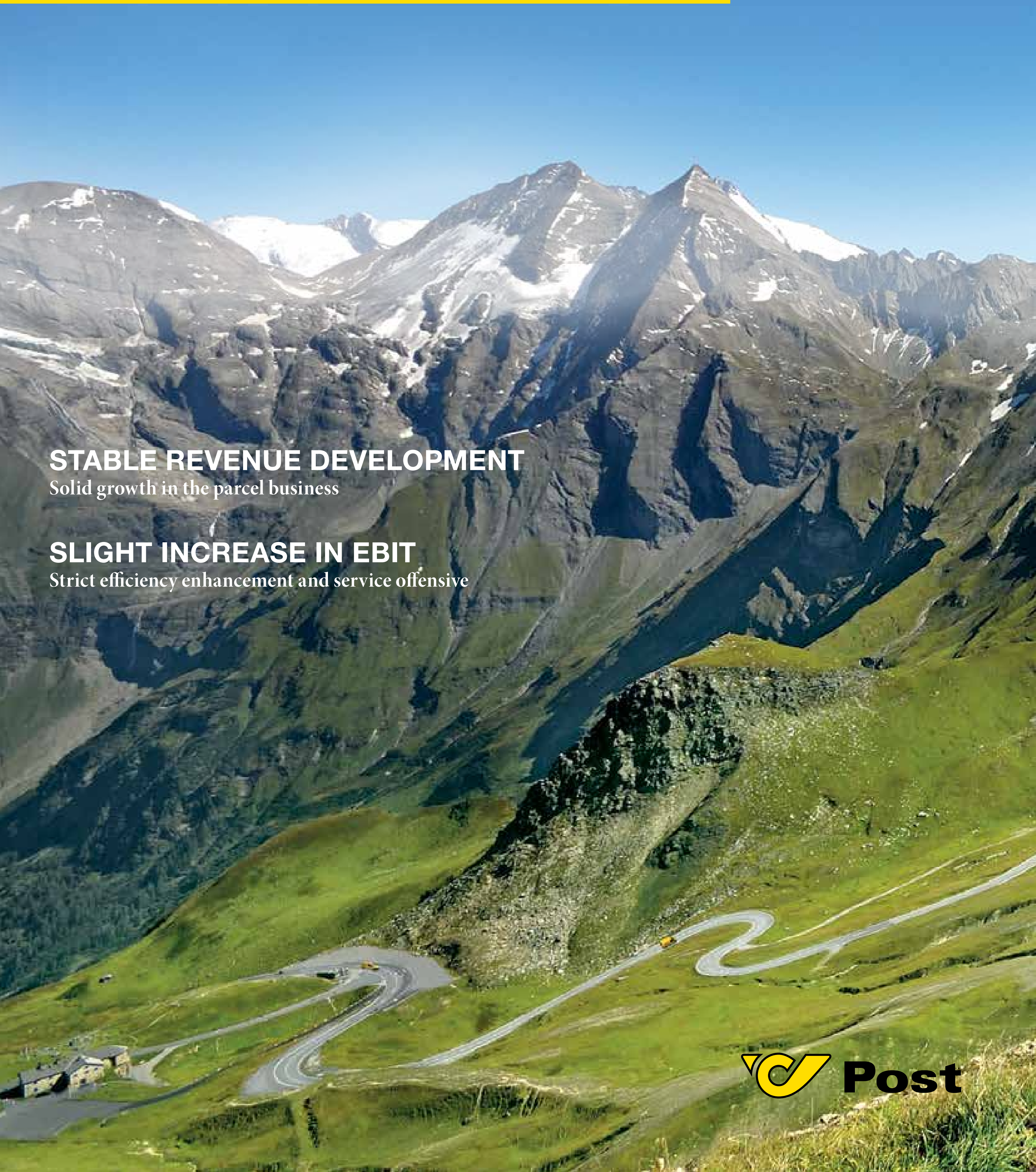
H1 2014

Half-year financial report 2014 | Austrian Post



STABLE REVENUE DEVELOPMENT
Solid growth in the parcel business

SLIGHT INCREASE IN EBIT
Strict efficiency enhancement and service offensive

Post

HIGHLIGHTS H1 2014

MARKET ENVIRONMENT

– Trend towards electronic substitution of mail continues, product innovations have a stabilising effect
– Solid growth of the Austrian parcel market, tough competition in the international parcel sector

REVENUE

– Stable development of Group revenue (–0.1%)
– Higher revenue in the parcel business (+3.0%), slight decrease in the mail segment (–1.8%)

EARNINGS

– Rise in both EBITDA and EBIT
– Strict efficiency enhancement and service offensive

OUTLOOK FOR 2014 CONFIRMED

– Stable revenue development in a challenging market environment
– EBIT improvement aspired for 2014

OVERVIEW OF KEY INDICATORS

		H1 2013	H1 2014	Change %
Income statement				
Revenue	EUR m	1,173.1	1,171.9	–0.1%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EUR m	139.9	145.1	3.7%
EBITDA margin[1]	%	11.9%	12.4%	–
Earnings before interest and tax (EBIT)	EUR m	98.4	98.8	0.4%
EBIT margin[1]	%	8.4%	8.4%	–
Earnings before tax (EBT)	EUR m	96.4	97.0	0.6%
Profit for the period	EUR m	76.5	73.6	–3.8%
Earnings per share[2]	EUR	1.12	1.08	–3.4%
Employees (average for the period, full-time equivalents)		23,906	23,722	–0.8%
Cash flow				
Operating cash flow before changes in working capital	EUR m	154.5	133.5	–13.6%
Cash flow from operating activities	EUR m	107.3	95.9	–10.6%
Investment in property, plant and equipment (CAPEX)	EUR m	–49.9	–22.2	–55.5%
Acquisition/disposal of subsidiaries[3]	EUR m	–11.9	–0.2	–98.2%
Free cash flow before acquisitions/investments in securities	EUR m	58.8	70.5	19.7%
Balance sheet		**Dec. 31, 2013**	**June 30, 2014**	**Change %**
Total assets	EUR m	1,641.6	1,558.7	–5.0%
Equity	EUR m	699.4	641.2	–8.3%
Non-current assets[4]	EUR m	1,068.3	1,058.2	–0.9%
Current assets	EUR m	573.3	500.6	–12.7%
Net debt	EUR m	114.3	166.1	45.4%
Equity ratio	%	42.6%	41.1%	–
Capital employed	EUR m	755.3	748.9	–0.8%

[1] EBIT and EBITDA in relation to total Group revenue
[2] Undiluted earnings per share based on 67,552,638 shares
[3] Change in reporting for 2013: the acquisition of non-controlling interests of EUR 5.2m was recognised under the item “Acquisition of subsidiaries” in 2013. In H1 2014 the acquisition of non-controlling interests is recognised in cash flow from financing activities as “Acquisition of non-controlling interests”. The prior-year figures in H1 2013 were restated accordingly.
[4] Includes assets held for sale of EUR 2.1m as at June 30, 2014 or EUR 1.9m as at December 31, 2013.

STATEMENT BY THE MANAGEMENT BOARD

Ladies and Gentlemen!
Dear Shareholders!

Following a strong comparative period at the same time last year, Austrian Post managed to keep Group revenues in the first half of 2014 at a constant level. As in previous periods, the parcel business showed solid revenue growth of 3.0% in a year-on-year comparison. At the same time, Austrian Post was successful in counteracting the downward trend in mail volumes caused by electronic substitution thanks to its product innovations and sales initiatives. As a result, the revenue decline in the mail segment was kept quite low at 1.8%. In particular, revenue in the mail business developed very gratifyingly in the second quarter of 2014, which was partly driven by positive revenue effects such as growth in the field of Mail Solutions and elections. For example, a record 15% of votes cast by Austrian voters in the EU elections were submitted by absentee ballot. Once again, the Austrian parcel market provided significant growth impetus. In addition, Austrian Post's parcel subsidiaries in South East and Eastern Europe generated exceptionally high growth rates.

On the basis of a solid revenue development and strong cost discipline, operating results (EBIT) rose slightly to EUR 98.8m.

The earnings development of the individual divisions shows the importance of the ongoing cost optimisation initiative. The revenue decline in the mail business was almost completely offset by efficiency enhancement measures. Negative effects related to the trans-o-flex Group, such as write-downs and structural measures, still burdened the parcel business in the first quarter of the year, but earnings improved slightly in the second quarter.

