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Arrived!

Trust reaffirmed

MAGAZINE 2016

 **Post**

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The trust
of our
customers
is our
motivation.

2016: TRUST REAFFIRMED

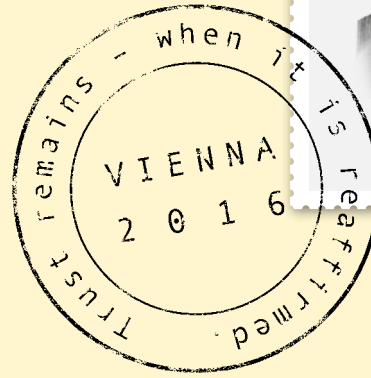
- Successful delivery of 790m letters, 4.6bn direct mail items, 81m parcels in Austria
- 100 % CO₂ neutral delivery throughout Austria
- Services expanded, price/performance ratio maintained
- Delivery times adjusted to customer needs and expanded accordingly
- EUR 106m invested in logistics and customer solutions

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t r u

— EDITORIAL



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Dear readers,

Austrian Post is moving in the right direction. The figures and business development show that we have made the right decisions, and we are performing in line with expectations thanks to the measures and projects being implemented. We achieved good results again in 2016 in spite of the difficult market environment.

This year we once again chose a special theme for our annual report. The focus of our publication is our way of sending you a signal that we are carefully keeping an eye on the environment in which we operate, anticipating developments and drawing the right conclusions, keeping the well-being of our customers in mind. Soft qualities such as experience, service orientation as well as the personal proximity to customers will increasingly make a difference in the future. And in this respect, we believe we have a leading edge in many areas, which we want not only to maintain but also further expand upon.

WHO TRUSTS EXPECTS A PROMISE TO BE FULFILLED

One of these soft factors where we feel to have a competitive advantage is the trust you place in us – as a customer, shareholder, employee or business partner. We are very grateful for this. However, we realise that we have to reaffirm and deserve this trust time and again. And we gladly do so! But this requires us to continually develop ourselves, to know our own strengths and to preserve and enhance quality, even when conditions change. We can only keep our promise of performance if we have the ambition to improve. In this way, we reliably ensure an optimal performance and can count upon the continuing trust of our stakeholders.

You will find out more about what trust means on the following pages. The articles deal with issues which we strongly identify with here at Austrian Post. Safeguarding our strong corporate brand, reliability for our customers and an up-to-date service offering are important benchmarks which guide our corporate behaviour and decisions.

I wish you an enjoyable and informative read.

Sincerely yours,



Georg Pölzl

Chief Executive Officer and Chairman of the Management Board

A person's hand is reaching out from the right side of the frame against a bright blue sky with light clouds. The hand is open, palm facing forward, and appears to be reaching towards the center of the image. The background is a soft-focus sky, and the overall mood is positive and hopeful.

Why does it feel so good to let go?

Because it is a sign of confidence and one gets more in return. There is hardly any other word we use as frequently as “trust”. And right so, because it is the fundamental basis of human interaction.

▶▶ Page 22

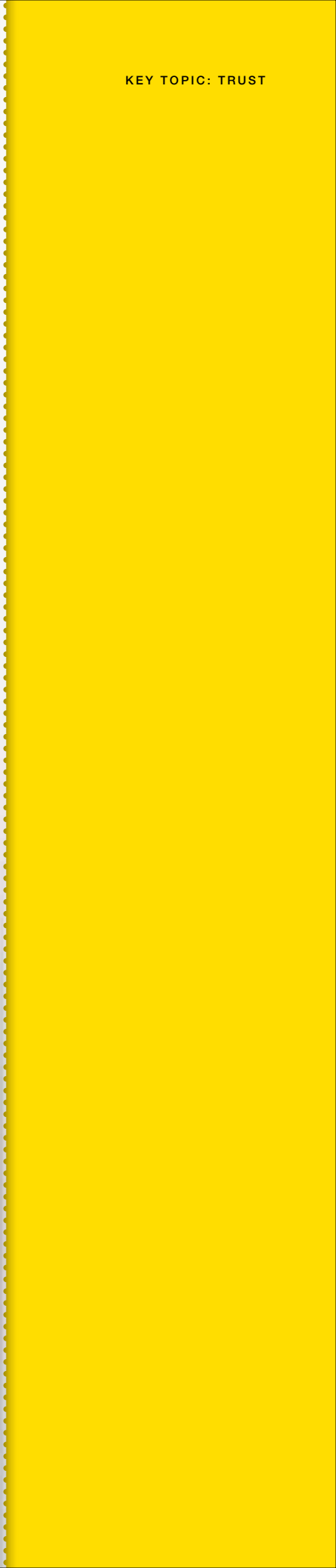


What makes strong brands so valuable?

They bundle a performance promise and service commitment underpinned by experience. This shortens many tasks and distances.

▶▶ Page 10





Are
things
any better
today
than they
used to
be?

So much has become more comfortable and convenient for us in modern society.

However, in return we frequently have to relinquish control, which is now increasingly in the hands of others.

▶▶ Page 16



The Power of the BRAND

.....

A brand provides an identity. The customer identifies a producer or service company by means of its logo or trademark. He associates this branding with a promise of quality, and knows what he buys. The corporate brand Austrian Post is also associated with certain services. It unfolds its vitality in its contacts to customers. Every employee is an ambassador for Austrian Post and acts as a voice for its commitment to quality each and every day. In this case regularity serves as a strong link.

.....



1. TRUSTED

Perhaps a few readers will recall the following situation as one of the highlights of their childhood: the mail carrier rang the doorbell, because he had more to deliver than just letters – namely a parcel which did not fit in the letterbox. Twice a year at holiday time, Grandma sent out parcels full of delicious pastries to all her grandchildren spread out across the country. As it is traditional in Austria, there were sweet lamb cakes for Easter and a variety of Christmas cookies in Advent. Thanks to the postal service, Grandma was able to send presents to her dozen descendants in the nation.

Whereas other companies first have to build up an image, the one enjoyed by Austrian Post has evolved and flourished because of tradition. Austrian Post comes to mind when

• sending things and written materials,
 • in the same way we associate Italy
 • with good shoes or search engines
 • with Google. Austrian Post has
 • become an indispensable feature of
 • everyday life.

• Each and every day, some 9,100
 • mail carriers (popularly termed
 • “Postler” in German) fan out across
 • Austria to deliver what needs to be
 • delivered. This is something one can
 • rely on. They bring the mail items
 • not just anywhere but directly to the
 • customers. They know each other
 • and chat a little, and communication
 • works. There is hardly any other
 • professional group which matches
 • this frequency and regularity of
 • contact. Not even the bus driver on
 • the way to work in the morning is
 • always the same person. In contrast,
 • the mail carrier has his designated
 • delivery area, in which he knows
 • every letterbox and every doorstep,
 • and takes the pre-determined route

Short history of “post” – from a mere word to an integral part of the vocabulary:

— 16TH CENTURY

The word “post” is derived from the Italian word “posta” meaning “specified location”, and originally denoted the changing stations where mounted couriers changed horses.

— A 500-YEAR MONOPOLY

Thanks to the long tradition of a mail monopoly, the term “post” emerged as a general word in the German language.

— NOWADAYS

Today “post” is just as much a company or building name as it is an item to be shipped or a message. In the age of electronic data processing, the term has also been adopted to mean “electronic mail.”

— VOCABULARY

According to Duden, the entire vocabulary of the German language includes between 300,000 and 500,000 words. The noun “post” ranks among the 2,000 most frequently used German words.

every day. Trust and intimacy arise from this ongoing contact. We gladly open our doors to the mail carrier, if necessary in our bathrobes.

For this reason, it goes without saying that the “Postler” may, at times, go above and beyond the call of duty to come to the aid of customers. This does not always have to entail saving someone’s life, as Gottfried Schatzl did in the district of Branau in September 2016. At that time, he kept a pensioner who had fallen down from freezing to death. He discovered the 83-year-old woman in a hardly visible place, where she had been lying unnoticed in a ditch for 18 hours. However, taking a closer look at things and lending assistance are quite natural for Schatzl and his fellow employees. During the day they are often the only ones who come into contact with people who live off the beaten track or who live alone.

On the basis of such close proximity to customers, every mail carrier comprises the crucial link which a brand needs. The mail carrier is, so to speak, the glue. He maintains contact to customers in the course of his daily visits. He contributes his personal touch to the brand, and is the key to a broader-based connectivity. His daily work serves to foster brand presence and awareness. In addition, thanks to the quality of his service, he makes a significant contribution to a positive brand image.

2. USEFUL

In addition to the glue, a brand requires a driving force and a recurring element. Only in this way it does become a strong personality. From the very beginning, customer needs have comprised the impetus beyond Austrian Post’s operations. Austrian





Post evolved out of the longing to communicate and convey messages to people who are not in close geographical proximity. Since then the ways and means have changed considerably, but the underlying thought remains the same. Austrian Post offers a useful instrument to fulfil people's need to exchange goods and words.

Over the centuries Austrian Post has developed, maintained and upgraded an infrastructure serving as the basis for its unique and comprehensive service offering. People can deposit their mail items in about 15,300 letterboxes. Thanks to more than 330 self-service zones, parcels can be dropped off around the clock throughout Austria. Six mail sorting facilities and seven parcel sorting sites assign up to 1,2 million letters and up to 42,000 parcels each hour to their intended destinations. In this way, the mail items can be delivered to recipients within the shortest possible time.



HALE ÖZDAMAR
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3. ADAPTIVE

The bottom-line value of a product or service ultimately depends on its ability to satisfy people's needs, which change in the course of time, as experience has shown. A brand has to be adaptive if it wants to be just as attractive tomorrow as it is today. But how much change is really good for a brand? A strong brand can transform itself and yet still continue to evoke a sense of familiarity in the hearts and minds of its customers. Even if the specific services change, the image remains credible. A company which does not want to lag behind is well advised to closely observe the values, attitudes and habits of its customers. Experience has proven that successful innovations are rarely revolutionary inventions. Continuous

- optimisation frequently turns out to
- be precisely the profitable change
- enabling the company to more effectively
- meet customer demands.
- Austrian Post is very experienced
- when it comes to logistics processes.
- It is necessary to consistently apply
- this know-how to new wishes arising
- on the market. This is not only a
- longstanding tradition but the
- recurring element in the brand frame-
- work. Austrian Post offers the
- reliable solution, which now encom-
- passes extended delivery times,
- postal service and drop off points
- throughout Austria and expanded
- services. This is a brand promise
- which offers certainty and security,
- which are very much in demand.
- People are searching for points
- of reference as the basis for making
- decisions, especially in times of



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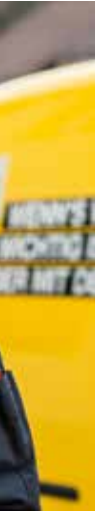


PATRICK SCHWEIZER
TEAM LEADER,
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• increasing complexity. A well-established brand can provide orientation.

• Let's return to Grandma's holiday surprise mentioned at the beginning. In the course of our lives, we might become senders of mail items instead of only recipients. When children become independent, thoughtful gifts are shipped to them by mail on various occasions. In this way we maintain contact with them, even beyond our home region. Whatever we give and receive is something tangible which is engraved in our memories. Austrian Post takes care of the delivery. The service offering may vary due to new requirements, but the brand remains the same.

• This is a brand we encounter on a daily basis, which accompanies us our whole lives.



EUR 3.4 bn

development in gross sales of e-commerce

2006 2008 2010 2012 2014 2016



measures

(that enhance security)

access restrictions

track and trace

identification requirements

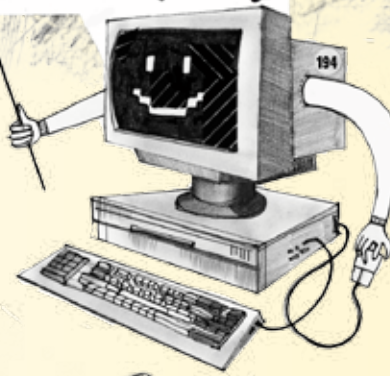
special checks

compliance hotlines

customer awareness

technical

security precautions



Securing Your Trust



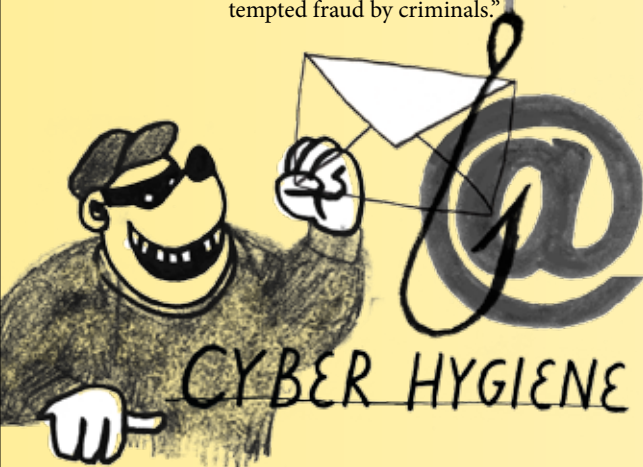
Customers highly value Austrian Post as a reliable partner which securely brings their mail items to the intended recipients - at any time, to any place, under any circumstances. Making sure that that this happens requires far more than perfectly attuned processes. This is because the power of chance along with the given circumstances and the human factor all comprise variables with a considerable potential to influence the course of events. The issue of security is an integral part of all the company's business activities, enabling Austrian Post to justify the trust of its customers.



“The world has become more convenient for customers and more complex for Austrian Post.”

Globalisation and digital transformation have made the world much more convenient for customers in recent years. Consumers have a wider selection than ever before when it comes to buying products or communicating. Austrian Post's business activities have taken this new situation into account. The company's operations based on a longstanding tradition have become quicker, more multifaceted and above all, more complex.

With respect to security, this demands maximum efficiency and performance from Austrian Post. The installation and maintenance of secure IT systems, ensuring secure processes and transparent, secure communication are three key issues which are ubiquitous in the company's day-to-day business. “The efforts and expenditures involved in maintaining our security standards have risen significantly over the past ten years”, states Austrian Post CEO Georg Pözl. “Customers are increasingly ordering goods online from Austria and from foreign sources. One side effect we have to contend with is the growth of attempted fraud by criminals.”



“The online world poses new challenges.”

Austrian Post is particularly confronted with growing demands with respect to its online activities. Unauthorised individuals and criminals attempt to gain access to computers via so-called phishing e-mails as a means of tapping into data or installing malware. They repeatedly use the Austrian Post name. “The online channel is very important in modern-day communications and is a compulsory part of daily life, both privately and in our professional work”, says Sascha Hönigsberger, an employee of the Group Security department. “For this reason, we go to great lengths to combat this improper use of the Internet.”

In addition to regular internal and external awareness raising, these efforts involve a close cooperation with other institutions such as the police. For example, Austrian Post's parcel operations dealt intensively with the issue of online order fraud in 2016. Professional Internet fraudsters want to profit from the booming business of online shopping. Swindlers particularly like to take advantage of orders allowing for payment using a giro transfer form after the goods are received as well as orders based on illegally obtained credit card data. Alert mail carriers and employees in the branch network repeatedly detect suspicious ordering behaviour, for example orders to non-existent front door numbers or addresses where nobody lives. When an Austrian Post employee notices such suspicious mail items, appropriate measures are taken to prevent presumptive online shopping fraud. The additional time and effort and the commitment displayed by Austrian Post minimises the financial losses incurred by mail-order companies.

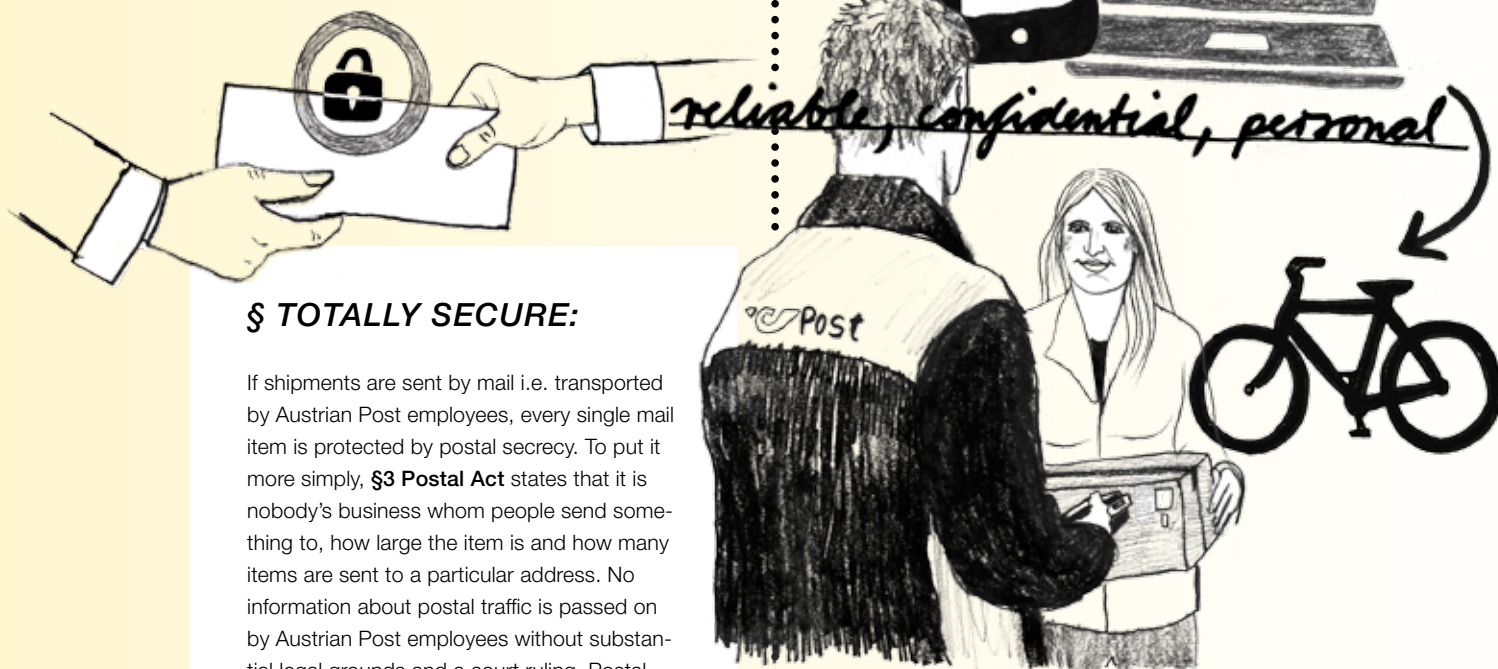
The underlying goal of Austrian Post has been to find ways to even more effectively support customers of mail-order companies in their efforts to fight against order fraud. Accordingly, the company took part in the international “Action Week” initiated by Europol to combat cyber fraud in online shopping. There were gratifying and tangible signs of success throughout Austria during that week and in subsequent days due to the intensive cooperation with the police and mail order firms. Austrian Post employees set their sights on 30 parcels in close consultation with the police. The alleged perpetrators were arrested in four cases. Other conspicuous items provided leads for detectives. The investigations are ongoing.

More than anything else, the concerted efforts during the Action Week served to raise awareness among customers. Austrian Post already takes a very security-centric approach in its daily (parcel) shipping operations. “However, we need the support of customers”, explains Heinz Schiller, Head of Customer Management at Parcel Logistics Austria. “The more they help out, the more successful we can be in preventing order fraud. If they notice suspicious mail items, they should contact our service centre or report it to our online post office box at ploe.sicherheit@post.at”.

“Letters continue to enjoy a high level of trust.”

