H1 2016

HALF-YEAR FINANCIAL REPORT 2016 | AUSTRIAN POST

HIGHLIGHTS H1 2016

REVENUE

– Revenue development negatively impacted by sale of trans-o-flex
– Revenue excl. trans-o-flex rose by 0.6%

EARNINGS

– EBIT increase of 2.2% to EUR 98.6m
– Q2 operating earnings (EBIT) up 11.7%

CASH FLOW AND BALANCE SHEET

– 1.6% rise in the cash flow from operating activities to EUR 109.3m
– Strong cash position and low level of financial liabilities

OUTLOOK

– Revenue forecast 2016 of EUR 2.0bn (current business portfolio)
– Targeted stable development of operating earnings (EBIT) for 2016 and 2017

KEY FIGURES

		H1 2015	H1 2016	Change %
Profit and loss account				
Revenue	EUR m	1,175.0[1]	1,071.1	–8.8%
Revenue excl. trans-o-flex	EUR m	930.4	936.3	0.6%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EUR m	139.7	137.2	–1.8%
EBITDA margin[2]	%	11.9%	12.8%	–
Earnings before interest and tax (EBIT)	EUR m	96.5	98.6	2.2%
EBIT margin[2]	%	8.2%	9.2%	–
Earnings before tax (EBT)	EUR m	99.9	98.1	–1.7%
Profit for the period	EUR m	77.4	73.8	–4.7%
Earnings per share (EUR)[3]	EUR	1.14	1.09	–4.6%
Employees (average for the period, full-time equivalents)		23,343	22,092	–5.4%
Cash flow				
Gross cash flow	EUR m	151.8	138.3	–8.9%
Cash flow from operating activities	EUR m	107.7	109.3	1.6%
Investment in property, plant and equipment (CAPEX)	EUR m	–32.0	–38.5	20.3%
Cash flow from acquisition/divestments	EUR m	–1.8	1.8	>–100.0%
Free cash flow before acquisitions/securities	EUR m	137.7	72.1	–47.6%
		Dec. 31, 2015	**June 30, 2016**	**Change %**
Balance sheet				
Total assets	EUR m	1,613.0[4]	1,458.2	–9.6%
Equity	EUR m	641.7	573.7	–10.6%
Non-current assets	EUR m	909.6	914.4	0.5%
Current assets	EUR m	639.6	543.8	–15.0%
Net debt	EUR m	28.1	96.0	>100.0%
Equity ratio	%	39.8%	39.3%	–
Capital employed	EUR m	577.0	573.7	–0.6%

[1] The presentation of revenue in the Parcel & Logistics Division was adjusted. Exported services are recognised according to the net method (previously reported as revenue and expenses for services used).
[2] EBIT and EBITDA in relation to total Group revenue
[3] Undiluted earnings per share in relation to 67,552,638 shares
[4] Includes assets held for sale to the amount of EUR 63.8m

STATEMENT BY THE MANAGEMENT BOARD

Ladies and Gentlemen!
Dear Shareholders!

We are satisfied with the business development of Austrian Post in the first half-year 2016. Adjusted to take account of the German subsidiary trans-o-flex sold at the beginning of April 2016, revenue of the Austrian Post Group rose by 0.6% in a year-on-year comparison. In particular, revenue developed positively in the second quarter of the financial year, increasing by 2.3%.

The mail business continues to be impacted by the structural trend towards declining letter mail volumes caused by electronic substitution. In particular, public sector customers as well as banks are reducing their mail volumes. During the reporting period, business with direct mail showed a diverging development of individual advertising customer segments. The volume of addressed direct mail items declined in contrast to the rise in unaddressed mail volumes. In spite of these difficult conditions, we recorded a stable revenue development in the Mail & Branch Network Division in the first six months of 2016. Second-quarter revenue rose by 1.6%, driven by positive election effects. For example, a record number of votes were cast in the Austrian presidential elections by absentee ballot. The trend towards increasing e-commerce is continuing in the parcel segment, leading to further growth of parcel volumes in Austria in spite of intensified competition. Adjusted for the revenue of trans-o-flex, the Parcel & Logistics Division showed solid revenue growth of 3.7% in the first half of 2016, and even 4.9% in the second quarter of the year.

Thanks to the good revenue development and stringent cost discipline, operating earnings (EBIT) of Austrian Post were up 2.2% to EUR 98.6m. EBIT in the second quarter even climbed by 11.7% to EUR 47.6m. We are continuously optimising structures and processes in our mail and parcel logistics businesses in order to further reduce costs and enhance efficiency. Moreover, we are increasing the attractiveness of our service offering. For this reason, we will expand our service portfolio at the beginning of 2017 in order to provide even better and simpler shipping options for national and international online retailers. In particular, it will be possible to send a so-called "Packet", an optimal solution ranging somewhere between a traditional letter and a secure parcel. The "Packet" is as easy to handle as a letter, but still offers the popular "track & trace" feature of a parcel.

Innovative solutions as well as structural changes are necessary as a means of further developing the business model of our company. This is the only way we can generate sustainable value for the benefit of all stakeholders, especially customers, employees and shareholders and thus maintain our attractive dividend policy.

Vienna, August 2, 2016

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 will recover in 2016, but at a slower pace than originally expected. In its most recent publication the International Monetary Fund (IMF) predicts worldwide economic growth of only 3.1% this year, compared to the original forecast of 3.4% made by economists in January 2016. In particular, the recession in several emerging economies e.g. Brazil is negatively affecting global markets. According to the IMF, Russia has become a problem case, which is mainly attributable to the low price of oil but also the trade dispute with the EU (IMF, July 2016).

The IMF only expects the eurozone to expand by 1.5%, down from the prediction of 1.7% at the beginning of the year. In particular, the Brexit vote in the UK could dampen economic activity in Europe, not least due to the uncertainties it triggered, which are likely to last for some time. Great Britain itself will feel the brunt of the direct, short-term effects of Brexit, but the vote will also affect major British trading partners such as Ireland and Germany. On balance, the IMF assesses the situation of the eurozone as uncertain, facing what experts believe are growing risks. In addition to Britain's planned exit from the EU, the IMF considers the refugee crisis, the security situation, the weakness of banks and the further slowdown of the global economy to be other factors capable of adversely affecting economic growth in the eurozone (IMF, July 2016).

The Austrian Institute of Economic Research (WIFO), the Institute for Advanced Studies (IHS) and the Federation of Austrian Industries all agree that the effects of Brexit on the Austrian economy will be barely perceptible. For this reason, both WIFO and IHS did not see any reason to revise their forecasts. Accordingly, the Austrian economy is expected to expand more strongly in the years 2016 and 2017 following more restrained growth in 2015. Leading economic indicators are not providing any notable evidence of a significant upturn. However, private consumer spending and public sector budgets are increasing considerably due to special factors (i.e. calendar effect, tax reform, influx of refugees), thus supporting overall growth. The country's gross domestic product is expected to rise by 1.7% in real terms in both 2016 and 2017 (WIFO, June 2016). Economic growth in the markets in South East and Eastern Europe which are of importance to the Austrian economy should gain momentum, according to economic researchers. The IMF expects economic growth to reach a level of 3.5% in the CEE region in 2016, with growth rates around the 4% threshold in Turkey (+3.8%), Romania (+4.2%) and Poland (+3.6%) (IMF, April 2016).

MARKET ENVIRONMENT

In addition to the overall economic environment, the business development of Austrian Post is influenced by the following international trends, which pose risks but also offer new opportunities.

The electronic substitution of traditional letter mail, a global trend which impacts all postal companies, is continuing and the trend is essentially irreversible. In particular, customers in the public sector as well as banks and insurance companies are trying to reduce mail volumes. As a result, Austrian Post continues to expect an ongoing decline in the amount of mail it handles. The business with direct mail items strongly depends on the intensity of advertising activities by companies. The markets for addressed and unaddressed advertising mail show a diverging volume development. Several customer segments are under pressure due to the increasing activities of online shops, whereas other segments are generating growth. Current studies show that multi-channel communication and interactive marketing will tend to grow in importance in addition to online advertising.

Parcel volumes in the private customer segment are increasing due to the growing importance of online shopping. In turn, the development of the international parcel and freight business is 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. For this reason, international shipments comprise another important factor impacting the growth of the European courier, express and parcel (CEP) market. Austrian Post subsidiaries in CEE are also profiting from the generally more dynamic overall economic growth in this region and its need to catch up in the field of e-commerce.

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:

- Austrian Post remains the universal service provider in Austria even after full-scale market liberalisation, guaranteeing high quality postal services throughout Austria. As legally stipulated, the regulatory authorities carried out an evaluation in 2016 to determine whether other postal service companies can provide universal postal services prescribed by law. This is not the case.
- The Universal Postal Service Obligation is limited primarily 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.
- A change in the Postal Market Act took effect on November 27, 2015. This enables Austrian Post to offer, in addition to letter mail (with strict delivery time standards), so-called non-priority letter mail within the context of universal postal services. The delivery time of these non-priority letters is regularly allowed to take up to four days.
- On July 25, 2016, the relevant regulatory authorities i.e. the Post Control Commission and RTR Rundfunk & Telekom Regulierungs-GmbH approved innovations to postal products effective January 1, 2017. This includes adjustments in letter mail and parcel products, especially the launch of a new product, the "Packet", designed for lightweight shipments.

BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

CHANGES IN THE SCOPE OF CONSOLIDATION

The following significant disposals took place in the first half of 2016:

Effective April 8, 2016, Austrian Post sold its 100% stake in the operating companies of the trans-o-flex Group, and thus terminated its control over all trans-o-flex subsidiaries. The new owners are Amberger Familien GbR (sole shareholder of LOXXESS AG) and Schoeller Group, which each acquired 50% of trans-o-flex.

The changes in the scope of consolidation are presented in detail in chapter 3 of the notes to the consolidated interim financial statements.

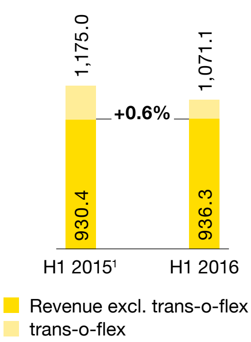
REVENUE AND EARNINGS

Revenue development

In the first half of 2016, Group revenue of Austrian Post fell by EUR 103.9m from the prior-year level to EUR 1,071.1m. The revenue decrease can be fully attributed to the sale of its subsidiary trans-o-flex. Adjusted for the disposed company trans-o-flex, revenue rose by 0.6% in the first half-year and 2.3% in the second quarter of 2016. The Parcel & Logistics Division reported a revenue increase of 3.7% in the first six months of the year excluding trans-o-flex, whereas revenue of the Mail & Branch Network Division showed a stable development.

REVENUE DEVELOPMENT

EUR m



[1] The presentation of revenue of the Parcel & Logistics Division was adjusted. Exported services are recognised according to the net method (previously reported as revenue and expenses for services used).

REVENUE BY DIVISION

EUR m	H1 2015[1]	H1 2016	Change %	Change EUR m	Q2 2015[1]	Q2 2016
Group revenue	**1,175.0**	**1,071.1**	**–8.8%**	**–103.9**	**575.1**	**478.3**
Group revenue excl. trans-o-flex	930.4	936.3	0.6%	5.8	456.2	466.6
Mail & Branch Network	738.0	736.8	–0.2%	–1.3	360.5	366.3
Parcel & Logistics	436.9	334.3	–23.5%	–102.6	214.5	112.1
Corporate	0.1	0.0	–	0.0	0.0	0.0
Calendar working days in Austria	122	124	–	–	60	62

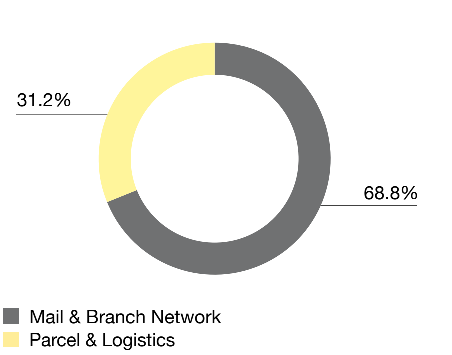
[1] The presentation of revenue of the Parcel & Logistics Division was adjusted. Exported services are recognised according to the net method (previously reported as revenue and expenses for services used).

The Mail & Branch Network Division accounted for the largest share or 68.8% of total Group revenue in the first six months of 2016. On balance, revenue of the division fell slightly by 0.2% to EUR 736.8m during the period under review. However, division revenue was up 1.6% in the second quarter of 2016. The basic trend towards e-substitution, which implies the replacement of traditional letter mail by electronic forms of communication, is continuing. However, elections generated higher revenue contributions than in the previous year.

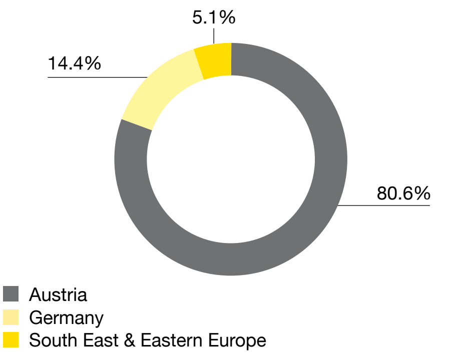
The Parcel & Logistics Division generated 31.2% of revenue during the reporting period. The 23.5% decrease in revenue to EUR 334.3m in the first half of 2016 is exclusively due to the disposal of the German subsidiary trans-o-flex. Excluding trans-o-flex revenue, divisional revenue actually rose 3.7%. The increase was driven by the ongoing trend towards online shopping, which resulted in an increase in private customer parcel volumes in spite of growing competition in this segment.

With respect to its geographical segments, Austrian Post generated 80.6% of its Group revenue in Austria, 14.4% in Germany and 5.1% in South East and Eastern Europe in the first half of 2016.

REVENUE BY DIVISION H1 2016



REVENUE BY REGION H1 2016



REVENUE DEVELOPMENT OF THE MAIL & BRANCH NETWORK DIVISION

EUR m	H1 2015	H1 2016	Change %	 EUR m	Q2 2015	Q2 2016
Revenue with third parties (external)	**738.0**	**736.8**	**–0.2%**	**–1.3**	**360.5**	**366.3**
Letter Mail & Mail Solutions	400.7	403.5	0.7%	2.8	194.3	198.6
Direct Mail	210.2	206.2	–1.9%	–4.0	101.1	103.3
Media Post	69.6	70.4	1.1%	0.8	36.0	36.1
Branch Services	57.5	56.7	–1.5%	–0.9	29.1	28.3
Revenue with other segments (intra-Group)	40.3	41.9	4.0%	1.6	19.9	20.6
Total revenue	778.4	778.7	0.0%	0.3	380.5	386.9

Revenue of the Mail & Branch Network Division totalled EUR 736.8m in the first half of 2016. Of this amount, 54.8% can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounts for 28.0% of total divisional revenue and the Media Post, i.e. the delivery of newspapers and magazines has a 9.6% share. Branch Services generates 7.7% of the division's revenue. Elections generally have a strong effect on the division's revenue. There were no revenue effects from elections during the first quarter of the period under review, whereas election effects led to additional revenue of EUR 11.5m in the second quarter of 2016. Revenue generated by elections amounted to EUR 5.5m in the first half of 2015. Moreover, the reporting period included two additional calendar working days.

In the first half of 2016, Letter Mail & Mail Solutions revenue at EUR 403.5m represents an increase of 0.7% from the prior-year level, with revenue in this business area even rising by 2.2% in the second quarter. The positive development was the result of the above-mentioned supporting revenue effects from elections and two additional calendar working days. In contrast, the basic trend of electronic substitution is continuing. E-substitution intensified slightly compared to the previous year, accounting for a 5% drop in mail volumes, and is higher than in previous years.

Revenue in the Direct Mail business fell by 1.9% to EUR 206.2m in the first six months of 2016. Direct mail revenue declined in the first quarter of 2016, but rose by 2.2% in the second quarter of the year. This positive development is also attributable to higher revenue contributions from elections. On the other hand, the sale and deconsolidation of two mail subsidiaries in Hungary and Slovakia in 2015 had the opposite effect, decreasing revenue by EUR 2.8m from the first half of 2015. In general, the Direct Mail business is influenced by the overall economic environment and the level of customer advertising expenditure, and is thus subject to greater fluctuations. The individual advertising customer segments in the Direct Mail business were also subject to differing volume trends. In particular, the advertising activities of large retailers in the unaddressed direct mail segment developed positively during the period under review. In contrast, the volume of addressed advertising mail decreased.

In the first half of 2016, Media Post revenue rose by 1.1% year-on-year to EUR 70.4m (Q2 2016: +0.2%). In contrast, Branch Services revenue was down 1.5% to EUR 56.7m during the period under review. In the second quarter of 2016, the positive development of mobile products was offset by a change in the corresponding invoicing model. In aggregate, this led to a second-quarter revenue decline of 2.9% in this business area.

REVENUE DEVELOPMENT OF THE PARCEL & LOGISTICS DIVISION

EUR m	H1 2015[1]	H1 2016	Change %	Change EUR m	Q2 2015[1]	Q2 2016
Revenue with third parties (external)	**436.9**	**334.3**	**–23.5%**	**–102.6**	**214.5**	**112.1**
Premium Parcels	323.7	227.5	–29.7%	–96.2	158.5	60.6
Standard Parcels	95.6	90.3	–5.6%	–5.4	47.2	44.2
Other Parcel Services	17.6	16.6	–5.7%	–1.0	8.8	7.3
Revenue with third parties (external) excl. trans-o-flex	192.4	199.5	3.7%	7.1	95.7	100.3
Revenue with other segments (intra-Group)	3.8	5.4	42.3%	1.6	1.8	2.7
Total revenue	440.7	339.8	–22.9%	–101.0	216.3	114.7

[1] The presentation of revenue in the Parcel & Logistics Division was adjusted. Exported services are recognised according to the net method (previously reported as revenue and expenses for services used).

