Q1 2014

Interim report for the first quarter of 2014 | Austrian Post

OUTLOOK FOR 2014 CONFIRMED

Stable revenue development expected

GROWTH IN THE PARCEL BUSINESS

Electronic substitution of mail continues

Post

HIGHLIGHTS Q1 2014

MARKET ENVIRONMENT

– Ongoing trend towards electronic substitution of mail
– Solid growth on the Austrian parcel market
– Tough competition in the international parcel sector

REVENUE

– Slight Group revenue decline of 0.7% as expected
– Higher revenue in the parcel business but decrease in the mail segment

EARNINGS

– EBIT down 2.6% compared to strong prior-year quarter
– Resolute efficiency enhancement and cost optimisation

OUTLOOK FOR 2014 CONFIRMED

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

OVERVIEW OF KEY INDICATORS

		Q1 2013	Q1 2014	Change %
Income statement				
Revenue	EUR m	602.9	598.4	–0.7%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EUR m	80.0	78.8	–1.5%
EBITDA margin[1]	%	13.3%	13.2%	–
Earnings before interest and tax (EBIT)	EUR m	59.7	58.2	–2.6%
EBIT margin[1]	%	9.9%	9.7%	–
Profit before tax	EUR m	58.8	57.4	–2.4%
Profit for the period	EUR m	46.6	43.7	–6.4%
Earnings per share[2]	EUR	0.69	0.64	–6.1%
Employees (average for the period, full-time equivalents)		23,829	23,732	–0.4%
Cash flow				
Operating cash flow before changes in working capital	EUR m	88.6	73.8	–16.6%
Cash flow from operating activities	EUR m	49.8	50.6	1.5%
Investment in property, plant and equipment (CAPEX)	EUR m	–22.3	–11.2	–49.8%
Acquisition/disposal of subsidiaries	EUR m	–11.0	–0.2	<–100%
Free cash flow before acquisitions/securities	EUR m	28.1	38.0	35.4%
Balance sheet		**Dec. 31, 2013**	**March 31, 2014**	**Change %**
Total assets	EUR m	1,641.6	1,672.3	1.9%
Equity	EUR m	699.4	743.2	6.3%
Non-current assets[3]	EUR m	1,066.4	1,058.9	–0.7%
Current assets[3]	EUR m	573.3	613.4	7.0%
Net debt	EUR m	114.3	73.3	–35.8%
Equity ratio	%	42.6%	44.4%	–
Capital employed	EUR m	755.3	758.2	0.4%

[1] EBIT and EBITDA in relation to total Group revenue
[2] Undiluted earnings per share in relation to 67,552,638 shares
[3] Excl. assets held vor sale

STATEMENT BY THE MANAGEMENT BOARD

**Ladies and gentlemen,
dear shareholders!**

In the first quarter of 2014, revenue and earnings of Austrian Post developed in line with our expectations. Total Group revenue declined slightly by 0.7% to EUR 598.4m compared to a very good prior-year quarter benefitting from positive revenue effects arising mainly from elections and referendums. Whereas mail revenue declined as expected, the parcel and logistics business showed an increase of 3.7% during the reporting period. The Austrian market as well as the subsidiaries in Central and Eastern Europe and Germany generated a rise in revenue. In Germany the focus will continue to be on increasing the profitability of the services rendered. In the mail segment, we achieved growth especially in new business areas such as Mail Solutions. At the same time, in the traditional mail business we are fighting for every letter on the basis of providing individualised customer solutions.

Operating results (EBIT) declined by 2.6% from the previous year to EUR 58.2m due to the somewhat lower Group revenue. The earnings development of the individual divisions makes it clear that the focus will continue to be on resolutely implementing efficiency enhancement measures. In the mail segment, the revenue decrease could be almost completely offset by a cost optimisation drive. In the parcel business, negative effects in connection to the trans-o-flex Group such as write-downs and structural measures had an impact. The Corporate segment showed a slight EBIT improvement due to the reduced need to allocate provisions.

In terms of the 2014 outlook, we expect a stable revenue development, but at the same time are striving to further increase earnings. The main focus of our strategic activities is continued efficiency enhancement in addition to the consistent orientation to the needs of our customers. That is why we are continuing our investment programme in 2014, featuring capacity expansion measures, new sorting technologies and innovative solutions. From the capital market point of view, Austrian Post remains committed to its clear positioning as a reliable and predictable dividend stock. Accordingly, the Annual General Meeting held on April 24, 2014 approved the resolution to distribute a dividend of EUR 1.90 per share for payment on May 8, 2014.

Vienna, April 30, 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 world's economy has been steadily recovering since the middle of 2013. Whereas global economic growth reached a level of 3.0% in the previous year, it is expected to rise to 3.6% this year. This can be mainly attributed to the further recovery of the overall economic situation in the industrialised countries. However, risks still exist with respect to the consolidation of public budgets and the corresponding fiscal policy measures. There are also initial indications of a recovery in Europe, although the upswing continues to be moderate. Accordingly, the European economy is expected to expand at a rate of 1.7% in 2014, compared to growth of 1.2% in the eurozone (IMF, April 2014).