The threats posed by cybercrime underline the strengths of analogue or physical forms of communication. Surveys carried out by Austrian Post show that customers are very aware of this. Online shopping is expanding, both in absolute and relative terms. Nevertheless, the letter remains the preferred option when it comes to conveying really important information. There are many documents which citizens and companies would rather physically store in their files, such as contracts, invoices and registered mail. It is obvious that the young generation, the “digital natives”, do not want to do without the online option. The challenge for Austrian Post is to optimally position itself in offering services for both channels.

The electronic mail solution offered by Austrian Post is called the e-Letter and can be used as a secure alternative to conventional forms of communication (details can be found on page 46). Data protection and data security comprise the top priorities in this offering and all other digital services such as data and address management. Accordingly, Austrian Post is already optimally equipped for the General Data Protection Regulation scheduled to take effect in the EU in 2018.



§ TOTALLY SECURE:

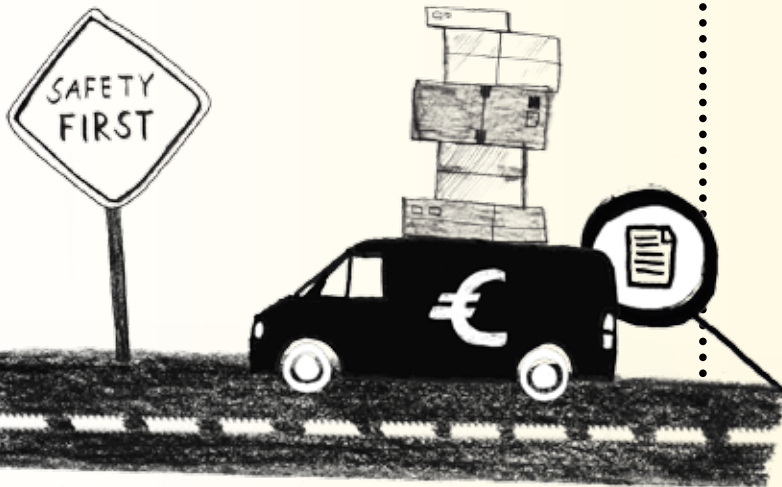
If shipments are sent by mail i.e. transported by Austrian Post employees, every single mail item is protected by postal secrecy. To put it more simply, **§3 Postal Act** states that it is nobody's business whom people send something to, how large the item is and how many items are sent to a particular address. No information about postal traffic is passed on by Austrian Post employees without substantial legal grounds and a court ruling. Postal secrecy does not apply to people who come into contact with a mail item after it has been delivered. However, sealed mail items are still protected by the secrecy of correspondence as guaranteed by law. This means that nobody – with the exception of the intended recipient – is allowed to open it. The secrecy of correspondence is enshrined in human rights law, namely in **Art. 10 of the European Convention on Human Rights**, protected by constitutional law in Austria as laid down in **Art. 10 Basic Law on the General Rights of Nationals** of 1867 and by criminal law in **§ 118 Austrian Criminal Code**.

Whether analogue or digital, Austrian Post maintains countless tools on all levels and across all divisions to ensure that print and online channels are secure. The measures range from access restrictions and identification requirements to track and trace, special checks and compliance hotlines.

Whenever possible, Austrian Post subjects its services to external testing and certification. This is designed to avert threats for which there may possibly be a “blind spot” standing in the way of their detection. For example, the Austrian Post subsidiary Scanpoint was granted certification in 2015 and 2016, taking account of the fact that it faces high security expectations as a consequence of its activities as an information archiving service provider.

“Whoever proves his value wins people’s lasting trust.”

The issue of security is also of particular importance to Post.Wertlogistik. This Austrian Post subsidiary focuses on a valuables and cash in transit service, cash management and the storage of valuable goods. Walter Fellacher has served as its Managing Director since 2006. Thanks to his fourteen years of professional experience, he knows the sensibilities of the business back to front. “If a customer entrusts his money to us, our job not only entails transport and storage but also protection. For this reason, in our area of work customers carefully consider which partner to place their confidence in.”



Post.Wertlogistik is doing a lot to make sure that it is the preferred choice. The issue of security is a matter of the highest priority in all areas, applying just as much to structures and processes as to technologies. An integrated management system developed in accordance with the ISO 9001 standard documents the clearly-defined processes and controls and provides a framework for security-oriented activities. “We steadily and very systematically monitor the system parameters of risk, security and quality via our integrated management system”, explains Walter Fellacher.

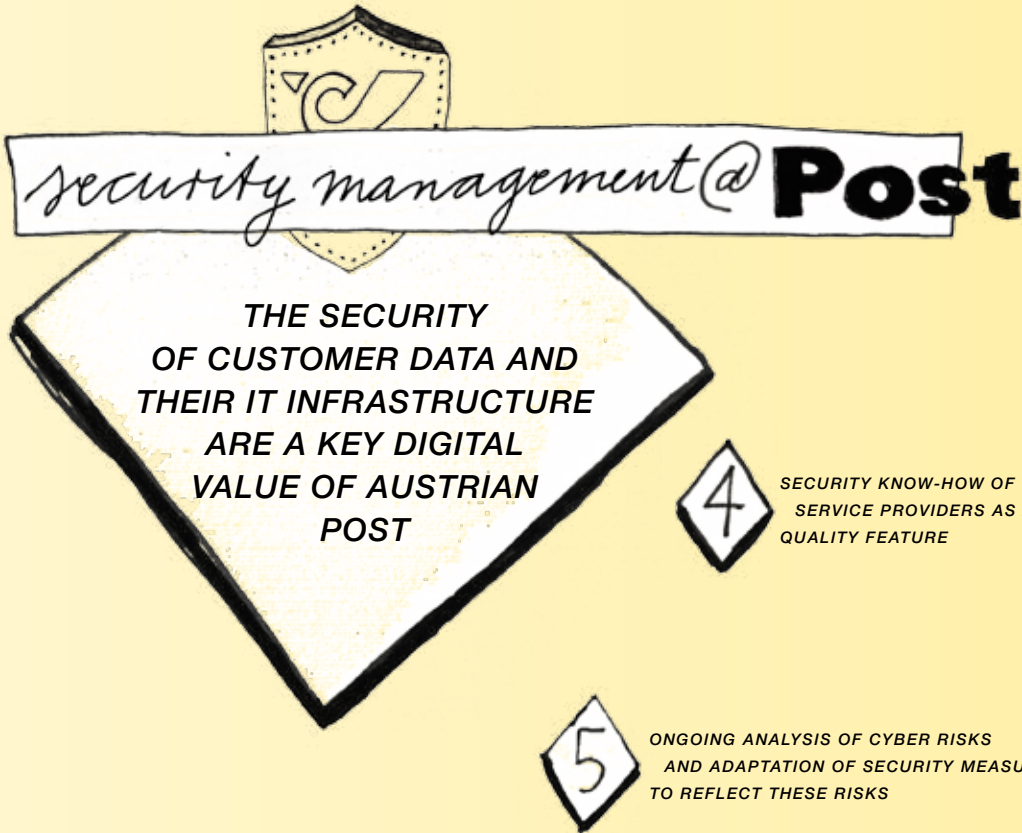
Ongoing investments in technical security precautions and internal processes improved in cooperation with the police have made the branch offices of Austrian Post much safer. Dietmar Ramharter, Head of Branch Network Security Management, adds: “You cannot impose security. You have to live it.” Statistics show that the implemented measures have borne fruit. Only two branch office robberies took place in 2016.

1 INTEGRATED SECURITY MANAGEMENT AS AN INSTRUMENT TO MASTER RISKS IN CYBERSPACE

2 IT & CYBER SECURITY AS THE CORE CRITERION IN SELECTING IT SOLUTIONS

3 REGULAR AUDITS BY INDEPENDENT SECURITY EXPERTS





“We can only ensure security via permanent teamwork.”

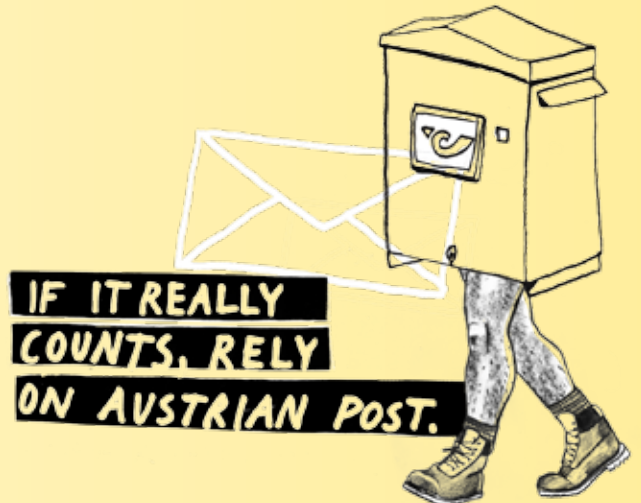
The question of how the issue of security is bundled and managed at Austrian Post ultimately leads one to the “Group Security” department, which has been led by Christian Paul since May 2016. “We are addressing the problem of security with a great deal of respect”, he says. “What is at stake is nothing less than our ability to fulfil our service commitment day in and day out in handling more than 15 million customer orders.” Accordingly, his responsibilities are particularly complex, ranging from strategy development and formulating policies and guidelines to specific behavioural rules designed to breathe life into theoretical instructions.

Christian Paul is supported by a team of six employees. Together they continuously monitor and assess the overall situation, contributing their individual experience and know-how. In this way employees working for other areas of the company can learn from any incidents that happen and strategically equip themselves to avoid risks in the future.

All this shows that the “security team” of Austrian Post extends far beyond the Group Security department. “Security concerns all Austrian Post employees. It does not only take place in my office, but everywhere. This means that every colleague in the Austrian Post Group is an integral part of Group Security.” Christian Paul’s

deep-seated conviction is the basis for his adherence to this philosophy. “The list of potential threats to Austrian Post is quite long, as it is for all companies. This begins with property crime and extends to exploiting mail as an instrument for committing criminal offences. The only way for us to successfully deal with this is to ensure that the entire organisation remains extremely vigilant at all times.”

“Apart from that, Austrian Post also has a reputation to uphold”, says Christian Paul, getting to the heart of the matter. “As an essential component of the Austrian infrastructure, we have developed a competitive edge. As a result, it is fair to say, “If it really counts, rely on Austrian Post.”



Closeness Creates Trust

An Interview with the Management Board



The dynamic pace of change in the economic environment also impacts Austrian Post's business. The developments bring new tasks and challenges, but also open up opportunities. In an interview, the Management Board responds to questions on current issues and provides an insight into its opinion about the future of Austrian Post.





WALTER HITZIGER, WALTER OBLIN, GEORG PÖLZL AND PETER UMUNDUM (FROM L. TO R.)



WALTER HITZIGER
MEMBER OF THE
MANAGEMENT BOARD
MAIL & BRANCH NETWORK
DIVISION

Why did you choose “trust” to be the motto of the Annual Report 2016?

GEORG PÖLZL: We are going through a period of major changes in society, politics and the economy. Our sector is characterised by declining letter mail volumes as a result of electronic substitution, more intense competition and growing parcel volumes. The competitive environment is getting harsher. Against this backdrop, it is important for our company to see what our competitive advantages are. They not only include our operating performance and market leadership in Austria but soft factors as well.

The bottom line is that the individual aspects of our performance promise such as quality, security and reliability can be summed up in one word: trust. It is a core element in our DNA, the fabric of our company which closely links us to all our stakeholders – to customers, partners, employees and of course our shareholders. This is because they can have confidence in a strategy implemented in line with a very clear capital market positioning. All our relationships have evolved and matured in the long term, due to the fact that we have repeatedly fulfilled our promises over many years.

Let's continue focusing on customers. Why do they trust Austrian Post?

GEORG PÖLZL: The answer is simple: customer proximity. For many people, Austrian Post stands for the reliable mail carrier from next door, which we have observed time and again in our customer surveys. The mail carriers regularly get the best marks. They are the ones who are part of the village or neighbourhood and know the people and their habits. If the recipient is not at home, they know where to drop off the parcel so that the addressee does not have to pick it up at the branch office. This proximity builds trust. Nothing can replace it. In spite of all the innovative solutions that are available, human contact remains the most important factor in a customer relationship, and is supported by high quality delivery and the nationwide availability of our services.

Nevertheless, major changes are taking place, and competition is tough. What makes you so certain that Austrian Post will continue to successfully assert itself on the market?

WALTER HITZIGER: Change is a daily companion in our business. We see that letter mail volumes are declining around the world. Austria is not different to this, and last year we faced a drop of 5% in traditional letter mail volumes. The market for direct mail items, the second important pillar of our business, continues to be rather volatile and is impacted by a weak economic environment. This does not mean we will bury our heads in the sand. We will continue to develop the company and upgrade our products. This begins with improved services and processes such as the hybrid letter with advice of receipt, which makes the delivery process for official mail easier and more secure when the recipient directly puts his signature on the handheld, and extends to the e-Letter.

What is the situation in the parcel market?

PETER UMUNDUM: Parcel volumes are steadily growing thanks to the online shopping trend. At the same time, new competitors have recently stepped onto the playing field, and we have to hold our ground against them. In this regard, we attach great importance to innovation, and rise to the challenge of fulfilling the increasing demands of our customers – whether senders or recipients. We always consider both sides, and work to generate added value for the sender and ensure comfort for the recipient. We profit from being part and parcel of the everyday lives of our customers. We see what moves them, and the knowledge we

PETER UMUNDUM
MEMBER OF THE MANAGEMENT BOARD
PARCEL & LOGISTICS DIVISION



GEORG PÖZL
CHAIRMAN OF THE
MANAGEMENT BOARD
CHIEF EXECUTIVE OFFICER

gain is directly integrated into our offerings. Take the example of the customer's need for "flexibility". Last year we managed a 92 % success rate for parcels on the first delivery attempt. This is a top-notch result. At the same time, we deposited two million items in our pick-up stations. And since autumn 2016, customers have been able to use the Flexibox, which "substitutes" for them in accepting parcel delivery at their front door. We will be able to withstand any kind of competition as long as we quickly identify and fulfil customer requirements.

The capital of Austrian Post are its employees who keep the promises made by Austrian Post day in and day out. How can you ensure that they are trustworthy?

GEORG PÖZL: This can only be achieved with a functioning trust- and performance-based culture. It cannot be done under constraint, but only through conviction. Moreover, it is important to mention that such a corporate culture must be continuously cultivated. Several years ago, we developed a short and understandable mission statement to enable all of us at Austrian Post to know how to orient ourselves in our interactions with each other. The focus is on respect, appreciation and open communication. For example, this means we always treat each other fairly, even in the light of difficult tasks and differing interests. Naturally the mission statement not only applies to the way we work in-house, but in our everyday dealings with our customers.

I am very happy and thankful to be able to say that our employees are the most important drivers of our success thanks to their dedication and commitment.



PETER UMUNDUM, GEORG PÖLZL, WALTER HITZIGER AND WALTER OBLIN (FROM L. TO R.)

Let us turn to the issue of the growing importance of online communication, which also impacts the letter business. How do you see and deal with this development?

WALTER HITZIGER: It is true that the digital world is an important aspect of our daily lives. However, many customers continue to prefer traditional letter mail when it comes to relevant and individual contents. The reasons are obvious and literally in our hands. The recipients directly get their hands on the mail item without having to log in and look to see if mail has perhaps arrived. The physical letter is not overlooked and is transparent. It is clear who the sender is, a fact that can no longer be taken for granted against the backdrop of increasing online data abuse. The physical letter is an alternative to online communication, once again underlining the advantages for the customer.

Nevertheless, we see the increasing volume of online correspondence as an opportunity to offer meaningful complementary services. As a service provider, we want to find a suitable solution for every path and service customers make use of. The e-Letter is an example of a very customer-oriented product. It makes it possible for customers to decide themselves whether they want to receive analogue or digital documents. This is a reasonable solution and an optimal symbiosis.

Is it possible for Austrian Post to transfer the trust it commands to online communication?

WALTER HITZIGER: Trust has to be earned. This takes place on the basis of reliability and security, regardless of the particular medium. Accordingly, security is not an option for us but a pre-requisite. At Austrian Post, we give our customers an ambitious service commitment we have to fulfil in all our activities. The digital world is extremely dynamic and calls for special attention. For this reason, it was important for us, for example, to be able to address the issue of security at the moment we introduced our first online product on the market. Generally speaking, we feel obliged to live up to the trust customers place in us in all our services, irrespective of whether a printed or digital message is conveyed at the end. Our claim is to convince customers in general by offering high quality. In this way, we also want to be worthy of the confidence placed in us by our customers in the future as well.

Customer behaviour has also become a dynamic process. The customer is increasingly discovering how convenient it is to shop using an online ordering portal.

PETER UMUNDUM: We can observe every day that online shopping encompasses a growing number of products and customer groups. The growth rates are enormous, and we at Austrian Post also profit from this. We have made adjustments by expanding our capacities at an early stage and extend our service offering in a targeted way. Our mail and parcel carriers reach all Austrian households each day, and can continue delivering most parcels throughout the country on the next day. We offer the broadest range of services in Austria thanks to 1,800 postal service points, 334 self-service zones, nearly 260 pick-up stations and more than 18,000 pick-up boxes. With our Post App, customers can track and trace the path their goods take at any time, or redirect them to another location by using their tablets or mobile phones.

It is extremely crucial for us to maintain our quality at a top level. Like in every growing market, the Austrian market also lures competitors we have to successfully cope with, ideally before they can establish a foothold. The issue of innovation plays a very important role in this regard.

Can you briefly explain this?

PETER UMUNDUM: There is a saying which also applies to our market, “Whoever stands still falls behind.” That is why we ask ourselves all the time what new solutions will be able to create added value for our customers. We do this internally with our teams but also in collaboration with external partners and universities. Some time ago we set up our own online innovation team for technical online solutions, which works very successfully today.

In addition, we also conclude strategic partnerships. Last year we acquired a 30% stake in ACL, a leading service provider in the field of e-commerce solutions. This opens up new opportunities and enables us to develop new service offerings. We also receive new impetus from partnerships with start-ups. In the meantime, our “Post Start-up Challenge” has become a permanent fixture at the “Pioneers Festival” in Vienna.

As a publicly listed company, you also try to win the confidence of investors. What do you promise them?

WALTER OBLIN: In the first place, it is important for us to be very transparent for our investors so that they will get a clear picture of us. We benefit from the fact that we pursue a simple and predictable business model which



WALTER OBLIN
MEMBER OF THE
MANAGEMENT BOARD
CHIEF FINANCIAL OFFICER

has also proven its value in times of crisis. For example, we suffered hardly any losses during the 2008/09 crisis. However, we are not a typical growth stock. A shareholder has to be aware of this before investing in Austrian Post. It is the first and fundamental aspect of our investment story. Our business model is tried and tested, and keeps us in a stable number one position in Austria. Second, we also boast a strong balance sheet without the need for borrowed capital. We can finance our expenditures from our cash flow, and generate a significant free cash flow every year. That is why we are in a position to promise a stable dividend to our shareholders, the third part of our investment story. We distribute at least 75 % of the Group net profit each year as a dividend. And fourth, we keep the promises we make. Since the IPO we have always fulfilled our dividend promise. We will do everything we can to maintain this predictability in the future.

What risks does an investor take when investing in the Post share?

WALTER OBLIN: It goes without saying that every company is subject to certain risks. The biggest threat we see on the horizon is the decline in letter mail volumes. Each drop of 1 % means a corresponding revenue decrease of EUR 7m. We anticipate an ongoing reduction in addressed letter mail volumes, mainly as a consequence of electronic substitution. We have to compensate for this. This can be done partially through cost savings, but also on the basis of innovations and product developments we launch on the marketplace. We also see new players entering the parcel market. On balance, parcel growth is high, and naturally our competitors want to profit from this. As a result, market shares have shifted slightly. Nevertheless, we once again generated growth in the number of parcels we delivered in 2016, from 80 to 81 million.

