Just for me.

Austrian Post

On delivery:
What I indulge in

AUSTRIAN POST

Annual Report 2019

Everywhere, naturally, reliable.

Austrian Post at a Glance — 2019

Austrian Post is the leading logistics and postal services provider in the country. Its core business encompasses the transport and delivery of letters, direct mail items, print media, packets and parcels as well as various logistics services and innovative online services. Customers are offered high-quality products and services in the fields of banking and telecommunications by the branch network. Austrian Post is internationally active in eight other European countries.

The Divisions and their Services — 2019

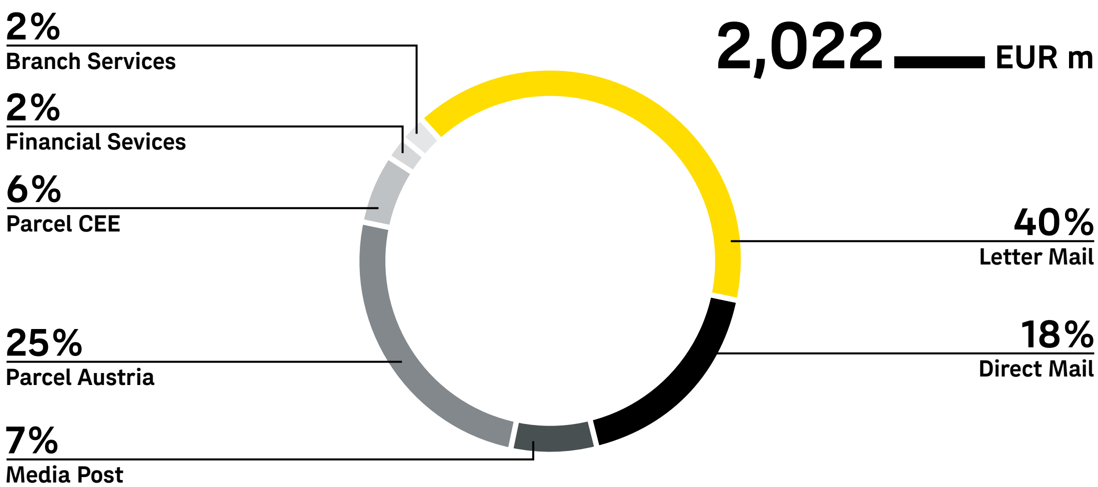
Mail & Branch Network

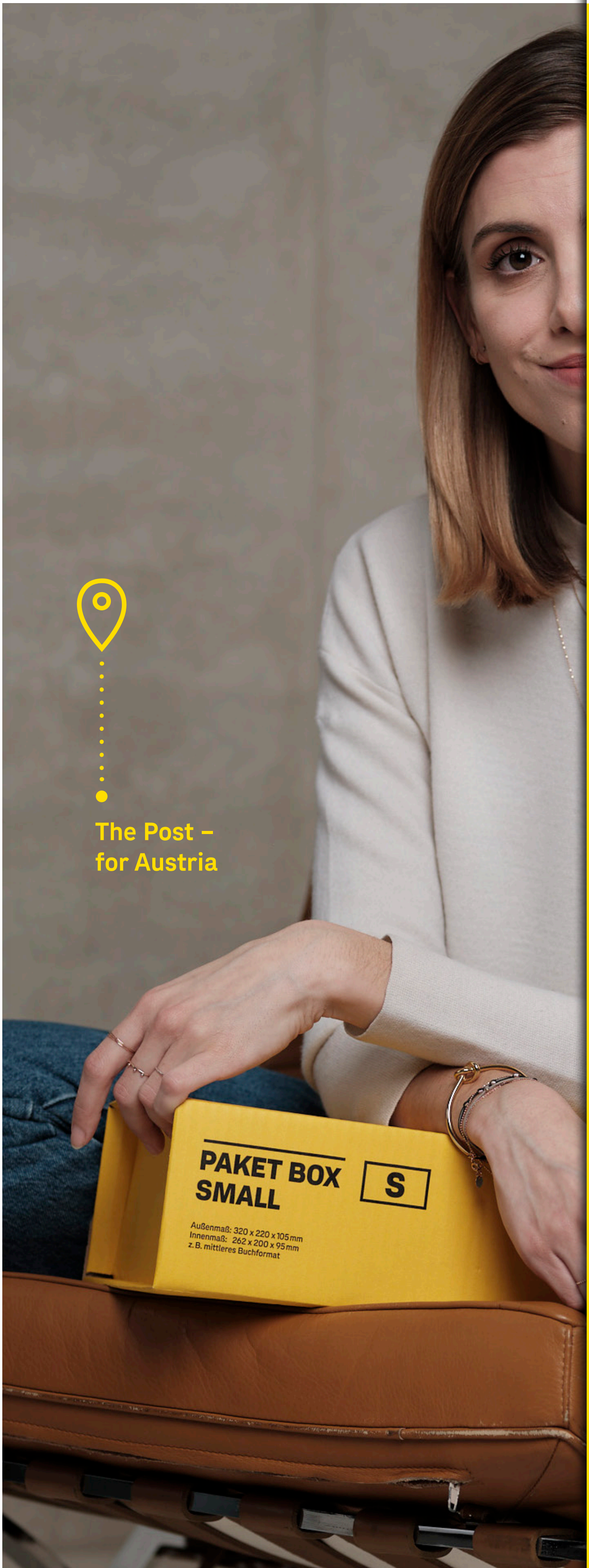
- Letter Mail
- Direct Mail
- Media Post
- Branch Services
- Financial Services

