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Half-year financial report 2008

Österreichische Post AG

What does Austrian Post bring in Q2?

All divisions contribute to second quarter growth.

Highlights H1 2008

- Group revenue up 7.3% in the first half of 2008, to EUR 1,198.8m
- Revenue growth in all divisions
- Market share change in the Austrian parcels business as forecasted; restructuring of parcel logistics proceeding as planned
- Good development in the second quarter of 2008:
  - Revenue increase of 8.8%
  - EBITDA up 22.0%, EBIT rose by 7.4%
- Earnings development in the first half-year confirms right track
  - EBIT of EUR 81.9m, EBIT margin of 6.8%
  - Group profit for the period improved by 3.4%, to EUR 70.1m
- Operating cash flow before changes in working capital of EUR 123.6m, free cash flow of EUR 89.7m
- Outlook for 2008 confirmed once again: slight increase in revenue, earnings before interest and tax (EBIT) just slightly below 2007, and then continually rising

Overview of key indicators

	EUR m	H1 2006	H1 2007	H1 2008	Change
Income statement	Revenue	861,4	1,116.8	1,198.8	+7.3%
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	117.9	130.2	139.8	+7.4%
	EBITDA margin	13.7%	11.7%	11.7%	–
	Earnings before interest and tax (EBIT)	66.3	85.0	81.9	–3.6%
	EBIT margin	7.7%	7.6%	6.8%	–
	Earnings before tax (EBT)	67.3	86.6	89.1	+2.9%
	Profit for the period	51.6	67.9	70.1	+3.4%
	Earnings per share (EUR)	0.74	0.97	1.00	+3.8%
	Employees (average for the period, full-time equivalents)	24,294	24,910	26,789	+7.5%
Cash flow	Operating cash flow before changes in working capital	141.2	137.0	123.6	–9.8%
	Cash flow from operating activities	82.6	135.4	94.9	–29.9%
	Purchase of property, plant and equipment	14.6	42.0	40.1	–4.7%
	Acquisition/further interests in subsidiaries	0.0	6.5	2.2	–66.4%
	Free cash flow	122.0	23.3	89.7	+284.8%
		Dec. 31, 2006	**Dec. 31, 2007**	**June 30, 2008**	
Balance sheet	Total assets	1,901.6	2,058.6	1,998.8	–2.9%
	Non-current assets	1,272.9	1,361.9	1,357.5	–0.3%
	Current assets	614.9	694.3	641.0	–7.7%
	Non-current assets held for sale	13.8	2.4	0.3	–87.8%
	Capital and reserves	821.4	874.3	773.9	–11.5%
	Non-current liabilities	564.0	598.0	599.1	+0.2%
	Current liabilities	516.2	586.3	625.8	+6.7%
Key balance sheet indicators	Interest-bearing liabilities	–607.6	–711.5	–689.0	–3.2%
	Interest-bearing assets	433.7	538.1	466.9	–13.2%
	Net debt	173.9	173.4	222.1	+28.1%
	Equity ratio	43.2%	42.4%	38.7%	–

Statement by the Management Board

The first half of the 2008 financial year developed very satisfactorily for Austrian Post. The 7.3% increase in revenue is not only related to the initial consolidation of the newly-acquired subsidiaries, but also includes organic growth. This development is even more gratifying in the light of the loss of two important mail order customers in the Austrian parcels segment since the beginning of 2008. The resulting decline in parcels revenue could be more than compensated for. Total revenue climbing by 8.8% in the second quarter.

The Mail Division (up 8.6% in the first half-year) continues to be a strong core business segment in a sound market, supported by the growth in addressed and unaddressed direct mail. The Parcel & Logistics Division, whose overall revenue improved by 7.1%, is determinedly pursuing its emphasis on the premium parcel, the "24 Hour Business Parcel". The Branch Network Division also posted an increase in revenue of 0.2%, with financial services serving as the growth driver.

In the first half of 2008, Austrian Post had to deal with the challenges posed by a changed postal market in Austria, as well as increasing fuel and transport costs. However, the development of earnings during the first six months confirms that Austrian Post is on the right track towards achieving its business targets for the 2008 financial year as a whole. Earnings development in the first half of 2008 confirms that Austrian Post is on the right track towards achieving its business targets for the 2008 financial year as a whole. Earnings before interest and tax (EBIT) amounted to EUR 81.9m in the first six months, reflecting the favourable trend in the second quarter (EBIT up 7.4%, EBITDA increase of 22.0%). The Mail and Branch Network divisions have improved upon the previous year's performance, whereas, as predicted, earnings of the Parcel & Logistics Division have declined due to the loss of two mail order customers in Austria.

Austrian Post confirms its original outlook for 2008, in respect to a slight increase in total revenue. This improvement includes the consolidation of the newly-acquired subsidiaries. Following the acquisitions made in recent years, the focus now is on the integration and consolidation of these companies, as well as the harmonisation of the services portfolios and operating systems. Despite the adverse effects on the parcels segment in Austria, Austrian Post expects earnings before interest and tax (EBIT) to be just slightly below the level achieved in the year 2007, before continually rising in subsequent years. Accordingly, the EBIT margin will be slightly below 7% in 2008, and then reach the targeted range of between 7% and 8% in the following years.

Austrian Post aims to continue being an attractive dividend stock. In addition to the basic dividend, the Annual General Meeting held in April 2008 approved a special dividend as well as a share buyback programme. The payment of the basic dividend amounting to EUR 1.40 per share took place on May 6, 2008, whereas the special dividend of EUR 1.00 per share will be distributed on September 5, 2008. The special dividend is subject to an extremely low withholding tax on capital of about 3%, a clear advantage for shareholders compared to the normal withholding tax of 25%. Based on a good business development and sound balance sheet structure, we aim to pursue our business strategy of increasing shareholder value.

