H1 2015

Half-year financial report 2015 | Austrian Post

HIGHLIGHTS H1 2015

REVENUE

– Revenue increase of 0.6% to EUR 1,178.9m
– Decline in the mail business (–0.4%) offset by growth in the parcel segment (+2.4%)

EARNINGS

– EBIT down 2.3% to EUR 96.5m
– Earnings per share up 5.4% to EUR 1.14

CASH FLOW AND BALANCE SHEET

– Increase in the cash flow from operating activities to EUR 107.7m
– Strong cash position and low level of financial liabilities

OUTLOOK 2015

– Aim to achieve revenue growth of 1–2%
– Targeted EBITDA margin of around 12% and improved operating result

KEY FIGURES

		H1 2014	H1 2015	Change %
Income statement				
Revenue	EUR m	1,171.9	1,178.9	0.6%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EUR m	145.1	139.7	–3.7%
EBITDA margin[1]	%	12.4%	11.9%	–
Earnings before interest and tax (EBIT)	EUR m	98.8	96.5	–2.3%
EBIT margin[1]	%	8.4%	8.2%	–
Earnings before tax (EBT)	EUR m	97.0	99.9	3.0%
Profit for the period	EUR m	73.6	77.4	5.2%
Earnings per share[2]	EUR	1.08	1.14	5.4%
Employees (average for the period, full-time equivalents)		23,722	23,343	–1.6%
Cash flow				
Gross cash flow[3]	EUR m	139.2	151.8	9.0%
Cash flow from operating activities	EUR m	95.9	107.7	12.3%
Investment in property, plant and equipment (CAPEX)	EUR m	–22.2	–32.0	–43.9%
Cash flow from acquisitions/divestments	EUR m	–0.2	–1.8	<–100%
Free cash flow before acquisitions/securities	EUR m	70.5	137.7	95.4%
		Dec. 31, 2014	**June 30, 2015**	**Change %**
Balance sheet				
Total assets	EUR m	1,671.0	1,604.8	–4.0%
Equity	EUR m	702.7	646.0	–8.0%
Non-current assets[4]	EUR m	1,026.0	995.8	–2.9%
Current assets	EUR m	645.0	609.1	–5.6%
Net debt[5]	EUR m	99.7	89.1	–10.6%
Equity ratio	%	42.1%	40.3%	–
Capital employed	EUR m	733.8	666.0	–9.2%

[1] EBIT and EBITDA divided by Group revenue
[2] Undiluted earnings per share in relation to 67,552,638 shares
[3] Adjusted reporting in H1 2014: Non-cash changes in provisions which are considered as non-current as well as restructuring provisions are adjusted in the gross cash flow starting in the 2014 financial year. The cash flow statement for H1 2014 was correspondingly adapted.
[4] Includes assets held for sale to the amount of EUR 0.6m as at December 31, 2014 and totalling EUR 8.0m as at June 30, 2015
[5] Net debt = interest-bearing borrowings (incl. interest-bearing provisions) less interest-bearing assets

STATEMENT BY THE MANAGEMENT BOARD

Ladies and Gentlemen!
Dear Shareholders!

In the first half of 2015, revenue of the Austrian Post Group at EUR 1,178.9m was up 0.6% from the prior-year level as expected. Revenue growth of 2.4% in the parcel segment more than offset the slight decline of 0.4% in the mail business, which continues to be affected by the ongoing electronic substitution of traditional letter mail by electronic forms of communication, a trend which recently intensified. Business with direct mail showed a differentiated development of individual customer segments during the period under review. The volume of addressed direct mail items declined in contrast to the rise in addressed mail volumes.

The trend towards increased e-commerce is continuing in the parcel segment, leading to further growth of parcel volumes in Austria. At the same time, it is evident that competition is intensifying, a development Austrian Post is dealing with by making ongoing investments at the customer interface. In addition to its cost leadership, Austrian Post is also continuously expanding its service leadership. At the end of the period under review, Austrian Post customers already had 280 self-service zones and 170 pick-up stations at their disposal throughout the country. Moreover, with the Post App we have been offering a state-of-the-art tool enabling the greatest possible customer flexibility in receiving mail items. Recently, we also launched the pilot delivery of parcels on Saturdays.

The international parcel business continued to show a differentiated development. Market trends positively impacting the business operations of Austrian Post's subsidiaries in South East and Eastern Europe as well as Turkey, whereas the top priority in Germany remains the implementation of structural measures and the continuation of network restructuring.

Earnings before interest and tax (EBIT) of Austrian Post amounted to EUR 96.5m in the first half of 2015, a drop of 2.3% from the previous year. However, second-quarter EBIT climbed 4.9% to EUR 42.6m compared to the second quarter of 2014. On an operational basis, measures designed to further optimise costs and enhance efficiency were continued, including further investments in a modern vehicle fleet and new sorting facilities. Cash flow remains at a high level against the backdrop of an extensive investment programme, and comprises a firm foundation for financing future investments and dividends. On this basis, we aim to remain committed to our strategic capital market positioning as a dividend stock also in the future.

Looking ahead to the 2015 full-year results, we assume that the basic trends in the mail and parcel businesses will continue, and expect a rise of Group revenue in the range of 1–2%. At the same time, we are striving to generate an EBITDA margin of around 12% and a further improvement in our operating result.

Vienna, July 28, 2015

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

Global economic growth remains moderate at present. The International Monetary Fund (IMF) expects an economic growth rate of 3.3% in 2015 in contrast to 3.4% in each of the past two years. The larger economies performed better than in the recent past, whereas economic momentum slowed down in the emerging and developing markets. The economic recovery is largely on track in the Eurozone despite the turbulence in Greece, according to the IMF. For this reason, the IMF expects Eurozone growth of 1.5% in 2015 and 1.7% in 2016, compared to only 0.8% in 2014. In particular, the key growth drivers are the improved financing conditions, the ongoing loose monetary policy pursued by the European Central Bank (ECB), low fuel prices, and an improvement in the overall business climate and labor markets (IMF, July 2015).

The Austrian Institute of Economic Research (WIFO) predicts that the Austrian economy will expand by 0.5% in 2015, reflecting rather limited economic momentum. Accordingly, the Austrian economy will grow less strongly than the Eurozone for the second straight year. A slight improvement is first anticipated for 2016 when growth of 1.3% is expected. Both international and domestic factors decisively impact the ongoing weak economy. The slight growth increase in 2016 is due to predicted improvement in the international economic environment (WIFO, June 2015). The markets in South East and Eastern Europe which are important to the Austrian economy are developing more favourably. The IMF expects economic growth to reach a level of 2.9% in the CEE region in 2015. Turkey (+3.1%), Romania (+2.7%) and Hungary (+2.7%) are all anticipated to post growth rates around the 3% level. The German economy is forecast to expand by 1.6% in 2015 (IMF, April 2015).

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 and the trend is essentially irreversible. The baseline scenario assumes a drop of 3–5% annually in addressed mail volumes. In contrast, the volume of direct mail items strongly depends on the intensity of advertising activities by companies. The markets for addressed and unaddressed advertising mail shows a differentiated 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, in addition to online advertising, multi-channel communication and interactive marketing will also tend to grow in importance (Dialogue Marketing Report 2015).

Parcel volumes in the private customer segment continue to increase due to the growing importance of online shopping, though against a backdrop of intensified competition. The development of the B2B market is still being shaped by the subdued economic situation. Moreover, 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.

LEGAL FRAMEWORK

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

- Austrian Post remains the universal service provider in Austria even after full-scale market liberalisation, guaranteeing high quality postal services throughout Austria.
- The Universal Postal Service Obligation limits the spectrum of basic services to mail posted at the legally stipulated access points, i.e. postal service points or letterboxes. This safeguards the supply of basic postal services to the Austrian population and economy. Postal services for mail items brought to sorting centres by large customers, with the exception of newspapers, are not considered to be an integral component of universal postal services.
- Austrian Post was required to carry out the conversion of cluster box units and rural drop-off boxes and had to finance the costs in advance. The costs for exchanging these facilities must be partially refunded to Austrian Post on the basis of a legally prescribed allocation key. No compensation has yet been received as at this date.

An adjustment in postal rates was approved by the relevant regulatory authorities – the Post Control Commission and the Austrian Regulatory Authority for Broadcasting and Telecommunications (RTR) – on September 15, 2014. An inflation-related price increase for mail took place on March 1, 2015 following the previous product and price reform in 2011.

BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

CHANGES IN THE SCOPE OF CONSOLIDATION

Austrian Post sold its stake in the German printing services company MEILLERGHP effective February 20, 2015. Austrian Post previously owned a 65% shareholding and Swiss Post 35% of the company. On February 7, 2014, MEILLERGHP submitted an application for judicial reorganisation insolvency proceedings, which were completed on February 15, 2015.

Effective March 31, 2015, Austrian Post disposed of its 100% stake in feibra Magyarország Kft., which specialises in distributing unaddressed and addressed direct mail items as well as newspapers and magazines in Hungary. As of December 31, 2014, the assets and liabilities of the company had been classified as a disposal group and correspondingly recognised and disclosed separately in the consolidated balance sheet.

Austrian Post acquired a 60% stake in Aktionsfinder GmbH, Salzburg effective June 1, 2015. As of this date, the company is recognised as a fully-consolidated subsidiary in the consolidated financial statements of Austrian Post. Aktionsfinder GmbH operates the Internet portal Aktionsfinder.at. This platform ranks among the biggest Web portals for advertising flyers in Austria, enabling the electronic downloading of flyers, promotions and offers distributed in Austria.

Austrian Post acquired the business operations of a further distribution company in Kassel as of June 1, 2015. The company ranks among the most important distribution partners of the trans-o-flex Group, and serves the Hessen region from its site in Kassel. The acquisition enables the optimisation of operating costs and synergies among the logistics locations of the trans-o-flex Group.

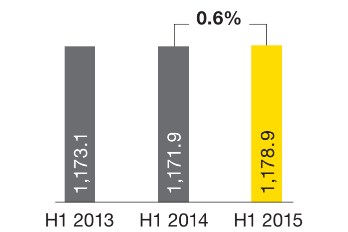
REVENUE AND EARNINGS

Revenue development

In the first half of 2015, Group revenue of Austrian Post rose slightly by 0.6% compared to the prior-year level to EUR 1,178.9m. On a year-on-year comparison revenue also increased slightly by 0.6% in the second quarter of 2015 alone. The parcel business showed further revenue growth of 2.4% in the first six months of 2015, thus offsetting the marginal revenue decline of 0.4% in the Mail & Branch Network Division.

REVENUE DEVELOPMENT

EUR m



REVENUE BY DIVISION

EUR m	H1 2014[1]	H1 2015	Change %	Change EUR m	Q2 2014[1]	Q2 2015
Group revenue	**1,171.9**	**1,178.9**	**0.6%**	**7.0**	**573.5**	**577.0**
Mail & Branch Network	740.9	738.0	–0.4%	–2.9	362.2	360.5
Parcel & Logistics	430.5	440.9	2.4%	10.3	211.0	216.4
Corporate	0.4	0.1	–86.9%	–0.4	0.2	0.0
Calendar working days in Austria	122	122	–	–	60	60

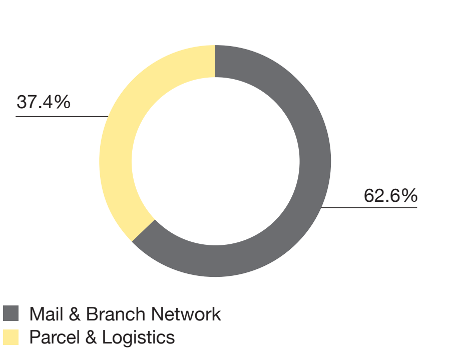
[1] The presentation of revenue was adjusted so that cross-segment business relationships among subsidiaries or between subsidiaries and Austrian Post are no longer included as revenue with third parties (formerly external sales).

The Mail & Branch Network Division accounted for the largest share; 62.6% of total Group revenue, in the first six months of 2015. Revenue for this division was down 0.4% in the reporting period to EUR 738.0m. The revenue drop was of a similar magnitude in the second quarter of 2015, falling by 0.5% year-on-year. The basic trend of e-substitution is continuing. In addition, positive revenue effects from elections were not as high in the second quarter of 2015 as in the prior-year period. The upward adjustment of postal rates as of March 1, 2015 had the opposite effect. Furthermore, branch network revenue showed a downward development throughout in the first half of 2015.

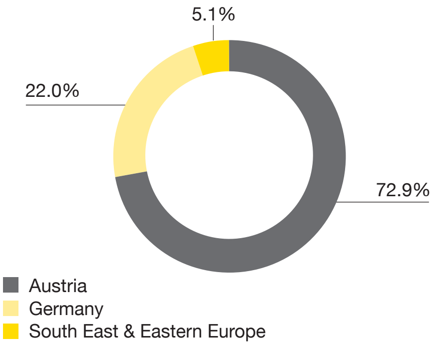
The Parcel & Logistics Division generated 37.4% of total Group revenue during the reporting period. Divisional revenue rose 2.4% to EUR 440.9m in the first half of 2015, and was up 2.6% in the second quarter of the year. The primary driving force underlying this positive development is the ongoing trend to online shopping, which leads to a considerable increase in private customer parcel volumes. From a regional perspective, both the Austrian market and the South East and Eastern European region showed strong growth, whereas revenue declined in Germany.

With respect to its geographical segments, Austrian Post generated 72.9% of its Group revenue in Austria, 22.0% in Germany and 5.1% in South East and Eastern Europe in the first half-year 2015.

REVENUE BY DIVISION H1 2015



REVENUE BY REGION H1 2015



REVENUE DEVELOPMENT OF THE MAIL & BRANCH NETWORK DIVISION

EUR m	H1 2014[1]	H1 2015	Change %	Change EUR m	Q2 2014[1]	Q2 2015
Revenue with third parties (external)	**740.9**	**738.0**	**–0.4%**	**–2.9**	**362.2**	**360.5**
Letter Mail & Mail Solutions	397.5	400.7	0.8%	3.1	190.6	194.3
Direct Mail	211.4	210.2	–0.6%	–1.2	105.8	101.1
Media Post	71.4	69.6	–2.5%	–1.8	36.1	36.0
Branch Services	60.6	57.5	–5.1%	–3.1	29.8	29.1
Revenue with other segments (intra-Group)	37.8	40.3	6.6%	2.5	18.7	19.9
Total revenue	778.8	778.4	–0.1%	–0.4	381.0	380.5

[1] The presentation of revenue was adjusted so that cross-segment business relationships among subsidiaries or between subsidiaries and Austrian Post are no longer included as revenue with third parties (formerly external sales).

Revenue of the Mail & Branch Network Division totalled EUR 738.0m in the first half of 2015. Of this amount, 54.3% can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounts for 28.5% of total divisional revenue and the field of Media Post, i.e. the delivery of newspapers and magazines, has a 9.4% share. Branch Services accounts for 7.8% of divisional revenue. In general, revenue development is strongly influenced by election effects. Whereas the positive revenue effects in the first quarter of the current reporting period were at a similar level to the first quarter of 2014, considerably lower revenue contributions were generated from elections in the second quarter of 2015 (mainly due to EU elections held in May 2014).

In the first half of 2015, Letter Mail & Mail Solutions revenue at EUR 400.7m climbed 0.8% from the previous year. Second-quarter revenue growth in this field was 2.0%. The basic trend towards declining letter mail volumes resulting from the substitution of letters by electronic forms of communication continues and even intensified slightly compared to the previous year. Moreover, as mentioned above, the lower revenue contributions from elections in a year-on-year comparison also dampened revenue development, whereas the upward adjustment of postal rates as of March 1, 2015 had the opposite effect.

Revenue in the Direct Mail business fell by 0.6% to EUR 210.2m in the first six months of 2015. Revenue was up in the first quarter of 2015 but fell by 4.4% in the second quarter of the year. This second-quarter drop can partly be attributed to the lower positive revenue effects from elections. In addition, the earlier Easter break compared to the previous year resulted in a shift of revenue with regards to Easter-related advertising campaigns from the second to the first quarter of 2015. In general the Direct Mail business is more influenced by the overall economic environment and the level of customer advertising expenditure, and is thus subject to greater fluctuations. The individual customer segments in the Direct Mail business were also subject to differing volume trends during the period under review. The advertising activities of retailers developed positively, especially in the unaddressed direct mail segment, whereas the volume of addressed advertising mail decreased.