Parcel & Logistics

- Parcels, Pallets and Express Parcels
- Food Shipments
- Additional Logistics Services
- Fulfillment & Valuable Goods and Cash Transport
- E-commerce Services

Revenue Mix — 2019





Just for me.

Austrian Post

In 2019, our over 9,000 delivery staff members distributed 690 million letters and 127 million parcels to our customers. We have held over 50 million items ready for collection by our customers at our 415 branches and 1,355 postal partners.

Key Figures

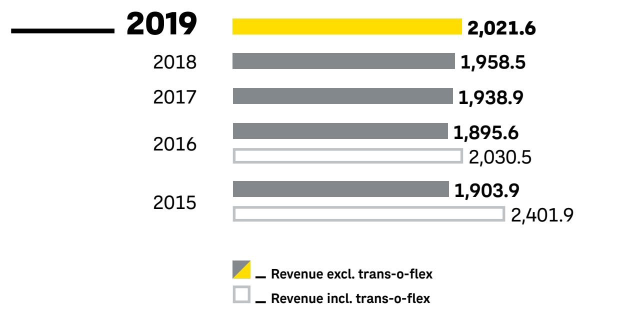
		2017	2018	2019	Change 2018/2019
EARNINGS SITUATION					
Revenue	EUR m	1,938.9	1,958.5	2,021.6	3.2%
thereof Mail & Branch Network	EUR m	1,447.8	1,412.3	1,400.5	–0.8%
thereof Parcel & Logistics	EUR m	495.6	552.4	632.5	14.5%
EBITDA	EUR m	294.6	305.4	318.7	4.3%
EBITDA margin	%	15.2	15.6	15.8	–
EBIT	EUR m	207.8	210.9	200.6	–4.9%
EBIT margin	%	10.7	10.8	9.9	–
Earnings before tax	EUR m	220.6	197.8	211.3	6.8%
Profit for the period	EUR m	165.0	144.2	144.5	0.2%
Earnings per share	EUR	2.45	2.13	2.17	1.9%
CASH FLOW					
Gross cash flow	EUR m	316.6[1]	352.9	333.7	–5.5%
Cash flow from operating activities	EUR m	255.7	295.9	325.2	9.9%
Investment in property, plant and equipment (CAPEX)	EUR m	–102.1	–139.4	–153.1	–9.8%
thereof growth CAPEX (incl. property)	EUR m	–24.3	–58.1	–81.5	–40.3%
Free cash flow	EUR m	146.6	158.4	33.8	–78.7%
Operating free cash flow[2]	EUR m	171.4	161.9	148.4	–8.3%
BALANCE SHEET					
Total assets	EUR m	1,674.2	1,681.2	2,042.9	21.5%
Equity	EUR m	698.8	699.1	700.7	0.2%
Net debt/Net cash (+/–)	EUR m	–10.2	–13.7	278.5	>100%
Net debt/EBITDA		–	–	0.87	–
Equity ratio	%	41.7	41.6	34.3	–
Return on equity (ROE)	%	30.9	25.8	25.9	–
Gearing ratio	%	–	–	39.7	–
Capital employed	EUR m	616.4	607.9	913.4	50.2%
Return on capital employed (ROCE)	%	35.1	34.4	26.4	–
POST SHARE					
Share price at the end of December	EUR	37.42	30.02	34.00	13.3%
High/low (closing price)	EUR	40.40/32.43	41.88/29.50	38.35/29.25	–
Dividends per share (for the financial year)	EUR	2.05	2.08	2.08[3]	0.0%
Total shareholder return (TSR)	%	23.6	–14.3	20.2	–
Market capitalisation at the end of December	EUR m	2,527.8	2,027.9	2,296.8	13.3%
Shares in circulation at the end of December	Number	67,552,638	67,552,638	67,552,638	–
Free float	%	47.2	47.2	47.2	–
NON-FINANCIAL INDICATORS					
Employees (average for the period)	FTE	20,524	20,545	20,338	–1.0%
Employee sick leave	FTE in %	10.1[4]	9.7	8.5	–
Seminars	Number	1,133	1,259	1,296	2.9%
Customer satisfaction	CSI[5]	69	70	70	–
CO_2e emissions (Group/driven km)	CO_2/million km	406.8	402.6	395.6	–1.7%

