Q1–3 2014

Interim report for the first three quarters of 2014 | Austrian Post

REVENUE AT THE PRIOR-YEAR LEVEL

Mail revenue impacted by election effects

SLIGHT EBIT INCREASE

Strict efficiency enhancement and cost optimisation

HIGHLIGHTS Q1–3 2014

MARKET ENVIRONMENT

– Revenue development in the mail business impacted by election effects during the course of the year
– Solid growth of the Austrian parcel market, intense competition in the international parcel sector

REVENUE Q1–3

– Group revenue at the same level as in the previous year (–0.1%)
– Higher revenue in the parcel business (+3.3%), decrease in the mail segment due to election effects (–2.0%)

EARNINGS Q1–3

– Continuing efficiency enhancement and cost optimisation
– Slight EBIT rise of 0.8%

OUTLOOK FOR 2014 CONFIRMED

– Stable revenue development in a challenging market environment
– EBIT improvement targeted

OVERVIEW OF KEY INDICATORS

		Q1–3 2013	Q1–3 2014	Change %
Income statement				
Revenue	EUR m	1,734.2	1,732.7	–0.1%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EUR m	222.6	200.2	–10.0%
EBITDA margin[1]	%	12.8%	11.6%	–
Earnings before interest and tax (EBIT)	EUR m	131.5	132.6	0.8%
EBIT margin[1]	%	7.6%	7.7%	–
Earnings before tax (EBT)	EUR m	128.7	130.2	1.1%
Profit for the period	EUR m	104.9	99.8	–4.9%
Earnings per share[2]	EUR	1.54	1.47	–4.5%
Employees (average for the period, full-time equivalents)		24,257	24,005	–1.0%
Cash flow				
Operating cash flow before changes in working capital	EUR m	236.8	198.2	–16.3%
Cash flow from operating activities	EUR m	171.7	164.6	–4.2%
Investment in property, plant and equipment (CAPEX)	EUR m	–63.4	–53.0	–16.4%
Acquisition/disposal of subsidiaries[3]	EUR m	–66.3	–0.8	–98.7%
Free cash flow before acquisitions/investments in securities	EUR m	109.1	108.6	–0.5%
Balance sheet		**Dec. 31, 2013**	**Sept. 30, 2014**	**Change %**
Total assets	EUR m	1,641.6	1,604.1	–2.3%
Equity	EUR m	699.4	661.8	–5.4%
Non-current assets[4]	EUR m	1,068.3	1,067.1	–0.1%
Current assets	EUR m	573.3	537.0	–6.3%
Net debt	EUR m	114.3	142.6	24.8%
Equity ratio	%	42.6%	41.3%	–
Capital employed	EUR m	755.3	744.0	–1.5%

[1] EBIT and EBITDA in relation to total Group revenue
[2] Undiluted earnings per share in relation to 67,552,638 shares
[3] Change in reporting for 2013: the acquisition of non-controlling interests of EUR 5.2m was recognised under “Acquisition of subsidiaries” in 2013. In Q1–3 2014 the acquisition of non-controlling interests is recognised in cash flow from financing activities as “Acquisition of non-controlling interests”. Prior-year figures in Q1–3 2013 were adjusted accordingly.
[4] Includes assets held for sale to the amount of EUR 2.8m as at September 30, 2014 and EUR 1.9m as at December 31, 2013

STATEMENT BY THE MANAGEMENT BOARD

Ladies and Gentlemen!
Dear Shareholders!

Austrian Post generated Group revenue of EUR 1,732.7m in the first three quarters of 2014, the same level as in the previous year. The solid growth rate of 3.3% achieved in the parcel business almost completely offset the 2.0% revenue decline in the mail segment. Mail revenue was influenced by election effects during the course of the year. In particular, no significant revenue was generated from elections in the third quarter, unlike the prior-year quarter, which led to a corresponding year-on-year decrease. The downward trend in mail volumes caused by the substitution of letters through electronic forms of communication also continued. In contrast, revenue growth of Mail Solutions had a positive impact. Once again the parcel business showed steady growth, expanding by 3.3% from the previous year. The ongoing trend toward increased e-commerce provided growth not only for the Austrian parcel market, but also for the parcel subsidiaries in South East and Eastern Europe, which showed exceptionally high growth rates. Revenue in Germany only rose slightly.

Operating result (EBIT) rose by 0.8% from the previous year to EUR 132.6m on the basis of solid revenue development and ongoing cost discipline. The third quarters of the current reporting period and 2013 were both shaped by special effects. On balance, EBIT in Q3 2014 was up 1.9% to EUR 33.8m. From an operational perspective, Austrian Post continued to push ahead with its innovation and efficiency measures in the first three quarters of 2014. The opening of the new Allhaming Logistics Centre provided an important impetus. The Allhaming facility, the largest investment project implemented by Austrian Post in recent years, is equipped with state-of-the-art, high-performance sorting technologies. In spite of the extensive investment programme, free cash flow remained at a high level, providing a solid basis to support future investments and Austrian Post's attractive dividend policy.

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

Vienna, November 4, 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

While the global economy has shown early signs of recovery since the middle of 2013 it is proceeding hesitantly. Global economic growth reached a level of 3.2% last year and is expected to rise only marginally this year to 3.3%. Meanwhile global economic risks have increased in recent months, and the long-term effects of the economic crisis which started six years ago have persisted longer than expected. The upswing in the eurozone remains more restrained, with the eurozone economy only expected to expand by 0.8% in 2014 (IMF, October 2014).

The Austrian economy too, is showing only small improvements. According to forecasts of the Austrian Institute of Economic Research (WIFO), GDP in Austria is expected to expand by 0.8% in 2014 and 1.2% in 2015. The Austrian economy is not immune to the dampening of international export demand. At the same time, according to WIFO, cutbacks in investments also weighed on Austria's economic growth in the first half of the year and consumption will not provide any substantial positive impetus (WIFO, September 2014). In contrast, markets in Eastern Europe, which are important to Austria's economy, are developing more favourably. The IMF predicts economic growth in the CEE region of 2.7% in 2014. Growth rates of 2% or higher are anticipated for Turkey (+3.0%), Romania (+2.4%) and Hungary (+2.8%). German GDP is expected to increase by 1.4% in the year 2014 (IMF, October 2014).

MARKET ENVIRONMENT

In addition to the overall economic environment, the business development of Austrian Post is influenced by other international trends which pose risks but also open up opportunities. The electronic substitution of traditional letter mail is continuing, but practically this trend cannot be influenced. A drop of 3-5% annually in addressed mail volumes can be seen as international baseline scenario. The main factors influencing the development of addressed and unaddressed direct mail volumes are weak economic momentum and the negative impact of intensified online shopping on the traditional mail order business and retail stores. International trends and studies suggest that direct dialogue with customers will increase further in the future. For this reason, the importance of interactive media will tend to increase.

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

LEGAL FRAMEWORK

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

- Austrian Post remains the universal service provider in Austria even after full-scale market liberalisation, guaranteeing high quality postal services throughout Austria.
- The Universal Postal Service Obligation mainly 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 should be partially refunded to Austrian Post on the basis of a legally prescribed allocation key. However, no compensation has been received as at this date.
- Since January 1, 2011, a licence has been required to provide postal delivery services for letters weighing up to 50 grams.
- Since January 1, 2011, only those postal services encompassed in the legally prescribed Universal Postal Service Obligation are exempt from the Value Added Tax (VAT). Postal services whose terms and conditions are individually agreed upon are subject to the Value Added Tax at standard rates.

BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

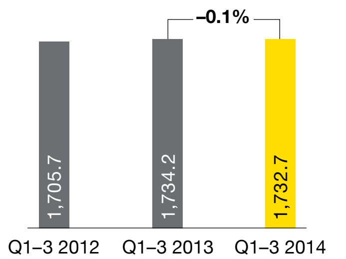
CHANGES IN THE CONSOLIDATION SCOPE

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

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

REVENUE DEVELOPMENT[1]

EUR m



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

REVENUE AND EARNINGS SITUATION

Revenue development

Austrian Post's revenue remained steady during the first nine months of 2014. Group revenue declined by just 0.1% to EUR 1,732.7m. The parcel business continued to show solid growth of 3.3% during the reporting period, almost fully compensating for the 2.0% drop in mail revenue. Third-quarter revenue was also down marginally by 0.1% to EUR 560.8m.

The Mail & Branch Network Division accounted for the largest share or 62.6% of total Group revenue in the first three quarters of 2014. Divisional revenue in the reporting period was impacted by election effects. Generally, elections and referendums result in substantial revenue contributions because absentee voting is gaining in popularity and direct mail items are a popular means of communication in election campaigns. The revenue contributions of elections totalled EUR 14m in the first three quarters of 2013 but were somewhat lower at about EUR 9m in the comparable period of 2014. The third quarter particularly illustrates the uneven distribution of elections and referendums over the course of the year. Elections did not generate any significant revenue in the third quarter of 2014, whereas federal elections contributed EUR 6m in revenue in the prior-year period.

Divisional revenue fell by 2.0% to EUR 1,086.0m in the reporting period. This decline can be attributed to the ongoing electronic substitution of letters as well as decreasing direct mail volumes. Revenue was down 2.3% in the third quarter, in particular due to the lack of positive revenue effects from elections.

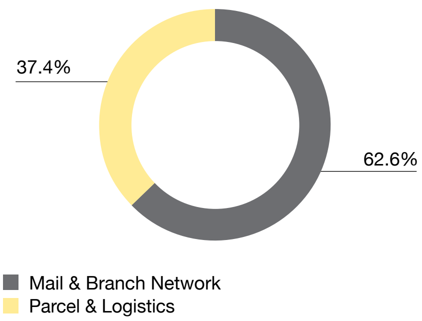
REVENUE BY DIVISION

EUR m	Q1–3 2013	Q1–3 2014	Change %	Change EUR m	Q3 2013	Q3 2014
Total Group revenue	**1,734.2**	**1,732.7**	**–0.1%**	**–1.6**	**561.1**	**560.8**
Mail & Branch Network	1,107.7	1,086.0	–2.0%	–21.7	353.1	344.9
Parcel & Logistics	627.5	647.9	3.3%	20.4	208.5	216.3
Corporate/Consolidation	–1.0	–1.2	–25.5%	–0.3	–0.5	–0.4
Calendar working days in Austria	188	187	–	–	65	65

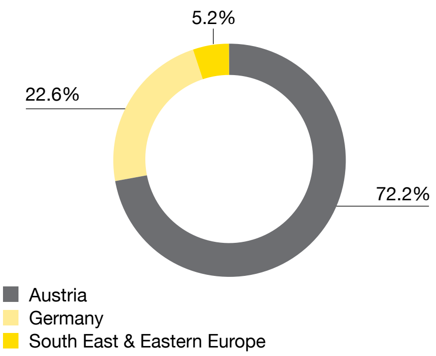
The Parcel & Logistics Division generated 37.4% of total Group revenue, with revenue in the first three quarters rising by 3.3% to EUR 647.9m. Divisional revenue rose by 3.8% in the third quarter of 2014.

Geographically, Austrian Post generated 72.2% of its total Group revenue in Austria in the first three quarters of the year, 22.6% in Germany and 5.2% in South East and Eastern Europe.

REVENUE BY DIVISION Q1–3 2014



REVENUE BY REGION Q1–3 2014



REVENUE DEVELOPMENT OF THE MAIL & BRANCH NETWORK DIVISION

EUR m	Q1–3 2013	Q1–3 2014	Change %	Change EUR m	Q3 2013	Q3 2014
External revenue	**1,107.7**	**1,086.0**	**–2.0%**	**–21.7**	**353.1**	**344.9**
Letter Mail & Mail Solutions	580.9	580.8	0.0%	–0.1	183.5	183.1
Direct Mail	324.2	313.1	–3.4%	–11.1	104.5	101.7
Media Post	103.5	101.8	–1.6%	–1.7	32.7	30.4
Branch Services	99.1	90.3	–8.9%	–8.8	32.3	29.7
Internal revenue	54.2	56.6	4.5%	2.4	17.7	19.0
Total revenue	1,161.9	1,142.6	–1.7%	–19.3	370.8	363.9

The external revenue of the Mail & Branch Network Division totalled EUR 1,086.0m, of which 53.5% can be attributed to the Letter Mail & Mail Solutions business, 28.8% to Direct Mail and 9.4% to Media Post (newspapers and magazines). The remaining 8.3% is accounted for by Branch Services.

Letter Mail & Mail Solutions revenue remained stable during the reporting period at EUR 580.8m. The basic trend towards declining volumes resulting from the substitution of letters by electronic media is continuing as before. However, this downward development is partially offset by revenue growth in the field of Mail Solutions.

Revenue in the Direct Mail business was down 3.4% in the first three quarters of 2014 to EUR 313.1m. This business is heavily influenced by customer advertising expenditure and also by the economic environment. The pressure exerted by online business on traditional mail order companies and retail stores led to reduced advertising spending by several customers. Moreover, several retail segments were affected by market consolidation. Elections and referendums also generated higher revenue in the prior-year period. The quarterly comparison, especially shows the positive revenue effects of federal elections in the third quarter of 2013 which was not repeated in the third quarter of 2014.

Media Post revenue in the first three quarters of 2014, also negatively affected by the reduced revenue from elections, fell by 1.6% year-on-year to EUR 101.8m. Branch Services revenue was down by 8.9% or EUR 8.8m to EUR 90.3m, as a consequence of adjustments to telecommunication service rates charged to customers by contractual partners leading to a drop of revenue from mobile telephony products. Revenue in the field of financial services also declined.

REVENUE DEVELOPMENT OF THE PARCEL & LOGISTICS DIVISION

EUR m	Q1–3 2013	Q1–3 2014	Change %	Change EUR m	Q3 2013	Q3 2014
External revenue	**627.5**	**647.9**	**3.3%**	**20.4**	**208.5**	**216.3**
Premium Parcels	474.1	486.6	2.6%	12.5	159.8	163.2
Standard Parcels	130.1	134.7	3.5%	4.6	40.6	44.1
Other Parcel Services	23.3	26.6	14.4%	3.4	8.1	9.0
Internal revenue	5.7	5.0	–11.9%	–0.7	1.8	1.5
Total revenue	633.2	652.9	3.1%	19.7	210.2	217.8

External revenue of the Parcel & Logistics Division rose by 3.3% for the first three quarters of 2014 to EUR 647.9m. The Premium Parcels business (parcel delivery within 24 hours) contributes the largest share of this division at 75% of revenue. Premium Parcels generated revenue of EUR 486.6m in the first three quarters of the year, a rise of 2.6%. This positive development resulted both from revenue growth from existing customers and Austrian Post's success in attracting new customers. In addition to the good development of business parcels in Austria, particularly strong growth was also achieved in higher value parcels for private customers.

