MANAGEMENT REPORT

1 — Group Overview and Market Environment

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 1.9bn and about 20,500 employees. Its core business consists of transporting and delivering letters, direct mail items, print media and parcels as well as providing various logistics services. Moreover, Austrian Post has subsidiaries in ten other European countries, particularly in the field of parcel and logistics.

Austrian Post bundles its activities in two divisions, Mail & Branch Network and Parcel & Logistics. In addition, the Corporate Division mainly deals with Group administration, innovation management and the development of new business models. These three divisions represent the operating segments of Austrian Post in line with IFRS 8 requirements.

The core business of the Mail & Branch Network Division encompasses the collection, sorting and delivery of letters, postcards, addressed, partly addressed and unaddressed direct mail items, newspapers and parcels delivered jointly with mail as well as various online services. In addition, postal and telecommunications products as well as financial services are offered in the branch network. In total, customers of Austrian Post have 1,802 postal service points at their disposal, including 443 company-operated branch offices and 1,359 postal partners. Per annum Austrian Post delivers 730 million letters, 600 million addressed direct mail items, 3.5 billion unaddressed direct mail items, 380 million print media and 340 million regional media in Austria.

The Parcel & Logistics Division provides services in ten European countries. In international markets, the services are provided entirely through the company's own subsidiaries. The main business of the division is transporting and delivering parcels and express mail service (EMS) items for private and business customers. In 2017, Austrian Post delivered about 97 million parcels and EMS items in its domestic Austrian market. This makes it the leading service provider in the delivery of mail order and private customer parcels as well as B2B shipments, offering nationwide services of the highest quality. In addition to express delivery, the portfolio also includes customised fulfilment solutions.

1.2 — Market Areas and Market Position

Austrian Post and its Group subsidiaries operate in eleven countries in the fields of letter mail and direct mail as well as in the parcel and logistics business. About 90 % of revenue is currently generated in the domestic market, where Austrian Post plays a leading role in the delivery of letter mail, direct mail and newspapers as well as parcels. Despite growing competition and price pressure in the highly competitive parcels market, Austrian Post was able to increase parcel volumes in 2017. The company has a market share of about 58 % in the private parcel business. In the field of business parcels (B2B), Austrian Post has been able to consistently increase its market share, which grew to 32 % in 2017 (Source: Branchenradar CEP Services 2018).

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. Aras Kargo a. s., Turkey, in which Austrian Post acquired a 25 % stake in 2013, is number two in the Turkish parcel market (Source: internal market estimates).

1.3 — Economic Environment

The world economy is growing faster once again. The increase in global economic growth in 2017 is mainly due to the strong economic upswing in the industrialised countries and Eastern Europe. The global macroeconomic environment in 2016 was partly characterised by uncertainty as a consequence of unexpected political events. In contrast, forecasts for 2017 and subsequent years indicate an ongoing high level of economic growth. According to the International Monetary Fund (IMF), the worldwide gross domestic product (GDP) rose by 3.7 % in 2017, compared to 3.2 % in the previous year. Global GDP is expected to increase by 3.9 % in both 2018 and 2019 (IMF, January 2018).

Economic growth in Europe was constant in recent years but remained at a moderate level. According to IMF estimates, the eurozone itself showed a strong GDP growth rate of 2.4 % in 2017, up from 1.8 % in 2016. All countries in the eurozone have participated in the economic upturn, albeit to different extents. The IMF anticipates the eurozone's economies to expand by 2.2 % and 2.0 % in 2018 and 2019 respectively (IMF, January 2018).

The revival of foreign trade was also an important driving force behind the rapid economic upswing in Austria. According to the Austrian Institute of Economic Research (WIFO), the Austrian economy expanded by 3.0 % in 2017 compared to 1.5 % in 2016. Economic growth in 2018 is expected to reach 3.0 %, with a more moderate GDP increase of 2.2 % forecasted for 2019. In addition to strong consumer demand and increased investments, growth in Austria will be mainly driven by foreign trade. There was also an increase in labour demand and reduction of unemployment alongside the strong expansion of industrial production. WIFO also predicts a decline in unemployment in the coming years, although wage growth in Austria will remain low. In contrast, inflation in Austria at just above 2.0 % will continue to be higher than in the eurozone (WIFO, December 2017).

The signs also indicate growth in the other European markets where Austrian Post operates. The IMF anticipates growth of 2.5 % in Germany in 2017, up from 1.9 % in the previous year. German GDP is expected to expand by 2.3 % and 2.0 % in 2018 and 2019, respectively. Germany has reported stable growth over a number of periods. In contrast, the markets of South East and Eastern Europe have been generating rapid growth in economic output since 2017 following a somewhat weaker phase. The IMF predicts GDP expansion in European emerging markets of 5.2 % in 2017 compared to 3.2 % in the previous year. The IMF expects economic growth in the region to reach a level of 4.0 % in 2018 and 3.8 % in 2019 (IMF, January 2018).

1.4 — 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 is impacted by economic development and strongly depends on the intensity of advertising activities by companies. The market for addressed and unaddressed advertising mail shows a diverging volume development. Several customer segments are under pressure due to the increasing activities of online shops, whereas other segments are generating growth.

Parcel volumes in the private customer segment are increasing due to the growing importance of online shopping. The Austrian 2C market (B2C and C2C) expanded by 24.5 % in 2017. At the same time, competition, quality requirements and price pressure are also increasing in this segment. The B2B segment benefits from the economic upswing. As a result, parcel volumes increased by 4.7 % from the prior-year level (Source: Branchenradar CEP Services 2018). 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. Trade flows and the required logistics services are becoming increasingly globalised along with related services which are in demand. For this reason, international shipments constitute another important factor affecting the growth of the European courier, express and parcel (CEP) market.

Another important market trend is the increasing importance of non-financial factors in the fields of society, employees and the environment. This is accompanied by growing transparency requirements imposed on companies with regards to sustainability. Increased awareness of sustainability is also leading to growing demand for the resource-saving 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.

1.5 — 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 authority (Post Control Commission) 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 allowed to take up to four days on a regular basis. In this respect, Austrian Post has no universal postal service on offer yet.

2 — Business development and economic situation

2.1 — Changes in the Scope of Consolidation

The segment change for M&BM Express OOD, Bulgaria, from the Mail & Branch Network Division to the Parcel & Logistics Division took place on January 1, 2017. Austrian Post owns a 76 % stake in M&BM Express OOD.

The closing of the sale of the Romanian subsidiary PostMaster s.r.l. occurred on April 19, 2017. The closing of the sale of the Polish company PostMaster Sp. z. o. o. took place effective October 17, 2017. Austrian Post had held a 100 % stake in both companies. Moreover, Austrian Post's entire 20.45 % shareholding in media.at GmbH, Vienna, was sold effective July 18, 2017.

The closing of the acquisition of a further 40 % of the shares in ACL advanced commerce labs GmbH took place effective November 1, 2017. Austrian Post now holds a 70 % shareholding in the company. As at October 4, 2017, Austrian Post acquired a 49 % stake in adverserve Holding GmbH. The company is accounted for using the equity method in the consolidated financial statements of Austrian Post. This acquisition enables Austrian Post to expand its online competencies in the field of e-commerce solutions and digital advertising services.

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.

2.2 — Revenue and Earnings

2.2.1 REVENUE DEVELOPMENT

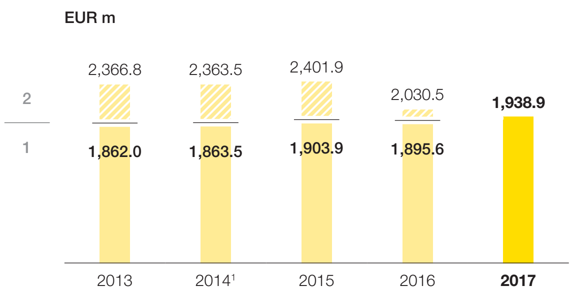
In the 2017 financial year, Group revenue of Austrian Post fell by EUR 91.6m to EUR 1,938.9m as compared to the prior-year level. This decline is due to the disposal of the subsidiary trans-o-flex in April 2016. Taking account of trans-o-flex the adjusted revenue was up 2.3 % or EUR 43.3m.

The Parcel & Logistics Division, adjusted for trans-o-flex, generated revenue growth of 17.7 % in 2017, whereas revenue of the Mail & Branch Network Division fell by 2.1 % in the same period. Dynamic parcel growth more than compensated for the revenue decrease in the mail business. The launch of a simplified product structure on January 1, 2017 with a mailing offering featuring the "Packet" tailored to the requirements of the e-commerce market also had a positive impact on revenue development.

The Mail & Branch Network Division accounted for 74.5 % of Group revenue in the reporting period (2016: 72.8 %), whereas the Parcel & Logistics Division contributed 25.5 % of revenue (2016: 27.2 %). The share of revenue of the Corporate Division was below 0.1 %. (2016: < 0.1 %).

The core business of the Corporate Division is online innovation management and the development of new business models. In addition, the Corporate Division provides non-operational services for the purpose of administering and controlling at a Corporate Group level. These services include, among other things, the management of commercial properties owned by the Group, the provision of IT services as well as the administration of the Internal Labour Market of Austrian Post.

REVENUE DEVELOPMENT



1 – Revenue excl. trans-o-flex
2 – Revenue 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	2015[1]	2016[1]	2017	Change 2016/2017 %	Change 2016/2017 EUR m
Revenue	**2,401.9**	**2,030.5**	**1,938.9**	**–4.5**	**–91.6**
Revenue excl. trans-o-flex	**1,903.9**	**1,895.6**	**1,938.9**	**2.3**	**43.3**
Mail & Branch Network	1,502.3	1,478.5	**1,447.8**	–2.1	–30.7
Parcel & Logistics	902.9	556.0	**495.6**	–10.9	–60.4
Parcel & Logistics excl. trans-o-flex	404.8	421.1	**495.6**	17.7	74.4
Corporate/Consolidation	–3.2	–4.0	**–4.5**	–12.5	–0.5
Calendar working days in Austria	251	250	**248**	–	–

[1] Adjustment of revenue in segment reporting – refer to chapter 3.2 of the notes to the consolidated financial statements.

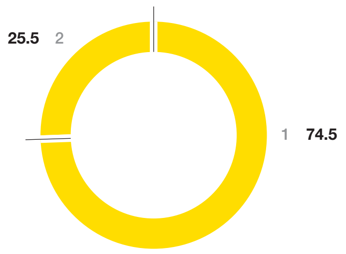
All in all, revenue of the Mail & Branch Network Division totalled EUR 1,447.8m in 2017, constituting a decline of 2.1 % in a year-on-year comparison. The downward revenue development in 2017 was primarily attributable to the ongoing trend towards electronic substitution of traditional letter mail. Generally, revenue development in the mail segment is also strongly affected by elections which generate additional revenue in the fields of letter mail, direct mail and media post. On balance, elections contributed EUR 11.6m in revenue in the period under review, compared to EUR 19.3m in additional revenue in the previous year.

The Parcel & Logistics Division, adjusted for the subsidiary trans-o-flex, which was sold in April 2016, generated a 17.7 % increase in revenue whereby the underlying revenue trend is estimated to grow by about 12 %. In the reporting period, additional revenue was generated through the new product structure led by the “Packet” as well as the segment change of the Bulgarian subsidiary M&BM Express OOD, which was still included in the Mail & Branch Network Division in the previous year.

With respect to geographical segments, Austrian Post generated 91.8 % of its Group revenue in Austria in the 2017 financial year, whereas South East and Eastern Europe accounted for 5.7 % and Germany for 2.5 %.

REVENUE BY DIVISION 2017

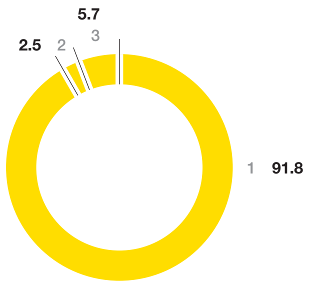
in %



1 – Mail & Branch Network
2 – Parcel & Logistics

REVENUE BY REGION 2017

in %



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

REVENUE DEVELOPMENT OF THE MAIL & BRANCH NETWORK DIVISION

EUR m	2015[1]	2016[1]	2017	Change 2016/2017 %	Change 2016/2017 EUR m
Revenue	**1,502.3**	**1,478.5**	**1,447.8**	**–2.1**	**–30.7**
Letter Mail & Mail Solutions	809.0	801.8	**782.8**	–2.4	–19.0
Direct Mail	428.8	416.7	**413.3**	–0.8	–3.4
Media Post	140.8	141.6	**137.1**	–3.1	–4.4
Branch Services	123.8	118.4	**114.6**	–3.2	–3.8
Revenue intra-Group	81.9	85.1	**101.7**	19.5	16.6
Total revenue	1,584.2	1,563.6	**1,549.5**	–0.9	–14.1
thereof revenue with third parties	1,501.7	1,478.0	**1,446.8**	–2.1	–31.1

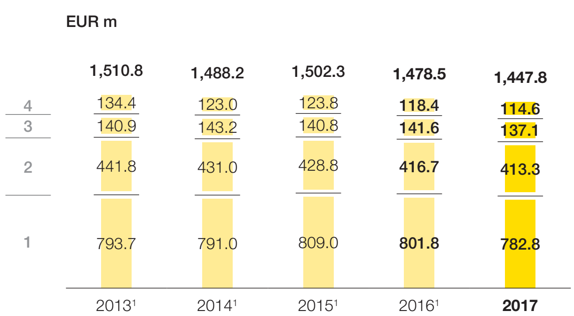
[1] Adjustment of revenue in segment reporting – refer to chapter 3.2 of the notes to the consolidated financial statements.

Revenue of the Mail & Branch Network Division totalled EUR 1,447.8m. Of this amount, 54.1 % can be attributed to the Letter Mail & Mail Solutions business, whereas Direct Mail accounted for 28.5 % of total divisional revenue. Media Post, i. e. the delivery of newspapers and magazines, had a share of 9.5 %. Branch Services generated 7.9 % of the division's revenue.

In the 2017 financial year, Letter Mail & Mail Solutions revenue amounted to EUR 782.8m, a drop of 2.4 % from the previous year. The downward volume development as a consequence of the substitution of letters by electronic forms of communication continued. As a result, letter mail volume was down by about 5 % during the reporting period. Mix effects related to the new product structure and postal rate adjustments for individual products, for example letters with advice of receipt, positively impacted revenue development. In contrast, the segment change of the Bulgarian subsidiary M&BM Express OOD, which has been assigned to the Parcel & Logistics Division since January 1, 2017, had the opposite effect of reducing divisional revenue. Moreover, there were two fewer working days in the 2017 financial year compared to 2016.

Revenue of the Direct Mail business fell by 0.8 % to EUR 413.3m in the 2017 financial year. This slight drop in revenue can be attributed to the South East and Eastern European region, where Austrian Post is increasingly focusing on the parcel segment and gradually withdrawing from the mail business. The direct mail revenue decrease of EUR 4.6m in South East and Eastern Europe was mainly due to the deconsolidation of the subsidiaries in Romania and Poland. The advertising business in Austria showed a revenue increase during the year under review in spite of the lower revenue contributions from elections compared to the previous year. The unaddressed direct mail segment generated a considerable revenue increase, driven in part by the good development with customers in the food retailing business, whereas revenue from addressed direct mail items fell slightly. On balance, direct mail volumes of the Post AG in Austria rose by about 4 % in 2017.

MAIL REVENUE BY PRODUCT GROUP

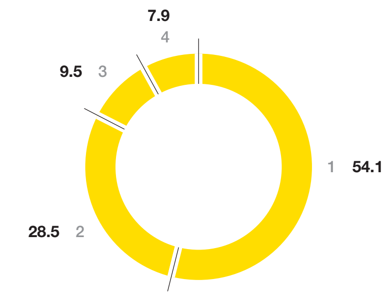


1 – Letter Mail & Mail Solutions
2 – Direct Mail
3 – Media Post
4 – Branch Services

[1] Adjustment of revenue in segment reporting – refer to chapter 3.2 of the notes to the consolidated financial statements.

MAIL REVENUE BY PRODUCT GROUP 2017

in %



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

Media Post revenue fell by 3.1 % year-on-year to EUR 137.1m. This development is mainly due to the declining subscription business for newspapers and magazines.

Branch Services revenue totalling EUR 114.6m represents a decrease of 3.2 % from the previous year. Higher sales of retail products were in contrast to the structural decline in revenue from financial services.

REVENUE DEVELOPMENT OF THE PARCEL & LOGISTICS DIVISION

EUR m	2015[1]	2016[1]	2017	Change 2016/2017 %	Change 2016/2017 EUR m
Revenue	902.9	556.0	**495.6**	–10.9	–60.4
Premium Parcels	668.8	338.1	**240.7**	–28.8	–97.5
Standard Parcels	196.4	186.1	**219.0**	17.7	32.9
Other Parcel Services	37.7	31.7	**35.9**	13.2	4.2
Revenue excl. trans-o-flex	**404.8**	**421.1**	**495.6**	**17.7**	**74.4**
Revenue intra-Group	5.3	7.8	**4.8**	–38.1	–3.0
Total revenue	908.2	563.8	**500.4**	–11.2	–63.4
thereof revenue with third parties	900.2	552.5	**491.9**	–11.0	–60.5

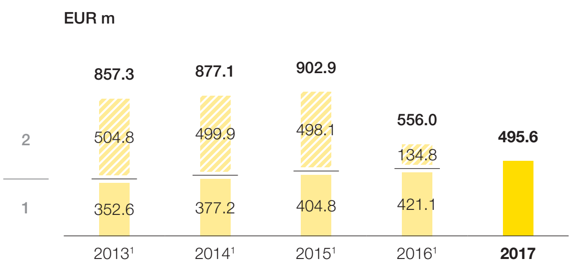
[1] Adjustment of revenue in segment reporting – refer to chapter 3.2 of the notes to the consolidated financial statements.

Reported total revenue of the Parcel & Logistics Division decreased in 2017 from EUR 556.0m to EUR 495.6m. Divisional revenue was up 17.7 % excluding trans-o-flex which was deconsolidated in April 2016 and contributed revenue of EUR 134.8m in the previous year. Adjusted for positive one-off effects, the underlying revenue growth in 2017 is estimated to be about 12%. Additional revenue during the reporting period was generated by the launch of a simplified product structure featuring the new "Packet". Moreover, the segment change of the Bulgarian subsidiary M&BM Express OOD, which was still assigned to the Mail & Branch Network Division in the previous year, took place as of January 1, 2017. Revenue of the Parcel & Logistics Division was up 15.3 % when adjusted to take account of M&BM Express OOD.

This strong growth resulted mainly from the ongoing e-commerce trend, which led to a substantial increase in private customer parcels. Generally, the Austrian parcel market is developing very dynamically, producing double-digit growth rates. Austrian Post once again benefitted disproportionately from this market growth in the reporting period. Intense competition still prevails. At the same time, quality requirements and delivery speed as well as price pressure are increasing.

On balance, the Premium Parcels business (parcel delivery within 24 hours) accounted for 48.6 % of total divisional revenue in 2017. On a like-for-like basis excl. trans-o-flex, revenue rose 16.5 % to EUR 240.7m in the period under review. Above all, substantial growth rates were achieved by higher value parcels for private customers. The subsidiaries in the CEE/SEE region also reported growth.

REVENUE OF THE PARCEL & LOGISTICS DIVISION



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

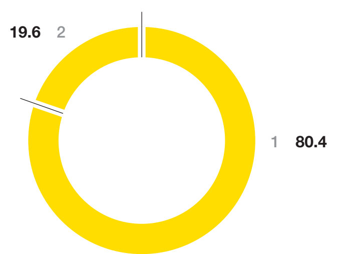
[1] Adjustment of revenue in segment reporting – refer to chapter 3.2 of the notes to the consolidated financial statements.

Standard Parcels, which mainly constitute shipments to private customers in Austria, contributed 44.2 % to the division's revenue. This business area generated revenue of EUR 219.0m in 2017, constituting an increase of 17.7 % from the previous year. The market launch of the new "Packet" also raised revenue.

Other Parcel Services, which include various additional logistics services, accounted for revenue of EUR 35.9m, or 7.2 % of the division's total revenue in the period under review. Revenue in this business area adjusted for trans-o-flex increased by EUR 7.5m, which is attributable to the segment change of M&BM Express OOD, Bulgaria.

PARCEL REVENUE BY REGION IN 2017

in %



1 – Austria
2 – South East & Eastern Europe

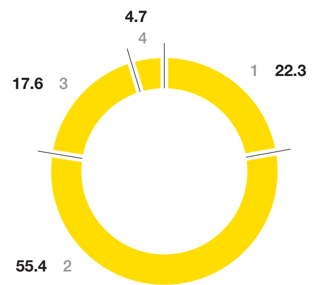
From a regional perspective, 80.4 % of total revenue in the Parcel & Logistics Division was generated in Austria in the 2017 financial year and 19.6 % by the subsidiaries in South East and Eastern Europe. The business in Austria as well as in the CEE/SEE markets showed substantial growth rates. Revenue rose 16.2 % in Austria in the period under review. Revenue increased by 24.0 % in South East and Eastern Europe, with EUR 9.9m being due to M&BM Express OOD, Bulgaria, which is now assigned to the Parcel & Logistics Division. On a like-for-like basis, revenue in CEE/SEE was up by 11.3 % in 2017.

2.2.2 EARNINGS DEVELOPMENT

Staff costs comprise a major factor in the cost structure of Austrian Post's operating expenses. Accordingly, 55.4 % of total operating expenses incurred by Austrian Post in 2017 were attributed to staff costs. The second largest expense item, accounting for 22.3 % of operating expenses, was raw materials, consumables and services used, of which a large part related to external transport services. Other operating expenses comprised 17.6 % of total costs, whereas depreciation, amortisation and impairments accounted for 4.7 %.

ALLOCATION OF EXPENSES IN 2017

in %



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

Raw materials, consumables and services used fell to EUR 409.9m in the 2017 financial year from EUR 495.2m in the previous year. Taking account of the disposal of trans-o-flex, this item increased by EUR 13.3m, mainly due to higher costs for outsourced transport services required to handle parcel volume growth.