How do you rate Austrian Post's performance in the 2016 financial year?

WALTER OBLIN: Our business results were very satisfactory in light of the challenging market environment. We succeeded in increasing operating EBIT from EUR 198.0m to EUR 202.3m. In turn, this serves as the basis for raising the dividend. We will propose a dividend of EUR 2.00 to the Annual General Meeting. In this way, we once again emphasise our positioning as a reliable and predictable investment.

So, is it possible that in the future customers, partners and shareholders will be able to continue having confidence in Austrian Post?

GEORG PÖLZL: We are working on this every single day, fully aware that we do not have a subscription to trust which we can simply renew. We are firmly committed to bolstering the confidence customers place in us, also in the future. For this purpose, we will preserve what our customers appreciate about us i.e. our high delivery quality and physical closeness via a nationwide network of postal service points and self-service zones. At the same time, we will continually expand our services with a view to generating added value for our customers and further optimising our structures and processes.

Quality for our Customers



SOLUTIONS & SERVICES

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A HUMAN BEING
REMAINS ANALOGUE



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THE MILE OF TRUST –
LOGISTICS AS THE SUCCESS FACTOR
IN E-COMMERCE



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WELL RECEIVED
ONLINE SOLUTIONS



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INNOVATIONS
KEEP FLOWING

A Human Being Remains Analogue

Only that which is perceived can have an impact. That is why it is essential to reach a person where he is at a given moment. This is best achieved when analogue channels are used in addition to digital ones. Up until now people have searched for places to find peace and quiet in addition to the digital world. Paper serves other needs than bits and bytes. Printed material which ends up in the letterbox has the undivided attention of the recipient. Austrian Post is the market leader in the delivery of letter mail and direct mail items and the ideal partner to develop and implement print campaigns.



Twice a week the collective advertising envelope KUVERT is brought to about 3.1m Austrian households, full of offers made by advertisers. This attractive advertising tool reliably delivered by Austrian Post has steadily succeeded in reaching the desired recipients for more than five years. The KUVERT, which 89% of all Austrians are familiar with, is not only well received but is also consistently used and read. 64% of all readers take advantage of the KUVERT to inform themselves about the latest offers and promotions. Accordingly, this advertising medium opens up enormous opportunities for business. Therefore, it is not surprising that an increasing number of advertisers take advantage of this service provided by Austrian Post.

2.6
m
READERS

READERSHIP GROWTH KUVERT*

2014: 2.1m



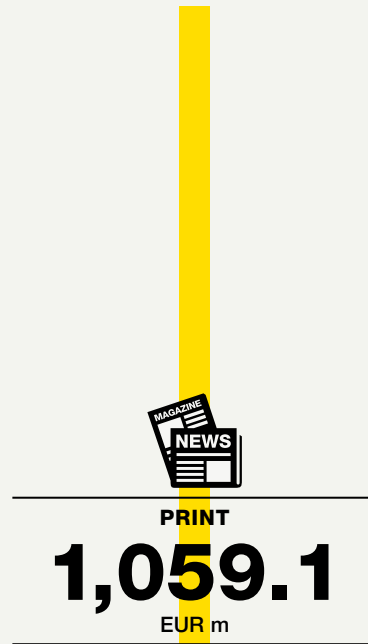
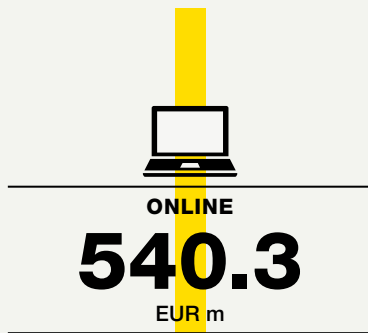
2015: 2.2m



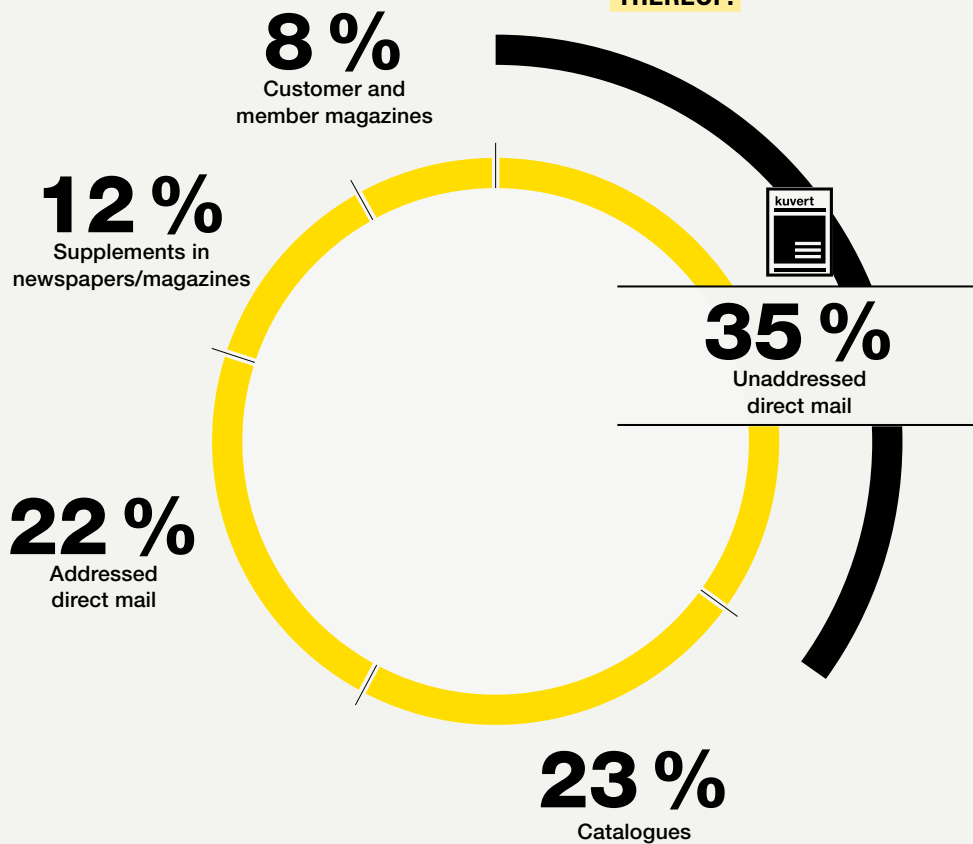
2016



DIALOGUE MARKETING EXPENDITURES 2015*



THEREOF:



* Results of a survey of 500 marketing and advertising managers of companies conducted in January and February 2016

— GETTING ATTENTION WITH AN ANALOGUE APPROACH

Direct mailings or a catalogue used in product advertising also score points, just like the KUVERT. They all have something in common, namely that they work in an analogue manner. And there is a good reason why this is the case – they actually reach and impact people.

Austrian companies are also very much aware of the strengths of printed materials. This has been confirmed by a study implemented by the market research institute marketmind with respect to trends in advertising expenditures on the part of Austrian companies. Contrary to every forecast about the substitution of conventional advertising by online communication, the report clearly shows that well-known tools are the big winners when it comes to advertising spending. On balance, expenditures on conventional advertising rose 7% in 2015, compared to “only” 4% for online marketing. Two out of every three euros spent on dialogue marketing are invested in print media advertising.

FLYERS ARE EN VOGUE

The conventional flyer is a highly-regarded information tool in Austrian households with 6.3m readers, and ranks among the most effective means of advertising. 97% of recipients take notice of this form of non-personalised advertising and actively use it. A Gallup study carried out in 2016 concludes that the contents of TV and Internet advertising are only recalled by 24% and 9% respectively of the target group. This contrasts with a convincing 76% rate for people getting flyers.

The Austrian Post Brochure Award took place in 2016 for the 10th time. The most popular leaflets and flyers were once again chosen by means of public voting and given the “Golden Poldi”. The growing enthusiasm for flyers as an advertising medium is shown by the high level of voter participation, with Austrians casting 20% more votes than in the previous year.

Paper alone is no guarantee for strong emotions. Stories are first well accepted when they are actually well received. In other words, the right story needs a suitable recipient. Ultimately the loyal heart displayed on the catalogue of a romantic hotel in Tuscany will not move the backpack tourist in the outback to tears.

INDIVIDUAL APPROACH

If half of the catalogue is written for someone else, the customer relationship is at a very low intensity.

Personalisation is the secret to success. And this is precisely what Austrian Post successfully does. The bottom line is that this approach leads to twice as many business deals. For example, AccorHotels consistently differentiates between its classic and silver customers on the one hand and gold and platinum customers on the other hand, correspondingly tailoring its appeal to customers with the support of Austrian Post. This differentiation, complemented by a personalised direct mailing promising a high-quality reward for every application for every newsletter registration, helped the French hotel chain to achieve a 29% response rate from its gold and platinum customers. This represents a 200% improvement compared to the previous year.

“For AccorHotels, it is important to address Le Club AccorHotels members in a personalised, individual and creative manner. The challenge is to find the right communications mix to fully reach them and convey the value of the programme. The Post mailing was a communications channel that caused quite a stir. In particular, the respectful way of addressing our loyal members with gold or platinum status was very successful. The success of this campaign can be particularly attributed to the comprehensive consulting provided by Austrian Post as well as the outstanding cooperation with all those involved in this project.”

— THE CORNERSTONE: COMPETENT DATA AND ADDRESS MANAGEMENT

Professional data and address management are essential in addition to personalisation. This means knowing what is important for customers, and using this data as the basis for appealing to them. Austrian Post is simply unbeatable in this area. Customers can select their optimal target group from among 3.2 million households on the basis of many criteria. Existing customers are analysed with statistical methods and models in order to put together a clear customer profile. Professional target group splitting and systematic regionalisation ensure that messages are perfectly tailored to customers. For example, this was the case with Alfa Romeo, which relied on the all-round service of Austrian Post in launching its Alfa Romeo Giulia premium limousine. All aspects of the campaign were ideally aligned, from the initial concept, well-founded target group profiling and cross-media mix to live media monitoring and lead management. “The dialogue marketing campaign implemented in collaboration with Austrian Post far surpassed our expectations. The response rates were consistently high, enabling us to provide our dealers with numerous and very useful leads”, states a pleased Elisabeth Rössler, Brand Marketing Communication Manager at Jeep & Alfa Romeo.

— PERSONALLY INFORMED

Medium-sized firms in particular rely on targeted direct marketing, especially because, in contrast to multinationals, they are not able to benefit from the magnetism of a major brand. Ready-made solutions will not help much here. Instead, they require customised products giving medium-sized companies the flexibility and efficiency they need.

Austrian Post not only offers suitable solutions but also personally assists companies as a valued partner. Since 2014, microm meetings have been held in regional hotspots enabling firms to familiarize themselves with attractive services and specific success stories in the fields of geomarketing, address management and direct marketing. This type of business breakfast has emerged as a permanent fixture for medium-sized enterprises. It is not only designed to convey information but also offers opportunities for personal contact, identification of individual needs and networking. Word of the inherent potential quickly spreads. In the meantime, this SME initiative of Austrian Post has achieved an impressive outreach, attracting about 1,700 participants in 2015 and 2016.

In addition to the popular events, Austrian Post provided information to both large customers as well as small and medium-sized companies about the enormous potential of personalised advertising within the context of a cross-sectoral campaign. A reading rate of 84% and a utilisation rate of 75%, after all, are reason enough for more than every third company in Austria to invest in this advertising medium. In line with the motto, “even more is possible”, customers particularly in the retail, automotive and tourism sectors were provided with contents tailored to their specific business, and discovered how to profitably exploit addressed advertising.

— INTERNATIONAL BUSINESS MAIL

Customers not only take advantage of the strengths of analogue communication in Austria. Everyday AUSTRIAN POST International picks up global business mail in Germany, and takes care of franking, sorting and direct shipping the mail items to the target country. The advantage for business customers is the pinpointed, predictable shipping of catalogues and advertising mailings in Germany and throughout the entire world.

Thanks to the extensive international experience of AUSTRIAN POST International, companies can be confident of getting the optimal dispatch solution. Depending on the objective and destination country, mail items can even be designed in a “local look” typical for that area. This comprises a clear advantage when it comes to enhancing the impact on the recipient.

Additional services such as returns and response management, address analyses and target market consulting round off the portfolio, so that international customers benefit from Austrian Post’s customarily high standards of quality and reliability.



— SAFE AND SECURE

In situations where people do not want to take risks, they always rely more on their own senses than on technology. Analogue communication appears to be reliable because it is something tangible and hands-on.

Reliability is particularly important when money is involved. Austrians prefer to get their invoices in printed form, whether privately or in their professional work. As with the sending of invoices, the entire public sector attaches particular importance to security. Every official governmental process, whether at court or also on the part of the police force, must be completely watertight and function securely. It comes as no surprise that the public sector continues to rely on printed documents. For example, one of the largest letter mail customers is the Austrian judiciary. In the first half of 2016 alone, close to 2.5m mail items were sent requiring receipt confirmation, and almost 2.0m conventional letters were processed by the central mailroom

of Bundesrechenzentrum GmbH, the Federal Computing Centre.

There's no reason at all to stand still. In the summer of 2016, the delivery process of hybrid letters with advice of receipt was successfully modernised. The portable computer (handheld) used until now for parcel deliveries and registered mail will now also be used for registered RSa (personal delivery) and RSb (signed by the recipient) letters. The handhelds promote customer-friendly service and make day-to-day work easier. Earlier, a separate confirmation slip had to be filled out for every letter with advice of receipt, and was recorded at the end of the delivery tour. In the meantime, status information is directly entered into the handheld device, signed by the recipient and immediately transmitted to the Austrian Post server and subsequently to the electronic procedure register. This not only saves time but also reduces the susceptibility to errors.

WORLD'S FIRST STAMP MADE OF GLASS AND FIRST DIRNLEMBROIDERED STAMP



Postcards and letters can now be decorated with two new special stamps. In the summer of 2016, Austrian Post presented the world's first stamp valid for franking which is made of glass, and in September 2016 it issued the first embroidered Dirndl stamp. The glass stamp shows one of the famous pictures from the Upper Austrian municipality of Sandl, namely a reverse glass painted Pietà in front of the cross. The Dirndl stamp complements the leather trousers stamp issued in 2015 on the occasion of the "Wiener Wiesn" festival in the Vienna Prater.

— THE BEST CHOICE

One year after the IPO of Austrian Post, the reform of the electoral law served as the foundation for absentee voting in all elections since July 2007, even in the case of national referendums. Since then Austrian Post has been a committed partner of the electoral commissions, providing support when elections take place. Austrian Post handles the myriad tasks related to postal voting with the utmost precision and reliability, from hanging up electoral rolls and sending absentee ballots to handing the ballots over to the electoral commission. Eligible voters are aware of this. A record number of votes were cast by absentee ballot in the Austrian presidential election.

— CONCLUSION: MORE THAN "0" AND "1", ALSO IN THE FUTURE

Digital communication scores high marks thanks to its speed, the incisive contents and low costs. Online communication is appealing when the focus is on comfort. But even in the future, people will still have their moments when they need more than a binary "0" and "1", moments of special attention and care – when security is a key issue. These are the moments for a real piece of paper. People use paper to cultivate important relationships, successfully generate revenue and be on the safe side when handling their legal affairs.

This means that in the future, analogue communication will continue to be important. The same goes for its digital counterpart.

VOTE AROUND THE CLOCK



THE PUBLIC SECTOR AS A CUSTOMER

- simple, barrier-free voting, 24/7, in the smallest polling station
- Austrian presidential election 2016: every fifth vote cast by absentee ballot

The Mile of Trust

LOGISTICS AS THE SUCCESS FACTOR IN E-COMMERCE





A customer shopping in a retail outlet can hold the item in his hands, whereas online sales mean he has to rely on other people. In a relationship based on trust, the pivotal issue in e-commerce is the ability to offer an established platform and transparent logistics. This is what Austrian Post is focusing on.

Functioning and transparent logistics play a decisive role in online shopping. For one thing, it shortens waiting times between purchasing and receiving the goods. It also enables the customer to know exactly where the parcel is at a given moment. In this way, the sender is able to bridge the distance between the online retailer and the customer in a twofold manner, and build up a valuable customer closeness via transparent and reliable logistics. A sophisticated logistics concept for e-commerce is not limited to transporting the purchased items from one point to another, but goes even further. It ranges from suitable packaging and customised shipment structures to convenient delivery options for the recipients. The crucial factor is what goes down well with customers. Ultimately the entire process should become more comfortable and convenient for them. This is precisely what Austrian Post's offering aims to achieve.



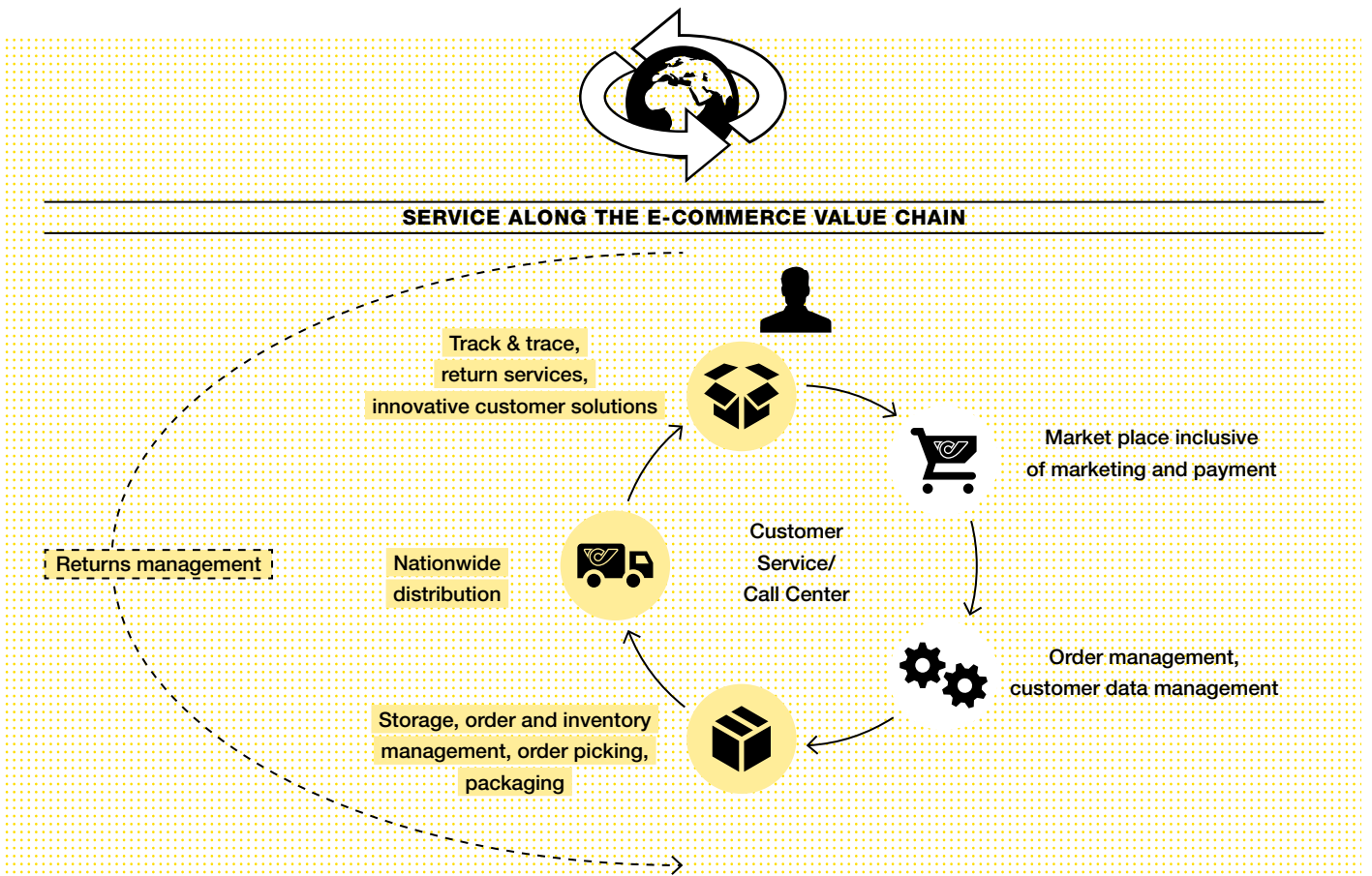
— ON THE SAME WAVELENGTH AS THE CUSTOMER: THE EASY WAY ONLINE

Austrian Post is the market leader for parcel delivery. As the largest provider, it is continually expanding its services and gives the domestic economy a simple means to increase its online retail presence on the basis of platforms and customised shipping solutions. Sales in traditional physical stores are virtually stagnant, whereas e-commerce offers high growth potential. At present online shopping accounts for 11 % of total retail sales in Austria. However, more than half of this revenue is not generated in Austria. For this reason, Austrian Post cooperates with the Federal Economic Chamber to organise business breakfasts designed to inform companies and decision makers in the retail sector about the latest developments in e-commerce and map out paths to increase their business online. The solutions offered by Austrian Post aim to strengthen the Austrian market and extend its e-commerce offering. Recently Austrian Post acquired a 30 % stake in the Styrian IT service provider ACL advanced commerce labs GmbH. Austrian Post can offer service-oriented, one-stop-shop solutions in collaboration with this leading provider of e-commerce solutions for large retailers and brand manufacturers in Austria, Germany and Switzerland. It starts with the online marketplace and extends to fulfilment and transport. With the support of Austrian Post and ACL, physical stores can gradually expand their offering, combine the branch business with an online shop and a merchandise management



system, take advantage of the online marketplace and conveniently have Austrian Post handle the entire logistics along the e-commerce value chain. Interested retailers get the required services from a single source, and can also assign responsibility to Austrian Post for order and customer management as well as payment management, order picking, packing, distribution via an effective transport network and returns management.