In the first half of 2015, Media Post revenue was down 2.5% to EUR 69.6m (–0.3% in the second quarter of 2015). Generally, daily, weekly and monthly newspapers and magazines business is declining. Also, some positive revenue effects from elections from the previous year did not recur to the same extent in the first six months of 2015. At the same time, Branch Services revenue was down 5.1% or EUR 3.1m to EUR 57.5m. The revenue decline in this segment in the second quarter of 2015 amounted to 2.3% compared to the previous year. Changed product and price positioning on the part of Austrian Post's contractual telecommunications partner led to a drop of revenue from mobile telephony products. Revenue in the field of financial services for the company's banking partner BAWAG P.S.K. also declined.

REVENUE DEVELOPMENT OF THE PARCEL & LOGISTICS DIVISION

EUR m	H1 2014[1]	H1 2015	Change %	Change EUR m	Q2 2014[1]	Q2 2015
Revenue with third parties (external)	**430.5**	**440.9**	**2.4%**	**10.3**	**211.0**	**216.4**
Premium Parcels	323.2	327.6	1.4%	4.5	158.3	160.4
Standard Parcels	90.2	95.6	6.0%	5.4	44.3	47.2
Other Parcel Services	17.1	17.6	2.7%	0.5	8.4	8.8
Revenue with other segments (intra-Group)	4.6	3.8	–17.2%	–0.8	2.3	1.8
Total revenue	435.1	444.7	2.2%	9.5	213.3	218.3

[1] The presentation of revenue was adjusted so that cross-segment business relationships among subsidiaries or between subsidiaries and Austrian Post are no longer included as revenue with third parties (formerly external sales).

Total revenue of the Parcel & Logistics Division rose by 2.4% in the first half of 2015 to EUR 440.9m. A revenue increase of 2.6% was generated in the second quarter of 2015. The Premium Parcels business (parcel delivery within 24 hours) contributes the largest share of this division at 74.3% of revenue. Premium Parcels generated revenue of EUR 327.6m in the first six months of 2015, comprising a rise of 1.4% (+1.4% in the second quarter of 2015). In addition to the positive development of business parcels in Austria, higher growth was also achieved in higher value parcels for private customers. Generally, the business customer segment is highly competitive, which, combined with weak economic growth, results in high price pressure.

Standard Parcels, which mainly involves shipments to private customers in Austria, posted revenue of EUR 95.6m, an increase of 6.0% from the previous year. Revenue growth of 6.5% was also generated in the second quarter of 2015. The basis for this growth is the ongoing online shopping trend resulting in growing parcel volumes of online retailers to private customers. There are signs of competitors intensifying their initiatives to achieve greater market penetration also in the B2C segment.

Other Parcel Services, which includes various additional logistics services such as fulfillment, warehousing and cash logistics, generated revenue of EUR 17.6m in the period under review, a year-on-year rise of EUR 0.5m, of which EUR 0.4m was generated in the second quarter.

From a regional perspective, 54% of total revenue in the Parcel & Logistics Division was generated in Germany in the first half-year, compared to 37% in Austria and 9% by the subsidiaries in South East and Eastern Europe. Revenue in Germany fell by 2.3% in the first six months of 2015. The challenging competitive situation and price pressure in this market continue, and the revenue decline was partly attributable to the lower diesel surcharges on transport services. In contrast, revenue in Austria rose by 8.3%, driven by the above-mentioned trend towards online shopping and against the backdrop of intensive competition. The subsidiaries in South East and Eastern Europe posted a revenue increase of 9.9% on the basis of significant volume increases despite high price pressure.

Earnings development

CONSOLIDATED INCOME STATEMENT

EUR m	H1 2014	H1 2015	Change %	Change EUR m	Q2 2014	Q2 2015
Revenue	**1,171.9**	**1,178.9**	**0.6%**	**7.0**	**573.5**	**577.0**
Other operating income	32.5	32.8	0.9%	0.3	15.9	16.4
Raw materials, consumables and services used	–362.8	–364.0	–0.3%	–1.1	–179.0	–179.5
Staff costs	–551.7	–551.8	–0.0%	–0.1	–271.1	–270.1
Other operating expenses	–143.7	–156.0	–8.6%	–12.3	–72.2	–79.7
Results from financial assets accounted for using the equity method	–1.1	–0.2	80.8%	0.9	–0.7	0.4
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**145.1**	**139.7**	**–3.7%**	**–5.4**	**66.3**	**64.6**
Depreciation, amortisation and impairments	–46.3	–43.2	6.6%	3.1	–25.7	–22.0
Earnings before interest and tax (EBIT)	**98.8**	**96.5**	**–2.3%**	**–2.3**	**40.6**	**42.6**
Other financial result	–1.8	3.4	>100%	5.2	–1.1	–0.1
Earnings before tax (EBT)	**97.0**	**99.9**	**3.0%**	**2.9**	**39.5**	**42.5**
Income tax	–23.4	–22.5	4.0%	0.9	–9.7	–8.9
Profit for the period	**73.6**	**77.4**	**5.2%**	**3.9**	**29.9**	**33.6**
Earnings per share (EUR)[1]	1.08	1.14	5.4%	0.06	0.44	0.50

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

Raw materials, consumables and services used were up by 0.3% during the period under review to EUR 364.0m. Though cost of materials declined as a result of the lower fuel prices, costs for services used rose as a consequence of higher transport expenditures. This increase is attributable to the higher parcel volumes in Austria as well as in South East and Eastern Europe, which were partly offset by the decrease in costs for external transport services in Germany. Last year the trans-o-flex Group acquired several distribution companies, through which previously outsourced delivery services are now being handled internally.

Austrian Post's staff costs remained stable, totalling EUR 551.8m in the first half of 2015. The operational staff costs for salaries and wages included in this amount, adjusted for the integration of the distribution companies in Germany, were at the prior-year level. The integration of previously outsourced services led to additional staff costs in contrast to the decline in costs for transport services. The stability of operational staff costs shows that the continuing measures to improve efficiency and the staff structure succeeded in compensating for inflation-related cost increases. On balance, the average number of employees (full-time equivalents) working for the Austrian Post Group amounted to 23,343 people in the first half of 2015, compared to 23,722 employees in the first half-year 2014.

In addition to the ongoing operational staff costs, staff costs also encompass various non-operational costs such as termination benefits and various changes in provisions, which are primarily related to the specific employment situation of civil servants at Austrian Post. Costs for termination benefits were at the previous year's level, amounting to EUR 11.0m in the first half of 2015 compared to EUR 10.8m in the first half of 2014. Costs for provisions for employee under-utilisation totalled approximately EUR 6m in the reporting period, of which EUR 3m can be attributed to the adjustments made to the parameters underlying these provisions.

Other operating income at EUR 32.8m during the period under review was at the same level as in the previous year. At the same time, other operating expenses climbed 8.6% to EUR 156.0m, which is due to increased expenditures on maintenance, communications and consulting. Moreover, other operating income also includes a loss of EUR 0.4m related to the sale of the Hungarian subsidiary feibra Magyarország Kft. in the first quarter of 2015.

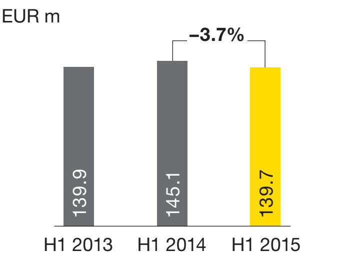
The results of the financial assets accounted for using the equity method amounted to minus EUR 0.2m in the first six months of 2015, compared to minus EUR 1.1m in the first half of 2014. This includes the positive earnings contribution of the Turkish company Aras Kargo a.s. along with the negative earnings contribution of the German start-up company AEP GmbH. The results from financial assets accounted for using the equity method also encompass a loss of EUR 0.5m reported in connection with the sale of the joint venture company MEILLERGHP, which was divested effective from February 20, 2015. The loss is exclusively related to the reclassification of the currency translation reserves of MEILLERGHP.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post fell by 3.7%, or EUR 5.4m, in the first half of 2015 to EUR 139.7m. The corresponding EBITDA margin was 11.9%. Second-quarter EBITDA fell by 2.6% to EUR 64.6m.

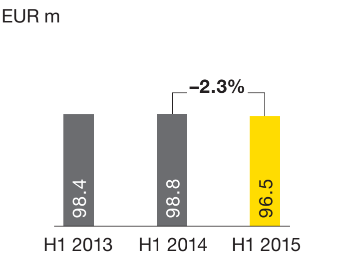
Total depreciation, amortisation and impairment losses in the reporting period amounted to EUR 43.2m, a drop of EUR 3.1m from the prior-year period, which included an impairment loss on goodwill of EUR 4.9m for the Polish subsidiary PostMaster Sp. z o.o. in the second quarter of 2014. Accordingly, earnings before interest and tax (EBIT) in the first six months of 2015 reached a level of EUR 96.5m, a decrease of 2.3% or EUR 2.3m from the previous year. The EBIT margin was 8.2%. EBIT in the second quarter of 2015 rose 4.9% to EUR 42.6m, largely due to the absence of the impairment loss mentioned above.

