

MANAGEMENT REPORT

99 GROUP OVERVIEW AND MARKET ENVIRONMENT

- 99 Business Operations and Organisational Structure
- 100 Sales Markets and Market Position
- 100 Economic Environment
- 101 Sector Environment
- 101 Legal Framework

103 BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

- 103 Segment Information
- 103 Changes to the Scope of Consolidation
- 103 Financial Performance
- 111 Assets and Financial Position
- 116 Value-based Key Performance Indicators

118 RESEARCH AND DEVELOPMENT/ INNOVATION MANAGEMENT

121 OPPORTUNITIES AND RISKS

- 121 Risk Management System
- 122 Significant Risks
- 126 Significant Opportunities
- 126 Overall Assessment of the Group's Risk Situation

127 OTHER LEGAL DISCLOSURES

- 127 Internal Control System and Risk Management with Regard to the Accounting Process
- 128 Information Pursuant to Section 243a of the Austrian Commercial Code (UGB)
- 130 Non-financial Information Pursuant to the Sustainability Diversity Improvement Act (NaDiVeG)
- 130 Events After the Reporting Period

131 OUTLOOK 2021

**#
ALWAYS
DELIVER A
SOLUTION**

THE 2020 FINANCIAL YEAR was hit by the COVID-19 pandemic. The decrease in revenue in the Mail and Retail & Bank Divisions was offset by strong revenue growth in the parcel segment. Earnings fell by around 20% overall, however.

Find out more about business development starting on page 103

1. GROUP OVERVIEW AND MARKET ENVIRONMENT

1.1 Business Operations and Organisational Structure

A **Austrian Post**, hereinafter also referred to as the Austrian Post Group or the Group, **is the leading logistics and postal services provider in the country, with annual revenue of EUR 2.2bn and just under 23,000 employees.** Being part of Austria's critical infrastructure, Austrian Post is responsible for ensuring security of supply within the country. The COVID-19 pandemic has affected Austrian Post to a different extent. The letter mail and direct mail business is generally being affected by e-substitution. COVID-19 and the specific lockdown situations faced by various customers and sectors resulted in further volume losses. Developments over the course of 2020 were very volatile: in the second quarter of the year, the measures taken to combat the pandemic had a considerable impact, with volume losses in the conventional letter mail business and direct mail of 13% and 25% respectively (in a year-on-year comparison). The trend normalised in the third and fourth quarters, with volumes down by 3% in letter mail and 8% in direct mail (in a year-on-year comparison) in the fourth quarter. The parcel business, on the other hand, benefited from the lockdown of retail shops. The already high level of organic growth and strong impetus from both e-commerce and the temporary closure of retail shops has pushed parcel volumes up by more than 40% in the second quarter of 2020, with the number of parcels rising by 32% (in a year-on-year comparison) in the fourth quarter.

The company's services range from the transportation of traditional letter mail, addressed and unaddressed direct mail to parcels and express mail items. Austrian Post also offers other logistics solutions, as well as a variety of value-added services, such as the transport of valuable goods and cash, webshop logistics and webshop infrastructure. In addition to postal and telecommunications services, financial services are offered via the most extensive branch network in Austria. Austrian Post is internationally active in nine other countries.

A **Austrian Post focuses its activities into three operating divisions: Mail, Parcel & Logistics and Retail & Bank. In addition, the Corporate Division mainly offers services relating to Group administration, and**

the development of new business models. These four divisions comply with reporting structure to the Management Board in accordance with IFRS 8.

The product and service portfolio of the **Mail** Division encompasses the collection, sorting and delivery of letters and document shipments, addressed and unaddressed direct mail, newspapers and magazines, as well as online services such as e-letter and cross-media solutions. The offering is complemented by additional physical and digital services in customer communications as well as by optimisation in document processing. Austrian Post customers have access to 1,765 postal service points, including 403 company-operated postal branches and 1,362 postal partners. Austrian Post offers 86,109 lockers at 454 pick-up stations in its self-service zones. In 2020, Austrian Post delivered 643 million letters, 412 million addressed and 2.9 billion unaddressed direct mail items, 313 million print media items and 336 million regional media items.

The **Parcel & Logistics** Division offers one-stop solutions for parcels and express mail items along the entire value chain. Austrian Post delivered 166 million parcels and express mail items in its domestic market in 2020. This makes it the leading service provider for the nationwide delivery of mail-order business and private customer parcels as well as B2B items, providing the highest quality of nationwide delivery. In addition to classic 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, order picking, returns management, the transport of valuable goods and cash, web shop logistics and web shop infrastructure. Internationally, the Parcel & Logistics Division is represented in eight other countries through its subsidiaries. In addition, stationary logistics for pharmaceutical products is offered in Germany through the associate AEP.

The new **Retail & Bank** Division includes the branch network comprising around 1,800 postal service points that were previously reported in the Mail Division. With a frequency of around 60 million customer contacts every year, this is one of the largest private customer networks in the country. In addition to postal, telecommunications and energy services, the branch network offers a wide

range of retail goods, including books, stationery and packaging materials, as well as services such as lottery tickets, "Toto" sports bets, photocopying and fax services. Austrian Post also offers self-service solutions such as pick-up stations and drop-off boxes in numerous locations, which are highly used by the company's customers. bank99, which started operations on 1 April 2020, offers financial services throughout Austria. Austrian Post's new bank closed the supply gap created by the withdrawal of BAWAG P.S.K. This ensures that customers can continue to use banking services at post offices throughout Austria. The services offered by bank99 range from counter transactions, which are offered at all of Austrian Post's postal service points, to banking services including advisory activities in around 130 banking advisory centres. The product range also includes current accounts, savings products, consumer loans and credit cards. By the end of 2020, bank99 had already more than 60,000 customers.

1.2 Sales Markets and Market Position

Austrian Post and its Group companies are active in ten countries. 86% of revenue was generated in the home market of Austria in 2020. Here Austrian Post holds a leading market position in the delivery of letters, direct mail items, newspapers and parcels. Austrian Post succeeded in further increasing parcel volumes in the highly competitive parcels market in the face of increasing competitive and price pressure. The company has a market share of 58% of the total Austrian parcel volume, 71% of the parcel volume in the private customer segment and 31% in the business parcel segment (B2B) (Source: Branchenradar CEP Services in Austria 2021).

The Group companies of Austrian Post also have a good market position at an international level. When it comes to parcel deliveries, Austrian Post is the top player in Slovakia, Hungary, Croatia, Serbia, Montenegro, and Bosnia and Herzegovina. Austrian Post is also one of the leading market participants in Turkey.

1.3 Economic Environment

After the severe global economic downturn in 2020, caused by the COVID-19 pandemic and measures taken world-wide to respond, a global recovery is expected in 2021. Nevertheless, and despite the approval of various vaccines, the uncertainty remains. Current threats include recurrent waves of infection and emerging novel variants of the virus. The projected recovery in 2021 will vary from country to country and will depend on access to medical supplies and on effectiveness of policy measures as well as on structural, country-specific characteristics. Global export trade is also expected to bounce back in 2021. **According to the experts from the International Monetary Fund (IMF), the global gross domestic product (GDP) contracted by 3.5% in 2020, compared with growth of 2.8% in 2019. Economic growth of 5.5% and 4.2% is expected for 2021 and 2022, respectively (IMF, January 2021).**

In Europe, GDP increased by 1.3% in 2019 and subsequently plummeted by 7.2% in 2020. The European economy is not expected to reach the pre-crisis level again before 2022. Looking ahead to 2021 and 2022, the IMF predicts GDP growth of 4.2% and 3.6%, respectively (IMF, January 2021).

The Austrian economy was also hit hard by the COVID-19 pandemic last year. Although economic activity made a marked recovery in the summer, the first and second lockdowns had a significant negative impact on the economy. Unemployment rose by one-third despite the use of furlough arrangements. The Austrian Institute of Economic Research (WIFO) names vaccination coverage and further government measures as significant factors for the Austrian economy in 2021. After falling by 7.3% in 2020, GDP is expected to increase by 2.5% in 2021 (third lockdown scenario) and by 3.5% in 2022 (WIFO, December 2020).

Current signs point to a recovery with good levels of growth in the years to come in other European markets where Austrian Post operates. For Germany, the IMF estimates economic decline of 5.4% in 2020 compared with a 0.6% growth the year before. An increase of 3.5% and 3.1% is expected for 2021 and 2022, respectively. Apart from the economic decline in Germany, the markets of Southeast and Eastern Europe are also showing a downturn in economic performance, albeit to a lesser extent. For the European emerging markets, the IMF expects GDP to contract by 2.8% in 2020 after having increased by 2.2% in the previous year. For the years 2021 and 2022, the IMF assumes a greater increase in GDP of 4.0% and 3.9%, respectively (IMF, January 2021).

In Turkey, the measures to contain the virus led to an inevitable sharp decline in economic activity and employment in the second quarter of 2020, according to information released by the IMF in a Mission Concluding Statement published in January 2021. Rapid monetary and credit expansion, including key interest rate cuts, cheap and fast lending by state-owned banks, coupled with administrative and regulatory measures to boost lending, helped economic activity to make a strong recovery in the third quarter that exceeded pre-pandemic levels. However, this also means that inflation remains very high. Increasing dollarisation, a relatively high level of imports and financial outflows triggered extensive currency market intervention to stop the depreciation of the lira. Due to vaccine implementation and the recovery in growth among the country's trading partners, and especially given the substantial positive growth transfer carryforward from 2020, Turkey's GDP is expected to grow by 6% in 2021. From 2022 onwards, growth is expected to return to the trend level (around 3.5%). A slight decrease in inflation is expected up to the end of 2021 (IMF, Turkey, January 2021).

1.4 Sector 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.

🔄 **Electronic substitution continues in the addressed letter mail sector. This global trend impacts all postal companies and is essentially beyond the company's control.** In particular, customers in the public sector are trying to reduce mail volumes; as a result, Austrian Post continues to expect an ongoing decline. A steady decline in volume can be expected, especially against the backdrop of new e-government solutions. Generally, the business with direct mail items business heavily depends on the economic situation, the particular sector and the level of advertising activity on the part of companies. On the one hand, the COVID-19 pandemic has accelerated the trend towards e-substitution while restrictions imposed due to the pandemic and the lockdown measures have had a negative economic impact on volumes, as well as on the business activities of major customers, on the other.

🔄 **Parcel volumes in the private customer segment are increasing due to the growing importance of online shopping.** The COVID-19 pandemic is creating an extraordinary level of additional volume due to the lockdown of retail shops. There is still a catch-up demand in e-commerce in the CEE/SEE markets and in Turkey, which tends to lead to 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 on international trade flows and related price developments. Competition and price pressure remain high in this area. Trade are becoming increasingly globalised and, with it, the required logistical services.

Another important market trend is the increasing importance of non-financial issues in the areas of Economy & Customers, Environment & Climate and People & Social. This is accompanied by increasing transparency requirements imposed on companies with regard to sustainability. 🔄 **Increased awareness of sustainability also leads to a growing demand for the resource-friendly transport of goods.** Austrian Post is responding to this demand by offering carbon neutral delivery and the gradual decarbonisation of logistics in its home market of Austria, through which the carbon footprint is to be improved for itself 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 has been in effect since 1 January 2011:

— Austrian Post has been Austria's universal service provider since the complete liberalisation of the market, thus guaranteeing the provision of high-quality postal services throughout Austria. As required by law, the regulatory authority (Post Control Commission) examined in 2016 whether other postal companies are capable of providing the universal postal services defined in the statutory universal service obligation. This is not the case.

— Universal service is limited primarily to mail posted at the legally defined access points, e.g. post offices or letterboxes, on the basis of general terms and conditions (not individually negotiated). The aim is to ensure the basic provision of postal services to the Austrian population and economy. Postal services for mail items brought to logistics centres by large customers are not included in the universal service, with the exception of newspapers.

— An amendment to the Postal Market Act took effect on 27 November 2015, enabling Austrian Post to offer not only letters (with strict delivery time standards) but also non-priority letters as part of its universal services with delivery times of up to four days on a regular basis. Since 1 July 2018, Austrian Post has offered the ECO letter as part of its universal services and has expanded its product range accordingly. In the universal service, senders therefore have the option of choosing between a delivery time of two to three days for items that are not time-sensitive and the quicker PRIO letter, which continues to be delivered the day after the letter is posted.

2. BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

2.1 Segment Information

Due to its new organisational structure, adopted in 2020, Austrian Post has increased its transparency via its split into the three operating divisions of Mail, Parcel & Logistics and Retail & Bank since 1 January 2020. Including the Corporate Division, these represent the four reporting segments in accordance with IFRS 8. Logistics for mail and parcel were combined into the internal logistics network production unit, which provides services for the operating divisions based on costs incurred.

2.2 Changes to the Scope of Consolidation

The Turkish company Aras Kargo a.s. was fully consolidated on 25 August 2020. The equity interest accounted for using the equity method until 24 August 2020 was increased by 55%. Austrian Post now holds an 80% stake in the company. Aras Kargo is one of the leading parcel services providers in Turkey.

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

2.3 Financial Performance

2.3.1 Revenue Development

In 2020, the Austrian Post Group's revenue increased by 8.3% to EUR 2,189.2m. On a comparable basis, i.e. excluding Aras Kargo, revenue growth came to 3.3%. **Growth in the parcel business generated revenue growth of 44.4% (+28.4% excluding Aras Kargo), which more than compensated for the revenue decrease reported by the Mail and Retail & Bank Divisions.** **G 14**

The Mail Division accounted for 55.6% of the total revenue of Austrian Post. Revenue in the Mail Division declined as expected, down by 7.4%. On the one hand, this is due to a more pronounced downward trend in conventional mail as a result of e-substitution and the lockdowns imposed at many authorities and companies. On the other hand, this was also caused by the loss of direct mail items

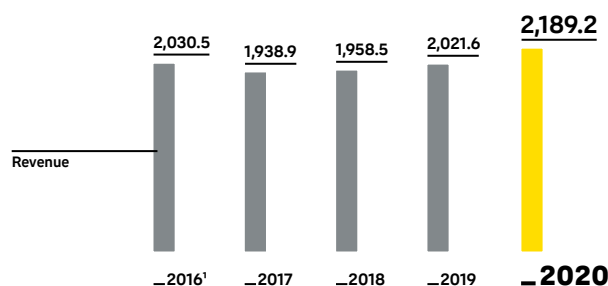
as a direct effect of the business closures imposed by the authorities as a result of COVID-19 in 2020. On 1 April 2020, Letter Mail products and prices were adjusted, with a positive impact on revenue.

The Parcel & Logistics Division generated 41.5% of the total revenue in the reporting period. The revenue growth of 44.4% in 2020 was driven by positive organic growth from online orders, as well as by additional volumes due to cooperation with the Deutsche Post DHL Group from August 2019 onwards. The full consolidation of the Turkish company Aras Kargo on 25 August 2020 brought further revenue growth with a contribution of EUR 101.5m.

The Retail & Bank Division achieved a share of total revenue of 2.9% in the 2020 reporting period. The 19.7% decline in revenue in the newly reported Retail & Bank Division is due to the fact that bank99 was launched in the market on 1 April 2020, whereas the previous year's figure included service fees of EUR 29.3m from the former banking partner. **G 15 T 29**

G 14 Revenue Development

EUR m



¹ incl. revenues of EUR 134.8m from trans-o-flex

T 29 Revenue by Division

| EUR m | 2018 ¹ | 2019 ¹ | 2020 | Change 2019/2020 | |
|-------------------------|-------------------|-------------------|----------------|------------------|--------------|
| | | | | % | EUR m |
| REVENUE | 1,958.5 | 2,021.6 | 2,189.2 | 8.3 | 167.6 |
| Mail | 1,318.6 | 1,320.1 | 1,222.7 | -7.4 | -97.4 |
| Parcel & Logistics | 552.4 | 632.5 | 913.6 | 44.4 | 281.1 |
| Retail & Bank | 93.7 | 80.5 | 64.7 | -19.7 | -15.8 |
| Corporate/Consolidation | -6.2 | -11.5 | -11.7 | -2.0 | -0.2 |
| Working days in Austria | 250 | 251 | 252 | - | - |

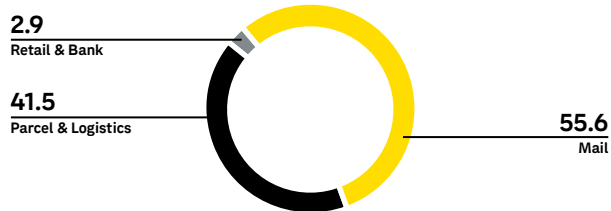
¹ Adjusted to the new segment structure as at 1 January 2020, refer to Note 8.1

Based on the regional analysis of Austrian Post's revenue, 86.0% was generated in Austria in the 2020 reporting period. The remaining 14.0% were generated in international markets. Southeast and Eastern Europe

accounted for 6.6% of revenue, and Turkey for 4.6%. 2.8% of revenue was generated in Germany. 92% Austrian Post's revenue is generated in euros. **G 16**

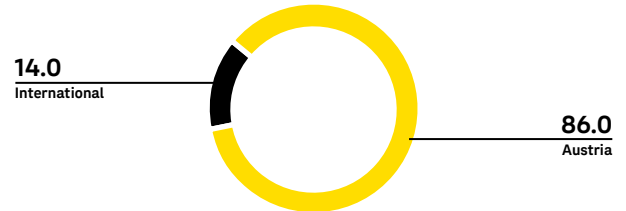
G 15 Revenue by Division 2020

in %



G 16 Revenue by Region 2020

in %



T 30 Development of Revenue in the Mail Division

| EUR m | 2018 ¹ | 2019 ¹ | 2020 | Change 2019/2020 | |
|------------------------------------|-------------------|-------------------|----------------|------------------|--------------|
| | | | | % | EUR m |
| REVENUE | 1,318.6 | 1,320.1 | 1,222.7 | -7.4 | -97.4 |
| Letter Mail & Business Solutions | 804.8 | 816.0 | 781.8 | -4.2 | -34.2 |
| Direct Mail | 382.6 | 372.0 | 320.9 | -13.7 | -51.1 |
| Media Post | 131.2 | 132.1 | 120.0 | -9.1 | -12.1 |
| Revenue intra-Group | 2.9 | 2.9 | 3.1 | 6.4 | 0.2 |
| TOTAL REVENUE | 1,321.5 | 1,323.0 | 1,225.8 | -7.3 | -97.2 |
| thereof revenue with third parties | 1,315.9 | 1,316.9 | 1,216.7 | -7.6 | -100.3 |

¹ Adjusted to reflect the new segment structure as at 1 January 2020, refer to Note 8.1

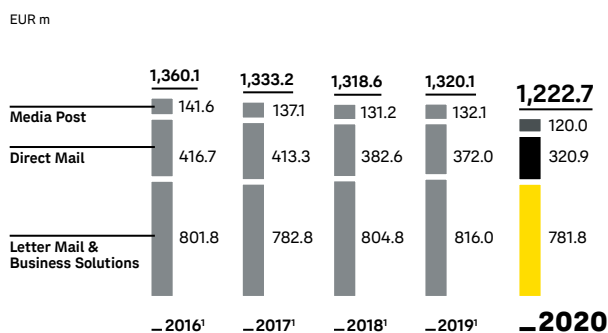
Revenue in the Mail Division amounted to EUR 1,222.7m, 63.9% of which can be attributed to the Letter Mail & Business Solutions business, 26.2% to Direct Mail and 9.8% to Media Post. **G 18 T 30**

At EUR 781.8m, the revenue in the Letter Mail & Business Solutions business fell short of the prior year's level by 4.2%. The declining volume trend resulting from the substitution of letters by electronic forms of communication continued. In particular, the revenue was down due to the lockdown measures and the economic restrictions on public offices and companies. Volume development stabilised again towards the end of 2020, after declining considerably in the second quarter. Volumes continue to be affected by the current difficult framework conditions. Positive effects from elections are included both in the current reporting period and in the previous year, although the election effects in 2019 were significantly higher.

Further, Letter Mail products and prices were adjusted on 1 April 2020, with a positive impact on revenue. Compared to the same period of the previous year, International letter mail achieved a positive trend while the Business Solutions segment faced a slight decrease.

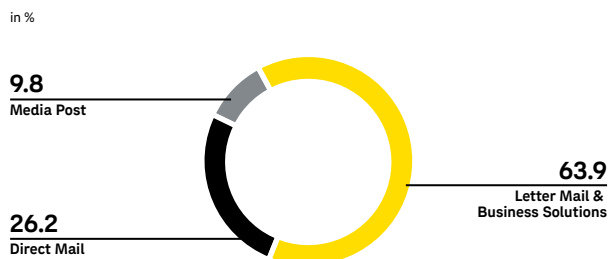
C Revenues in the Direct Mail segment fell by 13.7% to EUR 320.9m in the 2020 financial year. In the second quarter of 2020, the impact of the business closures imposed by the authorities in response to COVID-19 left a particular mark on the direct mail business. Currently, visibility is limited, as further official lockdown measures are difficult to predict. The cyclical nature of revenue development points towards volatile direct mail business.

G 17 Mail Revenue by Product Group



¹ Adjusted for the new segment structure as at 1 January 2020, refer to Note 8.1

G 18 Share of Mail Revenue by Product Group 2020



The revenue from Media Post, i.e. the delivery of newspapers and magazines, fell by 9.1% year-on-year to EUR 120.0m. The decline is also predominantly due to the COVID-19 pandemic. **G 17**

T 31 Development of Revenue in the Parcel & Logistics Division

| EUR m | 2018 ¹ | 2019 ¹ | 2020 | Change 2019/2020 | |
|------------------------------------|-------------------|-------------------|--------------|------------------|--------------|
| | | | | % | EUR m |
| REVENUE | 552.4 | 632.5 | 913.6 | 44.4 | 281.1 |
| Premium Parcels | 266.1 | 352.9 | 568.0 | 60.9 | 215.1 |
| Standard Parcels | 229.6 | 217.5 | 274.0 | 26.0 | 56.5 |
| Other Parcel Services | 56.6 | 62.1 | 71.5 | 15.3 | 9.5 |
| Revenue intra-Group | 0.7 | 0.7 | 1.0 | 36.6 | 0.3 |
| TOTAL REVENUE | 553.2 | 633.2 | 914.5 | 44.4 | 281.3 |
| thereof revenue with third parties | 548.6 | 623.6 | 905.3 | 45.2 | 281.7 |

¹ Adjusted to reflect the new segment structure as at 1 January 2020, refer to Note 8.1

Revenue in the Parcel & Logistics Division increased by 44.4% from EUR 632.5m to EUR 913.6m in the 2020 financial year. Among other things, this strong growth in the parcel business is based on the positive development due to the ongoing trend towards e-commerce in Austria. Despite the internal delivery service of a major customer in eastern Austria, Austrian Post was able to continue benefiting from market growth in this reporting period. The environment is still one of intense

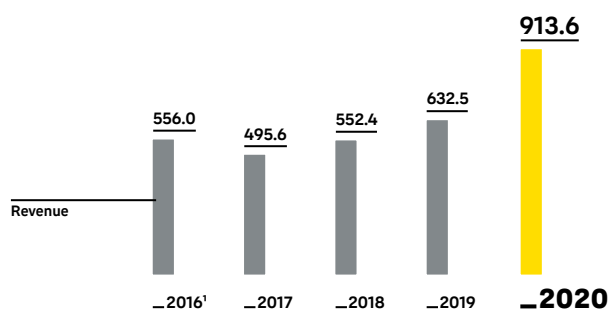
competition and considerable price pressure. The total parcel volume in Austria increased by around 30% in 2020. The uncertainties and restrictions facing retail shops in the wake of the current COVID-19 pandemic are fuelling an ongoing boom in online retail. Cooperation with Deutsche Post DHL Group in Austria, which was launched in August 2019, has also made a considerable contribution to the current growth. In addition, the revenue reported by the Turkish subsidiary Aras Kargo, which has been included in the consolidated financial statements as a fully consolidated company since 25 August 2020, amounted to EUR 101.5m. **G 19 T 31**

The development towards faster delivery of parcels can be observed as a clear trend. In total, 62.2% of the division's revenue in the 2020 financial year was generated in the Premium Parcels segment (delivery on the working day after posting). This implies an increase of 60.9% to EUR 568.0m. The Standard Parcels segment accounted for 30.0% of total revenue for the division. In 2020, this segment recorded a 26.0% increase in revenues to EUR 274.0m. The other parcel services segment, which comprises various additional logistics services and accounts for 7.8% of divisional revenue, generated EUR 71.5m in revenue in the reporting period, implying an increase of 15.3%.

Regional analysis shows that in 2020, 73.2% of divisional revenue was generated in Austria, with an increase of 29.9% compared to the same period of the previous year. 26.8% of revenue was generated by the international business of subsidiaries in Southeast and Eastern Europe and Turkey. In this highly competitive region, revenue grew in excess of 100% in the reporting period, driven by increased parcel volumes due to the COVID-19 pandemic. **G 20**

G 19 Revenue Parcel & Logistics Division

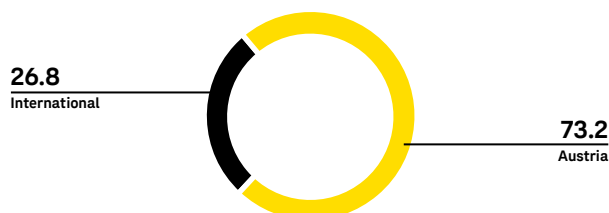
EUR m



¹ incl. revenues of EUR 134.8m from trans-o-flex

G 20 Parcel Revenue by Region 2020

in %



T 32 Development of Revenue in the Retail & Bank Division

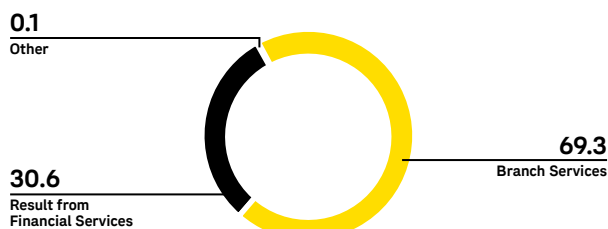
| EUR m | 2018 ¹ | 2019 ¹ | 2020 | Change 2019/2020 | |
|------------------------------------|-------------------|-------------------|--------------|------------------|--------------|
| | | | | % | EUR m |
| REVENUE | 93.8 | 80.5 | 64.7 | -19.7 | -15.8 |
| Branch Services | 93.7 | 80.4 | 44.8 | -44.3 | -35.6 |
| Result from Financial Services | 0.0 | 0.0 | 19.8 | - | 19.8 |
| Other | 0.1 | 0.1 | 0.1 | -27.1 | 0.0 |
| Revenue intra-Group | 182.0 | 182.3 | 183.4 | 0.6 | 1.1 |
| TOTAL REVENUE | 275.8 | 262.8 | 248.1 | -5.6 | -14.7 |
| thereof revenue with third parties | 93.8 | 80.5 | 64.6 | -19.8 | -16.0 |

¹ Adjusted to reflect the new segment structure as at 1 January 2020, refer to Note 8.1

Revenue in the Retail & Bank Division came to EUR 64.7m in the 2020 financial year (previous year: EUR 80.5m). In the previous year, Branch Services included service fees from the former banking partner amounting to EUR 29.3m. In the current reporting period, Branch Services (retail goods and branch products) amounted to EUR 44.8m, with a positive impact of the COVID-19 pandemic in the sections of packaging materials and stationery. Financial Services Earnings of EUR 19.8m in 2020 also included cash payments for third parties (e.g. pensions). bank99 was launched on 1 April 2020 and had already more than 60,000 customers by the end of the year. **G 21** **T 32**

G 21 Retail & Bank Division **2020**

in %



T 33 Financial Performance of the Group

| EUR m | 2018 | 2019 | 2020 | Change 2019/2020 | |
|---|----------------|----------------|----------------|------------------|--------------|
| | | | | % | EUR m |
| REVENUE | 1,958.5 | 2,021.6 | 2,189.2 | 8.3 | 167.6 |
| Other operating income | 96.2 | 131.5 | 64.1 | -51.2 | -67.4 |
| Raw materials, consumables and services used | -441.2 | -495.7 | -596.2 | -20.3 | -100.5 |
| Staff costs | -1,008.7 | -976.7 | -1,041.4 | -6.6 | -64.7 |
| Other operating expenses | -295.7 | -361.3 | -314.4 | 13.0 | 46.8 |
| Results from financial assets accounted for using the equity method | -3.6 | -0.6 | 1.5 | >100 | 2.2 |
| EBITDA¹ | 305.4 | 318.7 | 302.8 | -5.0 | -15.9 |
| Depreciation and amortisation | -80.6 | -116.3 | -139.8 | -20.2 | -23.5 |
| Impairment losses | -13.9 | -1.7 | -2.3 | -36.1 | -0.6 |
| EBIT² | 210.9 | 200.6 | 160.6 | -19.9 | -40.0 |
| Financial Result | -13.1 | 10.7 | 1.4 | -86.5 | -9.3 |
| EARNINGS BEFORE TAX | 197.8 | 211.3 | 162.1 | -23.3 | -49.3 |
| Income Tax | -53.6 | -66.8 | -46.8 | 30.0 | 20.1 |
| PROFIT FOR THE PERIOD | 144.2 | 144.5 | 115.3 | -20.2 | -29.2 |
| ATTRIBUTABLE TO: | | | | | |
| Shareholders of the parent company | 143.7 | 146.4 | 118.3 | -19.2 | -28.1 |
| Non-controlling interests | 0.6 | -1.9 | -3.0 | -56.4 | -1.1 |
| EARNINGS PER SHARE (EUR)³ | 2.13 | 2.17 | 1.75 | -19.2 | -0.42 |

¹ Earnings before depreciation, amortisation, impairment losses, financial result and income tax

² Earnings before financial result and income tax

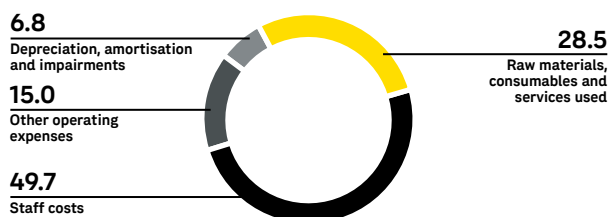
³ Undiluted earnings per share in relation to 67,552,638 shares

2.3.2 Earnings Development

The structure of expenses of Austrian Post is characterised by a high share of staff costs. Accordingly, 49.7% of total operating expenses incurred by Austrian Post in 2020 were accounted for staff costs. The second largest expense item, which constituted 28.5% of operating expenses, was raw materials, consumables and services used, a large part of which related to outsourced transport services. Furthermore, 15.0% could be attributed to other operating expenses and 6.8% to depreciation, amortisation and impairment losses. **G 22**

G 22 Structure of Expenses 2020

in %



Year-on-year comparability of single income statement items is limited due to the full consolidation of the Turkish company Aras Kargo with effect from 25 August 2020.

G 22 Staff costs in the 2020 financial year amounted to EUR 1,041.4m, up by 6.6% or EUR 64.7m. On a comparable basis, i.e. excluding Aras Kargo, staff costs were up by 4.5% or EUR 43.6m in a year-on-year comparison.

Operational staff costs increased compared to the same period of the previous year due to the full consolidation of the Turkish company Aras Kargo as well as additional expenses for the growing parcel business. The Austrian Post Group had an average of 22,966 employees (full-time equivalents) in 2020, compared to an average of 20,338 employees in the same period of the previous year (+12.9%).

In addition to operational staff costs, staff costs of Austrian Post generally also include various non-operating expenses such as severance payments and changes in provisions, which can be attributed primarily to the specific employment situation of civil servant employees. The non-operating staff costs for 2020 required only a small amount of provisions. A positive effect was recorded in the previous year due to the reversal of provisions.

🕒 Raw materials, consumables and services used increased by 20.3% to EUR 596.2m. On a comparable basis, i.e. excluding Aras Kargo, the cost of materials was up by 9.4% or EUR 46.4m on the previous year's level. The increase is mainly due to higher transport expenses as a result of the huge parcel volumes and higher sales commission.

Other operating income fell by 51.2% to EUR 64.1m in 2020. Both other operating income and other operating expenses were significantly higher in the prior-year period. In the 2019 reporting period, credited recovery claims from non-wage labour costs paid in previous periods in the amount of EUR 58.0m were included in other operating income (recovery of contributions from the payroll of civil servants).

🕒 Other operating expenses fell by 13.0% to EUR 314.4m. On a comparable basis, i.e. excluding Aras Kargo, other operating expenses were down by 15.5% or EUR 55.9m on the previous year's level. The reporting period also included initial expenses for setting up the infrastructure for the new bank99.

c EBITDA amounted to EUR 302.8m, 5.0% below the previous year's EUR 318.7m due to negative effects associated with the COVID-19 pandemic and bank99. This equates to an EBITDA margin of 13.8%.

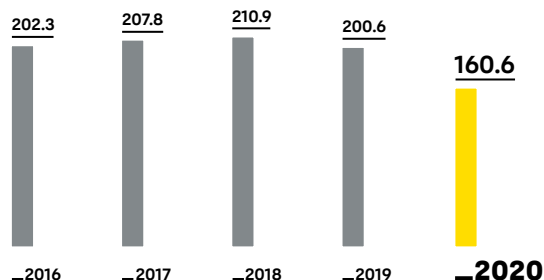
🕒 Depreciation, amortisation and impairment losses in the reporting period totalled EUR 142.2m, compared with EUR 118.1m in 2019. Depreciation and amortisation increased primarily as a result of the commissioning of new locations for our parcel logistics infrastructure, while impairment losses of EUR 2.3m were up only slightly on the previous year's level of EUR 1.7m.

Consolidated EBIT fell from EUR 200.6m to EUR 160.6m in the 2020 financial year. EBIT margin amounted to 7.3%. EBIT of the logistics business (excl. Retail & Bank Division) reached a level of EUR 204.4m in 2020, resulting in an EBIT margin of 9.6%. **G 23**

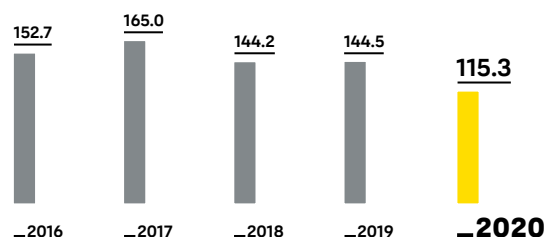
The Group's financial result of EUR 1.4m was EUR 9.3m lower than in 2019, mainly due to the positive effect from the recognition of interest income from recovery claims from non-wage labour costs paid in previous periods in the 2019 financial year. After deducting income tax of EUR 46.8m, the profit for the period therefore came to EUR 115.3m (-20.2%). Basic earnings per share were EUR 1.75 compared to EUR 2.17 in the same period of the previous year. **G 24 T 33**

G 23 EBIT

EUR m

**G 24 Profit for the Period**

EUR m



T 34 EBIT by Division

| EUR m | 2018 | 2019 ¹ | 2020 | Change 2019/2020 | | Margin 2020 ² |
|-------------------------|--------------|-------------------|--------------|------------------|--------------|------------------------------|
| | | | | % | EUR m | |
| EBIT | 210.9 | 200.6 | 160.6 | -19.9 | -40.0 | 7.3%/9.6%³ |
| Mail | - | 196.7 | 164.4 | -16.4 | -32.3 | 13.4% |
| Parcel & Logistics | - | 37.8 | 73.5 | 94.5 | 35.7 | 8.0% |
| Retail & Bank | - | -4.6 | -43.8 | <-100 | -39.2 | - |
| Corporate/Consolidation | - | -29.4 | -33.5 | -14.2 | -4.2 | - |

¹ Adjusted to reflect the new segment structure as at 1 January 2020

² Margin of the divisions related to total earnings

³ EBIT margin of 9.6% of the logistics business (excl. Retail & Bank Division)

C The result for the 2020 financial year of EUR 160.6m (-19.9%) was negatively impacted by the COVID-19 pandemic and initial set-up costs for the new bank99. The good parcel business and the full consolidation of the Turkish company Aras Kargo had a positive effect. The EBIT of the logistics business (excl. Retail & Bank Division) amounted to EUR 204.4m in the 2020 financial year.

📌 In terms of divisional result, the Mail Division achieved an EBIT of EUR 164.4m in 2020. The 16.4% year-on-year decline resulted from the loss of revenue from the letter mail and direct mail business due to the COVID-19 pandemic. Due to the high amount of fixed costs in the letter mail business, the decline in revenue has a strong impact on earnings. The product and price adjustments made in the letter mail business as at 1 April 2020 had a positive effect. Comprehensive provisions for data protection procedures were also recognised in the previous year.

The Parcel & Logistics Division achieved revenue growth against the backdrop of intense competitive and margin pressure, generating an EBIT of EUR 73.5m in 2020. This is almost twice the amount (+94.5%) reported in the previous year. The full consolidation of the Turkish company Aras Kargo effective as of 25 August 2020 had a

C positive impact on the result. In turn, additional costs due to health and safety measures and higher logistics costs related to the pandemic had a negative impact on the result, especially in the second quarter.

📌 The Retail & Bank Division recorded an EBIT of minus EUR 43.8m in 2020, compared with minus EUR 4.6m in the previous year. The decline in earnings is attributed to reduction in revenue. While bank99 was launched in April 2020, the previous year still included EUR 29.3m in service fees associated with the former banking partner. Earnings were also impacted by negative factors relating to COVID-19 and by start-up costs for bank99.

EBIT in the Corporate Division (incl. Consolidation) changed from minus EUR 29.4m to minus EUR 33.5m. The Corporate Division provides non-operating services which are essential for the purpose of the administration and management of the company. In addition to conventional governance tasks, these activities include the management and development of properties not required for operations, management of significant financial investments, provision of IT services, development of new business models and administration of the Internal Labour Market of Austrian Post. **T 34**

2.4 Assets and Financial Position

T 35 Balance Sheet as at 31 December

| EUR m | 31 Dec. 2018 | 31 Dec. 2019 ¹ | 31 Dec. 2020 | Structure 31 Dec. 2020 |
|--|----------------|---------------------------|----------------|---------------------------|
| ASSETS | | | | |
| Property, plant and equipment | 652.8 | 1,056.5 | 1,137.2 | 42.4% |
| Intangible assets and goodwill | 83.3 | 96.2 | 158.3 | 5.9% |
| Investment property | 78.4 | 73.0 | 74.4 | 2.8% |
| Financial assets accounted for using the equity method | 9.2 | 11.4 | 11.4 | 0.4% |
| Inventories, trade and other receivables | 439.6 | 403.6 | 484.6 | 18.1% |
| Other financial assets | 107.7 | 298.7 | 116.1 | 4.3% |
| of which securities/money market investments | 55.8 | 240.6 | 110.6 | - |
| Financial assets from financial services | - | 50.9 | 589.5 | 22.0% |
| Cash and cash equivalents | 310.0 | 52.6 | 108.2 | 4.0% |
| Assets held for sale | 0.3 | 0.1 | 0.5 | 0.0% |
| | 1,681.2 | 2,042.9 | 2,680.2 | 100% |
| EQUITY AND LIABILITIES | | | | |
| Equity | 699.1 | 700.7 | 655.0 | 24.4% |
| Provisions | 551.1 | 617.4 | 632.5 | 23.6% |
| Other financial liabilities | 10.3 | 309.5 | 351.6 | 13.1% |
| Trade and other payables | 420.6 | 415.3 | 508.2 | 19.0% |
| Financial liabilities from financial services | - | 0.0 | 532.9 | 19.9% |
| | 1,681.2 | 2,042.9 | 2,680.2 | 100% |

¹ Change in the presentation of financial services, refer to Note 3.2

2.4.1 Balance Sheet Structure

Austrian Post relies on a conservative balance sheet and financing structure. This is demonstrated by the high level of cash and cash equivalents and solid investment of cash and cash equivalents at the lowest possible risk.