With respect to the outlook for 2014, we continue to expect stable revenue development, but will strive to further increase earnings. The main focus of our strategic activities is our consistent orientation toward customer needs in order to consolidate our market leadership in our core business and simultaneously exploit opportunities in growth markets. Cost discipline is at the top of our agenda in all our activities. We are striving to maintain our strong focus on efficiency in all processes. This is the only way we can remain faithful to our basic philosophy; emphasising reliability, continuity and predictability, also when it comes to our earnings development, and generate sustainable value for the benefit of all stakeholders.

Vienna, August 6, 2014

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Officer

Walter Hitziger
Member of the Management Board
Mail & Branch Network Division

Peter Umundum
Member of the Management Board
Parcel & Logistics Division

BUSINESS ENVIRONMENT AND LEGAL FRAMEWORK

ECONOMIC ENVIRONMENT

The global economy has been steadily recovering since the middle of 2013. Where global economic growth reached a level of 3.2% in the previous year, this year it is expected to rise to 3.4%. However, risks still exist with respect to the consolidation of public budgets and the associated fiscal policy measures. There are also initial indications of a recovery in Europe, although the upswing continues to be restrained. Accordingly, the economy of the eurozone is only expected to expand by 1.1% in 2014 (IMF, July 2014).

The consolidation of public budgets is also dampening the upward trend in Austria. According to forecasts by the Austrian Institute of Economic Research (WIFO), GDP in Austria is expected to expand by 1.4% in 2014 and 1.7% in 2015. Consumption and investments should gain momentum again. However, the predicted level of growth will not be sufficient to reduce the unemployment rate. The markets in Eastern Europe, which are of high importance to Austria's economy, have also developed more favourably since 2013 (WIFO, June 2014). The IMF predicts economic growth in the CEE region of 2.8% in 2014. Growth rates of 2% or higher are anticipated for Turkey (+2.3%), Romania (+2.2%) and Hungary (+2.0%). German GDP is expected to increase by 1.9% in the year 2014 (IMF, July 2014).

MARKET ENVIRONMENT

In addition to the overall economic environment, the business development of Austrian Post is influenced by other international trends which pose risks but also open up opportunities. The electronic substitution of traditional letter mail is continuing, but practically this trend cannot be influenced. The baseline scenario assumes a drop of 3-5% annually in addressed mail volumes. The main factors influencing the development of addressed and unaddressed direct mail volumes are weak economic momentum and the negative impact of intensified online shopping on the traditional mail-order business and retail stores. According to Media FOCUS Research, the 2014 advertising year has been characterised up until now by weak growth (Forecast June 2014). International trends and studies suggest that direct dialogue with customers will increase further in the future. For this reason, the importance of interactive media will tend to increase.

In contrast, parcel volumes in Austria continue to increase due to the steadily growing importance of online shopping. The development of the international parcel and freight business, however, is heavily dependent on general economic trends, international trade flows and related price developments. Competitive intensity and price pressure remain high in this area. Trade flows and the required logistics services are becoming increasingly globalised.

LEGAL FRAMEWORK

The legal framework for Austrian Post's business operations is mainly based on the Austrian Postal Market Act, which took full effect on January 1, 2011. The cornerstones of this law are as follows:

- Austrian Post remains the universal service provider in Austria even after full-scale market liberalisation, guaranteeing high quality postal services throughout Austria.
- The Universal Postal Service Obligation limits the spectrum of basic services to mail posted at the legally stipulated access points i.e. postal service points or letterboxes. This safeguards the supply of basic postal services to the Austrian population and economy. Postal services for mail items brought to sorting centres by large customers, with the exception of newspapers, are not considered to be an integral component of universal postal services.
- Austrian Post was required to carry out the conversion of cluster box units and rural drop-off boxes and had to finance the costs in advance. The costs for exchanging these facilities will be partially reimbursed on the basis of a legally prescribed allocation key. No compensation has yet been received as at this date.
- Since January 1, 2011, a licence is required to provide postal delivery services for letters weighing up to 50 grams.
- Since January 1, 2011, only those postal services encompassed in the legally prescribed Universal Postal Service Obligation are exempt from the Value Added Tax (VAT). Postal services whose terms and conditions are individually agreed upon are subject to the Value Added Tax at standard rates.

BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

CHANGES IN THE CONSOLIDATION SCOPE

As at April 1, 2014, the option on an additional 25% of the shares in M&BM Express OOD, Sofia, was exercised. The stake held by Austrian Post increased from 51% to 76%. M&BM Express OOD operates in the fields of hybrid mail (printing and delivery) as well as addressed and unaddressed mail items.

In June 1, 2014, Austrian Post took over the business operations of three German distribution companies (Seevetal near Hamburg, Groß Ippener near Bremen and Neumünster). These distribution companies belong to the Spekker Group, one of the most important distribution partners of the trans-o-flex Group, and serve the Hamburg/Bremen/Neumünster area from their three locations. Only the employees and existing customer relations were acquired and they were transferred to trans-o-flex Netzwerk zwei GmbH, Weinheim, which was established for this purpose. The acquisition enables operating costs to be optimised and synergies between the logistics locations of the trans-o-flex Group to be exploited.

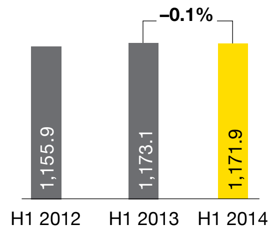
REVENUE AND EARNINGS SITUATION

Revenue development

Group revenue remained consistently high for the first half of 2014. While mail revenue declined as expected, the parcel business showed solid growth (+3.0%), almost entirely offsetting the slight revenue decrease in the mail segment (-1.8%). On balance, total Group revenue was down marginally, by 0.1% in the first half-year to EUR 1,171.9m. Second-quarter revenue was up slightly by 0.6%, due mainly to positive revenue effects in the mail business.

REVENUE DEVELOPMENT[1]

EUR m



[1] 2012 figures adjusted for the Benelux subsidiaries (divested in 2012)

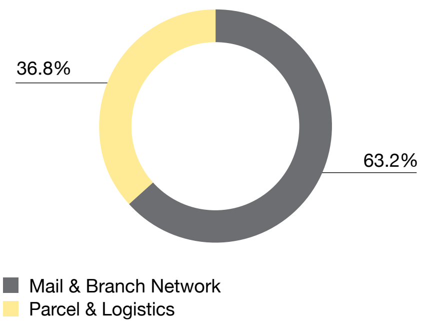
The Mail & Branch Network Division accounted for the largest share or 63.2% of total Group revenue in the first half of 2014. However, divisional revenue in the reporting period fell by 1.8% to EUR 741.2m. This drop can be attributed to the ongoing electronic substitution of letters as well as decreasing direct mail volumes. In the second quarter of 2014, the revenue decline slowed to 0.4% due to offsetting positive revenue effects, such as the EU elections. The Parcel & Logistics Division generated 36.8% of total Group revenue, with revenue in the first half rising by 3.0% to EUR 431.5m. Divisional revenue was up by 2.3% in the second quarter of 2014.

With respect to geographical segments, Austrian Post generated 72.7% of its total Group revenue in Austria in the first half-year, 22.3% in Germany and 5.1% in South East and Eastern Europe.

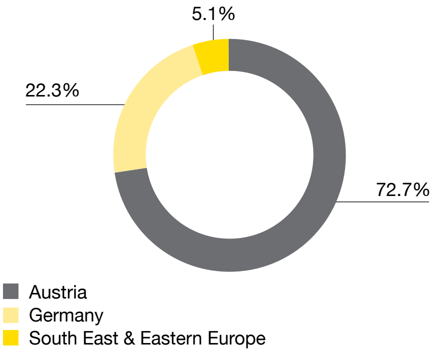
REVENUE BY DIVISION

EUR m	H1 2013	H1 2014	Change %	Change EUR m	Q2 2013	Q2 2014
Total Group revenue	**1,173.1**	**1,171.9**	**–0.1%**	**–1.2**	**570.2**	**573.5**
Mail & Branch Network	754.6	741.2	–1.8%	–13.5	363.7	362.3
Parcel & Logistics	419.0	431.5	3.0%	12.5	206.9	211.5
Corporate/Consolidation	–0.5	–0.8	–58.2%	–0.3	–0.3	–0.4
Calendar working days in Austria	123	122	–	–	60	60

REVENUE BY DIVISION H1 2014



REVENUE BY REGION H1 2014



REVENUE DEVELOPMENT OF THE MAIL & BRANCH NETWORK DIVISION

EUR m	H1 2013	H1 2014	Change %	Change EUR m	Q2 2013	Q2 2014
External revenue	**754.6**	**741.2**	**–1.8%**	**–13.5**	**363.7**	**362.3**
Letter Mail & Mail Solutions	397.4	397.7	0.1%	0.3	187.9	190.7
Direct Mail	219.7	211.5	–3.8%	–8.3	106.9	105.8
Media Post	70.7	71.4	0.9%	0.7	35.4	36.1
Branch Services	66.8	60.6	–9.3%	–6.2	33.5	29.8
Internal revenue	36.5	37.6	3.0%	1.1	18.0	18.6
Total revenue	791.2	778.8	–1.6%	–12.4	381.6	381.0

The Mail & Branch Network Division generated external revenue of EUR 741.2m in the first half of 2014. Of this amount, 53.7% can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 28.5% of total divisional revenue and the field of Media Post, including newspaper and magazines, had a 9.6% share. In addition, Branch Services accounted for 8.2% of divisional revenue.