The other financial result improved from minus EUR 1.8m to EUR 3.4m, mainly attributable to interest income of EUR 3.3m arising from the early termination of a cross-border leasing transaction of various postal sorting facilities in March 2015. Accordingly, earnings before tax (EBT) in the first six months of 2015 were EUR 99.9m, compared to the prior-year figure of EUR 97.0m. The tax charge of EUR 22.5m was slightly below the comparable figure of EUR 23.4m in the first half of 2014. After deducting income tax, the Group's profit for the period (profit after tax) amounted to EUR 77.4m, a year-on-year rise of 5.2%. This corresponds to undiluted earnings per share of EUR 1.14 for the first six months of 2015.

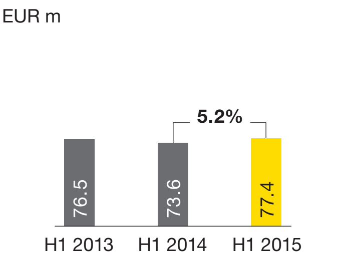
EBITDA



EBIT



PROFIT FOR THE PERIOD



EBITDA AND EBIT BY DIVISION

EUR m	H1 2014	H1 2015	Change %	Change EUR m	Margin[1] H1 2015	Q2 2014	Q2 2015
Total EBITDA	**145.1**	**139.7**	**–3.7%**	**–5.4**	**11.9%**	**66.3**	**64.6**
Mail & Branch Network	158.9	161.4	1.6%	2.5	20.7%	73.5	76.9
Parcel & Logistics	22.5	23.1	2.8%	0.6	5.2%	11.8	10.8
Corporate/Consolidation	–36.3	–44.8	–23.4%	–8.5	–	–19.0	–23.1
Total EBIT	**98.8**	**96.5**	**–2.3%**	**–2.3**	**8.2%**	**40.6**	**42.6**
Mail & Branch Network	138.9	145.4	4.7%	6.5	18.7%	60.9	68.8
Parcel & Logistics	12.1	12.5	3.0%	0.4	2.8%	6.6	5.3
Corporate/Consolidation	–52.2	–61.4	–17.6%	–9.2	–	–27.0	–31.5

[1] Margin of the division in relation to total revenue (including revenue with other segments)

From a divisional perspective, the Mail & Branch Network Division generated an EBITDA of EUR 161.4m in the first half-year 2015, an increase of 1.6%. Strict cost discipline succeeded in offsetting the slight drop in revenue during the reporting period. EBIT of the division at EUR 145.4m has increased by 4.7% or EUR 6.5m from the previous year. This increase is primarily related to the impairment loss of EUR 4.9m recognised for goodwill at Austrian Post's Polish subsidiary PostMaster Sp. z o.o. in the previous year.

EBITDA of the Parcel & Logistics Division amounted to EUR 23.1m in the first six months of 2015, compared to EUR 22.5m in the previous year. EBIT in the reporting period totalled EUR 12.5m, an improvement of EUR 0.4m from the prior-year figure of EUR 12.1m. The earnings situation in Austria and South East and Eastern Europe developed positively, whereas Austrian Post is pushing ahead with structural changes and network restructuring in Germany.

The Corporate Division (including Consolidation) basically covers central costs as well as staff-related provisions. EBIT of the Corporate Division fell by EUR 9.2m to minus EUR 61.4m. On the one hand, this decline can be attributed to parameter adjustments for the provisions for employee under-utilisation. On the other hand, other operating expenses for maintenance, communications and consulting increased during the period under review, which negatively impacted earnings mainly in the Corporate Division.

BALANCE SHEET STRUCTURE BY ITEM

EUR m	Dec. 31, 2014	June 30, 2015	Structure June 30, 2015
Assets			
Property, plant and equipment	597.7	589.1	36.7%
Intangible assets and goodwill	172.1	168.0	10.5%
Investment property	51.8	51.1	3.2%
Financial assets accounted for using the equity method	53.3	53.1	3.3%
Inventories, trade and other receivables	464.2	402.3	25.1%
Other financial assets	67.1	76.3	4.8%
thereof securities	53.1	62.4	3.9%
Cash and cash equivalents	264.1	256.9	16.0%
Assets held for sale	0.6	8.0	0.5%
	1,671.0	**1,604.8**	**100%**
Equity and liabilities			
Equity	702.7	646.0	40.3%
Provisions	540.5	514.4	32.1%
Financial liabilities	17.7	18.6	1.2%
Trade and other payables	409.5	425.0	26.5%
Liabilities classified as held for sale	0.6	0.8	0.1%
	1,671.0	**1,604.8**	**100%**

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 1,604.8m as of June 30, 2015. On the assets side, property, plant and equipment comprise the largest single balance sheet item at EUR 589.1m, whereas intangible assets amounted to EUR 55.1m. The goodwill reported for acquisitions totalled EUR 112.9m at the end of the first half of 2015. Receivables of EUR 298.2m comprise one of the largest single balance sheet items in current assets. In addition, Austrian Post has a strong cash position (cash and cash equivalents) amounting to EUR 256.9m.

On the equity and liabilities side, the balance sheet of Austrian Post features a high equity ratio, which equalled 40.3% as at June 30, 2015, with equity of EUR 646.0m. Non-current liabilities totalled EUR 412.2m at the end of the reporting period, and current liabilities were at EUR 545.8m. The non-current and current provisions amounted to EUR 514.4m at the end of June 2015, including EUR 195.3m in provisions for employee underutilisation. Trade payables of EUR 206.9m were reported as of June 30, 2015.

An analysis of the financial position of the company shows a high level of current and non-current financial resources of EUR 319.3m, comprising cash and cash equivalents of EUR 256.9m and financial investments in securities of EUR 62.4m. These financial resources contrast with financial liabilities of only EUR 18.6m.

CASH FLOW

EUR m	H1 2014	H1 2015
Gross cash flow[1]	**139.2**	**151.8**
Cash flow from operating activities	**95.9**	**107.7**
Cash flow from investing activities	**–12.6**	**16.8**
thereof CAPEX	–22.2	–32.0
thereof cash flow from acquisitions/divestments	–0.2	–3.3
thereof acquisition/disposal of securities	13.0	–10.0
thereof other cash flow from investing activities	–3.2	62.1
Free cash flow	**83.2**	**124.4**
Free cash flow before acquisitions/securities	**70.5**	**137.7**
Cash flow from financing activities	**–135.2**	**–131.4**
Change in cash and cash equivalents	**–51.9**	**–6.9**

[1] Adjusted reporting in H1 2014: Non-cash changes in provisions which are considered as non-current as well as restructuring provisions are adjusted in the gross cash flow starting in the 2014 financial year. The cash flow statement for H1 2014 was correspondingly adapted.

Cash flow

The gross cash flow totalled EUR 151.8m in the first half of 2015, compared to EUR 139.2m in the previous year. The cash flow from operating activities of EUR 107.7m surpassed the prior-year figure by EUR 11.8m. This increase was mainly due to the lower income tax payments in a year-on-year comparison.

The cash flow from investing activities reached a level of plus EUR 16.8m in the first six months of 2015. This 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 32.0m in the first half of 2015, above the level of EUR 22.2m in the previous year. CAPEX included payments of about EUR 11m related to the construction of Austrian Post's new corporate headquarters. Payments related to acquisitions totalled EUR 3.3m in the reporting period, including the acquisition of Aktionsfinder GmbH. Moreover, a cash flow-reducing effect was reported due to financial investments in securities to the amount of EUR 10.0m, whereas securities valued at EUR 13.0m were sold in the prior-year period.

In aggregate, the free cash flow during the reporting period was EUR 124.4m, up from EUR 83.2m in the previous year. The free cash flow before acquisitions/securities reached EUR 137.7m. Even without taking the special effect related to the sale of the former corporate headquarters into consideration, the free cash flow was at EUR 77.7m and therefore higher than the prior-year figure of EUR 70.5m.