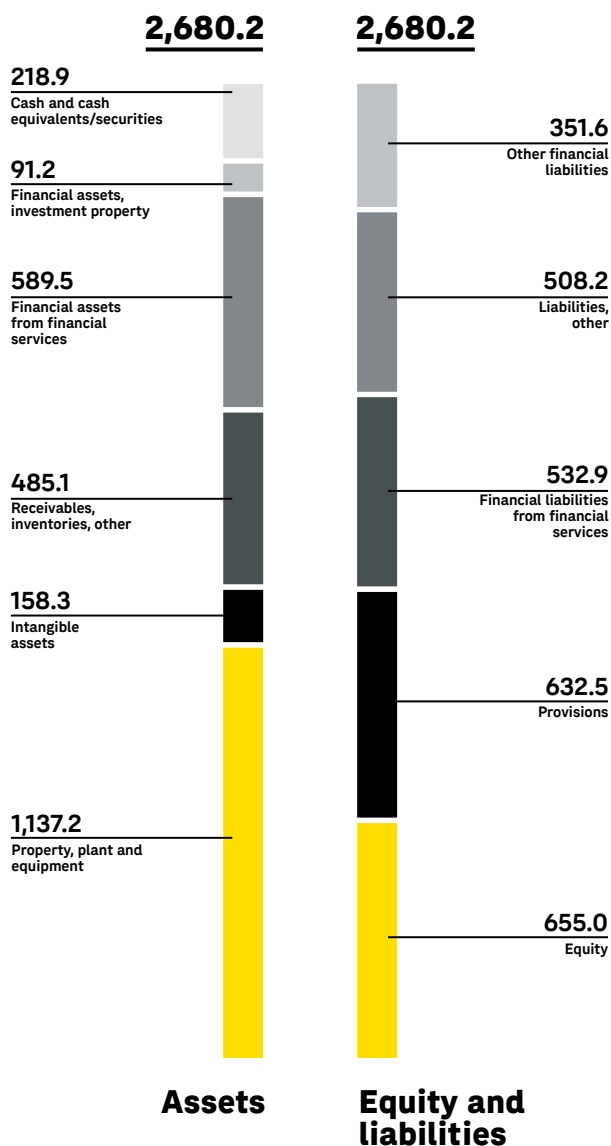
Austrian Post's total assets amounted to EUR 2,680.2m as at 31 December 2020. On the asset side, property, plant and equipment amounting to EUR 1,137.2m was the largest balance sheet item and includes the right-of-use assets in connection with leases in the amount of EUR 326.6m. Intangible assets and goodwill resulting from company acquisitions amounted to EUR 158.3m as at 31 December 2020. The balance sheet shows receivables of EUR 379.7m, which include current trade receivables of EUR 314.2m. Other financial assets amounted to EUR 116.1m as at 31 December 2020. Financial assets from financial services amounting to EUR 589.5m were reported for the first time. These result largely from the deposit and investment business of bank99 as well as

from the processing of cash payments for third parties (e.g. pensions).

Austrian Post held securities and money market investments that are included in other financial assets amounting to EUR 110.6m (excl. bank99) at the end of the year. The securities and money market investments held by Austrian Post have an investment grade or comparable credit rating, which is why it can be assumed that these assets can be converted into cash at short notice. The balance sheet shows that Austrian Post had cash and cash equivalents in the amount of EUR 108.2m as at 31 December 2020. Including financial investments in securities and money market investments, the portfolio of current and non-current cash and cash equivalents amounted to EUR 218.9m at year-end excluding cash and cash equivalents of the bank99. The financial resources of the bank99 amounted to EUR 578.9m as at the reporting date December 31, 2020 and were predominantly invested with the Austrian Central Bank. If the latter are included, the total came to EUR 797.7m as at 31 December 2020.

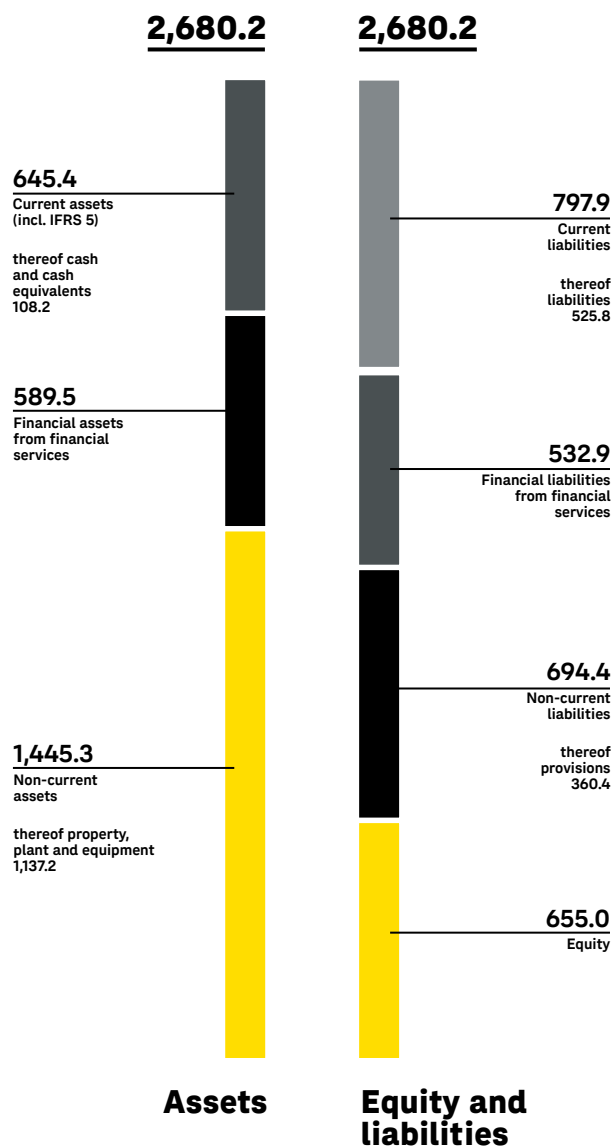
G 25 Balance Sheet Structure by Item _____ 2020

EUR m



G 26 Balance Sheet Structure by Maturity _____ 2020

EUR m



🕒 On the equity and liabilities side of the balance sheet, the equity of the Austrian Post Group amounted to EUR 655.0m as at 31 December 2020 (equity ratio of 24.4%). The reduction in the equity ratio as compared to the previous year is primarily due to the balance sheet increase as a result of the new financial services business in the Retail & Bank Division as well as to the full consolidation of the Turkish company Aras Kargo. Furthermore, provisions of EUR 632.5m are shown on the equity and liabilities side as at the end of December 2020. Around 75% of the provisions were staff-related, with EUR 182.2m attributable to provisions for underutilisation. A further EUR 193.9m relates to legally and contractually required provisions for social capital (severance

payments and anniversary bonuses) and EUR 93.3m to other staff-related provisions. Other provisions amounted to EUR 163.1m and include obligations for possible compensation payments in connection with credited recovery claims from non-wage labour costs paid in previous periods in the amount of EUR 99.6m. In total, 47% of the provisions of Austrian Post have a maturity of more than three years, 10% of more than one year. 43% of the provisions are current provisions with a maturity of less than one year. Other financial liabilities amounted to EUR 351.6m and included non-current lease liabilities of EUR 274.1m. As at 31 December 2020, trade and other payables of EUR 508.2m included current trade payables of EUR 249.2m. Financial liabilities from financial

services amounting to EUR 532.9m were reported for the first time as a separate item on the equity and liabilities side of the balance sheet. They mainly included the deposit and investment business of bank99 as well as the processing of cash payments for third parties (e.g. pensions). **G 25 T 35**

T 36 The analysis of the balance sheet structure by maturity shows that 54% of total assets, or EUR 1,445.3m, are accounted for by non-current assets. At EUR 1,137.2m, property, plant and equipment plays a significant role within non-current assets. Financial assets from financial services account for 22% of total assets, or EUR 589.5m. This item mainly includes cash and cash equivalents and balances with central banks. The largest current asset items (incl. IFRS 5), constituting 24% or EUR 645.4m, are receivables in the amount of EUR 369.1m as well as other financial assets in the amount of EUR 110.6m, which include securities in the amount of EUR 40.7m and money market investments in the amount of EUR 70.0m. Cash and cash equivalents amounted to EUR 108.2m.

G 26 On the equity and liabilities side, total assets are made up of equity (24%), non-current liabilities (26%), financial liabilities from financial services (20%) and current liabilities (30%). Non-current liabilities in the amount of EUR 694.4m primarily include provisions in total of EUR 360.4m and other financial liabilities in the amount of EUR 274.1m. Financial liabilities from financial services of EUR 532.9m include liabilities to customers of EUR 519.5m. Current liabilities in the amount of EUR 797.9m are dominated by EUR 525.8m in liabilities.

G 26

2.4.2 Cash Flow

Gross cash flow amounted to EUR 327.1m in the 2020 financial year, compared with EUR 333.7m in the previous year (-2.0%). Cash flow from operating activities amounted to EUR 732.6m in the reporting period after EUR 327.4m in the previous year. The biggest effect here comes from the financial assets/liabilities from financial services (Core Banking Assets) of bank99, which had a positive effect of EUR 522.2m. Core banking assets combine positions resulting from the deposit and investment business of bank99 since the beginning of April 2020.

T 36 Cash Flow

| EUR m | 2018 | 2019 ¹ | 2020 |
|--|--------------|-------------------|--------------|
| Gross cash flow | 352.9 | 333.7 | 327.1 |
| CASH FLOW FROM OPERATING ACTIVITIES | 295.9 | 327.4 | 732.6 |
| Cash flow from investing activities | -137.5 | -290.7 | 7.0 |
| of which maintenance CAPEX | -81.3 | -71.5 | -67.8 |
| of which growth CAPEX | -58.1 | -81.5 | -75.5 |
| of which cash flow from acquisitions/divestments | -38.3 | -6.8 | 37.0 |
| of which acquisition/disposal of securities/money market investments | 23.0 | -124.0 | 130.2 |
| of which other cash flow from investing activities | 17.3 | -6.8 | -16.9 |
| Free cash flow | 158.4 | 36.7 | 739.6 |
| Free cash flow before acquisitions/securities/money market investments | 173.7 | 167.5 | 572.4 |
| OPERATING FREE CASH FLOW² | 161.9 | 150.5 | 125.7 |
| Cash flow from financing activities | -138.1 | -183.4 | -153.1 |
| of which dividends | -138.8 | -141.0 | -141.2 |
| Change in cash and cash equivalents | 20.2 | -146.7 | 583.6 |

¹ Change in the presentation of financial services, refer to Note 3.2

² Free cash flow before acquisitions / securities / money market investments, growth CAPEX and core banking assets; 2019: excl. payments of EUR 32.8m from the Neutorgasse real estate project and credited repayment claims for social security contributions on pay for previous periods of service amounting to EUR 65.7m; 2018: excl. special effect of EUR 70.0m (BAWAG P.S.K. special payment of EUR 107.0m minus financial services provided amounting to EUR 37.0m)

Cash flow from investing activities amounted to EUR 7.0m in 2020 after minus EUR 290.7m in the previous year. The change resulted primarily from the inflow of payments for securities and money market investments, which had an effect of EUR 130.2m on cash flow in the reporting period (compared to a cash outflow of EUR 124.0m in the same period of the previous year). This includes additionally the sale of the stake in flatexDEGIRO AG (previously flatex AG) at the amount of EUR 38.0m in the 2020 financial year. Free cash flow before securities, money market investments and core banking assets came to EUR 87.3m in 2020.

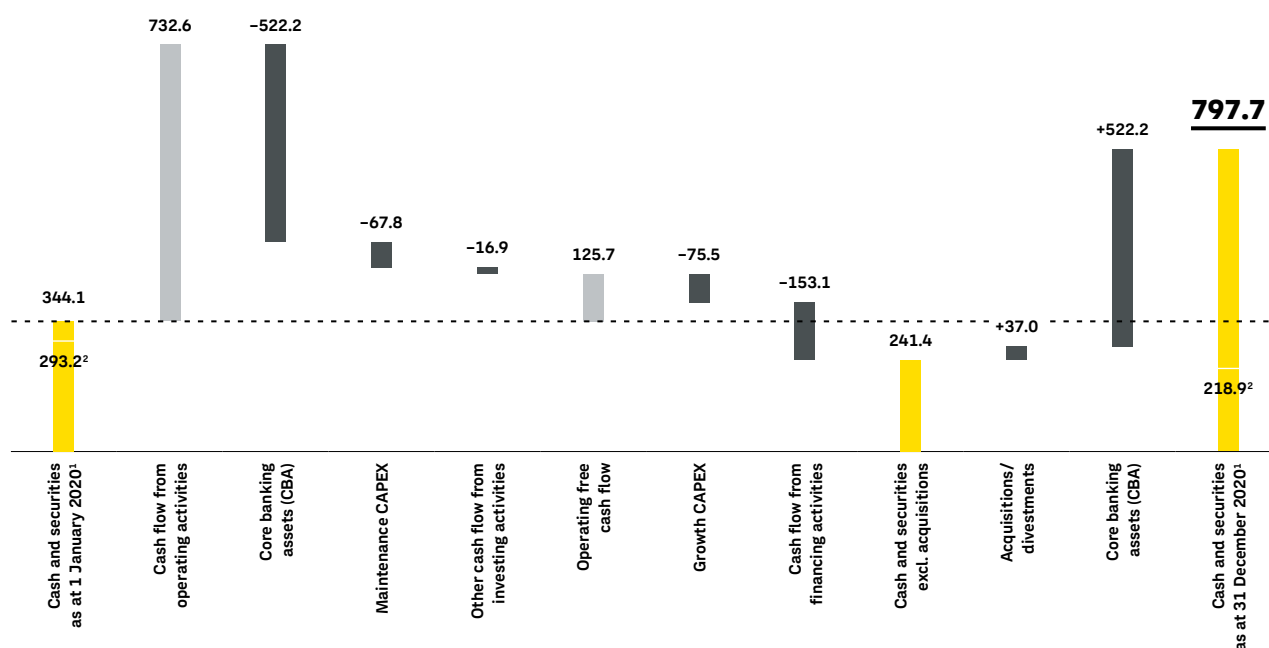
Austrian Post focuses on the key indicator operating free cash flow both to assess the financial strength of its operating business and to cover the dividend. 🔄 The operating free cash flow amounted to EUR 125.7m in the current reporting period, compared to EUR 150.5m in the previous year. In addition, there are growth investments (growth CAPEX) that are financed in part using balance sheet savings.

Cash flow from financing activities comprised mainly the dividend distribution and the repayment of lease liabilities, amounting to minus EUR 153.1m in the 2020 financial year. T 36

G 27 Cash Flow Developments

2020

EUR m



¹ Cash, money market investments and securities incl. cash and cash equivalents of bank99

² Cash, money market investments and securities excl. cash and cash equivalents of bank99

The analysis of the cash flow development in 2020 shows the following picture: as at 1 January 2020, Austrian Post's cash and cash equivalents amounted to EUR 344.1m; excluding cash and cash equivalents relating to bank99, the portfolio would come to EUR 293.2m. In 2020, cash flow generated from operating activities amounted to EUR 732.6m. After deducting core banking assets of EUR 522.2m and payments for maintenance CAPEX of EUR 67.8m in the 2020 financial year, the operating free cash flow amounts to EUR 125.7m. 🔄 The planned dividend payment for the 2020 financial year of EUR 108.1m (proposal to be made to the Annual General Meeting on 15 April 2021) can be covered by the operating free cash

flow in full. After taking into account the growth CAPEX of EUR 75.5m and the cash flow from financing activities, as well as acquisitions and divestments, cash and cash equivalents as at 31 December 2020 amounted to EUR 797.7m after including the core banking assets. Cash and cash equivalents as at 31 December 2020 came to EUR 218.9m (excl. cash and cash equivalents of bank99). G 27

2.4.3 Net Cash/Net Debt

T 37 Net Cash/Net Debt

| EUR m | 31 Dec. 2018 | 31 Dec. 2019 ¹ | 31 Dec. 2020 |
|--|---------------|---------------------------|---------------|
| + Other financial liabilities | 10.3 | 309.5 | 351.6 |
| + Interest-bearing provisions | 394.9 | 369.2 | 377.7 |
| INTEREST-BEARING DEBT | 405.2 | 678.7 | 729.3 |
| - Other financial assets | -107.6 | -298.6 | -116.1 |
| - Non-current interest-bearing receivables | -1.0 | -1.0 | -1.6 |
| - Cash and cash equivalents | -310.0 | -52.6 | -108.2 |
| INTEREST-BEARING ASSETS | -418.6 | -352.2 | -225.9 |
| - Assets held for sale | -0.3 | -0.1 | -0.5 |
| NET CASH (-)/NET DEBT (+)² | -13.7 | 326.5 | 503.0 |
| NET DEBT/EBITDA² | - | 1.02 | 1.66 |
| GEARING RATIO^{2,3} | - | 46.6% | 76.8% |

¹ Change in the presentation of financial services, refer to Note 3.2

² In light of the positive net cash reported in 2018, 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.

³ Gearing ratio = net debt/equity

Austrian Post Group reported net debt of EUR 503.0m at the end of 2020. The change compared to the previous year was due to an increase in interest-bearing debt and a decline in interest-bearing assets.

The ratio of net debt to EBITDA was 1.66 and the gearing ratio was 76.8% at the end of the reporting period. T 37

☺ On the basis of existing liquidity and a solid cash flow from operating activities, Austrian Post is able to cover its financing requirements independently in 2021.

As part of its dividend policy, Austrian Post aims to achieve ☺ a payout ratio of at least 75% of the net profit attributable to its shareholders in the coming years, provided that the business development continues successfully and that no extraordinary circumstances arise.

2.4.4 Investments and Acquisitions

☺ Austrian Post Group's investments in the 2020 financial year totalled EUR 200.0m, of which EUR 39.7m was attributable to the addition of right-of-use assets in accordance with IFRS 16. In the 2020 financial year, EUR 176.8m was attributable to investments for property, plant and equipment and EUR 23.2m to investments for intangible assets.

Operating and office equipment constituted 24.2% of Austrian Post's investment programme. In addition to the ongoing acquisition of the vehicle fleet, investments were also made for particular equipment and furnishings for branch offices and various types of hardware. Land/buildings and investment property constituted 22.2% in the reporting period, while advance payments and investments for assets under construction constituted 27.8% of the capex programme, primarily for the parcel expansion programme and delivery vehicles. In addition, 14.1% can be attributed to technical equipment and machinery at the logistics centres. Intangible assets constituted 11.6%. G 28

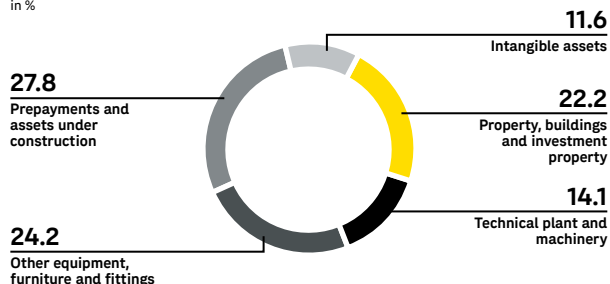
☺ A substantial share of investments were made in the parcels segment in connection with the capacity programme to expand the logistics infrastructure.

A detailed profitability assessment is carried out for investments in both new as well as replacement assets. Investments in replacement assets are made if either 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, i.e. the lifecycle costs (in particular maintenance costs) exceed the cost of new equipment.

G 28 Investments by Category 2020

in %



Investments are approved and the funds are released by a committee both during various planning phases as well as in the course of the procurement phase. Depending on the size of the expenditures, this committee is made up of divisional managers, one or all members of the Management Board and/or the Supervisory Board of Austrian Post. In addition to actual and target comparisons, a follow-up review is conducted for investments at the conclusion of the investment phase, in particular with regard to major 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 also taken into consideration, both in the planning phase as well as when monitoring the key performance indicators.

The cash outflow for the acquisition and disposal of subsidiaries as well as for financial assets accounted for using the equity method amounted to EUR 0.8m in 2020 after a cash outflow of EUR 7.6m in 2019. In general, every acquisition is preceded by a consistent Group-wide selection process. Decisions are made on the basis of a due diligence test followed by a valuation through a discounted cash flow method and, if applicable, plausibility checks of the defined values through comparison methods.

2.5 Value-based Key Performance Indicators

2.5.1 Capital Employed

Capital employed of the Austrian Post Group increased from EUR 961.3m in the previous year to EUR 1,110.0m as at 31 December 2020. The increase was down to the full consolidation of Aras Kargo as well as investments in Austrian Post's capacity expansion programme launched in response to increased parcel volumes. T 38

Austrian Post aims to optimise capital employed based on industry-specific circumstances. In light of this, investments are made extremely selectively and systematically, particularly to enable productivity increases and profitable growth. Goodwill is tested for its intrinsic value at an ongoing basis and is written down upon any indication.

The main focus of Austrian Post's receivables' management is the continuous monitoring of outstanding receivables. The management is regularly informed about the level of outstanding receivables in order to be able to take appropriate measures. If the customer is designated as a risk, payment terms can be immediately switched to advance or cash payments or a bank guarantee may be requested.

T 38 Capital Employed

| EUR m | 31 Dec. 2018 | 31 Dec. 2019 ¹ | 31 Dec. 2020 |
|---|--------------|---------------------------|----------------|
| + Property, plant and equipment, intangible assets and goodwill | 736.1 | 1,152.7 | 1,295.5 |
| + Investment property | 78.4 | 73.0 | 74.4 |
| + Financial assets accounted for using the equity method | 9.2 | 11.4 | 11.4 |
| + Inventories | 17.3 | 14.3 | 15.5 |
| + Trade and other receivables, financial assets from financial services and tax assets ² | 343.8 | 373.3 | 1,009.1 |
| - Non interest-bearing debt | -576.9 | -663.4 | -1,295.9 |
| CAPITAL EMPLOYED | 607.9 | 961.3 | 1,110.0 |

¹ Change in the presentation of financial services, refer to Note 3.2

² Less interest-bearing receivables

2.5.2 Ratios

The EBITDA margin of Austrian Post fell from 15.8% in 2019 to 13.8% in 2020. The EBIT margin came to 9.9% in 2019 and reached a value of 7.3% in 2020. The EBIT margin of the logistics business, i.e. excluding the Retail & Bank Division, came to 9.6% in the 2020 financial year, just short of the prior-year level. The return on

equity changed from 25.9% to 20.6% in the 2020 financial year. The return on capital employed decreased from 25.6% in the previous year to 15.5% in the 2020 financial year. This was mainly due to the full consolidation of Aras Kargo as well as investments in Austrian Post's capacity expansion programme launched in response to increased parcel volumes. **T 39**

T 39 Ratios

| in % | 2018 | 2019 | 2020 |
|----------------------------|------|------|----------------------|
| EBITDA margin ¹ | 15.6 | 15.8 | 13.8 |
| EBIT margin ² | 10.8 | 9.9 | 7.3/9.6 ³ |
| ROE ⁴ | 25.8 | 25.9 | 20.6 |
| ROCE ⁵ | 34.4 | 25.6 | 15.5 |

¹ EBITDA margin = EBITDA/revenue

² EBIT margin = EBIT/revenue

³ EBIT margin of 9.6% of the logistics business (excl. Retail & Bank Division)

⁴ Return on equity = Profit for the period/(equity on 1 January less dividend payment)

⁵ Return on capital employed = EBIT/average capital employed; 2019: Change in the presentation of financial services, refer to Note 3.2

3. RESEARCH AND DEVELOPMENT/INNOVATION MANAGEMENT

An essential key to sustainable success in changing markets is the development and market launch of innovative products and business models and the expansion of the existing product portfolio within the core business. 🕒 In order to live up to its claim of being a service provider, Austrian Post continually complements and improves its services on the basis of internal research and development measures. Moreover, Austrian Post consistently works on optimising its processes and procedures. 🕒 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.

COVID-19 changed the driver of innovation in 2020. In addition to health and safety, the need for connectivity has increased. The factor that had the most direct impact on Austrian Post was the boom in e-commerce.

Innovation at Austrian Post is driven by an interplay of central management and decentralised innovation teams in the business areas responsible for the products and services. Central innovation management ensures transparency and networking for innovation activities and takes the lead for overarching topics – for instance, Austrian Post’s involvement in the VERBUND X Accelerator Programme was coordinated centrally. Austrian Post acts as a partner for business areas with regard to digital transformation and bases its activities on identifying market needs and future trends in a timely manner and ensuring its competitiveness through appropriate initiatives.

🕒 In addition to its own development activities, Austrian Post also has long-standing partnerships with reputable Austrian universities, universities of applied sciences and other research facilities. For example, a partnership with the Institute for Technical Logistics (ITL) at Graz University of Technology was formed, which will support Austrian Post in the expansion and modernisation of its logistics centres. In order to make packaging more environmentally friendly, a partnership with the University of Applied Sciences Upper Austria was established. Key partners also include the Austrian Research Promotion Agency (FFG), the Climate and Energy Fund and the Vienna Economic Chambers. This ensures that

the intensification of our innovation effort builds on scientifically sound results.

In terms of core business products and services, the focus in the 2020 financial year was on the implementation of new service platforms in addition to improvements of the user experience. Ongoing payments (subscriptions) in connection with Austrian Post’s range of services can now be processed conveniently and securely via the new e-commerce hub service going forward. While a series of projects are initiated and executed by the divisions’ product management teams, a centralised development of end-customer services is carried out to secure service leadership, with the aim of utilising the latest technologies to improve core services and to create and research new business models on the end-customer side. The online services provided by Austrian Post are characterised by a high level of security, flexibility, efficiency and trustworthiness.

The entry of the golden crypto stamp featuring one gram of gold bullion in the Guinness Book of Records as the “digital stamp with the highest issue value” attracted a great deal of attention among stamp collectors. Other stamp innovations included a stamp with the shape and texture of a ski tip and a special issue of an original coronavirus stamp made of toilet paper.

The Mail Division of Austrian Post continued with its consistent innovation drive in 2020. One particular focus last year was on direct mail, where creative market concepts were developed to take into account changing needs and digital options. By way of example, Austrian Post’s own comparison portal daskuvert.at was launched with more than 50 million online offers. The digital direct mail portfolio was expanded further with the digital customer club in the form of a B2B loyalty building block or the digital out of home (DOOH) advertising slots. The physical direct mail offering is being constantly expanded to include digital direct mail channels, and Austrian Post accelerates its provision of digital access to core products in the letter and direct mail market. Worth special mention is the Group’s readiness to be bold in testing the concepts and consistently implementing them upon positive feedback.

The Business Solutions segment is the leading provider of innovative, physical and digital business process solutions. The focus is on efficient business solutions in the areas of input and business automation, document logistics, output management and digital advertising, which has particularly proved itself during the COVID-19 pandemic. Innovations in artificial intelligence, document management solutions and dual delivery offerings allow this business segment to continue with smooth and state-of-the-art operations for Austria's leading companies, even in these challenging times.

With regard to Logistics Solutions, Austrian Post continuously develops tailor-made customer solutions for warehousing and fulfilment as well as various value-added services, such as two-person handling, delivery at specified times (e.g. same day delivery) or sustainable packaging solutions. Combined with innovative online services, these solutions ensure greater efficiency, flexibility and customer-oriented optimisation of communication and distribution. Together with ACL advanced commerce labs GmbH, customers have a perfect partner to help them develop and expand their logistics value chain. This enables Austrian Post to offer customers everything from the online shop to customer service, from front-end to back-end, all from a single source. Focusing our innovation work on the topics of automation and predictive analytics supports the higher customer demand for efficiency, flexibility and resilience. In doing so, Austrian Post is able to provide its customers with bespoke solutions ranging from online shops, special IT solutions, warehousing, fulfilment and end-customer delivery to cash management solutions.

🔄 In the area of processes and procedures, research and development focuses largely on supporting the sustainable considerations of the company. Austrian Post invested EUR 8.8m in the carbon neutral and zero-emission delivery of mail items in the 2020 financial year. One particular highlight in the implementation of these priorities is the order placed for 25 electric high-capacity vans to further strengthen Austria's largest e-fleet. At the newly opened logistics centre in Kalsdorf, Styria near Graz, too, the focus was on the knowledge gained regarding sustainability thanks to research partnerships.

Another focal point of the investment programme during the period under review was equipment, furniture and fittings. In addition to ongoing investments in the vehicle fleet, this mainly involved investments in state-of-the-art branch office equipment and furnishings. A report on the vehicle fleet and the expansion of electromobility is provided in the Environment section. Investments incurred as a part of the capacity expansion programme were another topic. The "City Logistics" programme by Parcel Austria was also continued in the Parcel & Logistics Division in 2020 and 🔄 a pilot project was launched for delivery using e-bikes or on foot via centrally located microdistribution sites (city hubs), based on the findings of previous pilot projects conducted in Graz city centre. 🔄 This novel concept allows Austrian Post to make a significant contribution to reducing carbon and noise emissions in urban areas. Another innovation project relates to the "Internet of Things" (IoT) environment and allows 40,000 roller containers to be tracked. This optimises supply chains in the mail and parcel network, which further reduces the company's carbon footprint as well as costs.

Austrian Post consistently seeks out funding opportunities for innovation and investment. The CSR & Environmental Management department (CSR = Corporate Social Responsibility) advises and supports all pertained areas and also coordinates the tax research award.

This was another area impacted by the COVID-19 pandemic, as shown by the Ministry of Finance reacting quickly with significant stimulus measures to combat the economic impact of state-ordered lockdowns. The COVID-19 investment subsidy scheme plays a particularly important role for us. This enabled Austrian Post to submit investment proposals across the group and obtain preliminary funding approval. The scheme offers to subsidise 14% of the cost of investments with a digitalisation or ecological focus; the majority of applications are for investment projects of this nature. Applicants are allowed to submit investment products which have already been subsidised under another scheme. This represents a unique opportunity to boost the amount of subsidies available in this area and support measures to reduce carbon emissions, particularly when combined with the environmental subsidies available for electric vehicles and photovoltaic systems.

Schienerinfrastrukturdienstleistungsgesellschaft mbH subsidised our initiative to fit our fleet of trucks with turn-right assistance systems as part of a scheme which aims to improve traffic safety in our cities.

🕒 Austrian Post's innovative capability was demonstrated in a project which used a complex statistical calculation to forecast parcel volumes in order to make it easier for managers at logistics centres to schedule shifts and equipment. The project was submitted to the Vienna Business Agency two years ago. Following a review, the Agency provided a 25% subsidy and a bonus for women managing the project.

The above-mentioned projects are just a selection and by no means an exhaustive list of research projects.

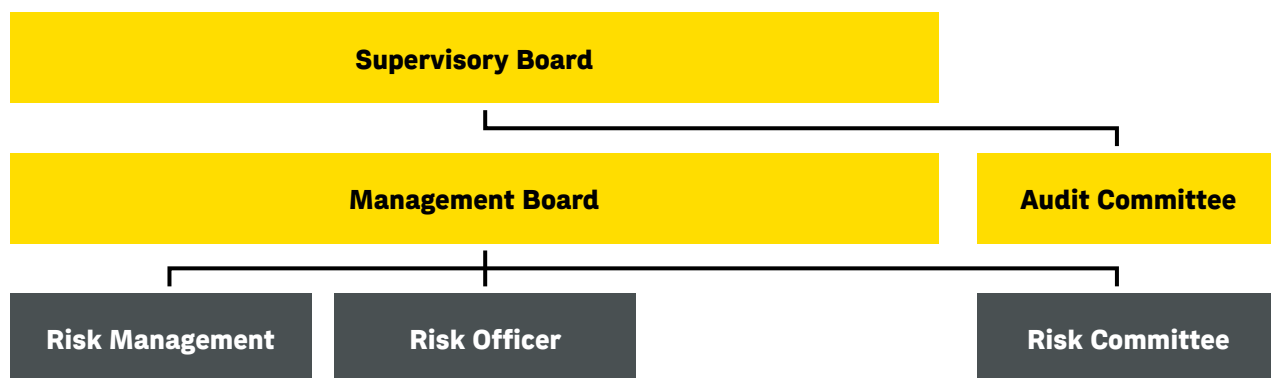
4. OPPORTUNITIES AND RISKS

4.1 Risk Management System

Austrian Post operates a comprehensive risk management system integrating all business units and subsidiaries. This risk management system complies with the COSO standard "Enterprise Risk Management – Integrated Framework" in the version dated June 2017. The objective of risk management is to identify risks at

an early stage, to analyse, assess and support through appropriate measures for the company to achieve its business tasks. 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. **G 29**

G 29 Governance Structure of Risk Management

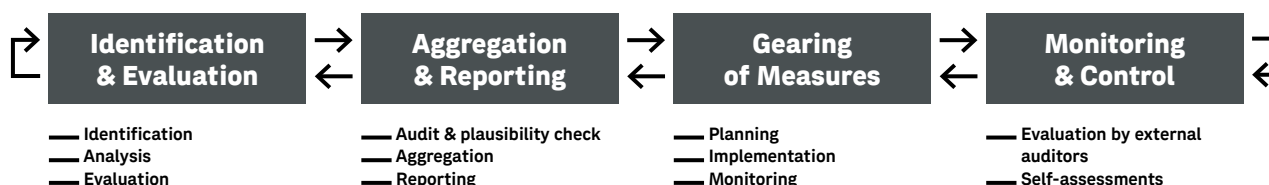


A Austrian Post's risk policy focuses on safeguarding and sustainably increasing enterprise value and is incorporated into the corporate and sustainability strategy. Austrian Post is exposed to numerous risks.

As a result, Austrian Post is prepared to take risks provided that the resulting portfolio of opportunities and risks is well-balanced and that they remain within the company's legal conditions and fundamental ethical values. The goals of safeguarding and achieving a sustainable increase in enterprise value must not be jeopardised.

For those risks that cannot be avoided, control measures are taken to safeguard and sustainably increase enterprise value.

G 30 Risk Management Process



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

1. — Identification and Evaluation Risks are defined as a potential deviation from business targets. For each identified risk, a decision is made on who is responsible for evaluating, managing and monitoring that risk. Every six months, the risk management officers in the individual areas of the company assist in analysing and updating the risk situation. Within the context of analysis and evaluation, risks are defined 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 provides periodic support to the individual business areas in the form of proactive risk assessments and workshops with regard to their risks. 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 and reviews the identified and evaluated risks. The financial impacts of potential overlap are taken into account in the aggregation process. The overall risk position of Austrian Post Group is determined by using statistical methods. The risk portfolio is also analysed by a Risk Management Committee and is subject to a plausibility check. The Risk Management Committee is composed of representatives from governance functions, including Corporate Social Responsibility, and operational functions. 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. — Design of Measures The control of risks is based on defining appropriate measures aimed to avoid or reduce risks or otherwise transfer 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 as a part of semi-annual analysis. Austrian Post Group operates internal insurance management to systematically deal with insurable risks. Its primary responsibility is to continuously optimise the insurance status and processes relating to the handling and settling of claims.

4. — Monitoring and Control In conformity with Austrian Corporate Governance Code, the reliability and performance of the risk management system are subject to an annual assurance evaluation by the auditor. Moreover, the concept, suitability and effectiveness of the risk management system are evaluated, monitored and controlled on a regular basis. **G 30**

4.2 Significant Risks

Austrian Post's risks and opportunities result from the overall risk environment and from trends that the company is exposed and changes it faces.

4.2.1 Environmental, Social and Governance (ESG) Risks

Austrian Post pursues sustainability strategy since 2016. The dynamic market environment called for an update of the company's tried-and-tested strategy. In this respect, the sustainability strategy has now also been linked with the Group strategy to form an integrated strategy. ESG issues are of high priority; in this respect the "carbon-neutral delivery" initiative is a good example. As a result, Austrian Post welcomes and supports climate and environmental protection measures. Some environmental efforts, however, create risks for the direct mail business. For example, unaddressed products could come under mounting regulatory pressure, which may lead to a large downward trend in direct mail. As a result, Austrian Post is striving to prevent this risk by engaging

a dialogue with its stakeholders to raise awareness of the actual environmental impact of Direct Mail. In this respect life-cycle assessments are calculated for each product group.

For a detailed breakdown of other ESG risks, please refer to the Non-financial Report.

4.2.2 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 may thus negatively impact earnings. A one-percentage point revenue decrease in the Letter Mail segment implies a negative revenue effect of about EUR 6m per annum, which in turn reduces earnings in the short and medium term mostly 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. Further acceleration in the substitution of letter mail by electronic media is expected as a result of the e-Government Act becoming effective and further digitalisation measures implemented by the federal government. Austrian Post counteracts the volume decline resulting from this substitution by developing new products and services. Diversification of business operations helps to minimise or spread risks of individual sectors.

4.2.3 Staff Costs and Structure of Employment Contracts

The business model of Austrian Post is characterised by a high staff cost structure. A one-percentage point change in wages and salaries corresponds to average costs of EUR 9m per annum and potential provision requirements. Furthermore, a large number of Austrian Post Group employees have a status of civil servants, which means that they are subject to public sector employment laws. This implies 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 decreases. Similarly, no wage or salary level adjustments are permitted in case of less favourable market conditions. Therefore, on balance, public sector employment regulations result in lower cost flexibility. Against the backdrop of a liberalised market, Austrian Post Group increasingly faces limited flexibility in making a good usage of the civil servants it employs. The solution to this problem is highly important

in the dialogue being held with the responsible legislator. Ongoing changes made to civil service laws and other new regulations, which do not take the special competitive situation of Austrian Post Group into account, could result in an additional burden and unexpected additional costs for the company over which it has no influence.

4.2.4 Implementation of Pricing Measures

Austrian Post tries to mitigate cost increases that cannot be offset through efficiency gains and productivity measures by adjusting its prices. There is a risk that these price adjustments will not be approved to the extent required by the radio and telecoms regulation authority (Rundfunk und Telekom Regulierungs-GmbH RTR-GmbH) as the responsible body.