Total revenue of the Parcel & Logistics Division fell by 23.5% to EUR 334.3m in the first half of 2016 due to the previously-mentioned sale of the subsidiary trans-o-flex. Adjusted to take account of trans-o-flex revenue, the division actually generated a revenue increase of 3.7% in the first half of 2016 and 4.9% in the second quarter of the year.

The Premium Parcels business (parcel delivery within 24 hours) contributes the largest share of this division, with revenue excluding trans-o-flex up 14.7% in the first six months of 2016 (Q2 2016: +17.6%). In addition to the good development of business parcels in Austria, above-average growth was also achieved in higher value parcels for private customers.

Standard Parcels, which mainly involves shipments to private customers in Austria, posted revenue of EUR 90.3m, comprising a drop of 5.6% as a result of intensified competition and the underlying trend towards premium products.

Other Parcel Services, which includes various additional logistics services such as fulfillment, warehousing and cash logistics, accounted for revenue of EUR 16.6m in the period under review, a year-on-year drop of 5.7%. This decrease is mainly attributable to the sale of the Austrian Post subsidiary trans-o-flex.

From a regional perspective, 39% of total revenue in the Parcel & Logistics Division was generated in Germany in the first half of the 2016 financial year, compared to 49% in Austria and 11% by the subsidiaries in South East and Eastern Europe. Business in Austria (+1.9%) developed positively despite tough competition, and also expanded in the CEE markets (+3.1%), whereas Austrian Post disposed of its German subsidiary trans-o-flex in April 2016.

With respect to its strategic investment in the Turkish parcel services provider Aras Kargo, Austrian Post initiated a call option process in order to acquire an additional 50% of the shares. However, there are differences of opinion with the current majority shareholder regarding the implementation of the call option agreement as well as the valuation of the shares. Accordingly, as in the past, Austrian Post will continue to consolidate its 25% stake in Aras Kargo at equity until further notice.

Earnings development

CONSOLIDATED PROFIT AND LOSS ACCOUNT

EUR m	H1 2015[1]	H1 2016	Change %	Change EUR m	Q2 2015[1]	Q2 2016
Revenue	**1,175.0**	**1,071.1**	**–8.8%**	**–103.9**	**575.1**	**478.3**
Other operating income	32.8	36.2	10.4%	3.4	16.4	12.7
Raw materials, consumables and services used	–360.0	–286.3	20.5%	73.7	–177.5	–103.1
Staff costs	–551.8	–545.3	1.2%	6.5	–270.1	–258.8
Other operating expenses	–156.0	–139.1	10.8%	16.9	–79.7	–61.9
Results from financial assets accounted for using the equity method	–0.2	0.6	>100.0%	0.8	0.4	0.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**139.7**	**137.2**	**–1.8%**	**–2.6**	**64.6**	**67.8**
Depreciation, amortisation and impairments	–43.2	–38.5	10.8%	4.7	–22.0	–20.2
Earnings before interest and tax (EBIT)	**96.5**	**98.6**	**2.2%**	**2.1**	**42.6**	**47.6**
Other financial result	3.4	–0.5	<–100.0%	–3.9	–0.1	–0.3
Earnings before tax (EBT)	**99.9**	**98.1**	**–1.7%**	**–1.7**	**42.5**	**47.3**
Income tax	–22.5	–24.4	–8.3%	–1.9	–8.9	–12.2
Profit for the period	**77.4**	**73.8**	**–4.7%**	**–3.6**	**33.6**	**35.1**
Earnings per share (EUR)[2]	1.14	1.09	–4.6%	–0.05	0.50	0.52

[1] The presentation of revenue in the Parcel & Logistics Division and raw materials, consumables and services used was adjusted. Exported services are recognised according to the net method (previously reported as revenue and expenses for services used).
[2] Undiluted earnings per share in relation to 67,552,638 shares

Raw materials, consumables and services used reduced from EUR 360.0m to EUR 286.3m during the period under review, which is due to the sale of trans-o-flex. However, the costs for services used increased, particularly as a consequence of expanded international business volumes.

Austrian Post's staff costs amounted to EUR 545.3m in the first half-year 2016, comprising a drop of 1.2%. The disposal of trans-o-flex reduced staff costs, whereas the adjustment of the interest rate for various staff-related provisions led to a negative earnings effect of EUR 14.6m in the first half of 2016. In the previous year, this effect amounted to EUR 3.0m. The operational staff costs for salaries and wages, which are part of total staff costs, fell by 2.4% from the prior-year level due to the sale of trans-o-flex. On balance, the Austrian Post Group employed an average of 22,092 people (full-time equivalents) in the first half-year 2016, compared to 23,343 employees in the first half of 2015.

In addition to the ongoing operational staff costs, staff costs also encompass various non-operational costs such as termination benefits and changes in provisions, which are primarily related to the specific employment situation of civil servants at Austrian Post in Austria. In addition to the previously-mentioned adjustment to the parameters for interest-bearing provisions, costs for termination benefits totalled EUR 10.3m during the period under review compared to EUR 11.0m in the previous year.

In the first half of 2016, other operating income at EUR 36.2m was 10.4% higher than the prior-year figure, whereas other operating expenses were down 10.8% to EUR 139.1m. In both cases, the differences can be attributed to the disposal of the subsidiary trans-o-flex.

The results of financial assets accounted for using the equity method amounted to EUR 0.6m, up from minus EUR 0.2m in the first six months of 2015. This item includes the positive earnings contribution of the Turkish company Aras Kargo a.s. along with the negative earnings contribution of the German start-up company AEP GmbH.

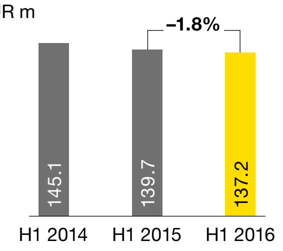
On balance, earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post fell by 1.8% or EUR 2.6m to EUR 137.2m in the first half-year 2016. The corresponding EBITDA margin was 12.8%, comprising an improvement of 0.9 percentage points from the comparable prior-year level. EBITDA in the second quarter of 2016 was up 4.9% to EUR 67.8m.

Total depreciation, amortisation and impairment losses in the reporting period amounted to EUR 38.5m, a decrease of EUR 4.7m from the first six months of 2015. This difference is mainly due to the disposal of trans-o-flex. An impairment loss on goodwill for the subsidiary PostMaster s.r.l., Romania, to the amount of EUR 2.0m had the opposite effect. On balance, earnings before interest and tax (EBIT) in the first six months of the 2016 financial year reached a level of EUR 98.6m, representing an increase of 2.2% year-on-year. The EBIT margin climbed from 8.2% to 9.2%. EBIT even improved by 11.7% to EUR 47.6m in the second quarter of 2016.

The other financial result fell to minus EUR 0.5m, from EUR 3.4m in the prior-year period. This development is mainly attributable to the special effect totalling EUR 3.3m arising in March 2015 as a consequence of the early termination of a cross-border leasing transaction of various postal sorting facilities. Accordingly, earnings before tax (EBT) in the first half of 2016 were EUR 98.1m, compared to EUR 99.9m in the previous year. The income tax expense rose by 8.3% to EUR 24.4m as a result of changes in tax laws. After deducting income tax, the Group's profit for the period (profit after tax) amounted to EUR 73.8m in the first half of 2016, down from the prior-year figure of EUR 77.4m. Accordingly, undiluted earnings per share equalled EUR 1.09 for the first six months of 2016.

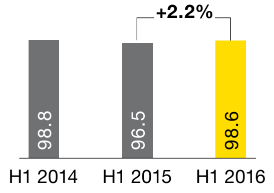
EBITDA

EUR m



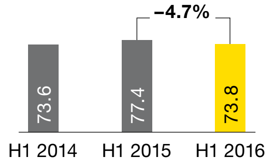
EBIT

EUR m



PROFIT FOR THE PERIOD

EUR m



EBITDA AND EBIT BY DIVISION

EUR m	H1 2015	H1 2016	Change %	Change EUR m	Margin H1 2016	Q2 2015	Q2 2016
Total EBITDA	**139.7**	**137.2**	**–1.8%**	**–2.6**	**12.8%**	**64.6**	**67.8**
Mail & Branch Network	161.4	161.5	0.1%	0.1	20.7%	76.9	81.8
Parcel & Logistics	23.1	22.5	–2.7%	–0.6	6.6%	10.8	11.9
Corporate/Consolidation	–44.8	–46.8	–4.4%	–2.0	–	–23.1	–25.9
Total EBIT	**96.5**	**98.6**	**2.2%**	**2.1**	**9.2%**	**42.6**	**47.6**
Mail & Branch Network	145.4	143.2	–1.5%	–2.2	18.4%	68.8	71.7
Parcel & Logistics	12.5	16.9	35.4%	4.4	5.0%	5.3	9.2
Corporate/Consolidation	–61.4	–61.5	–0.2%	–0.1	–	–31.5	–33.2

From a divisional perspective, the Mail & Branch Network Division showed a stable development compared to the previous year, generating an EBITDA of EUR 161.5m in the first half-year 2016 which reflected the sound revenue development and the strict cost discipline. EBIT of the division was down 1.5% or EUR 2.2m from the prior-year level to EUR 143.2m. This decrease is mainly due to the impairment loss on goodwill to the amount of EUR 2.0m for the Romanian subsidiary PostMaster s.r.l.