CONSOLIDATED INCOME STATEMENT

EUR m	2015	2016[1]	2017	Change 2016/2017 %	Change 2016/2017 EUR m
Revenue	**2,401.9**	**2,030.5**	**1,938.9**	**–4.5**	**–91.6**
Other operating income	99.2	70.1	**112.7**	60.7	42.6
Raw materials, consumables and services used	–749.6	–495.2	**–409.9**	17.2	85.2
Staff costs	–1,106.0	–1,035.2	**–1,020.1**	1.5	15.1
Other operating expenses	–344.0	–294.1	**–325.0**	–10.5	–30.9
Results from financial assets accounted for using the equity method	1.1	0.9	**–1.9**	< –100	–2.9
EBITDA[2]	**302.7**	**277.1**	**294.6**	**6.3**	**17.5**
Depreciation and amortisation	–85.0	–72.6	**–72.8**	–0.3	–0.2
Impairment losses	–128.7	–2.3	**–14.1**	< –100	–11.8
EBIT[3]	**89.0**	**202.3**	**207.8**	**2.7**	**5.5**
Other financial result	2.0	–0.7	**12.8**	> 100	13.5
Earnings before tax	**91.0**	**201.5**	**220.6**	**9.5**	**19.1**
Income tax	–19.5	–48.8	**–55.6**	–13.9	–6.8
Profit for the period	**71.6**	**152.7**	**165.0**	**8.0**	**12.3**
Earnings per share (EUR)[4]	1.06	2.26	**2.45**	8.2	0.18

[1] Adjustment of other operating expenses and income for financial assets accounted for using the equity method – refer to chapter 3.2 of the notes to the consolidated financial statements
[2] Earnings before depreciation, amortisation, impairment losses, other financial result and income tax
[3] Earnings before other financial result and income tax
[4] Undiluted earnings per share in relation to 67,552,638 shares

Austrian Post's staff costs amounted to EUR 1,020.1m in 2017, comprising a drop of 1.5 % from the previous year. On a like-for-like basis excluding trans-o-flex, total staff costs were up by EUR 8.9m from the prior-year level. This was primarily attributable to the increased allocation to provisions for non-operational staff costs.

This rise was in contrast to a stable development for salaries and wages, which demonstrates that the resolute continuation of measures to enhance efficiency and improve the staff structure was able to compensate for annual salary increases mandated by collective agreements and biennial pay rises. On balance, the Austrian Post Group employed an average of 20,524 people (full-time equivalents) in the 2017 financial year, compared to 21,187 employees (excl. trans-o-flex) working for Austrian Post in 2016.

In addition to operational staff costs, staff costs of Austrian Post also include various non-operational costs, for the most part termination benefits and changes in provisions, which are primarily related to the specific employment situation of civil servants at Austrian Post. The above-mentioned increase in the need to allocate provisions resulted mainly from the realignment of the financial services business in the branch network. In the context of the gradual separation of the cooperation with the banking partner BAWAG P.S.K., an initial agreement was concluded with regards to the redimensioning of bank consultancy services for which corresponding provisions were allocated. These provisions were netted against amounts stipulated in the change agreement and tended to increase expenses (details are included in chapter 6.2 of the notes to the consolidated financial statements).

In turn, a positive earnings effect in staff costs amounted to EUR 3.9m, which related to an adjustment of the discount interest rates for various staff-related provisions against the backdrop of international interest rate developments.

The year 2017 showed a considerable increase in both other operating expenses and other operating income. Other operating income rose to EUR 112.7m compared to EUR 70.1m in the previous year. Other operating income in the reporting period included claims related to non-wage labour costs paid in previous periods. Netted a against any compensation payments, which are reported under other operating expenses, these claims amounted to EUR 21.0m in 2017. As a result of these compensation payments along with higher IT and consulting costs, other operating expenses in the period under review amounted to EUR 325.0m compared to EUR 294.1m in the previous year. The year 2016 included a negative effect of EUR 16.7m relating to the requirement to recognise the currency translation reserves in profit and loss, which was attributable to the change in reporting for Austrian Post's stake in Aras Kargo a. s. to a financial asset (previously a financial asset accounted for using the equity method).

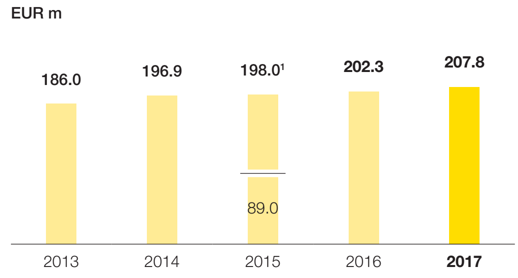
The results of the financial assets accounted for using the equity method amounted to EUR 1.9m in the period under review, up from the prior-year figure of EUR 0.9m. In the previous year, this included a positive earnings contribution from the Turkish company Aras Kargo a. s.

EBITDA of the Austrian Post Group totalled EUR 294.6m in 2017, up from EUR 277.1m in 2016. This represents an increase by EUR 17.5m or 6.3 %. As a result, the EBITDA margin of the Group rose from 13.6 % to 15.2 %. In addition to the operating development of the mail and parcel businesses, earnings in both 2016 and 2017 were impacted by positive and negative special effects which, on balance, largely offset each other. These special effects in 2016 almost completely impacted EBITDA. In contrast, the negative effects in the period under review were related to impairment losses. For this reason, the 2017 financial year showed a substantial increase in EBITDA, which was reduced on the level of EBIT and profit for the period.

In total, depreciation, amortisation and impairment losses in the reporting period amounted to EUR 86.8m, compared to EUR 74.8m in the previous year. Planned depreciation and amortisation at EUR 72.8m in 2017 was at the prior-year level, whereas impairment losses rose from EUR 2.3m to EUR 14.1m. The impairment losses recognised in the 2017 financial year related to goodwill at the subsidiaries Weber Escal d.o.o, Croatia, and Slovak Parcel Service s.r.o., Slovakia, as well as impairment losses on selected properties and buildings in Croatia, Slovakia and Austria.

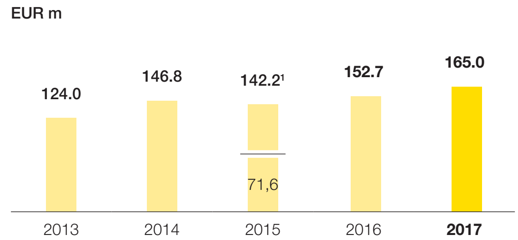
EBIT in 2017 totalled EUR 207.8m compared to the prior-year level of EUR 202.3m. The positive revenue development combined with efficiency enhancement measures and cost discipline led to an increase in operating EBIT by 2.7 % or EUR 5.5m. In turn, the EBIT margin improved from 10.0 % to 10.7 %.

EBIT



[1] Adjusted for special effects

PROFIT FOR THE PERIOD



[1] Adjusted for special effects

The other financial result increased from minus EUR 0.7m in the previous year to EUR 12.8m in the 2017 financial year. This rise was mainly due to a positive effect in the amount of EUR 11.0m from the sale of indirectly held shares in BAWAG Group AG.

Earnings before tax were EUR 220.6m in 2017 compared to EUR 201.5m in the previous year. The income tax expense in the reporting period amounted to EUR 55.6m, up from EUR 48.8m in the 2016 financial year.

After deducting income tax, the Group's profit for the period (profit after tax) increased to EUR 165.0m from the prior-year figure of EUR 152.7m. Accordingly, undiluted earnings per share were EUR 2.45 for the 2017 financial year compared to EUR 2.26 in the previous year.

EBITDA AND EBIT BY DIVISION

EUR m	2015	2016	2017	Change 2016/2017 %	Change 2016/2017 EUR m	Margin 2017[1] %
EBITDA	302.7	277.1	**294.6**	6.3	17.5	15.2
Mail & Branch Network	322.9	319.7	**312.8**	–2.1	–6.8	20.2
Parcel & Logistics	37.9	29.8	**58.1**	94.6	28.2	11.6
Corporate/Consolidation	–58.1	–72.4	**–76.3**	–5.3	–3.9	–
EBIT	89.0	202.3	**207.8**	2.7	5.5	10.7
Mail & Branch Network	284.7	285.1	**289.6**	1.6	4.6	18.7
Parcel & Logistics	–105.4	18.5	**42.8**	> 100	24.3	8.6
Corporate/Consolidation	–90.3	–101.3	**–124.7**	–23.1	–23.4	–

[1] Margin of the divisions in relation to total revenue

From a divisional perspective, EBITDA reported by the Mail & Branch Network Division totalled EUR 312.8m in 2017, comprising a year-on-year decrease of 2.1 %. Divisional EBIT in the reporting period improved by 1.6 % to EUR 289.6m despite the revenue decline. The intensification of logistics synergies and the increased delivery of parcels and the new “Packet” by mail logistics positively impacted the division’s earnings development during the period under review. In 2017, about 52 % of parcels were already delivered by mail logistics.

The Parcel & Logistics Division generated an EBITDA of EUR 58.1m in the year under review, up from EUR 29.8m in the previous year. EBIT was EUR 42.8m compared to the prior-year figure of EUR 18.5m. The year 2016 included a change in reporting for the stake held in Aras Kargo a. s. to a financial asset, which negatively impacted earnings in the amount of EUR 16.7m. Adjusted for this effect, earnings in the previous year totalled EUR 35.2m. Accordingly, on an operating basis the division succeeded in improving earnings by 21.7 %. The high level of profitability is above all attributable to the good utilisation of the logistics infrastructure in the Austrian parcel business.

EBIT of the Corporate Division (incl. Consolidation) fell by EUR 23.4m to minus EUR 124.7m. A positive effect in staff costs related to various legal changes increased earnings in 2016, whereas the Corporate Division was impacted by both positive and negative earnings effects in the reporting period. Claims related to non-wage labour costs paid in previous periods comprised a positive effect. In contrast, impairment losses and an increased need to allocate provisions in connection with the realignment of financial services in the branch network negatively impacted earnings.

2.3 — Assets and Finances

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

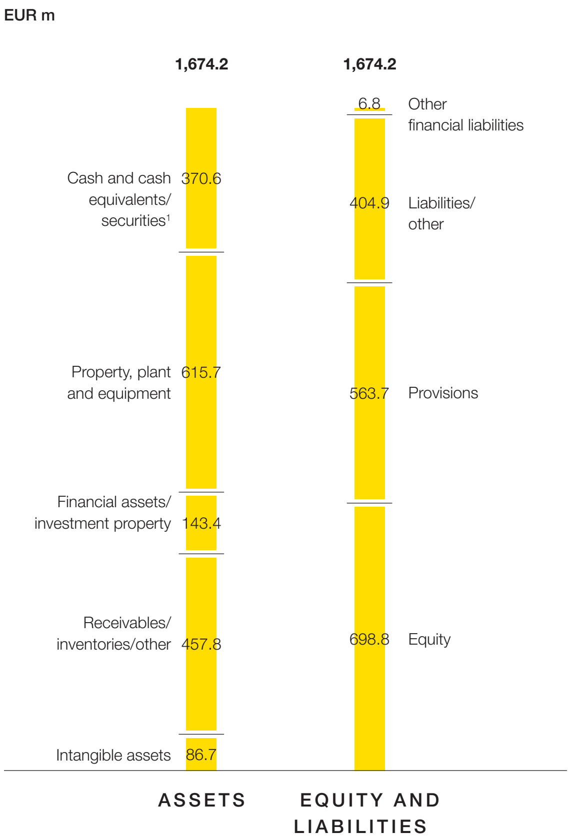
2.3.1 BALANCE SHEET STRUCTURE

The balance sheet total of Austrian Post amounted to EUR 1,674.2m as at December 31, 2017. On the assets side, property, plant and equipment comprised the largest single balance sheet item at EUR 615.7m, whereas intangible assets amounted to EUR 86.7m. Within the latter, goodwill from acquisitions totalled EUR 62.1m as at December 31, 2017. Receivables amounted to EUR 362.6m. Austrian Post’s balance sheet shows financial resources (cash and cash equivalents) of EUR 290.0m as at December 31, 2017, and securities of EUR 80.6m. The securities owned by Austrian Post feature an investment grade or comparable credit rating, which implies high liquidity. Accordingly, the financial resources including securities at the disposal of Austrian Post amounted to EUR 370.6m at the end of 2017. This includes the payment of a dividend in May 2017 of EUR 2.00 per share or a total of EUR 135.1m for the 2016 financial year.

The equity and liabilities side of the balance sheet is characterised by a high level of equity, which totalled EUR 698.8m at the balance sheet date. This comprises a year-on-year increase of EUR 28.7m. The higher balance sheet total is related to increased investments in investment property. As a result, the equity ratio fell slightly to 41.7 % as at December 31, 2017.

The non-current liabilities reported at the end of the reporting period were EUR 428.9m, whereas current liabilities totalled EUR 546.5m. The provisions included in liabilities amounted to EUR 563.7m as at the end of December 2017. About 90 % of provisions are staff-related provisions primarily due to the specific employment situation of civil servants at Austrian Post. Provisions for employee under-utilisation totalled EUR 214.5m, whereas EUR 190.5m related to legally stipulated and contractually binding provisions for social capital (termination and jubilee benefits) and EUR 92.1m to other staff-related provisions. On balance, 56.9 % of provisions at Austrian Post have a term to maturity of over three years, and 11.4 % of more than one year. 31.7 % of provisions are current provisions with a term to maturity of less than one year.

BALANCE SHEET STRUCTURE BY ITEM



[1] Securities are recognised as other financial assets in the balance sheet.

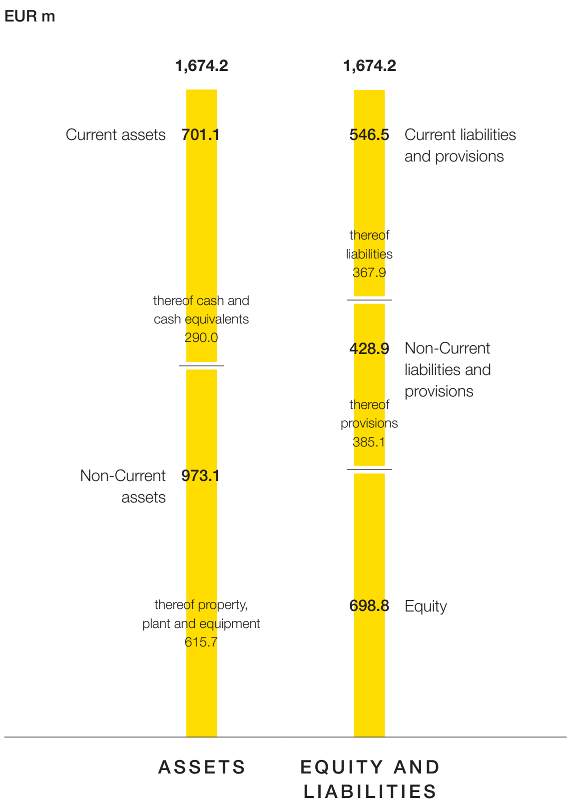
BALANCE SHEET AS AT DECEMBER 31

EUR m	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Structure Dec. 31, 2017
ASSETS				
Property, plant and equipment, intangible assets and goodwill	654.9	675.1	**702.4**	42.0 %
Investment property	60.5	69.0	**85.0**	5.1 %
Financial assets accounted for using the equity method	53.2	9.6	**8.1**	0.5 %
Inventories, trade and other receivables	409.3	385.9	**457.8**	27.3 %
Other financial assets	71.8	122.0	**131.0**	7.8 %
thereof securities	57.2	60.9	**80.6**	–
Cash and cash equivalents	299.6	277.8	**290.0**	17.3 %
Assets held for sale	63.8	2.4	**0.0**	0.0 %
	1,613.0	**1,541.8**	**1,674.2**	**100 %**
EQUITY AND LIABILITIES				
Equity	641.7	670.0	**698.8**	41.7 %
Provisions	516.6	503.3	**563.7**	33.7 %
Other financial liabilities	12.6	5.6	**6.8**	0.4 %
Trade and other payables	372.1	361.9	**404.9**	24.2 %
Liabilities classified as held for sale	70.0	0.9	**0.0**	0.0 %
	1,613.0	**1,541.8**	**1,674.2**	**100 %**

The analysis of the balance sheet structure by term shows that non-current assets predominate on the assets side, accounting for 58.1 % of total assets or EUR 973.1m. An important non-current asset item is property, plant and equipment at EUR 615.7m. The principal current asset items include trade and other receivables at EUR 343.6m as well as cash and cash equivalents of EUR 290.0m. Accordingly, the financial resources of Austrian Post including securities of EUR 80.6m amounted to EUR 370.6m as at December 31, 2017.

On the equity and liabilities side, the balance sheet total is composed of equity (41.7 %), non-current liabilities (25.6 %) and current liabilities (32.6 %). The non-current liabilities totalling EUR 428.9m largely consist of provisions (to the amount of EUR 385.1m). Current liabilities of EUR 546.5m mainly relate to liabilities of EUR 367.9m (including trade payables of EUR 189.7m).

BALANCE SHEET STRUCTURE BY TERM



2.3.2 CASH FLOW

The gross cash flow totalled EUR 273.7m in the 2017 financial year compared to EUR 274.7m in the 2016 financial year. The cash flow from operating activities of EUR 255.7m was EUR 32.1m higher than in the previous year. The increase is attributable to lower payments in connection with provisions compared to the previous year as well as higher liabilities. The increase in trade and other receivables had the opposite effect.

The cash flow from investing activities reached a level of minus EUR 109.1m in 2017 compared to the prior-year level of minus EUR 105.1m. Cash outflows for the acquisition of property, plant and equipment (CAPEX) amounted to EUR 102.1m, slightly below last year's figures (EUR 103.3m). CAPEX included investments of EUR 24.3m for the construction of Austrian Post's new corporate headquarters completed in the autumn of 2017. In relation to acquisitions and divestments, there was a positive cash flow effect of EUR 12.2m relating to the sale of indirectly held shares in BAWAG Group AG.

A cash flow-reducing effect of EUR 19.7m was reported due to various changes in the securities portfolio, compared to EUR 3.1m in the previous year.

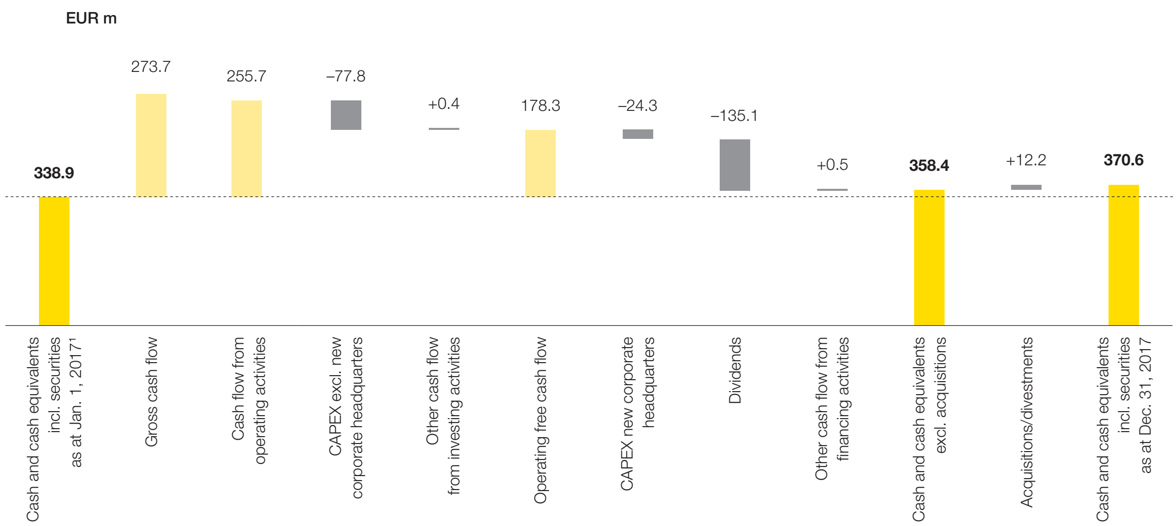
Free cash flow in 2017 thus totalled EUR 146.6m. Operating free cash flow (before acquisitions/securities and the new corporate headquarters) rose from EUR 156.8m in 2016 to EUR 178.3m in the year under review. This rise can be partly attributed to increased cash holdings by customers. In the context of business activities of one of its subsidiaries, Austrian Post holds temporarily cash belonging to customers, which has not been remitted to them yet. These cash holdings are subject to fluctuations, which do not reflect the operating development of the company. Adjusted for this effect, the operating free cash flow of Austrian Post amounted to EUR 171.4m in the 2017 financial year. This provides a good foundation for Austrian Post's ability to finance investments and dividends in the future.

CASH FLOW

EUR m	2015	2016	2017
Gross cash flow	265.0	274.7	**273.7**
Cash flow from operating activities	**216.2**	**223.6**	**255.7**
Cash flow from investing activities	–49.0	–105.1	**–109.1**
thereof CAPEX excl. new corporate headquarters	–71.9	–69.9	**–77.8**
thereof CAPEX new corporate headquarters	–32.9	–33.5	**–24.3**
thereof cash flow from acquisitions/divestments	–6.8	–1.7	**12.2**
thereof acquisition/disposal of securities	–4.4	–3.1	**–19.7**
thereof other cash flow from investing activities	67.0	3.1	**0.4**
Free cash flow	167.2	118.5	**146.6**
Free cash flow before acquisitions/securities	178.3	123.3	**154.0**
Operating free cash flow[1]	**160.5**	**156.8**	**178.3**
Cash flow from financing activities	–131.3	–140.6	**–134.6**
thereof dividends	–132.1	–132.2	**–135.1**
Change in cash and cash equivalents	36.0	–22.1	**12.0**

[1] Free cash flow before acquisitions/securities and the old/new corporate headquarters; in 2015, excluding tax payments of EUR 9.2m in connection with the sale of the old corporate headquarters

DEVELOPMENT OF FINANCIAL RESOURCES AND SECURITIES IN 2017



[1] Includes cash and cash equivalents of the disposal group (IFRS 5) of EUR 0.2m as at Jan. 1, 2017

When analysing the development of financial resources including securities, the starting position was at EUR 338.9m on January 1, 2017. The cash flow from operating activities generated by Austrian Post amounted to EUR 255.7m in 2017. After deducting CAPEX excl. the new corporate headquarters during the 2017 financial year, the operating free cash flow was EUR 178.3m. This covered comfortably dividends of EUR 135.1m distributed in 2017 as well as the investments in the new corporate headquarters. On balance, financial resources including securities totalled EUR 370.6m as at December 31, 2017.