4.2.5 Decline in Direct Mail Volumes

Direct mail business is influenced by economic development and is strongly dependent on the intensity of advertising activities by companies. However, retail shops, the most important customer group for direct mail items, will continue to be confronted with the following structural trends: on the one hand, an increasing market concentration is perceptible while retail shops suffer from the strong growth of the e-commerce market, on the other hand. In turn, this could result in a reduction in advertising materials and direct mail volumes which would have a negative impact on earnings. In addition, digital advertising and uncertainties regarding GDPR may reduce physical mailings.

4.2.6 Parcel Market

Competition remains intense due to continued dynamic growth in the parcel market driven by the ongoing e-commerce boom. The stagnating B2B market is also leading to further increases in competition in the X2C market. This may result in shifts in market share. Furthermore, strong parcel growth is driven by large online mail order companies, which grow disproportionately above the market. Notable losses in volume and the accompanying effects on revenue and earnings may arise due to the internal delivery service established by a major customer in eastern Austria along with the associated potential further own activities.

4.2.7 Logistics Cost Risk

The shift in mail volumes from letter mail to parcels results in adjustments in the logistics process. There is a risk that the efficiency/productivity increases that the company is striving to achieve will be delayed. Furthermore, in addition to self-delivery by Austrian Post itself, parcel delivery also involves cooperation with freight companies. Due to increase in parcel volumes

and the associated rise in demand for freight services, the company is exposed to the risk of cost increases.

4.2.8 Associates in Logistics

One aspect of the Austrian Post Group's strategy is growth through selective acquisitions and partnerships, largely in the core logistics business. 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 framework conditions. Austrian Post's associates in logistics operate primarily in the CEE parcel market. The parcel market in the CEE region is also characterised by intense competition and resulting price pressure. Hence, there is a risk that the earnings development of its associates might lag behind due to the abovementioned reasons, implying that Austrian Post's expectations for earnings contributions from its associates cannot be met.

4.2.9 Financial Services/bank99

In the branch network, Austrian Post has cooperated with strategic partners in the fields of telecommunications and financial services for many years. Notably the financial services sector faces a structural transformation due to changed customer requirements. In order to better meet these customers' needs for financial services, bank99 was launched in April 2020. The aim is to achieve a broad break-even situation in 2023.

The development of bank99's revenue and earnings depends on two main factors: the customer ramp-up and the supply of third-party products. With regard to the customer ramp-up, there is a risk that this will be delayed or slows down after initial positive development. With regard to third-party products, there are two risk aspects. On one hand, the timing of third-party product offerings could be delayed. On the other hand, the third-party product range could fall short of expectations. All of these risk aspects could lead to the earnings reported by bank99 not developing in line with Austrian Post's expectations.

4.2.10 Turkey/Aras Kargo

Since 2013, Austrian Post has been holding a 25% stake in the Turkish parcel services provider Aras Kargo a.s. Back then, it was already the basic intention, and the subject of an agreement reached between the founding and owning family Aras and Austrian Post, that Austrian Post would increase its stake in the future. The transaction to increase Austrian Post's stake to 80% was closed on 25 August 2020. Due to the current difficult political situation in Turkey, there is a risk that macro-economic parameters, in particular, could develop to

Austrian Post's detriment. The exchange rate and the inflation trend are the most important macro-economic parameters. While the exchange rate is reflected in Austrian Post's result due to currency translation, inflation developments can have an impact on the local business. Another risk relates to the development in staff costs. Like the core business in Austria, Aras Kargo's business is personnel-intensive. This means that adverse developments in staff costs could have a negative impact on earnings.

4.2.11 Financial Risks

Detailed information on financial instruments and the associated financial risks can be found in Note 10 of the Notes to the Consolidated Financial Statements.

4.2.12 Technical and Cyber Risks

To a significant degree, Austrian Post Group is dependent upon the use of complex technical systems. It heavily relies on the support provided by data processing systems, modern communications media and other technical equipment. Against this backdrop, Austrian Post Group 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 functioning of a small number of key sites. In case of a temporary or permanent technical system failure, or should 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 Group 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 certification.

4.2.13 Regulatory and Legal Risks

In many cases, the 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 allowed to close company-operated post offices manned by its own staff only following a regulatory approval process. Hence, 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, at the same time, 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 Group and the dialogue with all of 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 a 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.

Austrian Post Group has already been and, in some cases, remains 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 unforeseeable 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 Group 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 quality. Moreover, Austrian Post Group 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 is currently and can continue to repeatedly be the subject of discussions and legal proceedings relating to the issue of data protection with a financial impact on the direct mail business in particular.

Pursuant to the Postal Services Structure Act of 1996 (Poststrukturgesetz), changes in civil service laws for civil servants are principally 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. The European Court of Justice (ECJ) found this reform to be inadequate and new reforms were required. As a consequence, the federal government made a further amendment to the public sector employment law in force, according to which the issue of crediting any years of service prior to the age of 18 has to be re-evaluated, considered and assessed on an individual basis for each civil servant. There is a risk that these amendments will also be classified as discriminatory by the ECJ.

4.2.14 COVID-19 Pandemic

2020 was dominated by COVID-19 and the measures taken in response to the pandemic. The imposed temporary lockdowns have resulted in additional costs and lost revenue. There is a risk that the pandemic and its consequences will last longer than expected. This could translate into further additional costs for process-related and preventative measures and revenue losses, and could also have a sustained impact on Austrian Post's core business in some cases. As 2020 has shown, these sustained influences could manifest themselves, in particular, in a stronger trend towards digitalisation, with the risk of higher levels of e-substitution and reduced direct mail volumes due to lockdowns. The economic crisis sparked by the COVID-19 pandemic could also lead to increased insolvencies or brand consolidation, which could reduce direct mail even further. There could also be a general shift from letter mail to parcel products.

4.3 Significant Opportunities

The risk management system aims to identify, analyse and evaluate opportunities as well as risks at an early stage, and to exploit the corresponding opportunities by taking appropriate measures. The identification, evaluation, management and reporting of opportunities takes place in line with the previously mentioned process. Significant opportunities for Austrian Post are presented below. They are allocated to specific strategic areas based on the new integrated corporate and sustainability strategy, which was updated in 2020. The strategy consists of three cornerstones: "Defending Market Leadership and Profitability in the Core Business", "Profitable Growth in Near Markets" and "Development of Retail and Digital Offerings for Private Customers and SMEs". Sustainability is at the core of the new integrated corporate and sustainability strategy, framed with the three cornerstones referred to above.

In the first strategic pillar – **Defending Market Leadership and Profitability in the Core Business** – the expansion and adaptation of Austrian Post's product portfolio in the Mail and Parcel 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. 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. 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 lean solutions for online orders. Austrian Post has clear competitive advantages with respect to its quality and cost structure. Furthermore, measures to optimise staff costs could provide positive impetus.

In the second strategic pillar – **Profitable Growth in Near Markets** – opportunities arise primarily from Austrian Post's equity investment portfolio. The foreign associates operate primarily in the parcel sector and are also reaping the benefits of increasing e-commerce. The subsidiary Aras Kargo offers particularly strong opportunities due to the size and development potential of the Turkish market.

In the third strategic pillar – **Development of Retail and Digital Offerings for Private Customers and SMEs** – there are for example, opportunities in the development of online and self-service offerings as well as in new business models in the area of e-commerce; in particular, Austrian Post has an opportunity to participate in the dynamic online retail trend through its subsidiary Post E-Commerce.

For information on ESG-related opportunities, please also refer to the Nonfinancial Report.

4.4 Overall Assessment of the Group's Risk and Opportunity Situation

The company continuously monitors the above described risks and opportunities. In response, appropriate measures are carried out and initiatives launched.

- C** Overall, the pandemic is expected to result in increased uncertainty in both a positive and a negative sense. A look at the company's main opportunities and risks shows that, while the issues that Austrian Post is facing are changing and shifting, the company's opportunities and risks are stable overall. 🌱 **As a result, there is no threat to the company's existence from today's perspective.**

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. Due to the focus on its core business activities along with decades of experience in the business, Austrian Post Group can identify risks at an early stage, evaluate them and quickly implement suitable precautionary measures. A standardised risk management system has been set up for the entire Austrian Post Group, encompassing all organisational units and important Group companies as well as an internal control system for all important processes. The internal control system serves as part of the risk management system and encompasses risk-oriented procedures integrated into business operations. This takes into consideration the accounting and financial reporting processes as well as the upstream business processes. Particular business units are responsible for controls.

5.1.1 Controlling Environment

The standardised methods of accounting and valuation applied throughout the Group are contained in the Group manual. Revisions to IFRS are monitored by Group Accounting at an ongoing basis and are regularly published on a Group-wide basis. In addition to the Group manual, there are guidelines and specialised concepts on selected Group processes, particularly changes in the scope of consolidation.

Group companies compile comprehensive and appropriate IFRS Reporting Packages in a timely manner on the basis of the standardised accounting and valuation rules in force. The IFRS Reporting Packages serve as the starting point for further processing within the context of Group consolidation. Group Accounting is responsible for preparing the consolidated financial statements. Its duties and responsibilities mainly focus on the reported data transfer from Group companies, consolidation and elimination measures, as well as 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 financial statements is based on a strictly adhered to schedule.

5.1.2 Risk Assessment

The internal control system is set up in a risk-oriented manner. The existing interface between the internal control system and the risk management system ensures a coordinated approach between both areas.

The effectiveness of the internal control system is also regularly evaluated by Group Auditing.

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. 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). SAP R/3 is predominantly used to compile the monthly accounts. The transition to IFRS is accomplished employing parallel (dual) SAP accounting. The transfer of reporting data to SAP SEM-BCS is undertaken using an automated upload. For monitoring and control purposes, the consolidated financial statements are subject to an EBIT-based reconciliation. In this process, reconciliation from individual to Group financial statements is carried out, taking into account bookings as well as eliminations in the Group.

Multi-tiered quality assurance measures are implemented to avoid the incorrect presentation of transactions with the objective of accurately compiling IFRS Reporting Packages for consolidation purposes. In turn, Group Accounting takes the financial accounts compiled by the Group companies and subjects them to several levels of comprehensive plausibility and data quality checks. Only after completion of quality checks at all levels authorisation is given to publish the Group's consolidated financial statements.

5.1.4 Information and Communication

Preliminary data from the consolidated financial statements are provided to top management levels for subsequent monitoring and control. 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 Österreichische Post AG. Other internal reports are also prepared during the year 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, annual report and interim financial reports. The monthly report provides an overview of key financial and performance indicators of the company. Group Controlling prepares a monthly report which contains information on the business development of Austrian Post's Group companies. In addition to the reporting on key financial indicators, the Audit Committee also receives a report every six months regarding the current status of the internal control system and the audits carried out. Communications with shareholders of Österreichische Post AG take 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 these publications, investors are also provided with extensive additional information on the Austrian Post Investor Relations website, including investor presentations, information on the Austrian Post shares, 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 the divisions operating on the market, the Mail Division, the Parcel & Logistics Division and the Retail & Bank Division, as well as the Corporate Division, which additionally provides Group administration services. The Group companies within the Austrian Post Group are assigned to the various divisions in accordance with the particular focus of their business activities. The major business risks in these operational units are continuously identified and monitored, serving as the basis for determining appropriate risk management measures,

e.g. back-ups or emergency plans. Additional key instruments to control and counteract risks include Group-wide guidelines for dealing with major risks, planning and control processes as well as ongoing reporting. These guidelines encompass, for example, definition and monitoring of limits and procedures designed to limit financial risks and "two-pair-of-eyes" principle to oversee all business transactions. 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 entire Management Board containing the main indicators, there are also monthly performance reviews on operating units, which are carried out step-by-step in line with the integrated planning and reporting processes.

5.2 Information Pursuant to Section 243a of the Austrian Commercial Code (UGB)

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

Through Österreichische Beteiligungs AG (ÖBAG), the Republic of Austria has a 52.85% shareholding in Österreichische Post AG, 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 Österreichische Post AG exercise their voting rights on an individual basis. There are no rules with regards to the appointment or dismissal of members of the Management Board or the Supervisory Board, or with respect 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 Österreichische Post AG, the Management Board is authorised until 16 June 2025, subject to approval of the Supervisory Board, to increase the share capital, in accordance with Section 169 of the Austrian Stock Corporation Act (AktG), by up to EUR 16,888,160 through the issuance of up to 3,377,632 new, ordinary bearer shares (non-par value shares) in exchange for cash and/or non-cash contributions, and in some cases also by excluding shareholder subscription

rights. This amendment to the Articles of Association was recorded in the commercial register on 6 August 2020.

Conditional Capital In accordance with Section 5b of the Articles of Association of Österreichische Post AG, the share capital of the company was increased by up to EUR 16,888,160 by issuing up to 3,377,632 non-par value shares in accordance with Section 159 of the Austrian Stock Corporation Act (AktG). 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 of the Austrian Stock Corporation Act (AktG). The Management Board is authorised, contingent upon approval of the Supervisory Board, to define further details associated with conducting the conditional increase in capital. This amendment to the Articles of Association was recorded in the commercial register on 6 August 2020.

Share Buy-Back Programme The Annual General Meeting of Austrian Post held on 11 April 2019 authorised the Management Board pursuant to Section 65 Para 1 (4) and (8), Para 1a and 1b of the Austrian Stock Corporation Act (AktG) 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 11 April 2019, thus until 10 October 2021, on or outside stock exchanges, and only from individual shareholders or a single shareholder, especially ÖBAG, at a lowest equivalent value of EUR 20 per share, and at a highest equivalent value of EUR 60 per share.

Trading in treasury shares for the purchase of acquisition is not allowed. The authorisation can be exercised in part or in full or several tranches and for the purposes of realising one or more objectives of the company, by a subsidiary (Section 228 Para 3 of the Austrian Commercial Code (UGB)) 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 a private foundation, whose primary purpose is to hold and manage the shares for one or more of the aforementioned persons (such as an employee share participation foundation in accordance with Section 4d Para 4 of the Austrian Income Tax Act (EStG)).

The Management Board of Austrian Post AG 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 of the Austrian Stock Corporation Act (AktG), 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/or 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, whose primary purpose is to hold and manage the shares for one or more of the aforementioned persons (such as an employee share participation foundation in accordance with Section 4d Para 4 of the Austrian Income Tax Act (EStG)) and to determine the terms and conditions of the sale. The authorisation can be exercised in part or in full or several tranches and for the purposes of realising one or more objectives by the company, a subsidiary (Section 228 Para 3 of the Austrian Commercial Code (UGB)) 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 resolution of the Annual General Meeting, in accordance with Section 65 Para 1 (8) last sentence and Section 122 of the Austrian Stock Corporation Act (AktG). The Supervisory Board is authorised to approve the amendments to the Articles of Association arising from the withdrawal of shares.

Financial Instruments as Defined by Section 174 of the Austrian Stock Corporation Act (AktG) The Management Board was also authorised, with the consent of the Supervisory Board, to issue, up to 16 June 2025, financial instruments, as defined by Section 174 of the Austrian Stock Corporation Act (AktG), 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 grants the right of exchange and/or subscription rights for up to 3,377,632 shares of the company and/or 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 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 of the Austrian Stock Corporation Act (AktG), 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 company and 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 of the Austrian Commercial Code (UGB) in connection with Section 267a of the Austrian Commercial Code (UGB) and is audited by an independent third party.


5.4 Events After the Reporting Period

The agreement to acquire a further 30% stake in D2D-direct to document GmbH was signed on 15 October 2020. Once the transaction has been closed, Austrian Post will hold 100% of the shares in the company. The company expects to close the transaction and, as a result, switch from accounting according to the equity method to full consolidation in the first quarter of 2021.

6. OUTLOOK 2021

- C** The COVID-19 pandemic and the related restrictions had an impact on business development at Austrian Post during the year under review, and will continue to do so in 2021. Current forecasts do not suggest any immediate return to normality. Although economic recovery is expected during the year, some of Austrian Post's customer segments are still affected by restrictions. This leads to  reduced visibility for our business expectations and, as a result, in a wider risk range for revenue and earnings.

Revenue Growth Expected in 2021

 At large, Austrian Post expects its revenue to increase by 8 to 10% in 2021, assuming a steady improvement in the macroeconomic environment. The development in the three divisions will differ.

In the Mail Division, both stable revenue development and a slight decline are possible in 2021. In this division, restrictions and lockdown measures imposed in response to the pandemic will have just as negative an impact as potential negative economic consequences of the crisis will have on the ability of major clients to do business. In the Letter Mail segment, the basic assumption for the electronic substitution of conventional letters has so far been at around 5% p.a. The first quarters of 2021 will show whether this long-term trend will continue. A return to previous trends in direct mail and media post will only be possible if the overall conditions improve.


Revenue in the Parcel & Logistics Division should show a much better development, with an increase of around 20% being expected. While the division benefited from volume increases due to the lockdown of retail shops in 2020, further increases should nevertheless be possible in 2021. The use of e-commerce is spread across a broader retailer and consumer base. In addition, the Turkish subsidiary, which was fully consolidated in August 2020, will have a positive impact in the 2021 financial year.

The activities of bank99, which was launched on the market in April 2020, will lead to further revenue improvements in the Retail & Bank Division in the course of 2021.


Improved Group Earnings in 2021

An improvement of earnings of Austrian Post in 2021 is conditional on lockdown situations in the retail sector being avoided and efficient mail and parcel logistics being maintained. Despite various uncertain framework conditions, we are aiming to achieve an increase in earnings of at least 10% in the current year (EBIT for 2020: EUR 161m). At the same time, the forecast range particularly for the Mail Division has been widened. Depending on the course of economic recovery, a stable or slightly declining earnings situation is expected. In the Parcel & Logistics Division, on the other hand, the focus will be on improving operating results and integrating the new Turkish subsidiary. This should increase earnings by around 20%. Revenue growth in the Retail & Bank Division should also have a positive impact on the division's EBIT.

Investments/CAPEX

2020 has shown the importance of having  the required capacity to be able to respond to rapid parcel growth. After bottlenecks emerged in the second quarter of 2020, Austrian Post did a good job of managing record parcel volumes following capacity expansion measures in the fourth quarter of 2020. As a result, Austrian Post will continue to push ahead with its investment programme.

By the end of 2022, the aim is to have increased the company's sorting capacity by a further 30%. Austrian Post's objective is to expand its leading position in Austria in terms of quality of service provision as well as efficiency and speed. In addition to maintenance CAPEX on a current scale of around EUR 70m in Austria, more than EUR 60m in growth CAPEX is planned again for Austria. Furthermore, to support the logistic's infrastructure, expansion measures and land purchases in the amount of about EUR 20m, as well as investments in international holdings in the amount of about EUR 20m are expected.

 Due to the strong cash position in the balance sheet, Austrian Post is able to self-finance the targeted growth investments in logistics infrastructure and in the new financial services. The cash flow generated from operating activities will therefore continue to be used for investments in operational areas and will help maintain an attractive dividend policy.

The Management Board will propose to the Annual General Meeting scheduled for 15 April 2021 the distribution of a dividend in the amount of EUR 1.60 per share. In doing so, the company is continuing its attractive 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, 23 February 2021

The Management Board



GEORG PÖZL
CEO
Chairman of the
Management Board



WALTER OBLIN
Deputy CEO
Mail & Finance



PETER UMUNDUM
Member of the Management Board
Parcel & Logistics

CONSOLIDATED FINANCIAL STATEMENTS

| | |
|------------|---|
| 135 | CONSOLIDATED INCOME STATEMENT |
| 136 | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME |
| 137 | CONSOLIDATED BALANCE SHEET |
| 139 | CONSOLIDATED CASH FLOW STATEMENT |
| 141 | CONSOLIDATED STATEMENT OF CHANGES IN EQUITY |
| 143 | NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2020 FINANCIAL YEAR |
| 143 | 1. Reporting Entity |
| 143 | 2. Summary of Accounting Principles |
| 144 | 3. Changes in Accounting and Valuation Methods and Adjustment of Prior-Year Figures |
| 147 | 4. Scope of Consolidation |
| 153 | 5. Currency Translation |
| 154 | 6. Accounting Policies |
| 176 | 7. Future-related Assumptions and Estimation Uncertainties |
| 181 | 8. Notes on the Income Statement |
| 181 | 8.1 Segment Reporting |
| 185 | 8.2 Revenue From Contracts with Customers |
| 186 | 8.3 Result from Financial Services |
| 186 | 8.4 Other Operating Income |
| 188 | 8.5 Raw Materials, Consumables and Services Used |
| 188 | 8.6 Staff Costs |
| 189 | 8.7 Depreciation, Amortisation and Impairment Losses |
| 190 | 8.8 Other Operating Expenses |
| 191 | 8.9 Total Financial Result |
| 191 | 8.10 Earnings per Share |
| 192 | 9. Balance Sheet Disclosures |
| 192 | 9.1 Goodwill |
| 195 | 9.2 Intangible Assets |
| 196 | 9.3 Property, Plant and Equipment |
| 199 | 9.4 Investment Property |
| 200 | 9.5 Joint Ventures and Associates |
| 202 | 9.6 Other Financial Assets |
| 203 | 9.7 Financial Assets and Liabilities from Financial Services |
| 204 | 9.8 Inventories |
| 204 | 9.9 Trade and Other Receivables |
| 205 | 9.10 Cash and Cash Equivalents |
| 205 | 9.11 Equity |
| 207 | 9.12 Provisions |
| 211 | 9.13 Other Financial Liabilities |
| 211 | 9.14 Trade Payables and Other Liabilities |
| 212 | 9.15 Income Tax |
| 215 | 10. Financial Instruments |
| 229 | 11. Other Disclosures |
| 236 | AUDIT OPINION |
| 242 | STATEMENT OF LEGAL REPRESENTATIVES |

**#
ALWAYS
DELIVER A
SOLUTION**

EQUITY totalled EUR 655m.
This results in an equity
ratio of 24.4%.
Find out more on page 205

CONSOLIDATED INCOME STATEMENT

for the 2020 financial year

| EUR m | Notes | 2019 adjusted ¹ | 2020 |
|---|--------|-------------------------------|-----------------|
| Revenue | (8.2) | 2,021.6 | 2,189.2 |
| of which result from financial services | (8.3) | 0.0 | 19.7 |
| Other operating income | (8.4) | 131.5 | 64.1 |
| TOTAL OPERATING INCOME | | 2,153.0 | 2,253.3 |
| Raw materials, consumables and services used | (8.5) | -495.7 | -596.2 |
| Staff costs | (8.6) | -976.7 | -1,041.4 |
| Depreciation, amortisation and impairment losses | (8.7) | -118.1 | -142.2 |
| Other operating expenses | (8.8) | -361.3 | -314.4 |
| TOTAL OPERATING EXPENSES | | -1,951.8 | -2,094.2 |
| Results from financial assets accounted for using the equity method | (9.5) | -0.6 | 1.5 |
| EARNINGS BEFORE FINANCIAL RESULT AND INCOME TAX (EBIT) | | 200.6 | 160.6 |
| Financial income | | 18.9 | 10.9 |
| Financial expense | | -8.2 | -9.5 |
| TOTAL FINANCIAL RESULT | (8.9) | 10.7 | 1.4 |
| PROFIT BEFORE TAX | | 211.3 | 162.1 |
| Income tax | (9.15) | -66.8 | -46.8 |
| PROFIT FOR THE PERIOD | | 144.5 | 115.3 |
| ATTRIBUTABLE TO: | | | |
| Shareholders of the parent company | (9.11) | 146.4 | 118.3 |
| Non-controlling interests | (9.11) | -1.9 | -3.0 |
| EARNINGS PER SHARE (EUR) | | | |
| BASIC EARNINGS PER SHARE | (8.10) | 2.17 | 1.75 |
| DILUTED EARNINGS PER SHARE | (8.10) | 2.17 | 1.75 |

¹ Adjustments - see Note 3.2 Changes in Accounting Methods and Adjustment of Prior-Year Figures

CONSOLIDATED FINANCIAL
STATEMENTS

INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 2020 financial year

| EUR m | Notes | 2019 | 2020 |
|--|--------|-------|-------|
| PROFIT FOR THE PERIOD | | 144.5 | 115.3 |
| ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT: | | | |
| Currency translation differences – investments in foreign businesses | (9.11) | -0.3 | -3.9 |
| TOTAL ITEMS THAT MAY BE RECLASSIFIED | | -0.3 | -3.9 |
| ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT: | | | |
| At fair value through other comprehensive income (FVOCI) – equity instruments | (10.1) | -2.5 | -1.0 |
| Tax effect of changes in the fair value | (9.15) | 0.5 | 0.0 |
| Revaluation of defined benefit obligations | (9.12) | -12.8 | -2.8 |
| Tax effect of revaluation | (9.15) | 3.3 | 0.4 |
| TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED | | -11.4 | -3.4 |
| OTHER COMPREHENSIVE INCOME | | -11.7 | -7.2 |
| TOTAL COMPREHENSIVE INCOME | | 132.8 | 108.1 |
| ATTRIBUTABLE TO: | | | |
| Shareholders of the parent company | (9.11) | 134.7 | 111.5 |
| Non-controlling interests | (9.11) | -1.9 | -3.5 |

CONSOLIDATED BALANCE SHEET

as at 31 Dezember 2020

| EUR m | Notes | 31 Dec. 2019 adjusted ¹ | 31 Dec. 2020 |
|--|--------|---------------------------------------|----------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Goodwill | (9.1) | 61.1 | 61.4 |
| Intangible assets | (9.2) | 35.1 | 96.9 |
| Property, plant and equipment | (9.3) | 1,056.5 | 1,137.2 |
| Investment property | (9.4) | 73.0 | 74.4 |
| Financial assets accounted for using the equity method | (9.5) | 11.4 | 11.4 |
| Other financial assets | (9.6) | 68.1 | 5.4 |
| Other receivables | (9.9) | 16.9 | 10.6 |
| Deferred tax assets | (9.15) | 65.9 | 48.0 |
| | | 1,387.9 | 1,445.3 |
| FINANCIAL ASSETS FROM FINANCIAL SERVICES | | | |
| | (9.7) | | |
| Cash and central bank balances | | 48.0 | 568.1 |
| Receivables from banks | | 2.9 | 10.8 |
| Receivables from customers | | 0.0 | 1.7 |
| Investments | | 0.0 | 0.3 |
| Other | | 0.0 | 8.7 |
| | | 50.9 | 589.5 |
| CURRENT ASSETS | | | |
| Other financial assets | (9.6) | 230.6 | 110.6 |
| Inventories | (9.8) | 14.3 | 15.5 |
| Contract assets | (8.2) | 7.1 | 4.4 |
| Trade and other receivables | (9.9) | 296.9 | 369.1 |
| Tax assets | | 2.5 | 37.1 |
| Cash and cash equivalents | (9.10) | 52.6 | 108.2 |
| | | 604.0 | 644.9 |
| ASSETS HELD FOR SALE | | | |
| | | 0.1 | 0.5 |
| | | 2,042.9 | 2,680.2 |

¹ Adjustments - see Note 3.2 Changes in Accounting Methods and Adjustment of Prior-Year Figures

CONSOLIDATED BALANCE SHEET

as at 31 Dezember 2020

| EUR m | Notes | 31 Dec. 2019 adjusted ¹ | 31 Dec. 2020 |
|--|--------|---------------------------------------|----------------|
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| | (9.11) | | |
| Share capital | | 337.8 | 337.8 |
| Capital reserves | | 91.0 | 91.0 |
| Revenue reserves | | 303.3 | 231.4 |
| Other reserves | | -41.8 | -32.8 |
| EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY | | 690.3 | 627.4 |
| NON-CONTROLLING INTERESTS | | 10.4 | 27.6 |
| | | 700.7 | 655.0 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | (9.12) | 359.3 | 360.4 |
| Other financial liabilities | (9.13) | 270.7 | 274.1 |
| Other payables | (9.14) | 27.1 | 50.4 |
| Contract liabilities | (8.2) | 0.0 | 5.4 |
| Deferred tax liabilities | (9.15) | 0.8 | 4.1 |
| | | 657.8 | 694.4 |
| FINANCIAL LIABILITIES FROM FINANCIAL SERVICES | | | |
| | (9.7) | | |
| Borrowings from banks | | 0.0 | 11.8 |
| Liabilities to customers | | 0.0 | 519.5 |
| Other | | 0.0 | 1.5 |
| | | 0.0 | 532.9 |
| CURRENT LIABILITIES | | | |
| Provisions | (9.12) | 258.1 | 272.1 |
| Tax liabilities | | 0.2 | 2.6 |
| Other financial liabilities | (9.13) | 38.8 | 77.6 |
| Trade and other payables | (9.14) | 357.3 | 416.4 |
| Contract liabilities | (8.2) | 29.9 | 29.2 |
| | | 684.3 | 797.9 |
| | | 2,042.9 | 2,680.2 |

¹ Adjustments - see Note 3.2 Changes in Accounting Methods and Adjustment of Prior-Year Figures

CONSOLIDATED CASH FLOW STATEMENT

for the 2020 financial year

| EUR m | Notes | 2019 adjusted ¹ | 2020 |
|--|--------|-------------------------------|--------------|
| OPERATING ACTIVITIES | | | |
| Profit before tax | | 211.3 | 162.1 |
| Depreciation, amortisation and impairment losses | (8.7) | 118.1 | 142.2 |
| Results from financial assets accounted for using the equity method | (9.5) | 0.6 | -1.5 |
| Provisions non-cash | | 3.0 | 24.5 |
| Other non-cash transactions | (11.1) | 0.7 | 0.0 |
| GROSS CASH FLOW | | 333.7 | 327.1 |
| Trade and other receivables | | 1.4 | -35.8 |
| Inventories | | 3.0 | 0.3 |
| Contract assets | | 16.4 | 2.8 |
| Provisions | | -18.8 | -33.2 |
| Trade and other payables | | 71.8 | 11.7 |
| Contract liabilities | | -19.7 | 1.2 |
| Financial assets/Financial liabilities from financial services | | 0.0 | 522.2 |
| Taxes paid | | -60.4 | -63.7 |
| CASH FLOW FROM OPERATING ACTIVITIES | | 327.4 | 732.6 |
| INVESTING ACTIVITIES | | | |
| Acquisition of intangible assets | | -13.0 | -24.5 |
| Acquisition of property, plant and equipment/investment property | | -153.1 | -143.3 |
| Sale of property, plant and equipment/investment property | | 5.8 | 5.1 |
| Acquisition of subsidiaries/non-controlling interests/business units | (4.2) | 0.3 | -0.3 |
| Acquisition of financial assets accounted for using the equity method | | -7.2 | -0.8 |
| Sale of financial assets accounted for using the equity method | | 0.1 | 0.0 |
| Acquisition of other financial instruments | (9.6) | 0.0 | 38.1 |
| Acquisition of financial investments in securities/ money market investments | | -140.0 | -90.0 |
| Sale of financial investments in securities/ money market investments | | 16.0 | 220.2 |
| Loans granted | (11.1) | -0.6 | 0.1 |
| Dividends received from financial assets accounted for using the equity method | (9.5) | 0.1 | 0.3 |
| Interest received and income from securities | | 0.8 | 2.1 |
| CASH FLOW FROM INVESTING ACTIVITIES | | -290.7 | 7.0 |
| FREE CASH FLOW | | 36.7 | 739.6 |

¹ Adjustments - see Note 3.2 Changes in Accounting Methods and Adjustment of Prior-Year Figures

CONSOLIDATED CASH FLOW STATEMENT

for the 2020 financial year

| EUR m | Notes | 2019 adjusted ¹ | 2020 |
|--|--------|-------------------------------|---------------|
| FINANCING ACTIVITIES | | | |
| Repayment of long-term financial liabilities (incl. current maturities of long-term debt) | | -32.3 | -41.0 |
| Changes of short-term financial liabilities | (11.1) | -5.4 | 29.2 |
| Dividends paid | | -141.0 | -141.2 |
| Interest paid | | -4.7 | -5.1 |
| Payments from non-controlling interests | | 0.0 | 5.0 |
| CASH FLOW FROM FINANCING ACTIVITIES | | -183.4 | -153.1 |
| Currency translation differences in cash and cash equivalents | | 0.0 | -2.9 |
| CHANGE IN CASH AND CASH EQUIVALENTS | | -146.7 | 583.6 |
| Cash and cash equivalents at 1 January | | 310.2 | 103.5 |
| Change to the scope of cash and cash equivalents | | -60.0 | 0.0 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | (11.1) | 103.5 | 687.1 |

¹ Adjustments – see Note 3.2 Changes in Accounting Methods and Adjustment of Prior-Year Figures.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 2019 financial year

| EUR m | Share capital | Capital reserves | Revenue reserves | Other reserves | | | Equity attributable to shareholders of the parent company | Non-controlling interests | Equity |
|---------------------------------------|---------------|------------------|------------------|----------------|---------------|------------------------------|---|---------------------------|--------|
| | | | | IAS 19 reserve | FVOCI reserve | Currency translation reserve | | | |
| BALANCE AS AT 1 JANUARY 2019 | 337.8 | 91.0 | 298.5 | -16.1 | -12.2 | -1.8 | 697.1 | 2.0 | 699.1 |
| Profit for the period | 0.0 | 0.0 | 146.4 | 0.0 | 0.0 | 0.0 | 146.4 | -1.9 | 144.5 |
| Other comprehensive income | 0.0 | 0.0 | 0.0 | -9.4 | -2.0 | -0.3 | -11.7 | 0.0 | -11.7 |
| TOTAL COMPREHENSIVE INCOME | 0.0 | 0.0 | 146.4 | -9.4 | -2.0 | -0.3 | 134.7 | -1.9 | 132.8 |
| Dividends paid | 0.0 | 0.0 | -140.5 | 0.0 | 0.0 | 0.0 | -140.5 | -0.5 | -141.0 |
| TRANSACTIONS WITH OWNERS | 0.0 | 0.0 | -140.5 | 0.0 | 0.0 | 0.0 | -140.5 | -0.5 | -141.0 |
| Step acquisition of a subsidiary | 0.0 | 0.0 | -1.1 | 0.0 | 0.0 | 0.0 | -1.1 | 0.3 | -0.8 |
| Acquisition of a subsidiary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.5 | 10.5 |
| OTHER CHANGES | 0.0 | 0.0 | -1.1 | 0.0 | 0.0 | 0.0 | -1.1 | 10.9 | 9.8 |
| BALANCE AS AT 31 DECEMBER 2019 | 337.8 | 91.0 | 303.3 | -25.6 | -14.2 | -2.1 | 690.3 | 10.4 | 700.7 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 2020 financial year

| EUR m | Share capital | Capital reserves | Revenue reserves | Other reserves | | | Equity attributable to shareholders of the parent company | Non-controlling interests | Equity |
|---|---------------|------------------|------------------|----------------|---------------|------------------------------|---|---------------------------|---------------|
| | | | | IAS 19 reserve | FVOCI reserve | Currency translation reserve | | | |
| BALANCE AS AT 1 JANUARY 2020 | 337.8 | 91.0 | 303.3 | -25.6 | -14.2 | -2.1 | 690.3 | 10.4 | 700.7 |
| Profit for the period | 0.0 | 0.0 | 118.3 | 0.0 | 0.0 | 0.0 | 118.3 | -3.0 | 115.3 |
| Other comprehensive income | 0.0 | 0.0 | 0.0 | -2.4 | -1.0 | -3.3 | -6.8 | -0.5 | -7.2 |
| TOTAL COMPREHENSIVE INCOME | 0.0 | 0.0 | 118.3 | -2.4 | -1.0 | -3.3 | 111.5 | -3.5 | 108.1 |
| Dividends paid | 0.0 | 0.0 | -140.5 | 0.0 | 0.0 | 0.0 | -140.5 | -0.7 | -141.2 |
| Acquisition of non-controlling interests | 0.0 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.7 | -0.2 | 0.4 |
| Obligation to acquire non-controlling interests | 0.0 | 0.0 | -32.6 | 0.0 | 0.0 | 0.0 | -32.6 | 0.0 | -32.6 |
| Payments to subsidiaries with non-controlling interests | 0.0 | 0.0 | -2.0 | 0.0 | 0.0 | 0.0 | -2.0 | 7.0 | 5.0 |
| TRANSACTIONS WITH OWNERS | 0.0 | 0.0 | -174.4 | 0.0 | 0.0 | 0.0 | -174.4 | 6.1 | -168.3 |
| Step acquisition of a subsidiary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 14.5 | 14.5 |
| Disposal of financial assets | 0.0 | 0.0 | -15.9 | 0.0 | 15.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| OTHER CHANGES | 0.0 | 0.0 | -15.9 | 0.0 | 15.9 | 0.0 | 0.0 | 14.5 | 14.5 |
| BALANCE AS AT 31 DECEMBER 2020 | 337.8 | 91.0 | 231.4 | -28.0 | 0.6 | -5.4 | 627.4 | 27.6 | 655.0 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2020 FINANCIAL YEAR

1. Reporting Entity

Österreichische Post AG and its subsidiaries are logistics and service companies in the mail, parcel, branch network and financial services 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, sales of telecommunications products and retail goods in the branch network and the provision of financial services. Moreover, the service offering also encompasses fulfilment services, various online services such as the e-letter and cross-media solutions, 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 Österreichische 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 2020 financial year have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as of 31 December 2020, as adopted by the European Union, and the additional requirements of section 245a of the Austrian Commercial Code (UGB).

The consolidated financial statements of Austrian Post consist of the consolidated income statement, the consolidated 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 prepared in euros. All amounts are stated in millions of euros (EUR m) unless otherwise indicated. 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 and Adjustment of Prior-Year Figures

3.1 Revisions to International Financial Reporting Standards

3.1.1 MANDATORY APPLICATION OF NEW AND REVISED IFRS

No new standards were to be applied as a mandatory requirement for the first time in the 2020 financial year. The following amended standards were made mandatory for the first time:

| Mandatory Application of Revised Standards | | Effective date EU ¹ |
|--|--|--------------------------------|
| IFRS 16 | Covid-19-Related Rent Concessions | 1 June 2020 |
| IFRS 3 | Definition of a Business | 1 January 2020 |
| IFRS 9/IAS 39/IFRS 7 | Interest Rate Benchmark Reform | 1 January 2020 |
| IAS 1/IAS 8 | Definition of Materiality | 1 January 2020 |
| Miscellaneous | Amendments to References to the Conceptual Framework in IFRS Standards | 1 January 2020 |

¹ To be applied in financial years beginning on or after the indicated date.

The application of the amended standards did not have any material impact on the Austrian Post Group.