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

Carl-Gerold Mende
Member of the Management Board

The Post share

Key Post share indicators

Price on June 30, 2008	EUR 24.20
High/low (closing price) H1 2008	EUR 29.75 / EUR 23.15
Earnings per share H1 2008	EUR 1.00
Market capitalisation on June 30, 2008	EUR 1,694m
Free float	49%

High dividend yield Based on a proposal made by the Austrian Post Management Board, the Annual General Meeting held on April 22, 2008 approved the distribution of a basic dividend totalling EUR 98m (EUR 1.40 per share). This represents an increase of 40% compared to the preceding year. Moreover, a special dividend amounting to EUR 70m (EUR 1.00 per share) will also be distributed. Based on the share price of EUR 24.20 on June 30, 2008 and dividend payments totalling EUR 2.40 per share, the dividend yield corresponds to 9.9%.

Tax-advantaged payment of the special dividend Following the distribution of the basic dividend of EUR 98m (EUR 1.40 per share) in May, the payment date for the special dividend of EUR 70m (EUR 1.00 per share) has been set for September 5, 2008. Due to the tax treatment stipulated for capital reserves (in connection with Art. 4 (12) of the Austrian Income Tax Act), the special dividend is subject to a significantly lower tax burden for capital gains.
The effective withholding tax on capital gains for the special dividend is about 3%, instead of the usual rate of 25%. Accordingly, after deducting the Austrian withholding tax for this special dividend of EUR 1.00 per share, shareholders will actually receive EUR 0.97 per share.

Business development H1 2008

Economic and market environment According to initial estimates, the Austrian economy continued to expand strongly in the first quarter of 2008, growing by 3.3% compared to Q1 2007. In the meantime, economic forecasts for the entire year 2008 have been revised downwards, with GDP growth expected to reach a level of 2.2% (Institute for Advanced Studies) to 2.3% (Austrian Institute of Economic Research). For 2009, the growth forecast ranges between 1.4% (Austrian Institute of Economic Research) to 1.9% (Institute for Advanced Studies). Also based on the one-off effects of the upcoming parliamentary elections, the Austrian letter mail market is anticipated to expand slightly in 2008. At present, increases in parcel volumes exceed GDP growth. The European postal sector continues to be shaped by the upcoming further liberalisation of then postal market as of January 1, 2011, and preparations to define the specific measures required to establish a fully liberalised market.

Changes in consolidation At the end of April 2008, Austrian Post acquired a 100% stake in HSH Holding, Belgium and all the companies in which it exercises a controlling influence. HSH serves as the holding for two fully consolidated legal entities: MIT Transport and DISTRA. The companies operate in the field of pharmaceutical logistics, focusing on the health care segment in Belgium.
The initial consolidation of the subsidiaries acquired since June, meiller direct, DDS, VOP and City Express, has an impact on the comparability of this interim report.

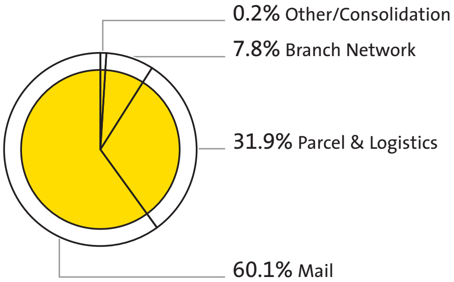
Business development – earnings On balance, total revenues increased by 7.3% in the first half of the 2008 financial year, to EUR 1,198.8m. This increase can be attributed to both organic growth as well as the initial consolidation of the above-mentioned subsidiaries affecting the income statement of Austrian Post. For the most part, the negative effects in Q1 2008 arising from the lower level of volumes in connection with one working day less and the timing of Easter already in the first quarter could be largely compensated for during the second quarter. Revenue was up 8.8% in the second quarter of 2008, with all three divisions making a positive contribution to revenue growth. All in all, revenues of the Mail Division improved by 8.6% in the first half of 2008, whereas revenues of the Parcel & Logistics Division were up 7.1%, and the Branch Network Division also registered a gain of 0.2%. Growth in the Mail Division related to the initial consolidation of subsidiaries as well as to operational improvements. Revenue and earnings of the Parcel & Logistics Division were negatively impacted by the loss of two parcels customers, but the newly-acquired subsidiaries could offset the resulting loss of revenue.

Revenue by division[1]

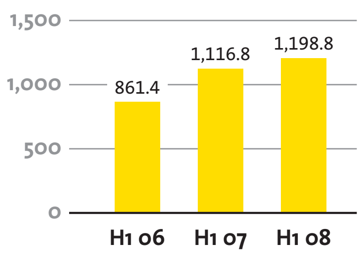
EUR m	H1 2006	H1 2007	H1 2008	Change	Q2 2007	Q2 2008
Total revenue	**861.4**	**1,116.8**	**1,198.8**	**+7.3%**	**541.3**	**588.9**
Mail	650.5	663.3	720.5	+8.6%	321.6	350.5
Parcel & Logistics	111.4	357.2	382.5	+7.1%	174.3	191.3
Branch Network	96.8	93.8	94.0	+0.2%	44.1	46.0
Other/Consolidation	2.7	2.5	1.8	–30.3%	1.4	1.1

[1] External sales of the divisions

Revenue by division (%)



Revenue (EUR m)