2.3.3 NET CASH/NET DEBT

EUR m	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017
+ Other financial liabilities	12.6	5.6	**6.8**
+ Interest-bearing provisions	383.6	373.0	**407.1**
Interest-bearing debt	**396.2**	**378.5**	**413.9**
– Other financial assets	–71.8	–121.6	**–130.5**
– Non-current interest-bearing receivables	–2.9	–3.4	**–3.6**
– Cash and cash equivalents	–299.6	–277.8	**–290.0**
Interest-bearing assets	**–374.3**	**–402.8**	**–424.1**
– Assets held for sale	–63.8	–2.4	**0.0**
+ Liabilities classified as held for sale	70.0	0.9	**0.0**
Net cash (–)/Net debt (+)	**28.1**	**–25.7**	**–10.2**
Net debt/EBITDA[1]	0.09	–	**–**
Gearing ratio[1,2]	4.4%	–	**–**

[1] In light of the positive net cash reported in the years 2016 and 2017, the indicators of net debt/EBITDA and the gearing ratio are not included in this year's report due to being not meaningful.
[2] Gearing ratio = net debt/equity

The Austrian Post Group reported a net cash position of EUR 10.2m as at the end of 2017. The change from the previous year was mainly due to the increase in interest-bearing provisions.

On the basis of 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 pay-out 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.

2.3.4 INVESTMENTS AND ACQUISITIONS

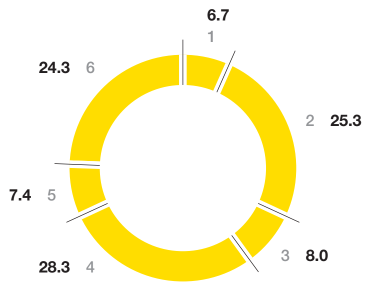
In the 2017 financial year, capital expenditure at Austrian Post Group reached a level of EUR 122.1m, up EUR 16.1m from the prior-year level. This included EUR 113.9m of investments for property, plant and equipment and EUR 8.2m of investments in intangible assets.

The focus of Austrian Post's investment programme during the reporting period was on other equipment, furniture and fittings constituting a share of 28.3%. In addition to ongoing investments in the vehicle fleet, this area involved investments in branch office equipment and furnishings as well as various types of hardware. Property, buildings and investment property accounted for 25.3% of capital expenditure. This includes investments in the new corporate headquarters which was completed in autumn 2017. In addition, 8.0% of capital expenditure was dedicated to technical plant and machinery, and 7.4% to assets under construction.

Prepayments accounted for 24.3% of the investment volume, and mainly related to sorting centres.

INVESTMENTS BY CATEGORY 2017

in %



1 – Intangible assets
2 – Property, buildings and investment property
3 – Technical plant and machinery
4 – Other equipment, furniture and fittings
5 – Assets under construction
6 – Prepayments

New and replacement investments are subject to a detailed profitability assessment of each measure. 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 also 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 6.7m in 2017, compared to a cash outflow of EUR 1.5m in 2016. 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, validation of the plausibility of the determined values based on the comparable value method.

2.4 — Key Financial Performance Indicators

2.4.1 CAPITAL EMPLOYED

The capital employed by Austrian Post Group rose from EUR 567.9m to EUR 616.4m at the end of 2017, which was primarily due to the increase in property, plant and equipment, especially due to construction of the new corporate headquarters. At the same time, there was a rise in receivables which was compensated by an increase in provisions and liabilities.

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 of 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, 2015	Dec. 31, 2016	Dec. 31, 2017
+ Intangible assets and goodwill	83.0	77.5	**86.7**
+ Property, plant and equipment	571.9	597.6	**615.7**
+ Investment property	60.5	69.0	**85.0**
+ Financial assets accounted for using the equity method	53.2	9.6	**8.1**
+ Inventories	15.9	18.1	**22.0**
+ Trade payables, other receivables and tax assets[1]	297.6	288.5	**360.4**
– Non interest-bearing debt	–505.1	–492.3	**–561.5**
Capital employed	**577.0**	**567.9**	**616.4**

[1] Less interest-bearing receivables

2.4.2 RATIOS

The EBITDA margin of Austrian Post improved from 13.6 % in 2016 to 15.2 % in 2017. The EBIT margin rose from 10.0 % in 2016 to 10.7 % in 2017. For this reason, the return on equity was also up to 30.9 % from the prior-year level of 30.0 %. The return on capital employed fell slightly from 35.3 % to 35.1 % due to the increase in capital employed.

in %	2015	2016	2017
EBITDA margin[1]	12.6	13.6	**15.2**
EBIT margin[2]	3.7	10.0	**10.7**
ROE[3]	12.5	30.0	**30.9**
ROCE[4]	13.6	35.3	**35.1**

[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

3 — Research and Development/Innovation Management

An important factor for sustainable success in changing markets is the development and market launch of innovative products and the expansion of the existing product portfolio in 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. For the most part, the research work at Austrian Post is carried out on a decentralised basis by the particular organisational unit responsible for the products or services. Moreover, Austrian Post consistently works on optimising its processes and procedures. New innovative solutions are explored and developed either in-house or together with cooperation partners. In many cases, this leads to new market standards for the entire logistics sector.

In terms of products and services, Austrian Post once again implemented a large number of innovative, self-developed solutions in the 2017 financial year. 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, with the priority to develop new products and solutions. The Online Innovation Management Department employs a staff of about 15 people, focusing on the deployment of new technologies, improvements in core services as well as the creation of and research into new business models. Accordingly, Austrian Post continued to resolutely develop its solutions in the fields of electronic mail ("e-Letter") and mobile services ("Post App") in 2017. The online services provided by Austrian Post are characterised by a high level of security and trustworthiness.

The Mail Solutions business area of the Mail & Branch Network Division and the Logistics Services business area of the Parcel & Logistics Divisions hold a special position when it comes to R&D, employing more than 300 people. The Mail Solutions area primarily works on innovative solutions in the fields of business process outsourcing, electronic delivery, data management and digital advertising. The focus is, among others, 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). With regard to Logistics Services, Austrian Post continuously develops tailor-made customer solutions for warehousing and fulfilment as well as various "value added services." These solutions combined with innovative online services ensure greater efficiency, flexibility and the optimisation of a customer-oriented communication and distribution. Thanks to the stake it acquired in ACL advanced commerce labs GmbH, the e-commerce offering was further expanded, enabling service-oriented and simpler one-stop-shop solutions to be offered to customers.

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. Accordingly, Austrian Post has been working together with consortiums since 2017 on "automated driving" in the ninth "Mobility for the Future" tender.

Alongside its product development, 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 topic of e-mobility at Austrian Post. 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 2017, Austrian Post had already invested approximately EUR 15 million in the CO_2 neutral and zero emission delivery of mail items. On the basis of this experience, valuable insights were gained for the further expansion of electric-powered vehicles, which will be implemented in the coming years. Austrian Post was given numerous awards for its previous success in the field of e-mobility, for example winning the top prize not only in Vienna and Austria but also globally at the Energy Globe Award.

Furthermore, the following other projects were either launched or continued in the 2017 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 shorter start-up phase and consistent energy-optimised operation while ensuring the same level of comfort. Another research project involving cooperation with AIT deals with e-mobility (project SEAMLESS). As a project and research demonstration partner, Austrian Post contributes towards investigating 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. Within the context of the project "smarter together" funded by the EU programme "Horizon 2020", Austrian Post supports the project partners (City of Vienna, AIT) by providing various data, which is then used for research purposes.

The "City Logistics" programme was launched in the Parcel & Logistics Division in 2017. New customer and market-oriented services and solutions in the field of logistics in urban areas were developed in the exploration phase in collaboration with various stakeholders, applying new methods such as service design.

The above-mentioned projects comprise an exemplary but not exhaustive presentation of selected research projects.

4 — Opportunities and Risks

4.1 — 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. For each identified risk an employee is assigned responsibility to evaluate and monitor that 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 predefined qualitative criteria. In addition, the central risk management team periodically 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 UND 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 are 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 are subject to an annual evaluation by the auditor. Moreover, the concept, suitability and effectiveness of the risk management system are assessed by an external auditor.

4.2 — Top Risks

4.2.1 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 facilitated by legislation, could lead to a significant decline in mail volumes and earnings. A 1 % decrease in turnover 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 for the most part due to the fixed cost structure of the company's operations. There is a possibility 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.

4.2.2 STRUCTURAL CHANGE IN DIRECT MAIL

The business with direct mail items strongly depends on economic development and the intensity of advertising activities by companies. The projected economic upswing could support the development of direct mail revenue. However, physical retailers, the most important customer group for direct mail items, will continue to be confronted with the following structural trends e.g. an increasing market consolidation is perceptible whereas physical retailers continue to suffer due to the strong growth of the e-commerce market. In turn, this could result in structural change in advertising materials and volumes, correspondingly leading to a decline in the direct mail business which would have a negative impact on earnings.

4.2.3 PARCEL MARKET

The strong growth of the parcel market driven by the ongoing online shopping boom leads to more intensive competition. As a consequence, there can be shifts in market share as well as a decline in average attainable prices. Furthermore, strong parcel growth is driven by large online mail order companies at a disproportionately high rate compared to the market itself. In particular, the development of margins and average prices of these large customers could lead to perceptible revenue and earnings effects. There is also the risk of partial own delivery on the part of individual online retailers.

4.2.4 STRATEGIC PARTNERSHIPS

In the branch network, Austrian Post is partly dependent on strategic partners in the fields of telecommunications and financial services. In particular, the financial services sector faces a structural transformation due to changed customer requirements. In 2017 the cooperation agreement was terminated by the banking partner BAWAG P.S.K. Austrian Post and BAWAG P.S.K. agreed upon an amicable and gradual separation of this cooperation. A redimensioning of bank consulting services is already planned for 2018, although the offering for counter transactions will be maintained. In the medium term, Austrian Post plans to continue offering financial services via its branch network, as they are considered to be a meaningful complement to postal services. Talks on potential partnerships have been underway with international and national partners for some time. Specific decisions are likely to be made in the course of the year 2018. If Austrian Post does not succeed in implementing an alternative solution, the necessary restructuring measures could pose a revenue and cost risk to the Austrian Post Group.

4.2.5 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 9m 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. 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 lawmaker.

Ongoing changes made to civil service laws and other new regulations, which 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 for the company over which it has no influence.

4.3 — Other Risks

Similarly 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.

4.3.1 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 going concern 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 services 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 the 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.

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 and cyber risks

To a significant degree, Austrian Post is dependent upon the use of complex technical systems. Its postal services heavily rely 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, for example as a result of cyber crime, 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 and cause 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 targeted service level management as well as by concluding appropriate contractual agreements. Contractual partners are required to show proof of relevant and valid certifications.

4.3.2 FINANCIAL RISKS

Austrian Post's financial risks include liquidity risk, credit, counterparty and interest rate risk. The foreign exchange risk can also 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 must be subject to an impairment test at least once annually. If there are indications of impairment, goodwill and non-depreciable trademarks must be written down.

4.3.3 STRATEGIC INVESTMENTS

One key aspect of Austrian Post's strategy is growth through selective acquisitions and partnerships. In this regard, it is important to identify appropriate acquisition targets and successfully integrate acquired companies. The opportunities and risks related to strategic investments are, to a great extent, dependent on political, economic and legal circumstances.

4.3.4 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 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 to ensure a nationwide distribution network of at least 1,650 postal service points. Austrian Post is only allowed to close company-operated post offices manned by its own staff 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 part of its services on an unbundled basis. If this were to 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 assign a 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 when 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 already 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 the 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 also cannot 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, 2017.

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 the 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 contributions including civil servants involved in this were transferred to the Federal Pensions Office (BVA) by legal order effective January 1, 2017.

CSR risks

CSR and environmental management play a key role in Austrian Post's business operations. CSR risks are subject to comprehensive monitoring and control. For a detailed presentation, refer to the report on non-financial information. F p. 33

4.4 Overall View of the Group's Risk Situation

The above-mentioned risks are continually being monitored by the company and will be addressed if required. However, from today's perspective, none of these risks threaten the company as a going concern.

4.5 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.

In the first strategic pillar – **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 predominantly arise 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 to increase the depth of value added in 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, financial services 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.

5 — Other Legal Disclosures

5.1 — 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 deals with these risks proactively. 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.

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 essentially complies with the COSO Standard Enterprise Risk Management – Integrated Framework.

The Internal Control System (ICS) 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.

5.1.1 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 Group Accounting, 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 process governing 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 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.

5.1.2 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 Group Accounting.

Group Accounting 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.

5.1.3 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 valuation 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 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 scope of consolidation . 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, stipulates quality assurance measures, and describes 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.

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.

5.1.4 INFORMATION AND COMMUNICATION

Preliminary data from the consolidated financial statements are provided to top management levels 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 provided 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 built on and derived from the monthly report.

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 (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.

5.1.5 MONITORING

The key focus 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 of the divisions. Austrian Post Group is structured into two divisions operating on the market, the Mail & Branch Network Division and the Parcel and Logistics Division, as well as the Corporate Division, which additionally provides central administrative services.

The subsidiaries within Austrian Post Group 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.

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 and monitoring of limits and procedures 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 effectiveness of the ICS is regularly evaluated by Group Auditing.

5.2 — Information pursuant to Section 243a of the 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 legal regulations.

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 increase of the share capital, in accordance with Section 169 of the 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 Annual General Meeting of Austrian Post held on April 20, 2017, 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, 2017, 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 tranches 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 of Austrian Post 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.

5.3 — Non-financial information pursuant to the Sustainability and Diversity Improvement Act (NaDiVeG)

Austrian Post prepares a separate non-financial report which fulfils the legal requirements pursuant to Section 243b Austrian Commercial Code in connection with Section 267a Austrian Commercial Code and is audited by an independent third party.

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6 — Outlook 2018

Developments over the past quarterly periods confirm the basic underlying trends in the mail and parcel businesses. The company continues to anticipate volume declines of about 5% p. a. in the traditional addressed letter mail business, although volume developments in individual customer segments differ. The direct mail business strongly depends on corporate advertising budgets and the economic environment and is therefore subject to fluctuations. Parcel volumes are developing positively as a result of the increase in online shopping. The e-commerce trend should continue to result in double-digit volume growth of private customer parcels. At the same time, customer requirements with respect to quality and delivery are rising against the backdrop of increasing price pressure.

All in all, Austrian Post forecasts an ongoing stable revenue development in the 2018 financial year (2017 revenue: EUR 1,938.9m). The expected business development is based on various planning assumptions, such as a continuation of the basic trends in the mail and parcel businesses. Addressed letter mail volumes will likely continue to decline by about 5% p. a., whereas a stable development of direct mail revenue should be supported through the projected economic upswing. On a medium-term basis, Austrian Post will be required to adjust its service and product offering in the mail segment to current customer needs. In line with international trends, the company aims to expand the product range and enhance the customer's freedom of choice. As stipulated by law, customers should also be able to select the option of delivery within several working days.

In the branch network, structurally related changes in the financial services business are expected to continue. Therefore, the task is to define products and services, which are up to date and will also expand the service offering of the branch network in the future. All strategic options for the period following the end of the cooperation agreement with Austrian Post's current banking partner BAWAG P.S.K. are being evaluated. An amicable and gradual separation of the cooperation with BAWAG P.S.K. should take place for the most part by the end of 2019. At the same time, a redimensioning of bank consulting services will be carried out, though the offering of counter transactions will be maintained. In the medium term however, the financial services business will remain an important part of Austrian Post's business operations, in light of the fact that it comprises a meaningful complement to postal services.

Double-digit growth rates are expected in the Austrian parcel market due to the ongoing online shopping boom. This could lead to more intensive competition, stronger price pressure or partial delivery by individual large-volume customers. On the basis of robust market growth and potential market share shifts, growth rates from the mid-single digit to low double-digit range are possible for Austrian Post's parcel business.

With respect to its earnings development, Austrian Post is pursuing the goal of generating stable operating earnings in 2018 (2017 EBIT: EUR 207.8m). Austrian Post is continually optimising its structures and processes in order to further enhance the efficiency of all its services. In spite of declining volumes, the company anticipates good capacity utilisation of its mail logistics infrastructure, which is being used now more efficiently by means of the joint delivery of letters and parcels.

In contrast, Austrian Post is faced with the challenges posed by the structural decline in the traditional banking business and the corresponding need to take structural measures to lay the foundation for a sustainable successful financial services business.

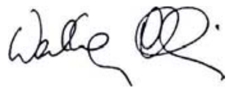
Austrian Post will continue to resolutely make investments designed to enhance efficiency and service quality at the customer interface. Against the backdrop of ongoing market growth in the private customer parcel segment, measures are being taken to double sorting capacities within the next four years. As a result, increasing investments in Austrian parcel logistics are being earmarked in the medium term. In addition to the ongoing investments in the core business of about EUR 60–70m annually, additional growth investments are planned for the coming years. The objective is to expand existing sorting capacities as quickly as possible and invest at least EUR 50m for this purpose in 2018. In addition, there is the possibility of expanding existing commercial properties or newly acquiring land. As in the past, the operating cash flow generated by Austrian Post will continue to be used prudently and in a targeted manner to finance sustainable, future-oriented investments.

The Management Board will propose to the Annual General Meeting scheduled for April 19, 2018, to approve the distribution of a dividend amounting to EUR 2.05 per share. Thus, the company is once again continuing its attractive and predictable dividend policy on the basis of 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 27, 2018

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 2017 FINANCIAL YEAR

EUR m	Note	2016 adjusted[1]	2017
Revenue	(8.1)	2,030.5	**1,938.9**
Other operating income	(8.2)	70.1	**112.7**
Total operating income		**2,100.6**	**2,051.6**
Raw materials, consumables and services used	(8.3)	–495.2	**–409.9**
Staff costs	(8.4)	–1,035.2	**–1,020.1**
Depreciation, amortisation and impairment losses	(8.5)	–74.8	**–86.8**
Other operating expenses	(8.6)	–294.1	**–325.0**
Total operating expenses		**–1,899.3**	**–1,841.9**
Profit from operations		**201.3**	**209.7**
Results from financial assets accounted for using the equity method	(9.5)	0.9	**–1.9**
Financial income		4.0	**16.4**
Financial expenses		–4.7	**–3.6**
Other financial result	(8.7)	–0.7	**12.8**
Total financial result		**0.2**	**10.9**
Profit before tax		**201.5**	**220.6**
Income tax	(9.15)	–48.8	**–55.6**
Profit for the period		**152.7**	**165.0**
Attributable to:			
Shareholders of the parent company	(9.11)	152.7	**165.2**
Non-controlling interests	(9.11)	0.0	**–0.2**

[1] Adjustments see Note 3.2 Changes in the presentation of the consolidated financial statements and adjustments to prior-year figures

EARNINGS PER SHARE (EUR)			
Basic earnings per share	**(8.8)**	**2.26**	**2.45**
Diluted earnings per share	**(8.8)**	**2.26**	**2.45**

Consolidated statement of comprehensive income

FOR THE 2017 FINANCIAL YEAR

EUR m	Note	2016	2017
Profit for the period		**152.7**	**165.0**
Items that may be reclassified subsequently to the income statement:			
Currency translation differences – investments in foreign businesses	(9.11)	0.2	**0.6**
Changes in the fair value of financial assets available for sale	(10.1)	5.4	**–3.0**
Tax effect of changes in the fair value	(9.15)	–1.4	**1.2**
Financial assets accounted for using the equity method – Share of other comprehensive income	(9.5)	10.6	**0.0**
Total items that may be reclassified		**14.9**	**–1.2**
Items that will not be reclassified subsequently to the income statement:			
Revaluation of defined benefit obligations	(9.12)	–9.5	**–1.2**
Tax effect of revaluation	(9.15)	2.4	**0.3**
Financial assets accounted for using the equity method – Share of other comprehensive income	(9.5)	–0.3	**0.0**
Total items that will not be reclassified		**–7.4**	**–0.9**
Other comprehensive income		**7.5**	**–2.1**
Total comprehensive income		**160.3**	**162.9**
Attributable to:			
Shareholders of the parent company	(9.11)	160.3	**163.1**
Non-controlling interests	(9.11)	0.0	**–0.2**

Consolidated balance sheet

AS AT DECEMBER 31, 2017

EUR m	Note	Dec. 31, 2016	Dec. 31, 2017
ASSETS			
Non-current assets			
Goodwill	(9.1)	56.3	**62.1**
Intangible assets	(9.2)	21.2	**24.7**
Property, plant and equipment	(9.3)	597.6	**615.7**
Investment property	(9.4)	69.0	**85.0**
Financial assets accounted for using the equity method	(9.5)	9.6	**8.1**
Other financial assets	(9.6)	76.3	**86.4**
Trade and other receivables	(9.8)	14.6	**19.0**
Deferred tax assets	(9.15)	76.4	**72.2**
		921.0	**973.1**
Current assets			
Other financial assets	(9.6)	45.7	**44.6**
Inventories	(9.7)	18.1	**22.0**
Trade and other receivables	(9.8)	276.6	**343.6**
Tax assets		0.3	**1.0**
Cash and cash equivalents	(9.9)	277.8	**290.0**
		618.4	**701.1**
Assets held for sale	**(9.10)**	**2.4**	**0.0**
		1,541.8	**1,674.2**
EQUITY AND LIABILITIES			
Equity	**(9.11)**		
Share capital		337.8	**337.8**
Capital reserves		91.0	**91.0**
Revenue reserves		257.6	**287.7**
Other reserves		–16.4	**–18.5**
Equity attributable to the shareholders of the parent company		**670.0**	**697.9**
Non-controlling interests		**0.1**	**0.9**
		670.0	**698.8**
Non-current liabilities			
Provisions	(9.12)	369.0	**385.1**
Other financial liabilities	(9.13)	3.7	**3.4**
Trade and other payables	(9.14)	21.6	**39.3**
Deferred tax liabilities	(9.15)	0.9	**1.1**
		395.2	**428.9**
Current liabilities			
Provisions	(9.12)	134.3	**178.6**
Tax liabilities		4.8	**13.2**
Other financial liabilities	(9.13)	1.8	**3.4**
Trade and other payables	(9.14)	334.6	**351.2**
		475.6	**546.5**
Liabilities of disposal groups classified as held for sale	**(9.10)**	**0.9**	**0.0**
		1,541.8	**1,674.2**