3.1.2 STANDARDS PUBLISHED BUT NOT YET APPLIED

The following standards and interpretations 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 not yet applied | | Endorsement EU | Effective date EU ¹ |
|-------------------------------|---|----------------|--------------------------------|
| IFRS 17 | Insurance Contracts (incl. amendments to IFRS 17) | to be decided | 1 January 2023 |

| Revised Standards not yet applied | | Endorsement EU | Effective date EU ¹ |
|---|--|------------------|--------------------------------|
| IAS 1 | Classification of Liabilities as Current or Non-current | to be decided | 1 January 2023 |
| IAS 1/IFRS Practice Statement 2 | Disclosure of Accounting Policies | to be decided | 1 January 2023 |
| IAS 8 | Definition of Accounting Estimates | to be decided | 1 January 2023 |
| IFRS 3 | Business Combinations | planned H2 2021 | 1 January 2022 |
| IAS 16 | Property, Plant and Equipment | planned H2 2021 | 1 January 2022 |
| IAS 37 | Provisions, Contingent Liabilities and Contingent Assets | planned H2 2021 | 1 January 2022 |
| Miscellaneous | Improvements to IFRS (2018–2020) | planned H2 2021 | 1 January 2022 |
| IFRS 9/IAS 39/IFRS 7/ IFRS 4/IFRS 16 | Interest Rate Benchmark Reform – Phase 2 | 13 January 2021 | 1 January 2021 |
| IFRS 4 | Insurance Contracts – postponement of IFRS 9 | 15 December 2020 | 1 January 2021 |

¹ To be applied in financial years beginning on or after the indicated date.

The new and revised standards not yet applied are unlikely to have a material impact on the consolidated financial statements of Austrian Post.

3.2 Changes in Accounting Methods and Adjustment of Prior-Year Figures

3.2.1 CHANGES IN SEGMENT REPORTING

The implementation of the new organisational structure 2020 prompted Austrian Post to make changes in its segment reporting with effect from 1 January 2020. In order to ensure comparability, the segment reporting for the 2019 financial year was adjusted. For information on the changes in segment reporting, please refer to Note 8.1 Segment Reporting.

3.2.2 CHANGE IN THE PRESENTATION OF FINANCIAL SERVICES

In order to present the provision of financial services within the Austrian Post Group as transparently as possible, the presentation method was changed in the 2020 financial year and the previous year's figures were adjusted accordingly.

Financial assets and liabilities from financial services are no longer shown separately, broken down into the non-current and current categories, in the consolidated balance sheet, but rather are presented as a separate section between non-current and current assets and liabilities in decreasing order of liquidity. Similarly, cash and central bank balances are now presented as financial assets from financial services. In the consolidated cash flow statement, this item is still reported under cash and cash equivalents. Similarly, receivables from banks are now presented under cash and cash equivalents to the extent that they relate to balances held with other banks for the Bank's own payment transaction purposes. The change in other financial assets and liabilities from financial services is shown in net terms in the line item "Financial assets/liabilities from financial services".

The impact of the adjustments on the restated consolidated balance sheet as at 31 December 2019 and the consolidated cash flow statement for the 2019 financial year is as follows:

| EUR m | 31 Dec. 2019 | Adjustment | 31 Dec. 2019 adjusted |
|---|--------------|--------------|-----------------------|
| ASSETS | | | |
| FINANCIAL ASSETS FROM FINANCIAL SERVICES | | | |
| Cash and central bank balances | 0.0 | 48.0 | 48.0 |
| Receivables from banks | 0.0 | 2.9 | 2.9 |
| | 0.0 | 50.9 | 50.9 |
| CURRENT ASSETS | | | |
| Financial assets from financial services | 2.9 | -2.9 | 0.0 |
| Cash and cash equivalents | 100.6 | -48.0 | 52.6 |
| | 103.5 | -50.9 | 52.6 |

| EUR m | 2019 | Adjustment | 2019 adjusted |
|--|---------------|------------|---------------|
| OPERATING ACTIVITIES | | | |
| Financial assets/liabilities from financial services | -2.1 | 2.1 | 0.0 |
| CASH FLOW FROM OPERATING ACTIVITIES | -2.1 | 2.1 | 0.0 |
| INVESTING ACTIVITIES | | | |
| Acquisition of subsidiaries and other business units | -0.5 | 0.8 | 0.3 |
| CASH FLOW FROM INVESTING ACTIVITIES | -0.5 | 0.8 | 0.3 |
| FREE CASH FLOW | 33.8 | 2.9 | 36.7 |
| CHANGE IN CASH AND CASH EQUIVALENTS | -149.6 | 2.9 | -146.7 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 100.6 | 2.9 | 103.5 |

3.2.3 CHANGE IN PRESENTATION IN THE CONSOLIDATED INCOME STATEMENT

A subtotal was included in the consolidated income statement to show earnings before financial result and income tax (EBIT) as a key control parameter within the Group.

Expenses for contract and leasing staff were mainly recorded under other operating expenses in previous years. From the 2020 financial year onwards, expenses for contract and leasing staff that are directly related to the provision of services are recognised under raw materials, consumables and services used. To ensure comparability, the previous year's figures were adjusted accordingly.

4. Scope of Consolidation

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 Group. Full consolidation of the subsidiary begins at the point in time when Austrian Post gains control and ends when control is terminated. First-time inclusion in the consolidated financial statements is carried out in accordance with the acquisition method as stipulated in IFRS 3. The acquisition costs correspond to the fair value of the consideration transferred (in particular cash and cash equivalents, other assets transferred and contingent consideration). The identifiable assets acquired and liabilities assumed are measured at fair value on the acquisition date. In a step acquisition, the previously held equity interest is remeasured at fair value on the acquisition date and the resulting profit or loss is recognised in the income statement. Non-controlling interests are initially recognised based on their proportionate share of the acquiree's identifiable net assets on the acquisition date. Changes in the Group's stake in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Positive differences resulting from first-time inclusion are recognised as goodwill, whereas negative differences are reported immediately 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 pursuant to IAS 28) 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 income, expenses and intercompany profits in connection with business transactions between subsidiaries are eliminated as part of the consolidation process.

4.2 Changes to the Scope of Consolidation

In addition to Österreichische Post AG, 27 domestic (31 December 2019: 27) and 15 foreign (31 December 2019: 14) subsidiaries are included in the consolidated financial statements. In addition, two domestic (31 December 2019: three) and one foreign (31 December 2019: one) entity are consolidated according to the equity method.

The following changes were made to the scope of consolidation and transactions with non-controlling interests in the 2020 financial year:

| Company name | Interest | | Date of transaction | Comment |
|---|----------|---------|---------------------|------------------|
| | from | to | | |
| MAIL | | | | |
| adverserve Holding GmbH, Vienna | 82,00% | 90,00% | 19 June 2020 | Acquisition |
| adverserve Holding GmbH, Vienna | 90,00% | 100,00% | 17 December 2020 | Acquisition |
| PARCEL & LOGISTICS | | | | |
| Aras Kargo a.s., Turkey | 25,00% | 25,00% | 18 June 2020 | Change in method |
| Aras Kargo a.s., Turkey | 25,00% | 80,00% | 25 August 2020 | Step acquisition |
| PHS Logistiktechnik GmbH, Graz | 40,00% | 48,36% | 6 March 2020 | Capital increase |
| CORPORATE | | | | |
| Neutorgasse 7 Projektentwicklungs AG & Co OG, Vienna (Österreichische Post AG, Vienna) ¹ | 100,00% | 0,00% | 1 August 2020 | Absorption |
| Post IT Services GmbH, Vienna (formerly OMNITEC Informationstechnologie-Systemservice GmbH, Vienna) | 50,00% | 100,00% | 1 January 2020 | Step acquisition |

¹ The subsidiary listed first was absorbed by the Group company listed in parenthesis and is therefore no longer included in the scope of consolidation.

MAIL

adverserve Holding GmbH On 19 June 2020 and 17 December 2020, Austrian Post acquired a further 8% and 10% of the shares in adverserve Holding GmbH respectively. This means that the Austrian Post Group holds 100% of the shares in the company.

The two acquisitions led to a reduction in non-controlling interests of EUR 0.2m, which was recognised in revenue reserves. The liabilities from the contractual purchase obligations for these two acquisitions had already been recognised against equity (revenue reserves) in the course of the first-time consolidation in the 2019 financial year and amounted to EUR 1.1m as at 31 December 2019. The final agreement on the amount of the purchase price liabilities resulted in a total adjustment of EUR 0.7m, EUR 0.2m of which was recognised in the income statement under other operating income and EUR 0.5m of which was recognised in revenue reserves, without effect in profit and loss.

PARCEL & LOGISTICS

Aras Kargo a.s. – Change to Accounting Using the Equity Method The company was managed by a court-appointed trustee panel from the spring of 2017 onwards. The trustee panel was only responsible to the court. Accordingly, the recognition of the shares using the equity method was terminated and the shares were recognised at fair value through other comprehensive income (FVOCI). With the new appointment of the Board of Directors as of 18 June 2020 and the dismissal of the court-appointed trustee panel, the owners have regained joint control of Aras Kargo a.s. and the use of the equity method to account for the investment has been resumed. The last adjustment of the fair value as at 18 June 2020 resulted in an adjustment of the carrying amount of minus EUR 1.1m to EUR 22.2m. The cumulative fair value adjustments, (including deferred taxes) of minus EUR 15.9m, recognised in equity in the FVOCI reserve were reclassified to revenue reserves.

Aras Kargo a.s. – Attainment of Control With the closing of the transaction for the acquisition of a further 55% of the shares on 25 August 2020, Austrian Post now holds a total of 80% of the shares, meaning that it has attained control over Aras Kargo a.s. The company has been included in the consolidated financial statements of Österreichische Post AG as a fully consolidated company since this date. By acquiring Aras Kargo a.s., Austrian Post has

taken a further step in the implementation of its strategy aimed at achieving profitable growth in defined markets.

The termination of the use of the equity method resulted in a total gain of EUR 0.6m which was recognised under other operating income. This includes a gain of EUR 3.2m from the revaluation of the share previously accounted for using the equity method to fair value and a loss of EUR 2.6m resulting from the reclassification of currency translation differences to the income statement.

The total net identifiable assets acquired and liabilities assumed at the date on which control was obtained were determined as presented below.

| EUR m | Fair values |
|---|-------------|
| NON-CURRENT ASSETS | |
| Intangible Assets | 51.5 |
| of which customer relationships | 16.9 |
| of which trademarks | 24.5 |
| Property, Plant and Equipment | 43.1 |
| of which property and buildings | 31.3 |
| of which right-of-use assets | 19.0 |
| Investment property | 2.1 |
| Other receivables | 0.2 |
| CURRENT ASSETS | |
| Inventories | 1.9 |
| Trade and other receivables | 33.7 |
| Cash and cash equivalents | 35.8 |
| NON-CURRENT LIABILITIES | |
| Provisions | 10.7 |
| Other financial liabilities | 13.9 |
| of which lease liabilities | 13.9 |
| Other payables | 1.1 |
| Deferred tax liabilities | 5.0 |
| CURRENT LIABILITIES | |
| Provisions | 6.3 |
| Other financial liabilities | 6.3 |
| of which lease liabilities | 5.0 |
| Tax liabilities | 1.7 |
| Trade and other payables | 49.2 |
| Contract liabilities | 1.4 |
| TOTAL NET IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED | 72.6 |

Customer relationships in the amount of EUR 16.9m, trademarks amounting to EUR 24.5m and software in the amount of EUR 2.1m were recognised in the course of the purchase price allocation. In addition, contingent liabilities of EUR 1.8m were recognised in accordance with IFRS 3.23 by way of a best estimate. These relate to a possible claim against Aras Kargo a.s. for social security obligations of its subcontractors. No direct claim is expected to be asserted.

The acquisition resulted in total goodwill of EUR 1.7m, which is the result of the earnings expectations related to the company:

| EUR m | Fair values |
|---|-------------|
| DETERMINATION OF GOODWILL | |
| Total amount of consideration transferred | 35.9 |
| of which purchase price payment | 35.0 |
| of which effective settlement of previously asserted claims | 0.9 |
| Fair value of previous shares | 23.8 |
| Non-controlling interests based on the share of the total identifiable assets and liabilities assumed | 14.5 |
| Total net identifiable assets acquired and liabilities assumed | -72.6 |
| GOODWILL | 1.7 |
| ALLOCATION OF CASH OUTFLOW/INFLOW | |
| Total amount of consideration transferred in cash | 35.0 |
| Acquired cash | 35.8 |
| NET CASH INFLOW | 0.8 |

The effective settlement of previously asserted claims relates to arbitration proceedings with the sellers terminated by mutual agreement as part of the closing of the transaction. The claims that have been waived as a result are recognised at fair value.

Since the inclusion of Aras Kargo a.s. in the consolidated financial statements of Austrian Post, revenue of EUR 101.5m and a net profit for the period of EUR 12.6m have been recognised. Furthermore, EUR 0.5m was recognised in other comprehensive income from the remeasurement of defined benefit obligations. If the company had been a subsidiary from the beginning of the year, Group revenue of EUR 2,369.9m and net profit for the period of EUR 134.7m would have been recognised. Auxiliary acquisition costs of EUR 1.6m were recognised under other operating expenses.

In addition to the acquisition of the additional 55% of the shares, reciprocal options to acquire the remaining 20% of the shares were agreed. Accordingly, Austrian Post has the obligation (put option) in 2025 or 2026, or the right (call option) in 2027, to acquire these shares. The exercise price of the options depends on the company's results achieved in the year prior to the possible exercise (EBITDA multiple). A liability of EUR 33.2m was recognised against equity (revenue reserves) for the obligation to purchase the shares. The liability was recognised on the basis of a best estimate of the future exercise price. A 10% higher (lower) future result of the company would lead to a higher (lower) liability of around EUR 3m (see also Note 10.1.3 Information on determining fair values).

CORPORATE

Post IT Services GmbH With effect from 1 January 2020, Austrian Post acquired a further 50% of the shares in OMNITEC Informationstechnologie-Systemservice GmbH from P.S.K. Beteiligungsverwaltung GmbH, increasing its stake from 50% to 100%. OMNITEC was accounted for using the equity method until 31 December 2019. Since 1 January 2020, it has been included in the consolidated financial statements by way of full consolidation.

The purchase price was EUR 1. The acquisition resulted in income totalling EUR 0.4m which was recognised under other operating income. The income is made up of the valuation of the legacy shares and the profit from the acquisition (badwill) in the amount of EUR 0.2m each.

The company was renamed Post IT Services GmbH in April 2020.

4.3 Non-controlling Interests

Subsidiaries with non-controlling interests comprise the following companies:

| EUR m | Share of non-controlling interests | | Interest in % | |
|--|------------------------------------|----------------|---------------|----------------|
| | 31 Dec. 2019 | – 31 Dec. 2020 | 31 Dec. 2019 | – 31 Dec. 2020 |
| Aras Kargo Yurtici Yurtdisi Tasimacilik a.s. | 0.0 | 16.6 | 0.00 | 20.00 |
| bank99 AG | 8.3 | 9.3 | 20.00 | 20.00 |
| ACL advanced commerce labs GmbH | 1.3 | 1.3 | 30.00 | 30.00 |
| sendhybrid ÖPBD GmbH | 0.9 | 0.7 | 49.00 | 49.00 |
| M&BM Express OOD | -0.3 | -0.3 | 24.00 | 24.00 |
| adverserve Group ¹ | 0.3 | 0.0 | 18.00 | 0.00 |
| NON-CONTROLLING INTERESTS | 10.4 | 27.6 | | |

¹ For the subsidiaries of the adverserve Group, see 11.5 Group companies

The table below shows information on subsidiaries with significant non-controlling interests before intercompany eliminations:

2020 Financial Year

| EUR m | Aras Kargo a.s. | bank99 AG |
|--|-----------------|--------------|
| PERCENTAGE OF NON-CONTROLLING INTERESTS | 20.0% | 20.0% |
| Non-current assets | 93.1 | 20.5 |
| Financial assets from financial services | 0.0 | 580.9 |
| Current assets | 94.4 | 9.5 |
| Non-current liabilities | 28.4 | 11.1 |
| Financial liabilities from financial services | 0.0 | 521.2 |
| Current liabilities | 76.2 | 31.9 |
| NET ASSETS | 82.9 | 46.7 |
| Net assets of non-controlling interests | 16.6 | 9.3 |
| Revenue/result from financial services | 101.5 | 7.1 |
| Profit for the period | 12.6 | -29.9 |
| Other comprehensive income | 0.5 | 0.0 |
| TOTAL COMPREHENSIVE INCOME | 13.1 | -29.9 |
| Profit attributable to non-controlling interests | 2.5 | -6.0 |
| Other comprehensive income attributable to non-controlling interests | 0.1 | 0.0 |
| Cash flow from operating activities | 20.5 | 504.9 |
| Cash flow from investing activities | -0.5 | -11.1 |
| Cash flow from financing activities | -2.5 | 34.2 |
| Currency translation differences in cash and cash equivalents | -2.9 | 0.0 |
| CHANGE IN CASH AND CASH EQUIVALENTS | 14.5 | 528.0 |

The information on the revenue and results of Aras Kargo a.s. relates to the period since the company's inclusion in the consolidated financial statements as at 25 August 2020.

By means of a letter of comfort, Österreichische Post AG has undertaken to provide bank99 AG with equity of up to EUR 61.3m in the period leading up to the end of 2026, subject to certain conditions.

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 converted into euros in accordance with the functional currency concept pursuant to IAS 21. The functional currency is determined by the primary economic environment in which the entity mainly generates and uses cash and cash equivalents. The euro is the functional currency for Group companies in Austria and in countries of the European Economic and Monetary Union. The functional-currency of the remaining companies is the respective local currency.

Foreign Currency Transactions in the Functional Currency Group companies record business transactions in their financial statements in the functional currency at the exchange rate on the transaction date. Monetary items are subsequently measured at the European Central Bank's reference exchange rate applicable on the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Translation of a Foreign Operation The modified closing rate method is used to translate the financial statements of subsidiaries and companies accounted for using the equity method whose functional currency is not the euro. All balance sheet items with the exception of equity are translated at the European Central Bank's reference exchange rate on the balance sheet date; equity items are translated using the historical rate on the acquisition or origination date. Income and expenses are translated at the average reference exchange rates for the financial year. The resultant currency translation differences are recognised directly in equity.

The exchange rates used in currency translation changed as follows in relation to the euro:

| EUR 1 | Reference rate at balance sheet date | | Average annual rate | |
|---------------------------|--------------------------------------|--------------|---------------------|----------|
| | 31 Dec. 2019 | 31 Dec. 2020 | 2019 | 2020 |
| Bosnian Convertible Mark | 1.9558 | 1.9558 | 1.9558 | 1.9558 |
| Bulgarian Lev | 1.9558 | 1.9558 | 1.9558 | 1.9558 |
| Croatian Kuna | 7.4395 | 7.5519 | 7.4180 | 7.5384 |
| Serbian Dinar | 117.5928 | 117.5802 | 117.8650 | 117.5797 |
| Turkish Lira ¹ | 6.6843 | 9.1131 | 6.3578 | 9.2761 |
| Hungarian Forint | 330.5300 | 363.8900 | 325.2967 | 351.2494 |

¹ For the Turkish lira, the average exchange rate for 2020 refers to the period from 1 September 2020 to 31 December 2020.

6. Accounting Policies

The annual financial statements of subsidiaries included in the consolidated financial statements are based on standard accounting and measurement methods (together the accounting policies). The Management Board must make judgements in the application of accounting policies. The summary of the significant accounting policies also includes disclosures on the use and impact of these judgements.

6.1 Presentation of the Provision of Financial Services within the Consolidated Financial Statements

In the interests of ensuring the transparent presentation of the consolidated financial statements, the specific line items resulting from the financial services business are presented separately in the consolidated income statement, the consolidated balance sheet and the consolidated cash flow statement.

The methods of accounting applied to financial assets and liabilities from financial services are presented separately below.

6.1.1 FINANCIAL ASSETS AND LIABILITIES FROM FINANCIAL SERVICES

In the consolidated balance sheet, financial assets and liabilities from financial services include, in particular, those items that result directly from the deposit and investment business of bank99 AG or arise from the settlement of what are known as P.S.K. Orders (for example payment of pensions, unemployment benefits and similar benefits in the name, and for the account, of third parties). Cash and balances with central banks of bank99 AG are also reported in these line items. The items are presented in order of liquidity.

Assets and liabilities outside the deposit and investment business are reported under other non-current and current assets and liabilities in accordance with their maturity (e.g. intangible assets and property, plant and equipment as well as contract assets and liabilities).

Classification Receivables from banks and customers, as well as other receivables from financial services, are held as part of a business model that aims to collect the contractual cash flows. Accordingly, these financial assets are allocated to the “recognised at amortised cost” category. If individual assets do not meet the cash flow criterion set out in IFRS 9, they are allocated to the category “at fair value through profit or loss (FVTPL)”.

Financial assets from the investment of securities are held for liquidity management as part a business model that aims both to collect the contractual cash flows and to sell the investments. Accordingly, if the cash flow criterion set out in IFRS 9 is met, these assets are allocated to the category “measured at fair value through other comprehensive income (FVOCI)”. Any other securities are held as part of a business model that aims to collect the contractual cash flows. Accordingly, if the cash flow criterion set out in IFRS 9 is met, these are allocated to the category “measured at amortised cost”.

Financial liabilities are allocated to the “recognised at amortised cost” category in full.

Initial Recognition and Measurement Financial assets and liabilities are recognised for the first time when the contractual claims/obligations arise. This is usually on the settlement date, i.e. the date on which the financial asset is transferred. Initial recognition is at fair value, which in most cases matches the transaction price. Financial assets measured at amortised cost and those measured at fair value through other comprehensive income are initially recognised including transaction costs.

Impairment Losses Impairment losses are recognised in the amount of the expected credit losses in accordance with IFRS 9. A distinction is made between three impairment stages to measure the amount of the impairment losses and the recognition of interest income:

- **Stage 1** relates to financial assets for which no significant increase in credit risk has been identified since initial recognition. Impairment losses are recognised in the amount of the 12-month expected credit losses. For securities, the “low credit risk exemption” pursuant to IFRS 9 5.5.10 is applied.
- **Stage 2** Financial assets in stage 2 show a significant increase in credit risk since initial recognition. Impairment losses are recognised in the amount of the expected credit losses over their term. Qualitative criteria (e.g. dunning levels) and quantitative criteria (deterioration in the internal rating scale) are used to verify a significant increase in the credit risk. In addition, all of a customer’s receivables are transferred to stage 2 if a customer’s receivables are overdue by more than 30 days.
- **Stage 3** Financial assets in stage 3 are considered to be in default, and interest income is recognised using the effective interest rate on the amortised cost (net carrying amount). Customer receivables are transferred to stage 3 if they are 90 or more days overdue or if there is a qualitative default trigger (e.g. insolvency, restructuring due to a crisis)

The impairment losses for receivables > EUR 0.1m are calculated on the basis of an individual estimate of the expected credit losses. For all other receivables, the impairment losses are calculated using standardised model parameters. The default probabilities for receivables from customers required to calculate the expected credit losses are calculated using internal rating models. The necessary input parameters are based primarily on historical empirical values of comparable business models that are obtained externally. External ratings are used to determine probabilities of default for calculating the expected credit losses for receivables from banks and securities.

6.1.2 RESULT FROM FINANCIAL SERVICES

The result from financial services recognised in revenue includes net interest and net commission income from the provision of financial services. In the consolidated income statement, the result is shown separately with a “of which” note in the interests of ensuring the most transparent presentation possible.

The valuation and disposal result from investments in securities is recognised under other operating income. Impairment losses in accordance with IFRS 9 are recognised under other operating expenses.

Net Interest Income Net interest income includes all interest income and interest expenses from the deposit and investment business. Interest income and interest expenses from financial assets and liabilities measured at amortised cost and financial assets measured at fair value through other comprehensive income are recognised using the effective interest method. Interest income also includes commission income which, as an integral part of the effective interest method, falls within the scope of IFRS 9.

Net Commission Income Net commission income includes fees and commission from the financial services offered. At present, this mainly relates to fees and commission from the current account business, payment transactions and the disbursement of what are known as P.S.K. Orders. Where fees and commission from a particular contract fall within the scope of both IFRS 15 and IFRS 9, IFRS 9 is applied to separate the contractual components. Fees and commission within the scope of application of IFRS 15 resulting from transaction-based services are recognised at a specific point in time. Fees and commission from services relating to a particular period are recognised over the corresponding period. This relates, among other things, to flat-rate one-off fees from cooperation agreements with third-party providers.

6.2 Revenue from Contracts with Customers

Revenue from contracts with customers is realised when the customer obtains control over the goods or services. Information on the type, amount, timing and uncertainty of revenues and cash flows for the main product groups of the Austrian Post Group is provided below.

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. Under IFRS 15, such performance obligations are considered to be fulfilled over 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 lead times in providing the services. As a universal service provider, Austrian Post is generally obligated to accept and deliver every mail item. As a rule, additional services (e.g. registered mail) are not classified as a distinct performance in the contractual context and are thus recognised together with the mail item as a single performance obligation. Overseas mail items are usually delivered to the recipients abroad in cooperation with international postal operators.

Statistical empirical values from, among other things, regularly conducted runtime measurements are used to measure the stage of completion of the contract activity. The amount of revenue to be realised is determined based on the ratio of costs incurred to date to the total costs of the delivery of letter mail, direct mail and print media (cost-to-cost method).

The collection of a mail item at an Austrian Post drop-off point (i.e. at the beginning of the performance obligation) triggers invoicing and thus the related recognition of revenue and a receivable. Pursuant to IFRS 15, a receivable must be recognised as soon as an unconditional claim to receive payment exists. By accepting the mail item at an Austrian Post drop-off point, Austrian Post undertakes to provide a service within a short time and is simultaneously entitled to issue an invoice and receive payment from the customer. That portion of the performance obligation which has not yet been provided is recognised as deferred income and reported as a contract liability.

The transaction price is paid either by prepayment of the contracted transport service (sale of postage stamps or cash franking at the branch office), or in the case of business customers, after the fact with an average payment target of one or two months. Accordingly, receivables at Austrian Post do not normally have a significant financing component.

For prepayments received in connection with postage stamps and revenue from senders' franking machines, Austrian Post's performance yet outstanding is recognised as a deferral under contract liabilities. The outstanding performance is calculated based on empirical values (in the case of postage stamps) or by transferring historical data as part of the loading process (in the case of sender franking machines).

With respect to the sale of letter mail, direct mail and print media to business customers, volume discounts are often agreed upon based on the revenue of a financial year. These discounts must be classified as variable consideration within the meaning of IFRS 15. Revenue from these sales is recognised in the amount of the price stipulated in the contract less the estimated volume discount. The expected volumes are estimated based on historical values and are updated every reporting date. Necessary adjustments are made cumulatively in the period in which the estimate is revised.

BUSINESS SOLUTIONS

Services in the Business Solutions area encompass business process solutions in the area of digital services, input management, document logistics, output management and digital advertising.

These performance obligations are predominantly satisfied over time, with revenue also being recognised over time. The services are generally provided over a period of less than one month. As a rule, payment is made after performance with an average payment term of one or two months.

PARCEL & LOGISTICS

The Austrian Post Group collects, accepts, sorts and delivers various parcel and express mail items. Under IFRS 15, such performance obligations are considered to be fulfilled over time. A high degree of standardisation, shipment tracking and very short throughput times characterise the services performed in this business area. As a rule, additional services (e.g. cash on delivery) are not classified as a distinct performance in the contractual context and are thus recognised together with the parcel item as a single performance obligation. Austrian Post uses various subcontractors and freight companies which take over parts of the delivery process within Austria. Overseas items are usually 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 stage of completion. The amount of revenue to be realised is determined based on the ratio of costs incurred to date to the total costs of the parcel delivery (cost-to-cost method).

The collection of a mail item at an Austrian Post drop-off point (i.e. at the beginning of the performance obligation) triggers invoicing and thus the related recognition of revenue and a receivable. Pursuant to IFRS 15, a receivable must be recognised as soon as an unconditional claim to receive payment exists. By accepting the mail item at an Austrian Post drop-off point, the Austrian Post Group undertakes to provide a service within a short time and is simultaneously entitled to issue an invoice and receive payment from the customer. That portion of the performance obligation which has not yet been provided is recognised as deferred income and reported as a contract liability.

With respect to the sale of parcels to business customers, volume discounts are often agreed upon based on the revenue of a financial year. These discounts must be classified as variable consideration within the meaning of IFRS 15. Revenue from these sales is recognised in the amount of the price stipulated in the contract less the estimated volume discount. The expected volumes are estimated based on historical values and are updated every reporting date. Adjustments are made in the period in which the estimate is revised.

BRANCH SERVICES

The services provided by the branch network include the sale and brokering of various retail goods as well as postal and telecommunications products, as well as services within the scope of Austrian Post's cooperation with BAWAG P.S.K. up until 2019.

Revenue from the sale of retail goods is recognised at a specific point in time when the goods are handed over to the customer. Payment of the transaction price is due immediately as soon as the customer purchases a retail good.

In addition, Austrian Post provides brokerage services, in particular for telecommunications contracts and products for its partner A1 Telekom Austria AG. Accordingly, this revenue is recognised at the time the brokerage service is provided (e.g. when the A1 customer signs a telecommunications contract or a mobile telephone is handed over to the A1 customer) in the amount of the commissions received (net method). Advance payments are contractually required in connection with the brokering of these products, which are reported as financing receivables under other receivables.

The services resulting from the cooperation with BAWAG P.S.K. that were still to be provided in 2019 comprised the sale of financial products, the carrying out of counter

transactions and the provision of branch office infrastructure, each of which is classified as individual performance obligations pursuant to IFRS 15. The total remuneration is allocated to the individual performance obligations over time based on the relative stand-alone selling prices. The performance obligations will be satisfied, and thus the revenue for all three types of services will be recognised for a given period of time. Determining the allocation of the compensation to the individual performance obligations requires judgements, especially with respect to the amount of the relative stand-alone selling prices and the expected scope of the services actually to be provided. Similarly, revenue recognition required discretionary judgements with respect to the nature of the service to be provided.

FINANCIAL SERVICES

For information on revenue from financial services, please refer to Note 6.1.2 Result from Financial Services.

OTHER OPERATING INCOME

Revenue from contracts with customers of the Neutorgasse 7 real estate project is reported under other operating income. Upon conclusion of a purchase agreement for a specified residential unit, an alternative use is no longer possible. This results in contract-related revenue recognition over the construction period of the residential units.

The percentage of completion is used as a benchmark for determining the stage of completion on the basis of the ratio of costs incurred to date to the total expected costs (cost-to-cost method). The recognised contract assets are netted against the payments received to date.

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

6.3 Termination of the Cooperation with BAWAG P.S.K.

In a letter dated 9 November 2017 BAWAG P.S.K. terminated the cooperation agreement for collaboration in the sale of financial products, counter transactions and the joint use of infrastructure (branches) effective 31 December 2020. The amicable and gradual dissolution of the cooperation by the end of 2020 at the latest was then contractually agreed between the parties, whereby the option of early termination existed for individual services. At the end of 2019 the parties agreed a final termination of the cooperation essentially by the end of April 2020.

6.4 Income Tax

Disclosures on Tax Groups Austrian Post has used the option granted in Austria to form corporate tax groups for purposes of joint taxation. There are two groups of companies with the group parents: Österreichische Post AG and Post 001 Finanzierungs GmbH. All group members have their registered office in Austria.

In the tax groups, the group parent generally uses tax allocations to charge or credit the group members with the amounts of corporate income tax that are attributable to them. This includes offsetting positive and negative tax allocations of 25% of the taxable earnings (stand-alone method).

The Group taxation system results in a joint assessment of current income taxes and an offsetting of deferred tax assets and deferred tax liabilities within the corporate groups pursuant to IAS 12.74. The tax benefit from the goodwill amortisation (section 9 (7) of the Austrian Corporate Income Tax Act (Körperschaftsteuergesetz, "KStG")) is recognised as a temporary difference in goodwill (IAS 12.32a).

Disclosures on Income Taxes Income taxes include current and deferred taxes. They are always presented in the consolidated income statement except to the extent that the taxes result from transactions that have been recognised in other comprehensive income (OCI) or in equity or they result from a business combination.

Austrian Post is of the opinion that potential interest expenses and penalties 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 provisions of IAS 37.

Measurement of Current Taxes Current taxes include the expected tax payments or credits for the current year and the adjustments made in the current year to the expected subsequent tax payments or tax credits from previous years. The recognised amount represents the best possible estimate and includes withholding taxes from distributions.

In certain circumstances, current tax assets and liabilities can be presented at net. This is the case in the Austrian Post Group when the tax relates to income tax levied by the same taxation authority and the company has a legally enforceable right to offset tax assets and liabilities.

Measurement of Deferred Taxes Deferred taxes are measured using the balance sheet liability method for all temporary differences between the carrying amounts as per the IFRS consolidated financial statements and the corresponding tax bases. However, Austrian Post does not make use of the option to recognise deferred taxes in the following cases:

- Temporary differences arising from the initial recognition of an asset or liability other than in a business combination and which, at the time of the transaction, does not affect either the accounting profit or taxable profit (tax loss) ("Initial Recognition Exemption, IRE")
- Temporary differences related to investments in subsidiaries, branches, associates and interests in joint arrangements to the extent that the parent is able to control the timing of the reversal of the temporary differences and it is probable that the reversal will not occur in the foreseeable future
- Taxable differences in connection with the initial recognition of goodwill

Deferred tax assets from temporary differences from balance sheet items as well as from loss carryforwards are recognised to the extent to which a) sufficient deferred tax liabilities are available or b) it is probable based on a history of profit that taxable income will be available in the foreseeable future and the tax expense will thus be realisable. Deferred taxes are not recognised if a company has a history of recent taxable losses (in one of the last two years).

The unrecognised deferred taxes are reassessed at each balance sheet date and if applicable, recognised if there is a reasonable belief that the tax benefit can be realised.

Deferred tax assets and liabilities can be presented at net under certain circumstances. The disclosures above under "Measurement of current taxes" apply analogously to deferred taxes.

Deferred taxes are measured based on the tax rates applicable in the individual countries at the balance sheet date or at the rates already announced as applicable for the period in which the deferred tax assets and tax liabilities will be realised. For subsidiaries in Austria, deferred taxes are measured using a corporate tax rate of 25%.

The following table shows the tax rates applied when calculating deferred income taxes for foreign companies:

| Country | Tax rate |
|------------------------|----------|
| Bosnia and Herzegovina | 10% |
| Bulgaria | 10% |
| Germany | 33% |
| Croatia | 18% |
| Montenegro | 9% |
| Serbia | 15% |
| Slovakia | 21% |
| Hungary | 9% |
| Turkey | 20% |

6.5 Earnings per Share

Earnings per share are calculated by dividing the share of the profit for the period attributable to the shareholders of Österreichische Post AG by the weighted average of outstanding shares in the financial year. Shares newly issued or repurchased during a period are taken into account on a pro rata basis for the period in which they are outstanding. In order to calculate diluted earnings per share, the average number of shares and share of the profit for the period attributable to shareholders of Österreichische Post AG are adjusted for diluting effects.

A dilution of earnings per share is currently potentially possible due to the share-based remuneration programme of Österreichische Post AG. Since, however, there is currently no obligation to settle the amounts owed in the form of equity instruments, there are no dilutive effects from the current programmes. See Note 6.22 Share-based Payments.

6.6 Goodwill and Allocation to Cash Generating Units (CGU)

Goodwill is measured at cost less cumulative impairment losses. Goodwill from the acquisition of a foreign operation is carried in its functional currency and converted at the rate on the balance sheet date. Impairment losses are recognised in accordance with the principles described in Note 6.13 Impairment of Assets IAS 36. Reversals of impairment losses are not permitted. Goodwill is allocated to the respective cash generating units (CGU). CGU are formed by aggregating assets at the lowest level at which cash flows are generated independently of other assets.

6.7 Intangible Assets

Purchased intangible assets are recognised at cost and amortised on a straight-line basis over three to ten years based on their useful lives or contract period. Trademarks are generally assumed to have an indefinite useful life as there is no foreseeable end to their economic use. Intangible assets with indefinite useful lives are not amortised, but are subjected to annual impairment testing.

Internally generated intangible assets are recognised if the general recognition criteria and the special application guidance of IAS 38 are met. In this case, the creation process is divided into a research and a development phase. Initial recognition is in the amount of the directly attributable costs from the date on which the internally generated intangible asset meets the recognition criteria of IAS 38. At the Austrian Post Group, this primarily applies to internally developed software.

If there are indications of impairment, intangible assets are tested for impairment in accordance with the principles described in Note 6.13 Impairment of Assets IAS 36.

6.8 Leases

LEASES AS THE LESSEE

Since 1 January 2019, the decisive criteria for the accounting recognition of a lease is whether the leased object is an identifiable asset, the lessee has the right to control the asset's use, and the lessee obtains the economic benefits from that use. For leases, rights-of-use to the leased objects are recognised as assets and the present value of the payment obligations entered into are recognised as liabilities.

The **lease liabilities** include the following lease payments:

- Fixed payments less any lease incentives receivable
- Variable payments that are linked to an index or rate
- Expected residual value payments from residual value guarantees by the lessee
- Exercise prices of purchase options if exercise by the lessee is reasonably certain
- Penalties for the termination of leases, if the lease term takes into account that the lessee will exercise a termination option

The lease payments are discounted using the incremental borrowing rate.

Right-of-use assets are recognised at cost, which is comprised of the following:

- Amount of the initial measurement of the lease liability
- Lease payments made upon or prior to provision, less lease incentives received
- All initial direct costs incurred by the lessee
- Estimated costs for restoration obligations

Such assets are subsequently measured at amortised cost. The right-of-use assets are depreciated on a straight-line basis over the lease term. If ownership is transferred to the lessee at the end of the lease term or the cost of the right-of-use asset reflects that the lessee will probably exercise a purchase option, the asset is depreciated until the end of its useful life. If there are indications of impairment, right-of-use assets are tested for impairment in accordance with the principles described in Note 6.13 Impairment of assets IAS 36.

Real estate leases in particular include extension and termination options. These conditions offer Austrian Post the greatest possible flexibility. When determining the lease term, all facts and circumstances are taken into account that result in the exercise of extension options or the non-exercise of termination options. Real estate leases are allocated to Group-internal specified term categories in connection with the determination of the lease term.

Payments for short-term leases (less than twelve months) and leases whose underlying assets are of minor value, are recognised on a straight-line basis as an expense in profit or loss.

The provisions of IFRS 16 are not applied to leases of intangible assets.

Non-recoverable VAT amounts arising from liabilities in connection with leases are not a component of the lease payments and are recognised as an expense.

Deferred taxes are recognised on temporary differences in connection with right-of-use assets and lease liabilities.

LEASES AS THE LESSOR

Austrian Post is the lessor of a large number of properties. As lessor in an operating lease, Austrian Post recognises the assets at amortised cost in property, plant and equipment. The income from rent and leasing is reported for the period in which it is generated under other operating income. As lessor in a finance lease, Austrian Post recognises the asset under trade and other receivables at the amount of the net investment.

6.9 Property, Plant and Equipment

Property, plant and equipment are measured at cost less depreciation. Depreciation rates are based on expected useful lives.

