,301 m
Free float	49%

Development of the Post share



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We have prepared this report and checked the figures in it 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 contains forward-looking statements based on the information currently available to us. These are usually indicated by expressions such as "expect", "anticipate", "estimate" or "plan". We wish to note that a wide variety of factors could cause actual circumstances – and hence actual results – to diverge from the forecasts contained in this report.

Statements referring to people are valid for both men and women.

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

Editorial deadline: July 30, 2007