Management Report

1. GROUP OVERVIEW AND MARKET ENVIRONMENT

1.1 Business Operations and Organisational Structure

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 2bn and about 20,500 employees. Its core business consists of transporting and delivering letters, direct mail items, print media, packets, parcels and express mail items as well as providing various logistics and innovative online services. On an international level, Austrian Post is active in nine other European countries.

Austrian Post bundles its activities in two divisions, Mail & Branch Network and Parcel & Logistics. In addition, the Corporate Division mainly offers services relating to 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, parcels and packets delivered jointly with mail. In addition, postal and telecommunications products as well as financial services are offered in the branch network. Austrian Post also offers various online services such as the e-letter and cross-media solutions to its customers. The offering is complemented by physical and digital value-added services for measurable success in customer communication and document processing.

The Parcel & Logistics Division provides parcel shipping solutions from one source covering the entire value chain. Its core business consists of the transport of parcels as well as Express Mail Service (EMS) items. Austrian Post transported about 108 million parcels and EMS items in its home market in 2018, which makes it the leading service provider in the delivery of mail order and private customer parcels as well as B2B shipments, that offers nationwide services of the highest quality. In addition to conventional parcel products, express delivery and food delivery, the portfolio also includes a broad range of value-added services. For example, the company offers customised fulfillment solutions such as warehousing, commissioning, returns management, the transport of valuable goods and cash, webshop logistics and webshop infrastructure. Furthermore, the division also operates in eight other European countries.

1.2 Sales Markets and Market Position

Austrian Post and its Group subsidiaries operate in ten countries. About 92% of the 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 2018. The company has a market share of about 59% in the private parcel business and 32% of parcel volumes in the business parcel (B2B) segment (Source: Branchenradar CEP Services 2019).

On an international level, the Group subsidiaries of Austrian Post also have good market positions. Austrian Post Group is number one in the business parcel segment in Slovakia and a top player in Croatia, Serbia, Montenegro, and Bosnia and Herzegovina.

1.3 Economic Environment

Global economic growth is weakening according to the economists at the International Monetary Fund (IMF). In 2018, the world economy was impacted mainly by political issues, such as the trade conflict between the USA and China, Brexit and the budget dispute between the Italian government and the EU. These and other looming conflicts create uncertainty for globally operating companies and dampen economic forecasts. According to the IMF, global GDP increased by 3.7% in 2018, almost by the same amount as in the previous year (2017: 3.8%). In 2019 and 2020, worldwide economic growth is expected to be 3.5 % and 3.6 % respectively (IMF, January 2019).

Europe's economic expansion did not match the prior-year growth rate of 2.4 %. Brexit and the ongoing budget dispute between Italy and the EU are the biggest factors of uncertainty. This resulted in a weakening of economic growth to 1.8 % in 2018. The IMF predicts European GDP growth of 1.6 % in 2019 and 1.7 % in 2020 (IMF, January 2019).

Austria's economic growth is very strong and is higher than the eurozone average. Strong industrial activity and expanding business sectors comprise the main driving forces for growth. The Austrian Institute of Economic Research (WIFO) projects growth of 2.7 % in 2018 following a level of 2.6 % in the previous year. A somewhat dampened economic development is expected in 2019, with GDP projected to increase by 2.0 %. GDP growth of 1.8 % is predicted for 2020 (WIFO, December 2018).

Current signs point to a slowdown in growth in the years to come in the other European markets where Austrian Post operates, against the backdrop of major cyclical risks. The IMF predicts economic growth of 1.5 % in Germany in 2018 following 2.5 % in the previous year, and forecasts 1.3 % and 1.6 % growth, respectively, in the years 2019 and 2020. Germany will only face a more restrained economic performance, whereas the markets of South East and Eastern Europe have been subject to a downturn in economic output since 2017 after a very strong growth period. The IMF anticipates GDP growth of 3.8 % in 2018 in the European emerging markets compared to 6.0 % in 2017, and forecasts GDP increases to slow down to 0.7 % in 2019 and 2.4 % in 2020 (IMF, January 2019).

1.4 Market Environment

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

The electronic substitution of traditional addressed letter mail is continuing. This global trend impacts all postal companies and is essentially irreversible. In particular, customers in the public sector are trying to reduce mail volumes. As a result, Austrian Post continues to expect an ongoing decline of about 5 % p.a. Moreover, customers have shown uncertainty with regard to addressed advertising mail as a consequence of the implementation of the General Data Protection Regulation. Generally, the business with direct mail items strongly depends on the economic situation, the particular sector and the intensity of advertising activities by companies. The market development for addressed and unaddressed advertising mail is currently rather subdued.

Parcel volumes in the private customer segment are increasing due to the steadily growing importance of online shopping. In particular, there is still a gap to be filled in the e-commerce segment of the CEE/SEE markets. This should result in a more dynamic market environment.

In turn, the development of the international parcel and freight business depends largely on general economic trends as well as international trade flows and related price developments. Competition and price pressure remain high in this area. Trade flows and the required logistics services are becoming increasingly globalised.

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-friendly transport of goods. Austrian Post complies with these requirements by offering the CO_2 neutral delivery of mail items in its domestic market of Austria. This is designed to prevent and reduce 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 effect on January 1, 2011:

- Austrian Post remains the universal service provider in Austria even after the 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 defined 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.

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- 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. Since July 1, 2018, Austrian Post has offered the new ECO Letter within the context of its universal postal services and correspondingly expanded its product portfolio. Senders have the option of choosing between a delivery time of two to three days for not time-critical mail items and the quicker PRIO Letter, which will continue to be delivered the day after the letter was posted. This change was accompanied by an adjustment of postal rates.

2. BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

2.1 Changes in the Scope of Consolidation

The segment change of Weber Escal d.o.o, Croatia, from the Mail & Branch Network Division to the Parcel & Logistics Division took place as at January 1, 2018. The underlying reason for this realignment is a change in the company's business model from letter mail to parcel distribution.

The closing of the acquisition of an additional 25% shareholding in sendhybrid ÖPBD GmbH took effect on July 1, 2018. Austrian Post now holds 51% of the shares in the company.

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

At large, the revenue effects of the changes in the scope of consolidation are classified as immaterial.

2.2 Revenue and Earnings

2.2.1 REVENUE DEVELOPMENT

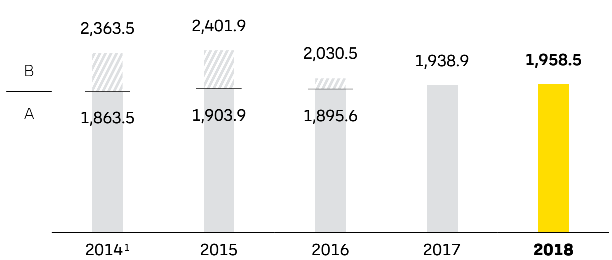
The Group revenue of Austrian Post improved by 1.0% to EUR 1,958.5m in the 2018 financial year. Revenue growth of 11.5% in the Parcel & Logistics Division compensated for the 2.5% revenue decline in the Mail & Branch Network Division.

The Mail & Branch Network Division accounted for 71.9% of the Group revenue. Revenue development during the period under review continued to be impacted by the fundamental decline in addressed letter mail as a result of electronic substitution, lower direct mail revenue compared to the strong advertising business in the previous year and the redimensioning of the financial services business. In turn, the new product structure, expansion in the area of Mail Solutions and growth driven by higher international e-commerce volumes helped to increase revenue.

The Parcel & Logistics Division generated 28.1% of the total Group revenue in the reporting period against the backdrop of an ongoing upward trend. The 11.5% revenue increase was driven primarily by the organic volume growth in Austria.

Revenue Development

EUR m



A – Revenue excl. trans-o-flex
B – 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).

Revenue by Division

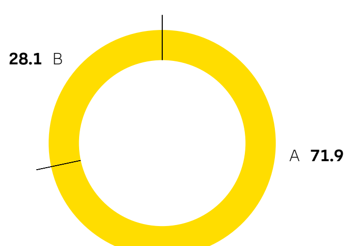
EUR m	2016[1]	2017	2018	Change 2017/2018 %	Change 2017/2018 EUR m
Revenue	1,895.6	1,938.9	**1,958.5**	1.0	19.6
Mail & Branch Network	1,478.5	1,447.8	**1,412.3**	–2.5	–35.6
Parcel & Logistics	421.1	495.6	**552.4**	11.5	56.9
Corporate/Consolidation	–4.0	–4.5	**–6.2**	–38.9	–1.7
Working days in Austria	250	248	**250**	–	–

[1] Adjustment of revenue in segment reporting in the 2017 consolidated financial statements; presentation without revenue of trans-o-flex

From a regional perspective, Austrian Post generated 91.8 % of its Group revenue in Austria in the reporting period, whereas South East and Eastern Europe accounted for 5.5 % and Germany for 2.7 % of Group revenue. 99.0 % of Austrian Post's total revenue is generated in the eurozone. For this reason, there are no significant currency effects.

Revenue by Division 2018

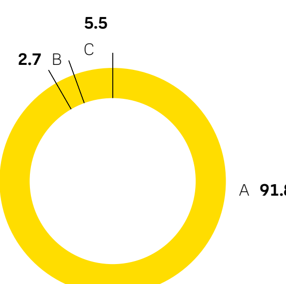
in %



A – Mail & Branch Network
B – Parcel & Logistics

Revenue by Region 2018

in %



A – Austria
B – Germany
C – South East & Eastern Europe

Revenue Development of the Mail & Branch Network Division

EUR m	2016[1]	2017	2018	Change 2017/2018 %	Change 2017/2018 EUR m
Revenue	1,478.5	1,447.8	**1,412.3**	–2.5	–35.6
Letter Mail & Mail Solutions	801.8	782.8	**804.8**	2.8	22.0
Direct Mail	416.7	413.3	**382.6**	–7.4	–30.7
Media Post	141.6	137.1	**131.2**	–4.3	–6.0
Branch Services	118.4	114.6	**93.7**	–18.2	–20.9
Revenue intra-Group	85.1	101.7	**112.9**	11.0	11.2
Total revenue	1,563.6	1,549.5	**1,525.2**	–1.6	–24.4
thereof revenue with third parties	1,478.0	1,446.8	**1,409.6**	–2.6	–37.2

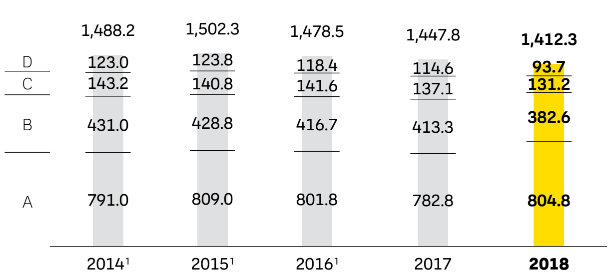
[1] Adjustment of revenue in segment reporting in the 2017 consolidated financial statements

Revenue of the Mail & Branch Network Division totalled EUR 1,412.3m in the 2018 financial year. Of this amount, 57.0% can be attributed to the Letter Mail & Mail Solutions business, Direct Mail accounted for 27.1% of total divisional revenue and Media Post had a share of 9.3%. Branch Services generated 6.6% of the division's revenue.

Letter Mail & Mail Solutions revenue amounted to EUR 804.8m, representing a year-on-year increase of 2.8%. The downward volume development as a consequence of the substitution of letters by electronic forms of communication continued. Revenue was also impacted by various special effects. Transported volumes were supported by numerous one-off mailings by banks. Furthermore, a positive pricing outcome took place due to the launch of the new product structure as of July 1, 2018. Moreover, the additional revenue of EUR 18.2m was achieved by increased international e-commerce volumes, which were partly recognised as direct mail revenue in the previous year. New services for the transport of traditional letter mail also increased the revenue. The Mail Solutions business area generated a higher revenue of EUR 5.0m, mainly in the fields of document logistics and output management. Furthermore, the 2018 financial year had two more working days than in the previous year. In contrast, Austrian Post's exit from the mail business in South East and Eastern Europe as well as the segment change of the Croatian subsidiary Weber Escal d.o.o. assigned to the Parcel & Logistics Division since January 1, 2018, have negatively impacted revenue.

Mail Revenue by Product Group

EUR m



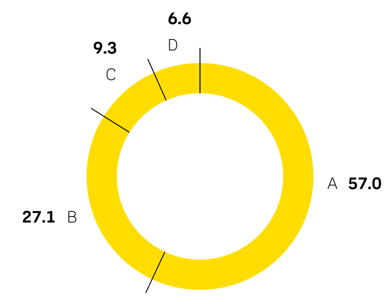
A – Letter Mail & Mail Solutions
B – Direct Mail
C – Media Post
D – Branch Services

¹ Adjustment of revenue in segment reporting in the 2017 consolidated financial statements

Revenue of the Direct Mail business amounted to EUR 382.6m in 2018, comprising a year-on-year decline of 7.4%. The revenue decrease resulted from a drop in operating revenue of about 2–3% and the previously mentioned change in the product assignment of international mail items currently presented under Letter Mail. In addition, increased direct mail revenue was generated in the previous year due to higher special effects from elections and a strong rise related to selected sales initiatives. Several customers showed uncertainty with respect to addressed mail items as a result of the new General Data Protection Regulation. Similarly, the exit of Austrian Post from the direct mail business in South East and Eastern Europe also had the effect of reducing the revenue.

Mail Revenue by Product Group 2018

in %



A – Letter Mail & Mail Solutions
B – Direct Mail
C – Media Post
D – Branch Services

Media Post revenue from the delivery of newspapers and magazines was down by 4.3% in a year-on-year comparison to EUR 131.2m. This development is mainly attributable to the declining subscription business for newspapers and magazines.

Branch Services revenue amounted to EUR 93.7m in the 2018 financial year, below the prior-year figure of EUR 114.6m. In line with the agreement concluded with the banking partner BAWAG P.S.K., the termination of the partnership will take place by the end of 2020. Revenue from consulting services will be continuously reduced in 2019. The change in accounting treatment of sales in the area of telecommunications and services in line with IFRS 15 also reduced the revenue, accompanied with a decrease in the corresponding expense item.

Revenue Development of the Parcel & Logistics Division

EUR m	2016[1]	2017	**2018**	Change 2017/2018 %	Change 2017/2018 EUR m
Revenue	421.1	495.6	**552.4**	11.5	56.9
Premium Parcels	206.6	240.7	**266.1**	10.6	25.5
Standard Parcels	186.1	219.0	**229.6**	4.8	10.6
Other Parcel Services	28.4	35.9	**56.6**	58.0	20.8
Revenue intra-Group	7.8	4.8	**4.9**	2.1	0.1
Total revenue	428.9	500.4	**557.4**	11.4	57.0
thereof revenue with third parties	417.6	491.9	**548.6**	11.5	56.7

[1] Adjustment of revenue in segment reporting in the 2017 consolidated financial statements; presentation without revenue of trans-o-flex

Total revenue of the Parcel & Logistics Division increased to EUR 552.4m from EUR 495.6m in the previous year. The segment change of the Croatian subsidiary Weber Escal d.o.o. effective January 1, 2018, increased the revenue during the reporting period, given the fact that the company was still recognised as part of the Mail & Branch Network Division in the prior-year period. ACL advanced commerce labs GmbH, which has been fully consolidated since November 1, 2017, also contributed to revenue growth of the division. Adjusted for Weber Escal d.o.o. and ACL advanced commerce labs GmbH, the divisional revenue was up by 8.1%.

This strong growth in the parcel business resulted mainly from the ongoing e-commerce trend in Austria, which in turn led to a substantial increase in private customer parcels. Generally speaking, the Austrian parcel market is developing very dynamically. Intense competition still prevails. At the same time, the demand for quality and delivery speed as well as price pressure are increasing.

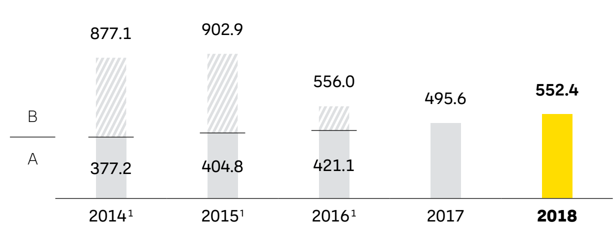
On balance, the Premium Parcels business (parcel delivery within 24 hours) accounted for 48.2% of the total divisional revenue in the period under review. This represents a revenue increase of 10.6% to EUR 266.1m.

Standard Parcels, which mainly constitutes shipments to private customers in Austria, contributed 41.6% to the division's revenue. This business area generated revenue of EUR 229.6m in 2018, an increase of 4.8% from the previous year.

Other Parcel Services, which include various additional logistics services, accounted for revenue of EUR 56.6m in the reporting period, or 10.3% of divisional revenue. The year-on-year revenue increase of EUR 20.8m can be primarily attributed to the full consolidation of the subsidiary ACL advanced commerce labs GmbH and the segment change of Weber Escal d.o.o.

Parcel & Logistics Division Revenue

EUR m



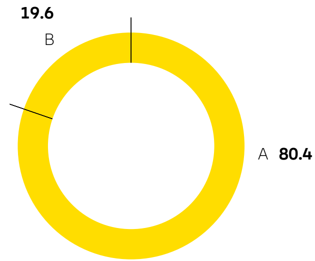
A – Revenue excl. trans-o-flex
B – Revenue trans-o-flex

[1] Adjustments of revenue in segment reporting in the 2017 consolidated financial statements

From a regional perspective, 80.4% of the total revenue in the Parcel & Logistics Division was generated in Austria in 2018, and 19.6% by the subsidiaries in South East and Eastern Europe. The business in Austria showed revenue growth of 11.4% in 2018. Taking account of the full consolidation of ACL advanced commerce labs GmbH, the increase in revenue equalled 10.0% in Austria on a like-for-like basis. Revenue in the highly competitive South East and Eastern European region was up by 11.8% during the period under review. Divisional revenue in the CEE/SEE region in 2018 showed a stable development taking into account the segment change of Weber Escal d.o.o., Croatia.

Parcel Revenue by Region 2018

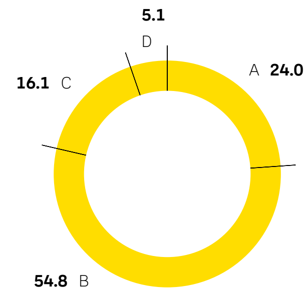
in %



A – Austria
B – South East & Eastern Europe

Allocation of Expenses 2018

in %



A – Raw materials, consumables and services used
B – Staff costs
C – Other operating expenses
D – Depreciation, amortisation and impairments

2.2.2 Earnings Development

Staff costs comprise a major factor in the cost structure of Austrian Post's operating expenses. Accordingly, 54.8% of total operating expenses incurred by Austrian Post in 2018 were attributed to staff costs. The second largest expense item, accounting for 24.0% of operating expenses, was raw materials, consumables and services used, of which a large part related to external transport services. Other operating expenses comprised 16.1% of total costs, whereas depreciation, amortisation and impairments accounted for 5.1%.

Austrian Post's staff costs amounted to EUR 1,008.7m in the 2018 financial year, equating to a year-on-year decline of 1.1%. The included operational staff costs for wages and salaries were largely stable compared to the previous year. The underlying objective is to ensure that steady efficiency improvements and structural changes make it possible to offset salary increases mandated by collective wage agreements. On balance, the Austrian Post Group employed an average of 20,545 people (full-time equivalents) in the 2018 financial year, compared to 20,524 employees in 2017.

In addition to operational staff costs, staff costs of Austrian Post also include various non-operational costs such as termination benefits and changes in provisions, which are primarily related to the specific employment situation of civil servants at Austrian Post. Non-operational staff costs including changes in provisions and various parameter adjustments in the 2018 financial year were below the prior-year level due to various parameter adjustments. As in the previous year, provisions allocated for the redimensioning of financial services totalling EUR 21.5m in the 2018 financial year comprised the largest share of these costs. In contrast, lower expenses for social plan models had the opposite effect.

Raw materials, consumables and services used increased by 7.6% to EUR 441.2m during the financial year 2018, which was primarily related to higher transport costs as a result of increased parcel volumes.

Both other operating expenses and other operating income showed a substantial decrease in the reporting period. Other operating income equalled EUR 96.2m compared to EUR 112.7m in the previous year. This includes one-off income of EUR 20.1m paid in the first quarter of 2018 representing the lump sum compensation by the banking partner BAWAG P.S.K. for shortening the duration of the contractual agreement. Austrian Post also generated income from the "Neutorgasse 7" real estate development project in the amount of EUR 17.9m, in contrast to expenses for services used in the amount of EUR 10.5m. Other operating income in the previous year included claims related to non-wage labour costs paid in previous periods. Netted against any compensation payments, which are reported under other operating expenses, these claims amounted to EUR 21.0m. As a result of these compensation payments, other operating expenses were significantly higher in the previous year at EUR 325.0m than the comparable figure of EUR 295.7m in the reporting period. Higher IT costs in the 2018 financial year had the opposite effect.

The results of the financial assets accounted for using the equity method include proportional profits for the period of joint venture and associated companies and fell from minus EUR 1.9m to minus EUR 3.6m in the 2018 financial year. The development was related to the write-down on a loan for the Group's Czech subsidiary.

Earnings show a stable to slightly positive development. EBITDA at EUR 305.4m was 3.7% above the previous year, corresponding to an EBITDA margin of 15.6%.

In total, depreciation, amortisation and impairment losses in the reporting period amounted to EUR 94.5m, compared to EUR 86.8m in the previous year. Planned depreciation and amortisation increased to EUR 80.6m, whereas impairment losses at EUR 13.9m were slightly below the prior-year level. The impairment losses recognised in the 2018 financial year primarily related to adjustments made to goodwill as well as impairment losses on real estate in Croatia and Austria.

EBIT in 2018 totalled EUR 210.9m compared to EUR 207.8m in the previous year. The EBIT margin equalled 10.8%.

The other financial result fell from EUR 12.8m in 2017 to minus EUR 13.1m in the 2018 financial year. The other financial result in the previous year included a positive effect in the amount of EUR 11.0m from the sale of shares in BAWAG Group AG. In contrast, there was a negative effect in the reporting period resulting from the write-down of EUR 14.4m related to shares of FinTech Group AG.

Earnings before tax were EUR 197.8m in 2018 compared to EUR 220.6m in the previous year. The income tax expense in the reporting period amounted to EUR 53.6m, down by EUR 2.0m from the 2017 financial year.

After deducting income tax, the Group's profit for the period (profit after tax) totalled EUR 144.2m, compared to the prior-year figure of EUR 165.0m. Accordingly, undiluted earnings per share were EUR 2.13 for the 2018 financial year compared to EUR 2.45 in the previous year.

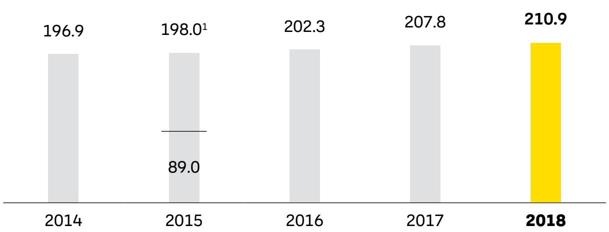
Earnings Situation

				Change 2017/2018	
EUR m	2016[1]	2017	**2018**	%	EUR m
Revenue	2,030.5	1,938.9	**1,958.5**	1.0	19.6
Other operating income	70.1	112.7	**96.2**	–14.7	–16.5
Raw materials, consumables and services used	–495.2	–409.9	**–441.2**	–7.6	–31.3
Staff costs	–1,035.2	–1,020.1	**–1,008.7**	1.1	11.4
Other operating expenses	–294.1	–325.0	**–295.7**	9.0	29.3
Results from financial assets accounted for using the equity method	0.9	–1.9	**–3.6**	–85.4	–1.7
EBITDA[2]	277.1	294.6	**305.4**	3.7	10.8
Depreciation and amortisation	–72.6	–72.8	**–80.6**	–10.7	–7.8
Impairment losses	–2.3	–14.1	**–13.9**	0.9	0.1
EBIT[3]	202.3	207.8	**210.9**	1.5	3.1
Other financial result	–0.7	12.8	**–13.1**	< –100	–25.9
Earnings before tax	201.5	220.6	**197.8**	–10.3	–22.8
Income tax	–48.8	–55.6	**–53.6**	3.6	2.0
Profit for the period	152.7	165.0	**144.2**	–12.6	–20.8
Earnings per share (EUR)[4]	2.26	2.45	**2.13**	–13.0	–0.32

[1] Adjustment of other operating expenses and income for financial assets accounted for using the equity method
[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

EBIT

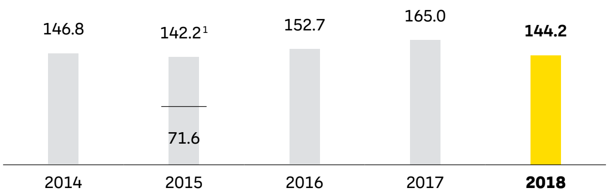
EUR m



[1] Adjusted for special effects

Profit for the Period

EUR m



[1] Adjusted for special effects

EBITDA and EBIT by Division

				Change 2017/2018		**Margin 2018**[1]
EUR m	2016	2017	**2018**	%	EUR m	%
EBITDA	277.1	294.6	**305.4**	3.7	10.8	**15.6**
Mail & Branch Network	319.7	312.8	**311.2**	–0.5	–1.6	**20.4**
Parcel & Logistics	29.8	58.1	**54.9**	–5.5	–3.2	**9.8**
Corporate/Consolidation	–72.4	–76.3	**–60.7**	20.4	15.6	**–**
EBIT	202.3	207.8	**210.9**	1.5	3.1	**10.8**
Mail & Branch Network	285.1	289.6	**289.8**	0.1	0.2	**19.0**
Parcel & Logistics	18.5	42.8	**41.3**	–3.5	–1.5	**7.4**
Corporate/Consolidation	–101.3	–124.7	**–120.2**	3.5	4.4	**–**

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

From a divisional perspective, EBITDA of the Mail & Branch Network Division totalled EUR 311.2m in 2018, comprising a decrease of 0.5% from the prior-year period. Divisional EBIT improved by 0.1% in the period under review to EUR 289.8m. The high level of cost discipline intensified synergies in logistics as a result of the increased delivery of parcels and packets by letter mail logistics have positively impacted earnings.