Depreciation is calculated on a straight-line basis based on the following Group-wide useful lives:

| Useful Lives | Years |
|---|-------|
| Buildings | 10-50 |
| Buildings - rights-of-use | 5-15 |
| Technical plant and machinery | 5-10 |
| Technical plant and machinery - rights-of-use | 2-4 |
| Vehicle fleet | 2-8 |
| IT and technical equipment | 3-6 |
| Other equipment, furniture and fittings | 5-20 |

If there are indications of impairment, property, plant and equipment are tested for impairment in accordance with the principles described in Note 6.13 Impairment of Assets IAS 36. If there are indications that a recognised impairment no longer exists, the recoverable amount is re-estimated, and if necessary, the impairment loss is reversed up to but not exceeding the amortised cost excluding impairment.

6.10 Government Grants

Government grants are recognised at their fair value if there is reasonable assurance that they will be received and the conditions for the grant will be met. Grants are recognised in the income statement under other operating income in the periods in which the expenses to be compensated for, based on the purpose of the grant, are incurred. If the grants recognised are to be distributed over several periods, a deferred income item is recognised under trade payables and other liabilities. If the grant is for the acquisition or production of assets, the grants are also recognised as deferred income on the liabilities side (gross method) and are recognised across the periods that make up the useful life of the underlying asset.

6.11 Determination of Fair Value According to IFRS 13

The Austrian Post Group measures fair value pursuant to the principles in IFRS 13. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. In this context the following points, among others, are defined: the assets or liabilities that are being measured, the valuation premise for non-financial assets (assumption of highest and best use), the principle (or most advantageous) market for the asset or liability, the appropriate valuation technique (depending on the available data), the level in the measurement hierarchy to which these data (inputs) were assigned. The Austrian Post Group uses market-based, cost-based and income-based valuation techniques, depending on the asset and the available inputs. The use of observable inputs is given the highest priority.

6.12 Investment Property

Investment property is property held to earn rental income and/or for capital appreciation, and which could be sold separately. In the case of an owner-occupied portion, the allocation is based on the percentage of use. Investment property is recognised and measured using the cost method. Depreciation is taken on a straight-line basis based on a useful life of 20 to 50 years.

Properties that are developed with the goal of a subsequent sale are reclassified to inventories as of the beginning of their development (building permit date).

The fair values of the investment properties presented in the notes to the consolidated financial statements were determined by experts at Österreichische Post AG as well as external experts in accordance with the requirements of IFRS 13. Measurement is primarily based on income-based approaches (in particular present value techniques). As a rule, the income approach is used, while the discounted cash flow method is applied for more complex properties. These are Level 3 measurements within the meaning of IFRS 13 (fair value hierarchy). The inputs used comprise in particular property-related data such as lettable space, vacancy rate, rental income and capitalisation rates. The annual rental income used in relation to the market value (gross initial yield) ranges from 3.7% to 12.2% (2019: 4% to 14%) and the capitalisation rates/property rates used range from 3.5% to 7% (2019: 3.5% to 6.5%).

Market-based approaches (in particular sales comparable approaches) are also used for undeveloped land and land under development. These are Level 2 measurements within the meaning of IFRS 13. The inputs used comprise in particular price information from comparable transactions in active markets.

6.13 Impairment of Assets IAS 36

On each balance sheet date, an assessment is made as to whether there are indications of impairment of the carrying amounts of intangible assets, property, plant and equipment, and investment property. If such indications exist, an impairment test is conducted. In addition, intangible assets with indefinite useful lives and goodwill are subject to annual impairment tests irrespective of whether there are any such indications.

Goodwill and individual assets whose recoverable amount cannot be separately determined are tested for impairment at the level of the cash generating units (CGU). Goodwill that was originally determined using the partial goodwill method is extrapolated to 100% for impairment testing purposes using the current ownership rate.

The recoverable amount of the individual particular asset or CGU is determined during the impairment test and compared to the respective book value. The recoverable amount is the higher amount of the fair value less costs to sell and the value in use. If the recoverable amounts are determined by using net present value methods, the weighted average cost of capital (WACC) is used as the discount rate using the capital asset pricing model (CAPM). Appropriate surcharges are factored into the discount rate to reflect country, currency and price risks. If the cash inflows are denominated in foreign currencies, the recoverable amount in the foreign currency is determined and then converted into euros using the exchange rate on the balance sheet date.

The carrying amounts of what are known as corporate assets according to IAS 36.100 et seq. are allocated to the CGUs to which they relate as part of the impairment tests. Within the Austrian Post Group, corporate assets primarily relate to the corporate headquarters and, following the organisational changes made in 2020, to the logistics network production unit and the branch business.

An impairment loss is recognised if the carrying amount is higher than the recoverable amount. If the reasons for an impairment no longer exist, the impairment loss is reversed (except for goodwill). When reversing an impairment loss, the increased carrying amount may not exceed the cost. Impairment losses and reversals of impairment are recognised in the

income statement under depreciation, amortisation and impairment losses or under other operating income.

6.14 Financial Assets Accounted for Using the Equity Method

Investees are accounted for using the equity method if there is significant influence over the company due to contractual rights or actual circumstances. The existence of significant influence is assessed based on the criteria in IAS 28.5 et seq.

In cases where the existence of significant influence cannot be clearly determined, the Management Board must make discretionary decisions. As in the case of Aras Kargo a.s., Turkey, the focus is not primarily on formal criteria, but on whether there is an actual possibility to participate in the financial and operating policy decisions.

On each balance sheet date, an assessment is made as to whether there are indications of impairment of net investments in associates and joint ventures within the meaning of IFRS 9. If such indications exist, an impairment test is conducted. An impairment loss is recognised if the carrying amount of the net investment exceeds its recoverable amount. If the recoverable amount subsequently increases, the impairment loss is reversed by up to a maximum of the original impairment. The pro-rata portion of the impairment loss attributable to the carrying amount of the shares is presented in results from financial assets accounted for using the equity method. The presentation of impairment losses on the carrying amounts of other elements of net investment depends on the nature of these elements.

6.15 Financial Assets and Liabilities

In the Austrian Post Group, financial assets and liabilities are assigned to the following categories pursuant to IFRS 7: securities, other shares (equity instruments), derivative financial instruments, trade and other receivables, receivables from financial assets accounted for using the equity method, receivables from banks, money market investments, other financial liabilities, trade and other payables and liabilities to financial assets accounted for using the equity method.

CLASSIFICATION

In the Austrian Post Group, financial assets are classified in 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)
- Recognised at amortised cost

Classification at the time of initial recognition depends on the business model used to manage the financial asset as well as on the characteristics of the contractual cash flows.

Austrian Post's existing securities portfolio is held within the context of a business model whose objective is both the collection of contractual cash flows as well as the sale of financial assets. The transaction is classified as FVOCI (cash flow criterion fulfilled) or FVTPL (cash flow criterion not fulfilled) based on the fulfilment of the cash flow criterion in accordance with IFRS 9. The cash flow criterion is met if cash flows are generated that represent exclusively principal and interest payments on the outstanding principal amount.

Trade and other receivables, other receivables, receivables from banks and money market investments are held by Austrian Post within the context of a business model whose objective is the collection of contractual cash flows. The cash flow criterion is met for these instruments. Accordingly, these receivables are classified as measured at amortised cost.

In the case of investments in equity instruments (which are not held for trading purposes), the classification depends on whether Austrian Post Group irrevocably decided to account for these instruments at fair value through other comprehensive income (FVOCI) at the time of their initial recognition. If the FVOCI option in accordance with IFRS 9.4.1.4 is not exercised, the instruments are to be assigned to the category at fair value through profit or loss (FVTPL).

Derivative financial instruments (outside of hedge accounting) must be assigned to the fair value through profit or loss measurement category (FVTPL).

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

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

In accordance with IFRS 9, financial liabilities are to be measured at amortised cost unless they fall under the exception stipulated in IFRS 9.4.2.1. Accordingly, other financial liabilities, trade payables and other liabilities as well as liabilities to financial assets accounted for using the equity method are measured at amortised cost. The contingent purchase price liabilities held by Österreichische Post AG in accordance with IFRS 3 fall under the exception stipulated in IFRS 9.4.2.1 and must be assigned to the fair value through profit or loss measurement category (FVTPL).

Liabilities resulting from purchase obligations of non-controlling interests are recognised at fair value. The result from the subsequent measurement of these liabilities is recognised directly in equity (revenue reserves).

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, corresponds to the transaction price. In the case of a financial asset or financial liability that is not measured at fair value through profit or loss (FVTPL), the transaction costs directly relating to the acquisition of the asset or liability are also recognised. Trade receivables are recognised based on the requirements for revenue recognition in accordance with IFRS 15.

SUBSEQUENT MEASUREMENT AND PRESENTATION

Debt instruments measured at fair value through other comprehensive income (FVOCI) are recognised at fair value at the respective balance sheet date. Changes in fair value are recognised in other comprehensive income (OCI) or in the FVOCI reserve. An exception to this is the foreign currency valuation, which is shown in the income statement. Current income and valuation adjustments are likewise recognised directly in the income statement. On the disposal of debt instruments measured at FVOCI, the amounts recognised in other comprehensive income are reclassified to the income statement.

Financial instruments measured at amortised cost are measured at amortised cost using the effective interest rate method. Gains or losses on disposal are recognised directly in the profit and loss statement in the same way as current income and valuation adjustments.

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 are recognised in other comprehensive income (OCI) or in the FVOCI reserve the same as foreign currency measurement. When equity instruments measured at FVOCI are disposed of, the amounts recognised in other comprehensive income are not reclassified in the income statement; instead, associated amounts in the FVOCI reserve are reclassified to the revenue reserves. Current income is directly recognised in the income statement.

Financial instruments measured at fair value through profit or loss (FVTPL) are measured at fair value through profit or loss. All changes in the book value as well as current income are recognised directly in the income statement.

The carrying amount of financial instruments assigned to the individual categories are presented under Note 10.1 Financial Instruments. Furthermore, gains and losses resulting from the disposal of trade receivables in the amortised cost measurement category and impairment losses 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 reporting period is provided in the notes to the consolidated financial statements in Note 10 Financial Instruments and Related Risks.

IMPAIRMENT LOSSES

Impairments are recognised within the Austrian Post Group in the amount of the credit losses expected in accordance with IFRS 9. The specific method of impairment depends on the type of financial asset as well as on the occurrence of a significant increase in credit risk.

Debt instruments in the following valuation categories are subject to the impairment model of IFRS 9:

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

Contract assets to be recognised in accordance with IFRS 15 also fall within the scope of the impairment model under IFRS 9.

Thus, within the Austrian Post Group the following financial assets or contractual assets are to be measured based on the expected credit loss model in accordance with IFRS 9:

- Securities in the category FVOCI
- Trade receivables
- Contract assets
- Other receivables
- Receivables from banks
- Money market investments

Trade Receivables Impairment losses are recognised for trade receivables in the amount of the expected credit losses over their term. The method applied by Austrian Post is the simplified approach permitted under IFRS 9 to determine the expected credit losses in the form of an impairment matrix. Impairment losses are recognised by means of this matrix on the basis of historically observed default rates tiered according to (days past due) maturity. Forward-looking information is also evaluated and, if necessary, the default rates used are adjusted. In addition, trade receivables with a carrying amount of more than EUR 0.1m are considered on an item-by-item basis and scrutinised to recognise additional expected credit defaults over their term. Expected credit losses are determined separately for domestic and foreign customers as well as for international postal carriers.

Miscellaneous Debt Instruments Valuation allowances are recognised in the amount of the 12-month expected credit loss for all other debt instruments subject to the impairment model. However, if a significant increase in credit loss occurs, impairment losses are recognised in the amount of the lifetime expected credit losses. Austrian Post Group assumes that a significant increase in credit risk exists when a trade receivable is more than 30 days overdue. In the case of trade receivables measured at amortised cost whose creditworthiness is negatively affected, the effective interest rate is to be applied to the 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 apply:

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

According to the method used, expected credit losses are determined for securities, receivables from banks and money market investments based on the loan loss provisioning model. The expected credit loss is determined as the probability-weighted amount 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 such as those published by Standard & Poor's or Moody's are taken into account. However, the total expected credit losses determined this way are considered to be immaterial.

For other receivables, Austrian Post decided to apply practical simplifications in line with IFRS 9.B5.5.35 based on the type and scope of the receivables and to methodically determine impairment losses by using an impairment matrix similar to the one used for trade receivables. The loss rates are derived partly based on historical empirical values and partly

based on reasonable estimates. In addition, trade receivables with a carrying amount of more than EUR 0.1m are considered on an item-by-item basis and scrutinised to recognise additional expected credit defaults over their term. The expected credit losses are determined separately for claims for damages and other miscellaneous 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 written off. If the renegotiation or modification does not lead to derecognition, the gross carrying amount is recalculated taking the modified cash flows into account. An assessment is likewise made at the time of modification and at the subsequent balance sheet dates as to whether there is a significant increase in the credit risk of the financial instrument. The occurrence of a significant increase in credit risk is assessed by comparing the default risk at the respective balance sheet date with the risk at initial recognition. The transition of the impairment loss recognised for the lifetime expected credit losses to the amount of the 12-month expected credit losses takes place when the debtor shows significantly better performance and positive business prospects.

6.16 Derivative Financial Instruments

Derivative financial instruments are assigned to the fair value through profit and loss measurement category and measured at fair value at the time of acquisition as well as in subsequent periods. As a rule, the purchase price is recognised at cost as the best possible approximation of fair value at the time of acquisition. Unrealised valuation gains and losses from derivative financial instruments are recognised in the income statement.

The Austrian Post Group 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 entered into in financial year 2020. Furthermore, future exercisable rights to the acquisition of additional shares (call options) are acquired and purchase obligations (put options) are incurred in connection with the acquisition of shares in a company that are to be classified as derivative financial instruments in accordance with IFRS 9.

Derivative financial instruments that are settled 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.

6.17 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 reduced marketability are taken into account in determining the net realisable value. The stock value of consumables and supplies as well as merchandise is measured according to the moving average price method.

6.18 Assets Held for Sale

Non-current assets are classified as held for sale if the associated carrying amount is principally recovered through a sales transaction rather than through continuing use. This condition is only considered to be met if the sale is highly probable and the non-current asset is available for immediate sale in its present condition. The sale of an asset is highly probable if the responsible level of management has decided upon a plan for the sale of the asset, has actively begun searching for a buyer and implementing the divestment plan and it can be assumed that the sales process will be completed within one year after such 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.

6.19 Provisions for Severance Pay and Anniversary Bonuses

In the 2020 financial year, there was a change in the estimate of the provisions for severance pay and anniversary bonuses. Instead of the previous approach of applying discounts for employee turnover, probabilities of employee turnover depending on length of service are now used to take future employee turnover into account. The switch to fluctuation probabilities allows the impact of fluctuation on the amount of the provisions to be estimated more reliably. In the case of the provision for anniversary bonuses, this change in estimate led to a provision that was EUR 12.0m lower. The effects of this change were recognised in full in the income statement under staff costs in the 2020 financial year. The effects relating to the provision for severance pay were minor in terms of amount.

Provisions for Severance Pay The Austrian Post Group's severance pay obligations include both a defined contribution as well as a defined benefit system.

Provisions for defined benefit obligations are recognised for statutory entitlements on the part of employees. As a general rule, civil servants are not entitled to severance payments. Within the Austrian Post Group, essentially only employees working for companies in Austria are entitled to severance pay when they reach the legal retirement age or when their employment contracts are terminated by the employer. The amount of the entitlement depends on the number of years of service and the salary drawn at the time of termination or retirement. The provisions are calculated on an actuarial basis using the projected unit credit method.

There are defined contribution obligations with respect to salaried employees working for Austrian subsidiaries whose employment commenced after 31 December 2002. These severance payment obligations are settled through the regular payment of corresponding contributions to an employee pension fund. Except for this, there is no other further obligation on the part of the Austrian Post Group; hence there is no requirement to recognise a provision.

Provisions for Anniversary Bonuses In some cases, the Austrian Post Group is obliged to pay anniversary bonuses to employees who have served the Group for specified periods of time.

These obligations apply in particular to employees of Österreichische Post AG: In some cases, Österreichische Post AG is obliged to pay anniversary bonuses 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 anniversary bonuses 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 retirement and who have already reached the age of 65 no later than their retirement date can also receive an anniversary bonus in the amount of four monthly salaries. Salaried employees subject to the first part of the collective wage agreement receive anniversary bonuses totalling one monthly salary for 20 years of service, one and one half monthly salaries for 25 years of service, two and one half monthly salaries for 35 years of service and three and one half monthly salaries after 40 years of service.

Provisions for anniversary bonuses are calculated based on the projected unit credit method analogous to the provisions for severance payments.

Actuarial Parameters In the course of the regular review and to ensure the best possible estimation of actuarial parameters used in determining provisions for severance payments and anniversary bonuses, Austrian Post Group has defined company-specific parameters as the basis for calculating these provisions that were determined according to uniform Group guidelines.

The following average weighted parameters were used as the basis for calculating provisions for severance pay and anniversary bonuses:

| | Severance payments | | Anniversary bonuses | |
|---|--------------------|-------|---------------------|--------------|
| | 2019 | 2020 | 2019 | 2020 |
| Discount rate | 1.25% | 1.78% | 1.00% | 0.75% |
| Salary/pension increase | 3.25% | 3.61% | 3.00% | 2.74%–3.23% |
| Employee turnover discount (2019)/ employee turnover rate (2020) | 0.05%–0.51% | 1.44% | 7.07%–29.53% | 2.71%–21.50% |

The retirement age used for the calculation is based on the statutory provisions of the country concerned:

| Retirement age | 2019 | 2020 |
|------------------|-------|-------|
| Female employees | 60–65 | 58–65 |
| Male employees | 65 | 60–65 |
| Civil servants | 65 | 65 |

The average weighted duration of the defined benefit obligation amounts to 14 years for severance payments (2019: 14 years) and 11 years for anniversary bonuses (2019: 10 years).

An index for senior, fixed rate corporate bonds (Mercer Pension Discount Yield Curve) serves as the basis for determining the discount rate and then the relevant interest rate is determined based on the duration of the individual obligations.

The biometric assumptions taken into account in actuarial calculations are based, for the Austrian Group companies, on the calculation bases published by the Austrian Actuarial Association (AVÖ) for pension insurance ("mortality tables"). The calculation bases newly published in 2018 (AVÖ 2018-P Insurance tables for calculating pensions) were used beginning with the annual statements for the year ended 31 December 2018. Similar actuarial calculation bases are used in other countries.

The salary increases applied come from the derivation of expected future wage and salary increases. These are based on the average of past years and expected future salary increases. The calculation is carried out individually for each provision, taking into account the legal regulations and provisions under collective bargaining agreements, for example biannual salary increases for civil servants.

The employee turnover rates applied were determined depending on length of service and based on the empirical values for previous years.

The effects of changes in actuarial parameters lead to actuarial gains and losses, which are reported in other comprehensive income for provisions for severance pay and in staff costs for anniversary bonuses. The effects from changes in the interest rate and changes in future salary increases are included in the actuarial gains and losses from the change in financial assumptions. The actuarial gains and losses from changes in demographic assumptions include the effects of the switch from employee turnover discounts to fluctuation probabilities.

The reconciliation of the present value of the individual obligations is presented in Note 9.11.1 Provisions for Severance Pay and Anniversary Bonuses.

The interest expense from provisions for severance payments and anniversary bonuses are reported in the financial result. All other changes are reported as staff costs.

Pension Obligations The Austrian Post Group's pension obligations exclusively include defined contribution systems. There are no claims arising from defined benefit obligations at the Austrian Post Group.

There are defined contribution obligations to Management Board members. The obligations are met by the ongoing payment of corresponding contributions to a pension fund.

There are no pension commitments to civil servants or employees. Pension benefits to civil servants and salaried employees are principally provided by the Republic of Austria. Due to legal regulations, the Austrian Post Group is obligated to pay a pension contribution margin to the Republic of Austria. Since 1 January 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 basis and are reported as staff costs. Contributions on behalf of salaried employees are based on the currently valid provisions of the Austrian General Social Security Act (ASVG).

6.20 Provisions for Underutilisation

Provisions for employees who lose their jobs or who can no longer carry out their previous activities and can no longer be used to perform any other tasks are subsumed under the provision for underutilisation. These represent provisions for employees who were assigned to the organisational unit Post Internal Labour Market and whose employment contracts were classified as onerous within the meaning of IAS 37. Furthermore, the provisions for underutilisation apply to civil servants who are in the process of entering into retirement for reasons of physical disability as well as for employees involved in the programme for potential transfer to various federal ministries.

Provisions for the Austrian Post Internal Labour Market are recognised for future staff costs of employees whose contracts cannot be terminated (primarily civil servants) who lose their jobs within the context of ongoing internal organisational processes for adaptation to changing market conditions and whose services can no longer be utilised by the company or who can only be utilised to perform minor duties. These employment relationships represent onerous contracts within the meaning of IAS 37 for which the unavoidable costs of fulfilling 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 incurred up until the employee's retirement based on the application of an average level of underutilisation and in consideration of a discount for employee turnover. If employees whose contracts cannot be terminated cannot be utilised within the company or leased to external companies under terms that do not provide for a full recovery of associated staff costs, the percentage of cost under-absorption is factored into the calculation of the provisions. All parameters are continually evaluated and adjusted to reflect changing conditions.

The provisions for underutilisation encompass future staff costs for civil servants who are in the process of entering into 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 until retirement is approved.

The provision for underutilisation also includes provisions for employees involved in the programme for potential transfer to various federal ministries based on a framework agreement over the potential transfer of Austrian Post employees to federal ministries entered into with the federal government in October 2013. In this case, entitlements for employees who have already agreed to be transferred to federal public service will be assumed and correspondingly allocated for a specified period of time.

The present value of the individual provisions is calculated using a discount rate, expected future salary increases and a discount for employee turnover. These parameters are calculated according to the method described under 6.19 Provisions for Severance Pay and Anniversary Bonuses. The interest expense is recorded under staff costs.

The following parameters were used in calculating provisions for the Post Internal Labour Market, changes to which led – all other factors held constant – to the following changes in the provisions for the Post Internal Labour Market:

| Austrian Post Labour Market | 2019 | 2020 | Change EUR m |
|-----------------------------|--------|--------|-----------------|
| Discount rate | 0.50% | 0.25% | 2.2 |
| Salary increase | 2.75% | 2.75% | 0.0 |
| Employee turnover discount | 21.00% | 14.00% | 13.7 |
| Rate of underutilisation | 83.50% | 75.70% | -14.5 |

Changes in parameters led to an increase in the provision for the Internal Labour Market totalling EUR 0.2m.

The following parameters were used in calculating provisions for employees in the process of entering into retirement or in a programme for potential transfer to various federal ministries:

| Other Underutilisation | 2019 | 2020 |
|------------------------|-------------|-------------|
| Discount rate | 0.00%–0.75% | 0.00%–0.50% |
| Salary increase | 2.75% | 2.75% |

6.21 Other Provisions

In accordance with IAS 37, legal or constructive obligations to third parties resulting from past events that are likely to require an outflow of economic benefits and which can be reliably estimated, are reported as other provisions. The provisions are recognised in the amount determined based on the best estimate possible when the annual financial statements are prepared. Provisions are not recognised if 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.

6.22 Share-based Payments

In 2009, the Supervisory Board of Österreichische Post AG approved the introduction of a share-based remuneration programme. Corresponding share-based remuneration programmes (Long-term Incentive Programmes) were realised for members of the Management Board and executives in financial years 2010 to 2020. These programmes are a share-based and performance-oriented remuneration model whose tranches extend over a three-year period (performance period) and which require a one-time personal investment as a condition of participation. The performance period extends from 1 January of the year in which the particular tranche is issued until 31 December of the third-following year.

Of the current Management Board members, Georg Pözl, Peter Umundum and Walter Oblin are taking part in remuneration programmes 9 to 11 as at 31 December 2020. Of the former Management Board members, Walter Hitziger is taking part in remuneration programme 9.

The number of shares of Österreichische Post AG that must be purchased by current and former Management Board members at the outset of the programme is calculated as a defined percentage of their gross fixed salaries divided by the reference price of the Austrian Post share for the fourth quarter of the respective prior year. The number of Austrian Post shares to be purchased by executives is determined based on the chosen investment category according to the conditions of participation. The total sum of the requisite personal investment for participation in the existing share-based remuneration programme at 31 December 2020 amounted to 43,952 shares for Management Board members and 214,015 shares for 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 is paid out on the basis of bonus shares as a unit of measure and depends on the degree to which the goal of predefined performance indicators has been achieved (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 goal being equally weighted. The achievement of the goals is monitored over a period of three years. The total bonus is based on the overall achievement of the goals from the aforementioned parameters, the share price trend of Österreichische Post AG and, from Tranche 10 onwards, the dividends paid during the three-year term. The total bonus for Management Board members and participating executives is limited. Management Board members are subject to an upper limit of 225% (for tranche 9) and 200% (for tranches 10 and 11) of the bonus specified upon 100% overall achievement of the agreed goals. In addition, the Remuneration Committee reached an agreement with the Management Board members with respect to the maximum remuneration of the Management Board. Depending on the tranche, executives are subject to an upper limit of between 115% and 137% in the event of maximum goal achievement, but the bonus cannot exceed the amount of the individual's annual gross salary.

The currently expected number of bonus shares (notional amount) is allocated to the individual tranches on the respective key dates as follows:

| Number of bonus shares per tranche | 31 Dec. 2019 | 31 Dec. 2020 |
|------------------------------------|----------------|----------------|
| Tranche 8 | 252,916 | 12,941 |
| Tranche 9 | 182,979 | 171,929 |
| Tranche 10 | 209,047 | 251,170 |
| Tranche 11 | 0 | 300,047 |
| | 644,942 | 736,087 |

As a general rule, the bonus shares are paid out either in the form of Österreichische Post AG shares or in cash. For tranches 8 and 9, the choice of programme for the Management Board was left to the individual Management Board members. The choice of programme for the executives was taken by the company. After all of the Management Board members opted for payment in cash and payment of the bonus in cash was decided for the executives, there is currently no obligation to settle the amounts owed in the form of equity instruments. The remuneration is accordingly accounted for as a cash-settled share-based payment transaction. For tranches 10 and 11, the decision regarding the form of payment for the bonus shares is at the discretion of the Supervisory Board's Remuneration Committee for the programme for the Management Board, and at the Management Board's discretion for the programme for the executives. However, past business practice indicates that payment in cash can be assumed, which is why the remuneration is accounted for as cash-settled share-based payments.

The services acquired and the liability incurred are recognised at the fair value of the liability, in proportion to the extent to which the services have been rendered to date. Until the liability is settled, the fair value is to be remeasured at each reporting date and on the settlement date. All changes in fair value are recognised in profit or loss under staff costs. The fair value of the liability was determined using a model that takes into account performance indicators and the extent of the services rendered by the employee to date. This involves an income-based approach (present value technique) within the meaning of IFRS 13 taking account of the expected goal achievement (based on company planning), employee turnover and an estimate of the future share price. The data used are classified as Level 3 inputs as defined in the fair value hierarchy.

The fair value of the liability is reported as a provision and is allocated to the individual tranches at the respective key dates as follows:

| EUR m | 31 Dec. 2019 | 31 Dec. 2020 |
|---|--------------|--------------|
| NET CARRYING AMOUNT OF PROVISION | | |
| Tranche 8 | 11.8 | 0.1 |
| Tranche 9 | 5.9 | 6.6 |
| Tranche 10 | 3.4 | 7.1 |
| Tranche 11 | 0.0 | 3.6 |
| | 21.1 | 17.4 |

In the 2020 financial year, a total of EUR 11.7m was paid out entirely in cash for tranche 8. Tranche 8 is paid out in three instalments for employees who have left the company, with the last instalment being paid in January 2021.

The total expense recognised for share-based remuneration in the each reporting period is allocated to the individual tranches as follows:

| EUR m | 2019 | 2020 |
|----------------------|------------|------------|
| TOTAL EXPENSE | | |
| Tranche 8 | 4.0 | 0.0 |
| Tranche 9 | 2.4 | 0.7 |
| Tranche 10 | 3.4 | 3.7 |
| Tranche 11 | 0.0 | 3.6 |
| | 9.9 | 8.0 |

7. Future-related Assumptions and Estimation Uncertainties

The preparation of consolidated financial statements in accordance with IFRS requires management to make assumptions about future developments that 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, the following future-related assumptions and estimates involve a risk that assets and liabilities may have to be adjusted in future financial years.

7.1 Impact of the COVID-19 Pandemic

Due to the exceptional situation created by the current COVID-19 pandemic, the possible effects were investigated separately/in greater detail when preparing the consolidated financial statements. This related, in particular, to the impairment testing of assets in accordance with IAS 36/IFRS 9, the completeness of the recognition and measurement of liabilities, accounting in accordance with IFRS 16 and the recognition of current and deferred taxes.

The existing uncertainties and reduced expectations regarding macroeconomic development were taken into account as an indication of impairment in accordance with IAS 36, and the possible effects were reflected using simulations in the business plans for the cash generating units/investment property. All in all, this did not result in any need for impairment or any material impact on the fair value of the properties.

The expected loss rates for trade and other receivables were adjusted. The impact of these adjustments was insignificant in terms of amount, and no significant payment defaults have been observed to date.

The particular challenges associated with the distribution and delivery of mail items in the course of the COVID-19 pandemic (in particular due to additional volumes and bottlenecks in the distribution centres) led to more incidences of damage and delays affecting mail items, for which appropriate provisions were set up based on a best estimate.

As a landlord, Austrian Post did not have to make any significant concessions in connection with the COVID-19 pandemic, and there were no significant rent losses. Furthermore, the amendment to IFRS 16 "COVID-19-Related Rent Concessions" did not result in any material application cases for Austrian Post as a tenant.

No significant adjustments had to be made to either current or deferred taxes due to COVID-19.

As part of the COVID-19 investment premium for companies that was introduced in the 2020 financial year, the Austrian Post Group applied for investment subsidies of up to EUR 6.9m for an investment volume of approximately EUR 50.0m. The investment subsidy will only be recognised once there is reasonable assurance that the subsidy will be received and the conditions for the grant will be met. The subsidy has no impact on the consolidated financial statements as at 31 December 2020.

Compensation payments of EUR 2.9m were received from health insurance providers for employees from COVID-19 high-risk groups who had to be released from their duties subject to the continued payment of their salaries and for employees who had to be granted special childcare leave. These were recognised in other operating income.

7.2 Provisions for Severance Pay and Anniversary Bonuses

Provisions for existing severance payments and anniversary bonuses are measured based on assumptions regarding the discount rate, retirement age, life expectancy, employee turnover rates and future salary increases.

If all other parameters remain constant, a change in the discount rate of +/- 1 percentage point, a change in salary increases of +/- 1 percentage point and a change in the employee turnover rates of +/- 1 percentage point would have the following effects on the amount of the provisions shown in the table:

| EUR m | Discount rate | | Salary increase | | Employee turnover rate | |
|---------------------|---------------|-------|-----------------|-------|------------------------|-------|
| | -1 pp | +1 pp | -1 pp | +1 pp | -1 pp | +1 pp |
| Severance payments | 16.9 | -14.3 | -13.7 | 15.8 | 0.2 | 0.0 |
| Anniversary bonuses | 4.7 | -4.2 | -3.5 | 3.8 | 4.8 | -4.4 |

7.3 Provision for Underutilisation

Provisions for underutilisation are measured based on assumptions regarding the degree of underutilisation, the discount rate, future salary increases and the discount for turnover of tenured employees.

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

| EUR m | Rate of underutilisation | | Employee turnover discount | | Discount rate | | Salary increase | |
|------------------|--------------------------|--------|----------------------------|--------|---------------|-------|-----------------|-------|
| | -10 pp | +10 pp | -10 pp | +10 pp | -1 pp | +1 pp | -1 pp | +1 pp |
| Underutilisation | -22.6 | 22.6 | 19.7 | -19.7 | 10.7 | -9.8 | -9.7 | 10.4 |

7.4 Crediting of Previous Periods of Service for (Former) Civil Servants

In a decision dated 11 November 2014, the European Court of Justice (ECJ) found, upon presentation by the Austrian Supreme Administrative Court, that the method for eliminating age discrimination in the civil servants' payroll system legally established in 2010 is in violation of EU law. After the issue of crediting periods of service affected not only the civil servants allocated to Österreichische Post AG but all civil servants, the Austrian National Council reacted and undertook a comprehensive reform of the federal payroll system on 21 January 2015. This reform dealt with the main criticism of the ECJ and completely removed the problem. This pay reform was also naturally implemented for the civil servants employed by Österreichische Post AG.

In a more recent preliminary ruling procedure before the European Court of Justice on the crediting of previous periods of civil service, the ECJ ruled on 8 May 2019 that the payroll reform of 2015 was insufficient. As a result, a further amendment was made to civil service law by the federal government, according to which the crediting of previous service periods before the eighteenth birthday must be individually reassessed for each (former) civil servant. The employment law proceedings that need to be conducted in this regard are costly and time-consuming. Österreichische Post AG has since started implementing the amendment and has used a best possible estimate to make a provision of EUR 16.9m at 31 December 2020 (31 December 2019: EUR 14.2m) for the subsequent payments resulting from the recalculated pay-related length of service.

7.5 Recovery of Contributions from the Payroll of Civil Servants

Österreichische Post AG and its legal predecessor paid contributions from the payroll for the civil servants assigned to them in the period from 1 May 1996 to 31 May 2008. However, based on a ruling handed down by the Austrian Administrative Court in 2015, there was no legal obligation to make these payments.

As a result, Österreichische Post AG was awarded contributions totalling EUR 141.1m by the Austrian Federal Finance Court for the period of 2015 to 2019, which were recognised in the income statement. However, in exchange for the total contributions awarded to date, Österreichische Post AG has obligations for possible compensation payments, which have been set aside in the amount of EUR 99.6m as at 31 December 2020 (31 December 2019: EUR 99.6m) based on a payment request issued by the Federal Chancellery. The amount of compensation is subject to considerable uncertainties, as there are differences of opinion between the Federal Chancellery and Österreichische Post AG due to uncertainties regarding the data.

7.6 Data Protection

The Data Protection Authority brought administrative criminal proceedings against Österreichische Post AG in the 2019 and 2020 financial years on grounds of the unlawful processing of data qualifying as personal data and the violation of the rights of data subjects within the meaning of the GDPR. These proceedings had not yet reached a final conclusion at the time the consolidated financial statements were prepared.

In addition, Österreichische Post AG is a defendant in a number of civil proceedings for damages. None of these proceedings has yet resulted in a legally binding judgment.

Provisions which are subject to considerable estimation uncertainties were recognised for possible risks arising from administrative criminal proceedings and civil proceedings for damages based on the best possible estimate.

Further disclosures in connection with these provisions have been waived in accordance with IAS 37.92, as this information may affect the outcome of ongoing proceedings or may influence potential further proceedings.

7.7 Assets and Liabilities in Connection with Business Combinations

In the context of business acquisitions, estimates are required in connection with the determination of the fair value of identifiable assets and acquired liabilities as well as contingent purchase-price liabilities.

All available information regarding the circumstances at the acquisition date is used for the initial accounting treatment of the identifiable assets and liabilities assumed. If the information is not yet complete, provisional amounts are stated. Additional information about the facts and circumstances prevailing at the time of acquisition that becomes available during the valuation period (up to one year) leads to the retroactive adjustment of the reported provisional amounts. Changes resulting from events after the acquisition date do not lead to adjustments during the valuation period.

Intangible assets are determined using an appropriate 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. As a rule, the fair value of land and buildings is determined by independent experts or experts in the Austrian Post Group. These valuations are significantly influenced by the discount rates used in addition to assumptions about the future development of the estimated cash flows.

Analogous to the recognition of assets acquired and liabilities assumed, all available information about the circumstances at the acquisition date is also used for the initial accounting treatment of contingent purchase-price liabilities. In this case, additional information about the facts and circumstances prevailing at the time of acquisition that become known during the

valuation period also leads to a retroactive adjustment of the reported provisional amounts. Changes resulting from events after the acquisition date (for example, the achievement of an earnings target) are not treated as adjustments within the valuation period, but instead lead to the adjustment of the purchase price liability through profit or loss

7.8 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 assumptions regarding the future. The assumptions underlying the impairment test of goodwill as well as the resulting sensitivities are discussed under Note 9.1 Goodwill.

7.9 Leases

Determining the term of the lease involves estimation uncertainties, as assumptions regarding the exercise of renewal options or the non-exercise of termination options of the respective right-of-use asset are to be made in the identification of the right-of-use assets capitalised under property, plant and equipment.

If all other factors remain the same, a change in the lease term by +/-1 year would have the following effects on the amount of right-of-use assets or lease liabilities recorded:

| EUR m | Lease term | |
|---------------------------------------|------------|---------|
| | +1 year | -1 year |
| Right-of-use assets/lease liabilities | 42,7 | -44,3 |

7.10 Financial Instruments

Alternative valuation methods (i. e. income approach or multiple processes) that are fraught with estimation uncertainties are applied to assess the recoverability of equity instruments for which no active market exists. The parameters factored into the valuation of these financial instruments are partially based on assumptions regarding the future, and/or the selection of a suitable peer group requires assumptions regarding the comparability of the group. The same applies to the appropriate amount of liabilities that are subject to estimation uncertainties. This relates, in particular, to contingent residual purchase price liabilities and obligations to acquire non-controlling interests, the settlement amount of which depends on the future results of the acquired companies. The approach is discussed in Note 10 Financial Instruments and Related Risks.

7.11 Income Tax

The recognition and subsequent measurement of current and deferred taxes are subject to uncertainties due to complex tax regulations in different national jurisdictions that furthermore are subject to constant change. The management bases its planning on the assumption 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 assets for existing tax loss carryforwards are capitalised in the amount expected to be actually utilised. Such assets are recognised based on planning calculations on the part of the company's management concerning the amount of taxable income and their actual potential to be utilised, which in turn requires discretionary decisions.

8. Notes on the Income Statement

8.1 Segment Reporting

General Information The implementation of the new organisational structure in 2020 prompted Austrian Post to make changes to its segment reporting with effect from 1 January 2020. In order to ensure comparability, the segment reporting for the 2019 financial year was adjusted. In line with the new divisional structure of the Austrian Post Group, the amended segment reporting is based on the reporting segments Mail, Parcel & Logistics, Retail & Bank and Corporate, and corresponds to the reporting to the Management Board (as Chief Operating Decision Maker according to IFRS 8). The reportable segments are still identified on the basis of the difference between products and services. No operating segments were combined as part of the identification of the reporting segments. Logistics for mail and parcels in Austria was bundled in the internal logistics network production unit, which charges its services to the operating divisions based on the costs incurred.