Standard Parcels, which mainly involve shipments to private customers in Austria, posted revenue of EUR 134.7m in the first three quarters, an increase of 3.5%. The ongoing online shopping boom led to high growth rates, especially in the third quarter of 2014. Other Parcel Services, which includes various additional logistics services such as fulfilment, warehousing and cash logistics, generated revenue of EUR 26.6m in the period under review, a rise of EUR 3.4m from the previous year.

From a regional perspective, 56% of total revenue in the Parcel & Logistics Division was generated in Germany in the first three quarters of 2014, 35% in Austria and 9% by the subsidiaries in South East and Eastern Europe. Revenue in Germany rose slightly by 0.8%, although the challenging competitive environment and the price pressure in this market continue to have a noticeable impact on the business. Revenue growth in Austria reached a level of 6.0%, supported by the trend towards online shopping as well as increases in the business segment. In total, the subsidiaries in South East and Eastern Europe posted substantial revenue growth, amounting to 9.0% in the first three quarters of the year.

Earnings development

CONSOLIDATED INCOME STATEMENT

EUR m	Q1–3 2013	Q1–3 2014	Change %	Change EUR m	Q3 2013	Q3 2014
Revenue	**1,734.2**	**1,732.7**	**–0.1%**	**–1.6**	**561.1**	**560.8**
Other operating income	50.2	50.1	0.0%	0.0	16.1	17.7
Raw materials, consumables and services used	–556.5	–545.4	–2.0%	–11.2	–184.1	–182.6
Staff costs	–784.4	–815.4	4.0%	31.0	–233.8	–263.7
Other operating expenses	–216.0	–220.2	2.0%	4.2	–75.0	–76.5
Results of investments consolidated at equity	–4.9	–1.5	68.5%	3.4	–1.6	–0.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**222.6**	**200.2**	**–10.0%**	**–22.3**	**82.7**	**55.1**
Depreciation, amortisation and impairment losses	–91.0	–67.6	–25.7%	–23.4	–49.5	–21.3
Earnings before interest and tax (EBIT)	**131.5**	**132.6**	**0.8%**	**1.1**	**33.2**	**33.8**
Other financial result	–2.8	–2.4	13.5%	0.4	–0.8	–0.6
Profit before tax	**128.7**	**130.2**	**1.1%**	**1.4**	**32.3**	**33.2**
Income tax	–23.9	–30.4	27.5%	6.6	–3.9	–7.0
Profit for the period	**104.9**	**99.8**	**–4.9%**	**–5.1**	**28.4**	**26.2**
Earnings per share (EUR)[1]	1.54	1.47	–4.4%	–0.07	0.42	0.39

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

Raw materials, consumables and services used declined by 2.0% or EUR 11.2m in the reporting period to EUR 545.5m. This development is primarily due to the decrease in costs for external transport services in Germany. The business model of the trans-o-flex Group was characterised by a high level of external value creation, which is currently being reduced thanks to the takeover of several distribution companies.

Staff costs of Austrian Post totalled EUR 815.4m in the first three quarters of 2014, an increase of 4.0% or EUR 31.0m. This rise can be partly attributed to the previously-mentioned integration of distribution companies in Germany, which in turn led to a decline of services used. Operational staff costs of salaries and wages were at a similar level as in the previous year excluding these effects (like-for-like basis). This shows that the continuing strict efficiency enhancement measures and improvement of staff structure offset inflation-based cost increases. On balance, the average number of employees (full-time equivalents) working for Austrian Post in the reporting period of the year amounted to 24,005 people, compared to 24,257 employees in the prior-year period.

The rise in staff costs is also due to special effects which primarily had an impact on the third quarter comparison. In the third quarter of 2013 the reduction in the provision for under-utilisation had a positive effect totaling EUR 16.3m, whereas adjustments to the parameters for interest-bearing staff-related provisions (discount interest rate, salary increases) led to a negative effect of EUR 11.8m in the third quarter of 2014. In addition, staff costs in the first three quarters of 2014 include wage-related contributions from previous periods of about EUR 7m and also again termination benefits of EUR 17m.

Other operating income was stable at EUR 50.1m, whereas other operating expenses rose by 2.0% to EUR 220.2m as a result of higher maintenance expenses related to the replacement of conveyor technology.

The result of the investments consolidated at equity amounted to minus EUR 1.5m, compared to minus EUR 4.9m in the first three quarters of 2013. These results include the positive earnings contribution of the Turkish company Aras Kargo a.s. as well as the negative earnings contribution of the German company AEP GmbH.

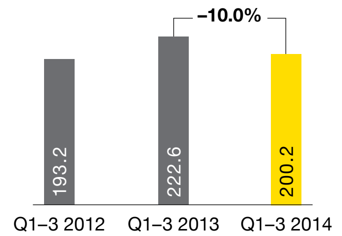
Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 200.2m in the first nine months, comprising an EBITDA margin of 11.6%. The prior-year EBITDA was 10.0% higher, but was impacted by the already mentioned positive staff-related special effects.

Depreciation, amortisation and impairment losses totalled EUR 67.6m in the first three quarters of 2014, a drop of EUR 23.4m from the prior-year level. Whereas an impairment loss of EUR 27.0m was recognised for goodwill at the trans-o-flex Group in Germany in the third quarter of 2013, the period under review was marked by an impairment loss of EUR 4.9m reported for goodwill at the Polish subsidiary PostMaster Sp. z o.o. As a result, earnings before interest and tax (EBIT) in the first three quarters of 2014 increased slightly by 0.8% year-on-year to EUR 132.6m. The corresponding EBIT margin was 7.7%.

After deducting other financial results, earnings before tax (EBT) amounted to EUR 130.2m in the first three quarters of 2014, an increase of 1.1% year-on-year. Income tax at EUR 30.4m was considerably higher than the comparable figure of EUR 23.9m in the first three quarters of 2013, attributable to the effects from deferred taxes in the previous year. After deducting the income tax, the Group net profit (profit after tax for the period) amounted to EUR 99.8m, comprising a 4.9% decline year-on-year due to this tax reason. This corresponds to undiluted earnings per share of EUR 1.47 for the first nine months of 2014.