The consolidation of public budgets is also dampening the economic upturn. According to forecasts of the Austrian Institute for Economic Research (WIFO), GDP in Austria is expected to expand by 1.7% in both 2014 and 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 immense importance to Austria's economy have also developed more favourably since 2013 (WIFO, March 2014). The IMF anticipates economic growth in the CEE region of 2.4% in 2014. Growth rates of 2% or higher are anticipated for Turkey (+2.3%), Romania (+2.2%) and Hungary (+2.0%). Similar to Austria, German GDP is expected to increase by 1.7% in 2014 (IMF, April 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 in essence this trend cannot be influenced. In line with the experience of postal companies in comparable international markets, letter mail volumes are expected to fall by 3–5% annually. The main factors influencing the development of addressed and unaddressed direct mail volumes is the weak economic momentum as well as the negative impact of intensified online shopping on the traditional mail order business and retail stores. According to Media FOCUS research, the start of the 2014 advertising year has been characterised by reduced advertising spending on the part of companies (Forecast February 2014).

Parcel volumes in Austria continue to increase due to the growing importance of online shopping. In turn, the development of the international parcel and freight business is considerably 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 newly defined Universal Postal Service Obligation as of 2011 limits the spectrum of basic services to mail posted at the legally stipulated access points i.e. postal service points or letterboxes. 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 in the years 2011–2013, and had to finance the costs in advance. The costs for exchanging these facilities must be partially refunded to Austrian Post on the basis of a legally prescribed allocation key. However, no compensation has been received up until now.
- Since January 1, 2011, a licence must be obtained conferring the right to carry out 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 Value Added Tax (VAT). Postal services whose terms and conditions are individually agreed upon are subject to Value Added Tax at standard rates.

BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

CHANGES IN THE CONSOLIDATION SCOPE

There were no changes in the consolidation scope of the Austrian Post Group in the first quarter of 2014.

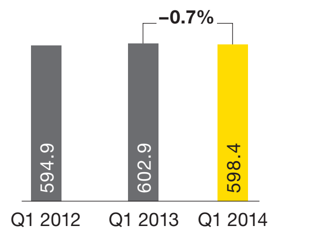
REVENUE AND EARNINGS SITUATION

Revenue development

In the first quarter of 2014, reported revenue of the Austrian Post Group slightly declined as expected compared to the prior-year quarter. A significant influencing factor in the previous year was the large number of elections and referendums which positively affected mail volumes in 2013. Accordingly, revenue in the first quarter of 2014 amounted to EUR 598.4m, a drop of 0.7% from the first quarter of 2013 but higher than in 2012.

REVENUE DEVELOPMENT[1]

EUR m



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

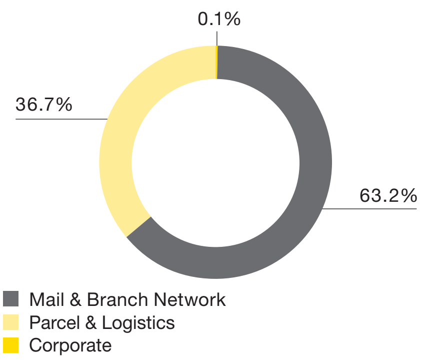
REVENUE BY DIVISION

EUR m	Q1 2013	Q1 2014	Change %	Change EUR m
Total revenue	**602.9**	**598.4**	**–0.7%**	**–4.5**
Mail & Branch Network	391.0	378.8	–3.1%	–12.2
Parcel & Logistics	212.1	220.0	3.7%	7.9
Corporate/Consolidation	–0.2	–0.4	<–100%	–0.2
Calendar working days in Austria	63	62	–	–

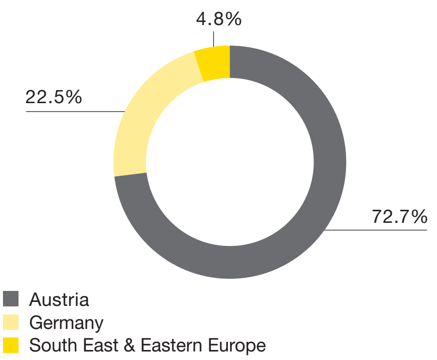
The Mail & Branch Network Division accounted for the largest share or 63.2% of total Group revenue in the first quarter of 2014. Divisional revenue was at an extraordinarily high level in the prior-year period due to numerous elections held in Austria in the first half of 2013. Revenue of the Mail & Branch Network Division totalled EUR 378.8m in the first quarter of 2014. The year-on-year decline of 3.1% was due to these special effects as well as the ongoing electronic substitution of letters and lower direct mail volumes. The Parcel & Logistics Division contributed 36.7% to total Group revenue, with revenue in the first quarter rising by 3.7% to EUR 220.0m.

With respect to geographical segments, Austrian Post generated 72.7% of its revenue in Austria, 22.5% in Germany and 4.8% in South East and Eastern Europe.