Mail The product and service portfolio of the Mail Division includes the delivery of letters and document shipments, addressed and unaddressed direct mail, newspapers and online services such as e-letters and business operations such as input management, document logistics and output management. The latter in particular are also supported by subsidiaries. The product portfolio is also supplemented with cross-media solutions and digital advertising through a subsidiary. The offering is rounded off by additional physical and digital services in customer communications as well as optimisation in document processing. The division is responsible for the results of its entire product and service portfolio, including distribution, collection, sorting and delivery.

The Mail Division also bears additional expenses resulting from the special ongoing statutory obligations of Austrian Post (in particular its obligations as a universal service provider in Austria and the specific employment situation of civil servant employees).

Parcel & Logistics The Parcel & Logistics Division offers one-stop solutions for parcel and express parcel shipments (formerly EMS) along the entire value chain. The division remains responsible for the results of the entire service provision process, including logistics services purchased both within the Group and externally. In addition to conventional parcel products, express delivery and food delivery, the portfolio in Austria also includes a broad range of value-added services. Tailored fulfilment solutions such as warehousing, order picking, returns management, the transport of valuable goods and cash, web shop logistics and web shop infrastructures are offered. Internationally, the Parcel & Logistics Division is represented in CEE and Turkey through its subsidiaries. In addition, stationary logistics for pharmaceutical products is offered in Germany through the associate AEP.

Retail & Bank In addition to the branch business previously reported in the Mail Division, the new Retail & Bank Division comprises bank99 AG – Austrian Post's new bank – which has been offering financial services via Austrian Post branches and online throughout Austria since 1 April 2020. The product range initially includes current accounts, savings products, consumer loans and credit cards, as well as conventional payment transaction services. In addition to the new financial services, the branch network continues to sell postal and telecommunication products, as well as retail goods.

Corporate The Corporate Division is primarily responsible for services in the area of Group administration, the development of new business models, the rental of properties not required for operations and the development of real estate projects. Non-operational services typically provided for the management and control of a corporate Group include, among other things, the management of company commercial properties, the provision of IT support services and the administration of the Internal Labour Market of Austrian Post.

Group Reconciliation The elimination of transactions between segments is shown in the Group Reconciliation column. Furthermore, the column serves the reconciliation from segment figures to Group figures. The depreciation, amortisation and impairment losses and segment investments shown in this column mainly relate to the internal logistics network production unit.

INFORMATION ABOUT PROFIT OR LOSS

2019 Financial Year
adjusted¹

| EUR m | Mail | Parcel & Logistics | Retail & Bank | Corporate | Group Reconciliation | Group |
|---|----------------|--------------------|---------------|--------------|----------------------|----------------|
| Revenue (segments) | 1,320.1 | 632.5 | 80.5 | 0.5 | -12.0 | 2,021.6 |
| Revenue intra-Group | 2.9 | 0.7 | 182.3 | 0.4 | -186.4 | 0.0 |
| TOTAL REVENUE | 1,323.0 | 633.2 | 262.8 | 0.9 | -198.4 | 2,021.6 |
| of which revenue with third parties | 1,316.9 | 623.6 | 80.5 | 0.5 | 0.0 | 2,021.6 |
| Results from financial assets accounted for using the equity method | 0.4 | -1.1 | 0.0 | 0.0 | 0.0 | -0.6 |
| Depreciation, amortisation and impairment losses | -4.2 | -12.7 | -4.0 | -13.7 | -83.4 | -118.1 |
| of which impairment losses recognised in profit or loss | -0.2 | -0.8 | 0.0 | -0.6 | -0.1 | -1.7 |
| EBIT | 196.7 | 37.8 | -4.6 | -29.3 | -0.1 | 200.6 |
| Financial result | | | | | | 10.7 |
| EARNINGS BEFORE TAX | | | | | | 211.3 |
| Segment investments | 0.9 | 35.4 | 14.1 | 23.7 | 129.8 | 203.9 |

¹ Adjusted to reflect the new segment structure as of 1 January 2020 - see Note 3.2.1 Changes to Segment Reporting

2020 Financial Year

| EUR m | Mail | Parcel & Logistics | Retail & Bank | Corporate | Group Reconciliation | Group |
|---|----------------|--------------------|---------------|--------------|----------------------|----------------|
| Revenue (segments) | 1,222.7 | 913.6 | 64.7 | 2.8 | -14.6 | 2,189.2 |
| Revenue intra-Group | 3.1 | 1.0 | 183.4 | 0.0 | -187.5 | 0.0 |
| TOTAL REVENUE | 1,225.8 | 914.5 | 248.1 | 2.8 | -202.0 | 2,189.2 |
| of which revenue with third parties | 1,216.7 | 905.3 | 64.6 | 2.7 | 0.0 | 2,189.2 |
| of which result from financial services | 0.0 | 0.0 | 19.8 | 0.0 | -0.1 | 19.7 |
| Results from financial assets accounted for using the equity method | 0.1 | 1.4 | 0.0 | 0.0 | 0.0 | 1.5 |
| Depreciation, amortisation and impairment losses | -4.4 | -19.2 | -8.4 | -20.1 | -90.0 | -142.2 |
| of which impairment losses recognised in profit or loss | 0.0 | -1.0 | 0.0 | 0.0 | -1.3 | -2.3 |
| EBIT | 164.4 | 73.5 | -43.8 | -33.6 | 0.0 | 160.6 |
| Financial result | | | | | | 1.4 |
| EARNINGS BEFORE TAX | | | | | | 162.1 |
| Segment investments | 2.9 | 21.9 | 22.6 | 24.0 | 128.6 | 200.0 |

Transactions between the segments are executed at market-based prices. The settlement of additional expenses resulting from Austrian Post's special statutory obligations is a cost-based process. The accounting treatment of transactions between the segments does not fully correspond to the accounting principles applied within the Austrian Post Group. In particular, the principles for revenue recognition under IFRS 15 are applied in a simplified manner and intra-Group leasing transactions are not reflected in full under IFRS 16.

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:

2019 Financial Year

| EUR m | Austria | Germany | Turkey | Other countries | Group |
|---|---------|---------|--------|-----------------|---------|
| Revenue | 1,853.6 | 50.2 | 0.0 | 117.8 | 2,021.6 |
| Non-current assets other than financial instruments and deferred tax assets | 1,192.4 | 0.8 | 0.0 | 51.8 | 1,245.0 |

2020 Financial Year

| EUR m | Austria | Germany | Turkey | Other countries | Group |
|---|---------|---------|--------|-----------------|---------|
| Revenue | 1,882.3 | 61.7 | 101.5 | 143.7 | 2,189.2 |
| Non-current assets other than financial instruments and deferred tax assets | 1,230.1 | 1.1 | 93.1 | 55.9 | 1,380.2 |

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 | 2019 | 2020 |
|--|----------------|----------------|
| Letter Mail | 760.2 | 732.1 |
| Business Solutions | 52.8 | 44.3 |
| Direct Mail | 371.9 | 320.3 |
| Media Post | 132.1 | 120.0 |
| MAIL | 1,316.9 | 1,216.7 |
| Premium Parcels | 348.6 | 567.8 |
| Standard Parcels | 215.9 | 271.7 |
| Other Parcel Services | 59.1 | 65.8 |
| PARCEL & LOGISTICS | 623.6 | 905.3 |
| Branch Services | 80.4 | 44.8 |
| Result from financial services ¹ | 0.0 | 19.7 |
| Other | 0.0 | 0.1 |
| RETAIL & BANK | 80.4 | 64.6 |
| Revenue real estate project Neutorgasse 7 | 16.4 | 2.6 |
| Other revenue | 0.6 | 2.7 |
| CORPORATE | 17.0 | 5.3 |
| REVENUE FROM CONTRACTS WITH CUSTOMERS | 2,038.0 | 2,191.8 |
| of which reported under revenue | 2,021.6 | 2,189.2 |
| of which reported under other operating income | 16.4 | 2.6 |

¹ See in detail Note 8.3 Result from Financial Services

8.2.2 ASSETS AND LIABILITIES FROM CONTRACTS WITH CUSTOMERS

The following table shows the status of trade receivables and contract assets and liabilities from contracts with customers in accordance with IFRS 15 as of 31 December 2019 and 31 December 2020.

| EUR m | 31 Dec. 2019 | 31 Dec. 2020 |
|----------------------|--------------|--------------|
| Trade receivables | 260.3 | 314.2 |
| Contract assets | 7.1 | 4.4 |
| Contract liabilities | 29.9 | 34.7 |

The contractual liabilities recognised as at 31 December 2020 relate to advance payments received for services not yet provided in connection with mail and parcel delivery, postage stamps and franking machines used by senders and the financial services business.

Of the contract liabilities recognised as at 1 January 2020, EUR 29.8m (2019: EUR 47.4m) were recognised in revenue.

8.3 Result from Financial Services

8.3.1 RESULT FROM FINANCIAL SERVICES

The following table shows the total result from financial services:

| EUR m | 2020 |
|--|-------------|
| Interest expense from cash reserves (incl. balances with central banks) | -1.0 |
| Interest expense from liabilities to customers | -0.1 |
| Interest expense | -1.2 |
| NET INTEREST INCOME/EXPENSE | -1.1 |
| Commission income from current account business and payment transactions | 7.4 |
| Commission income from other service business | 15.0 |
| Commission income | 22.4 |
| Commission expenses from current account business and payment transactions | -0.9 |
| Commission expenses from other service business | -0.7 |
| Commission expenses | -1.6 |
| NET COMMISSION INCOME/EXPENSES | 20.8 |
| RESULT FROM FINANCIAL SERVICES | 19.7 |

8.4 Other Operating Income

| EUR m | 2019 | 2020 |
|---|--------------|-------------|
| Rents and leases | 27.4 | 27.9 |
| Work performed by the enterprise and capitalised | 7.8 | 7.4 |
| Unchargeable expenses | 1.6 | 5.6 |
| Damages | 3.2 | 3.8 |
| Disposal of property, plant and equipment | 3.5 | 2.5 |
| Revenue realisation real estate project Neutorgasse 7 | 16.4 | 2.6 |
| Personnel leasing and administration | 1.9 | 1.1 |
| Reclaim of contributions | 58.0 | 0.0 |
| Other | 11.8 | 13.3 |
| | 131.5 | 64.1 |

Other operating income from rents and leases relates to assets leased in their entirety or in part (property, plant and equipment and investment property). The underlying leases are largely terminable operating leases with the indexation of rents and subleases classified as operating leases relating to rented buildings that are sub-let to subcontractors based on the same terms and conditions and whose term is linked to the additional subcontracting agreement concluded with the subcontractor over and above the lease agreement with the subcontractor, or which include additional termination options.

Work performed by the enterprise and capitalised is mainly related to the capitalisation of internally generated software.

Please refer to Note 8.2.1 Revenue from Contracts with Customers with respect to revenue realised from the Neutorgasse 7 real estate development project.

In the previous year, the item reclaim of contributions in an amount of EUR 58.0m referred to credited repayment claims from employer contributions paid in connection with the payroll of civil servants in previous periods (see Note 7.5 Recovery of Contributions from the Payroll of Civil Servants for more information).

Other operating income includes compensation related to COVID-19 (refer to Note 7.1 Impact of COVID-19 Pandemic) and a large number of immaterial amounts.

Operating Leases The income from operating leases reported under rents and leases amounts to EUR 21.4m (2019: EUR 21.3m). The amount of non-discounted lease payments due annually is as follows at the balance sheet date:

| EUR m | 31 Dec. 2019 | 31 Dec. 2020 |
|--|--------------|--------------|
| No later than one year | 18.6 | 20.9 |
| Later than one year and not later than two years | 15.9 | 17.8 |
| Later than two years and not later than three years | 13.4 | 16.4 |
| Later than three years and not later than four years | 11.1 | 11.1 |
| Later than four years and not later than five years | 8.9 | 8.7 |
| Later than five years | 31.6 | 29.3 |
| | 99.5 | 104.2 |

Lease payments were determined based on the respective lease term for fixed-term leases. A churn rate was calculated based on historical data and applied to future lease payments in the case of leases with an indefinite term.

The costs and carrying amounts of land and buildings reported under property, plant and equipment and for which operating leases exist amounted to EUR 84.9m (31 December 2019: EUR 81.0m) and EUR 18.7m (31 December 2019: EUR 18.6m) respectively as at 31 December 2020. Accumulated depreciation in the 2020 financial year amounted to EUR 66.2m (2019: EUR 62.5m).

8.5 Raw Materials, Consumables and Services Used

| EUR m | 2019 | 2020 |
|-------------------------------|--------------|--------------|
| MATERIAL | | |
| Fuels | 20.0 | 18.4 |
| Retail goods | 5.1 | 7.2 |
| Supplies, clothing, stamps | 20.2 | 22.4 |
| Other | 3.1 | 3.5 |
| | 48.3 | 51.4 |
| SERVICES USED | | |
| International postal carriers | 57.6 | 53.5 |
| Unaddressed mailing lists | 13.9 | 11.6 |
| Addressed mailing lists | 10.9 | 6.8 |
| Energy | 13.5 | 14.5 |
| Transport | 234.8 | 316.6 |
| Contract and leasing staff | 25.6 | 32.3 |
| Other | 91.2 | 109.4 |
| | 447.4 | 544.8 |
| | 495.7 | 596.2 |

8.6 Staff Costs

| EUR m | 2019 | 2020 |
|------------------------------------|--------------|----------------|
| Wages and salaries | 764.5 | 826.2 |
| Severance payments | 8.1 | 8.5 |
| Pension scheme | 0.2 | 0.2 |
| Statutory levies and contributions | 196.1 | 203.3 |
| Other staff costs | 7.9 | 3.3 |
| | 976.7 | 1,041.4 |

Expenses for severance payments can be broken down as follows:

| EUR m | 2019 | 2020 |
|-------------------|------------|------------|
| Management Board | 0.1 | 0.1 |
| Senior executives | 0.3 | 0.4 |
| Other employees | 7.7 | 8.0 |
| | 8.1 | 8.5 |

In the 2020 financial year, contributions to the Mitarbeitervorsorgekasse (MVK) (employee pension fund) relating to defined contribution severance obligations were recognised as expenses in the amount of EUR 5.9m (2019: EUR 4.9m).

The average number of employees during the financial year was:

| | 2019 | 2020 |
|--|---------------|---------------|
| Blue-collar employees | 1,847 | 3,555 |
| White-collar employees | 14,600 | 16,113 |
| Civil servants | 5,496 | 4,935 |
| Trainees | 116 | 137 |
| TOTAL NUMBER | 22,058 | 24,739 |
| CORRESPONDING FULL-TIME EQUIVALENTS | 20,338 | 22,966 |

8.7 Depreciation, Amortisation and Impairment Losses

| EUR m | 2019 | 2020 |
|--|--------------|--------------|
| IMPAIRMENT LOSSES ON GOODWILL | 0.8 | 1.0 |
| AMORTISATION OF INTANGIBLE ASSETS | | |
| Depreciation | 5.5 | 10.7 |
| Impairment losses | 0.2 | 0.0 |
| | 5.7 | 10.7 |
| DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT | | |
| Depreciation | 108.5 | 127.2 |
| Impairment losses | 0.1 | 1.3 |
| | 108.6 | 128.5 |
| DEPRECIATION OF INVESTMENT PROPERTY | | |
| Depreciation | 2.4 | 2.0 |
| Impairment losses | 0.6 | 0.0 |
| | 3.0 | 2.0 |
| | 118.1 | 142.2 |

Please refer respectively to Note 9.1 Goodwill, Note 9.2 Intangible Assets, Note 9.3 Property, Plant and Equipment and Note 9.4 Investment Property for comments on impairment.

8.8 Other Operating Expenses

| EUR m | 2019 | 2020 |
|---|--------------|--------------|
| IT services | 54.0 | 67.0 |
| Maintenance | 53.4 | 60.4 |
| Travel and mileage | 27.6 | 26.2 |
| Damages | 32.4 | 25.8 |
| Communications and advertising | 21.0 | 24.4 |
| Consultancy | 32.4 | 19.0 |
| Waste disposal and cleaning | 13.0 | 16.4 |
| Leasing and rental payments | 15.6 | 14.1 |
| Other taxes (excl. income taxes) | 9.3 | 13.7 |
| Insurance | 7.2 | 7.3 |
| Telephone | 3.4 | 4.5 |
| Contract and leasing staff | 2.9 | 3.8 |
| Training and professional development | 3.2 | 2.0 |
| Impairment losses on receivables | 1.8 | 2.0 |
| Losses from the disposal of property, plant and equipment | 1.9 | 1.4 |
| Compensation payments | 59.7 | 0.0 |
| Other | 22.4 | 26.4 |
| | 361.3 | 314.4 |

Impairment losses on receivables in the 2020 financial year include impairment losses on receivables pursuant to IFRS 9 in the amount of EUR 0.5m (2019: EUR 0.3m) and losses from the derecognition of receivables totalling EUR 1.5m (2019: EUR 1.5m). Due to the immaterial amounts involved, they are not disclosed as separate items in the income statement in accordance with IAS 1.82.

Expenses for compensation payments in 2019 are related to the recovery of contributions from the payroll of civil servants. In the 2019 financial year, there was an additional allocation due to reimbursements received and a reassessment of the provision. See Note 7.5 Recovery of Contributions from the Payroll of Civil Servants.

The remaining other operating expenses include a large number of individual immaterial amounts.

8.9 Total Financial Result

| EUR m | Note | 2019 | 2020 |
|---|----------|-------------|-------------|
| FINANCIAL INCOME | | | |
| Interest income | | 8.4 | 1.5 |
| Income from securities | | 0.6 | 0.5 |
| Income from revaluation of financial assets | | 9.9 | 8.9 |
| | | 18.9 | 10.9 |
| FINANCIAL EXPENSES | | | |
| Interest expense (lease liabilities) | | -4.5 | -4.8 |
| Interest expense (financial liabilities) | | -0.2 | -0.3 |
| Interest expense (interest effects of provisions) | (9.12.1) | -3.2 | -2.6 |
| Expense from revaluation of financial assets | | -0.1 | -0.1 |
| Expenses from foreign currency measurement | | 0.0 | -1.7 |
| Other | | -0.1 | 0.0 |
| | | -8.2 | -9.5 |
| | | 10.7 | 1.4 |

Interest income in the 2019 financial year included interest in the amount of EUR 7.7m on reclaimed unjustly levied employer contributions related to the payroll of civil servants (see Note 7.5 Recovery of Contributions from the Payroll of Civil Servants).

Income from the measurement of financial assets includes increases in the value of the shares in flatex AG amounting to EUR 8.7m (2019: EUR 8.9m).

8.10 Earnings per Share

| | | 2019 | 2020 |
|---|----------|-------------|-------------|
| Profit for the period attributable to equity holders of the parent company | (EUR m) | 146.4 | 118.3 |
| Adjusted profit for the period for the identification of diluted earnings per share | (EUR m) | 146.4 | 118.3 |
| Weighted average number of outstanding ordinary shares used in calculating basic earnings per share | (shares) | 67,552,638 | 67,552,638 |
| Weighted average number of outstanding ordinary shares used in calculating diluted earnings per share | (shares) | 67,552,638 | 67,552,638 |
| BASIC EARNINGS PER SHARE | (EUR) | 2.17 | 1.75 |
| DILUTED EARNINGS PER SHARE | (EUR) | 2.17 | 1.75 |

9. Balance Sheet Disclosures

9.1 Goodwill

| EUR m | 2019 | 2020 |
|--|------|------|
| HISTORICAL COSTS | | |
| BALANCE AS AT 1 JANUARY | 70.1 | 73.3 |
| Additions arising from acquisitions | 3.3 | 1.7 |
| Currency translation differences | -0.1 | -0.4 |
| BALANCE AS AT 31 DECEMBER | 73.3 | 74.6 |
| IMPAIRMENT LOSSES | | |
| BALANCE AS AT 1 JANUARY | 11.4 | 12.2 |
| Additions | 0.8 | 1.0 |
| Currency translation differences | 0.0 | -0.1 |
| BALANCE AS AT 31 DECEMBER | 12.2 | 13.1 |
| CARRYING AMOUNT AS AT 1 JANUARY | 58.7 | 61.1 |
| CARRYING AMOUNT AS AT 31 DECEMBER | 61.1 | 61.4 |

Additions arising from acquisitions relate to the merger with Aras Kargo a.s. Refer to Note 4.2 Changes to the Scope of Consolidation.

The implementation of the new organisational structure 2020 also resulted in changes in the composition of the cash generating units (CGU). The most significant change occurred in the Mail Division, which was classified as a single CGU from 1 January 2020.

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

| EUR m | 31 Dec. 2019 | 31 Dec. 2020 |
|-------------------------------|--------------|--------------|
| MAIL | | |
| Mail | - | 36.8 |
| feibra Group | 30.9 | - |
| Other | 5.9 | - |
| | 36.8 | 36.8 |
| PARCEL & LOGISTICS | | |
| Parcel & Logistics Austria | 11.7 | 11.7 |
| Other | 12.6 | 12.9 |
| | 24.3 | 24.6 |
| | 61.1 | 61.4 |

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 in logistics (Mail, Parcel & Logistics, Corporate Divisions), 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 management-approved planning for the 2021 financial year and the medium-term business planning for a period of an additional three years (2022 – 2024). 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 2025 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% (2019: 1.0%) is applied, while necessary retained earnings are 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 value in use for the financial services CGU (Retail & Bank Division) is calculated using an income approach in the form of the dividend discount model. The future distributions accruing to the owners are discounted to their present value using a cost of equity rate. The recoverable amount calculated in this manner is then compared to the net assets of the CGU. The expected future distributions were calculated on the basis of a 3-phase model. The detailed planning phase, based on the management-approved planning (2021–2030), is followed by a convergence phase (until 2040) with subsequent transition to perpetuity. The distribution forecasts are based on both the internal assumptions from the business model and the industry-specific, economic and regulatory overall data that is collected externally. The main valuation assumptions underlying the determination of the recoverable amount were assumptions by the management about the expected number of new customers that can be attracted, the development and placement of the product range and the company's future cost structure, as well as the discount rate applied and the expected long-term growth rate (1%).

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

| | WACC after tax | |
|-------------------------------|----------------|------------|
| | 2019 | 2020 |
| MAIL | | |
| Mail | - | 6.1% |
| feibra Group | 5.7% | - |
| Other | 5.7% | - |
| PARCEL & LOGISTICS | | |
| Parcel & Logistics Austria | 7.2% | 6.5% |
| Other | 7.2%–14.4% | 7.2%–24.6% |

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

| EUR m | 2019 | 2020 |
|-------------------------------|------------|------------|
| PARCEL & LOGISTICS | | |
| M&BM Express OOD | 0.0 | 1.0 |
| City Express d.o.o. | 0.8 | 0.0 |
| | 0.8 | 1.0 |
| | 0.8 | 1.0 |

In the 2020 financial year, an impairment loss on goodwill was recognised for the M&BM Express OOD, Bulgaria (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 was the ongoing difficult market environment and an overall reduced prospect of profitability.

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.

All other things being equal, the following additional impairment losses would arise for the following cash generating units for 2020:

| EUR m | Expected revenue | | WACC | |
|------------------|------------------|-------|------|-------|
| | 2019 | -1 pp | 2019 | +1 pp |
| | 2019 | 2020 | 2019 | 2020 |
| M&BM Express OOD | 0.4 | 1.8 | 0.2 | 1.4 |

9.2 Intangible Assets

2019 Financial Year

| EUR m | Note | Customer relationships | Trademarks | Other intangible assets | Total |
|---|-------|------------------------|------------|-------------------------|-------|
| HISTORICAL COSTS | | | | | |
| BALANCE AS AT 1 JANUARY 2019 | | 15.9 | 3.9 | 74.7 | 94.4 |
| Additions arising from acquisitions | | 1.4 | 0.0 | 0.0 | 1.4 |
| Additions | | 0.1 | 0.0 | 16.4 | 16.5 |
| Disposals | | 0.0 | 0.0 | -10.5 | -10.5 |
| Transfers | | 0.0 | 0.0 | 0.1 | 0.1 |
| BALANCE AS AT 31 DECEMBER 2019 | | 17.4 | 3.9 | 80.6 | 101.8 |
| DEPRECIATION AND IMPAIRMENT LOSSES | | | | | |
| BALANCE AS AT 1 JANUARY 2019 | | 14.6 | 3.5 | 51.8 | 69.9 |
| Depreciation | (8.7) | 0.8 | 0.0 | 4.7 | 5.5 |
| Impairment losses | (8.7) | 0.1 | 0.0 | 0.1 | 0.2 |
| Disposals | | 0.0 | 0.0 | -8.8 | -8.8 |
| BALANCE AS AT 31 DECEMBER 2019 | | 15.4 | 3.5 | 47.8 | 66.7 |
| CARRYING AMOUNT AS AT 1 JANUARY 2019 | | 1.3 | 0.4 | 22.8 | 24.5 |
| CARRYING AMOUNT AS AT 31 DECEMBER 2019 | | 1.9 | 0.4 | 32.8 | 35.1 |

2020 Financial Year

| EUR m | Note | Customer relationships | Trademarks | Other intangible assets | Total |
|---|-------|------------------------|------------|-------------------------|-------|
| HISTORICAL COSTS | | | | | |
| BALANCE AS AT 1 JANUARY 2020 | | 17.4 | 3.9 | 80.6 | 101.8 |
| Additions arising from acquisitions | | 16.9 | 24.5 | 10.1 | 51.5 |
| Additions | | 0.0 | 0.0 | 23.2 | 23.2 |
| Disposals | | 0.0 | 0.0 | -2.5 | -2.5 |
| Currency translation differences | | -0.7 | -1.0 | -0.5 | -2.2 |
| BALANCE AS AT 31 DECEMBER 2020 | | 33.5 | 27.4 | 111.0 | 171.9 |
| DEPRECIATION AND IMPAIRMENT LOSSES | | | | | |
| BALANCE AS AT 1 JANUARY 2020 | | 15.4 | 3.5 | 47.8 | 66.7 |
| Depreciation | (8.7) | 1.6 | 0.0 | 9.1 | 10.7 |
| Disposals | | 0.0 | 0.0 | -2.4 | -2.4 |
| Currency translation differences | | 0.0 | 0.0 | 0.0 | 0.0 |
| BALANCE AS AT 31 DECEMBER 2020 | | 17.0 | 3.5 | 54.4 | 74.9 |
| CARRYING AMOUNT AS AT 1 JANUARY 2020 | | 1.9 | 0.4 | 32.8 | 35.1 |
| CARRYING AMOUNT AS AT 31 DECEMBER 2020 | | 16.5 | 23.9 | 56.6 | 96.9 |

Intangible assets include trademarks with indefinite useful lives with a carrying amount of EUR 23.9m (31 December 2019: EUR 0.4m).

Additions arising from acquisitions relate to the merger with Aras Kargo a.s.

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

Additions to other intangible assets relate to internally developed software in the amount of EUR 5.9m (2019: EUR 10.7m).

9.3 Property, Plant and Equipment

2019 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 AS AT 1 JANUARY 2019 | | 755.7 | 161.5 | 354.0 | 46.3 | 1,317.5 |
| First-time application of IFRS 16 | | 268.5 | 0.1 | 1.8 | 0.0 | 270.3 |
| Additions arising from acquisitions | | 48.2 | 10.8 | 0.9 | 0.1 | 60.0 |
| Additions | | 49.9 | 15.2 | 44.6 | 75.1 | 184.9 |
| Disposals | | -4.2 | -1.1 | -28.0 | 0.0 | -33.3 |
| Transfers | | 44.4 | 3.9 | 7.2 | -55.6 | -0.1 |
| Reclassification as investment property | (9.4) | 7.8 | 0.0 | 0.0 | 0.0 | 7.8 |
| Currency translation differences | | -0.2 | 0.0 | -0.1 | 0.0 | -0.3 |
| BALANCE AS AT 31 DECEMBER 2019 | | 1,170.1 | 190.4 | 380.4 | 66.0 | 1,806.8 |
| DEPRECIATION AND IMPAIRMENT LOSSES | | | | | | |
| BALANCE AS AT 1 JANUARY 2019 | | 381.9 | 102.8 | 180.0 | 0.0 | 664.7 |
| Depreciation | (8.7) | 52.8 | 14.1 | 41.7 | 0.0 | 108.5 |
| Impairment losses | (8.7) | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| Disposals | | -0.2 | -0.2 | -24.5 | 0.0 | -25.0 |
| Reclassifications as investment property | (9.4) | 2.1 | 0.0 | 0.0 | 0.0 | 2.1 |
| Currency translation differences | | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 |
| BALANCE AS AT 31 DECEMBER 2019 | | 436.6 | 116.6 | 197.2 | 0.0 | 750.4 |
| CARRYING AMOUNT AS AT 1 JANUARY 2019 | | 373.8 | 58.7 | 174.0 | 46.3 | 652.8 |
| CARRYING AMOUNT AS AT 31 DECEMBER 2019 | | 733.6 | 73.8 | 183.1 | 66.0 | 1,056.5 |

2020 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 |
|---|-------|------------------------|-------------------------------|---|--|----------------|
| COST | | | | | | |
| BALANCE AS AT 1 JANUARY 2020 | | 1,170.1 | 190.4 | 380.4 | 66.0 | 1,806.8 |
| Additions arising from acquisitions | | 31.3 | 4.7 | 4.1 | 3.1 | 43.1 |
| Additions | | 42.6 | 28.2 | 48.5 | 55.7 | 174.9 |
| Disposals | | -3.1 | -0.1 | -30.3 | 0.0 | -33.6 |
| Transfers | | 38.7 | 17.5 | 13.1 | -69.3 | 0.0 |
| Reclassification as investment property | (9.4) | -0.4 | 0.0 | 0.0 | 0.0 | -0.4 |
| Reclassification to "held for sale" | | -2.7 | 0.0 | 0.0 | 0.0 | -2.7 |
| Currency translation differences | | -2.1 | -0.3 | -0.5 | -0.1 | -3.1 |
| BALANCE AS AT 31 DECEMBER 2020 | | 1,274.5 | 240.2 | 415.2 | 55.3 | 1,985.2 |
| DEPRECIATION AND IMPAIRMENT LOSSES | | | | | | |
| BALANCE AS AT 1 JANUARY 2020 | | 436.6 | 116.6 | 197.2 | 0.0 | 750.4 |
| Depreciation | (8.7) | 62.5 | 17.5 | 47.1 | 0.0 | 127.2 |
| Impairment losses | (8.7) | 1.3 | 0.0 | 0.0 | 0.0 | 1.3 |
| Disposals | | -1.4 | -0.1 | -26.1 | 0.0 | -27.6 |
| Transfers | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reclassifications as investment property | (9.4) | -0.4 | 0.0 | 0.0 | 0.0 | -0.4 |
| Reclassification to "held for sale" | | -2.5 | 0.0 | 0.0 | 0.0 | -2.5 |
| Currency translation differences | | -0.2 | 0.0 | -0.2 | 0.0 | -0.4 |
| BALANCE AS AT 31 DECEMBER 2020 | | 496.0 | 134.0 | 218.0 | 0.0 | 848.0 |
| CARRYING AMOUNT AS AT 1 JANUARY 2020 | | 733.6 | 73.8 | 183.1 | 66.0 | 1,056.5 |
| CARRYING AMOUNT AS AT 31 DECEMBER 2020 | | 778.5 | 106.2 | 197.2 | 55.3 | 1,137.2 |

The impairment losses in the 2020 financial year relate to a right-of-use asset for a logistics centre that will no longer be used as of the beginning of 2021.

Additions arising from acquisitions relate to the merger with Aras Kargo a.s.

No external borrowing costs were capitalised in the current financial year as was the case in the previous year. Furthermore, no property, plant and equipment were pledged as collateral as at 31 December 2020, as was the case in the previous year.

The existing investment subsidies for property, plant and equipment as at 31 December 2020 totalling EUR 0.9m (31 December 2019: EUR 1.4m) mainly relate to federal government subsidies for electric-powered vehicles and structural investments.

LEASING

Rights of use are assigned to the same balance sheet items in the balance sheet in which the underlying assets of leases are stated.

The performance of the rights of use based on the class of underlying asset is shown in the following table.

Right-of-use Assets in the 2019 Financial Year

| EUR m | Property and buildings | Technical plant and machinery | Other equipment, furniture and fittings | Total |
|---|------------------------|-------------------------------|---|--------------|
| CARRYING AMOUNT AS AT 1 JANUARY 2019 | 277.5 | 0.1 | 2.3 | 279.9 |
| Additions | 23.9 | 0.7 | 4.3 | 29.0 |
| Additions arising from acquisitions | 46.7 | 0.0 | 0.0 | 46.7 |
| Disposals | -3.9 | 0.0 | -0.4 | -4.3 |
| Depreciation | -33.0 | 0.0 | -1.5 | -34.6 |
| Currency translation differences | -0.2 | 0.0 | 0.0 | -0.2 |
| CARRYING AMOUNT AS AT 31 DECEMBER 2019 | 311.0 | 0.8 | 4.8 | 316.5 |

Right-of-use Assets in the 2020 Financial Year

| EUR m | Property and buildings | Technical plant and machinery | Other equipment, furniture and fittings | Total |
|---|------------------------|-------------------------------|---|--------------|
| CARRYING AMOUNT AS AT 1 JANUARY 2020 | 311.0 | 0.8 | 4.8 | 316.5 |
| Additions | 31.4 | 5.0 | 3.3 | 39.7 |
| Additions arising from acquisitions | 18.3 | 0.0 | 0.7 | 19.0 |
| Disposals | -1.6 | 0.0 | -0.9 | -2.6 |
| Depreciation | -40.4 | -0.6 | -2.4 | -43.5 |
| Impairment losses | -1.3 | 0.0 | 0.0 | -1.3 |
| Currency translation differences | -1.3 | 0.0 | 0.0 | -1.3 |
| CARRYING AMOUNT AS AT 31 DECEMBER 2020 | 316.1 | 5.1 | 5.4 | 326.6 |

The **lease liabilities** are reported in the consolidated balance sheet as part of other financial liabilities. For more details on the maturity analysis of the lease liabilities based on the remaining term to maturity, see Note 10.2.1 Presentation of Types of Risk.

The following amounts in conjunction with IFRS 16 are recognised in the **income statement**:

| EUR m | 2019 | 2020 |
|---|-------------|-------------|
| Expense for leases of low value | 0.4 | 0.2 |
| Expense for short-term leases | 0.9 | 1.1 |
| OTHER OPERATING EXPENSES | 1.3 | 1.3 |
| Amortisation of right-of-use assets | 34.5 | 43.3 |
| Impairments on right-of-use assets | 0.0 | 1.3 |
| DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES | 34.5 | 44.6 |
| Interest expense (lease liabilities) | 4.5 | 4.8 |
| FINANCIAL EXPENSES | 4.5 | 4.8 |

Cash outflows for leases amounting to EUR 46.9m (31 December 2019: EUR 38.0m) in total are included in the **consolidated cash flow statement**.

9.4 Investment Property

| EUR m | Note | 2019 | 2020 |
|---|-------|--------------|--------------|
| COST | | | |
| BALANCE AS AT 1 JANUARY | | 264.5 | 257.6 |
| Additions arising from acquisitions | | 0.0 | 2.1 |
| Additions | | 2.6 | 1.9 |
| Disposals | | -1.7 | -1.3 |
| Reclassification to property, plant and equipment | | -7.8 | 0.4 |
| Reclassification to "held for sale" | | 0.0 | -1.5 |
| Currency translation differences | | 0.0 | -0.1 |
| BALANCE AS AT 31 DECEMBER | | 257.6 | 259.0 |
| DEPRECIATION AND IMPAIRMENT LOSSES | | | |
| BALANCE AS AT 1 JANUARY | | 186.1 | 184.6 |
| Depreciation | (8.7) | 2.4 | 2.0 |
| Impairment losses | (8.7) | 0.6 | 0.0 |
| Value recovery | | -1.3 | 0.0 |
| Disposals | | -1.0 | -1.2 |
| Reclassification to property, plant and equipment | | -2.1 | 0.4 |
| Reclassification to "held for sale" | | 0.0 | -1.3 |
| Currency translation differences | | 0.0 | 0.0 |
| BALANCE AS AT 31 DECEMBER | | 184.6 | 184.6 |
| CARRYING AMOUNT AS AT 1 JANUARY | | 78.4 | 73.0 |
| CARRYING AMOUNT AS AT 31 DECEMBER | | 73.0 | 74.4 |

| EUR m | 31 Dec. 2019 | 31 Dec. 2020 |
|---|--------------|--------------|
| Fair value | 261.4 | 273.9 |
| Rental income | 16.0 | 15.9 |
| Expenses arising from property generating rental income | 6.1 | 5.2 |
| Expenses arising from property not generating rental income | 1.0 | 0.6 |

The rental income and expenses arising from property generating rental income and property not generating rental income 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 current financial year as was the case in the previous year. Additions arising from acquisitions relate to the merger with Aras Kargo a.s.

9.5 Joint Ventures and Associates

9.5.1 FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

Composition of Carrying Amounts

| EUR m | Interest in % | 2019 | Interest in % | 2020 |
|---|---------------|-------------|---------------|-------------|
| ASSOCIATES | | | | |
| ADELHEID GmbH, Berlin | 51.5 | 7.0 | 51.5 | 7.1 |
| D2D – direct to document GmbH, Vienna | 70.0 | 3.8 | 70.0 | 3.6 |
| PHS Logistiktechnik GmbH, Graz | 40.0 | 0.6 | 48.4 | 0.7 |
| | | 11.4 | | 11.4 |
| JOINT VENTURES | | | | |
| Post IT Services GmbH (formerly OMNITEC Informationstechnologie-Systemservice GmbH), Vienna | 50.0 | 0.0 | -1 | 0.0 |
| | | 0.0 | | 0.0 |
| NET CARRYING AMOUNT AS AT 31 DECEMBER | | 11.4 | | 11.4 |

¹ Termination of accounting using the equity method in the 2020 financial year; refer to Note 4.2 Changes to the Scope of Consolidation.

ADELHEID GmbH owns a 100% stake in AEP GmbH, Alzenau, Germany, which supplies pharmaceutical products to pharmacies in Germany under the name "AEP direkt". Although the shareholding in ADELHEID GmbH, Berlin, amounts to 51.5%, 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%.

At D2D – direct to document GmbH, Vienna, decisions must be taken unanimously for key matters, meaning that there is no controlling interest pursuant to IFRS 10.

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

Reconciliation of Carrying Amounts

| EUR m | 2019 | 2020 |
|--|-------------|-------------|
| NET CARRYING AMOUNT AS AT 1 JANUARY | 9.2 | 11.4 |
| Additions arising from acquisitions | 3.6 | 0.0 |
| Additions arising from capital increase | 3.4 | 0.3 |
| Additions arising from change in method | 0.0 | 22.2 |
| Proportionate share of profit for the period | 0.0 | 1.5 |
| Dividends | -0.1 | -0.8 |
| Currency translation differences | 0.0 | -2.6 |
| Remeasurement | 0.0 | 3.2 |
| Decrease from change in accounting method | -4.7 | -23.9 |
| NET CARRYING AMOUNT AS AT 31 DECEMBER | 11.4 | 11.4 |

In the opinion of Austrian Post, there are no material associates or joint ventures.