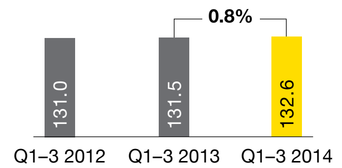
EBITDA[1]

EUR m



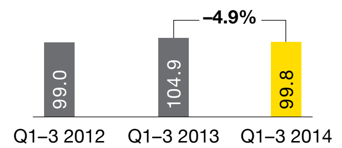
EBIT[1]

EUR m



PROFIT FOR THE PERIOD[1]

EUR m



[1] 2012 adjustment due to the application of IAS 19

EBITDA AND EBIT BY DIVISION

EUR m	Q1–3 2013	Q1–3 2014	Change %	Change EUR m	Margin[1] Q1–3 2014	Q3 2013	Q3 2014
Total EBITDA	**222.6**	**200.2**	**–10.0%**	**–22.3**	**11.6%**	**82.7**	**55.1**
Mail & Branch Network	233.6	223.2	–4.4%	–10.4	19.5%	76.2	64.3
Parcel & Logistics	27.9	34.2	22.4%	6.3	5.2%	5.4	11.7
Corporate/Consolidation	–39.0	–57.2	–46.7%	–18.2	–	1.1	–20.9
Total EBIT	**131.5**	**132.6**	**0.8%**	**1.1**	**7.7%**	**33.2**	**33.8**
Mail & Branch Network	208.8	195.5	–6.3%	–13.3	17.1%	66.9	56.7
Parcel & Logistics	–14.4	18.5	>100%	32.9	2.8%	–26.8	6.4
Corporate/Consolidation	–62.9	–81.5	–29.6%	–18.6	–	–6.9	–29.3

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

From a divisional perspective, the Mail & Branch Network Division generated an EBITDA of EUR 223.2m during the period under review, a decline of 4.4%, whereas EBIT totalled EUR 195.5m, down 6.3% from the prior-year level. This development is attributable, amongst other factors, to the lower positive effects from elections compared to the previous year. In particular, higher-margin addressed mail items showed a decline. Divisional earnings were negatively impacted by an impairment loss of EUR 4.9m recognised for goodwill at the Polish subsidiary PostMaster Sp. z o.o. in the second quarter and adjustments to the parameters for interest-bearing staff-related provisions in the third quarter totalling minus EUR 4.0m.

EBITDA of the Parcel & Logistics Division amounted to EUR 34.2m in the first nine months of 2014, up from EUR 27.9m in the first three quarters of 2013, whereas EBIT totalled EUR 18.5m in the reporting period compared to the prior-year figure of minus EUR 14.4m. In addition to operational improvements, this substantial rise is primarily the consequence of negative effects in the previous year, namely the impairment loss of EUR 27.0m on goodwill of the trans-o-flex Group and write-downs of EUR 5.1m relating to the trans-o-flex Group, mainly on receivables.

The Corporate Division (including Consolidation) basically encompasses all expenses for central departments in the Group as well as staff-related provisions and other provisions. EBIT was down to minus EUR 81.5m, a decrease of EUR 18.6m mainly attributable to special effects in the third quarter. The reduced need to allocate provisions for employee under-utilisation positively impacted earnings in the previous year, whereas adjustments to parameters for interest-bearing staff-related provisions had a negative effect of EUR 7.4m in the third quarter of 2014.

ASSETS AND FINANCES

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

Balance sheet structure

The balance sheet total of Austrian Post amounted to EUR 1,604.1m as at September 30, 2014. On the assets side, property, plant and equipment comprise the largest single balance sheet item at EUR 600.2m, whereas intangible assets amount to EUR 61.8m. The goodwill reported for acquisitions totalled EUR 155.8m as at the end of the third quarter of 2014. Receivables at EUR 290.2m 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 223.8m as at September 30, 2014.

On the equity and liabilities side, the balance sheet of Austrian Post features a high equity ratio, which equalled 41.3% as at September 30, 2014, with equity of EUR 661.8m. Non-current liabilities totalled EUR 423.0m at the end of the reporting period, and current liabilities amounted to EUR 519.2m. Non-current and current provisions contained in liabilities totalled EUR 560.7m at the end of September 2014, including the provision for employee under-utilisation to the amount of EUR 207.7m. Trade payables of EUR 222.6m were reported as at September 30, 2014.

An analysis of the financial position of the company shows a high level of current and non-current financial resources of EUR 276.4m (cash and cash equivalents of EUR 223.8m as well as financial investments in securities of EUR 52.6m). These financial resources contrast with financial liabilities of only EUR 18.9m.

BALANCE SHEET STRUCTURE BY ITEM

EUR m	Dec. 31, 2013	Sept. 30, 2014	Structure Sept. 30, 2014
Assets			
Property, plant and equipment	615.9	600.2	37.4%
Intangible assets and goodwill	223.8	217.6	13.6%
Investment property	33.5	52.0	3.2%
Investments consolidated at equity	50.3	51.8	3.2%
Inventories, receivables and other	398.9	391.1	24.4%
Financial investments in securities	65.0	52.6	3.3%
Other financial assets	12.2	12.2	0.8%
Cash and cash equivalents	240.2	223.8	14.0%
Assets held for sale	1.9	2.8	0.2%
	1,641.6	**1,604.1**	**100.0%**
Equity and liabilities			
Equity	699.4	661.8	41.3%
Provisions	554.8	560.7	35.0%
Financial liabilities	21.0	18.9	1.2%
Payables and other	366.4	362.7	22.6%
Liabilities held for sale	0.0	0.1	0.0%
	1,641.6	**1,604.1**	**100.0%**

Cash flow

In the first three quarters of 2014, operating cash flow amounted to EUR 164.6m, down by EUR 7.1m from the comparable prior-year figure. In contrast to the previous year, the cash flow from operating activities includes payments for wage-related contributions from previous periods.

The cash flow from investing activities of minus EUR 43.9m in the first nine months of 2014 was significantly lower than the prior-year level. Not only were there hardly any payments made in the reporting period in connection with acquisitions, but the cash outflows for the purchase of property, plant and equipment reported at EUR 53.0m were below the prior-year period. At the same time, proceeds from the redemption of financial investments in securities amounting to EUR 13.0m increased the cash flow.

Free cash flow totalled EUR 120.7m in the reporting period. Free cash flow before acquisitions and securities reached EUR 108.6m, a stable high level compared to EUR 109.1m in the previous year.

Investments

In the first three quarters of 2014, the additions to property, plant and equipment and intangible assets amounted to EUR 67.6m, higher than the comparable prior-year figure of EUR 61.3m. This included investments of EUR 61.2m in property, plant and equipment and EUR 6.4m in intangible assets. The investment programme implemented during the reporting period mainly focused on new sorting technologies such as new mail and parcel distribution facilities in addition to the modernisation of the vehicle fleet. There were also investments in new equipment, furniture and fittings for the branch offices, software licenses and construction projects.

CASH FLOW

EUR m	Q1–3 2013	Q1–3 2014
Operating cash flow before changes in working capital	**236.8**	**198.2**
Cash flow from changes in working capital	–65.0	–33.6
Cash flow from operating activities	**171.7**	**164.6**
Cash flow from investing activities[1]	**–147.3**	**–43.9**
thereof CAPEX	–63.4	–53.0
thereof cash flow from acquisitions/divestments[1]	–66.3	–0.8
thereof acquisition/disposal of securities	–18.4	13.0
thereof other cash flow from investing activities	0.8	–3.0
Free cash flow[1]	**24.5**	**120.7**
Free cash flow before acquisitions/securities	**109.1**	**108.6**
Cash flow from financing activities[1]	**–130.0**	**–136.7**
Net change in cash and cash equivalents	**–105.5**	**–15.9**

[1] Change in reporting for 2013: the acquisition of non-controlling interests of EUR 5.2m was recognised under "Acquisition of subsidiaries" in 2013. In Q1-3 2014, the acquisition of non-controlling interests is recognised in cash flow from financing activities as "Acquisition of non-controlling interests". Prior-year figures in Q1-3 2013 were adjusted accordingly.