Starting in April 2017, Austrian Post will add another tool to facilitate the retail sector's online presence, namely the new marketplace called "shopping.at". Featuring a wide range of products and the delivery quality people are accustomed to, it is designed to become an interface linking local merchants and consumers.



— PERFECTLY CUSTOMISED: NEW SERVICES MAKE CUSTOMERS' LIVES EASIER

In e-commerce delivery speed is a crucial factor in the relationship between the customer and the retailer. The customer wants to hold the purchased merchandise in his hands as quickly as possible. He does not care if the goods come from Europe or Asia. In light of the fact that an increasing number of customers are ordering goods directly from China, Austrian Post is optimising its shipping options from the Far East. The project name “Fast Lane to Europe” says it all. Shipments from China will be easier in the future, but above all faster.

The mail-order company JAKO-O from Germany also considers Austrian Post to be the optimal partner for its cross-order business. The company uses Austrian Post for its shipments from Germany to Austria. Austrian Post picks up the parcels directly in Germany. “We were looking for a reliable partner to mail our parcels to Austria. We were convinced by Austrian Post’s service offering, featuring ideal solutions for flexible and convenient delivery. Accordingly, we can offer our customers speedy and comfortable delivery”, says Bernd Kleim, Logistics Manager at JAKO-O, in justifying his selection of a logistics partner.

Austrian Post also revamped its product portfolio in order to ensure even better service. An e-commerce friendly shipping structure meeting the needs of this fast-growing segment lies at the heart of its efforts. Online shopping primarily involves lightweight items such as books and clothing weighing up to two kilograms. The new “Packet” product group offers a free track and trace service if needed, and the smallest size “S” can be deposited in a normal letterbox. As a consequence, it can be delivered even in the absence of the recipient.

— NOW IT’S GETTING PERSONAL: PRODUCT MEETS BUYER

The overriding objective in online sales is to make everything as simple as possible for customers. This means no obstacles in shopping, securely packed goods as well as quick, transparent and uncomplicated delivery. All this builds trust, but the mail order company itself has no means of ensuring successful delivery, and must depend on a reliable logistics partner. The point in time in which the buyer receives the goods represents the precise moment of direct contact. This separates the wheat from the chaff.

Did the package arrive undamaged? Was the recipient able to change the delivery location as necessary? It is hard to overestimate the significance of the last mile. Austrian Post acts in a customer-centric manner by steadily expanding its range of services. In the meantime, Saturday parcel delivery has become a mainstream service, and the practical redirection option enables recipients to change the location or time of delivery. Parcels can automatically be sent to a nearby postal service point, pick-up station or neighbour of one’s choice thanks to the permanent parcel forwarding feature. The measures contribute to the high



PERSONAL AND RELIABLE



THE POST PICK-UP BOX ENABLES PARCELS OF ALMOST ALL SIZES TO BE DEPOSITED WHEN THE ADDRESSEE IS NOT AT HOME.



AROUND-THE-CLOCK AVAILABILITY FOR THE RECIPIENT: THE POST PICK-UP STATION

THE FLEXIBOX ENABLES THE SECURE DELIVERY OF PARCELS AT HOME. IF NEEDED, IT IS PUT OUTSIDE THE FRONT DOOR AND SECURED TO THE DOOR FRAME WITH A STRAP.

THE GOODS GO WHERE THE CUSTOMERS ARE

Longstanding logistics offerings should also be assessed in the light of the options opened up by e-commerce. One can be even more up-to-date! Austrian Post offers customised solutions.

first-time delivery success rate of Austrian Post, in which 92 % of recipients have the gratifying experience of getting their items on the first delivery attempt.

The Post Flexibox available since 2016 allows parcels, large-size letters and packets to be delivered in the customer's absence at any time by depositing them in front of the customer's doorstep. The Flexibox is simply attached to the door frame with a slash-proof strap when leaving the house. The mail carrier opens the box with his chip and puts the mail item inside. While the Flexibox is locked, the customer receives a message that the parcel has been left inside. He removes the parcel with his personal chip. In this way, the purchased item and the customer come together directly and conveniently.

Austrian Post provides even greater comfort in a pilot project being carried out by its subsidiary feibra. Same-day delivery is possible, and the customer can select a two-hour time slot between 8 a.m. and 9 p.m. in addition to the desired delivery date. Flexible delivery is also offered by the Austrian Post subsidiaries in Croatia and Hungary. For all these services, the customer alone decides the time of delivery in the ordering process.

Austrian Post also launched the comfortable pick-up of return parcels in October 2016. If the mail carrier brings a parcel, the customer can give it back to him with a return shipping label or printed parcel stamp affixed to it. Accordingly, the mail carrier not only takes care of delivery but picks up parcels and accepts returns at the same time. It is now even easier for customers to return or drop off parcels.





— PROFESSIONAL DELIVERY MAKES ONE HUNGRY FOR MORE

Problem-free logistics and short delivery times are particularly important in new business areas based on e-commerce. Experts predict a rosy future for online food retailing. Speedy, convenient and professional delivery is what is needed to make this happen. The bottom line is that the freshness of the food must be guaranteed. Austrian Post delivers cooled fresh foods to a person's doorstep in specially designed insulation boxes. Same-day delivery is offered in the provincial capitals on request of the food store, and next-day delivery in the rest of Austria. The cooler can be emptied at delivery and taken back by the delivery staff, or the customer sends it back by attaching the enclosed returns label. This means that shopping for food has become easy in every respect. No need to carry heavy bags anymore!

Food delivery is an attractive solution, especially in areas which are not reached by the branch network, or for people with reduced mobility. Experts are convinced that food delivery services will enjoy great popularity in the future. Demand for food delivered to one's doorstep is already much stronger in other European countries such as Great Britain than in Austria. Here consumers still stick to old habits and benefit from a much larger network of retail food stores. In the future physical stores will do business in conjunction with online shops. The customer will stand in a store and resort to an App to order something for home delivery, or he will order online and pick up the food from the shop. As a result, two separate worlds will be connected to one another. Whoever speedily and effectively delivers food will be rewarded by customer loyalty. The retail sector is on the safe side here with Austrian Post as its partner.





FOOD DELIVERY - THE ULTIMATE CHALLENGE IN LOGISTICS

Customers should get their soups fresh, tasty and as quickly as possible. This is the ambition of Stefan Kollbauer, founder of mysoup.at. Mysoup specialises in the preparation of home-made seasonal soups which come in practical bottles. The target group is people who want to eat healthier but do not have the time to cook. "There are foodstuffs which are comparatively insensitive such as rice and tea, but we want guaranteed fresh delivery of our refrigerated soups to people's doorsteps. This is only possible with a competent partner", says Stefan Kollbauer. His company takes advantage of Austrian Post's effective shipping system to deliver its food products. Austrian Post's insulation box keeps the goods cool for up to 48 hours.

The mail order food business is developing very successfully, and demand on the part of the retailers is strong. The offering is used more frequently in rural areas, and provides tremendous relief to the people. Austrian Post aims to accelerate growth in online food retailing by adding new services. Same-day food delivery volumes tripled from 2015 to 2016, whereas next-day delivery showed a six-fold increase, but from a comparatively low level.

Well Received Online Solutions

Today people are used to being able to access the desired product or service regardless of the time and place. As a result, the expectations placed on Austrian Post and the services it offers are rising. Austrian Post's online solutions stand out due to their customer benefits and comfort. What all the company's solutions have in common is the underlying idea that things should be made even easier and more convenient for customers.



— NEW TECHNOLOGIES – SMARTLY USED

Some 67% of the Austrian population purchased goods online in the third quarter of 2016. The desired product is quickly ordered, but then they have to wait and be patient until the parcel is delivered. The track and trace service enables customers to check the whereabouts of their parcel at any time and from anywhere via a Post App or online. Austrian Post expanded this service in 2016 in order to further enhance customer benefits. A photo of the parcel is made when it arrives and is initially scanned in the logistics centre, and is subsequently displayed to customers in the track and trace process. The time in which the item was received by Austrian Post becomes more transparent for the customer. He knows when his parcel is almost there. Furthermore, the customer sees the size of the parcel, and can correspondingly plan for its transport or redirection. Not to mention the fact that the photo increases the thrill of anticipating the parcel.

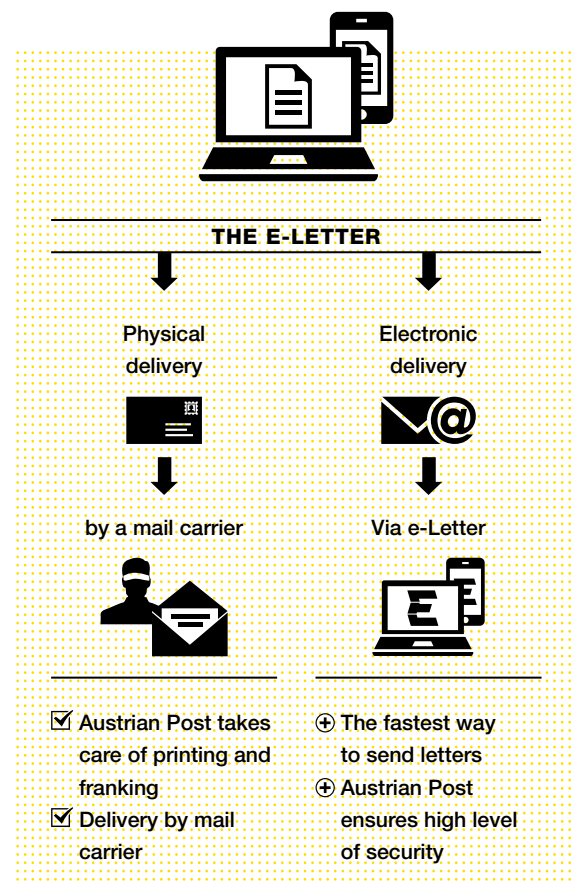
Austrian Post exploits the possibilities opened up by new technologies to facilitate access of customers to the entire online offering. In order to be able to completely and optimally take advantage of Austrian Post's online services, customers have to clearly identify themselves on the basis of their identification data and personal signature so that the functions are activated. Security, confidentiality and authenticity are Austrian Post's top priorities when it comes to online orders. Up until now, this was only possible in a branch office or via mobile phone signature. However, in 2016 Austrian Post became one of the first service providers to introduce online identification to the Austrian market. It is available at post.at and in the Post App, and is implemented by the business partner WebID via a video chat. The benefit to the customer is that he can identify himself in an uncomplicated and secure manner from home or on the move in just five minutes, even on Sunday afternoon, when it is most convenient.

DUAL SHIPMENT

If delivery is not possible electronically, Austrian Post prints the document and delivers it physically.

— CAN LETTERS AND DOCUMENTS BE RECEIVED ELECTRONICALLY? CERTAINLY AND SECURELY!

In addition to paper invoices, 50% of all Austrians prefer to electronically receive important personal documents such as insurance policies and bank documents. The conventional dispatch of documents via e-mail involves an insecure transmission, and the data can be singled out and read by third parties. Austrian Post has developed a solution – the e-Letter – to ensure the totally secure electronic reception of sensitive documents and letters while maintaining letter secrecy. Sensitive documents are not selected or read while being dispatched, but are deposited in a digital letterbox for the customer. The e-Letterbox enables access to letters and documents such as invoice and contracts anytime, anywhere. The sender and customer can select from three security levels depending on their specific needs. Important items are received as quickly as an e-mail but as securely as a letter.



- Austrian Post takes care of printing and franking
- Delivery by mail carrier

- ⊕ The fastest way to send letters
- ⊕ Austrian Post ensures high level of security

Austrian Post joined forces with an expert to launch the e-Letter. In the autumn of 2016, Austrian Post acquired an equity stake in sendhybrid, a pioneer in electronic delivery. This specialist for secure electronic document transmission enables the verifiable, time and location-independent reachability of recipients and their access to an e-Letterbox via smart phone, tablet and PC. The highest possible data security and compliance with all international conditions and rules are guaranteed.

— FINDING ONE'S BEARINGS DESPITE THE INFORMATION OVERLOAD

Accelerating digitalisation not only means being independent of time and space but an overwhelming amount of information to be dealt with. In addition, increasingly quick decisions have to be made. Is something important or unimportant, interesting or uninteresting? Does it need attention immediately or later? Austrian Post has developed a variety of solutions to assist people to orient themselves despite the flood of information.

AN EASY WAY TO MORE ENERGY

Since the liberalisation of the Austrian electricity market, consumers have been confronted with the issue of what tariffs are the best and least expensive for them. For this purpose, Austrian Post has created an uncomplicated solution facilitating comparisons and making it easy to switch electricity and gas suppliers. The Energy Cost Calculator offered by Austrian Post to evaluate energy costs helps consumers to quickly gain an overview of electricity and gas tariffs in Austria, inform themselves about discounts and price models and compare offers. Subsequently they can select the most suitable rates free of charge, and save money at the same time. Questions are answered by branch office employees who can initiate the change in service providers on request. No other costs or efforts are required on the part of the customer. Austrian Post also offers this service online. Customers can conveniently and flexibly compare offers from their own homes or on the road, and change their suppliers with just a few clicks.

ENERGY COST CALCULATOR:
PERSONAL SERVICE IN CHANGING ENERGY SUPPLIERS



THE BEST OFFERS WITH ONLY ONE CLICK

How can consumers search for the offers that most interest them and are tailored to their needs against the backdrop of so many available offers? And how can companies extend the outreach of their flyers, offers and promotional campaigns and simultaneously reduce waste coverage? The digital retail marketing platform Aktionsfinder, in which Austrian Post has owned a 100 % stake since the fall of 2016, combines both of these benefits. There companies can also promote their leaflets, flyers, offers and campaigns online in addition to the direct mail items deposited in people's letterboxes. Moreover, users can browse through the digital flyers or targetedly search for offers. Recently the portal attracted 800,000 visits and about 25m leaflet page views per month. Accordingly, it ranks among the largest online portals for digital advertising flyers in Austria.

KUVERT DIGITAL also links print and online media. In this case, advertisements are placed in Austria's most popular and highest-reach news portals and then displayed when the contents reflect the specific interests of the user.

— A BETTER SOLUTION IS CREATED WITHIN THE NETWORK

Austrian Post continually searches for new, innovative solutions to enhance customer comfort. Austrian Post is also involved in online approaches and thinks outside of the box due to the shorter paths and the creative ideas frequently arising from networking. If customers are offered added value, Austrian Post also cooperates with young, fresh start-up companies to develop new ideas, or involves customers in brainstorming.

GOODBYE CHRISTMAS STRESS

Within the context of the "Innovation to Company" initiative of the Vienna Economic Chamber, Austrian Post looked for new business models and solutions for the issue, "Last Mile – Delivery to the End Customer." The focus was on intelligent software solutions for the most location-flexible, time-definite delivery services possible. The result was byrd, a start-up optimising the "first mile". Is this a contradiction? Quite the contrary!

byrd enables items to be sent directly from a person's couch. Shipping is authorised with just a few clicks via an App. The partnership started in Vienna at Christmas time. byrd picked up the objects from the customer and packed them securely for transport at the warehouse. Austrian Post took care of shipping and delivery. Customers saved themselves the trouble of going to a branch office during the Christmas season. Even after the initiative, byrd and Austrian Post continue to work together successfully.

THE CUSTOMERS OF TOMORROW

In search of new partnerships, Austrian Post also attended the "Pioneers Festival" in Vienna in 2016 and organised the "Post Start-up Challenge." It was a huge success. Four young, innovative Austrian companies convinced the expert jury of their business idea. StoreMe presented a platform enabling the offer or search for private storage options to the jury, which included four top Austrian Post managers. Camfex impressed the jury with a "Stabilizer" for GoPro cameras. The company "Erdbeerwoche" offers ecologically-friendly hygienic products for women, whereas Nuapua launched a new drinking system making sugar-free refreshments from water on the basis of its own flavoured capsules.

The prize bestowed upon the four firms by Austrian Post involved media and mail volumes valued at EUR 40,000 each.

WIN-WIN

Start-up companies of today are tomorrow's customers of Austrian Post. Winning the "Challenge" pays off for both sides.



AUSTRIAN POST SEEKS INNOVATIVE IDEAS FOR THE DELIVERY STAFF OF THE FUTURE IN ITS IDEAS COMPETITION.

ALL-ROUNDER IN YELLOW

How can the service offering of Austrian Post be extended above and beyond logistics solutions? How can we expand the scope of activities on the part of the delivery staff and thus develop new services for private or business customers? These comprise intriguing questions for which Austrian Post searched for innovative responses by holding an online ideas competition. This competition actively integrated consumers in the development of new products in order to ensure customer benefit. On balance, more than 200 ideas relating to different areas of company operations were submitted. The winners were determined according to the following criteria: creativity, originality, customer benefit and the willingness to pay for the services. In particular, data collection ideas were well received by all jury members, especially State Secretary Harald Mahrer. First place was awarded to the idea "Data aggregation via the Austrian Post infrastructure" developed by Max Wöhrer. More specifically, sensors on company vehicles should measure air quality and noise development. This approach can also be used to identify zones with poor mobile phone or WLAN reception. Austrian Post is currently evaluating the feasibility of the proposals.