Investments

In the first six months of 2015, the additions to property, plant and equipment and intangible assets amounted to EUR 33.4m, slightly below the comparable prior-year figure of EUR 33.6m. This included investments of EUR 32.7m in property, plant and equipment and EUR 0.7m in intangible assets. In addition to the modernisation of the vehicle fleet, the focus of investments during the reporting period was primarily on new sorting technologies in the mail and parcel distribution facilities. However, investments were also made in the construction of the company's new corporate headquarters.

EMPLOYEES

The average number of employees (full-time equivalents) at the Austrian Post Group totalled 23,343 people during the first half of 2015, comprising a reduction of 378 employees from the prior-year period. Most of Austrian Post's staff or a total of 17,904 full-time equivalents is employed by the parent company Österreichische Post AG.

EMPLOYEES BY DIVISION

Average for the period in full-time equivalents	H1 2014	H1 2015	Share in %
Mail & Branch Network	17,166	16,736	71.7%
Parcel & Logistics	4,547	4,751	20.4%
Corporate	2,008	1,857	8.0%
Total	**23,722**	**23,343**	**100.0%**

EVENTS AFTER THE REPORTING PERIOD

Austrian Post is not aware of any significant events taking place after the end of the interim reporting period.

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 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 2014 of Austrian Post (see the Annual Report; Part 2 “Financial Report”, pages 46–53 and 116–120).

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 replaced by electronic forms of communication.

The parcel market is positively impacted by the online shopping trend, but there is an increased risk of intensified activities on the part of competitors aiming to gain from this market growth. 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. 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 structural measures and restructuring expenses as well as impairment losses on goodwill of subsidiaries.

OUTLOOK 2015

Positive revenue development targeted

On the basis of the development of the mail and parcel business in the first half of 2015, Austrian Post confirms its previously communicated forecasts with respect to the business development of the entire year 2015. Group revenue should show a slightly positive development during the course of the year and rise by 1–2% from the comparable level in the 2014 financial year.

In the mail business, the basic trend of e-substitution i.e. the substitution of traditional letter mail by electronic forms of communication is likely to continue, accompanied by further volume declines. Based on the business development in the first half of this financial year, the decrease in mail volumes in 2015 is expected to be in the middle of the predicted range of minus 3–5%. The direct mail business will continue to show a differentiated development in the individual customer segments, with a decrease most likely to be seen for addressed direct mail items. The decline in branch network revenue, especially for telecommunications products and financial services, is expected to continue during 2015. Taking account of these factors as well as the positive price effects of the increase in postal rates in March 2015, the Mail & Branch Network Division should report an overall stable or slightly positive revenue development in 2015.

The development of the Parcel & Logistics Division is impacted by differing trends in the private and business parcel segments. Annual growth of 3–6% driven by the ongoing expansion of e-commerce is anticipated in the private customer parcel segment, depending on the region. In contrast, subdued economic growth prospects are unlikely to provide any impetus to the business parcel segment. Strong competition in the parcel and logistics business is resulting in an intensified struggle for market shares both in the B2C and B2B segments.

Efficiency enhancement to safeguard profitability

Austrian Post is continuously optimising its structures and processes in both mail and parcel logistics in order to further enhance efficiency in all the services it provides. Increasing profitability is the top priority, especially in the company's international business operations. One focal point is the continuation of the efficiency enhancement programme in the trans-o-flex Group, entailing a reorganisation of process, distribution and staff structures. The underlying aim of all these initiatives is the goal of generating an EBITDA margin of around 12%. The company is pursuing this objective as well as achieving a further improvement in its operating result for the entire 2015 financial year.

The operating cash flow generated by Austrian Post will continue to be used prudently and in a targeted manner in the future to finance sustainable efficiency increases, structural measures and future-oriented investments. In this regard, total operational capital expenditures (CAPEX) of about EUR 80m are planned once again in 2015, focusing on sorting technologies, logistics and customer solutions. Furthermore, Austrian Post recently began construction of its new corporate headquarters in Vienna's third district, which is expected to be completed in 2017.

Vienna, July 28, 2015

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 2015

EUR m	H1 2014	H1 2015	Q2 2014	Q2 2015
Revenue	1,171.9	1,178.9	573.5	577.0
Other operating income	32.5	32.8	15.9	16.4
Total operating income	**1,204.4**	**1,211.7**	**589.4**	**593.4**
Raw materials, consumables and services used	–362.8	–364.0	–179.0	–179.5
Staff costs	–551.7	–551.8	–271.1	–270.1
Depreciation, amortisation and impairment losses	–46.3	–43.2	–25.7	–22.0
Other operating expenses	–143.7	–156.0	–72.2	–79.7
Total operating expenses	**–1,104.5**	**–1,115.0**	**–548.1**	**–551.3**
Profit from operations	**99.9**	**96.7**	**41.3**	**42.2**
Results from financial assets accounted for using the equity method	–1.1	–0.2	–0.7	0.4
Financial income	2.4	5.6	1.1	1.0
Financial expenses	–4.2	–2.3	–2.2	–1.1
Other financial result	–1.8	3.4	–1.1	–0.1
Total financial result	**–2.9**	**3.2**	**–1.8**	**0.4**
Profit before tax	**97.0**	**99.9**	**39.5**	**42.5**
Income tax	–23.4	–22.5	–9.7	–8.9
Profit for the period	**73.6**	**77.4**	**29.9**	**33.6**
Attributable to:				
Equity holders of the parent company	73.3	77.3	29.8	33.6
Non-controlling interests	0.3	0.1	0.1	0.1

EARNINGS PER SHARE

EUR	H1 2014	H1 2015	Q2 2014	Q2 2015
Basic earnings per share	1.08	1.14	0.44	0.50
Diluted earnings per share	1.08	1.14	0.44	0.50

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST HALF OF 2015

EUR m	H1 2014	H1 2015	Q2 2014	Q2 2015
Profit for the period	**73.6**	**77.4**	**29.9**	**33.6**
Items that may be reclassified subsequently to the income statement:				
Currency translation differences – investments in foreign businesses	0.1	0.3	0.4	–0.4
Currency translation differences – reclassification to profit or loss	0.0	0.6	0.0	0.0
Changes in the fair value of financial assets available for sale	1.1	–0.7	0.3	–0.3
Tax effects of changes in the fair value	–0.3	0.2	–0.1	0.1
Financial assets accounted for using the equity method – share of other comprehensive income	1.0	–2.8	1.1	–3.1
Financial assets accounted for using the equity method – reclassification to profit or loss	0.0	0.5	0.0	0.0
Total items that may be reclassified	**1.9**	**–1.8**	**1.8**	**–3.7**
Items that will not be reclassified subsequently to the income statement:				
Revaluation of defined benefit obligations	0.0	0.4	0.0	3.9
Tax effect of revaluation	0.0	–0.1	0.0	–1.0
Total items that will not be reclassified	**0.0**	**0.3**	**0.0**	**2.9**
Other comprehensive income	**1.9**	**–1.6**	**1.8**	**–0.8**
Total comprehensive income	**75.4**	**75.8**	**31.6**	**32.9**
Attributable to:				
Equity holders of the parent company	75.2	75.7	31.5	32.8
Non-controlling interests	0.3	0.1	0.1	0.1

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2015

EUR m	Dec. 31, 2014	June 30, 2015
Assets		
Non-current assets		
Goodwill	112.2	112.9
Intangible assets	59.9	55.1
Property, plant and equipment	597.7	589.1
Investment property	51.8	51.1
Financial assets accounted for using the equity method	53.3	53.1
Other financial assets	60.7	38.2
Trade and other receivables	21.0	19.1
Deferred tax assets	68.6	69.1
	1,025.4	**987,7**
Current assets		
Other financial assets	6.4	38.1
Inventories	16.7	15.9
Trade and other receivables	352.0	298.2
Current tax assets	5.8	0.0
Cash and cash equivalents	264.1	256.9
	645.0	**609.1**
Assets held for sale	**0.6**	**8.0**
	1,671.0	**1,604.8**
Equity and liabilities		
Equity		
Share capital	337.8	337.8
Capital reserves	130.5	130.5
Revenue reserves	260.3	204.6
Other reserves	–26.6	–27.2
Equity attributable to the shareholders of the parent company	**702.0**	**645.7**
Equity attributable to non-controlling interests	0.7	0.3
	702.7	**646.0**
Non-current liabilities		
Provisions	387.7	379.5
Other financial liabilities	14.6	7.4
Trade and other payables	20.8	17.0
Deferred tax liabilities	8.3	8.2
	431.4	**412.2**
Current liabilities		
Provisions	152.8	134.8
Current tax liabilities	19.3	24.8
Other financial liabilities	3.1	11.2
Trade and other payables	361.2	375.0
	536.3	**545.8**
Liabilities classified as held for sale	**0.6**	**0.8**
	1,671.0	**1,604.8**

