
REPORT OF THE SUPERVISORY BOARD OF AUSTRIAN POST ON THE 2018 FINANCIAL YEAR

The 2018 financial year was a challenging time for Austrian Post, which showed a very satisfactory business development in spite of the difficult operating environment. Group revenue was up 1.0% to EUR 1,958m, which can be particularly attributed to growth in the parcel segment. The objective of a further rise in earnings was achieved, with Group EBIT at close to EUR 211m.

Austrian Post succeeded in increasing its profitability and competitiveness on the basis of a focused strategic orientation and the resolute implementation of comprehensive efficiency enhancement and service improvement measures. The company is on a stable economic footing and is well positioned for the future.

Changes on the Supervisory Board and Management Board

Erich Hampel, Markus Pichler and Elisabeth Stadler left the Supervisory Board effective at the end of the Annual General Meeting on April 19, 2018. I would like to sincerely thank the former members for their longstanding work on behalf of the Supervisory Board of Austrian Post, characterised by their expertise and sense of responsibility.

Huberta Gheneff, Jochen Danninger and Stefan Szyszkowitz were elected to the Supervisory Board of Austrian Post for the first time. At the same time, Edith Hlawati, Peter E. Kruse and Chris E. Muntwyler were re-elected to serve on the Supervisory Board. The terms of office of the new shareholder representatives expire at the Annual General Meeting in 2023. The Supervisory Board mandates of Edeltraud Stiftinger and Herta Stockbauer remain unchanged and will last until the Annual General Meeting 2020.

At the subsequent constituent meeting of the Supervisory Board, I was once again elected to serve as its Chairwoman. Moreover, Huberta Gheneff and Stefan Szyszkowitz were elected to the Audit Committee and Jochen Danninger was elected as a further member of the Remuneration Committee.

The meeting of the Central Works Council of Austrian Post on October 30, 2018, elected Maria Klima to serve

as the successor to Andreas Schieder on the Supervisory Board.

With respect to the composition of the Management Board, it should be noted that Georg Pölzl was reconfirmed as Chairman of the Management Board at the meeting held on November 11, 2018, and reappointed to serve until September 30, 2022, with an extension option for another two years. Furthermore, Walter Oblin was named Deputy Chairman of the Management Board effective January 1, 2019.

Walter Hitziger, Member of the Management Board with responsibility for the Mail & Branch Network Division resigned from his position effective December 31, 2018. An extraordinary meeting of the Supervisory Board held on December 17, 2018, resolved to downsize the Management Board and reassign responsibilities in a three-member board. Georg Pölzl will take charge of the Branch Network business area. Walter Oblin will serve as head of the Mail & Direct Mail Division alongside his previous tasks. In addition to the Parcel & Logistics Division, Peter Umundum will also be in charge of logistics operations in the mail and parcel segments.

The Supervisory Board thanks Walter Hitziger, who made a major contribution to the success of Austrian Post in more than fourteen years at the company. It is important to highlight his accomplishments in the core mail business, which is a highly profitable division in spite of declining volumes.

Activities of the Supervisory Board

The Supervisory Board took great care to fulfil its obligations during the year under review and performed the tasks incumbent upon it as stipulated by legal regulations, the Articles of Association of Austrian Post and the internal rules of procedure for the Supervisory Board. We regularly advised the Management Board in its efforts to manage the company and monitored its activities. At all meetings, the Management Board provided the Supervisory Board with ongoing information about the general economic situation in the core markets of Austrian Post

and important business transactions. Moreover, the chairpersons of the committees and I were regularly in contact in order to discuss opportunities and risks related to the current business development.

Eight sessions of the Supervisory Board were held in 2018. The revenue and earnings development of the Austrian Post Group as well as the mail and parcel businesses were presented at the four ordinary Supervisory Board meetings. Other issues included the development of key subsidiaries as well as selected strategic projects.

In particular, the capacity expansion plans of parcel logistics in Austria and the realignment of the financial services business should be mentioned in this regard. Accordingly, the Supervisory Board approved investments in the construction of the new distribution centres in Hagenbrunn, Lower Austria and Kalsdorf, Styria. The intensive discussions concerning the further development of the financial services business were also the focal point of the extraordinary Supervisory Board meetings.