EMPLOYEES

The average number of employees (full-time equivalents) at the Austrian Post Group totalled 24,005 people during the first nine months of 2014, comprising a reduction of 252 employees from the prior-year period, whereas the staff of the trans-o-flex Group increased by 484 employees (full-time equivalents) due to the integration of various distribution companies in Germany. Most of Austrian Post's staff or a total of 18,471 employees (full-time equivalents) is employed by the parent company Österreichische Post AG.

EMPLOYEES BY DIVISION

Average for the period in full-time equivalents	Q1–3 2013	Q1–3 2014	Share in %
Mail & Branch Network	18,112	17,442	72.7%
Parcel & Logistics	4,081	4,573	19.1%
Corporate	2,064	1,990	8.3%
Total	**24,257**	**24,005**	**100.0%**

EVENTS AFTER THE REPORTING PERIOD

On October 14, 2014, Austrian Post acquired the business operations of two distribution companies in Germany (Distributions GmbH Dettingen, Dettingen and Distributions GmbH Offenburg, Offenburg). Together these companies are known as the "Lehner Group". The Lehner Group is one of the most important distribution partners of the trans-o-flex Group and serves the Dettingen/ Offenburg area from two sites. The acquisition enables the optimisation of operating costs and the leveraging of synergies among the logistics locations of the trans-o-flex Group.

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 three months of the current financial year. Projected shipment volumes in the Mail & Branch Network Division and in the Parcel & Logistics Division are subject to seasonal fluctuations and depend on the economic development of the respective customer segments. Experience has shown that unfavourable economic conditions faced by customers of Austrian Post have negative effects on the development of letter mail, direct mail and parcel volumes. Furthermore, a subdued economic situation could also have an impact on the Group's competitive position and thus the achievable prices for traditional postal services. Moreover, conventional letter mail is being increasingly replaced by electronic media. The product portfolios and pricing policies of various retail goods such as telecommunication products and financial services are determined by Austrian Post's system partners. In turn, this influences the revenue development of the respective product groups. All the above-mentioned risks could lead to significant volume decreases and, thus, to a corresponding drop in earnings or valuation adjustments. Risks above and beyond normal business operations primarily relate to structural measures and restructing expenses as well as impairment losses.

OUTLOOK 2014

Stable revenue development targeted

The mail and parcel businesses continued to develop in line with expectations in the third quarter of 2014. For this reason, Austrian Post confirms its previously announced outlook for the full year 2014 of stable revenue. Decreases in mail revenue should be offset by higher parcel revenue.

It is also important for the company to counteract the ongoing volume decline for addressed mail on a long-term basis by introducing customer-oriented solutions. The international baseline scenario consists of a 3–5% annual decrease in addressed mail volumes as a consequence of electronic substitution. Up until now, Austrian Post has succeeded in keeping this decline at the lower end of the anticipated range as a result of a series of measures. Another structural trend is the pressure exerted by e-commerce on many retail companies, selectively affecting individual sectors and their advertising spending.

In the future, investments designed to ensure greater customer convenience and promote higher quality service will be consistently pursued. Postal rates in the mail business will be adjusted as of March 1, 2015 to maintain Austrian Post's innovative strength despite rising inflation-related factor costs since the last pricing changes implemented in 2011.

In contrast, in the Parcel & Logistics Division, online shopping is the driving force behind growth in the private customer segment, expected to amount to 3–6% per year depending on the region. Generally, the development of the business parcel segment in the individual markets depends on the state of the economy, although competition in the parcel business is increasing.

Efficiency enhancement to safeguard earnings

Austrian Post is implementing a programme of measures to achieve "operational excellence" in order to increase the efficiency of its services further. New sorting technologies should enable Austrian Post to exploit its cost reduction potential. For this reason, capital expenditure in the year 2014 will total about EUR 90m. Profitability is the top priority in the company's international business operations, encompassing both a strict focus on the core business as well as ensuring the steady increase of efficiency in all processes.

The Austrian Post Group remains committed to the medium-term target of achieving a sustainable EBITDA margin of about 12%. This objective as well as an improvement in earnings before interest and tax (EBIT) also applies to the entire year 2014. Austrian Post's operating results in 2014 should reflect the trend prevailing in the first three quarters of the year. Special effects unrelated to normal business operations could influence overall results for 2014, including potential sales of commercial properties which usually positively impact earnings as well as various structural measures and write-downs which could negatively affect the company's performance.

Vienna, November 4, 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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE FIRST THREE QUARTERS OF 2014

EUR m	Q1–3 2013	Q1–3 2014	Q3 2013	Q3 2014
Revenue	1,734.2	1,732.7	561.1	560.8
Other operating income	50.2	50.1	16.1	17.7
Total operating income	**1,784.4**	**1,782.8**	**577.2**	**578.4**
Raw materials, consumables and services used	–556.5	–545.4	–184.1	–182.6
Staff costs	–784.4	–815.4	–233.8	–263.7
Depreciation, amortisation and impairment losses	–91.0	–67.6	–49.5	–21.3
Other operating expenses	–216.0	–220.2	–75.0	–76.5
Total operating expenses	**–1,647.9**	**–1,648.6**	**–542.5**	**–544.1**
Profit from operations	**136.4**	**134.2**	**34.7**	**34.3**
Results of investments consolidated at equity	–4.9	–1.5	–1.6	–0.5
Financial income	2.9	3.3	1.0	0.9
Financial expenses	–5.7	–5.7	–1.8	–1.4
Other financial result	–2.8	–2.4	–0.8	–0.6
Total financial result	**–7.7**	**–4.0**	**–2.4**	**–1.1**
Profit before tax	**128.7**	**130.2**	**32.3**	**33.2**
Income tax	–23.9	–30.4	–3.9	–7.0
Profit for the period	**104.9**	**99.8**	**28.4**	**26.2**
Attributable to:				
Equity holders of the parent company	104.1	99.4	28.2	26.1
Non-controlling interests	0.7	0.3	0.2	0.1

EUR				
Basic earnings per share	**1.54**	**1.47**	**0.42**	**0.39**
Diluted earnings per share	**1.53**	**1.47**	**0.42**	**0.39**

EUR m				
Profit from operations	136.4	134.2	34.7	34.3
Results of investments consolidated at equity	–4.9	–1.5	–1.6	–0.5
Earnings before interest and tax (EBIT)	**131.5**	**132.6**	**33.2**	**33.8**
Depreciation, amortisation and impairment losses	91.0	67.6	49.5	21.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**222.6**	**200.2**	**82.7**	**55.1**

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST THREE QUARTERS OF 2014

EUR m	Q1–3 2013	Q1–3 2014	Q3 2013	Q3 2014
Profit for the period	**104.9**	**99.8**	**28.4**	**26.2**
Items that will be reclassified subsequently to the income statement:				
Currency translation differences	–0.6	–0.5	–0.3	–0.5
Currency translation differences of investments consolidated at equity	–3.8	1.3	–3.6	0.3
Revaluation of financial instruments held for sale	0.5	0.6	0.4	–0.5
Deferred taxes	–0.1	–0.2	–0.1	0.1
Total items that will be reclassified	**–4.0**	**1.3**	**–3.7**	**–0.6**
Items that will not be reclassified subsequently to the income statement:				
Revaluation of defined benefit obligations	0.0	–6.7	0.0	–6.7
Deferred taxes	0.0	1.7	0.0	1.7
Total items that will not be reclassified	**0.0**	**–5.0**	**0.0**	**–5.0**
Other comprehensive income	**–4.0**	**–3.7**	**–3.7**	**–5.6**
Total comprehensive income	**100.9**	**96.1**	**24.8**	**20.6**
Attributable to:				
Equity holders of the parent company	100.1	95.7	24.6	20.5
Non-controlling interests	0.7	0.3	0.2	0.1