Aras Kargo a.s. The additions/disposals resulting from the change in method mainly relate to Aras Kargo a.s., where accounting for the stake using the equity method was resumed as of 18 June 2020. With the attainment of control on 25 August 2020, accounting using the equity method was terminated. The pro rata result in this period amounted to EUR 1.5m and distributions of EUR 0.5m were received. Currency translation differences resulted in a loss of EUR 2.6m. Refer to Note 4.2 Changes to the Scope of Consolidation and 9.6. Other Financial Assets.

Post IT Services GmbH Post IT Services GmbH ceased to be accounted for using the equity method with effect from 1 January 2020. The company will be included in the consolidated financial statements as a fully consolidated company as of this date. Refer to Note 4.2 Changes to the Scope of Consolidation.

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 total result from financial investments accounted for using the equity method:

Results from Financial Assets Accounted for Using the Equity Method

| EUR m | 2019 | 2020 |
|---|-------------|------------|
| IMMATERIAL ASSOCIATES | | |
| Share of profit for the period | -0.6 | 1.5 |
| RESULTS FROM FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD | -0.6 | 1.5 |
| FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD - SHARE OF OTHER COMPREHENSIVE INCOME | 0.0 | 0.0 |

9.6 Other Financial Assets

| EUR m | 31 Dec. 2019 | | | 31 Dec. 2020 | | |
|--------------------------|-------------------|-------------------------|--------------|-------------------|-------------------------|--------------|
| | Due within 1 year | Due in more than 1 year | Total | Due within 1 year | Due in more than 1 year | Total |
| Securities | 50.7 | 0.0 | 50.7 | 40.7 | 0.0 | 40.7 |
| Money market investments | 179.9 | 10.0 | 189.9 | 70.0 | 0.0 | 70.0 |
| Other stakes | 0.0 | 58.1 | 58.1 | 0.0 | 5.4 | 5.4 |
| TOTAL | 230.6 | 68.1 | 298.7 | 110.6 | 5.4 | 116.1 |

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

Money Market Investments include fixed term deposits with Austrian banks.

Other Shares The carrying amount as at 31 December 2020 mainly includes the shares held in Wiener Börse AG. The shares in flatex AG reported under this item in the previous year were sold in the 2020 financial year.

For the share in Aras Kargo a.s., with a carrying amount of EUR 23.3m as at 31 December 2019 (fair value through other comprehensive income (FVOCI) category), equity accounting was resumed in the 2020 financial year. Refer to Note 4.2 Changes to the Scope of Consolidation.

The stake in flatex AG (fair value through profit or loss (FVTPL) category) with a carrying amount of EUR 29.4m as at 31 December 2019 was sold in full in the 2020 financial year. The adjustment of the fair value until the disposal of the shares resulted in a profit of EUR 8.7m, which was recognised in the income statement under financial income.

Due to its being publicly traded on the Vienna Stock Exchange, Österreichische Post AG holds an approx. 1.7% stake in Wiener Börse AG (formerly CEESEG AG). This shareholding is assigned to the fair value through other comprehensive income (FVOCI) category. The fair value came to EUR 5.3m at the balance sheet date.

For disclosures on determining market values refer to Note 10.1 Financial Instruments and Related Risks.

9.7 Financial Assets and Liabilities from Financial Services

The following tables show the maturities of the financial assets and liabilities from financial services:

Financial Assets from Financial Services

| EUR m | 31 Dec. 2019 adjusted | | | 31 Dec. 2020 | | |
|--------------------------------|--------------------------|-------------|-------------------|-------------------------|--------------|--|
| | Due within 1 year | Total | Due within 1 year | Due in more than 1 year | Total | |
| Cash and central bank balances | 48.0 | 48.0 | 568.1 | 0.0 | 568.1 | |
| Cash on hand | 13.9 | 13.9 | 114.7 | 0.0 | 114.7 | |
| Central banks | 34.1 | 34.1 | 453.4 | 0.0 | 453.4 | |
| Receivables from banks | 2.9 | 2.9 | 10.8 | 0.0 | 10.8 | |
| due daily | 2.9 | 2.9 | 10.8 | 0.0 | 10.8 | |
| Receivables from customers | 0.0 | 0.0 | 1.7 | 0.0 | 1.7 | |
| due daily | 0.0 | 0.0 | 1.7 | 0.0 | 1.7 | |
| Investments | 0.0 | 0.0 | 0.2 | 0.1 | 0.3 | |
| Securities | 0.0 | 0.0 | 0.2 | 0.1 | 0.3 | |
| Other | 0.0 | 0.0 | 8.7 | 0.0 | 8.7 | |
| TOTAL | 50.9 | 50.9 | 589.4 | 0.1 | 589.5 | |

Financial Liabilities from Financial Services

| EUR m | 31 Dec. 2019 adjusted | | | 31 Dec. 2020 | | |
|--------------------------|--------------------------|------------|-------------------|-------------------------|--------------|--|
| | Due within 1 year | Total | Due within 1 year | Due in more than 1 year | Total | |
| Borrowings from banks | 0.0 | 0.0 | 11.8 | 0.0 | 11.8 | |
| due daily | 0.0 | 0.0 | 11.8 | 0.0 | 11.8 | |
| Liabilities to customers | 0.0 | 0.0 | 519.5 | 0.0 | 519.5 | |
| due daily | 0.0 | 0.0 | 519.5 | 0.0 | 519.5 | |
| Other | 0.0 | 0.0 | 1.5 | 0.0 | 1.5 | |
| TOTAL | 0.0 | 0.0 | 532.9 | 0.0 | 532.9 | |

9.8 Inventories

| EUR m | 31 Dec. 2019 | 31 Dec. 2020 |
|----------------------------|--------------|--------------|
| Materials and consumables | 13.1 | 14.2 |
| Less impairment losses | -2.5 | -2.6 |
| Work in progress buildings | 0.9 | 0.0 |
| Less impairment losses | -0.1 | 0.0 |
| Retail goods | 4.1 | 5.3 |
| Less impairment losses | -1.2 | -1.5 |
| Prepayments inventories | 0.0 | 0.1 |
| | 14.3 | 15.5 |

9.9 Trade and Other Receivables

| EUR m | 31 Dec. 2019 | | | 31 Dec. 2020 | | |
|--|----------------------|-------------------------------|--------------|----------------------|-------------------------------|--------------|
| | Due within 1 year | Due in more than 1 year | Total | Due within 1 year | Due in more than 1 year | Total |
| Trade receivables | 260.3 | 0.0 | 260.3 | 314.2 | 0.0 | 314.2 |
| Receivables from financial assets accounted for using the equity method | 1.8 | 0.4 | 2.2 | 1.4 | 0.4 | 1.9 |
| Other receivables | 34.9 | 16.4 | 51.3 | 53.4 | 10.2 | 63.6 |
| | 296.9 | 16.9 | 313.8 | 369.1 | 10.6 | 379.7 |

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 1.7m (31 December 2019: EUR 1.7m).

With respect to the presentation of impairment losses on trade and other receivables, refer to Note 10.2 Risks and Risk Management Related to Financial Instruments – Logistics.

9.10 Cash and Cash Equivalents

| EUR m | 31 Dec. 2019 adjusted | 31 Dec. 2020 |
|---------------|--------------------------|---------------------|
| Bank balances | 47.1 | 104.3 |
| Cash on hand | 5.5 | 4.0 |
| | 52.6 | 108.2 |

In order to ensure the most transparent possible presentation of the provision of financial services within the Austrian Post Group, the method of presentation was changed in the 2020 financial year to the effect that cash and cash equivalents and balances with central banks held in connection with the provision of financial services are now presented under financial assets from financial services. Regarding the adjustment of the previous year's figures, please refer to Note 3.2.2 Change in the Presentation of Financial Services.

9.11 Equity

Equity Items The share capital of Österreichische Post AG amounts to EUR 337.8m, which is split into 67,552,638 non-par value bearer shares.

At the Annual General Meeting held on 17 June 2020, 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 16,888,160.00 over a period of five years ending on 16 June 2025 by issuing up to 3,377,632 new ordinary bearer shares (non-par value 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 creditors of financial instruments.

The Management Board was authorised by way of a resolution by the Annual General Meeting to acquire treasury shares comprising up to 10% of the company's share capital. This authorisation was extended up until 10 October 2021 by the Annual General Meeting held on 11 April 2019.

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

| | Shares |
|--|------------|
| Balance as at 1 January 2020 | 67,552,638 |
| Balance as at 31 December 2020 | 67,552,638 |
| Weighted average number of shares in the 2020 financial year | 67,552,638 |

The main shareholder of Österreichische Post AG, based on the number of shares outstanding, is Österreichische Beteiligungs AG (ÖBAG), Vienna, with a stake of 52.85%.

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 financial statements of Österreichische Post AG.

Other reserves contain IAS 19 reserves, reserves from the revaluation of financial instruments (FVOCI reserve) 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 resulting from changes in fair value are directly recognised in the reserves without recognition in 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 payments to subsidiaries with non-controlling interests relate to an asymmetrical shareholder contribution made to bank99 AG in the amount of EUR 2m.

For information on non-controlling interests, please refer to Note 4.3 Non-controlling Interests.

The profit for the period in the 2020 financial year amounted to EUR 115.3m (2019: EUR 144.5m). The profit for the period attributable to equity holders of the parent company amounted to EUR 118.3m (2019: EUR 146.4m). 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 31 December 2020. In this respect, the profit shown in the balance totalled EUR 233.3m (2019: EUR 261.5m).

The Management Board will propose a dividend for the 2020 financial year totalling EUR 108.1m (corresponding to a basic dividend of EUR 1.60 per share) (2019: EUR 140.5m, basic dividend of EUR 2.08 per share).

The following tables show the composition of other comprehensive income for the 2019 and 2020 financial years:

2019 Financial Year

| EUR m | Other reserves | | | Equity attributable to shareholders of the parent company | Non-controlling interests | Equity |
|--|-----------------|----------------|-------------------------------|---|---------------------------|--------------|
| | IAS 19 reserves | FVOCI reserves | Currency translation reserves | | | |
| Currency translation differences – investments in foreign businesses | 0.0 | 0.0 | -0.3 | -0.3 | 0.0 | -0.3 |
| Changes in fair value FVOCI – equity instruments | 0.0 | -2.5 | 0.0 | -2.5 | 0.0 | -2.5 |
| Revaluation of defined benefit obligations | -12.8 | 0.0 | 0.0 | -12.8 | 0.0 | -12.8 |
| Tax effect | 3.3 | 0.5 | 0.0 | 3.9 | 0.0 | 3.9 |
| OTHER COMPREHENSIVE INCOME | -9.4 | -2.0 | -0.3 | -11.7 | 0.0 | -11.7 |

2020 Financial Year

| EUR m | Other reserves | | | Equity attributable to shareholders of the parent company | Non-controlling interests | Equity |
|--|-----------------|----------------|-------------------------------|---|---------------------------|-------------|
| | IAS 19 reserves | FVOCI reserves | Currency translation reserves | | | |
| Currency translation differences – investments in foreign businesses | 0.0 | 0.0 | -3.3 | -3.3 | -0.6 | -3.9 |
| Changes in fair value FVOCI – equity instruments | 0.0 | -1.0 | 0.0 | -1.0 | 0.0 | -1.0 |
| Revaluation of defined benefit obligations | -2.9 | 0.0 | 0.0 | -2.9 | 0.1 | -2.8 |
| Tax effect | 0.5 | 0.0 | 0.0 | 0.5 | 0.0 | 0.4 |
| OTHER COMPREHENSIVE INCOME | -2.4 | -1.0 | -3.3 | -6.8 | -0.5 | -7.2 |

Capital Management The capital management of the Austrian Post Group 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 2,680.2m as at 31 December 2020 as a basis (31 December 2019: EUR 2,042.9m), the equity ratio as at 31 December 2020 equalled 24.4% (31 December 2019: 34.3%).

9.12 Provisions

| EUR m | 31 Dec. 2019 | | | 31 Dec. 2020 | | |
|------------------------------------|-------------------|-------------------------|--------------|-------------------|-------------------------|--------------|
| | Due within 1 year | Due in more than 1 year | Total | Due within 1 year | Due in more than 1 year | Total |
| Provisions for severance pay | 3.3 | 110.5 | 113.8 | 3.4 | 122.7 | 126.0 |
| Provisions for anniversary bonuses | 5.2 | 75.1 | 80.3 | 5.3 | 62.5 | 67.8 |
| Other employee provisions | 113.2 | 171.6 | 284.8 | 103.8 | 171.7 | 275.5 |
| Other provisions | 136.5 | 2.0 | 138.5 | 159.7 | 3.4 | 163.1 |
| | 258.1 | 359.3 | 617.4 | 272.1 | 360.4 | 632.5 |

9.12.1 PROVISIONS FOR SEVERANCE PAY AND ANNIVERSARY BONUSES

2019 Financial Year

| EUR m | Severance payments | Anniversary bonuses | Total |
|---|--------------------|---------------------|--------------|
| PRESENT VALUE OF THE OBLIGATION AS AT 1 JANUARY 2019 | 101.0 | 86.8 | 187.9 |
| Additions arising from acquisitions | 0.1 | 0.0 | 0.1 |
| Current service cost | 4.4 | 4.1 | 8.5 |
| Interest expense | 1.9 | 1.3 | 3.2 |
| Actuarial gains (-) and losses (+) from the change in demographic assumptions | 0.1 | -0.2 | -0.1 |
| Actuarial gains (-) and losses (+) from the change in financial assumptions | 13.5 | 4.5 | 18.0 |
| Experience adjustments | -0.8 | -10.1 | -11.0 |
| Actual payments | -6.5 | -6.1 | -12.6 |
| PRESENT VALUE OF THE OBLIGATION AS AT 31 DECEMBER 2019 | 113.8 | 80.3 | 194.1 |

2020 Financial Year

| EUR m | Severance payments | Anniversary bonuses | Total |
|---|--------------------|---------------------|--------------|
| PRESENT VALUE OF THE OBLIGATION AS AT 1 JANUARY 2020 | 113.8 | 80.3 | 194.1 |
| Additions arising from acquisitions | 8.9 | 0.0 | 8.9 |
| Current service cost | 5.1 | 3.6 | 8.8 |
| Interest expense | 1.8 | 0.7 | 2.6 |
| Actuarial gains (-) and losses (+) from the change in demographic assumptions | 0.1 | -12.0 | -11.9 |
| Actuarial gains (-) and losses (+) from the change in financial assumptions | 3.1 | 1.0 | 4.1 |
| Experience adjustments | -0.4 | -1.3 | -1.7 |
| Actual payments | -6.1 | -4.6 | -10.6 |
| Currency translation differences | -0.4 | 0.0 | -0.4 |
| PRESENT VALUE OF THE OBLIGATION AS AT 31 DECEMBER 2020 | 126.0 | 67.8 | 193.9 |

Actuarial gains and losses arise from the adjustments to the parameters for the discount rate, salary increases, and employee turnover rates as described in Note 6.19 Provisions for Severance Pay and Anniversary Bonuses. Actuarial gains and losses as well as adjustments to severance payments made from experience are recognised in other comprehensive income. Actuarial gains and losses as well as adjustments to anniversary bonuses made from experience are recognised in staff costs.

Expenses for severance payments and anniversary bonuses are included under staff costs in the consolidated income statement, with the exception of the interest expense, which is included in the financial result.

9.12.2 OTHER EMPLOYEE PROVISIONS

2019 Financial Year

| EUR m | Underutilisation | Other employee related provisions | Total |
|---------------------------------------|------------------|-----------------------------------|--------------|
| BALANCE AS AT 1 JANUARY 2019 | 206.4 | 106.2 | 312.6 |
| Change in scope of consolidation | 0.0 | 0.4 | 0.4 |
| Reclassification | -2.8 | 0.0 | -2.8 |
| Allocation | 9.0 | 73.9 | 82.9 |
| Use | -18.3 | -52.5 | -70.8 |
| Reversals | -21.7 | -16.8 | -38.5 |
| Accrued interest | 1.0 | 0.0 | 1.0 |
| BALANCE AS AT 31 DECEMBER 2019 | 173.6 | 111.2 | 284.8 |

2020 Financial Year

| EUR m | Underutilisation | Other employee related provisions | Total |
|---------------------------------------|------------------|-----------------------------------|--------------|
| BALANCE AS AT 1 JANUARY 2020 | 173.6 | 111.2 | 284.8 |
| Reclassification | -1.9 | 0.0 | -1.9 |
| Allocation | 29.2 | 55.0 | 84.2 |
| Use | -16.7 | -51.4 | -68.2 |
| Reversals | -2.3 | -21.4 | -23.8 |
| Accrued interest | 0.4 | 0.0 | 0.4 |
| BALANCE AS AT 31 DECEMBER 2020 | 182.2 | 93.3 | 275.5 |

Provisions for Underutilisation Refer to Note 6.20 Provisions for Underutilisation for details on the accounting policies underlying the provisions for underutilisation.

In the 2020 financial year, new provisions in the amount of EUR 29.2m were set up. The new provisions were set up due to new hires in the Internal Labour Market in the amount of EUR 7.1m (2019: provisions for employees leaving the Internal Labour Market in the amount of EUR 14.2m), changes in the calculation parameters in the amount of EUR 0.3m (2019: EUR 15.3m), applications submitted by civil servants to initiate retirement proceedings on grounds of invalidity in the amount of EUR 5.4m (2019: EUR 2.8m) and EUR 3.4m (2019: EUR 4.2m) due to civil servants applying to be accepted into the programme enabling a possible transfer to federal public service. In addition, as a result of the restructuring of the sales concept for financial services, provisions of EUR 10.3m had to be set up for civil servants previously working in this area as part of the provision for underutilisation.

The use of provisions related to ongoing payments to the transferred employees. The transfer of EUR -1.9m 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. The reversal largely relates to the provision for civil servants who are in the process of commencing retirement on grounds of invalidity (2020: EUR 1.9m; 2019: EUR 21.0m).

Other Employee-related Provisions Other employee-related provisions mainly encompass provisions for employee profit-sharing schemes and performance-related bonuses, provisions for programmes with voluntary severance payment offers and restructuring provisions.

In addition, provisions arising from crediting previous periods of service for (former) civil servants amounting to EUR 16.9m in total were allocated in the 2020 and 2019 financial years. Refer to Note 7.4 Crediting of Previous Periods of Service for (Former) Civil Servants.

The allocation to provisions of EUR 55.0m (2019: EUR 73.9m) primarily relates to allocations for employee profit-sharing schemes and performance-related bonuses (2020: EUR 49.9m; 2019: EUR 57.4m).

The use of provisions amounting to EUR 51.4m refers to payments for employee profit-sharing schemes and performance-related bonuses (2020: EUR 46.1m; 2019: EUR 46.6m), payments for programmes with voluntary severance payment offers and restructuring provisions.

The reversals of provisions of EUR 21.4m refer to provisions which were not required for programmes involving voluntary severance payment benefit offers amounting to EUR 3.9m (2019: EUR 3.9m) and EUR 9.9m (2019: EUR 7.1m) for provisions for employee profit-sharing schemes and performance-related bonuses. Furthermore, EUR 4.8m (2019: EUR 5.6m) in provisions were reversed for restructuring provisions in the Mail Division.

9.12.3 OTHER PROVISIONS

2019 Financial Year

| EUR m | |
|---------------------------------------|-------|
| BALANCE AS AT 1 JANUARY 2019 | 50.6 |
| Allocation | 90.6 |
| Use | -1.9 |
| Reversals | -0.8 |
| BALANCE AS AT 31 DECEMBER 2019 | 138.5 |

2020 Financial Year

| EUR m | |
|---------------------------------------|-------|
| BALANCE AS AT 1 JANUARY 2020 | 138.5 |
| Change in scope of consolidation | 8.1 |
| Allocation | 21.8 |
| Use | -3.3 |
| Reversals | -2.0 |
| Accrued interest | 0.4 |
| Currency translation | -0.4 |
| BALANCE AS AT 31 DECEMBER 2020 | 163.1 |

In addition to provisions for litigation and legal expenses, auditing and consulting fees as well as provisions for damages and data protection, other provisions also include expenses for potential compensation payments to the amount of EUR 99.6m (2019: EUR 99.6m). More information can be found in Note 7.5 Recovery of Contributions from the Payroll of Civil Servants, as well as Note 7.6 Data Protection.

9.13 Other Financial Liabilities

| EUR m | 31 Dec. 2019 | | | 31 Dec. 2020 | | |
|-----------------------|-------------------|-------------------------|--------------|-------------------|-------------------------|--------------|
| | Due within 1 year | Due in more than 1 year | Total | Due within 1 year | Due in more than 1 year | Total |
| Borrowings from banks | 1.0 | 0.1 | 1.1 | 30.1 | 0.0 | 30.1 |
| Lease liabilities | 37.8 | 270.6 | 308.4 | 47.4 | 274.1 | 321.5 |
| | 38.8 | 270.7 | 309.5 | 77.6 | 274.1 | 351.6 |

9.14 Trade Payables and Other Liabilities

| EUR m | 31 Dec. 2019 | | | 31 Dec. 2020 | | |
|--|-------------------|-------------------------|--------------|-------------------|-------------------------|--------------|
| | Due within 1 year | Due in more than 1 year | Total | Due within 1 year | Due in more than 1 year | Total |
| Trade payables | 220.6 | 0.0 | 220.6 | 249.2 | 0.0 | 249.2 |
| Payables from financial assets accounted for using the equity method | 0.0 | 0.0 | 0.0 | 1.0 | 0.0 | 1.0 |
| Other liabilities | 136.7 | 27.1 | 163.8 | 166.3 | 50.4 | 216.7 |
| | 357.3 | 27.1 | 384.4 | 416.4 | 50.4 | 466.9 |

Other liabilities include liabilities to tax authorities and social security carriers amounting to EUR 49.6m (31 December 2019: EUR 44.6m), liabilities for holiday entitlements not taken amounting to EUR 39.0m (31 December 2019: EUR 33.0m) and payments received in advance for services which have not yet been provided amounting to EUR 2.3m (31 December 2018: EUR 4.6m).

9.15 Income Tax

| EUR m | 2019 | 2020 |
|--|-------------|-------------|
| Income tax expense for the current year | 51.6 | 30.6 |
| Tax credits/arrears from prior tax years | 0.7 | 0.1 |
| Deferred tax expense/income | 14.5 | 16.1 |
| | 66.8 | 46.8 |

Tax Reconciliation The Group tax rate is defined as the ratio of recognised income tax to profit before tax and is 28.9% in the 2020 financial year (2019: 31.6%).

Tax reconciliation at the Austrian Post Group is based on the statutory tax rate of the parent company in Austria amounting to 25%. Deviations from the statutory tax rates for subsidiaries are displayed in a dedicated reconciliation item.

The reconciliation of the expected income tax with the recognised income tax expense is as follows:

| EUR m | 2019 | 2020 |
|--|--------------|--------------|
| EARNINGS BEFORE TAX | 211.3 | 162.1 |
| EXPECTED TAXES ON INCOME | 52.8 | 40.5 |
| TAX DEDUCTIONS DUE TO | | |
| Write-down of subsidiaries to lower going concern value | -1.5 | 0.0 |
| Adjustments to foreign tax rates | 0.0 | -1.3 |
| Gains not affecting taxes (accounted for using the equity method) | 0.0 | -0.4 |
| Unrecognised deferred taxes on shares in subsidiaries | 0.0 | -0.2 |
| Other tax-reducing items | -0.5 | -1.2 |
| | -2.0 | -3.2 |
| TAX INCREASES DUE TO | | |
| Impairment losses on goodwill | 0.2 | 0.3 |
| Adjustments to foreign tax rates | 0.1 | 0.0 |
| Losses not affecting taxes (accounted for using the equity method) | 0.1 | 0.0 |
| Appreciation subsidiaries | 0.0 | 5.4 |
| Unrecognised deferred taxes on shares in subsidiaries | 3.8 | 0.0 |
| Penalties not affecting taxes | 4.5 | 1.1 |
| Other tax-increasing items | 2.8 | 2.8 |
| | 11.4 | 9.6 |
| INCOME TAX EXPENSE FOR THE PERIOD | 62.3 | 46.9 |
| Adjustment of actual income tax expenses/income from prior years | 0.7 | 0.1 |
| Adjustment of deferred tax expenses/income from prior years | 2.2 | -0.1 |
| Change in unrecognised deferred tax assets | 1.7 | -0.2 |
| CURRENT TAX EXPENSE | 66.8 | 46.8 |

INFORMATION ON DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

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

| EUR m | Deferred tax assets | | Deferred tax liabilities | |
|---|---------------------|----------------|--------------------------|----------------|
| | 31 Dec. 2019 | – 31 Dec. 2020 | 31 Dec. 2019 | – 31 Dec. 2020 |
| Goodwill | 0.2 | 0.2 | -0.3 | -0.3 |
| Customer relationships | 0.6 | 0.7 | -0.3 | -3.3 |
| Trademarks | 0.1 | 0.1 | -0.1 | -4.8 |
| Other intangible assets | 1.0 | 0.0 | -2.5 | -4.2 |
| Property, Plant and Equipment | 3.1 | 5.5 | -0.5 | -0.6 |
| Rights-of-use | 0.0 | 0.0 | -74.1 | -72.6 |
| Financial assets (tax write-down to lower going concern value) | 26.4 | 11.2 | 0.0 | 0.0 |
| Other financial assets | 0.0 | 0.1 | -0.3 | -0.3 |
| Inventories | 1.5 | 0.0 | 0.0 | -0.1 |
| Receivables | 1.9 | 3.1 | -2.3 | -0.2 |
| Contract assets | 0.0 | 0.0 | -1.8 | -1.0 |
| Provisions | 36.2 | 36.9 | 0.0 | 0.0 |
| Liabilities and contract liabilities | 2.1 | 2.5 | -1.0 | -0.6 |
| Financial liabilities from financial services | 0.0 | 0.4 | 0.0 | 0.0 |
| Lease liabilities | 72.8 | 71.9 | -0.1 | -0.1 |
| Tax loss carry forwards | 2.5 | 0.1 | 0.0 | 0.0 |
| | 148.5 | 132.7 | -83.4 | -88.0 |
| Depreciation deferred tax assets and loss carry forwards | -0.1 | -0.8 | 0.0 | 0.0 |
| Net balance | -82.5 | -84.0 | 82.5 | 84.0 |
| DEFERRED TAXES – BALANCE SHEET RECOGNITION | 65.9 | 48.0 | -0.8 | -4.1 |

The development of deferred taxes and the division of the changes into components recognised in profit and loss and those recognised in equity is displayed in the following table:

| EUR m | 2019 | 2020 |
|---|-------------|-------------|
| DEFERRED TAX ASSETS (+)/TAX LIABILITIES (-) AS AT 1 JANUARY | 76.8 | 65.0 |
| Deferred tax expense (-)/income (+) affecting net income | -14.5 | -16.1 |
| Changes in deferred taxes recognised directly in equity | | |
| of which in connection with fair value adjustment (FVOCI) – equity and debt instruments | 0.5 | 0.0 |
| of which in connection with revaluation of defined benefit obligation | 3.3 | 0.4 |
| of which in connection with acquisitions/divestments | -0.3 | -5.0 |
| Reversal of current seventh-part depreciation on equity instruments | -0.7 | -0.7 |
| Exchange rate effects and other changes | 0.0 | 0.2 |
| DEFERRED TAX ASSETS (+)/TAX LIABILITIES (-) AS AT 31 DECEMBER | 65.0 | 43.9 |

The following temporary differences were not recognised, as it is unlikely that there will be taxable earnings in the future. The temporal distribution of the ability to recognise tax loss carryforwards is as follows:

| EUR m | 31 Dec. 2019 | 31 Dec. 2020 |
|---|--------------|--------------|
| UNRECOGNISED TEMPORARY DIFFERENCES FROM: | | |
| LOSS CARRY FORWARDS | 56,9 | 56,3 |
| of which due within not later than 2 years | 0,0 | 0,0 |
| of which due within 3–4 years | 3,1 | 3,7 |
| of which due within 5–6 years | 2,1 | 0,0 |
| of which due later than 6 years | 0,0 | 0,0 |
| due within an indefinite period of time | 51,6 | 52,6 |
| OTHER TEMPORARY DIFFERENCES | 0,7 | 4,6 |
| | 57,6 | 60,9 |

Temporary differences of EUR 41.8m EUR (31 December 2019: EUR 37.7m) arising from shares in subsidiaries (outside basis differences) were not recognised, as it is likely that these temporary differences will not change in the foreseeable future.

10. Financial Instruments

10.1 Financial Instruments

10.1.1 FINANCIAL ASSETS AND LIABILITIES

The following tables show the carrying amounts of financial assets and liabilities by IFRS 9 measurement category as at 31 December 2019 and 31 December 2020:

31 December 2019

| EUR m | Measured at amortised cost (at cost) | At fair value through other comprehensive income (FVOCI) with recycling | At fair value through other comprehensive income (FVOCI) with- out recycling | At fair value through profit or loss (FVTPL) mandatory | Total at fair value | Total |
|--|--|--|---|---|------------------------|--------------|
| FINANCIAL ASSETS | | | | | | |
| Financial Assets from Financial Services | 50.9 | 0.0 | 0.0 | 0.0 | 0.0 | 50.9 |
| Cash and cash equivalents and balances with central banks | 48.0 | 0.0 | 0.0 | 0.0 | 0.0 | 48.0 |
| Receivables from banks | 2.9 | 0.0 | 0.0 | 0.0 | 0.0 | 2.9 |
| Other financial assets | 189.9 | 10.4 | 28.7 | 69.6 | 108.8 | 298.7 |
| Securities | 0.0 | 10.4 | 0.0 | 40.2 | 50.7 | 50.7 |
| Money market investments | 189.9 | 0.0 | 0.0 | 0.0 | 0.0 | 189.9 |
| Other stakes | 0.0 | 0.0 | 28.7 | 29.4 | 58.1 | 58.1 |
| Trade and other receivables | 276.4 | 0.0 | 0.0 | 0.0 | 0.0 | 276.4 |
| Trade receivables | 260.3 | 0.0 | 0.0 | 0.0 | 0.0 | 260.3 |
| Receivables from financial assets accounted for using the equity method | 2.2 | 0.0 | 0.0 | 0.0 | 0.0 | 2.2 |
| Other receivables ¹ | 14.0 | 0.0 | 0.0 | 0.0 | 0.0 | 14.0 |
| Cash and cash equivalents | 52.6 | 0.0 | 0.0 | 0.0 | 0.0 | 52.6 |
| | 569.8 | 10.4 | 28.7 | 69.6 | 108.8 | 678.6 |
| FINANCIAL LIABILITIES | | | | | | |
| Other financial liabilities | 309.5 | 0.0 | 0.0 | 0.0 | 0.0 | 309.5 |
| Borrowings from banks | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 |
| Lease liabilities | 308.4 | 0.0 | 0.0 | 0.0 | 0.0 | 308.4 |
| Trade payables and other liabilities | 296.2 | 0.0 | 0.0 | 2.9 | 2.9 | 299.2 |
| Trade payables | 220.6 | 0.0 | 0.0 | 0.0 | 0.0 | 220.6 |
| Contingent consideration | 0.0 | 0.0 | 0.0 | 2.9 | 2.9 | 2.9 |
| Other liabilities ² | 75.7 | 0.0 | 0.0 | 0.0 | 0.0 | 75.7 |
| | 605.7 | 0.0 | 0.0 | 2.9 | 2.9 | 608.7 |

¹ Excl. prepayments and receivables from tax authorities and social security carriers

² Excl. payments received in advance and liabilities to tax authorities and social security carriers as well as not consumed vacation

31 December 2020

| EUR m | Measured at amortised cost (at cost) | At fair value through other comprehensive income (FVOCI) with recycling | At fair value through other comprehensive income (FVOCI) without recycling | At fair value through profit or loss (FVTPL) mandatory | Total at fair value | Total |
|--|--|--|---|---|------------------------|----------------|
| FINANCIAL ASSETS | | | | | | |
| Financial Assets from Financial Services | 589.3 | 0.2 | 0.0 | 0.0 | 0.2 | 589.5 |
| Cash and cash equivalents and balances with central banks | 568.1 | 0.0 | 0.0 | 0.0 | 0.0 | 568.1 |
| Receivables from banks | 10.8 | 0.0 | 0.0 | 0.0 | 0.0 | 10.8 |
| Receivables from customers | 1.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.7 |
| Financial assets | 0.1 | 0.2 | 0.0 | 0.0 | 0.2 | 0.3 |
| Other | 8.7 | 0.0 | 0.0 | 0.0 | 0.0 | 8.7 |
| Other financial assets | 70.0 | 0.4 | 5.4 | 40.3 | 46.1 | 116.1 |
| Securities | 0.0 | 0.4 | 0.0 | 40.3 | 40.7 | 40.7 |
| Money market investments | 70.0 | 0.0 | 0.0 | 0.0 | 0.0 | 70.0 |
| Other stakes | 0.0 | 0.0 | 5.4 | 0.0 | 5.4 | 5.4 |
| Trade and other receivables | 340.0 | 0.0 | 0.0 | 0.0 | 0.0 | 340.0 |
| Trade receivables | 314.2 | 0.0 | 0.0 | 0.0 | 0.0 | 314.2 |
| Receivables from financial assets accounted for using the equity method | 1.9 | 0.0 | 0.0 | 0.0 | 0.0 | 1.9 |
| Other receivables ¹ | 23.9 | 0.0 | 0.0 | 0.0 | 0.0 | 23.9 |
| Cash and cash equivalents | 108.2 | 0.0 | 0.0 | 0.0 | 0.0 | 108.2 |
| | 1,107.5 | 0.6 | 5.4 | 40.3 | 46.3 | 1,153.8 |
| FINANCIAL LIABILITIES | | | | | | |
| Financial liabilities from financial services | 532.9 | 0.0 | 0.0 | 0.0 | 0.0 | 532.9 |
| Borrowings from banks | 11.8 | 0.0 | 0.0 | 0.0 | 0.0 | 11.8 |
| Liabilities to customers | 519.5 | 0.0 | 0.0 | 0.0 | 0.0 | 519.5 |
| Other | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 1.5 |
| Other financial liabilities | 351.6 | 0.0 | 0.0 | 0.0 | 0.0 | 351.6 |
| Borrowings from banks | 30.1 | 0.0 | 0.0 | 0.0 | 0.0 | 30.1 |
| Lease liabilities | 321.5 | 0.0 | 0.0 | 0.0 | 0.0 | 321.5 |
| Trade payables and other liabilities | 340.2 | 0.0 | 0.0 | 32.7 | 32.7 | 372.9 |
| Trade payables | 249.2 | 0.0 | 0.0 | 0.0 | 0.0 | 249.2 |
| Payables from financial assets accounted for using the equity method | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Contingent consideration | 0.0 | 0.0 | 0.0 | 32.7 | 32.7 | 32.7 |
| Other liabilities ² | 90.0 | 0.0 | 0.0 | 0.0 | 0.0 | 90.0 |
| | 1,224.6 | 0.0 | 0.0 | 32.7 | 32.7 | 1,257.3 |

¹ Excl. prepayments and receivables from tax authorities and social security carriers

² Excl. payments received in advance and liabilities to tax authorities and social security carriers as well as not consumed vacation

10.1.2 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following tables show the financial assets and liabilities measured at fair value by fair value hierarchy level as at 31 December 2019 and 31 December 2020:

31 December 2019

| EUR m | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|-------------|------------|-------------|--------------|
| FINANCIAL ASSETS | | | | |
| Other Financial Assets | 80.0 | 0.0 | 28.7 | 108.8 |
| Securities | 50.7 | 0.0 | 0.0 | 50.7 |
| Other stakes | 29.4 | 0.0 | 28.7 | 58.1 |
| | 80.0 | 0.0 | 28.7 | 108.8 |
| FINANCIAL LIABILITIES | | | | |
| Trade payables and other liabilities | 0.0 | 0.0 | 2.9 | 2.9 |
| Contingent consideration | 0.0 | 0.0 | 2.9 | 2.9 |
| | 0.0 | 0.0 | 2.9 | 2.9 |

31 December 2020

| EUR m | Level 1 | Level 2 | Level 3 | Total |
|--|-------------|------------|-------------|-------------|
| FINANCIAL ASSETS | | | | |
| Financial Assets from Financial Services | 0.2 | 0.0 | 0.0 | 0.2 |
| Financial assets | 0.2 | 0.0 | 0.0 | 0.2 |
| Other financial assets | 40.7 | 0.0 | 5.4 | 46.1 |
| Securities | 40.7 | 0.0 | 0.0 | 40.7 |
| Other stakes | 0.0 | 0.0 | 5.4 | 5.4 |
| | 40.9 | 0.0 | 5.4 | 46.3 |
| FINANCIAL LIABILITIES | | | | |
| Trade payables and other liabilities | 0.0 | 0.0 | 32.7 | 32.7 |
| Contingent consideration | 0.0 | 0.0 | 32.7 | 32.7 |
| | 0.0 | 0.0 | 32.7 | 32.7 |

10.1.3 INFORMATION ON DETERMINING FAIR VALUES

The following table shows the valuation method and the input factors used in determining level 3 fair values:

| Financial Instruments | Level | Valuation method | Inputfaktoren |
|------------------------------|-------|----------------------------|--|
| Securities, financial assets | | Market approach | Nominal values, stock market price |
| Other stakes | 3 | Net present value approach | Business plans and related probability-weighted scenarios; risk-weighted discount rates (WACC) |
| Contingent consideration | 3 | Net present value approach | Business plans and discount rates |

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 in the reporting period from 1 January to 31 December 2020.

The fair value of the obligation to acquire non-controlling interests in Aras Kargo a.s. (see 4.2 Changes to the Scope of Consolidation) was calculated on the basis of expected future results according to the company planning and was discounted using the WACC. In relation to determining the fair value of EUR 32.6m, a variation in these input factors as well as in the exchange rate at the balance sheet date resulted in the following sensitivities:

| EUR m | WACC | | EBITDA | | Exchange rate at balance sheet date EUR/TRY | |
|---|-------|-------|--------|------|---|------|
| | -1 pp | +1 pp | -10% | +10% | -10% | +10% |
| Fair value of purchase price liability of Aras Kargo a.s. | 1.2 | -1.2 | -3.0 | 3.0 | -3.0 | 3.6 |

The following table shows the reconciliation of Level 3 measurements at fair value applying to financial assets and liabilities for the periods from 1 January to 31 December 2019 and from 1 January to 31 December 2020:

Financial Assets

| EUR m | 2019 | 2020 |
|---|-------------|-------------|
| OPENING BALANCE AS AT 1 JANUARY | 31.4 | 28.7 |
| Total gains and losses through profit or loss | -0.1 | 0.0 |
| Recognised in other operating expenses | -0.1 | 0.0 |
| Total gains and losses through other comprehensive income | -2.5 | -1.0 |
| Recognised in the change in fair value FVOCI – equity instruments | -2.5 | -1.0 |
| Decrease from change in accounting method | 0.0 | -22.2 |
| Other disposals | 0.0 | -0.1 |
| CLOSING BALANCE AS AT DECEMBER 31 | 28.7 | 5.4 |

The disposal resulting from a change in method relates to Aras Kargo a.s. (Refer to Note 4.2 Changes to the Scope of Consolidation).