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST HALF OF 2015

EUR m	H1 2014 adjusted[1]	H1 2015
Operating activities		
Profit before tax	97.0	99.9
Depreciation, amortisation and impairment losses	46.3	43.2
Results from financial assets accounted for using the equity method	1.1	0.2
Provisions non-cash	17.1	22.5
Taxes paid	–23.4	–11.6
Other non-cash transactions	1.1	–2.4
Gross cash flow	**139.2**	**151.8**
Trade and other receivables	5.5	–6.8
Inventories	–0.4	0.8
Provisions	–33.0	–46.4
Trade and other payables	–15.5	8.3
Cash flow from operating activities	**95.9**	**107.7**
Investing activities		
Purchase of intangible assets	–6.6	–1.7
Purchase of property, plant and equipment/investment property	–22.2	–32.0
Cash receipts from disposal of assets	4.2	62.4
Acquisition of subsidiaries	–0.2	–1.8
Acquisition of financial assets accounted for using the equity method	0.0	–1.5
Acquisition of financial investments in securities	0.0	–10.0
Cash receipts from the disposal of financial investments in securities	13.0	0.0
Loans granted	–2.8	–0.2
Dividends from financial assets accounted for using the equity method	0.7	0.1
Interest received	1.3	1.4
Cash flow from investing activities	**–12.6**	**16.8**
Free cash flow	**83.2**	**124.4**
Financing activities		
Changes of other financial liabilities	–1.5	0.9
Dividends paid	–128.8	–131.8
Interest paid	–0.9	–0.5
Acquisition of non-controlling interests	–4.0	0.0
Cash flow from financing activities	**–135.2**	**–131.4**
Change in cash and cash equivalents	**–51.9**	**–6.9**
Cash and cash equivalents at January 1	240.2	264.1
Cash and cash equivalents at June 30	**188.3**	**257.2**

[1] Adjustments: refer to Note 2.2.2 Presentation of the cash flow statement

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

H1 2014 EUR m adjusted[1]	Share capital	Capital reserves	Revenue reserves	Other reserves Revaluation reserves	Other reserves Market valuation reserves	Other reserves Currency translation reserves	Equity attributable to shareholders of the parent company	Non-controlling interests	Equity
Balance at January 1, 2014	**337.8**	**130.5**	**245.5**	**–5.5**	**–1.3**	**–9.9**	**697.1**	**2.3**	**699.4**
Acquisition of a subsidiary	0.0	0.0	–3.3	0.0	0.0	0.0	–3.3	–0.7	–4.0
Dividends paid	0.0	0.0	–128.4	0.0	0.0	0.0	–128.4	–1.3	–129.7
Profit for the period	**0.0**	**0.0**	**73.3**	**0.0**	**0.0**	**0.0**	**73.3**	**0.3**	**73.6**
Currency translation differences – investments in foreign businesses	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1
Changes in the fair value of financial assets available for sale	0.0	0.0	0.0	0.0	1.1	0.0	1.1	0.0	1.1
Financial assets accounted for using the equity method – share of other comprehensive income	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.0	1.0
Tax effect	0.0	0.0	0.0	0.0	–0.3	0.0	–0.3	0.0	–0.3
Other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**	**1.1**	**1.9**	**0.0**	**1.9**
Total comprehensive income	**0.0**	**0.0**	**73.3**	**0.0**	**0.8**	**1.1**	**75.2**	**0.3**	**75.4**
Balance at June 30, 2014	**337.8**	**130.5**	**187.1**	**–5.5**	**–0.5**	**–8.8**	**640.6**	**0.6**	**641.2**

[1] Adjustments: refer to Note 2.2.1 Presentation of equity

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	Market valuation reserves	Currency translation reserves	Equity attributable to shareholders of the parent company	Non-controlling interests	Equity
Balance at January 1, 2015	**337.8**	**130.5**	**260.3**	**–17.3**	**–0.5**	**–8.8**	**702.0**	**0.7**	**702.7**
Obligation to acquire a subsidiary	0.0	0.0	–0.3	0.0	0.0	0.0	–0.3	0.1	–0.3
Disposal of financial assets 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 – reclassification 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 – reclassification 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 at June 30, 2015	**337.8**	**130.5**	**204.6**	**–16.2**	**–1.0**	**–10.1**	**645.7**	**0.3**	**646.0**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2015

1 SUMMARY OF ACCOUNTING PRINCIPLES

The consolidated interim financial statements of Austrian Post as at June 30, 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid at June 30, 2015, as issued by the International Accounting Standards Board and adopted by the European Union and the additional requirements of Section 245a UGB. 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 2014 financial year.

The consolidated interim financial statements have been prepared on the basis of IAS 34 Interim Financial Reporting and do not contain all information and disclosures included in the Annual Report. They should be read in conjunction with the consolidated financial statements for the financial year ending December 31, 2014.

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

In the first half of 2015, the following new or revised standards were binding for the first time. These changes have no effect on the present consolidated interim financial statement of Austrian Post:

Mandatory application of new standards		**Effective date in the EU**[1]
IFRIC 21	Levies	June 17, 2014

Mandatory appalication of revised standards		**Effective date in the EU**[1]
Diverse	Improvements to International Financial Reporting Standards 2011–2013	Jan. 1, 2015

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

IFRIC 21 Levies clarifies when to recognise a liability for levies which do not fall within the scope of another IFRS. The most common case relates to the bank levy.

2.2 Changes in the presentation of the consolidated interim financial statements and adjustments to prior-year figures

As a result of the changes in the presentation of the consolidated financial statements as at December 31, 2014, the following adjustments were made to the prior-year figures included in the consolidated interim financial statements as of June 30, 2015:

2.2.1 Presentation of equity

The reporting of the profit for the period in the item "Revenue reserves" leads to the following adjustments in the revenue reserves:

Balance at January 1, 2014	+ EUR 146.5m
Balance at June 30, 2014	+ EUR 73.3m
Balance at June 30, 2015	+ EUR 77.3m

2.2.2 Presentation of the cash flow statement

Changes in the presentation related to non-cash changes in provisions as well as the grouping of items with immaterial amounts led to the following reclassifications in the consolidated cash flow statement:

EUR m	**H1 2014**	**H1 2015**
Non-current provisions	–11.4	–19.0
Provisions non-cash	17.1	22.5
Result from the disposal of property, plant and equipment	0.6	0.7
Interest income/expense	1.1	1.5
Currency translation	0.0	–0.1
Other non-cash transactions	–1.8	–2.1
Gross cash flow	**5.7**	**3.5**
Current provisions	27.0	39.7
Provisions	–32.7	–43.2
Cash flow from operating activities	**0.0**	**0.0**

Reporting changes related to payments received in advance from purchases of stamps and credit balances from franking machines as well as deferred income for invoiced services which have not yet been rendered have the following effect on the consolidated cash flow statement:

EUR m	H1 2014	H1 2015
Trade and other receivables	0.8	1.4
Provisions	–0.3	–3.1
Trade and other payables	–0.5	1.7
Cash flow from operating activities	**0.0**	**0.0**

2.2.3 Segment reporting

Adjustments in segment reporting led to the following shifts of revenue:

H1 2014 EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	Group
Revenue with third parties	–0.2	–1.0	–1.5	2.8	0.0
Revenue with other segments	0.2	1.0	1.5	–2.8	0.0
Total revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

H1 2015 EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	Group
Revenue with third parties	–0.3	–1.2	0.0	1.4	0.0
Revenue with other segments	0.3	1.2	0.0	–1.4	0.0
Total revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

3 CONSOLIDATION SCOPE AND BUSINESS COMBINATIONS

In addition to the parent company Österreichische Post AG, a total of 26 domestic subsidiaries (December 31, 2014: 24) and 31 foreign subsidiaries (December 31, 2014: 31), in which Österreichische Post AG directly or indirectly holds a majority of the voting rights, are included in the consolidated interim financial statements. Furthermore, three domestic companies (December 31, 2014: three) and three foreign companies (December 31, 2014: four) 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 2015:

Company	Interest from	Interest to	Date of transaction	Explanation
Mail & Branch Network				
MEILLERGHP GmbH	65.0%	0.0%	Feb. 20, 2015	Disposal
feibra Magyarország Kft.	100.0%	0.0%	March 31, 2015	Disposal
Aktionsfinder GmbH	0.0%	60.0%	June 1, 2015	Acquisition

Company	Interest from	Interest to	Date of transaction	Explanation
Parcel & Logistics				
trans-o-flex Netzwerk Group GmbH	0.0%	100.0%	April 28, 2015	Foundation
Business of one distribution company	–	–	June 1, 2015	Acquisition of business operations
Corporate				
Post 107 Beteiligungs GmbH	0.0%	100.0%	June 13, 2015	Foundation

Mail & Branch Network

MEILLERGHP GmbH

Austrian Post sold its stake in the joint venture MEILLERGHP effective February 20, 2015. The disposal of the shareholding in MEILLERGHP, which had been accounted for using the equity method, resulted in a loss of EUR 0.5m, which is recognised under results from financial assets accounted for using the equity method. The loss arose exclusively due to the reclassification of the currency translation reserves attributed to MEILLERGHP from other comprehensive income to profit or loss.

feibra Magyarország Kft.