Innovations Keep Flowing

Today it is possible to collect and evaluate unimaginably large amounts of data. For example, medical data can help to save lives because disease indicators can be identified earlier. Moreover, new technologies enable a wider range of people to gain access to the things of everyday life. All of us profit from this. Digitalisation can be exploited as a tool for a better future, in which companies can offer simple and efficient solutions to their customers. Austrian Post is working intensively on technological innovations to enhance the value of different solutions.

— SECURELY MANAGED

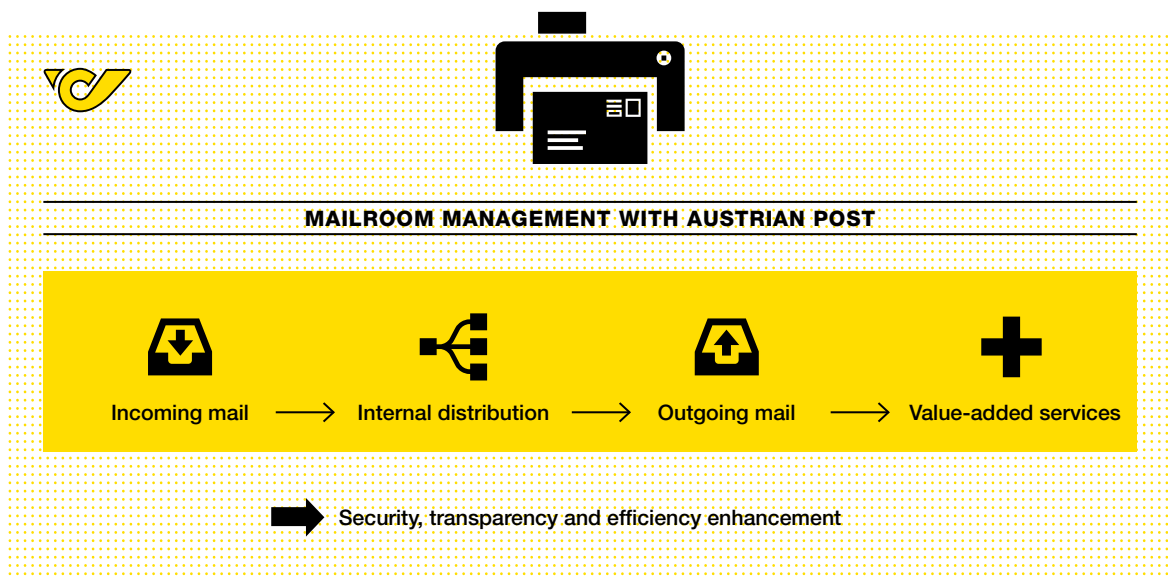
Business customers want simple and reliable shipping solutions, freeing up important resources for their core business activities. For this reason, Austrian Post continuously strives to further develop digital shipping solutions. Accordingly, business customers can now simply send their mail from their own desks. The innovative online service is called “Tages-Post” or daily mail. The customer easily enters the order by mouse click, and Austrian Post takes care of printing, enveloping and dispatch of business letters, guaranteeing the secure processing of the orders from a single source.

At the same time, companies are faced with the need to process increasing volumes of information as efficiently as possible. Quick access to the right files, simplified workflows and standardised processes are all advantages of modern, digital document management. Austrian Post offers secure and reliable solutions to its customers for this purpose. The “Post Cloud Enterprise” was developed in

cooperation with the cloud computing provider Fabasoft. This cloud solution enables a growing number of customers to optimise their document-based business processes and increase the efficiency of their daily work. This expertise is also applied to mailroom management. Here Austrian Post advises customers on how to introduce and simplify modern post handling processes. Erste Group Bank has taken advantage of this offering for about one year now and has completely placed responsibility for mailroom management in the hands of Austrian Post.

“We are very satisfied with this cooperation. We have been able to harmonise our standard services, shorten in-house procedures and optimise our processes. The results speak for themselves. The mailroom offers an up-to-date range of services and maintains the highest security standards against the backdrop of reduced costs. The comprehensive consulting provided by the document logistics experts convinced us. That is why we here at Erste Group Bank decided to outsource our mailroom as a service function for our employees.”

RENATE TOMASCHEK, MANAGING DIRECTOR, SOM OBJEKTMANAGEMENT GMBH



— SECURELY DELIVERED

Security provided by technological solutions is also of the utmost importance with respect to other shipping services. For example, the subsidiary Post.Wertlogistik GmbH is a trusted partner for customers in sending valuables. Their secure safekeeping and transport is ensured on the basis of unique high-tech solutions conforming to the highest security standards.

In contrast, other customers such as workmen, technicians or installers are constantly on the move. They want their mail items to be delivered wherever they may be. The “trunk delivery” service is the targeted solution in this case, and is undergoing pilot testing in the Linz area. How does it work? Well, tradesmen place their orders, and Austrian Post delivers the items directly to their car boots, no matter where they are. The mail carrier uses an App to determine the location of the customer, and is given access to the trunk via a secure identification. Delivery information is transmitted per SMS or App. The obstacle to nationwide

implementation at present is the lack of a uniform technical solution to open different luggage compartments. Nevertheless, Austrian Post is staying on the ball and monitoring relevant developments.

— HEALTHY FOR SURE

Economic security is a crucial aspect of the brand essence of the company AEP GmbH, a strategic investment of Austrian Post in the German pharmaceutical wholesale segment. It offers planning reliability to pharmacies thanks to its unmatched and transparent terms and conditions applying to all pharmacies regardless of their size and location. In this way, it makes an important contribution to strengthening the economic basis of owner-operated outlets, thus safeguarding the nationwide, high-quality supply of medicines in Germany.



WELL ADVISED: CLEAR EXPLANATION WITH THE GUIDED SELLING TOOL

— SECURELY SOLD

The tasks to be performed by branch office employees are becoming more complex and demanding. At the same time, the sale of additional products and services is becoming increasingly important to Austrian Post. The customer wants to be given competent advice and offered the right product. The “guided selling tool” fulfils precisely this purpose. The digital sales support places process know-how at the forefront instead of professional knowledge, and particularly gives young or new employees the sales expertise they need. “It supports us as employees of Austrian Post to provide target-oriented, high-quality advice to our customers”, explains A1 trainee Amer Sabic. “The products are well presented and illustrated. In this way, product and price bundling are transparent and understandable for customers.”

— OPTIMISED LOGISTICS

Technological innovations can help unfold considerable potential, especially in logistics. It increases shipment volumes and makes relevant processes even more reliable. That is why existing logistics centres were expanded and new, state-of-the-art facilities were opened in 2016. A new parcel logistics centre is being built in Wernberg, Carinthia, whereas the distribution centre in Villach will continue to handle letter and direct mail sorting. The sorting facility in Zagreb, Croatia was expanded and a new headquarters with hub was put into operation in Belgrade, Serbia. The new Ikitelli distribution centre in Turkey is now fully

operational. New depots were opened in Pancevo, Serbia and Veszprem, Hungary, the logistics hub in Bratislava, Slovakia was enlarged and a completely new hub was built in Banska Bystrica, Slovakia.

Within the context of optimising its logistics processes, Austrian Post is currently cooperating with PHS, a start-up in Graz. The project is called “Entladeteppich”. Its objective is the fully automatic unloading of lorries. A conveyor belt is built into the vehicle floor, onto which the parcels are stacked. After driving into the logistics centre, this conveyor belt is pulled out and the parcels automatically head to the sorting machine. It may sound simple, but the solution involves a globally unique high-tech solution.

— OPTIMISED STORAGE

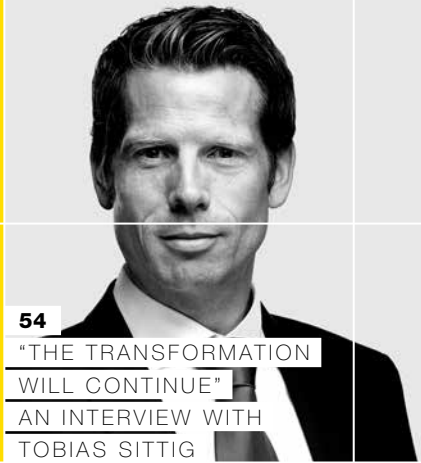
ProLog, which stands for process optimisation in logistics, is a department which bundles existing operations consulting know-how at Austrian Post. The subsidiary Systemlogistik, the fulfilment specialist of Austrian Post, benefited from this expertise. Storage processes of Systemlogistik were more efficiently structured in 2016 in cooperation with dm Austria. “ProLog has proven to be a constructive and goal-oriented business partner within the context of this partnership”, states Manuel Reif of dm Austria. Since 2013, the company has assigned responsibility to the Austrian Post network for commissioning and delivering all its online orders.

DID YOU KNOW THAT ...

... 20 km of conveyor belts are in operation in Austrian Post’s logistic centres?

The examples show that new technologies are helpful and simplify process in different areas. This development is expected to continue. In this regard, Austrian Post will stay on the ball and examine new possibilities. It will offer these solutions to customers and use them to enhance comfort and security.

Reliability for Our Investors



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"THE TRANSFORMATION
WILL CONTINUE"
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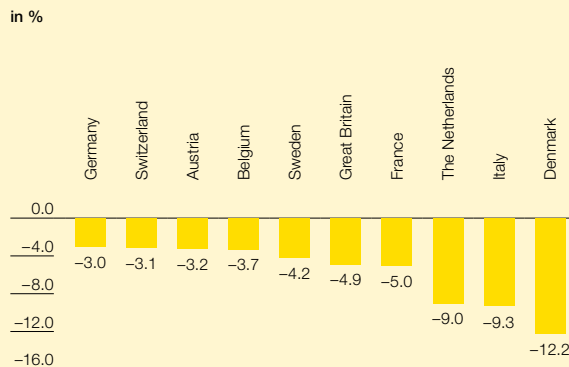


“The Transformation Will Continue”

The postal and logistics market is being shaped by two fundamental trends. Traditional letter mail continues to decline due to so-called e-substitution. Parcel volumes are growing particularly strong due to the ongoing boom in e-commerce. What opportunities does the future hold in store for us?

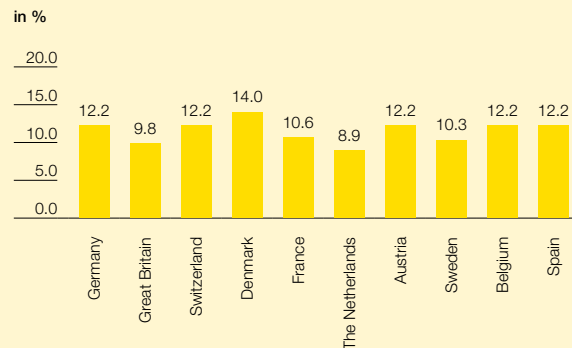
An interview with the analyst and transport market expert Tobias Sittig, Partner at Main First Bank.

AVERAGE MAIL VOLUMES 2008-2016



Source: IPC and MainFirst Estimates.

AVERAGE PER CAPITA PARCEL VOLUMES GROWTH FORECAST 2012-18



Source: DVZ, September 22, 2015

Austrian Post operates as a service provider with a public service obligation as well as in the parcel business in a dynamic competitive environment. What are the main challenges today? What do you see when you look ahead in the future?

TOBIAS SITTIG: A lot has changed over the last five to ten years. In the past, the parcel market was considered to be rather difficult, but it has become a growth driver capable of compensating for the general decline on the letter mail market thanks to e-commerce. This development has opened up new perspectives for national postal companies, and has also served as the basis for many IPOs in this sector. The crucial task for postal companies in the mail business is to manage decreasing delivery volumes primarily on the basis of more efficient processes, innovations and greater regulatory flexibility. This situation will continue in the years ahead.

What does this mean for the parcel segment?

TOBIAS SITTIG: Regulation is a major issue in the mail sector and one of the decisive factors impacting profitability and future viability. The parcel business is fundamentally different and more complex in some ways, and is characterised by growth and a dynamic competitive environment. Traditional postal companies can exploit their competitive advantages such as their longstanding presence on the market, high brand recognition and a network evolving over many years. These strong factors are the basis for standing out from the crowd.

The “digital revolution” significantly impacts communication logistics. How is the postal services market changing in this respect?

TOBIAS SITTIG: There is a beautiful saying that everything that can be digitised will in fact be digitised. It remains to be seen what we will be left with, and we will be forced to rethink many things in the long-term. Hybrid delivery is a must, and good IT systems are a necessity for the parcel business.

In response to competition and the digital revolution, there is actually nothing else one can do except to ensure an attractive service quality and price-performance ratio and try to stay flexible and adaptive in order to retain as much business as possible.

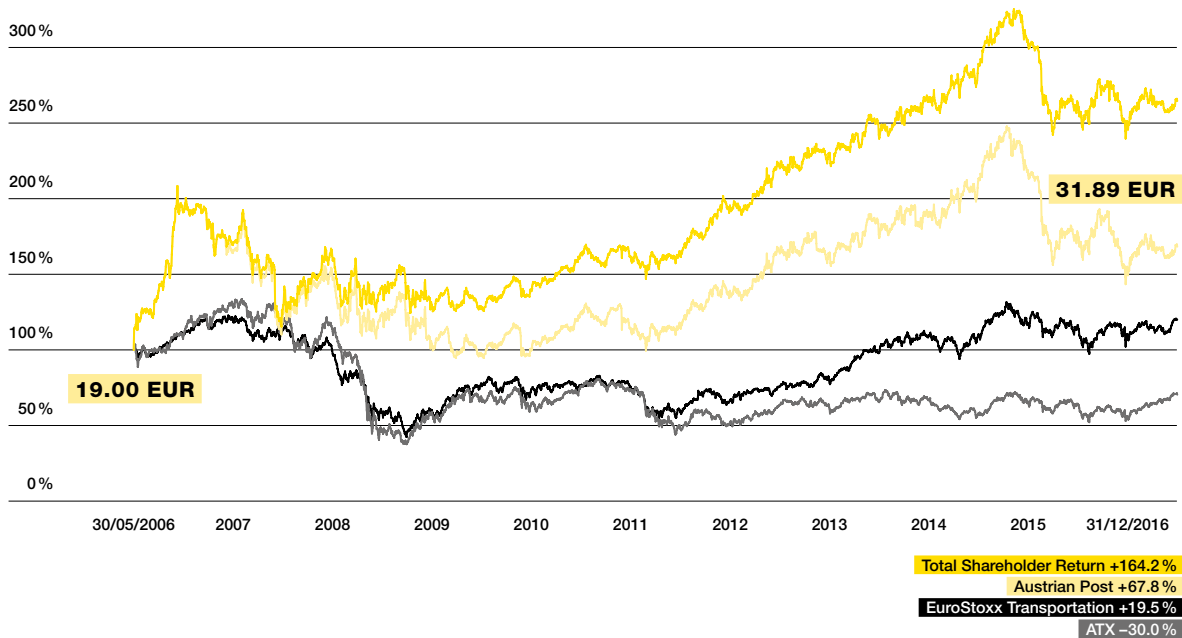
From an investor’s perspective, would you say that postal services are an interesting market?

TOBIAS SITTIG: In principle, yes. The sector achieves good margins and cash flows and is oriented towards distributing solid dividends. However, the transformation of the postal business will continue. It is essential for postal companies to recognise the importance of not resting on their laurels.

Ten Years on the Stock Market – Dividends Delivered in Time



Stability, a solid earnings development and a reliable dividend policy are the key objectives of Austrian Post, and will remain the decisive criteria underlying its corporate policy in 2017. In addition, a sound set of values ensures sustainable business management and creates the basis for its successful, long-term development, which has been taking place since the IPO in 2006. Austrian Post has shown an outstanding performance in the relevant sustainability rankings which are playing a pivotal role for a growing number of investors. All this and the reliable payment of an annual dividend which has significantly increased over the past ten years confirm that Austrian Post is pursuing the right strategy.

SHARE PRICE AND TOTAL SHAREHOLDER RETURN 2006–2016

May 31, 2006 marked the Initial Public Offering of Austrian Post on the Vienna Stock Exchange, with a 49% stake acquired by investors. A state-owned enterprise became a publicly traded company. At that time, Austrian Post was only the third listed European postal service provider in addition to its German and Dutch counterparts. In the meantime, many other postal companies have followed suit. The last ten years have been characterised by turbulence on international financial markets, leading to many adjustments in Austrian Post's business operations. Nevertheless, the Post share has always remained solid, predictable and reliable.

— NOT ONLY AN EXCELLENT START

There was an enormous demand for Austrian Post shares at its IPO in 2006. A total of 34,300,333 shares were issued, and it was oversubscribed eightfold. More than half of the eligible individuals took part in the employee participation programme. About 5.4% of the shares were assigned to Austrian Post employees. The tenth anniversary of the Post share represents a ten-year success story on the stock market. EBIT has risen from EUR 123m to EUR 202m in this period, comprising a rise of 64%. The dividend of EUR 1.00 per share in 2006 has risen to EUR 2.00 for 2016.¹

The company's core business has been subject to significant changes over the last ten years. Addressed letter and direct mail has declined by close to 25% due to the ongoing trend of e-substitution. In contrast, driven by the boom in online retail sales, Austrian Post's parcel volumes have increased more than 70% in this ten-year period, reaching a level of about 81m parcels in 2016. Moreover, there has been a continuous improvement in delivery quality. The first-time delivery success rate equals 92%, compared to 85% back in 2006.

The Post share has had a convincing track record in its ten-year history, even against the backdrop of turbulent financial markets. The Post share hit rock bottom one year after the height of the financial crisis, and was traded at EUR 18.00 per share on September 8, 2009, thus emerging out of the crisis in better shape compared to the stock market as a whole. On April 3, 2015, the share price rose to its all-time high of EUR 46.99. The Post share was traded at EUR 31.89 on December 30, 2016, comprising a rise of 67.8% from the issue price of EUR 19.00 on May 30, 2006. The total shareholder return of 164.2% as at the end of 2016 reflects the stable performance and consistently upward trend of the share in the medium- and long-term, undeterred by short-term turbulences.

¹ Proposal to the Annual General Meeting on April 20, 2017

— RELIABLE AND TRANSPARENT PARTNER

Austrian Post is not only reliable in its role as a service provider. The principles of reliability and transparency also mirrors its capital market positioning. The Post share is one of the most attractive dividend stocks on the Vienna Stock Exchange, and has absolutely no reason to fear international comparison. At the Annual General Meeting scheduled for April 20, 2017, the Management Board will propose distribution of a dividend amounting to EUR 135.1m or EUR 2.00 per share. This corresponds to a dividend yield of 6.3% based on the share price at the end of 2016.

Austrian Post has always attached particular importance to communicating with its institutional and private investors, as well as maintaining intensive contact with market researchers and analysts. About 200 meetings took place in 2016 in which Austrian Post engaged in a dialogue with these stakeholders and provided detailed information about the company's development, strategic orientation, key performance indicators and objectives. Over the entire ten-year period since the IPO, the investor relations team of Austrian Post spent more than 300 days at investor conferences and roadshows, often together with the members of the Management Board. In addition, eleven annual general meetings were held in order to maintain contact with shareholders and the financial community.

— AUSTRIAN POST SENDS A CLEAR MESSAGE

The corporate values of Austrian Post not only refers to customer orientation, communication and appreciation but also to the core issues of profitability and sustainability, thus sending out a clear message. This is because profitability and sustainability are actually two sides of the same coin.