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2014

EUR m	Dec. 31, 2013	Sept. 30, 2014
Assets		
Non-current assets		
Goodwill	160.6	155.8
Intangible assets	63.3	61.8
Property, plant and equipment	615.9	600.2
Investment property	33.5	52.0
Investments consolidated at equity	50.3	51.8
Financial investments in securities	51.7	46.2
Other financial assets	12.2	12.2
Receivables	20.7	24.0
Deferred tax assets	58.3	60.4
	1,066.4	**1,064.4**
Current assets		
Financial investments in securities	13.3	6.4
Inventories	17.1	16.6
Receivables	302.7	290.2
Cash and cash equivalents	240.2	223.8
	573.3	**537.0**
Assets held for sale	**1.9**	**2.8**
	1,641.6	**1,604.1**
Equity and liabilities		
Equity		
Share capital	337.8	337.8
Capital reserves	130.5	130.5
Revenue reserves	122.3	113.8
Revaluation of financial instruments	–1.3	–0.9
Revaluation of defined benefit obligations	–5.5	–10.5
Currency translation reserves	–9.9	–9.0
Profit for the period	123.2	99.4
Equity attributable to the shareholders of the parent company	**697.1**	**661.1**
Equity attributable to non-controlling interests	**2.3**	**0.6**
	699.4	**661.8**
Non-current liabilities		
Provisions	382.8	379.6
Financial liabilities	17.2	16.2
Payables	15.3	19.0
Deferred tax liabilities	8.1	8.2
	423.4	**423.0**
Current liabilities		
Provisions	157.4	166.1
Tax provisions	14.7	14.9
Financial liabilities	3.9	2.6
Payables	343.0	335.5
	518.9	**519.2**
Liabilities held for sale	**0.0**	**0.1**
	1,641.6	**1,604.1**

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST THREE QUARTERS OF 2014

EUR m	Q1–3 2013	Q1–3 2014
Operating activities		
Profit before tax	128.7	130.2
Depreciation, amortisation and impairment losses	91.0	67.6
Results of investments consolidated at equity	4.9	1.5
Non-current provisions	37.5	32.3
Gain/loss on the disposal of non-current assets	–2.0	–1.1
Taxes paid	–26.9	–27.8
Net interest received/paid	–1.1	–1.5
Currency translation	–0.3	–0.2
Other non-cash transactions	5.0	–2.8
Operating cash flow before changes in working capital	**236.8**	**198.2**
Changes in working capital		
Receivables	31.5	9.1
Inventories	–0.4	0.7
Current provisions	–46.6	–22.4
Payables	–49.6	–21.1
Cash flow from changes in working capital	**–65.0**	**–33.6**
Cash flow from operating activities	**171.7**	**164.6**
Investing activities		
Purchase of intangible assets	–7.1	–7.2
Purchase of property, plant and equipment and investment property	–63.4	–53.0
Proceeds from the disposal of non-current assets	8.5	5.4
Acquisition of subsidiaries[1]	–10.2	–0.2
Acquisition of investments consolidated at equity	–56.1	–0.6
Acquisition of financial investments in securities	–20.9	0.0
Proceeds from the disposal of financial investments in securities	2.5	13.0
Dividends received from investments consolidated at equity	0.5	0.7
Loans granted	–3.5	–3.9
Interest received	2.4	1.9
Cash flow from investing activities	**–147.3**	**–43.9**
Free cash flow	**24.5**	**120.7**
Financing activities		
Changes in financial liabilities	0.0	–2.6
Dividends paid	–123.6	–129.0
Interest paid	–1.1	–1.1
Acquisition of non-controlling interests[1]	–5.2	–4.0
Cash flow from financing activities	**–130.0**	**–136.7**
Net change in cash and cash equivalents	**–105.5**	**–15.9**
Cash and cash equivalents at January 1	315.0	240.2
Cash and cash equivalents at September 30	209.5	224.3

[1] Reporting adapted for 2013: Acquisition of non-controlling interests to the amount of EUR 5.2m was reported under “acquisition of subsidiaries” in the comparative period.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST THREE QUARTERS OF 2014

Q1–3 2013 EUR m	**Share capital**	**Capital reserves**	**Revenue reserves**	**Revaluation of defined benefit obligations**	**Revaluation of financial instruments[1]**	**Currency translation reserves**	**Profit for the period**	**Equity attributable to shareholders of the parent company**	**Equity attributable to non-controlling interests**	**Total equity**
Balance at January 1, 2013	**337.8**	**130.5**	**125.1**	**–4.5**	**–1.9**	**–1.6**	**123.2**	**708.6**	**0.0**	**708.6**
Acquisition of a subsidiary	0.0	0.0	–4.4	0.0	0.0	0.0	0.0	–4.4	3.4	–1.0
Changes in reserves	0.0	0.0	1.6	0.0	0.0	0.0	–1.6	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	–121.6	–121.6	–2.0	–123.6
Profit for the period	0.0	0.0	0.0	0.0	0.0	0.0	104.1	104.1	0.7	104.9
Other comprehensive income	0.0	0.0	0.0	0.0	0.4	–4.4	0.0	–4.0	0.0	–4.0
Total comprehensive income	0.0	0.0	0.0	0.0	0.4	–4.4	104.1	100.1	0.7	100.9
Balance at September 30, 2013	**337.8**	**130.5**	**122.3**	**–4.5**	**–1.5**	**–6.0**	**104.1**	**682.7**	**2.1**	**684.9**

Q1–3 2014 EUR m	**Share capital**	**Capital reserves**	**Revenue reserves**	**Revaluation of defined benefit obligations**	**Revaluation of financial instruments[1]**	**Currency translation reserves**	**Profit for the period**	**Equity attributable to shareholders of the parent company**	**Equity attributable to non-controlling interests**	**Total equity**
Balance at January 1, 2014	**337.8**	**130.5**	**122.3**	**–5.5**	**–1.3**	**–9.9**	**123.2**	**697.1**	**2.3**	**699.4**
Acquisition of a subsidiary	0.0	0.0	–3.3	0.0	0.0	0.0	0.0	–3.3	–0.7	–4.0
Changes in reserves	0.0	0.0	–5.2	0.0	0.0	0.0	5.2	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	–128.4	–128.4	–1.3	–129.7
Profit for the period	0.0	0.0	0.0	0.0	0.0	0.0	99.4	99.4	0.3	99.8
Other comprehensive income	0.0	0.0	0.0	–5.0	0.5	0.9	0.0	–3.7	0.0	–3.7
Total comprehensive income	0.0	0.0	0.0	–5.0	0.5	0.9	99.4	95.7	0.3	96.1
Balance at September 30, 2014	**337.8**	**130.5**	**113.8**	**–10.5**	**–0.9**	**–9.0**	**99.4**	**661.1**	**0.6**	**661.8**

[1] Available for sale

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST THREE QUARTERS OF 2014

1 SUMMARY OF ACCOUNTING PRINCIPLES

The consolidated interim financial statements of Austrian Post as at September 30, 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid at September 30, 2014, as issued by the International Accounting Standards Board and adopted by the European Union and the additional requirements of Section 245a Unternehmensgesetzbuch (Austrian Commercial Code). The accounting and valuation methods as well as the explanations and notes to the financial statements are fundamentally based on the same accounting and valuation methods underlying the consolidated financial statements for the 2013 financial year.