Letter Mail & Mail Solutions revenue remained stable, with a slight plus of 0.1% from the previous year to EUR 397.7m. The substitution of letter mail by electronic media continues as previously. There were declines in some areas, such as the small and medium business customer segment. In contrast, ongoing sales initiatives and product innovations offset the decline caused by e-substitution. Events such as the Austrian Chamber of Labour elections in the federal provinces and the EU elections, in which absentee ballots accounted for a record share of 15% of the total votes cast contributed positively. New services offered in Mail Solutions also contributed growth. On balance, positive revenue effects more than offset the decreases during the reporting period. However, the basic trend of declining letter mail volumes remains valid.

Revenue in the Direct Mail business was down 3.8% in the first half of 2014 to EUR 211.5m. This field is continually influenced by customer advertising expenditure volume and, amongst other factors, by the overall economic environment as well. The pressure exerted by online business on traditional mail order companies and retail stores led to reduced advertising spending by several customers. Moreover, several retail segments were affected by market consolidation. The unaddressed segment, in particular, was subject to declining direct mail volumes, especially building supplies stores.

Media Post revenue in the first half of 2014 rose slightly by 0.9% year-on-year to EUR 71.4m. At the same time, Branch Services revenue was down by EUR 6.2m to EUR 60.6m, due to adjustments to telecommunication service rates charged to customers by contractual partners resulting in a drop of revenue from mobile telephony products. Financial services segment revenue also declined.

REVENUE DEVELOPMENT OF THE PARCEL & LOGISTICS DIVISION

EUR m	H1 2013	H1 2014	Change %	Change EUR m	Q2 2013	Q2 2014
External revenue	**419.0**	**431.5**	**3.0%**	**12.5**	**206.9**	**211.5**
Premium Parcels	314.3	323.4	2.9%	9.1	155.4	158.4
Standard Parcels	89.6	90.6	1.1%	1.0	43.7	44.5
Other Parcel Services	15.1	17.6	16.2%	2.5	7.8	8.7
Internal revenue	4.0	3.6	–9.5%	–0.4	1.9	1.8
Total revenue	423.0	435.1	2.9%	12.2	208.8	213.3

External revenue of the Parcel & Logistics Division rose by 3.0% in the first half of 2014 to EUR 431.5m. Most market share gains can be attributed to the Premium Parcels business (parcel delivery within 24 hours), which accounts for around 75% of total divisional revenue. These products are mainly used by business customers. Premium Parcels generated revenue of EUR 323.4m in the first half of the year, a rise of 2.9%. This positive development was a consequence both of revenue growth from existing customers and Austrian Post's success in attracting new customers. In addition to the strong development of the business parcel field in Austria, strong growth was also achieved in the higher value parcels for private customers.

Standard Parcels, which mainly involve shipments to private customers in Austria, posted first half-year revenue of EUR 90.6m, an increase of 1.1%. Other Parcel Services, which includes various additional logistics services such as fulfilment, warehousing and cash logistics, generated revenue of EUR 17.6m in the first half of 2014, a rise of EUR 2.5m from the previous year.

From a regional perspective, 57% of total revenue in the Parcel & Logistics Division was generated in Germany in the first half of 2014, 35% in Austria, and 8% by the subsidiaries in South East and Eastern Europe. Revenue in Germany was up by 1.2% in the first half year, although the challenging competitive environment and the price pressure in this market continue to have a perceptible impact on the business. At the same time, revenue growth in Austria reached a level of 4.6%, a development which is supported by the trend towards online shopping as well as the higher market share in the B2B business. In total, the subsidiaries in South East and Eastern Europe posted revenue growth of 8.5% in the first half of 2014.

Earnings development

CONSOLIDATED INCOME STATEMENT

EUR m	H1 2013	H1 2014	Change %	Change EUR m	Q2 2013	Q2 2014
Revenue	**1,173.1**	**1,171.9**	**–0.1%**	**–1.2**	**570.2**	**573.5**
Other operating income	34.0	32.5	–4.5%	–1.5	16.8	15.9
Raw materials, consumables and services used	–372.4	–362.8	–2.6%	–9.6	–185.2	–179.0
Staff costs	–550.6	–551.7	0.2%	1.2	–270.3	–271.1
Other operating expenses	–141.0	–143.7	1.9%	2.7	–69.9	–72.2
Results of investments consolidated at equity	–3.3	–1.1	67.8%	2.3	–1.6	–0.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**139.9**	**145.1**	**3.7%**	**5.2**	**59.9**	**66.3**
Depreciation, amortisation and impairment losses	–41.5	–46.3	11.6%	4.8	–21.3	–25.7
Earnings before interest and tax (EBIT)	**98.4**	**98.8**	**0.4%**	**0.4**	**38.6**	**40.6**
Other financial result	–2.0	–1.8	6.8%	0.1	–1.1	–1.1
Earnings before tax (EBT)	**96.4**	**97.0**	**0.6%**	**0.6**	**37.6**	**39.5**
Income tax	–20.0	–23.4	17.4%	3.5	–7.8	–9.7
Profit for the period	**76.5**	**73.6**	**–3.8%**	**–2.9**	**29.8**	**29.9**
Earnings per share (EUR)[1]	1.12	1.08	–3.4%	–0.04	0.44	0.44

[1] Undiluted earnings per share in relation to 67,552,638 shares

Raw materials, consumables and services used declined by 2.6% or EUR 9.6m to EUR 362.8m. This development is primarily due to the decrease in costs for external transport services in Germany. The business model of the trans-o-flex Group was characterised by a high level of external value creation, which is currently being reduced thanks to the takeover of distribution companies.

Staff costs of Austrian Post remained stable in the first half of 2014 at EUR 551.7m. The operational staff costs of salaries and wages, which are included in this total, were higher in the reporting period compared to the prior-year level as a consequence of the integration of the distribution companies in Germany. The continuing strict efficiency enhancement measures and improvement of the staff structure offset inflation-based cost increases. On balance, the average number of employees (full-time equivalents) working for Austrian Post in the first half-year 2014 amounted to 23,722 people, compared to 23,906 employees in the first half of 2013.

Staff costs in the first half of 2014 also included termination benefits totalling approximately EUR 11m as well as wage-related contributions from previous periods of about EUR 7m.

Other operating income was down by EUR 1.5m to EUR 32.5m, mainly due to lower proceeds from the sale of commercial properties. Other operating expenses, however, rose by 1.9% to EUR 143.7m. This figure also includes write-downs on receivables in connection with a programme designed to increase the efficiency of the trans-o-flex Group.

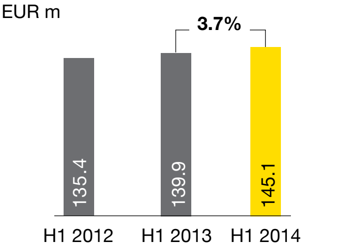
The result of the investments consolidated at equity amounted to minus EUR 1.1m, compared to minus EUR 3.3m in the first half of 2013. These results include the positive earnings contribution of the Turkish company Aras Kargo a.s. as well as the negative earnings contribution of the German company AEP *direkt*.

Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 3.7% to EUR 145.1m on the basis of a solid revenue development and the consistent implementation of efficiency enhancement measures. This corresponded to an EBITDA margin of 12.4%.

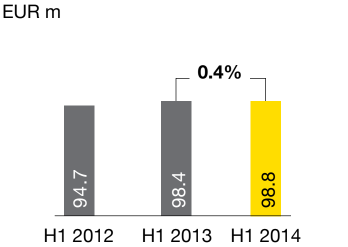
Depreciation, amortisation and impairment losses totalled EUR 46.3m in the first half of 2014, an increase of EUR 4.8m from the prior-year level attributable to an impairment loss of EUR 4.9m for goodwill at the Polish subsidiary PostMaster Sp. z o.o. As a result, earnings before interest and tax (EBIT) climbed only marginally by 0.4% from the previous year to EUR 98.8m. The corresponding EBIT margin was 8.4%.