EBITDA of the Parcel & Logistics Division in the first six months of 2016 amounted to EUR 22.5m, compared to the prior-year level of EUR 23.1m. EBIT of the division in the reporting period improved from EUR 12.5m to EUR 16.9m due to the disposal of trans-o-flex.

The Corporate Division (including Consolidation) accounts for all non-allocable expenses for central departments in the Group as well as staff-related provisions assigned to it. Moreover, the division includes innovation management and the development of new business models. EBIT of the Corporate Division remained stable at minus EUR 61.5m, although the previously-mentioned parameter adjustment for interest-bearing staff-related provisions resulting in expenses totalling EUR 14.6m reduced divisional earnings by EUR 9.9m.

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 the solid level of cash and cash equivalents invested with the least possible risk.

Balance sheet structure

The balance sheet total of Austrian Post amounted to EUR 1,458.2m as of June 30, 2016. On the assets side, property, plant and equipment comprised the largest single balance sheet item at EUR 566.3m, whereas intangible assets amounted to EUR 21.9m. The goodwill reported for acquisitions totalled EUR 56.2m at the end of the first half-year 2016. Receivables of EUR 267.8m comprised the largest single balance sheet item in current assets. In addition, Austrian Post had a high level of cash and cash equivalents totalling EUR 229.1m.

On the equity and liabilities side, the balance sheet of Austrian Post features a high equity ratio, which equalled 39.3% as at June 30, 2016, with equity of EUR 573.7m. Non-current liabilities totalled EUR 390.6m at the end of the reporting period, with current liabilities at EUR 493.9m. Provisions encompassed in liabilities were EUR 514.6m at the end of June 2016, including provisions for employee under-utilisation of EUR 187.3m. Trade payables as at June 30, 2016 amounted to EUR 163.1m.

An analysis of the financial position of the company shows a high level of current and non-current financial resources of EUR 289.8m, comprising cash and cash equivalents of EUR 229.1m and financial investments in securities of EUR 60.7m. These financial resources contrast with financial liabilities of only EUR 4.8m.

BALANCE SHEET STRUCTURE BY ITEM

EUR m	Dec. 31, 2015	June 30, 2016	Structure June 30, 2016
Assets			
Property, plant and equipment	571.9	566.3	38.8%
Intangible assets and goodwill	83.0	78.1	5.4%
Investment property	60.5	65.8	4.5%
Financial assets accounted for using the equity method	53.2	53.0	3.6%
Inventories, trade and other receivables	409.3	391.9	26.9%
Other financial assets	71.8	74.0	5.1%
thereof securities	57.2	60.7	–
Cash and cash equivalents	299.6	229.1	15.7%
Assets held for sale	63.8	0.0	0.0%
	1,613.0	**1,458.2**	**100.0%**
Equity and liabilities			
Equity	641.7	573.7	39.3%
Provisions	516.6	514.6	35.3%
Financial liabilities	12.6	4.8	0.3%
Trade and other payables	372.1	365.2	25.0%
Liabilities classified as held for sale	70.0	0.0	0.0%
	1,613.0	**1,458.2**	**100.0%**

CASH FLOW

EUR m	H1 2015	H1 2016
Gross cash flow	**151.8**	**138.3**
Cash flow from operating activities	**107.7**	**109.3**
Cash flow from investing activities	**16.8**	**–39.3**
thereof CAPEX	–32.0	–38.5
thereof cash flow from acquisitions/divestments	–3.3	1.1
thereof acquisition/disposal of securities	–10.0	–3.1
thereof other cash flow from investing activities	62.1	1.2
Free cash flow	**124.4**	**70.0**
Free cash flow before acquisitions/securities	**137.7**	**72.1**
Cash flow from financing activities	**–131.4**	**–141.0**
Change in cash and cash equivalents	**–6.9**	**–71.0**

Cashflow

The gross cash flow totalled EUR 138.3m in the first half-year 2016, compared to EUR 151.8m in the previous year. This difference is attributable to higher tax payments. In contrast, the cash flow from operating activities of EUR 109.3m was slightly above the prior-year level of EUR 107.7m. In particular, the decline in trade receivables had a positive effect, which offset the drop in trade payables.

The cash flow from investing activities reached a level of minus EUR 39.3m in the first six months of 2016, compared to EUR 16.8m in the prior-year period. This deviation was mainly related to the sale of Austrian Post's former corporate headquarters in Vienna's first district, for which the outstanding balance of the purchase price of EUR 60.0m was paid in the first quarter of 2015. Cash outflows for the acquisition of property, plant and equipment (CAPEX) amounted to EUR 38.5m in the first half of 2016, above the level of EUR 32.0m in the previous year. CAPEX included payments of EUR 19.1m relating to the construction of Austrian Post's new corporate headquarters. A cash flow-reducing effect of EUR 3.1m was reported due to various changes in the securities portfolio, compared to EUR 10.0m in the prior-year period.

In aggregate, free cash flow during the reporting period was EUR 70.0m, down from EUR 124.4m in the previous year. Free cash flow before acquisitions/securities reached a level of EUR 72.1m. The difference to the prior-year is due to the above-mentioned payment of the outstanding balance of the purchase price of Austrian Post's former corporate headquarters in 2015. Adjusted to take account of this special effect as well as payments for the new corporate headquarters, the operating free cash flow before acquisitions/securities and other cash flow from investing activities amounted to EUR 89.9m in the first half of 2016, compared to the prior-year figure of EUR 86.8m.

Investments

In the first six months of 2016, the additions to property, plant and equipment and intangible assets amounted to EUR 35.8m, a rise of EUR 2.4m from the previous year. This included investments of EUR 34.8m in property, plant and equipment and EUR 1.0m in intangible assets. In addition to investments in new equipment, furniture and fittings, expenditures during the reporting period focused on construction of the new corporate headquarters.

EMPLOYEES

The average number of employees (full-time equivalents) at the Austrian Post Group totalled 22,092 people during the first six months of 2016, comprising a reduction of 1,252 employees from the prior-year period. The decrease is primarily due to the disposal of the German subsidiary trans-o-flex. Most of Austrian Post's staff or a total of 17,325 full-time equivalents are employed by the parent company Österreichische Post AG.

EMPLOYEES BY DIVISION

Annual average, full-time equivalents	H1 2015	H1 2016	Share H1 2016
Mail & Branch Network	16,736	16,313	73.8%
Parcel & Logistics	4,751	3,892	17.6%
Corporate	1,857	1,887	8.5%
Total	**23,343**	**22,092**	**100.0%**

EVENTS AFTER THE REPORTING PERIOD

Austrian Post is not aware of any significant events taking place after the end of the reporting period on June 30, 2016.

MAIN RISKS AND UNCERTAINTIES

As an international postal and logistics services provider, the Austrian Post Group is subject to a variety of operational risks in 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 appropriate 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 along with information on the internal controlling system and risk management with regard to the accounting process are described in detail in the Annual Report 2015 of Austrian Post (see the Annual Report 2015, Financial Report, Group Management Report chapters 7 and 8, Consolidated Financial Statements chapter 10.2).

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 also depend on the economic development of the respective customer segments. Experience has shown that unfavourable economic conditions faced by customers of Austrian Post have negative effects on the development of letter mail, direct mail and parcel volumes. Furthermore, a subdued economic situation could also have an impact on the Group's competitive position and thus the achievable prices for postal services. Traditional mail items are being increasingly replaced by electronic forms of communication.

The parcel market is positively impacted by the online shopping trend, with competitors increasing their activities in order to participate in this market growth more strongly. The resulting shifts in market share and increased price pressure could negatively affect Austrian Post's earnings situation.

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 in the branch network.

All the above-mentioned risks could lead to significant volume decreases and, thus, to a corresponding drop in earnings or valuation adjustments. Risks above and beyond normal business operations primarily relate to various structural measures and restructuring expenses as well as the use of technical systems. In addition, the performance of subsidiaries or any required impairment losses could affect the earnings of Austrian Post.

RELATED PARTY TRANSACTIONS

There were no major changes in related party transactions in the first half-year 2016. Information on related party transactions is provided in the Annual Report 2015 of Austrian Post (see the Annual Report 2015, Financial Report, Consolidated Financial Statements chapter 11.3).

OUTLOOK 2016

Austrian Post confirms its outlook for the entire year 2016 in light of current trends and the company's good performance in the second quarter of 2016. Accordingly, on the basis of its current business portfolio, Austrian Post continues to target revenue of EUR 2.0bn in the 2016 financial year following the sale and deconsolidation of its German subsidiary trans-o-flex as at April 8, 2016.