As at December 31, 2014, the assets and liabilities of the company were classified as a disposal group pursuant to IFRS 5 and correspondingly recognised in the consolidated balance sheet. 100% of the stake held by Austrian Post in feibra Magyarország Kft. was sold effective March 31, 2015. The disposal of the disposal group resulted in a loss of EUR 0.4m, which is recognised under other operating expenses, of which EUR 0.6m can be attributed to the reclassification of negative currency translation reserves from other comprehensive income to profit or loss.

Aktionsfinder GmbH

Austrian Post acquired a 60% stake in Aktionsfinder GmbH, Salzburg effective June 1, 2015. As of this date the company is recognised as a fully-consolidated subsidiary in the consolidated financial statements of Austrian Post. Aktionsfinder GmbH operates the Internet portal Aktionsfinder.at. This platform ranks among the biggest Web portals for advertising flyers in Austria, enabling the electronic downloading of flyers, promotions and offers distributed in Austria.

Within the context of the provisional purchase price allocation, the Internet portal of the company was reported as an intangible asset totalling EUR 0.2m, and goodwill to the amount of EUR 1.7m was recognised using a cost-based valuation approach. On balance, the remaining fair values of the identifiable assets and liabilities of the company are immaterial. Goodwill results from the expected growth potential in this young business segment and from sales synergies within the Austrian Post Group. The actual cash outflow amounted to EUR 1.7m.

EUR m	Fair value
Calculation of goodwill	
Total amount of consideration transferred	1.8
Non-controlling interests on the basis of the share of total net identifiable assets acquired and liabilities assumed	0.1
Total net identifiable assets acquired and liabilities assumed	–0.1
Goodwill	**1.7**

Austrian Post was granted a call option for the acquisition of the remaining 40% stake in Aktionsfinder GmbH. Accordingly, Austrian Post is entitled to acquire 40% of the shares either in the period March 1, 2018 to June 30, 2018 or March 1, 2019 to June 30, 2019. In return, Austrian Post granted a put option to the shareholders which they are entitled to exercise in the period July 1, 2019 to September 30, 2019. The purchase prices stipulated in the option agreements are variable and are based on the future revenue and earnings development of the company. The call and put options are classified as a financial asset and liability in accordance with IAS 32. The valuation of the call options resulted in a value of zero. The accounting of the put option is carried out according to the so-called present access method, in which case a liability to the amount of EUR 0.3m is recognised and set off against the equity of the Austrian Post Group.

Parcel & Logistics

Business operations of one distribution company

Austrian Post acquired the business operations of a further distribution company as of June 1, 2015 within the context of a takeover of its operating activities. The company is Distributions GmbH – 22, Kassel. In the course of the acquisition only the employees and existing customer relations were acquired. According to the management's assessment these operating activities were acquired in accordance with IFRS 3. Therefore the acquisition is to be classified as a business combination. The company ranks among the most important distribution partners of the trans-o-flex Group, and serves the Hessen region from its site in Kassel. The acquisition enables the optimisation of operating costs and synergies among logistics locations in the trans-o-flex Group.

Goodwill to the amount of EUR 0.3m was recognised within the context of the provisional purchase price allocation. The remaining fair values of the identifiable assets and liabilities of the company are immaterial. Goodwill results from the expected synergies arising from integrating these business operations in the trans-o-flex Group. The actual cash outflow totalled EUR 0.1m.

EUR m	Fair value
Calculation of goodwill	
Total amount of consideration transferred	0.2
Total net identifiable assets acquired and liabilities assumed	0.1
Goodwill	**0.3**

4 SEGMENT REPORTING

H1 2014 EUR m adjusted[1]	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	Group
Revenue with third parties	740.9	430.5	0.4	0.0	1,171.9
Revenue with other segments	37.8	4.6	88.4	–130.8	0.0
Total revenue	**778.8**	**435.1**	**88.8**	**–130.8**	**1,171.9**
EBITDA	**158.9**	**22.5**	**–36.3**	**0.0**	**145.1**
EBIT	**138.9**	**12.1**	**–52.3**	**0.1**	**98.8**
Other financial result					–1.8
Profit before tax					**97.0**

[1] Adjustments: refer to Note 2.2.3 Segment reporting

H1 2015 EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	Group
Revenue with third parties	738.0	440.9	0.1	0.0	1,178.9
Revenue with other segments	40.3	3.8	89.6	–133.7	0.0
Total revenue	**778.4**	**444.7**	**89.6**	**–133.7**	**1,178.9**
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**

5 PROPERTY, PLANT AND EQUIPMENT

In the 2002 business year, Österreichische Post AG (Austrian Post) completed a cross-border lease transaction with two U.S. trusts. The company granted these trusts a 99 year right of usufruct of the mail sorting facilities in Vienna, Graz, Salzburg and Innsbruck, in return for a grant payment of USD 117m. At the same time, a lease agreement was concluded, in which the right of use to these facilities was leased back to the company for a period of 24 years.

Austrian Post assigned its obligation to pay the lease instalments to two payment undertakers. For this purpose, Austrian Post made payments to the payment undertakers (USD 108.3m) and derecognised the corresponding liabilities. For their part, the payment undertakers were committed to pay the requisite amounts at the agreed upon dates on behalf of Austrian Post. Austrian Post was faced with the residual risk of a claim in the event of the insolvency of the payment undertakers.

Austrian Post prematurely terminated the cross-border leasing transaction effective March 10, 2015. The outstanding payments were made by the payment undertaker, in which case the residual risk was eliminated. At the same time, the right of usufruct was terminated. The full amount of the present value benefit resulting from the cross-border leasing transaction of Austrian Post was maintained. The remaining amount of EUR 3.3m recognised as of March 10, 2015 under deferred income was correspondingly recognised in the income statement as financial income.

6 TRADE AND OTHER RECEIVABLES

The decline in trade and other receivables mainly related to the cash inflow of EUR 60.0m from the disposal of the company Postgasse 8 Entwicklungs AG & Co OG in the previous year. The cash inflow is reported under cash receipts from the disposal of assets in the cash flow from investing activities in the consolidated cash flow statement.

7 CASH AND CASH EQUIVALENTS

The cash and cash equivalents reported in the consolidated cash flow statement can be reconciled with the cash and cash equivalents in the consolidated balance sheet as follows:

EUR m	June 30, 2015
Cash and cash equivalents	**257.2**
Cash and cash equivalents in assets held for sale	–0.3
Cash and casd equivalents	**256.9**

8 ASSETS AND LIABILITIES HELD FOR SALE

In the first half of 2015, Austrian Post adopted a plan to dispose of Kolos s.r.o. (Mail & Branch Network segment) as well as trans-o-flex Belgium Real Estate BVBA (Parcel & Logistics segment). A sales process was initiated for both companies. Talks with potential investors are underway, and a sale is expected within the next twelve months. Kolos s.r.o operates in Slovakia in the field of addressed and unaddressed mail delivery. The assets and liabilities held for sale mainly consist of goodwill and working capital. The primary asset held by trans-o-flex Belgium Real Estate BVBA is an investment property located in Turnhout, Belgium. This property is a retained commercial property (including storage facility) originally belonging to the trans-o-flex Benelux companies which Austrian Post disposed of in the 2012 financial year.

