

# Report of the Supervisory Board

## of Austrian Post on the 2017 Financial Year

Austrian Post can look back at another successful financial year. In spite of numerous challenges, Group revenue improved by 2.3% (excl. trans-o-flex) to EUR 1.9bn in 2017. With respect to earnings, the company achieved its objective of further improving the Group net profit. EBIT rose 2.7% to EUR 208m.

Two fundamental trends continue to have a significant impact on the business development of Austrian Post, i. e. the volume decline in the traditional mail business and the positive volume development in the parcel segment.

Austrian Post succeeded in continuing its profitable and sustainable development thanks to a focused strategic orientation and the resolute implementation of comprehensive efficiency enhancement and service improvement measures. The Supervisory Board actively monitored and supported this development.

### — Fulfilling its duties

The Supervisory Board took great care to fulfil its obligations during the year under review and performed the tasks incumbent upon it as stipulated by legal regulations, the Articles of Association of Austrian Post and the internal rules of procedure for the Supervisory Board. We regularly advised the Management Board in its efforts to manage the company and monitored its activities. At all meetings, the Management Board provided the Supervisory Board with comprehensive written and verbal reports about the business development and financial position of the Group and its subsidiaries, medium-term planning, investment and acquisition projects. In my capacity as Chairwoman of the Supervisory Board, I held regular discussions with the Management Board, in particular with the Chairman of the Management Board, and stayed in contact with the Supervisory Board members with respect to all important matters so that all the members were involved and informed at the same time.

The training programme for the Supervisory Board launched in 2015 was continued in 2017. The Supervisory Board debated and discussed the issues of “Austrian Post – logistics solutions”, “Banking landscape in Austria and Europe” and “The parcel and logistics market – national and international” in detail at three events with internal and external experts.

## — Activities of the Supervisory Board and its committees

Four ordinary meetings of the Supervisory Board took place in 2017. Austrian Post's revenue and earnings development was presented at each session.

At its meeting held on March 8, 2017, the Supervisory Board reviewed the annual financial statements presented by the Management Board, along with the Management Report and the profit appropriation proposal for the 2016 financial year and adopted the financial statements. Moreover, the session focused on preparations for the Annual General Meeting.

In the two-day seminar held on August 8–9, 2017 outside of the company premises, the Supervisory Board intensively focused on the strategic alignment of Austrian Post. Future challenges in the traditional letter mail and parcel segments as well as new business areas such as the expansion of the company's property development activities or the realignment of financial services were the subject of discussion. The related termination of the cooperation with BAWAG P.S.K. along with the effects on the banking business of Austrian Post were discussed at length.

Another key issue was the planned capacity expansion in the parcel business. The Management Board informed the Supervisory Board about the construction of a new sorting centre north of Vienna and further plans for expanding parcel logistics in Austria.

Finally, the Supervisory Board and Management Board held in-depth consultations on the latest developments pertaining to the company's main strategic investments (subsidiaries). The Supervisory Board was continuously informed about the progress made in building the new corporate headquarters at the Rochusplatz location, into which Austrian Post moved in autumn 2017.

The Supervisory Board's self-evaluation of its activities, organisation and work processes was dealt with at its meeting in August 2017. The appraisal of the self-evaluation carried out on the basis of a questionnaire confirmed the highly professional and open cooperation in the Supervisory Board.

The budget for the 2018 financial year and a report on medium-term planning 2019–2021 were presented and approved at the meeting held on November 11, 2017. During this session the Supervisory Board also resolved to establish a "Financial Services" committee. This committee is designed to support the Management Board in considering the options for the realignment of the financial services business of Austrian Post and convened on December 13, 2017, for the first time.

At its four meetings, the Audit Committee of the Supervisory Board duly carried out the responsibilities assigned to it. It monitored accounting processes, the audit and the effectiveness of the internal control system, the risk management system and the internal audit system. The auditors and the Audit Committee could also exchange information without the presence of the Management Board. The quarterly results were thoroughly analysed by the Audit Committee. The Supervisory Board was continually provided with information about the results of the Audit Committee meetings. In accordance with Section 270 Para. 1a of the Austrian Commercial Code, KPMG Austria GmbH credibly demonstrated its impartiality towards the Audit Committee.

At its session held on May 10, 2017, the Audit Committee dealt with the effects of new IFRS regulations on the financial reporting of Austrian Post. The meeting on August 8, 2017, specified the approval process for the permissible non-audit services rendered by the auditor for the 2018 financial year.

The Remuneration Committee dealt with the variable salary components for the entire Management Board at several meetings as well as the adjustment of parts of the employment contracts of individual Management Board members.

The Parcel & Logistics Committee convened a total of five times, dealing with complex issues relating to the Parcel & Logistics Division. The focus of the committee's deliberations were the development of Austrian Post's stake in the Turkish parcel services provider Aras Kargo, network expansion in Austrian parcel logistics and international network connections. The committee regularly reported about the results and made relevant recommendations to the entire Supervisory Board.

## — Consolidated and annual financial statements 2017

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was appointed by the Annual General Meeting held on April 20, 2017, to serve as the auditor of the company's annual financial statements and consolidated annual financial statements for the 2017 financial year.

The annual financial statements and consolidated annual financial statements of Austrian Post as at December 31, 2017, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and were granted an unqualified auditor's opinion. The Management Report and Group Management Report are consistent with the company and consolidated annual financial statements. All documentation relating to the annual financial statements, the profit appropriation proposal as submitted by the Management Board, the Corporate Governance Report and the auditor's report were thoroughly discussed in the Audit Committee together with the auditors and subsequently presented to the Supervisory Board.

The Supervisory Board examined all the documents in accordance with Section 96 of the Austrian Stock Corporation Act and did not discover any inconsistencies or objections. As a result, it formally approved the results of the audit. The Supervisory Board formally approved the annual financial statements for the 2017 financial year, which are hereby adopted in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act, and declares its acceptance of the IFRS consolidated financial statements, the Management Report, the Group Management Report and the Consolidated Corporate Governance Report pursuant to Section 245a of the Austrian Commercial Code. The report on non-financial aspects, which is to be published for the first time in accordance with the Sustainability and Diversity Improvement Act (NADiVeG), was reviewed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

The Supervisory Board concurs with the Management Board's proposal to distribute a basic dividend of EUR 138,482,907.90 from the net profit amounting to EUR 233,969,024.30 and to carry forward the balance of EUR 95,486,116.40 to the new account.

Finally, on behalf of the entire Supervisory Board, I would like to express my gratitude and appreciation to all the members of the Management Board as well as all employees for their successful work during the past financial year. In particular, special thanks are also owed to the customers and above all the shareholders of Austrian Post for their trust and confidence in the company.

March 14, 2018

**Edith Hlawati m. p.**

Chairwoman of the Supervisory Board