MANAGEMENT REPORT

MANAGEMENT REPORT

1 — Group information

1.1 — BUSINESS OPERATIONS AND ORGANISATIONAL STRUCTURE

The Austrian Post Group, also called Austrian Post or the Group in this report, is the leading logistics and postal services provider in the country, with annual revenue of EUR 2.0bn and about 21,700 employees. Its core business consists of transporting and delivering letters, direct mail items, print media and parcels as well as providing various logistics services. A total of 3,500 postal service points are available to customers throughout Austria, including 450 company-operated branch offices, 1,300 postal partners, 100 OMV petrol stations and 1,600 Hermes parcel shops. At the end of 2016, Austrian Post also offered its customers 334 self-service zones, equipped with modern franking machines, packing stations, drop-off boxes and for the most part also with pick-up stations. Moreover, Austrian Post has subsidiaries in eleven European countries, particularly in the field of parcel and logistics, as well as in the delivery of unaddressed mail items, where it is already present in the markets with more than 1,400 shops.

Austrian Post bundles its activities in two divisions, the Mail & Branch Network and Parcel & Logistics divisions. In addition, the Corporate Division mainly deals with Group administration, but also includes innovation management and development of new business models. These three divisions correspond to the reportable segments stipulated in IFRS 8.

The core business of the Mail & Branch Network Division ranges from the collection, sorting and delivery of letters, postcards, addressed, partly addressed and unaddressed direct mail items, newspapers and parcels delivery jointly. In addition, postal and telecommunications products as well as financial services are sold in cooperation with the company's partners BAWAG P.S.K. and A1 Telekom Austria AG. Austrian Post also 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, intelligent scanning and response management. Each year Austrian Post delivers 790m letters, 590m addressed direct mail items, 3.3bn unaddressed direct mail items, 370m print media and 290m regional media in Austria.

The Parcel & Logistics Division provides services in eight European countries. In international markets, the service is provided through 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 81m parcels and EMS items in Austria in 2016, making it the leading service provider in the delivery of mail order parcels, offering nationwide services of the highest quality. The portfolio also includes a broad spectrum of specialty logistics solutions, for example customised fulfilment solutions such as warehousing, commissioning, returns management, the transport of valuable goods and cash, webshop logistics and webshop infrastructure.

AUSTRIAN POST

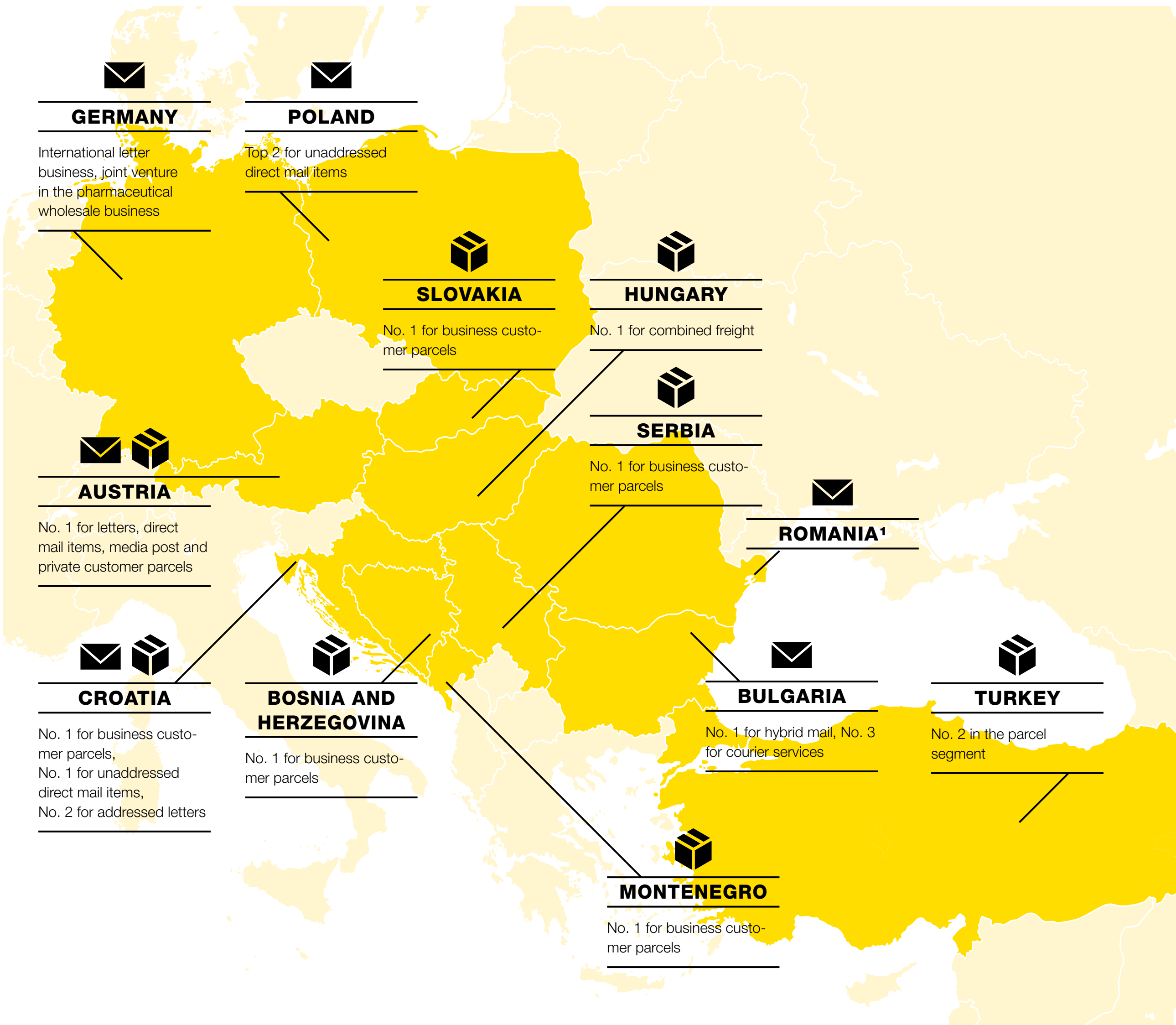
CORPORATE		MAIL & BRANCH NETWORK	PARCEL & LOGISTICS
Chief Executive Officer	Chief Financial Officer	Management Board Member	Management Board Member
Georg Pölzl	**Walter Oblin**	**Walter Hitziger**	**Peter Umundum**
Responsibilities			
– Strategy & Group Development – Corporate Communications – Human Resources Management – Investor Relations, Group Auditing & Compliance – End Customer Initiatives and End Customer Service – Online & E-Commerce Innovation Management	– Group Accounting – Corporate Controlling – Finance of the Mail & Branch Network Division – Finance of the Parcel & Logistics Division – Group Treasury – Group IT – Group Procurement and Fleet – Legal – Corporate Real Estate	– Collection, sorting and delivery of letter mail, direct mail items and media post in Austria and CEE/SEE – Geomarketing – Data & Address Management – KUVERT – Document Management – Postal Service Points (branch offices and postal partners) – Online Services	– Collection, sorting and delivery of parcels in Austria and CEE/SEE – Value-Added Logistics Services – Logistics Services Parcel & Logistics – Fulfilment Solutions – Webshop and Order Management – Value Logistics – Online Services

1.2 — MARKET AREAS AND MARKET POSITION

Austrian Post and its Group subsidiaries operate in twelve countries in the fields of letter mail and direct mail as well as in the parcel & logistics business. About 86 % of revenue is currently generated on the domestic market, where Austrian Post plays a leading role in the delivery of letter mail, direct mail and newspapers as well as parcels. In particular, Austrian Post was able to increase parcel volumes in 2016 in spite of growing competition and price pressure. Austrian Post has a market share of about 57 % in the private parcel business. In the field of business parcels (B2B), Austrian Post has been able to consistently increase its market share, which rose to 32 % in 2016 (Kreutzer Fischer & Partner, Branchenradar 2017).

On an international level, the Group subsidiaries of Austrian Post also have good market positions. Austrian Post is the market leader in the delivery of unaddressed direct mail items in Croatia, and is number one in the business parcel segment in Slovakia, Croatia, Serbia, Montenegro and Bosnia and Herzegovina. The stake acquired in the company Aras Kargo a. s., Turkey, in 2013, in which Austrian Post has a 25 % shareholding, is number two on the Turkish parcel market (internal market estimates).

The following illustration provides an overview of Austrian Post's market position in its most important regions as at December 31, 2016:



[1] The assets and liabilities of the Romanian subsidiary PostMaster s. r. l. are classified as held for sale on the balance sheet date of December 31, 2016.

2 — Business environment and legal framework

2.1 — ECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) expects a growth rate of 3.1 % for the global economy in 2016, compared to 3.2 % in the previous year. The IMF predicts worldwide economic growth of 3.4 % and 3.6 % respectively for 2017 and 2018 (IMF, January 2017).

Europe is expected to continue its restrained economic growth in the light of the slowdown in economic growth of its most important trading partners and the fading effects of growth momentum. According to the IMF, the eurozone is expected to expand by 1.7 % in 2016 following 2.0 % growth the year before. The IMF forecasts 1.6 % growth for the eurozone in both 2017 and 2018 (IMF, January 2017).

The Austrian Institute of Economic Research (WIFO) predicts an increase of 1.5 % in Austria's economic output in 2016 following 1.0 % growth in 2015. Growth was driven by strong consumer demand and rising investments, whereas the export sector tended to burden the economy. Industrial activity accelerated considerably of late. The institute expects the economic upswing which began in 2016 to continue in 2017. As a result, Austria's GDP is forecast to expand by 1.5 % in 2017 (WIFO, December 2016).

According to available economic data, all signs continue to point to growth in South East and Eastern Europe. The IMF predicts 3.1 % economic growth in the CEE region as a whole in 2017. Growth rates for 2017 are expected to be at 3 % or higher in Turkey (+3.0 %), Montenegro (+3.6 %) and Poland (+3.4 %) (IMF, October 2016).

2.2 — MARKET ENVIRONMENT

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

The electronic substitution of traditional letter mail, a global trend which impacts all postal companies, is continuing and the trend is essentially irreversible. In particular, customers in the public sector as well as banks and insurance companies are trying to reduce mail volumes. As a result, Austrian Post continues to expect an ongoing decline of about 5 % p. a. in the amount of mail it handles. The business with direct mail items strongly depends on the intensity of advertising activities by companies. The markets for addressed and unaddressed advertising mail show a diverging volume development. Several customer segments are under pressure due to the increasing activities of online shops, whereas other segments are generating growth. Current studies show that multi-channel communication and interactive marketing will tend to grow in importance in addition to online advertising.

Parcel volumes in the private customer segment are increasing due to the growing importance of online shopping. At the same time, competitive intensity is also increasing in this segment. B2B parcel volumes rose slightly (Kreutzer Fischer & Partner, Branchenradar 2017). In turn, the development of the international parcel and freight business is largely dependent on general economic trends, international trade flows and related price developments. Competitive intensity and price pressure remain high in this area. Trade flows and the required logistics services are becoming increasingly globalised. For this reason, international shipments comprise another important factor affecting the growth of the European courier, express and parcel

(CEP) market. Austrian Post subsidiaries in CEE/SEE are also profiting from the generally more dynamic overall economic growth in this region and its need to catch up in the field of e-commerce.

Another important market trend is the increasing importance of climate protection and the resulting growing demand for the environment-friendly transport of goods. Austrian Post is meeting these demands by offering the CO_2 neutral delivery of mail items in its domestic market of Austria. This is designed to prevent the negative impact on the global climate as a consequence of its business operations, on behalf of both the company and its customers.

2.3 — LEGAL FRAMEWORK

The legal framework for Austrian Post's business operations is mainly based on the Austrian Postal Market Act, which took full effect on January 1, 2011.

- Austrian Post remains the universal service provider in Austria even after full-scale market liberalisation, guaranteeing high quality postal services throughout Austria. As legally stipulated, the regulatory authorities carried out an evaluation in 2016 to determine whether other postal companies can provide universal postal services prescribed by law. This is not the case.

- The Universal Postal Service Obligation is limited primarily to mail posted at the legally stipulated access points, i. e. postal service points or letterboxes, based on general terms of trade (not individually negotiated). This safeguards the supply of basic postal services to the Austrian population and economy. Postal services for mail items brought to sorting centres by large customers, with the exception of newspapers, are not considered an integral component of universal postal services.

- A change in the Postal Market Act took effect on November 27, 2015. This enables Austrian Post to offer, in addition to letter mail (with strict delivery time standards), so-called non-priority letter mail within the context of universal postal services. The delivery time of these non-priority letters is regularly allowed to take up to four days.

- On July 25, 2016, the relevant regulatory authority i. e. the Post Control Commission, approved innovations to postal products effective January 1, 2017. This includes adjustments in letter mail and parcel products, especially the launch of a new product, the "Packet", designed for lightweight shipments.

3 — Business development and economic situation

3.1 — CHANGES IN THE SCOPE OF CONSOLIDATION

The main change in the scope of consolidation relates to Austrian Post's disposal of its stake in the operating trans-o-flex companies effective April 8, 2016. The new owners are Amberger Familien GbR (sole shareholder of the LOXXESS AG), and the Schoeller Holding, which each acquired 50 % of trans-o-flex.

A complete overview of all changes in the scope of consolidation can be found in chapter 4.2 of the notes to the consolidated financial statements.

3.2 — REVENUE AND EARNINGS

REVENUE DEVELOPMENT

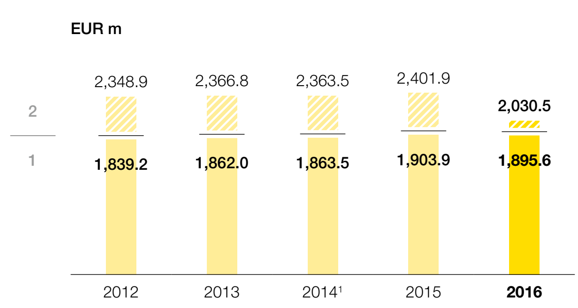
Group revenue of Austrian Post fell by EUR 371.5m in the 2016 financial year compared to the previous year to EUR 2,030.5m. This decline is mainly attributable to the sale of the subsidiary trans-o-flex in April 2016. The company contributed revenue of EUR 134.8m in 2016, in contrast to the revenue of EUR 498.1m generated in 2015. Adjusted for the disposed company trans-o-flex in both years, revenue remained stable in a year-on-year comparison at EUR 1,895.6m. The Parcel & Logistics Division, excluding trans-o-flex, generated a revenue increase of 3.9 % in 2016, whereas revenue of the Mail & Branch Network Division fell by 1.6 % in the same period.

The Mail & Branch Network Division accounted for 72.8 % of total Group revenue, whereas the Parcel & Logistics Division contributed 27.2 % of revenue. The share of revenue of the Corporate Division was below 0.1 %.

The Corporate Division principally provides Group management services internally. These services include the management of commercial properties owned by the Group, IT support services, financing and administrative activities as well as the administration of the internal labour market of Austrian Post. The Corporate Division also includes innovation management and the development of new business models.

With respect to its geographical segments, Austrian Post generated 85.9 % of its revenue in Austria, 8.7 % in Germany and 5.5 % in South East and Eastern Europe.

REVENUE DEVELOPMENT



1 – Revenue excl. trans-o-flex
2 – trans-o-flex

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

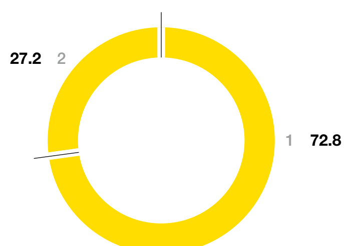
GROUP REVENUE DEVELOPMENT

EUR m	2014[1]	2015	2016	Change 2015/2016 %	Change 2015/2016 EUR m
Revenue	2,363.5	2,401.9	**2,030.5**	–15.5	–371.5
Revenue excl. trans-o-flex	**1,863.5**	**1,903.9**	**1,895.6**	**–0.4**	**–8.2**
Calendar working days in Austria	250	251	**250**	–	–

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

REVENUE BY DIVISION 2016

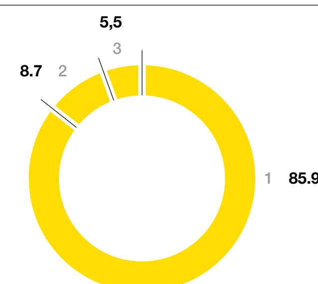
in %



1 – Mail & Branch Network
2 – Parcel & Logistics

REVENUE BY REGION 2016

in %



1 – Austria
2 – Germany
3 – South East & Eastern Europe

REVENUE DEVELOPMENT OF THE MAIL & BRANCH NETWORK DIVISION

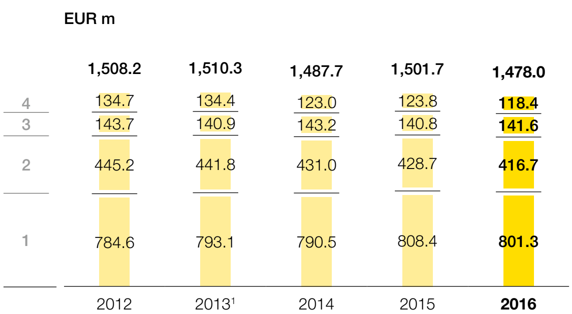
EUR m	2014	2015	2016	Change 2015/2016 %	Change 2015/2016 EUR m
Revenue with third parties (external)	**1,487.7**	**1,501.7**	**1,478.0**	**–1.6**	**–23.7**
Letter Mail & Mail Solutions	790.5	808.4	**801.3**	–0.9	–7.1
Direct Mail	431.0	428.7	**416.7**	–2.8	–12.0
Media Post	143.2	140.8	**141.6**	0.6	0.8
Branch Services	123.0	123.8	**118.4**	–4.4	–5.4
Revenue with other segments (intra-Group)	79.4	84.1	**87.9**	4.4	3.7
Total revenue	1,567.1	1,585.8	**1,565.8**	–1.3	–20.0

Revenue of the Mail & Branch Network Division totalled EUR 1,478.0m in 2016. Of this amount, 54.2 % is attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 28.2 % of total divisional revenue and Media Post, i. e. the delivery of newspapers and magazines had a share of 9.6 %. Branch Services accounted for 8.0 % of divisional revenue. In spite of the negative volume development, the revenue of the division could be maintained at a good level, especially with addressed mail. The overall decline of 1.6 % in 2016 was due to the ongoing electronic substitution of letter mail, a change in the invoicing model for mobile products and the sale of two mail subsidiaries in CEE in 2015 (negative effect of EUR 3.8m). In contrast, the higher revenue contribution from elections to the amount of around EUR 8m had a positive effect.

In the 2016 financial year, Letter Mail & Mail Solutions revenue at EUR 801.3m fell slightly by 0.9 % compared to the prior-year level. The basic trend towards the substitution of letters by electronic forms of communication continued.

In contrast to 2015, the higher contributions from elections and the increased number of international e-commerce shipments positively impacted revenue development.

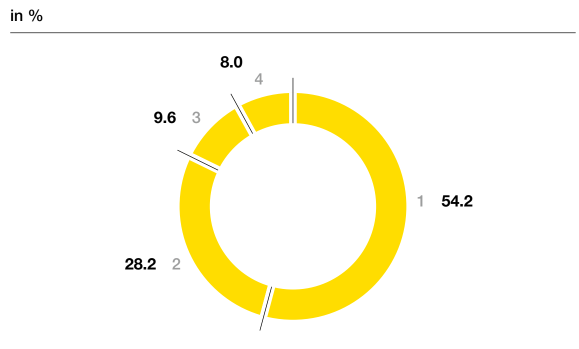
MAIL REVENUE BY PRODUCT GROUP



1 – Letter Mail & Mail Solutions
2 – Direct Mail
3 – Media Post
4 – Branch Services

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

MAIL REVENUE BY PRODUCT GROUP 2016



1 – Letter Mail & Mail Solutions
2 – Direct Mail
3 – Media Post
4 – Branch Services

Revenue in the Direct Mail business fell by 2.8 % in the reporting period to EUR 416.7m. This development is primarily due to the differing advertising activities on the part of individual customer groups. Generally speaking, this business area is influenced by the overall economic environment and is thus subject to greater fluctuations. Revenue was negatively affected by EUR 3.0m through the sale and deconsolidation of two mail subsidiaries in Hungary and Slovakia. In contrast, the increase in international addressed and unaddressed direct mail volumes as well as elections had a positive effect on revenue.

Media Post revenue rose by 0.6 % in 2016 to EUR 141.6m. This is particularly related to various one-time mailings.

Branch Services revenue at EUR 118.4m represents a decrease of EUR 5.4m from the previous year. However, this difference is due to a change in the invoicing model for mobile products totalling EUR 8.6m in contrast to the decline in the corresponding expense item. Adjusted for this effect, revenue actually increased, which was mainly due to higher sales volumes for mobile products.

REVENUE DEVELOPMENT OF THE PARCEL & LOGISTICS DIVISION

				Change 2015/2016	
EUR m	2014[1]	2015	2016	%	EUR m
Revenue with third parties (external)	875.0	900.2	**552.5**	–38.6	–347.7
Premium Parcels	651.4	668.4	**337.8**	–49.5	–330.7
Standard Parcels	188.2	195.4	**184.9**	–5.4	–10.5
Other Parcel Services	35.3	36.4	**29.8**	–18.1	–6.6
Revenue with third parties (external) excl. trans-o-flex	**375.0**	**402.1**	**417.6**	**3.9**	**15.5**
Revenue with other segments (intra-Group)	8.8	8.2	**11.5**	40.4	3.3
Total revenue	883.7	908.4	**564.0**	–37.9	–344.4

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

Total revenue of the Parcel & Logistics Division fell by EUR 347.7m in 2016 to EUR 552.5m due to the aforementioned sale of the subsidiary trans-o-flex. Adjusted to take account of trans-o-flex revenue, the division actually generated a revenue increase of 3.9 % against the backdrop of intense competition.

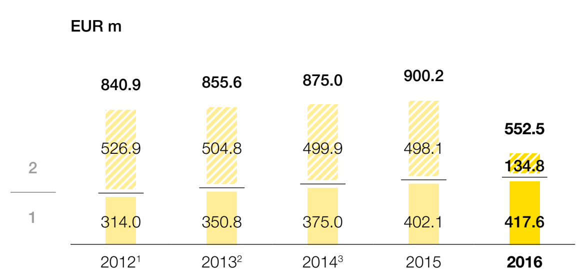
The Premium Parcels business (parcel delivery within 24 hours) contributed the largest share to this division, with revenue excluding trans-o-flex increasing by 14.9 % in 2016. In addition to the higher revenue contributions by business customers in Austria, above-average growth was mainly achieved by higher value parcels for private customers.

Standard Parcels, which mainly involves shipments to private customers in Austria, posted revenue of EUR 184.9m, comprising a drop of 5.4 %. This decline was due to intensified competition and the underlying trend towards premium products.

Other Parcel Services, which includes various additional logistics services such as fulfilment, warehousing and cash logistics, accounted for revenue of EUR 29.8m in the period under review. The year-on-year decline of 18.1 % was mainly the consequence of the sale of the subsidiary trans-o-flex.

From a regional perspective, 61.9 % of total revenue in the Parcel & Logistics Division was generated in Austria in 2016, compared to 23.9 % in Germany and 14.3 % by the subsidiaries in South East and Eastern Europe. Business in Austria developed well against the backdrop of intensified competition, expanding by 1.3 %. The markets in South East and Eastern Europe also showed growth of 2.7 %.

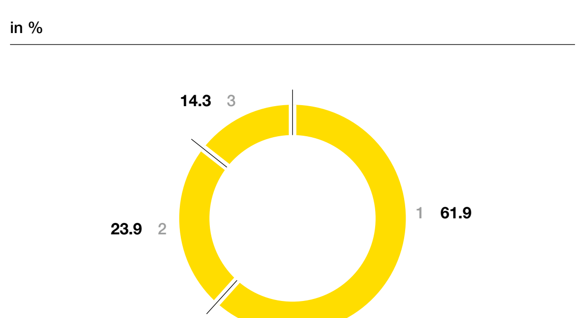
REVENUE OF THE PARCEL & LOGISTICS DIVISION



1 – Revenue of the Parcel & Logistics Division excl. trans-o-flex
2 – trans-o-flex

[1] Figures adjusted for the Benelux subsidiaries divested in 2012
[2] The presentation of revenue was adjusted so that cross-segment business relationships among subsidiaries or between subsidiaries and Austrian Post are no longer included in the revenue with third parties (formerly external sales).
[3] The presentation of revenue in the Parcel & Logistics Division was adjusted. Exported services were recognised according to the net method (previously reported as revenue and expenses for services used).

REVENUE BY REGION 2016



1 – Austria 2 – Germany 3 – South East & Eastern Europe

3.2.2 EARNINGS DEVELOPMENT

CONSOLIDATED INCOME STATEMENT

EUR m	2014[1]	2015	2016	Change 2015/2016 %	Change 2015/2016 EUR m
Revenue	**2,363.5**	**2,401.9**	**2,030.5**	**–15.5**	**–371.5**
Other operating income	134.4	99.2	**70.1**	–29.3	–29.1
Raw materials, consumables and services used	–737.5	–749.6	**–495.2**	33.9	254.4
Staff costs	–1,109.5	–1,106.0	**–1,035.2**	6.4	70.8
Other operating expenses	–317.0	–344.0	**–277.3**	19.4	66.7
Results from financial assets accounted for using the equity method	–0.1	1.1	**–15.8**	< –100	–17.0
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**333.8**	**302.7**	**277.1**	**–8.5**	**–25.7**
Depreciation and amortisation	–84.9	–85.0	**–72.6**	–14.6	–12.4
Impairments	–52.0	–128.7	**–2.3**	–98.2	–126.4
Earnings before interest and tax (EBIT)	**196.9**	**89.0**	**202.3**	**> 100**	**113.2**
Other financial result	–2.8	2.0	**–0.7**	< –100	–2.7
Earnings before tax (EBT)	194.0	91.0	**201.5**	> 100	110.5
Income tax	–47.2	–19.5	**–48.8**	< –100	–29.3
Profit for the period	**146.8**	**71.6**	**152.7**	**> 100**	**81.2**
Earnings per share (EUR)[2]	2.17	1.06	**2.26**	> 100	1.20

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

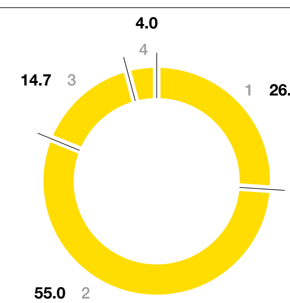
Staff costs comprise a major factor in the cost structure of Austrian Post's operating expenses. Accordingly, 55.0 % of the total operating expenses incurred by Austrian Post in 2016 could be attributed to staff costs. The second largest expense item, accounting for 26.3 % of operating expenses, was raw materials, consumables and services used, of which a large part related to external transport services. Other operating expenses comprised 14.7 % of the total costs, whereas depreciation, amortisation and impairments accounted for 4.0 %.

Other operating income during the period under review fell to EUR 70.1m, compared to EUR 99.2m in the previous year. In 2015, other operating income included repayment claims related to non-wage costs for civil servants paid in previous periods. The net effect taking account of expenses for any compensation payments reported under other operating expenses amounted to EUR 23.0m.

Raw materials, consumables and services used fell from EUR 749.6m to EUR 495.2m during the reporting period, which is due to the sale of trans-o-flex. However, costs for services used increased, particularly as a consequence of expanded parcel volumes in the core business.

ALLOCATION OF EXPENSES 2016

in %



1 – Raw materials, consumables and services used
2 – Staff costs
3 – Other operating expenses
4 – Depreciation, amortisation and impairments

Austrian Post's staff costs amounted to EUR 1,035.2m in 2016, comprising a drop of EUR 70.8m from the previous year. This development was mainly the result of the sale of trans-o-flex. On a like-for-like basis excluding trans-o-flex, total staff costs fell by 1.6 % or EUR 16.5m, which was mainly due to the resolute continuation of measures to enhance efficiency and improve the staff structure. Moreover, various legal changes during the period under review led to a positive effect. On balance, the Austrian Post Group employed an average of 21,695 people (full-time equivalents) in the 2016 financial year, compared to 23,476 employees in the previous financial year.

In addition to ongoing operational staff costs, staff costs also encompass various non-operational items such as termination benefits and changes in provisions, which are primarily related to the specific employment situation of civil servants at Austrian Post in Austria. These costs remained largely stable compared to 2015. The adjustment of the interest rate for various staff-related provisions led to a negative earnings effect of EUR 14.1m in 2016, whereas the lower allocations to provisions for social plans, employee under-utilisation, the voluntary transfer of employees to the federal public service and various restructuring provisions had an overall positive effect.

The 19.4 % decline in other operating expenses to EUR 277.3m was primarily due to the sale of the subsidiary trans-o-flex. In 2015, impairment losses of EUR 3.7m were recognised on trade receivables of German distribution companies.

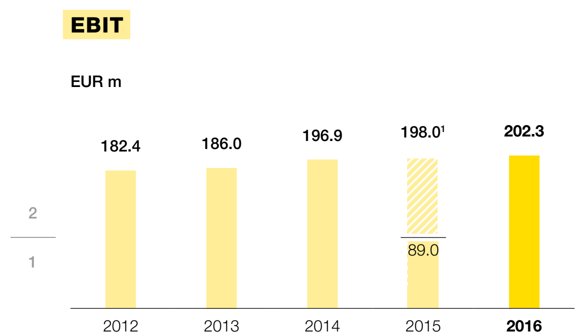
The results of the financial assets accounted for using the equity method amounted to minus EUR 15.8m in 2016 compared to plus EUR 1.1m in 2015. The change in reporting for the stake held in Aras Kargo a. s. towards a financial asset (previously a financial asset accounted for using the equity method) negatively impacted earnings to the amount of EUR 16.7m. This can be mainly attributed to the related requirement to recognise the currency translation reserves in profit and loss.

On balance, earnings before interest, tax, depreciation and amortisation (EBITDA) of Austrian Post in the 2016 financial year totalled EUR 277.1m, compared to EUR 302.7m in the previous year. Earnings in 2015 included EUR 23.0m from claims related to non-wage costs paid in previous periods less any compensation payments. The EBITDA margin of the Austrian Post Group rose from 12.6 % to 13.6 %.

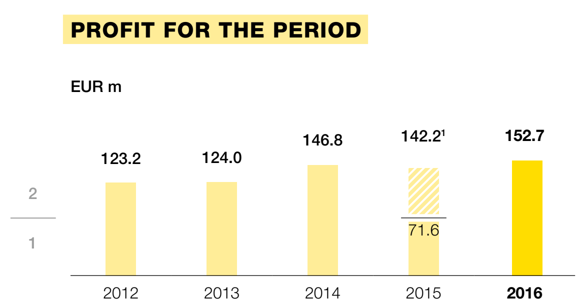
Total depreciation, amortisation and impairment losses in the reporting period amounted to EUR 74.8m, compared to EUR 213.7m in the previous year, whereas the year 2015 was characterised by special effects. The prior-year level included depreciation and amortisation in the Austrian Post Group as well as impairment losses on goodwill for the German subsidiary trans-o-flex totalling EUR 122.1m as well as an impairment loss for goodwill of the Romanian subsidiary PostMaster s. r. l. in the amount of EUR 6.1m. In 2016 Austrian Post recognised an impairment loss of EUR 2.0m in connection with the Romanian subsidiary PostMaster s. r. l.

Earnings before interest and tax (EBIT) in 2016 amounted to EUR 202.3m, following a reported EBIT of EUR 89.0m in the previous year. However, total impairment losses of EUR 131.9m were recognised in 2015, as previously mentioned, primarily in connection with the subsidiary trans-o-flex, as well as the aforementioned positive net effect of EUR 23.0m. Adjusted for these special effects, operating EBIT in 2015 actually amounted to EUR 198.0m. Adjusted for the special effects recognised in 2015, operating EBIT in 2016 rose by 2.2 %, and the EBIT margin improved from 8.2 % to 10.0 %.

The other financial result of the Austrian Post Group fell from EUR 2.0m in 2015 to minus EUR 0.7m in the 2016 financial year. This change is mainly due to the early termination of a cross-border leasing transaction in March 2015 and the related positive earnings effect of EUR 3.3m.



[1] Adjusted for special effects



[1] Adjusted for special effects

Earnings before tax (EBT) in 2016 totalled EUR 201.5m, compared to the prior-year figure of EUR 91.0m. The reported net earnings in the year 2015 were mainly burdened by the aforementioned special effects. The income tax expense amounted to EUR 48.8m, up from EUR 19.5m in 2015. After deducting income tax, the Group's profit for the period (profit after tax) was EUR 152.7m, compared to EUR 71.6m in the prior-year period. Accordingly, undiluted earnings per share equalled EUR 2.26 for the 2016 financial year, compared to EUR 1.06 per share in the previous year. Adjusted for the previously described special effects, profit for the period in 2015 was EUR 142.2m, or earnings per share of EUR 2.10.

EBITDA AND EBIT BY DIVISION

EUR m	2014	2015	2016	Change 2015/2016 %	Change 2015/2016 EUR m	Margin 2016
Total EBITDA	**333.8**	**302.7**	**277.1**	**–8.5**	**–25.7**	**13.6 %**
Mail & Branch Network	311.0	322.9	**319.7**	–1.0	–3.3	**20.4 %**
Parcel & Logistics	41.4	37.9	**29.8**	–21.2	–8.0	**5.3 %**
Corporate/Consolidation	–18.5	–58.1	**–72.4**	24.7	–14.3	**–**
Total EBIT	**196.9**	**89.0**	**202.3**	**> 100.0**	**113.2**	**10.0 %**
Mail & Branch Network	270.0	284.7	**285.1**	0.1	0.3	**18.2 %**
Parcel & Logistics	–19.5	–105.4	**18.5**	> 100.0	123.9	**3.3 %**
Corporate/Consolidation	–53.6	–90.3	**–101.3**	12.2	–11.0	**–**

From a divisional perspective, the Mail & Branch Network Division showed a largely stable earnings development in the 2016 financial year despite the revenue decline, which was the result of strict cost discipline. EBITDA of the division was EUR 319.7m, compared to EUR 322.9m in 2015. Divisional EBIT remained stable at EUR 285.1m. In 2015 an impairment loss on goodwill of EUR 6.1m was recognised for the subsidiary in Romania, whereas 2016 included an impairment loss on goodwill of EUR 2.0m for the same entity.