REVENUE BY DIVISION Q1 2014



REVENUE BY REGION Q1 2014



REVENUE DEVELOPMENT OF THE MAIL & BRANCH NETWORK DIVISION

EUR m	Q1 2013	Q1 2014	Change %	Change EUR m
External sales	**391.0**	**378.8**	**–3.1%**	**–12.2**
Letter Mail & Mail Solutions	209.5	207.1	–1.2%	–2.4
Direct Mail	112.8	105.7	–6.3%	–7.1
Media Post	35.3	35.3	–0.1%	0.0
Branch Services	33.4	30.8	–7.8%	–2.6
Internal sales	18.6	19.0	2.4%	0.4
Total revenue	409.5	397.8	–2.9%	–11.7

The Mail & Branch Network Division generated external revenue of EUR 378.8m in the first quarter of 2014. Of this amount, 54.7% can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 27.9% of total divisional revenue and Media Post, including newspaper and magazines, had a 9.3% share in the first quarter of the year. In addition, Branch Services accounted for 8.1% of divisional revenue.

Revenue in the field of Letter Mail & Mail Solutions fell by 1.2% from the previous year to EUR 207.1m. The substitution of letter mail by electronic media is continuing as before. Decreases took place, for example, in the customer segment comprising the public sector. Elections such as the Austrian Chamber of Labour elections in the federal provinces provided added impetus but did not have such a pronounced impact as in 2013. New services offered in the field of Mail Solutions posted growth. However, the basic trend of declining letter mail volumes remains valid.

Revenue in the Direct Mail business was down 6.3% in the first quarter of 2014 to EUR 105.7m, which can be partly attributed to the lower revenue effects from elections compared to the previous year. Direct mail volumes are generally affected by overall economic momentum and the advertising activities of customers. The pressure exerted by online business on traditional mail order companies and retail stores led to dampened advertising spending on the part of several customers in Austria as well as in South East and Eastern Europe. Moreover, the unaddressed segment in particular was subject to declining direct mail volumes, especially in the customer segment of building supplies stores.

Media Post revenue also remained at a stable level of EUR 35.3m, comprising a decrease of 0.1% in a quarterly comparison. Branch Services revenue was down to EUR 30.8m, due to the fact that adjustments to service rates charged to customers on the part of telecommunication providers led to a drop in revenue from mobile telephony products.

REVENUE DEVELOPMENT OF THE PARCEL & LOGISTICS DIVISION

EUR m	Q1 2013	Q1 2014	Change %	Change EUR m
External sales	**212.1**	**220.0**	**3.7%**	**7.9**
Premium Parcels	158.9	165.0	3.8%	6.1
Standard Parcels	45.9	46.1	0.3%	0.2
Other Parcel Services	7.3	8.9	22.5%	1.6
Internal sales	2.1	1.8	–13.3%	–0.3
Total revenue	214.2	221.8	3.6%	7.6

External sales of the Parcel & Logistics Division rose by 3.7% in the first quarter of 2014 to EUR 220.0m, with Premium Parcels generating the lion's share or 75.0% of total divisional revenue.

Premium Parcels (parcel delivery within 24 hours), which are mainly used in the business-to-business segment, generated revenue of EUR 165.0m in the first quarter of 2014, a rise of 3.8% from the previous year. The good development was the consequence of revenue growth generated with existing customers as well as the company's success in attracting new customers. The business parcel segment in Austria developed well, whereas disproportionately high growth was also achieved in the higher value parcels to private customers.

Standard Parcels, which mainly involve shipments to private customers in Austria, posted first-quarter revenue of EUR 46.1m, comprising a slight increase of 0.3%. Other Parcel Services, which includes various additional logistics services such as fulfilment, warehousing and cash logistics, generated revenue of EUR 8.9m in the first quarter of 2014, a rise of EUR 1.6m from the previous year.

From a regional perspective, 57% of total revenue in the Parcel & Logistics Division was generated in Germany in the first quarter of 2014, 35% in Austria and 8% by the subsidiaries in South East and Eastern Europe. Revenue in Germany was up by 2.6%, although the challenging competitive environment and the price pressure on this market will continue to have a significant impact on the business. At the same time, revenue growth in Austria reached a level of 4.4%, a development which is supported by the trend towards online shopping as well as the higher market share in the business parcel segment. In total, the South East and Eastern European subsidiaries posted first-quarter growth of 8.7%.

Earnings development

CONSOLIDATED INCOME STATEMENT

EUR m	Q1 2013	Q1 2014	Change %	Change EUR m
Revenue	**602.9**	**598.4**	**–0.7%**	**–4.5**
Other operating income	17.2	16.5	–4.0%	–0.7
Raw materials, consumables and services used	–187.2	–183.8	–1.8%	–3.4
Staff costs	–280.2	–280.6	0.1%	0.3
Other operating expenses	–71.1	–71.4	0.5%	0.4
Results of investments consolidated at equity	–1.7	–0.4	77.8%	1.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**80.0**	**78.8**	**–1.5%**	**–1.2**
Depreciation and amortisation	–20.2	–20.6	1.7%	0.3
Earnings before interest and tax (EBIT)	**59.7**	**58.2**	**–2.6%**	**–1.5**
Other financial result	–0.9	–0.8	15.7%	0.1
Profit before tax	**58.8**	**57.4**	**–2.4%**	**–1.4**
Income tax	–12.2	–13.8	12.9%	1.6
Profit for the period	**46.6**	**43.7**	**–6.4%**	**–3.0**
Earnings per share (EUR)[1]	0.69	0.64	–6.1%	–0.05

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

The item raw materials, consumables and services used declined by 1.8% in the reporting period to EUR 183.8m. This development is primarily due to the decrease in costs for external transport services. In particular, in Germany the business model of the trans-o-flex Group is characterised by a high level of external value creation, which has been reduced due to the acquisition of distribution companies.