After deducting income tax of EUR 23.4m, the Group net profit (profit after tax for the period) amounted to EUR 73.6m, a decline of 3.8% compared to the first half of 2013. This corresponds to undiluted earnings per share of EUR 1.08 for the first half-year 2014.

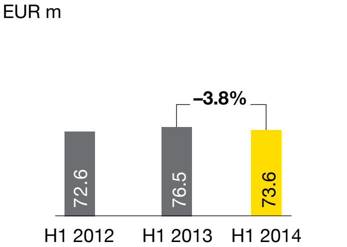
EBITDA



EBIT



PROFIT FOR THE PERIOD



EBITDA AND EBIT BY DIVISION

EUR m	H1 2013	H1 2014	Change %	Change EUR m	Margin[1] H1 2014	Q2 2013	Q2 2014
Total EBITDA	**139.9**	**145.1**	**3.7%**	**5.2**	**12.4%**	**59.9**	**66.3**
Mail & Branch Network	157.4	158.9	1.0%	1.5	20.4%	71.1	73.5
Parcel & Logistics	22.5	22.5	–0.2%	0.0	5.2%	10.1	11.8
Corporate/Consolidation	–40.0	–36.3	9.4%	3.8	–	–21.3	–19.0
Total EBIT	**98.4**	**98.8**	**0.4%**	**0.4**	**8.4%**	**38.6**	**40.6**
Mail & Branch Network	141.9	138.9	–2.1%	–3.0	17.8%	62.9	60.9
Parcel & Logistics	12.4	12.1	–2.0%	–0.3	2.8%	5.0	6.6
Corporate/Consolidation	–55.9	–52.2	6.7%	3.7	–	–29.3	–27.0

[1] Margin of the divisions in relation to total revenue (incl. internal sales)

From a divisional perspective, the Mail & Branch Network Division generated an EBITDA of EUR 158.9m during the period under review, a rise of 1.0%, whereas EBIT totalled EUR 138.9m, down 2.1% from the previous year. The revenue decrease in the mail business was almost completely offset by strong cost discipline. The previously mentioned impairment loss on goodwill of Austrian Post's Polish subsidiary also negatively impacted the division's earnings.

EBITDA of the Parcel & Logistics Division amounted to EUR 22.5m in the first half of 2014, the same as in the previous year, whereas EBIT totalled EUR 12.1m compared to the prior-year figure of EUR 12.4m. Divisional earnings improved in the second quarter, following the first-quarter negative effects of EUR 2.7m relating to the trans-o-flex Group. Write-downs on receivables as well as various structural measures were necessary within the context of the ongoing efficiency enhancement programme carried out during the reporting period.

The Corporate Division (including Consolidation) basically encompasses all expenses for central departments in the Group as well as staff-related and other provisions. The reduced need to allocate provisions for employee under-utilisation in the first half of 2014 resulted in a slightly improved EBIT of minus EUR 52.2m in this division.

ASSETS AND FINANCES

Austrian Post pursues a conservative balance sheet policy and financing structure. This is demonstrated by the high equity ratio, low financial liabilities and solid cash and cash equivalent levels invested with the least possible risk.

Balance sheet structure

The balance sheet total of Austrian Post amounted to EUR 1,558.7m as at June 30, 2014. On the assets side, property, plant and equipment comprise the largest single balance sheet item at EUR 607.5m, whereas intangible assets amount to EUR 64.3m. The goodwill reported for acquisitions totalled EUR 156.0m as at the end of the first half of 2014. Receivables at EUR 294.4m comprise the single largest balance sheet item in current assets. In addition, Austrian Post boasts a high level of cash and cash equivalents amounting to EUR 188.3m as at June 30, 2014.

On the equity and liabilities side, the balance sheet of Austrian Post features a high equity ratio, which equalled 41.1% as at June 30, 2014, comprising equity to the amount of EUR 641.2m. Non-current liabilities totalled EUR 408.1m at the end of the reporting period, and current liabilities amounted to EUR 508.9m. Non-current and current provisions contained in liabilities totalled EUR 536.9m at the end of June 2014, including the provision for employee under-utilisation to the amount of EUR 209.1m. Trade payables of EUR 202.8m were reported as at June 30, 2014.

An analysis of the financial position of the company shows a high level of current and non-current financial resources of EUR 241.3m (cash and cash equivalents of EUR 188.3m as well as financial investments in securities of EUR 53.1m). These financial resources are in contrast to financial liabilities of only EUR 19.9m.

BALANCE SHEET STRUCTURE BY ITEM

EUR m	Dec. 31, 2013	June 30, 2014	Structure June 30, 2014
Assets			
Property, plant and equipment	615.9	607.5	39.0%
Intangible assets and goodwill	223.8	220.2	14.1%
Investment property	33.5	30.7	2.0%
Investments consolidated at equity	50.3	50.5	3.2%
Inventories, receivables and other	398.9	394.2	25.3%
Financial investments in securities	65.0	53.1	3.4%
Other financial assets	12.2	12.2	0.8%
Cash and cash equivalents	240.2	188.3	12.1%
Assets held for sale	1.9	2.1	0.1%
	1,641.6	**1,558.7**	**100.0%**
Equity and liabilities			
Equity	699.4	641.2	41.1%
Provisions	554.8	536.9	34.4%
Financial liabilities	21.0	19.9	1.3%
Payables and other	366.4	360.2	23.1%
Liabilities held for sale	0.0	0.6	0.0%
	1,641.6	**1,558.7**	**100.0%**

Cash flow

In the first half of 2014, operating cash flow amounted to EUR 95.9m, down by EUR 11.4m from the comparable prior-year figure. In contrast to the previous year, the cash flow from operating activities in the first half of 2014 includes higher tax payments as well as payments connected to wage-related contributions from previous periods.

The cash flow from investing activities of minus EUR 12.6m in the first half of 2014 was lower than the prior-year level. Not only were there hardly any payments made in the reporting period in connection with acquisitions, but the cash outflows for the purchase of property, plant and equipment reported at EUR 22.2m were below the prior-year period. At the same time, proceeds from the redemption of financial investments in securities amounting to EUR 13.0m served to increase the cash flow.

Free cash flow totalled EUR 83.2m in the reporting period. Free cash flow before acquisitions and securities reached EUR 70.5m, a rise of EUR 11.6m from the previous year.

Investments

In the first half of 2014, the additions to property, plant and equipment and intangible assets amounted to EUR 33.6m, considerably lower than the comparable prior-year figure of EUR 41.9m. This included investments of EUR 27.7m in property, plant and equipment and EUR 5.9m in intangible assets. The investment programme implemented during the reporting period mainly focused on new sorting technologies such as new mail and parcel distribution equipment in addition to the modernisation of the vehicle fleet. Investments also related to the purchase of new equipment, furniture and fittings for the branch offices, software licenses and construction projects.

CASH FLOW

EUR m	H1 2013	H1 2014
Operating cash flow before changes in working capital	**154.5**	**133.5**
Cash flow from changes in working capital	–47.2	–37.6
Cash flow from operating activities	**107.3**	**95.9**
Cash flow from investing activities[1]	**–79.1**	**–12.6**
thereof CAPEX	–49.9	–22.2
thereof cash flow from acquisitions/divestments[1]	–11.9	–0.2
thereof acquisition/disposal of securities	–18.8	13.0
thereof other cash flow from investing activities	1.5	–3.2
Free cash flow[1]	**28.1**	**83.2**
Free cash flow before acquisitions/securities	**58.8**	**70.5**
Cash flow from financing activities[1]	**–130.2**	**–135.2**
Net change in cash and cash equivalents	**–102.1**	**–51.9**

[1] Change in reporting for 2013: the acquisition of non-controlling interests of EUR 5.2m was recognised under "Acquisition of subsidiaries" in 2013. In H1 2014 the acquisition of non-controlling interests is reported in the cash flow from financing activities as "Acquisition of non-controlling interests". Prior-year figures in H1 2013 were adapted accordingly.

EMPLOYEES

The average number of employees (full-time equivalents) at the Austrian Post Group totalled 23,722 people during the period of review, comprising a decline of 185 employees from the prior-year period. The staff of the trans-o-flex Group increased by 492 employees due to the integration of various distribution companies in Germany. Most of Austrian Post's staff or a total of 18,186 employees (full-time equivalents) is employed by the parent company Österreichische Post AG.