The Parcel & Logistics Division generated an EBITDA of EUR 29.8m in 2016, down from EUR 37.9m in the 2015 financial year. The change in reporting for the stake held in Aras Kargo a. s. towards a financial asset (previously a financial asset accounted for using the equity method) negatively impacted earnings to the amount of EUR 16.7m. This can be mainly attributed to the related requirement to recognise the currency translation reserves in profit and loss. EBIT of the division in the 2016 financial year totalled EUR 18.5m compared to minus EUR 105.4m in the previous year. In 2015 Austrian Post recognised impairment losses of EUR 125.8m in connection with the subsidiary trans-o-flex. Adjusted for the aforementioned effects, operating EBIT of the Parcel & Logistics Division in 2016 improved to EUR 35.2m from EUR 20.4m in 2015, which is mainly attributable to the disposal of the former subsidiary trans-o-flex.

The Corporate Division (including Consolidation) encompasses all non-allocable expenses for central departments in the Group assigned to it as well as staff-related provisions. In addition, the division encompasses innovation management and the development of new business models. EBIT of the Corporate Division fell from minus EUR 90.4m to minus EUR 101.3m, due to the positive net effect of EUR 23.0m in the previous year from claims related to non-wage costs paid in previous periods. Positive effects on staff costs were reported in 2016 due to various legal changes.

3.3 — ASSETS AND FINANCES

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

3.3.1 BALANCE SHEET STRUCTURE

The balance sheet total of Austrian Post amounted to EUR 1,541.8m as at December 31, 2016. On the assets side, property, plant and equipment comprised the largest single balance sheet item at EUR 597.6m, whereas intangible assets amounted to EUR 21.2m. The goodwill reported for acquisitions totalled EUR 56.3m as at December 31, 2016. Receivables amounted to EUR 291.2m. An analysis of the balance sheet shows that Austrian Post boasted financial resources (cash and cash equivalents) of EUR 277.8m as at December 31, 2016, and securities of EUR 60.9m. The securities owned by Austrian Post feature an investment grade or comparable credit rating, which is why it is assumed that these assets could be converted into cash in a very short time. Accordingly, the financial resources including securities at the disposal of Austrian Post amounted to EUR 338.6m at the end of 2016. The payment of a dividend in April 2016 of EUR 1.95 per share or a total of EUR 131.7m for the 2015 financial year is already taken into account.

The equity and liabilities side of the balance sheet is characterised by a high equity ratio, which improved from 39.8 % as at December 31, 2015 to 43.5 % at the end of 2016. This corresponds to equity of EUR 670.0m. Non-current liabilities amounted to EUR 395.2m at the end of the reporting period, whereas current liabilities were at EUR 475.6m. The provisions included in liabilities totalled EUR 503.3m at the end of December 2016, including provisions for employee under-utilisation of EUR 167.6m.

BALANCE SHEET STRUCTURE BY ITEM

[1] Securities are recognised as other financial assets in the balance sheet.
[2] Including assets/liabilities held for sale

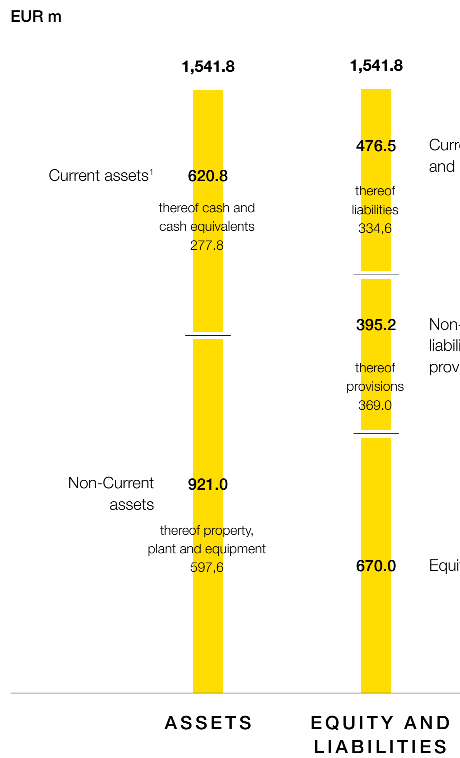
BALANCE SHEET AS AT DECEMBER 31

EUR m	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Structure Dec. 31, 2016
ASSETS				
Property, plant and equipment, intangible assets and goodwill	769.9	654.9	**675.1**	43.8 %
Investment property	51.8	60.5	**69.0**	4.5 %
Financial assets accounted for using the equity method	53.3	53.2	**9.6**	0.6 %
Inventories, trade and other receivables	464.2	409.3	**385.9**	25.0 %
Other financial assets	67.1	71.8	**122.0**	7.9 %
thereof financial investments in securities	53.1	57.2	**60.9**	–
Cash and cash equivalents	264.1	299.6	**277.8**	18.0 %
Assets held for sale	0.6	63.8	**2.4**	0.1 %
	1,671.0	**1,613.0**	**1,541.8**	**100.0 %**
EQUITY AND LIABILITIES				
Equity	702.7	641.7	**670.0**	43.5 %
Provisions	540.5	516.6	**503.3**	32.6 %
Other financial liabilities	17.7	12.6	**5.6**	0.4 %
Trade and other payables	409.5	372.1	**361.9**	23.5 %
Liabilities classified as held for sale	0.6	70.0	**0.9**	0.1 %
	1,671.0	**1,613.0**	**1,541.8**	**100.0 %**

The analysis of the balance sheet structure by terms shows that non-current assets predominate on the assets side, accounting for 59.7 % of total assets or EUR 921.0m. An important non-current asset item is property, plant and equipment, intangible assets and goodwill at EUR 675.1m. The principal current asset items include trade and other receivables at EUR 276.6m as well as cash and cash equivalents of EUR 277.8m. Accordingly, the financial resources of Austrian Post including securities of EUR 60.9m amounted to EUR 338.6m as at December 31, 2016.

On the equity and liabilities side, the balance sheet total mainly consists of equity (43.5 %), non-current liabilities (25.6 %) and current liabilities (30.9 %). The non-current liabilities totalling EUR 395.2m largely consist of provisions (to the amount of EUR 369.0m). Current liabilities (incl. liabilities held for sale) of EUR 476.6m primarily relate to liabilities of EUR 334.6m (including trade payables of EUR 187.5m).

BALANCE SHEET STRUCTURE BY TERM



[1] Assets and liabilities classified as held for sale are included in current assets and liabilities

3.3.2 CASH FLOW

The gross cash flow totalled EUR 274.7m in the 2016 financial year compared to EUR 265.0m in the 2015 financial year. This difference was primarily the result of lower tax payments. The cash flow from operating activities of EUR 223.6m was EUR 7.4m higher than in the previous year. The increase was mainly the result of the decline in trade receivables as well as the lower provisions and trade payables.

The cash flow from investing activities reached a level of minus EUR 105.1m in 2016 compared to the prior-year level of minus EUR 49.0m. This difference primarily resulted from the positive effect in 2015 relating to the sale of Austrian Post's former corporate headquarters in Vienna's first district, for which the outstanding balance of the purchase price of EUR 60.0m was paid in 2015. Cash outflows for the acquisition of property, plant and equipment (CAPEX) amounted to EUR 103.3m, slightly below the figure of EUR 104.7m in the previous year. CAPEX included investments of EUR 33.5m for the construction of Austrian Post's new corporate headquarters. In relation to acquisitions and divestments, the cash flow totalled minus EUR 1.7m in 2016. Moreover, a cash flow-reducing effect of EUR 3.1m was reported due to various changes in the securities portfolio, compared to EUR 4.4m in the previous year.

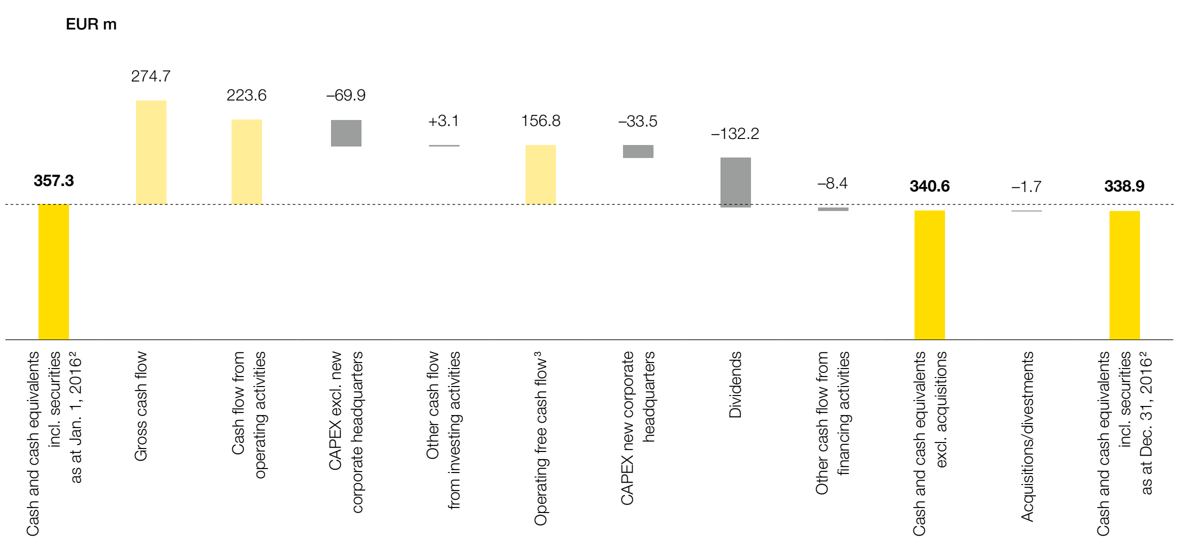
The operating free cash flow before acquisitions/securities (before old/new corporate headquarters) amounted to EUR 156.8m in the 2016 financial year, compared to EUR 160.5m in 2015. This provides a good foundation for Austrian Post's ability to finance investments and dividends in the future.

CASH FLOW

EUR m	2014	2015	2016
Gross cash flow	283.3	265.0	**274.7**
Cash flow from operating activities	232.2	216.2	**223.6**
Cash flow from investing activities	–69.4	–49.0	**–105.1**
thereof CAPEX excl. new corporate headquarters	–75.8	–71.9	**–69.9**
thereof CAPEX new corporate headquarters	–6.7	–32.9	**–33.5**
thereof cash flow from acquisitions/divestments	–2.0	–6.8	**–1.7**
thereof acquisition/disposal of securities	13.0	–4.4	**–3.1**
thereof other cash flow from investing activities	2.1	67.0	**3.1**
Free cash flow	162.8	167.2	**118.5**
Free cash flow before acquisitions/securities	151.7	178.3	**123.3**
Operating free cash flow before acquisitions/securities (before old/new corporate headquarters)	**158.5**	**160.5**[1]	**156.8**
Cash flow from financing activities	–138.8	–131.3	**–140.6**
thereof dividends	–129.7	–132.1	**–132.2**
Change in cash and cash equivalents	24.0	36.0	**–22.1**

[1] Excluding tax payments of EUR 9.2m in connection with the sale of the former corporate headquarters, which is contained in the gross cash flow.

DEVELOPMENT OF FINANCIAL RESOURCES AND SECURITIES 2016[1]



[1] Cash and cash equivalents including securities as at Dec. 31, 2016 include reversals of impairments on securities to the amount of EUR 0.7m. These reversals are reported in other comprehensive income without recognition through profit or loss and are therefore not included in the cash flow.
[2] Includes cash and cash equivalents of the disposal group (IFRS 5) of EUR 0.5m as at Jan. 1, 2016 as well as EUR 0.2m as at Dec. 31, 2016.
[3] Operating free cash flow before acquisitions/securities (before old/new corporate headquarters)

An analysis of the development of financial resources including securities in 2016 shows the following: financial resources including securities totalled EUR 357.3m on January 1, 2016. The cash flow from operating activities generated by Austrian Post amounted to EUR 223.6m in 2016. After deducting CAPEX excl. new corporate headquarters during the 2016 financial year, the operating free cash flow before acquisitions/securities (before old/new corporate headquarters) was EUR 156.8m. This more than covered dividends of EUR 132.2m distributed in 2016. On balance, financial resources including securities, totalled EUR 338.9m as at December 31, 2016.

3.3.3 NET CASH/NET DEBT

EUR m	Dec. 31, 2014[1]	Dec. 31, 2015	Dec. 31, 2016
+ Other financial liabilities	17.7	12.6	**5.6**
+ Interest-bearing liabilities	3.4	0.0	**0.0**
+ Interest-bearing provisions	419.8	383.6	**373.0**
Interest-bearing debt	**440.7**	**396.2**	**378.5**
– Other financial assets	–67.1	–71.8	**–121.6**
– Non-current interest-bearing receivables	–9.9	–2.9	**–3.4**
– Cash and cash equivalents	–264.1	–299.6	**–277.8**
Interest-bearing assets	**–341.1**	**–374.3**	**–402.8**
– Assets held for sale	–0.6	–63.8	**–2.4**
+ Liabilities classified as held for sale	0.6	70.0	**0.9**
Net cash (–)/Net debt (+)	**99.7**	**28.1**	**–25.7**
Net debt/EBITDA[2]	**0.30**	**0.09**	**–**
Gearing ratio[2, 3]	**14.2 %**	**4.4 %**	**–**

1 The assets and liabilities held for sale were reclassified from capital employed to net debt.
2 A net cash is reported for 2016. For this reason, this chart does not include the indicators net debt/EBITDA and gearing ratio in 2016 due to their limited relevance.
3 Gearing ratio = net debt/equity

Austrian Post Group reported a net cash of EUR 25.7m as at the end of 2016. The change from the previous year was due to the decrease in interest-bearing debt as well as the rise in interest-bearing assets. In particular, the item other financial assets increased as a result of the change in reporting for the stake held in Aras Kargo a. s.

On the basis of the existing liquidity and the solid cash flow from operating activities, Austrian Post is able to self-fund its current financing requirements. The company does not plan to make any substantial use of borrowed capital at the present time.

Within the context of its dividend policy, Austrian Post aims to achieve a dividend payout ratio of at least 75 % of the Group's net profit attributable to shareholders in the coming years, assuming a continuation of its successful business development and that no extraordinary circumstances arise.

3.3.4 INVESTMENTS AND ACQUISITIONS

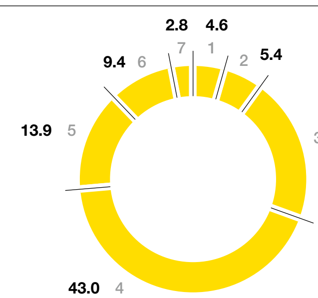
In the 2016 financial year, capital expenditure at Austrian Post Group reached a level of EUR 106.0m, down EUR 7.4m from the prior-year level. This includes EUR 101.1m in investments for property, plant and equipment and EUR 4.9m for investments in intangible assets.

The focus of Austrian Post's investment programme during the reporting period was prepayments and assets under construction (43.0 %), encompassing prepayments for a commercial property to construct a new sorting centre north of Vienna as well as delivery vehicles. Assets under construction mainly related to the new corporate headquarters scheduled for completion in the fall of 2017.

In addition, 20.8 % of total investments was for property, buildings and investment property, whereas the vehicle fleet accounted for 13.9 % of expenditures and 9.4 % involved other equipment, furniture and fittings and hardware.

INVESTMENTS BY CATEGORY 2016

in %



1 – Intangible assets
2 – Technical plant and machinery
3 – Property, buildings and investment property
4 – Prepayments and assets under construction
5 – Vehicle fleet
6 – Other equipment, furniture and fittings/hardware
7 – Branch network

In addition, investments were made in the modernisation of sorting facilities and conveying equipment (5.4 %), software licenses (4.6 %) and in the modernisation of the branch network (2.8 %).

New and replacement investments are subject to a detailed profitability assessment. Replacement investments are first made if the newer technology enables increased productivity achieving an ongoing reduction in costs for the company's own or external staff or in the purchase of transport services or if the investments come at the optimal time so that life-cycle costs, especially maintenance costs for existing property, plant and equipment, exceed the costs for newer facilities.

Investments are subject to an internal approval and authorisation process by a committee during the various planning phases as well as in the procurement phase. This committee consists of area or department managers, one or all members of the Management Board and the Supervisory Board of Austrian Post depending on the total volume involved. In addition to actual and target comparisons, an investment review and evaluation takes place at the end of the investment phase, particularly in the case of large projects.

In addition to the return on investment (ROI), which serves as the main decision-making parameter for investments and acquisitions, the amortisation period and the present value of the investments are taken into consideration, both in the planning phase and in monitoring performance.

The cash outflow for the acquisition and sale of subsidiaries as well as for financial assets accounted for using the equity method amounted to EUR 1.5m in 2016, compared to EUR 7.0m in 2015. Generally, every acquisition presupposes a unified Group-wide selection process. The decision-making basis is a due diligence test followed by an evaluation based on the discounted cash flow method and if applicable a plausibilisation of the determined values based on the comparable value method.

3.4 — KEY FINANCIAL PERFORMANCE INDICATORS

3.4.1 CAPITAL EMPLOYED

The capital employed of Austrian Post Group fell from EUR 577.0m to EUR 567.9m at the end of 2016. This difference was primarily due to the previously mentioned change in reporting for the stake held in Aras Kargo a. s., as a financial asset. The increase in property, plant and equipment, especially due to construction of the new corporate headquarters and property purchase for a new sorting centre, had the opposite effect.

The aim of Austrian Post is to optimise the capital employed in accordance with specific conditions in the postal sector. Against this backdrop, investments are made extremely selectively and purposefully, primarily to enable productivity increases. Goodwill is continually tested for impairment and written down in case there are indications of impairment.

The main priority of Austrian Post's receivables management is to continually monitor outstanding receivables. Management is regularly informed about the level of outstanding receivables in order to be able to take appropriate measures if necessary. Payment terms may be switched to advanced payment or payment in cash in case the customer is designated as a risk or a bank guarantee may be demanded.

EUR m	Dec. 31, 2014[1]	Dec. 31, 2015	Dec. 31, 2016
+ Intangible assets and goodwill	172.1	83.0	**77.5**
+ Property, plant and equipment	597.7	571.9	**597.6**
+ Investment property	51.8	60.5	**69.0**
+ Financial assets accounted for using the equity method	53.3	53.2	**9.6**
+ Inventories	16.7	15.9	**18.1**
+ Trade payables, other receivables and claims for income tax reimbursement[2]	368.9	297.6	**288.5**
– Non interest-bearing debt	–526.9	–505.1	**–492.3**
Capital employed	**733.8**	**577.0**	**567.9**

[1] The assets and liabilities held for sale were reclassified from capital employed to net debt.
[2] Less interest-bearing receivables

3.4.2 RATIOS

The EBITDA margin of Austrian Post improved from 12.6 % in 2015 to 13.6 % in 2016. Due to the aforementioned special effects in 2015, especially the disposal of the German subsidiary trans-o-flex, the EBIT margin rose from 3.7 % in 2015 to 10.0 % in 2016. For this reason, the return on equity rose from 12.5 % to 30.0 %. The return on capital employed improved from 13.6 % to 35.3 %, which is due to the decline in capital employed in addition to the special effects recognised in 2015.

in %	2014	2015	2016
EBITDA-margin[1]	14.1	12.6	**13.6**
EBIT-margin[2]	8.3	3.7	**10.0**
ROE[3]	25.8	12.5	**30.0**
ROCE[4]	26.5	13.6	**35.3**

[1] EBITDA margin = EBITDA/revenue
[2] EBIT margin = EBIT/revenue
[3] Return on equity = Profit for the period/(equity on Jan. 1 less dividend payment)
[4] Return on capital employed = EBIT/average capital employed

4 — Employees

The average number of full-time employees at the Austrian Post Group totalled 21,695 people during the period under review, comprising a decrease of 1,781 employees from the prior-year period. This reduction can be mainly attributed to the disposal of the German subsidiary trans-o-flex. Most of Austrian Post's staff (full-time equivalents) is employed by the parent company Österreichische Post AG (a total of 17,448 full-time equivalents). In turn, a total of 4,247 people (full-time equivalents) are employed by the subsidiaries.

EMPLOYEES BY DIVISION

Annual average, full-time equivalents	2014	2015	2016	Share in %
Mail & Branch Network	17,331	16,877	**16,434**	75.7
Parcel & Logistics	4,611	4,754	**3,318**	15.3
Corporate	1,970	1,845	**1,944**	9.0
Total	**23,912**	**23,476**	**21,695**	**100.0**

4.1 — HEALTH AND OCCUPATIONAL SAFETY

For Austrian Post as a service company, motivated and healthy employees are crucial. In order to maintain the ability of employees to work, also until they reach an advanced age, the company must ensure a safe and motivating working environment. Both the company and employees must take responsibility for preserving employee health. Accordingly, Austrian Post works on designing workplaces and processes oriented to worker protection standards, and also offers a variety of activities to employees to support them with their health care.

In 2016, the focus was on continuing the project called "A healthy heart and you". Employees were provided with interesting information about their own health and body as well as about nutrition, smoking and related topics at health consultations and "health day" events. The "Fit in the office" programme aims at giving employees exercises requiring little time which they can do in the office or at home to strengthen their muscles and prevent posture problems.

4.2 — PROFESSIONAL TRAINING AND CAREER DEVELOPMENT

The target group- and competence-oriented training and professional development of employees comprise an important part of Austrian Post's human resources activities. The measures implemented consist of specialised instruction, continuing education courses as well as coaching and training in all areas of the company.

In an initial step, executives are called upon to identify employee potential and enhance their skills on the basis of individual career development. Accordingly, Austrian Post has made it a priority since 2012 to instruct management staff within the framework of the Executive Academy. The objective is to support executives and key employees to implement management guidelines within the framework of a customised programme.

4.3 — DIVERSITY AND EQUAL OPPORTUNITY

Within the context of its diversity management, Austrian Post explicitly strives to promote the diversity of its employees and constructively seeks to benefit from the diversity of its staff. On the one hand, this applies to externally perceptible differences such as gender, ethnic background, age or disability. On the other hand, it also applies to subjective differences such as religion and lifestyle. Austrian Post not only aims to respect individual differences among employees, but particularly highlight and embrace them in the spirit of promoting mutual esteem and respect. The objectives are to create a productive overall working environment in the company, prevent the social discrimination of minorities and improve equality of opportunity. The company attaches considerable importance to ensuring equal opportunity at work in all business areas, and thus decisively opposes any kind of discrimination, mobbing and sexual harassment. Austrian Post already signed the Charter of Diversity in 2013, and has made its contribution since then as part of its voluntary commitment to promote greater tolerance, fairness and respect within the context of its diversity management efforts. Austrian Post also takes its role of being a family-friendly employer seriously, and promotes the compatibility of career and family on the basis of a series of measures and offerings. For this reason, Austrian Post was given the basic "work and family" certificate, issued by the Federal Ministry of Families and Youth for the period 2013–2016. In 2016 Austrian Post was granted the certificate once again, which is valid until 2019.

5 — Environment

Austrian Post is aware of its responsibility towards the environment. For this reason, it continually strives to identify optimisation potential in order to minimise its ecological footprint. In 2016, Austrian Post once again delivered all letters, parcels and direct mail items in Austria in a CO_2 neutral manner, without exception, as part of its CO_2 NEUTRAL DELIVERY initiative. This initiative is being implemented in a three-phase programme. The top priority is always to avoid emissions in the company's own core processes. This primarily applies to its buildings and the vehicle fleet, and is achieved on the basis of optimised route planning, a modern vehicle fleet, driver training in fuel-saving driving techniques, the monitoring of energy consumption in buildings along with the optimisation of floor space in these buildings. In a second step, Austrian Post increasingly relies on alternative sources of energy. In this regard, Austrian Post once again significantly expanded its fleet of electric-powered vehicles in 2016, which already consisted of more than 1,300 e-vehicles at the end of the year. The "Green Vienna" project is designed to ensure that all letters and direct mail items to private customers are to be exclusively delivered by foot or by using e-vehicles by the end of 2016. This project has been almost completely implemented.

Furthermore, since 2012 Austrian Post has only been using electricity generated from renewable energy sources, and operates photovoltaic facilities on the roof of the Mail Logistics Centre Vienna and the Allhaming Logistics Centre, which generate about 1.4m kWh annually. Third, all greenhouse gas emissions which cannot be avoided at the present time are compensated by support provided to recognised and certified climate protection projects in Austria and abroad with a high ecological and socio-economic value. The entire initiative is regularly verified by independent experts at TÜV AUSTRIA.

MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

ENVIRONMENTAL INDICATORS

				Change 2014/2015	
	2013	2014	2015	%	Nominal
Total CO_2 emissions (t)	71,899	70,672	**68,558**	–3.0	–2,114
Total energy consumption (kWh million)	151.4	142.2	**133.7**	–6.0	–8.5
Total mileage (km million)	123	124	**125**	0.8	1.0
Total fuel consumption (litre million)	14.8	14.7	**14.8**	0.7	0.1

The chart shows that CO_2 emissions fell by 3 % in a year-on-year comparison, although total mileage increased from 124 million to 125 million. CO_2 emissions were reduced by about 21 % in the period 2010–2015, higher than the target of 20 %.

The sustainability reports of Austrian Post are prepared in accordance with the guidelines contained in the Global Reporting Initiative (GRI). The Sustainability Report 2015 corresponded to the reporting standard GRI G4 (core option) and was subject to a limited assurance audit by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The environmental indicators published for 2015, i. e. CO_2 emissions, energy consumption, mileage and fuel consumption, were also included in its audit. The environmental indicators for the 2016 financial year will be published in the Sustainability Report 2016, which is scheduled to be issued at the end of June 2017.

6 — Research and development/ Innovation management

An important success factor in changing markets is the development and market launch of innovative products and the expansion of the existing product portfolio of the core business. Austrian Post is a service company, and thus continuously expands or improves its services on the basis of internal R&D measures. Moreover, Austrian Post consistently works on optimising its processes and procedures. Research and development work is carried out on new innovative solutions, either in-house or together with cooperation partners. In many cases, this leads to new market standards for the entire logistics sector.

In the 2016 financial year, Austrian Post once again implemented a large number of innovative, self-developed solutions. A series of product management projects were carried out in the Mail & Branch Network Division and the Parcel & Logistics Division. In contrast, the company has set up its own competence centres for the fast-growing field of online services, whose priority is to develop new products and solutions. About 50 employees primarily involved in research and development work in the Online and E-commerce Innovation Management departments.

Austrian Post consistently further developed its solutions in the fields of electronic mail and mobile services (“Post App”) in 2016. The online services provided by Austrian Post are characterised by a high level of security and trustworthiness. In the field of logistics services, Austrian Post also steadily develops tailor-made customer solutions for warehousing, fulfilment and various value added services. These solutions combined with innovative online services enhance efficiency and flexibility and generally contribute to a customer-oriented optimisation of communication and distribution. Furthermore, in 2016 Austrian Post acquired the Styrian IT service provider ACL advanced commerce labs GmbH (ACL), a leader in e-commerce for large brand manufacturers in Austria, Germany and Switzerland. The stake purchased in ACL serves as the basis for further expanding Austrian Post’s e-commerce offering and ensuring that customers will be supplied with even more service-oriented and simpler one-stop-shop solutions in the future.

The Mail Solutions business area also holds a special position when it comes to R&D in the Mail & Branch Network Division. Its 300 employees mainly work on innovative solutions in the fields of business process outsourcing, electronic delivery, data management and digital advertising. The focus is on the dual shipping and acceptance of mail (digital/physical), intelligent input management, efficient mailroom management, digital document management, dual delivery and output management as well as effective CRM applications (e.g. geomarketing, address management), amongst other priorities. In 2016 Austrian Post acquired a 26% stake in the company sendhybrid ÖPBD GmbH (sendhybrid), a specialist for secure electronic document transmission, enabling the demonstrable reachability of recipients regardless of time and place and access to a digital mailbox via smart phone, tablet and PC.

In addition to its own development activities, Austrian Post has also been cooperating with prominent Austrian universities, universities of applied sciences and other research facilities for a long time. One key partner is the Austrian Research Promotion Agency (FFG). The objective of this collaboration is to further intensify its focus on innovation and to be able to rely on sound scientific research findings in the development of products and services.

Alongside its product development work, Austrian Post also continually conducts research and develops its processes and procedures, as mentioned beforehand. Due to its extensive social responsibility as an Austrian flagship company, one of the priorities of all the initiatives being implemented is to preserve natural resources and increase energy efficiency. The CSR & Environmental Management department consults and supports the research and development activities of the business units when required. In this regard, one showcase project in the field of applied research is the E-Mobility Post model region. Research on the suitability of e-vehicles for use in practice and the optimal utilisation of local resources for renewable energy generation is being carried out in cooperation with the federal government's Climate and Energy Fund and the Federal Ministry of Agriculture, Forestry, Environment and Water Management. By the end of 2016, Austrian Post had already invested approximately EUR 14 million in the CO_2 neutral and zero emission delivery of mail items.

The following other projects were either launched or continued in the 2016 financial year: together with the AIT Austrian Institute of Technology, Austrian Post initiated a project called PEAR to evaluate the energy-efficient automation and regulation of buildings, with the principal aim of achieving a significantly shortened start-up phase and consistent energy-optimised operation while ensuring the same level of comfort. AIT is also carrying out another research project on the issue of e-mobility (project SEAMLESS). As a project and research demonstration partner, Austrian Post contributes towards researching various mobility paths and opportunities on the basis of its practical experience. In the field of logistics, a project entitled EAGLE aims at the methodical development of automated goods unloading in logistics networks. Under real-life conditions, the need to integrate solutions into existing processes in the spirit of ensuring sustainable approaches should be taken into account in order to manage the future flow of goods. The above-mentioned projects comprise an exemplary but not exhaustive presentation of selected research projects.

7 — Customers

7.1 — DELIVERY QUALITY

Austrian Post aims to be a provider of high-quality postal services. In particular, strict legal regulations relating to the Universal Postal Service Obligation stipulate the following high standards relating to delivery speed for letters and parcels: delivery of 95 % of all letters on the next working day and 90 % of all parcels within two working days. In 2016, Austrian Post once again managed to outperform the minimum legally stipulated standards, delivering 95.7 % of all letters on the next working day after posting.

With regard to parcel delivery services to private customers, a very pleasing high success rate was reached with 98 % of all parcels delivered within two working days in 2016. Austrian Post also achieved an above-average delivery quality in European comparison with respect to international mail (inbound).

With respect to the first-time delivery success rate for registered letters and for parcels, the good performance of the previous year for letters and parcels was surpassed. The first-time delivery success rate is a very important factor determining the level of customer satisfaction. Accordingly, 91.7 % of parcels and 79.1 % of registered letters were successfully delivered on the first attempt in 2016.

DELIVERY QUALITY

in %	2014	2015	2016
Delivery time			
E+1 letter mail delivery time	96.3	95.9	**95.7**
E+2 private customer parcel delivery time in Austria	97.5	98.1	**97.9**
Delivery success rate			
First-time delivery success for letter mail (registered)	77.4	78.0	**79.1**
First-time delivery success for parcels (E+2)	88.7	91.0	**91.7**

E+1 – day of posting + one working day; E+2 – day of posting + two working days

7.2 — CUSTOMER SATISFACTION

Customer satisfaction with the services of Austrian Post was measured on a quarterly basis during the reporting period. The market research partner on this project was the renowned Institute for Empirical Social Research (IFES). By means of a representative survey with a sample size of n = 1,000 per wave, the "Customer Satisfaction Index" (CSI) encompassing customer satisfaction and customer loyalty is determined. The average CSI in 2016 was good, remaining stable at 68 index points. It only fluctuated slightly between 68 and 69 index points over the four quarters of the year. Very high marks (i.e. over 70 index points) were given to the postal service points, shipping and delivery. Young people were the most satisfied. This group of people generally takes advantage of innovations (e.g. self-service zones or the Post App) the most.

In particular, both mail and parcel delivery services continued to receive very high grades, and the delivery staff itself was ranked as outstanding. The self-service zones generally enjoy increasing popularity as 30 % of the population already say they have used them. The image of Austrian Post improved in comparison to the previous year, especially the perception of the social responsibility for its employees and the assessment of the way the company is presented in the media.

Measuring customer satisfaction in accordance with the CSI scale considers 50 index points or less to represent a critical level 51 to 60 points as moderately content, more than 61 points is considered to be good and higher than 71 means very good An outstanding level of customer satisfaction is for 81 points up to the highest possible score of 100.

7.3 — RELIABILITY OF SUPPLY

In addition to its obligation to provide the highest quality postal services for every household throughout Austria at a uniform price, the definition of the Universal Postal Service Obligation in Austria requires Austrian Post to operate a nationwide network of at least 1,650 postal service points. In the spirit of optimally serving its customers, Austrian Post also surpasses the statutory requirements in this respect. On balance, its network encompassed 1,792 postal service points at the end of 2016, making it one of the largest private customer networks in the country. Austrian Post is always in close proximity to its customers.

In light of the fact that the postal sector is continually subject to major changes, the new and changing market conditions require Austrian Post to make customer-oriented adjustments to its business operations in order to ensure that the Austrian population is supplied with postal services on a long-term basis. One important measure is the conversion of the branch network, which was resolutely continued in the past year. A key aspect is the very successful postal partner concept. A total of 1,338 postal partners, including food stores, petrol stations, tobacconists, municipal offices and many others ensure optimal regional accessibility to Austrian Post's services.