Consolidated cash flow statement

FOR THE 2017 FINANCIAL YEAR

EUR m	Note	2016 adjusted[1]	2017
OPERATING ACTIVITIES			
Profit before tax		201.5	**220.6**
Depreciation, amortisation and impairment losses	(8.5)	74.8	**86.8**
Results from financial assets accounted for using the equity method	(9.5)	–0.9	**1.9**
Provisions non-cash		46.1	**70.3**
Taxes paid		–40.9	**–42.9**
Other non-cash transactions	(11.1)	–6.0	**–63.1**
Gross cash flow		**274.7**	**273.7**
Trade and other receivables		11.0	**–23.5**
Inventories		1.5	**–3.2**
Provisions		–57.0	**–12.9**
Trade and other payables		–6.7	**21.6**
Cash flow from operating activities		**223.6**	**255.7**
INVESTING ACTIVITIES			
Acquisition of intangible assets		–5.2	**–8.2**
Acquisition of property, plant and equipment/investment property		–103.3	**–102.1**
Cash receipts from disposal of assets		5.4	**7.3**
Acquisition of subsidiaries	(4.2)	–0.5	**–5.2**
Disposal of subsidiaries	(4.2)	2.3	**0.8**
Acquisition of financial assets accounted for using the equity method	(9.5)	–3.2	**–5.6**
Sale of financial assets accounted for using the equity method		0.1	**3.3**
Acquisition of other financial instruments		–0.4	**–0.1**
Cash receipts from sales of other financial instruments		0.0	**19.0**
Acquisition of financial investments in securities		–6.0	**–35.0**
Cash receipts from sales of financial investments in securities		2.9	**15.3**
Loans granted	(11.1)	–2.5	**–1.4**
Dividends received from financial assets accounted for using the equity method	(9.5)	0.8	**0.2**
Interest received		4.6	**2.5**
Cash flow from investing activities		**–105.1**	**–109.1**
Free cash flow		**118.5**	**146.6**
FINANCING ACTIVITIES			
Changes of other financial liabilities	(11.1)	–7.7	**0.7**
Dividends paid		–132.2	**–135.1**
Interest paid		–0.5	**–0.3**
Acquisition of non-controlling interests		–0.2	**0.0**
Cash flow from financing activities		**–140.6**	**–134.6**
Change in cash and cash equivalents		**–22.1**	**12.0**
Cash and cash equivalents at January 1		300.1	**278.0**
Cash and cash equivalents at December 31	**(11.1)**	**278.0**	**290.0**

[1] Adjustments see Note 3.2 Changes in the presentation of the consolidated financial statements and adjustments to prior-year figures

Consolidated statement of changes in equity

FOR THE 2016 FINANCIAL YEAR

EUR m	Share capital	Capital reserves	Revenue reserves	Other reserves: IAS 19 reserve	Other reserves: Revaluation of financial instruments	Other reserves: Currency translation reserves	Equity attributable to share-holders of the parent company	Non-con-trolling 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**
Profit for the period	0.0	0.0	152.7	0.0	0.0	0.0	152.7	0.0	152.7
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**
Dividends paid	0.0	0.0	–131.7	0.0	0.0	0.0	–131.7	–0.2	–132.0
Acquisition of non-controlling interests	0.0	0.0	–0.1	0.0	0.0	0.0	–0.1	0.1	0.0
Transactions with owners	**0.0**	**0.0**	**–131.8**	**0.0**	**0.0**	**0.0**	**–131.8**	**–0.2**	**–132.0**
Disposal of subsidiaries	0.0	0.0	–0.4	0.4	0.0	0.0	0.0	0.0	0.0
Disposal of financial assets accounted for using the equity method	0.0	0.0	–1.2	1.2	0.0	0.0	0.0	0.0	0.0
Other changes	**0.0**	**0.0**	**–1.5**	**1.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Balance as at December 31, 2016	**337.8**	**91.0**	**257.6**	**–18.3**	**4.2**	**–2.3**	**670.0**	**0.1**	**670.0**

Consolidated income statement

FOR THE 2017 FINANCIAL YEAR

EUR m	Note	2016 adjusted[1]	2017
Revenue	(8.1)	2,030.5	**1,938.9**
Other operating income	(8.2)	70.1	**112.7**
Total operating income		**2,100.6**	**2,051.6**
Raw materials, consumables and services used	(8.3)	–495.2	**–409.9**
Staff costs	(8.4)	–1,035.2	**–1,020.1**
Depreciation, amortisation and impairment losses	(8.5)	–74.8	**–86.8**
Other operating expenses	(8.6)	–294.1	**–325.0**
Total operating expenses		**–1,899.3**	**–1,841.9**
Profit from operations		**201.3**	**209.7**
Results from financial assets accounted for using the equity method	(9.5)	0.9	**–1.9**
Financial income		4.0	**16.4**
Financial expenses		–4.7	**–3.6**
Other financial result	(8.7)	–0.7	**12.8**
Total financial result		**0.2**	**10.9**
Profit before tax		**201.5**	**220.6**
Income tax	(9.15)	–48.8	**–55.6**
Profit for the period		**152.7**	**165.0**
Attributable to:			
Shareholders of the parent company	(9.11)	152.7	**165.2**
Non-controlling interests	(9.11)	0.0	**–0.2**

[1] Adjustments see Note 3.2 Changes in the presentation of the consolidated financial statements and adjustments to prior-year figures

EARNINGS PER SHARE (EUR)			
Basic earnings per share	**(8.8)**	**2.26**	**2.45**
Diluted earnings per share	**(8.8)**	**2.26**	**2.45**

Notes to the consolidated financial statements for the 2017 financial year

1 Reporting Entity

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 provision of postal and parcel services and specialised logistics such as express mail delivery and value logistics as well as sales of telecommunications products and financial transactions in cooperation with its business partners BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG (BAWAG P.S.K.) and A1 Telekom Austria AG. Moreover, the service offering also encompasses fulfilment services, 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, Rochusplatz 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 2017 financial year have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid as at December 31, 2017, 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 APPLICATIONS OF NEW AND REVISED STANDARDS

The following new and revised standards were binding for the first time during the 2017 financial year:

Mandatory application of new standards		Effective date[1]
None		

Mandatory application of revised standards		Effective date[1]
IFRS 12	Clarification to disclosures of shares in other companies	Jan. 1, 2017
IAS 7	Disclosure Initiative	Jan. 1, 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	Jan. 1, 2017

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

The initial application of amendments to IAS 7 led to additional disclosures with respect to changes in financial liabilities with information beeing provided in the consolidated cash flow statement (refer to Note 11.1 Consolidated cash flow disclosures).

The changes to IFRS 12 and IAS 12 did not have any effects on the consolidated financial statements of Austrian Post.

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 take place in future only.

New standards/interpretations not yet applied		Endorsement EU	Effective date[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	Oct. 31, 2017	Jan. 1, 2019
IFRS 17	Insurance Contracts	to be decided	planned Jan. 1, 2021
IFRIC 22	Foreign Currency Transactions and Advance Consideration	planned Q1 2018	planned Jan. 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	planned 2018	planned Jan. 1, 2019

Revised standards not yet applied		Endorsement EU	Effective date[1]
Miscellaneous	Improvements to IFRSs (2014–2016)	Feb. 8, 2018	Jan. 1, 2018
Miscellaneous	Improvements to IFRSs (2015–2017)	planned 2018	planned Jan. 1, 2019
IFRS 2	Classification and Measurement of Share-Based Payment Transactions	planned Q1 2018	planned Jan. 1, 2018
IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts	Nov. 3, 2017	Jan. 1, 2018
IFRS 9	Prepayment Features with Negative Compensation	planned Q1 2018	planned Jan. 1, 2019
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	Oct. 31, 2017	planned Jan. 1, 2018
IAS 19	Plan changes, reductions or compensations	planned 2018	planned Jan. 1, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures	planned 2018	planned Jan. 1, 2019
IAS 40	Transfers of Investment Property	planned Q1 2018	planned Jan. 1, 2018

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

EXPECTED CHANGES BASED ON THE APPLICATION OF IFRS 9 FINANCIAL INSTRUMENTS AND IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS Austrian Post will apply both standards for the first time effective January 1, 2018. In both cases, the first-time application of the new standard will take place in accordance with the modified retrospective approach. Accordingly, comparative information for previous periods will not be adjusted. Impacts on profit and loss resulting from the application of the new standards will be recognised in the revenue reserves as at January 1, 2018.

The expected changes in the accounting and valuation methods relating to the first-time application of both standards will subsequently lead to the estimated effects on Group equity as at January 1, 2018 (taking account of deferred tax effects) presented below. However, the actual effects may deviate from these estimates because it is assumed that further insights will be gained through the actual implementation of these standards in the 2018 financial year.

EUR m	As reported at Dec. 31, 2017	Estimated adjustments due to adoption of IFRS 9	Estimated adjustments due to adoption of IFRS 15	Estimated adjusted opening balance at Jan. 1, 2018
Revenue reserves	287.7	0.4	0.8	288.9

IFRS 9 FINANCIAL INSTRUMENTS IFRS 9 – Financial Instruments contains regulations for the recognition, measurement and elimination of financial instruments as well as hedge accounting. In these areas, it replaces the previously applicable standard IAS 39 – Financial Instruments.

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, at fair value through profit and loss ("FVTPL") or at fair value through other comprehensive income ("FVOCI").

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. The new impairment loss model is to be applied on financial assets measured at amortised cost or at FVOCI (with the exception of dividend papers held as financial assets) as well as contract assets pursuant to IFRS 15.

Austrian Post carried out an analysis of the implications of applying IFRS 9 on the basis of the financial instruments held as at December 31, 2017, and, where required, made corresponding changes to its accounting and valuation methods as at January 1, 2018.

The reclassification of financial instruments was particularly necessary with respect to other financial assets (securities and other investments). Trade and other receivables as well as cash and cash equivalents will continue to be recognised at amortised cost. There will also be no changes in the classification of financial liabilities.

As at December 31, 2017, the Austrian Post Group had financial investments in securities with a carrying amount of about EUR 80.6m, which were classified as available for sale. This portfolio will be classified as follows as at January 1, 2018 pursuant to IFRS 9: debt instruments in the amount of EUR 20.5m were assigned to the category FVOCI on the basis of the conditions of the cash flow (SPPI – "solely payments of principal and interest") and the business model. Other securities totalling EUR 60.1m, (especially investment funds) were assigned to the category FVTPL due to the cash flow condition. Other investments in the amount of EUR 50.2m are, as a rule, held for strategic reasons, and were assigned to the category FVOCI.

Within the context of implementing the new impairment loss model, the previous approach to determining the impairments were evaluated and partly adjusted.

For receivables subject to the simplified approach pursuant to IFRS 9 (trade receivables and contract assets in line with IFRS 15), expected losses are recognised on the basis of an impairment matrix. The corresponding percentages in the matrix are determined on the basis of historical rates of default. The necessary adjustments to take account of expected future economic conditions are evaluated using the criteria of gross domestic product (GDP), the inflation rate and unemployment rate. The initial application of IFRS 9 will likely lead to a reduction of the reported impairment losses by EUR 0.7m.

For debt instruments measured as FVOCI in other financial liabilities as well as bank balances and short-term bank deposits, expected losses are recognised for each contractual partner on the basis of external information about ratings and the probability of default. A significant increase in the default risk is assumed starting with a rating deterioration of two grades (inasmuch as these instruments are non-investment grade). The first-time application of IFRS 9 is likely to result in additional impairment losses in the amount of EUR 0.5m.

For other receivables subject to the general approach pursuant to IFRS 9, the expected losses are recognised on the basis of default probabilities depending on the rating of the underlying receivables or portfolios of receivables. A significant increase in the default risk is assumed when the receivables are more than 30 days overdue. The first-time application of IFRS 9 is likely to result in a lower reduction of the reported impairment losses by EUR 0.3m.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS IFRS 15 – Revenue from Contracts with Customers contains a principle-based set of rules according to which it must be determined if and when and in what amount revenue is to be recognised. This principle is implemented within the context of a five-step model framework, according to which the amount of revenue is to be recognised based on the contracts with customers reflecting the consideration to which the entity expects to be entitled for the contractually stipulated obligations i.e. the transfer of promised goods or services to the customers. This model stipulates that the transfer of control (control approach) determines the time or period of realising revenue.

In the 2017 financial year, the Austrian Post Group analysed and evaluated all material business transactions on the basis of the five-step model framework contained in IFRS 15 and adjusted its account treatment as at January 1, 2018 where necessary. On balance, the assessment made in the previous year that the first-time application of the new standard will not lead to any fundamental changes or significant revenue and earnings effects in the Austrian Post Group was confirmed.

Only minor adjustments are required with respect to the main business activities of Austrian Post i.e. the acceptance, sorting and delivery of letters and parcels. This was the consequence of the fact that such services are fulfilled over time pursuant to IFRS 15, whereas before the service was considered to have been rendered when the mail item was handed over to the addressee. Accordingly, there is a minor bringing forward with respect to when revenue is realised. As a result, the approach to determining deferred income at the balance sheet dates has been adjusted. The effect from this adjustment with respect to the balance sheet date of December 31, 2017 will likely amount to EUR 2.6m. On balance, the existing contracts or services to be rendered in this business area are characterised by uniformity and very short processing times in rendering the services. Services are generally rendered within just a few days (for example, 95% of all letters in Austria are to be 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 in the changeover to IFRS 15 and thus no changes with regard to the time and amount in which revenue is recognised.

Adjustments are necessary with respect to sales services rendered in the branch network, especially relating to telecommunications products. This was the result of the changed stipulations contained in IFRS 15 compared to IAS 18 on the evaluation of the principal versus agent consideration. Accordingly, individual contracts would have to be classified as rendering intermediary services, which is why revenue in the amount of the commissions received (net method) is recognised as of January 1, 2018 instead of revenue from the sale of products (gross method). With respect to the 2017 financial year, this would have resulted in only a lower amount of revenue totalling about EUR 8.0m, with revenue of the same magnitude assumed for 2018. Moreover, there was a reclassification of inventories to other receivables, due to the fact that a financing receivable in the amount of the prepayment made is to be recognised instead of inventories.

No major changes were identified with respect to other business areas such as the rendering of additional services along the value chain for letter mail and parcels (e.g. fulfillment services, data and output management, e-commerce-solutions and -platforms).

Fundamental changes arose for the Neutorgasse 7 real estate development project with respect to the realisation of revenue pursuant to IFRS 15. Instead of a realisation of revenue related to a specific point in time pursuant to IAS 18 e.g. handing over of an apartment, IFRS 15 stipulates contract-related revenue realisation over the period of building the housing units. The benchmark for determining the progress made is the degree of completion on the basis of the relation of the costs incurred to the entire expected production costs (cost method). The allocation of the costs to the individual units takes place, as in the past, on the basis of the respective usable space. The premature application of IFRS 15 in the 2017 financial year would have led to recognition of revenue of EUR 8.3m as well as an earnings contribution of EUR 3.7m.

IFRS 16 LEASES The new IFRS 16 – Leases replaces 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 in the amount of the future leasing payments. At the same time, the right-of-use asset is capitalised as the present value of future lease payments and subsequently written off as an expense on a straight-line basis.

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 will apply IFRS 16 for the first time as at January 1, 2019. The choice of a transition approach has not yet been made.

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

3.2 — Changes in the Presentation of the Consolidated Financial Statements and Adjustments to Prior-Year Figures

CONSOLIDATED INCOME STATEMENT The recognition of profit and loss in the income statement resulting from the disposal of financial assets accounted for using the equity method was adjusted in the 2017 financial year. Up until now, this was recognised as the results from financial assets accounted for using the equity method. Now recognition is carried out under other operating income or expenses. The corresponding figures from the previous year were adjusted.

The effects of this adjustment on the income statement is as follows:

EUR m	2016	2017
Other operating income	0.0	2.8
Total operating income	**0.0**	**2.8**
Other operating expenses	–16.8	0.0
Total operating expenses	**–16.8**	**0.0**
Profit from operations	**–16.8**	**2.8**
Results from financial assets accounted for using the equity-method	16.8	–2.8
Other financial result	**16.8**	**–2.8**
Profit before tax	**0.0**	**0.0**

CONSOLIDATED CASH FLOW STATEMENT The change in recognition for gains and losses resulting from the disposal of financial assets accounted for using the equity method had the following effects on the presentation of the consolidated cash flow statement:

EUR m	2016	2017
Results from financial assets accounted for using the equity method	–16.8	2.8
Other non-cash transactions	16.8	–2.8
Operating cash flow	**0.0**	**0.0**

DEVELOPMENT OF GROUP EQUITY The development of Group equity is presented in condensed form starting in the 2017 financial year. The structured analysis of Other comprehensive income by item for every equity component now takes place within the context of the explanatory notes on the development of Group equity in Note 9.11.

SEGMENT REPORTING Changes in the internal reporting in the 2017 financial year led to an adjustment of the presentation of revenue in segment reporting.

The allocation of revenue now takes place according to revenue (segments) and revenue intra-Group (formerly revenue with third parties and revenue with other segments). Revenue (segments) encompass revenue with companies outside of the Austrian Post Group and with Group companies outside of the respective segment. Revenue intra-Group shows revenue derived within the context of business operations from the rendering of services spanning different segments within Österreichische Post AG. Revenue previously recognised as revenue with other segments which do not relate to the operating activities of Austrian Post is now classified as other operating income.

Accordingly, the reconciliation of the effects on the presentation of revenue in segment reporting is as follows:

2016 FINANCIAL YEAR

EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	Group
Revenue with third parties (previous presentation)	1,478.0	552.5	0.0	0.0	2,030.5
Revenue with Group companies in other segments	0.5	3.5	0.0	–4.0	0.0
Revenue (segments) (new presentation)	**1,478.5**	**556.0**	**0.0**	**–4.0**	**2,030.5**
Revenue with other segments (previous presentation)	87.9	11.5	186.8	–286.2	0.0
Revenue with Group companies in other segments	–0.5	–3.5	0.0	4.0	0.0
Non-operational revenue from segment activities	–2.2	–0.2	–173.2	175.6	0.0
Revenue intra-Group (new presentation)	**85.1**	**7.8**	**13.6**	**–106.6**	**0.0**

2017 FINANCIAL YEAR

EUR m	**Mail & Branch Network**	**Parcel & Logistics**	**Corporate**	**Consolidation**	**Group**
Revenue with third parties (previous presentation)	**1,446.8**	**491.9**	**0.1**	**0.0**	**1,938.9**
Revenue with Group companies in other segments	**1.0**	**3.6**	**0.0**	**–4.6**	**0.0**
Revenue (segments) (new presentation)	**1,447.8**	**495.6**	**0.2**	**–4.6**	**1,938.9**
Revenue with other segments (previous presentation)	**105.0**	**8.8**	**232.6**	**–346.4**	**0.0**
Revenue with Group companies in other segments	**–1.0**	**–3.6**	**0.0**	**4.6**	**0.0**
Non-operational revenue from segment activities	**–2.3**	**–0.3**	**–217.1**	**219.7**	**0.0**
Revenue intra-Group (new presentation)	**101.7**	**4.8**	**15.5**	**–122.0**	**0.0**

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 23 domestic subsidiaries (December 31, 2016: 23) and eleven foreign subsidiaries (December 31, 2016: 13), are included in the consolidated financial statements. Furthermore, five domestic companies (December 31, 2016: five) and two foreign companies (December 31, 2016: one) 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 2017 financial year:

Company name	Interest from	Interest to	Date of transaction	Comment
MAIL & BRANCH NETWORK				
M&BM Express OOD, Sofia	76.00 %	0.00 %	Jan. 1, 2017	Segment change
PostMaster s.r.l., Bucharest	100.00 %	0.00 %	Apr. 19, 2017	Sale
Aktionsfinder GmbH, Salzburg (Österreichische Post AG, Vienna)[1]	100.00 %	0.00 %	Aug. 1, 2017	Merger
adverserve Holding GmbH, Vienna	0.00 %	49.00 %	Oct. 4, 2017	Acquisition
PostMaster Sp. z o.o., Krakow	100.00 %	0.00 %	Oct. 17, 2017	Sale
PARCEL & LOGISTICS				
M&BM Express OOD, Sofia	0.00 %	76.00 %	Jan. 1, 2017	Segment change
PHS Logistiktechnik GmbH, Graz	0.00 %	26.00 %	Mar. 4, 2017	Foundation
IN TIME SPEDICE, spol. s r.o., Prague	0.00 %	31.50 %	Aug. 18, 2017	Acquisition
ACL advanced commerce labs GmbH, Graz	30.00 %	70.00 %	Nov. 1, 2017	Step acquisition
CORPORATE				
media.at GmbH, Vienna	20.45 %	0.00 %	18.07.2017	Sale

[1] The first-named Group company was merged with the subsidiary listed in parenthesis and is therefore no longer included in the consolidation scope.

Mail & Branch Network

POSTMASTER S.R.L. As at December 31, 2016, the assets and liabilities of the Romanian subsidiary PostMaster s.r.l., Bucharest, were classified as a disposal group pursuant to IFRS 5 and thus disclosed separately on the balance sheet. A revaluation of the fair value of the assets and liabilities of the disposal group as at March 31, 2017 led to a loss of EUR 0.4m recognised as an impairment loss under depreciation, amortisation and impairment losses. The entire 100 % shareholding in the company was sold effective April 19, 2017, terminating Austrian Post's control over the subsidiary. The loss of control including the waiver of financing receivables resulted in a net gain of EUR 0.2m, which was recognised in other operating income.

The assets of the disposal group as at December 31, 2016 as well as the assets and liabilities disposed of as at April 19, 2017 as a result of the loss of control were as follows:

EUR m	Dec. 31, 2016	Apr. 19, 2017
Non-current assets		
Intangible assets	0.2	**0.0**
Property, plant and equipment	0.2	**0.0**
Trade receivables and other receivables	0.1	**0.1**
Current assets		
Trade receivables and other receivables	1.6	**1.5**
Cash and cash equivalents	0.2	**0.3**
Assets held for sale	**2.4**	**1.9**
Current liabilities		
Trade and other payables	0.9	**1.0**
Liabilities classified as held for sale	**0.9**	**1.0**

ADVERSERVE HOLDING GMBH Effective October 4, 2017, Austrian Post acquired 49 % of the shares in adverserve Holding GmbH, Vienna. The company was classified as an associated company pursuant to IAS 28 and accounted for using the equity method. The acquisition of adverserve Holding GmbH, a service and consulting company for ad technologies, programmatic and data-driven-advertising, enhances Austrian Post's expertise in the field of digital advertising services. The acquisition costs amounted to EUR 2.7m.

POSTMASTER SP. Z O.O. The disposal of the 100 % stake held in PostMaster Sp. z o.o., Cracow, effective October 17, 2017 led to a loss of control over the subsidiary. In turn, the loss of control resulted in a corresponding loss of EUR 0.7m recognised under other operating expenses.