The Parcel & Logistics Division achieved revenue growth against the backdrop of intense competition and margin pressure and generated an EBITDA of EUR 54.9m (–5.5%) and EBIT of EUR 41.3m (–3.5%) in the 2018 financial year. This decrease is mainly attributable to higher costs in the logistics network to avoid capacity bottlenecks as well as an increase in IT expenses.

EBIT of the Corporate Division (incl. Consolidation) improved by EUR 4.4m to minus EUR 120.2m, primarily due to the reduced need to allocate provisions in comparison to the previous year. The Corporate Division provides non-operational services for the purpose of managing and controlling at a Corporate Group level. These services include, among others, the management of commercial properties owned by the Group, the provision of IT services, the development of new business models, and the administration of the Internal Labour Market of Austrian Post.

2.3 Assets and Finances

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

2.3.1 Balance Sheet Structure

The balance sheet total of Austrian Post amounted to EUR 1,681.2m as at December 31, 2018. On the assets side, property, plant and equipment constituted the largest single balance sheet item at EUR 652.8m, whereas intangible assets totalled EUR 83.3m. This included goodwill of EUR 58.7m reported for acquisitions as at December 31, 2018. Receivables, constituting the second largest single balance sheet item on the asset side, totalled EUR 320.2m. Other financial assets amounted to EUR 107.7m as at December 31, 2018, including the stake in Aras Kargo a.s. reported at EUR 25.9m as well as its shareholding in FinTech Group AG of EUR 20.5m. Austrian Post acquired a stake in FinTech Group AG in the course of negotiations to establish a joint venture to provide financial services. Ultimately it was mutually agreed to withdraw from this cooperation.

Furthermore, at the end of 2018 Austrian Post owned securities amounting to EUR 55.8m. The securities owned by Austrian Post carry an investment grade or comparable credit rating, which, in turn implies the high liquidity of these assets.

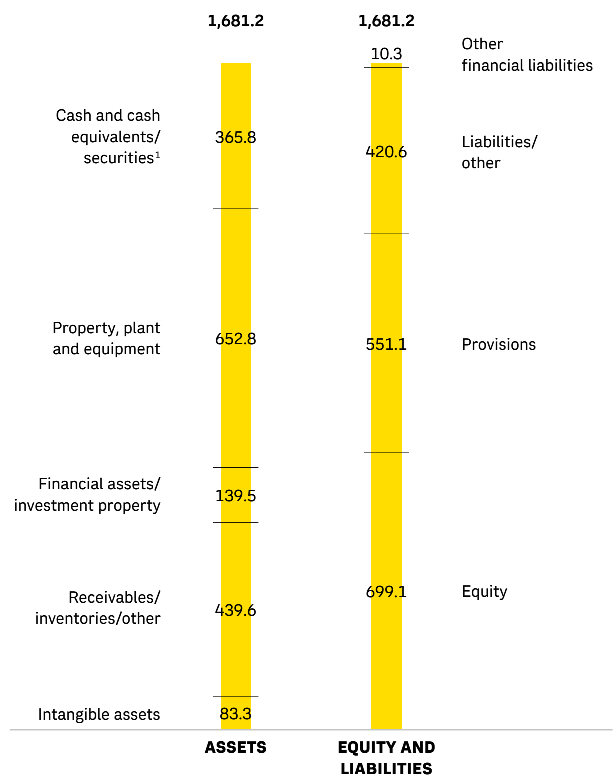
The balance sheet shows that Austrian Post had cash and cash equivalents of EUR 310.0m at its disposal as at December 31, 2018. Accordingly, cash and cash equivalents and investments in securities of Austrian Post equalled EUR 365.8m at the end of the year 2018.

The equity and liabilities side of the balance sheet is characterised by a high equity ratio of 41.6% as at December 31, 2018. This corresponds to equity of EUR 699.1m.

Non-current liabilities were EUR 421.7m at the end of the reporting period. Current liabilities totalled EUR 560.4m, including provisions of EUR 551.1m as at December 31, 2018. About 90% of provisions are staff-related provisions primarily due to the specific employment situation of civil servants at Austrian Post. Accordingly, provisions for employee under-utilisation totalled EUR 206.4m, whereas EUR 187.9m related to legally stipulated and contractually binding provisions for social capital (termination and jubilee benefits) and EUR 106.2m related to other staff-related provisions. On balance, 57.1% of provisions at Austrian Post have a term to maturity of over three years, and 12.9% of more than one year. 29.9% of provisions are current provisions with a term to maturity of less than one year.

Balance Sheet Structure by Item

EUR m



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

Balance Sheet as at December 31

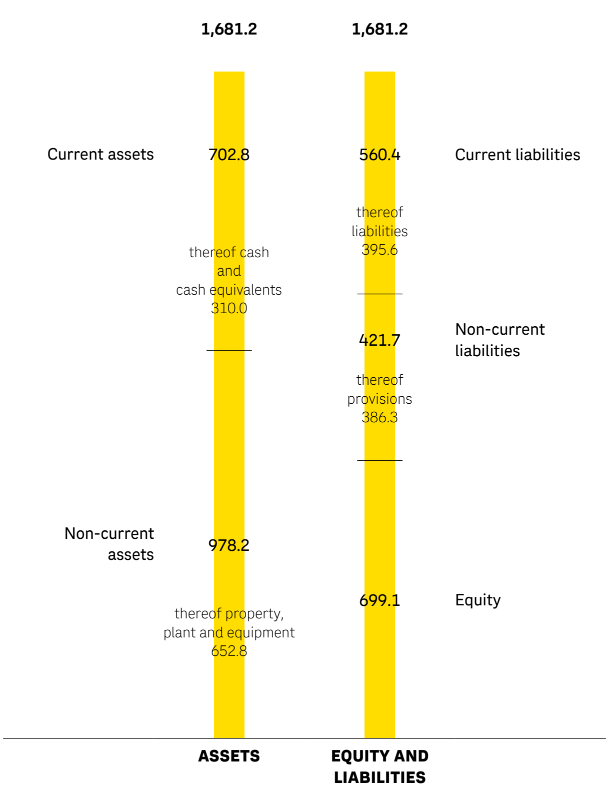
EUR m	Dec. 31, 2016	Dec. 31, 2017	**Dec. 31, 2018**	Structure Dec. 31, 2018
ASSETS				
Property, plant and equipment, intangible assets and goodwill	675.1	702.4	**736.1**	43.8 %
Investment property	69.0	85.0	**78.4**	4.7 %
Financial assets accounted for using the equity method	9.6	8.1	**9.2**	0.5 %
Inventories, trade and other receivables	385.9	457.8	**439.6**	26.1 %
Other financial assets	122.0	131.0	**107.7**	6.4 %
thereof financial investments in securities	60.9	80.6	**55.8**	–
Cash and cash equivalents	277.8	290.0	**310.0**	18.4 %
Assets held for sale	2.4	0.0	**0.3**	0.0 %
	1,541.8	1,674.2	**1,681.2**	100 %
EQUITY AND LIABILITIES				
Equity	670.0	698.8	**699.1**	41.6 %
Provisions	503.3	563.7	**551.1**	32.8 %
Other financial liabilities	5.6	6.8	**10.3**	0.6 %
Trade and other payables	361.9	404.9	**420.6**	25.0 %
Liabilities classified as held for sale	0.9	0.0	**0.0**	0.0 %
	1,541.8	1,674.2	**1,681.2**	100 %

The analysis of the balance sheet structure by term shows that non-current assets prevail on the assets side, accounting for 58.2 % of total assets or EUR 978.2m. An important non-current asset item is property, plant and equipment at EUR 652.8m. The principal current asset items include trade and other receivables at EUR 305.7m as well as cash and cash equivalents of EUR 310.0m.

On the equity and liabilities side, the balance sheet total is composed of equity (41.6 %), non-current liabilities (25.1 %) and current liabilities (33.3 %). The non-current liabilities totalling EUR 421.7m largely consist of provisions in the amount of EUR 386.3m. Current liabilities of EUR 560.4m mainly relate to liabilities of EUR 395.6m (including trade payables of EUR 333.0m).

Balance Sheet Structure by Term

EUR m



MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

2.3.2 Cash Flow

The cash flow in the 2018 financial year was impacted by various special effects. A special payment of EUR 107.0m from BAWAG P.S.K. in connection with the termination of the cooperation agreement with Austrian Post less the financial services provided in the amount of EUR 37.0m in the reporting period resulted in a positive special cash flow effect of EUR 70.0m. In contrast, higher maintenance and growth CAPEX totalling EUR 139.4m, above the prior-year level of EUR 102.1m, had the opposite effect. Higher payments relating to provisions and the income tax expense as well as the acquisition of a 6.5% shareholding in FinTech Group AG within the context of the planned financial services partnership also reduced the cash flow.

The gross cash flow totalled EUR 352.9m in the 2018 financial year, compared to EUR 316.6m in the prior-year period. The cash flow from operating activities amounted to EUR 295.9m in the period under review, up from EUR 255.7m in the previous year.

The cash flow from investing activities amounted to minus EUR 137.5m in 2018 in comparison to minus EUR 109.1m in the previous year. This increase resulted from payments for the acquisition of property, plant and equipment (CAPEX) and relates mainly to payments for investments made as part of the parcel logistics capacity expansion programme. Growth CAPEX in the reporting period amounted to EUR 58.1m. The disposal of property, plant and equipment had the opposite effect.

The free cash flow before acquisitions/securities and growth CAPEX amounted to EUR 231.9m in the 2018 financial year, compared to the prior-year level of EUR 178.3m. This provides a good foundation for Austrian Post's ability to finance investments and dividends in the future.

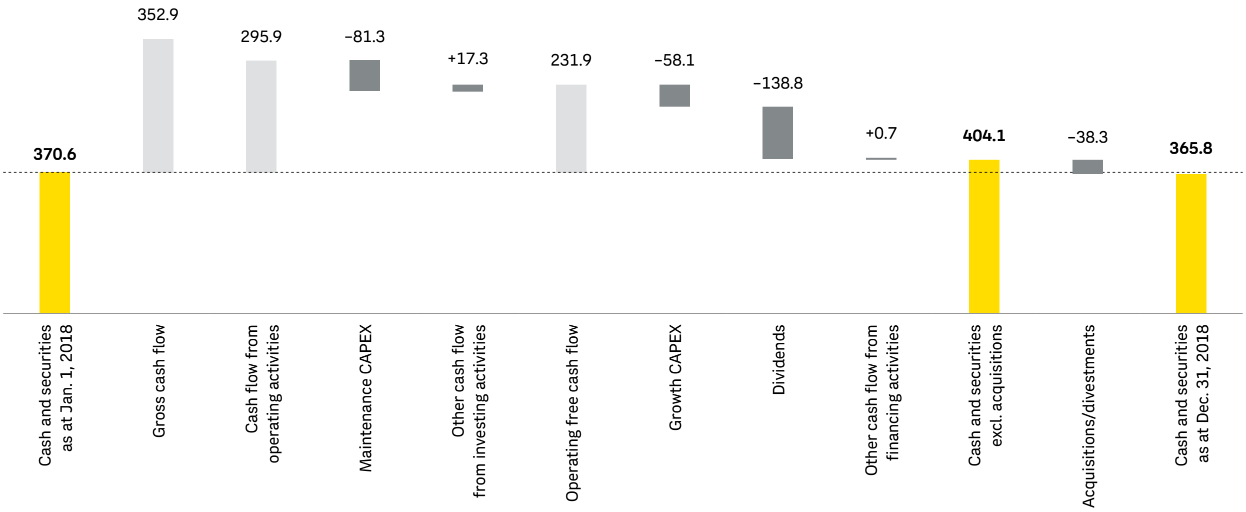
Cash Flow

EUR m	2016	2017	**2018**
Gross cash flow[1]	315.6	316.6	**352.9**
Cash flow from operating activities	223.6	255.7	**295.9**
Cash flow from investing activities	–105.1	–109.1	**–137.5**
thereof maintenance CAPEX	–69.9	–77.8	**–81.3**
thereof growth CAPEX[2]	–33.5	–24.3	**–58.1**
thereof cash flow from acquisitions/divestments	–1.7	12.2	**–38.3**
thereof acquisition/disposal of securities	–3.1	–19.7	**23.0**
thereof other cash flow from investing activities	3.1	0.4	**17.3**
Free cash flow	118.5	146.6	**158.4**
Free cash flow before acquisitions/securities	123.3	154.0	**173.7**
Free cash flow before acquisitions/securities and growth CAPEX[3]	106.1	178.3	**231.9**
Cash flow from financing activities	–140.6	–134.6	**–138.1**
thereof dividends	–132.2	–135.1	**–138.8**
Change in cash and cash equivalents	–22.1	12.0	**20.2**

[1] Reclassification of taxes paid – refer to Note 3.2 of the consolidated financial statements
[2] 2016 and 2017: CAPEX new corporate headquarters; 2018: incl. remaining payment for "Post am Rochus"
[3] 2016 and 2017: Free cash flow before acquisitions/securities and new corporate headquarters

Development of Cash and Securities in 2018

EUR m



When analysing the development of cash and securities in 2018, the starting position was at EUR 370.6m on January 1, 2018. The cash flow from operating activities generated by Austrian Post amounted to EUR 295.9m in 2018. After deducting maintenance CAPEX for 2018, this resulted in a free cash flow before acquisitions/securities and growth CAPEX of EUR 231.9m. This sufficiently covered dividends in the amount of EUR 138.8m distributed in 2018 as well as growth CAPEX for the capacity expansion programme. On balance, financial resources including securities amounted to EUR 365.8m as at December 31, 2018.

2.3.3 Net Cash/Net Debt

Net Cash

EUR m	Dec. 31, 2016	Dec. 31, 2017	**Dec. 31, 2018**
+ Other financial liabilities	5.6	6.8	**10.3**
+ Interest-bearing provisions	373.0	407.1	**394.9**
Interest-bearing debt	378.5	413.9	**405.2**
– Other financial assets	–121.6	–130.5	**–107.6**
– Non-current interest-bearing receivables	–3.4	–3.6	**–1.0**
– Cash and cash equivalents	–277.8	–290.0	**–310.0**
Interest-bearing assets	–402.8	–424.1	**–418.6**
– Assets held for sale	–2.4	0.0	**–0.3**
+ Liabilities classified as held for sale	0.9	0.0	**0.0**
Net cash (–)[1]	–25.7	–10.2	**–13.7**

[1] In light of the positive net cash reported in the years shown, the indicators of net debt/EBITDA and the gearing ratio (net debt/equity) are not included in this year's report due to their limited meaningfulness.

Austrian Post Group reported a net cash position of EUR 13.7m at the end of 2018.

On the basis of existing liquidity and the solid cash flow from operating activities, Austrian Post is able to meet 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 the successful business development continues and that no extraordinary circumstances arise.

2.3.4 Investments and Acquisitions

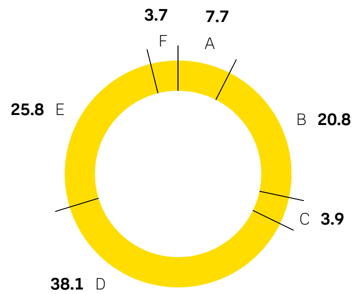
In the 2018 financial year, capital expenditure at Austrian Post Group reached a level of EUR 137.0m, up EUR 15.0m from the prior-year level. This included EUR 126.5m of investments for property, plant and equipment and EUR 10.5m of investments in intangible assets.

The focus of Austrian Post's investment programme during the reporting period was on other equipment, furniture and fittings constituting a share of 38.1 %. 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 20.8 % of capital expenditure, whereas investments in assets under construction comprised 25.8 % of the investment programme. The two latter categories mainly relate to investments made within the context of the capacity expansion programme. Moreover, 3.9 % of capital expenditure was dedicated to technical plant and machinery, and 3.7 % to prepayments.

New and replacement investments are subject to a detailed profitability assessment for each measure. Replacement investments are made only 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 by Category 2018

in %



A – Intangible assets
B – Property, buildings and investment property
C – Technical plant and machinery
D – Other equipment, furniture and fittings
E – Assets under construction
F – Prepayments

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 level of investment. 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 performance monitoring.

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 3.4m in 2018, compared to a cash outflow of EUR 6.7m in 2017. Generally, a consistent Group-wide selection process precedes every acquisition. 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 fell from EUR 616.4m to EUR 607.9m at the end of 2018. This difference is primarily due to the decline in receivables and higher non-interest-bearing debt. This was in contrast to the increase in property, plant and equipment, especially related to the capacity expansion programme in the field of parcel logistics.

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 and profitable growth. Goodwill is continously tested for impairment and is 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 requested.

Capital Employed

EUR m	Dec. 31, 2016	Dec. 31, 2017	**Dec. 31, 2018**
+ Intangible assets and goodwill	77.5	86.7	**83.3**
+ Property, plant and equipment	597.6	615.7	**652.8**
+ Investment property	69.0	85.0	**78.4**
+ Financial assets accounted for using the equity method	9.6	8.1	**9.2**
+ Inventories	18.1	22.0	**17.3**
+ Trade payables, other receivables and tax assets[1]	288.5	360.4	**343.8**
– Non interest-bearing debt	–492.3	–561.5	**–576.9**
Capital employed	567.9	616.4	**607.9**

[1] Less interest-bearing receivables

2.4.2 Ratios

The EBITDA margin of Austrian Post improved from 15.2 % in 2017 to 15.6 % in 2018. The EBIT margin rose from 10.7 % in 2017 to 10.8 % in 2018. The return on equity was down from 30.9 % to 25.8 %. The return on capital employed remained stable at 34.4 % compared to the prior-year level of 35.1 %.

Ratios

in %	2016	2017	**2018**
EBITDA margin[1]	13.6	15.2	**15.6**
EBIT margin[2]	10.0	10.7	**10.8**
ROE[3]	30.0	30.9	**25.8**
ROCE[4]	35.3	35.1	**34.4**

[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 has once again implemented a large number of innovative, self-developed solutions in the 2018 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 online products and solutions. The Customer Initiatives department has about ten employees focusing on the deployment of new technologies, improvements in core services as well as the creation of and research into new business models. Austrian Post consistently continued to further develop its solutions in the fields of dual shipping (e-letter) and mobile services ("Post App") in 2018. The online services provided by Austrian Post are characterised by a high level of security, flexibility, efficiency 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 on efficient business solutions for business customers such as intelligent input management, efficient mailroom management, digital document management and effective address management. The online flyer platform Aktionsfinder as the digital extension of physical flyers and the successful print media KUVERT complement the portfolio of solutions offered by Mail Solutions.

With regard to Logistics Services, Austrian Post continuously develops tailor-made customer solutions for warehousing and fulfilment as well as various value-added services. Combined with innovative online services, these solutions ensure greater efficiency, flexibility and optimisation of customer-oriented communication and distribution. Due to the stake it acquired in ACL advanced commerce labs GmbH, the e-commerce offering was further expanded, enabling more service-oriented and simplified one-stop-shop solutions to be offered to customers.

In addition to its own development activities, Austrian Post has also been cooperating with reputable Austrian universities, universities of applied sciences and other research facilities for a long time. Key partners include the Austrian Research Promotion Agency (FFG), the Climate and Energy Fund and the Vienna Economic Chamber. The objective of this collaboration is to further intensify its focus on innovation and to be able to rely on sound scientific research findings in the development of products and services. Alongside its product development, Austrian Post also constantly 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 Sustainability and Tourism. Austrian Post had already invested approximately EUR 17 million in the CO_2 neutral and zero emission delivery of mail items between 2009 and the end of 2018. On the basis of this experience, valuable insights were gained for further expansion of electric-powered vehicles. This expansion will be implemented with the support of the European Agricultural Fund for Rural Development (EFRD) and the Federal Ministry for Sustainability and Tourism within the context of several cross-border mobility projects.

Austrian Post has received numerous awards for its previous successes in the field of e-mobility. For example, it won the top prize not only in Vienna and Austria but also globally at the Energy Globe Award. In its capacity as the operator of Austria's largest e-vehicle fleet, Austrian Post is a trailblazer with respect to green logistics. For this reason, it was granted the "EPCON Award" for outstanding energy projects and the "Recognition Award for Sustainability in the Supply Chain through CO_2 neutral delivery" for its e-mobility activities.

In addition, the following projects were initiated or continued in the 2018 financial year. Together with the AIT Austrian Institute of Technology, Austrian Post carried out 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 working space quality. 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. As a consortium partner, Austrian Post also participates in the KoopHubs project, in which a comprehensive, two-phased city logistics concept with micro-hubs and neighbourhood hubs and city distribution centres is being developed.

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.

Austrian Post pays attention to ensuring gender equality and equal opportunity within the context of its project planning and implementation. Accordingly, the DO-IT project was implemented in-house as part of a tender called FemPower ICT 2018 issued by the Vienna Economic Chamber. This research and development project in the field of predictive analytics, which is being led by women, includes the development of a statistical model aimed at predicting daily parcel volumes at logistics centres 90 days in advance on the basis of historical corporate data. In turn, this will allow for more efficient personnel planning in each mail distribution shift as well as improve tour deployment planning. Austrian Post is creating a scalable IT infrastructure based on a container architecture as part of its project implementation.

The "City Logistics" programme was continued in the Parcel & Logistics Division in 2018. New, innovative, customer- and market-oriented services and solutions in the field of logistics for the last mile of delivery in urban areas are being developed in collaboration with various stakeholders, applying service design methods.

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. It complies principally with the COSO standard "Enterprise Risk Management – Integrated Framework". 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:

IDENTIFICATION & EVALUATION → **AGGREGATION & REPORTING** → **DESIGNING OF MEASURES** → **MONITORING & CONTROL**

IDENTIFICATION & EVALUATION
- Identification
- Analysis
- Evaluation

AGGREGATION & REPORTING
- Assessment and plausibility check
- Aggregation
- Reporting

DESIGNING OF MEASURES
- Planning
- Implementation
- Monitoring

MONITORING & CONTROL
- Evaluation by external auditors
- Self-assessments

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 biannual basis. For each identified risk an employee is assigned responsibility to evaluate and monitor that risk. Within the context of analysis and evaluation, risks are depicted in scenarios and are subsequently quantified to the greatest possible extent with respect to the dimensions of potential consequences and probability of occurrence. Non-quantifiable risks are evaluated on the basis of pre-defined qualitative criteria. In addition, the central risk management team 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 a specially designed risk management software.

2. Aggregation and Reporting: The central risk management team gathers information and reviews the identified and estimated risks. The financial impacts of potential overlapping are taken into account in the aggregation process. The overall risk position of Austrian Post is determined by using statistical methods. 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 half-year report of the central risk management team to the Management Board focusing on risks and their development. Risks which arise unexpectedly, 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 at avoiding or reducing risks otherwise transferring them to third parties. The business areas examine the potential measures on the basis of a cost-benefit analysis, and subsequently implement them. These measures are monitored and adjusted within the context of a biannual analysis undertaken by the risk manager. Austrian Post operates an internal insurance management to systematically deal with insurable risks. Its primary responsibility is to continuously optimise the insurance situation and processes relating to the handling and settling of claims.