8 — Opportunities and Risks

8.1 — RISK MANAGEMENT SYSTEM

Austrian Post operates a comprehensive risk management system integrating all business units and subsidiaries. The objective of risk management is to identify risks at an early stage and manage them by taking appropriate measures designed to minimise any potential deviation from the company's business targets. Risks are identified, evaluated, monitored and documented in their overall context by a Group-wide risk management system in accordance with uniform principles. The Management Board defines the risk strategy and policy of the company and sets out a framework for the risk management system.

The most important steps in the risk management process are presented below:

RISK STRATEGY AND POLICIES

IDENTIFICATION AND EVALUATION	AGGREGATION & REPORTING	DESIGNING OF MEASURES	MONITORING AND CONTROL
– Identification – Analysis – Evaluation	– Assessment & plausibility check – Aggregation – Reporting	– Planning – Implementation – Monitoring	– Control by auditor – Evaluation by external auditor

1. IDENTIFICATION AND EVALUATION: Risks are defined as the potential deviation from planned medium-term corporate results. The risk manager analyses the risk situation of the respective business area on a quarterly basis. An employee is assigned responsibility to evaluate and monitor each identified risk. Risks are quantified to the greatest possible extent with respect to the potential consequences and probability of occurrence. Non-quantifiable risks are evaluated on the basis of pre-defined qualitative criteria. In addition, the central risk management team frequently examines the risk situation of the individual business areas on the basis of proactive risk assessments and workshops. The results of the identification and evaluation process are documented in the corresponding IT application of the risk management system.

2. AGGREGATION AND REPORTING: The central risk management team gathers information and reviews the identified and evaluated risks. The financial effects of potential overlapping are taken into account in the aggregation process. Subsequently, the risks are analysed by the Risk Management Committee and subject to a plausibility check. This Risk Management Committee consists of representatives of the controlling, legal, strategy and accounting departments as well as representatives of the operating units. The results are integrated in the quarterly report of the central risk management team to the Management Board focusing on risks and their development. Risks which unexpectedly arise are immediately reported to the Management Board on an ad-hoc basis. The Supervisory Board and Audit Committee are also regularly informed about the risk situation.

3. DESIGNING OF MEASURES: The control of risks is based on defining appropriate measures aimed to avoid or reduce risks, or else transfer them to third parties. The business areas examine the measures on the basis of a cost-benefit analysis, and subsequently implement them. These measures are monitored and adjusted within the context of a quarterly analysis undertaken by the risk manager.

4. MONITORING AND CONTROL: In conformity with the Austrian Corporate Governance Code, the reliability and performance of the risk management system is subject to an annual evaluation by the auditor. Moreover, the concept, suitability and effectiveness of the risk management system were assessed by an external auditor.

8.2 — TOP RISKS

8.2.1 E-SUBSTITUTION OF TRADITIONAL LETTER MAIL

Traditional letter mail is being increasingly replaced by electronic media. This trend, in particular the one towards electronic mail delivery, will continue in the future. This development, which is being promoted by legislation, could lead to a significant decline in mail volumes and earnings. A 1 % decrease in revenue in the letter mail segment leads to a negative revenue effect of about EUR 7m annually which, in turn, correspondingly reduces earnings in the short and medium term due to the fixed cost structure of the company's operations. The possibility cannot be excluded that a change in legal regulations with regard to the delivery of government mail will put responsibility for delivering some of these mail items in the hands of competitors and not only Austrian Post.

Austrian Post is counteracting the volume decline resulting from the greater use of electronic media by developing new products and services. Diversifying business operations into different markets enables Austrian Post to more effectively spread or minimise risks in individual sectors.

8.2.2 STRUCTURAL CHANGE IN DIRECT MAIL

Due to the ongoing weak economic development in recent years, an increasing trend towards market concentration in the retail sector (e.g. mergers, bankruptcies) was evident. As a result, a structural change in the types of advertising and direct mail volumes could take place, for example a reduction in the use of advertising flyers. In turn, this could lead to a perceptible decline in the business with direct mail items which would negatively impact the earnings situation of Austrian Post.

8.2.3 OTHER INVESTMENTS

A key feature of Austrian Post's business strategy is to achieve growth through selective acquisitions and cooperation agreements. In this regard, it is important to identify suitable acquisition targets and to successfully integrate acquired companies. The opportunities and risks relating to strategic investments largely depend on political, economic and legal factors. In addition, market price risks such as fluctuating foreign currency exchange rates, for example relating to Aras Kargo a. s. and the Turkish Lira, can have an impact on the value of strategic investments. The business development of the strategic investments and any required impairment losses reported for them can impact the earnings situation of Austrian Post.

8.2.4 STAFF COSTS AND STRUCTURE OF EMPLOYMENT CONTRACTS

The business model of Austrian Post is characterised by a high staff cost structure. A 1 % change in wages and salaries corresponds to average costs of EUR 8m annually.

Furthermore, a large number of Austrian Post employees have the status of civil servants, which means that they are subject to public sector employment laws and all their particular features. This leads to peculiarities with respect to the way these employees are deployed in line with existing labour regulations. For this reason, the prevailing legal regulations do not allow the company to make capacity adjustments for most of its employees in the event of volume declines. Similarly, no adjustments in wage or salary levels are permitted in case of less favourable market conditions. Therefore, public sector employment regulations result in less cost flexibility.

Against the backdrop of a liberalised market, the Austrian Post Group is increasingly confronted with the limits of its flexibility with regard to making good use of the civil servants it employs. The solution to this problem is the key to the dialogue being carried out with the responsible lawmakers.

Ongoing changes made to civil service laws, to the extent that these new regulations do not take the special competitive situation of Austrian Post into account, could result in an additional burden on Austrian Post and unexpected additional costs to be borne by the company over which it has no influence.

8.3 — GENERAL AND OTHER RISKS

Similar to other companies, Austrian Post is subject to a series of risks related to the particular sector and market environment in which it operates. These risks are minimised in an economic manner on the basis of state-of-the-art measures but cannot be completely eliminated.

8.3.1 OPERATING RISKS

Market and competitive risks

Austrian Post generates most of its revenue in Austria. If current economic growth forecasts have to be revised downwards, this would force a change in the planning assumptions upon which the company operates and thus limit the reliability of its planning.

In addition, the company generates a considerable share of its revenue from a small number of large customers. The sustained and successful existence of these large customers is an important prerequisite in ensuring the stable development of Austrian Post. Moreover, large customers are not contractually required to have their mail handled by Austrian Post, and could decide on a medium-term basis to contract the delivery of at least part of their mail items to competitors on the postal service market.

The parcel business, in which Austrian Post has a leading position in the Austrian market, is dependent on the economic development of its customers as well as increased competition, which arises on the basis of market penetration of alternative providers. The possibility of a further decline in revenue cannot be excluded. For this reason, the company is striving to maintain customer loyalty by offering an attractive range of services.

In the branch network, Austrian Post is partly dependent on strategic partners in the telecommunications and financial sector such as BAWAG P.S.K. The cooperation agreement with A1 Telekom Austria runs until the end of 2017, and the one with BAWAG P.S.K. was prolonged in 2015 and is valid until 2020. The agreement with BAWAG P.S.K. has three components: remuneration for transactions, assumption of costs for financial consultants, and system remuneration for jointly operated branch offices. Risks exist in both the telecommunications and financial sectors which can affect these partnerships and over which Austrian Post has no influence. These risks could negatively impact the earnings situation of Austrian Post. Austrian Post strives to continually coordinate such risks with its business partners and jointly counteract them insofar as possible. The expiration of cooperation agreements also involves risks, due to the fact that new cooperation options have to be evaluated, and structural adjustments and related restructuring measures may potentially have to be carried out.

The international mail and parcels market is characterised by increasing competitive intensity. In particular, this could lead to price declines for letter mail which could not be offset by volume growth. In order to compensate for potential losses of revenue, Austrian Post is intensifying its efforts to implement efficiency enhancement projects.

All the above-mentioned market and competitive risks could lead to significant volume decreases and thus to a corresponding drop in earnings.

Procurement risks

Procurement risks of Austrian Post are mainly limited to fluctuations in fuel prices. A rise in fuel prices could have minor negative effects on the earnings situation of Austrian Post.

Technical risks

To a significant degree, Austrian Post is dependent upon the use of complex technical systems. Its postal services rely heavily on the support provided by data processing systems, modern communications media and other technical equipment. Against this backdrop, Austrian Post has made extensive investments in recent years designed to modernise its distribution and delivery network. In this regard, the performance of the company is closely linked with the efficiency of a small number of key operational sites. Should the case arise that technical systems temporarily or permanently fail or unauthorised data access or data manipulation occurs or collective strikes take place for longer periods, these developments could potentially lead to disruptions in Austrian Post's business operations, a loss of reputation, customer defections or additional expenses.

To systematically deal with insurable risks, the Austrian Post Group operates an internal insurance management system. Its main tasks are to continually evaluate insurance solutions available on the market, focus on portfolio management with respect to insurance policies which are concluded and optimise processes in handling and settling claims. Safety and security measures and guidelines have been defined as a means of dealing with all contingencies and ensuring smooth business operations.

Austrian Post is pursuing an outsourcing strategy to fulfil its computing and data processing requirements. Austrian Post ensures the availability of outsourcing resources by its service level management as well as by concluding appropriate contractual agreements. Contractual partners are required to show proof of relevant and valid certifications.

8.3.2 FINANCIAL RISKS

Austrian Post encompass liquidity risk, credit, counterparty and interest rate risk. The foreign exchange risk can negatively affect earnings. However, Austrian Post carries out almost all its business in euros, which limits the risk from exchange rate fluctuations. Furthermore, Austrian Post continuously evaluates whether the use of currency hedging instruments would benefit the company.

A more detailed presentation of financial risks is included in the notes to the consolidated financial statements of Austrian Post.

Within the context of its international expansion, Austrian Post has recognised a considerable level of goodwill and non-depreciable trademark rights in the balance sheet. Pursuant to IAS 36, goodwill is subject to an impairment test at least once annually. If there are indications of impairment, goodwill and non-depreciable trademarks must be written down.

8.3.3 EXTERNAL RISKS

Regulatory and legal risks

The full-scale liberalisation of the Austrian postal market took place on January 1, 2011 when the new Postal Market Act took effect. This development carries the risk of future shifts in market share. The legal framework for the full-scale liberalisation of the postal sector was also defined in this new Postal Market Act. In many cases, this Postal Market Act does not prescribe equal treatment between Austrian Post and its competitors, but places an additional burden on Austrian Post.

The Universal Postal Service Obligation requires Austrian Post to provide a minimum offering of postal services of comparable quality across the country, and ensure a nationwide distribution network of at least 1,650 postal service points. Austrian Post is only allowed to convert company-operated post offices manned by its own staff to postal partner offices following a regulatory approval process. The possibility that Austrian Post will be required to continue operating unprofitable postal branches, at least in the short term, cannot be excluded.

At present, Austrian Post does not assume that it will be obliged to grant its competitors access to all its services on an unbundled basis. If this did indeed happen, these firms could potentially provide services in segments of the postal market which are particularly lucrative, and rely on partial services provided by Austrian Post at regulated prices in less lucrative business segments. This could also potentially have a significantly negative effect on earnings.

The public relations activities of Austrian Post and the dialogue with all its stakeholders attaches high priority to the issue of equal treatment of Austrian Post vis-à-vis other market participants. The company considers itself responsible for making people aware of the unresolved issues in connection with compensation for Universal Postal Services, and the problems arising as the result of an asymmetric market liberalisation.

Austrian Post is subject to legal restrictions by regulatory authorities in setting its business terms and conditions (including postal rates) in providing universal postal services. For this reason, the company only has limited flexibility to impose price adjustments for the universal postal services as a means of reacting to market changes. A difference in the definition of the limits to Universal Postal Services between regulatory authorities and the company could be reflected in the design of the product portfolio and pricing policies.

In the past, Austrian Post was subject to antitrust investigations and processes evaluating the legitimacy of its agreements and business practices in the light of existing antitrust regulations. Other legal risks may arise as a consequence of unexpected court cases initiated by competitors, customers or suppliers.

In order to optimally avoid as far as possible any potential adverse effects on earnings resulting from regulatory and legal risks, Austrian Post strives to expand its value-added chain and product portfolio in its core processes, as a means of offering its customers even better services and achieving an optimisation of service quality. Moreover, Austrian Post intends to generate increased revenue in areas which are not regulated.

According to the Postal Services Structure Act of 1996, changes in civil service laws for civil servants are fundamentally applicable to those civil servants working for Austrian Post. Thus, revisions to civil service laws could have a direct effect on the cost structure of the company. In principle, further risks arising from varying interpretations of the Postal Services Structure Act can also not be excluded. The corresponding reform of the salary system was implemented in 2015 with respect to determining the correct reference date for salary increments for civil servants. Therefore, it remains unlikely that there will be an outflow of resources embodying economic benefits in connection with this issue on the balance sheet date of December 31, 2016.

An agreement was reached in 2015 to settle the differing legal interpretations between the federal government and Austrian Post with respect to the calculation of pension contributions to be paid by the company for civil servants who are still working, as well as for care allowance and the invoicing of pension contributions. For this reason, additional payments on the part of Austrian Post above and beyond the existing agreement are no longer expected. The responsibility for calculating pension contribution including the civil servants involved on this were transferred to the Federal Pensions Office (BVA) by legal order effective January 1, 2017.

Environmental risks

As the process of climate change continues, there could be an increase in the number and severity of natural catastrophes. Weather-related phenomena such as strong rain, hail, landslides and floods could occur more frequently. Among the consequences and after-effects are damage to property and injury to people. This could lead to higher repair and maintenance costs. Furthermore, Austrian Post is legally obliged to ensure the nationwide supply of basic postal services. Additional financial obligations could arise if postal services cannot be maintained over a given period of time due to natural catastrophes.

For a detailed presentation of environmental risks, refer to the Sustainability Report 2015 of Austrian Post according to GRI G4.

8.4 — OVERALL VIEW OF THE GROUP'S RISK SITUATION

The above-mentioned risks are continually being monitored by the company and it will respond if required. However, from today's perspective, none of these risks threaten the continuing existence of the company.

8.5 — MAIN OPPORTUNITIES

The changes which Austrian Post faces can also lead to outperformance of pre-defined business targets. For this reason, risk management also focuses on identifying and managing opportunities which arise. The objective is to show opportunities and exploit potential by implementing suitable measures. The identification, evaluation, management and reporting of opportunities take place in line with the above-mentioned process.

The identification of opportunities is carried out by the planners in the business areas (on a bottom-up basis). Opportunities are also verified and supplemented by the Strategy & Group Development business unit (on a top-down basis). For this reason, Austrian Post implements an ongoing evaluation of opportunities in order to be able to leverage the existing potential. A new strategic programme to identify opportunities entitled "Post2020" was launched in 2016. This encompasses various sub-projects aimed at more precisely recognising potential which can be exploited. These projects are also designed to once again point out important opportunities arising for Austrian Post in the light of its four core strategic pillars.

In the first strategic thrust – Defending market leadership in the core business – the expansion and adaptation of Austrian Post's product portfolio in the Mail & Branch Network and Parcel & Logistics Divisions in accordance with customer requirements is considered to be an opportunity. Various value-added physical and electronic services are continuously expanding the range of services offered by Austrian Post. Opportunities are also opening up as a result of the growth of e-commerce. In this respect, Austrian Post stands out thanks to its new quick and sleek solutions for online orders, and covers all delivery speed requirements, including same-day delivery. Ongoing e-substitution is already taken into account in Austrian Post's planning, in which case the more moderate decline in mail volumes in Austria compared to original expectations is seen as an opportunity.

On the basis of the second strategic pillar – Profitable growth in selected markets – opportunities arise with respect to Austrian Post's strategic international shareholdings in the growth markets of South East and Eastern Europe as well as an increase in the degree of vertical integration on its domestic market of Austria. Competitive advantages arise from the existing infrastructure and extensive logistics know-how. For example, opportunities for future growth exist in Austrian Post's online activities or promotion of international shipment volumes.

With respect to the third cornerstone of Austrian Post's strategy – Enhancing efficiency and increasing flexibility of the cost structure – projects such as "Operational Excellence" and other procurement initiatives could provide added impetus and are considered to be opportunities. New team structures in delivery as well as the use of state-of-the-art sorting technologies in mail and parcel logistics could lead to a further increase in efficiency.

The fourth strategic thrust – Customer orientation and innovation – enables Austrian Post, for example, to exploit the potential derived from the expansion of its online and self-service offering as well as from new e-commerce business models.

9 — Other disclosures

9.1 — INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT WITH REGARD TO THE ACCOUNTING PROCESS

As an international postal and logistics services provider, Austrian Post Group is subject to a variety of operational risks in carrying out its business operations. The company proactively deals with these risks. The focus on its core business activities along with decades of experience in the business have enabled Austrian Post to identify risks at an early stage, evaluate them and quickly implement suitable precautionary measures.

9.1.1 CONTROLLING ENVIRONMENT

The Group financial accounting system is comprised of the organisation joining the local-level accounting departments of Group companies and of Group Accounting at Austrian Post.

Subsidiaries compile comprehensive and correct IFRS-compatible individual financial statements in a timely manner on the basis of the unified accounting and valuation rules in force. The individual financial statements in accordance with IFRS are the starting point for processing within the context of Corporate Consolidation, which is responsible for compiling the consolidated financial statements. Its duties and responsibilities mainly focus on the structured transfer of the reported data stemming from subsidiaries, the carrying out of consolidation and elimination measures, the analytical processing of the data compiled in the consolidated accounts and the corresponding preparation of financial reports.

The organisation structuring the preparation of the consolidated accounts is based upon a schedule requiring strict adherence. The deadlines in the schedule are specified and published to cover the entire year. In addition, the subsidiaries receive an information bulletin issued by the Group on a quarterly basis, containing detailed information and Group guidelines on selected subjects relating to the compilation of quarterly financial statements. Detailed time schedules and work plans are drawn up for both local-level organisational units and by Group Accounting for the purposes of preparing the financial statements and financial reporting in line with the deadlines established for the compilation and publication of monthly and quarterly financial statements.

9.1.2 RISK ASSESSMENT

Measures comprised of a hierarchy of individual levels and designed to secure quality have been implemented to avoid erroneous depictions of transactions. Their objective is to ensure the proper reporting of the IFRS accounts compiled for individual companies and incorporated into the consolidated financial statements. These measures include the automatic checks (validations) performed in SAP SEM-BCS as well as manual checks by employees in the subsidiaries as well as staff members working for Corporate Consolidation.

Corporate Consolidation takes the financial accounts compiled by the subsidiaries and subjects them to several levels of comprehensive plausibility and data checks. These measures are designed to ensure that the transactions undertaken by the subsidiaries have been correctly reported, and are thus suitable for consolidation and for the compilation of the Group's consolidated financial statements.

The carrying out of quality checks at all levels is a prerequisite for the authorisation to publish the Group's consolidated financial statements.

9.1.3 CONTROL MEASURES

The consolidated financial statements of Austrian Post are compiled on a monthly basis and use a simultaneous consolidation method carried out in SAP SEM-BCS. The entering of the notes to the accounts and the calculation of deferred taxes are also performed in SAP SEM-BCS.

The unified methods of accounting and evaluation applied throughout the Group are contained in the Group manual. Revisions to IFRS are monitored by Group Accounting on an ongoing basis and published on a quarterly basis as IFRS updates in the Group information letters. The incorporation of the updates into the Group manual and subsequent publication of the updated version of it are carried out once a year.

In addition to the Group manual, there are guidelines and specialised concepts on selected Group processes, particularly changes in the consolidation scope and acquisitions. Centralised processes for data entry and data changes have been defined for the master data area (comprising SAP SEM positions, SAP Group account charts and customer data).

The consolidation processes are described in the consolidation manual, which provides a comprehensive overview of the processes to be employed when using SAP SEM-BCS to compile the Group's consolidated financial statements, of quality assurance measures, and of the system of reporting used in Group Accounting. The consolidation of business operations forms the basis of the documentation and specification of the methods of consolidation used by Austrian Post.

SAP R/3 is predominantly used to compile the accounts for individual companies according to IFRS. The transition to IFRS is accomplished employing parallel (dual) SAP accounting. The transfer of reporting data in SAP SEM-BCS is undertaken using automatic uploads.

9.1.4 INFORMATION AND COMMUNICATION

For monitoring and control purposes, the consolidated financial statements are subject to controlling on an EBIT-based reconciliation. In this process, reconciliation from individual financial statements to Group financial statements is carried out, taking into account bookings as well as eliminations in the Group.

Top management is provided with preliminary data from the consolidated financial statements to enable them to fulfil their monitoring and control duties.

The following reports are issued in the context of preparing the consolidated financial statements:

– Report to the Supervisory Board
– Monthly report including strategy cockpit
– Interim reports
– Report on the performance of subsidiaries
– Data analysis and evaluation

The quarterly reports to the Supervisory Board are primarily for the Management Board and Supervisory Board of Austrian Post.

Other internal reports are also prepared containing detailed comments on selected financial statement items, earnings reconciliations and performance indicators in addition to the reports for the Supervisory Board and the legally stipulated notes and interim financial reports pursuant to IAS 34.

The monthly report provides an overview of key financial and performance indicators of the company. Indicators are prepared, especially on sales and staff data, based on the four strategic areas of action and the related benchmarks. The other internal reporting structure is oriented to the monthly reports.

Another important aspect of the internal reporting system of the Austrian Post Group is data analysis and evaluation. This includes calculating the consolidated cash flow as well as the related detailed notes and a calculation of key earnings and value-based indicators and liquidity figures.

The Controlling department of Austrian Post prepares a monthly report on strategic investments focusing on the business development of Austrian Post's subsidiaries.

The Investor Relations department is in charge of reporting to shareholders of Austrian Post, in line with the stipulations contained in the Austrian Corporate Governance Code. Communications are conveyed through the Investor Relations website at www.post.at/ir as well as through direct discussions with investors. Published information is made available to all investors simultaneously. In addition to legally stipulated publications, i. e. the annual financial report and annual report, the interim report for the first quarter, half-year financial report and interim report for the first three quarters, investors are also provided with extensive additional information on the Austrian Post investor relations website, including investor presentations, share price information, ad-hoc announcements and the financial calendar.

9.1.5 MONITORING

The focal point of Austrian Post's operational risk management is the identification, evaluation and control of major risks which arise from the company's core business. This process is coordinated by key managers in the divisions. The division-oriented organisation is structured into two divisions operating on the market, the Mail & Branch Network Division and the Parcel & Logistics Division, as well as the Corporate Division which mainly provides central administrative services.

The subsidiaries within Austrian Post are assigned to the various divisions in accordance with the particular focus of their business activities. The major business risks in these operational units are continuously identified and monitored, serving as the basis for determining appropriate risk management measures, e. g. back-ups or emergency plans.

A unified risk management system has been set up for the entire Austrian Post Group, encompassing all organisational units and important subsidiaries and an internal control system for all important processes. This risk management system is basically oriented to the COSO Standard Enterprise Risk Management – Integrated Framework.

Additional key instruments to control and counteract risks include Group-wide guidelines for dealing with major risks, planning and control processes as well as ongoing reporting. These guidelines encompass, for example, the definition of limits and monitoring of adherence to these limits as well as compliance with internal rules designed to limit financial risks and the strict adherence to the principle of having two pairs of eyes oversee all business transactions.

These guidelines represent an integral part of the company's internal control system, and are designed, amongst other things, to ensure proper internal and external financial reporting. The planning and control processes serve as an early warning system, and simultaneously as the basis to evaluate the effectiveness of the controlling measures being implemented. In addition to the report to the Management Board containing the main indicators, there are also monthly performance reviews in the operating units, which continue on a hierarchical manner in line with the integrated planning and reporting processes. In addition to vertical integration, the main feature of the planning and reporting processes is the convergence between internal and external reporting. Moreover, in the planning phase reporting already focuses on the opportunities and risks related to the plausibility of achieving planning targets.

The Internal Control System serves as part of the risk management system and encompasses risk-oriented procedures integrated into day-to-day business operations. Accordingly, appropriate measures support project implementation or are carried out within the context of upstream or downstream operations. The ICS is based on precise information on accounting and financial reporting processes and also encompasses upstream processes. Changes in the company's organisation and business processes have direct effects on the ICS, which must be directly adapted to actual conditions. The particular business unit is responsible for carrying out controls. The effectiveness of the ICS is regularly evaluated by Group Auditing.

9.2 — INFORMATION PURSUANT TO SECTION 243A AUSTRIAN COMMERCIAL CODE

The share capital of Austrian Post amounts to EUR 337,763,190 and is divided into 67,552,638 non-par value shares with a nominal value of EUR 5 per share. There are no voting rights restrictions or syndicate agreements applying to Austrian Post of which the company is aware.

Through Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB; formerly Österreichische Industrieholding AG, ÖIAG), the Republic of Austria has a 52.85 % shareholding in Austrian Post, based on the number of outstanding shares (a total of 67,552,638). Austrian Post is not aware of any other shareholders holding more than 10 % of the company's shares.

As far as the company knows, there are no shareholders who possess shares with special controlling interests. Employees who are shareholders of Austrian Post exercise their voting rights on an individual basis. No regulations exist with regards to the appointment or dismissal of members of the Management Board or the Supervisory Board, or as regards changes to be made to the company's Articles of Association which can be directly inferred from the Austrian Stock Corporation Act or also with respect to ÖBIB from federal law, with which the federal law regulating the reorganisation of the legal status of Österreichische Industrieholding Aktiengesellschaft and Post und Telekombeteiligungsverwaltungsgesellschaft (ÖIAG Act 2000) and federal law on measures to ensure the stability of the financial market (Financial Market Stabilisation Act) were changed (ÖBIB Act 2015).

AUTHORISED CAPITAL In accordance with Section 5a of the Articles of Association of Austrian Post, the Management Board is authorised until April 14, 2020 to undertake the following, provided that the Supervisory Board so approve: the increasing of the share capital, in accordance with Section 169 Austrian Stock Corporation Act, by a further EUR 33,776,320 through the issuance of up to a further 6,755,264 new, ordinary bearer shares (non-par value shares) in exchange for cash and/or contributions in kind. This amendment to the Articles of Association was entered in the commercial register on June 11, 2015.

CONDITIONAL CAPITAL In accordance with Section 5b of the Articles of Association of Austrian Post, the share capital of the company was increased by up to EUR 16,888,160 by issuing up to 3,377,632 new, ordinary bearer shares. The capital increase may only be carried out for the purpose of granting rights of exchange and subscription rights to creditors of financial instruments pursuant to Section 174 Austrian Stock Corporation Act, as well as for the purpose of granting stock options to employees and to senior managers of the company or one that is affiliated with it. The Management Board is authorised, contingent upon approval of the Supervisory Board, to set the further conditions associated with the conducting of the conditional increase in capital. This amendment to the Articles of Association was entered in the commercial register on June 11, 2015.

SHARE BUY-BACK PROGRAMME The 9th Annual General Meeting of Austrian Post held on April 15, 2015 authorised the Management Board pursuant to Section 65 Para 1 (4) and (8), Para 1a and 1b Austrian Stock Corporation Act to acquire non-par value bearer or registered shares of the company, with this to amount to up to 10 % of the company's share capital over a period of 30 months starting on April 15, 2015, on or outside stock exchanges, and with these to be offered for purchase in such cases to individual shareholders or to a single shareholder, especially ÖBIB, at a lowest equivalent value of EUR 20 (twenty euros) per share, and at a highest equivalent value of EUR 60 (sixty euros) per share.

The trading in treasury shares is excluded as the objective of the acquisition. The authorisation can be exercised in two or more partial amounts and for the purposes of realising one or more objectives of the company, by a subsidiary (Section 228 Para 3 Austrian Commercial Code) or by a third party acting on a paid commission basis on behalf of the company. The acquisition by the Management Board may especially be performed in cases in which the shares are to be offered to employees, senior managers and members of the Management Board of the company or of one affiliated with it in conjunction with an employee participation programme, a stock option programme and/or for purposes of being issued to a private foundation enabling employee participation.

The Management Board can resolve to make this acquisition on a stock exchange. In such cases, the Supervisory Board has to be subsequently informed of this resolution. An acquisition not made via an exchange requires the prior approval of the Supervisory Board. In a case of an acquisition not made on the exchange, this acquisition can be undertaken in a way excluding the proportionate right of sale (converse exclusion of right of procurement).

The Management Board is authorised for a term of five years starting with approval of the resolution pursuant to Section 65 Para 1b Austrian Stock Corporation Act, with the approval of the Supervisory Board but without requiring the Annual General Meeting's passing of a resolution, to pass a resolution stipulating that treasury shares are to be sold or used in a way other than their sale via an exchange or via the making of a public offer, appropriately adhering to the rules established for the exclusion of subscription rights held by shareholders, especially with respect to shares to be offered to employees, senior managers and members of the Management Board of the company or of one affiliated with it in conjunction with an employee participation programme or with a stock option programme and/or issued to a private foundation constituted for purposes of employee participation. The Management Board is also authorised to establish the conditions of sale. The authorisation can be exercised in two or more partial amounts and for the purposes of realising one or more objectives by the company, a subsidiary (Section 228 Para 3 Austrian Commercial Code) or by a third party acting on a paid commission basis on behalf of the company.

The Management Board is also authorised to reduce the share capital with the consent of the Supervisory Board, and if necessary. This is to be undertaken through the withdrawal of treasury shares and does not require the Annual General Meetings passing a resolution, in accordance with Section 65 Para 1 (8) last sentence and Section 122 Austrian Stock Corporation Act. The Supervisory Board is authorised to resolve upon amendments to the Articles of Association arising from the withdrawal of shares.

INCOME BONDS The Management Board was also authorised, with the consent of the Supervisory Board, to issue, up to April 14, 2020, financial instruments, as defined by Section 174 Austrian Stock Corporation Act, with these especially including convertible bonds, income bonds and profit participation rights, featuring a total nominal amount of up to EUR 250,000,000. This authorisation comprises the rights of exchange of and/or subscription rights for up to 3,377,632 shares of the company, and is configured in a way permitting the shares to be reported as equity. This issuance is to be allowed to be undertaken in one or more tranches and in a variety of combinations, also incorporating the direct rendering of a guarantee for the issuance of financial instruments by an affiliated company, and with this extending to the granting of rights of exchange of and/or subscription rights for the shares of the company.

To satisfy rights of exchange and/or subscription, the Management Board is entitled to make use of conditional capital or treasury shares, or a combination of both.

The price and conditions of issuance of financial instruments are to be set by the Management Board with the approval of the Supervisory Board. The setting of this price is to adhere to recognised financial and mathematical methods of calculation and the share price of the company, within the context of a recognised pricing procedure.

The Management Board is authorised to exclude shareholders' subscription rights to the financial instruments, as stipulated in Section 174 Austrian Stock Corporation Act, contingent upon approval of the Supervisory Board.

There are no significant contractual agreements to which the company is a party, which would take effect, cause major changes or expire in the event of a change in ownership resulting from a takeover.

No compensation agreements exist between the members of the Management Board and Supervisory Board or with employees in case of a public takeover offer.

10 — Outlook 2017

The mail and parcel markets have been shaped by two ongoing trends in recent years. Volumes of addressed mail are under pressure on both a national and international level, whereas parcel volumes to private customers are rising, driven by increasing online orders.

The volume forecasts of Austrian Post assume that the basic trends impacting volume developments will continue. The company anticipates volume declines of about 5 % p. a. in the traditional addressed mail letter business, and faces intensive competition on the parcel market. The volume of direct mail will continue to show a diverging development in the individual customer segments and product groups. In contrast, online orders are expected to result in a further increase in Austrian Post's parcel volumes. An improved service offering should enable Austrian Post to respond more individually to specific customer preferences in delivery in 2017. Austrian Post offers a broad range of letter and direct mail products with various value-added services in physical and electronic form. It fulfils a variety of speed requirements in the parcel business, including same-day delivery. It continuously improves services to make it easier and more comfortable for customers to receive and send parcels. With the launch of the "Packet", a completely new product, Austrian Post specifically caters to customer demands in the fast-growing e-commerce market by creating a sleek and quick solution for small parcel sizes in online retailing.

On the basis of the aforementioned volume trends as well as the resolute implementation of the initiated measures to promote customer orientation and innovation, Austrian Post will strive to maintain Group revenue at a stable level (2016 revenue excl. trans-o-flex of EUR 1.9bn). In order to continue the successful long-term positioning of the company, the focus will be on strengthening Austrian Post's quality leadership in core markets, simultaneously exploiting opportunities in growth markets such as transnational mail volumes or online solutions. In this regard, key issues will be on the further development of the infrastructure with respect to logistics operations and postal service points. Accordingly, it will be essential to define customer needs relating to future postal and financial services in order to design a sustainably viable branch network.

Austrian Post will continue along its chosen path with regard to efficiency and the cost structure. Investments designed to further enhance the efficiency of business operations and optimise process and staff costs are planned. At the same time, the company will continue with service improvements and capacity expansion measures in growth areas. With this in mind, operational capital expenditure (CAPEX) of EUR 70–80m is planned for sorting technologies, logistics and customer solutions. Moreover, construction of the new corporate headquarters in Vienna's third district is moving ahead on schedule, and will be completed in the fall of 2017. On the basis of existing volume and revenue forecasts and the continuation of an efficient supply of services, Austrian Post aims to generate stable operating EBIT in the 2017 financial year at the same level as in the year 2016 (2016 EBIT: EUR 202.3m).