Staff costs of Austrian Post remained largely stable at EUR 280.6m in the first quarter of 2014. The operational staff costs of salaries and wages, which are included in this total, were slightly higher than in the previous year as a consequence of the integration of the distribution companies. Persistent efficiency enhancement measures and the optimisation of the staff structure succeeded in counteracting the regular salary increases. On balance, the average number of employees (full-time equivalents) working for Austrian Post in the first quarter of 2014 amounted to 23,732 people, compared to 23,829 employees in the first quarter of 2013.

Moreover, staff costs in the first quarter of 2014 also included termination benefits as well as wage-related contributions from previous periods, each totalling about EUR 6m.

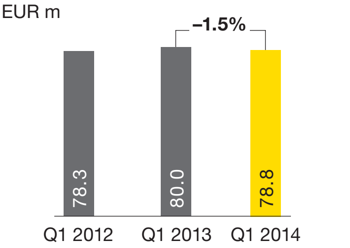
Other operating income was down 4.0% in the reporting period to EUR 16.5m, whereas the income from rents and leases included in this item rose by 5.1% from the previous year to EUR 6.4m. Other operating expenses were down 0.5% from the prior-year quarter to EUR 71.4m.

The result of the investments consolidated at equity amounted to minus EUR 0.4m, compared to minus EUR 1.7m in the first quarter of 2013. These results include the positive earnings contribution of the Turkish parcel company Aras Kargo a.s. as well as the negative earnings contribution of the German company AEP *direkt* which is active in the pharmaceutical wholesale business.

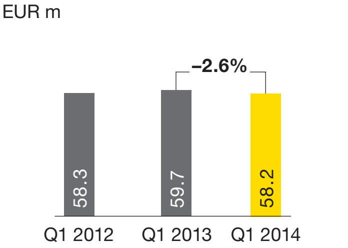
The lower Group revenue also resulted in a slight decrease in earnings. Earnings before interest, tax, depreciation and amortisation (EBITDA) of the Austrian Post Group fell by 1.5% to EUR 78.8m, corresponding to an EBITDA margin of 13.2%. Earnings before interest and tax (EBIT) amounted to EUR 58.2m, a decrease of 2.6% from the previous year. The corresponding EBIT margin was 9.7%.

After deducting the income tax of EUR 13.8m, the Group net profit (profit after tax for the period) amounted to EUR 43.7m, a decline of 6.4% compared to the first quarter of 2013. This corresponds to undiluted earnings per share of EUR 0.64 for the first quarter of 2014.

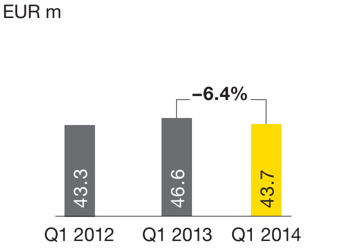
EBITDA



EBIT



PROFIT FOR THE PERIOD



EBITDA AND EBIT BY DIVISION

EUR m	Q1 2013	Q1 2014	Change %	Change EUR m	Margin[1] Q1 2014
Total EBITDA	**80.0**	**78.8**	**–1.5%**	**–1.2**	**13.2%**
Mail & Branch Network	86.3	85.4	–1.0%	–0.9	21.5%
Parcel & Logistics	12.4	10.7	–14.0%	–1.7	4.8%
Corporate/Consolidation	–18.7	–17.3	7.5%	1.4	–
Total EBIT	**59.7**	**58.2**	**–2.6%**	**–1.5**	**9.7%**
Mail & Branch Network	79.0	77.9	–1.4%	–1.1	19.6%
Parcel & Logistics	7.4	5.5	–25.5%	–1.9	2.5%
Corporate/Consolidation	–26.7	–25.2	5.3%	1.4	–

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

From a divisional perspective, the earnings situation was characterised by only minor changes compared to the first quarter of the previous year. The Mail & Branch Network Division generated an EBITDA of EUR 85.4m, a drop of 1.0% and an EBIT of EUR 77.9m, down 1.4%. The revenue decrease was almost completely offset by stringent cost discipline.

EBITDA of the Parcel & Logistics Division amounted to EUR 10.7m, compared to EUR 12.4m in the first quarter of 2013, whereas EBIT totalled EUR 5.5m, down from EUR 7.4m in the previous year. The EBIT decline can be attributed to the negative effects of EUR 2.7m relating to the trans-o-flex Group. Write-downs on receivables as well as various structural measures within the context of the efficiency enhancement programme were necessary.

The Corporate Division basically encompasses all expenses for central departments in the Group as well as staff-related provisions. The reduced expenses for staff-related provisions for underutilisation in the first quarter of 2014 resulted in a slightly improved EBIT of minus EUR 25.3m.

ASSETS AND FINANCES

Austrian Post pursues a conservative balance sheet policy and financing structure. This is demonstrated by the high equity ratio, the low amount of 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 1,672.3m as at March 31, 2014. On the assets side, property, plant and equipment comprise the largest single balance sheet item at EUR 606.7m, whereas intangible assets amount to EUR 65.1m. The goodwill reported for acquisitions totalled EUR 160.4m as at the end of the first quarter of 2014. Receivables at EUR 302.2m 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 284.9m as at March 31, 2014.