The assets and liabilities disposed of as at October 17, 2017 were as follows:

EUR m	Oct. 17, .2017
Non-current assets	
Intangible assets	**–0.5**
Current assets	
Trade receivables and other receivables	**–0.7**
Cash and cash equivalents	**–0.5**
Current liabilities	
Trade and other payables	**0.7**
Disposed assets and liabilities	**–1.1**

Parcel & Logistics

PHS LOGISTIKTECHNIK GMBH The company PHS Logistiktechnik GmbH, Graz, was established in February 2017, with Austrian Post holding a 26.0 % stake. The company was classified as an associated company pursuant to IAS 28 and accounted for using the equity method. The company aims to commercially market the so-called "unloading rug", an innovative technology accelerating and simplifying the unloading process of lorries. In addition to the start-up costs, Austrian Post has agreed to make a contribution to the financing of the company totalling EUR 0.4m. Furthermore, Austrian Post has been granted the contractual option of increasing its shareholding in the company to 51.0 % either starting in 2018/19 or 2022.

IN TIME SPEDICE SPOL. S R.O. Effective August 18, 2017, Austrian Post acquired 31.5 % of the shares in IN TIME SPEDICE, spol. s r.o., Prague. The company was classified as an associated company pursuant to IAS 28 and accounted for using the equity method. The acquisition of the stake in the Czech parcel services provider enables Austrian Post to be also present in the important and growing Czech market. The acquisition costs amounted to EUR 0.4m. In addition, Austrian Post has agreed to make a contribution to the financing of the company totalling EUR 0.7m.

ACL ADVANCED COMMERCE LABS GMBH As at November 1, 2017, Austrian Post acquired an additional 40 % of the shares in ACL advanced commerce labs GmbH, Graz. As a result, Austrian Post's total shareholding in the company increased from 30 % to 70 %. As at November 1, 2017, the company was included as a fully consolidated subsidiary in the consolidated financial statements. Previously the company had been classified as an associated company pursuant to IAS 28 and accounted for using the equity method. ACL advanced commerce labs GmbH supports trading houses and brand manufacturers in the integration of their online business and physical retail stores. The cooperation with Austrian Post enables the development and marketing of professional e-commerce-solutions under one roof.

The fair values of the identifiable assets and liabilities of ACL advanced commerce labs GmbH at the time of acquisition were as follows:

EUR m	Nov. 1, 2017
Non-current assets	
Intangible assets	2.8
Current assets	
Inventories	0.3
Trade receivables and other receivables	0.7
Cash and cash equivalents	1.7
Non-current liabilities	
Deferred tax liabilities	–0.7
Current liabilities	
Other financial liabilities	–0.5
Trade and other payables	–0.5
Tax liabilities	–0.2
Total net identifiable assets acquired and liabilities assumed	**3.6**
Determination of goodwill	
Total amount of consideration transferred	8.0
Thereof cash	5.6
Thereof financial liabilities (residual purchase price liability)	2.4
Non-controlling interests based on total net identifiable assets	1.1
Fair value of previous shares	4.5
	13.6
Total net identifiable assets acquired and liabilities assumed	–3.6
Goodwill	**10.0**
Breakdown of cash outflow/inflow	
Acquired cash	1.7
Total amount of consideration transferred	–8.0
Residual purchase price liability	2.4
Net cash outflow/inflow	**–3.9**

The revaluation of the fair value of the previously held 30 % stake in ACL advanced commerce labs GmbH led to a gain of EUR 1.6m, which was recognised under other operating income.

Goodwill resulted from the advantages derived from combining the activities of ACL advanced commerce labs GmbH with those of the Austrian Post Group and the related future earnings expectations.

Since the date of acquisition, ACL advanced commerce labs GmbH has contributed EUR 1.2m in revenue and EUR 0.2m to the profit for the period of the Austrian Post Group. If the business combination had taken place at the beginning of the year, the contribution to revenue and the profit for the period would have been EUR 8.2m and EUR 0.6m respectively.

Corporate

MEDIA.AT GMBH Effective July 18, 2017, Austrian Post disposed of its 20.45 % stake in the associated company media.at GmbH, Vienna. The loss of control and the termination of accounting using the equity method resulted in a gain of EUR 2.8m recognised under other operating income.

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 location 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 THE FUNCTIONAL CURRENCY Group companies report business transactions in the functional currency at the reference exchange rate at the date of transaction in their financial statements. The subsequent valuation of monetary items takes place 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 FOREIGN 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.

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, 2016	Dec. 31, 2017	2016	2017
Bosnian Convertible Mark	1.9558	**1.9558**	1.9558	**1.9558**
Bulgarian Lev	1.9558	**1.9558**	1.9558	**1.9558**
Croatian Kuna	7.5597	**7.4400**	7.5333	**7.4637**
Polish Zloty	4.4103	**4.1770**	4.3829	**4.2570**
Romanian Leu	4.5390	**4.6585**	4.4904	**4.5688**
Serbian Dinar	123.4723	**118.4727**	123.1534	**121.3111**
Czech Koruna	n. a.	**25.5350**	n. a.	**25.7603**
Turkish Lira	3.7072	**4.5464**	3.3433	**n. a.**
Hungarian Forint	309.8300	**310.3300**	311.4379	**309.1933**

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 (together comprising accounting policies). The Management Board has to make judgments with respect to the application of accounting policies. The summary of the primary accounting policies also includes information on the application and impact of these judgments.

6.1 Revenue recognition

Revenue is recognised when the service was rendered, 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 Group. Deferred income is recognised in the case of payments received in advance for services which have not yet been rendered (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 Termination of the Cooperation Agreement with BAWAG P.S.K.

Austrian Post had a long-standing partnership with BAWAG P.S.K. in selling financial products as well as counter transactions and the joint use of infrastructure (branch offices) on the basis of a cooperation agreement. Effective November 9, 2017, BAWAG P.S.K. informed Austrian Post in writing that the cooperation agreement would be terminated as at December 31, 2020. Subsequently the contractual parties entered into negotiations with respect to a premature termination of the cooperation. An agreement ("change agreement") was reached at the end of 2017 relating to a fundamental change in the selling of financial products. Austrian Post will continue to offer financial products on behalf of BAWAG P.S.K. but to a lesser extent, in light of the significant reduction in the financial consultants of Austrian Post working on behalf of BAWAG P.S.K. The reduction in the number of financial consultants led to the allocation of provisions for employee under-utilisation to the amount of EUR 56.2m. In recognition of this burden, BAWAG P.S.K. committed itself within the context of the new agreement to pay the amount of EUR 31.0m, which was recognised as other receivables. Of this amount, EUR 26.9m was netted against the allocation to provisions recognised under staff costs in the income statement. EUR 4.1m was classified as consideration for sales activities to be carried out in 2018 and recognised as deferred income under other liabilities. Refer also to Note 8.4 Staff costs and Note 9.12.2 Other employee provisions.

Furthermore, a letter of intent was signed containing the non-binding cornerstones of an unbundling agreement which is yet to be finalized with respect to the areas of counter transactions, joint use of infrastructure (branch offices) and the sale of financial products. Such a dissolution agreement was signed on February 21, 2018 (also refer to Note 11.5 Events after the reporting period).

6.3 — Income Tax

INFORMATION ON TAX GROUPS Austrian Post has taken advantage of the legally permissible option to create corporate tax groups for the purpose of joint taxation. Two tax groups exist with the group parents Österreichische Post AG (the parent company of the Austrian Post Group) and Post 001 Finanzierungs GmbH. All members of the tax groups are based in Austria.

In the corporate tax groups, the group members are either fiscally burdened or enjoy tax relief from the group parent by means of tax apportionments allocated to them. The calculation of positive and negative apportionments takes place in the amount of 25 % of the taxable results (stand alone method).

The group taxation scheme leads to a joint 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. The tax advantage resulting from the amortisation of goodwill (Section 9 Para. 7 Austrian Corporate Income Tax Act) is recognised as a temporary difference in goodwill (IAS 12.32a).

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 resulting tax advantage 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 at the rate 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	Country	Tax rate
Bosnia and Herzegovina	10 %	Montenegro	9 %
Bulgaria	10 %	Serbia	15 %
Germany	32 %	Slovakia	21 %
Croatia	18 %	Hungary	9 %

6.4 — 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 share. 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. In order to calculate diluted earnings per share, the average number of shares 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.

6.5 — Goodwill and Allocation to Cash Generating Units (CGU)

Goodwill is reported as an intangible asset at acquisition cost 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 on the balance sheet date. Impairment tests are carried out in accordance with the principles in IAS 36 as described in Note 6.10 Impairment pursuant to IAS 36. Reversals of write-downs are not permitted. Goodwill is allocated to the respective cash generating units (CGU). 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. The allocation to CGUs is based on business areas in the parent company Österreichische Post AG.

6.6 — 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 as 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 in 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. At 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 6.10 Impairment pursuant to IAS 36.

6.7 — 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 6.10 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 re-estimated, and if necessary, a reversal will be recognised, taking account of the amortised cost excluding the impairment loss.

Investment grants are included as a liability without recognition to profit or loss by applying the gross method and reported under other financial liabilities in the consolidated balance sheet. Investment grants are depreciated on a straight-line basis in accordance with the useful lives of the respective assets and reported as other operating income in the consolidated income statement.

6.8 — Measurement of Fair Value Pursuant to IFRS 13

The measurement of fair values in the Austrian Post Group 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 at Austrian Post Group. Highest priority is attached to the use of observable input factors.

6.9 — 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.

6.10 — Impairment Pursuant to IAS 36

On each balance sheet date, the company evaluates whether there are any indications of a potential impairment of 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. 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 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.

6.11 — Interests Accounted for Using the Equity Method

Accounting treatment of the strategic investment of Austrian Post is carried out in accordance with the equity method, if a significant influence is exercised over the company due to contractual rights or actual circumstances. The assessment of the existence of a significant influence takes place on the basis of the criteria stipulated in IAS 28.5 et seq.

In cases where the existence of a significant influence cannot be clearly determined, the Management Board has to make discretionary decisions. As in the case of Aras Kargo a.s., the crucial factor is not formal criteria, but whether in fact the possibility exists to play a role in financial and business policy decisions.

On each 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 shares 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.

6.12 — 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.

6.13 — Financial Assets and Liabilities

At the Austrian Post Group, financial assets and liabilities are assigned to the following categories, 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 specified 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 at 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 on each 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 case of equity instruments, the impairment loss is reversed and recognised directly in equity, whereas in 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. At 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 cost.

Financial assets in the category "measured at amortised cost" are carried at amortised cost. The liabilities are recognised when incurred and stated in 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.

6.14 — 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 is 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 occasionally as a means of limiting and managing interest rate, currency and price risks. No transactions involving such derivative financial instruments were concluded in the 2017 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. Also refer to Note 9.6 Other financial assets.

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.

6.15 — Inventories

Inventories are stated at the lower amount of historical cost and net realisable value on 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 to apartments built within the context of the real estate development project Neutorgasse 7 in Vienna's First District with the goal of selling them. The individual apartment is determined to be the unit of account, in which case the allocation of production costs takes place on the basis of the respective usable space. Changes in the portfolio of unfinished buildings as well as valuation effects are included in the income statement under the item raw materials, consumables and services used.

6.16 — 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, 2017, there are no assets classified as held for sale. As at December 31, 2016, Postmaster s.r.l., Bucharest, was classified as held for sale pursuant to IFRS 5. Refer to Note 9.10 Assets and liabilities held for sale.

6.17 — 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 have principally 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 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, hence 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 at the Austrian Post Group.

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 and salaried employees. Pension obligations to civil servants and salaried employees 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 January 1, 2017, the contributions for civil servants (including the civil servants' own employee contributions) amount to a maximum of 25.10% of the remuneration paid to active civil servants depending on age and contribution base 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 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 in 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 totalling 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 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 and jubilee benefits:

	Termination benefits		Jubilee benefits	
	2016	2017	2016	2017
Discount rate	1.75 %	**2.00 %**	1.50 %	**1.75 %**
Salary/pension increase	3.00 %	**3.25 %**	3.00 %	**3.00 %**
Employee turnover discount (staggered)	0.26 %–1.89 %	**0.24–1.45 %**	6.86 %–30.34 %	**6.93 %–29.71 %**

Retirement age	2016	2017
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 (2016: 15 years) and twelve years for jubilee benefits (2016: 13 years).

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 future expected wage and salary increases. The calculation is individually made for each provision, taking account of stipulations contained in legal regulations and the collective wage agreements, for example biannual salary increases for civil servants.

The employee turnover discount 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 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 discount for employee turnover. The reconciliation of the present value of the individual obligations is presented in Note 9.12.1 Provisions for termination and jubilee benefits.

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

6.18 — Provisions for Under-Utilisation

Provisions for under-utilisation are made for future staff costs applying to those employees who lose their jobs, or those who can no longer carry out their previous work and cannot be used any longer to perform services on behalf of the company. These represent provisions for employees who are assigned to the Post Internal Labour Market and whose employment statuses are considered to be onerous contracts pursuant to IAS 37. Furthermore, the provisions for under-utilisation apply to civil servants who are in the process of commencing retirement for reasons of physical disability, as well as for employees involved in the programme to potentially transfer them to various federal ministries.

Provisions for the Post Internal Labour Market are allocated for future staff costs of employees with tenure (primarily civil servants) who lose their jobs within the context of ongoing internal organisational processes designed to reflect changing market conditions and can only be used partially to perform services on behalf of the company or who cannot be utilised 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 based on a framework agreement concluded with the federal government October 2013. In this case, the staff costs of employees who have agreed to transfer to the federal public service 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, future salary increases and the employee turnover. The calculation of the parameters takes place in accordance with the approach described in Note 6.17 Provisions for termination and jubilee benefits. The interest expense is reported under staff costs.

The following parameters were used in calculating provisions for the Post Internal Labour Market, changes in which led – ceteris paribus – to the following changes in the provisions for the Post Internal Labour Market:

Post Internal Labour Market	2016	2017	Change EUR m
Discount rate	1.00 %	**1.25 %**	**–2.3**
Salary increase	2.75 %	**2.75 %**	**0.0**
Employee turnover discount	31.40 %	**28.80 %**	**5.3**
Rate of under-utilisation	85.70 %	**88.70 %**	**4.9**

The following parameters were used in calculating provisions for employees in the process of commencing retirement or in a programme for potentially transferring them to various federal ministries:

Other under-utilisation	2016	2017
Discount rate	0.75 %–1.25 %	**0.25 %–1.25 %**
Salary increase	2.75 %–3.25 %	**2.75 %**

6.19 — Provisions for Voluntary Termination Benefit Programmes

Within the context of Austrian Post's internal organisational processes designed to make adjustments in line with changing market conditions, there are continuously job losses or else future job losses are foreseeable, in which case the affected employees can only be used within the company to a very limited extent. In order to ensure a socially compatible solution for the necessary personnel cutbacks, social plans have been negotiated with the Central Works Council or the employees are offered the opportunity to participate in voluntary termination benefit programmes. These offers involve payments on the occasion of the termination of their employment contracts, which are capitalised when the company can no longer withdraw the offers for such payments or when these payments take place within the context of restructuring provisions pursuant to IAS 37. Valuation takes place at initial recognition, in which case, depending on the term to maturity, either the stipulations contained in IAS 19 for short-term benefits to employees or for other long-term benefits to employees apply.

6.20 — Other Provisions

In accordance with IAS 37, contingent legal or factual 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 in the amount of a reliable estimate 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.

6.21 — Share-Based Incentive Programmes

In December 2009, the Supervisory Board of Austrian Post decided to introduce a share-based remuneration programme. Such a share-based remuneration programme (Long Term Incentive Programme) for the members of the Management Board and one for top executives was implemented from 2010 until 2017 financial years. This programme is a share-based and performance-oriented remuneration model whose tranches extend over a three-year period (performance period), the pre-requisite 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, 2107, all members of the Management Board members are taking part in the share-based incentive programmes (at present the tranches six to eight are open).

The number of Austrian Post shares required to be purchased by members of the Management Board is linked 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 remuneration programme. The total sum of the required own investments for participation in the existing share-based payment programme as at December 31, 2017, amounted to 41,680 shares for members of the Management Board and 192,336 shares for top executives. The Austrian Post shares must be held continuously 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 a unit of measure. The number of bonus shares is linked to the extent to which pre-defined 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 based on the total achievement of the objectives defined according to previously mentioned parameters as well as the share price development of the Austrian Post share. The total bonus applicable for the members of the Management Board and for executives is subject to a specified ceiling. It is limited to 225 % of the bonus for the Management Board in case of 100 % goal achievement. For top executives, in case of maximum goal achievement, the bonus ranges between 100 % and 130 %, and cannot exceed the amount of individual's annual gross salary.

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

Number of bonus shares per tranche	Dec. 31, 2016	Dec. 31, 2017
Tranche 5	207,620	**385**
Tranche 6	106,817	**180,808**
Tranche 7	158,602	**250,859**
Tranche 8	0	**251,630**
	473,039	**683,682**

Principally, the payment is made either in shares of Austrian Post 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 remuneration 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, 2016	Dec. 31, 2017
Net carrying amount of provision		
Tranche 5	9.6	**0.0**
Tranche 6	2.6	**9.8**
Tranche 7	1.8	**7.1**
Tranche 8	0.0	**3.5**
	14.0	**20.4**

In the 2017 financial year, a total of EUR 9.6m was paid out completely for Tranche 5.

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

EUR m	2016	2017
Total expense		
Tranche 4	–0.1	**0.0**
Tranche 5	2.8	**0.0**
Tranche 6	1.2	**7.2**
Tranche 7	1.8	**5.3**
Tranche 8	0.0	**3.5**
	5.7	**16.0**

7 Future-Oriented Assumptions and Estimation Uncertainties

The preparation of consolidated financial statements in accordance with IFRS requires management to make assumptions about future developments which materially influence the recognition and measurement of assets and liabilities, the reporting of other obligations on 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 and Jubilee Benefits

The measurement of provisions for existing termination 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	14.3	–12.0	–11.8	13.8	0.3	–1.0
Jubilee benefits	6.6	–5.9	–5.9	6.4	0.8	–0.8

7.2 Provisions for Under-Utilisation

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

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:

	Rate of under-utilisation		Employee turnover		Discount rate		Salary increases	
EUR m	–10 %-points	+10 %-points	–10 %-points	+10 %-points	–1 %-point	+1 %-point	–1 %-point	+1 %-point
Under-utilisation	–23.9	23.8	26.1	–26.1	14.1	–12.7	–12.7	13.5

7.3 — Provisions for Voluntary Termination Benefit Programmes

The valuation of provisions for voluntary termination benefit programmes involve estimates with respect to expected acceptance rates. Past empirical values exist, but they can be representative to a limited extent for current programmes only, depending on the particular programme and the target group. In addition to past empirical values, an assessment as to the attractiveness of the offers is also used to make the corresponding estimates. However, significant adjustments to the provisions in subsequent periods may be required despite all efforts made to make the best possible estimates.

7.4 — Reference Date for Civil Servants

In a decision made 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. The aim of this reform was address 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 No. 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.

Legal proceedings currently pending before the European Court of Justice with respect to contractual federal employees could potentially impact employment laws for civil servants depending on the final ruling, and thus lead the legislator to deal with the issue once again. A decision is expected to be made by the European Court of Justice in the course of the year 2018. It is currently not possible to assess the potential financial impact of this decision on Austrian Post.

7.5 — Reclamations 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 from May 1, 1996 to May 31, 2008. Due to a ruling made by the Austrian Administrative Court in 2015, there was no obligation on the part of Austrian Post to make these payments.

As a result, the Austrian Federal Finance Court awarded compensation to Austrian Post in the amount of EUR 84.6m in the years 2015 and 2017. As a rule, assets are capitalised for judicially pursued claims when the occurence of such claims is considered to be virtually certain. This is assumed to be the case when an individual case ruling is handed down by the Austrian Federal Finance Court. At the same time, it must be determined whether a contingent asset exists in case of other judicially pursued claims. This is assumed to exist when the probability of occurence is considered to exceed 50 %, which is currently not the case. In both situations the estimation of probability is made in consultation with external experts.

Conversely, in contrast to the amounts credited by the court, Austrian Post has obligations for any compensation payments, which amount to EUR 40.6m on the basis of the best possible estimate and are reported under other provisions. The estimate concerning compensation payments entails considerable uncertainty in light of the uncertainties relating to the available data as well as the calculation method.

7.6 — 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 purchase-price liabilities.

All available information pertaining to the prevailing conditions at the date of acquisition is used for the initial accounting treatment of the identifiable 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 which becomes available 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 or 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 first-time recognition of contingent purchase-price liabilities. 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 treated as adjustments made during the valuation period but lead to an adjustment of the purchase price liability recognised as a profit or loss.

7.7 — 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.

7.8 — 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.

7.9 — 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 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 application. 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 application, which in turn require discretionary decisions.

8 — Income Statement Disclosures

8.1 — Segment Reporting

GENERAL INFORMATION At the Austrian Post Group, reportable segments are identified based on the difference between Product and Service. The reporting segments “Mail & Branch Network”, “Parcel & Logistics” and “Corporate” have been determined on the basis of the divisional structure of the Austrian Post Group.

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 types of mails 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 and products in the field of financial services in cooperation with BAWAG P.S.K. and telecommunications products with the business partner A1 Telekom Austria AG are offered by the branch network.

PARCEL & LOGISTCS 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 online innovation management and the development of new business models. In addition, the Corporate Division renders non-operational services typically provided for the purpose of managing and controlling a corporate group. These services encompass, amongst others, the management of commercial properties owned by the Group, IT support services as well as the administration of the Internal Labour Market of Austrian Post.

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

2016 FINANCIAL YEAR

adjusted[1] EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	Group
Revenue (segments)	1,478.5	556.0	0.0	–4.0	2,030.5
Revenue intra-Group	85.1	7.8	13.6	–106.6	0.0
Total revenue	**1,563.6**	**563.8**	**13.7**	**–110.6**	**2,030.5**
thereof revenue with third parties	1,478.0	552.5	0.0	0.0	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

[1] Adjustment in the segment report – refer to Note 3.2 Changes in the presentation of the consolidated financial statements and adjustments to prior-year figures

2017 FINANCIAL YEAR

EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	Group
Revenue (segments)	1,447.8	495.6	0.2	–4.6	**1,938.9**
Revenue intra-Group	101.7	4.8	15.5	–122.0	**0.0**
Total revenue	**1,549.5**	**500.4**	**15.7**	**–126.7**	**1,938.9**
thereof revenue with third parties	1,446.8	491.9	0.1	0.0	**1,938.9**
Results from financial assets accounted for using the equity-method	0.1	–0.1	0.9	0.0	**0.8**
EBITDA	**312.8**	**58.1**	**–76.2**	**–0.1**	**294.6**
Depreciation, amortisation and impairment losses	23.2	15.2	48.4	0.0	**86.8**
thereof impairment losses recognised in profit or loss	3.1	4.5	6.5	0.0	**14.1**
EBIT	**289.6**	**42.8**	**–124.6**	**–0.1**	**207.8**
Other financial result					**12.8**
Profit before tax					**220.6**
Segment investments	12.6	18.9	90.6	0.0	**122.1**

Intersegment transactions take place at market-oriented transfer pricing.