Income statement

EUR m	H1 2007	H1 2008	Change	Structure H1 2008	Q2 2007	Q2 2008
Revenue	**1,116.8**	**1,198.8**	**+7.3%**	**100.0%**	**541.3**	**588.9**
Other operating income	37.0	35.8	–3.0%	3.0%	16.1	21.2
Raw materials, consumables and services used	–322.8	–368.9	+14.3%	30.8%	–157.5	–185.9
Staff costs	–569.3	–581.2	+2.1%	48.5%	–281.7	–283.7
Other operating expenses	–131.8	–145.2	+10.1%	12.1%	–65.1	–76.3
Share of profit/loss of associates	0.3	0.5	+58.0%	0.0%	–0.3	0.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**130.2**	**139.8**	**+7.4%**	**11.7%**	**52.8**	**64.4**
Depreciation, amortisation and impairment losses	–45.2	–57.9	+27.9%	4.8%	–23.0	–32.4
Earnings before interest and tax (EBIT)	**85.0**	**81.9**	**–3.6%**	**6.8%**	**29.9**	**32.1**
Other financial result	1.6	7.1	+354.3%	0.6%	0.9	5.0
Earnings before tax (EBT)	86.6	89.1	+2.9%	7.4%	30.7	37.1
Income tax	–18.7	–18.9	+1.1%	1.6%	–5.6	–8.8
Profit after tax = Profit for the period	**67.9**	**70.1**	**+3.4%**	**5.9%**	**25.1**	**28.3**
thereof minority interests	0.2	0.0	–	–	0.2	0.0

Besides the 7.3% increase in revenues, the consolidated income statement of Austrian Post shows a 14.3% rise in expenses for raw materials, consumables and services used. This development is related to the acquisitions which were carried out, as well as to higher fuel and transport costs.
The staff costs of Austrian Post amounting to EUR 581.2m for the first half of 2008 include an allocation to the provisions for employee under-utilisation. The net amount of allocated provisions was EUR 16.9m in the first half of 2008 (H1 2007: EUR 37.3m), which corresponds to the net increase in this balance sheet item, from EUR 331.0m as at January 1, 2008 to EUR 347.9m as at June 30, 2008. The number of employees (full-time equivalents) increased by 7.5% year-on-year, to 26,789 employees.
In the first half of 2008, EBITA was EUR 139.8m, a rise of 7.4% compared to H1 2007. The EBITDA margin continued to be 11.7%. In particular, EBITDA in the second quarter of 2008 improved by 22.0%, to EUR 64.4m.

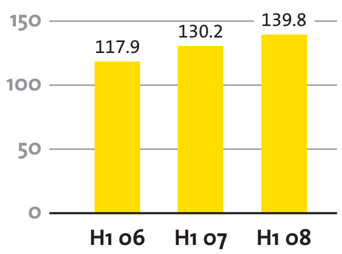
EBIT by division

EUR m	H1 2006	H1 2007	H1 2008	Change	Q2 2007	Q2 2008
Total EBIT	**66.3**	**85.0**	**81.9**	**–3.6%**	**29.9**	**32.1**
Mail	131.3	133.4	135.7	+1.7%	59.0	61.6
Paket & Logistik	9.5	14.9	7.1	–52.3%	5.3	2.4
Branch Network	11.0	5.8	6.7	+16.4%	1.2	4.2
Other/Consolidation	–85.5	–69.1	–67.6	+2.2%	–35.6	–36.1

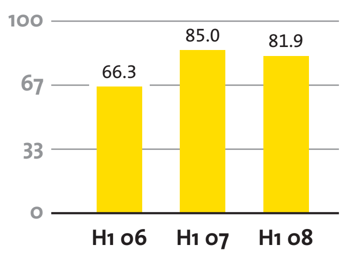
In the second quarter of 2008, the earnings before interest and tax (EBIT) of Austrian Post rose 7.4%, to EUR 32.1m. As a consequence, EBIT for the first half of 2008 amounted to EUR 81.9m, which was only 3.6% below the comparable period of the preceding year. This can be attributed to a higher level of depreciation, amortisation and impairment losses in the first half of 2008, totalling EUR 57.9m, which encompasses impairment losses of EUR 6.2m related to the redimensioning measures in respect to Austrian Post's logistics operations in Austria. The EBIT margin amounted to 6.8%.
All operating divisions made a positive contribution to earnings. EBIT at the Mail Division was EUR 135.7m, at the Parcel & Logistics Division EUR 7.1m, and at the Branch Network Division EUR 6.7m. Earnings of the Mail Division and the Branch Network Division in the first half of 2008 surpassed the previous year's level, whereas earnings of the Parcel & Logistics Division declined due to the loss of two large parcels customers in Austria.
The Other/Consolidation segment posted a negative EBIT of EUR 67.6m in the first half of 2008 (H1 2007: minus EUR 69.1m). This item encompasses non-allocable costs for central departments, expenses in connection with unused properties and the increase in the provisions for employee under-utilisation.
Profit for the period of Austrian Post increased by 3.4% in the first half-year 2008, to EUR 70.1m (including a rise of 12.4% in Q2 2008).

Earnings indicators

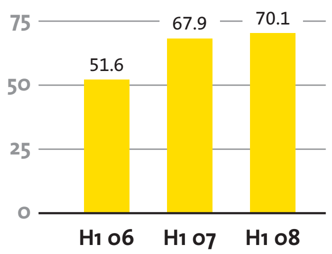
EBITDA (EUR m)



EBIT (EUR m)



Profit for the period (EUR m)



Assets and finance

Balance sheet

EUR m	Dec. 31, 2007	June 30, 2008	Structure June 30, 2008
ASSETS			
Non-current assets	1,361.9	1,357.5	67.9%
thereof other financial assets and investments in securities	211.7	212.3	10.6%
Current assets	694.3	641.0	32.1%
thereof cash and cash equivalents	309.4	250.1	12.5%
Non-current assets held for sale	2.4	0.3	0.0%
	2,058.6	**1,998.8**	**100.0%**
EQUITY AND LIABILITIES			
Capital and reserves	874.3	773.9	38.7%
Non-current liabilities	598.0	599.1	30.0%
thereof provisions	487.7	497.9	24.9%
Current liabilities	586.3	625.8	31.3%
	2,058.6	**1,998.8**	**100.0%**

As of June 30, 2008, total assets of Austrian Post amounted to EUR 1,998.8m. Non-current assets predominate on the assets side, accounting for 67.9% of total assets, or EUR 1,357.5m. The largest non-current asset items are property, plant and equipment, at EUR 717.5m, intangible assets and goodwill, at EUR 317.6m, and other financial assets and investments in securities of EUR 212.3m. The principle current asset items are receivables, at EUR 363.9m, as well as cash and cash equivalents, at EUR 250.1m.