4. Monitoring and Control: In conformity with the Austrian Corporate Governance Code, the reliability and performance of the risk management system are subject to annual evaluation by the auditor. Moreover, the concept, suitability and effectiveness of the risk management system are assessed by an external auditor. Internally, the risk management system is monitored and controlled via annual self-assessments.

4.2 Top Risks

4.2.1 E-Substitution of Traditional Letter Mail

Traditional letter mail is being increasingly replaced by electronic media. The trend towards the electronic substitution of letters and especially towards electronic delivery will continue in future. This development, which is being facilitated by legislation, could lead to a significant decline in mail volumes and thus negatively impact earnings. A 1% revenue decrease in the letter mail segment implies a negative revenue effect of about EUR 7m per annum, which in turn 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 governmental mail would mean that some of these mail items will no longer be delivered by Austrian Post. Austrian Post counteracts the volume decline resulting from the electronic substitution of letter mail by electronic media by developing new products and services. Diversification of business operations helps to minimise or spread risks in individual sectors.

4.2.2 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 per annum. 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. Due to prevailing legal regulations, the company is not allowed to make capacity adjustments for a part of its staff in the event of volume declines. Similarly, no adjustments in wage or salary levels are permitted in case of less favourable market conditions. Therefore, on balance, public sector employment regulations result in less cost flexibility. Against the backdrop of a liberalised market, Austrian Post increasingly faces limited flexibility in making a good usage 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 and unexpected additional costs for the company over which it has no influence.

4.2.3 Parcel Market

The strong growth of the parcel market driven by the ongoing online shopping boom leads to more intense competition. As a consequence, there can be shifts in market shares as well as a decline in average achievable 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 material revenue and earnings effects. The own delivery by individual large-scale mailers, which has already partly been implemented, poses an additional risk.

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 by the end of 2020. Austrian Post and Fintech Group AG have mutually agreed to withdraw the plan to establish a 50/50 capitalised joint venture to provide financial services. 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. Austrian Post is working on ensuring a future-oriented solution. Specific decisions are likely to be made in the course of 2019. If Austrian Post does not succeed in implementing an alternative solution, the necessary restructuring measures could pose a revenue and cost risk to Austrian Post, depending on the selected business model.

4.2.5 Decline in Direct Mail Volumes

The business with direct mail items is influenced by the overall economic development and strongly depends on the intensity of advertising activities by companies. 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 a reduction in advertising materials and direct mail volumes which would have a negative impact on earnings.

4.3 Other Risks

Like any other company, 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 would 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 transfer 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 by alternative providers. The possibility of a 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.

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. In the case of a temporary or permanent technical system failure, or should an unauthorised data access or data manipulation occur, for instance as a result of cybercrime, this could potentially lead to disruptions in Austrian Post's business operations, a loss of reputation and customer defections and cause additional expenses. Safety and security measures and guidelines aiming to reduce technical and cyber risks have been defined as a means of ensuring smooth business operations. Austrian Post pursues an outsourcing strategy to fulfil its computing and data processing requirements. Austrian Post ensures the availability of outsourcing resources by concluding appropriate contractual agreements and through its targeted service level management. Contractual partners are required to show proof of relevant and valid certifications.

PROCUREMENT RISKS

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

4.3.2 Financial Risks

Austrian Post's financial risks include liquidity, credit, counterparty and interest rate risk. The foreign exchange risk can also negatively affect earnings. However, Austrian Post carries out 99 % of all its business in the eurozone, 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 Note 10 of the notes to the consolidated financial statements of Austrian Post.

Within the context of its expansion, Austrian Post has recognised a considerable level of goodwill and non-depreciable trademark rights in the balance sheet. These must be subject to an impairment test at least once per annum. 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 came into 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 of 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 a part of its services. 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 related to 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 has only 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 has already been subject to anti-trust 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 as well as relating to the issue of data protection. In order to optimally avoid any potential adverse effects on earnings resulting from regulatory and legal risks as much as possible, 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 optimising the quality of service. Moreover, Austrian Post intends to generate increased revenue in areas which are not regulated. The legal framework for new, innovative products and services and the related data processing leaves leeway for interpretation of the data protection regulations applicable since May 2018. For this reason, it can repeatedly be subject to discussions and legal proceedings relating to the issue of data protection.

According to the Postal Services Structure Act of 1996, changes in civil service laws for civil servants are fundamentally applicable to 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. This reform dealt with the main criticism of the European Court of Justice and completely removed the problem. Of course, the salary reform was also implemented for civil servants employed by Austrian Post. In the event that a new classification 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 for future legal proceedings with respect to the reference date for salary increases. Proceedings currently pending before the European Court of Justice relating to the recognition of periods of previous employment relating to federal contract staff could impact the salary system of civil servants. A decision of the European Court of Justice is expected before the end of 2019. As at December 31, 2018, it is assumed that legislators will once again deal with and resolve the criticisms of the European Court of Justice. Therefore, it remains unlikely that this will lead to any financial burdens imposed upon Austrian Post. This assessment was concluded in cooperation with external experts.

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.

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4.4 Main Opportunities

The changes faced by Austrian Post 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 point out opportunities and exploit the 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) within the context of medium-term planning. Opportunities are also verified and supplemented by the Risk Committee (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 due to its new, quick and sleek solutions for online orders, and covers all delivery speed requirements, including same-day delivery. Austrian Post has clear competitive advantages with respect to its quality and cost structure and tries to increase its market share. Ongoing e-substitution has already been taken into account within 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 – **Growth in selected markets** – opportunities arise with respect to Austrian Post's strategic international shareholdings in the growth markets of Central and Eastern Europe as well as the increase in 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 the promotion of international shipment volumes.

The third cornerstone of Austrian Post's strategy – **Enhancing efficiency and increasing flexibility of the cost structure** – can be promoted by the use of state-of-the-art sorting technologies in mail and parcel logistics. Furthermore, staff optimisation measures and sales initiatives could provide added impetus and are considered to be opportunities. The bundling of logistics networks under one leadership also aims to enhance efficiency.

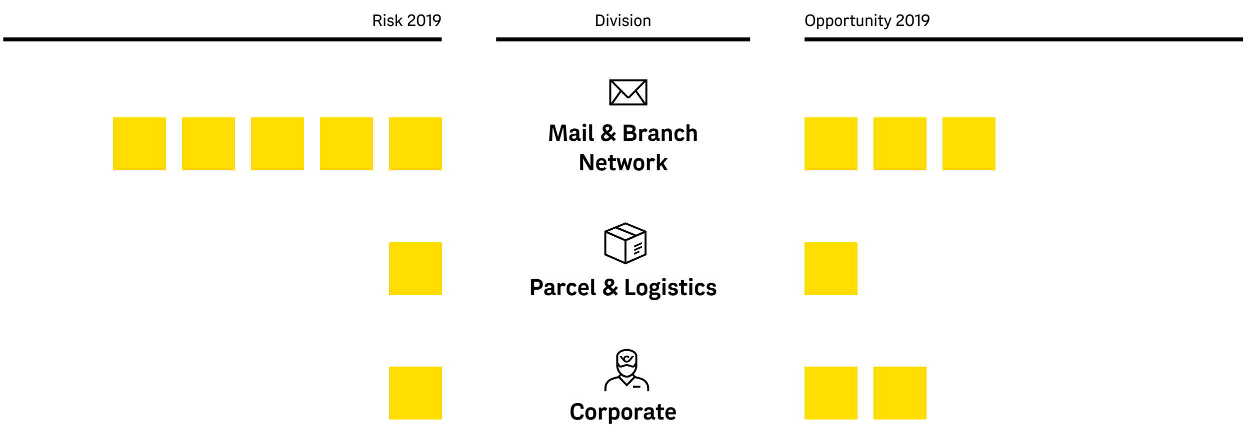
The fourth strategic thrust – **Customer orientation and innovation** – enables Austrian Post, for example, to exploit the potential derived from the expansion of its online and self-service offering as well as from new e-commerce business models.

4.5 Overall Assessment of the Group's Risk Situation

The company continuously monitors the above described risks and opportunities. In response, appropriate measures are carried out and initiatives launched. From today's perspective, none of these risks threaten the company as a going concern.

The following chart summarises various opportunities and risk profiles of the individual segments. The Mail & Branch Network segment is characterised by the electronic substitution of traditional letter mail. Volume, market share and average margins influence the Parcel & Logistics segment. Key factors impacting opportunities in the Corporate segment are cost optimisation and efficiency enhancement measures. Staff-related and IT risks affect all segments.

Risk Spectrum



SIGNIFICANT OPPORTUNITIES/RISK FACTORS PER DIVISION

Mail & Branch Network
- E-substitution of conventional letter mail
- Volume development and market share shift
- Development of the traditional mail order business

Parcel & Logistics
- Volume and market share development
- Development of annual revenue in the B2C business
- Opportunities and risks relating to strategic investments

Corporate
- Optimisation of staff costs
- Cost management/Efficiency enhancement

All divisions
- Staff costs (optimisation)/Structure of employment contracts
- IT risks

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 as well as 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 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 consists of the local-level accounting departments of Group companies and Group Accounting at Austrian Post. Subsidiaries compile comprehensive and appropriate IFRS Reporting Packages in a timely manner on the basis of the unified accounting and valuation rules in force. The IFRS Reporting Package serves as the starting point for further processing within the context of Group consolidation. Group Accounting is responsible for 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. This takes place in line with the deadlines established for the compilation and publication of monthly and quarterly financial statements.

5.1.2 Risk Assessment

Multi-tiered quality assurance measures are implemented with the objective of correctly compiling IFRS Reporting Packages for consolidation purposes. On the one hand, these measures include automatic checks (validations) performed in SAP SEM-BCS. On the other hand, they include manual checks by employees at subsidiaries as well as staff members working for Group Accounting. In turn, Group Accounting takes the financial accounts compiled by the subsidiaries and subjects them to several levels of comprehensive plausibility and data quality 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 compilation 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 are 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 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 Communcation

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. 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 upon 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 mainly includes calculating the consolidated cash flow as well as the related detailed notes and 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. Communications with shareholders of Austrian Post takes place in accordance with the stipulations contained in the Austrian Corporate Governance Code. Communications are conveyed through the Investor Relations website (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, information on the Austrian Post share, published inside information 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 & 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 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, definition and monitoring of limits and procedures designed to limit financial risks and 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 at operating units, which continue on a hierarchical manner in line with the integrated planning and reporting processes. Alongside 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 that the company is aware of.

Through Österreichische Beteiligungs AG (in short ÖBAG, formerly Österreichische Bundes- und Industriebeteiligungen GmbH), 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.

To the company's best knowledge, there are no shareholders owning shares with special controlling interests. Employees who are shareholders of Austrian Post exercise their voting rights on an individual basis. No rules exist with regards to the appointment or dismissal of members of the Management Board or the Supervisory Board, or as regards to 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, and in some cases also by excluding shareholder subscription rights. 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 senior managers of the company or its affiliates. The Management Board is authorised, contingent upon approval of the Supervisory Board, to set the further conditions associated with 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 of the 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 ÖBAG, 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 purchase. 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 purchase on a stock exchange. In such cases, the Supervisory Board has to be subsequently informed of this resolution. A purchase not made via an exchange requires the prior approval of the Supervisory Board. In a case of a purchase not made on the exchange, this purchase can be undertaken in a way excluding the proportionate right of sale (reverse exclusion of subscription rights).

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 through 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 Meeting's 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 terms 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 has 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 2019

Current developments in Austrian Post's core business show that the basic trends in the mail and parcel business are expected to continue.

The traditional addressed letter mail business is anticipated to show ongoing volume declines of about 5% annually in the future. In contrast, the direct mail business strongly depends on the economic environment as well as the advertising behaviour of high-volume senders.

Prospects for the market development of the parcel business are considered to be clearly positive. Against the backdrop of further growth in online business, upper single-digit market growth is expected. This sector is characterised by high demands imposed on delivery quality and speed as well as innovative service solutions. In turn, it is impacted by changed competitive conditions and price pressure.

In the light of this market environment, Austrian Post once again forecasts a stable revenue development in the 2019 financial year (2018 revenue: EUR 1,958.5m).

The underlying planning assumptions are the ongoing trends in the letter mail and direct mail markets. It is also assumed that the postage rate model introduced on July 1, 2018 (next-day PRIO delivery and ECO delivery within 2–3 days), will continue to be well received.

Austrian Post's parcel business will further expand in 2019. It is expected that the quality and performance advantages of Austrian Post will be reflected in revenue increases against the backdrop of higher competition and price pressure as well as own delivery in Vienna on the part of a large-volume customer.

The company's branch network is currently dissolving the financial services cooperation with the previous banking partner. However, the goal remains of maintaining the offering of financial services in the branch network in the future because it is an important and meaningful complement for customers to Austrian Post's range of services.

In addition to numerous market initiatives, the capacity expansion investment programme in the parcel business is of considerable importance to the further development of the company. The objective is to gradually double the 2018 sorting capacity in the years to come. For this reason, in addition to maintenance investments of about EUR 70m, in excess of EUR 50m of growth investments are planned again for 2019. Moreover, there is the possibility of expanding existing commercial properties or newly acquiring land, for example by the existing logistics centre in the south of Vienna. Capacity is already expected to increase by 25% when the parcel centre in Hagenbrunn to the north of Vienna is put into operation in the summer of 2019.

In terms of its earnings, Austrian Post is also pursuing the target of achieving stability in its operating results of the core business in 2019 (2018 EBIT: EUR 210.9m). An important priority will be to enhance the efficiency of services and change structures and processes. For example, mail and parcel logistics were merged under one unified operational management at the beginning of 2019. The aim is to leverage further synergies in the new organisational structure as a means of further expanding upon Austrian Post's role as the quality leader on the Austrian mail and parcel markets. This is based on volume forecasts for Austrian Post's mail and parcel business. Furthermore, business plans will be examined in 2019 to what extent Austrian Post can continue offering financial services in the future.

Stability and security comprise the cornerstones of the company's financial management. In recent years the company has generated the financial resources for the required growth investments, and they will now be used to expand Austrian Post's strategic positioning. The operating cash flow generated by Austrian Post will continue to be used prudently and in a targeted manner to finance sustainable investments in business operations and to pay dividends.

The Management Board will propose to the Annual General Meeting scheduled for April 11, 2019, to approve the distribution of a dividend in the amount of EUR 2.08 per share. Thus, the company is once again continuing its attractive and predictable dividend policy on the basis of a solid balance sheet structure and generated cash flow. Austrian Post continues to pursue the objective of distributing at least 75% of the Group's net profit to its shareholders.

Vienna, February 22, 2019

The Management Board

GEORG PÖLZL
Chairman of the Management Board
Chief Executive Officer

WALTER OBLIN
Deputy Chairman of the Management Board
Mail & Direct Mail, Finance

PETER UMUNDUM
Member of the Management Board
Parcel & Logistics, Logistics Networks

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

for the 2018 financial year

EUR m	Notes	2017	**2018**
Revenue	(8.2)	1,938.9	**1,958.5**
Other operating income	(8.3)	112.7	**96.2**
Total operating income		2,051.6	**2,054.6**
Raw materials, consumables and services used	(8.4)	–409.9	**–441.2**
Staff costs	(8.5)	–1,020.1	**–1,008.7**
Depreciation, amortisation and impairment losses	(8.6)	–86.8	**–94.5**
Other operating expenses	(8.7)	–325.0	**–295.7**
Total operating expenses		–1,841.9	**–1,840.2**
Profit from operations		209.7	**214.5**
Results from financial assets accounted for using the equity method	(9.5)	–1.9	**–3.6**
Financial income		16.4	**8.5**
Financial expenses		–3.6	**–21.6**
Other financial result	(8.8)	12.8	**–13.1**
Total financial result		10.9	**–16.7**
Profit before tax		220.6	**197.8**
Income tax	(9.14)	–55.6	**–53.6**
Profit for the period		165.0	**144.2**
Attributable to:			
Shareholders of the parent company	(9.10)	165.2	**143.7**
Non-controlling interests	(9.10)	–0.2	**0.6**

EARNINGS PER SHARE (EUR)			
Basic earnings per share	(8.9)	2.45	**2.13**
Diluted earnings per share	(8.9)	2.45	**2.13**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 2018 financial year

EUR m	Notes	2017	2018
Profit for the period		165.0	**144.2**
Items that may be reclassified subsequently to the income statement:			
Currency translation differences – investments in foreign businesses	(9.10)	0.6	**–0.1**
Changes in the fair value of financial assets available for sale	(10.1)	–3.0	**–**
At fair value through other comprehensive income (FVOCI) – debt instruments	(10.1)	0.0	**–0.1**
Tax effect of changes in the fair value	(9.14)	1.2	**0.0**
Total items that may be reclassified		–1.2	**–0.2**
Items that will not be reclassified subsequently to the income statement:			
At fair value through other comprehensive income (FVOCI) – equity instruments	(10.1)	0.0	**–18.9**
Tax effect of changes in the fair value	(9.14)	0.0	**4.4**
Revaluation of defined benefit obligations	(9.11)	–1.2	**4.1**
Tax effect of revaluation	(9.14)	0.3	**–1.0**
Total items that will not be reclassified		-0.9	**–11.4**
Other comprehensive income		-2.1	**–11.5**
Total comprehensive income		162.9	**132.7**
Attributable to:			
Shareholders of the parent company	(9.10)	163.1	**132.1**
Non-controlling interests	(9.10)	–0.2	**0.6**

CONSOLIDATED BALANCE SHEET

as at December 31, 2018

EUR m	Notes	Dec. 31, 2017	**Dec. 31, 2018**
ASSETS			
Non-current assets			
Goodwill	(9.1)	62.1	**58.7**
Intangible assets	(9.2)	24.7	**24.5**
Property, plant and equipment	(9.3)	615.7	**652.8**
Investment property	(9.4)	85.0	**78.4**
Financial assets accounted for using the equity method	(9.5)	8.1	**9.2**
Other financial assets	(9.6)	86.4	**62.4**
Contract assets		0.0	**0.1**
Other receivables	(9.8)	19.0	**14.5**
Deferred tax assets	(9.14)	72.2	**77.6**
		973.1	**978.2**
Current assets			
Other financial assets	(9.6)	44.6	**45.4**
Inventories	(9.7)	22.0	**17.3**
Contract assets		0.0	**23.5**
Trade and other receivables	(9.8)	343.6	**305.7**
Tax assets		1.0	**1.0**
Cash and cash equivalents	(9.9)	290.0	**310.0**
		701.1	**702.8**
Assets held for sale		0.0	**0.3**
		1,674.2	**1,681.2**
EQUITY AND LIABILITIES			
Equity	(9.10)		
Share capital		337.8	**337.8**
Capital reserves		91.0	**91.0**
Revenue reserves		287.7	**298.5**
Other reserves		–18.5	**–30.1**
Equity attributable to the shareholders of the parent company		697.9	**697.1**
Non-controlling interests		0.9	**2.0**
		698.8	**699.1**
Non-current liabilities			
Provisions	(9.11)	385.1	**386.3**
Other financial liabilities	(9.12)	3.4	**3.5**
Trade and other payables	(9.13)	39.3	**31.1**
Deferred tax liabilities	(9.14)	1.1	**0.8**
		428.9	**421.7**
Current liabilities			
Provisions	(9.11)	178.6	**164.8**
Tax liabilities		13.2	**6.8**
Other financial liabilities	(9.12)	3.4	**6.8**
Trade and other payables	(9.13)	351.2	**333.0**
Contract liabilities		0.0	**49.0**
		546.5	**560.4**
		1,674.2	**1,681.2**

CONSOLIDATED CASH FLOW STATEMENT

for the 2018 financial year

EUR m	Notes	2017 adjusted[1]	2018
OPERATING ACTIVITIES			
Profit before tax		220.6	**197.8**
Depreciation, amortisation and impairment losses	(8.6)	86.8	**94.5**
Results from financial assets accounted for using the equity method	(9.5)	1.9	**3.6**
Provisions non-cash		70.3	**42.4**
Other non-cash transactions	(11.1)	–63.1	**14.6**
Gross cash flow		316.6	**352.9**
Trade and other receivables		–23.5	**52.3**
Inventories		–3.2	**–4.2**
Contract assets		0.0	**–16.5**
Provisions		–12.9	**–49.7**
Trade and other payables		21.6	**7.3**
Contract liabilities		0.0	**18.0**
Taxes paid		–42.9	**–64.2**
Cash flow from operating activities		255.7	**295.9**
INVESTING ACTIVITIES			
Acquisition of intangible assets		–8.2	**–10.6**
Acquisition of property, plant and equipment/investment property		–102.1	**–139.4**
Cash receipts from disposal of assets		7.3	**21.3**
Acquisition of subsidiaries	(4.2)	–5.2	**–0.9**
Disposal of subsidiaries	(4.2)	0.8	**0.0**
Acquisition of financial assets accounted for using the equity method	(4.2)	–5.6	**–2.6**
Sale of financial assets accounted for using the equity method	(4.2)	3.3	**0.1**
Acquisition of other financial instruments		–0.1	**–35.0**
Cash receipts from sales of other financial instruments		19.0	**0.0**
Acquisition of financial investments in securities		–35.0	**–5.0**
Cash receipts from sales of financial investments in securities		15.3	**28.0**
Loans granted	(11.1)	–1.4	**–1.8**
Dividends received from financial assets accounted for using the equity method	(9.5)	0.2	**0.2**
Interest received		2.5	**8.3**
Cash flow from investing activities		–109.1	**–137.5**
Free cash flow		146.6	**158.4**
FINANCING ACTIVITIES			
Changes of other financial liabilities	(11.1)	0.7	**1.6**
Dividends paid		–135.1	**–138.8**
Interest paid		–0.3	**–1.0**
Acquisition of non-controlling interests		0.0	**0.1**
Cash flow from financing activities		–134.6	**–138.1**
Change in cash and cash equivalents		12.0	**20.2**
Cash and cash equivalents at January 1		278.0	**290.0**
Cash and cash equivalents at December 31	(11.1)	290.0	**310.2**

[1] Reclassification of taxes paid – refer to Note 3.2 of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 2017 financial year

				Other reserves					
EUR m	Share capital	Capital reserves	Revenue reserves	IAS 19 reserve	Revaluation of financial instruments	Currency translation reserve	Equity attributable to share-holders of the parent company	Non-controlling interests	Equity
Balance as at January 1, 2017	337.8	91.0	257.6	–18.3	4.2	–2.3	670.0	0.1	670.0
Profit for the period	0.0	0.0	165.2	0.0	0.0	0.0	165.2	–0.2	165.0
Other comprehensive income	0.0	0.0	0.0	–0.9	–1.8	0.6	–2.1	0.0	–2.1
Total comprehensive income	0.0	0.0	165.2	–0.9	–1.8	0.6	163.1	–0.2	162.9
Dividends paid	0.0	0.0	–135.1	0.0	0.0	0.0	–135.1	–0.1	–135.2
Transactions with owners	0.0	0.0	–135.1	0.0	0.0	0.0	–135.1	–0.1	–135.2
Step acquisition of a subsidiary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.1
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.1
Balance as at December 31, 2017	337.8	91.0	287.7	–19.2	2.4	–1.7	697.9	0.9	698.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 2018 financial year

				Other reserves					
EUR m	Share capital	Capital reserves	Revenue reserves	IAS 19 reserve	Revaluation of financial instruments/ FVOCI reserve	Currency translation reserve	**Equity attributable to shareholders of the parent company**	Non-controlling interests	**Equity**
Balance as at December 31, 2017	337.8	91.0	287.7	–19.2	2.4	–1.7	**697.9**	0.9	**698.8**
Adjustment due to initial application of IFRS 9 (net of tax)	0.0	0.0	0.6	0.0	–0.1	0.0	0.5	0.0	0.5
Adjustment due to initial application of IFRS 15 (net of tax)	0.0	0.0	5.1	0.0	0.0	0.0	5.1	0.0	5.1
Adjusted status as at January 1, 2018	337.8	91.0	293.3	–19.2	2.3	–1.7	**703.5**	0.9	**704.4**
Profit for the period	0.0	0.0	143.7	0.0	0.0	0.0	143.7	0.6	144.2
Other comprehensive income	0.0	0.0	0.0	3.1	–14.5	–0.1	–11.5	0.0	–11.5
Total comprehensive income	0.0	0.0	143.7	3.1	–14.5	–0.1	**132.1**	0.6	**132.7**
Dividends paid	0.0	0.0	–138.5	0.0	0.0	0.0	–138.5	–0.3	–138.8
Payments from non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Transactions with owners	0.0	0.0	–138.5	0.0	0.0	0.0	**–138.5**	–0.2	**–138.7**
Step acquisition of a subsidiary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.8	**0.8**
Balance as at December 31, 2018	337.8	91.0	298.5	–16.1	–12.2	–1.8	**697.1**	2.0	**699.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2018 FINANCIAL YEAR

1. Reporting Entity

Austrian Post and its subsidiaries are logistics and service companies in the letter mail and parcel segments. The business activities of the Austrian Post Group include the provision of postal and parcel services, specialised logistics such as express mail delivery and value logistics as well as sales of telecommunications products and financial transactions in the branch network. Moreover, the service offering also encompasses fulfilment services, various online services such as the e-letter and cross-media services data and output management as well as document collection, digitalisation and processing, amongst other services.