Revenue (segments) contain revenue generated with companies outside of the Austrian Post Group as well as with Group companies outside of the segment. In Revenue intra-Group, the settlement of business relationships in which services are supplied across different segments and the invoicing of these services are shown within the parent company Österreichische Post AG. Revenue with third parties refers to business relationships with companies outside of the Austrian Post Group. 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

Revenue is shown according to the location of the company performing the service and exclusively refers to revenue generated with companies outside of the Austrian Post Group:

2016 FINANCIAL YEAR

EUR m	Austria	Germany	Other countries	Group
Revenue	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

2017 FINANCIAL YEAR

EUR m	Austria	Germany	Other countries	Group
Revenue	1,780.4	47.9	110.7	**1,938.9**
Non-current assets other than financial instruments and deferred tax assets	765.5	0.3	38.5	**804.4**

8.2 — Other Operating Income

EUR m	2016	2017
Reclaim of contributions	0.0	**56.4**
Leases	25.0	**25.1**
Disposal of property, plant and equipment	4.5	**4.0**
Work performed by the enterprise and capitalised	2.3	**3.5**
Damages	2.8	**2.2**
Unchargeable expenses	4.8	**2.2**
Personnel leasing and administration	2.9	**2.0**
Income from deconsolidation	1.7	**3.0**
Remeasurement of fair value of the disposal group trans-o-flex	6.8	**0.0**
Reversal of impairment of property, plant and equipment and investment property	3.7	**0.0**
Other	15.7	**14.2**
	70.1	**112.7**

The item Reclaim of contributions in the 2017 financial year refers to credited repayment claims from employer contributions related to the payroll accounting of civil servants in previous periods (also refer to Note 7.5 Reclamation of employer contributions related to the payroll accounting of civil servants). 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, 2017 with a net carrying amount of EUR 50.6m (December 31, 2016: EUR 37.0m). 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 to the 2017 financial year.

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

EUR m	Dec. 31, 2016	Dec. 31, 2017
No later than one year	4.9	**5.5**
Later than one year and not later than five years	10.4	**12.9**
Later than five years	18.4	**34.4**
	33.7	**52.8**

No reversals of impairment were recognised on property, plant and equipment and investment property in the 2017 financial year. The reversal of impairment in the amount of EUR 3.7m in the 2016 financial year related to buildings in the Corporate segment for which the impairment recognised in previous years no longer applied.

8.3 — Raw Materials, Consumables and Services Used

EUR m	2016	2017
Material		
Fuels	18.2	**17.7**
Merchandise	15.2	**14.6**
Supplies, clothing, stamps	19.4	**17.5**
Other	3.5	**3.1**
	56.2	**52.9**
Services used		
International postal carriers	74.7	**63.5**
Unaddressed mailing lists	22.7	**24.6**
Addressed mailing lists	14.0	**11.5**
Energy	12.8	**14.0**
Transport	253.2	**175.0**
Other	61.5	**68.4**
	439.0	**357.0**
	495.2	**409.9**

8.4 — Staff Costs

EUR m	2016	2017
Wages and salaries	771.9	**803.0**
Termination benefits	43.0	**18.2**
Pensions	0.2	**0.2**
Statutory levies and contributions	205.9	**192.2**
Other staff costs	14.1	**6.5**
	1,035.2	**1,020.1**

Wages and salaries contain contributions of BAWAG P.S.K. from the amendment agreement in the amount of EUR 26.9m (2016: EUR 0.0m), which were offset by expenses for allocable provisions. Refer to Note 6.2 Termination of the cooperation agreement with BAWAG P.S.K. and Note 9.12.2 Other employee provisions.

The breakdown of termination benefits is as follows:

EUR m	2016	2017
Management Board	0.1	**0.1**
Executive staff	0.2	**0.1**
Other employees	42.8	**17.9**
	43.0	**18.2**

In the 2017 financial year, contributions of EUR 3.6m (2016: 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:

	2016	2017
Blue-collar employees	3,104	**2,147**
White-collar employees	12,670	**12,836**
Civil servants	7,770	**7,168**
Trainees	81	**78**
Total number	**23,625**	**22,229**
Corresponding full-time equivalents	**21,695**	**20,524**

8.5 — Depreciation, Amortisation and Impairment Losses

EUR m	2016	2017
Impairment losses on goodwill	**2.0**	**4.3**
Amortisation of intangible assets		
Scheduled amortisation	7.4	**6.9**
Impairment losses	0.1	**0.2**
	7.6	**7.1**
Depreciation of property, plant and equipment		
Scheduled amortisation	62.8	**63.5**
Impairment losses	0.1	**3.0**
	62.9	**66.5**
Depreciation of investment property		
Scheduled amortisation	2.3	**2.4**
Impairment losses	0.0	**6.5**
	2.3	**8.9**
	74.8	**86.8**

With respect to the impairment loss, refer to Note 9.1 Goodwill and Note 9.4 Investment property.

8.6 — Other operating expenses

EUR m	2016 adjusted [1]	2017
Maintenance	50.7	**49.1**
Leasing and rental payments	58.1	**48.5**
IT services	37.6	**43.6**
Compensation payments	0.0	**35.4**
Travel and mileage	24.7	**24.9**
Consultancy	11.8	**20.1**
Communications and advertising	16.1	**18.5**
Contract and leasing staff	14.5	**15.8**
Waste disposal and cleaning	12.0	**12.2**
Other taxes (excl. income taxes)	8.3	**9.0**
Revaluation of receivables	4.4	**8.2**
Damages	5.1	**7.5**
Insurance	6.9	**6.3**
Telephone	3.5	**3.2**
Training and professional development	3.2	**3.2**
Losses from the disposal of property, plant and equipment	1.3	**2.2**
Unchargeable expenses	2.6	**0.1**
Losses from the disposal of financial assets accounted for using the equity method	16.8	**0.0**
Other	16.4	**17.2**
	294.1	**325.0**

[1] For adjustments refer to Note 3.2 Changes in the presentation of the consolidated financial statements and adjustments to prior-year figures.

Other operating expenses include expenses for any compensation payments in the amount of EUR 35.4m (2016: EUR 0.0m). Refer to Note 7.5 Reclamation of employer contributions related to the payroll accounting of civil servants.

The subsequent revaluation of receivables includes a total of EUR 5.9m in impairment losses on receivables from BAWAG P.S.K. This is based on different opinions with respect to the remuneration of counter transactions from previous periods.

8.7 — Other Financial Result

EUR m	Note	2016	2017
Financial income			
Interest income		1.4	**3.4**
Income from securities		2.5	**1.9**
Income from disposal of securities and other bonds		0.0	**11.0**
		4.0	**16.4**
Financial expenses			
Interest expense (financial liabilities)		–0.5	**–0.3**
Interest expense (interest effects of provisions)	(9.12.1)	–4.1	**–3.0**
Other interest expense		0.0	**–0.4**
Losses from disposal of securities and other bonds		–0.1	**0.0**
		–4.7	**–3.6**
		–0.7	**12.8**

The income from disposals of securities and other bonds in the amount of EUR 11.0m (2016: EUR 0.0m) mainly related to the sale of Austrian Post's indirect stake in BAWAG P.S.K. in the fourth quarter of 2017. Refer in detail to Note 9.6 Other financial assets.

8.8 — Earnings Per Share

		2016	2017
Profit for the period attributable to equity holders of the parent company	(EUR m)	152.7	**165.2**
Adjusted profit for the period for the identification of diluted earnings per share	(EUR m)	152.7	**165.2**
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)**	**2.26**	**2.45**
Diluted earnings per share	**(EUR)**	**2.26**	**2.45**

9 —— Balance Sheet Disclosures

9.1 —— Goodwill

EUR m	2016	2017
Historical costs		
Balance at January 1	**83.1**	**82.8**
Additions arising from acquisitions	0.0	**10.0**
Disposals	0.0	**–20.9**
Currency translation differences	–0.3	**0.4**
Balance at December 31	**82.8**	**72.4**
Impairment losses		
Balance at January 1	**24.9**	**26.5**
Additions	2.0	**4.3**
Disposals	0.0	**–20.9**
Currency translation differences	–0.4	**0.3**
Balance at December 31	**26.5**	**10.3**
Carrying amount at January 1	**58.2**	**56.3**
Carrying amount at December 31	**56.3**	**62.1**

Additions relate to the acquisition of an additional stake in ACL advanced commerce labs GmbH. Disposals refer to the deconsolidation of the subsidiaries PostMaster s.r.l., Romania, and PostMaster Sp. z o.o., Poland, which Austrian Post disposed of in 2017. Refer to each case in Note 4.2 Changes in the consolidation scope.

The following table shows goodwill by segment and cash generating unit:

EUR m	Dec. 31, 2016	Dec. 31, 2017
MAIL & BRANCH NETWORK		
feibra Group	30.9	**30.9**
Other	12.7	**5.8**
	43.6	**36.8**
PARCEL & LOGISTICS		
Slovak Parcel Service s.r.o. & IN TIME s.r.o.	5.2	**3.5**
Parcel & Logistics Austria	1.7	**11.7**
Other	5.8	**10.1**
	12.7	**25.3**
	56.3	**62.1**

The addition to goodwill resulting from the acquisition of ACL advanced commerce labs took pace in the CGU Parcel & Logistics Austria.

In the 2017 financial year there was a shift in carrying amounts between the Mail & Branch Network Division and the Parcel & Logistics Division. The CGU M&BM Express OOD, Bulgaria with goodwill of EUR 4.2m (in each case under the item “Other”) was reclassified to the Parcel & Logistics Division.

The annual obligatory 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 2018 financial year and the medium-term business planning for a period of an additional three years (2019-2021). 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 2022 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 % (2016: 1.0 %) is applied, while 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:

	2016 Pre-tax WACC	2017 Pre-tax WACC
MAIL & BRANCH NETWORK		
feibra Group	8.9 %	**8.5 %**
Other	8.6 % –12.4 %	**8.5 % –10.9 %**
PARCEL & LOGISTICS		
Slovak Parcel Service s.r.o. & IN TIME s.r.o.	10.4 %	**9.6 %**
Parcel & Logistics Austria	11.5 %	**9.9 %**
Other	9.6 % –18.5 %	**11.5 % –16.1 %**

The following table shows the additions to the impairment losses on goodwill by segment and cash generating unit:

ADDITIONS TO IMPAIRMENT LOSSES ON GOODWILL

EUR m	2016	2017
MAIL & BRANCH NETWORK		
Weber Escal d.o.o.	0.0	**2.7**
PostMaster s.r.l.	2.0	**0.0**
	2.0	**2.7**
PARCEL & LOGISTICS		
Slovak Parcel Service s.r.o. & IN TIME s.r.o.	0.0	**1.7**
	0.0	**1.7**
	2.0	**4.3**

In the 2017 financial year, an impairment loss on goodwill was recognised for the CGU Weber Escal d.o.o., Croatia, (Mail & Branch Network) as well as the CGU Slovak Parcel Service s.r.o. & IN TIME s.r.o., Slovakia (Parcel & Logistics segment), which is reported in each case under depreciation, amortisation and impairment losses in the income statement.

The underlying reason for the impairment loss of EUR 2.7m for the CGU Weber Escal d.o.o. already recognised in the first half of 2017 was the change in market conditions. The increasing competition in both the addressed and unaddressed area led to margin losses which were considered to be permanent in nature.

The change in the composition of the carrying amount at the CGU Slovak Parcel Service s.r.o. & IN TIME s.r.o. led to the impairment loss on goodwill. The CGU uses a commercial property made available by a Group subsidiary in the Corporate segment. In previous years, however, the cash flow was burdened by the invoiced rental payments. The circumstances were evaluated once again in the year under review and the rental payments were considered to be too low in relation to the carrying amount of the property. Correspondingly, the carrying amount of the property was assigned to the CGU and the cash flows were adjusted for the rental payments. Within the context of the impairment test, an impairment loss of EUR 1.7m was recognised due to these adjustments. Under the assumption of a similar approach, a large part of the impairment loss would have been recognised in the previous year. However, the earnings effect is considered to be immaterial, which is why it was decided not to adjust corresponding figures for previous years.

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. The following additional impairment losses would arise ceteris paribus for the significant cash generating units for 2017:

	Revenue expectations		WACC	
	–1 %-point		+1 %-point	
EUR m	2016	**2017**	2016	**2017**
Slovak Parcel Service s.r.o. & IN TIME s.r.o.	0.0	**1.6**	0.0	**3.1**
M&BM Express OOD	0.0	**0.2**	0.0	**0.2**
City Express d.o.o.	0.3	**0.2**	0.3	**0.1**

9.2 — Intangible assets

2016 FINANICAL YEAR

EUR m	Note	Customer relationships	Trademarks	Other intangible assets	Total
Historical costs					
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**
Scheduled amortisation	(8.5)	2.3	0.0	5.1	7.4
Impairment losses	(8.5)	0.1	0.0	0.0	0.1
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**

2017 FINANCIAL YEAR

EUR m	Note	Customer relationships	Trademarks	Other intangible assets	Total
Historical costs					
Balance at January 1, 2017		**22.9**	**4.0**	**67.6**	**94.5**
Additions arising from acquisitions		0.1	0.0	2.7	**2.8**
Additions		0.0	0.0	8.2	**8.2**
Disposals		–4.7	–0.1	–11.3	**–16.1**
Currency translation differences		0.3	0.0	0.0	**0.3**
Balance at December 31, 2017		**18.7**	**3.9**	**67.2**	**89.7**
Depreciation and impairment losses					
Balance at January 1, 2017		**18.0**	**3.7**	**51.7**	**73.3**
Scheduled amortisation	(8.5)	1.8	0.0	5.1	**6.9**
Disposals		–4.1	–0.1	–11.2	**–15.4**
Currency translation differences		0.3	0.0	0.0	**0.3**
Balance at December 31, 2017		**15.9**	**3.5**	**45.7**	**65.1**
Carrying amount at January 1, 2017		**4.9**	**0.4**	**15.9**	**21.2**
Carrying amount at December 31, 2017		**2.8**	**0.4**	**21.5**	**24.7**

No external borrowing costs were capitalised in the 2017 financial year as was the case in the previous year.

Intangible assets include trademark rights with indefinite useful lives with a carrying amount of EUR 0.4m (December 31, 2016: EUR 0.4m). The trademarks are assigned to the Parcel & Logistics segment.

Additions to other intangible assets relate to self-produced software in the amount of EUR 1.5m (2016: EUR 0.2m).

9.3 — Property, Plant and Equipment

2016 FINANCIAL YEAR

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		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**
Scheduled amortisation	(8.5)	18.5	10.6	33.7	0.0	62.8
Impairment losses	(8.5)	0.1	0.0	0.0	0.0	0.1
Reversal of impairment loss		–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**

2017 FINANCIAL YEAR

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, 2017		**658.2**	**147.6**	**322.9**	**75.8**	**1,204.5**
Additions		19.5	9.8	34.5	38.8	**102.5**
Disposals		–1.1	–6.0	–35.8	–1.2	**–44.1**
Transfers		47.8	3.6	12.9	–64.3	**0.0**
Reclassification as investment property	(9.4)	–14.3	0.0	0.0	0.0	**–14.3**
Currency translation differences		0.2	0.0	0.2	0.0	**0.5**
Balance at December 31, 2017		**710.4**	**154.9**	**334.8**	**49.0**	**1,249.1**
Depreciation and impairment losses						
Balance at January 1, 2017		**341.4**	**86.4**	**179.1**	**0.0**	**606.9**
Scheduled amortisation	(8.5)	17.2	11.0	35.3	0.0	**63.5**
Impairment losses	(8.5)	2.8	0.0	0.0	0.0	**2.8**
Disposals		–0.9	–5.9	–32.7	0.0	**–39.4**
Reclassification as investment property	(9.4)	–0.6	0.0	0.0	0.0	**–0.6**
Currency translation differences		0.1	0.0	0.2	0.0	**0.2**
Balance at December 31, 2017		**360.0**	**91.5**	**181.9**	**0.0**	**633.4**
Carrying amount at January 1, 2017		**316.8**	**61.2**	**143.8**	**75.8**	**597.6**
Carrying amount at December 31, 2017		**350.4**	**63.4**	**152.9**	**49.0**	**615.7**

In the 2017 financial year, EUR 47.2m in payments received in advance and assets under construction were reclassified as property and buildings after completion of Austrian Post's new corporate headquarters. A further EUR 14.4m in additions to property and buildings also relate to the new corporate headquarters.

Impairment losses of EUR 2.8m for property and buildings were recognised for the CGU Overseas Trade Co. Ltd. d.o.o., Croatia (Parcel & Logistics segment). Since the previous year, the carrying amount of the CGU has been higher than the recoverable amount, which is particularly due to the consistently difficult market situation in Croatia. The carrying amount of the CGU does not contain any goodwill. In turn, the carrying amount of the other assets of the CGU were tested for impairment in the 2017 financial year. On the basis of a new assessment of the fair value of the property and buildings, impairment losses of EUR 2.8m were recognised and reported under the item depreciation, amortisation and impairment losses in the income statement.

No external borrowing costs were capitalised in the 2017 financial year as was the case in the previous year. Similarly, no property, plant and equipment were used as collateral, similar to 2016.

The existing investment grants for fixed assets as at December 31, 2017 totalling EUR 2.6m (2016: EUR 0.1m) mainly relate to federal government grants for electric-powered vehicles.

Finance leases

NET CARRYING AMOUNTS AND USEFUL LIVES OF THE LEASED ASSETS

EUR m	Useful lives	Carrying amount Dec. 31, 2016	Carrying amount Dec. 31, 2017
Property and buildings	30	6.1	**5.9**
Other equipment, furniture and fittings	2–8	0.5	**0.2**

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

EUR m	2016	2017
Minimum lease payments		
No later than one year	0.5	**0.4**
Later than one year and not later than five years	1.6	**1.3**
Later than five years	2.4	**2.3**
	4.5	**4.0**
Less:		
Future financing cost	**–0.3**	**–0.2**
Present value of the minimum lease payments		
No later than one year	0.5	**0.4**
Later than one year and not later than five years	1.5	**1.1**
Later than five years	2.3	**2.2**
	4.2	**3.8**

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, preferential terms for 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 2017 financial year, as in the previous year.

9.4 — Investment Property

EUR m	Note	2016	2017
Historical cost			
Balance at January 1		**233.6**	**240.5**
Additions		12.8	**11.4**
Disposals		–5.8	**–0.7**
Reclassification from property, plant and equipment		0.3	**14.3**
Reclassification to "held for sale"		–0.4	**0.0**
Balance at December 31		**240.5**	**265.4**
Depreciation and impairment losses			
Balance at January 1		**173.1**	**171.4**
Scheduled amortisation	(8.5)	2.3	**2.4**
Impairment losses	(8.5)	0.0	**6.5**
Reversal of impairment loss		–1.0	**0.0**
Disposals		–3.0	**–0.5**
Reclassification from property, plant and equipment		0.3	**0.6**
Reclassification to "held for sale"		–0.3	**0.0**
Balance at December 31		**171.4**	**180.5**
Carrying amount at January 1		**60.5**	**69.0**
Carrying amount at December 31		**69.0**	**85.0**

EUR m	Dec. 31, 2016	Dec. 31, 2017
Fair value	223.1	**268.9**
Rental income	13.3	**15.9**
Expenses arising from property generating rental income	5.4	**10.9**
Expenses arising from property not generating rental income	1.1	**1.0**

The additions to investment property in the 2017 financial year are mainly attributable to the completion of the Post am Rochus shopping centre in the Vienna Landstrasse location as well as the real estate development of the Neutorgasse 7 property in Vienna's First District. The entire Neutorgasse 7 property is being developed, on the one hand, for future apartment rentals (classified as investment property) and, on the other hand, for the sale of apartments (classified as inventories). Due to the special contractual and structural conditions relating to irrevocable rental agreements, disproportionately high production costs arose with respect to the development of the part of the property that will be rented out. These costs were not covered by the fair value determined by experts. As a result, an impairment loss in the Corporate segment was recognised to the amount of EUR 3.5m.

The reclassifications from property, plant and equipment mainly relate to the Südtirolerplatz 16–18 property in Salzburg (railway station) whose operational use was terminated in 2017 as well as the Ivanka property in Bratislava. The Ivanka property in Bratislava had been completely rented to the CGU Slovak Parcel Service s.r.o. & IN TIME s.r.o. on an intra-Group basis. Within the context of the revaluation of the entire business case (also refer to Note 9.1 Goodwill), the property was divided on the basis of actual use. The unused parts were classified as investment property. An expert opinion on the market value of the property was prepared. On this basis, an impairment loss of EUR 3.0m was recognised in the Corporate segment.

The increase in the fair value of the investment property held by Austrian Post is mainly due to the reclassification of the Südtirolerplatz 16–18 property in Salzburg (railway station) as well as the reclassification of the Post sports complex in Vienna Hernals. In this case large portions of the complex were reclassified due to a revaluation of the actual use.

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 2017 financial year as was in the case in the previous year.

9.5 — Joint Ventures and Associates

9.5.1 INVESTMENTS CONSOLIDATED AT EQUITY

COMPOSITION OF CARRYING AMOUNTS

EUR m	Interest %	2016	Interest %	2017
Associates				
ACL advanced commerce labs GmbH, Graz	30.0	2.3	–[1]	**0.0**
ADELHEID GmbH, Berlin	50.1	5.4	50.1	**3.5**
adverserve Holding GmbH, Vienna	–	0.0	49.0	**2.7**
D2D - direct to document GmbH, Vienna	30.0	1.4	30.0	**1.5**
IN TIME SPEDICE, spol. s r.o., Prague	–	0.0	31.5	**0.0**
media.at GmbH, Vienna	20.5	0.6	–[2]	**0.0**
PHS Logistiktechnik GmbH, Graz	–	0.0	26.0	**0.4**
sendhybrid ÖPBD GmbH, Graz	26.0	0.0	26.0	**0.0**
		9.6		**8.1**
Joint ventures				
OMNITEC GmbH, Vienna	50.0	0.0	50.0	**0.0**
		0.0		**0.0**
Net carrying amount at December 31		**9.6**		**8.1**

[1] Termination of accounting using the equity method in the 2017 financial year; refer to Note 4.2 Changes in the scope of consolidation.
[2] Sale of the company as of July 18, 2017

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.