The Management Board will propose to the Annual General Meeting scheduled for April 20, 2017 to approve the distribution of a dividend amounting to EUR 2.00 per share for the 2016 financial year. Thus, the company is once again continuing its attractive and predictable dividend policy on the basis of a solid balance sheet structure and the generated cash flow. Austrian Post adheres to its objective of distributing at least 75 % of the Group's net profit to its shareholders.

Vienna, February 24, 2017

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Officer

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

Peter Umundum
Member of the Management Board
Parcel & Logistics Division

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

FOR THE 2016 FINANCIAL YEAR

EUR m	Note	2015	2016
Revenue	(8.1)	2,401.9	**2,030.5**
Other operating income	(8.2)	99.2	**70.1**
Total operating income		**2,501.1**	**2,100.6**
Raw materials, consumables and services used	(8.3)	–749.6	**–495.2**
Staff costs	(8.4)	–1,106.0	**–1,035.2**
Depreciation, amortisation and impairment losses	(8.5)	–213.7	**–74.8**
Other operating expenses	(8.6)	–344.0	**–277.3**
Total operating expenses		**–2,413.2**	**–1,882.5**
Profit from operations		**87.9**	**218.1**
Results from financial assets accounted for using the equity method	(9.5)	1.1	**–15.8**
Financial income		7.1	**4.0**
Financial expenses		–5.1	**–4.7**
Other financial result	(8.7)	2.0	**–0.7**
Total financial result		**3.1**	**–16.6**
Profit before tax		**91.0**	**201.5**
Income tax	(9.15)	–19.5	**–48.8**
Profit for the period		**71.6**	**152.7**
Attributable to:			
Shareholders of the parent company		71.4	**152.7**
Non-controlling interests		0.1	**0.0**

EARNINGS PER SHARE (in EUR)

Basic earnings per share	(8.8)	**1.06**	**2.26**
Diluted earnings per share	(8.8)	**1.06**	**2.26**

Statement of comprehensive income

FOR THE 2016 FINANCIAL YEAR

EUR m	Note	2015	2016
Profit for the period		**71.6**	**152.7**
Items that may be reclassified subsequently to the income statement:			
Currency translation differences – investments in foreign businesses	(9.11)	0.6	**0.2**
Changes in the fair value of financial assets available for sale	(9.11)	0.9	**5.4**
Tax effect of changes in the fair value	(9.15)	–0.2	**–1.4**
Financial assets accounted for using the equity method – share of other comprehensive income	(9.5)	–5.0	**10.6**
Total items that may be reclassified		**–3.8**	**14.9**
Items that will not be reclassified subsequently to the income statement:			
Revaluation of defined benefit obligations	(9.11)	6.1	**–9.5**
Tax effect of revaluation	(9.15)	–1.5	**2.4**
Financial assets accounted for using the equity method – share of other comprehensive income	(9.5)	–0.6	**–0.3**
Total items that will not be reclassified		**3.9**	**–7.4**
Other comprehensive income		**0.2**	**7.5**
Total comprehensive income		**71.7**	**160.3**
Attributable to:			
Shareholders of the parent company		71.6	**160.3**
Non-controlling interests		0.1	**0.0**

Consolidated balance sheet

AS AT DECEMBER 31, 2016

EUR m	Note	Dec. 31, 2015	Dec. 31, 2016
ASSETS			
Non-current assets			
Goodwill	(9.1)	58.2	**56.3**
Intangible assets	(9.2)	24.8	**21.2**
Property, plant and equipment	(9.3)	571.9	**597.6**
Investment property	(9.4)	60.5	**69.0**
Financial assets accounted for using the equity method	(9.5)	53.2	**9.6**
Other financial assets	(9.6)	36.8	**76.3**
Trade and other receivables	(9.8)	11.4	**14.6**
Deferred tax assets	(9.15)	92.9	**76.4**
		909.6	**921.0**
Current assets			
Other financial assets	(9.6)	35.0	**45.7**
Inventories	(9.7)	15.9	**18.1**
Trade and other receivables	(9.8)	288.8	**276.6**
Current tax assets		0.3	**0.3**
Cash and cash equivalents	(9.9)	299.6	**277.8**
		639.6	**618.4**
Assets held for sale	(9.10)	**63.8**	**2.4**
		1,613.0	**1,541.8**
EQUITY AND LIABILITIES			
Equity	(9.11)		
Share capital		337.8	**337.8**
Capital reserves		91.0	**91.0**
Revenue reserves		238.2	**257.6**
Other reserves		–25.5	**–16.4**
Equity attributable to the shareholders of the parent company		**641.5**	**670.0**
Equity attributable to non-controlling interests		**0.2**	**0.1**
		641.7	**670.0**
Non-current liabilities			
Provisions	(9.12)	355.9	**369.0**
Other financial liabilities	(9.13)	4.5	**3.7**
Trade and other payables	(9.14)	23.7	**21.6**
Deferred tax liabilities	(9.15)	0.9	**0.9**
		384.9	**395.2**
Current liabilities			
Provisions	(9.12)	160.7	**134.3**
Current tax liabilities		14.4	**4.8**
Other financial liabilities	(9.13)	8.1	**1.8**
Trade and other payables	(9.14)	333.2	**334.6**
		516.3	**475.6**
Liabilities of disposal groups classified as held for sale	(9.10)	**70.0**	**0.9**
		1,613.0	**1,541.8**

Consolidated cash flow statement

FOR THE 2016 FINANCIAL YEAR

EUR m	Note	2015	2016
Operating activities			
Profit before tax		91.0	**201.5**
Depreciation, amortisation and impairment losses	(8.5)	213.7	**74.8**
Results from financial assets accounted for using the equity method	(9.5)	–1.1	**15.8**
Provisions non-cash		26.7	**46.1**
Taxes paid		–52.3	**–40.9**
Other non-cash transactions	(11.1)	–12.9	**–22.7**
Operating cash flow		**265.0**	**274.7**
Trade and other receivables		–26.3	**11.0**
Inventories		0.2	**1.5**
Provisions		–36.0	**–57.0**
Trade and other payables		13.2	**–6.7**
Cash flow from operating activities		**216.2**	**223.6**
Investing activities			
Purchase of intangible assets		–5.4	**–5.2**
Purchase of property, plant and equipment/investment property		–104.7	**–103.3**
Cash receipts from disposal of assets		69.2	**5.4**
Acquisition of subsidiaries	(11.1)	–3.0	**–0.5**
Disposal of subsidiaries	(4.2)	1.3	**2.3**
Purchase of financial assets accounted for using the equity method	(9.5)	–5.0	**–3.2**
Sale of financial assets accounted for using the equity method		0.0	**0.1**
Acquisition of financial investments in securities		–10.4	**–6.0**
Acquisition of other financial instruments		0.0	**–0.4**
Cash receipts from sales of financial investments in securities		6.0	**2.9**
Loans granted	(11.1)	–0.4	**–2.5**
Dividends received from financial assets accounted for using the equity method	(9.5)	0.7	**0.8**
Interest received		2.8	**4.6**
Cash flow from investing activities		**–49.0**	**–105.1**
Free cash flow		**167.2**	**118.5**
Financing activities			
Changes of other financial liabilities	(11.1)	2.1	**–7.7**
Dividends paid		–132.1	**–132.2**
Interest paid		–1.0	**–0.5**
Acquisition of non-controlling interests		–0.3	**–0.2**
Cash flow from financing activities		**–131.3**	**–140.6**
Change in cash and cash equivalents		**36.0**	**–22.1**
Cash and cash equivalents at January 1		264.2	**300.1**
Cash and cash equivalents at December 31		**300.1**	**278.0**

Consolidated statement of changes in equity

FOR THE 2015 FINANCIAL YEAR

EUR m	Share capital	Capital reserves	Revenue reserves	Other reserves: Revaluation reserves	Other reserves: Revaluation of financial instruments	Other reserves: Currency translation reserves	Equity attributable to shareholders of the parent company	Non-controlling interests	Equity
Balance as at January 1, 2015	**337.8**	**130.5**	**260.3**	**–17.3**	**–0.5**	**–8.8**	**702.0**	**0.7**	**702.7**
Step acquisition of a subsidiary	0.0	0.0	–0.4	0.0	0.0	0.0	**–0.4**	0.0	**–0.4**
Sale of a financial asset accounted for using the equity method	0.0	0.0	–0.9	0.9	0.0	0.0	**0.0**	0.0	**0.0**
Change in reserves	0.0	–39.5	39.5	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Dividends paid	0.0	0.0	–131.7	0.0	0.0	0.0	**–131.7**	–0.6	**–132.3**
Profit for the period	**0.0**	**0.0**	**71.4**	**0.0**	**0.0**	**0.0**	**71.4**	**0.1**	**71.6**
Currency translation differences – investments in foreign businesses	0.0	0.0	0.0	0.0	0.0	0.1	**0.1**	0.0	**0.1**
Currency translation differences – reclassification to profit and loss	0.0	0.0	0.0	0.0	0.0	0.5	**0.5**	0.0	**0.5**
Changes in the fair value of financial assets available for sale	0.0	0.0	0.0	0.0	0.7	0.0	**0.7**	0.0	**0.7**
Changes in the fair value of financial assets available for sale – reclassification to profit or loss	0.0	0.0	0.0	0.0	0.2	0.0	**0.2**	0.0	**0.2**
Revaluation of defined benefit obligations	0.0	0.0	0.0	6.1	0.0	0.0	**6.1**	0.0	**6.1**
Financial assets accounted for using the equity method – share of other comprehensive income	0.0	0.0	0.0	–0.6	0.0	–5.5	**–6.2**	0.0	**–6.2**
Financial assets accounted for using the equity method – reclassification to profit and loss	0.0	0.0	0.0	0.0	0.0	0.5	**0.5**	0.0	**0.5**
Tax effect	0.0	0.0	0.0	–1.5	–0.2	0.0	**–1.7**	0.0	**–1.7**
Other comprehensive income	**0.0**	**0.0**	**0.0**	**3.9**	**0.7**	**–4.4**	**0.2**	**0.0**	**0.2**
Total comprehensive income	**0.0**	**0.0**	**71.4**	**3.9**	**0.7**	**–4.4**	**71.6**	**0.1**	**71.7**
Balance as at December 31, 2015	**337.8**	**91.0**	**238.2**	**–12.5**	**0.2**	**–13.2**	**641.5**	**0.2**	**641.7**

Consolidated statement of changes in equity

FOR THE 2016 FINANCIAL YEAR

				Other reserves					
EUR m	Share capital	Capital reserves	Revenue reserves	Revaluation reserves	Revaluation of financial instruments	Currency translation reserves	Equity attributable to share-holders of the parent company	Non-controlling interests	Equity
Balance as at January 1, 2016	**337.8**	**91.0**	**238.2**	**–12.5**	**0.2**	**–13.2**	**641.5**	**0.2**	**641.7**
Step acquisition of a subsidiary	0.0	0.0	–0.1	0.0	0.0	0.0	**–0.1**	0.1	**0.0**
Sale of subsidiaries	0.0	0.0	–0.4	0.4	0.0	0.0	**0.0**	0.0	**0.0**
Sale of a financial asset accounted for using the equity method	0.0	0.0	–1.2	1.2	0.0	0.0	**0.0**	0.0	**0.0**
Dividends paid	0.0	0.0	–131.7	0.0	0.0	0.0	**–131.7**	–0.2	**–132.0**
Profit for the period	**0.0**	**0.0**	**152.7**	**0.0**	**0.0**	**0.0**	**152.7**	**0.0**	**152.7**
Currency translation differences – investments in foreign businesses	0.0	0.0	0.0	0.0	0.0	0.2	**0.2**	0.0	**0.2**
Changes in the fair value of financial assets available for sale	0.0	0.0	0.0	0.0	5.4	0.0	**5.4**	0.0	**5.4**
Revaluation of defined benefit obligations	0.0	0.0	0.0	–9.4	0.0	0.0	**–9.4**	0.0	**–9.5**
Financial assets accounted for using the equity method – share of other comprehensive income	0.0	0.0	0.0	–0.3	0.0	–7.0	**–7.2**	0.0	**–7.2**
Financial assets accounted for using the equity method – reclassification to profit and loss	0.0	0.0	0.0	0.0	0.0	17.6	**17.6**	0.0	**17.6**
Tax effect	0.0	0.0	0.0	2.4	–1.4	0.0	**1.0**	0.0	**1.0**
Other comprehensive income	**0.0**	**0.0**	**0.0**	**–7.4**	**4.0**	**10.9**	**7.5**	**0.0**	**7.5**
Total comprehensive income	**0.0**	**0.0**	**152.7**	**–7.4**	**4.0**	**10.9**	**160.3**	**0.0**	**160.3**
Balance as at December 31, 2016	**337.8**	**91.0**	**257.6**	**–18.3**	**4.2**	**–2.3**	**670.0**	**0.1**	**670.0**

Notes to the consolidated financial statements for the 2016 financial year

1 —— INFORMATION ON THE COMPANY

Austrian Post and its subsidiaries are logistics and service companies in the letter mail and parcel segments. The core business activities of the Austrian Post Group include the rendering of postal and parcel services and specialised logistics such as express mail delivery and value logistics as well as the carrying out of sales of telecommunications products and financial transactions in cooperation with BAWAG P. S. K. and Telekom Austria AG. Moreover, the service offering also encompasses data and output management as well as document collection, digitalisation and processing.

The headquarters of Austrian Post are located in Vienna, Austria. The mailing address is Austrian Post AG, Haidingergasse 1, 1030 Vienna. The company is registered in the company register at the Vienna Commercial Court under the registry number FN 180219d.

2 —— SUMMARY OF ACCOUNTING PRINCIPLES

The consolidated financial statements of Austrian Post for the 2016 financial year have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid as at December 31, 2016, as issued by the International Accounting Standards Board (IASB) and adopted by the European Union and the additional requirements of Section 245a Austrian Commercial Code (UGB).

The consolidated financial statements of Austrian Post consist of the consolidated income statement, the statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements. The consolidated financial statements are presented in Euros. All amounts are stated in millions of Euros (EUR m) unless otherwise stated. When aggregating rounded amounts and percentages, rounding differences may occur due to the use of automated calculation aids.

3 CHANGES IN ACCOUNTING AND VALUATION METHODS

3.1 REVISIONS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1.1 MANDATORY APPLICATION OF NEW AND REVISED STANDARDS

The following new and revised standards were binding for the first time during the 2016 financial year:

Mandatory application of new standards		Effective date EU[1]
None		

Mandatory application of revised standards		Effective date EU[1]
IAS 19	Defined Benefit Plans: Employee Contributions	Feb. 1, 2015
Miscellaneous	Improvements to IFRSs (2010–2012)	Feb. 1, 2015
IAS 16, 41	Agriculture: Bearer Plants	Jan. 1, 2016
IAS 16, 38	Clarification of Acceptable Methods of Depreciation and Amortisation	Jan. 1, 2016
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Jan. 1, 2016
Miscellaneous	Improvements to IFRSs (2012–2014)	Jan. 1, 2016
IAS 1	Disclosure Initiative	Jan. 1, 2016
IAS 27	Equity Method in Separate Financial Statements	Jan. 1, 2016
IFRS 10, 12, IAS 28	Investment Entities: Applying the Consolidation Exception	Jan. 1, 2016

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

3.1.2 STANDARDS WHICH ARE PUBLISHED BUT NOT YET APPLIED

The following standards have been endorsed or are in the process of endorsement by the European Union. However, mandatory application of these standards will first take place in the future.

New standards not yet applied		Endorsement EU	Effective date EU[1]
IFRS 9	Financial Instruments	Nov. 22, 2016	Jan. 1, 2018
IFRS 15	Revenue from Contracts with Customers	Sept. 22, 2016	Jan. 1, 2018
IFRS 16	Leases	planned Q4 2017	planned Jan. 1, 2019
IFRS 14	Regulatory Deferral Accounts	European Commission decided not to endorse this standard.	

Revised standards not yet applied		Endorsement EU	Effective date EU[1]
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	planned Q2 2017	planned Jan. 1, 2017
IAS 7	Disclosure Initiative	planned Q2 2017	planned Jan. 1, 2017
IFRS 10, IAS 28	Sale or contribution of assets between an investor and its Associate or Joint Venture	postponed	postponed
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	planned Q1 2017	planned Jan. 1, 2018
IFRS 2	Classification and Measurement of Sharebased Payment Transactions	planned Q3 2017	planned Jan. 1, 2018
IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts	planned Q3 2017	planned Jan. 1, 2018
Miscellaneous	Improvements to IFRSs (2014–2016)	planned Q3 2017	planned Jan. 1, 2018/ Jan. 1, 2017
IFRIC 22	Foreign Currency Transactions and Advance Consideration	planned Q3 2017	planned Jan. 1, 2018
IAS 40	Transfers of Investment Property	planned Q3 2017	planned Jan. 1, 2018

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

IFRS 9 FINANCIAL INSTRUMENTS IFRS 9 – Financial Instruments contains regulations for recognition, measurement, elimination and hedge accounting. The accounting approach stipulated in IFRS 9 fully replaces the accounting of financial instruments previously included in IAS 39 – Financial Instruments. IFRS 9 is to be applied for the first time in the first reporting period of a financial year beginning on or after January 1, 2018, but the earlier application of this standard is permitted. From today's perspective, Austrian Post intends to apply IFRS 9 for the first time as at January 1, 2018.

Austrian Post has implemented a preliminary assessment of the potential effects relating to the application of IFRS 9 based on the financial instruments it owns as at December 31, 2016:

In particular, rules on the classification and valuation of financial assets were revised. In the new standard, the classification and valuation of financial instruments is now contingent upon the business model and contractual cash flows. Depending on the type of financial asset, the business model and the contractual cash flows, the subsequent measurement is implemented at amortised cost and is recognised either at fair value through profit and loss ("FVTPL") or at fair value through other comprehensive income ("FVOCI"). On the basis of its preliminary assessment, the Austrian Post Group takes the view that the new classification requirements, inasmuch as they are applied as at December 31, 2016, will not have a material effect on the accounting treatment of its financial instruments. As at December 31, 2016, the Austrian Post Group owns stakes in companies with a carrying amount of about EUR 61.1m, which are classified as available for sale. If these shares continue to be held for the same reason within the first-time application of IFRS 9, the Austrian Post Group can classify them either as FVOCI or FVTPL. The Austrian Post Group has not yet reached a decision on this matter. In the former case, all changes in fair value are recognised in other comprehensive income, impairment losses are not reported in profit or loss and gains or losses are not reclassified to profit or loss upon disposal. In the latter case, all changes in fair value are recognised in profit or loss, as soon as they occur, which increases the volatility of Group profits. There will be no changes in classification with respect to financial liabilities.

New rules were also introduced for the accounting treatment of impairment losses on financial assets. They now stipulate the recognition of expected losses (expected loss model). This requires considerable judgments to be made with respect to the extent to which the expected credit defaults will be influenced by changes in economic factors. This estimate is determined on the basis of probability-weighted aspects. The preliminary assessment by the Austrian Post Group concluded that the application of impairment provisions contained in IFRS 9 as at December 31, 2016 will have likely led to an increase in value adjustments at this point in time compared to the impairment losses recognised in accordance with IAS 39. This can be particularly attributed to the high level of investments in fixed term deposits and investment grade securities for which no impairment losses have been recognised up until now. With regard to trade receivables, no material changes are to be expected due to the overall low default risk. Nevertheless, the Austrian Post Group has not yet definitely specified the impairment methods it will apply in accordance with IFRS 9.

IFRS 9 requires new, extensive disclosures, especially with regard to accounting, credit risk and expected credit defaults. The appropriate systems for the purpose of collecting required data are currently being evaluated in order to ensure their timely implementation.

Changes in accounting policies related to the application of IFRS 9 are generally to be applied retroactively, though the standard permits deviations in some cases. Accordingly, the Austrian Post Group intends to make use of the exception stipulated by IFRS 9 which allows the company not to adjust comparative information for previous periods with regard to changes in the classification and valuation (including impairment losses). Differences between the carrying amount for financial assets and financial liabilities attributable to the application of IFRS 9 will generally be recognised in revenue reserves as at January 1, 2018.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS The aim of IFRS 15 – Revenue from Contracts with Customers – is to bundle a large number of regulations contained in various standards and interpretations. The core principle of IFRS 15 is that the revenue which is recognised depicts the transfer of promised goods or services to customers as contractually stipulated in an amount that reflects the consideration to which the entity expects to be entitled. The core principle is implemented within the context of a five-step model framework. This model stipulates that the transfer of control (control approach) determines the time or period of realising revenue, replacing the previous risk and reward model (transfer of risks and rewards). In addition, the scope of the required explanatory notes in the consolidated financial statements is expanded.

The Austrian Post Group carried out an initial evaluation of the potential consequences arising from the application of IFRS 15 on its consolidated financial statements. The focus was on existing customer contracts within the context of the main business activities of Austrian Post, namely the acceptance, sorting and delivery of letters and parcels. Existing customer contracts or the services to be rendered are generally characterised by a very high degree of uniformity. Moreover, the processing times for rendering the services are short (for example, 95 % of all letters in Austria are delivered within one working day in line with statutory regulations). Significant accounting issues arise from IFRS 15 (as with IAS 18 up until now) in the estimate of the extent to which the consideration has already been received but the service has not yet been rendered (e. g. the sale of stamps) and the estimate of variable consideration (e. g. discounts and bonuses). In both cases there will likely be no major changes compared to the previous approach and thus the time and amount in which revenue is recognised.

With respect to other business areas (e. g. sale of postal and telecommunications products or financial services in cooperation with business partners or the rendering of additional services along the value chain for letters or parcels), individual circumstances were identified within the context of an initial screening leading to the conclusion that changes could take place pursuant to IFRS 15, but the type and extent of these changes have not yet been defined. However, the revenue related to these customer contracts are as a whole of subordinate importance. For this reason, no major effects on the earnings situation is expected.

The Austrian Post Group is currently carrying out a further evaluation about the consequences of applying IFRS 15 and assumes that additional quantitative information will be provided before the application of IFRS 15.

Austrian Post has the option of either selecting a full retrospective approach or a modified retrospective approach for the first-time application of the new standard. At the present time, Austrian Post intends to apply IFRS 15 as at January 1, 2018. The selection of the transition approach has not yet taken place.

IFRS 16 LEASES The new IFRS 16 – Leases – replaces the previous regulations contained in IAS 17 and the related interpretations. In particular, the accounting treatment of lease agreements by the lessee is redefined. The lessee now recognises a liability for every leasing relationship to the amount of the future leasing payments. At the same time, the right-of-use asset is capitalised to the present value of future lease payments and subsequently written off as an expense on a straight-line basis. Accordingly, the previous distinction made between the operating and finance lease no longer applies. For the lessor, the rules contained in the new standard are similar to the previously valid regulations of IAS 17. Moreover, IFRS 16 contains rules on sale and leaseback transactions as well as the required explanatory notes in the consolidated financial statements.

Austrian Post has begun with an initial assessment of the potential consequences of applying this standard on its consolidated financial statements. The most important specific application relates to real estate leasing contracts as the lessee for logistics sites, branch offices and administrative buildings. The most significant effects result from the recognition of right-of-use assets and liabilities for these operating lease agreements. Furthermore, the type of expenses related to these operating lease agreements will change, in line of the fact that IFRS 16 replaces expenses recognised on a straight-line basis by depreciation expenses for right-of-use assets and interest expenses for lease liabilities in accordance with IAS 17. No material effects are expected with respect to existing finance lease agreements in accordance with IAS 17. No material effects are also expected for existing lease agreements in which Austrian Post acts as the lessor.

The effects on the reported assets and liabilities of the Austrian Post Group resulting from the application of IFRS 16 have not yet been quantified. Regarding the existing operating lease agreements at the balance sheet date, refer to Note 11.2 Other financial obligations. The Austrian Post Group assumes that the selected transition approach and the quantitative effects will be specified before the first-time application.

For the first-time application of the new standard, Austrian Post can either choose a full retrospective approach or a modified retrospective approach. The selected approach will be consistently implemented for all leasing relationships relating to Austrian Post as a lessee. From today's perspective, Austrian Post intends to apply IFRS 16 for the first time as at January 1, 2018. The choice of a transition approach has not yet been made.

MISCELLANEOUS The other revised standards are unlikely to have a material impact on the consolidated financial statements of Austrian Post.

4 CONSOLIDATION SCOPE

4.1 PRINCIPLES OF CONSOLIDATION

All companies in which Austrian Post has a controlling interest (subsidiaries) are fully consolidated in the consolidated financial statements of Austrian Post. Full consolidation of the subsidiary begins at the point in which Austrian Post gains control, and ends when control is terminated. The first-time inclusion of acquisitions in the consolidated financial statements is carried out in accordance with the acquisition method as stipulated in IFRS 3. In accordance with the acquisition method, the respective acquisition costs correspond to the fair value of the consideration transferred (e.g. cash and cash equivalents, other assets, contingent consideration, equity instruments) which are offset against the fair value of the identifiable assets acquired and liabilities assumed. Positive differences are recognised as goodwill, whereas negative differences are reported in profit and loss. Auxiliary acquisition costs are recognised in profit and loss.

Companies which are jointly managed according to IFRS 11 (joint ventures) as well as companies in which a significant influence can be exercised (associates) are included in the consolidated financial statements using the equity method. Pursuant to the equity method, investments are recognised at cost and subsequently increased or reduced by the respective changes in equity in proportion to the particular stake held by Austrian Post. Negative changes in equity are recognised in excess of other non-current interests (e.g. loans) at amortised cost inasmuch as they in substance form part of the net investment in the associate or joint venture.

All intercompany assets, liabilities and equity as well as operating income and expenses in connection with business transactions between subsidiaries are eliminated in the consolidation.

4.2 CHANGES IN THE CONSOLIDATION SCOPE

In addition to the parent company Austrian Post, a total of 24 domestic subsidiaries (December 31, 2015: 29) and 13 foreign subsidiaries (December 31, 2015: 28), are included in the consolidated financial statements. Furthermore, five domestic companies (December 31, 2015: three) and one foreign company (December 31, 2015: three) are consolidated according to the equity method.

The following changes in the consolidation scope and business combinations within the Austrian Post Group took place in the 2016 financial year:

Company name	Interest from	Interest to	Date of transaction	Comment
MAIL & BRANCH NETWORK				
Aktionsfinder GmbH, Salzburg	80.0%	100.0%	May 2, 2016	Acquisition
Post 108 Post Beteiligungs AG, Vienna	0.0%	100.0%	Aug. 17, 2016	Foundation
Post 101 Beteiligungs GmbH (Österreichische Post AG)[1], Vienna	100.0%	0.0%	Aug. 31, 2016	Merger
Post 103 Beteiligungs GmbH (Österreichische Post AG)[1], Vienna	100.0%	0.0%	Aug. 31, 2016	Merger
Post 105 Beteiligungs GmbH (Österreichische Post AG)[1], Vienna	100.0%	0.0%	Aug. 31, 2016	Merger
Sendhybrid ÖPBD GmbH, Graz	0.0%	26.0%	Oct. 14, 2016	Acquisition

PARCEL & LOGISTICS

Disposal group trans-o-flex				
trans-o-flex Schnell-Lieferdienst GmbH, Weinheim	100.0 %	0.0 %	April 8, 2016	Sale
trans-o-flex Logistik Service GmbH, Weinheim	100.0 %	0.0 %	April 8, 2016	Sale
trans-o-flex IT-Service GmbH, Weinheim	100.0 %	0.0 %	April 8, 2016	Sale
ThermoMed Verwaltungs GmbH, Weinheim	100.0 %	0.0 %	April 8, 2016	Sale
trans-o-flex ThermoMed GmbH & Co KG, Weinheim	100.0 %	0.0 %	April 8, 2016	Sale
trans-o-flex ThermoMed Austria GmbH, Wiener Neudorf	100.0 %	0.0 %	April 8, 2016	Sale
trans-o-flex Netzwerk Group GmbH, Weinheim	100.0 %	0.0 %	April 8, 2016	Sale
trans-o-flex Netzwerk zwei GmbH, Weinheim	100.0 %	0.0 %	April 8, 2016	Sale
trans-o-flex Netzwerk drei GmbH, Weinheim	100.0 %	0.0 %	April 8, 2016	Sale
trans-o-flex Netzwerk GmbH, Bergkirchen	100.0 %	0.0 %	April 8, 2016	Sale
trans-o-flex Fuhrpark GmbH, Weinheim	100.0 %	0.0 %	April 8, 2016	Sale
EURODIS GmbH, Weinheim	39.8 %	20.8 %	May 6, 2016	Sale
Other trans-o-flex companies				
trans-o-flex Logistics Group GmbH, Weinheim	100.0 %	100.0 %	May 31, 2016	Deconsolidation
LogIn Service d. o. o., Ilidza	100.0 %	100.0 %	May 31, 2016	Deconsolidation
Distributions GmbH – 31, Köln	100.0 %	100.0 %	May 31, 2016	Deconsolidation
Distributions GmbH Dortmund, Dortmund	100.0 %	100.0 %	May 31, 2016	Deconsolidation
Distributions GmbH Duisburg, Duisburg	100.0 %	100.0 %	May 31, 2016	Deconsolidation
ACL advanced commerce labs GmbH, Graz	0.0 %	30.0 %	July 5, 2016	Acquisition
Post 207 Beteiligungs GmbH, Vienna	0.0 %	100.0 %	Aug. 12, 2016	Foundation
Post 201 Beteiligungs GmbH (Österreichische Post AG)[1], Vienna	100.0 %	0.0 %	Aug. 31, 2016	Merger
Post 203 Beteiligungs GmbH (Österreichische Post AG)[1], Vienna	100.0 %	0.0 %	Aug. 31, 2016	Merger
Post 205 Beteiligungs GmbH (Österreichische Post AG)[1], Vienna	100.0 %	0.0 %	Aug. 31, 2016	Merger
Post 204 Beteiligungs GmbH (Post 206 Beteiligungs GmbH)[1], Vienna	100.0 %	0.0 %	Oct. 7, 2016	Merger
Aras Kargo a. s., Istanbul	25.0 %	25.0 %	Dec. 31, 2016	Change of method

[1] The first-named Group companies were merged with the subsidiaries listed in parenthesis are are therefore no longer included in the consolidation scope.

Mail & Branch Network

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

SENDHYBRID ÖPBD GMBH Effective Oct. 14, 2016, Austrian Post acquired a 26 % stake in sendhybrid ÖPBD GmbH. The company was classified as an associated company pursuant to IAS 28, and accounted for using the equity method. sendhybrid ÖPBD GmbH is a consulting and communications company focusing on process and market consulting for receiving and sending documents. On the basis of this acquisition, Austrian Post secures access to cutting edge technologies in the field of e-delivery. Acquisition costs were immaterial, whereby Austrian Post committed itself to putting up to EUR 1.5m in additional financing at the disposal of the company. Moreover, Austrian Post has been granted the contractual option to increase its stake in the company to up to 100 % starting in 2019 and 2022 respectively.

Parcel & Logistics

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

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

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

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

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

OTHER TRANS-O-FLEX COMPANIES The remaining trans-o-flex companies in the Austrian Post LogIn Service d. o. o., Illidza, Distributions GmbH – 31, Cologne, Distributions GmbH Dortmund, Dortmund, Distributions GmbH Duisburg, Duisburg and trans-o-flex Logistics Group GmbH, Weinheim completely terminated their operating activities, and will thus be liquidated. Due to the lack of materiality, these companies were removed from the consolidation scope as at May 31, 2016, and correspondingly deconsolidated. The effect relating to the deconsolidation of all these companies was immaterial.

ACL ADVANCED COMMERCE LABS GMBH Austrian Post acquired a 30 % stake in ACL advanced commerce labs GmbH effective July 5, 2016. The company was classified as an associated company pursuant to IAS 28, and accounted for using the equity method. ACL advanced commerce labs GmbH supports retail companies and brand manufacturers in the integration of online retailing and physical outlets. In addition to the equity stake, ACL concluded a cooperation agreement with Austrian Post with the objective of developing and marketing professional e-commerce solutions from a single source. The acquisition costs totalled EUR 2.1m.

ARAS KARGO A. S. In the 2013 financial year, Austrian Post acquired 25 % of the shares in the Turkish parcel services provider Aras Kargo a. s. Since then, the company has been recognised as a joint venture accounted for using the equity method in the consolidated financial statements of Austrian Post. Within the context of the acquisition, Austrian Post was granted the unilaterally exercisable right to acquire an additional 50 % of the shares from the Aras family (call option) in the period April 1, 2016 to June 30, 2016. Austrian Post initiated the call option process by May 18, 2016. However, differences of opinion exist between Austrian Post and the current majority owner as to the implementation of the call option agreement and the valuation of the shares. In this respect, no agreement could be reached by the balance sheet date of December 31, 2016. Therefore, as contractually stipulated, arbitration proceedings were initiated in Geneva in December 2016 in order to defend Austrian Post's legal position. At the same time, the corporate governance as actually practiced at the company and thus possibilities on the part of Austrian Post to influence Aras Kargo were changing on an ongoing basis, so that the prerequisites for classifying Aras Kargo a. s. as joint venture company or associated company were no longer fulfilled. For this reason, the previously policy of reporting Aras Kargo a. s. as an investment accounted for using the equity method was discontinued as at December 31, 2016, and the stake in Aras Kargo a. s. was reported as a financial asset pursuant to IAS 39 and recognised at fair value under "Other financial assets". The change of methodology resulted in a loss of EUR 16.7m.

5 CURRENCY TRANSLATION

The reporting currency of the Austrian Post Group is the Euro. The annual financial statements prepared by Group companies in foreign currencies are translated into Euros in accordance with the concept of a functional currency as laid down in IAS 21. The functional currency is determined by the primary economic environment in which the company mainly generates and uses cash and cash equivalents. The Euro is both the functional currency of Group companies located in Austria and in those countries which are members of the European Economic and Monetary Union. The functional currency of the other companies is the respective local currency.