The following table shows the assets and liabilities of the two disposal groups:

EUR m	**June 30, 2015**
Goodwill	1.4
Property, plant and equipment	0.1
Investment property	3.7
Trade and other receivables	2.5
Cash and cash equivalents	0.3
Assets held for sale	**8.0**
Provisions	–0.1
Liabilities	–0.8
Liabilities held for sale	**–0.8**

9 EQUITY

At the Annual General Meeting held on April 15, 2015, the Management Board of Austrian Post was authorised to create new authorized capital, and the Articles of Association of Austrian Post were correspondingly adapted. Contingent upon the approval of the Supervisory Board, the share capital of Austrian Post can be increased by up to EUR 33,766,190.00 over a period of five years ending on April 14, 2020 by issuing up to 6,755,264 new non-par value bearer shares. Furthermore, the Annual General Meeting resolved to carry out a conditional increase of the company's share capital by up to EUR 16,888,160.00 through the issuance of up to 3,377,632 non-par value bearer shares to (i) creditors of financial instruments and (ii) for the purpose of granting stock options to employees and senior managers of Austrian Post or an affiliated company.

Furthermore, the Management Board was authorised over a period of 30 months starting on April 15, 2015 to acquire treasury shares comprising up to 10% of the company's share capital.

10 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 for provisions for termination benefits and jubilee benefits amounts to 2.0% (December 31, 2014: 2%, March 31, 2015: 1.75%). Actuarial losses recognised in the first quarter of 2015 totalling EUR 5.3m (thereof EUR 3.5m in other comprehensive income) were offset by actuarial gains of the same amount related to the rise in interest rates compared to March 31, 2015.

The range in the discount interest rate for the provisions for employee under-utilisation is between 0.75%–1.75% (December 31, 2014: 0.75%–1.5%). On balance, in spite of the nearly unchanged range of discount rates, the calculation of provisions for employee under-utilisation led to a higher allocation to these provisions at EUR 3.0m due to shifts within the range.

11 FINANCIAL INSTRUMENTS

Financial assets and liabilities

The following table shows the carrying amounts of the financial assets according to the valuation categories stipulated in IAS 39 and their classification according to the fair value hierarchy:

December 31, 2014 EUR m	**Level**	**A fair value through profit or loss**	**Available for sale**	**Total**
Financial assets				
Subsequent measurement at fair value				
Securities	1	0.0	53.1	53.1
Strategic stakes and other investments	3	0.0	12.2	12.2
Derivative financial assets	3	1.7	0.0	1.7
		1.7	**65.4**	**67.1**
Financial liabilities				
Subsequent measurement at fair value				
Derivative financial liabilities	3	0.1	0.0	0.1
		0.1	**0.0**	**0.1**

June 30, 2015 EUR m	**Level**	**A fair value through profit or loss**	**Available for sale**	**Total**
Financial assets				
Subsequent measurement at fair value				
Securities	1	0.0	62.4	62.4
Strategic stakes and other investments	3	0.0	12.2	12.2
Derivative financial assets	3	1.7	0.0	1.7
		1.7	**74.7**	**76.3**
Financial liabilities				
Subsequent measurement at fair value				
Derivative financial liabilities	3	0.4	0.0	0.4
		0.4	**0.0**	**0.4**

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 comparison of the carrying amount and fair value of other financial liabilities:

EUR m	Dec. 31, 2014		June 30, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Other financial liabilities				
Borrowings from banks	7.6	7.7	9.7	9.7
Finance lease liabilities	9.7	9.7	8.6	8.6
Other financial liabilities	0.4	0.4	0.3	0.3
	17.7	**17.8**	**18.6**	**18.6**

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

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
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 assets	Net present value approach	Planning calculations and the related probability-weighted scenarios, risk-weighted discount rates (WACC)

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.

12 OTHER INFORMATION

The dividend of EUR 1.95 per share (EUR 131.7m) resolved upon at the Annual General Meeting held on April 15, 2015 was distributed on April 29, 2015.

13 NEGATIVE NOTE

The consolidated interim report of Austrian Post for the first half of 2015 was neither subject to a complete audit nor subject to an auditor's review.

Vienna, July 28, 2015

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Officer

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

Peter Umundum
Member of the Management Board
Parcel & Logistics Division

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

As the legal representative of Austrian Post we confirm to the best of our knowledge that the interim financial statements as at June 30, 2015 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 interim consolidated financial statements as at June 30, 2015 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, July 28, 2015

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Officer

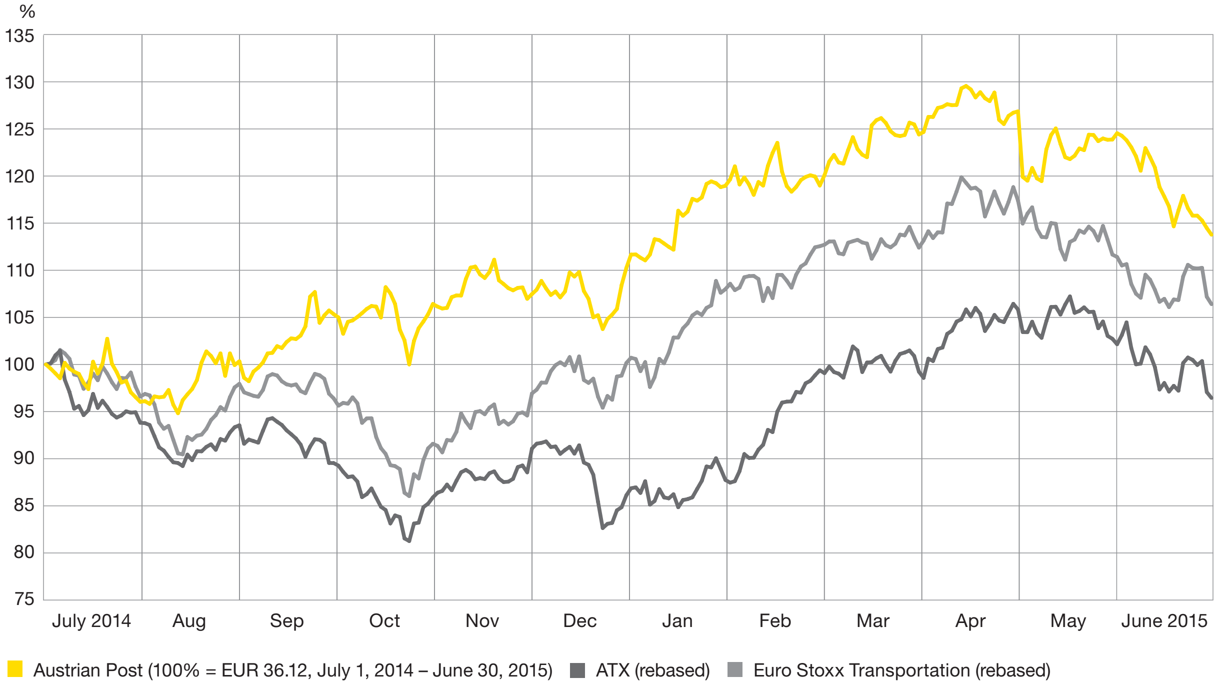
Walter Hitziger
Member of the Management Board
Mail & Branch Network Division

Peter Umundum
Member of the Management Board
Parcel & Logistics Division

FINANCIAL CALENDER 2015/16

August 6, 2015	Half-year financial report 2015, announcement: 07:30–7:40 a.m. CET
November 12, 2015	Interim report for the first three quarters 2015, announcement: 07:30–7:40 a.m. CET
March 10, 2016	Annual Report 2015, announcement: 07:30–07:40 a.m. CET
April 4, 2016	Record date for participation at Annual General Meeting
April 14, 2016	Annual General Meeting 2016, Vienna
April 26, 2016	Ex-date
April 27, 2016	Record Date (Determination of entitled stocks in connection with dividend payments)
April 28, 2016	Dividend payment day
May 13, 2016	Interim report for the first quarter of 2016, announcement: 07:30–07:40 a.m. CET
August 11, 2016	Half-year financial report 2016, announcement: 07:30–07:40 a.m. CET
November 11, 2016	Interim report for the first three quarters 2016, announcement: 07:30–7:40 a.m. CET

DEVELOPMENT OF THE POST SHARE (LAST 12 MONTHS)



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Media owner and publisher
Österreichische Post AG
Haidingergasse 1, 1030 Vienna
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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.

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

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

Editorial deadline: July 28, 2015

CONTACT

Investor Relations,
Group Auditing & Compliance
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 24099
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

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