RECONCILIATION OF CARRYING AMOUNTS

EUR m	2016	2017
Net carrying amount at January 1	**53.2**	**9.6**
Additions arising from acquisitions	2.2	**3.1**
Additions arising from capital increase	3.7	**0.9**
Decrease from sale of shares	–0.2	**–0.6**
Decrease from change in accounting method	–42.2	**–2.9**
Proportionate share of profit for the period	0.9	**–1.8**
Dividends	–0.8	**–0.2**
Currency translation differences	–7.0	**0.0**
Revaluation of defined benefit obligation	–0.3	**0.0**
Net carrying amount at December 31	**9.6**	**8.1**

The additions arising from capital increase in the year under review amounted to EUR 0.5m for ACL advanced commerce labs GmbH and EUR 0.4m for PHS Logistiktechnik GmbH (2016: EUR 3.7m for ADELHEID GmbH).

The aggregated net carrying amount of the shares in essentially immaterial associates totalled EUR 8.1m (December 31, 2016: EUR 9.6m).

ACL ADVANCED COMMERCE LABS GMBH Accounting for ACL advanced commerce labs GmbH in accordance with the equity method was terminated effective October 31, 2017. Due to the increase in Austrian Post's stake from 40 % to 70 %, the company was included as a fully consolidated company in the consolidated financial statements of Austrian Post starting on November 1, 2017.

ADELHEID GMBH As at December 31, 2017, an outstanding liability existed to pay a premium amounting to EUR 0.4m (December 31, 2016: EUR 2.5m) 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 direct".

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 individual, 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	2016 adjusted[1]	2017
Immaterial associates		
Share of profit for the period	–1.1	**–1.9**
	–1.1	**–1.9**
Material joint ventures		
Share of profit for the period	2.0	**0.0**
Share of other comprehensive income	10.3	**0.0**
	12.3	**0.0**
Results from financial assets accounted for using the equity method	**0.9**	**–1.9**
Financial assets accounted for using the equity method – Share of other comprehensive income	**10.3**	**0.0**

[1] Adjustments see Note 3.2 Changes in the presentation of the consolidated financial statements and adjustments to prior-year figures

The material joint ventures in the 2016 financial year exclusively referred to Aras Kargo a.s.

9.6 — Other Financial Assets

EUR m	Dec. 31, 2016 Due within 1 year	Dec. 31, 2016 Due in more than 1 year	Dec. 31, 2016 Total	Dec. 31, 2017 Due within 1 year	Dec. 31, 2017 Due in more than 1 year	Dec. 31, 2017 Total
Securities	45.7	15.2	60.9	**44.6**	**36.1**	**80.6**
Other stakes	0.0	61.1	61.1	**0.0**	**50.2**	**50.2**
Derivative financial assets	0.0	0.0	0.0	**0.0**	**0.1**	**0.1**
Total	**45.7**	**76.3**	**122.0**	**44.6**	**86.4**	**131.0**

SECURITIES essentially relate to investment funds and bonds. The securities held by Austrian Post feature an investment grade or comparable first-class creditworthiness. Austrian Post only invests in internationally recognised asset management companies

OTHER STAKES The 25 % stake held in Aras Kargo a.s. continues to be recognised as a financial asset pursuant to IAS 39. The company has been managed by a trustee panel appointed by the court since the spring of 2017. The trustee panel is only responsible to the court. For this reason, there is no possibility for the shareholders to exercise any influence. The fair value amounted to EUR 44.6m, a rise of EUR 1.6m from the previous year. The increase is reported in Other comprehensive income as fair value changes for financial assets available for sale.

Austrian Post owned an indirect shareholding in BAWAG P.S.K. since 2007. In the 2017 financial year, the shares to the amount of about 0.5 % were held via the Dutch investment holding company Promontoria Sacher Holding B.V. Within the context of the Initial Public Offering of BAWAG Group AG (parent company of BAWAG P.S.K.) in the 2017 financial year, the shares were directly distributed to the shareholders by Promontoria Sacher Holding B.V. by means of a non-cash dividend. The shares which were received were subsequently sold in the fourth quarter of 2017, resulting in a gain of EUR 11.0m (thereof EUR 11.4m from the reclassification of the revaluations in the 2016 and 2017 financial years included in the item Other comprehensive income in the income statement).

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. Austrian Post exercised this call option on May 18, 2016. However, differences of opinion exist between Austrian Post and the majority owner with respect to implementation of the call option agreement. Austrian Post initiated arbitration proceedings in Geneva to defend Austrian Post's legal position. No agreement had been reached by the balance sheet date and no decision had been made within the context of the arbitration proceedings. The call option was stated at zero as at December 31, 2017.

The carrying amount of the derivative financial instruments is in connection with the acquisition of sendhybrid ÖPBD GmbH.

For disclosures on determining market values refer to Note 10.1 Financial instruments.

9.7 — Inventories

EUR m	Dec. 31, 2016	Dec. 31, 2017
Materials and consumables	10.4	**10.4**
Less impairment losses	–4.5	**–4.3**
Work in progress buildings	3.9	**8.9**
Less impairment losses	0.0	**–0.6**
Merchandise	10.4	**8.7**
Less impairment losses	–2.1	**–1.3**
Prepayments inventories	0.0	**0.1**
Services not yet invoiced	0.0	**0.2**
	18.1	**22.0**

Work in progress refers to buildings built within the context of the real estate development project Neutorgasse 7 in Vienna's First District, 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.

9.8 — Trade and Other Receivables

			Dec. 31, 2016			Dec. 31, 2017
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	200.4	0.0	200.4	**209.5**	**0.0**	**209.5**
Receivables from financial assets accounted for using the equity method	1.4	1.4	2.8	**3.2**	**1.8**	**5.0**
Other receivables	74.8	13.2	88.0	**130.9**	**17.1**	**148.0**
	276.6	**14.6**	**291.2**	**343.6**	**19.0**	**362.6**

The receivables from financial assets accounted for using the equity method are mainly subordinate shareholder loans including accrued interest from AEP GmbH, Germany, to the amount of EUR 1.5m (December 31, 2016: EUR 1.5m), from sendhybrid ÖPBD GmbH totalling EUR 1.5m (December 31, 2016: EUR 1.0m) and from IN TIME SPEDICE, spol. s r.o., Czech Republic, amounting to EUR 0.8m (December 31, 2016: EUR 0,0m).

Other receivables as at December 31, 2017 include repayment claims from employer contributions related to the payroll accounting of civil servants in previous periods of EUR 56.4m (December 31, 2016: EUR 28.2m). The claims which existed in the previous year were credited by financial authorities to Austrian Post in the 2017 financial year and offset against current charges. Further information can be found in Note 7.5 Reclamation of employer contributions related to the payroll accounting of civil servants. Other receivables as at December 31, 2017 also include receivables of EUR 31.0m from BAWAG P.S.K. from the change in the cooperation agreement. Further information can be found in Note 6.2 Termination of the cooperation agreement with BAWAG P.S.K.

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, 2016	Dec. 31, 2017
Bank balances	97.6	**96.3**
Short-term deposits (demand deposits)	175.9	**182.2**
Cash on hand	4.3	**11.5**
	277.8	**290.0**

9.10 — Assets and Liabilities Held for Sale

POSTMASTER S.R.L. The assets and liabilities held for sale of PostMaster s.r.o., Bucharest, (Mail & Branch Network segment) as at December 31, 2016 were disposed of in the 2017 financial year. Refer to Note 4.2 Changes in the consolidation scope.

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 authorised 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.

At the Annual General Meeting held on April 20, 2017, the Management Board was authorised over a period of 30 months starting on April 20, 2017 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 2017 financial year:

	Shares
Balance at January 1, 2017	67,552,638
Balance at December 31, 2017	67,552,638
Weighted average number of shares in the 2017 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 Österreichische Post AG 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 as well as a reclassification of reserves from deconsolidated companies pursuant to IAS 19.

Other reserves contain IAS 19 reserve, reserves from the revaluation of financial instruments and currency translation reserves. The IAS 19 reserve results from adjustments and changes made to actuarial assumptions whose effects are recognised in Other comprehensive income. The item revaluation of financial instruments encompasses fair value changes for 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 as well as ACL advanced commerce labs GmbH.

The profit for the period in the 2017 financial year amounted to EUR 165.0m (2016: EUR 152.7m). The profit for the period attributable to equity holders of the parent company amounted to EUR 165.2m (2016: EUR 152.7m). In accordance with the provisions stipulated in the Austrian Stock Corporation Act, the basis for the distribution of profits is the annual financial statements of Österreichische Post AG at the balance sheet date on December 31, 2017. In this respect, the profit shown in the balance totalled EUR 234.0m (2016: EUR 236.8m).

The Management Board will propose a dividend for the 2017 financial year totalling EUR 138.5m, corresponding to a basic dividend of EUR 2.05 per share (2016: EUR 135.1m, basic dividend of EUR 2.00 per share).

The following table shows the composition of Other comprehensive income for the 2016 and 2017 financial years:

2016 FINANCIAL YEAR

	Other reserves					
EUR m	IAS 19 reserve	Revaluation of financial instruments	Currency translation reserves	Equity attributable to shareholders of the parent company	Non-controlling interests	Equity
Currency translation differences – investments in foreign businesses	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	5.4	0.0	5.4	0.0	5.4
Revaluation of defined benefit obligations	–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	–0.3	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	17.6	17.6	0.0	17.6
Tax effect	2.4	–1.4	0.0	1.0	0.0	1.0
Other comprehensive income	**–7.4**	**4.0**	**10.9**	**7.5**	**0.0**	**7.5**

2017 FINANCIAL YEAR

	Other reserves					
EUR m	IAS 19 reserve	Revaluation of financial instruments	Currency translation reserves	**Equity attributable to shareholders of the parent company**	Non-controlling interests	**Equity**
Currency translation differences – investments in foreign businesses	0.0	0.0	0.7	**0.7**	0.0	**0.7**
Currency translation differences – reclassification to profit and loss	0.0	0.0	–0.1	**–0.1**	0.0	**–0.1**
Changes in the fair value of financial assets available for sale	0.0	8.2	0.0	**8.2**	0.0	**8.2**
Changes in the fair value of financial assets available for sale – reclassification to profit or loss	0.0	–11.2	0.0	**–11.2**	0.0	**–11.2**
Revaluation of defined benefit obligations	–1.2	0.0	0.0	**–1.2**	0.0	**–1.2**
Tax effect	0.3	1.2	0.0	**1.4**	0.0	**1.4**
Other comprehensive income	**–0.9**	**–1.8**	**0.6**	**–2.1**	**0.0**	**–2.1**

In the 2017 financial year, Austrian Post disposed of the shares it indirectly held in BAWAG P.S.K. since 2007. The sale of these shares resulted in the reclassification of the revaluations in the 2016 and 2017 financial years included in the item Other comprehensive income in the income statement to the amount of EUR 11.4m. Refer to Note 9.6 Other financial assets.

CAPITAL MANAGEMENT The capital management of Austrian Post aims at ensuring a suitable capital structure to serve as the basis for achieving its 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 (Group net profit), assuming the continuation of the company's successful business development and that no exceptional circumstances arise.

Taking the balance sheet total of EUR 1,674.2m as at December 31, 2017 as a basis (December 31, 2016: EUR 1,541.8m), the equity ratio as at December 31, 2017 equalled 41.7 % (December 31, 2016: 43.5 %).

9.12 — Provisions

			Dec. 31, 2016			Dec. 31, 2017
EUR m	Due within 1 year	Due in more than 1 year	Total	**Due within 1 year**	**Due in more than 1 year**	**Total**
Provisions for termination benefits	2.5	101.0	103.6	**3.3**	**101.6**	**104.9**
Provisions for jubilee benefits	6.4	86.0	92.4	**8.2**	**77.5**	**85.7**
Other employee provisions	95.6	163.3	259.0	**101.9**	**204.8**	**306.7**
Other provisions	29.8	18.6	48.4	**65.4**	**1.1**	**66.5**
	134.3	**369.0**	**503.3**	**178.6**	**385.1**	**563.7**

9.12.1 PROVISIONS FOR TERMINATION AND JUBILEE BENEFITS

2016 FINANCIAL YEAR

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

2017 FINANCIAL YEAR

EUR m	Termination benefits	Jubilee benefits	Total
Present value of the obligation at January 1, 2017	**103.6**	**92.4**	**196.0**
Current service cost	5.0	4.8	**9.8**
Interest expense	1.7	1.2	**3.0**
Actuarial gains (–) and losses (+) from the change in demographic assumptions	0.1	–0.1	**0.1**
Actuarial gains (–) and losses (+) from the change in financial assumptions	–0.1	–1.7	**–1.8**
Experience adjustments	1.1	–5.6	**–4.5**
Actual payments	–6.6	–5.4	**–12.1**
Present value of the obligation at December 31, 2017	**104.9**	**85.7**	**190.5**

Actuarial gains and losses arise from the adjustments to the parameters for the discount rate, salary increases, and employee turnover as described in Note 6.17 Actuarial gains and losses for termination and jubilee benefits. Actuarial gains and losses as well as adjustments to termination benefits made from experience are recognised in Other comprehensive income. Actuarial gains and losses as well as adjustments to jubilee benefits made from experience are recognised in staff costs.

Expenses for termination benefits 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

2016 FINANCIAL YEAR

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**

2017 FINANCIAL YEAR

EUR m	Under-utilisation	Other employee related provisions	Total
Balance at January 1, 2017	**167.6**	**91.4**	**259.0**
Transfer	–7.4	–2.3	**–9.7**
Allocation	79.6	74.7	**154.3**
Use	–16.9	–51.1	**–68.0**
Reversals	–10.0	–20.5	**–30.5**
Accrued interest	1.7	0.0	**1.7**
Balance at December 31, 2017	**214.5**	**92.1**	**306.7**

PROVISIONS FOR UNDER-UTILISATION Refer to Note 6.18 Provisions for under-utilisation for details on the accounting and valuation methods underlying the provisions for under-utilisation.

On balance, the development of provisions for under-utilisation showed an allocation of EUR 79.6m. This also includes an increase in the provisions of EUR 7.9m due to the change in the relevant parameters compared to the previous year.

As a consequence of the termination of the cooperation agreement with BAWAG P.S.K. and the corresponding change agreement with respect to the rendering of financial services, provisions were allocated for employees working in this area within the context of the provisions for under-utilisation (also refer to Note 6.2 Termination of the cooperation agreement with BAWAG P.S.K.). This led to an additional allocation to the provisions for under-utilisation totalling EUR 56.2m. An additional EUR 14.3m (2016: EUR 13.5m) related to applications submitted by civil servants to initiate retirement proceedings on grounds of invalidity. Another EUR 9.3m (2016: EUR 9.4m) was allocated for civil servants applying to be accepted into the programme enabling a possible transfer to the federal public service. The use of these provisions relates to ongoing payments for the employees in the Post Internal Labour Market and was somewhat below the prior-year level. The transfer of minus EUR 7.4m includes minus EUR 8.0m (2016: minus EUR 6.2m) relating to the provisions 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 74.7m (2016: EUR 69.5m) primarily relates to allocations for employee profit-sharing schemes and performance related bonuses (2017: EUR 58.4m, 2016: EUR 44.1m) and programmes involving voluntary termination benefit offers (2017: EUR 14.6m, 2016: EUR 19.7m).

The use of provisions totalling EUR 51.1m refers to payments for employee profit-sharing schemes and performance related bonuses (2017: EUR 42.1m; 2016: EUR 43.2m) and programmes involving voluntary termination benefit offers (2017: EUR 3.7m; 2016: EUR 9.3m) as well as the expiring stop-gap model in line with the social plan (2017: EUR 3.3m; 2016: EUR 8.8m).

The reversal of EUR 20.5m refers to provisions which were not required for programmes involving voluntary termination benefit offers to the amount of EUR 11.4m and EUR 6.7m for provisions for employee profit-sharing schemes and performance related bonuses. Furthermore, EUR 1.4m (2016: EUR 0.6m) in provisions were reversed for restructuring provisions in the Mail & Branch Network segment.

9.12.3 OTHER PROVISIONS

2016 FINANCIAL YEAR

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**

2017 FINANCIAL YEAR

EUR m	
Balance at January 1, 2017	**48.4**
Transfer	–22.7
Allocation	44.8
Use	–3.5
Reversals	–0.5
Balance at December 31, 2017	**66.5**

In addition to provisions for litigation and legal expenses, auditing and consulting fees as well as provisions for damages, other provisions are also for potential compensation payments to the amount of EUR 40.6m (2016: EUR 5.2m). More information can be found in Note 7.5 Reclamation of employer contributions related to the payroll accounting of civil servants.

The provisions in the previous year for uncertain liabilities in connection with statutory levies and contributions to the amount of EUR 22.7m were reclassified as other liabilities following an agreement reached with the federal government.

9.13 — Other financial liabilities

			Dec. 31, 2016			Dec. 31, 2017
EUR m	Due within 1 year	Due in more than 1 year	Total	Due within 1 year	Due in more than 1 year	Total
Borrowings form banks	1.4	0.0	1.4	**3.1**	**0.0**	**3.1**
Finance lease liabilities	0.5	3.7	4.2	**0.4**	**3.4**	**3.8**
	1.8	**3.7**	**5.6**	**3.4**	**3.4**	**6.8**

9.14 — Trade and Other Payables

			Dec. 31, 2016			Dec. 31, 2017
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 payables	187.5	0.1	187.6	**189.7**	**0.1**	**189.7**
Payables from financial assets accounted for using the equity method	3.1	0.0	3.1	**1.1**	**0.0**	**1.1**
Other liabilities	144.1	21.5	165.6	**160.4**	**39.3**	**199.6**
	334.6	**21.6**	**356.3**	**351.2**	**39.3**	**390.5**

Other liabilities to the amount of EUR 199.6m include liabilities for holiday entitlements not taken to the amount of EUR 33.7m (December 31, 2016: EUR 32.4m) and payments received in advance for services which have not yet been rendered totalling EUR 26.4m (December 31, 2016: EUR 19.4m) alongside liabilities to tax authorities and social security institutions of EUR 38.0m (December 31, 2016: EUR 54.3m). Other liabilities also include liabilities from charges and contributions totalling EUR 19.0m which were reclassified from other provisions following an agreement reached with the federal government.

9.15 —— Income Tax

EUR m	2016	2017
Income tax expense for the current year	40.9	**49.2**
Tax credits arrears from prior tax years	–9.7	**1.3**
Deferred tax expense/income	17.6	**5.1**
	48.8	**55.6**

A tax audit for the years 2011–2014 was carried out by financial authorities in Austria during the 2017 financial year. The audit is expected to be completed in 2018. Undisputed facts were already taken into consideration in the consolidation financial statements as reflected in an additional income tax expense of EUR 1.9m. The precise amount of the future outflow of resources cannot be reliably estimated, although Austrian Post does not expect any material effects on the consolidated financial statements. For this reason, it was decided not to include a separate note on this matter in the consolidated financial statements pursuant to IAS 12.88.

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 25.2 % in 2017 (2016: 24.2 %).

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

EUR m	2016	2017
Profit before tax	**201.5**	**220.6**
Expected taxes on income	**50.4**	**55.1**
Tax deductions due to		
Write-down of subsidiaries to lower going concern value	–1.1	**–5.1**
Adjustments to foreign tax rates	–0.4	**0.0**
Changes in the consolidation scope	–1.4	**0.0**
Profits not affecting taxes (accounted for using the equity method)	–0.2	**0.0**
Other tax-reducing items	–3.9	**–1.9**
	–7.1	**–7.0**
Tax increases due to		
Impairment losses on goodwill	0.3	**1.1**
Adjustments to foreign tax rates	0.0	**0.4**
Changes in the consolidation scope	0.0	**0.1**
Losses not affecting taxes (accounted for using the equity method)	0.0	**0.5**
Other tax-increasing items	2.1	**3.3**
	2.4	**5.4**
Income tax expense for the period	**45.7**	**53.5**
Adjustment of actual income tax expenses/income from prior years	–9.7	**1.3**
Adjustment of deferred tax expenses/income from prior years	4.9	**–0.7**
Change in unrecognised deferred tax assets	7.9	**1.5**
Current tax expense	**48.8**	**55.6**

Information on deferred tax assets and liabilities

The effects on the deferred tax reported on the balance sheet of the temporary differences between the amounts shown in the consolidated financial statements and those recognised for tax purposes were as follows:

EUR m	Dec. 31, 2016	Dec. 31, 2017
Deferred tax assets arising from temporary differences		
Goodwill	0.7	**0.6**
Customer relationships	0.5	**0.6**
Trademarks	0.2	**0.2**
Property, plant and equipment	0.1	**2.1**
Financial assets (write-down to lower going concern value)	51.8	**41.1**
Inventories	0.0	**0.2**
Receivables	0.3	**0.1**
Provisions	26.0	**28.5**
Liabilities	1.1	**1.7**
	80.7	**75.1**
Deferred tax liabilities arising from temporary differences		
Goodwill	–0.2	**–0.2**
Customer relationships	–0.5	**–0.3**
Trademarks	–0.1	**–0.1**
Other intangible assets	–0.3	**–1.3**
Property, plant and equipment	–2.7	**–1.9**
Other financial assets	–1.5	**–0.3**
Inventories	–0.5	**–0.2**
	–5.8	**–4.2**
Deferred tax arising from loss carry-forwards	**0.5**	**0.3**
less: deferred tax assets not recognised	0.0	**–0.1**
Total net deferred tax	**75.5**	**71.1**

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

EUR m	Dec. 31, 2016	Dec. 31, 2017
Recognition in the consolidated balance sheet		
Deferred tax assets	76.4	**72.2**
Deferred tax liabilities	–0.9	**–1.1**
Total net deferred tax	**75.5**	**71.1**

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 tax liabilities
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 obligation	2.4	0.0
	1.0	**0.0**
Balance at December 31, 2016	**76.4**	**0.9**
Balance at January 1, 2017	**76.4**	**0.9**
Changes affecting net income	**–5.6**	**–0.5**
Changes recognised directly in equity		
Available for sale securities	1.2	0.0
Revaluation of defined benefit obligation	0.3	0.0
Additions arising from acquisitions	0.0	0.7
	1.4	**0.7**
Balance at December 31, 2017	**72.2**	**1.1**

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

EUR m	Dec. 31, 2016	Dec. 31, 2017
Unrecognised temporary differences from:		
Loss carry forwards	**26.9**	**30.7**
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	**0.3**
thereof due later than 6 years	0.6	**0.0**
due within an indefinite period of time	26.3	**30.3**
Other temporary differences	**0.0**	**0.6**
	26.9	**31.3**

Temporary differences totalling EUR 28.4m (December 31, 2016: EUR 36.3m) 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:

2016 FINANCIAL YEAR

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 stakes	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**
Payables from 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

2017 FINANCIAL YEAR

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	80.6	0.0	0.0	**80.6**
Other stakes	3	0.0	50.2	0.0	0.0	**50.2**
Derivative financial assets	3	0.1	0.0	0.0	0.0	**0.1**
		0.1	**130.8**	**0.0**	**0.0**	**131.0**
Measurements not carried out at fair value						
Trade receivables	–	0.0	0.0	209.5	0.0	**209.5**
Receivables from financial assets accounted for using the equity method	–	0.0	0.0	5.0	0.0	**5.0**
Other receivables[1]	–	0.0	0.0	43.4	0.0	**43.4**
Cash and cash equivalents	–	0.0	0.0	290.0	0.0	**290.0**
		0.0	**0.0**	**547.9**	**0.0**	**547.9**
Financial liabilities						
Measurements carried out at fair value						
Contingent Consideration	3	3.5	0.0	0.0	0.0	**3.5**
		3.5	**0.0**	**0.0**	**0.0**	**3.5**
Measurements not carried out at fair value						
Other financial liabilities	–	0.0	0.0	0.0	6.8	**6.8**
Trade payables	–	0.0	0.0	0.0	189.7	**189.7**
Payables from financial assets accounted for using the equity method	–	0.0	0.0	0.0	1.1	**1.1**
Other liabilities[2]	–	0.0	0.0	0.0	95.0	**95.0**
		0.0	**0.0**	**0.0**	**292.7**	**292.7**

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:

EUR m	Dec. 31, 2016 Carrying amount	Dec. 31, 2016 Market value	**Dec. 31, 2017 Carrying amount**	**Dec. 31, 2017 Market value**
Other financial liabilities				
Borrowings from banks	1.4	1.4	**3.1**	**3.1**
Finance lease liabilities	4.2	4.2	**3.8**	**3.8**
	5.6	**5.6**	**6.8**	**6.8**

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 the 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 stakes	Market approach or net present value approach	Multiples of comparable companies; Business plans and related probability-weighted scenarios; risk-weighted discount rates (WACC)
3	Derivative financial assets	Net present value approach	Business plans and related probability-weighted scenarios; risk-weighted discount rates (WACC)
3	Contingent Consideration	Net present value approach	Business plans and related probability-weighted scenarios; discount rates
MEASUREMENTS NOT CARRIED OUT AT FAIR VALUE			
3	Trade receivables 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.