The strategic orientation based on the corporate values in the mission statement applying to the entire Austrian Post Group focuses equally on economic as well as employee- and customer-related, social and ecological aspects. They include safeguarding the supply of postal services and social commitment, promoting employees, measures to ensure the maximum conservation of natural resources as well as the goals of sustainable profitability and value enhancement. All these cornerstones of Austrian Post's set of values are closely interrelated. This is demonstrated by the outstanding sustainability ratings and awards Austrian Post has been granted for years. In April 2016, the company was given the "Sustainability Award for Logistics" in honour of its projects, "The green world of yellow-branded Post – the model region E-Mobility Post" and "Green Vienna 2016". Rating agencies such as Oekom Research and Vigeo positively evaluated the activities of Austrian Post once again in 2016, and the company received the best possible assessment of "AAA" in the MSCI rating. The renewed acceptance of the Post share for listing in the VÖNIX sustainability index of the Vienna Stock Exchange for the period 2016–2017 also confirms the fact that Austrian Post operates in a sustainable manner from a capital market perspective. Many investors now attach greater importance to such indicators in their investment decisions. Austrian Post is on the right track, moving ahead together with them towards an economically and ecologically sustainable future.

LONG-TERM AND SUSTAINABLE

"We make our investment decisions on the basis of economic and ecological sustainability. For us a long-term mindset is essential, and the same should apply to the company we invest in. Austrian Post fulfils all our criteria for sustainable investments."

*Wolfgang Pinner
Head of Sustainable & Responsible
Investment, Raiffeisen Capital
Management*

Four key elements, one strategy.

**HOW CONTINUITY AND RELIABILITY LEAD
TO A SUSTAINABLE FUTURE.**

Stability and modernisation, predictability and innovative strength: does one exclude the other? Do I have to decide against change if conservative thinking gives me security?

SOLID AND OBVIOUS

“It is an obvious step to invest in a financially sound and highly adaptable company which is an integral part of my everyday life.”

*Christian Redl, private shareholder
& branch manager, 1100 Vienna*

STABILITY AND INNOVATION

“No company can ignore the need to be innovative. However, stability and down-to-earthness are important for my investment decisions. Post shares are an interesting investment for me because they combine all these qualities. Last but not least, this is due to the dividends, which are based on the current performance and not on future models.”

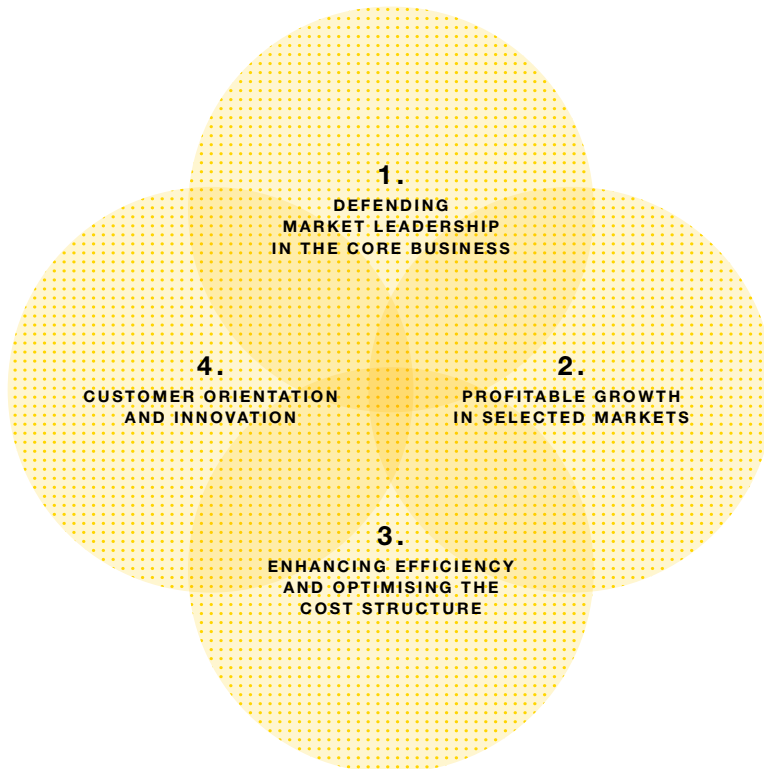
*Arnold Prentl
private shareholder, Engerwitzdorf*

There are many reasons for an investor to invest in the Austrian Post share. Continuity and reliability of a company creates a feeling of certainty – in a day and age which does not always seem to give people security.

Prudence is considered by many shareholders to be a particular strength, especially in an economic environment characterised by major challenges. A proven business model generating solid cash flows combined with a conservative balance sheet structure, high level of cash and cash equivalents and low amount of liabilities serves as the basis for attractive dividends. This involves the ambitious goal of distributing an annual dividend equalling at least 75 % of the Group net profit.

In 2010, Austrian Post defined its four core strategies laying out the long-term direction of the company. They ensure a clear and reliable presence in a business environment under considerable pressure to change.

KEY ELEMENTS OF THE STRATEGY



— STRENGTH



Austrian Post customers appreciate the high service quality of its mail and parcel delivery. Close to 4.5m Austrian households and companies rely on the delivery staff of about 9,100 people. Together their transport routes cover a total distance each day equivalent to travelling around the world seven times over – by car, moped, bike or on foot. New services are constantly being added, such as 24/7 service and smart phone applications. Letter mail volumes continue to decline, in contrast to intensified competition in the fast-growing parcel segment. Austrian Post is defending its market leadership in the core business. It not only keeps its high level of service but keeps in tune with the times.

— KNOW-HOW



Potential growth opportunities are identified and exploited with a focus on clearly defined markets and supported by the company’s comprehensive know-how. In addition to its core market, Austrian Post pursues this strategy in markets in which it achieves a good competitive position. The focus is clearly on innovative online solutions and on the growing national and transnational mail order and logistics business. Austrian Post has long relied on international links and logistics networks to ensure a far-reaching service network and thus remain faithful to the principle of customer proximity. Neighbouring markets in South East and Eastern Europe profit from Austrian Post’s know-how.

— COST EFFICIENCY



Being profitable means continuously keeping an eye on all costs and making the best use of existing leeway to promote efficiency. State-of-the-art digital and automation technologies are being used everywhere in logistics processes. Modern management of transport flows and the flow of goods holds considerable potential to increase speed, expand the service level and simultaneously optimise staff and process costs. Efficiency goes hand in hand with the quality of results. In this case stability is an important target. For example, this is reflected in operating earnings, which in 2016 solidly matched the prior-year business results.

— CUSTOMER BENEFIT



One person or company sends out mail, another receives it. The focus is on both players when it comes to enhancing customer benefit on the basis of new and at the same time reliable solutions. The motivated and productive employees of Austrian Post are important players in this regard. Familiarity with the Austrian Post brand lives not least from the reliability of its services. In addition to online services and Saturday delivery, an increased availability of postal services on the basis of pick-up stations, self-service terminals and Post pick-up boxes and Flexiboxes, customers now also have the new “Packet” product group at their disposal for the lightweight items mailed by customers.

The Key to Sustainability



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COMMITTED BEYOND THE COMPANY'S BOUNDARIES



66

ENVIRONMENTAL PROTECTION WHEN ON THE MOVE

Committed Beyond the Company's Boundaries

As one of Austria's flagship companies, Austrian Post not only plays an important role in the economy but also in society. Austrian Post also takes this responsibility very seriously, linking this commitment to its core business in a meaningful way. Austrian Post can look at its track record and honestly say that ...



COMPREHENSIVE INFRASTRUCTURE

3,500 postal service points thereof

- 450 branch offices
- 1,350 postal partners
- 110 OMV petrol stations
- 1,600 Hermes parcel shops

... THE UNIVERSAL SERVICE OBLIGATION HAS BEEN FULFILLED

As a provider of universal postal services, Austrian Post is responsible for the reliable, nationwide supply of postal services in Austria, as well as maintaining and safeguarding the country's communications infrastructure.

Austrian Post is in a position to offer its services throughout Austria, thanks to its delivery staff of 9,100 people and a total of 3,500 postal service points. The postal partner concept makes a decisive contribution to its success. Postal partner offices include grocery stores and pharmacies, which offer postal services in addition to their own goods and service offering. The postal partner network is steadily expanding. In 2016, the network was complemented by a very special postal service point. The one set up at Vienna Airport in October is the very first postal partner in Austria featuring a self-service zone, where customers can take advantage of postal services on an around the clock basis.

Austrian Post has responded to the changing life style of its customers shaped by increasing digitalisation by steadily expanding its existing online services or regularly launching new online solutions, enabling them to have 24/7 access to postal services to take care of their postal business.

ADVERTISING BANNER
OF THE POSTAL
PARTNER OFFICE AT
VIENNA AIRPORT



... IT HAS INCREASED ITS ECONOMIC FOOTPRINT

Austrian Post has also become increasingly important with respect to the overall economic development of the country. This was confirmed by a recent study carried out by the Economica Institute for Economic Research, which examined the macroeconomic impact of Austrian Post for the second time in 2016. The conclusion was that Austrian Post's economic footprint has expanded. In other words, the contribution Austrian Post makes to the domestic economy every year grew once again compared to the last study conducted in 2012.

Austrian Post is faced with the necessity of reconciling the conflicting demands between its universal service obligation and a highly dynamic and intensive competitive environment, above all due to increasing digitalisation, growing competition in the postal sector and developments in society such as demographic change. Against this backdrop, the study shows that Austrian Post is on the right track based on its chosen path of restructuring and modernisation. The total value creation of Austrian Post in 2015 amounted to EUR 2.70 bn, of which EUR 1.67 bn was generated in Austria. This comprises a rise of 15.5% from the

comparable figure in 2012. Austrian Post's share of Austria's GDP also climbed from 0.51 % in 2012 to 0.55 % in 2015.

However, Austrian Post not only increased its own value creation, but also its indirect value added from outsourcing (+151 %) and induced value added (+49 %). Each euro spent by Austrian Post generates additional value added in Austria to the amount of EUR 1.1 (2012: 96 cents).

DID YOU KNOW THAT ...

... the "Post network" accounts for every 181st euro generated in Austria?

About 0.47 % of the entire working population in Austria works for Austrian Post on the basis of its approximately 19,500 employees. Another 8,800 jobs are either created or secured along the value chain. This means that every 200th job in Austria can be attributed to Austrian Post.



WANTED: MOST POPULAR FUNDRAISING LETTER OF 2016

Fundraising letters rank among the most successful ways to solicit donations in Austria. Austrian Post searched for the most popular fundraising letter of the year in collaboration with the Austrian Fundraising Association. The NGO shortlist was published in the advertising envelope KUVERT. More than 18,000 Austrians responded to Austrian Post's request and voted for their favourite fundraising letter.

Who managed a spot on the winner's podium?

The winner was SOS Children's Villages, which was awarded a postage credit balance of EUR 12,000 for its next donation mailing. DEBRA Austria came in second, followed by Caritas & Du.

... IT ACHIEVES MORE TOGETHER

In its role as one of Austria's flagship companies, Austrian Post believes it has the responsibility to apply its core expertise – the nationwide delivery of mail items – to help those who are disadvantaged and need support.

CHRISTMAS FOR EVERYONE – PARTNERSHIPS FOR A GOOD CAUSE

In cooperation with the Austrian Workers' Samaritan Federation, Austrian Post once again did its share in 2016 to ensure that if possible, no needy child in Austria would have to celebrate Christmas without getting a present. Anyone sending a present to a child could order a pre-franked parcel stamp online free of charge, stick it on the gift parcel and drop it off at a postal service point. Austrian Post took care of the rest, sending the parcels to collection centres of the Workers' Samaritan Federation. From there, full-time and voluntary Samaritans personally brought the parcels to children in social welfare institutions and disadvantaged families. Austrian Post along with the Hungarian subsidiary trans-o-flex Hungary were once again involved in the project "Christmas in the Shoebox" designed to assist needy children in Eastern Europe. The "Ö3 Wundertüte" charity campaign, which Austrian Post has supported for more than ten years, resulted in donations of EUR 592,950 for the "Light into the Darkness" emergency aid fund and Caritas.



UNICEF SPECIAL STAMP

In 2016, the United Nations Children's Fund (UNICEF) celebrated its 70th anniversary. Austrian Post has been a partner of UNICEF for almost as long, and has supported the organisation's annual sales of UNICEF Christmas cards as well as by issuing commemorative stamps (1949 and 1996). Naturally Austrian Post used the occasion of UNICEF's 70th birthday to issue another special stamp with a nominal value of 68 cents plus a surcharge of EUR 2.32 as a donation for UNICEF's educational projects.

... IT INVESTS IN THE NEXT GENERATION

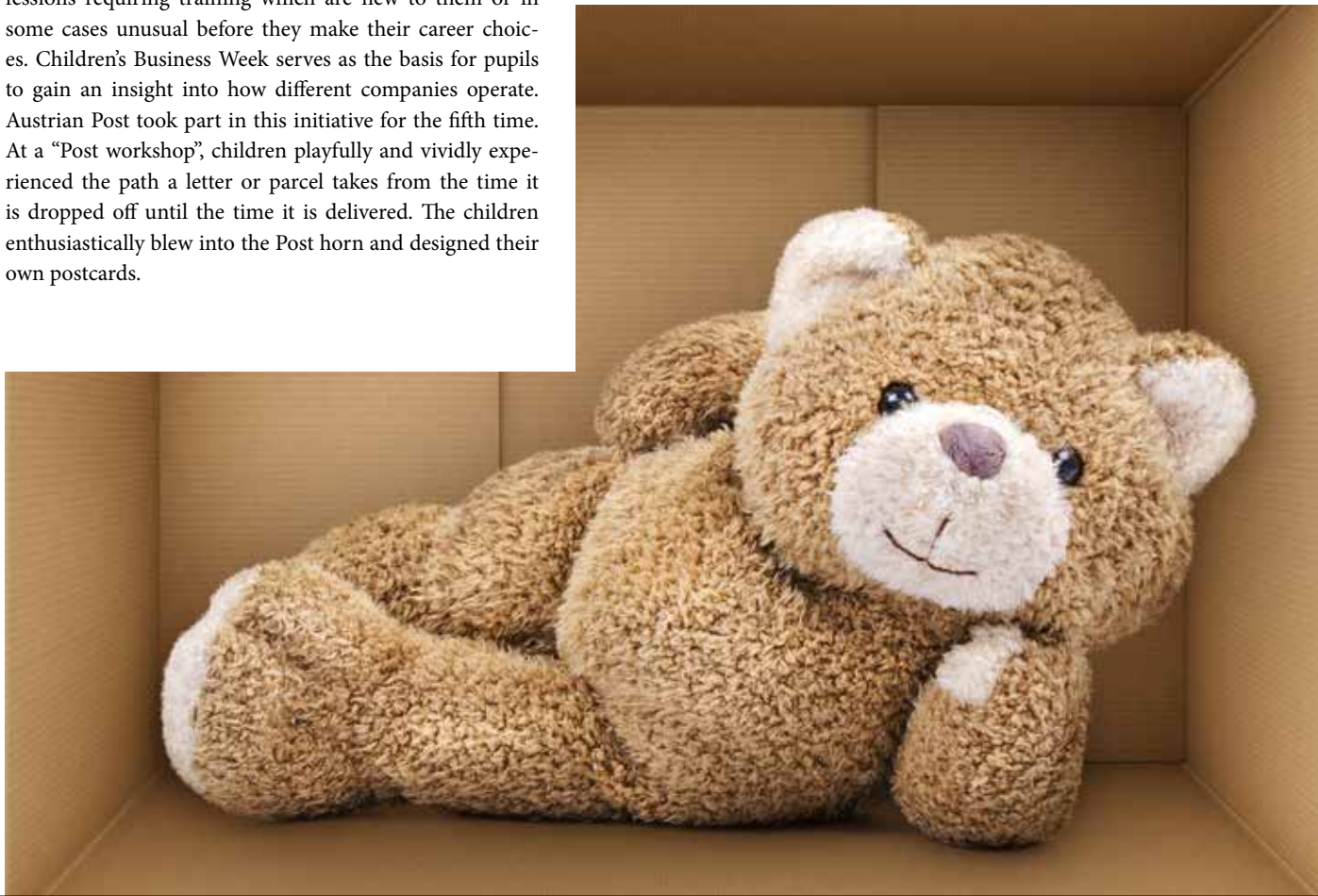
Austrian Post is not only committed to helping socially disadvantaged people but also children in general. Various projects were initiated or support was provided to existing initiatives related to the company's core competence.

In order to acquaint children with Austrian Post in a playful manner, the company developed so-called "Mini Post Stations", where children can imitate what goes on in a real post office. The activities included sorting, stamping, drawing, packing, transporting and shipping. Kindergartens could take part in a prize competition to win three such stations along with EUR 1,000 for the kindergarten. For this purpose, the children were asked to submit stamps they had designed themselves focusing on the topic of the post office. The idea was well received. Three winners were selected from more than 1,000 kindergarten groups. Each year Austrian Post sends about 3,000 "school boxes" to primary schools for somewhat older children. In line with the campaign "Austrian Post at school", the appealingly designed teaching materials aim to stimulate pupils to read and write, as well as to give them a better understanding of what Austrian Post does.

Austrian Post also took part in Daughter's Day once again. This initiative wants to motivate girls to select professions requiring training which are new to them or in some cases unusual before they make their career choices. Children's Business Week serves as the basis for pupils to gain an insight into how different companies operate. Austrian Post took part in this initiative for the fifth time. At a "Post workshop", children playfully and vividly experienced the path a letter or parcel takes from the time it is dropped off until the time it is delivered. The children enthusiastically blew into the Post horn and designed their own postcards.

DID YOU KNOW THAT ...

... Austrian Post is also culturally involved? The cultural associations of Austrian Post with about 400 members make good music to ensure a good atmosphere. In 2016, this occurred, for example, at the Vienna Opera Ball, where the pt art orchestra, formerly Postmusik Linz, impressed the guests. The seven Post bands and two choirs are financially supported by Austrian Post and the post.sozial association.



Environmental Protection When on the Move





About six billion mail items per year. A delivery staff of 9,100 people, who circle the globe seven times a day in their delivery vehicles, supported by six letter and seven parcel logistics centres, 264 delivery bases and 1,792 postal service points. A lot of energy is required to enable Austrian Post to fulfil its service promise to its customers anew every single day.

In order to minimise the environmental impact of its business operations, Austrian Post implements a series of measures, demonstrating that logistics and avoiding greenhouse gas emissions are by no means mutually exclusive but go hand in hand at Austrian Post.

— GREEN DELIVERY

As the country's largest logistics service provider, Austrian Post delivers mail items to every address throughout the entire country. Post employees are often on the road, on foot and by bike, but also use mopeds, cars and lorries.

For this reason, Austrian Post goes to great lengths to ensure that its activities are as environmentally compatible as possible. The company attaches particular importance to reducing climate-changing greenhouse gases such as CO₂. Austrian Post rises to the challenge and reduces its ecological footprint each year by resolutely integrating environmental protection activities in its core business.

The CO₂ NEUTRAL DELIVERY initiative is at the core of the company's efforts. It focuses on the greening of logistics operations and consistent energy savings, with the underlying objective of avoiding CO₂.

THE CO₂ NEUTRAL DELIVERY INITIATIVE IS BASED ON THREE PILLARS:

1. Enhancing efficiency in core processes e.g. by renovating buildings and a modern, low-emission vehicle fleet
2. Intensified use of alternative technologies e.g. expansion of the e-vehicle fleet and photovoltaic facilities
3. Compensation for CO₂ emissions which cannot be avoided

The result:

All mail items in Austria are delivered in a CO₂ NEUTRAL manner! This is confirmed each year by TÜV Austria.