On the equity and liabilities side, capital and reserves constitute the main item (38.7%), followed by non-current liabilities (30.0%). Non-current liabilities of EUR 599.1m largely consist of provisions totalling EUR 497.9m, including provisions for under-utilisation, which rose by EUR 16.9m in the first half of 2008, to EUR 347.9m. Current liabilities, amounting to EUR 625.8m, already include the liability for the special dividend of EUR 70.0m.

The Austrian Post Group has a net debt position of EUR 221.1m at present. This financial figure represents the difference between interest-bearing assets (securities, other financial assets and cash and cash equivalents) amounting to EUR 466.9m, and interest-bearing debt (financial liabilities, social capital and other interest-bearing liabilities and provisions) totalling EUR 689.0m.

In the next two to three years, Austrian Post aims to raise the ratio of net debt to EBITDA to 2.0.

Cash flow

EUR m	H1 2007[1]	H1 2008
Operating cash flow before changes in working capital	**137.0**	**123.6**
± Cash flow from changes in working capital	–1.5	–28.7
= Cash flow from operating activities	**135.4**	**94.9**
± Cash flow from investing activities	–112.1	–5.2
= Free cash flow	**23.3**	**89.7**
± Cash flow from financing activities	–70.5	–149.0
= Net decrease in cash and cash equivalents	**–47.1**	**–59.3**

[1] For better comparability, the previous year's cash flow figures have been adjusted to take account of the cash flow statement structure of 2008.

In the period under review, total operating cash flow before changes in working capital amounted to EUR 123.6m and is below the level of the first half of 2007, amongst other reasons as a result of changes in non-current provisions.
The cash flow from changes in working capital amounted to minus EUR 28.7m in the first half of 2008. This is primarily the result of changes in receivables, which totalled minus EUR 15.9m, in payables, amounting to minus EUR 1.4m, and in current provisions, which amounted to minus EUR 10.3m. On balance, total cash flow from operating activities was EUR 94.9m in the first half of 2008.
The cash flow from investing activities totalled EUR 5.2m, comprising the purchase of property, plant and equipment amounting to EUR 40.1m, the acquisition of the remaining shareholding of Scanpoint for EUR 2.6m (contained in the item "Acquisition of further interests in subsidiaries"), the proceeds from the disposal of property, plant and equipment totalling EUR 9.4m, and proceeds from the sale of financial investments in securities amounting to EUR 18.3m. On balance, total free cash flow reported in the first half of 2008 was EUR 89.7m.
The cash flow from financing activities in the first half of 2008 included the payment of a basic dividend of EUR 98m, as well as the reduction of financial liabilities of EUR 46.7m. The acquisition of the remaining 23.85% stake in the logistics company trans-o-flex resulted in a reduction in financial liabilities of EUR 20.4m based on a lower level of liabilities owed to minority interests.

Capital expenditure In the first half-year 2008, capital expenditure on the part of Austrian Post reached a level of EUR 40.1m for projects both in Austria and abroad. Investments chiefly focused on expanding and modernising the vehicle fleet, new tables for use by delivery staff in the distribution bases, the adaptation and modernisation of post office branches as well as various construction projects. The remaining shareholding in Scanpoint (49%) was acquired at a cost of EUR 2.6m, and the pharmaceutical logistics company HSH in Belgium was acquired for EUR 0.6m.

Employees The average number of employees (full-time equivalents) in the Austrian Post Group rose by 7.5% during the period under review, or 1,879 employees, to a total of 26,789 people at present. This increase is related to the acquisition of subsidiaries. The rise in the number of employees in the Other/Consolidation segment reflects the changing reporting structure for employees who are permanently on sick leave. In contrast, Austrian Post reduced the number of its employees on its domestic market of Austria by about 300 people compared to the first half of the preceding year. Most of Austrian Post's labour force (a total of 22,900 full-time equivalents) work for the parent company, Österreichische Post AG. About 3,900 employees work in the subsidiaries, whereas close to 1,400 people work for the trans-o-flex companies, approximately 1,000 employees for meiller direct and more than 500 employees for City Express (Serbian parcel services company).

Employees by division[1)]

	H1 2006	H1 2007	H1 2008	Structure
Mail	15,132	14,954	15,716	58.7%
Parcel & Logistics	2,280	3,255	4,059	15.1%
Branch Network	5,218	5,055	4,893	18.3%
Other/Consolidation	1,664	1,647	2,121	7.9%
Total	**24,294**	**24,910**	**26,789**	**100.0%**

1) Average for the period, full-time equivalents

Main risks/uncertainties 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 2007 and in the Annual Report 2007 of Austrian Post (see Annual Report 2007 pages 74–78).

Uncertainties pertaining to the remaining six months of the 2008 financial year can be deduced from these risks. Mail volumes in the Mail Division and in the Parcel & Logistics Division are subject to seasonal fluctuations as well as 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 in the middle of 2007. This market entry has an influence on parcels volumes and price developments on the Austrian 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 PSK, whereas earnings from telecommunications products depend on the acceptance of products marketed by our partner Telekom Austria. As a logistics company, Austrian Post is principally subject to the risk of increasing costs arising from higher fuel prices.

Outlook for 2008 All in all, Austrian Post confirms the original outlook for the 2008 financial year, with total revenue expected to rise slightly. This includes the integration of the newly-acquired subsidiaries. This forecast is based on the assumption of a largely stable development in letter mail and direct mail volumes, an increase in Austrian Post's international parcels business as well as a lower volume in the company's Austrian parcels business, due to the loss of major mail order customers.