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

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

In the first three quarters of 2014, 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 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

Revised Standards		Effective date in the EU[1]
IFRS 10, 12, IAS 27	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	Jan. 1, 2014
IAS 27	Separate Financial Statements	Jan. 1, 2014
IAS 28	Investments in Associates and Joint Ventures	Jan. 1, 2014
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	Jan. 1, 2014
IAS 39	Financial instruments: Recognition and measurement – Novation of Derivatives and Continuation of Hedge Accounting	Jan. 1, 2014

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

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

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

IFRS 12 stipulates disclosure requirements for companies that prepare financial statements in accordance with IFRS 10 and IFRS 11. Furthermore, this new standard replaces the disclosure requirements in IAS 28.

The 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.

Rules for 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 led to follow-up changes in IAS 28.

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

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

2 CONSOLIDATION SCOPE AND BUSINESS COMBINATIONS

In addition to the parent company Österreichische Post AG, a total of 25 domestic subsidiaries (December 31, 2013: 27) and 31 foreign subsidiaries (December 31, 2013: 29), in which Österreichische Post AG directly or indirectly holds a majority of the voting rights, are included in the consolidated interim financial statements. Furthermore, 3 domestic companies (December 31, 2013: 3) and 4 foreign companies (December 31, 2013: 4) are consolidated according to the equity method.

Consolidation scope

The following changes in the consolidation scope and business combinations of the Austrian Post Group took place in the first three quarters of 2014:

Company name	Interests from	Interests to	Date of transaction	Explanation
Mail & Branch Network				
M&BM Express OOD	51.0%	76.0%	April 1, 2014	Increased shareholding
Parcel & Logistics				
trans-o-flex Netzwerk zwei GmbH	0.0%	100.0%	May 16, 2014	Foundation
trans-o-flex Netzwerk drei GmbH	0.0%	100.0%	May 16, 2014	Foundation
Business of three Distribution partners	–	–	June 1, 2014	Acquisition
Österreichische Post AG (trans-o-flex Austria GmbH)[1]	100.0%	0.0%	August 15, 2014	Merger
Corporate				
Neutorgasse 7 Projektentwicklungs AG & Co OG	0.0%	100.0%	May 8, 2014	Foundation
PDG Post Dienstleistungs Gesellschaft mbH (PS Postservicegesellschaft m.b.H.)[1]	100.0%	0.0%	July 5, 2014	Merger
ADELHEID GmbH	44.4%	45.4%	August 8, 2014	Increased shareholding
Österreichische Post AG (PDG Post Dienstleistungs Gesellschaft mbH)[1]	100.0%	0.0%	August 14, 2014	Merger

[1] The Group companies listed in parenthesis were merged with the initially listed Group subsidiary, and are therefore no longer included in the consolidation scope.

Mail & Branch Network

M&BM Express OOD

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

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

EUR m	Group share	Non-controlling interests	Total
Balance at January 1, 2014	**2.4**	**2.3**	**4.6**
Profit for the period	0.2	0.2	0.3
Dividends paid	–1.0	–1.3	–2.3
Balance at April 1, 2014	**1.5**	**1.1**	**2.6**
Increase in the Group´s shareholding	0.7	–0.7	0.0
Profit for the period	0.6	0.2	0.7
Balance at September 30, 2014	**2.7**	**0.6**	**3.4**

Parcel & Logistics

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

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

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

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

EUR m	Fair value
Non-current assets	
Customer relations	0.8
Other intangible assets	0.1
Non-current liabilities	
Provisions and liabilities	–0.1
Deferred taxes	–0.2
Current liabilities	
Provisions and liabilities	–0.4
Total net identifiable assets acquired and liabilities assumed	**0.2**

Calculation of goodwill	
Total net identifiable assets acquired and liabilities assumed	–0.2
Total amount of consideration transferred	0.5
thereof financial liabilities (remaining purchase price liability)	0.3
thereof other consideration transferred	0.2
Goodwill	**0.3**

Breakdown of cash outflow/inflow	
Total amount of consideration transferred	–0.5
Remaining purchase price liability	0.3
non-cash consideration	0.2
Net cash outflow/inflow	**0.0**

The contingent purchase price payment depends upon the smooth transfer of operating activities and amounts to a maximum of EUR 0.3m.

The goodwill recognised to the amount of EUR 0.3m encompasses the above-mentioned synergies expected from the integration of the three business operations in the trans-o-flex Group. Since the date of acquisition, the Spekker Group has contributed EUR 1.1m to revenue and minus EUR 0.1m to the profit for the period of the Austrian Post Group. If the acquisition had taken place at the beginning of the year, revenue would have totalled EUR 2.5m and the profit for the period would have amounted to minus EUR 0.4m.

Acquisition of four distribution companies in 2013

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

trans-o-flex Netzwerk drei GmbH

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

Corporate

Neutorgasse 7 Projektentwicklungs AG & Co OG

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

ADELHEID GmbH / AEP GmbH

As per August 8, 2014, the Austrian Post Group increased its shareholding in the associated company ADELHEID GmbH, Berlin, from 44.4% to 45.4% on the basis of a capital increase. The carrying amount of this investment consolidated at equity thus rose by EUR 1.5m, and amounted to EUR 2.4m as at September 30, 2014. ADELHEID GmbH owns 100% of the shares in AEP GmbH, Alzenau, Germany, which supplies pharmacies throughout Germany with pharmaceutical products under the trade name “AEP Direkt”. Subordinated shareholder loans to AEP GmbH amount to EUR 4.2m including accrued interest.

3 SEGMENT REPORTING

Q1–3 2013 EUR m	**Mail & Branch Network**	**Parcel & Logistics**	**Corporate**	**Consolidation**	**Group**
External sales	1,107.7	627.5	5.1	–6.0	1,734.2
Internal sales	54.2	5.7	128.9	–188.9	0.0
Total revenue	**1,161.9**	**633.2**	**134.0**	**–194.9**	**1,734.2**
EBITDA	**233.6**	**27.9**	**–39.0**	**0.0**	**222.6**
EBIT	**208.8**	**–14.4**	**–63.0**	**0.2**	**131.5**
Other financial result					–2.8
Profit before tax					**128.7**

Q1–3 2014 EUR m	**Mail & Branch Network**	**Parcel & Logistics**	**Corporate**	**Consolidation**	**Group**
External sales	1,086.0	647.9	2.8	–4.1	1,732.7
Internal sales	56.6	5.0	129.8	–191.5	0.0
Total revenue	**1,142.6**	**652.9**	**132.7**	**–195.6**	**1,732.7**
EBITDA	**223.2**	**34.2**	**–57.2**	**0.0**	**200.2**
EBIT	**195.5**	**18.5**	**–81.7**	**0.2**	**132.6**
Other financial result					–2.4
Profit before tax					**130.2**

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

4 IMPAIRMENT

Goodwill

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

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

Parameters	Dec. 31, 2013	June 30, 2014
Discount rate before tax	8.8%	9.1%
Growth rate	1.0%	1.0%

The impairment test resulted in an impairment loss of EUR 4.9m on goodwill which had been previously recognised to the amount of EUR 9.7m. The impairment loss is reported under the item “Depreciation, amortisation and impairment losses” in the consolidated income statement. With respect to CGU Postmaster Sp. z o.o., Krakow, the estimated recoverable amount corresponds to the carrying amount. As a consequence, a negative change in one of the main planning assumptions would lead to a further need for impairment.