EMPLOYEES BY DIVISION

Average for the period in full-time equivalents	H1 2013	H1 2014	Share in %
Mail & Branch Network	17,801	17,166	72.4%
Parcel & Logistics	4,055	4,547	19.2%
Corporate	2,049	2,008	8.5%
Total	**23,906**	**23,722**	**100.0%**

EVENTS AFTER THE REPORTING PERIOD

Austrian Post is not aware of any significant events taking place after the end of the interim reporting period as at June 30, 2014.

MAIN RISKS AND UNCERTAINTIES

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

The main risks and uncertainties which Austrian Post faces, such as the structure of employment contracts, technical, regulatory and legal risks, financial as well as market and competitive risks and information on the internal controlling system and risk management with regard to the accounting process are described in detail in the Annual Report 2013 of Austrian Post (see the Annual Report; Part 2 “Financial Report”, pages 46–53 and 119–124).

On the basis of the defined risks, there are also uncertainties for the remaining six months of the current financial year. Projected shipment volumes in the Mail & Branch Network Division and in the Parcel & Logistics Division are subject to seasonal fluctuations and 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 can also have an impact on the Group’s competitive position and thus the achievable prices for traditional postal services. Moreover, conventional letter mail is being increasingly replaced by electronic media. The product portfolios and pricing policies of various retail goods such as telecommunication products and financial services are determined by Austrian Post’s system partners. In turn, this influences the revenue development of the respective product groups. All the above-mentioned risks could lead to significant volume decreases and thus to a corresponding drop in earnings or valuation adjustments.

OUTLOOK 2014

Outlook for 2014 confirmed

The mail and parcel businesses continued to develop in line with expectations in the second quarter of 2014. For this reason, Austrian Post confirms its previously announced outlook for the entire year 2014, in which the company is striving to achieve a stable revenue development. Decreases in mail revenue should be compensated by higher parcel revenue.

On a long-term basis, it is important for the company to counteract the ongoing volume decline for addressed mail by introducing customer-oriented solutions. The international baseline scenario consists of a 3–5% annual decrease in addressed mail volumes as a consequence of electronic substitution. Up until now, Austrian Post has succeeded in keeping this decline at the lower end of the anticipated range thanks to a series of different measures. In order to keep the reduction in Mail revenues at a moderate level, the company’s fundamental goal is to pursue ongoing sales initiatives and innovation supported by inflation-related price adjustments. Another structural trend is the pressure exerted by e-commerce on many retail companies and the resulting volatile advertising spending on the part of these affected firms.

In contrast, in the Parcel & Logistics Division online shopping is the driving force behind growth in the private customer business, expected to amount to 3–6%, depending on the region. The development of the business parcel field in the individual markets depends on the state of the economy and the current competitive situation.

Efficiency enhancement to safeguard earnings
Austrian Post is implementing a programme of measures to achieve "operational excellence" in order to further increase the efficiency of the services provided. The new automation and sorting technologies should enable Austrian Post to consistently exploit its cost reduction potential. For this reason, capital expenditure in the year 2014 will once again be in the range of about EUR 90–100m. Profitability is the top priority in the company's international business operations, encompassing both a strict focus on the core business as well as ensuring the steady increase of efficiency in all processes.

With respect to its earnings development, the Austrian Post Group remains committed to the target of achieving a sustainable EBITDA margin of 10–12%. The company is also striving to improve its earnings before interest and tax (EBIT) in 2014.

Vienna, August 6, 2014

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Officer

Walter Hitziger
Member of the Management Board
Mail & Branch Network Division

Peter Umundum
Member of the Management Board
Parcel & Logistics Division

IFRS CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE FIRST HALF OF 2014

EUR m	H1 2013	H1 2014	Q2 2013	Q2 2014
Revenue	1,173.1	1,171.9	570.2	573.5
Other operating income	34.0	32.5	16.8	15.9
Total operating income	**1,207.1**	**1,204.4**	**587.0**	**589.4**
Raw materials, consumables and services used	–372.4	–362.8	–185.2	–179.0
Staff costs	–550.6	–551.7	–270.3	–271.1
Depreciation, amortisation and impairment losses	–41.5	–46.3	–21.3	–25.7
Other operating expenses	–141.0	–143.7	–69.9	–72.2
Total operating expenses	**–1,105.4**	**–1,104.5**	**–546.7**	**–548.1**
Profit from operations	**101.7**	**99.9**	**40.3**	**41.3**
Results of investments consolidated at equity	–3.3	–1.1	–1.6	–0.7
Financial income	1.9	2.4	0.8	1.1
Financial expenses	–3.9	–4.2	–1.9	–2.2
Other financial result	–2.0	–1.8	–1.1	–1.1
Total financial result	**–5.3**	**–2.9**	**–2.7**	**–1.8**
Profit before tax	**96.4**	**97.0**	**37.6**	**39.5**
Income tax	–20.0	–23.4	–7.8	–9.7
Profit for the period	**76.5**	**73.6**	**29.8**	**29.9**
Attributable to:				
Equity holders of the parent company	75.9	73.3	29.5	29.8
Non-controlling interests	0.6	0.3	0.3	0.1

EUR				
Basic earnings per share	**1.12**	**1.08**	**0.44**	**0.44**
Diluted earnings per share	**1.12**	**1.08**	**0.44**	**0.44**

EUR m				
Profit from operations	101.7	99.9	40.3	41.3
Results of investments consolidated at equity	–3.3	–1.1	–1.6	–0.7
Earnings before interest and tax (EBIT)	**98.4**	**98.8**	**38.6**	**40.6**
Depreciation, amortisation and impairment losses	41.5	46.3	21.3	25.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**139.9**	**145.1**	**59.9**	**66.3**

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST HALF OF 2014

EUR m	H1 2013	H1 2014	Q2 2013	Q2 2014
Profit for the period	**76.5**	**73.6**	**29.8**	**29.9**
Items that will be reclassified subsequently to the income statement:				
Currency translation differences	–0.2	0.1	0.2	0.4
Currency translation differences of investments consolidated at equity	–0.2	1.0	–0.1	1.1
Revaluation of financial instruments held for sale	0.1	1.1	0.1	0.3
Deferred taxes	0.0	–0.3	0.0	–0.1
Total items that will be reclassified	**–0.4**	**1.9**	**0.2**	**1.8**
Other comprehensive income	**–0.4**	**1.9**	**0.2**	**1.8**
Total comprehensive income	**76.1**	**75.4**	**30.0**	**31.6**
Attributable to:				
Equity holders of the parent company	75.5	75.2	29.7	31.5
Non-controlling interests	0.6	0.3	0.3	0.1

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2014

EUR m	Dec 31, 2013	Jun 30, 2014
Assets		
Non-current assets		
Goodwill	160.6	156.0
Intangible assets	63.3	64.3
Property, plant and equipment	615.9	607.5
Investment property	33.5	30.7
Investments consolidated at equity	50.3	50.5
Financial investments in securities	51.7	52.8
Other financial assets	12.2	12.2
Receivables	20.7	23.7
Deferred tax assets	58.3	58.4
	1,066.4	**1,056.1**
Current assets		
Financial investments in securities	13.3	0.3
Inventories	17.1	17.6
Receivables	302.7	294.4
Cash and cash equivalents	240.2	188.3
	573.3	**500.6**
Non-current assets held for sale	**1.9**	**2.1**
	1,641.6	**1,558.7**
Equity and liabilities		
Equity		
Share capital	337.8	337.8
Capital reserves	130.5	130.5
Revenue reserves	122.3	113.8
Revaluation of financial instruments	–1.3	–0.5
Revaluation of defined benefit obligations	–5.5	–5.5
Currency translation reserves	–9.9	–8.8
Profit for the period	123.2	73.3
Equity attributable to the shareholders of the parent company	**697.1**	**640.6**
Equity attributable to non-controlling interests	**2.3**	**0.6**
	699.4	**641.2**
Non-current liabilities		
Provisions	382.8	365.3
Financial liabilities	17.2	16.6
Payables	15.3	18.0
Deferred tax liabilities	8.1	8.2
	423.4	**408.1**
Current liabilities		
Provisions	157.4	156.6
Tax provisions	14.7	14.9
Financial liabilities	3.9	3.3
Payables	343.0	334.0
	518.9	**508.9**
Non-current liabilities held for sale	**0.0**	**0.6**
	1,641.6	**1,558.7**