BUSINESS TRANSACTIONS IN FOREIGN CURRENCIES Transactions of Group companies in foreign currencies are accounted for using the reference exchange rate at the date of transaction. The monetary assets and liabilities are converted into Euros at the valid European Central Bank reference rate on the balance sheet date. Foreign exchange gains and losses arising at the balance sheet date are reported as a net profit or loss.

TRANSLATION TO THE PRESENTATION CURRENCY The modified closing rate method is used in the translation of the financial statements of Group companies in which the Euro is not the functional currency. All balance sheet items with the exception of equity items are translated at the reference rate of the European Central Bank on the balance sheet date, whereas equity items are translated at the prevailing rate on the date of acquisition or formation. Income and expense items are translated at the average reference rates for the financial year in question. The resultant currency translation differences are directly recognised in equity.

Within the context of preparing the consolidated cash flow statement of the Austrian Post Group, the cash flow of subsidiaries whose functional currency is not the Euro is directly determined in Euro for simplification purposes. Potential currency translation differences affecting cash and cash equivalents are considered to be immaterial.

The movements in foreign exchange rates against the euro used in translation were as follows:

	Reference rate at balance sheet date		Average annual rate	
1 EUR	Dec. 31, 2015	Dec. 31, 2016	2015	2016
Bosnian Convertible Mark	1.9558	**1.9558**	1.9558	**1.9558**
Bulgarian Lew	1.9558	**1.9558**	1.9558	**1.9558**
Croatian Kuna	7.6380	**7.5597**	7.6137	**7.5333**
Polish Zloty	4.2639	**4.4103**	4.1841	**4.3829**
Romanian Leu	4.5240	**4.5390**	4.4454	**4.4904**
Serbian Dinar	121.6261	**123.4723**	120.7599	**123.1534**
Turkish Lira	3.1765	**3.7072**	3.0255	**3.3433**
Hungarian Forint	315.9800	**309.8300**	309.9956	**311.4379**

6 — ACCOUNTING POLICIES

The annual financial statements of Austrian Post subsidiaries included in the consolidated financial statements are based on uniform accounting and valuation methods. The preparation of the consolidated financial statements is made under the historical cost convention, with the exception of certain items, which are reported at their fair value. The balance sheet date of all subsidiaries is December 31, 2016.

6.1 — REVENUE RECOGNITION

Revenue is recognised when the service was provided, the main opportunities and risks were transferred to the buyer, the amount of the proceeds can be reliably measured and it is probable that future economic benefits will flow to the entity. Deferred income is recognised in the case of payments received in advance for services which have not yet been provided (in particular postage stamps and franking machine imprints). Revenue is reduced by possible sales reductions, and reported without including the value added tax as well as after eliminating intercompany transactions.

Income resulting from the primary business activities of the Mail & Branch Network Division and the Parcel & Logistics Division are recognised as revenue in the consolidated income statement. Income resulting from secondary activities, for example proceeds from property management and the Corporate Division, are recognised as other operating income.

6.2 — INCOME TAX

INFORMATION ON TAX GROUPS There are two tax groups in the Austrian Post Group pursuant to Section 9 Austrian Corporate Income Tax Act. This leads to a joint tax assessment of the actual corporate income tax and an offsetting of deferred tax assets and deferred tax liabilities within the corporate groups pursuant to IAS 12.74.

CALCULATION OF DEFERRED TAXES Deferred taxes are calculated in accordance with the balance sheet liability method for all temporary differences arising between the carrying amounts in the IFRS consolidated financial statements and the corresponding tax values. Furthermore, the probable utilisable tax advantage from existing tax loss carryforwards is included in the calculation. Deferred tax assets are recognised if it is likely that the tax advantage from them can be utilised. Deferred taxes on tax loss carryforwards are reported to the extent that taxable income will be available in the foreseeable future. Deferred taxes arising from non-tax-deductible goodwill and temporary differences related to shareholdings are not recognised in the financial statements, as recognition criteria according to IAS 12 are not fulfilled.

Deferred tax is calculated on the basis of the prevailing tax rates in the individual countries at the balance sheet date or which have been publicly announced as applicable at the point in time in which the deferred tax assets and tax liabilities are realised. For Group companies in Austria, the calculation of deferred taxes is based on a corporate tax rate of 25 %.

The following table shows the corporate tax rates applied in calculating deferred taxes for foreign companies:

Country	Tax rate
Bosnia and Herzegovina	10 %
Bulgaria	10 %
Germany	32 %
Croatia	18 %
Montenegro	9 %
Poland	19 %
Romania	16 %
Serbia	15 %
Slovakia	21 %
Hungary	9 %

The applicable future tax rates used as the basis for calculating deferred taxes have changed since the previous financial year in Croatia (Dec. 31, 2016: 18 %, Dec. 31, 2015: 20 %), in Slovakia (Dec. 31, 2016: 21 %, Dec. 31, 2015: 22 %) and in Hungary (Dec. 31, 2016: 9 %, Dec. 31, 2015: 10 %). Due to immateriality, Austrian Post does not make any disclosure with respect to these amounts in the section on income tax as well as a separate presentation in the reconciliation of the deferred tax expense.

6.3 — EARNINGS PER SHARE

The basic earnings per share are calculated on the basis of the profit for the period attributable to the shareholders of Austrian Post divided by the weighted average of the outstanding shares in 2016. Newly issued shares or shares repurchased during a specific period are taken into account on a pro rata basis for the period of time in which they are still outstanding shares. In order to calculate diluted earnings per share, the average number of share as well as the profit for the period attributable to shareholders of the parent company Österreichische Post AG are adjusted for dilutive effects.

A dilutive effect on the earnings per share could potentially arise from the existing share-based remuneration programme of Austrian Post. In light of the fact that the participating Management Board members decided for remuneration in cash, which was also defined as the form of payment for the participating executives, no dilutive effects will arise from the current share-based remuneration programme.

6.4 — GOODWILL AND ALLOCATION TO CASH GENERATING UNITS (CGU)

Goodwill is reported as intangible asset at acquisition costs less accrued impairment losses. Goodwill from the acquisition of a foreign operation will be recognised in its functional currency and translated into the reporting currency using the reference rate of the European Central Bank on the balance sheet date. Impairment tests are carried out in accordance with IAS 36 as described in Note 6.9 Impairment pursuant to IAS 36. Reversals of write-downs are not permitted. Goodwill is allocated to the respective cash generating units. Cash generating units are groups of assets on the lowest possible level that generate separately identifiable cash flows independent of other assets. As a rule, the lowest level in the Austrian Post Group corresponds to individual operating companies or groups of operating companies. In Österreichische Post AG the allocation to CGUs is based on business areas.

6.5 — INTANGIBLE ASSETS

Intangible assets acquired in return for payment are reported at cost and are amortised on a straight-line basis over a period of three to ten years, depending on their economic useful lives or the contract period. Trademark rights are usually considered having indefinite useful lives, due to the fact that there is no foreseeable end to their economic benefit. Intangible assets with indefinite lives and goodwill are not subject to amortisation, but are subject to annual impairment testing.

The recognition of internally generated intangible assets takes place inasmuch as the general criteria for recognition as well as the special application guidelines of IAS 38 are considered to be fulfilled. In this case, the creation process is divided into a research and a development phase. The initial recognition takes place to the amount of the directly attributable intangible assets starting at the time in which these internally generated intangible assets fulfil the criteria contained in IAS 38. In the Austrian Post Group, this primarily applies to internally developed software.

In case of any indications for impairment, intangible assets are tested for impairment in accordance with IAS 36 as described in Note 6.9 Impairment pursuant to IAS 36.

6.6 — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets are carried at historical cost less depreciation and impairment losses. Depreciation rates are linked to the expected useful lives of the particular items.

Depreciation is calculated on a straight-line basis in accordance with the following useful lives, which are applied uniformly throughout the company:

Useful lives	Years
Buildings	10–50
Technical plant and machinery	5–10
Vehicle fleet	2–8
IT equipment	3–5
Other equipment, furniture and fittings	5–20

Impairment tests are carried out for property, plant and equipment in accordance with the principles described in Note 6.9 Impairment pursuant to IAS 36 in case there are any indications of impairment. If there are indications that a recognised impairment loss no longer applies, the recoverable amount will be reestimated, and if necessary, a reversal will be recognised, taking account of the amortised cost excluding the impairment loss.

6.7 — MEASUREMENT OF FAIR VALUE PURSUANT TO IFRS 13

The measurement of fair values at Austrian Post is carried out pursuant to the stipulations contained in IFRS 13. According to this standard, the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In this connection the following points are defined: the particular assets or liabilities being measured; for a non-financial asset, the measurement assumptions (assumption of the highest and best use of the asset); the preferred (or most advantageous) market in which such an orderly transaction would take place for the asset or liability; the appropriate valuation technique (depending on the available data); and the particular level in the measurement hierarchy to which this data (input factors) are assigned. Depending on the particular asset and the available input data, market-based as well as cost-based and income-based valuation techniques are used. Highest priority is attached to the use of observable input factors.

6.8 — INVESTMENT PROPERTY

Investment property is property held to earn rental income and/or for the purpose of capital appreciation, and which could be sold on an individual basis. Recognition of the owner-occupied portion of the property is carried out in accordance with the percentage of use. Investment property is carried in the balance sheet at acquisition cost less accumulated depreciation, which is performed on a straight-line basis, applying useful lives of between 20 and 50 years.

Properties developed with the goal of selling them at a later point in time are reclassified as inventories starting with the beginning of their development (point of time in which a construction permit was granted).

The fair values of the investment properties included in the notes to the consolidated financial statements were determined by experts at Austrian Post as well as external experts using the stipulations contained in IFRS 13. Measurement is primarily carried out on the basis of an income-based valuation approach (in particular present value techniques). As a rule, the income approach is used, while the discounted cash flow method is employed in the event of more complex investment property. These involve Level 3 valuations in line with IFRS 13 (fair value hierarchy). The inputs used especially encompass object-related planning data, yield curves and market yields. Market-based approaches (in particular the comparative value method) are used for undeveloped sites and properties under construction, in which case Level 2 valuations apply from the perspective of IFRS 13. The inputs used mainly involve price information from comparable transactions in active markets.

6.9 — IMPAIRMENT PURSUANT TO IAS 36

At every balance sheet date, the company evaluates whether there are any indications of a potential impairment on the carrying amount of intangible assets, property, plant and equipment and investment property. If such indications exist, an impairment test is carried out. In addition, intangible assets with indefinite lives as well as goodwill are subject to annual impairment tests even if there are no indications for impairment.

Goodwill as well as individual assets whose recoverable amount cannot be separately determined on a stand-alone basis, are assigned to the level of cash generating units (CGU) for the purpose of the impairment tests. Goodwill originally determined by using the so-called partial goodwill method are extrapolated to 100 % for purposes of the impairment test using the current holding.

The recoverable amount of a particular asset or the CGU is determined within the context of an impairment test and compared to the carrying amount. The recoverable amount is the higher amount of the fair value less costs to sell and the value in use. If the recoverable amounts are determined by using the net present value method, the discount rate is calculated as the weighted average cost of capital (WACC) in accordance with the capital asset pricing model (CAPM). Corresponding surcharges in the discount rate are considered in the depiction of country, currency and price risks. In case of non-euro cash flows, the recoverable amount is estimated in the respective functional currency and translated into Euros using the reference rate of the European Central Bank on the balance sheet date.

An impairment loss is recognised if the carrying amount is higher than the recoverable amount. If the reasons for impairment no longer apply, then the write-down is reversed (except for goodwill). The increased carrying amount resulting from a reversal of impairment may not exceed amortised historical costs. Impairment losses and reversals of impairment are reported in the income statement under the item depreciation, amortisation and impairment losses or other operating income.

6.10 — IMPAIRMENT OF INTERESTS THAT ARE ACCOUNTED FOR USING THE EQUITY METHOD

At every balance sheet date, the company evaluates whether there are any indications of a potential impairment of net investments in associates and joint ventures in accordance with IAS 39. If such indications exist, an impairment test is carried out. An impairment loss is recognised if the carrying amount of the net investment is above the recoverable amount. If the recoverable amount subsequently increases, the write-down is reversed up to a maximum of the initial impairment. The pro-rata share of the impairment applying to the carrying amount of the interest in the associates is reported in the income statement under the results of investments consolidated at equity. The recognition of impairment losses on the carrying amounts of other items relating to the net investment depends on the nature of these items.

6.11 — FINANCE LEASES

If all the major risks and rewards related to the leased assets are transferred to the Austrian Post Group (finance leases pursuant to IAS 17), these assets are capitalised as non-current assets at the lower of their fair value or the present value of the future minimum lease payments. The leased assets are depreciated over the expected useful life or the duration of the lease, if shorter. The future lease payment obligations arising from these leasing agreements are reported under financial liabilities.

6.12 — FINANCIAL ASSETS AND LIABILITIES

In the Austrian Post Group, financial assets and liabilities are assigned to the following classes, pursuant to IFRS 7: financial investments in securities, other investments, derivative financial instruments, trade and other receivables, cash and cash equivalents, other financial liabilities, and trade and other payables. These financial assets and liabilities are classified as "measured at fair value through profit and loss", "available for sale", "loans and receivables" as well as "measured at amortised cost" in accordance with the categories laid down in IAS 39.

Financial assets and financial liabilities in the category "measured at fair value through profit and loss" are carried at fair value. Realised as well as unrealised valuation gains and losses are reported in the income statement. At present, derivative financial assets and liabilities as well as contingent purchase price liabilities are assigned to IFRS 3 in the Austrian Post Group.

Financial assets in the category "Available for sale" are carried at fair value. Unrealised gains and losses are separately disclosed under other comprehensive income until realised, taking account of deferred taxes. The carrying amounts of the available for sale financial assets are evaluated at every balance sheet date to determine if there is objective evidence of impairment. Impairment losses are recognised in the income statement. If the reason for impairment ceases to apply in the case of equity instruments, the impairment loss is reversed and recognised directly in equity, whereas in the case of debt instruments the reversal is included in profit or loss. In particular, securities and other investments are assigned by the Austrian Post Group to this category.

Financial assets in the category "loans and receivables" are recognised at amortised cost. The valuation is carried out at the fair value when recognised. Any existing difference between the acquisition costs and the repayment amount (e.g. for non-interest bearing or interest deviating from the prevailing market level) is accrued over the term to maturity using the effective interest rate method and included in the financial result. If there are any indications of impairment, they are written down to the present value of the expected future cash flows. In the Austrian Post Group, the share of irrecoverable receivables is determined on the basis of a maturity analysis, taking the customer and market structure into account. Moreover, impairments are carried out if, on the basis of objective evidence it is unlikely that the loan or receivable will be recovered. Objective evidence mainly consists of overdue receivables as well as direct feedback from the sales and marketing departments and information from credit protection associations. Impairments are generally reported in an impairment account. If the reason for impairment ceases to apply, the write-down is reversed up to the amortised costs.

Financial assets in the category "measured at amortised cost" are carried at amortised cost. The liabilities are recognised upon inflow and stated at the amount actually received less transaction costs plus/minus a premium or discount. In the case of valuation at amortised cost, the difference between the amount received and the repayment amount is distributed over the term to maturity using the effective interest method and included in the financial result.

6.13 — DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are assigned to the category “measured at fair value through profit and loss” pursuant to IAS 39 and are carried at fair value at the time of acquisition and in subsequent periods. At the time of acquisition, as a rule the purchase price is considered to be the best possible approximation of the fair value and thus recognised as the acquisition cost. Unrealised valuation gains and losses from derivative financial instruments are reported in profit or loss.

The Austrian Post uses derivative financial instruments in isolated cases as a means of limiting and managing interest rate, currency and price risks. No transactions involving derivative financial instruments were concluded in the 2016 financial year. Furthermore, in connection with the acquisition of shares in a company, future exercisable rights to the acquisition of further interests (call options) as well as purchase obligations (put options) are to be classified as derivative financial instruments pursuant to IAS 39. As at December 31, 2016, such rights existed in connection with the call option exercised on May 18, 2016 for Aras Kargo a.s, as well as the acquisition of sendhybrid ÖPBD GmbH.

Derivative financial instruments for which the settlement takes place immediately in cash are reported under the items trade and other receivables or trade and other payables. Derivative financial instruments related to the acquisition of shares in a company are reported as other financial assets.

6.14 — INVENTORIES

Inventories are stated at the lower amount of historical costs and net realisable value at the balance sheet date. Any impairments resulting from obsolescence or inviability are taken into account in determining the net realisable value. The measurement of materials and consumables and retail products is implemented in accordance with the moving average cost formula.

Work in progress refers refer to apartments built within the context of the real estate development project Neutorgasse 7 in Vienna 1st district with the goal of selling them.

6.15 — NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if the related carrying amount is primarily realised by a disposal transaction and not by continued use. This prerequisite is only fulfilled if the disposal is considered to be highly likely and the non-current asset in its current state is available for immediate sale. The disposal of assets is highly likely, if the management has decided upon a plan for the sale of the assets and has actively begun searching for a buyer and implementing the divestment plan, and it can be assumed that the disposal process will be concluded within one year after such a classification.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and the fair value less costs to sell.

On the balance sheet date of December 31, 2016, Postmaster s. r. o. is classified as held for sale pursuant to IFRS 5. Refer to Note 9.10 Assets and liabilities held for sale.

6.16 — PROVISIONS FOR TERMINATION BENEFITS, PENSIONS AND JUBILEE BENEFITS

PROVISIONS FOR TERMINATION BENEFITS Obligations for termination benefits of the Austrian Post Group encompass both a contribution-based system as well as a defined benefit system.

The provisions for termination benefits apply to legal and contractual entitlements on the part of employees. Civil servants normally have no entitlement to termination benefits. Employees working for Group companies in Austria are entitled to severance pay when they reach the legally stipulated retirement age as well as when their employment contracts are terminated by the employer. The amount of the severance pay depends on the number of years of service of the affected employees and the relevant salary at the time the employment is terminated. The provisions are calculated on an actuarial basis, using the projected unit credit method.

Contribution-based termination benefits exist with respect to salaried employees who are working for Group companies in Austria and whose employment commenced after December 31, 2002. These obligations for termination benefits are fulfilled by regular contributions of the respective amounts to the employee benefit fund. Except for this, there is no other obligation on the part of the Austrian Post Group, so that there is no requirement to recognise a provision.

PROVISIONS FOR PENSIONS The pension benefit obligations of the Austrian Post Group encompass only contribution-based systems.

Following the disposal of the trans-o-flex Group in the 2016 financial year, there are no entitlements existing from defined benefit obligations in the Austrian Post Group as at December 31, 2016.

Defined contribution obligations exist towards members of the Management Board. The obligations are fulfilled on the basis of corresponding contributions paid to a pension fund.

There are no pension fund obligations on the part of Austrian Post to civil servants. Pension obligations to civil servants are principally fulfilled by the Republic of Austria. Due to legal regulations, Austrian Post is obliged to pay a pension contribution margin to the Republic of Austria. Since October 1, 2005, these contributions, including the civil servants' own employee contributions, have totaled up to 28.3 % of the remuneration paid to active civil servants and are reported as staff costs. Contributions on behalf of salaried employees are in line with the currently valid regulations of the Austrian General Social Security Act (ASVG).

PROVISIONS FOR JUBILEE BENEFITS In some cases, the Austrian Post Group is obliged to pay jubilee benefits to employees on the occasion of their reaching a specified length of service in the company.

These obligations particularly apply to employees of the parent company Österreichische Post AG: Employees who joined the company before August 1, 2009 as well as civil servants are given jubilee benefits amounting to two monthly salaries after 25 years of service and four monthly salaries after 40 years. Civils servants with at least 35 years of service at the time of their legally defined start of their retirement are also paid jubilee benefits to the amount of four monthly salaries. Salaried employees who joined the company after August 1, 2009 are subject to the collective agreement for Austrian Post employees pursuant to Section 19 (3) Postal Service Structure Act. Salaried employees who are subject to the stipulations contained in the first part of this collective wage agreement (employees in commercial, higher non-commercial and administrative areas) receive jubilee benefits totaling one monthly salary for 20 years of service, one and one half monthly salaries for 25 years and two and one half monthly salaries for 35 years working for the company. 40 years of service results in jubilee benefits of three and one half monthly salaries. Salaried employees subject to the second part of this collective wage agreement (employees in delivery, sorting and driving jobs as well as other support functions) are not entitled to any jubilee benefits.

The provisions for jubilee benefits are calculated in a similar manner to the provisions made for termination benefits and pensions, in accordance with the projected unit credit method.

ACTUARIAL PARAMETERS Within the context of regularly evaluating and ensuring the best possible estimation of actuarial parameters used in determining provisions for termination benefits, pensions and jubilee benefits, the Austrian Post Group has defined company specific parameters as the basis for calculating the relevant amounts of these provisions. The parameters are determined using uniform Group guidelines.

The following parameters were used as the basis for calculating provisions for termination benefits, pensions and jubilee benefits:

	Termination benefits		Pensions		Jubilee benefits	
	2015	**2016**	2015	**2016**	2015	**2016**
Discount rate	2.50 %	**1.75 %**	2.00 %	**–**	2.25 %	**1.50 %**
Salary/pension increase	3.00 %	**3.00 %**	1.75 %	**–**	3.00 %	**3.00 %**
Employee turnover (graduated)	0.33 %–1.72 %	**0.26 %–1.89 %**	0.00 %	**–**	6.86 %–27.10 %	**6.86 %–30.34 %**

Retirement age	2015	**2016**
Female employees	60–65	**60–65**
Male employees	65	**65**
Civil servants	65	**65**

The weighted average duration of the defined benefit obligation amounts to 15 years for termination benefits (2015: 15 years), 13 years for jubilee benefits (2015: 13 years) and 12 years for pensions in 2015.

In order to determine the discount interest rate, an index for unsubordinated, fixed-interest industrial loans (Mercer Pension Discount Yield Curve) is used and then the relevant interest rate is determined on the basis of the duration of the individual obligations.

The salary increase applied is derived from future expected wage and salary increases based on the averages observed over past years as well as stipulations contained in legal regulations and the collective wage agreements, such as the bi-annual salary increase for civil servants.

The employee turnover rate is determined on the basis of the average observed over past years.

The effects of changes in actuarial parameters lead to actuarial gains and losses, which in the case of provisions for termination benefits and pensions are reported as other comprehensive income, whereas actuarial gains and losses from the provisions for jubilee benefits are reported as staff costs. The effects from the changes in the interest rate and changes in future salary increases are included as financial assumptions in the actuarial gains and losses. The actuarial gains and losses from the change of demographic assumptions include the effects from the adjustment of the allowance for employee turnover. The reconciliation of the present value of the individual obligations is presented in Note 9.12.1. Provisions for termination benefits, pensions and jubilee benefits.

The interest expense from provisions for termination benefits, pensions and jubilee benefits are reported in the financial result. All other changes are reported as staff costs.

6.17 — PROVISIONS FOR UNDER-UTILISATION

Provisions for under-utilisation are made for future staff costs applying to those employees who have tenure (primarily civil servants), who lose their jobs within the context of ongoing internal organizational processes designed to reflect changing market conditions and can only be utilized partially to perform services on behalf of the company or who cannot be utilized at all anymore. These employment statuses are onerous contracts pursuant to IAS 37, in which the unavoidable costs to fulfil the contractual obligations are higher than the expected economic benefit. The calculation of the amount allocated to provisions is based on the present value of the expenses up until each employee's retirement based on the application of an average level of under-utilisation and taking account of a fluctuation discount. If employees with tenure cannot be deployed by the company and cannot be leased to external companies in a cost-covering manner, provisions are determined by using a percentage cost deficit. All parameters are being continually evaluated and adjusted to reflect changing conditions.

The provisions for under-utilisation encompass future staff costs for civil servants who are in the process of commencing retirement for reasons of physical disability. The provisions are calculated as the present value of the future staff costs for the period of the average expected time involved until retirement is approved.

The provision for under-utilisation also includes provisions for employees involved in the programme to potentially transfer them to various federal ministries. A framework agreement with the federal government was concluded in October 2013 enabling the potential transfer of Austrian Post employees to the federal public service. In this case, the staff costs of these employees will be refunded for a specified period of time, and their provisions are allocated until the end of the refund period.

The present value of the individual provisions is calculated using a discount rate and future salary increases. The interest expense is recognised under staff costs. The calculation of the parameters takes place in accordance with the approach described in Note 6.16 Provisions for termination benefits, pensions and jubilee benefits.

The following parameters are used in calculating the provisions:

Under-utilisation	2015	2016
Discount rate	1.25 %–2.00 %	**1.00 %–1.25 %**
Salary increase	2.75 %–3.50 %	**2.75 %–3.25 %**
Employee turnover	31.70 %	**31.40 %**
Rate of under-utilisation	85.60 %	**85.70 %**

The change in this parameter led to a negative valuation effect of EUR 9.0m, which was recognised as staff costs in the income statement.

6.18 — OTHER PROVISIONS

In accordance with IAS 37, contingent legal or constructive obligations to third parties resulting from past events, which are likely to require an outflow of economic benefits and which can be reliably estimated are recorded as other provisions. The provisions are recognised at the amounts capable of reliable estimation at the time of preparation of the annual financial statements. Provisions are not recognised in those cases where a reliable estimate is not possible. In the event that the present value of a provision determined on the basis of a market interest rate differs materially from the nominal value, the present value of the obligation is recognised.

Provisions for onerous contracts are recognised, if the unavoidable costs required to fulfil the contractual obligations are higher than the expected economic benefit.

Pursuant to IAS 37, restructuring provisions are recognised upon development of a formal, detailed restructuring plan and the restructuring measures have already begun or the restructuring plan has been publicly announced before the balance sheet date.

6.19 —— SHARE-BASED INCENTIVE PROGRAMME

In December 2009, the Supervisory Board of Austrian Post decided to introduce a share-based payment programme. Such a share-based payment programme (Long Term Incentive Programme) for the members of the Management Board and one for top executives was implemented in the 2010 to 2016 financial years. This programme is a share-based and performance-oriented remuneration model whose tranches extend over a three-year period (performance period), the prerequisite being a one-time own investment on the part of the participants. The performance period extends from January 1st of the year in which the particular tranche is issued until December 31st of the third year.

As at December 31, 2106, the Management Board members Georg Pölzl, Walter Hitzinger, Peter Umundum and Walter Oblin are taking part in the share-based incentive programmes five to seven.

The number of Austrian Post shares required to be purchased by members of the Management Board is oriented to a specified percentage of their gross fixed salaries divided by the reference price of the Austrian Post share for the fourth quarter of the respective year. The number of Austrian Post shares to be acquired by top executives is determined on the basis of the selected investment category in line with the terms and conditions of the share-based payment programme. The sum total of the required own investments for participation in the existing share-based payment programme as at December 31, 2016, amounted to 35,158 shares for members of the Management Board and 183.521 shares for top executives. The Austrian Post shares must be held uninterruptedly until the end of the subsequent financial year following the expiration of the performance period.

Remuneration takes place on the basis of so-called bonus shares as accounting figures. The number of bonus shares is linked to the extent to which predefined performance indicators are reached (earnings per share, free cash flow and total shareholder return). Target values for the performance indicators are defined at the beginning of each individual tranche, with each indicator considered to be equally important. The achievement of objectives is monitored over a period of three years. The total bonus is oriented to the achievement of the objectives defined on the basis of the previously mentioned parameters as well as the share price development of the Austrian Post share. The total bonus is subject to a specified ceiling, and limited to 225 % of the bonus for the management board in case of 100 % goal achievement. For top executives, the bonus is limited with a maximum goal achievement of between 100 % and 130 % depending on the tranches, or limited depending on the individual's annual salary.

The number of bonus shares (accounting figures) of the individual tranches on the respective settlement dates can be broken down as follows:

Number of bonus shares per tranche	Dec. 31, 2015	Dec. 31, 2016
Tranche 4	371,419	**0**
Tranche 5	229,001	**207,620**
Tranche 6	113,674	**106,817**
Tranche 7	0	**158,602**
	714,094	**473,039**

On the settlement date, the payment is made either in shares or in cash. All the members of the Management Board opted for the payment in cash, which was also decided for the executives participating in the programme. Accordingly, there is currently no obligation to carry out a settlement in the form of equity instruments. The payments are reported as share-based payments with a cash settlement.

The acquired services and the arising obligation are recognised at the fair value of the obligation on a pro rata basis to the extent of the performance rendered to date. Until this debt is settled, the fair value must be newly determined at every reporting date and on the settlement date. All changes in fair value are reported in profit and loss under staff costs. The fair value of the obligation is calculated by means of a specified model taking into account the performance indicators and the scope of the employee's achievements. This involves an income-based approach (present value technique) pursuant to IFRS 13 taking account of the expected goal attainment (based on company planning), employee turnover and an estimate of the future share price. The data used as to be considered as Level 3 inputs in accordance with the fair value hierarchy.

The fair value of the obligation is reported as a provision and can be broken down according to the respective settlement dates of the individual tranches as follows:

EUR m	Dec. 31, 2015	Dec. 31, 2016
Net carrying amount of provision		
Tranche 4	12.0	**0.0**
Tranche 5	6.8	**9.6**
Tranche 6	1.3	**2.6**
Tranche 7	0.0	**1.8**
	20.2	**14.0**

The total expense for the share-based payments in the particular reporting period can be broken down according to the individual branches as follows:

EUR m	2015	2016
Total expense		
Tranche 3	0.4	**0.0**
Tranche 4	4.2	**–0.1**
Tranche 5	3.5	**2.8**
Tranche 6	1.3	**1.2**
Tranche 7	0.0	**1.8**
	9.5	**5.7**

In the 2016 financial year, a total of EUR 11.9m was paid out completely in cash for Tranche 4.

7 ESTIMATES AND FUTURE-ORIENTED ASSUMPTIONS

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates in the application of its accounting and valuation policies, and to make assumptions about future developments which materially influence the recognition and measurement of assets and liabilities, the reporting of other obligations at the balance sheet date and the recognition of income and expense for the financial year. In particular, there is a risk that the use of the following assumptions and estimates may lead to adjustments of assets and liabilities in upcoming financial years.

7.1 PROVISIONS FOR TERMINATION BENEFITS AND JUBILEE BENEFITS

The measurement of provisions for termination benefits, pensions and jubilee benefits is based on assumptions regarding the discount rate, retirement age, life expectancy, employee turnover and future salary increases.

If all other parameters remain constant, a change in the discount rate by +/−1 percentage point, a change in salary increases by +/−1 percentage point and a change in the employee turnover by +/−1 percentage point would have the following effects on the provisions:

	Discount rate		Salary increase		Employee turnover	
EUR m	−1 %-point	+1 %-point	−1 %-point	+1 %-point	−1 %-point	+1 %-point
Termination benefits	14.9	−12.4	−12.2	14.4	0.3	−1.0
Jubilee benefits	7.5	−6.7	−6.7	7.4	0.8	−0.9

7.2 PROVISIONS FOR UNDER-UTILISATION

The measurement of the provisions for under-utilization is based on assumptions regarding the degree of under-utilization, discount rate, future salary increases and employee turnover of the affected employees.

If all other parameters remain constant, a change in the degree of under-utilization and employee turnover by +/−10 percentage points, or a change in the discount rate and salary increases by +/−1 percentage points in each case would have the following effects on the provisions:

EUR m	Under-utilisation		Employee turnover		Discount rate		Salary increase	
	−10 %-points	+10 %-points	−10 %-points	+10 %-points	−1 %-point	+1 %-point	−1 %-point	+1 %-point
Under-utilisation	−18.9	19.0	20.7	−20.7	11.0	−10.0	−9.8	−10.7

7.3 — REFERENCE DATE FOR SALARY INCREASES

In a decision handed down on November 11, 2014, the European Court of Justice concurred with the previous ruling made by the Austrian Administrative Court and determined that the legal regulations enacted in Austria in the year 2010 to end discrimination based on age in the salary system of civil servants violates EU law. In light of the fact that the issue of recognising previous employment periods not only affects the civil servants assigned to Austrian Post but also all civil servants working for the federal government, the Austrian Parliament subsequently reacted, and undertook a comprehensive reform of the remuneration system for the federal government on January 21, 2015. This reform was designed to deal with the main criticism of the European Court of Justice and completely eliminate the problem. Of course, this reform in the salary system was also implemented for civil servants working for Austrian Post.

At the end of 2016, due to a decision handed down by the Federal Administrative Court, the legislator once again clearly and unambiguously clarified in the Remuneration Law Amendment Act (Federal Law Gazette I Nr. 104/2016) that the new salary system is to be applied retroactively. In the event that a new reclassification of a civil servant takes place in the period before the transition to a new salary system, a clear redefinition of the reference dates for seniority was laid down, so that there is no longer any leeway to undertake any further legal proceedings with respect to the reference date for salary increases.

Accordingly, there is no longer a necessity to allocate provisions on the issue of the reference date for salary increases, so that the provision existing since 2014 was reversed as at December 31, 2016.

7.4 — RECLAMATION OF EMPLOYER CONTRIBUTIONS RELATED TO THE PAYROLL ACCOUNTING OF CIVIL SERVANTS

Austrian Post or its legal predecessor made contributions within the context of payroll accounting for the civil servants assigned to it in the period May 1, 1996 to May 31, 2008. Due to a ruling handed down by the Austrian Administrative Court in 2015, there was no obligation on the part of Austrian Post to make these payments.

As a result, contributions for the years 1997 to 2001 to the amount of EUR 28.2m were credited to Austrian Post by the Austrian Federal Finance Court. These employer contributions are reported under other receivables and other operating income. Conversely, Austrian Post has obligations for any compensation payments, which amount to EUR 5.2m on the basis of the best possible estimate.

Moreover, in view of these circumstances, repayment claims from pending appeal proceedings still exist, whose outcome is uncertain. Accordingly, this involves a contingent asset pursuant to IAS 37. Additional information could seriously impair Austrian Post's ability to assert its claims. For this reason, Austrian Post is taking advantage of the safeguard clause stipulated in IAS 37.92 and will refrain from a complete disclosure of information in line with IAS 37.84–89. This contingent asset is in contrast to a contingent liability for obligations arising from any compensation payments.