The headquarters of Austrian Post is 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 2018 financial year have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid as at December 31, 2018, 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 had been applied on a mandatory basis for the first time during the 2018 financial year:

Mandatory application of new standards		Effective date EU[1]
IFRS 9	Financial Instruments	Jan. 1, 2018
IFRS 15	Revenue from Contracts with Customers	Jan. 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Jan. 1, 2018

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

Mandatory application of revised standards		Effective date EU[1]
Miscellaneous	Improvements to IFRS (2014–2016)	Jan. 1, 2018
IFRS 2	Classification and Measurement of Share-Based Payment Transactions	Jan. 1, 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Jan. 1, 2018
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	Jan. 1, 2018
IAS 40	Transfers of Investment Property	Jan. 1, 2018

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

A number of new or revised standards took effect in the current reporting period. The first-time application of the new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers resulted in changes to the accounting methods used by the Austrian Post Group. The effects of the initial application of these two standards are subsequently described in Note 3.3 Significant changes based on the initial application of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. Revisions to other standards do not have any effects on the accounting methods of the Austrian Post Group.

3.1.2 INTERNATIONAL FINANCIAL REPORTING 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 only take place in the future.

New standards/interpretations not yet applied		Endorsement EU	Effective date EU[1]
IFRS 16	Leases	Oct. 31, 2017	Jan. 1, 2019
IFRS 17	Insurance Contracts	to be decided	planned Jan. 1, 2022
IFRIC 23	Uncertainty over Income Tax Treatments	Oct. 23, 2018	Jan. 1, 2019

Revised standards not yet applied		Endorsement EU	Effective date EU[1]
Miscellaneous	Improvements to IFRS (2015–2017)	planned Q1 2019	planned Jan. 1, 2019
Miscellaneous	Amendments to References to the Conceptual Framework in IFRS Standards	planned 2019	planned Jan. 1, 2020
IFRS 3	Definition of a Business	planned 2019	planned Jan. 1, 2020
IFRS 9	Prepayment Features with Negative Compensation	Mar. 22, 2018	Jan. 1, 2019
IAS 1/IAS 8	Definition of Materiality	planned 2019	planned Jan. 1, 2020
IAS 19	Plan Changes, Reductions or Compensations	planned Q1 2019	planned Jan. 1, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures	Feb. 8, 2019	planned Jan. 1, 2019

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

IFRS 16 Leases IFRS 16 Leases was published in January 2016 and it has to be applied for the first time on a mandatory basis for financial years beginning on or after January 1, 2019. IFRS 16 replaces the previous regulations contained in IAS 17 and the related interpretations. In particular, the accounting treatment of lease agreements by the lessee is redefined. According to the new standard, the decisive factor in the accounting treatment of a lease is whether the leased object is an identifiable asset, the lessee has the right to direct the use of the asset and obtains the resulting economic benefits. The previous distinction between finance lease and operating lease agreements no longer applies. The lessee now recognises a liability for every leasing relationship in the amount of the future lease payments. At the same time, the right-of-use asset is capitalised as the present value of future lease payments and is subsequently written off as an expense on a straight-line basis.

IFRS 16 allows for exercising an accounting option in the case of short term leases whose contractual period is for twelve months or less. Moreover, the accounting treatment does not have to be applied in the leasing of low-value assets. Austrian Post will make use of both options and will thus continue to recognise the corresponding lease payments in profit or loss. Similarly, leases of intangible assets will not be recognised.

IFRS 16 continues to prescribe the distinction between finance and operating lease agreements for accounting purposes. With respect to this point, the accounting model contained in IFRS 16 does not significantly differ from IAS 17 Leases.

Austrian Post applies the modified retrospective approach of IFRS 16 without any adjustment of comparative information for previous periods. Any potential accumulated adjustment effect resulting at the time of initial application on January 1, 2019, will be recognised in equity. In this regard, Austrian Post has chosen the option to state the rights of use at the transition date to the amount of the leasing liability adjusted by the previously recognised amounts paid or received in advance. As a consequence, there will be no impact on the equity of the Austrian Post Group at the date of the first time adoption.

In the consolidated balance sheet, rights of use will be included in the same balance sheet items in which the underlying assets of leases are stated.

The following practical expedients will be used within the context of the first-time application of IFRS 16:

- Application of a discount rate to a portfolio of leases
- Leases with a remaining term of less than twelve months will be treated as short term leases.
- Recourse to the assessment of provisions for onerous leases instead of a separate testing for impairment pursuant to IAS 36

Furthermore, Austrian Post will exercise its option not to reassess whether or not an agreement already in effect at the time of initial application comprises a lease pursuant to IFRS 16. Accordingly, the definition of a lease pursuant to IAS 17 and IFRC 4 will continue to apply for leases which existed before January 1, 2019.

From the perspective of the lessee, the most important specific application of IFRS 16 in the Austrian Post Group relates to real estate leasing contracts for logistics sites, branch offices and administrative buildings. Apart from that, there are mostly lease contracts for vehicles. The most significant effects result from the recognition of right-of-use assets and lease liabilities for these lease agreements. Furthermore, the type of expenses related to these 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.

Based on its latest estimates, Austrian Post assumes that it will recognise rights of use and lease liabilities in the amount of EUR 269.4m as at January 1, 2019. The resulting increase in the balance sheet total will lead to a decline in the equity ratio by 5.7 percentage points. There will be no reclassifications on the balance sheet for existing finance leases in light of the fact that rights of use are stated under the respective balance sheet items (largely property, plant and equipment).

On the basis of a preliminary assessment of existing agreements as at January 1, 2019, it is expected that the leasing and rental payments of Austrian Post will decrease by EUR 32.1m in 2019. In contrast, planned depreciation will climb by EUR 30.0m and the net interest expense will rise by EUR 4.2m. An increase of EBITDA by EUR 32.1m and a rise in the EBITDA margin by 1.6 percentage points is anticipated.

Pursuant to IAS 17, leasing payments for operating leases are stated under the cash flow from operating activities. The application of IFRS 16 will likely increase the cash flow from operating activities by EUR 32.1m and reduce the cash flow from financing activities by the same amount, in light of the fact that both the redemptions and interest components of the leasing payments will be recognised under the cash flow from financing activities in the future.

No material effects are expected for existing lease agreements in which Austrian Post acts as the lessor as well as for subleases in which Austrian Post acts as an intermediate lessor.

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 Cash Flow Statement The recognition of taxes paid in the consolidated cash flow statement was adjusted in the 2018 financial year. Taxes paid were previously disclosed separately within the context of the reconciliation of the profit before tax to the gross cash flow. Now taxes paid are stated after the gross cash flow within the context of calculating the cash flow from operating activities.

The change in recognition has the following effect on the consolidated cash flow statement:

EUR m	2017 (previous presentation)	2017 (new presentation)	2018 (previous presentation)	**2018 (new presentation)**
Taxes paid	–42.9	0.0	–64.2	**0.0**
Gross cash flow	273.7	316.6	288.7	**352.9**
Taxes paid	0.0	–42.9	0.0	**–64.2**
Cash flow from operating activities	255.7	255.7	295.9	**295.9**

3.3 Significant Changes Based on the Initial Application of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers

Austrian Post applied IFRS 9 and IFRS 15 for the first time effective January 1, 2018. Comparative information for previous periods was not adjusted. Impacts on profit and loss resulting from the application of the new standards were recognised in revenue reserves as at January 1, 2018. For this reason, adjustments to the new standards were not recorded retroactively on the balance sheet as at December 31, 2017, but on the opening balance sheet as at January 1, 2018.

The following chart shows necessary adjustments on the level of individual balance sheet items. The individual adjustments will be subsequently explained in detail for each new standard.

EUR m	Dec. 31, 2017	Adjustments IFRS 9	Adjustments IFRS 15	**Jan. 1, 2018**
ASSETS				
Non-current assets				
Goodwill	62.1			**62.1**
Intangible assets	24.7			**24.7**
Property, plant and equipment	615.7			**615.7**
Investment property	85.0			**85.0**
Financial assets accounted for using the equity method	8.1			**8.1**
Other financial assets	86.4			**86.4**
Contract assets	0.0		0.3	**0.3**
Other receivables	19.0			**19.0**
Deferred tax assets	72.2	–0.1		**72.0**
	973.1	–0.1	0.3	**973.2**
Current assets				
Other financial assets	44.6			**44.6**
Inventories	22.0		–8.8	**13.3**
Contract assets	0.0		6.6	**6.6**
Trade receivables and other receivables	343.6	0.8	15.2	**359.6**
Tax assets	1.0			**1.0**
Cash and cash equivalents	290.0	–0.1		**289.8**
	701.1	0.7	13.1	**714.9**
	1,674.2	0.5	13.4	**1,688.1**
EQUITY AND LIABILITIES				
Equity				
Share capital	337.8			**337.8**
Capital reserves	91.0			**91.0**
Revenue reserves	287.7	0.6	5.1	**293.3**
Other reserves	–18.5	–0.1		**–18.6**
Equity attributable to the shareholders of the parent company	697.9	0.5	5.1	**703.5**
Non-controlling interests	0.9			**0.9**
	698.8	0.5	5.1	**704.4**
Non-current liabilities				
Provisions	385.1			**385.1**
Other financial liabilities	3.4			**3.4**
Trade and other payables	39.3			**39.3**
Contract liabilities	0.0			**0.0**
Deferred tax liabilities	1.1		1.7	**2.8**
	428.9	0.0	1.7	**430.6**
Current liabilities				
Provisions	178.6			**178.6**
Tax liabilities	13.2			**13.2**
Other financial liabilities	3.4			**3.4**
Trade and other payables	351.2		–24.2	**327.0**
Contract liabilities	0.0		30.9	**30.9**
	546.5	0.0	6.6	**553.2**
	1,674.2	0.5	13.4	**1,688.1**

3.3.1 IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments contains regulations for the recognition, classification, measurement and elimination of financial instruments and replaces the previously applicable standard IAS 39 Financial Instruments.

The first-time application of IFRS 9 as at January 1, 2018, led to an adjustment of the accounting and valuation methods and an adjustment of the amounts recognised in the consolidated financial statements up to December 31, 2017. The application of the new standard took place in accordance with the modified retrospective approach pursuant to IFRS 9.7.2.15. Accordingly, there was no adjustment of comparative information for previous periods but rather an accumulated adjustment of impacts on profit and loss in equity as at January 1, 2018.

Impacts on Equity

The initial application of IFRS 9 Financial Instruments led to the following adjustments in equity as at January 1, 2018:

EUR m	Comment	Revaluation of financial instruments	FVOCI reserve	Revenue reserve	Equity
Balance at December 31, 2017 (IAS 39)		2.4	–	287.7	**698.8**
Classification					
Reclassification of securities from held for sale to FVTPL	A)	–0.1	0.0	0.1	**0.0**
Reclassification of other investments from held for sale to FVOCI	C)	–2.2	2.2	0.0	**0.0**
Reclassification of securities from held for sale to FVOCI	B)	–0.1	0.1	0.0	**0.0**
		–2.4	2.3	0.1	**0.0**
Impairment					
Expected credit losses securities FVOCI	B)	0.0	0.0	0.0	**0.0**
Expected credit losses receivables measured at amortised cost	F)	0.0	0.0	0.7	**0.7**
Deferred tax on expected credit losses		0.0	0.0	–0.1	**–0.1**
		0.0	0.0	0.5	**0.5**
Balance at January 1, 2018 (IFRS 9)		0.0	2.3	288.3	**699.3**

The adjustments had no effect on non-controlling interests.

Classification and Valuation of Financial Assets

On the basis of the initial application of IFRS 9 Financial Instruments as at January 1, 2018, the Austrian Post Group assessed which business models are valid for the financial assets held by the Group and assigned the financial instruments to IFRS 9 measurement categories:

EUR m	Comment	At fair value through profit or loss (FVTPL)	Available for sale	At fair value through other comprehensive income (FVOCI)	Recognised at amortised cost	Total
Financial assets at December 31, 2017 (IAS 39)		0.1	130.8	0.0	547.9	**678.8**
Reclassification of securities	A), B)	60.1	-80.6	20.5	0.0	**0.0**
Reclassification of other investments	C)	0.0	-50.2	50.2	0.0	**0.0**
Reclassification of inventories to other receivables (initial application IFRS 15)	D)	0.0	0.0	0.0	4.3	**4.3**
Reclassification of receivables for services not yet provided to contract liabilities (initial application IFRS 15)	E)	0.0	0.0	0.0	10.9	**10.9**
Adjustment of financial losses on financial assets in the transition to IFRS 9	F)	0.0	0.0	0.0	0.7	**0.7**
Financial assets at January 1, 2018 (IFRS 9)		60.3	0.0	70.7	563.8	**694.7**

There were no changes in financial liabilities compared to the classification as at December 31, 2017.

A) Reclassification of Securities Securities (shares in investment funds and debt instruments) with a carrying amount of EUR 60.1m were reclassified from the category "available for sale" to the category "at fair value through profit or loss". The cash flow criteria for these securities was not fulfilled due to the fact that generated cash flows do not represent payments of principal and interest pursuant to IFRS 9. Adjustments to fair value in the revaluation reserve were reclassified in the revenue reserves.

B) Reclassification of Securities Securities (debt instruments) with a carrying amount of EUR 20.5m were reclassified from the category "available for sale" to the category "at fair value through other comprehensive income". In this case, the securities fulfil the cash flow criteria and are held within the context of a business model whose objective is the collection of contractual cash flows as well as the sale of financial assets. Adjustments at fair value recorded in the revaluation reserve were reclassified to the FVOCI reserve. Immaterial amounts relating to expected credit losses as at January 1, 2018, were also reported in the FVOCI reserve.

C) Reclassification of Other Investments Other investments (equity instruments) with a carrying amount of EUR 50.2m were reclassified from available for sale to at fair value through other comprehensive income. In light of the fact that these investments are exclusively held for strategic reasons, the so-called FVOCI option was exercised pursuant to IFRS 9.4.1.4. Adjustments to fair value in the revaluation reserve were reclassified to the FVOCI reserve.

D) Reclassification from Inventories to Other Receivables (first-time application of IFRS 15) In connection with the sale of A1 hardware and other products, contractual prepayments are to be made which were recognised as inventories as at December 31, 2017. These sales activities are to be considered as comprising the rendering of intermediary services pursuant to IFRS 15. For this reason, prepayments made in the amount of EUR 4.3m were reported as financing receivables under trade and other receivables as at January 1, 2018.

E) Reclassification from Trade Receivables for Services Not Yet Provided to Contract Liabilities (first-time application of IFRS 15) Up until December 31, 2017, the portion of an already invoiced but not yet fulfilled service obligation was deducted from trade and other receivables (net reporting). Following the reclassification of these circumstances pursuant to IFRS 15, there is an unconditional entitlement to receiving a payment. For this reason, the amount previously deducted from the trade receivable is now recognised within contract liabilities (gross reporting).

F) Adjustment of Financial Losses on Financial Assets in the Transition to IFRS 9 The transition of existing impairment losses to the impairment losses for expected credit defaults as at December 31, 2017, pursuant to the stipulations contained in IFRS 9 led to a change in the carrying amount totalling EUR 0.7m. This effect was recognised in the revenue reserves.

The Austrian Post Group has the following categories of financial assets and contract assets subject to the new model of expected credit defaults pursuant to IFRS 9:

- Securities in the category FVOCI
- Trade receivables
- Other receivables
- Receivables due from banks
- Contract assets

The impairment losses to be recognised for the first time as at January 1, 2018, for securities in the category FVOCI as well as for receivables due from banks represented immaterial amounts as at January 1, 2018. A deposit in escrow exists for the contract assets in the amount of the contingent receivables, thus representing a full collateralisation. Correspondingly, no impairment losses were recognised.

The impairment loss on trade receivables as at December 31, 2017, is carried over to the value of the impairment loss as at January 1, 2018, as follows:

EUR m	**Loss allowances – Trade receivables**
Balance at December 31, 2017 (IAS 39)	**7.1**
Adjustment revaluation	**–0.6**
Derecognition	**–2.8**
Balance at January 1, 2018 (IFRS 9)	**3.7**

As at January 1, 2018, trade receivables already in a state of insolvency are derecognised in the amount of the still expected cash inflow within the context of insolvency proceedings. These receivables were already completely written off as at December 31, 2017, in the amount of the derecognition.

The impairment loss for other receivables as at December 31, 2017, is carried to the value of the impairment loss as at January 1, 2018, as follows:

EUR m	**Loss allowances – Other receivables**
Balance at December 31, 2017 (IAS 39)	**13.7**
Adjustment revaluation	**–0.2**
Derecognition	**–7.2**
Balance at January 1, 2018 (IFRS 9)	**6.3**

As at January 1, 2018, fully impaired other receivables from claims for damages in the amount of EUR 7.2m were fully or partially derecognised. This is due to the fact that a reasonable assessment led to the assumption that the receivables can no longer be recovered.

3.3.2 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 Revenue from Contracts with Customers replaces the previous regulations on revenue recognition pursuant to IAS 18 Revenue and IAS 11 Construction Contracts as well as the related interpretations. The new standard sets as uniform the basic principles that must be used to determine when and in which amount or over what period the revenue is to be recognised. For this purpose, the standard offers a principle-based five-step model framework applicable to all categories of revenue transactions with customers falling within the scope of IFRS 15. Revenue is recognised when the customer is given control of the goods or services.

The first-time application of IFRS 15 as at January 1, 2018, led to an adjustment of the accounting and valuation methods as well as the amounts reported in the consolidated financial statements up to December 31, 2017. The application of the new standard took place according to the modified retrospective approach pursuant to IFRS 15.C. Accordingly, there was no adjustment of comparative information for previous periods, but rather the accumulated adjustment of impacts on profit and loss in equity as at January 1, 2018.

Impacts on Equity

The following adjustments in equity were made as at January 1, 2018, due to the initial application of IFRS 15 Revenue from Contracts with Customers:

EUR m	Comment	**Revenue reserve**
Balance at January 1, 2018 (IAS 18 – after IFRS 9 adjustment)		**288.3**
Over-time revenue recognition of core business	G)	**2.6**
Over-time revenue recognition of property project	J)	**3.9**
Contract costs	K)	**0.3**
Increase of deferred tax liabilities	J), K)	**–1.7**
Total effect (IFRS 15)		**5.1**
Balance at January 1, 2018 (IFRS 9 and IFRS 15)		**293.3**

Impacts on the Balance Sheet

To summarise, the following adjustments were made to the amounts reported on the balance sheet as at December 31, 2017, at the time of the initial application (January 1, 2018):

EUR m	Comment	Dec. 31, 2017 (IAS 18)	Transfer	Revaluation	**Jan. 1, 2018 (IFRS 15)**
ASSETS					
Non-current assets					
Contract assets	K)	0.0		0.3	**0.3**
Current assets					
Inventories	J), L)	22.0	–8.8		**13.3**
Contract assets	I), J)	0.0	2.8	3.9	**6.6**
Trade receivables and other receivables	H), L)	343.6	15.2		**358.8**
EQUITY AND LIABILITIES					
Equity					
Revenue reserves		287.7		5.1	**292.7**
Non-current liabilities					
Deferred tax liabilities	J), K)	1.1		1.7	**2.8**
Current liabilities					
Trade and other payables	I)	351.2	–24.2		**327.0**
Contract liabilities	G), H), I)	0.0	33.4	–2.6	**30.9**

G) Period-related Realisation of Revenue in the Core Business Only minor adjustments are required with respect to the main business activities of Austrian Post, i.e. the collection, 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 provided when the mail item was handed over to the addressee. Accordingly, there is a minor bringing forward with respect to when the 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 in the amount of EUR 2.6m was recognised under revenue reserves and led to a reduction of contract liabilities for the same amount.

H) Contract Liabilities The collection of a mail item at a Post drop-off point (i.e. at the beginning of the service obligation) leads to invoicing and thus to the related recognition of revenue as well as recognition of a trade receivable. At this point in time, only a part of the service obligation has already been provided. For this reason, IAS 18 had stipulated that services, which were not yet provided, were recognised as deferred income and the receivables were correspondingly reduced. According to IFRS 15, a receivable is to be cancelled once an unconditional claim on receiving payment exists. By accepting a mail item in a Post drop-off point, the Group is obliged to provide a service within a short time and is simultaneously entitled to issue an invoice and to receive a payment from the customer. As at January 1, 2018, that portion of the service obligation which has not yet been provided is reported as a contract liability instead of a reduction in trade receivables. In turn, this leads to an increase in trade receivables on the asset side and a corresponding recognition of a contract liability in the amount of EUR 10.9m.

I) Contract Liabilities Payments received in advance for services not yet provided, especially in connection with postage stamps and revenue from senders using franking machines, were previously reported on the balance sheet as deferred income under other liabilities. The Austrian Post Group is obliged to provide a service when it receives the prepayment. For this reason, a reclassification to contract liabilities totalling EUR 24.2m was carried out as at January 1, 2018. EUR 1.6m in prepayments received in connection with the Neutorgasse 7 real estate development project were netted against the short-term contract assets.

J) Period-Related Revenue Recognition of a Real Estate Project Fundamental changes arose for the Neutorgasse 7 real estate development project with respect to the recognition 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. the 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 proportion of costs incurred to the entire expected production cost (cost-to-cost method). As a result, progress made previously recognised as inventories in the amount of EUR 4.4m was reclassified as contract assets. Netted against the already existing contract liabilities as at January 1, 2018, in the form of payments received in advance in the amount of EUR 1.6m, the total reclassification amounts to EUR 2.8m. Furthermore, contract assets were capitalised in the amount of the pro rata revenue to be recognised of EUR 3.9m. This led to an increase in the deferred tax liabilities of EUR 1.0m.

K) Costs for Initiating a Contract Up until now, within the context of initiating and concluding a contract on the sale of housing units in the Neutorgasse 7 real estate development project, additional costs relating to brokerage fees were recognised as expenses in light of the fact that they do not fulfil the valuation criteria of an asset. These costs are to be capitalised pursuant to IFRS 15 and depreciated over the duration of the contract. As a result, these costs were recognised as at January 1, 2018, taking account of the depreciation of contract costs to be carried out against the revenue reserves in the amount of EUR 0.3m as well as an increase in the deferred tax liabilities of EUR 0.1m. The asset is subsequently depreciated on a straight-line basis over the contract duration.

L) Inventories Adjustments were necessary with respect to sales services provided in the branch network, especially relating to telecommunications products. This was the result of the changed stipulations according to IFRS 15 compared to IAS 18 on the evaluation of the principal versus agent consideration. Accordingly, individual contracts would have to be classified as providing 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 calculating the amount of these products, contractually required prepayments are to be made which were recognised as inventories as at December 31, 2017. These sales activities are to be considered as intermediary services pursuant to IFRS 15. For this reason, prepayments made in the amount of EUR 4.3m were recognised as financing receivables under trade and other receivables as at January 1, 2018.