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST HALF OF 2014

EUR m	H1 2013	H1 2014
Operating activities		
Profit before tax	96.4	97.0
Depreciation, amortisation and impairment losses	41.5	46.3
Results of investments consolidated at equity	3.3	1.1
Non-current provisions	34.1	11.4
Gain/loss on the disposal of non-current assets	–2.1	–0.6
Taxes paid	–17.8	–23.4
Net interest received/paid	–0.6	–1.1
Currency translation	–0.2	0.0
Other non-cash transactions	–0.2	2.9
Operating cash flow before changes in working capital	**154.5**	**133.5**
Changes in working capital		
Receivables	8.9	4.8
Inventories	–0.4	–0.4
Current provisions	–34.6	–27.0
Payables	–21.1	–15.0
Cash flow from changes in working capital	**–47.2**	**–37.6**
Cash flow from operating activities	**107.3**	**95.9**
Investing activities		
Purchase of intangible assets	–6.4	–6.6
Purchase of property, plant and equipment and investment property	–49.9	–22.2
Proceeds from the disposal of non-current assets	7.0	4.2
Acquisition of subsidiaries[1]	–10.2	–0.2
Acquisition of investments consolidated at equity	–1.8	0.0
Acquisition of financial investments in securities	–20.9	0.0
Acquisition of other financial instruments	–0.4	0.0
Proceeds from the disposal of financial investments in securities	2.5	13.0
Dividends received from investments consolidated at equity	0.5	0.7
Loans granted	–1.1	–2.8
Interest received	1.5	1.3
Cash flow from investing activities	**–79.1**	**–12.6**
Free cash flow	**28.1**	**83.2**
Financing activities		
Changes in financial liabilities	–1.6	–1.5
Dividend paid	–122.6	–128.8
Interest paid	–0.8	–0.9
Acquisition of non-controlling interests[1]	–5.2	–4.0
Cash flow from financing activities	**–130.2**	**–135.2**
Net change in cash and cash equivalents	**–102.1**	**–51.9**
Cash and cash equivalents at January 1	315.0	240.2
Cash and cash equivalents at June 30	213.0	188.3

[1] Reporting adapted for 2013: Acquisition of non-controlling interests in the amount of EUR 5.2m was reported under acquisition of subsidiaries in the first half of 2013.

SEGMENT REPORTING FOR THE FIRST HALF OF 2014

H1 2013 EUR m	**Mail & Branch Network**	**Parcel & Logistics**	**Corporate**	**Consolidation**	**Group**
External sales	754.6	419.0	3.7	–4.2	1,173.1
Internal sales	36.5	4.0	86.8	–127.3	0.0
Total revenue	**791.2**	**423.0**	**90.5**	**–131.5**	**1,173.1**
EBITDA	**157.4**	**22.5**	**–40.0**	**0.0**	**139.9**
EBIT	**141.9**	**12.4**	**–56.0**	**0.1**	**98.4**

H1 2014 EUR m	**Mail & Branch Network**	**Parcel & Logistics**	**Corporate**	**Consolidation**	**Group**
External sales	741.2	431.5	2.0	–2.8	1,171.9
Internal sales	37.6	3.6	86.8	–128.0	0.0
Total revenue	**778.8**	**435.1**	**88.8**	**–130.8**	**1,171.9**
EBITDA	**158.9**	**22.5**	**–36.3**	**0.0**	**145.1**
EBIT	**138.9**	**12.1**	**–52.3**	**0.1**	**98.8**

Compared to the previous year, segment reporting was adapted to the scope of the existing internal reporting structure.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST HALF OF 2014

H1 2013 EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation of defined benefit obligations	Revaluation of financial instruments[1]	Currency translation reserves	Profit for the period	Equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
Balance at January 1, 2013	**337.8**	**130.5**	**125.1**	**–4.5**	**–1.9**	**–1.6**	**123.2**	**708.6**	**0.0**	**708.6**
Acquisition of a subsidiary	0.0	0.0	–4.4	0.0	0.0	0.0	0.0	–4.4	3.4	–1.0
Changes in reserves	0.0	0.0	1.6	0.0	0.0	0.0	–1.6	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	–121.6	–121.6	–2.0	–123.6
Profit for the period	0.0	0.0	0.0	0.0	0.0	0.0	75.9	75.9	0.6	76.5
Other comprehensive income	0.0	0.0	0.0	0.0	0.1	–0.5	0.0	–0.4	0.0	–0.4
Total comprehensive income	0.0	0.0	0.0	0.0	0.1	–0.5	75.9	75.5	0.6	76.1
Balance at June 30, 2013	**337.8**	**130.5**	**122.3**	**–4.5**	**–1.8**	**–2.1**	**75.9**	**658.1**	**2.0**	**660.1**

H1 2014 EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation of defined benefit obligations	Revaluation of financial instruments[1]	Currency translation reserves	Profit for the period	Equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
Balance at January 1, 2014	**337.8**	**130.5**	**122.3**	**–5.5**	**–1.3**	**–9.9**	**123.2**	**697.1**	**2.3**	**699.4**
Acquisition of a subsidiary	0.0	0.0	–3.3	0.0	0.0	0.0	0.0	–3.3	–0.7	–4.0
Changes in reserves	0.0	0.0	–5.2	0.0	0.0	0.0	5.2	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	–128.4	–128.4	–1.3	–129.7
Profit for the period	0.0	0.0	0.0	0.0	0.0	0.0	73.3	73.3	0.3	73.6
Other comprehensive income	0.0	0.0	0.0	0.0	0.8	1.1	0.0	1.9	0.0	1.9
Total comprehensive income	0.0	0.0	0.0	0.0	0.8	1.1	73.3	75.2	0.3	75.4
Balance at June 30, 2014	**337.8**	**130.5**	**113.8**	**–5.5**	**–0.5**	**–8.8**	**73.3**	**640.6**	**0.6**	**641.2**

[1] Available for sale

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2014

1 SUMMARY OF ACCOUNTING PRINCIPLES

The consolidated interim financial statements of Austrian Post as at June 30, 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid at June 30, 2014, as issued by the International Accounting Standards Board and adopted by the European Union and the additional requirements of Section 245a Unternehmensgesetzbuch (Austrian Commercial Code). 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 2013 financial year.

The consolidated interim financial statements have been prepared on the basis of IAS 34 Interim Financial Reporting and do not contain all information and disclosures included in the annual report. They should be read in conjunction with the consolidated financial statements for the financial year ending December 31, 2013.

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

In the first half of 2014, the following new or revised standards were binding for the first time. These changes have no effect on financial statements of Austrian Post unless noted otherwise:

New Standards		Effective date in the EU[1]
IFRS 10	Consolidated Financial Statements	Jan. 1, 2014
IFRS 11	Joint Arrangements	Jan. 1, 2014
IFRS 12	Disclosure of Interests in Other Entities	Jan. 1, 2014
IFRS 10-12	Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	Jan. 1, 2014
IFRS 10, 12, IAS 27	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	Jan. 1, 2014
IFRIC 21	Levies	June 17, 2014

Revised Standards		Effective date in the EU[1]
IAS 27	Separate Financial Statements	Jan. 1, 2014
IAS 28	Investments in Associates and Joint Ventures	Jan. 1, 2014
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	Jan. 1, 2014
IAS 39	Financial instruments: Recognition and measurement – Novation of Derivatives and Continuation of Hedge Accounting	Jan. 1, 2014

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

The new IFRS 10 creates a universal definition of the term “control” and establishes a single basis for the proof of the existence of a corporate parent-subsidiary relationship. This, in turn, is associated with the consolidation scope. IFRS 10 replaces the stipulations for consolidated financial statements contained in IAS 27 as well as SIC 12 Consolidation of Special Purpose Entities. The core principle of consolidation remains unchanged: consolidated financial statements show a parent company and its subsidiaries as a single entity. There are no changes in consolidation methods.

The new IFRS 11 regulates the accounting of circumstances in which a company exercises joint control over a joint operation or a joint venture. IFRS 11 replaces IAS 31 Interests in Joint Ventures as well as SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 does not refer anymore to the legal form but to the actual rights and obligations of the parties involved. Joint ventures are to be consolidated using the equity-method only.

IFRS 12 stipulates disclosure requirements for companies that prepare financial statements in accordance with IFRS 10 and IFRS 11. Furthermore, this new standard replaces the disclosure requirements in IAS 28. The extent of disclosure to be made in annual consolidated financial statements of Austrian Post is likely to be increased.

The amendments to IFRS 10, IFRS 11 and IFRS 12 contain transition guidance on IFRS 10, as well as simplifications to the transition to the new standards, for example that comparative values must only be disclosed for directly preceding reporting periods.

Investment Entities were published as an amendment to the new consolidation standards IFRS 10, IFRS 12 and IAS 27. It includes an exception for investment entities, which are exempt from the obligation to fully consolidate companies under their control. Instead, the interest is to be recognised at fair value through profit or loss.