Despite these adverse effects on the parcels segment, Austrian Post expects earnings before interest and tax (EBIT) to be just slightly below the level achieved in 2007, and then continually rise in subsequent years. Accordingly, the EBIT margin will be slightly below 7% in 2008, and then increase once again to 7%–8% in the following years.

Based on a solid cash flow development and balance sheet structure, Austrian Post expects to pursue an attractive dividend policy. It is planned to continually increase the basic dividend on the basis of the company's earnings development. The special dividend depends on capital requirements.

Events after the interim reporting period

There were no events after the end of the interim reporting period which had a material influence on the financial position and financial performance of the company.

Performance of divisions

Mail Division

EUR m	H1 2006	H1 2007	H1 2008	Change	Q2 2007	Q2 2008
External sales	**650.5**	**663.3**	**720.5**	**+8.6%**	**321.6**	**350.5**
Mail	386.0	393.1	389.4	–0.9%	188.9	188.0
Infomail	200.5	206.5	263.4	+27.6%	99.5	128.8
Media Post	64.1	63.7	67.6	+6.1%	33.1	33.7
Internal sales	33.9	24.4	22.1	–9.4%	12.0	11.0
Total revenue	684.5	687.7	742.6	+8.0%	333.6	361.5
EBIT	**131.3**	**133.4**	**135.7**	**+1.7%**	**59.0**	**61.6**
EBIT margin[1]	19.2%	19.4%	18.3%	–	17.7%	17.0%
Employees[2]	15,132	14,954	15,716	+5.1%	–	–

[1] Relative to total revenue
[2] Average for the period, full-time equivalents

In the first half of 2008, external sales of the Mail Division climbed by 8.6% compared to the same period of the previous year, increasing to EUR 720.5m. This improvement is chiefly related to the initial consolidation of the Austrian Post subsidiary meiller direct, which was acquired in July 2007, as well as organic revenue growth. In the second quarter, growth in external sales amounted to 9.0%, compensating for the negative volume effect in the first quarter of 2008 (one working day less than in Q1 2007).

External sales of the Letter Mail Business Area declined by 0.9% in a year-on-year comparison. External sales of the Infomail Business Area (addressed and unaddressed advertising) rose by 27.6% in the first six months of 2008, to EUR 263.4m. This increase includes the first-time consolidation of the direct marketing services provider meiller direct. The Media Post Business Area raised its half-year revenue by 6.1%, which is mainly related to the positive development of regional media, but also to the one-off effects of a regional election in Austria.

On balance, EBIT of the Mail Division in the first half of 2008 was up 1.7%, to EUR 135.7m. EBIT generated by the Mail Division in the second quarter climbed 4.4%, to EUR 61.6m.

Parcel & Logistics Division

EUR m	H1 2006	H1 2007	H1 2008	Change	Q2 2007	Q2 2008
External sales	**111.4**	**357.2**	**382.5**	**+7.1%**	**174.2**	**191.3**
Internal sales	24.1	15.9	17.0	+6.4%	7.6	8.2
Total revenue	135.4	373.1	399.4	+7.1%	181.8	199.5
EBIT	**9.5**	**14.9**	**7.1**	**–52.3%**	**5.3**	**2.4**
EBIT margin[1]	7.0%	4.0%	1.8%	–	2.9%	1.2%
Employee[2]	2,280	3,255	4,059	+24.7%	–	–

[1] Relative to total revenue
[2] Average for the period, full-time equivalents

External sales of the Parcel & Logistics Division climbed to EUR 382.5m in the first half of 2008, a rise of 7.1%. The main contribution to total revenue (84% of total division sales) was made by the new premium parcel service (parcel delivery within 24 hours to private and business customers, B2C/B2B). In addition to the B2B business in Germany (trans-o-flex), comprising the largest share of Austrian Post's overall B2B volume, growth in this segment was primarily driven by the expansion of newly-acquired Group companies (Road Parcel, Merland, City Express, DDS, VOP), which did not belong to the scope of consolidation in the comparable period of 2007. Moreover, premium parcels enjoyed popularity on the Austrian B2B and B2C market. In particular, Internet-based companies are increasingly relying on Austrian Post's quick delivery service.

As expected, revenue decreased in the standard parcels segment in Austria, which comprises 16% of total division sales, due to the market entry of a German parcel services provider. The comprehensive redimensioning of parcel logistics initiated at the end of 2007 to increase the profitability of parcels services is proceeding on schedule. In the first half of 2008, earnings before interest and tax (EBIT) of the Parcel & Logistics Division amounted to EUR 7.1m, which is related to the loss of two large parcels customers in Austria.

Branch Network Division

EUR m	H1 2006	H1 2007	H1 2008	Change	Q2 2007	Q2 2008
External sales	**96,8**	**93.8**	**94.0**	**+0.2%**	**44.1**	**46.0**
Internal sales	106.6	103.4	102.0	–1.4%	50.9	51.1
Total revenue	203.4	197.1	196.0	–0.6%	94.9	97.1
EBIT	**11.0**	**5.8**	**6.7**	**+16.4%**	**1.2**	**4.2**
EBIT margin[1]	5.4%	2.9%	3.4%	–	1.3%	4.3%
Employee[2]	5,218	5,055	4,893	–3.2%	–	–

[1] Relative to total revenue
[2] Average for the period, full-time equivalents

External sales of the Branch Network Division increased by 0.2% in the first half-year 2008 compared to the same period of the previous year, to EUR 94.0m. The decline in mobile telephony sales could be compensated by the growth in financial services, in particular during the second quarter of 2008. The growth measures which were initiated, such as the sales drive focusing on private customers as well as higher interest rates, had a positive effect. These measures were accompanied by the launch of a program featuring targeted sales training to customer consultants, and an improvement in the assortment of products and services offered in the branch network. On balance, customer deposits increased. Due to lower mail volumes handled by the branch network, internal sales of the Branch Network Division also decreased. Austrian Post succeeded in raising earnings before interest and tax (EBIT) of the Branch Network Division to EUR 6.7m in the first six months of 2008, which is primarily attributable to cost discipline and organisational optimisation measures.