AUSTRIAN POST'S DELIVERY OPERATIONS ARE ON THE MOVE BASED ON AN E-XCELLENT E-VEHICLE FLEET

1,387
e-vehicles, including

1,053
single track/special purpose vehicles and

334
electric-powered cars



CO₂ NEUTRAL DELIVERY INITIATIVE

The CO₂ NEUTRAL DELIVERY initiative is also essential as a means of raising the environmental awareness of employees, customers and other stakeholder groups.

For example, interested business customers receive an annual certificate from Austrian Post confirming the CO₂ neutral delivery of all mail items in the previous year. Austrian Post issued about 600 such certificates in 2016.

Moreover, more than 100 customers use the CO₂ neutrally delivered logo in their own communications activities.



— ENERGY SAVINGS

Austrian Post's delivery staff can cover about 20% of the delivery areas on foot or by using bicycles. The other delivery areas can only be reached by using motor vehicles. The challenge here is to find solutions which are just as or almost as environmentally friendly. Route planning and a modern vehicle fleet are the key features of the company's efforts.

Route planning is being optimised on an ongoing basis to avoid empty runs and ensure that vehicles are more consistently utilised to capacity. Austrian Post relies on modern vehicles in the lowest emission classes along with regular servicing as a means of optimising vehicle fleet efficiency.

Furthermore, Austrian Post increasingly focuses on alternative drive systems, once again expanding its e-vehicle fleet in 2016. For example, two IVECO Daily Electric Transporters were added to the fleet in 2016.

Since the beginning of 2012 Austrian Post derives the electricity it needs exclusively from renewable energy sources. But this is not all. Thanks to the energy generated by its two own photovoltaic plants, Austrian Post supplies its entire e-vehicle fleet with electricity from solar energy.

Moreover, Austrian Post is striving to energetically optimise its building infrastructure. For this purpose, it consistently monitors energy consumption and is working on gradually replace the lighting systems in its logistics centres with LED lighting solutions. In addition, the company began to implement measures in 2016 designed to exploit the energy-saving potential identified in the 2015 energy audit. This includes changing over to district heat and the installation of efficient heating and hot water heating systems.

Accordingly, Austrian Post has already succeeded in avoiding a large amount of CO₂ emissions. In a third step, Austrian Post compensates for unavoidable emissions by supporting national and international climate protection projects.

The ecologicalisation of transport operations and reduction of energy consumption led to a significant decline in emissions. In 2010, Austrian Post already achieved the target set in 2007 of reducing CO₂ emissions by 10%, two years ahead of schedule. However, Austrian Post has not rested on its laurels. It also defined a further objective of decreasing its CO₂ emissions (including external freight forwarders) by 20% in the period 2010-2015. Austrian Post managed to cut emission levels by 21%, surpassing its own performance target.

The environmental protection activities of Austrian Post have also had a positive effect on customer satisfaction. Customers attach considerable importance to climate protection and CO₂ neutral delivery, and take a very favourable view of Austrian Post's commitment. In 2016, customers gave Austrian Post even higher marks for its environmental activities than in the previous year. Media coverage also sees the company's environmental protection efforts in a positive light.

— EXPANSION OF GREEN PROCUREMENT

A mutually shared understanding of environmental protection and responsibility is also important to Austrian Post in selecting its business partners. For this reason, it resolutely demands compliance with environmental and social standards within the context of its Code of Conduct for Suppliers as well as the Vendor Integrity Check.

The sourcing of energy, vehicles and paper are of importance to Austrian Post and its core business. Austrian Post has derived all of its electricity from renewable energy sources since 2012, and focuses on low emission vehicles and alternative drive systems with respect to new purchases for its vehicle fleet. Austrian Post also makes sure to source paper from sustainable sources. For example, all the paper used for the advertising envelope KUVERT is certified by the Forest Stewardship Council (FSC).

The company relies on regional structures. More than 90% of Austrian Post's 7,000 suppliers are based in Austria. The regionality of the delivery chain has two advantages. For one thing, the shorter transport distances help protect the environment. Moreover, two thirds of the company's total purchasing volume are allocated to Austrian companies. In this way, Austrian Post generates additional value creation in Austria.

— OUTSTANDING SERVICES AND CERTIFIED MANAGE- MENT EXCELLENCE



The corporate social responsibility (CSR) activities of Austrian Post were awarded the “Silver Recognition Level” of the EcoVadis Rating 2016. EcoVadis is a sustainability assessment platform aiming to promote the environmental and social practices of companies within the supply chain based on CSR performance monitoring and support firms in improving their sustainability scorecard.

Austrian Post is involved in international programmes such as “Environmental Measurement and Monitoring System” (EMMS) of the International Post Corporation (IPC). For this reason, it was given the IPC Silver Award.

In November 2016, Austrian Post launched its first environmental management system certified in accordance with ISO 14001:2015 at its Letter Mail Centre Vienna. The priorities include reducing energy consumption and waste volumes. The improvement of its environmental management system is supported by the annual validation of TÜV Austria.

2016 SUSTAINABILITY AWARD FOR LOGISTICS



Austrian Post is the winner of the fifth Sustainability Award for Logistics. In April 2016, the company was given an award for its projects “The green world of yellow-branded Post – the model region E-Mobility Post” and “Green Vienna 2016”. The first project involved the expansion of the Austrian Post fleet to 1,300 e-powered vehicles by the end of 2016, whereas the latter initiative is designed to ensure that letters and direct mail to private customers in Vienna are delivered only via electric vehicles or by foot.

AUSTRIAN SOLAR PRIZE 2016



Austrian Post received the Austrian Solar Prize 2016 in the category “Transportation with renewable energy” for the implementation of the “Model region E-Mobility Post” and the “Green Vienna” initiative.

DAPHNE ENVIRONMENTAL TECHNOLOGY AWARD



Austrian Post’s project “Green Vienna 2016” was nominated for the DAPHNE Environmental Technology Award and honoured as a DAPHNE Excellent Project.

Focus on the Team



72

ENSURING FUTURE SUCCESS:
AUSTRIAN POST IS OPEN TO
NEW IDEAS AND RELIES ON
EVERY INDIVIDUAL EMPLOYEE

77

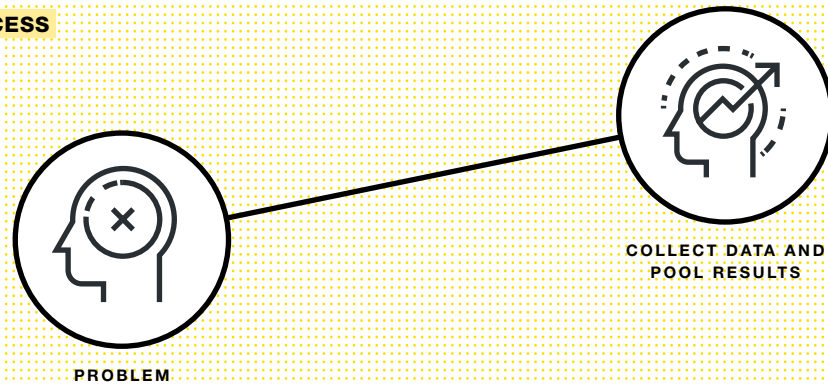
A GOOD FEELING
AT WORK



Ensuring Future Success: Austrian Post is open to new ideas and relies on every individual employee

A company is only as good as its employees. This particularly applies to a service provider such as Austrian Post. It recognises the innate potential of its heterogeneous staff and knows how to leverage it, for example via the design thinking approach. Austrian Post benefits from the creativity of its employees by trusting their strengths.

THE DESIGN THINKING PROCESS AT AUSTRIAN POST



— TALK TO ME!

What was your worst experience with Austrian Post? What bothers you when it comes to working with Austrian Post, and what wishes do you have? How was your last interaction with Austrian Post? How did you feel? What did you think? What was special about it? Within the context of a design thinking project, ten Austrian Post trainees focused on these and other questions and began a journey in the spring of 2016 to develop new ideas for parcel delivery.

These questions made it clear that access to the design thinking process begins with the customer. The focus is on empathising with, observing, understanding and analysing user requirements and experiences. Customer needs and expectations are not ascertained by conducting surveys but in direct contact, making use of one's own consciousness and experiences as well as observations and interviews.

Talking is not only an important pillar of design thinking when it comes to identifying customer needs. From the company's perspective, this approach also promotes the exchange of ideas and leads to new ideas and improvement suggestions.

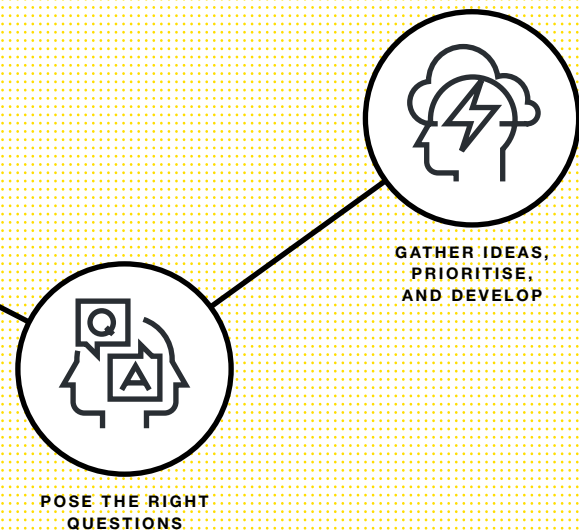
The appeal of design thinking and human-centred design results from new forms of creative cooperation. In line with the motto, "Wisdom of the Collective", cooperation emerges as the basis for a new awareness of work. The approaches and viewpoints of various minds are linked to each other, bundled and optimised for the benefit of the customer and the company. Accordingly, the team consisting of various business areas, disciplines and ideally customers and users as well comprises the cornerstone of design thinking. Ingrained thought patterns are called into question by fellow employees from other areas of the company. Horizons are inevitably broadened as soon as someone

GOOD TO KNOW

Design thinking and human-centered design were developed at Stanford University by Professor David M. Kelley (founder of IDEO) more than ten years ago. This approach to deal with complex problems and focused user orientation has successively taken root in the business community. Large technology companies in the USA have routinely worked with design thinking for a long time, whereas Austrian firms are just getting started. Established companies face new challenges in times of globalisation and digitalisation. In the search for innovation accelerators, design thinking seems to be the solution enabling the development of new products and services that inspire customers.

“Design thinking is a method that works for us. However, confidence in every individual and one’s own creativity makes a much greater contribution.”

SERGEJA MIRNIK, AUSTRIAN POST



says, “Explain this to me once again. I do not understand how it works.” By collaborating with each other, new ways of thinking and mental horizons arise, transcending professional competence and hierarchical boundaries. Spaces emerge in which convincing innovations for different areas thrive. The multitude of perspectives quickly lead to better results within the context of the design thinking process. Inventive power and imaginativeness arise from the team and are by no means an individual achievement.

The trainees of Austrian Post were assigned to different groups and assigned various tasks within the context of the design thinking project. Under the leadership of a design thinking expert, they interviewed senders of mail items and compiled information on customer experiences. This was done by putting themselves in customer shoes and using Austrian Post services themselves. They subsequently compared the data to relevant future trends and processed

their research results to generate initial new ideas. “It is not always a matter of finding something which is completely new”, explains Sergeja Mirnik, who conceives and heads all design thinking projects at Austrian Post. “The focus is on finding solutions which are convincing from a customer and company perspective, and which will work on the marketplace. For example, existing approaches may be recombined, or gradually upgraded. From a customer’s perspective, innovation comprises an improvement in the customer experience or in service use, every simplification and everything which makes his life easier.” The trainees developed 28 ideas within two and a half days, put four of them into concrete terms and conceived two solutions on this basis. They presented both approaches – a platform on the issue of crowd delivery and an expansion of the Post App – to the company’s top management.



SOLUTION

FROM THE POST'S REAL-LIFE PRACTICE

The Team Leader Portal App project was launched in the course of the “Teamwork 2018” programme. The objective of this design thinking process is a quicker and easier exchange between team leaders and area managers. In the meantime, the App has already been tested in four pilot areas, and the Austrian-wide roll-out is scheduled to take place in 2017. The App encompasses all staff deployment issues such as presence and absence, work schedules, filling in for others etc. The team leader processes the data directly on his mobile phone and can directly coordinate it with the area manager. The APP was well received at the delivery bases where it was tested. Its advantages include simple, quicker communication and fewer misunderstandings.

— PROBLEMS CAN BE COMPLICATED, BUT NOT SOLUTIONS

Simplifying procedures, improving services and exploiting the advantages of new technologies are the solutions for the parcel delivery of the future. Letter distribution already took the same approach back in 2014. The objective is to restructure the organisation within only four years. The concept is entitled “Teamwork 2018” and aims to set up smaller team structures and delegate more responsibility to individual employees. Each team consists of ten to twelve employees and a team leader who continues to be involved in day-to-day business in addition to his leadership role. The number of team members remains manageable and enables closer proximity to the delivery staff. For this reason, innovations, upgrades, further developments and information on everyday tasks can be directly communicated. Impressive improvements were already achieved in the first two years of the “Teamwork 2018” initiative. In 2016, letter mail distribution began to improve the interaction between team leaders and area managers based on the design thinking method. Each of the improvements targets the same goal, namely to ensure efficient mail distribution.

Austrian Post also makes use of design thinking to solve problems or develop innovations in other areas, for example the parcel subsidiary in Croatia or tackling the

issue of safety in parcel logistics. Additional projects were initiated within the context of the talent management programme and the Executive Academy.

— CORPORATE CULTURE AS AN INCUBATOR OF NEW IDEAS

The corporate and leadership culture must be further developed in order to effectively accept the idea that there is a “we” i.e. exploiting the intelligence of all Post employees. The Executive Academy of Austrian Post launched in 2012 is dedicated to these tasks. Its objective is to support executives and key employees to implement the leadership guidelines with individually adapted trainings. The training module “Attitude and Mentality of Leadership” started with an experience-oriented approach to promote more individual responsibility and proactive behaviour. The participants were physically and mentally challenged by the Asian martial arts.

The offering of the CEE Academy for the subsidiaries in Central and Eastern Europe also focuses on the leadership culture, and is designed to facilitate cross-border knowledge transfer. The participants exchange ideas and develop a mutually shared understanding of Austrian Post’s leadership culture.



Austrian Post is also actively involved in further education and professional development to ensure that good ideas will thrive in the future as well. The Talent Management Programme was launched for the benefit of the many promising employees from Austria and the international subsidiaries. After one and a half years, twelve graduates successfully completed their professional development efforts at the IECD-Bled School of Management in Slovenia. Austrian Post uses this programme to train its junior managers.

The focus is on the next step up the career ladder. In contrast, apprentices are at the very beginning of their careers. Austrian Post is currently training a total of 81 apprentices, and plans to accept another 30 in 2017. It shouldn't be so difficult for the company to attract apprentices. After all, Austrian Post was ranked number one among 30 companies in a survey conducted by the independent consulting

company Uniforce and was also given the place-to-perform quality label for a training enterprise. The questionnaire developed by the Institute for Economic Psychology at the University of Vienna focused on the following criteria: working tasks, the social and working environment, learning aspects as well as satisfaction and motivation.

The apparently high level of approval of the youngest generation in the company is cause for optimism with respect to the company's future. Austrian Post will continue to successfully create new ideas in the world of tomorrow with people who are curious, inspire each other and enjoy learning together.

A Good Feeling at Work

PEOPLE

W H O A R E

SATISFIED

P E R F O R M

Companies competing for the best talents want to distinguish themselves and be attractive to existing and potential employees. That is why they are committed to ensuring the well-being of their employees in addition to professional competence. A staff member who is doing well can perform better and stays with the company. Another factor is important for Austrian Post. Most of its employees are in direct contact with customers and represent the company to external stakeholders. With this in mind, the level of appreciation for employees is very high in the company, and there is a wide-ranging offering for career advancement and professional development.

BETTER

Occupational

S A F E T Y

There are situations in which the desire for enhanced safety is apparent immediately and measures designed to achieve this target make perfect sense. The delivery staff at Austrian Post were the ones who brought up the issue of self-defence. These employees wanted to feel safer on their delivery routes. The Human Resources department gladly accommodated this wish and initiated a pilot event with a company specialising in self-defence courses for women. 18 members of the delivery staff practiced basic self-defence techniques with a trainer who works for the special unit WEGA of the Austrian police force. The objective of the training is to ward off an attacker as quickly as possible. The event held in September 2016 was so positively received that a second course was organised in November. Thanks to what they learned, the mail carriers now make their way to customers with a more secure feeling.

Each day the delivery route of the mail carrier takes him from one house to the next. While on the move he collects various messages for the best friend human beings have. The nose of a dog is so sensitive that they directly sense different smells from other houses and sometimes the scents of other dogs. For this reason, confronting a dog may turn into a nightmare if the mail carrier comes unprepared. But anyone who understands the nature of dogs knows how to deal with such a situation. This is the underlying reason explaining why Austrian Post regularly trains its delivery staff in how to properly handle our four-legged friends. For this purpose, Austrian Post concluded a partnership with the pet retailer Fressnapf. Within the context of this collaboration, the experts for animal nutrition put dog treats at the disposal of Austrian Post which the mail carriers can give to dogs in their delivery areas. Fortunately, the number of Post employees bitten by dogs significantly declined from 2015 to 2016, from 105 to 87.



Job

F I T N E S S

The delivery staff are on their feet all day long. In contrast, office work involves long periods of sitting and little physical activity. Accordingly, Austrian Post launched a campaign in 2016 entitled "Fit for the office" in order to prevent painful muscle tension or back problems. 51 exercises which can be done while sitting or standing and in an employee's everyday business clothing were prepared together with the back training instructor Andy Fumolo. These exercises done by employees of Austrian Post were captured on video and can be downloaded on the company's Intranet.

Other health-related measures focusing on the well-being of Austrian Post employees are being implemented. For example, the company offers a stress

management check to its delivery staff accompanied by a follow-up consultation designed to provide personal health tips. Measurements and consulting are carried out by the stress expert Prof. Dr. Wolfgang Lalouschek. Furthermore, Austrian Post began conducting an in-depth evaluation of psychological stress. Representative groups of employees were formed for different types of work, for example at the counter in branch offices, or delivering mail on foot or using a moped. This was designed to identify the psychological stress factors impacting each specific group. Improvement measures will follow the ongoing evaluation. In addition, in the spirit of promoting the physical fitness of its employees, Austrian Post supports their participation in various running events such as the Vienna City Marathon in cooperation with the post.sozial association. The number of Post staff taking part in the 17 races in 2016 rose to 3,902 runners, an increase of 55 compared to the previous year.

Saving time is the top priority of another offering. In this case, this is a particularly important matter. First responders dispensing first aid gain precious minutes of time during their rescue operations. In 2016, the company began training all executives and the entire Management Board to be first aiders as a means of underlining the importance of in-house first aiders. The underlying purpose is to motivate more employees than the legally stipulated minimum to undergo training. 650 employees took part in first aid training in 2016.



Working

L I F E

The life of every employee consists of his or her family and job. One of Austrian Post's objectives is to enable a proper work-life balance. In 2016, Austrian Post was once again granted the "career and family audit" mark of quality and was certified for another three years. This award is in recognition of a corporate culture which continuously stands for and improves the compatibility of a person's family responsibilities and professional duties. The focus of the re-audit was on the work-life balance for the purpose of maintaining employability.

Moreover, Austrian Post participated in the "Companies for Families" drive. Launched by the Federal Ministry for Families and Youth, it offers a networking platform for companies and municipalities. Those dedicated to a family-friendly human resources policy will find further inspiration here. In this way, the network supports ongoing corporate improvement measures to promote the compatibility of career and family.