IFRIC 21 provides guidance on when to recognise a liability for levies imposed by a government that are not regulated in another IFRS. The most common application are bank levies.

The rules governing financial statements for individual companies continue to be laid down in IAS 27. The remaining components of IAS 27 have been replaced by IFRS 10.

The publication of IFRS 10, IFRS 11 and IFRS 12 has led to follow-up changes in IAS 28.

An offsetting of financial instruments remains only possible in cases of meeting the conditions of IAS 32. The amendments of IAS 32 have merely led to clarification of the terms “present times” and “simultaneousness” in the application guidelines.

Within the context of the amendment to IAS 39, the novation of a hedging instrument to a central counterparty due to legal requirements will not result in the discontinuation of a hedging relationship if certain criteria are met.

2 CONSOLIDATION SCOPE AND BUSINESS COMBINATIONS

In addition to the parent company Österreichische Post AG, a total of 28 domestic subsidiaries (December 31, 2013: 27) and 31 foreign subsidiaries (December 31, 2013: 29), in which Österreichische Post AG directly or indirectly holds a majority of the voting rights, are included in the consolidated interim financial statements. Furthermore, 3 domestic companies (December 31, 2013: 3) and 4 foreign companies (December 31, 2013: 4) are consolidated according to the equity method.

Consolidation scope

In the first half of the year 2014, the following changes in the consolidation scope and business combinations of the Austrian Post Group took place:

Company name	Interests from	Interests to	Date of transaction	Explanation
Mail & Branch Network				
M&BM Express OOD	51.0%	76.0%	Apr. 1, 2014	Increased shareholding
Parcel & Logistics				
trans-o-flex Netzwerk zwei GmbH	0.0%	100.0%	May 16, 2014	Foundation
Business of 3 Distribution partners	–	–	June 1, 2014	Acquisition
trans-o-flex Netzwerk drei GmbH	0.0%	100.0%	May 16, 2014	Foundation
Corporate				
Neutorgasse 7 Projektentwicklungs AG & Co OG	0.0%	100.0%	May 8, 2014	Foundation

Mail & Branch Network

M&BM Express OOD

As at April 1, 2014, the option for acquiring an additional 25% of the shares in M&BM Express OOD, Sofia, was exercised, and the shares were acquired in return for a cash payment of EUR 4.0m. Thus the stake held by Austrian Post increased from 51% to 76%. The total net amount of the identifiable assets acquired and liabilities assumed at the time of acquisition updated by dividend payments and the profit for the period totaled EUR 2.6m as at April 1, 2014. The carrying amount of the additionally acquired shares at this time amounted to EUR 0.7m. In accordance with IFRS 10, transactions which lead to a change in ownership interest but not to a loss of control are to be recognised as an equity transaction. Accordingly, Austrian Post reported a corresponding reduction in equity attributable to non-controlling interests to the amount of EUR 0.7m, and a decline in the revenue reserves to the amount of EUR 3.3m.

The development of the net amount of the identifiable assets acquired and liabilities assumed of M&BM Express OOD and the effects of the changes in the Group's shareholding in M&BM Express OOD are summarised below:

EUR m	Group share	Non-controlling interests	Total
Balance at January 1, 2014	**2.4**	**2.3**	**4.6**
Profit for the period	0.2	0.2	0.3
Dividends paid	–1.0	–1.3	–2.3
Balance at April 1, 2014	**1.5**	**1.1**	**2.6**
Increase in the Group´s shareholding	0.7	–0.7	0.0
Profit for the period	0.3	0.1	0.4
Balance at June 30, 2014	**2.5**	**0.6**	**3.1**

Parcel & Logistics

Business operations of three distribution companies – trans-o-flex Netzwerk zwei GmbH

As at June 1, 2014, Austrian Post acquired the business operations of the three German distribution companies Distributions GmbH-11, Seevetal (near Hamburg), Distributions GmbH-1, Groß Ippener (near Bremen) and Distributions GmbH Neumünster, Neumünster. Together they are known as the "Spekker Group". In the course of the acquisition only the employees and existing customer relations were transferred to the newly founded trans-o-flex Netzwerk zwei GmbH, Weinheim. According to the management's assessment these business operations were acquired in accordance with IFRS 3. Therefore the acquisition is to be classified as a business combination.

The Spekker Group is one of the most important distribution partners of the trans-o-flex Group and is active in the Hamburg/Bremen/Neumünster area. The acquisition enables optimising operating costs and synergies between logistics locations in the trans-o-flex Group. The acquisition is shown below in an aggregated form for all three business operations.

The provisional fair values of the identifiable assets acquired and liabilities assumed of the three distribution companies at the date of acquisition, are as follows:

EUR m	**Fair value**
Non-current assets	
Customer relations	0.8
Other intangible assets	0.1
Non-current liabilities	
Provisions and liabilities	–0.1
Deferred taxes	–0.2
Current liabilities	
Provisions and liabilities	–0.4
Total net identifiable assets acquired and liabilities assumed	**0.2**
Calculation of goodwill	
Total net identifiable assets acquired and liabilities assumed	–0.2
Total amount of consideration transferred	0.5
thereof financial liabilities (remaining purchase price liability)	0.3
thereof other consideration transferred	0.2
Goodwill	**0.3**
Breakdown of cash outflow/inflow	
Total amount of consideration transferred	–0.5
Remaining purchase price liability	0.3
non-cash consideration	0.2
Net cash outflow/inflow	**0.0**

The contingent purchase price payment depends on an unobstructed delivery of the business operations and amounts to a maximum of EUR 0.3m.

The recognised goodwill of EUR 0.3m results from the expected synergies from integrating the three business operations into the trans-o-flex Group.

Since the date of acquisition, the Spekker Group has contributed EUR 0.2m to revenue and minus EUR 0.3m to the profit for the period of the Austrian Post Group. If the acquisition had taken place at the beginning of the year, the Spekker Group would have contributed a total of EUR 1.4m to Austrian Post revenue and minus EUR 0.5m to its profit for the period.

Acquisition of four distribution companies in 2013

By the end of 2013 four distribution companies (100% stake each) were acquired in the trans-o-flex Group ("Rhein-Ruhr-Group"). The total amount of consideration transferred contained a contingent purchase price liability amounting to EUR 0.2m, of which EUR 0.1m have been paid until June 30, 2014.

trans-o-flex Netzwerk drei GmbH

The company was founded on May 16, 2014 and has not had any operating activities up until now.

Corporate

Neutorgasse 7 Projektentwicklungs AG & Co OG

A project company named Neutorgasse 7 Projektentwicklungs AG & Co OG was established on May 8, 2014 in preparation of the planned utilisation of the commercial property located at Neutorgasse 7, Vienna. The property was transferred to the company as a contribution in kind. Starting on this date the project company will be included as a subsidiary in the consolidated financial statements of Austrian Post.

3 FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities

The following table shows the carrying amounts and fair values of securities, strategic stakes and other investments as well as financial liabilities:

Financial assets	**December 31, 2013**		**June 30, 2014**	
EUR m	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Securities	65.0	65.0	53.1	53.1
Strategic stakes and other investments	12.2	12.2	12.2	12.2
	77.2	**77.2**	**65.3**	**65.3**

Financial liabilities	**December 31, 2013**		**June 30, 2014**	
EUR m	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Borrowings from banks	7.9	7.9	8.0	8.0
Finance lease liabilities	12.6	12.6	11.5	11.7
Other financial liabilities	0.5	0.5	0.5	0.5
	21.0	**21.0**	**19.9**	**20.1**

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

Fair value hierarchy

The following table shows the financial instruments whose subsequent measurements are to be carried out at fair value. These market-based fair value measurements are classified according to three levels (Levels 1, 2 and 3) depending on the extent to which the fair value is observable on the market:

December 31, 2013 EUR m	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets in the category "Available for sale"				
Securities	65.0	0.0	0.0	65.0
Strategic stakes and other investments	0.0	0.0	12.2	12.2

June 30, 2014 EUR m	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets in the category "Available for sale"				
Securities	53.1	0.0	0.0	53.1
Strategic stakes and other investments	0.0	0.0	12.2	12.2

No transfers were made between Level 1, Level 2 and Level 3 during the interim reporting period, and there were no changes in the Level 3 measurements of financial assets at fair value.

The following table shows the valuation method and input factors applied in determining fair values:

Level	**Financial instruments**	**Valuation method**	**Input factors**
1	Securities	Market approach	Nominal values, stock market price
3	Strategic stakes and other investments	Market approach or net present value approach	Book multiples of comparable publicly traded companies and, if available, business plan information

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.