At its meeting held on March 13, 2018, the Supervisory Board reviewed the annual financial statements presented by the Management Board, along with the Management Report and the profit appropriation proposal for the 2017 financial year and adopted the financial statements. Moreover, the session focused on preparations for the Annual General Meeting. The budget for the 2019 financial year and a report on medium-term planning 2019–2021 were presented and approved at the meeting held on November 11, 2018.

In the meantime, the training programme for the Supervisory Board launched in 2015 has become an integral part of the Supervisory Board's work and was continued in 2018. The Supervisory Board debated and discussed the issues of "Trends in the banking sector", "Current developments on the postal and logistics market", "Turkey – economic development forecasts", "Gender balance" and "Employee protection" in detail at three events with internal and external experts. The discussions held with internal and external experts are particularly designed to deepen the market knowledge of the Supervisory Board members and intensify an exchange of experiences outside of the meetings.

Activities of the Committees

The committees set up by the Supervisory Board prepare decisions by the plenary sessions and adopt resolutions on matters to which they have been assigned decision-making rights. The chairpersons of the committees report about the work of the committees to the entire Supervisory Board.

At its four meetings, the **Audit Committee** of the Supervisory Board duly carried out the responsibilities

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

The **Parcel & Logistics Committee** convened a total of four times, dealing with complex issues relating to the Parcel & Logistics Division. The focus of the committee's regular deliberations taking place before the Supervisory Board meetings prepared decisions on investment projects relating to the expansion of the distribution centres on the basis of comprehensive information and intensive discussions. Other focal points were the launch of own delivery services by Amazon in Vienna in the autumn of 2018 and the development of Austrian Post's stake in the Turkish parcel services provider Aras Kargo.

The **Remuneration Committee** fulfilled its duties in eleven meetings. In addition to evaluating target achievement in 2017 and the related bonus payments, one focal point of this year's committee work was on reviewing remuneration policies for the Management Board of Austrian Post. It considered the appropriateness of the remuneration, taking account of the scope of responsibility of each Management Board member, his personal accomplishments, the economic situation of the company as well as the remuneration structure in a comparable market environment.

The result of the Remuneration Committee's consultations was a new remuneration scheme for the Management Board which will be applied in case of new appointments to the board. A model designed to bridge the previous and new remuneration schemes was developed for the current Management Board members. It defines specific adjustments to salary components in the case of possible contract extensions to more closely reflect the new system. Moreover, the Remuneration Committee set earnings ceilings for the Management Board members which will take effect starting in 2021.

The Remuneration Committee also dealt with preparations for changes on the Management Board and the agreement to terminate the Management Board contract with Walter Hitziger.

The **Nomination Committee** convened once and dealt with the issue of filling the position of Chairman of the Management Board. It recommended that the Supervisory Board extend the Management Board mandate of Georg Pözl.

Consolidated and Annual Financial Statements

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was appointed by the Annual General Meeting held on April 19, 2018, to serve as the auditor of the company's annual financial statements and consolidated annual financial statements for the 2018 financial year.

The annual financial statements and consolidated annual financial statements of Austrian Post as at December 31, 2018, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and were granted an unqualified auditor's opinion. The Management Report and Group Management Report are consistent with the company and consolidated annual financial statements. All documentation relating to the annual financial statements, the profit appropriation proposal as submitted by the Management Board, the Corporate Governance Report and the auditor's report were thoroughly discussed in the Audit Committee together with the auditors and subsequently presented to the Supervisory Board.

The Supervisory Board examined all the documents in accordance with Section 96 of the Austrian Stock Corporation Act and did not discover any inconsistencies or

objections. As a result, it formally approved the results of the audit. The Supervisory Board formally approved the annual financial statements for the 2018 financial year, which are hereby adopted in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act, and declares its acceptance of the IFRS consolidated financial statements, the Management Report, the Group Management Report and the Consolidated Corporate Governance Report pursuant to Section 245a of the Austrian Commercial Code. The report on non-financial aspects published in accordance with the Sustainability and Diversity Improvement Act (NADiVeG), was reviewed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

The Supervisory Board concurs with the Management Board's proposal to distribute a basic dividend of EUR 140,509,487.04 from the net profit amounting to EUR 250,151,834.16 and to carry forward the balance of EUR 109,642,347.12 to the new account.

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

Vienna, March 13, 2019

Edith Hlawati m. p.

Chairwoman of the Supervisory Board