Consolidated interim financial statements

Consolidated income statement

EUR m	H1 2007	H1 2008	Q2 2007	Q2 2008
Revenue	1,116.8	1,198.8	541.3	588.9
Other operating income	37.0	35.8	16.1	21.1
Total operating income	1,153.8	1,234.6	557.4	610.0
Raw materials, consumables and services used	–322.8	–368.9	–157.5	–185.9
Staff costs	–569.3	–581.2	–281.7	–283.7
Depreciation, amortisation and impairment losses	–45.2	–57.9	–23.0	–32.4
Other operating expenses	–131.8	–145.2	–65.1	–76.3
Total operating expenses	–1,069.1	–1,153.2	–527.3	–578.2
Profit from operations	**84.7**	**81.4**	**30.2**	**31.8**
Share of profit/loss of associates	0.3	0.5	–0.3	0.3
Other financial result	1.6	7.1	0.9	5.0
Total financial result	1.9	7.6	0.6	5.3
Profit before tax	**86.6**	**89.1**	**30.7**	**37.1**
Income tax	–18.7	–18.9	–5.6	–8.8
Profit after tax	**67.9**	**70.1**	**25.1**	**28.3**
Profit for the period	**67.9**	**70.1**	**25.1**	**28.3**
Attributable to:				
Equity holders of the parent company	67.6	70.2	25.0	28.3
Minority interest	0.2	0.0	0.2	0.0

EUR				
Basic earnings per share	0.97	1.00	0.36	0.40
Diluted earnings per share	0.97	1.00	0.36	0.40

EUR m				
Profit from operations	84.7	81.4	30.2	31.8
Share of profit/loss of associates	0.3	0.5	–0.3	0.3
Earnings before interest and tax (EBIT)	**85.0**	**81.9**	**29.9**	**32.1**

Consolidated balance sheet

EUR m	Dec. 31, 2007	June 30, 2008
ASSETS		
Non-current assets		
Goodwill	216.0	218.2
Intangible assets	106.1	99.5
Property, plant and equipment	716.7	717.5
Investment property	36.6	35.4
Investments in associates	3.5	3.5
Financial investments in securities	131.8	132.4
Other financial assets	79.9	79.9
Receivables	15.9	15.4
Deferred tax assets	55.5	55.8
	1,361.9	**1,357.5**
Current assets		
Financial investments in securities	15.2	0.2
Inventories	25.6	26.8
Receivables	344.0	363.9
Cash and cash equivalents	309.4	250.1
	694.3	**641.0**
Non-current assets held for sale	**2.4**	**0.3**
	2,058.6	**1,998.8**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	350.0	350.0
Capital and reserves	212.0	212.0
Revenue reserves	188.7	141.2
Revaluation of securities	–0.5	–1.5
Currency translation reserves	1.0	2.1
Profit for the period	122.5	70.2
	873.7	**773.9**
Minority interest	0.6	0.0
	874.3	**773.9**
Non-current liabilities		
Provisions	487.7	497.9
Financial liabilities	58.6	52.0
Payables	18.7	18.0
Deferred tax liabilities	33.2	31.2
	598.0	**599.1**
Current liabilities		
Provisions	102.3	91.9
Tax provisions	14.4	16.0
Financial liabilities	128.5	99.4
Payables	341.1	418.5
	586.3	**625.8**
	2,058.6	**1,998.8**

Consolidated cash flow statement

EUR m	H1 2007	H1 2008
Operating activities		
Profit before tax	86.6	89.1
Depreciation, amortisation and impairment losses	45.2	57.9
Write-downs/write-ups of financial assets	–0.3	–0.5
Non-current provisions	37.3	10.2
Gain/loss on disposal of non-current assets	–9.0	–4.2
Gain/loss on disposal of financial assets	0.0	–0.2
Taxes paid	–18.5	–17.7
Net interest received	–4.4	–10.5
Currency translation	0.1	–0.4
Operating cash flow before changes in working capital	**137.0**	**123.6**
Changes in working capital		
Receivables	26.5	–15.9
Inventories	1.7	–1.1
Payables	–32.4	–1.4
Current provisions	2.6	–10.3
Cash flow from changes in working capital	**–1.5**	**–28.7**
Cash flow from operating activities	**135.4**	**94.9**
Investing activities		
Purchase of intangible assets	–2.6	–1.0
Purchase of property, plant and equipment	–42.0	–40.1
Acquisition of subsidiaries	–6.5	0.4
Acquisition of further interests in subsidiaries	0.0	–2.6
Acquisition of financial investments in securities	–9.0	–5.0
Acquisition of other financial assets	–76.4	0.0
Proceeds from the sale of non-current assets	16.0	9.4
Proceeds from the sale of financial investments in securities	0.1	18.3
Dividends received from associates	0.4	0.5
Interest received	7.8	14.9
Cash flow from investing activities	**–112.1**	**–5.2**
Free cash flow	**23.3**	**89.7**
Financing activities		
Changes in financial liabilities	3.0	–46.7
Dividends paid (basic dividend)	–70.0	–98.0
Interest paid	–3.4	–4.3
Cash flow from financing activities	**–70.5**	**–149.0**
Netdecrease in cash and cash equivalents	**–47.1**	**–59.3**
Cash and cash equivalents as at January 1	229.4	309.4
Cash and cash equivalents as at June 30	**182.3**	**250.1**