The volume of addressed letter mail continues to decline. In contrast, the parcel business driven by e-commerce is showing a consistently positive development. In the mail business, Austrian Post still anticipates volume declines of about 5% p.a. in the light of the increasing substitution of addressed mail items by electronic forms of communication. The volume of direct mail will show a diverging development in the individual customer segments and product groups. Overall strong market growth in the Parcel & Logistics Division will be accompanied by intensified competition and new, innovative customer solutions.

Efficiency enhancement and safeguarding of earnings

The earnings forecast of Austrian Post also remains unchanged. The company expects to generate stable operating earnings in 2016 with EBIT at the prior-year level on the basis of current trends and developments. Structures and processes are being continuously optimised in both mail and parcel logistics in order to further reduce costs and enhance efficiency. Furthermore, it is crucial to increase the attractiveness of Austrian Post's service offering. For this reason, the service portfolio will be expanded at the beginning of 2017 in order to provide even better and simpler shipping options for national and international online retailers. For example, it will be possible to send a so-called "Packet", an optimal solution ranging somewhere between a traditional letter and a secure parcel. The "Packet" is as easy to handle as a letter, but still offers the popular "track & trace" feature of a parcel. Innovative solutions as well as structural changes are necessary as a means of continually further developing the business model of the company. Austrian Post not only aims to achieve stable operating earnings in 2016 but in 2017 as well.

Stability also with respect to investments and the attractive dividend policy

The operating cash flow generated by Austrian Post will continue to be used prudently and in a targeted manner to finance sustainable efficiency increases, structural measures and future-oriented investments. With this in mind, operational capital expenditure (CAPEX) of EUR 70-80m is planned in 2016, focusing on sorting technologies, logistics and customer solutions. In addition, Austrian Post is quickly moving ahead with the construction of its new corporate headquarters in Vienna's third district, scheduled for completion in 2017. The expected cash flow development for the entire year 2016 should also enable Austrian Post to adhere to its attractive dividend policy.

Vienna, August 2, 2016

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE FIRST HALF OF 2016

EUR m	H1 2015 adjusted[1]	H1 2016	Q2 2015 adjusted[1]	Q2 2016
Revenue	1,175.0	1,071.1	575.1	478.3
Other operating income	32.8	36.2	16.4	12.7
Total operating income	**1,207.8**	**1,107.3**	**591.5**	**491.0**
Raw materials, consumables and services used	–360.0	–286.3	–177.5	–103.1
Staff costs	–551.8	–545.3	–270.1	–258.8
Depreciation, amortisation and impairment losses	–43.2	–38.5	–22.0	–20.2
Other operating expenses	–156.0	–139.1	–79.7	–61.9
Total operating expenses	**–1,111.1**	**–1,009.2**	**–549.3**	**–444.0**
Profit from operations	**96.7**	**98.1**	**42.2**	**47.1**
Results from financial assets accounted for using the equity method	–0.2	0.6	0.4	0.5
Financial income	5.6	2.0	1.0	0.9
Financial expenses	–2.3	–2.5	–1.1	–1.2
Other financial result	3.4	–0.5	–0.1	–0.3
Total financial result	**3.2**	**0.1**	**0.4**	**0.3**
Profit before tax	**99.9**	**98.1**	**42.5**	**47.3**
Income tax	–22.5	–24.4	–8.9	–12.2
Profit for the period	**77.4**	**73.8**	**33.6**	**35.1**
Attributable to:				
Shareholders of the parent company	77.3	73.8	33.6	35.1
Non-controlling interests	0.1	0.0	0.1	0.0

[1] Adjustments: refer to Note 2.2 Changes in accounting methods and adjustments of prior-year figures

EARNINGS PER SHARE

EUR	H1 2015	H1 2016	Q2 2015	Q2 2016
Basic earnings per share	1.14	1.09	0.50	0.52
Diluted earnings per share	1.14	1.09	0.50	0.52

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST HALF OF 2016

EUR m	H1 2015	H1 2016	Q2 2015	Q2 2016
Profit for the period	**77.4**	**73.8**	**33.6**	**35.1**
Items that may be reclassified subsequently to the income statement:				
Currency translation differences – investments in foreign businesses	0.9	0.2	–0.4	–0.2
Changes in the fair value of financial assets available for sale	–0.7	0.5	–0.3	0.4
Tax effect of changes in the fair value	0.2	–0.1	0.1	–0.1
Financial assets accounted for using the equity method – share of other comprehensive income	–2.2	–0.4	–3.1	0.1
Total items that may be reclassified	**–1.8**	**0.1**	**–3.7**	**0.3**
Items that will not be reclassified subsequently to the income statement:				
Revaluation of defined benefit obligations	0.4	–13.1	3.9	–7.0
Tax effect of revaluation	–0.1	3.3	–1.0	1.7
Financial assets accounted for using the equity method – share of other comprehensive income	0.0	–0.2	0.0	0.0
Total items that will not be reclassified	**0.3**	**–10.0**	**2.9**	**–5.2**
Other comprehensive income	**–1.6**	**–9.9**	**–0.8**	**–5.0**
Total comprehensive income	**75.8**	**63.9**	**32.9**	**30.2**
Attributable to:				
Shareholders of the parent company	75.7	63.8	32.8	30.1
Non-controlling interests	0.1	0.0	0.1	0.0

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2016

EUR m	Dec. 31, 2015	June 30, 2016
Assets		
Non-current assets		
Goodwill	58.2	56.2
Intangible assets	24.8	21.9
Property, plant and equipment	571.9	566.3
Investment property	60.5	65.8
Financial assets accounted for using the equity method	53.2	53.0
Other financial assets	36.8	43.1
Trade and other receivables	11.4	12.1
Deferred tax assets	92.9	96.0
	909.6	**914.4**
Current assets		
Other financial assets	35.0	30.9
Inventories	15.9	15.7
Trade and other receivables	288.8	267.8
Current tax assets	0.3	0.3
Cash and cash equivalents	299.6	229.1
	639.6	**543.8**
Assets held for sale	**63.8**	**0.0**
	1,613.0	**1,458.2**
Equity and liabilities		
Equity		
Share capital	337.8	337.8
Capital reserves	91.0	91.0
Revenue reserves	238.2	179.8
Other reserves	–25.5	–35.0
Equity attributable to the shareholders of the parent company	**641.5**	**573.5**
Equity attributable to non-controlling interests	**0.2**	**0.1**
	641.7	**573.7**
Non-current liabilities		
Provisions	355.9	363.4
Other financial liabilities	4.5	4.1
Trade and other payables	23.7	22.5
Deferred tax liabilities	0.9	0.7
	384.9	**390.6**
Current liabilities		
Provisions	160.7	151.2
Current tax liabilities	14.4	18.6
Other financial liabilities	8.1	0.7
Trade and other payables	333.2	323.4
	516.3	**493.9**
Liabilities classified as held for sale	**70.0**	**0.0**
	1,613.0	**1,458.2**

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST HALF OF 2016

EUR m	H1 2015	H1 2016
Operating activities		
Profit before tax	99.9	98.1
Depreciation, amortisation and impairment losses	43.2	38.5
Results from financial assets accounted for using the equity method	0.2	–0.6
Provisions non-cash	22.5	43.8
Taxes paid	–11.6	–20.3
Other non-cash transactions	–2.4	–21.3
Gross cash flow	**151.8**	**138.3**
Trade and other receivables	–6.8	25.2
Inventories	0.8	1.1
Provisions	–46.4	–46.4
Trade and other payables	8.3	–8.9
Cash flow from operating activities	**107.7**	**109.3**
Investing activities		
Purchase of intangible assets	–1.7	–1.8
Purchase of property, plant and equipment/investment property	–32.0	–38.5
Cash receipts from disposal of assets	62.4	2.2
Acquisition of subsidiaries	–1.8	–0.5
Disposal of subsidiaries	0.0	2.3
Purchase of financial assets accounted for using the equity method	–1.5	–0.4
Disposal of financial assets accounted for using the equity method	0.0	0.1
Acquisition of financial investments in securities	–10.0	–6.0
Acquisition of other financial instruments	0.0	–0.4
Cash receipts from sales of financial investments in securities	0.0	2.9
Loans granted	–0.2	–1.5
Dividends received from financial assets accounted for using the equity method	0.1	0.0
Interest received	1.4	2.3
Cash flow from investing activities	**16.8**	**–39.3**
Free cash flow	**124.4**	**70.0**
Financing activities		
Changes of other financial liabilities	0.9	–8.5
Dividends paid	–131.8	–132.0
Interest paid	–0.5	–0.3
Acquisition of non-controlling interests	0.0	–0.2
Cash flow from financing activities	**–131.4**	**–141.0**
Net decrease in cash and cash equivalents	**–6.9**	**–71.0**
Cash and cash equivalents at January 1	264.1	300.1
Cash and cash equivalents at June 30	**257.2**	**229.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST HALF OF 2015