Impacts on the Reporting Period

The following table shows the impacts from the application of IFRS 15 on the consolidated financial statements of the reporting period:

EUR m	**2018 (as reported under IFRS 15)**	Reconciliation	2018 (without the application of IFRS 15)
Revenue	**1,958.5**	7.5	1,966.0
Other operating income	**96.2**	–17.9	78.2
Total operating income	**2,054.6**	–10.5	2,044.2
Raw materials, consumables and services used	**–441.2**	–7.3	–448.6
Staff costs	**–1,008.7**	0.0	–1,008.7
Depreciation, amortisation and impairment losses	**–94.5**	0.0	–94.5
Other operating expenses	**–295.7**	11.0	–284.8
Total operating expenses	**–1,840.2**	3.6	–1,836.6
Profit from operations	**214.5**	–6.8	207.6
Results from financial assets accounted for using the equity method	**–3.6**	0.0	–3.6
Financial income	**8.5**	0.0	8.5
Financial expenses	**–21.6**	0.0	–21.6
Other financial result	**–13.1**	0.0	–13.1
Total financial result	**–16.7**	0.0	–16.7
Profit before tax	**197.8**	–6.8	191.0
Income tax	**–53.6**	1.9	–51.7
Profit for the period	**144.2**	–5.0	139.2

EUR m	**Dec. 31, 2018 (as reported under IFRS 15)**	Reconciliation	Dec. 31, 2018 (without the application of IFRS 15)
ASSETS			
Non-current assets			
Goodwill	**58.7**	0.0	58.7
Intangible assets	**24.5**	0.0	24.5
Property, plant and equipment	**652.8**	0.0	652.8
Investment property	**78.4**	0.0	78.4
Financial assets accounted for using the equity method	**9.2**	0.0	9.2
Other financial assets	**62.4**	0.0	62.4
Contract assets	**0.1**	–0.1	0.0
Other receivables	**14.5**	0.0	14.5
Deferred tax assets	**77.6**	0.6	78.2
	978.2	0.5	978.7
Current assets			
Other financial assets	**45.4**	0.0	45.4
Inventories	**17.3**	18.8	36.1
Contract assets	**23.5**	–23.5	0.0
Trade receivables and other receivables	**305.7**	–3.6	302.1
Tax assets	**1.0**	0.0	1.0
Cash and cash equivalents	**310.0**	0.0	310.0
	702.8	–8.2	694.6
Assets held for sale	**0.3**	0.0	0.3
	1,681.2	–7.7	1,673.5
EQUITY AND LIABILITIES			
Equity			
Share capital	**337.8**	0.0	337.8
Capital reserves	**91.0**	0.0	91.0
Revenue reserves	**298.5**	–10.1	288.4
Other reserves	**–30.1**	0.0	–30.1
Equity attributable to the shareholders of the parent company	**697.1**	–10.1	687.1
Non-controlling interests	**2.0**	0.0	2.0
	699.1	–10.1	689.1
Non-current liabilities			
Provisions	**386.3**	0.0	386.3
Other financial liabilities	**3.5**	0.0	3.5
Trade and other payables	**31.1**	0.0	31.1
Contract liabilities	**0.0**	0.0	0.0
Deferred tax liabilities	**0.8**	–2.9	–2.1
	421.7	–2.9	418.8
Current liabilities			
Provisions	**164.8**	0.0	164.8
Tax liabilities	**6.8**	0.0	6.8
Other financial liabilities	**6.8**	0.0	6.8
Trade and other payables	**333.0**	54.2	387.2
Contract liabilities	**49.0**	–49.0	0.0
	560.4	5.3	565.7
	1,681.2	–7.7	1,673.5

The impacts from the application of IFRS 15 primarily relate to the following circumstances. Reference is made to the explanations above with respect to the significant differences between the accounting treatment of these circumstances compared to the IFRS standards valid as at December 31, 2017:

Realisation of Revenue from the Neutorgasse 7 Real Estate Project

Without the period-related realisation of revenue from the Neutorgasse 7 real estate development project pursuant to IFRS 15, other operating income would have been down by EUR 17.9m and the profit for the period would be EUR 5.1m lower in the 2018 financial year. Similarly, contract assets with a carrying amount of EUR 23.4m less the earnings contributions contained therein as well as the included netting with contract liabilities from prepayments received would have been recognised in the amount of EUR 15.2m in inventories.

Inventories – Assessment as Principal or Agent

Without the change classification of sales services in the branch network pursuant to IFRS 15, especially relating to telecommunications products, revenue in the 2018 financial year would have been EUR 7.5m higher. Furthermore, retail goods in the amount of EUR 3.6m would have been reported under inventories instead of other receivables as at the balance sheet date of December 31, 2018. The change in the accounting treatment did not impact earnings.

Contract Liabilities

Contract liabilities totalling EUR 49.0m as at December 31, 2018, contain EUR 41.0m in prepayments received which would have been recognised under other liabilities without application of IFRS 15. An additional EUR 7.8m in contract liabilities relate to the invoicing and realisation of revenue already at the time letters and parcels are accepted, thus before the entire service is completely rendered. This revenue would have been recognised under other liabilities.

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

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

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

4.2 Changes in the Consolidation Scope

In addition to the parent company Austrian Post, a total of 24 domestic subsidiaries (December 31, 2017: 23) and eleven foreign subsidiaries (December 31, 2017: eleven) are included in the consolidated interim financial statements. Furthermore, four domestic companies (December 31, 2017: five) and two foreign companies (December 31, 2017: two) 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 2018 financial year:

Company name	Interest from	Interest to	Date of transaction	Comment
MAIL & BRANCH NETWORK				
Weber Escal d.o.o., Hrvatski Leskovac	100.00%	0.00%	Jan. 1, 2018	Segment change
sendhybrid ÖPBD GmbH, Graz	26.00%	51.00%	Jul. 1, 2018	Acquisition
PARCEL & LOGISTICS				
Weber Escal d.o.o., Hrvatski Leskovac	0.00%	100.00%	Jan. 1, 2018	Segment change
PHS Logistiktechnik GmbH, Graz	26.00%	40.00%	Oct. 23, 2018	Acquisition
CORPORATE				
Verteilzentrum Hagenbrunn Vermietungs GmbH, Vienna	0.00%	100.00%	Apr. 9, 2018	Acquisition
Verteilzentrum Hagenbrunn Vermietungs GmbH, Vienna (Österreichische Post AG, Vienna)[1]	100.00%	0.00%	Dec. 21, 2018	Merger
ADELHEID GmbH, Berlin	50.12%	50.44%	Feb. 26, 2018	Capital increase

[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

sendhybrid ÖPBD GmbH An additional 25% of the shares in sendhybrid ÖPBD GmbH, Graz, were acquired as at July 1, 2018, increasing Austrian Post's stake from 26% to 51%. The company was included as a fully consolidated subsidiary in the consolidated financial statements of Austrian Post from this point in time. Previously the company was classified as an associated company pursuant to IAS 28 and accounted for using the equity method. sendhybrid ÖPBD GmbH is a consulting and communications company focusing on process and market consulting with respect to receiving and sending documents.

Software in the amount of EUR 3.8m and goodwill totalling EUR 0.9m were recognised within the context of the purchase price allocation. On balance, the remaining fair values of the identifiable assets and liabilities of the company are immaterial. Goodwill results from the earnings expectations related to the company in connection with the e-letter strategy of Austrian Post.

EUR m	**Fair values**
Determination of goodwill	
Total amount of consideration transferred	**1.2**
Non-controlling interests based on total net identifiable assets	**0.8**
Fair value of previous shares	**0.6**
Total net identifiable assets acquired and liabilities assumed	**–1.7**
Goodwill	**0.9**
Breakdown of cash outflow/inflow	
Total amount of consideration transferred in cash	**0.9**
Acquired cash	**0.0**
Net cash outflow/inflow	**0.9**

The total amount of the consideration transferred contains the carrying amount at the closing date for the call option held for the share increase in the amount of EUR 0.2m.

CORPORATE

Verteilzentrum Hagenbrunn Vermietungs GmbH On April 9, 2018, Austrian Post Group acquired a 100% stake in Verteilzentrum Hagenbrunn Vermietungs GmbH. As of this point in time, the company was included in the consolidated financial statements as a fully consolidated subsidiary. The assets and liabilities of this company were primarily a commercial property in Hagenbrunn, Lower Austria, intended for construction of a new distribution centre. The acquired assets and liabilities do not entail business operations in line with IFRS 3 Business Combinations. Accordingly, the addition of the property was recognised as an acquisition in the category property and buildings (EUR 15.8m) as well as assets under construction (EUR 0.8m).

The company was merged into Austrian Post (Österreichische Post AG) in December 2018.

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.

Transaction to the Foreign Currency The modified closing rate method is used in the translation of the financial statements of Group companies as well as companies accounted for using the equity method 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, 2017	**Dec. 31, 2018**	2017	**2018**
Bosnian Convertible Mark	1.9558	**1.9558**	1.9558	**1.9558**
Bulgarian Lev	1.9558	**1.9558**	1.9558	**1.9558**
Croatian Kuna	7.4400	**7.4125**	7.4637	**7.4182**
Polish Zloty	4.1770	**n/a**	4.2570	**n/a**
Romanian Leu	4.6585	**n/a**	4.5688	**n/a**
Serbian Dinar	118.4727	**118.1946**	121.3111	**118.2617**
Czech Koruna	25.5350	**25.7240**	25.7603	**25.6470**
Turkish Lira	4.5464	**6.0588**	4.1206	**5.7077**
Hungarian Forint	310.3300	**320.9800**	309.1933	**318.8897**

6. Accounting Policies

The annual financial statements of Austrian Post subsidiaries included in the consolidated financial statements are based on standard 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 from Contracts with Customers

Revenue from contracts with customers is realised when the customer is given control of the goods or services. Information on the type, amount, timeframe and uncertainty relating to income and cash flows for the main product groups of the Austrian Post Group is provided hereafter.

LETTER MAIL, DIRECT MAIL & MEDIA POST

The Austrian Post Group performs services involving the collection, sorting and delivery of various letter mail items, direct mail and print media. In accordance with IFRS 15, such service obligations are considered to be fulfilled over a period of time. On balance, the existing contracts or services to be provided in this business area are characterised by a very high degree of uniformity and very short processing times in providing the services. As a universal service provider, Austrian Post is fundamentally required to accept and deliver every mail item. As a rule, a value-added service (e.g. registered mail) is classified as a service which is not separately identifiable in the contractual context and is thus bundled with the mail item and treated as a single service obligation. Overseas mail items are usually delivered to the recipients abroad in cooperation with international postal operators.

Statistical empirical values are used to measure the progress of the service provided, including regularly implemented processing time measurements. The amount of the revenue to be realised is determined on the basis of the proportion of previously incurred costs to the total costs involved in the delivery of letter mail, direct mail and print media (cost-to-cost method).

The collection of a mail item at a Post drop-off point (i.e. at the beginning of the service obligation) leads to invoicing and thus to the related recognition of revenue as well as recognition of a trade receivable. According to IFRS 15, a receivable is to be cancelled once an unconditional claim on receiving a payment exists. By accepting a mail item at a Post drop-off point, Austrian Post is obliged to provide a service within a short time and is simultaneously entitled to issue an invoice and receive a payment from the customer. The portion of the service obligation which has not yet been provided is considered as deferred income and reported as a contract liability.

The payment of the transaction price takes place either on the basis of a prepayment of the contracted transport service (sale of postage stamps or postage paid at the branch office), or a payment is made subsequently in case of business customers with an average term of payment of one or two months. As a rule, such receivables do not involve any significant financing components at Austrian Post.

With respect to prepayments received for services not yet provided in connection with postage stamps and revenue from senders using franking machines, the service to be performed by Austrian Post is recognised as a deferral under contract liabilities. Calculating the service to be performed takes place on the basis of empirical values (in the case of postage stamps) or by transferring historical data within the context of the loading process (franking machines used by senders).

With respect to the sale of letter mail, direct mail and print media to business customers, volume discounts are often granted based on the revenue of a financial year. These are to be classified as variable consideration pursuant to IFRS 15. Revenue from these sales is recognised in the amount of the price stipulated in the contract less the estimated volume discount. The estimate of expected volumes is based on empirical values and is updated at every balance sheet date. Necessary adjustments take place on an accumulated basis in the period in which the estimate is revised.

MAIL SOLUTIONS

Services in the field of Mail Solutions encompass the electronic delivery of mail items, data management, document scanning and mailroom management.

These service obligations are primarily fulfilled over time, in which case revenue is realised after the passage of time. The period of time in which the service is provided is generally less than one month. As a rule, payment is made subsequently with an average term of payment of one or two months.

BRANCH SERVICES

The services provided by the branch network include the sale and placement of various retail goods as well as postal and telecommunications products and services within the context of Austrian Post's cooperation with BAWAG P.S.K.

Revenue from the sale of retail goods is recognised at a specific point in time, i.e. when the goods are handed over to the customer. The payment of the transaction price is due immediately as soon as the customer purchases a retail product.

Furthermore, Austrian Post provides intermediary services, especially with respect to telecommunications contracts and products for its business partner A1 Telekom Austria AG. Accordingly, this revenue is recognised at the time the intermediary service is provided (e.g. signing of a telecommunications contract by the A1 customer or the handover of a mobile telephone to the A1 customer) in the amount of the commissions received (net method). Contractually required prepayments are to be made in connection with the placement of these products which are reported as financing receivables under other receivables.

A longstanding partnership with BAWAG P.S.K. existed for the sale of financial products, counter transactions and the joint use of infrastructure (branch offices) within the context of a cooperation agreement. The signing of a change agreement at the end of 2017 and the termination agreement dated February 21, 2018, stipulates the amicable and gradual dissolution of the cooperation agreement for the most part by the end of 2020. However, there is the possibility to prematurely terminate some individual services. The agreement on dissolving the partnership defined the modalities of terminating the cooperation and the extent of and remuneration for services to be provided retroactively as of January 1, 2018. Services to be provided will continue to include the sale of financial products, the carrying out of counter transactions and supplying of a branch office infrastructure which are to be classified as individual service obligations pursuant to IFRS 15. The entire remuneration stipulated in the dissolution agreement includes a lump sum payment of EUR 20.1m for the premature termination of the cooperation agreement, which does not fall under the scope of application of IFRS 15 as well as remuneration for services yet to be provided within the scope of application of IFRS 15. The allocation of the entire remuneration in a lump-sum compensation and reimbursement for services on the one hand and the individual service obligations on the other hand took place on the basis of the relative individual sale price. The fulfilment of the service obligations and thus the recognition of revenue takes place for all three types of services in the 2018 financial year on the basis of a given time period. The underlying reason for this classification is the type of remuneration, which largely foresees lump-sum payments, and the type of the service provided, which to a large extent consists of providing capacities. At the beginning of 2018, BAWAG P.S.K. made a prepayment of the expected future remuneration in the amount of EUR 76.0m. The additional payments are accounted for and paid on an annual basis. Determining the amount of the lump-sum payment as well as the compensation for the individual service obligations require judgments to be made, especially with respect to the expected amount of the relative individual sales price and the expected scope of the services which will actually be provided. Similarly, revenue recognition requires judgements to be made with respect to the type of the services to be provided.

PARCEL & LOGISTICS

The Austrian Post Group performs the pick-up, collection, sorting and delivery of various parcel and express mail items. According to IFRS 15, such service obligations are fulfilled over time. A high level of standardisation, tracking services and short processing times characterise the services performed in this business area. As a rule, a value-added service (e.g. cash on delivery) is classified as a service which is not separately identifiable in the contractual context and is thus bundled with the parcel item and treated as a single service obligation. Austrian Post makes use of sub-contractors and freight companies which assume responsibility for part of the delivery process. As a rule, overseas parcel items are delivered to the recipients abroad in cooperation with international postal operators or parcel service providers.

Data from shipment tracking for each parcel is used to measure the progress of the degree of completion of the service provided. The amount of the revenue to be realised is determined on the basis of the relation of previously incurred costs to the total costs involved in the delivery of parcels (cost-to-cost method).

The collection of a parcel at a Post drop-off point (i.e. at the beginning of the service obligation) leads to invoicing and thus to the related recognition of revenue as well as recognition of a receivable. According to IFRS 15, a receivable is to be cancelled once an unconditional claim on receiving a payment exists. By accepting a parcel item at a Post drop-off point, Austrian Post Group is obliged to provide a service within a short time and is simultaneously entitled to issue an invoice and receive a payment from the customer. That portion of the service obligation which has not yet been provided is considered as deferred income and reported as a contract liability.

With respect to the sale of parcels to business customers, volume discounts are frequently granted based on revenue of a financial year. These are to be classified as variable consideration pursuant to IFRS 15. Revenue from these sales is recognised in the amount of the price stipulated in the contract less the estimated volume discount.

The estimate of expected volumes is based on empirical values and is updated at every balance sheet date. Necessary adjustments take place in the period in which the estimate is revised.

OTHER OPERATING INCOME

Revenue from contracts with customers from the Neutorgasse 7 real estate development project is reported under other operating income. The Neutorgasse 7 Projektentwicklungs AG & Co OG develops and sells housing units in Vienna. By concluding a purchase agreement for a specified apartment, the possibility of using it for alternative purposes no longer exists. Accordingly, the result is 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 proportion of costs incurred to the expected construction costs (cost-to-cost method). The recognised contract assets are netted against the previously received payments.

Brokerage fees incurred within the context of initiating and concluding a contract for sale of housing units in the Neutorgasse 7 real estate development project are capitalised and depreciated over the term of the contract.

6.2 Termination of Partnership with BAWAG P.S.K.

Austrian Post has had a longstanding partnership with BAWAG P.S.K. in selling financial products, counter transactions and the joint use of infrastructure (branch offices) on the basis of a cooperation agreement. On November 9, 2017, BAWAG P.S.K. informed Austrian Post in writing that the cooperation agreement of the two companies would be terminated by the end of 2020. Subsequently, the contractual parties contractually agreed upon an amicable and step by step dissolution of the entire cooperation to be largely concluded by the end of 2020. However, there is the possibility to prematurely terminate some individual services. On the basis of the termination agreement, Austrian Post will continue to carry out counter transactions on behalf of BAWAG P.S.K. and sell financial products but to a lesser extent compared to previous years. Reference is made to Note 6.1 Revenue from Contracts with Customers with respect to the accounting treatment of the termination agreement.

Restructuring provisions in the amount of EUR 21.5m were allocated in the 2018 financial year due to the expected reduction in the services to be rendered. The necessary restructuring relates to the planned downsizing of the staff in the branch network.

Austrian Post already allocated provisions for employee under-utilisation in the amount of EUR 56.2m due to the necessary reduction in the number of financial consultants working on behalf of BAWAG P.S.K. This was in contrast to a payment of EUR 31.0m on the part of BAWAG P.S.K. 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 thus recognised as revenue in this financial year.

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).

Information on Income Tax Income tax consists of the income tax for the current year and deferred taxes. It is always reported in the consolidated income statement provided it is not based on circumstances which would result in it being recognised under other comprehensive income (OCI) or in equity or when the tax relates to business combinations.

Austrian Post is of the opinion that potential interest expenses and penalties imposed in connection with income tax payments do not fulfil the definition of income taxes pursuant to IAS 12. Accordingly, any such amounts are generally recognised pursuant to the stipulations contained in IAS 37.

Calculation of the Current Income Tax The current income tax consists of the expected tax payments or tax credits for the current financial year or adjustments for expected payments on tax arrears or tax credits from previous financial years. The recognised amount provides the best possible estimate and also includes the withholding tax on distributed dividends.

In certain circumstances, actual tax assets and liabilities can be netted. This is the case in the Austrian Post Group when the tax relates to income tax levied by the same tax authority and the company has an enforceable right to the offsetting of tax assets and liabilities.

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. However, Austrian Post will not make use of the option to recognise deferred taxes in the following cases:

- temporary differences related to the initial recognition of an asset or liability in which there is no underlying business combination and neither impacts the earnings before tax as shown in the balance sheet or taxable income (tax loss) ("Initial Recognition Exemption – IRE")
- temporary differences related to stakes held in subsidiaries, branch offices, associated companies and shares in joint agreements inasmuch as the parent company is able to control the timing of the reversal of temporary differences and it is likely that the temporary differences will not be reversed in the foreseeable future
- taxable differences in connection with the initial recognition of goodwill

The recognition of deferred tax assets from temporary differences from balance sheet items as well as tax loss carryforwards takes place to the extent to which a) sufficient deferred tax liabilities exist or b) in case of a profit history, it is likely that taxable income will be available in the foreseeable future and the tax expense will be realisable. Deferred taxes will not be recognised if a company generated taxable losses in recent years (in one of the last two years).

Unrecognised deferred taxes will be subject to a revaluation at every balance sheet date and recognised if applicable, inasmuch as there is a justifiable opinion that the tax advantage can be realised.

Deferred tax assets and liabilities can be netted under certain circumstances. The above-mentioned information in the section "Calculation of the current income tax" applies analogously to deferred taxes.

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 in the respective financial year. 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 opted 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 of 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 when 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	3–6
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 reestimated, 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 at Austrian Post Group is carried out pursuant to the requirements 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 favourable) 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 on 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 requirements 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. Thee recoverable amounts are determined by using the net present value method, in which case 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

The 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 required 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., Turkey, the crucial factor is not formal criteria, but whether in fact the possibility exists to have an impact on 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 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, receivables from financial assets accounted for using the equity method, receivables from banks, other financial liabilities, trade and other payables and liabilities to financial assets accounted for using the equity method.

CLASSIFICATION

As at January 1, 2018, Austrian Post Group classifies its financial assets using the following valuation categories:

- At fair value through other comprehensive income (FVOCI) – debt instruments
- At fair value through other comprehensive income (FVOCI) – equity instruments
- At fair value through profit or loss (FVTPL)
- Measured at amortised cost

The classification of financial assets at the time of their initial recognition is contingent upon the business model of the company in the light of managing the financial assets and contractual cash flows.

The existing securities portfolio of Austrian Post is held within the context of a business model whose objective is the collection of contractual cash flows as well as the sale of financial assets. Depending upon the fulfilment of cash flow criteria pursuant to IFRS 9, there is a classification either as FVOCI (fulfilled) or FVTPL (not fulfilled). The cash flow criteria are fulfilled inasmuch as cash flows are generated which exclusively represent redemption or interest payments on the outstanding principal pursuant to IFRS 9.

Trade and other receivables as well as receivables from banks are held by Austrian Post within the context of a business model whose objective is the collection of contractual cash flows. The cash flow criteria are fulfilled in the case of this instrument. Correspondingly, these receivables are classified as being measured at amortised cost.

With respect to investments in equity instruments (which are not held for trading purposes), the classification depends on whether Austrian Post Group irrevocably decided to recognise the equity instruments at fair value through other comprehensive income (FVOCI) at the time of their initial recognition. If the so-called FVOCI option is not exercised pursuant to IFRS 9.4.1.4, the instruments are assigned to the category "at fair value through profit or loss" (FVPTL).

As a rule, derivative financial instruments (outside of hedge accounting) must be assigned to the category of measured "at fair value through profit or loss" (FVTPL).

Financial liabilities will continue to be classified in the following valuation categories:

- Measured at fair value through profit or loss (FVTPL)
- Measured at amortised cost

Pursuant to IFRS 9, financial liabilities are to be recognised at amortised cost if they are not subject to the exceptions stipulated in IFRS 9.4.2.1. Accordingly, other financial liabilities, trade and other payables and liabilities to financial assets accounted for using the equity method are to be measured at amortised cost. The contingent purchase price liability held by Austrian Post pursuant to IFRS 3 is considered as an exception as stipulated in IFRS 3 and must be assigned to the category of being measured at fair value through profit or loss (FVTPL).

MEASUREMENT AT INITIAL RECOGNITION

At initial recognition, the Austrian Post Group measures a financial asset or a financial liability at fair value which, as a rule, coincides with the transaction price. In the case of a financial asset or financial liability which is not measured at fair value through profit or loss (FVTPL), recognition also entails the transaction costs directly relating to the acquisition of this asset or liability. Recognition of trade receivables is in line with requirements on revenue recognition contained in IFRS 15.

SUBSEQUENT MEASUREMENT AND PRESENTATION

Debt instruments measured at fair value through other comprehensive income are recognised at fair value at the balance sheet date. With exception of foreign currency valuation reported in the income statement, changes in fair value are recognised in other comprehensive income (OCI) or in the FVOCI reserve. In case of the disposal of debt instruments, the amounts reported in other comprehensive income are reclassified to the income statement. Current income and impairments are directly recognised in the income statement.

Debt instruments measured at amortised cost are measured at amortised cost using the effective interest rate method. Similar to current income and impairments, profits or losses from their disposal are recognised directly in the income statement.

Equity instruments recognised at fair value through other comprehensive income (FVOCI) are recognised at fair value at the respective balance sheet date. Changes in fair value, including foreign currency valuation, are recognised in other comprehensive income (OCI) or in the FVOCI reserve. In the case of the disposal of equity instruments, no reclassification takes place of the amounts reported in other comprehensive income to the income statement, but as a reclassification from the FVOCI reserve to the revenue reserves. Current income is directly recognised in the income statement.

For financial instruments measured at fair value through profit or loss (FVTPL), all changes of the carrying amount as well as current income are directly recognised in the income statement.