63 children of Austrian Post employees took advantage of pleasant holidays in the summer of 2016 booked with the joint welfare association post.sozial. Eleven favourably-priced offers with or without accommodations were available. The price of the summer camps was 50–75% cheaper via post.sozial, which serves as a centralised platform bundling the numerous social services provided by Austrian Post on behalf of its employees and their family members. The offering includes financial assistance in case of emergency and lower-priced tickets for cultural and sporting events.



NEW WORLD OF WORKING: THE NEW CORPORATE HEADQUARTERS "POST AM ROCHUS" CURRENTLY BEING BUILT

Office

S P A C E

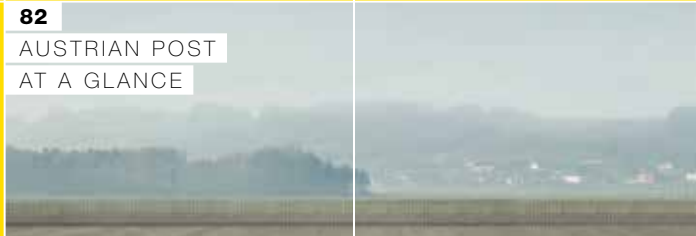
Employee workplaces make an important contribution to the working atmosphere and people's ability to unfold their skills. A favourable working environment requires a reasonable supply of fresh air, a lot of natural light, good sound insulation and sufficient space between the individual workstations.

All this has been taken into account in the new corporate headquarters of Austrian Post. A work environment is being created which is as multi-faceted as the business activities of Austrian Post. The room design reflects an open office concept. Retreat areas for concentrated individual work as well as communication rooms for meetings are available. There will also be areas for informal discussions and relaxation. Accordingly, the entire office building will be turned into a versatile, multi-purpose environment. Furthermore, the new headquarters will encompass about 5,500 m² of shopping and restaurant space.

The large-scale "Post am Rochus" construction project is proceeding on time and within budget. The topping-out ceremony was held in October 2016. Austrian Post will begin moving into its new premises starting in the fall of 2017.

Keeping Well Informed

82
AUSTRIAN POST
AT A GLANCE



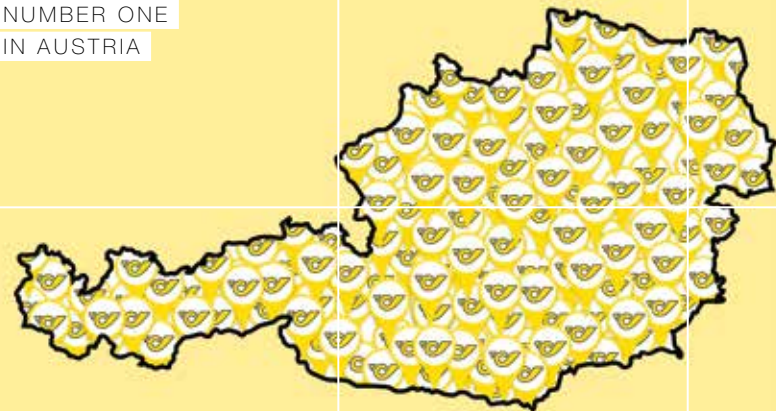
84
MAIL & BRANCH
NETWORK



85
PARCEL & LOGISTICS

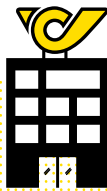


86
NUMBER ONE
IN AUSTRIA



Austrian Post at a Glance

Austrian Post is the leading logistics and postal services provider in Austria. Its main business activities include the transport and delivery of letters, direct mail items, print media and parcels as well as providing various logistics solutions. In addition to postal service, the branch network of Austrian Post offers high-quality banking and telecommunications products and services to its customers. Moreover, Austrian Post is also represented in eleven other international markets, particularly in the parcel and logistics growth segment.



COMPANY DATA

106

EUR m in investments

21,700

employees

2

EUR bn in revenue

— STRATEGIC CORNERSTONES

Four core strategies have successfully guided Austrian Post since 2010:

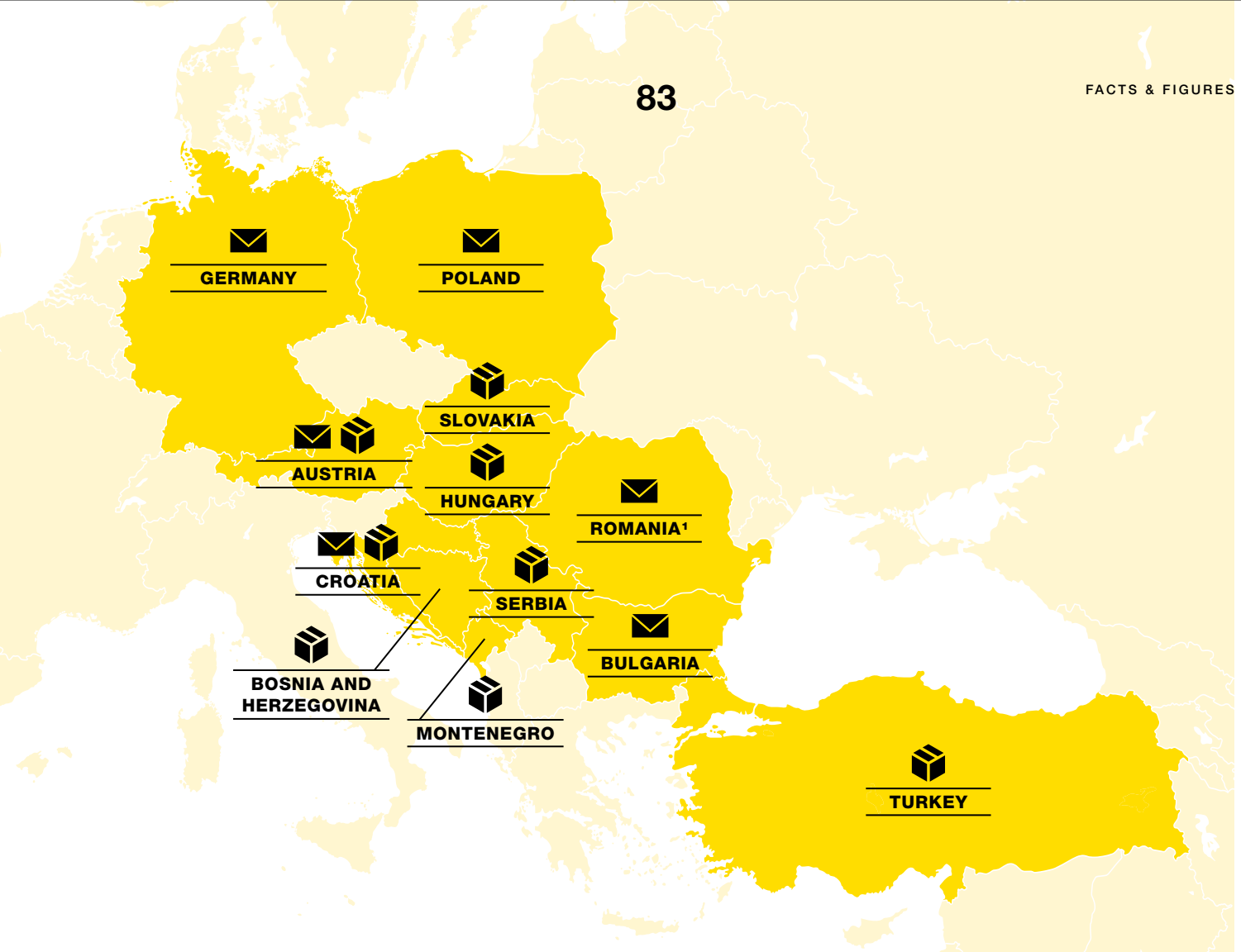
1. DEFENDING MARKET LEADERSHIP IN THE CORE BUSINESS

2. PROFITABLE GROWTH IN SELECTED MARKETS

3. ENHANCING EFFICIENCY AND OPTIMISING THE COST STRUCTURE

4. CUSTOMER ORIENTATION AND INNOVATION

The focus of the company's strategic activities is the consistent orientation to the needs of customers in order to further strengthen its market leadership position in its core business and exploit opportunities in growth markets at the same time. Strict cost discipline is continuously given top priority in all the company's activities on enhancing efficiency in all processes, also in the future.



THE POST SHARE ON THE STOCK MARKET

Austrian Post has been listed on the Vienna Stock Exchange for ten years, with a great deal of success.

+164.2%

Total Shareholder Return
since the IPO

2.00

EUR Dividende per share for 2016²
(dividend yield of 6.3%)

— REASONS TO INVEST IN AUSTRIAN POST SHARES (INVESTMENT STORY):

1. PROVEN BUSINESS MODEL

2. STRONG BALANCE SHEET AND SOLID CASH FLOW

3. ATTRACTIVE DIVIDEND POLICY

4. CONTINUITY AND RELIABILITY

¹ Assets and liabilities of PostMaster s.r.l. are classified as held for sale as at the balance sheet date of December 31, 2016.

² Proposal to the Annual General Meeting on April 20, 2017

— RANGE OF SERVICES:

- LETTER MAIL
- DIRECT MAIL
- MEDIA POST
- BRANCH NETWORK SERVICES

Mail & Branch Network



COMPANY DATA

95.7%
of letters are delivered
on the next working day

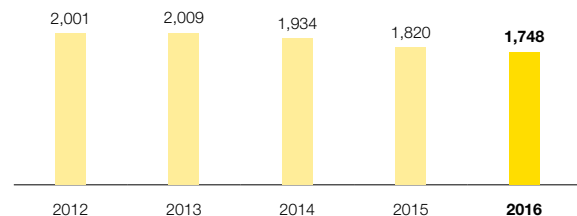
3,500
postal service points
throughout Austria

334
self-service zones
with 24/7 services

partners, Austrian Post operates the largest private customer network in the country. Including Hermes parcel shops and OMV petrol stations, customers can take advantage of postal services offered at 3,500 postal service points throughout Austria. In addition, the offering of self-service zones is being steadily expanded. At the end of 2016, customers already had 334 self-service zones at their disposal.

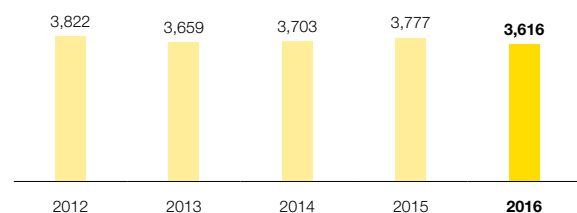
SHIPMENT VOLUMES IN AUSTRIA -
ADDRESSED MAIL ITEMS

in millions



SHIPMENT VOLUMES IN AUSTRIA -
UNADDRESSED MAIL ITEMS

in millions



The core business of the Mail & Branch Network Division ranges from the collection, sorting and delivery of letters, direct mail items and media post to the sale of telecommunications products as well as of financial services. In addition, Austrian Post offers various online services to its customers. The service portfolio is complemented by new services for business and advertising mail, such as address and data management, mailroom management, intelligent scanning and response management.

Each year Austrian Post delivers 790 million letters, 590 million addressed direct mail items, 3.3 billion unaddressed direct mail items, 370 million print media and 290 million regional media. With 454 branch offices and 1,338 postal

— RANGE OF SERVICES:

- PARCELS
- VALUE-ADDED LOGISTICS SERVICES
- FULFILMENT
- VALUE LOGISTICS

Parcel & Logistics



COMPANY DATA

91.7%

success in delivering parcels
on the first attempt

18,085

Post pick-up boxes

44.5%

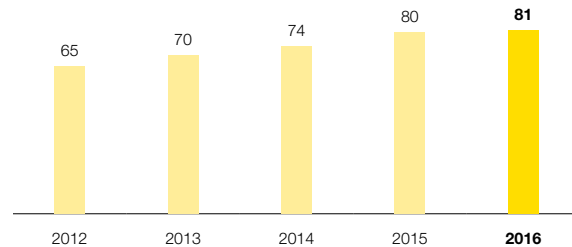
market share in Austria

The Parcel & Logistics Division offers its services in nine European countries. In international markets, this consistently takes place via the company's own subsidiaries. The main business of the division is transporting parcels and Express Mail Service (EMS) items for private and business customers. Austrian Post delivered about 81 million parcels and EMS items on its domestic market of Austria in 2016. Accordingly, it is the leading service provider for the delivery of mail order and private customer parcels, offering nationwide delivery of the highest quality.

In recent years, Austrian Post has further expanded its competencies along the entire logistics value chain, and is now successfully providing a broad range of value-added services. Accordingly, Austrian Post offers customised fulfilment solutions such as warehousing, commissioning, returns management and Webshop logistics, as well as the transport of valuables and cash.

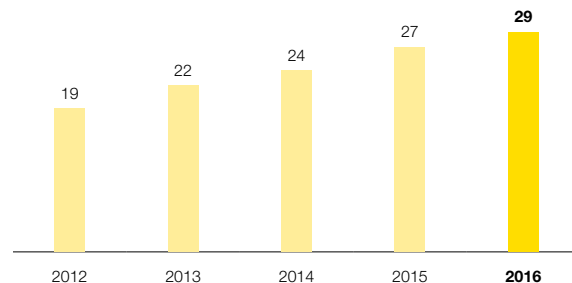
SHIPMENT VOLUMES IN AUSTRIA

in millions



SHIPMENT VOLUMES IN CEE/SEE¹

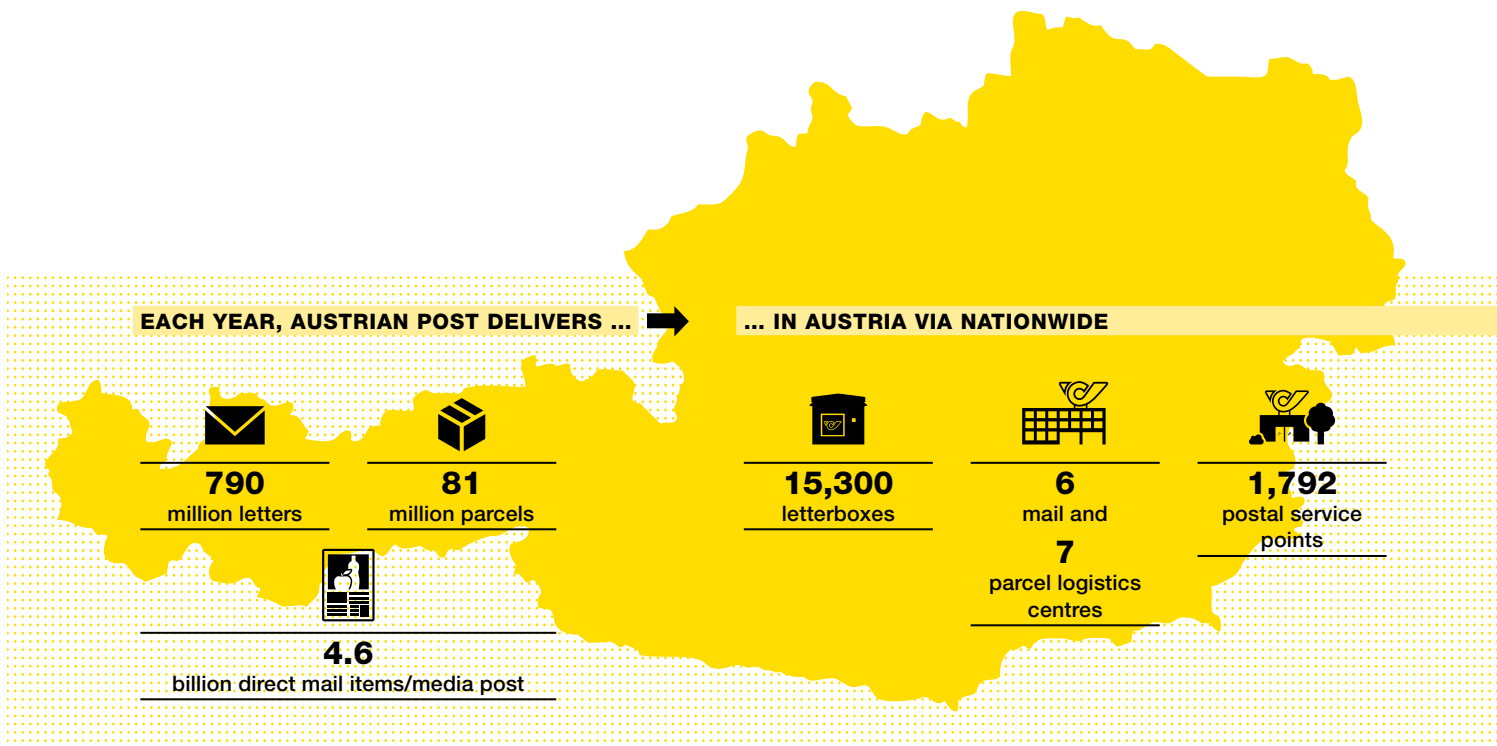
in millions



¹ Exclusive Aras Kargo a.s. (Turkey)

Number one in Austria

The company makes an important contribution to safeguarding the nation's communications and logistics infrastructure based on its nationwide and reliable supply of high quality postal services on behalf of the Austrian population and economy. The following facts show how important Austrian Post is for the Austrian economy: Austrian Post accounts for about 0.55 % of GDP and about 0.47 % of the working population is employed by the company.



OUR BUSINESS PERFORMANCE

		2015	2016	Change in %
EARNINGS				
Revenue	EUR m	2,401.9	2,030.5	-15.5
Revenue excl. trans-o-flex	EUR m	1,903.9	1,895.6	-0.4
EBIT	EUR m	89.0	202.3	> 100
EBIT margin	%	3.7	10.0	-
Profit for the period	EUR m	71.6	152.7	> 100

CASH FLOW

Gross cash flow	EUR m	216.2	223.6	3.4
Operating free cash flow ¹	EUR m	160.5 ²	156.8	-2.3

BALANCE SHEET

Total assets	EUR m	1,613.0	1,541.8	-4.4
Equity	EUR m	641.7	670.0	4.4
Liquidity (-)/Net debt (+)	EUR m	28.1	-25.7	< -100

SHARE

Earnings per share	EUR	1.06	2.26	> 100
Dividend per share	EUR	1.95	2.00 ³	2.6
Dividend yield	%	5.8	6.3	-
Total shareholder return	%	163.1	164.2	-

¹ Free cash flow before acquisitions/securities (before old/new corporate headquarters)

² Excluding tax payments of EUR 9.2m in connection with the sale of the old corporate headquarters

³ Proposal to the Annual General Meeting on April 20, 2017

**STABLE REVENUE
DEVELOPMENT ADJUSTED
FOR TRANS-O-FLEX**

**OPERATING EARNINGS (EBIT)
ABOVE THE PRIOR-YEAR LEVEL**

**GOOD BASIS FOR FINANCING
FUTURE INVESTMENTS AND
DIVIDENDS**

**CONSERVATIVE BALANCE
SHEET POLICY WITH STRONG
CASH POSITION**

**ATTRACTIVE DIVIDEND YIELD
OF 6.3 %**

INFRASTRUCTURE ...

18,000
employees
thereof

9,100
mail and parcel
carriers



9,000
vehicles
thereof

1,300
e-vehicles

**... TO**

4.4

million households
and companies

**DELIVERY SERVICES ARE
PROVIDED ...**

- IN THE HIGHEST QUALITY AS
PROVEN BY CUSTOMER
SURVEYS

- QUICKLY AND RELIABLY AS
DEMONSTRATED BY THE HIGH
LEVEL OF DELIVERY QUALITY

- IN A CO₂ NEUTRAL MANNER AS
CERTIFIED BY TÜV AUSTRIA

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Austrian Post

Online Annual Report 2016

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For the sake of readability and the natural flow of the text, this annual report does without specific gender references. All references to people refer to both men and women.