H1 2015 EUR m	**Share capital**	**Capital reserves**	**Revenue reserves**	**Other reserves** Revaluation reserves	Revaluation of financial instruments	Currency translation reserves	**Equity attributable to shareholders of the parent company**	**Non-controlling interests**	**Equity**
Balance as at January 1, 2015	**337.8**	**130.5**	**260.3**	**–17.3**	**–0.5**	**–8.8**	**702.0**	**0.7**	**702.7**
Step acquisition of a subsidiary	0.0	0.0	–0.3	0.0	0.0	0.0	–0.3	0.1	–0.3
Sale of a financial asset accounted for using the equity method	0.0	0.0	–0.9	0.9	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	–131.7	0.0	0.0	0.0	–131.7	–0.6	–132.3
Profit for the period	**0.0**	**0.0**	**77.3**	**0.0**	**0.0**	**0.0**	**77.3**	**0.1**	**77.4**
Currency translation differences – investments in foreign businesses	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.0	0.3
Currency translation differences – recycling to profit or loss	0.0	0.0	0.0	0.0	0.0	0.6	0.6	0.0	0.6
Changes in the fair value of financial assets available for sale	0.0	0.0	0.0	0.0	–0.7	0.0	–0.7	0.0	–0.7
Revaluation of defined benefit obligations	0.0	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.4
Financial assets accounted for using the equity method – share of other comprehensive income	0.0	0.0	0.0	0.0	0.0	–2.8	–2.8	0.0	–2.8
Financial assets accounted for using the equity method – recycling to profit or loss	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.0	0.5
Tax effect	0.0	0.0	0.0	–0.1	0.2	0.0	0.1	0.0	0.1
Other comprehensive income	**0.0**	**0.0**	**0.0**	**0.3**	**–0.5**	**–1.3**	**–1.6**	**0.0**	**–1.6**
Total comprehensive income	**0.0**	**0.0**	**77.3**	**0.3**	**–0.5**	**–1.3**	**75.7**	**0.1**	**75.8**
Balance as at June 30, 2015	**337.8**	**130.5**	**204.6**	**–16.2**	**–1.0**	**–10.1**	**645.7**	**0.3**	**646.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST HALF OF 2016

H1 2016 EUR m	**Share capital**	**Capital re-serves**	**Revenue reserves**	**Other reserves** **Revalua-tion reserves**	**Revalua-tion of financial instruments**	**Currency translation reserves**	**Equity attributable to shareholders of the parent company**	**Non-con-trolling inter-ests**	**Equity**
Balance as at January 1, 2016	**337.8**	**91.0**	**238.2**	**–12.5**	**0.2**	**–13.2**	**641.5**	**0.2**	**641.7**
Step acquisition of a subsidiary	0.0	0.0	–0.1	0.0	0.0	0.0	0.0	0.1	0.0
Sale of a Financial assets accounted for using the equity method	0.0	0.0	–0.4	0.4	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	–131.7	0.0	0.0	0.0	0.0	–0.2	0.0
Profit for the period	**0.0**	**0.0**	**73.8**	**0.0**	**0.0**	**0.0**	**73.8**	**0.0**	**73.8**
Currency translation differen-ces – investments in foreign businesses	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.2
Changes in the fair value of financial assets available for sale	0.0	0.0	0.0	0.0	0.5	0.0	0.5	0.0	0.5
Revaluation of defined benefit obligations	0.0	0.0	0.0	–13.1	0.0	0.0	–13.1	0.0	–13.1
Financial assets accounted for using the equity method – share of other comprehensive income	0.0	0.0	0.0	–0.2	0.0	–0.4	–0.7	0.0	–0.7
Tax effect	0.0	0.0	0.0	3.3	–0.1	0.0	3.2	0.0	3.2
Other comprehensive income	**0.0**	**0.0**	**0.0**	**–10.0**	**0.3**	**–0.2**	**–9.9**	**0.0**	**–9.9**
Total comprehensive income	**0.0**	**0.0**	**73.8**	**–10.0**	**0.3**	**–0.2**	**63.8**	**0.0**	**63.9**
Balance as at June 30, 2016	**337.8**	**91.0**	**179.8**	**–22.2**	**0.5**	**–13.4**	**573.5**	**0.1**	**573.7**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2016

1 SUMMARY OF ACCOUNTING PRINCIPLES

The consolidated interim financial statements of Austrian Post as at June 30, 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid at June 30, 2016, as issued by the International Accounting Standards Board (IASB) and adopted by the European Union and the additional requirements of Section 245a Austrian Commercial Code (UGB).

The consolidated interim financial statements have been prepared on the basis of IAS 34 Interim Financial Reporting. 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 2015 financial year. Please refer to the consolidated financial statements for the 2015 financial year.

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.

2 CHANGES IN ACCOUNTING AND VALUATION METHODS

2.1 Mandatory application of new and revised International Financial Reporting Standards

The following revised standards were binding for the first time during the first half of 2016. These changes have no material effect on the present consolidated interim financial statements of Austrian Post:

Mandatory application of revised standards		Effective date in the EU[1]
IAS 19	Defined Benefit Plans: Employee Contributions	Feb. 1, 2015
Misc.	Improvements to IFRSs (2010–2012)	Feb. 1, 2015
IAS 16, 41	Agriculture: Bearer Plants	Jan. 1, 2016
IAS 16, 38	Clarification of Acceptable Methods of Depreciation and Amortisation	Jan. 1, 2016
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Jan. 1, 2016
Misc.	Improvements to IFRSs (2012–2014)	Jan. 1, 2016
IAS 1	Disclosure Initiative	Jan. 1, 2016
IAS 27	Equity Method in Separate Financial Statements	Jan. 1, 2016

[1] To be applied for the financial years beginning on or after the effective date

The revised IAS 19 – Employee Benefits clarifies that employee contributions will continue to be deducted in the period in which service costs are recognised if the amounts of these contributions are independent of the number of years of service to the business entity.

The amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets clarify that revenue-based depreciation and amortisation methods are not permissible for property, plant and equipment and are only permissible in exceptional cases with respect to intangible assets.

The revision to IFRS 11 – Joint Arrangements regulates the accounting of interests acquired in joint operations which fulfils the definition of a joint operation pursuant to IFRS 3 – Business Combinations. In such cases, the business entity acquiring the interests should apply the principles for the accounting of business combinations in accordance with IFRS 3. In such cases, the disclosure obligations in IFRS 3 also apply.

The revisions made to IAS 1 clarify that disclosures in the notes to the consolidated financial statements should not be obscured by aggregation or immaterial information. Furthermore, it contains clarification on how shares in the other comprehensive income of companies consolidated according to the equity method should be reported in the statement of comprehensive income. The order in which information is presented should no longer be in accordance with a predetermined order but take account of the clarity and comparability of the disclosures.

The revision to IAS 27 – Separate Financial Statements once again allows the equity method to be applied in separate financial statements as an accounting option for shares held in other companies.

2.2 Changes in accounting methods and adjustments of prior-year figures

As a consequence of the change in accounting methods reported in the consolidated financial statements as at December 31, 2015, the following adjustments were made to prior-year figures in the interim consolidated financial statements as at June 30, 2016:

The effects of this adjustment on the income statement are as follows:

EUR m	**H1 2015**	**Q2 2015**
Revenue	–3.9	–1.9
Total revenue	**–3.9**	**–1.9**
Raw materials, consumables and services used	–3.9	–1.9
Total operating expense	**–3.9**	**–1.9**
Profit from operations	**0.0**	**0.0**

The effects of this adjustment on segment reporting are as follows:

H1 2015 EUR m	**Parcel & Logistics**	**Group**
Revenue with third parties	–3.9	–3.9
Total revenue	**–3.9**	**–3.9**

This change does not have an impact on the consolidated balance sheet and the consolidated cash flow statement.

3 CONSOLIDATION SCOPE

In addition to the parent company Österreichische Post AG, a total of 28 domestic subsidiaries (December 31, 2015: 29) and 13 foreign subsidiaries (December 31, 2015: 28), in which Österreichische Post AG directly or indirectly holds a majority of voting rights, are included in the consolidated interim financial statements. Furthermore, three domestic companies (December 31, 2015: three) and two foreign companies (December 31, 2015: three) are accounted for using the equity method.