The presentation of the carrying amounts of financial instruments assigned to the individual categories is shown in Note 10.1 Financial Instruments. Furthermore, gains and losses resulting from the disposal of trade receivables in the category "measured at amortised cost" and impairment expenses in accordance with IFRS 9 are to be listed as separate items in the income statement pursuant to IAS 1.82. Due to the immateriality of the related amounts for the Austrian Post Group, information on impairment losses in the 2018 financial year is provided in Note 10 Financial instruments in the notes to the consolidated financial statements and in the related risks.

IMPAIRMENT LOSSES

Debt instruments of the following valuation categories are subject to the new impairment model of IFRS 9 as of January 1, 2018:

- Measured at fair value through other comprehensive income (FVOCI) – debt instruments
- Measured at amortised cost

Furthermore, contract assets according to IFRS 15 are subject to the new impairment model at Austrian Post.

As of January 1, 2018, Austrian Post Group recognises impairment losses on a future-oriented basis in the amount of the expected credit defaults. The specific impairment loss method is contingent upon the class of debt instruments and also upon whether there is a significant increase in the credit risk.

Trade Receivables In case of trade receivables, impairment losses are recognised in the amount of the expected credit losses over their term. From a methodological perspective, Austrian Post applies the permissible simplified approach pursuant to IFRS 9 to determine the expected credit losses in the form of an impairment matrix. By means of this matrix, impairment losses are recognised on the basis of historically observed default rates calibrated according to maturities and credits which are overdue. Trade receivables with a carrying amount of more than EUR 0.1m are also individually assessed with respect to the recognition of expected credit defaults over their term. The calculation of expected credit losses takes place separately for domestic and foreign customers as well as for international postal service companies.

Other Debt Instruments For all other debt instruments subject to the impairment model, impairment losses are fundamentally recognised in the amount of the expected twelve-month credit losses. However, if a significant increase in credit loss is determined, impairment losses are recognised in the amount of the expected credit losses over their term. Austrian Post Group assumes that a significant increase in credit risk exists when a trade receivable is more than 30 days overdue. In case of trade receivables measured at amortised cost whose creditworthiness is negatively affected, the effective interest rate is to be applied at amortised cost (i.e. after deducting impairment losses) instead of the gross carrying amount. Austrian Post Group considers the creditworthiness of a debtor to be negatively affected if the following factors exist:

- The individual receivable is overdue > 90 days
- Insolvency proceedings have been initiated

In methodological terms, the calculation of expected credit losses for securities and receivables from banks takes place in accordance with the so-called loan loss provisioning model. The expected credit loss and the probability weighted value are determined based on the probability of default (PD) and the loss given default (LGD). The company primarily relies on issuer-specific data supplied by Bloomberg to calculate the probability of default. To simplify things, global default rates published by Standard & Poor's or Moody's are taken into account. However, total expected credit losses are considered to be immaterial.

For other receivables, Austrian Post decided to apply practical expedients in line with IFRS 9.B5.5.35 due to the type and scope of the receivables, and similar to trade receivables, to methodically determine impairment losses by using an impairment matrix. The derivation of loss rates take place in part on the basis of historical empirical values and in part on the basis of reasonable estimates. Receivables with a carrying amount of more than EUR 0.1m are also individually assessed with respect to the recognition of expected credit defaults over their term. The calculation of expected credit losses takes place separately for claims for damages and other sundry receivables.

Modified Financial Assets If the contractually stipulated cash flows of a financial asset are renegotiated or modified, an assessment is carried out as to whether the existing financial asset should be derecognised. If the renegotiation or modification does not lead to derecognition, the gross carrying amount is recalculated taking account of the modified cash flows. Similarly, an assessment is made at the time of modification and at the following balance sheet dates as to whether there is a significant increase in the credit risk of the financial instrument. The judgment of a significant increase in the credit risk takes place by comparing the default risk at the respective balance sheet date and the risk at initial recognition. The transition of the impairment loss recognised for the expected credit losses over the term to maturity to the amount of the expected twelve-month credit losses takes place when the debtor shows a significantly improved performance as well as positive business prospects.

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.

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 2018 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 IFRS 9. 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 Neutorgasse 7 real estate development project in Vienna's inner city 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.

6.17 Provisions for Termination Benefits 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 in the defined benefit system 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 pension 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 Jubilee Benefits In some cases, the Austrian Post Group is obliged to pay jubilee benefits to employees on the occasion of them reaching a specified length of service in the company.

These obligations particularly apply to employees of the parent company Österreichische Post AG. In part, there are obligations on the part of Austrian Post to employees to pay jubilee benefits to employees who have served the company for specified periods of time. According to Austrian Post's employment rules, civil servants and salaried employees are given jubilee benefits amounting to two monthly salaries after 25 years of service and four monthly salaries after 40 years. Civil servants with at least 35 years of service at the time of their legally defined start of their retirement and who have already reached the age of 65 on that day are also paid jubilee benefits in the amount of four monthly salaries. Salaried employees subject to the first part of the collective wage agreement 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.

The provisions for jubilee benefits are calculated in a similar manner to the provisions made for termination benefits, 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, Austrian Post Group has defined company-specific parameters as the basis for calculating the relevant amounts of these provisions. The parameters are determined using standard Group guidelines.

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

	Termination benefits		Jubilee benefits	
	2017	**2018**	2017	**2018**
Discount rate	2.00 %	**2.00 %**	1.75 %	**1.75 %**
Salary/pension increase	3.25 %	**3.00 %**	3.00 %	**3.00 %**
Employee turnover discount (staggered)	0.24 %–1.45 %	**0.19 %–0.46 %**	6.93 %–29.71 %	**6.82 %–30.13 %**

Retirement age	2017	**2018**
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 fourteen years for termination benefits (2017: 15 years) and eleven years for jubilee benefits (2017: 12 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 biometric assumptions used in actuarial calculations are based on the calculation published by the Austrian Actuarial Association (AVÖ) for the social security system ("mortality tables"). The new tables (AVÖ 2018-P: Insurance tables for calculating pensions) published in the middle of 2018 were used in the current financial year.

The salary increases used in the calculations are 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 requirements 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 9.11.1 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.

Benefit Obligation The benefit obligations of the Austrian Post Group encompass only contribution-based systems. 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 met 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).

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 organisational unit 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 permanent status (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 defined by using a percentage cost deficit. All parameters are 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 in 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 which led – ceteris paribus – to the following changes in the provisions for the Post Internal Labour Market:

Post Internal Labour Market	2017	**2018**	**Change EUR m**
Discount rate	1.25%	**1.50%**	**–2.8**
Salary increase	2.75%	**2.75%**	**0.0**
Employee turnover discount	28.80%	**26.90%**	**4.6**
Rate of under-utilisation	88.70%	**87.10%**	**–3.2**

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	2017	**2018**
Discount rate	0.25%–1.25%	**0.50%–1.50%**
Salary increase	2.75%	**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 has been implemented in the 2010–2018 financial years. This programme is a share-based and performance-oriented remuneration model whose tranches extend over a three-year period (performance period), the prerequisite being a one-time own investment on the part of the participants. The performance period extends from January 1st of the year in which the particular tranche is issued until December 31st of the third year.

As at December 31, 2018, all members of the Management Board are taking part in the share-based incentive programmes (at present the tranches seven to nine 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, 2018, amounted to 41,680 shares for members of the Management Board and 206,073 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. Moreover, within the context of approving the LTIP 2018 to 2020, the Remuneration Committee reached an agreement with the Management Board members with respect to ceilings set for the maximum Management Board remuneration starting in 2021. For top executives, in case of maximum goal achievement, the bonus ranges between 115 % and 130 %, and cannot exceed the amount of the individual's annual gross salary.

The currently expected 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, 2017	**Dec. 31, 2018**
Tranche 5	385	**0**
Tranche 6	180,808	**0**
Tranche 7	250,859	**248,876**
Tranche 8	251,630	**258,946**
Tranche 9	0	**206,370**
	683,682	**714,192**

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 are in line 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, 2017	**Dec. 31, 2018**
Net carrying amount of provision		
Tranche 6	9.8	**0.0**
Tranche 7	7.1	**10.9**
Tranche 8	3.5	**7.8**
Tranche 9	0.0	**3.4**
	20.4	**22.2**

In the 2018 financial year, a total of EUR 9.8m was paid out completely in cash for tranche 6.

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

EUR m	2017	**2018**
Total expense		
Tranche 6	7.2	**0.0**
Tranche 7	5.3	**3.9**
Tranche 8	3.5	**4.2**
Tranche 9	0.0	**3.4**
	16.0	**11.5**

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 discount	
EUR m	–1%-point	+1%-point	–1%-point	+1%-point	–1%-point	+1%-point
Termination benefits	14.4	–12.0	–12.0	14.0	0.2	–1.0
Jubilee benefits	6.9	–6.0	–6.0	6.7	0.9	–0.9

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 permanent status.

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

	Rate of under-utilisation		Employee turnover discount		Discount rate		Salary increase	
EUR m	–10%-points	+10%-points	–10%-points	+10%-points	–1%-point	+1%-point	–1%-point	+1%-point
Under-utilisation	–23.7	23.5	24.2	–24.2	13.1	–11.9	–11.8	12.7

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

At the end of 2016, due to a decision made 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 by the end of 2019. As at December 31, 2018, it is assumed that legislators will once again deal with and eliminate the criticisms of the European Court of Justice. Therefore, it remains unlikely that this will lead to any financial burdens imposed upon Austrian Post. This appraisal was coordinated with external experts.

7.5 Reclamation of Employer Contributions Related to the Payroll Accounting of Civil Servants

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

As a result, the Austrian Federal Finance Court awarded compensation to Austrian Post in the amount of EUR 83.1m in the years 2015 to 2018. At the same time, interest in the amount of EUR 8.8m (thereof EUR 6.1m in the current financial year) was received on the contentious tax claim.

As a rule, assets are capitalised for judicially pursued claims when the occurrence 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 occurrence 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 39.9m 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 relating 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, Property, Plant and Equipment, and Investment Property

The assessment of the recoverability of intangible assets, goodwill, property, plant and equipment, and investment property is based on future-oriented assumptions. The underlying assumptions used to determine the recoverable amount within the context of impairment tests as well as the resulting sensitivities 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 the selection of a suitable peer group and require assumptions on their comparability. The approach is described in 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 Austrian Post Group, reportable segments are identified based on the differences between products and services. The reporting segments "Mail & Branch Network", "Parcel & Logistics" and "Corporate" have been defined on the basis of the divisional structure of the Austrian Post Group. The accounting treatment of transactions between the segments does not fully correspond to the accounting principles used in preparing the consolidated financial statements.

Mail & Branch Network The core business of the Mail & Branch Network Division is comprised of the collection, sorting and delivery of letters, postcards, addressed, partly addressed and unaddressed direct mail items and newspapers as well as parcels within the context of joint mail and parcel delivery services. Furthermore, postal and telecommunications products as well as financial services are offered in the branch network. Austrian Post also offers its customers various online services such as the e-letter and cross-media solutions. The service offering is complemented by physical and digital value added services such as address and data management, mailroom management and document scanning.

Parcel & Logistics The Parcel & Logistics Division offers parcel shipping solutions from one source covering the entire value chain. Its core business consists of the transport of parcels as well as Express Mail Service (EMS) items. In addition to conventional parcel products, express delivery and food delivery, the portfolio also includes a broad range of value-added services. For example, the company offers customised fulfilment solutions such as warehousing, commissioning, returns management, the transport of valuable goods and cash, 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 mainly provides services in the fields of group administration, the development of new business models and real estate projects. Non-operational services typically provided for the purpose of managing and controlling a corporate group 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

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	–1.9	0.0	–1.9
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

2018 Financial Year

EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	**Group**
Revenue (segments)	1,412.3	552.4	0.2	–6.4	**1,958.5**
Revenue intra-Group	112.9	4.9	17.3	–135.1	**0.0**
Total revenue	1,525.2	557.4	17.5	–141.6	**1,958.5**
thereof revenue with third parties	1,409.6	548.6	0.2	0.0	**1,958.5**
Results from financial assets accounted for using the equity method	0.3	–2.7	–1.2	0.0	**–3.6**
EBITDA	311.2	54.9	–60.7	0.0	**305.4**
Depreciation, amortisation and impairment losses	–21.4	–13.6	–59.6	0.0	**–94.5**
thereof impairment losses recognised in profit or loss	–1.5	–2.6	–9.8	0.0	**–13.9**
EBIT	289.8	41.3	–120.3	0.0	**210.9**
Other financial result					**–13.1**
Profit before tax					**197.8**
Segment investments	13.3	10.3	113.5	0.0	**137.0**

Intersegment transactions take place at market-based transfer pricing.

Revenue (segments) contains 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 Austrian Post. 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 assets, 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:

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

2018 Financial Year

EUR m	Austria	Germany	Other countries	**Group**
Revenue	1,797.1	53.1	108.3	**1,958.5**
Non-current assets other than financial instruments and deferred tax assets	793.3	0.3	35.0	**828.5**

8.2 Revenue from Contracts with Customers

8.2.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table shows revenue from contracts with customers broken down according to reportable segments and product groups (areas encompassed within these segments):

EUR m	2017	**2018**
Revenue with third parties		
Letter Mail	737.8	**753.2**
Mail solutions	44.0	**49.0**
Direct Mail	413.3	**382.6**
Media Post	137.1	**131.2**
Branch services	114.6	**93.7**
Mail & Branch Network	1,446.8	**1,409.6**
Premium Parcels	240.3	**265.9**
Standard Parcels	217.8	**228.5**
Other Parcel Services	33.8	**54.3**
Parcel & Logistics	491.9	**548.6**
Other revenue	0.1	**0.2**
Corporate	0.1	**0.2**
Total revenue with third parties	1,938.9	**1,958.5**
Revenue Neutorgasse 7 real estate development project (segment Corporate)	0.0	**17.9**
Revenue from Contracts with Customers	1,938.9	**1,976.5**

8.2.2 CONTRACT ASSETS AND LIABILITIES FROM CONTRACTS WITH CUSTOMERS

The following table contains the status of contract costs (costs for initiating a contract), trade receivables, contract assets and contract liabilities from contracts with customers pursuant to IFRS 15 as at January 1, 2018, and December 31, 2018:

EUR m	Jan. 1, 2018	**Dec. 31, 2018**
Contract costs	0.3	**0.1**
Trade receivables	221.0	**260.5**
Contract assets	6.6	**23.5**
Contract liabilities	30.9	**49.0**

Costs to initiate a contract include brokerage fees arising within the context of concluding a contract on the sale of apartments in the Neutorgasse 7 real estate development project. These costs are capitalised and depreciated over the duration of the contract.

Contract assets of the Austrian Post Group result from the entitlement to receive a consideration in return for the already fulfilled part of a service obligation of the Neutorgasse 7 real estate project (refer to Note 3.3.2 IFRS 15 Revenue from Contracts with Customers). Contract assets are reclassified as trade receivables as soon as there is an unconditional claim to consideration at the completion and handover of the housing unit.

Contract liabilities relate to the prepayments received as at December 31, 2018 as described in Note 3.3.2 IFRS 15 Revenue from Contracts with Customers and in the subsections H and I within the context of mail and parcel delivery as well as prepayments made in connection with the termination agreement regulating the dissolution of the partnership with BAWAG P.S.K. (refer to Note 6.2 Termination of partnership with BAWAG P.S.K.)

A total of EUR 15.2m in contract liabilities reported at January 1, 2018, were recognised as revenue.

8.3 Other Operating Income

EUR m	2017	2018
Rents and leases	25.1	**26.3**
Termination of cooperation agreement BAWAG P.S.K.	0.0	**20.1**
Revenue realisation real estate project Neutorgasse 7	0.0	**17.9**
Disposal of property, plant and equipment	4.0	**7.0**
Work performed by the enterprise and capitalised	3.5	**4.4**
Damages	2.2	**2.6**
Personnel leasing and administration	2.0	**1.8**
Unchargeable expenses	2.2	**0.5**
Reclaim of contributions	56.4	**0.0**
Income from deconsolidation	3.0	**0.0**
Other	14.2	**15.5**
	112.7	**96.2**

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, 2018, with a net carrying amount of EUR 58.0m (December 31, 2017: EUR 50.6m). As a rule, the underlying leasing relationships involve cancellable operating leases with an indexation of rentals. In the 2018 financial year, the rental income derived from non-cancellable lease agreements or those limited in duration was mainly generated by the parent company Österreichische Post AG.

Reference is made to Note 3.3.2 IFRS 15 Revenue from Contracts with Customers with respect to revenue realised from the Neutorgasse 7 real estate development project.

Reference is made to Note 6.2 Termination of Partnership with BAWAG P.S.K. with regard to revenue derived from the dissolution of the cooperation agreement with BAWAG P.S.K.

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).

The other items contained in other operating income relate to a large number of individual immaterial amounts.

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

EUR m	Dec. 31, 2017	Dec. 31, 2018
No later than one year	5.5	**6.4**
Later than one year and not later than five years	12.9	**17.3**
Later than five years	34.4	**46.7**
	52.8	**70.4**

8.4 Raw Materials, Consumables and Services Used

EUR m	2017	2018
Material		
Fuels	17.7	**19.6**
Merchandise	14.6	**5.6**
Supplies, clothing, stamps	17.5	**18.8**
Other	3.1	**3.7**
	52.9	**47.7**
Services used		
International postal carriers	63.5	**62.5**
Unaddressed mailing lists	24.6	**16.6**
Addressed mailing lists	11.5	**10.6**
Energy	14.0	**14.2**
Transport	175.0	**200.2**
Other	68.4	**89.3**
	357.0	**393.5**
	409.9	**441.2**

8.5 Staff Costs

EUR m	2017	2018
Wages and salaries	803.0	**795.4**
Termination benefits	18.2	**4.8**
Pension scheme	0.2	**0.3**
Statutory levies and contributions	192.2	**191.6**
Other staff costs	6.5	**16.6**
	1,020.1	**1,008.7**

Wages and salaries in the 2017 financial year contained contributions of BAWAG P.S.K. from the amendment agreement in the amount of EUR 26.9m which were offset by expenses for allocable provisions. Refer to Note 6.2 Termination of Partnership with BAWAG P.S.K. and Note 9.11.2 Other Employee Provisions.

The breakdown of termination benefits is as follows:

EUR m	2017	2018
Management Board	0.1	**–0.4**
Senior executives	0.1	**0.2**
Other employees	17.9	**5.0**
	18.2	**4.8**

In the 2018 financial year, contributions of EUR 4.2m (2017: EUR 3.6m) 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:

	2017	2018
Blue-collar employees	2,147	**1,857**
White-collar employees	12,836	**13,841**
Civil servants	7,168	**6,421**
Trainees	78	**91**
Total number	22,229	**22,210**
Corresponding full-time equivalents	20,524	**20,545**

8.6 Depreciation, Amortisation and Impairment Losses

EUR m	2017	2018
Impairment losses on goodwill	4.3	**2.2**
Amortisation of intangible assets		
Scheduled amortisation	6.9	**9.6**
Impairment losses	0.2	**4.0**
	7.1	**13.6**
Depreciation of property, plant and equipment		
Scheduled amortisation	63.5	**68.2**
Impairment losses	3.0	**1.8**
	66.5	**70.0**
Depreciation of investment property		
Scheduled amortisation	2.4	**2.8**
Impairment losses	6.5	**6.1**
	8.9	**8.8**
	86.8	**94.5**

With respect to the impairment losses, reference is made to Note 9.1 Goodwill, Note 9.2 Intangible Assets and Note 9.4 Investment Property.

8.7 Other Operating Expenses

EUR m	2017	2018
IT services	43.6	**51.2**
Maintenance	49.1	**49.9**
Leasing and rental payments	48.5	**46.3**
Travel and mileage	24.9	**27.0**
Communications and advertising	18.5	**21.0**
Consultancy	20.1	**19.7**
Contract and leasing staff	15.8	**19.0**
Waste disposal and cleaning	12.2	**12.3**
Other taxes (excl. income taxes)	9.0	**8.6**
Damages	7.5	**8.5**
Insurance	6.3	**6.9**
Telephone	3.2	**3.1**
Training and professional development	3.2	**3.0**
Impairment losses on receivables	8.2	**2.7**
Losses from the disposal of property, plant and equipment	2.2	**2.2**
Compensation payments	35.4	**0.7**
Other	17.3	**13.5**
	325.0	**295.7**

Impairment losses on receivables in the 2018 financial year include impairment losses on receivables pursuant to the new impairment model of IFRS 9 to the amount of EUR 1.1m and losses from the derecognition of receivables totalling EUR 1.6m. Due to the immaterial amounts involved, there is no separate reporting for these receivables in the income statement pursuant to IAS 1.82.

The 2017 financial year included impairment losses of EUR 5.9m on receivables from BAWAG P.S.K. This was based on different opinions with respect to the remuneration of counter transactions from previous periods.

Other operating expenses include expenses for any compensation payments in the amount of EUR 0.7m (2017: EUR 35.4m). There was only a slight adjustment of claims for compensation and the corresponding provisions in the period under review. Refer to Note 7.5 Reclamation of Employer Contributions Related to the Payroll Accounting of Civil Servants.

The other items contained in other operating expenses include a large number of individual immaterial amounts.

8.8 Other Financial Result

EUR m	Note	2017	2018
Financial income			
Interest income		3.4	**7.0**
Income from securities		1.9	**1.5**
Income from disposal of securities and other bonds		11.0	**0.0**
		16.4	**8.5**
Financial expenses			
Interest expense (financial liabilities)		–0.3	**–0.3**
Interest expense (interest effects of provisions)	(9.11.1)	–3.0	**–3.3**
Expense from revaluation of financial assets		0.0	**–15.7**
Other		–0.4	**–2.3**
		–3.6	**–21.6**
		12.8	**–13.1**

Interest income in the 2018 financial year included interest on contentious claims to the amount of EUR 6.1m in connection with the reclamation of employer contributions related to the payroll accounting of civil servants.

Expenses relating to the revaluation of financial assets contain EUR 14.4m in adjusting the fair value of the stake held in FinTech Group AG.

The income from disposals of securities and other bonds in the amount of EUR 11.0m in the previous year resulted from the sale of Austrian Post's indirect stake in BAWAG P.S.K.

8.9 Earnings per Share

EUR m	2017	2018
Profit for the period attributable to equity holders of the parent company	165.2	**143.7**
Adjusted profit for the period for the identification of diluted earnings per share	165.2	**143.7**

Shares	2017	2018
Weighted average number of outstanding ordinary shares used in calculating basic earnings per share	67,552,638	**67,552,638**
Weighted average number of outstanding ordinary shares used in calculating diluted earnings per share	67,552,638	**67,552,638**

EUR	2017	2018
Basic earnings per share	2.45	**2.13**
Diluted earnings per share	2.45	**2.13**

9. Balance Sheet Disclosures

9.1 Goodwill

EUR m	2017	2018
Historical costs		
Balance at January 1	82.8	**72.4**
Additions arising from acquisitions	10.0	**0.9**
Disposals	–20.9	**–3.1**
Currency translation differences	0.4	**–0.1**
Balance at December 31	72.4	**70.1**
Impairment losses		
Balance at January 1	26.5	**10.3**
Additions	4.3	**2.2**
Disposals	–20.9	**–1.0**
Currency translation differences	0.3	**0.0**
Balance at December 31	10.3	**11.4**
Carrying amount at January 1	56.3	**62.1**
Carrying amount at December 31	62.1	**58.7**

Additions arising from acquisitions relate to the merger with sendhybrid ÖPBD GmbH. Refer to Note 4.2 Changes in the Consolidation Scope. Disposals refer to the discontinuation of a business area in the Mail & Branch Network segment.

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

EUR m	Dec. 31, 2017	Dec. 31, 2018
MAIL & BRANCH NETWORK		
feibra Group	30.9	**30.9**
Other	5.8	**2.6**
	36.8	**33.6**
PARCEL & LOGISTICS		
Parcel & Logistics Austria	11.7	**11.7**
Other	13.6	**13.5**
	25.3	**25.2**
	62.1	**58.7**

There was a shift in carrying amounts between the Mail & Branch Network segment and the Parcel & Logistics segment in the 2018 financial year. The cash generating unit (CGU) Weber Escal d.o.o., Croatia, with goodwill of EUR 1.0m 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.