Segment reporting

Business segments (divisions)
H1

EUR m	Mail 2007	Mail 2008	Parcel & Logistics 2007	Parcel & Logistics 2008	Branch Network 2007	Branch Network 2008	Other/ Consolidation 2007	Other/ Consolidation 2008	Group 2007	Group 2008
External sale	663.3	720.5	357.2	382.5	93.8	94.0	2.5	1.8	1,116.8	1,198.8
Internal sales	24.4	22.1	15.9	17.0	103.4	102.0	–143.7	–141.0	0.0	0.0
Total revenue	**687.7**	**742.6**	**373.1**	**399.4**	**197.1**	**196.0**	**–141.1**	**–139.2**	**1,116.8**	**1,198.8**
Profit from operations	133.2	135.5	15.0	7.1	5.8	6.7	–69.4	–67.9	84.7	81.4
Share of profit/loss of associates	0.2	0.2	–0.1	0.0	0.0	0.0	0.2	0.3	0.3	0.5
EBIT	**133.4**	**135.7**	**14.9**	**7.1**	**5.8**	**6.7**	**–69.1**	**–67.6**	**85.0**	**81.9**
Segment assets	369.7	474.9	434.5	528.8	44.8	52.3	531.4	418.0	1,380.5	1,474.0
Investments in associates	2.9	2.9	0.0	0.0	0.0	0.0	0.5	0.6	3.4	3.5
Segment liabilities	299.5	326.6	211.1	166.6	83.1	76.3	410.9	468.3	1,004.6	1,037.7
Segment investments	12.5	19.7	20.1	26.4	2.8	1.3	21.9	7.2	57.3	54.7
Depreciation, amortisation and impairment losses	13.0	16.8	10.5	13.2	2.4	2.9	19.3	25.0	45.2	57.9
thereof: impairment losses	0.0	0.0	0.0	0.1	0.0	0.0	0.0	6.0	0.0	6.2
Other non-cash expenses	2.9	–1.7	0.3	–1.1	1.4	–1.7	32.7	14.7	37.3	10.2
Employees[1]	14,954	15,716	3,255	4,059	5,055	4,893	1,647	2,121	24,910	26,789

[1] Average for the period, full-time equivalents

Geographical segments
H1

EUR m	Austria 2007	Austria 2008	Germany 2007	Germany 2008	Other countries 2007	Other countries 2008	Group 2007	Group 2008
External sales	842.5	835.9	250.9	298.1	23.4	64.8	1,116.8	1,198.8
Segment assets	1,063.2	1,029.3	297.0	352.2	20.3	92.5	1,380.5	1,474.0
Segment investments	44.9	27.7	5.9	7.2	6.5	19.8	57.3	54.7

Business segments (divisions)
Q2

EUR m	Mail 2007	Mail 2008	Parcel & Logistics 2007	Parcel & Logistics 2008	Branch Network 2007	Branch Network 2008	Other/ Consolidation 2007	Other/ Consolidation 2008	Group 2007	Group 2008
External sales	321.6	350.5	174.2	191.3	44.1	46.0	1.4	1.1	541.3	588.9
Internal sales	12.0	11.0	7.6	8.2	50.9	51.1	–70.5	–70.3	0.0	0.0
Total revenue	**333.6**	**361.5**	**181.8**	**199.5**	**94.9**	**97.1**	**–69.1**	**–69.2**	**541.3**	**588.9**
Profit from operations	59.3	61.3	5.4	2.4	1.2	4.2	–35.7	–36.2	30.2	31.8
Share of profit/loss of associates	–0.3	0.2	–0.1	0.0	0.0	0.0	0.1	0.1	–0.3	0.3
EBIT	**59.0**	**61.6**	**5.3**	**2.4**	**1.2**	**4.2**	**–35.6**	**–36.1**	**29.9**	**32.1**

Geographical segments
Q2

EUR m	Austria 2007	Austria 2008	Germany 2007	Germany 2008	Other countries 2007	Other countries 2008	Group 2007	Group 2008
External sales	406.5	408.1	122.1	145.8	12.7	35.0	541.3	588,9

Consolidated statement of changes in equity

EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation of securities	Currency translation reserves	Profit for the period	Total	Minority interest	Consolidated equity
H1 2007									
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									
Changes in equity investments							0.0		0.0
Changes in reserves			29.8			–29.8	0.0		0.0
Income and expense recognised in equity									
Currency translation					0.2		0.2		0.2
Revaluation of securities				0.3			0.3		0.3
	0.0	0.0	0.0	0.3	0.2	0.0	0.4	0.0	0.4
Profit for the period						67.6	67.6	0.7	68.3
Total recognised income and expense	**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
Balance at June 30, 2007	**350.0**	**274.5**	**126.2**	**0.1**	**1.1**	**67.6**	**819.5**	**0.7**	**820.2**

EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation of securities	Currency translation reserves	Profit for the period	Total	Minority interest	Consolidated equity
H1 2008									
Balance at January 1, 2008	**350.0**	**212.0**	**188.7**	**–0.5**	**1.0**	**122.5**	**873.7**	**0.6**	**874.3**
Changes in consolidation									
Changes in equity investments							0.0	–0.6	–0.6
Changes in reserves			–47.5			45.5	–2.0		–2.0
Income and expense recognised in equity									
Currency translation					1.0		1.0		1.0
Revaluation of securities				–1.0			–1.0		–1.0
	0.0	0.0	0.0	–1.0	1.0	0.0	0.1	0.0	0.1
Profit for the period						70.2	70.2	0.0	70.1
Total recognised income and expense	**0.0**	**0.0**	**–47.5**	**–1.0**	**1.0**	**115.6**	**68.2**	**–0.6**	**67.6**
Dividends						–168.0	–168.0		–168.0
Balance at June 30, 2008	**350.0**	**212.0**	**141.2**	**–1.5**	**2.1**	**70.2**	**773.9**	**0.0**	**773.9**

Notes

1 | Basis of preparation

The interim consolidated financial statements of Austrian Post as at June 30, 2008 were prepared in accordance with the binding International Financial Reporting Standards valid at June 30, 2008, as issued by the International Accounting Standard Board (IASB) and adopted by the European Union.
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 2007 financial year. The new interpretation contained in IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions", which took effect on March 1, 2007, was applied in preparing the interim consolidated financial statements. However, the application of the new interpretation does not have any material effect on the presentation of the financial position, profit and loss or cash flows of the company.
The consolidated financial statements are presented in Euro. The functional currency is the Euro. Unless otherwise stated, all amounts are provided in millions of euros (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 applied accounting and valuation methods, refer to the consolidated financial statements for the 2007 financial year as at December 31, 2007, which serves as the basis for these interim statements.