Changes in the consolidation scope

The following changes in the consolidation scope took place in the first half of 2016:

Company	Interest from	Interest to	Date of transaction	Explanation
Mail & Branch Network				
Aktionsfinder GmbH, Salzburg	80.0%	100.0%	May 2, 2016	Acquisition
Parcel & Logistics				
Disposal group trans-o-flex				
trans-o-flex Schnell-Lieferdienst GmbH, Weinheim	100.0%	0.0%	April 8, 2016	Disposal
trans-o-flex Logistik Service GmbH, Weinheim	100.0%	0.0%	April 8, 2016	Disposal
trans-o-flex IT-Service GmbH, Weinheim	100.0%	0.0%	April 8, 2016	Disposal
ThermoMed Verwaltungs GmbH, Weinheim	100.0%	0.0%	April 8, 2016	Disposal
trans-o-flex ThermoMed GmbH & Co KG, Weinheim	100.0%	0.0%	April 8, 2016	Disposal
trans-o-flex ThermoMed Austria GmbH, Wiener Neudorf	100.0%	0.0%	April 8, 2016	Disposal
trans-o-flex Netzwerk Group GmbH, Weinheim	100.0%	0.0%	April 8, 2016	Disposal
trans-o-flex Netzwerk zwei GmbH, Weinheim	100.0%	0.0%	April 8, 2016	Disposal
trans-o-flex Netzwerk drei GmbH, Weinheim	100.0%	0.0%	April 8, 2016	Disposal
trans-o-flex Netzwerk GmbH, Bergkirchen	100.0%	0.0%	April 8, 2016	Disposal
trans-o-flex Fuhrpark GmbH, Weinheim	100.0%	0.0%	April 8, 2016	Disposal
EURODIS				
EURODIS GmbH, Weinheim	39.8%	20.8%	May 6, 2016	Disposal
trans-o-flex other				
trans-o-flex Logistics Group GmbH, Weinheim	100.0%	0.0%	May 31, 2016	Deconsolidation
LogIn Service d.o.o., Ilidza	100.0%	0.0%	May 31, 2016	Deconsolidation
Distributions GmbH - 31, Cologne	100.0%	0.0%	May 31, 2016	Deconsolidation
Distributions GmbH Dortmund, Dortmund	100.0%	0.0%	May 31, 2016	Deconsolidation
Distributions GmbH Duisburg, Duisburg	100.0%	0.0%	May 31, 2016	Deconsolidation

Mail & Branch Network

Aktionsfinder GmbH

Effective May 2, 2016, Austrian Post acquired the remaining shares in Aktionsfinder GmbH for a cash payment of EUR 0.2m. Accordingly, Austrian Post's shareholding in the company increased to 100%. The total net amount of the identifiable assets acquired and liabilities assumed amounted to minus EUR 0.3m as at May 2, 2016. Accordingly, the Austrian Post Group reported a reduction in equity attributable to non-controlling interests to the amount of minus EUR 0.1m, and a decline in the revenue reserves totaling EUR 0.2m. Furthermore, the pro rata liability from the put option to the amount of EUR 0.2m was set off against the revenue reserves.

Parcel & Logistics

Disposal of the trans-o-flex Group

As at December 31, 2015, the assets and liabilities of the operating trans-o-flex companies trans-o-flex Schnell-Lieferdienst GmbH and trans-o-flex Netzwerk Group GmbH, including their respective subsidiaries, were classified as a disposal group pursuant to IFRS 5, and thus disclosed separately on the balance sheet. A revalution of the fair value of the assets and liabilities of the disposal group as at March 31, 2016 led to a gain of EUR 6.8m recognised under other operating income. The entire 100% shareholding in both companies was sold effective April 8, 2016, terminating Austrian Post's control of all related subsidiaries. The loss of control resulted in a gain of EUR 1.7m recognised under other operating income. In addition to these effects, the operating results up to the disposal date on which control was terminated as well as provisions still to be allocated were recognised in the first half of 2016.

The assets of the disposal group as at December 31, 2015 as well as the assets and liabilities disposed of as at April 8, 2016 as a result of the loss of control were as follows:

EUR m	Dec. 31, 2015	April 8, 2016
Non-current assets		
Intangible assets	0.2	0.4
Property, plant and equipment	4.4	12.0
Other financial assets	0.4	0.4
Trade receivables and other receivables	0.0	0.2
Deferred tax assets	1.2	1.1
Current assets		
Inventories	0.2	0.2
Trade receivables and other receivables	57.0	53.1
Cash and cash equivalents	0.5	0.5
Assets held for sale	**63.8**	**67.9**
Non-current liabilities		
Provisions	3.7	3.7
Other financial liabilities	0.5	0.5
Current liabilitites		
Provisions	9.2	9.5
Other financial liabilities	7.6	7.0
Trade and other payables	49.0	50.1
Liabilities classified as held for sale	**70.0**	**70.7**

EURODIS GmbH

Effective May 6, 2016, Austrian Post sold 19% of the stake it held in EURODIS GmbH, Weinheim, previously accounted for using the equity method. Operating under the umbrella brand EURODIS, international partner companies offer cross-border parcel logistics services in the B2B and B2C segments. The sale is related to the disposal of trans-o-flex, which is a partner company of the EURODIS network itself.

Due to the sale of 19% of its shares in EURODIS, the Austrian Post Group now only holds 3.7% of the voting rights, in which case it no longer exerts a significant influence. The termination of the use of the equity method resulted in a loss of EUR 0.1m. The carrying amounts of the remaining shares are immaterial.

Other trans-o-flex companies

The remaining trans-o-flex companies in the Austrian Post LogIn Service d.o.o., Illidza, Distributions GmbH – 31, Cologne, Distributions GmbH Dortmund, Dortmund, Distributions GmbH Duisburg, Duisburg and trans-o-flex Logistics Group GmbH, Weinheim completely terminated their operating activities, and will thus be liquidated. Due to the lack of materiality, these companies were removed from the consolidation scope and correspondingly deconsolidated. The effect relating to the deconsolidation of all these companies was immaterial.

Aras Kargo a.s.

In the 2013 financial year, Austrian Post acquired 25% of the shares in the Turkish parcel services provider Aras Kargo a.s. Since this time, the company has been recognised as a joint venture accounted for using the equity method in the consolidated financial statements of Austrian Post. Within the context of the acquisition, Austrian Post was granted the unilaterally exercisable right to acquire an additional 50% of the shares from the Aras family (call option) in the period April 1, 2016 to June 30, 2016. Austrian Post has initiated the call option process. However, differences of opinion exist between Austrian Post and the current majority owner as to the implementation of the call option agreement and the valuation of the shares. On the basis of its sound contractual position, Austrian Post is currently evaluating all possibilities to implement the stipulations of the contractual agreement, and will take the required steps. Aras Kargo will continue to be recognised as a joint venture company accounted for using the equity method.

4 SEGMENT REPORTING

H1 2015 EUR m adjusted[1]	**Mail & Branch Network**	**Parcel & Logistics**	**Corporate**	**Consolidation**	**Group**
Revenue with third parties	738.0	436.9	0.1	0.0	1.175.0
Revenue with other segments	40.3	3.8	89.6	–133.7	0.0
Total revenue	**778.4**	**440.7**	**89.6**	**–133.7**	**1.175.0**
EBITDA	**161.4**	**23.1**	**–44.8**	**0.0**	**139.7**
EBIT	**145.4**	**12.5**	**–61.5**	**0.1**	**96.5**
Other financial result					3.4
Profit before tax					**99.9**

H1 2016 EUR m	**Mail & Branch Network**	**Parcel & Logistics**	**Corporate**	**Consolidation**	**Group**
Revenue with third parties	736.8	334.3	0.0	0.0	1.071.1
Revenue with other segments	41.9	5.4	92.4	–139.8	0.0
Total revenue	**778.7**	**339.8**	**92.4**	**–139.8**	**1.071.1**
EBITDA	**161.5**	**22.5**	**–46.8**	**0.0**	**137.2**
EBIT	**143.2**	**16.9**	**–61.5**	**0.0**	**98.6**
Other financial result					–0.5
Profit before tax					**98.1**

[1] Adjustments: refer to Note 2.2 Changes in accounting methods and adjustments of prior-year figures

5 GOODWILL

An impairment loss on the entire remaining goodwill of the cash generating unit (CGE) PostMaster s.r.l., Romania, (Mail & Branch Network segment) with a carrying amount of EUR 2.0m was reported in the first half of 2016. The underlying reason was the ongoing deterioration of the economic environment for addressed and unaddressed items on the Romanian mail market. The impairment loss was recognised under the item, “Depreciation, amortisation and impairment losses” in the profit and loss account.

The primary valuation assumptions used in determining the recoverable amount were management forecasts on the expected volume development, the discount rate applied and the expected long-term growth rate.

Parameter	Dec. 31, 2015	June 30, 2016
Discount rate	11.5%	11.7%
Growth rate	1.0%	1.0%

The following table shows the reconciliation of the carrying amount for goodwill at the beginning and end of the reporting period:

EUR m	Dec. 31, 2015	June 30, 2016
Historical costs		
Balance at the beginning of the period	**235.0**	**83.1**
Additions arising from acquisitions	3.2	0.0
Disposals	–4.6	0.0
Currency translation differences	0.1	–0.4
Reclassification to “held for sale”	–150.6	0.0
Balance at the end of the period	**83.1**	**82.7**
Impairment losses		
Balance at the beginning of the period	**122.8**	**24.9**
Additions	55.8	2.0
Disposals	–3.2	0.0
Currency translation differences	0.1	–0.4
Reclassification to “held for sale”	–150.6	0.0
Balance at the end of the period	**24.9**	**26.5**
Carrying amount at the beginning of the period	**112.2**	**58.2**
Carrying amount at the end of the period	**58.2**	**56.2**

6 ASSETS AND LIABILITIES HELD FOR SALE

No assets or liabilities were held for sale as at June 30, 2016. The assets and liabilities reported in the consolidated balance sheet as at December 31, 2015 related to the trans-o-flex Group (Parcel & Logistics segment), which was disposed of in April 2016. More information is provided in chapter 3 Consolidation scope.