The cash flow forecasts in the planning period are based on the approved planning for the 2019 financial year and the medium-term business planning for a period of an additional three years (2020–2022). 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 2023 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% (2017: 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:

	2017 Post-tax WACC	**2018 Post-tax WACC**
MAIL & BRANCH NETWORK		
feibra Group	6.7%	**6.2%**
Other	6.7%–9.0%	**6.2%**
PARCEL & LOGISTICS		
Parcel & Logistics Austria	7.6%	**7.7%**
Other	8.2%–14.8%	**8.3%–16.0%**

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	2017	**2018**
MAIL & BRANCH NETWORK		
EMD GmbH	0.0	**1.1**
Weber Escal d.o.o.	2.7	**0.0**
	2.7	**1.1**
PARCEL & LOGISTICS		
City Express d.o.o.	0.0	**1.1**
Slovak Parcel Service s.r.o. & IN TIME s.r.o.	1.7	**0.0**
	1.7	**1.1**
	4.3	**2.2**

In the 2018 financial year, an impairment loss on goodwill was recognised for the CGU EMD GmbH, Austria (Mail & Branch Network segment), and the CGU City Express d.o.o., Serbia (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 in both cases was the loss of individual key customers which is considered to be long-lasting.

In addition to the impairment test, sensitivity analyses related 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 2018:

	Revenue expectations		WACC	
	–1%-point		+1%-point	
EUR m	2017	**2018**	2017	**2018**
Slovak Parcel Service s.r.o. & IN TIME s.r.o.	1.6	**0.2**	3.1	**1.6**
M&BM Express OOD	0.2	**0.6**	0.2	**0.4**
City Express d.o.o.	0.2	**1.6**	0.1	**1.3**

9.2 Intangible Assets

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	(8.6)	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

2018 Financial Year

EUR m	Note	Customer relationships	Trademarks	Other intangible assets	**Total**
Historical costs					
Balance at January 1, 2018		18.7	3.9	67.2	**89.7**
Additions arising from acquisitions		0.0	0.0	3.8	**3.8**
Additions		0.0	0.0	10.5	**10.5**
Disposals		–2.8	0.0	–6.9	**–9.7**
Currency translation differences		0.0	0.0	0.0	**0.0**
Balance at December 31, 2018		15.9	3.9	74.7	**94.4**
Depreciation and impairment losses					
Balance at January 1, 2018		15.9	3.5	45.7	**65.1**
Scheduled amortisation	(8.6)	1.0	0.0	8.6	**9.6**
Impairment losses	(8.6)	0.4	0.0	3.6	**4.0**
Disposals		–2.8	0.0	–6.0	**–8.8**
Currency translation differences		0.0	0.0	0.0	**0.0**
Balance at December 31, 2018		14.6	3.5	51.8	**69.9**
Carrying amount at January 1, 2018		2.8	0.4	21.5	**24.7**
Carrying amount at December 31, 2018		1.3	0.4	22.8	**24.5**

No external borrowing costs were capitalised in the 2018 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, 2017: 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 5.1m (2017: EUR 4.1m).

Impairment losses on other intangible assets relate to software in the business area of e-commerce which were to be written down within the context of impairment tests pursuant to IAS 36 (Corporate segment).

9.3 Property, Plant and Equipment

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 arising from acquisitions		0.0	0.0	0.0	0.0	0.0
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	(8.6)	17.2	11.0	35.3	0.0	63.5
Impairment losses	(8.6)	2.8	0.0	0.0	0.0	2.8
Disposals		–0.9	–5.9	–32.7	0.0	–39.4
Transfers		0.0	0.0	0.0	0.0	0.0
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

2018 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, 2018		710.4	154.9	334.8	49.0	**1,249.1**
Additions		25.2	5.3	52.2	40.4	**123.3**
Disposals		–0.8	0.0	–42.9	–11.4	**–55.1**
Transfers		17.5	1.3	12.9	–31.7	**0.0**
Reclassification as investment property	(9.4)	3.3	0.0	0.0	0.0	**3.3**
Reclassification to "held for sale"		0.0	0.0	–3.0	0.0	**–3.0**
Currency translation differences		0.0	–0.1	0.0	0.0	**0.0**
Balance at December 31, 2018		755.7	161.5	354.0	46.3	**1,317.5**
Depreciation and impairment losses						
Balance at January 1, 2018		360.0	91.5	181.9	0.0	**633.4**
Scheduled amortisation	(8.6)	18.3	11.3	38.6	0.0	**68.2**
Impairment losses	(8.6)	1.6	0.0	0.2	0.0	**1.8**
Disposals		–0.4	0.0	–38.0	0.0	**–38.4**
Reclassification as investment property	(9.4)	2.4	0.0	0.0	0.0	**2.4**
Reclassification to "held for sale"		0.0	0.0	–2.7	0.0	**–2.7**
Currency translation differences		0.0	0.0	0.0	0.0	**0.0**
Balance at December 31, 2018		381.9	102.8	180.0	0.0	**664.7**
Carrying amount at January 1, 2018		350.4	63.4	152.9	49.0	**615.7**
Carrying amount at December 31, 2018		373.8	58.7	174.0	46.3	**652.8**

In the 2018 financial year, impairment losses on property and buildings relate to properties owned by the CGU Overseas Trade Co. Ltd. d.o.o., Croatia (Parcel & Logistics segment), whose fair value declined further from the previous year. The impairment loss is reported under depreciation, amortisation and impairment losses in the income statement.

No external borrowing costs were capitalised in the 2018 financial year as was the case in the previous year.

The existing investment grants for fixed assets as at December 31, 2018, totalling EUR 2.0m (2017: EUR 2.6m) mainly relate to federal government grants for electric-powered vehicles.

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

EUR m	2017	2018
Minimum lease payments		
No later than one year	0.4	**0.5**
Later than one year and not later than five years	1.3	**1.4**
Later than five years	2.3	**2.1**
	4.0	**4.0**
Less:		
Future financing cost	-0.2	**-0.2**
Present value of the minimum lease payments		
No later than one year	0.4	**0.4**
Later than one year and not later than five years	1.1	**1.3**
Later than five years	2.2	**2.0**
	3.8	**3.7**

The corresponding liability is recognised under other financial liabilities. Refer to Note 9.12 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 2018 financial year, as in the previous year.

9.4 Investment Property

EUR m	Note	2017	2018
Historical cost			
Balance at January 1		240.5	**265.4**
Additions		11.4	**3.2**
Disposals		-0.7	**-0.4**
Reclassification property, plant and equipment		14.3	**-3.3**
Reclassification to “held for sale”		0.0	**-0.5**
Balance at December 31		265.4	**264.5**
Depreciation and impairment losses			
Balance at January 1		171.4	**180.5**
Scheduled amortisation	(8.6)	2.4	**2.8**
Impairment losses	(8.6)	6.5	**6.1**
Disposals		-0.5	**-0.2**
Reclassification property, plant and equipment		0.6	**-2.4**
Reclassification to “held for sale”		0.0	**-0.5**
Balance at December 31		180.5	**186.1**
Carrying amount at January 1		69.0	**85.0**
Carrying amount at December 31		85.0	**78.4**

EUR m	Dec. 31, 2017	Dec. 31, 2018
Fair value	268.9	**262.8**
Rental income	15.9	**17.2**
Expenses arising from property generating rental income	10.9	**9.9**
Expenses arising from property not generating rental income	1.0	**2.2**

The additions to investment property in the 2018 financial year are mainly attributable to the real estate development of the Neutorgasse 7 property in Vienna's inner city. The entire Neutorgasse 7 property is being developed for future apartment rentals (classified as investment property) and for the sale of apartments (classified as inventories).

Impairment losses recognised to the amount of EUR 5.3m relate to the property shopping mall "Post am Rochus", where a write down was carried out on the basis of the routinely prepared expert opinion on the market value of the property.

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 2018 financial year as was 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 %	2017	Interest %	**2018**
Associates				
ADELHEID GmbH, Berlin	50.1	3.5	50.4	**3.9**
adverserve Holding GmbH, Vienna	49.0	2.7	49.0	**2.8**
D2D – direct to document GmbH, Vienna	30.0	1.5	30.0	**1.7**
IN TIME SPEDICE, spol. s r.o., Prague	31.5	0.0	31.5	**0.0**
PHS Logistiktechnik GmbH, Graz	26.0	0.4	40.0	**0.7**
sendhybrid ÖPBD GmbH, Graz	26.0	0.0	–[1]	**0.0**
		8.1		**9.2**
Joint ventures				
OMNITEC GmbH, Vienna	50.0	0.0	50.0	**0.0**
		0.0		**0.0**
Net carrying amount at December 31		8.1		**9.2**

[1] Termination of accounting using the equity method in the 2018 financial year; refer to Note 4.2 Changes in the Scope of Consolidation.

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

Although the shareholding in ADELHEID GmbH, Berlin, amounts to 50.4 %, 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	2017	2018
Net carrying amount at January 1	9.6	**8.1**
Additions arising from acquisitions	3.1	**0.0**
Additions arising from capital increase	0.9	**2.1**
Decrease from sale of shares	–0.6	**0.0**
Decrease from change in accounting method	–2.9	**0.0**
Proportionate share of profit for the period	–1.8	**–0.9**
Dividends	–0.2	**–0.2**
Net carrying amount at December 31	8.1	**9.2**

The additions arising from capital increase in the year under review amounted to EUR 1.7m for ADELHEID GmbH and EUR 0.4m for PHS Logistiktechnik GmbH (2017: EUR 0.5m for ACL advanced commerce labs GmbH and EUR 0.4m for PHS Logistiktechnik GmbH).

The aggregated net carrying amount of the shares in essentially immaterial associates totalled EUR 9.2m (December 31, 2017: EUR 8.1m).

sendhybrid ÖPBD GmbH Accounting for sendhybrid ÖPBD GmbH in accordance with the equity method was terminated effective July 1, 2018. Due to Austrian Post's gaining of a controlling interest based on the increase in its stake from 25% to 51%, the company was included as a fully consolidated company in the consolidated financial statements of Austrian Post as of this point in time.

PHS Logistiktechnik GmbH Austrian Post acquired an additional 14% of the shares in PHS Logistiktechnik GmbH effective October 23, 2018.

ADELHEID GmbH The outstanding liability of EUR 0.4m existing as at December 31, 2017, for the purpose of paying a premium from capital increases carried out in the 2016 financial year was settled in the 2018 financial year. Austrian Post's stake in ADELHEID GmbH was increased by 0.33%, from 50.12% to 50.44%.

ADELHEID GmbH owns a 100% stake in AEP GmbH, Alzenau, Germany, which supplies pharmaceutical products to pharmacies in Germany under the name "AEP".

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	2017	2018
Immaterial associates		
Share of profit for the period	–1.9	**–3.6**
Results from financial assets accounted for using the equity method	–1.9	**–3.6**
Financial assets accounted for using the equity method – share of other comprehensive income	0.0	**0.0**

The share of the profit for the period of financial assets accounted for using the equity method includes – classified as part of the net investments, counterclaims on profits for the period and the impairment losses linked to these investments for IN TIME SPEDICE, spol. s r.o. to the amount of EUR 2.6m.

9.6 Other Financial Assets

EUR m	Due within 1 year	Due in more than 1 year	Total Dec. 31, 2017	**Due within 1 year**	**Due in more than 1 year**	**Total Dec. 31, 2018**
Securities, other stakes	44.6	36.1	80.6	**45.4**	**10.4**	**55.8**
Other stakes	0.0	50.2	50.2	**0.0**	**51.8**	**51.8**
Derivative financial assets	0.0	0.1	0.1	**0.0**	**0.1**	**0.1**
Total	44.6	86.4	131.0	**45.4**	**62.4**	**107.7**

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 book value of other stakes as at December 31, 2018, includes shares in Aras Kargo. a.s., FinTech Group AG and CEESEG AG.

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 25.9m, a decrease of EUR 18.7m from the previous year. The decline in value is reported in other comprehensive income as fair value changes through other comprehensive income (FVOCI).

Within the course of negotiations to establish a joint venture designed to provide financial services, Austrian Post acquired a stake in FinTech Group AG. The two parties mutually agreed to withdraw from this cooperation. The 6.54 % stake in FinTech Group AG is recognised as a financial asset pursuant to IFRS 9. This shareholding is assigned to the category of fair value through profit or loss (FVTPL). The fair value corresponds to the market value of the shares on the balance sheet date and amounts to EUR 20.5m.

Due to its being publicly traded on the Vienna Stock Exchange, Austrian Post holds an approx. 1.7 % stake in CEESEAG AG (fully owned by Wiener Börse AG). The shareholding in CEESAG AG is recognised as a financial asset pursuant to IFRS 9 and is assigned to the category fair value through other comprehensive income (FVOCI). The carrying amount equalled EUR 5.2m at the balance sheet date.

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 to 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 the 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 continued to be stated at zero as at December 31, 2018.

The book value of the derivative financial assets 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, 2017	**Dec. 31, 2018**
Materials and consumables	10.4	**12.2**
Less impairment losses	–4.3	**–4.2**
Work in progress buildings	8.9	**6.6**
Less impairment losses	–0.6	**–0.6**
Merchandise	8.7	**4.5**
Less impairment losses	–1.3	**–1.4**
Prepayments inventories	0.1	**0.2**
Services not yet invoiced	0.2	**0.0**
	22.0	**17.3**

Work in progress refers to buildings built within the context of the Neutorgasse 7 real estate development project in Vienna's inner city, 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, 2017			**Dec. 31, 2018**
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	209.5	0.0	209.5	**260.5**	**0.0**	**260.5**
Receivables from financial assets accounted for using the equity method	3.2	1.8	5.0	**1.6**	**0.4**	**2.1**
Other receivables	130.9	17.1	148.0	**43.5**	**14.1**	**57.6**
	343.6	19.0	362.6	**305.7**	**14.5**	**320.2**

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 1.6m (December 31, 2017: EUR 1.5m). In 2017 this item included additional subordinate shareholder loans from sendhybrid ÖPBD GmbH totalling EUR 1.5m and from IN TIME SPEDICE, spol. s r.o., Czech Republic, amounting to EUR 0.8m. The company sendhybrid ÖPBD has been included as a fully consolidated company of the consolidated financial statements of Austrian Post since July 1, 2018.

Other receivables as at December 31, 2017, included repayment claims from employer contributions related to the payroll accounting of civil servants in previous periods of EUR 56.4m (December 31, 2018: EUR 0.0m). Furthermore, other receivables as at December 31, 2017, also included receivables of EUR 31.0m (December 31, 2018: EUR 0.0m) from BAWAG P.S.K. from the change in the cooperation agreement.

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, 2017	**Dec. 31, 2018**
Bank balances	96.3	**45.2**
Short-term deposits (demand deposits)	182.2	**250.1**
Cash on hand	11.5	**14.8**
Impairment losses on receivables due from banks	0.0	**–0.2**
	290.0	**310.0**

9.10 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 issue 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 voted in favour of 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 2018 financial year:

	Shares
Balance at January 1, 2018	**67,552,638**
Balance at December 31, 2018	**67,552,638**
Weighted average number of shares in the 2018 financial year	**67,552,638**

The main shareholder of Austrian Post on the basis of the outstanding shares is Österreichische Beteiligungs AG (ÖBAG), 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.

Other reserves contain IAS 19 reserves, reserves from the revaluation of financial instruments and currency translation reserves. The IAS 19 reserves result 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 classified as being at fair value through other comprehensive income (FVOCI). Gains and losses on changes in the market value measurements of financial assets are directly recognised in the reserves 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 financial assets accounted for using the equity method in foreign currencies.

The non-controlling interests relate to M&BM Express OOD as well as ACL advanced commerce labs GmbH and sendhybrid ÖPBD GmbH.

The profit for the period in the 2018 financial year amounted to EUR 144.2m (2017: EUR 165.0m). The profit for the period attributable to equity holders of the parent company amounted to EUR 143.7m (2017: EUR 165.2m). 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, 2018. In this respect, the profit shown in the balance totalled EUR 250.2m (2017: EUR 234.0m).

The Management Board will propose a dividend for the 2018 financial year totalling EUR 140.5m, corresponding to a basic dividend of EUR 2.08 per share (2017: EUR 138.5m, basic dividend of EUR 2.05 per share).

The following table shows the composition of other comprehensive income for the 2017 and 2018 financial years:

2017 Financial Year

EUR m	IAS 19 reserves	Revaluation of financial instruments	Currency translation reserves	Equity attributable to shareholders of the parent company	Non-controlling interests	Equity
	Other reserves					
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

2018 Financial Year

EUR m	IAS 19 reserves	FVOCI reserve	Currency translation reserves	**Equity attributable to shareholders of the parent company**	Non-controlling interests	**Equity**
	Other reserves					
Currency translation differences – investments in foreign businesses	0.0	0.0	–0.1	**–0.1**	0.0	**–0.1**
Fair value adjustment FVOCI – debt instruments – reclassified to profit and loss	0.0	–0.1	0.0	**–0.1**	0.0	**–0.1**
Fair value adjustment FVOCI – equity instruments	0.0	–18.9	0.0	**–18.9**	0.0	**–18.9**
Revaluation of defined benefit obligations	4.1	0.0	0.0	**4.1**	0.0	**4.1**
Tax effect	–1.0	4.5	0.0	**3.4**	0.0	**3.4**
Other comprehensive income	3.1	–14.5	–0.1	**–11.5**	0.0	**–11.5**

In the 2017 financial year, the revaluations of the shares Austrian Post indirectly held in BAWAG P.S.K. which were previously reported in other comprehensive income were reclassified to the income statement to the amount of EUR 11.4m following the sale of these shares.

In the 2018 financial year, fair value changes of equity instruments recognised in the FVOCI reserve mainly resulted from the valuation of the shares held in Aras Kargo a.s., Turkey. 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 1,681.2m as at December 31, 2018, as a basis (December 31, 2017: EUR 1,674.2m), the equity ratio as at December 31, 2017, equalled 41.6% (December 31, 2017: 41.7%).

9.11 Provisions

	Dec. 31, 2017			**Dec. 31, 2018**		
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	3.3	101.6	104.9	**3.9**	**97.2**	**101.0**
Provisions for jubilee benefits	8.2	77.5	85.7	**6.9**	**80.0**	**86.8**
Other employee provisions	101.9	204.8	306.7	**104.6**	**208.1**	**312.6**
Other provisions	65.4	1.1	66.5	**49.5**	**1.1**	**50.6**
	178.6	385.1	563.7	**164.8**	**386.3**	**551.1**

9.11.1 PROVISIONS FOR TERMINATION AND JUBILEE BENEFITS

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

2018 Financial Year

EUR m	Termination benefits	Jubilee benefits	**Total**
Present value of the obligation at January 1, 2018	104.9	85.7	**190.5**
Current service cost	4.9	4.4	**9.3**
Interest expense	2.0	1.3	**3.3**
Actuarial gains (–) and losses (+) from the change in demographic assumptions	–1.4	10.0	**8.6**
Actuarial gains (–) and losses (+) from the change in financial assumptions	–3.2	0.0	**–3.2**
Experience adjustments	0.5	–7.4	**–6.9**
Actual payments	–6.6	–7.1	**–13.7**
Present value of the obligation at December 31, 2018	101.0	86.8	**187.9**

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 Provisions for Termination Benefits 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. The application of the new calculation base for the social security system ("mortality tables") led to an increase in the provisions for jubilee benefits to the amount of EUR 10.0m, which is included in the losses from the change of demographic assumptions.

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

9.11.2 OTHER EMPLOYEE PROVISIONS

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

2018 Financial Year

EUR m	Under-utilisation	Other employee related provisions	**Total**
Balance at January 1, 2018	214.5	92.1	**306.7**
Change in the consolidation scope	0.0	0.2	**0.2**
Transfer	–5.0	0.0	**–5.0**
Allocation	26.3	86.7	**113.0**
Use	–19.5	–50.0	**–69.5**
Reversals	–12.4	–22.8	**–35.2**
Accrued interest	2.5	0.0	**2.5**
Balance at December 31, 2018	206.4	106.2	**312.6**

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 26.3m in the 2018 financial year. This also includes an adjustment of the provisions amounting to minus EUR 1.4m due to the change in relevant parameters since the previous year. The high level of allocations to provisions in 2017 were particularly necessary due to the acceptance of branch network employees in the Post Internal Labour Market as a result of the termination of the cooperation agreement with BAWAG P.S.K.

Allocations to provisions in the current financial year mainly resulted from pension applications submitted by civil servants to initiate retirement proceedings on grounds of invalidity. (2018: EUR 18.3m; 2017: EUR 14.3m) and EUR 3.2m (2017: EUR 9.3m) for civil servants applying to be accepted into the programme enabling a possible transfer to the federal public service. The use of provisions related to ongoing payments for the employees in the Post Internal Labour Market and was somewhat above the prior-year level. The transfer of minus EUR 5.0m related 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 86.7m (2017: EUR 74.7m) primarily relates to allocations for employee profit-sharing schemes and performance related bonuses (2018: EUR 55.3m, 2017: EUR 58.4m) and restructuring provisions in the Mail & Branch Network (2018: EUR 21.5m; 2017: EUR 0.1m) as a consequence of the termination of the cooperation agreement with BAWAG P.S.K.

The use of provisions totalling EUR 50.0m refers to payments for employee profit-sharing schemes and performance related bonuses (2018: EUR 46.1m; 2017: EUR 42.1m) and programmes involving voluntary termination benefit offers (2018: EUR 1.7m; 2017: EUR 3.7m).

The reversal of EUR 22.8m refers to provisions which were not required for programmes involving voluntary termination benefit offers to the amount of EUR 9.7m (2017: EUR 11.4m) and EUR 6.5m (2017: EUR 6.7m) for provisions for employee profit-sharing schemes and performance related bonuses. Furthermore, EUR 6.5m (2017: EUR 1.4m) in provisions were reversed for restructuring provisions in the Mail & Branch Network segment.

9.11.3 OTHER PROVISIONS

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

2018 Financial Year

EUR m	
Balance at January 1, 2018	**66.5**
Allocation	**3.3**
Use	**–6.2**
Reversals	**–13.0**
Balance at December 31, 2018	**50.6**

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 39.9m (2017: EUR 40.6m). More information can be found in Note 7.5 Reclamation of employer contributions related to the payroll accounting of civil servants. The reversal of provisions to the amount of EUR 13.0m related to risks which did not materialise in connection with audits carried out by tax authorities and litigation risks.

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

9.12 Other Financial Liabilities

EUR m	Dec. 31, 2017 Due within 1 year	Dec. 31, 2017 Due in more than 1 year	Dec. 31, 2017 Total	**Dec. 31, 2018 Due within 1 year**	**Dec. 31, 2018 Due in more than 1 year**	**Dec. 31, 2018 Total**
Borrowings from banks	3.1	0.0	3.1	**6.4**	**0.2**	**6.6**
Finance lease liabilities	0.4	3.4	3.8	**0.4**	**3.3**	**3.7**
	3.4	3.4	6.8	**6.8**	**3.5**	**10.3**

9.13 Trade and Other Payables

EUR m	Dec. 31, 2017 Due within 1 year	Dec. 31, 2017 Due in more than 1 year	Dec. 31, 2017 Total	**Dec. 31, 2018 Due within 1 year**	**Dec. 31, 2018 Due in more than 1 year**	**Dec. 31, 2018 Total**
Trade payables	189.7	0.1	189.7	**200.9**	**0.1**	**201.0**
Payables from financial assets accounted for using the equity method	1.1	0.0	1.1	**0.7**	**0.0**	**0.7**
Other liabilities	160.4	39.3	199.6	**131.3**	**31.0**	**162.3**
	351.2	39.3	390.5	**333.0**	**31.1**	**364.0**

In addition to liabilities to tax authorities and social security institutions totalling EUR 35.7m (December 31, 2017: EUR 38.0m), other liabilities also include liabilities for holiday entitlements not taken to the amount of EUR 33.3m (December 31, 2017: EUR 33.7m) and payments received in advance for services which have not yet been provided totalling EUR 2.8m (December 31, 2017: EUR 26.4m).

9.14 Income Tax

EUR m	2017	2018
Income tax expense for the current year	49.2	**51.5**
Tax credits arrears from prior tax years	1.3	**5.0**
Deferred tax expense/income	5.1	**–2.9**
	55.6	**53.6**

A tax audit for the years 2011–2014 carried out by financial authorities was concluded in 2018. The income tax burden resulting from the tax audit amounts to EUR 3.3m (of which EUR 2.2m was already recognised in the 2017 financial year).

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 27.1% in 2018 (2017: 25.2%).

The reconciliation of the deferred tax expense in the Austrian Post Group is based on the legally applicable tax rate for the parent company in Austria of 25%. Deviations from the statutory tax rates for subsidiaries are presented in a separate reconciliation.