On the equity and liabilities side, the balance sheet of Austrian Post features a high equity ratio, which amounted to 44.4% as at March 31, 2014. Equity of the Austrian Post Group was EUR 743.2m at the end of March 2014. Non-current liabilities totalled EUR 420.5m at the end of the reporting period, and current liabilities amounted to EUR 508.7m. In addition, provisions totalling EUR 569.5m comprise a major liabilities item, including the provision for employee under-utilisation at EUR 212.2m. Trade payables amounted to EUR 184.8m as at March 31, 2014.

An analysis of the financial position of the company shows a high level of current and non-current financial resources to the amount of EUR 345.6m (cash and cash equivalents of EUR 284.9m as well as financial investments in securities of EUR 60.7m). These financial resources are in contrast to financial liabilities of only EUR 23.5m.

BALANCE SHEET STRUCTURE BY ITEM

EUR m	Dec. 31, 2013	March 31, 2014	Structure March 31, 2014
Assets			
Property, plant and equipment, intangible assets and goodwill	839.7	832.2	49.8%
Investment property	33.5	33.0	2.0%
Investments consolidated at equity	50.3	49.8	3.0%
Inventories, receivables and other	398.9	399.5	23.9%
Financial investments in securities	65.0	60.7	3.6%
Other financial assets	12.2	12.2	0.7%
Cash and cash equivalents	240.2	284.9	17.0%
Assets held for sale	1.9	0.0	–
	1,641.6	**1,672.3**	**100.0%**
Equity and liabilities			
Equity[1]	699.4	743.2	44.4%
Provisions	554.8	569.5	34.1%
Financial liabilities	21.0	23.5	1.4%
Payables and other	366.4	336.1	20.1%
	1,641.6	**1,672.3**	**100.0%**

[1] The item “equity” includes equity attributable to non-controlling interests: as at December 31, 2013 of EUR 2.3m and as at March 31, 2014 of EUR 2.4m

Cash flow

In the first quarter of 2014, operating cash flow before changes in working capital amounted to EUR 73.8m, down by EUR 14.7m from the comparable prior-year figure. The changes in working capital totalled minus EUR 23.2m in the reporting period compared to minus EUR 38.7m in 2013. As a result, the cash flow from operating activities at EUR 50.6m was at about the same level as in the previous year. This can be attributed, among other reasons, to a lower growth in receivables.

The cash flow from investing activities of minus EUR 7.8m in the first quarter of 2014 was significantly below 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 property, plant and equipment (CAPEX) reported at minus EUR 11.2m was considerably below the first quarter of 2013. In contrast, proceeds from the disposal of financial investments in securities amounting to EUR 5.0m tended to increase the cash flow.

CASH FLOW

EUR m	Q1 2013	Q1 2014
Operating cash flow before changes in working capital	**88.6**	**73.8**
Cash flow from changes in working capital	–38.7	–23.2
Cash flow from operating activities	**49.8**	**50.6**
Cash flow from investing activities	**–51.1**	**–7.8**
thereof CAPEX	–22.3	–11.2
thereof cash flow from acquisitions/divestments	–11.0	–0.2
thereof acquisition/disposal of securities	–18.4	5.0
thereof other cash flow from investing activities	0.5	–1.4
Free cash flow	**–1.3**	**42.8**
Free cash flow before acquisitions/securities	**28.1**	**38.0**
Cash flow from financing activities	**–1.2**	**1.9**
Net change in cash and cash equivalents	**–2.5**	**44.7**

On balance, the free cash flow totalled EUR 42.8m in the reporting period. The free cash flow before acquisitions and securities was EUR 38.0m, a rise of EUR 9.9m from the prior-year quarter.

Investments

In the first quarter of 2014, the additions to property, plant and equipment and intangible assets amounted to EUR 13.2m, approximately at the same level as the comparable figure of EUR 13.3m in the previous year. This included investments of EUR 8.5m in property, plant and equipment and EUR 4.7m in intangible assets. The investment programme implemented during the reporting period mainly focused on the modernisation of sorting technologies such as new mail and parcel distribution equipment in addition to the ongoing replacement of the vehicle fleet. Furthermore, investments also related to construction projects as well as the purchase of new equipment, furniture and fittings for the branch offices and software licenses.

EMPLOYEES

The average number of full-time employees at the Austrian Post Group totalled 23,732 people during the period of review, comprising a decline of 97 employees from the prior-year period. Most of Austrian Post's staff or a total of 18,178 employees (full-time equivalents) is employed by the parent company Österreichische Post AG.

EMPLOYEES BY DIVISION

Average for the period in full-time equivalents	Q1 2013	Q1 2014	Share in %
Mail & Branch Network	17,733	17,186	72.4%
Parcel & Logistics	4,066	4,531	19.1%
Corporate	2,029	2,015	8.5%
Total	**23,829**	**23,732**	**100.0%**

EVENTS AFTER THE REPORTING PERIOD

On April 1, 2014 the option relating to the acquisition of an additional 25% stake in M&BM Express OOD, Bulgaria, was exercised by Austrian Post in the form of a cash payment of EUR 4.0m. As a result, Austrian Post's shareholding in the company increased from 51% to 76%.