7 PROVISIONS

Austrian Post adjusted the parameters applying to interest-bearing provisions against the backdrop of the development of the international interest rates. The discount rate equals 1.5% (December 31, 2015: 2.5%) for termination benefits and 1.5% for jubilee benefits (December 31, 2015: 2.25%). Parameter adjustments led to an actuarial loss of EUR 18.6m in the first half of 2016, of which EUR 13.1m was recognised as other comprehensive income.

The discount rate applied to provisions for employee under-utilisation ranges between 0.5% and 1.25% (December 31, 2015: 1.25%–2.0%). Parameter adjustments resulted in staff costs of EUR 9.1m in the first half of 2016.

8 FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

The following tables show the carrying amount of financial assets and liabilities measured at fair value according to the valuation categories stipulated in IAS 39 and their classification according to the fair value hierarchy:

December 31, 2015 EUR m	**Level**	**At fair value through profit or loss**	**Available for sale**	**Total**
Financial assets				
Measurement carried out at fair value				
Securities	1	0.0	57.2	57.2
Strategic stakes and other investments	3	0.0	12.9	12.9
Derivative financial assets	3	1.7	0.0	1.7
		1.7	**70.1**	**71.8**
Financial liabilities				
Measurement not carried out at fair value				
Contingent consideration	3	2.3	0.0	2.3
		2.3	**0.0**	**2.3**

June 30, 2016 EUR m	Level	At fair value through profit or loss	Available for sale	Total
Financial assets				
Measurement carried out at fair value				
Securities	1	0.0	60.7	60.7
Strategic stakes and other investments	3	0.0	13.3	13.3
Derivative financial assets	3	0.0	0.0	0.0
		0.0	**74.0**	**74.0**
Financial liabilities				
Measurement not carried out at fair value				
Contingent consideration	3	1.5	0.0	1.5
		1.5	**0.0**	**1.5**

No transfers were made between Level 1, Level 2 and Level 3 during the reporting period.

Financial assets and liabilities not measured at fair value

In the case of trade and other receivables, cash and cash equivalents as well as trade and other payables, it is assumed that the carrying amounts correspond to their fair values due to the primarily short-term nature of these items.

For other financial liabilities, the following table shows the comparison of the carrying amount and fair value. The fair value is assigned to Level 3 of the fair value hierarchy.

EUR m	Dec. 31, 2015		June 30, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Other financial liabilities				
Borrowings from banks	7.9	7.6	0.3	0.3
Finance lease liabilities	4.7	4.7	4.4	4.4
Other financial liabilities	0.0	0.0	0.0	0.0
	12.6	**12.3**	**4.8**	**4.8**

Information on determining fair value

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

Level	Financial instruments	Valuation method	Input factors
Measurement carried out at fair value			
1	Securities	Market approach	Nominal values, stock market price
3	Strategic stakes and other investments	Market approach or net present value approach	Book value multiples of comparable publicly traded companies and, if available, business plan information
3	Derivative financial instruments	Net present value approach	Planning calculations and the related probability-weighted scenarios, risk-weighted WACC
3	Contingent consideration	Net present value approach	Planning calculations and the related probability-weighted scenarios
Measurement not carried out at fair value			
3	Other financial liabilities	Net present value approach	Payments related to financial instruments, market interest rates of comparable financing

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.

9 OTHER INFORMATION

The dividend of EUR 1.95 per share (EUR 131.7m) resolved upon at the Annual General Meeting held on April 14, 2016 was distributed on April 28, 2016.

A contingent asset exists for Austrian Post pursuant to IAS 37, resulting from repayment claims from pending appeal proceedings in connection with the reclamation of employer contributions related to the payroll accounting of civil servants (see the Annual Report 2015, Financial Report, Consolidated Financial Statements chapter 7.4). The outcome of these proceedings is uncertain. In light of the fact that additional information would seriously prejudice Austrian Post’s legal position, the company is taking advantage of the safeguard clause stipulated in IAS 37.92 and will refrain from a complete disclosure of information stipulated in IAS 37.84-89. This contingent asset is in contrast to a contingent liability for any compensation payments.

10 NEGATIVE NOTE

The consolidated interim financial statements of Austrian Post for the first half of 2016 were neither subject to a complete audit nor subject to an auditor's review.

Vienna, August 2, 2016

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 PURSUANT TO SECTION 87 PARA. 1 (3) AUSTRIAN STOCK EXCHANGE ACT

As the legal representative of Österreichische Post AG we declare, to the best of our knowledge that the consolidated interim financial statements as at June 30, 2016 provide 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 consolidated interim financial statements as at June 30, 2016, 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 2, 2016

The Management Board

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Chairman of the Management Board
Chief Executive Officer

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Member of the Management Board
Chief Financial Officer

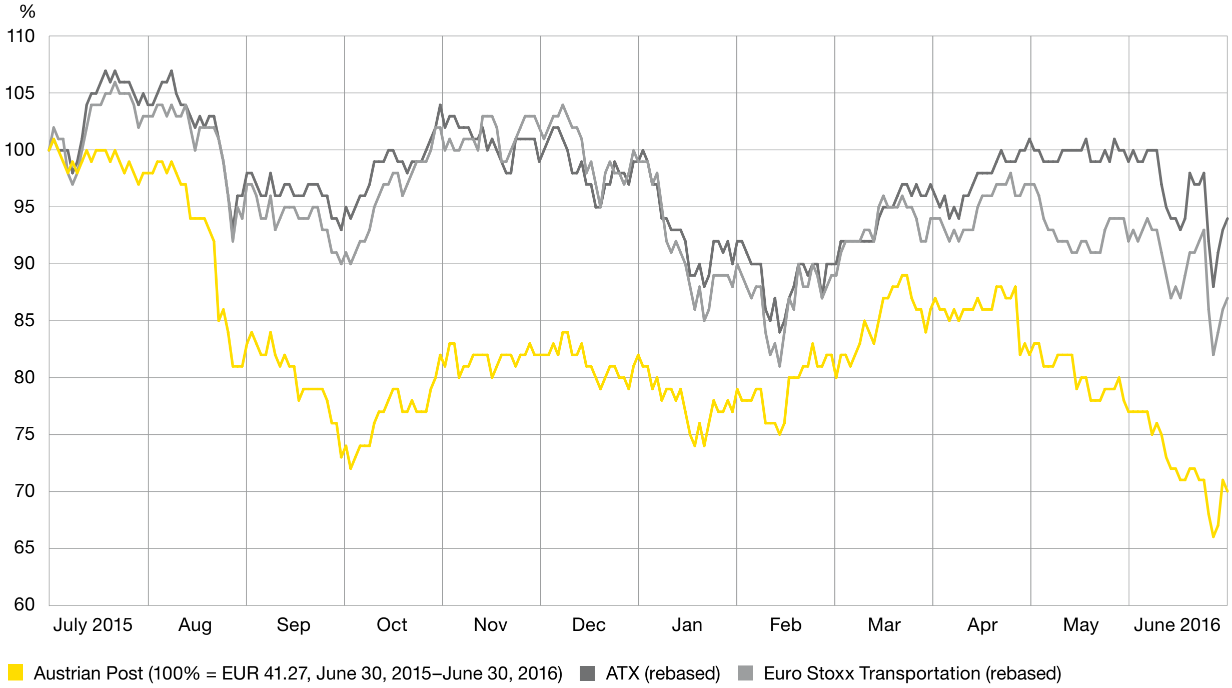
Walter Hitziger
Member of the Management Board
Mail & Branch Network Division

Peter Umundum
Member of the Management Board
Parcel & Logistics Division

FINANCIAL CALENDAR 2016/2017

November 11, 2016	Interim report for the first three quarters 2016, announcement: 07:30–7:40 a.m. CET
March 9, 2017	Annual Report 2016, announcement: 07:30–07:40 a.m. CET
April 10, 2017	Record date for participation at Annual General Meeting
April 20, 2017	Annual General Meeting 2017, Vienna
May 2, 2017	Ex-date (dividend)
May 3, 2017	Record date (determination of entitled stocks in connection with dividend payments)
May 4, 2017	Dividend payment day
May 12, 2017	Interim report for the first quarter of 2017, announcement: 07:30–07:40 a.m. CET
August 10, 2017	Half-year financial report 2017, announcement: 07:30–07:40 a.m. CET
November 15, 2017	Interim report first three quarters 2017, announcement: 07:30–07:40 a.m. CET

DEVELOPMENT OF THE POST SHARE (LAST 12 MONTHS)



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We have prepared this report and checked the figures with the greatest possible care. Nevertheless, rounding, typographical and printing errors cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids. This 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.

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

Editorial deadline: August 2, 2016

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