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

EUR m	2017	2018
Profit before tax	220.6	**197.8**
Expected taxes on income	55.1	**49.4**
Tax deductions due to		
Write-down of subsidiaries to lower going concern value	–5.1	**–3.1**
Adjustments to foreign tax rates	0.0	**–0.1**
Other tax-reducing items	–1.9	**–1.3**
	–7.0	**–4.5**
Tax increases due to		
Impairment losses on goodwill	1.1	**0.5**
Adjustments to foreign tax rates	0.4	**0.0**
Changes in the consolidation scope	0.1	**0.0**
Losses not affecting taxes (accounted for using the equity method)	0.5	**0.9**
Appreciation subsidiaries	0.0	**0.5**
Other tax-increasing items	3.3	**3.8**
	5.4	**5.8**
Income tax expense for the period	53.5	**50.7**
Adjustment of actual income tax expenses/income from prior years	1.3	**5.0**
Adjustment of deferred tax expenses/income from prior years	–0.7	**–3.6**
Change in unrecognised deferred tax assets	1.5	**1.5**
Current tax expense	55.6	**53.6**

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, 2017	**Dec. 31, 2018**
Deferred tax assets arising from temporary differences		
Goodwill	0.6	**0.4**
Customer relationships	0.6	**0.6**
Trademarks	0.2	**0.1**
Other intangible assets	0.0	**0.8**
Property, plant and equipment	2.1	**2.8**
Financial assets (write-down to lower going concern value)	41.1	**39.1**
Inventories	0.2	**4.1**
Receivables	0.1	**0.9**
Provisions	28.5	**35.2**
Liabilities and contract liabilities	1.7	**1.6**
Cash and cash equivalents	0.0	**0.1**
	75.1	**85.7**
Deferred tax liabilities arising from temporary differences		
Goodwill	–0.2	**–0.2**
Customer relationships	–0.3	**–0.1**
Trademarks	–0.1	**–0.1**
Other intangible assets	–1.3	**–1.5**
Property, plant and equipment	–1.9	**–0.8**
Other financial assets	–0.3	**–0.1**
Inventories	–0.2	**–0.1**
Contract assets	0.0	**–5.9**
Liabilities	0.0	**–0.1**
	–4.2	**–9.1**
Deferred tax arising from loss carry-forwards	0.3	**0.2**
less: deferred tax assets not recognised	–0.1	**–0.1**
Total net deferred tax	71.1	**76.8**

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

EUR m	Dec. 31, 2017	**Dec. 31, 2018**
Recognition in the consolidated balance sheet		
Deferred tax assets	72.2	**77.6**
Deferred tax liabilities	–1.1	**–0.8**
Total net deferred tax	71.1	**76.8**

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, 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**
Balance at January 1, 2018	72.2	**1.1**
Changes affecting net income	2.6	**–0.3**
Changes recognised directly in equity		
Fair value adjustment FVOCI – equity and debt instruments	3.8	**0.0**
Revaluation of defined benefit obligation	–1.0	**0.0**
IFRS 9 adjustment	1.9	**0.0**
IFRS 15 adjustment	–1.7	**0.0**
Additions arising from acquisitions	–0.2	**0.0**
	2.8	**0.0**
Balance at December 31, 2018	77.6	**0.8**

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, 2017	**Dec. 31, 2018**
Unrecognised temporary differences from:		
Loss carry forwards	30.7	**37.8**
thereof due within not later than 2 years	0.0	**0.0**
thereof due within 3–4 years	0.0	**0.3**
thereof due within 5–6 years	0.3	**3.8**
thereof due later than 6 years	0.0	**0.0**
due within an indefinite period of time	30.3	**33.7**
Other temporary differences	0.6	**0.5**
	31.3	**38.3**

Temporary differences totalling EUR 38.0m (December 31, 2017: EUR 28.4m) in connection with investments 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 book value of the financial assets and liabilities in line with the measurement categories according to IFRS 9 and their classification in the fair value hierarchy of IFRS 13. Comparative information for previous periods was not adjusted. Accordingly, the presentation of the book value of the financial assets and liabilities as at December 31, 2017, is in accordance with the measurement categories in IAS 39.

2017 Financial Year

EUR m	Level	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
		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 not consumed vacation

2018 Financial Year

EUR m	Level	At fair value through profit or loss (FVTPL)	At fair value through other comprehensive income (FVOCI)	Recognised at amortised cost	**Total**
Financial assets					
Measurements carried out at fair value					
Securities	1	44.4	11.4	0.0	**55.8**
Other stakes					
At fair value through profit or loss (FVTPL)	1	20.5	0.0	0.0	**20.5**
At fair value through other comprehensive income (FVOCI)	3	0.0	31.3	0.0	**31.3**
		20.5	31.3	0.0	**51.8**
Derivative financial assets	3	0.1	0.0	0.0	**0.1**
		65.0	42.7	0.0	**107.7**
Measurements not carried out at fair value					
Trade receivables	–	0.0	0.0	260.5	**260.5**
Receivables from financial assets accounted for using the equity method	–	0.0	0.0	2.1	**2.1**
Other receivables[1]	–	0.0	0.0	15.5	**15.5**
Cash and cash equivalents	–	0.0	0.0	310.0	**310.0**
		0.0	0.0	588.0	**588.0**
Financial liabilities					
Measurements carried out at fair value					
Contingent consideration	3	2.5	0.0	0.0	**2.5**
		2.5	0.0	0.0	**2.5**
Measurements not carried out at fair value					
Other financial liabilities	–	0.0	0.0	10.3	**10.3**
Trade payables	–	0.0	0.0	201.0	**201.0**
Payables from financial assets accounted for using the equity method	–	0.0	0.0	0.7	**0.7**
Other liabilities[2]	–	0.0	0.0	85.0	**85.0**
		0.0	0.0	297.0	**297.0**

[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 not consumed vacation

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

	Dec. 31, 2017		**Dec. 31, 2018**	
EUR m	Book value	Fair value	**Book value**	**Fair value**
Other financial liabilities				
Borrowings from banks	3.1	3.1	**6.6**	**6.6**
Finance lease liabilities	3.8	3.8	**3.7**	**3.7**
Other financial liabilities	0.0	0.0	**0.0**	**0.0**
	6.8	6.8	**10.3**	**10.3**

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 book value 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, other stakes	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	–	Book value 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 payables and other payables	–	Book value 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 in the exchange rate at the balance sheet date resulted in the following sensitivities:

	WACC		inflation rate		Exchange rate at balance sheet date EUR/TRY	
EUR m	–1%-point	+1%-point	–0.5%-point	+0.5%-point	–10%	+10%
Fair value Aras Kargo a.s.	3.3	–2.8	5.3	–5.5	2.9	–2.4

The following table shows the reconciliation of Level 3 measurements at fair value applying to financial assets and liabilities for the 2017 and 2018 financial years:

Financial Assets

EUR m	2017	**2018**
Opening balance at January 1	61.1	**50.3**
Total gains and losses		
Recognised in profit or loss (as other operating income)	0.0	**0.2**
Recognised in other comprehensive income	8.4	**–18.9**
Additions	0.2	**0.0**
Decrease from change in accounting method	0.0	**–0.2**
Other disposals	-19.4	**0.0**
Closing balance at December 31	50.3	**31.4**

The loss of EUR 18.9m recognised in other comprehensive income in the 2018 financial year mainly relates to the revaluation of Austrian Post's 25% stake in Aras Kargo a.s. In the 2017 financial year, the gains reported in other comprehensive income related to the revaluation of the indirectly held shares in BAWAG P.S.K. The disposals totalling EUR 19.4m resulted from the sale of the indirectly held shares in BAWAG P.S.K.

Financial Liabilities

EUR m	2017	**2018**
Opening balance at January 1	2.1	**3.5**
Total gains and losses		
Recognised in profit or loss (as other operating income)	–0.2	**–1.0**
Additions from business combinations	3.4	**0.0**
Payments	–1.8	**–0.1**
Closing balance at December 31	3.5	**2.5**

The income recognised in profit or loss in the 2018 financial year resulted from the revaluation of the residual purchase price obligations in connection with the shares in ACL advanced commerce labs GmbH and adverserve Holding GmbH acquired in previous years. The disposal in the 2018 financial year related to the residual purchase price payment for the stake in IN TIME SPEDICE, spol. s r.o. acquired in the 2017 financial year.

10.1.3 OFFSETTING OF FINANCIAL INSTRUMENTS

The Austrian Post Group primarily makes use of offsetted invoices according 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 2017 and 2018 financial years:

			2017			**2018**
EUR m	Income statement	Other comprehensive income	Total	**Income statement**	**Other comprehensive income**	**Total**
At fair value through profit or loss (FVTPL)						
Results from disposal	0.2	0.0	0.2	–0.5	0.0	**–0.5**
Valuation results	0.1	0.0	0.1	–14.6	0.0	**–14.6**
	0.3	0.0	0.3	–15.1	0.0	**–15.1**
At fair value through OCI (FVOCI) – equity instruments						
Valuation results	0.0	0.0	0.0	0.0	–18.9	**–18.9**
	0.0	0.0	0.0	0.0	–18.9	**–18.9**
At fair value through OCI (FVOCI) – debt instruments						
Results from disposal	0.0	0.0	0.0	0.1	–0.1	**0.0**
	0.0	0.0	0.0	0.1	–0.1	**0.0**
Available for sale						
Results from disposal	11.0	–11.2	–0.1	0.0	0.0	**0.0**
Valuation results	0.0	8.2	8.2	0.0	0.0	**0.0**
	11.0	–3.0	8.0	0.0	0.0	**0.0**
Financial assets measured at amortised cost						
Results from disposal	0.0	0.0	0.0	–1.6	0.0	**–1.6**
Valuation results	0.0	0.0	0.0	–1.2	0.0	**–1.2**
	0.0	0.0	0.0	–2.8	0.0	**–2.8**
Loans and receivables						
Valuation results	–8.2	0.0	–8.2	0.0	0.0	**0.0**
	–8.2	0.0	–8.2	0.0	0.0	**0.0**
	3.1	–3.0	0.1	–17.8	–19.0	**–36.8**

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	2017	**2018**
Interest income		
Cash and cash equivalents	0.5	**0.3**
Other financial assets	0.2	**0.1**
	0.6	**0.4**
Interest expenses		
Other financial liabilities	–0.3	**–0.3**
	–0.3	**–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

Default Credit Risk

Default risk for the Austrian Post Group involves the possibility of contractual partners being unable to fulfil their obligations from the operating business and financial transactions. 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. Refer to Note 6.13 Financial Assets and Liabilities.

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 credit-worthiness. Austrian Post only invests in investment funds managed by 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 gross book value of the main classes of default risk within the Austrian Post Group as at December 31, 2018, is as follows:

December 31, 2018

		General approach			Simplified approach	
		Expected 12 months credit loss	Expected credit loss over contract period		Expected credit loss over contract period	
EUR m	Gross carrying amount total		significant increase in the credit risk, but not impaired	impaired	not impaired	impaired
Trade receivables	**263.5**	**–**	**–**	**–**	**257.5**	**6.0**
Other receivables	**16.6**	**14.0**	**1.2**	**1.4**	**–**	**–**

The overall default risk of all securities in the category FVOCI in Austrian Post's portfolio and receivables from banks is considered to be low, and is not presented here due to the immaterial amounts involved.

Trade Receivables The Austrian Post Group applies the simplified approach pursuant to IFRS 9 to determine expected credit losses. Accordingly, impairment losses are recognised for trade receivables to the amount of the expected credit losses over their term. Trade receivables are classified according to common credit risk characteristics and days overdue (matrix) in order to measure the expected credit losses.

On this basis, impairment losses on trade receivables as at January 1, 2018, and December 31, 2018, were calculated as follows:

January 1, 2018

				Overdue	
EUR m	Not overdue	1–30 days	31–90 days	> 90 days	**Total**
Gross book value	169.4	47.4	3.9	4.1	224.7
Expected loss rate	1.1%	0.3%	3.3%	36.4%	1.6%
Impairment losses	**1.9**	**0.2**	**0.1**	**1.5**	**3.7**

December 31, 2018

				Overdue	
EUR m	Not overdue	1–30 days	31–90 days	> 90 days	**Total**
Gross book value	209.8	41.4	6.4	6.0	263.5
Expected loss rate	0.1%	0.3%	3.9%	40.5%	1.1%
Impairment losses	**0.2**	**0.1**	**0.2**	**2.4**	**3.0**

Other Receivables The calculation of expected credit losses for other receivables takes place in accordance with the general approach pursuant to IFRS 9, in which case practical expedients are applied in line with IFRS 9.B5.5.35 due to the type and scope of the receivables. In order to measure the expected credit losses, other receivables, classified into receivables from claims for damages and sundry receivables, are grouped according to days overdue (matrix). Impairment losses of EUR 1.2m were recognised as at December 31, 2018.

The underlying reason for the strong decline in impairment losses is the disposal of disputed trade receivables from BAWAG P.S.K., for which impairment losses were already recognised as at December 31, 2017. Furthermore, other receivables with a contractual value of EUR 0.5m and which are still subject to enforcement measures were derecognised in the reporting period.

On this basis, impairment losses on the main default risk classes developed as follows:

2018 Financial Year

	Other receivables				Trade receivables		
		Expected credit loss over contract period			Expected credit loss over contract period		
EUR m	Expected 12 months credit loss	significant increase in the credit risk, but not impaired	impaired	**Total**	not impaired	impaired	**Total**
Balance at January 1, 2018	**0.2**	**0.0**	**6.1**	**6.3**	**1.1**	**2.6**	**3.7**
Derecognition	**0.0**	**0.0**	**–4.7**	**–4.7**	**0.0**	**–1.3**	**–1.3**
Net revaluation	**0.0**	**0.0**	**–0.4**	**–0.4**	**–0.5**	**1.1**	**0.6**
Balance at December 31, 2018	**0.2**	**0.0**	**0.9**	**1.2**	**0.6**	**2.4**	**3.0**

Securities in the Category FVOCI All securities in the category FVOCI in Austrian Post's portfolio feature a low risk of default. The impairment loss was recognised to the amount of the expected 12-month credit loss. A low default risk remains for securities as long as an investment grade rating exists. The impairment losses recognised as at December 31, 2018, involve immaterial amounts.

Receivables from Banks Receivables from banks include cash holdings with credit institutions and short-term investments (time deposits). The calculation of the expected credit losses is carried out in accordance with the general approach according to IFRS 9 to the amount of the expected credit losses and the actual remaining term to maturity of the receivables. Impairment losses on receivables from banks were recognised for the first time with the transition to IFRS 9. Impairment losses of EUR 0.1m were recognised despite the immaterial amounts involved.

Liquidity Risk

The purpose of Austrian Post's liquidity 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, 2017

EUR m	Book value	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

December 31, 2018

EUR m	Book value	Gross cash flow	Term to maturity Within 1 year	1–5 years	More than 5 years
Financial liabilities					
Other financial liabilities	**10.3**	**10.5**	**6.8**	**1.4**	**2.3**
Trade payables	**201.0**	**201.0**	**200.9**	**0.0**	**0.1**
Payables from financial assets accounted for using the equity method	**0.7**	**0.7**	**0.7**	**0.0**	**0.0**
Other liabilities	**87.4**	**87.7**	**63.7**	**24.0**	**0.0**
	299.5	**300.0**	**272.2**	**25.4**	**2.4**

Market Risk

Market risks imply the existing risks related to changes in market prices. The primary risks for 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 flows 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:

2017 Financial Year

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

2018 Financial Year

EUR m	Market interest rate –1%-point	+1%-point
Other financial result	**0.9**	**–0.5**

Currency Risk Currency risk refers to potential losses arising from the market changes in connection with movements 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. Currency risk exists in part from service relationships with international postal operators settled on the basis of an artificial currency (special drawing rights).

A currency risk exists as well from the stake held in Aras Kargo a.s., Turkey, where changes in exchange rates can impact the total fair value (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 risks relating to 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 movements 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 changes 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 functional currency is not the euro are directly converted into 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	2017	**2018**
Acquisitions of subsidiaries		
Cash outflow for acquisitions		
Acquisition date in the current financial year (purchase price)	–8.0	**–0.9**
Outstanding purchase price liability	2.4	**0.0**
Acquisition date in previous years (remaining purchase price)	–1.3	**0.0**
	–6.9	**–0.9**
Cash and cash equivalents acquired	1.7	**0.0**
	–5.2	**–0.9**
Sale of subsidiaries		
Cash inflows for disposal of subsidiaries		
Time of sale current financial year (sales prices)	1.6	**0.0**
	1.6	**0.0**
Disposed cash and cash equivalents	–0.7	**0.0**
	0.8	**0.0**
Total	–4.4	**–0.9**

Other Non-cash Transactions The other non-cash transactions neutralised in the operating cash flow are comprised of the following:

EUR m	2017	**2018**
Results from the disposal of property, plant and equipment	–1.6	**–1.9**
Results from the disposal of financial assets accounted for using the equity method	–2.8	**0.0**
Results from the disposal of financial instruments	–11.0	**0.5**
Measurement of securities and stakes at fair value through profit and loss	0.0	**15.7**
Net interest income/expense	–5.0	**–7.4**
Currency translation	0.2	**0.0**
Valuation of receivables	8.2	**3.6**
Without effect in profit and loss (IAS 19)	–1.2	**4.1**
Effects from termination of collaboration with BAWAG P.S.K.	–26.9	**0.0**
Reclamation of employer contributions related to the payroll accounting	–21.0	**0.0**
Other	–1.9	**–0.1**
Total	–63.1	**14.6**

Other Financial Liabilities The change in other financial liabilities in the cash flow contains cash inflows of EUR 2.6m (2017: EUR 1.2m) from loan liabilities and payments to the amount of EUR 0.4m (2017: EUR 0.5m) from obligations relating to financial lease contracts as well as payments for other financial liabilities to the amount of EUR 0.6m (2017: EUR 0.0m). Cash inflows and outflows from short-term revolving items are netted in the reported amounts pursuant to IAS 7.22 (a).

The reconciliation of other financial liabilities from January 1, 2018, to December 31, 2018, taking account of the cash flow from financing activities is as follows:

2017 Financial Year

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

2018 Financial Year

EUR m	Borrowings from banks	Finance lease liabilities	Other financial liabilities	**Other financial liabilities total**
Balance at January 1, 2018	**3.1**	**3.8**	**0.0**	**6.8**
Cash flow from financing activities	**2.6**	**–0.4**	**–0.6**	**1.6**
Acquisition of subsidiaries	**0.9**	**0.0**	**0.6**	**1.5**
Balance at December 31, 2018	**6.6**	**3.7**	**0.0**	**10.3**

Cash and Cash Equivalents 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, 2017	**Dec. 31, 2018**
Cash and cash equivalents according to the cash flow statement	290.0	**310.2**
Impairment losses on receivables due from banks	0.0	**–0.2**
Cash and cash equivalents according to the balance sheet	290.0	**310.0**

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, 2017	**Dec. 31, 2018**
No later than one year	14.7	**11.8**
Later than one year and not later than five years	33.8	**30.5**
Later than five years	14.2	**12.0**
	62.7	**54.3**

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 2018 financial year, a total of EUR 46.3m (2017: EUR 48.5m) in payments within the context of operating rental and lease agreements were recognised in the income statement. This amount mainly relates to minimum lease payments.

Acquisition obligations as at December 31, 2018, existed to the amount of approx. EUR 0.5m (December 31, 2017: EUR 0.4m) for intangible assets. Acquisition obligations for property, plant and equipment totalled EUR 42.4m as at December 31, 2018 (December 31, 2017: EUR 23.0m).

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 Beteiligungs AG (in short ÖBAG, formerly 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 Austrian Post Group and are provided 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:

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

2018 Financial Year

EUR m	Associates	Joint Ventures	Other related companies	Related persons	**Total**
Total operating income	**1.7**	**0.7**	**199.4**	**0.0**	**201.7**
Total operating expenses	**6.7**	**1.4**	**50.6**	**0.0**	**58.7**
Outstanding receivables	**2.0**	**0.1**	**27.0**	**0.0**	**29.0**
Outstanding payables	**0.7**	**0.0**	**6.0**	**0.0**	**6.8**

Operating income in the 2017 and 2018 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 2018 financial year, delivery services valued at EUR 133.1m (2017: EUR 129.0m) were provided for the federal agencies stipulated in the agreement.

Operating expenses mainly refer to IT services and telephone services from A1 Telekom Austria AG to the amount of EUR 13.6m (2017: EUR 11.0m), purchases of retail goods from A1 Telekom Austria AG valued at EUR 11.8m (2017: EUR 14.3m) and energy purchases from the OMV Group of EUR 4.6m (2017: EUR 5.5m).

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

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

2018 Financial Year

EUR m	Supervisory Board	Management Board	Senior executives	**Total**
Short-term employment benefits	**0.4**	**4.4**	**6.0**	**10.8**
Post-employment benefits	**0.0**	**–0.3**	**0.2**	**–0.1**
Other long-term employment benefits	**0.0**	**0.0**	**0.0**	**0.0**
Termination benefits	**0.0**	**0.7**	**0.0**	**0.7**
Allocation to share-based remuneration programme	**0.0**	**3.5**	**8.1**	**11.5**
	0.4	**8.3**	**14.3**	**22.9**

11.4 Audit Fees

The fees for the auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in the 2017 and 2018 financial years can be broken down as follows:

Audit Fees

EUR thousand	2017	**2018**
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	147.5	**142.8**
Other audit related services	16.8	**26.4**
Other services	56.9	**129.8**
	319.2	**397.0**

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.

Effective January 31, 2019, Austrian Post acquired an additional 40 % of the shares in D2D – direct 2 document GmbH, raising its stake in the company to 70 %. D2D, Austria's largest printing outsourcing service provider, handles customer orders, from data transfer and print data preparation to enveloping and mailing. Due to the largely unchanged corporate governance, Austrian Post does not have a controlling interest. For this reason, the stake held in D2D continues to be accounted for using the equity method.

11.6 Group Companies

Company and location	Dec. 31, 2017 Interest %	Dec. 31, 2017 Method of consolidation[1]	**Dec. 31, 2018 Interest %**	**Dec. 31, 2018 Method of consolidation[1]**
ACL advanced commerce labs GmbH, Graz	70.00	FC	**70.00**	**FC**
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, Vienna	100.00	FC	**100.00**	**FC**
Post 202 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**
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**
sendhybrid ÖPBD GmbH, Graz	26.00	EM	**51.00**	**FC**
Slovak Parcel Service s.r.o., Ivanka pri Dunaji	100.00	FC	**100.00**	**FC**
Post Systemlogistik 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**
Express One Hungary Kft. (formerly 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**

	Dec. 31, 2017		**Dec. 31, 2018**	
Company and location	Interest %	Method of consolidation[1]	**Interest %**	**Method of consolidation[1]**
ADELHEID/AEP				
ADELHEID GmbH, Berlin[2,3]	50.12	EM	**50.44**	**EM**
AEP GmbH, Alzenau[2,3]	50.12		**50.44**	
adverserve				
adverserve Holding GmbH, Vienna[2]	49.00	EM	**49.00**	**EM**
adverServe digital advertising Services Gesellschaft m.b.H., Vienna[2]	49.00		**49.00**	
adverServe digital advertising Services d.o.o., Zagreb[2,4]	36.75		**36.75**	
adverServe digital advertising Services Schweiz GmbH, Zurich[2]	49.00		**49.00**	
adverServe digital advertising Services Deutschland GmbH, Hamburg[2]	49.00		**49.00**	
D2D – direct to document GmbH, Vienna	30.00	EM	**30.00**	**EM**
IN TIME SPEDICE, spol. s r.o., Prague	31.50	EM	**31.50**	**EM**
OMNITEC Informationstechnologie-Systemservice GmbH, Vienna	50.00	EM	**50.00**	**EM**
PHS Logistiktechnik GmbH, Graz	26.00	EM	**40.00**	**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 the equity 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**	**33.8**	**6.2**
EURODIS GmbH, Weinheim	**37.46**	**0.4**	**0.0**

The Management Board of Austrian Post approved the audited consolidated financial statements for the financial year ending on December 31, 2018, for transmission to the Supervisory Board on February 22, 2019. The Supervisory Board is responsible for reviewing and approving the audited consolidated financial statements.

Vienna, February 22, 2019

The Management Board

GEORG PÖLZL
Chairman of the Management Board
Chief Executive Officer

WALTER OBLIN
Deputy Chairman of the Management Board
Mail & Direct Mail, Finance

PETER UMUNDUM
Member of the Management Board
Parcel & Logistics, Logistics Networks