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

EUR m	Dec. 31, 2013	Sept. 30, 2014
Historical cost		
Balance at period begin	**232.5**	**241.8**
Additions arising from acquisitions	9.4	0.3
Currency translation differences	–0.1	–0.5
Balance at period-end	**241.8**	**241.6**
Impairment losses		
Balance at period begin	**49.0**	**81.2**
Additions	32.4	4.9
Currency translation differences	–0.1	–0.3
Balance at period-end	**81.2**	**85.8**
Carrying amount at period begin	**183.5**	**160.6**
Carrying amount at period-end	**160.6**	**155.8**

Receivables

Due to insolvencies as well as the current estimates on the recoverability of receivables, impairment losses were recognised for outstanding receivables from logistics partners of the trans-o-flex Group to the amount of EUR 2.7m (of which EUR 1.0m applies to the distribution companies). The impairment losses were recognised in the consolidated income statement of Austrian Post as other operating expenses.

5 INVESTMENT PROPERTY

Following the start-up of the new distribution center in Allhaming, Upper Austria in the third quarter of 2014, the previous locations in Linz (Linz Central Station and Domgasse) are no longer being used by the company, and are reported as investment property. The carrying amount of the two locations totaling EUR 21.5m was correspondingly reclassified from property, plant and equipment to investment property.

6 CASH AND CASH EQUIVALENTS

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

EUR m	Dec. 31, 2013	Sept. 30, 2014
Cash and cash equivalents in the cash flow statement	**240.2**	**224.3**
Cash and cash equivalents included in assets held for sale	0.0	–0.4
Cash and cash equivalents on the balance sheet	**240.2**	**223.8**

7 ASSETS AND LIABILITIES HELD FOR SALE

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

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

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

EUR m	Sept. 30, 2014
Investment property	1.8
Receivables	0.5
Cash and cash equivalents	0.4
Assets held for sale	**2.8**
Payables	–0.1
Liabilities held for sale	**–0.1**

8 PROVISIONS

Interest-bearing provisions

Against the backdrop of internationally low interest rates, Austrian Post made the following adjustments to the parameters applying to interest-bearing provisions:

Parameters	**Dec. 31, 2013**	**Sept. 30, 2014**
Discount rate	3.50%	2.25%
Salary increase	3.50%	2.75%

This required a higher allocation to provisions to the amount of EUR 18.5m, of which EUR 6.7m was reported as actuarial losses in other comprehensive income.

9 FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities

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

Financial assets	**Dec. 31, 2013**		**Sept. 30, 2014**	
EUR m	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Securities	65.0	65.0	52.6	52.6
Strategic stakes and other investments	12.2	12.2	12.2	12.2
	77.2	**77.2**	**64.8**	**64.8**

Financial liabilities	**Dec. 31, 2013**		**Sept. 30, 2014**	
EUR m	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Borrowings from banks	7.9	8.4	7.6	7.8
Finance lease liabilities	12.6	12.6	10.8	11.5
Other financial liabilities	0.5	0.5	0.4	0.5
	21.0	**21.6**	**18.9**	**19.7**

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:

Dec. 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

Sept. 30, 2014 EUR m	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets in the category “Available for sale”				
Securities	52.6	0.0	0.0	52.6
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.

10 OTHER INFORMATION

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

11 EVENTS AFTER THE REPORTING PERIOD

On October 14, 2014, Austrian Post acquired the business operations of two distribution companies in Germany (Distributions GmbH Dettingen, Dettingen, Distributions GmbH Offenburg, Offenburg). Together these companies are known as the "Lehner Group". In the course of the transaction mainly the employees and existing customer relations were acquired. According to the management's assessment these business operations were acquired in accordance with IFRS 3. Therefore the acquisition is to be classified as a business combination. The Lehner Group is one of the most important distribution partners of the trans-o-flex Group and serves the Dettingen/Offenburg area from two sites. The acquisition enables the optimisation of operating costs and the leveraging of synergies among the logistics locations of the trans-o-flex Group. The accounting for the acquisition had not been completed by November 4, 2014. The total amount of the consideration and the amount of goodwill to be reported are likely to be immaterial.

12 NEGATIVE NOTE

The consolidated interim report of Austrian Post for the first three quarters of 2014 was neither subject to a complete audit nor subject to an auditor's review.

Vienna, November 4, 2014

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Officer

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

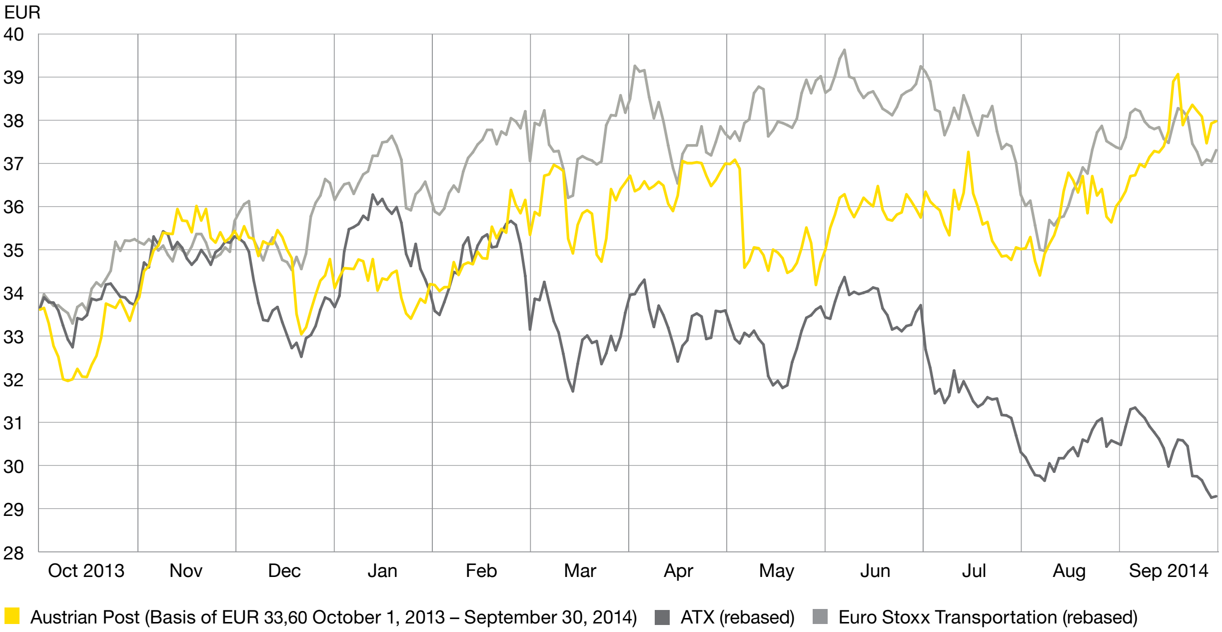
Peter Umundum
Member of the Management Board
Parcel & Logistics Division

SERVICE

FINANCIAL CALENDAR 2014/2015

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

DEVELOPMENT OF THE POST SHARE (LAST 12 MONTHS)



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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: November 4, 2014

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