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 nine 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. 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 postal services. Moreover, conventional letter mail is being increasingly replaced by electronic media. 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 general trends in both the mail and parcel businesses continued on a national and international level in the first 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. The decrease in mail revenue should be compensated by higher parcel revenue.

The mail business will continue to be impacted by the ongoing volume decline for addressed mail due to electronic substitution. New regulations stipulating the obligatory electronic delivery of official government mail will tend to accelerate this trend. In line with comparable international markets, the decrease in letter mail volume is likely to amount to 3–5%. The market for addressed and unaddressed direct mail is being impacted by slower economic growth and the pressure exerted by e-commerce on traditional mail order companies and retail stores.

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

Efficiency enhancement to safeguard earnings

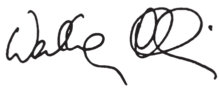
Austrian Post is implementing a programme of measures to achieve "operational excellence" in order to further increase the efficiency of the services provided. Structures and processes in both the mail and parcel logistics are being consistently improved. The new automation and sorting technologies will enable Austrian Post to consistently exploit its cost reduction potential. For this reason, capital expenditure in the year 2014 will once again total about EUR 100m. Profitability is the top priority in the company's international business operations, encompassing both a 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.

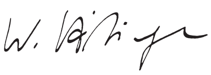
Vienna, April 30, 2014

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 QUARTER OF 2014

EUR m	Q1 2013	Q1 2014
Revenue	602.9	598.4
Other operating income	17.2	16.5
Total operating income	**620.2**	**615.0**
Raw materials, consumables and services used	–187.2	–183.8
Staff costs	–280.2	–280.6
Depreciation, amortisation and impairment losses	–20.2	–20.6
Other operating expenses	–71.1	–71.4
Total operating expenses	**–558.7**	**–556.4**
Profit from operations	**61.4**	**58.6**
Results of investments consolidated at equity	–1.7	–0.4
Financial income	1.1	1.3
Financial expenses	–2.0	–2.1
Other financial result	–0.9	–0.8
Total financial result	**–2.6**	**–1.1**
Profit before tax	**58.8**	**57.4**
Income tax	–12.2	–13.8
Profit for the period	**46.6**	**43.7**
Attributable to:		
Equity holders of the parent company	46.4	43.5
Non-controlling interests	0.3	0.2

EUR		
Basic earnings per share	**0.69**	**0.64**
Diluted earnings per share	**0.68**	**0.64**

EUR m		
Profit from operations	61.4	58.6
Results of investments consolidated at equity	–1.7	–0.4
Earnings before interest and tax (EBIT)	**59.7**	**58.2**
Depreciation, amortisation and impairment losses	20.2	20.6
Earnings before tax, interest, depreciation and amortisation (EBITDA)	**80.0**	**78.8**

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER OF 2014

EUR m	Q1 2013	Q1 2014
Profit for the period	**46.6**	**43.7**
Items that will be reclassified subsequently to the income statement:		
Currency translation differences	–0.4	–0.3
Currency translation differences of investments consolidated at equity	–0.1	–0.1
Revaluation of financial instruments held for sale	0.1	0.8
Deferred taxes	0.0	–0.2
Total items that will be reclassified	**–0.5**	**0.1**
Other comprehensive income	**–0.5**	**0.1**
Total comprehensive income	**46.1**	**43.8**
Attributable to:		
Equity holders of the parent company	45.8	43.6
Non-controlling interests	0.3	0.2

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

EUR m	Dec 31, 2013	Mar 31, 2014
Assets		
Non-current assets		
Goodwill	160.6	160.4
Intangible assets	63.3	65.1
Property, plant and equipment	615.9	606.7
Investment property	33.5	33.0
Investments consolidated at equity	50.3	49.8
Financial investments in securities	51.7	52.5
Other financial assets	12.2	12.2
Receivables	20.7	20.9
Deferred tax assets	58.3	58.3
	1,066.4	**1,058.9**
Current assets		
Financial investments in securities	13.3	8.3
Inventories	17.1	18.1
Receivables	302.7	302.2
Cash and cash equivalents	240.2	284.9
	573.3	**613.4**
Non-current assets held for sale	**1.9**	**0.0**
	1,641.6	**1,672.3**
Equity and liabilities		
Equity		
Share capital	337.8	337.8
Capital reserves	130.5	130.5
Revenue reserves	122.3	245.5
Revaluation of financial instruments	–1.3	–0.8
Revaluation of defined benefit obligations	–5.5	–5.5
Currency translation reserves	–9.9	–10.4
Profit for the period	123.2	43.5
Equity attributable to the shareholders of the parent company	**697.1**	**740.7**
Equity attributable to non-controlling interests	**2.3**	**2.4**
	699.4	**743.2**
Non-current liabilities		
Provisions	382.8	379.6
Financial liabilities	17.2	17.0
Payables	15.3	15.9
Deferred tax liabilities	8.1	8.1
	423.4	**420.5**
Current liabilities		
Provisions	157.4	175.2
Tax provisions	14.7	14.8
Financial liabilities	3.9	6.5
Payables	343.0	312.2
	518.9	**508.7**
	1,641.6	**1,672.3**