2 | Consolidation

In addition to the parent company Austrian Post AG, a total of 19 domestic subsidiaries (December 31, 2007: 18) and 47 foreign subsidiaries (December 31, 2007: 45) in which the company directly or indirectly holds a majority of the voting rights, are included in consolidation. Furthermore, three domestic companies (December 31, 2007: three) are consolidated according to the equity method.

Changes in consolidation

Effective April 30, 2008, Austrian Post legally acquired a 100% shareholding in HSH Holding B.V.B.A., Stekene, and all the companies in which it exercises a controlling interest. HSH serves as the holding for two fully consolidated legal entities: MIT Transport N.V., Turnhout and DISTRA N.V., Turnhout. The acquisition cost amounted to EUR 0.6m. The companies operate in the field of non-temperature-controlled pharmaceutical logistics, focusing on the health care segment in Belgium.
Austrian Post assumed the following assets and liabilities in connection with the acquisition of HSH Holding B.V.B.A., DISTRA N.V and MIT Transport N.V.:

EUR m	**Fair value**	**Carrying amount before acquisition**
Goodwill	2.3	0.0
Property, plant and equipment	10.3	10.3
Deferred tax assets	0.1	0.1
Current assets	9.2	9.2
Non-current provisions and liabilities	–7.0	–7.0
Deferred tax liabilities	–2.2	–2.2
Current provisions and liabilities	–12.0	–12.0
Net acquired assets	**0.6**	**–1.7**

Effective at the beginning of June 2008, trans-o-flex Nederland B.V. merged with DDS Dedicated Distribution Services B.V.
Moreover, as of June 30, 2008, Austrian Post acquired the remaining 23.85% interest in trans-o-flex at an acquisition price of EUR 20.4m. This transaction only has an impact on liabilities to minority interests, due to the fact that a 100% shareholding had already been included in consolidation due to the existing put option on the part of the minority shareholders at that time.

3 | Contingent liabilities and assets

The contingent assets presented in the consolidated financial statements as at December 31, 2007 remained unchanged in the first half of the 2008 financial year. Compared to December 31, 2007, there was no significant change in the level of contingent liabilities.

4 | Other information

As at June 30, 2008, there was no material change in the transactions with related parties and individuals as presented in the consolidated financial statements as at December 31, 2007.

5 | Events after the end of the interim reporting period

All material events after the balance sheet date, 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.

6 | Negative note

The consolidated interim financial statements of Austrian Post for the first half of 2008 (January 1, 2008–June 30, 2008) have not been audited. These consolidated interim financial statements comprise the consolidated balance sheet as at June 30, 2008, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the first half of the 2008 business year, as well as a summary of material accounting and valuation policies and other explanatory notes.

Vienna, July 30, 2008

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

Carl-Gerold Mende m.p.
Member of the Management Board

Statement of all legal representatives

As legal representatives of Austrian Post we confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

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

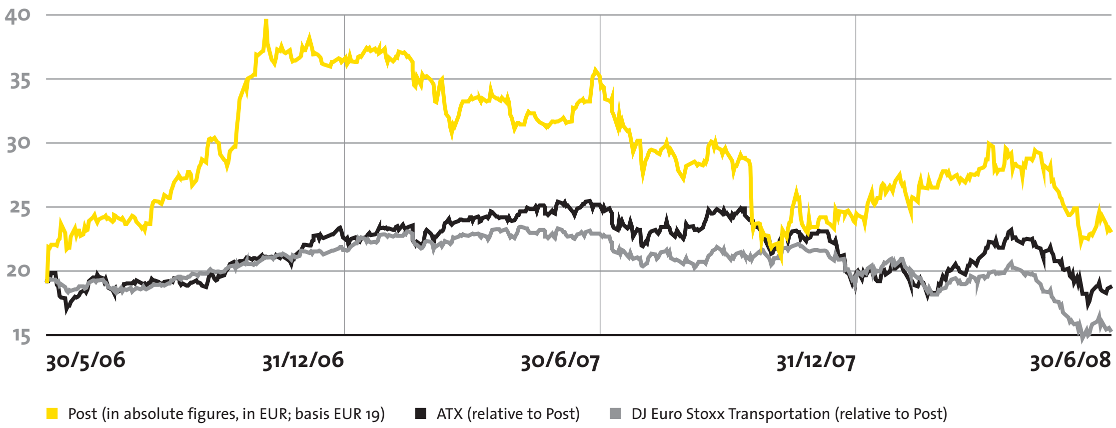
Walter Hitziger m.p.
Member of the Management Board

Carl-Gerold Mende m.p.
Member of the Management Board

Financial calendar 2008

May 6, 2008	Dividend payment day/Ex-dividend day for the basic dividend of EUR 1.40 per share
August 14, 2008	Interim results H1 2008
September 5, 2008	Dividend payment day/Ex-dividend day for special dividend of EUR 1.00 per share
November 13, 2008	Interim results Q1–3 2008

Development of the Post share



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 31, 2008

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