4 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In 2013, Austrian Post sold a real estate property in Sint Niklaas, Belgium (Parcel & Logistics Division) with a condition precedent. The property was shown as a non-current asset held for sale as at December 31, 2013 with a book value of EUR 1.9m. The condition precedent was fulfilled at the end of March 2014 and the sale of the property was subsequently concluded.

In the second quarter of 2014, Austrian Post resolved upon a plan to sell its company Postgasse 8 Entwicklungs AG & Co OG, Vienna, (Corporate Division). The commercial property located at Postgasse 8, Vienna, was transferred to the company in December 2013 in preparation of the planned commercial utilisation of the site, which previously served as the corporate headquarters of Austrian Post in the inner city of Vienna. The selling process was launched at the end of June 2014 in the form of an international bidding procedure.

The disposal group classified as held for sale encompasses the entire assets and liabilities of the company Postgasse 8 Entwicklungs AG & Co OG. The assets and liabilities of the disposal group are shown below:

EUR m	**June 30, 2014**
Investment property	1.8
Receivables	0.3
Cash and cash equivalents	0.0
Non-current assets held for sale	**2.1**
Provisions	0.2
Payables	0.3
Non-current liabilities held for sale	**0.6**

5 IMPAIRMENT

Goodwill

The cash generating unit (CGU) PostMaster Sp. z o.o., Kraków, ranks among the leading providers in Poland in the field of non-addressed delivery of mail items. From today's perspective, the ongoing high level of competitive intensity obliges Austrian Post to revise its planned medium-term market penetration forecasts and the related earnings expectations. Against the backdrop of these indications of an impairment loss, the assets including goodwill of the cash generating unit were subject to an impairment test as at June 30, 2014. The value in use was determined with the help of the net present value method. The calculation took place according to the discounted cash flow method based on cash flow forecasts for a period of four years. The amount starting in the year 2018 is accounted for assuming a perpetual annuity. The cash flow forecasts were adapted in light of the downgraded earnings expectations.

The primary valuation assumptions underlying the determination of the recoverable amount were forecasts made by the management concerning the expected volume development, the discount rate in use and the expected long-term growth rate.

	December 31, 2013	**June 30, 2014**
Discount rate before tax	8.8%	9.1%
Growth rate	1.0%	1.0%

The impairment test carried out resulted in an impairment loss of EUR 4.9m on the total goodwill of EUR 9.7m recognised for the company. The impairment loss is reported under depreciation, amortisation and impairment losses in the consolidated income statement of Austrian Post. The estimated recoverable amount corresponds to the carrying amount of the CGU PostMaster Sp. z o.o., Kraków. As a consequence, a negative change in one of the primary planning assumptions would lead to a further impairment loss.

Receivables

Due to insolvencies as well as the current estimates on the recoverability of receivables, impairment losses were recognised for outstanding receivables from logistics partners of the trans-o-flex Group to the amount of EUR 2.1m (of which EUR 0.4m applies to the distribution companies). The impairment losses were recognised in the consolidated income statement of Austrian Post as other operating expenses.

6 OTHER INFORMATION

The dividend of EUR 1.90 per share (EUR 128.4m) resolved upon by the Annual General Meeting held on April 24, 2014 was distributed to shareholders on May 8, 2014.

7 NEGATIVE NOTE

The consolidated interim report of Austrian Post for the first half of 2014 was neither audited nor subject to an auditor's review.

Vienna, August 6, 2014

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Officer

Walter Hitziger
Member of the Management Board
Mail & Branch Network Division

Peter Umundum
Member of the Management Board
Parcel & Logistics Division

STATEMENT OF ALL LEGAL REPRESENTATIVES PERSUANT TO § 87 SECTION 1 (3) AUSTRIAN STOCK EXCHANGE ACT

As the legal representative of Austrian Post we confirm to the best of our knowledge that the interim financial statements as at June 30, 2014 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 half-year 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 interim financial statements as at June 30, 2014 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.

Vienna, August 6, 2014

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Officer

Walter Hitziger
Member of the Management Board
Mail & Branch Network Division

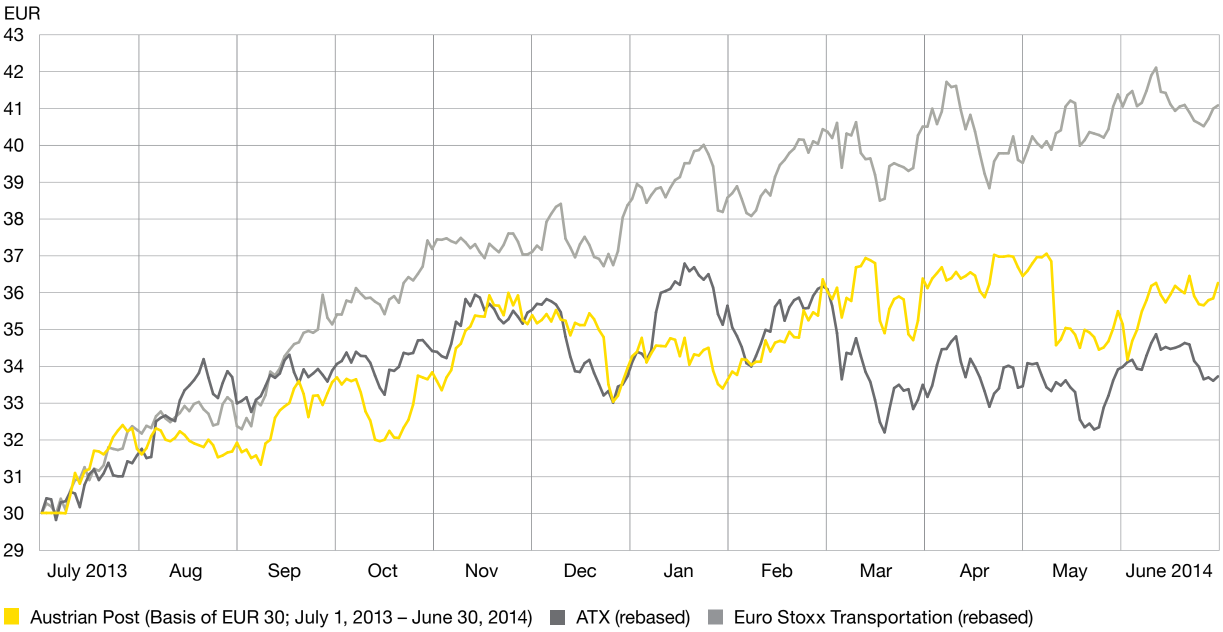
Peter Umundum
Member of the Management Board
Parcel & Logistics Division

SERVICE

FINANCIAL CALENDAR 2014/2015

August 14, 2014	Half-year financial report 2014, announcement: 07:30–07:40 a.m. CET
November 12, 2014	Interim report first three quarters 2014, announcement: 07:30–07:40 a.m. CET
March 12, 2015	Annual Report 2014, announcement: 07:30–07:40 a.m. CET
April 5, 2015	Record date for participation at Annual General Meeting
April 15, 2015	Annual General Meeting 2015, Vienna
April 28, 2015	Record Date for dividend payment
April 29, 2015	Ex-dividend day und dividend payment day
May 7, 2015	Interim report for the first quarter of 2015, announcement: 07:30–07:40 a.m. CET
August 6, 2015	Half-year financial report 2015, announcement: 07:30–07:40 a.m. CET
November 12, 2015	Interim report first three quarters 2015, announcement: 07:30–07:40 a.m. CET

DEVELOPMENT OF THE POST SHARE (LAST 12 MONTHS)



IMPRINT

Media owner and publisher
Österreichische Post AG
Haidingergasse 1, 1030 Vienna
T: +43 (0) 577 67 0, E: info@post.at
FN: 180219d, Commercial Court of Vienna

Project management, design and lectorate
be.public Corporate & Financial Communications, Vienna

Printing
Niederösterreichisches Pressehaus, St. Pölten

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 interim 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 hence actual results – to deviate from the forecasts contained in this report.

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

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

Editorial deadline: August 6, 2014

CONTACT

Investor Relations & Corporate Governance
Harald Hagenauer
T: +43 (0) 577 67 30401
F: +43 (0) 577 67 30409
E: investor@post.at
I: www.post.at/ir

Corporate Communications
Manuela Bruck
T: +43 (0) 577 67 20795
F: +43 (0) 577 67 28039
E: info@post.at
I: www.post.at/pr

Austrian Post on the Web
www.post.at
www.business.post.at

Half-year Financial Report 2014 | Austrian Post