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST QUARTER OF 2014

EUR m	Q1 2013	Q1 2014
Operating activities		
Profit before tax	58.8	57.4
Depreciation, amortisation and impairment losses	20.2	20.6
Results of investments consolidated at equity	1.7	0.4
Non-current provisions	19.8	7.5
Gain/loss on the disposal of non-current assets	–0.3	–0.6
Taxes paid	–10.5	–12.2
Net interest received/paid	–0.3	–0.9
Currency translation	–0.3	–0.1
Other non-cash transactions	–0.5	1.7
Operating cash flow before changes in working capital	**88.6**	**73.8**
Changes in working capital		
Receivables	–5.5	–1.1
Inventories	0.1	–0.7
Current provisions	–2.7	7.1
Payables	–30.6	–28.6
Cash flow from changes in working capital	**–38.7**	**–23.2**
Cash flow from operating activities	**49.8**	**50.6**
Investing activities		
Purchase of intangible assets	–2.8	–4.9
Purchase of property, plant and equipment and investment property	–22.3	–11.2
Proceeds from the disposal of non-current assets	3.9	3.4
Acquisition of subsidiaries	–10.2	–0.2
Acquisition of investments consolidated at equity	–0.8	0.0
Acquisition of financial investments in securities	–20.9	0.0
Proceeds from the disposal of financial investments in securities	2.5	5.0
Dividends received from investments consolidated at equity	0.2	0.7
Loans granted	–1.2	–1.0
Interest received	0.4	0.4
Cash flow from investing activities	**–51.1**	**–7.8**
Free cash flow	**–1.3**	**42.8**
Financing activities		
Changes in financial liabilities	–0.8	2.1
Interest paid	–0.4	–0.3
Cash flow from financing activities	**–1.2**	**1.9**
Net change in cash and cash equivalents	**–2.5**	**44.7**
Cash and cash equivalents at January 1	315.0	240.2
Cash and cash equivalents at March 31	312.5	284.9

SEGMENT REPORTING

Q1 2013 EUR m	**Mail & Branch Network**	**Parcel & Logistics**	**Corporate**	**Consolidation**	**Group**
External sales	391.0	212.1	3.4	–3.6	602.9
Internal sales	18.6	2.1	43.3	–64.0	0.0
Total revenue	**409.5**	**214.2**	**46.8**	**–67.6**	**602.9**
EBITDA	**86.3**	**12.4**	**–18.7**	**0.0**	**80.0**
EBIT	**79.0**	**7.4**	**–26.7**	**0.0**	**59.7**

Q1 2014 EUR m	**Mail & Branch Network**	**Parcel & Logistics**	**Corporate**	**Consolidation**	**Group**
External sales	378.8	220.0	0.9	–1.3	598.4
Internal sales	19.0	1.8	43.1	–63.9	0.0
Total revenue	**397.8**	**221.8**	**44.0**	**–65.2**	**598.4**
EBITDA	**85.4**	**10.7**	**–17.3**	**0.0**	**78.8**
EBIT	**77.9**	**5.5**	**–25.3**	**0.1**	**58.2**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Q1 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	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	0.0	0.0	0.0	0.0	0.0	0.0	4.3	4.3
Changes in reserves	0.0	0.0	123.2	0.0	0.0	0.0	–123.2	0.0	0.0	0.0
Profit for the period	0.0	0.0	0.0	0.0	0.0	0.0	46.4	46.4	0.3	46.6
Other comprehensive income	0.0	0.0	0.0	0.0	0.1	–0.6	0.0	–0.5	0.0	–0.5
Total comprehensive income	0.0	0.0	0.0	0.0	0.1	–0.6	46.4	45.8	0.3	46.1
Balance at March 31, 2013	**337.8**	**130.5**	**248.3**	**–4.5**	**–1.8**	**–2.2**	**46.4**	**754.4**	**4.6**	**759.0**

Q1 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	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**
Changes in reserves	0.0	0.0	123.2	0.0	0.0	0.0	–123.2	0.0	0.0	0.0
Profit for the period	0.0	0.0	0.0	0.0	0.0	0.0	43.5	43.5	0.2	43.7
Other comprehensive income	0.0	0.0	0.0	0.0	0.6	–0.5	0.0	0.1	0.0	0.1
Total comprehensive income	0.0	0.0	0.0	0.0	0.6	–0.5	43.5	43.6	0.2	43.8
Balance at March 31, 2014	**337.8**	**130.5**	**245.5**	**–5.5**	**–0.8**	**–10.4**	**43.5**	**740.7**	**2.4**	**743.2**

[1] Available for sale

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

1 SUMMARY OF ACCOUNTING PRINCIPLES

The consolidated interim financial statements of Austrian Post as at March 31, 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid at March 31, 2014, as issued by the International Accounting Standards Board (IASB) and adopted by the European Union and the additional requirements of Section 245a UGB (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, which have been prepared on the basis of IAS 34 Interim Financial Reporting, do not contain all the information and disclosures included in the annual report and 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 quarter of 2014, the following new or revised standards were binding for the first time. These changes have no material 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

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 unified basis for the proof of the existence of a corporate parent-subsidiary relationship. In turn, this is associated with the classification of 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 i.e. 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 no longer refers to the legal form but to the actual rights and obligations of the parties involved. Furthermore, the proportionate consolidation method has been abolished. Joint ventures are only to be consolidated using the equity method.