7.5 — ASSETS AND LIABILITIES IN CONNECTION WITH BUSINESS COMBINATIONS

Within the context of acquisitions, estimates and assumptions are required in connection with the estimation of the fair value of the acquired assets and liabilities as well as contingent considerations.

All available information pertaining to the prevailing conditions at the date of acquisition is used for the initial accounting treatment of the acquired assets and liabilities at the end of the reporting period, in which the business combination took place. If the available information is not yet complete, preliminary amounts are disclosed. Additional information about the facts and conditions prevailing at the time of acquisition and which become known during the valuation period (up to one year) leads to a retroactive adjustment of the reported preliminary amounts. Changes relating to events after the date of acquisition do not lead to adjustments during the valuation period.

The value of intangible assets is determined on the basis of a suitable valuation method, depending on the type of asset and the availability of information. As a rule, the income approach is used for customer relationships and trademark rights. The fair value of land and buildings is generally determined by independent experts in the Austrian Post Group. These valuations are significantly influenced by the discount rate used in addition to assumptions about the future development of the estimated cash flows.

Similar to the recognition of assets acquired and liabilities assumed, all available information about the underlying conditions at the date of acquisition is also used for the recognition of contingent considerations. In this case, additional information about the facts and conditions prevailing at the time of acquisition and which become known during the valuation period also leads to a retroactive adjustment of the reported preliminary amounts. Changes relating to events after the date of acquisition (for example achieving the desired earnings objectives) are not adjustments made during the valuation period, but lead to an adjustment of the purchase price liability recognised in profit or loss.

7.6 — IMPAIRMENT OF INTANGIBLE ASSETS, GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

The assessment of the recoverability of intangible assets, goodwill and property, plant and equipment is based on future-oriented assumptions. The underlying assumptions used to determine the recoverable amount within the context of impairment tests are described in the chapter on income statement disclosures under Note 9.1 Goodwill.

7.7 — FINANCIAL INSTRUMENTS

Alternative financial valuation methods (i. e. income approach or multiple processes) using uncertain estimates are applied to evaluate the recoverability of equity capital instruments if no active market exists for these financial instruments. The underlying parameters used in the valuation of these financial instruments are partially based on future-oriented assumptions or require a selection of suitable peer group assumptions on their comparability. These equity capital instruments are recognised at amortised cost if a reliable determination of their fair value is not possible. The approach is described in the section on income statement disclosure under Note 10. Financial instruments and related risks.

7.8 — INCOME TAX

The recognition and subsequent valuation of the current and deferred taxes are subject to uncertainties due to complex tax regulations in different national jurisdictions which are continually being changed. The management of Austrian Post assumes that it has made a reasonable assessment estimate of tax-related uncertainties. However, due to these existing tax uncertainties, there is the risk that deviations between the actual results and the assumptions made could have an effect on the recognised tax liabilities and deferred taxes.

Deferred tax claims to existing tax loss carryforwards are capitalised to the extent of the expected actual utilisability. The recognition of these tax claims is based on planning calculations on the part of the company's management concerning the level of taxable income and the effective utilisability, which in turn require discretionary decisions.

8 INCOME STATEMENT DISCLOSURES

8.1 SEGMENT REPORTING

GENERAL INFORMATION At Austrian Post, reportable segments are identified around differences in products and services. The reporting segments “Mail & Branch Network”, “Parcel & Logistics” and “Corporate” have been determined on the basis of the divisional structure of the internal organisation.

MAIL & BRANCH NETWORK The core business of the Mail & Branch Network Division consists in the acceptance, sorting and direct and hybrid delivery of letters, advertising and print media. The required infrastructure consists of logistics centres, delivery bases, vehicles as well as company-operated branch offices and postal partners.

There are three kinds of mail items which are offered: Letter Mail, Direct Mail and Media Post. Letter Mail encompasses conventional, addressed letters. Direct Mail distinguishes between addressed and unaddressed direct mail items. The Media Post business area focuses on the delivery of addressed and unaddressed print media (newspapers and magazines) and regional media (newspapers).

The service offering is complemented by address management, data management, mailroom management, document scanning and response management. Furthermore, a broad range of retail goods, philatelic and telecommunications products and financial services with the business partners A1 Telekom Austria AG and BAWAG P.S.K. are offered by the branch network.

PARCEL & LOGISTICS The core business of the Parcel & Logistics Division consists in the acceptance, sorting and delivery of standard and express parcels. The transport of parcels takes place via a close-knit distribution network. The required infrastructure consists of delivery bases, logistics centres, warehouses and a delivery fleet. The service offering is complemented by specialty logistics services such as express delivery, value logistics (transport and handling of cash) as well as contract logistics, fulfilment services, Webshop logistics and Webshop infrastructure.

CORPORATE The core business of the Corporate Division is to provide services typically rendered for the purpose of managing a corporate group. These services encompass the management of commercial properties owned by the Group, IT support services, financing and administrative activities as well as the administration of the Internal Labour Market of Austrian Post. Furthermore, corporate consists of innovation management and the development of new business models.

CONSOLIDATION The elimination of transactions between segments is shown in the consolidation column. Furthermore, the consolidation column serves as a reconciliation from segment to Group figures.

Information about profit or loss

2015 FINANCIAL YEAR

EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	Group
Revenue with third parties	1,501.7	900.2	0.1	0.0	**2,401.9**
Revenue with other segments	84.1	8.2	183.7	–276.1	**0.0**
Total revenue	**1,585.8**	**908.4**	**183.8**	**–276.1**	**2,401.9**
Results from financial assets accounted for using the equity method	–0.5	3.9	–2.3	0.0	**1.1**
EBITDA	**322.9**	**37.9**	**–58.1**	**0.0**	**302.7**
Depreciation, amortisation and impairment losses	38.2	143.3	32.3	–0.1	**213.7**
thereof impairment losses recognised in profit or loss	6.1	122.2	0.4	0.0	**128.7**
EBIT	**284.7**	**–105.4**	**–90.4**	**0.1**	**89.0**
Other financial result					**2.0**
Profit before tax					**91.0**
Segment investments	40.0	26.0	47.3	0.0	**113.4**

2016 FINANCIAL YEAR

EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	Group
Revenue with third parties	1,478.0	552.5	0.0	0.0	**2,030.5**
Revenue with other segments	87.9	11.5	186.8	–286.2	**0.0**
Total revenue	**1,565.8**	**564.0**	**186.9**	**–286.2**	**2,030.5**
Results from financial assets accounted for using the equity method	0.0	–14.6	–1.3	0.0	**–15.8**
EBITDA	**319.7**	**29.8**	**–72.4**	**0.0**	**277.1**
Depreciation, amortisation and impairment losses	34.6	11.4	28.9	0.0	**74.8**
thereof impairment losses recognised in profit or loss	2.2	0.1	0.0	0.0	**2.3**
EBIT	**285.1**	**18.5**	**–101.3**	**0.0**	**202.3**
Other financial result					**–0.7**
Profit before tax					**201.5**
Segment investments	23.2	12.9	69.9	0.0	**106.0**

Intersegment transactions take place at market-oriented transfer pricing.

Revenue with third parties refers to revenue with companies outside of the Austrian Post Group. Revenue with other segments refers to business relationships among the subsidiaries, business relationships between the subsidiaries and the parent company Austrian Post in which services are supplied across different segments and the invoicing of services within the parent company Austrian Post. Depreciation and amortisation including impairment losses result from assets assigned to the respective segment. Segment investments include investments in intangible asset, property, plant and equipment and investment property.

Information about geographical areas

2015 FINANCIAL YEAR

EUR m	Austria	Germany	Other countries	Group
Revenue with third parties	1,760.9	526.1	114.9	**2,401.9**
Non-current assets other than financial instruments and deferred tax assets	680.5	0.1	45.7	**726.3**

2016 FINANCIAL YEAR

EUR m	Austria	Germany	Other countries	Group
Revenue with third parties	1,743.3	176.0	111.1	**2,030.5**
Non-current assets other than financial instruments and deferred tax assets	711.9	0.2	45.1	**757.2**

Revenue is shown according to the location of the company performing the service.

8.2 — OTHER OPERATING INCOME

EUR m	2015	2016
Leases	27.6	**25.0**
Remeasurement of fair value of the disposal group trans-o-flex	0.0	**6.8**
Unchargeable expenses	12.4	**4.8**
Disposal of property, plant and equipment	3.2	**4.5**
Reversal of impairment of property, plant and equipment and investment property	0.0	**3.7**
Personnel leasing and administration	3.0	**2.9**
Damages	2.2	**2.8**
Work performed by the enterprise and capitalised	1.4	**2.3**
Income from deconsolidation	0.4	**1.7**
Changes in inventories	0.0	**1.2**
Pallet income	1.3	**0.0**
Reclaim of contributions	28.2	**0.0**
Other	19.6	**14.4**
	99.2	**70.1**

Other operating income from rents and leases fully or partially relates to leased assets (property, plant and equipment and investment property). The corresponding assets are recognised in the balance sheet as at December 31, 2016 with a net carrying amount of EUR 37.0m (December 31, 2015: EUR 40.4m). As a rule, the underlying leasing relationships involve cancellable operating leases with an indexation of rentals. Austrian Post mainly derived rental income from non-cancellable lease agreements or those limited in duration during the 2016 financial year.

Future minimum lease payments from non-cancellable operating leases as at the balance sheet date are as follows:

EUR m	Dec. 31, 2015	Dec. 31, 2016
No later than one year	3.7	**5.0**
Later than one year and not later than five years	6.4	**10.3**
Later than five years	11.1	**16.7**
	21.3	**32.0**

The reversal of impairment of property, plant and equipment and investment property to the amount of EUR 3.7m relates to buildings in the Corporate segment for which the impairment recognised in previous years no longer applies.

The remeasurement of the fair value of assets and liabilities of the disposal group trans-o-flex in the first quarter of 2016 led to a reversal of impairment on property, plant and equipment and investment property to the amount of EUR 6.8m.

The item “Reclaim of contributions” refers to repayment claims credited to Austrian Post from contributions made within the context of the payroll accounting of civil servants to the amount of EUR 28.2m. More detailed information is provided under Note 7.4 Reclamation of employer contributions related to the payroll accounting of civil servants.

8.3 — RAW MATERIALS, CONSUMABLES AND SERVICES USED

EUR m	2015	2016
Material		
Fuels	25.3	**18.2**
Merchandise	23.2	**15.2**
Supplies, clothing, stamps	22.5	**19.4**
Other	3.2	**3.5**
	74.2	**56.2**
Services used		
International postal carriers	71.5	**74.7**
Unaddressed mailing lists	25.8	**22.7**
Addressed mailing lists	15.0	**14.0**
Energy	16.8	**12.8**
Transport	492.9	**253.2**
Other	53.4	**61.5**
	675.4	**439.0**
	749.6	**495.2**

8.4 — STAFF COSTS

EUR m	2015	2016
Wages and salaries	827.9	**771.9**
Termination benefits	42.7	**43.0**
Pensions	0.2	**0.2**
Statutory levies and contributions	224.6	**205.9**
Other staff costs	10.5	**14.1**
	1,106.0	**1,035.2**

The breakdown of termination benefits is as follows:

EUR m	2015	2016
Management Board	0.4	**0.1**
Executive staff	0.2	**0.2**
Other employees	42.2	**42.8**
	42.7	**43.0**

In the 2016 financial year, contributions of EUR 3.1m (2015: EUR 3.1m) to the employee benefit fund in respect of defined contribution termination benefit obligations were recognised as an expense.

The average number of employees during the financial year was as follows:

	2015	2016
Blue-collar employees	3,655	**3,104**
White-collar employees	13,607	**12,670**
Civil servants	8,179	**7,770**
Trainees	98	**81**
Total number	**25,539**	**23,625**
Corresponding full-time equivalents	**23,476**	**21,695**

8.5 — DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR m	2015	2016
Impairment losses on goodwill	**55.8**	**2.0**
Amortisation of intangible assets		
Scheduled amortisation	10.5	**7.4**
Impairment losses	31.1	**0.1**
	41.6	**7.6**
Depreciation of property, plant and equipment		
Scheduled depreciation	71.8	**62.8**
Impairment losses	41.8	**0.1**
	113.5	**62.9**
Depreciation of investment property		
Scheduled depreciation	2.7	**2.3**
	2.7	**2.3**
	213.7	**74.8**

For an explanation of impairment on goodwill, refer to the section on balance sheet disclosures under Note 9.1 Goodwill.

The decrease in impairment losses on intangible assets and property, plant and equipment compared to previous year is mainly due to the classification of the CGU trans-o-flex as held for sale in the 2015 financial year.

8.6 — OTHER OPERATING EXPENSES

EUR m	2015	2016
Leasing and rental payments	80.0	**58.1**
Maintenance	53.1	**50.7**
IT services	39.4	**37.6**
Travel and mileage	25.9	**24.7**
Communications and advertising	19.7	**16.1**
Contract and leasing staff	21.2	**14.5**
Waste disposal and cleaning	14.3	**12.0**
Consulting	15.3	**11.8**
Other taxes (excl. income taxes)	8.1	**8.3**
Insurance	8.5	**6.9**
Damages	9.5	**5.1**
Revaluation of receivables	10.5	**4.4**
Telephone	3.8	**3.5**
Training and professional development	3.3	**3.2**
Unchargeable expenses	11.0	**2.6**
Losses from the disposal of property, plant and equipment	0.7	**1.3**
Other	19.8	**16.4**
	344.0	**277.3**

In the 2015 financial year, other operating expenses included expenses for any compensation payments to the amount of EUR 5.2m. Further information is provided under Note 7.4 Reclamation of employer contributions related to the payroll accounting of civil servants.

8.7 — OTHER FINANCIAL RESULT

EUR m	Note	2015	2016
Financial income			
Interest income		6.1	**1.4**
Income from securities		1.0	**2.5**
		7.1	**4.0**
Financial expenses			
Interest expense for other financial liabilities		–1.0	**–0.5**
Interest expense for provisions	(9.12.1)	–3.8	**–4.1**
Losses from disposal of securities and other bonds		–0.3	**–0.1**
		–5.1	**–4.7**
		2.0	**–0.7**

In the 2015 financial year, the remaining amount of EUR 3.3m from a cross-border leasing transaction terminated as at March 10, 2015, and recognised as at this date under deferred income was correspondingly recognised in the income statement as interest income.

8.8 — EARNINGS PER SHARE

		2015	2016
Profit for the period attributable to equity holders of the parent company	(EUR m)	71.4	**152.7**
Adjusted profit for the period for the identification of diluted earnings per share	(EUR m)	71.4	**152.7**
Weighted average number of outstanding ordinary shares used in calculating basic earnings per share	(Shares)	67,552,638	**67,552,638**
Weighted average number of outstanding ordinary shares used in calculating diluted earnings per share	(Shares)	67,552,638	**67,552,638**
Basic earnings per share	**(EUR)**	**1.06**	**2.26**
Diluted earnings per share	**(EUR)**	**1.06**	**2.26**

9 BALANCE SHEET DISCLOSURES

9.1 GOODWILL

EUR m	2015	2016
Historical costs		
Balance at January 1	**235.0**	**83.1**
Additions arising from acquisitions	3.2	**0.0**
Disposals	–4.6	**0.0**
Currency translation differences	0.1	**–0.3**
Reclassification to "held for sale"	–150.6	**0.0**
Balance at December 31	**83.1**	**82.8**
Impairment losses		
Balance at January 1	**122.8**	**24.9**
Additions	55.8	**2.0**
Disposals	–3.2	**0.0**
Currency translation differences	0.1	**–0.4**
Reclassification to "held for sale"	–150.6	**0.0**
Balance at December 31	**24.9**	**26.5**
Balance amount at January 1	**112.2**	**58.2**
Balance at December 31	**58.2**	**56.3**

The reclassification as held for sale in 2015 referred to the trans-o-flex Group, which was disposed of in the second quarter of 2016 (refer to Note 4.2 Changes in the consolidation scope).

The following table shows goodwill by segments and cash generating units:

EUR m	Dec. 31, 2015	Dec. 31, 2016
Mail & Branch Network		
feibra Group	30.9	**30.9**
Other < EUR 5m[1]	14.6	**12.7**
	45.6	**43.6**
Parcel & Logistics		
Slovak Parcel Service s.r.o. & IN TIME s.r.o.	5.2	**5.2**
Other < EUR 5m[1]	7.5	**7.5**
	12.7	**12.7**
	58.2	**56.3**

[1] Goodwill of under EUR 5m is classified as immaterial in relation to the entire carrying amount of goodwill.

The annual impairment test takes place at Austrian Post in accordance with the value-in-use concept. In this case, the recoverable amount of the CGU is determined on the basis of the value in use. In order to determine the value in use, the expected future cash flow is discounted to its present value with the help of the discounted cash flow method by using the weighted average cost of capital after tax. In order to determine the weighted average cost of capital after tax groups of comparable companies (peer group) are determined for all the CGU assigned to the same segment. Subsequently the discount rate before tax is determined on the basis of an iterative process.

The cash flow forecasts in the planning period are based on the approved planning for the 2017 financial year and the medium-term business planning for a period of an additional three years (2018–2020). The cash flow forecasts are based on both the company's experience in the past as well as economic data collected outside of the company and sector-specific data if available. The amount starting in the year 2021 is accounted for assuming a perpetual annuity. The maximum amount for the growth rate set for the perpetual annuity is the long-term growth and inflation expectations of the countries and sectors in which the particular CGU generates its cash flow. As a rule, a growth rate of 1.0 % (2015: 1.0 %) is applied, in which case necessary retained earnings were taken into account. The main valuation assumptions underlying the determination of the recoverable amount were assumptions by the management about the expected short- and long-term revenue development, the discount rate applied and the expected long-term growth rate.

The following table shows the discount rates applied to the primary individual cash generating units:

	2015	2016
	Pre-tax WACC	Pre-tax WACC
Mail & Branch Network		
feibra Group	8.6 %	**8.9 %**
PostMaster s. r. l.	11.5 %	**–**
Other < EUR 5m	8.8 %–12.3 %	**8.6 %–12.4 %**
Parcel & Logistics		
Slovak Parcel Service s. r. o. & IN TIME s. r. o.	10.5 %	**10.4 %**
Other < EUR 5m	11.0 %–19.4 %	**9.6 %–18.5 %**

The following table shows the additions to the impairment losses on goodwill according to segments and cash generating units:

EUR m	2015	2016
ADDITIONS TO IMPAIRMENT LOSSES ON GOODWILL		
Mail & Branch Network		
PostMaster s. r. l.	6.1	**2.0**
	6.1	**2.0**
Parcel & Logistics		
trans-o-flex	49.8	**0.0**
	49.8	**0.0**
	55.8	**2.0**

An impairment loss on the remaining goodwill of the cash generating unit (CGU) PostMaster s. r. o., Bucharest (Mail & Branch Network segment) with a carrying amount of EUR 2.0m was reported in the first half of 2016. The reason was the further deterioration of the economic environment for the delivery of addressed and unaddressed mail items on the Romanian mail market. The impairment loss was recognised under "Depreciation, amortisation and impairment losses" in the consolidated income statement. The main valuation assumptions underlying the calculation of the recoverable amount were management forecasts about the expected volume development, the discount rate applied and the expected long-term growth rate.

In addition to the impairment test, sensitivity analyses pertaining to the primary valuation assumptions were also carried out for all significant cash generating units. The revenue expectations were reduced by one percentage point in the first sensitivity analysis, whereas the discount rate was raised by one percentage point in the second sensitivity analysis. No additional impairment losses arise ceterus paribus for the significant cash generating units for 2016 from a change in these parameters:

	Revenue expectations –1 %-point		WACC +1 %-point	
EUR m	2015	2016	2015	2016
PostMaster s.r.l.	0.6	**0.0**	0.5	**0.0**

9.2 — INTANGIBLE ASSETS

FINANCIAL YEAR 2015

EUR m	Note	Customer relationships	Trademarks	Other intangible assets	Total
Historical cost					
Balance at January 1, 2015		**79.9**	**29.2**	**70.8**	**180.0**
Additions arising from acquisitions		1.1	0.0	0.3	**1.4**
Disposals arising from deconsolidation		–1.7	0.0	0.0	**–1.7**
Additions		0.0	0.0	5.6	**5.6**
Disposals		–1.1	0.0	–3.4	**–4.5**
Reclassification to "held for sale"	(9.10)	–53.0	–25.0	–8.7	**–86.7**
Balance at December 31, 2015		**25.2**	**4.2**	**64.6**	**94.0**
Depreciation and impairment losses					
Balance at January 1, 2015		**65.0**	**3.8**	**51.2**	**120.1**
Disposals arising from deconsolidation		–1.7	0.0	0.0	**–1.7**
Additions	(8.5)	8.6	25.0	8.0	**41.6**
Disposals		–1.1	0.0	–3.0	**–4.1**
Reclassification to "held for sale"	(9.10)	–53.0	–25.0	–8.5	**–86.5**
Balance at December 31, 2015		**17.7**	**3.9**	**47.8**	**69.3**
Carrying amount at January 1, 2015		**15.0**	**25.4**	**19.6**	**59.9**
Carrying amount at December 31, 2015		**7.5**	**0.4**	**16.9**	**24.8**

FINANCIAL YEAR 2016

EUR m	Note	Customer relationships	Trademarks	Other intangible assets	Total
Historical cost					
Balance at January 1, 2016		**25.2**	**4.2**	**64.6**	**94.0**
Additions		0.0	0.0	4.9	**4.9**
Disposals		–0.4	–0.2	–1.7	**–2.2**
Transfers		0.0	0.0	–0.1	**–0.1**
Reclassification to „held for sale"	(9.10)	–1.7	0.0	–0.1	**–1.8**
Currency translation differences		–0.2	0.0	0.0	**–0.2**
Balance at December 31, 2016		**22.9**	**4.0**	**67.6**	**94.5**
Depreciation and impairment losses					
Balance at January 1, 2016		**17.7**	**3.9**	**47.8**	**69.3**
Additions	(8.5)	2.4	0.0	5.1	**7.6**
Disposals		–0.4	–0.2	–1.1	**–1.7**
Reclassification to „held for sale"	(9.10)	–1.6	0.0	–0.1	**–1.7**
Currency translation differences		–0.1	0.0	0.0	**–0.1**
Balance at December 31, 2016		**18.0**	**3.7**	**51.7**	**73.3**
Carrying amount at January 1, 2016		**7.5**	**0.4**	**16.9**	**24.8**
Carrying amount at December 31, 2016		**4.9**	**0.4**	**15.9**	**21.2**

No external borrowing costs were capitalised in the 2016 financial year as in the previous year.

The reclassification of customer relationships and other intangible assets as "held for sale" relate to PostMaster s. r. l., Romania. Refer to Note 9.10 Assets and liabilities held for sale.

Intangible assets include trademark rights with indefinite useful lives with a carrying amount of EUR 0.4m (Dec. 31, 2015: EUR 0.4m). The trademarks are assigned to the Parcel & Logistics segment.

9.3 — PROPERTY, PLANT AND EQUIPMENT

FINANCIAL YEAR 2015

EUR m	Note	Property and buildings	Technical plant and machinery	Other equipment, furniture and fittings	Payments received in advance and assets under construction	Total
Historical cost						
Balance at January 1, 2015		**690.8**	**161.1**	**342.4**	**11.6**	**1,205.9**
Additions arising from acquisitions		1.4	0.1	0.1	0.0	**1.6**
Additions		5.3	5.8	52.0	31.6	**94.8**
Disposals		–6.1	–14.9	–30.5	0.0	**–51.5**
Transfers		0.4	2.2	1.4	–3.9	**0.0**
Reclassification as investment property	(9.4)	–9.3	0.0	0.0	0.0	**–9.3**
Reclassification to "held for sale"	(9.10)	–31.2	–13.1	–47.2	–0.6	**–92.1**
Balance at December 31, 2015		**651.2**	**141.4**	**318.1**	**38.7**	**1,149.4**

EUR m	Note	Property and buildings	Technical plant and machinery	Other equipment, furniture and fittings	Payments received in advance and assets under construction	Total
Depreciation and impairment losses						
Balance at January 1, 2015		**327.1**	**89.8**	**191.3**	**0.0**	**608.2**
Additions	(8.5)	42.4	14.9	55.6	0.5	**113.5**
Disposals		–5.9	–14.9	–29.3	0.0	**–50.0**
Reclassification as investment property	(9.4)	–6.4	0.0	0.0	0.0	**–6.4**
Reclassification to “held for sale”	(9.10)	–28.9	–12.8	–45.5	–0.5	**–87.7**
Balance at December 31, 2015		**328.4**	**77.1**	**172.1**	**0.0**	**577.6**
Carrying amount at January 1, 2015		**363.7**	**71.3**	**151.2**	**11.6**	**597.7**
Carrying amount at December 31, 2015		**322.8**	**64.3**	**146.1**	**38.7**	**571.9**

FINANCIAL YEAR 2016

EUR m	Note	Property and buildings	Technical plant and machinery	Other equipment, furniture and fittings	Payments received in advance and assets under construction	Total
Historical cost						
Balance at January 1, 2016		**651.2**	**141.4**	**318.1**	**38.7**	**1,149.4**
Additions arising from acquisitions		0.0	0.0	0.0	0.0	**0.0**
Additions		9.3	5.7	27.8	45.6	**88.4**
Disposals		–3.0	–1.3	–28.0	0.0	**–32.2**
Transfers		1.0	1.8	5.8	–8.5	**0.1**
Reclassification as investment property	(9.4)	–0.3	0.0	0.0	0.0	**–0.3**
Reclassification to “held for sale”	(9.10)	–0.1	0.0	–0.9	0.0	**–1.0**
Currency translation differences		0.1	0.0	0.0	0.0	**0.2**
Balance at December 31, 2016		**658.2**	**147.6**	**322.9**	**75.8**	**1,204.5**
Depreciation and impairment losses						
Balance at January 1, 2016		**328.4**	**77.1**	**172.1**	**0.0**	**577.6**
Additions	(8.5)	18.6	10.6	33.7	0.0	**62.9**
Reversal of impairment losses		–2.7	0.0	0.0	0.0	**–2.7**
Disposals		–2.5	–1.3	–26.0	0.0	**–29.8**
Reclassification as investment property	(9.4)	–0.3	0.0	0.0	0.0	**–0.3**
Reclassification to “held for sale”	(9.10)	–0.1	0.0	–0.7	0.0	**–0.8**
Balance at December 31, 2016		**341.4**	**86.4**	**179.1**	**0.0**	**606.9**
Carrying amount at January 1, 2016		**322.8**	**64.3**	**146.1**	**38.7**	**571.9**
Carrying amount at December 31, 2016		**316.8**	**61.2**	**143.8**	**75.8**	**597.6**

As in the previous year, no external borrowing costs were capitalised in the 2016 financial year.

Of the additions to payments received in advance and assets under construction of EUR 45.6m (2015: EUR 31.6m), a total of EUR 18.3m (Dec 31, 2015: 21.9m) is for assets under construction relating to the new corporate headquarters of Austrian Post.

As at December 31, 2016, no property, plant and equipment was used as collateral (Dec. 31, 2015: EUR 1.3m).

Finance leases

Net carrying amounts and useful lives of the leased assets EUR m	Useful lives in years	Carrying amount Dec. 31, 2015	Carrying amount Dec. 31, 2016
Property and buildings	30	6.3	**6.1**
Other equipment, furniture and fittings	2–8	0.8	**0.5**

The following table shows the sum total of future minimum lease payments at the balance sheet date and their present value:

EUR m	2015	2016
Minimum lease payments		
Not later than one year	0.6	**0.5**
Later than one year and not later than five years	1.9	**1.6**
Later than five years	2.7	**2.4**
	5.2	**4.5**
Less:		
Future financing cost	**–0.5**	**–0.3**
Present value of the minimum lease payments		
Not later than one year	0.5	**0.5**
Later than one year and not later than five years	1.7	**1.5**
Later than five years	2.5	**2.3**
	4.7	**4.2**

The corresponding liability is recognised under other financial liabilities. Refer to Note 9.13 Other financial liabilities.

The criteria underlying the classification as finance leases were primarily the present value and the lease maturity test. Furthermore, advantageous bargain purchase options existing at the end of the lease period as well as extension and price adjustment clauses were also taken into account.

For part of the lease contracts, payments are linked to a six-month EURIBOR. There were no such payments in connection with lease contracts in the 2016 financial year, as in the previous year.

9.4 — INVESTMENT PROPERTY

EUR m	Note	2015	2016
Historical cost			
Balance at January 1		**222.8**	**233.6**
Additions		13.0	**12.8**
Disposals		–11.4	**–5.8**
Reclassification from property, plant and equipment		9.3	**0.3**
Reclassification to “held for sale”		0.0	**–0.4**
Balance at December 31		**233.6**	**240.5**
Depreciation and impairment losses			
Balance at January 1, 2015		**170.9**	**173.1**
Additions	(8.5)	2.7	**2.3**
Reversals of impairment losses		0.0	**–1.0**
Disposals		–7.0	**–3.0**
Reclassification from property, plant and equipment		6.4	**0.3**
Reclassification to “held for sale”		0.0	**–0.3**
Balance at December 31		**173.1**	**171.4**
Carrying amount at January 1		**51.8**	**60.5**
Carrying amount at December 31		**60.5**	**69.0**

EUR m	Dec. 31, 2015	Dec. 31, 2016
Fair value	220.5	**223.1**
Rental income	15.5	**13.3**
Expenses arising from property generating rental income	4.7	**5.4**
Expenses arising from property not generating rental income	1.5	**1.1**

Additions to investment property in the 2016 financial year mainly relate to construction of Austrian Post’s new corporate headquarters in Vienna-Landstrasse.

The income from rental and unrented properties only contain income and expenses related to third parties. Intercompany expenses and income are not included in the table above.

No external borrowing costs were capitalised in the 2016 financial year as in the previous year.

9.5 — JOINT VENTURES AND ASSOCIATES

9.5.1 INVESTMENTS CONSOLIDATED AT EQUITY

COMPOSITION OF CARRYING AMOUNTS

EUR m	Interest in %	2015	Interest in %	2016
Associates				
ADELHEID GmbH, Berlin	45.4	4.0	50.1	**5.4**
D2D – direct to document GmbH, Vienna	30.0	1.4	30.0	**1.4**
EURODIS GmbH, Weinheim	39.8	0.1	–[1]	**0.0**
media.at GmbH, Vienna	20.5	0.3	20.5	**0.6**
ACL advanced commerce labs GmbH, Graz	0.0	0.0	30.0	**2.3**
sendhybrid ÖPBD GmbH, Graz	0.0	0.0	26.0	**0.0**
		5.8		**9.6**
Joint ventures				
Aras Kargo a. s., Istanbul	25.0	47.4	–[1]	**0.0**
OMNITEC GmbH, Vienna	50.0	0.0	50.0	**0.0**
		47.4		**0.0**
Net carrying amount at December 31		**53.2**		**9.6**

[1] Termination of accounting using the equity method in the 2016 financial year; refer to Note 4.2 Changes in the scope of consolidation

Joint control of OMNITEC Informationstechnologie-Systemservice GmbH was agreed upon with the remaining shareholders on the basis of the respective shareholders' agreement. Due to the fact that the company is operated as an individual entity, it is considered to be a joint venture pursuant to IFRS 11.

Although the shareholding in ADELHEID GmbH, Berlin amounts to 50.1 %, there is no controlling interest pursuant to IFRS 10. On the basis of the existing corporate governance, the required voting rights majority to attain control of relevant corporate bodies amounts to 66.6 %.

All shares in associates and joint ventures are accounted for using the equity method in the consolidated financial statements of Austrian Post pursuant to IAS 28.

The balance sheet date of the associated company media.at GmbH, Vienna, is June 30th and thus deviates from the balance sheet date of Austrian Post. A change in the reporting date is not possible. The company has prepared interim financial statements as at Dec. 31, 2016.

RECONCILIATION OF CARRYING AMOUNTS

EUR m	2015	2016
Net carrying amount at January 1	**53.3**	**53.2**
Additions arising from acquisitions	0.0	**2.2**
Additions arising from capital increases	5.1	**3.7**
Disposal arising from sale of shares in a company	0.0	**–0.2**
Disposal arising from a change in methodology	0.0	**–42.2**
Proportionate share of profit for the period	1.7	**0.9**
Dividends	–0.7	**–0.8**
Currency translation differences	–5.5	**–7.0**
Revaluation of defined benefit obligation	–0.6	**–0.3**
Net carrying amount at December 31	**53.2**	**9.6**

The additions arising from capital increases to the amount of EUR 3.7m related to ADELHEID GmbH (2015: EUR 5.1m). Currency translation differences to the amount of minus EUR 7.0m (2015: minus EUR 5.5m) resulted from the stake held in the Turkish company Aras Kargo a. s.

The aggregated carrying amount of the shares in the individual immaterial associates totals EUR 9.6m (Dec. 31, 2015: EUR 5.8m). The aggregated carrying amount of the individual immaterial joint ventures amounts to EUR 0.0m (Dec. 31, 2015: EUR 0.0m).

ARAS KARGO A. S. Accounting treatment of Aras Kargo a. s. as a company accounted for using the equity method was terminated as at Dec. 31, 2016. The disposal is presented in the reconciliation of the carrying amounts as a disposal arising from a change in methodology. For more information refer to Note 4.2 Changes in the consolidation scope.

ADELHEID GMBH As at Dec. 31, 2016, an outstanding liability exists to pay a premium amounting to EUR 2.5m (Dec. 31, 2015: EUR 0.4m) from capital increases carried out in the 2016 financial year.

Adelheid GmbH owns a 100 % stake in AEP GmbH, Alzenau, Germany, which supplies pharmaceutical products to pharmacies in Germany under the name “AEP direkt”.