In relation to determining the fair value of Aras Kargo a.s., a variation in the following key input factors as well as the reference rate at the balance sheet date resulted in the following sensitivities:

	WACC		BIP growth		Reference rate at balance sheet date EUR/TRY	
EUR m	–1 %-point	+1 %-point	–0.5 %-points	+0.5 %-points	–10 %	+10 %
Fair value Aras Kargo a.s.	5.5	–4.5	–15.1	17.4	4.9	–4.1

The following table shows the reconciliation of Level 3measurements at fair value applying to financial assets and liabilities for the 2016 and 2017 financial years:

FINANCIAL ASSETS

EUR m	2016	2017
Starting balance at January 1	**14.6**	**61.1**
Total gains and losses		
Recognised through profit or loss under other operating expense	–1.7	**0.0**
Recognised through Other comprehensive income	4.7	**8.4**
Additions	43.5	**0.2**
Disposals	0.0	**–19.4**
Closing balance at December 31	**61.1**	**50.3**

The gain of EUR 8.4m recognised in Other comprehensive income in the 2017 financial year mainly relates to the revaluation of the indirectly held shares in BAWAG P.S.K. and the appreciation in value of the 25 % stake held in Aras Kargo a.s. The disposals totalling EUR 19.4m resulted from the sale of the indirectly held shares in BAWAG P.S.K. (refer to Note 9.6 Other financial assets).

FINANCIAL LIABILITIES

EUR m	2016	2017
Starting balance at January 1	**2.3**	**2.1**
Total gains and losses		
Recognised through profit or loss under other operating income	–0.1	**–0.2**
Additions from business combinations	0.6	**3.4**
Payments	–0.5	**–1.8**
Reclassification to revenue reserves	–0.2	**0.0**
Closing balance at December 31	**2.1**	**3.5**

The additions from business combinations in the 2017 financial year are in connection with the liabilities recognised with the acquisition of an additional 40 % of the shares in ACL advanced commerce labs GmbH. Furthermore, Austrian Post acquired a 49 % shareholding in adverserve Holding GmbH and 31.5 % of the shares in IN TIME SPEDICE spol. s r.o. (refer to Note 4.2 Changes in the consolidation scope). The payments relate to the purchase price payment in 2017 for the shares in EMD acquired in the 2015 financial year and the purchase price payment in 2017 for the 30 % stake in ACL advanced commerce labs GmbH acquired in the 2016 financial year.

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 2016 and 2017 financial years:

EUR m	2016 Income statement	2016 Other comprehensive income	2016 Total	2017 Income statement	2017 Other comprehensive income	2017 Total
Measured at fair value through profit or loss						
Results from disposal	0.1	0.0	0.1	0.2	0.0	0.2
Valuation results	–1.7	0.0	–1.7	0.1	0.0	0.1
	–1.6	**0.0**	**–1.6**	**0.3**	**0.0**	**0.3**
Available for sale						
Results from disposal	0.0	0.0	0.0	11.0	–11.2	–0.1
Valuation results	0.0	5.4	5.4	0.0	8.2	8.2
	0.0	**5.4**	**5.4**	**11.0**	**–3.0**	**8.0**
Loans and receivables						
Valuation results	–4.4	0.0	–4.4	–8.2	0.0	–8.2
	–4.4	**0.0**	**–4.4**	**–8.2**	**0.0**	**–8.2**
	–6.0	**5.4**	**–0.6**	**3.1**	**–3.0**	**0.1**

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	2016	2017
Interest income		
Cash and cash equivalents	1.2	0.5
Other financial assets	0.1	0.2
	1.3	**0.6**
Interest expenses		
Other financial liabilities	–0.5	–0.3
	–0.5	**–0.3**

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 recognisable 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 invests in internationally reputably asset management 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, 2016

			Thereof			
EUR m	Carrying amount	Thereof not individually adjusted	Not overdue	Overdue for 1–90 days	Overdue for 91–180 days	Overdue 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**					

DECEMBER 31, 2017

			Thereof			
EUR m	**Carrying amount**	Thereof not individually adjusted	Not overdue	Overdue for 1–90 days	Overdue for 91–180 days	Overdue for more than 180 days
Gross carrying amount						
Trade receivables	**216.7**	196.4	174.9	20.5	0.4	0.5
Receivables from financial assets accounted for using the equity method	**5.1**	5.1	4.2	0.9	0.0	0.0
Other receivables	**56.6**	41.8	41.5	0.1	0.1	0.1
	278.4					
Impairment	**–20.8**					
Net carrying amount	**257.6**					

The management of Austrian Post assumes that the receivables recognised as being overdue for 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, 2016

EUR m	Jan. 1, 2016	Allocation	Use	Reversals	Reclassification to "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**

DECEMBER 31, 2017

EUR m	Jan. 1, 2017	Allocation	Use	Reversals	Reclassification to "held for sale"	Dec. 31, 2017
Impairment losses						
Trade receivables	5.1	2.8	–0.6	–0.2	0.0	7.1
Other receivables	8.7	5.7	–0.4	–0.3	0.0	13.7
	13.8	**8.5**	**–0.9**	**–0.5**	**0.0**	**20.8**

LIQUIDITY RISKS 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, 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
Payables from financial assets accounted for using the equity method	3.1	3.1	3.1	0.0	0.0
Other liabilities	54.3	54.3	40.5	13.9	0.0
	250.6	**250.6**	**233.0**	**15.3**	**2.3**

DECEMBER 31, 2017

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	6.8	6.8	3.5	1.1	2.2
Trade payables	189.7	189.7	189.7	0.1	0.0
Payables from financial assets accounted for using the equity method	1.1	1.1	1.1	0.0	0.0
Other liabilities	95.0	95.3	66.4	28.9	0.0
	292.7	**293.0**	**260.7**	**30.0**	**2.2**

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 implies 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 receivables 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:

2016 FINANCIAL YEAR

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

2017 FINANCIAL YEAR

EUR m	**Market interest rate**	
	+1 %-point	**–1 %-point**
Other financial result	**1.6**	**–1.6**

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 (also refer to Note 10.1.2 Information on determining fair values).

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 and 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 even if their time to maturity goes beyond three months. They serve the purpose of being able to fulfil short-term 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.

Within the context of putting together the consolidated cash flow statement, the cash flows of subsidiaries whose function currency is not the Euro are directly determined in Euros for reasons of simplification. Potential currency translation differences on the company's financial resources are considered to be immaterial.

CASH FLOW RELATING TO THE ACQUISITION AND DISPOSAL OF SUBSIDIARIES The cash flow arising from the acquisition and disposal of subsidiaries is comprised of the following:

EUR m	2016	2017
Acquisitions of subsidiaries		
Cash outflow for acquisitions		
Acquisition date in the current financial year (purchase price)	0.0	–8.0
Outstanding purchase price liability	0.0	2.4
Acquisition date in previous years (remaining purchase price)	–0.5	–1.3
	–0.5	**–6.9**
Cash and cash equivalents acquired	0.0	1.7
	–0.5	**–5.2**
Sale of subsidiaries		
Cash inflows for disposal of subsidiaries		
Time of sale current financial year (sales prices)	0.0	1.6
	0.0	**1.6**
Disposed cash and cash equivalents	0.0	–0.7
	0.0	**0.8**
Total	**–0.5**	**–4.4**

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

EUR m	2016 adjusted[1]	2017
Results from the disposal of property, plant and equipment	–2.6	–1.6
Results from the disposal of financial assets accounted for using the equity-method	16.8	–2.8
Results from the disposal of financial instruments	1.8	–11.0
Net interest income/expense	–3.4	–5.0
Currency translation	0.1	0.2
Valuation of loans granted	1.4	0.0
Valuation of receivables	2.7	8.2
Without effect in profit and loss (IAS 19)	–9.5	–1.2
Effects from termination of collaboration with BAWAG P.S.K.	0.0	–26.9
Reclamation of employer contributions related to the payroll accounting	0.0	–21.0
Remeasurement of fair value of the disposal group trans-o-flex	–6.8	0.0
Reversal of impairment of property, plant and equipment and investment property	–3.7	0.0
Other	–2.8	–2.0
Total	**–6.0**	**–63.1**

[1] Adjustments see Note 3.2 Changes in the presentation of the consolidated financial statements and adjustments to prior-year figures

With respect to the effects relating to the termination of the cooperation agreement with BAWAG P.S.K., refer to Note 6.2 Termination of the cooperation agreement with BAWAG P.S.K. With respect to effects relating to the reclamation of employer contributions, refer to Note 7.5 Reclamation of employer contributions from the payroll accounting of civil servants.

OTHER FINANCIAL LIABILITIES The change in other financial liabilities in the cash flow contains cash inflows of EUR 1.2m (2016: cash outflows of EUR 6.9m) from loan liabilities and payments to the amount of EUR 0.5m (2016: EUR 0.5m) from obligations relating to financial lease contracts. Cash inflows and outflows from short-term revolving items are netted in the reported amounts pursuant to IAS 7.22 (b).

The reconciliation of other financial liabilities from January 1, 2017 to December 31, 2017 taking account of the cash flow from financing activities is as follows:

EUR m	Borrowings from banks	Finance lease liabilities	Other financial liabilities total
Balance at January 1, 2017	**1.4**	**4.2**	**5.6**
Cash flow from financing activities	1.2	–0.5	**0.7**
Acquisition of subsidiaries	0.5	0.0	**0.5**
Balance at December 31, 2017	**3.1**	**3.8**	**6.8**

CASH AND CASH EQUIVALENT The cash and cash equivalents presented in the consolidated cash flow statement can be reconciled to the cash and cash equivalents in the consolidated balance sheet as follows:

EUR m	Dec. 31, 2016	Dec. 31, 2017
Cash and cash equivalents	**278.0**	**290.0**
Cash and cash equivalents included in assets held for sale	–0.2	**0.0**
Cash and cash equivalents Balance Sheet	**277.8**	**290.0**

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, 2016	Dec. 31, 2017
No later than one year	14.3	**14.7**
Later than one year and not later than five years	35.6	**33.8**
Later than five years	19.9	**14.2**
	69.8	**62.7**

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

In the 2017 financial year, a total of EUR 48.5m (2016: EUR 58.1m) 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 0.4m (December 31, 2016: EUR 0.1m) for intangible assets. Acquisition obligations for property, plant and equipment totalled EUR 23.0m as at December 31, 2017 (December 31, 2016: EUR 21.7m). A total of EUR 14.7m of the acquisition obligations in the previous year related to the new corporate headquarters located at Vienna Landstrasse.

11.3 —— Related Party Transactions

The Republic of Austria holds a 52.85 % share in Austrian Post through its privatisation and industrial holding company Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB). Consequently, the Republic of Austria and companies in which it has a controlling interest 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 recognised 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:

2016 FINANCIAL YEAR

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

2017 FINANCIAL YEAR

EUR m	Associates	Joint Ventures	Other related companies	Related persons	Total
Total operating income	2.3	0.6	194.4	0.0	**197.3**
Total operating expenses	7.4	1.5	52.2	0.0	**61.2**
Outstanding receivables	5.0	0.0	21.1	0.0	**26.1**
Outstanding payables	1.1	0.0	3.5	0.0	**4.7**

Operating income in the 2016 and 2017 financial years mainly refers to services provided by BBG Bundesbeschaffung GmbH, the Federal Procurement Agency. 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 2017 financial year, delivery services valued at EUR 129.0m (2016: EUR 135.5m) 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 11.0m (2016: EUR 10.7m), purchases of retail goods from A1 Telekom Austria AG valued at EUR 14.3m (2016: EUR 13.6m) and energy purchases from the OMV Group of EUR 5.5m (2016: EUR 9.4m).

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 0.7m were reported as at December 31, 2017 (December 31, 2016: EUR 1.2m).

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

2016 FINANCIAL YEAR

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 remuneration programme	0.0	1.8	4.0	5.8
	0.4	**6.1**	**11.2**	**17.7**

2017 FINANCIAL YEAR

EUR m	Supervisory Board	Management Board	Senior executives	Total
Short-term employment benefits	0.3	4.3	6.8	11.4
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 remuneration programme	0.0	5.4	9.9	15.3
	0.3	**10.0**	**16.8**	**27.1**

11.4 — Audit Fees

The fees for the auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in the 2016 and 2017 financial years can be broken down as follows:

AUDIT FEES

EUR thousand	2016	2017
Audits		
Audit of individual and consolidated financial statements of the parent company Österreichische Post AG as at December 31st	98.0	**98.0**
Audits of Austrian Post subsidiaries as at December 31st	132.7	**147.5**
Other audit related services	10.5	**16.8**
Other services	50.7	**56.9**
	291.9	**319.2**

11.5 — Events After the Reporting Period

Events after the balance sheet date that are relevant for valuation on the balance sheet date are included in these consolidated financial statements.

Following the termination of the cooperation agreement by the banking partner BAWAG P.S.K., Austrian Post and BAWAG P.S.K. concluded an agreement on February 21, 2018 stipulating an amicable and step by step dissolution of the partnership by the end of 2019. However, in some areas there is still the possibility above and beyond 2019 for BAWAG P.S.K. to render banking services. Initial steps, particularly in the sale of financial products, were already taken at the end of 2017 (refer to Note 6.2 Termination of the cooperation agreement with BAWAG P.S.K.). The break-up agreement regulates the scope and remuneration for future services to be rendered as well as the gradual reduction of services and remuneration. Significant one-time payments are earmarked.

11.6 — Austrian Post Group Companies

Company and location	Dec. 31, 2016 Interest %	Dec. 31, 2016 Method of consolidation[1]	Dec. 31, 2017 Interest %	Dec. 31, 2017 Method of consolidation[1]
ACL advanced commerce labs GmbH, Graz	30.00	EM	**70.00**	**FC**
Aktionsfinder GmbH, Salzburg (merged)	100.00	FC	**0.00**	**n. a.**
Austrian Post International Deutschland GmbH, Bonn	100.00	FC	**100.00**	**FC**
City Express d.o.o., Belgrade	100.00	FC	**100.00**	**FC**
City Express Montenegro d.o.o, Podgorica	100.00	FC	**100.00**	**FC**
EMD - Elektronische- u. Mikrofilm-Dokumentationssysteme Ges.m.b.H., Haid bei Ansfelden	100.00	FC	**100.00**	**FC**
Express One d.o.o., Sarajevo	100.00	FC	**100.00**	**FC**
feibra GmbH, Vienna	100.00	FC	**100.00**	**FC**
IN TIME s.r.o., Ivanka pri Dunaji	100.00	FC	**100.00**	**FC**
M&BM Express OOD, Sofia	76.00	FC	**76.00**	**FC**
Medien.Zustell GmbH, Vienna	100.00	FC	**100.00**	**FC**
Neutorgasse 7 Projektentwicklungs AG & Co OG, Vienna	100.00	FC	**100.00**	**FC**
Overseas Trade Co Ltd d.o.o., Hrvatski Leskovac	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 102 Beteiligungs GmbH, Vienna	100.00	FC	**100.00**	**FC**
Post 104 Beteiligungs GmbH, Vienna	100.00	FC	**100.00**	**FC**
Post 106 Beteiligungs GmbH, Vienna	100.00	FC	**100.00**	**FC**
Post 107 Beteiligungs GmbH, Vienna	100.00	FC	**100.00**	**FC**
Post 108 Beteiligungs- und Dienstleistungs GmbH (formerly Post 108 Beteiligungs GmbH), Vienna	100.00	FC	**100.00**	**FC**
Post 202 Beteiligungs GmbH, Vienna	100.00	FC	**100.00**	**FC**
Post 204 Beteiligungs GmbH, Vienna	100.00	FC	**100.00**	**FC**
Post 206 Beteiligungs GmbH, Vienna	100.00	FC	**100.00**	**FC**
Post 207 Beteiligungs GmbH, Vienna	100.00	FC	**100.00**	**FC**
Post 301 Beteiligungs GmbH, Vienna	100.00	FC	**100.00**	**FC**
Post E-Commerce GmbH, Vienna	100.00	FC	**100.00**	**FC**
Post Immobilien 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**
PostMaster s.r.l., Bucharest (sold)	100.00	FC	**0.00**	**n. a.**
PostMaster Sp. z o.o., Krakow (sold)	100.00	FC	**0.00**	**n. a.**
PROWERB Gesellschaft für produktive Werbung GmbH, Vienna	100.00	FC	**100.00**	**FC**
Scanpoint GmbH, Vienna	100.00	FC	**100.00**	**FC**
Scanpoint Slovakia s.r.o., Nitra	100.00	FC	**100.00**	**FC**
Slovak Parcel Service s.r.o., Ivanka pri Dunaji	100.00	FC	**100.00**	**FC**
Post Systemlogistik GmbH (formerly Systemlogistik Distribution GmbH), Vienna	100.00	FC	**100.00**	**FC**
trans-o-flex Group				
trans-o-flex Logistics Group GmbH, Weinheim	100.00	NC	**100.00**	**NC**
LogIn Service d.o.o., Ilidza	100.00	NC	**100.00**	**NC**
Distributions GmbH –31, Cologne	100.00	NC	**100.00**	**NC**
Distributions GmbH Dortmund, Dortmund	100.00	NC	**100.00**	**NC**
Distributions GmbH Duisburg, Duisburg	100.00	NC	**100.00**	**NC**

Company and location	Dec. 31, 2016 Interest %	Dec. 31, 2016 Method of consolidation[1]	Dec. 31, 2017 Interest %	Dec. 31, 2017 Method of consolidation[1]
trans-o-flex Hungary Kft, Budapest	100.00	FC	**100.00**	**FC**
Weber Escal d.o.o., Hrvatski Leskovac	100.00	FC	**100.00**	**FC**
ADELHEID/AEP				
ADELHEID GmbH, Berlin[2,3]	50.12	EM	**50.12**	**EM**
AEP GmbH, Alzenau[2,3]	50.12		**50.12**	
adverserve (acquired)				
adverserve Holding GmbH, Vienna[2]	0.00	n. a.	**49.00**	**EM**
adverServe digital advertising Services Gesellschaft m.b.H., Vienna[2]	0.00		**49.00**	
adverServe digital advertising Services d.o.o., Zagreb[2,4]	0.00		**36.75**	
adverServe digital advertising Services Schweiz GmbH, Zurich[2]	0.00		**49.00**	
adverServe digital advertising Services Deutschland GmbH, Hamburg[2]	0.00		**49.00**	
D2D - direct to document GmbH, Vienna	30.00	EM	**30.00**	**EM**
IN TIME SPEDICE, spol. s r.o., Prague (acquired)	0.00	n. a.	**31.50**	**EM**
media.at (sold)				
media.at GmbH, Vienna[2]	20.45	EM	**0.00**	**n. a.**
OmniMedia GmbH, Vienna [2]	20.45		**0.00**	
MediaSelect GmbH, Vienna[2]	20.45		**0.00**	
mediastrategen GmbH, Vienna[1]	20.45		**0.00**	
OMNITEC Informationstechnologie-Systemservice GmbH, Vienna	50.00	EM	**50.00**	**EM**
PHS Logistiktechnik GmbH, Graz (founded)	0.00	n. a.	**26.00**	**EM**
sendhybrid ÖPBD GmbH, Graz	26.00	EM	**26.00**	**EM**

[1] FC - Full consolidation, NC - Subsidiary not consolidated due to immateriality, EM - Equity method
[2] The profit for the period of assets accounted for using method corresponds to the proportionate profit for the period of the respective group
[3] No controlling influence due to a contractual agreement or legal circumstances
[4] No material influence due to a contractual agreement or legal circumstances

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	38.0	13.7
EURODIS GmbH, Weinheim	20.80	0.4	0.1

The Management Board of Austrian Post approved the audited consolidated financial statements for the financial year ending on December 31, 2017 for transmission to the Supervisory Board on February 27, 2018. The Supervisory Board is responsible for reviewing and approving the audited consolidated financial statements.

Vienna, February 27, 2018

The Management Board

Georg Pölzl
Chairman of the Management Board
Chief Executive Officer

Walter Oblin
Member of the Management Board
Chief Financial Office

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

Peter Umundum
Member of the Management Board
Parcel & Logistics Division