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 the annual consolidated financial statements of Austrian Post will be considerable.

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 amendments to the new consolidation standards IFRS 10, IFRS 12 and IAS 27. They include 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.

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 only resulted in follow-up changes in IAS 28.

An offsetting of financial instruments only remains possible in case the conditions contained in IAS 32 are fulfilled. The amendments of IAS 32 have only involved 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 27 domestic subsidiaries (December 31, 2013: 27) and 29 foreign subsidiaries (December 31, 2013: 29), in which Österreichischen 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

No changes in the consolidation scope of the Austrian Post Group took place in the first quarter of 2014.

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 as at March 31, 2014:

Financial assets EUR m	December 31, 2013 Carrying amount	 Fair value	March 31, 2014 Carrying amount	 Fair value
Securities	65.0	65.0	60.7	60.7
Strategic stakes and other investments	12.2	12.2	12.2	12.2
	77.2	**77.2**	**72.9**	**72.9**

Financial liabilities EUR m	December 31, 2013 Carrying amount	 Fair value	March 31, 2014 Carrying amount	 Fair value
Borrowings from banks	7.9	8.4	10.8	10.8
Finance lease liabilities	12.6	12.6	12.2	12.2
Other financial liabilities	0.5	0.5	0.5	0.5
	21.0	**21.6**	**23.5**	**23.5**

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

March 31, 2014 EUR m	Level 1	Level 2	Level 3	Total
Financial assets in the category “Available for sale”				
Securities	60.7	0.0	0.0	60.7
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 OTHER INFORMATION

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

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.

5 EVENTS AFTER THE REPORTING PERIOD

On April 1, 2014 the option pertaining to the acquisition of an additional 25% stake in M&BM Express OOD, Bulgaria, was exercised by making a cash payment of EUR 4.0m. As a result, Austrian Post's shareholding in the company increased from 51% to 76%.

6 NEGATIVE NOTE

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

Vienna, April 30, 2014

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Officer

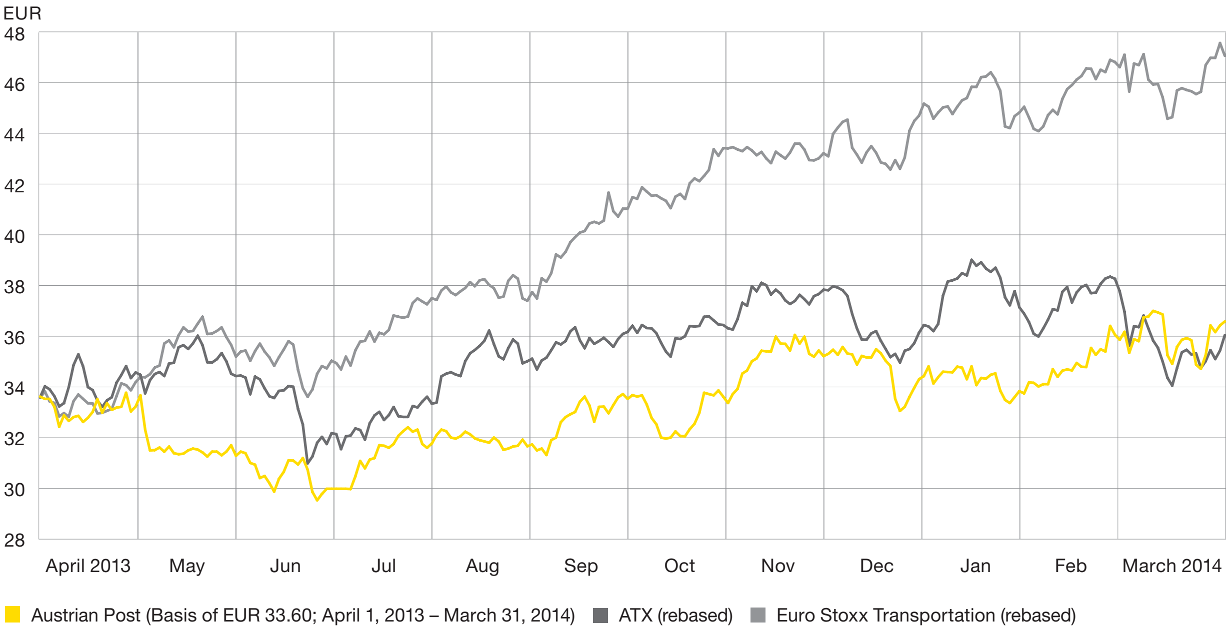
Walter Hitziger
Member of the Management Board
Mail & Branch Network Division

Peter Umundum
Member of the Management Board
Parcel & Logistics Division

FINANCIAL CALENDAR 2014

May 8, 2014	Ex-dividend day and dividend payment day
May 8, 2014	Interim report for the first quarter of 2014, publication 7.30–7.40 a.m.
August 14, 2014	Half-year financial report 2014, publication 7.30–7.40 a.m.
November 12, 2014	Interim report for the first three quarters of 2014, publication 7.30–7.40 a.m.

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

Editorial deadline: April 30, 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

Interim report for the first quarter of 2014 | Austrian Post

Post