Financial Liabilities

| EUR m | 2019 | 2020 |
|---|------------|-------------|
| OPENING BALANCE AS AT 1 JANUARY | 2.5 | 2.9 |
| Total gains and losses through profit or loss | -0.4 | 0.0 |
| Recognised in other operating income | -0.4 | -0.2 |
| Recognised in other operating expenses | 0.0 | 0.2 |
| Subsequent measurement | 0.0 | -1.1 |
| Repayment | -0.9 | -2.3 |
| Acquisition of subsidiary | 1.7 | 33.2 |
| CLOSING BALANCE AS AT DECEMBER 31 | 2.9 | 32.7 |

10.1.4 FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

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

10.1.5 OFFSETTING OF FINANCIAL INSTRUMENTS

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

10.1.6 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 2019 and 2020 financial years:

| EUR m | 2019 | | | 2020 | | |
|---|------------------|----------------------------|-------------|------------------|----------------------------|-------------|
| | Income statement | Other comprehensive income | Total | Income statement | Other comprehensive income | Total |
| AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) | | | | | | |
| Valuation results | 10.0 | 0.0 | 10.0 | 8.8 | 0.0 | 8.8 |
| | 10.0 | 0.0 | 10.0 | 8.8 | 0.0 | 8.8 |
| AT FAIR VALUE THROUGH OCI (FVOCI) – EQUITY INSTRUMENTS | | | | | | |
| Valuation results | 0.0 | -2.5 | -2.5 | 0.0 | -1.0 | -1.0 |
| | 0.0 | -2.5 | -2.5 | 0.0 | -1.0 | -1.0 |
| FINANCIAL ASSETS MEASURED AT AMORTISED COST | | | | | | |
| Valuation results | -1.7 | 0.0 | -1.7 | -3.8 | 0.0 | -3.8 |
| | -1.7 | 0.0 | -1.7 | -3.8 | 0.0 | -3.8 |
| | 8.3 | -2.5 | 5.8 | 5.0 | -1.0 | 4.0 |

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 | 2019 | 2020 |
|-----------------------------|-------------|-------------|
| INTEREST INCOME | | |
| Cash and cash equivalents | 0.3 | 1.1 |
| Other financial assets | 0.1 | 0.4 |
| | 0.4 | 1.4 |
| INTEREST EXPENSES | | |
| Other financial liabilities | -4.7 | -5.1 |
| | -4.7 | -5.1 |

10.2 Risks and Risk Management Related to Financial Instruments – Logistics

Due to the differences in the business models, financial risk management is reported separately for the logistics and financial services segments. The Logistics segment encompasses the entire business activities of Austrian Post, excluding the Financial Services segment.

10.2.1 PRESENTATION OF TYPES OF RISK

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

- Credit Risks
- Liquidity risks
- Market risks

Credit Risks

Credit 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 asset side of the balance sheet represent the maximum credit-worthiness and credit risk. Where there are recognisable credit risks in respect to the financial assets, impairments are made to account for them. Refer to Note 6.15 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 credit risk relating to securities, Austrian Post's portfolio of securities is restricted to papers from issuers with an investment grade rating or a comparable level of creditworthiness. Austrian Post only invests in investment funds managed by internationally reputable 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.

In the information below, Level 1 refers to financial assets whose credit risk was recognised with the 12-month expected credit loss. Level 2 and Level 3 refer to financial assets for which the credit loss expected over the entire term is recognised as the credit risk. At Level 2, there is a significantly increased credit risk, but the asset is not yet impaired. Level 3 relates to financial assets that are already impaired.

Using this as the basis, the gross carrying amounts of the main classes of credit risk within the Austrian Post Group as at 31 December 2019 as well as 31 December 2020 are as follows:

Gross Carrying Amounts as at 31 December 2019

| EUR m | Gross carrying amount total | General approach | | | Simplified approach | |
|-------------------|-----------------------------|------------------|---------|---------|---------------------|---------|
| | | Level 1 | Level 2 | Level 3 | Level 2 | Level 3 |
| Trade receivables | 263.4 | - | - | - | 259.2 | 4.3 |
| Other receivables | 14.8 | 12.9 | 0.5 | 1.5 | - | - |

Gross Carrying Amounts as at 31 December 2020

| EUR m | Gross carrying amount total | General approach | | | Simplified approach | |
|-------------------|-----------------------------|------------------|---------|---------|---------------------|---------|
| | | Level 1 | Level 2 | Level 3 | Level 2 | Level 3 |
| Trade receivables | 318.9 | - | - | - | 313.2 | 5.8 |
| Other receivables | 24.9 | 22.9 | 0.2 | 1.9 | - | - |

The overall credit risk of all securities in the category FVOCI, receivables from banks and money market investments in Austrian Post's portfolio 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 31 December 2019 and 31 December 2020 are derived as follows:

31 December 2019

| EUR m | Not overdue | Overdue | | | Total |
|--------------------------|-------------|------------|------------|------------|------------|
| | | 1-30 days | 31-90 days | > 90 days | |
| Gross carrying amount | 205.9 | 50.0 | 3.3 | 4.3 | 263.4 |
| Expected loss rate in % | 0.1% | 0.4% | 5.3% | 57.4% | 1.2% |
| IMPAIRMENT LOSSES | 0.2 | 0.2 | 0.2 | 2.4 | 3.0 |

31 December 2020

| EUR m | Not overdue | Overdue | | | Total |
|--------------------------|-------------|------------|------------|------------|------------|
| | | 1-30 days | 31-90 days | > 90 days | |
| Gross carrying amount | 275.0 | 33.8 | 4.4 | 5.8 | 318.9 |
| Expected loss rate in % | 0.2% | 0.6% | 11.1% | 60.5% | 1.5% |
| IMPAIRMENT LOSSES | 0.5 | 0.2 | 0.5 | 3.5 | 4.7 |

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 are divided into receivables from claims for damages and sundry receivables and grouped according to days overdue (matrix). Using this as the basis, the impairment losses for other receivables amount to EUR 1.0m as at 31 December 2020 (31 December 2019: EUR 0.9m). In addition, there was no write-off in the reporting year of other receivables which are still subject to enforcement measures.

The impairment losses on the main credit risk classes developed as follows:

| EUR m | Other receivables | | | | Trade receivables | | |
|---------------------------------------|-------------------|---------|---------|-------|-------------------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total | Level 2 | Level 3 | Total |
| BALANCE AS AT 1 JANUARY 2019 | 0.2 | 0.0 | 0.9 | 1.2 | 0.6 | 2.4 | 3.0 |
| Write-off | 0.0 | 0.0 | -0.1 | -0.1 | 0.0 | -0.4 | -0.4 |
| Net revaluation | -0.1 | 0.0 | -0.1 | -0.2 | 0.0 | 0.4 | 0.4 |
| BALANCE AS AT 31 DECEMBER 2019 | 0.1 | 0.0 | 0.7 | 0.9 | 0.6 | 2.4 | 3.0 |

| EUR m | Other receivables | | | | Trade receivables | | |
|---------------------------------------|-------------------|---------|---------|-------|-------------------|---------|-------|
| | Level 2 | Level 3 | Stufe 3 | Total | Level 2 | Level 3 | Total |
| BALANCE AS AT 1 JANUARY 2020 | 0.1 | 0.0 | 0.7 | 0.9 | 0.6 | 2.4 | 3.0 |
| Additions arising from acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | 1.0 |
| Write-off | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 |
| Net revaluation | 0.1 | 0.0 | 0.1 | 0.2 | 0.2 | 0.5 | 0.8 |
| BALANCE AS AT 31 DECEMBER 2020 | 0.3 | 0.0 | 0.8 | 1.0 | 0.8 | 3.8 | 4.7 |

Securities in the Category FVOCI All securities in the category FVOCI in Austrian Post's portfolio feature a low credit risk. Therefore, the impairment loss was recognised to the amount of the expected 12-month credit loss. A low credit risk remains for securities as long as an investment grade rating exists. The impairment losses recognised on this basis as at 31 December 2020 involved immaterial amounts.

Money Market Investments Money Market Investments include fixed term deposits with Austrian banks. Money market investments are subject to the general approach pursuant to IFRS 9. Due to the low credit risk involved, an impairment loss was recognised to the amount of the expected 12-month credit loss. The impairment loss recognised as at 31 December 2020 involved immaterial amounts.

Receivables from Banks Receivables from banks only include bank balances. 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. The impairment losses recognised as at 31 December 2020 involved immaterial amounts.

Liquidity Risks

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 optimised by actively managing cash flows.

The following tables show the maturity analysis of the financial liabilities based on the remaining term to maturity:

Gross Carrying Amounts as at 31 December 2019

| EUR m | Carrying amount | Gross cash flow | Term to maturity | | |
|------------------------------|-----------------|-----------------|------------------|--------------|-------------------|
| | | | Within 1 year | 1–5 years | More than 5 years |
| FINANCIAL LIABILITIES | | | | | |
| Other financial liabilities | 309.5 | 330.0 | 42.3 | 149.4 | 138.3 |
| of which lease liabilities | 308.4 | 328.9 | 41.3 | 149.3 | 138.3 |
| Trade payables | 220.6 | 220.6 | 220.6 | 0.1 | 0.0 |
| Other liabilities | 78.6 | 78.7 | 59.1 | 19.6 | 0.0 |
| | 608.7 | 629.3 | 322.0 | 169.0 | 138.3 |

Gross Carrying Amounts as at 31 December 2020

| EUR m | Carrying amount | Gross cash flow | Term to maturity | | |
|--|-----------------|-----------------|------------------|--------------|-------------------|
| | | | Within 1 year | 1–5 years | More than 5 years |
| FINANCIAL LIABILITIES | | | | | |
| Other financial liabilities | 351.6 | 370.2 | 82.2 | 174.2 | 113.9 |
| of which lease liabilities | 321.5 | 340.1 | 52.0 | 174.2 | 113.9 |
| Trade payables | 249.2 | 249.5 | 249.5 | 0.0 | 0.0 |
| Payables from financial assets accounted for using the equity method | 1.0 | 1.0 | 1.0 | 0.0 | 0.0 |
| Other liabilities | 122.7 | 162.1 | 78.4 | 83.7 | 0.0 |
| | 724.5 | 782.8 | 411.0 | 257.9 | 113.9 |

Market Risks

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:

| 2019 Financial Year | | | 2020 Financial Year | | |
|---------------------|----------------------|-------|---------------------|----------------------|-------|
| EUR m | Market interest rate | | EUR m | Market interest rate | |
| | +1 pp | -1 pp | | +1 pp | -1 pp |
| Financial result | 1.0 | -0.2 | Financial result | 1.2 | -0.2 |

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 or "SDR"). The special drawing rights price is determined by the IMF as a weighted average of the five most important global currencies. The fluctuation in the SDR price compared to the euro over the past three years was within a range of +/- 5%. Any change in the SDR/EUR price by +/- 1% compared to the reference rate on the balance sheet as at 31 December 2020 would lead to a valuation result of +/- EUR 3.5m.

10.2.2 RISK MANAGEMENT

The finance and risk management policies of the Austrian Post Group 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 fixed-term deposits at different banks, the diversification of the issuers and by spreading the maturity profile.

A standardised reporting system is used to track risks relating to the current financial situation. In addition, the Austrian Post Group 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, backing up electronic data storage).

10.3 Risks and Risk Management Related to Financial Instruments – Financial Services

On 1 April 2020, the Austrian Post Group commenced operations in the financial services sector with bank99 AG, the new bank of Austrian Post. The bank's business activities primarily comprise payment transaction services, the acceptance of customer funds, account services and the distribution of the bank's own and third-party lending, insurance and investment products. Financial services are also performed on behalf of third parties.

Based on the current business activities, the following financial risks are considered material in the area of financial services:

- Credit risks
- Liquidity risks
- Market risks

In the following tables, the previous year's figures have not been presented as they are not material.

Risk Management

bank99 has its own risk management structure which reports to bank99's Management Board and manages and monitors all risks arising from the banking business. The bank's risk management system is based on a multi-stage process that ensures the separation of functions that are incompatible with each other with regard to both organisational structures and processes. The clear separation between the front office and the back office is ensured up to the Management Board level.

The risk management system is based on risk policy principles and the target risk structure defined in the risk strategy. This includes all requirements for identifying, quantifying, aggregating, monitoring and managing risks. The requirements are laid down in guidelines. The Management Board of bank99 is provided with ongoing information on the current risk situation by way of a standardised reporting system. With its risk strategy, bank99 aims to identify the risks arising from banking operations at an early stage and to actively manage and limit them.

Credit Risk

Credit risk refers to the risk of a partial or full default on contractually agreed payments, regardless of the counterparty concerned. Credit risks at bank99 currently consist primarily of deposits with central banks and receivables from postal partners. Credit risks from the customer business and from investments on the money and capital markets are currently of only minor importance.

As part of the overall risk management system, the Management Board adopts the guidelines for limiting credit risk (in particular limits and investment policy). The monitoring and management of credit risks from the customer business is the responsibility of operational credit risk management. Cases of default are detected and flagged accordingly in line with a uniform system for the entire bank, with bank99 applying a default management system that is consistent with the Capital Requirements Regulation and Capital Requirements Directive IV.

The credit risk-relevant portfolio includes all positions that involve a credit risk in the narrower sense of the term. The portfolio currently consists only of balance sheet positions.

Information of the Credit Risk-relevant Portfolio as at 31 December 2020

| EUR m | Gross carrying amount | Net carrying amount |
|--|-----------------------|---------------------|
| CREDIT-RELEVANT PORTFOLIO | | |
| Balances with central banks | 453.4 | 453.4 |
| Receivables from banks | 10.8 | 10.8 |
| Receivables from customers | 1.7 | 1.7 |
| Financial assets | | |
| Recognised at amortised cost | 0.1 | 0.1 |
| At fair value through other comprehensive income (FVOCI) | 0.2 | 0.2 |
| CREDIT-RELEVANT PORTFOLIO BANK99 | 466.2 | 466.2 |
| OTHER | 8.6 | 8.6 |
| CREDIT-RELEVANT PORTFOLIO FROM FINANCIAL SERVICES | 474.9 | 474.8 |

The item "Other" in the amount of EUR 8.6m relates to receivables from postal partners in connection with what are known as PSK orders. These are recognised at the level of Österreichische Post AG and are part of risk management in the logistics segment of the Group.

Due to the current business model, the largest position in the credit risk-relevant portfolio relates to deposits with central banks. These are used primarily to manage liquidity. Receivables from customers relate to utilised overdraft facilities for current accounts.

All material items have an investment grade rating. There are no material overdue items as at the reporting dates. Similarly, there are no significant amounts assigned to Levels 2 and 3 of the risk provisioning system. As at the reporting date of 31 December 2020, there is one non-performing portfolio that can be classed as minor.

Where there are recognisable credit risks in respect of the financial assets, impairment losses are made to account for them. See Note 6.1.1 Financial Assets and Liabilities.

The gross carrying amounts of the material credit risk classes of bank99 as at 31 December 2020 are as follows:

Gross Carrying Amounts by Credit Risk Class as at 31 December 2020

| EUR m | Level 1 | Level 2 | Gross carrying amount total |
|--|--------------|------------|-----------------------------|
| CREDIT-RELEVANT PORTFOLIO | | | |
| Balances with central banks | 453.4 | 0.0 | 453.4 |
| Receivables from banks | 10.8 | 0.0 | 10.8 |
| Receivables from customers | 1.6 | 0.1 | 1.7 |
| Financial assets | | | |
| Recognised at amortised cost | 0.1 | 0.0 | 0.1 |
| At fair value through other comprehensive income (FVOCI) | 0.2 | 0.0 | 0.2 |
| TOTAL | 466.1 | 0.1 | 466.2 |

As the total risk provisions are insignificant in terms of amount as at the reporting date, we have opted not to provide information on their development.

Liquidity Risk

bank99 AG defines liquidity risk as the risk that the credit institution will no longer be able to meet its current or future payment obligations in full or on time when they fall due without incurring substantial economic losses.

The bank's liquidity is supplied exclusively through refinancing instruments that are closely aligned with the business model of a retail bank. These essentially include overnight deposits (including credit balances from current accounts) and fixed term deposits.

Principles, limits and requirements for liquidity management are defined by the Strategic Risk Management department following approval by the Asset Liability Committee ("ALCO") – as the central body responsible for liquidity risk management – and compliance is monitored on an ongoing basis. Liquidity maturity statements are prepared using a liquidity monitoring system, both on a contractual basis and using model calculations, and also serve as the basis for preparing a stressed liquidity maturity statement. The limits are also calculated and monitored via the Net Stable Funding Ratio (NSFR).

bank99 has a liquidity contingency plan allowing it to identify any liquidity bottlenecks early on and provide the ALCO with alternative courses of action. Due to the investment in deposits with central banks, the bank has sufficient liquidity buffers.

The two tables below show the liquidity coverage ratio and the liquidity buffer. The liquidity coverage ratio shows the liquidity buffer in relation to the net liquidity outflow. Net liquidity outflows are the expected net outflows during a stress period of 30 calendar days. The calculation is carried out in accordance with the requirements of the Delegated Regulation (EU) No 2015/60.

Liquidity Coverage Ratio

| EUR m | 2020 |
|---------------------------------|---------------|
| Liquidity buffer | 563.6 |
| Net liquidity outflow | 41.7 |
| LIQUIDITY COVERAGE RATIO | 1,351% |

Composition of the Liquidity Buffer

| EUR m | 2020 |
|--|--------------|
| Balances with central banks less minimum reserve | 448.9 |
| Cash and cash equivalents | 114.7 |
| Eligible financial assets | 0.1 |
| LIQUIDITY BUFFER | 563.6 |

The following table shows the maturities of the financial liabilities from financial services.

Maturity Analysis Based on the Remaining Term to Maturity as at 31 December 2020

| EUR m | Carrying amount | Gross cash flow | Term to maturity | |
|---|-----------------|-----------------|------------------|--------------|
| | | | Due daily | Up to 1 year |
| FINANCIAL LIABILITIES FROM FINANCIAL SERVICES | | | | |
| Borrowings from banks | 0.2 | 0.2 | 0.2 | 0.0 |
| Liabilities to customers | 519.5 | 519.5 | 519.5 | 0.0 |
| Other | 1.5 | 1.5 | 1.5 | 0.0 |
| FINANCIAL LIABILITIES FROM FINANCIAL SERVICES BANK99 | 521.2 | 521.2 | 521.2 | 0.0 |
| BORROWINGS FROM BANKS | 11.7 | 11.7 | 0.0 | 11.7 |
| FINANCIAL LIABILITIES FROM FINANCIAL SERVICES | 532.9 | 532.9 | 521.2 | 11.7 |

Market Risk

Market risk is the risk of loss that may occur due to adverse changes in market prices and parameters derived from them. These changes in market value can appear in the income statement, in other comprehensive income or in hidden reserves. At bank99 AG, market risk is split into interest rate risk and credit spread risk. bank99 AG does not have any foreign currency risks or a market risk from trading positions due to its business model.

The present value interest rate risk is largely managed at the overall bank level in accordance with the risk strategy using corresponding investments with matching maturities in the Treasury portfolio. As a result, the risk of losses from changes in present value due to changes in the yield curve is considered to be low.

Credit spread risk is the risk of a negative change in the market value of financial instruments due to deteriorations in the issuer's credit rating as perceived by the market. Based on the investments that the bank has as at the reporting date, the credit spread risk is estimated to be insignificant in terms of amount.

11. Other Disclosures

11.1 Consolidated Cash Flow Disclosures

In accordance with IAS 7, **cash and cash equivalents** encompass cash in hand, demand deposits and current, liquid financial investments, which can be converted into specified cash amounts at any time and are only subject to immaterial 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.

Currency Translation Differences 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. Currency effects relating to the cash flows of the Turkish subsidiary Aras Kargo a.s., whose functional currency is the Turkish lira, however, are calculated separately and adjusted at the individual item level. The effects on the company's cash and cash equivalents are shown in the consolidated cash flow statement in the item "Currency translation differences in cash and cash equivalents". Potential currency effects of the remaining non-euro subsidiaries 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 | 2019 adjusted ¹ | 2020 |
|---|----------------------------|-------------|
| ACQUISITIONS OF SUBSIDIARIES | | |
| Cash outflow for acquisitions | | |
| Acquisition date in the current financial year (purchase price) | -52.9 | -35.3 |
| Outstanding purchase price liabilities | 0.0 | 0.2 |
| Acquisition date previous years (residual purchase price liabilities) | 0.0 | -1.6 |
| Cash and cash equivalents acquired | 53.2 | 36.4 |
| | 0.3 | -0.3 |

¹ See Note 3.2.2 Change in the Presentation of Financial Services

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

| EUR m | 2019 | 2020 |
|--|------------|------------|
| Results from the disposal of property, plant and equipment | 0.8 | -1.0 |
| Measurement of securities and stakes at fair value through profit and loss | -9.7 | -8.9 |
| Net interest income/expense | -4.0 | 3.2 |
| Valuation of receivables | 1.8 | 2.0 |
| Without effect in profit and loss (IAS 19) | -12.8 | -2.8 |
| Currency differences recognised in profit or loss | 0.0 | 1.7 |
| Reclamation of employer contributions related to the payroll accounting | 1.7 | 0.0 |
| Other | 22.9 | 5.7 |
| | 0.7 | 0.0 |

Loans Granted In the 2020 financial year, loans granted included cash inflows and outflows of less than EUR 1.0m, as in the previous period.

Change in Short-Term Financial Liabilities The change in short-term financial liabilities includes cash inflows and outflows from short-term revolving items which are netted in the reported amounts pursuant to IAS 7.22 (a) as well as cash inflows and outflows from cash advances which are netted in the reported amounts pursuant to IAS 7.22 (b).

The Reconciliation of Other Financial Liabilities The reconciliation from 1 January to 31 December, taking account of the cash flow from financing activities, is as follows:

2019 Financial Year

| EUR m | Borrowings from banks | Lease liabilities | Total other financial liabilities |
|--|-----------------------|-------------------|-----------------------------------|
| BALANCE AS AT 1 JANUARY 2019 | 6.6 | 272.7 | 279.3 |
| Cash flow from financing activities | -5.5 | -32.2 | -37.7 |
| Acquisition of subsidiaries | 0.0 | 46.7 | 46.7 |
| Other non-cash additions and disposals | 0.0 | 21.2 | 21.2 |
| BALANCE AS AT 31 DECEMBER 2019 | 1.1 | 308.4 | 309.5 |

2020 Financial Year

| EUR m | Borrowings from banks | Lease liabilities | Total other financial liabilities |
|--|-----------------------|-------------------|-----------------------------------|
| BALANCE AS AT 1 JANUARY 2020 | 1.1 | 308.4 | 309.5 |
| Cash flow from financing activities | 29.0 | -40.8 | -11.8 |
| Acquisition of subsidiaries | 0.0 | 19.0 | 19.0 |
| Other non-cash additions and disposals | 0.0 | 35.0 | 35.0 |
| BALANCE AS AT 31 DECEMBER 2020 | 30.1 | 321.5 | 351.6 |

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 | 31 Dec. 2019 | 31 Dec. 2020 |
|---|--------------|--------------|
| CASH AND CASH EQUIVALENTS | 103.5 | 687.1 |
| Financial assets from financial services | 50.9 | 578.9 |
| Cash and cash equivalents and balances with central banks | 48.0 | 568.1 |
| Receivables from banks - of which payment transactions | 2.9 | 10.8 |
| CASH AND CASH EQUIVALENTS | 52.6 | 108.2 |

11.2 Related Party Transactions

The Republic of Austria holds a 52.85% share in Österreichische Post AG through Österreichische Beteiligungs AG (in short ÖBAG). This means that the Republic of Austria and the companies that it controls or significantly influences are considered related parties of the Austrian Post Group, along with all subsidiaries, joint venture companies and associates of Österreichische Post AG. Related parties include the members of the management bodies, namely the Supervisory Board and Management Board, of Österreichische Post AG as well as their close family members.

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

Business transactions with related parties only exist within the service portfolio of the Austrian Post Group and are 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:

2019 Financial Year

| EUR m | Associates | Joint ventures | Other related companies | Related persons | Total |
|--------------------------|------------|----------------|-------------------------|-----------------|-------|
| Total operating income | 1.8 | 0.7 | 195.0 | 0.0 | 197.5 |
| Total operating expenses | 8.2 | 1.3 | 35.0 | 0.0 | 44.5 |
| Outstanding receivables | 2.2 | 0.0 | 24.6 | 0.0 | 26.8 |
| Outstanding payables | 0.8 | 0.0 | 3.0 | 0.0 | 3.9 |

2020 Financial Year

| EUR m | Associates | Joint ventures | Other related companies | Related persons | Total |
|--------------------------|------------|----------------|-------------------------|-----------------|-------|
| Total operating income | 1.8 | 0.0 | 193.1 | 0.0 | 194.8 |
| Total operating expenses | 8.5 | 0.0 | 31.4 | 0.0 | 39.9 |
| Outstanding receivables | 1.9 | 0.0 | 31.6 | 0.0 | 33.4 |
| Outstanding payables | 1.7 | 0.0 | 2.8 | 0.0 | 4.5 |

The operating income in 2019 and 2020 relates mainly to services provided by BBG Bundesbeschaffung GmbH. There is an agreement in the name of and for the account of the federal government for the delivery of postal items for federal agencies. In the 2020 financial year, delivery services valued at EUR 129.8m (2019: EUR 141.1m) 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 amounting to EUR 11.7m (2019: EUR 10.0m) and energy purchases from the OMV Group of EUR 2.3m (2019: EUR 3.6m).

The following table shows the remuneration, including changes in provisions, which was paid to members of the Supervisory Board and the Management Board:

2019 Financial Year

| EUR m | Supervisory Board | Management Board | Total |
|--|-------------------|------------------|------------|
| Short-term employment benefits | 0.4 | 3.4 | 3.7 |
| Post-employment benefits | 0.0 | 0.3 | 0.3 |
| Other long-term employment benefits | 0.0 | 0.0 | 0.0 |
| Termination benefits | 0.0 | 0.0 | 0.0 |
| Allocation to share-based remuneration programme | 0.0 | 3.1 | 3.1 |
| | 0.4 | 6.7 | 7.1 |

2020 Financial Year

| EUR m | Supervisory Board | Management Board | Total |
|--|-------------------|------------------|------------|
| Short-term employment benefits | 0.4 | 4.3 | 4.7 |
| Post-employment benefits | 0.0 | 0.3 | 0.3 |
| Other long-term employment benefits | 0.0 | 0.0 | 0.0 |
| Termination benefits | 0.0 | 0.0 | 0.0 |
| Allocation to share-based remuneration programme | 0.0 | 2.2 | 2.2 |
| | 0.4 | 6.8 | 7.2 |

11.3 Audit Fees

The fees for the auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in the 2019 and 2020 financial years can be broken down as follows:

Audit Fees

| EUR thousand | 2019 | 2020 |
|---|--------------|--------------|
| Group and annual financial statements audits at 31 December | 283.8 | 301.3 |
| Other audit related services | 30.6 | 24.8 |
| Other services | 120.1 | 128.0 |
| | 434.4 | 454.1 |

11.4 Events After the Reporting Period

Events after the reporting period that are material for assessment on the balance sheet date as at 31 December 2020, have been included in the consolidated financial statements.

The agreement on the acquisition of a further 30% stake in D2D-direct to document GmbH was signed on 15 October 2020. Once the transaction has been closed, Austrian Post

will hold 100% of the shares in the company. The company expects to close the transaction and, as a result, switch from accounting according to the equity method to full consolidation in the first quarter of 2021.

No other reportable events occurred after the reporting period.

11.5 Group Companies

| Company and location | 31 Dec. 2019 | | 31 Dec. 2020 | |
|---|---------------|--------------------------------------|---------------|--------------------------------------|
| | Interest in % | Method of consolidation ¹ | Interest in % | Method of consolidation ¹ |
| ACL advanced commerce labs GmbH, Graz | 70.00 | FC | 70.00 | FC |
| adverserve | | | | |
| adverserve Holding GmbH, Vienna | 82.00 | FC | 100.00 | FC |
| adverserve digital advertising Services Gesellschaft m.b.H., Vienna | 82.00 | FC | 100.00 | FC |
| adverserve digital advertising Services d.o.o., Zagreb | 69.75 | FC | 75.00 | FC |
| adverserve digital advertising Services Schweiz GmbH, Zurich | 82.00 | FC | 100.00 | FC |
| adverserve digital advertising Services Deutschland GmbH, Hamburg | 82.00 | FC | 100.00 | FC |
| Aras Kargo Yurtici Yurtdisi Tasimacilik a.s., Istanbul | 25.00 | NC | 80.00 | FC |
| Austrian Post International Deutschland GmbH, Bonn | 100.00 | FC | 100.00 | FC |
| bank99 AG, Vienna | 80.00 | FC | 80.00 | 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 (merged) | 100.00 | FC | 0.00 | n.a. |
| 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 IT Services GmbH (formerly OMNITEC Informationstechnologie-Systemservice GmbH), Vienna | 50.00 | EM | 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 |

| Company and location | 31 Dec. 2019 | | 31 Dec. 2020 | |
|---|---------------|--------------------------------------|---------------|--------------------------------------|
| | Interest in % | Method of consolidation ¹ | Interest in % | Method of consolidation ¹ |
| Scanpoint Slovakia s.r.o., Nitra | 100.00 | FC | 100.00 | FC |
| sendhybrid ÖPBD GmbH, Graz | 51.00 | FC | 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 | 0.00 | n.a. |
| Distributions GmbH Duisburg, Duisburg | 100.00 | NC | 0.00 | n.a. |
| Express One Hungary Kft., Budapest | 100.00 | FC | 100.00 | FC |
| Weber Escal d.o.o., Hrvatski Leskovac | 100.00 | FC | 100.00 | FC |
| ADELHEID/AEP | | | | |
| ADELHEID GmbH, Berlin ^{2,3} | 51.52 | EM | 51.52 | EM |
| AEP GmbH, Alzenau ^{2,3} | 51.52 | EM | 51.52 | EM |
| D2D – direct to document GmbH, Vienna | 70.00 | EM | 70.00 | EM |
| PHS Logistiktechnik GmbH, Graz | 40.00 | EM | 48.36 | 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

OTHER INVESTMENTS

| Company and location | Interest in % | Equity EUR m | Profit for the period EUR m |
|------------------------|---------------|-----------------|--------------------------------|
| EURODIS GmbH, Weinheim | 37,60 | 0,5 | 0,2 |

The Management Board of Austrian Post approved the audited consolidated financial statements for the financial year ending on 31 December 2020, for transmission to the Supervisory Board on 23 February 2021. The Supervisory Board is responsible for reviewing and approving the audited consolidated financial statements.

Vienna, 23 February 2021

The Management Board



GEORG PÖLZL
CEO
Chairman of the
Management Board



WALTER OBLIN
Deputy CEO
Mail & Finance



PETER UMUNDUM
Member of the
Management Board
Parcel & Logistics

AUDIT OPINION

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

**Österreichische Post Aktiengesellschaft,
Vienna,**

and its subsidiaries ("the Austrian Post Group"), hereafter referred to as the "Group", consisting of the consolidated balance sheet as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year ending on this date as well as the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the financial year ending on this date in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional stipulations contained in Section 245a of the Austrian Commercial Code (UGB).

Basis for the Audit Opinion

We conducted our audit in accordance with Regulation (EU) No 537/2014 (requirements relating to the statutory audit of public interest entities) as well as generally accepted accounting principles in Austria. These standards require the application of International Standards on Auditing (ISA). Our responsibilities under those standards and additional guidelines are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the requirements of Austrian commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities applicable in Austria in accordance with these requirements. We believe that the audit evidence we have obtained up until the date of this audit opinion is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

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

VALUATION OF THE PROVISIONS FOR UNDER-UTILISATION

Refer to Note 6.20 Provisions for Under-utilisation, Note 7.3 Provisions for Under-utilisation as well as Note 9.12.2 Other Employee Provisions of the Notes to the Consolidated Financial Statements.

The Financial Statement Risk

The provisions for under-utilisation recognised in the consolidated balance sheet as at 31 December 2020 amount to EUR 182.2m. The valuation of these provisions requires forward-looking estimates and assumptions about future salary increases, employee turnover, the level of under-utilisation for the respective employees and the applied discount interest rate. Changes in these parameters have substantial effects on the amount of these provisions and the net income for the year.

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

Our Audit Approach

We assessed the valuation of the provisions for under-utilisation as follows:

- We reviewed the existing documentation for processes relating to the valuation of provisions for under-utilisation and critically examined whether these processes are suitable to appropriately measure the provisions for under-utilisation. Moreover, we identified the relevant internal controls and evaluated the key controls with respect to their organisation and implementation.
- We judged the appropriateness of calculations with respect to salary increases and employee turnover based on the company's past experience.
- For a statistically selected number of employees, we examined whether the level of under-utilisation underlying the valuation reflects the actual situation.
- We reviewed the appropriateness of the assumptions used in determining the discount interest rate by comparing them with publicly available information.
- Finally, we assessed whether the information disclosed in the Notes to the Consolidated Financial Statements and on the related accounting and valuation methods is applicable and appropriate with respect to forward-looking assumptions and estimates.

PURCHASE PRICE ALLOCATION ARAS KARGO A.S.

Refer to Note 4.1 Consolidation Principles, Note 4.2 Changes to the Scope of Consolidation and Note 7.7 Assets and Liabilities in Connection with Business Combinations

The Financial Statement Risk

With the closing of the transaction on 25 August 2020, the Company acquired 55% of the shares in Aras Kargo a.s., meaning that it now holds a total of 80% of the shares. The total amount of consideration transferred for 55% of the shares was EUR 35.9m. Together with the fair value of the previously held interest of EUR 23.8m and taking into account the remaining non-controlling interest of 20%, 100% of the acquiree has a total value of EUR 72.6m. This amount was allocated to the identifiable assets acquired and liabilities assumed, as well as to the remaining goodwill, as part of the purchase price allocation.

The recognition of this acquisition in the accounts requires the application of complex accounting rules. Pursuant to IFRS 3, the identifiable assets acquired and liabilities assumed must be measured at acquisition-date fair value as part of the purchase price allocation. The measurement of the identifiable assets acquired and liabilities assumed requires significant estimates and assumptions. The management team engaged an independent expert to assist in determining the fair values of the identifiable assets acquired and liabilities assumed.

There is a risk that the accounting methods applied do not comply with the provisions of IFRS 3. In addition, the measurement models used for measurement and the assumptions made may not be appropriate, and the resulting fair values of the identifiable assets acquired and liabilities assumed, and thus of the remaining goodwill as well, may be calculated incorrectly. There is also a risk that the required disclosures in the Notes to the Consolidated Financial Statements are not complete and appropriate.

Our Audit Approach

We assessed the purchase price allocation for Aras Kargo a.s. involving our measurement specialists as follows:

- We read the relevant contracts and documentation to gain an understanding of the key terms and conditions and assessed whether the accounting policies applied are in accordance with IFRS 3.
- We assessed whether the intangible assets recognised that were previously not recognised at the level of the acquiree have been identified appropriately.
- We assessed the measurement models used and the significant assumptions made in determining the fair values and verified the arithmetical accuracy of the measurements performed.
- Finally, we assessed whether the information disclosed in the Notes to the Consolidated Financial Statements and on the related accounting and valuation methods is applicable and appropriate with respect to forward-looking assumptions and estimates.

Other Disclosures

The Management Board is responsible for the other disclosures containing all information in the Annual Report with the exception of the consolidated financial statements, the Group Management Report and the audit opinion.

We obtained the Corporate Governance Report, the non-financial report and the Statement of Legal Representatives before the date of the audit opinion. The other parts of the Annual Report are expected to be made available to us after this date.

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

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

If, based on the work we have performed on the other information obtained by us prior to the date of the audit opinion issued by the auditor of the annual financial statements, we should conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of the Management Board and the Audit Committee of the Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the

Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit opinion that includes our opinion on the same. Reasonable assurance is a high level of assurance but not a guarantee that an audit conducted in accordance with Regulation (EU) No 537/2014 and generally accepted accounting principles in Austria for the audit of financial statements requiring compliance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of an audit in accordance with Regulation (EU) No 537/2014 and generally accepted accounting principles in Austria requiring compliance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

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

and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Other Legal and Regulatory Requirements

Opinion on the Group Management Report

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

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

We carried out our audit in compliance with accepted professional standards governing the audit of a Group Management Report.

AUDIT OPINION

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

DECLARATION

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

ADDITIONAL DISCLOSURES PURSUANT TO ARTICLE 10 (EU) NO 537/2014

We were appointed by the Annual General Meeting on 16 June 2020 to serve as auditors and commissioned by the Supervisory Board on 23 July 2020 to audit the consolidated financial statements for the company for the financial year ending on 31 December 2020.

We have been the auditors for the company without interruption since the consolidated financial statements as at 31 December 2015.

We declare that the audit opinion in the section "Report on the Consolidated Financial Statements" is consistent with the additional report submitted to the Audit Committee pursuant to Article 11 (EU) No 537/2014.

We also declare that we have not performed any impermissible non-audit services (Article 5(1) (EU) No 537/2014) and that we have maintained our independence from the Group companies in carrying out the audit.

Responsible Auditor

The certified public accountant responsible for carrying out the audit is Mr Gerhard Wolf.

Vienna, 1 March 2021

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Gerhard Wolf m.p.

Certified Public Accountant

STATEMENT OF LEGAL REPRESENTATIVES PURSUANT TO SECTION 124 (1) (3) OF THE AUSTRIAN STOCK EXCHANGE ACT —

As the legal representatives of Österreichische Post AG, we declare, to the best of our knowledge, that the consolidated financial statements as at 31 December 2020, which were prepared in accordance with the applicable financial reporting standards, present a fair and accurate picture of the assets, financial and earnings position of the Group, and that the Group Management Report for the 2020 financial year presents the business performance, results and situation of the Group such that an accurate view of the assets, financial and earnings position of the Group is given, and that the Group Management Report describes the fundamental risks and uncertainties to which the Group is exposed.

Vienna, 23 February 2021

The Management Board



GEORG PÖLZL
CEO
Chairman of the
Management Board



WALTER OBLIN
Deputy CEO
Mail & Finance



PETER UMUNDUM
Member of the
Management Board
Parcel & Logistics

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ALWAYS
DELIVER A
SOLUTION**



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