9.5.2 RESULTS FROM FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

The following table breaks down the share of total earnings and other comprehensive income of individually, insignificant associates and joint ventures. The table also shows the reconciliation to the results from financial assets accounted for using the equity method.

RESULTS OF INVESTMENTS CONSOLIDATED AT EQUITY

EUR m	2015	2016
Immaterial associates		
Share of profit for the period	–2.2	**–1.1**
Losses from the disposal of financial assets accounted for using the equity method	0.0	**0.0**
	–2.2	**–1.1**
Immaterial joint ventures		
Losses from the disposal of financial assets accounted for using the equity method	–0.5	**0.0**
Share of other comprehensive income	0.5	**0.0**
	0.0	**0.0**
Material joint ventures		
Share of profit for the period	3.9	**2.0**
Losses from the disposal of financial assets accounted for using the equity method	0.0	**–16.7**
Share of other comprehensive income	–6.2	**10.3**
	–2.2	**–4.4**
Results from financial assets accounted for using the equity method	**1.1**	**–15.8**
Financial assets accounted for using the equity method – Share of other comprehensive income	**–5.6**	**10.3**

The material joint ventures exclusively refers to Aras Kargo a. s.

9.6 — OTHER FINANCIAL ASSETS

EUR m	Dec. 31, 2015 Due within 1 year	Dec. 31, 2015 Due in more than 1 year	Dec. 31, 2015 Total	Dec. 31, 2016 Due within 1 year	Dec. 31, 2016 Due in more than 1 year	Dec. 31, 2016 Total
Securities	33.3	23.9	57.2	**45.7**	**15.2**	**60.9**
Other investments	0.0	12.9	12.9	**0.0**	**61.1**	**61.1**
Derivative financial assets	1.7	0.0	1.7	**0.0**	**0.0**	**0.0**
Total	**35.0**	**36.8**	**71.8**	**45.7**	**76.3**	**122.0**

SECURITIES The carrying amount of the securities mainly relates to investment funds and bonds. The securities held by Austrian Post feature an investment grade or comparable first class credit rating. Austrian Post only participates in investment funds from internationally recognised investment companies.

OTHER INVESTMENTS After termination of accounting treatment for the 25 % stake in Aras Kargo a. s. using the equity method, the share-holding was recognised as a financial asset pursuant to IAS 39. The addition as at the end of December 2016 was accounted for at fair value.

DERIVATIVE FINANCIAL ASSETS In the 2013 financial year, Austrian Post acquired 25 % of the shares of Aras Kargo a. s. In addition, Austrian Post was granted the unilaterally exercisable right to acquire an additional 50 % of the shares from the Aras family in the period April 1 – June 30, 2016. The call option was stated at zero as at Dec. 31, 2016. Refer to Note 4.2 Changes in the scope of consolidation.

Disclosures on determining market values are in chapter "Other disclosures" under 10.1 Financial instruments.

9.7 — INVENTORIES

EUR m	Dec. 31, 2015	Dec. 31, 2016
Materials and consumables	11.2	**10.4**
Less impairment losses	–5.1	**–4.5**
Work in progress buildings	0.0	**3.9**
Retail products	12.4	**10.4**
Less impairment losses	–2.5	**–2.1**
	15.9	**18.1**

Work in progress buildings refer to buildings built within the context of the real estate development project Neutorgasse 7 in 1010 Vienna, in which case Austrian Post is the property developer. Part of this real estate development project involves apartments which are to be sold in the coming years. At the time in which a construction permit was granted in the fourth quarter of 2016, the proportionate share of property assigned to the apartments was reclassified from investment property to inventories.

9.8 — TRADE AND OTHER RECEIVABLES

			Dec. 31, 2015			Dec. 31, 2016
EUR m	Due within 1 year	Due in more than 1 year	Total	Due within 1 year	Due in more than 1 year	Total
Trade receivables	211.8	0.0	211.8	**200.4**	**0.0**	**200.4**
Receivables from financial assets accounted for using the equity method	1.5	0.4	2.0	**1.4**	**1.4**	**2.8**
Other receivables	75.5	11.0	86.4	**74.8**	**13.2**	**88.0**
	288.8	**11.4**	**300.2**	**276.6**	**14.6**	**291.2**

The receivables from financial assets accounted for using the equity method are mainly subordinate shareholder loans including accrued interest from AEP GmbH to the amount of EUR 1.5m (Dec. 31, 2015: EUR 1.4m). as well as a shareholder loan to sendhybrid ÖPBD GmbH totalling EUR 1.0m.

Other receivables as at Dec. 31, 2016 include repayment claims from employer contributions related to the payroll accounting of civil servants in previous periods of EUR 28.2m. Further information can be found in Note 7.4 Reclamation of employer contributions related to the payroll accounting of civil servants.

With respect to the presentation of impairment losses on trade and other payables, refer to Note 10.1 Financial instruments.

9.9 — CASH AND CASH EQUIVALENTS

EUR m	Dec. 31, 2015	Dec. 31, 2016
Bank balances	36.2	**97.6**
Short-term deposits (demand deposits)	260.1	**175.9**
Cash on hand	3.2	**4.3**
	299.6	**277.8**

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

EUR m	Dec. 31, 2015	Dec. 31, 2016
Cash and cash equivalents	**300.1**	**278.0**
Cash and cash equivalents included in assets held for sale	–0.5	**–0.2**
Cash and cash equivalents	**299.6**	**277.8**

9.10 — ASSETS AND LIABILITIES HELD FOR SALE

POSTMASTER S. R. L. In the third quarter of 2016, Austrian Post approved a plan to dispose of the Romanian subsidiary PostMaster s. r. l., Bucharest, (Mail & Branch Network segment) and launched the corresponding sales process. A contract to dispose of the entire shareholding in the company was already concluded, and the acquisition is currently being examined by Romanian authorities. Conclusion of the transaction is expected in 2017, which is why the company was classified as a disposal group pursuant to IFRS 5, and reported separately in the balance sheet. An impairment loss of EUR 0.1m was recognised within the context of the initial reclassification as assets held for sale.

The assets and liabilities of the disposal group as at December 31, 2016 were as follows:

EUR m	Dec. 31, 2016
Non-current assets	
Intangible assets	0.2
Property, plant and equipment	0.2
Trade receivables and other receivables	0.1
Current assets	
Trade receivables and other receivables	1.6
Cash and cash equivalents	0.2
Assets held for sale	**2.4**
Current liabilitites	
Trade and other payables	0.9
Liabilities classified as held for sale	**0.9**

TRANS-O-FLEX The assets and liabilities of the trans-o-flex Group (Parcel & Logistics segment) reported as held for sale in the 2015 financial year were disposed of in the 2016 financial year. Refer to Note 4.2 Changes in the scope of consolidation.

9.11 — EQUITY

EQUITY ITEMS The share capital of Austrian Post amounts to EUR 337.8m, which is split into 67,552,638 ordinary bearer shares with voting rights and entitled to participate in profits, and which have a nominal value of EUR 5.00.

At the Annual General Meeting held on April 15, 2015, the Management Board of Austrian Post was authorised to create new authorized capital, and the Articles of Association of Austrian Post were correspondingly adapted. Contingent upon the approval of the Supervisory Board, the share capital of Austrian Post can be increased by up to EUR 33,776,320.00 over a period of five years ending on April 14, 2020 by issuing up to 6,755,264 new non-par value bearer shares. Furthermore, the Annual General Meeting resolved to carry out a conditional increase of the company's share capital by up to EUR 16,888,160.00 through the issuance of up to 3,377,632 non-par value bearer shares to (i) creditors of financial instruments and (ii) for the purpose of granting stock options to employees and senior managers of Austrian Post or an affiliated company.

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

The number of shares outstanding which are entitled to dividends developed as follows during the 2015 financial year:

	Shares
Balance at January 1, 2016	67,552,638
Balance at December 31, 2016	67,552,638
Weighted average number of shares in the 2016 financial year	67,552,638

The main shareholder of Austrian Post is Österreichische Bundes- und Industriebeteiligungen GmbH, Vienna, with a 52.85 % shareholding.

Austrian Post's capital reserves resulting from capital surplus and contributed capital by shareholders as reported in the consolidated statement of changes in equity correspond to those reported in the company's financial statements of the parent company Austrian Post.

The revenue reserves of Austrian Post comprise the statutory and free reserves of the parent company Austrian Post as well as profits accumulated in previous years less dividend payments. The amounts included in equity also contain changes in the shareholdings held by Austrian Post in subsidiaries which do not lead to a loss of a controlling interest.

Other reserves contain reserves from the revaluation of defined benefit obligations, from the revaluation of financial instruments and currency translation reserves. The item revaluation of defined benefit obligations is derived from adjustments and changes made to actuarial assumptions, whose effects are shown in other comprehensive income. The item revaluation of financial instruments encompasses the revaluation of financial assets available for sale. Gains and losses on changes in the market value measurements of financial assets available for sale are directly recognised in equity without recognition to profit or loss. The amounts are shown after tax. The currency translation reserves comprise all exchange differences arising from the translation of the annual financial statements of the company's subsidiaries and companies consolidated at equity in foreign currencies.

The non-controlling interests relate to M&BM Express OOD.

The profit for the period in the 2016 financial year amounted to EUR 152.7m (2015: EUR 71.6m). The profit for the period attributable to equity holders of the parent company amounted to EUR 152.7m (2015: EUR 71.4m). In accordance with the provisions stipulated in the Austrian Stock Corporation Act, the basis for the distribution of dividends is the annual financial statements of Austrian Post at the balance sheet date on December 31, 2016. The profit shown in the balance sheet totalled EUR 236.8m (2015: EUR 131.8m).

The Management Board will propose a dividend for the 2016 financial year totalling EUR 135.1m, corresponding to a basic dividend of EUR 2.00 per share (2015: EUR 131.7m, basic dividend of EUR 1.95 per share).

CAPITAL MANAGEMENT The capital management of Austrian Post aims at ensuring a suitable capital structure to serve as the basis for achieving growth and acquisition targets as well as a sustainable increase in shareholder value.

Within the context of its dividend policy for the upcoming years, Austrian Post intends to distribute at least 75 % of the profit for the period attributable to the shareholders of the parent company, assuming the continuation of the company's successful business development and that no exceptional circumstances arise.

Taking the balance sheet total of EUR 1,541.8m as at December 31, 2016 as a basis (December 31, 2015: EUR 1,613.0m), the equity ratio as at December 31, 2016 equalled 43.5 % (December 31, 2015: 39.8 %).

9.12 —— PROVISIONS

EUR m	Due within 1 year	Due in more than 1 year	Dec. 31, 2015 Total	Due within 1 year	Due in more than 1 year	Dec. 31, 2016 Total
Provisions for termination benefits	2.2	94.4	96.5	2.5	101.0	103.6
Provisions for jubilee benefits	5.0	84.9	90.0	6.4	86.0	92.4
Other employee provisions	106.8	175.2	282.0	95.6	163.3	259.0
Other provisions	46.6	1.4	48.1	29.8	18.6	48.4
	160.7	355.9	516.6	134.3	369.0	503.3

9.12.1 PROVISIONS FOR TERMINATION BENEFITS, PENSIONS AND JUBILEE BENEFITS

FINANCIAL YEAR 2015

EUR m	Termination benefits	Pensions	Jubilee benefits	Total
Present value of the obligation at January 1, 2015	104.6	2.7	91.7	199.1
Additions arising from acquisitions	0.1	0.0	0.0	0.1
Current service cost	5.7	0.0	4.8	10.4
Interest expense	2.0	0.1	1.7	3.8
Actuarial gains (–) and losses (+) from the change in demographic assumptions	0.1	0.0	–0.2	–0.1
Actuarial gains (–) and losses (+) from the change in financial assumptions	–6.5	0.0	2.5	–4.1
Experience adjustments	0.4	0.0	–4.4	–4.0
Actual payments	–9.9	–0.1	–4.7	–14.6
Derecognition due to changes in company agreements	0.0	0.0	–1.5	–1.5
Reclassification to “held for sale”	0.0	–2.6	0.0	–2.6
Present value of the obligation at December 31, 2015	96.5	0.0	90.0	186.5

FINANCIAL YEAR 2016

EUR m	Termination benefits	Pensions	Jubilee benefits	Total
Present value of the obligation at January 1, 2016	96.5	0.0	90.0	186.5
Current service cost	5.0	0.0	4.9	9.9
Interest expense	2.2	0.0	1.9	4.1
Actuarial gains (–) and losses (+) from the change in demographic assumptions	0.0	0.0	–0.1	0.0
Actuarial gains (–) and losses (+) from the change in financial assumptions	9.4	0.0	4.6	14.0
Experience adjustments	0.0	0.0	–4.4	–4.4
Actual payments	–9.6	0.0	–4.5	–14.1
Present value of the obligation at December 31, 2016	103.6	0.0	92.4	196.0

Actuarial gains and losses arise from the adjustments to the parameters for the discount rate, salary increases and employee turnover as described in Note 6.16. Actuarial gains and losses for termination benefits and pensions. They are recognised in other comprehensive income.

Expenses for termination benefits, pensions and jubilee benefits are included in under staff costs in the consolidated income statement, with the exception of the interest expense, which is included in the financial result.

9.12.2 OTHER EMPLOYEE PROVISIONS

FINANCIAL YEAR 2015

EUR m	Under-utilisation	Other employee related provisions	Total
Balance at January 1, 2015	**194.3**	**107.6**	**301.9**
Transfer	–7.8	0.0	**–7.8**
Allocation	27.7	66.3	**94.0**
Use	–23.2	–62.3	**–85.5**
Reversals	–10.7	–7.7	**–18.4**
Accrued interest	2.8	0.2	**3.0**
Reclassification to “held for sale”	0.0	–5.1	**–5.1**
Stand am December 31, 2015	**183.2**	**98.8**	**282.0**

FINANCIAL YEAR 2016

EUR m	Under-utilisation	Other employee related provisions	Total
Balance at January 1, 2016	**183.2**	**98.9**	**282.0**
Transfer	–6.2	0.0	**–6.2**
Allocation	25.5	69.5	**95.0**
Use	–22.7	–65.2	**–87.9**
Reversals	–13.8	–11.9	**–25.7**
Accrued interest	1.7	0.0	**1.7**
Balance at December 31, 2016	**167.6**	**91.4**	**259.0**

PROVISIONS FOR UNDER-UTILISATION Refer to Note 6.17 Provisions for under-utilisation for details on the contents and methodology underlying the provisions for under-utilisation.

In previous years, the development of provisions for under-utilisation was reported separately as allocation and reversals. These values were calculated from an employee perspective. Now a net approach for the allocation and reversals is used for those parts of the provision which are determined by using an average rate of under-utilisation or the average fluctuation discount. This presentation of the development corresponds to the system of calculating the provisions.

On balance, the development of provisions for under-utilisation showed a reversal of EUR 13.8m, which is mainly attributable to the decline in the number of employees in the Post Labour Market. This includes allocation to the provision of EUR 9.0m due to the decrease in the discount interest rate compared to the previous year. The use refers to the ongoing payments for the employees provided for and was at the same level as in the previous year. The allocation of EUR 25.5m is particularly related to the increase in the number of applications on the part of civil servants at Austrrian Post to initiate proceedings to be allowed to retire on grounds of invalidity or to be accepted into the programme enabling a possible transfer to the federal public service. The transfer of EUR 6.2m (2015: EUR 7.8m) also relates to the provision for employees transferring to the federal public service.

Following the final integration of employees in the federal ministries, the allocated provisions are to be reclassified as liabilities.

OTHER EMPLOYEE-RELATED PROVISIONS Other employee-related provisions mainly encompass provisions for employee profit-sharing schemes and performance-related bonuses, provisions for employees leaving the company (stop-gap measures in line with the social plan and programmes with voluntary termination benefit offers), and restructuring provisions.

Allocation to provisions of EUR 69.5m (2015: EUR 66.3m) primarily relates to allocations for employee profit-sharing schemes and performance related bonuses (2016: EUR 44.1m, 2015: EUR 48.8m) and programmes involving voluntary termination benefit offers (2016: EUR 19.7m, 2015: EUR 12.2m). Furthermore, restructuring provisions of EUR 2.5m (2015: EUR 2.5m) were allocated for planned personnel adjustments, consisting of EUR 2.5m (2015: EUR 1.6m) in the Mail & Branch Network segment and EUR 0.0m (2015: EUR 0.9m) in the Parcel & Logistics segment. EUR 0.6m in restructuring provisions in the Mail & Branch Network segment were reversed (2015: EUR 1.4m for restructuring in the Parcel & Logistics segment).

The use of provisions totalling EUR 65.2m refers to payments for employee profit-sharing schemes and performance related bonuses (2016: EUR 43.2m; 2015: EUR 46.5m) and programmes involving voluntary termination benefit offers (2016: EUR 9.3m; 2015: EUR 0.0m) as well as the expiring stop-gap model in line with the social plan (2016: EUR 8.8m; 2015: EUR 12.2m).

The reversal of EUR 5.3m refers to provisions allocated in previous year in connection for the reference date for salary increases. Refer to Note 7.3 Reference date for salary increases with respect to civil servants.

9.12.3 OTHER PROVISIONS

FINANCIAL YEAR 2015

EUR m			
Balance at January 1, 2015			**39.5**
Transfer			0.9
Allocation			18.3
Use			–3.2
Reversals			–2.2
Reclassification to “held for sale”			–5.2
Balance at December 31, 2015			**48.1**

FINANCIAL YEAR 2016

EUR m			
Balance at January 1, 2016			**48.1**
Change in the consolidation scope			–0.1
Allocation			11.2
Use			–8.9
Reversals			–2.0
Balance at December 31, 2016			**48.4**

The item “Other provisions” includes a provision for uncertain liabilities from statutory levies and contributions to the amount of EUR 22.7m (2015: EUR 27.9m) as well as provisions for any compensation payments (2016: EUR 5.2m; 2015: EUR 5.2m). Further information can be found in Note 7.4 Reclamation of employer contributions related to the payroll accounting of civil servants.

Moreover, the item “Other provisions” includes provisions for litigation and legal expenses, auditing and consulting fees as well as provisions for damages.

9.13 — OTHER FINANCIAL LIABILITIES

EUR m	Due within 1 year	Due in more than 1 year	Total (Dec. 31, 2015)	Due within 1 year	Due in more than 1 year	Total (Dec. 31, 2016)
Borrowings from banks	7.6	0.3	7.9	**1.4**	**0.0**	**1.4**
Finance lease liabilities	0.5	4.2	4.7	**0.5**	**3.7**	**4.2**
	8.1	**4.5**	**12.6**	**1.8**	**3.7**	**5.6**

9.14 — TRADE AND OTHER PAYABLES

EUR m	Due within 1 year	Due in more than 1 year	Total (Dec. 31, 2015)	Due within 1 year	Due in more than 1 year	Total (Dec. 31, 2016)
Trade payables	177.3	0.1	177.4	**187.5**	**0.1**	**187.6**
Payables from financial assets accounted for using the equity method	1.3	0.0	1.3	**3.1**	**0.0**	**3.1**
Other liabilities	154.5	23.6	178.1	**144.1**	**21.5**	**165.6**
	333.2	**23.7**	**356.8**	**334.6**	**21.6**	**356.3**

Other liabilities to the amount of EUR 165.6m include liabilities to tax authorities and social security institutions of EUR 54.3m (Dec. 31, 2015: EUR 63.1m), liabilities for holiday entitlements not taken of EUR 32.4m (Dec. 31, 2015: EUR 33.6m) and payments received in advance for services which have not been rendered of EUR 19.4m (Dec. 31, 2015: EUR 20.4m).

9.15 — INCOME TAX

EUR m	2015	2016
Income tax expense for the current year	53.3	**40.9**
Tax credits arrears from prior tax years	1.2	**–9.7**
Deferred tax expense/income	–35.0	**17.6**
	19.5	**48.8**

In the 2016 financial year, utilisable tax loss carryforwards for which no deferred tax assets could be recognised pursuant to the rules contained in IAS 12.34ff, led to no reduction in the current income tax expense (2015: EUR 1.6m).

RECONCILIATION OF DEFERRED TAX EXPENSE The corporate tax rate for the Group is defined as the relation of the actual income tax expense for the period to the earnings before tax, corresponding to a rate of 24.2 % in 2016 (2014: 21.4 %).

The reconciliation between the expected and recognised tax rate is as follows:

EUR m	2015	2016
Profit before tax	**91.0**	**201.5**
Expected taxes on income	**22.8**	**50.4**
Tax deductions due to		
Write-down of subsidiaries to lower going concern value	–38.8	**–1.1**
Adjustments to foreign tax rates	–4.4	**–0.4**
Changes in the consolidation scope	0.0	**–1.4**
Profits not affecting taxes (accounted for using the equity method)	–0.3	**–0.2**
Disposal of property, plant and equipment	–0.1	**0.0**
Other tax-reducing items	–2.9	**–3.9**
	–46.5	**–7.1**
Tax increases due to		
Impairment losses on goodwill	15.2	**0.3**
Reversal of impairments for subsidiaries	1.2	**0.1**
Other tax-increasing items	7.0	**2.0**
	23.4	**2.4**
Income tax expense for the period	**–0.3**	**45.7**
Adjustment of actual income tax expenses/income from prior years	1.2	**–9.7**
Adjustment of deferred tax expenses/income from prior years	0.0	**4.9**
Change in unrecognised deferred tax assets	18.5	**7.9**
Reported income tax expense	**19.5**	**48.8**

The adjustment in the income tax from prior years mainly relates to the reassessment of the tax deductibility of social plan payments as defined in the Austrian Tax Amendment Act 2014.

Information on deferred tax assets and liabilities

Temporary differences between the amounts shown in the consolidated financial statements and those recognised for tax purposes lead to the following effects on deferred taxes reported on the balance sheet:

EUR m	Dec. 31, 2015	Dec. 31, 2016
Deferred tax assets arising from temporary differences		
Goodwill	1.0	**0.7**
Customer relationships	0.3	**0.5**
Trademarks	0.2	**0.2**
Property, plant and equipment	1.0	**0.1**
Financial assets (write-down to lower going concern value)	66.6	**51.8**
Receivables	0.5	**0.3**
Provisions	27.1	**26.0**
Liabilities	0.9	**1.1**
	97.6	**80.7**
Deferred tax liabilities arising from temporary differences		
Goodwill	–0.2	**–0.2**
Customer relationships	–0.7	**–0.5**
Trademarks	–0.1	**–0.1**
Other intangible assets	0.0	**–0.3**
Property, plant and equipment	–7.3	**–2.7**
Other financial assets	–0.1	**–1.5**
Inventories	–0.1	**–0.5**
Liabilities	–0.2	**0.0**
	–8.6	**–5.8**
Deferred tax arising from loss carry-forwards	**4.0**	**0.5**
less: Reclassification to “held for sale”	–1.2	**0.0**
Total net deferred tax	**92.0**	**75.5**

Recognition of total net deferred tax in the consolidated balance sheet is as follows:

EUR m	31.12.2015	31.12.2016
Recognition in the consolidated balance sheet		
Deferred tax assets	92.9	**76.4**
Deferred tax liabilities	–0.9	**–0.9**
Total net deferred tax	**92.0**	**75.5**

The development and breakdown of the entire changes to deferred taxes affecting income or recognised directly in equity are presented in the following table:

EUR m	Deferred tax assets	Deferred taxliabilities
Balance at January 1, 2015	**68.6**	**8.3**
Changes affecting net income	**27.1**	**–7.9**
Changes recognised directly in equity		
Available for sale securities	–0.2	0.0
Revaluation of defined benefit obligations	–1.5	0.0
Additions arising from acquisitions	0.0	0.5
Reclassification to “held for sale”	–1.2	0.0
	–2.8	**0.5**
Balance at December 31, 2015	**92.9**	**0.9**
Balance at January 1, 2016	**92.9**	**0.9**
Changes affecting net income	**–17.5**	**0.0**
Changes recognised directly in equity		
Available for sale securities	–1.4	**0.0**
Revaluation of defined benefit obligations	2.4	**0.0**
	1.0	**0.0**
Balance at December 31, 2016	**76.4**	**0.9**

The following temporary differences were not recognised due to the improbability of there being taxable earnings in the future to which the Group can apply deferred tax assets. The timing of the ability to recognise tax loss carry forwards is as follows:

EUR m	31.12.2015	31.12.2016
Unrecognised temporary differences		
From loss carry forwards	**254.1**	**27.1**
thereof due within not later than 2 years	0.0	**0.0**
thereof due within 3–4 years	0.0	**0.0**
thereof due within 5–6 years	0.0	**0.0**
thereof due later than 6 years	0.0	**0.6**
due within an indefinite period of time	254.1	**26.4**
From other temporary differences	40.0	**0.0**
	294.1	**27.1**

The significant reduction in non-deductible loss carryforwards in the 2016 financial year is in connection with the disposal of the disposal group trans-o-flex.

Temporary differences totaling EUR 36.3m (December 31, 2015: EUR 51.0m) in connection with stakes held in subsidiaries (outside basis differences) were not recognised, due to the fact that these temporary differences are not likely to be reversed in the foreseeable future.

10 — FINANCIAL INSTRUMENTS AND RELATED RISKS

10.1 — FINANCIAL INSTRUMENTS

10.1.1 FINANCIAL ASSETS AND LIABILITIES

The following tables show the carrying amounts of the financial assets and liabilities pursuant to the measurement categories stipulated in IAS 39 and their classification in the fair value hierarchy:

DECEMBER 31, 2015

EUR m	Level	Measured at fair value through profit or loss	Available for sale	Loans and receivables	Recognised at amortised cost	Total
Financial assets						
Measurements carried out at fair value						
Securities	1	0.0	57.2	0.0	0.0	57.2
Other investments	3	0.0	12.9	0.0	0.0	12.9
Derivative financial assets	3	1.7	0.0	0.0	0.0	1.7
		1.7	**70.1**	**0.0**	**0.0**	**71.8**
Measurements not carried out at fair value						
Trade receivables	–	0.0	0.0	211.8	0.0	211.8
Receivables from financial assets accounted for using the equity method	–	0.0	0.0	2.0	0.0	2.0
Other receivables[1]	–	0.0	0.0	15.6	0.0	15.6
Cash and cash equivalents	–	0.0	0.0	299.6	0.0	299.6
		0.0	**0.0**	**528.9**	**0.0**	**528.9**
Financial liabilities						
Measurements carried out at fair value						
Contingent Consideration	3	2.3	0.0	0.0	0.0	2.3
		2.3	**0.0**	**0.0**	**0.0**	**2.3**
Measurements not carried out at fair value						
Other financial liabilities	–	0.0	0.0	0.0	12.6	12.6
Trade payables	–	0.0	0.0	0.0	177.4	177.4
Liabilities to financial assets accounted for using the equity method	–	0.0	0.0	0.0	1.3	1.3
Other liabilities[2]	–	0.0	0.0	0.0	44.5	44.5
		0.0	**0.0**	**0.0**	**235.9**	**235.9**

[1] Excluding prepayments and receivables from tax authorities and social security carriers
[2] Excluding payments received in advance and liabilities to tax authorities and social security carriers as well as unused vacation

DECEMBER 31, 2016

EUR m	Level	Measured at fair value through profit or loss	Available for sale	Loans and receivables	Recognised at amortised cost	Total
Financial assets						
Measurements carried out at fair value						
Securities	1	0.0	60.9	0.0	0.0	**60.9**
Other investments	3	0.0	61.1	0.0	0.0	**61.1**
		0.0	**122.0**	**0.0**	**0.0**	**122.0**
Measurements not carried out at fair value						
Trade receivables	–	0.0	0.0	200.4	0.0	**200.4**
Receivables from financial assets accounted for using the equity method	–	0.0	0.0	2.8	0.0	**2.8**
Other receivables[1]	–	0.0	0.0	13.5	0.0	**13.5**
Cash and cash equivalents	–	0.0	0.0	277.8	0.0	**277.8**
		0.0	**0.0**	**494.4**	**0.0**	**494.4**
Financial liabilities						
Measurements carried out at fair value						
Contingent Consideration	3	2.1	0.0	0.0	0.0	**2.1**
		2.1	**0.0**	**0.0**	**0.0**	**2.1**
Measurements not carried out at fair value						
Other financial liabilities	–	0.0	0.0	0.0	5.6	**5.6**
Trade payables	–	0.0	0.0	0.0	187.6	**187.6**
Liabilities to financial assets accounted for using the equity method	–	0.0	0.0	0.0	3.1	**3.1**
Other liabilities[2]	–	0.0	0.0	0.0	54.3	**54.3**
		0.0	**0.0**	**0.0**	**250.6**	**250.6**

[1] Excluding prepayments and receivables from tax authorities and social security carriers
[2] Excluding payments received in advance and liabilities to tax authorities and social security carriers as well as unused vacation

The following table shows the comparison of the carrying amount and fair value of other financial liabilities:

	Dec. 31, 2015		Dec. 31, 2016	
EUR m	Carrying amount	Market value	Carrying amount	Market value
Other financial liabilities				
Borrowings form banks	7.9	7.6	**1.4**	**1.4**
Finance lease liabilities	4.7	4.7	**4.2**	**4.2**
	12.6	**12.3**	**5.6**	**5.6**

In the case of all other financial assets and liabilities, which are not measured at fair value, it is assumed that the fair values correspond to the carrying amounts due to the primarily short-term nature of these items.

10.1.2 INFORMATION ON DETERMINING FAIR VALUES

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

Level	Financial instruments	Valuation method	Input factors
MEASUREMENTS CARRIED OUT AT FAIR VALUE			
1	Securities	Market approach	Nominal values, stock market price
3	Other investments	Market approach or net present value approach	Multiples of comparable companies, Planning calculations, and the related probability-weighted scenarios; risk-weighted discount interest rates (WACC)
3	Derivative financial assets	Net present value approach	Planning calculations and the related probability-weighted scenarios, risk-weighted discount interest rates (WACC)
3	Conditional remaining purchase price liabilities	Net present value approach	Planning calculations and the related probability-weighted scenarios, discount interest rates
MEASUREMENTS NOT CARRIED OUT AT FAIR VALUE			
3	Trade and other receivables	–	Carrying amounts as realistic estimates of fair value
3	Other financial liabilities	Net present value approach	Payments related to financial instruments, market interest rates of comparable financing
3	Trade and other payables	–	Carrying amounts as realistic estimates of fair value

Material sensitivities in determining the fair values of Level–3-financial instruments can arise from changes to the underlying market data of comparable companies as well as in the input factors (especially discount rates and planning data) applied in determining the net present value.

No transfers between the Levels 1, 2 and 3 took place during the year under review.

The following tables show the reconciliation of Level-3-measurements at fair value applying to financial assets and liabilities for the 2015 and 2016 financial years:

FINANCIAL ASSETS

EUR m	2015	2016
Starting balance at January 1	**13.9**	**14.6**
Total gains and losses		
Recognised though profit or loss under “Other operating expense”	0.0	**–1.7**
Recognised through other comprehensive income	0.7	**4.7**
Additions	0.0	**43.5**
Closing balance at December 31	**14.6**	**61.1**

The recognised loss incurred in the 2016 financial year related to the derivative financial asset "Call Option Aras Karo a. s.", which was set at zero as at Dec. 31, 2016 (refer to Note 9.6 Other financial assets). The gain included in other comprehensive income was related to the subsequent valuation of the shares indirectly held in BAWAG P.S.K. The additions in the 2016 financial year primarily resulted from the addition of the stake held in Aras Kargo a. s. as a financial asset (refer to Note 4.2 Changes in the consolidation scope).

FINANCIAL LIABILITIES

EUR m	2015	2016
Starting balance at January 1	**0.2**	**2.3**
Total gains and losses		
Recognised though profit or loss under "Other operating income"	–0.1	**–0.1**
Additions from business combinations	2.3	**0.6**
Disposal due to repayment	0.0	**–0.5**
Reclassification to revenue reserves	0.0	**–0.2**
Closing balance at December 31	**2.3**	**2.1**

The additions in the 2016 financial year were mainly in connection with the liability from the acquisition of a 30 % stake in the associated company ACL advanced commerce labs GmbH. Payments related to the payment of the purchase price in 2016 for the shares in EMD acquired in the 2015 financial year. The reclassification to revenue reserves resulted from the acquisition of the remaining shares in Aktionsfinder GmbH (refer to Note 4.2 Changes in the consolidation scope).

10.1.3 OFFSETTING OF FINANCIAL INSTRUMENTS

The Austrian Post Group primarily makes use of offsetted invoices pursuant to IFRS 7 with international postal providers, in which cases the offset and correspondingly netted amounts are immaterial.

10.1.4 INFORMATION ON THE STATEMENT OF COMPREHENSIVE INCOME

The following table shows the net gains and losses from financial instruments included in the statement of comprehensive income for the 2015 and 2016 financial years:

			2015			2016
EUR m	Income statement	Other comprehensive income	Total	Income statement	Other comprehensive income	Total
Measured at fair value through profit or loss						
Result from disposal	0.0	0.0	0.0	**0.1**	**0.0**	**0.1**
Valuation results	0.0	0.0	0.0	**–1.7**	**0.0**	**–1.7**
	0.0	**0.0**	**0.0**	**–1.6**	**0.0**	**–1.6**
Available for sale						
Result from disposal	–0.3	0.2	–0.1	**0.0**	**0.0**	**0.0**
Valuation results	0.0	0.7	0.7	**0.0**	**5.4**	**5.4**
	–0.3	**0.9**	**0.6**	**0.0**	**5.4**	**5.4**
Loans and receivables						
Valuation results	–10.5	0.0	–10.5	**–4.4**	**0.0**	**–4.4**
	–10.7	**0.9**	**–9.9**	**–6.0**	**5.4**	**–0.6**

In the 2016 financial year, EUR 0.0m (2015: EUR 0.2m) from other comprehensive income was reclassified to the income statement.

The total interest income and expenses for financial assets and liabilities calculated according to the effective interest rate method, with the exception of financial instruments measured at fair value through profit or loss are presented below:

EUR m	2015	2016
Interest income		
Cash and cash equivalents	2.0	**1.2**
Other financial assets	0.3	**0.1**
	2.3	**1.3**
Interest expenses		
Other financial liabilities	–1.0	**–0.5**
	–1.0	**–0.5**

10.2 — RISKS AND RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

10.2.1 PRESENTATION OF TYPES OF RISKS

The following risks exist as a result of the financial instruments deployed by the Austrian Post Group:

- Credit risk
- Liquidity risk
- Market risk

CREDIT RISK The amounts reported on the assets side of the balance sheet represent the maximum creditworthiness and default risk. Where there are recognizable default risks in respect to the financial assets, impairments are made to account for them.

The overall risk attached to receivables is low, as most of the customers have agreed to direct debit arrangements, have arranged for bank guarantees in risky cases or have paid in advance. In addition, most of the outstanding amounts are owed by contracting partners, which have excellent credit ratings.

In order to minimise default risk relating to securities, Austrian Post's portfolio of securities is restricted to papers from issuers with an investment grade rating or a comparable level of creditworthiness. Austrian Post only participates in investment funds from internationally reputable investment companies. Particularly close attention is paid to the liquidity and low exposure to settlement risk of the financial products. Money market transactions are subject to fixed trading limits.

The maturity structure of trade and other receivables which are past due but not impaired is as follows:

DECEMBER 31, 2015

EUR m	Carrying amount	Thereof not individually adjusted	Thereof: Not past due	Past due for 1–90 days	Past due for 91–180 days	Past due for more than 180 days
Gross carrying amount						
Trade receivables	**216.1**	212.3	170.4	39.1	1.1	1.7
Receivables from financial assets accounted for using the equity method	**2.0**	2.0	1.8	0.1	0.0	0.0
Other receivables	**24.2**	15.6	14.7	0.6	0.1	0.2
	242.2					
Impairment	**–12.9**					
Net carrying amount	**229.3**					

DECEMBER 31, 2016

EUR m	Carrying amount	Thereof not individually adjusted	Thereof: Not past due	Past due for 1–90 days	Past due for 91–180 days	Past due for more than 180 days
Gross carrying amount						
Trade receivables	**205.5**	196.3	178.5	16.5	0.7	0.5
Receivables from financial assets accounted for using the equity method	**2.8**	2.8	2.7	0.0	0.0	0.0
Other receivables	**22.2**	12.8	11.9	0.5	0.1	0.3
	230.4					
Impairment	**–13.8**					
Net carrying amount	**216.7**					

The management of Austrian Post assumes that the receivables recognised as having a past due of more than 90 days are recoverable. The assessment is carried out on the basis of the past payment history and a thorough analysis of the individual credit risk of the customer involved.

The following tables show the development of impairment losses on trade receivables and other receivables:

DECEMBER 31, 2015

EUR m	Jan. 1, 2015	Allocation	Use	Release	Reclassification as held for sale	Dec. 31, 2015
Impairment losses						
Trade receivables	5.8	3.2	–2.5	–0.6	–1.5	4.3
Receivables from financial assets accounted for using the equity method	19.9	0.0	–19.9	0.0	0.0	0.0
Other receivables	13.8	8.2	–1.5	–0.3	–12.0	8.2
	39.5	**11.4**	**–23.9**	**–0.9**	**–13.6**	**12.5**

DECEMBER 31, 2016

EUR m	Jan. 1, 2016	Allocation	Use	Release	Reclassification as held for sale	Dec. 31, 2016
Impairment losses						
Trade receivables	4.3	2.0	–0.8	–0.3	–0.1	5.1
Other receivables	8.2	0.8	–0.1	–0.3	0.0	8.7
	12.5	**2.8**	**–0.9**	**–0.6**	**–0.1**	**13.8**

LIQUIDITY RISK The purpose of Austrian Post's liquidity risk management procedures is to maintain the solvency of the Group at all times. The liquidity management system is based on a liquidity plan which is regularly subject to target/performance comparisons and adjusted as necessary. Net interest income is maximised by actively managing payment systems.

The following tables show the maturity dates of the gross payment obligations:

DECEMBER 31, 2015

EUR m	Carrying amount	Gross cash flow	Term to maturity Within 1 year	1–5 years	more than 5 years
Financial liabilities					
Other financial liabilities	12.6	13.1	8.5	1.9	2.7
Trade payables	177.4	177.4	177.3	0.1	0.0
Liabilities from assets accounted for using the equity method	1.3	1.3	1.3	0.0	0.0
Other liabilities	44.5	44.5	36.0	8.5	0.0
	235.9	**236.4**	**223.2**	**10.5**	**2.7**

DECEMBER 31, 2016

EUR m	Carrying amount	Gross cash flow	Term to maturity Within 1 year	1–5 years	more than 5 years
Financial liabilities					
Other financial liabilities	**5.6**	5.6	1.9	1.4	2.3
Trade payables	**187.6**	187.6	187.6	0.0	0.0
Liabilities from assets accounted for using the equity method	**3.1**	3.1	3.1	0.0	0.0
Other liabilities	**54.3**	54.3	54.3	0.0	0.0
	250.6	**250.6**	**246.9**	**1.4**	**2.3**

MARKET RISK Market risks encompass the existing risks related to changes in market prices. The primary risks for the Austrian Post Group are from changes in interest rates and foreign exchange rates which could impact the company's assets, financial and earnings position:

INTEREST RATE RISK Interest rate risk is the risk of changes in the value of financial instruments or interest payment streams as a result of movements in market interest rates. Interest rate risk includes the risk of changes in the present value of fixed interest balance sheet items and cash flow risk of variable interest balance sheet items. Interest rate risk exists particularly in case of reveivables and payables with maturities of more than one year. Such long maturities are not of material importance in the operational area, but do affect financial investments in securities and financial liabilities.

Management of interest rate risk is based on the portfolio approach. Normally, it is not individual positions but the entire portfolio that is managed, taking account of the underlying transactions. For this purpose, selective use is made of derivative instruments such as interest rate swaps and interest rate caps. There were no derivative financial items held by Austrian Post at the balance sheet date. The financial portfolio is compared with the benchmark on a daily basis.

If all other parameters remained constant, a change in the market interest rate of +/–1 percentage point would have the following effects on the items listed in the table below:

FINANCIAL YEAR 2015

	Market interest rate	
EUR m	+1 %-point	–1 %-point
Other financial result	1.8	–1.4

FINANCIAL YEAR 2016

	Market interest rate	
EUR m	+1 %-point	–1 %-point
Other financial result	**1.4**	**–1.4**

CURRENCY RISK Currency risk refers to potential losses arising from the market changes in connection with fluctuations in foreign exchange rates.

There are only limited risks on the asset side of the balance sheet arising from currency changes, as deliveries are almost entirely conducted on a Euro basis and investments in securities and fixed term deposits are also almost entirely carried out on a Euro basis. A currency risk exists from the stake held in Aras Kargo a. s., Turkey, where changes in exchange rates can impact the total fair value.

10.2.2 RISK MANAGEMENT

The finance and risk management policies of Austrian Post are aimed at hedging profits against financial risks of all kinds. In managing its financial positions, the Group fundamentally takes a strategic approach to portfolio assessment and follows conservative risk policies.

The Austrian Post Group continually monitors potential concentrations of risk. This can arise in the case of financial instruments with similar features, terms and conditions, for example with respect to terms to maturity, counterparty structure and the implementation of the investment strategy. Concentration risks are counteracted, for example, by the investments of time deposits at different banks, the diversification of the securities portfolio and by spreading the maturity profile.

A standardised reporting system is used to track the current financial situation. In addition, Austrian Post has clearly defined written strategies and operational guidelines for the management of all financial risks.

Risk management is subject to a body of rules developed by the Management Board, which define the relevant objectives, principles, functions and responsibilities. In addition, these rules lay down standardised processes, so as to provide an assurance of reliable internal auditing.

Furthermore, the organisational risks relating to treasury operations are kept to a minimum by structuring the processes involved in an appropriate manner (e.g. keeping the trading and accounting of financial transactions separate, electronic data storage).

11 —— OTHER DISCLOSURES

11.1 — CONSOLIDATED CASH FLOW DISCLOSURES

In accordance with IAS 7, cash and cash equivalents encompass cash in hand, demand deposits and current, liquid financial investments, which can be converted into specified cash amounts at any time, and are only subject to immaterial fluctuations in value. As a rule, financial investments with a remaining time to maturity as calculated from the acquisition date of not more than three months are classified as cash equivalents.

The cash and cash equivalents included in the consolidated cash flow statement contain time deposits redeemable at any time which can be converted into cash amounts at any time. They serve to be able to fulfil shortterm payment obligations, but they are not held for investment purposes. The primary goal is ongoing cash management or securing the liquidity of the company and not to achieve the highest possible return on investment. Interest rates on matching maturities are used in the case of the premature termination of time deposits.

When making investments, considerable importance is attached to the first-class credit ratings of financial institutions. Risks relating to value fluctuations for time deposits do not exist at the present time.

CASH PAYMENTS RELATING TO THE ACQUISITION OF SUBSIDIARIES The cash flow arising from the acquisition of subsidiaries is comprised of the following:

EUR m	2015	2016
Acquisitions of subsidiaries		
Cash outflow for acquisitions		
Acquisition date in the current financial year (purchase price)	–5.2	**0.0**
Outstanding purchase price liabilities	2.1	**0.0**
Acquisition date in previous years (remaining purchase price)	–0.1	**–0.5**
	–3.2	**–0.5**
Cash and cash equivalents acquired	0.1	**0.0**
Total	**–3.0**	**–0.5**

OTHER NON-CASH TRANSACTIONS The other non-cash transactions neutralised in the operating cash flow are comprised of the following:

EUR m	2015	2016
Results from the disposal of property, plant and equipment	–2.2	**–2.6**
Results from the disposal of financial instruments	0.3	**1.8**
Net interest income/expense	–2.3	**–3.4**
Currency translation	0.0	**0.1**
Valuation of loans granted	7.5	**1.4**
Valuation of receivables	3.0	**2.7**
Without effect in profit and loss (IAS 19)	6.1	**–9.5**
Reclamation of employer contributions related to the payroll accounting	–23.0	**0.0**
Remeasurement of fair value of the disposal group trans-o-flex	0.0	**–6.8**
Reversal of impairment of property, plant and equipment and investment property	0.0	**–3.7**
Other	–2.3	**–2.8**
Total	**–12.9**	**–22.7**

With respect to the reclamation of employer contributions to the payroll accounting, refer to Note 7.4 Reclamation of employer contributions from the payroll accounting of civil servants.

The item “Loans granted” in the consolidated cash flow statement includes cash outflows of EUR 2.5m (2015: EUR 3.8m) and cash inflows totalling EUR 0.0m (2015: EUR 3.5m).

The item “Changes of other financial liabilities” includes cash outflows of EUR 6.9m (2015: EUR 4.6m) for loan liabilities and cash outflows of EUR 0.8m (2015: EUR 2.5m) for obligations arising from finance lease agreements. Cash inflows and outflows from short-term revolving items are reported net pursuant to IAS 7.22 (b).

SUNDRY NON-CASH TRANSACTIONS The initial recognition of assets and financial liabilities resulting from financial lease contracts concluded in the current financial year (2016: EUR 0.0m; 2015: EUR 0.5m) did not lead to any change in the cash flow from investing and financing activities due to the fact that these represent non-cash transactions. The subsequent leasing payments will be reported in the cash flow from financing activities.

11.2 — OTHER OBLIGATIONS

Other financial obligations mainly arise from operating rental and lease agreements with respect to factory and office buildings and to technical plant and machinery, furniture and fixtures.

The future minimum lease payments arising from operating lease and rental agreements which cannot be terminated before the end of the respective maturity period comprise the following:

EUR m	Dec. 31, 2015	Dec. 31, 2016
No later than one year	15.7	**14.1**
Later than one year and not later than five years	37.8	**34.8**
Later than five years	29.2	**19.9**
	82.7	**68.7**

The main rental and leasing agreements for buildings used in the production or supply of goods and services contain extension and termination clauses, which accord with normal market terms and conditions for business properties. The agreements also provide for the indexation of the leasing prices.

In the 2016 financial year, a total of EUR 58.1m (2015: EUR 80.0m) in payments within the context of operating rental and lease agreements were recognised in the income statement. The entire amount relates to minimum lease payments.

Acquisition obligations existed to the amount of approx. EUR 0.1m (Dec. 31, 2015: EUR 0.0m) for intangible assets. Acquisition obligations for property, plant and equipment totalled EUR 21.7m as at December 31, 2016 (December 31, 2015: EUR 45.3m). A total of EUR 14.7m (December 31, 2015: EUR 39.5m) of the acquisition obligations related to the new corporate headquarters located in the Vienna-Landstrasse area.

11.3 — RELATED PARTY TRANSACTIONS

The Republic of Austria holds a 52.8 % share in Austrian Post through Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB). Subsequently, the Republic of Austria and companies in which it has a controlling interest or significant influence may be considered to be related companies of the Austrian Post Group, along with all subsidiaries, joint venture companies and associates. Related persons are members of the management team holding key positions (members of the Management Board and Supervisory Board as well as senior executives of Austrian Post, managing directors of Group subsidiaries) and close family members.

Balances and business transactions between Austrian Post and its subsidiaries are eliminated within the context of consolidation and correspondingly no explanations are provided. Outstanding items with related parties at the balance sheet date are reported under trade receivables and trade payables.

Business transactions with related parties only exist within the service portfolio of the Austrian Post Group and are rendered or purchased at standard market rates.

The following table shows the extent of business transactions with joint venture companies, associates and other related companies and persons:

FINANCIAL YEAR 2015

EUR m	Associates	Joint Ventures	Other related companies	Related persons	Total
Total operating income	2.2	1.3	156.4	0.0	**159.9**
Total operating expenses	12.1	2.8	56.7	0.3	**72.0**
Outstanding receivables	1.7	0.3	18.7	0.0	**20.7**
Outstanding payables	1.7	0.2	3.2	0.0	**5.1**

FINANCIAL YEAR 2016

EUR m	Associates	Joint Ventures	Other related companies	Related persons	Total
Total operating income	1.9	1.2	192.3	0.0	**195.4**
Total operating expenses	8.4	1.3	50.5	0.0	**60.2**
Outstanding receivables	2.7	0.1	22.4	0.0	**25.2**
Outstanding payables	3.0	0.1	2.5	0.0	**5.6**

Operating income in the 2015 and 2016 financial years mainly refers to services provided by BBG Bundesbeschaffung GmbH. There is an agreement in the name of and for the account of the federal government for the delivery of postal items for federal agencies. In the 2016 financial year, delivery services valued at EUR 135.5m (2015: EUR 106.3m) were rendered for the federal agencies stipulated in the agreement.

Operating expenses mainly refer to IT services and telephone services from A1 Telekom AG to the amount of EUR 10.7m (2015: EUR 14.9m), purchases of retail goods from A1 Telekom Austria AG valued at EUR 13.6m (2015: EUR 10.8m) and energy purchases from the OMV Group of EUR 9.4m (2015: EUR 12.9m).

Within the context of the relocation of Austrian Post's corporate headquarters, obligations to acquire property, plant and equipment from A1 Telekom Austria AG totalling EUR 1.2m were reported as at December 31, 2016 (December 31, 2015: EUR 1.2m).

The following table shows the compensation, including changes in provisions, which was paid to key management staff:

FINANCIAL YEAR 2015

EUR m	Supervisory Board	Management Board	Senior executives	Total
Short-term employment benefits	0.2	3.9	8.7	**12.8**
Post-employment benefits	0.0	0.6	0.1	**0.7**
Other long-term employment benefits	0.0	0.0	0.0	**0.0**
Termination benefits	0.0	0.0	0.1	**0.1**
Allocation to share-based incentive programme	0.0	2.4	6.7	**9.1**
	0.2	**6.9**	**15.6**	**22.6**

FINANCIAL YEAR 2016

EUR m	Supervisory Board	Management Board	Senior executives	Total
Short-term employment benefits	0.4	4.0	7.1	**11.5**
Post-employment benefits	0.0	0.3	0.1	**0.4**
Other long-term employment benefits	0.0	0.0	0.0	**0.0**
Termination benefits	0.0	0.0	0.0	**0.0**
Allocation to share-based incentive programme	0.0	1.8	4.0	**5.8**
	0.4	**6.1**	**11.2**	**17.7**

11.4 — AUDIT FEES

The fees for the auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in the 2015 and 2016 financial years can be broken down as follows:

SERVICES RENDERED BY AUDITORS

EUR thousand	2015	2016
Audits		
Audit of individual and consolidated financial statements of the parent company Österreichische Post AG as at December 31st	80.0	**98.0**
Audits of Austrian Post subsidiaries as at December 31st	142.8	**132.7**
Other audit related services	40.6	**10.5**
Other consulting services	0.0	**50.7**
	263.4	**291.9**

11.5 — EVENTS AFTER THE REPORTING PERIOD

Events after the balance sheet date that are relevant for valuation on the balance sheet date such as pending litigation, claims for damages, other obligations or contingent losses, and for which IAS 10 prescribes disclosure, are included in these consolidated financial statements.

11.6 — AUSTRIAN POST GROUP COMPANIES

Company and location	Dec. 31, 2015 Interest %	Dec. 31, 2015 Method of consolidation[1]	Dec. 31, 2016 Interest %	Dec. 31, 2016 Method of consolidation[1]
Neutorgasse 7 Projektentwicklungs AG & Co OG, Vienna	100.00	FC	100.00	FC
Post 001 Finanzierungs GmbH, Vienna	100.00	FC	100.00	FC
Post 002 Finanzierungs GmbH, Vienna	100.00	FC	100.00	FC
Post & Co Vermietungs OG, Vienna	100.00	FC	100.00	FC
Post.Wertlogistik GmbH, Vienna	100.00	FC	100.00	FC
Systemlogistik Distribution GmbH, Vienna	100.00	FC	100.00	FC
Medien.Zustell GmbH, Vienna	100.00	FC	100.00	FC
Post Immobilien GmbH, Vienna	100.00	FC	100.00	FC
Post E-Commerce GmbH, Vienna	100.00	FC	100.00	FC
Post 201 Beteiligungs GmbH, Vienna (merged)	100.00	FC	0.00	n. a.
Post 202 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 105 Beteiligungs GmbH, Vienna (merged)	100.00	FC	0.00	n. a.
Post 106 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Weber Escal d. o. o., Hrvatski Leskovac	100.00	FC	100.00	FC
Scanpoint GmbH, Vienna	100.00	FC	100.00	FC
Austrian Post International Deutschland GmbH, Bonn	100.00	FC	100.00	FC
Scanpoint Slovakia s. r. o., Nitra	100.00	FC	100.00	FC
Aktionsfinder GmbH, Salzburg	80.00	FC	100.00	FC
EMD – Elektronische- u. Mikrofilm-Dokumentationssysteme Ges.m.b.H., Haid bei Ansfelden	100.00	FC	100.00	FC
feibra GmbH, Vienna	100.00	FC	100.00	FC
PROWERB Gesellschaft für produktive Werbung GmbH, Vienna	100.00	FC	100.00	FC
Overseas Trade Co Ltd d. o. o., Hrvatski Leskovac	100.00	FC	100.00	FC
Slovak Parcel Service s. r. o., Ivanka pri Dunaji	100.00	FC	100.00	FC
IN TIME s. r. o., Ivanka pri Dunaji	100.00	FC	100.00	FC
PostMaster Sp. z o.o., Krakow	100.00	FC	100.00	FC
M&BM Express OOD, Sofia	76.00	FC	76.00	FC
PostMaster s. r. l., Bucharest	100.00	FC	100.00	FC
trans-o-flex Hungary Kft, Budapest	100.00	FC	100.00	FC
City Express d. o. o., Belgrade	100.00	FC	100.00	FC
Express One d. o. o., Sarajevo (formerly 24-VIP d. o. o., Sarajevo)	100.00	FC	100.00	FC
City Express Montenegro d.o.o, Podgorica	100.00	FC	100.00	FC
Post 101 Beteiligungs GmbH, Vienna (merged)	100.00	FC	0.00	n. a.
Post 102 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 103 Beteiligungs GmbH, Vienna (merged)	100.00	FC	0.00	n. a.
Post 104 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 107 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 203 Beteiligungs GmbH, Vienna (merged)	100.00	FC	0.00	n. a.
Post 204 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 205 Beteiligungs GmbH, Vienna (merged)	100.00	FC	0.00	n. a.
Post 206 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 207 Beteiligungs GmbH, Vienna (founded)	0.00	n. a.	100.00	FC
Post 108 Beteiligungs GmbH, Vienna (founded)	0.00	n. a.	100.00	FC
Post 301 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC

Company and location	31.12.2015 Interest %	31.12.2015 Method of consolidation[1]	31.12.2016 Interest %	31.12.2016 Method of consolidation[1]
trans-o-flex Group				
trans-o-flex Logistics Group GmbH, Weinheim (deconsolidated)	100.00	FC	100.00	NC
trans-o-flex Schnell-Lieferdienst GmbH, Weinheim (sold)	100.00	FC	0.00	n.a.
trans-o-flex Logistik Service GmbH, Weinheim (sold)	100.00	FC	0.00	n.a.
trans-o-flex IT-Service GmbH, Weinheim (sold)	100.00	FC	0.00	n.a.
ThermoMed Verwaltungs GmbH, Weinheim (sold)	100.00	FC	0.00	n.a.
trans-o-flex ThermoMed GmbH & Co KG, Weinheim (sold)	100.00	FC	0.00	n.a.
trans-o-flex ThermoMed Austria GmbH, Wiener Neudorf (sold)	100.00	FC	0.00	n.a.
LogIn Service d.o.o., Ilidza (deconsolidated)	100.00	FC	100.00	NC
Distributions GmbH – 31, Cologne (deconsolidated)	100.00	FC	100.00	NC
Distributions GmbH Dortmund, Dortmund (deconsolidated)	100.00	FC	100.00	NC
trans-o-flex Netzwerk drei GmbH, Weinheim (sold)	100.00	FC	0.00	n.a.
Distributions GmbH Duisburg, Duisburg (deconsolidated)	100.00	FC	100.00	NC
trans-o-flex Netzwerk GmbH, Bergkirchen (sold)	100.00	FC	0.00	n.a.
trans-o-flex Netzwerk zwei GmbH, Weinheim (sold)	100.00	FC	0.00	n.a.
trans-o-flex Netzwerk Group GmbH, Weinheim (sold)	100.00	FC	0.00	n.a.
trans-o-flex Fuhrpark GmbH, Weinheim (sold)	100.00	FC	0.00	n.a.
D2D – direct to document GmbH, Vienna	30.00	EM	30.00	EM
media.at				
media.at GmbH, Vienna[2]	20.45	EM	20.45	EM
OmniMedia GmbH, Vienna[2]	20.45		20.45	
MediaSelect GmbH, Vienna[2]	20.45		20.45	
mediastrategen GmbH, Vienna[2]	20.45		20.45	
EURODIS GmbH, Weinheim	39.80	EM	20.08[3]	IAS 39
ADELHEID/AEP				
ADELHEID GmbH, Berlin[2]	45.35	EM	50.12[4]	EM
AEP GmbH, Alzenau[2]	45.35		50.12[4]	
Aras Kargo Yurtici Yurtdisi Tasimacilik a.s., Istanbul	25.00	EM	25.00[5]	IAS 39
OMNITEC Informationstechnologie-Systemservice GmbH, Vienna	50.00	EM	50.00	EM
ACL advanced commerce labs GmbH, Graz (acquired)	0.00	n.a.	30.00	EM
sendhybrid ÖPBD GmbH, Graz (acquired)	0.00	n.a.	26.00	EM

1 FC – Full consolidation, NC – Subsidiaries not consolidated for reasons of immateriality, EM – Equity method, n.a. – Not consolidated,
2 The results of financial assets accounted for using the equity method correspond to the proportionate profit for the period of the respective corporate group.
3 No material influence due to a contractual agreement or legal circumstances
4 No controlling influence due to a contractual agreement or legal circumstances
5 Termination of accounting using the equity method as at Dec. 31, 2016, refer to Note 4.2 Changes in the consolidation scope.

Other investments

Company and location	Interest %	Equity EUR m	Profit for the period EUR m
Aras Kargo Yurtici Yurtdisi Tasimacilik a.s., Istanbul	25.00	23.0	16.6
EURODIS GmbH, Weinheim	20.08	0.3	0.0

The Management Board of Austrian Post approved the audited consolidated financial statements for the financial year ending on December 31, 2016 for transmission to the Supervisory Board on February 24, 2017. The Supervisory Board is responsible for reviewing and approving the audited consolidated financial statements.

Vienna, February 24, 2017

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Officer

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

Peter Umundum
Member of the Management Board
Parcel & Logistics Division

INFORMATION

Independent Auditor's Report

— REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the consolidated financial statements of **Österreichische Post Aktiengesellschaft Vienna,** ("Austrian Post") and its subsidiaries (Austrian Post Group, hereafter "the Group") consisting of the consolidated balance sheet as at December 31, 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year from January 1, 2016 to December 31, 2016, as well as the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at December 31, 2016 and of its financial performance and its cash flows for the fiscal year from January 1, 2016 to December 31, 2016, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional stipulations contained in Section 245a Austrian Commercial Code.

BASIS FOR THE AUDITOR'S OPINION

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. These standards require the application of International Standards on Auditing (ISAs). Our responsibilities under those standards and additional guidelines are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the requirements of Austrian commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities applicable in Austria in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1, 2016 to December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

VALUATION OF THE PROVISIONS FOR UNDER-UTILISATION

Refer to Note 6.17 Provisions for under-utilisaiton, Note 7.2 Provisions for under-utilisation as well as Note 9.12.2 Other employee provisions of the notes to consolidated financial statements.

The financial statement risk

The provisions for employee under-utilisation recognised at the balance sheet date amount to EUR 167.6m. The valuation of these provisions requires material forward-looking estimates and assumptions about future salary increases, employee turnover, the level of under-utilisation for the respective employees and the applied discount interest rate. Changes in these parameters have substantial effects on the amount of these provisions and the profit for the period.

The financial statement risk is that the provisions are either over-valued or under-valued, and that for this reason the profit for the period is not accurately determined.

Our audit approach

We reviewed the appropriateness of calculations with respect to salary increases and employee turnover based on the company's past experience.

For a statistically selected number of employees, we examined whether the level of under-utilisation underlying the valuation reflects the actual situation.

We reviewed the appropriateness of the assumptions used in determining the discount interest rate by comparing them with publicly available information.

ACCOUTING TREATMENT AND VALUATION OF THE STAKE HELD IN ARAS KARGO A. S.

Refer to Note 4.2 Changes in the scope of consolidation and Note 9.6 Other financial assets of the notes to the consolidated financial statements.

The financial statement risk

Austrian Post owns 25 % of the shares of Aras Kargo a. s., Istanbul. The shares were classified as a joint venture pursuant to IFRS 11 up until December 31, 2016, and correspondingly accounted for using the equity method.

Due to the circumstances described in detail in the notes to the consolidated financial statements, the Management Board came to the conclusion that the pre-requisites for recognising Aras Kargo a. s. as a joint venture or associated company no longer existed at the balance sheet date. For this reason, a change in the account method was carried out as at December 31, 2016, from the previous equity method to recognition as a financial asset pursuant to IAS 39.

This change in the accounting method requires a valuation of the shares at fair value and recognition of the resulting valuation effects as well as the recognition of the accumulated currency translation differences in the income statement instead of in other comprehensive income. This change in the accounting method resulted in a loss of EUR 16.7m.

The valuation of the stake held in Aras Kargo a. s. at fair value requires an estimate of future surplus cash flows (taking account of the expected revenue developments and earnings margins) and assumptions on determining the applied discount interest rate as well as the validation of earnings by means of a market-based approach. For this reason, the valuation is characterised by a considerable degree of uncertainty.

The risk for the consolidated financial statements is that the classification of the shares as a financial asset pursuant to IAS 39 and thus the applied accounting method are inappropriate. Moreover, there is a risk that the calculation of fair value is inaccurate. This would mean that the shareholding is either under-valued or over-valued, which in turn would impact the profit for the period.

Our audit approach

We evaluated the classification of the shares held in Aras Kargo a. s. as a financial asset pursuant to IAS 39 based on relevant facts and circumstances, and reviewed this by inspecting documents, publicly available information and interviewing people involved.

In order to examine the valuation of the shares, we compared the underlying expected cash flow surpluses with actual business planning. We assessed budget accuracy by comparing budgets from previous periods with actual figures and by interviewing responsible managers in the company.

With respect to the assumptions underlying the discount interest rate, we assessed their appropriateness by comparing them to market and sector-specific reference values and reproduced the calculation scheme used to determine discount interest rates.

In addition, we validated the recognised fair value with comparable market-based figures.

We evaluated the appropriateness of the applied calculation methods by involving our evaluation experts in the process.

VALUATION OF GOODWILL

Refer to Note 6.9 Impairment pursuant to IAS 36, Note 7.6 Impairment of intangible assets, goodwill, property plant and equipment and Note 9.1 Goodwill of the notes to the consolidated financial statements.

The financial statement risk

Goodwill of Austrian Post amounted to EUR 56.3m at the balance sheet date. Goodwill is subject to an impairment test by the company at least once annually and if there are any specific indications of impairment.

An impairment test on goodwill requires estimates of future surplus cash flows (taking account of the expected revenue developments and earnings margins) and assumptions on determining the discount interest rate applied and is thus characterised by a considerable degree of uncertainty.

The financial statement risk is that these assets are over-valued, which would result in an inaccurate calculation of the profit for the period.

Our audit approach

We evaluated the appropriateness of the applied calculation methods by involving our valuation experts in the process.

We compared the expected surplus cash flows underlying the calculations with the actual budgets approved by the responsible bodies. We assessed budget accuracy by comparing budgets from previous periods with actual figures and by interviewing responsible managers in the company.

With respect to the assumptions underlying the discount interest rate, we assessed their appropriateness by comparing them to market and sector-specific reference values. Furthermore, we reproduced the calculation scheme used to determine discount interest rates

RESPONSIBLITIES OF THE MANAGEMENT BOARD AND THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Austrian Post (as the legal representative of the company) is responsible for the preparation of the consolidated financial statements which comply with IFRS as adopted by the EU and the supplementary requirements of Austrian German commercial law pursuant to Section 245a Austrian Commercial Code, and give a true and fair view of the net assets, financial position and financial performance of the Group in accordance with these requirements. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian generally accepted accounting principles for the audit of financial statements requiring compliance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of an audit in accordance with generally accepted accounting principles in Austria requiring compliance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of the internal control system relevant to the audit in order to design audit procedures that are appropriate in the circumstances, however not for the purpose of giving an opinion on the effectiveness of the Group's internal control system.
- Evaluate the appropriateness of accounting policies used by the and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Draw conclusions on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the underlying transactions, events and conditions.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee, amongst other matters, on the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.
- We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter or, in extremely rare cases, we determine that specified circumstances are not to be disclosed in our audit opinion, because it can be reasonably assumed that the negative consequences of such a disclosure would outweigh the advantage for the public interest.

— OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINION ON THE GROUP MANAGEMENT REPORT

Pursuant to Austrian commercial law regulations, the Management Report for the Group is to be audited as to whether it complies with valid legal stipulations and if it is consistent with the consolidated financial statements.

The Management Board is responsible for the preparation of the Group Management Report in accordance with Austrian commercial law regulations.

We carried out our audit in compliance with accepted professional standards governing the audit of a group management report.

Audit opinion

In our view, the Group Management Report of Austrian Post complies with valid legal regulations, provides accurate information pursuant to the stipulations of Section 243a Austrian Commercial Code and is consistent with the consolidated financial statements.

Declaration

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not detect any material misstatements in the consolidated financial statements.

OTHER DISCLOSURES

The Management Board is responsible for the other disclosures, which contains all information in the Annual Report with the exception of the consolidated financial statements, the Group Management Report and the related independent auditor's opinion. The annual report will likely be made available to us after the date of the independent auditor's report.

Our audit opinion on the consolidated financial statements does not extend to these other disclosures, and we will not provide any kind of assurances on this information.

In connection with our audit of these consolidated financial statements, it is our responsibility to read these other disclosures, inasmuch as they are already available, and to assess, in the light of the knowledge obtained in the course of the audit, whether they are materially inconsistent with the consolidated financial statements, and whether they seem to represent a material misrepresentation.

REPONSIBLE AUDITOR

The certified public accountant responsible for carrying out the audit is Mr. Helmut Kerschbaumer

Vienna, February 24, 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Helmut Kerschbaumer m.p.
Certified Public Accountant

The publication or dissemination of the consolidated financial statements with our auditor's report is only permissible in the version we have formally approved. This auditor's report exclusively relates to the German language version and complete consolidated financial statements including the Group Management Report. For deviating versions refer to Section 281 Para. 2 Austrian Commercial Code.

Statement of all legal representatives

PURSUANT TO SECTION 82 PARA. 4 (3) AUSTRIAN STOCK EXCHANGE ACT

As the legal representatives of Österreichische Post AG, we declare, to the best of our knowledge, that the consolidated financial statements for the 2016 financial year, which were prepared in accordance with the applicable financial reporting standards, present a fair and accurate picture, in all material respects, of the profit, asset and financial position of the Group, that the Group Management Report presents the business development, earnings and overall situation of the Group in such a manner as to provide a fair and accurate picture of the profit, asset and financial position of the Group, and that the Group Management Report also describes the most important risks and uncertainties facing the Group

Vienna, February 24, 2017

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Officer

Walter Hitziger
Member of the Management Board
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Parcel & Logistics Division