[1] Reclassification of taxes paid – reported separately in the cash flow from operating activities
[2] Free cash flow before acquisitions/securities/money market investments and growth CAPEX: 2019: excl. EUR 32.8m payments from the real estate project Neutorgasse 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 (special payment BAWAG P.S.K. of EUR 107.0m minus financial services provided amounting to EUR 37.0m); 2017: CAPEX new corporate headquarters and excl. temporary not yet transferred customer cash of EUR 6.9m
[3] Proposal to the Annual General Meeting on 16 April 2020
[4] Figure for Österreichische Post AG, excl. subsidiaries
[5] Customer Satisfaction Index: Scale of 0–100, ≤50: critical, 51–60: fair, 61–70: good, 71–80: very good, 81–100: excellent

Development of Key Management Indicators

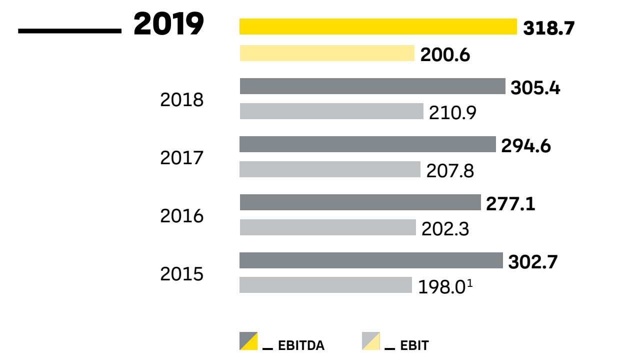
Revenue

EUR m



EBITDA and EBIT

EUR m



[1] Adjusted for special effects, reported EBIT EUR 89.0m

Earnings per Share

EUR

[1] Adjusted for special effects, reported earnings per share EUR 1.06

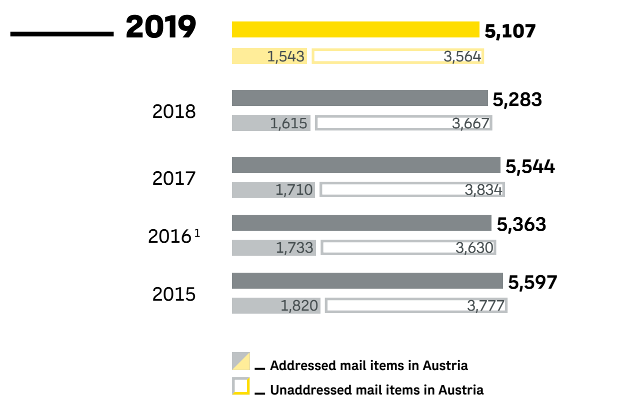
Dividend per Share

EUR

[1] Proposal to the Annual General Meeting on 16 April 2020

Letter Mail and Direct Mail

items million



[1] Adjusted reporting due to automated calculating method

Parcel Volume in Austria

items million

Cover:
Valerie Schwarzinger,
Group Controlling

Right:
Julia Seidler,
Campaign Management

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Introduction by the Management Board

→ left to right
WALTER OBLIN,
GEORG PÖLZL,
PETER UMUNDUM

Ladies and Gentlemen, Dear Shareholders!

Austrian Post has achieved a very satisfactory business development in 2019 despite challenging conditions. Group revenue increased by 3.2% to EUR 2,021.6m. Strong growth in the Parcel & Logistics Division has sufficiently offset the 0.8% decline in the Mail & Branch Network Division.

The mail business continues to face the ongoing substitution of traditional letter mail by electronic forms of communications. Similar to addressed direct mail volumes, letter mail is subject to a structural decline and is negatively impacted by the uncertainty related to the General Data Protection Regulation. Positive revenue effects were achieved further to the new product and postage rate model as well as due to special mailings and elections in the course of 2019.

The Parcel & Logistics Division achieved revenue increases in Austria (+15.9%) as well as in the subsidiaries of South East and Eastern Europe (+8.7%). The national and international parcel market is characterised by market growth driven by the expansion of private online shopping and is impacted by ongoing competitive intensity and price pressure. "The partnership between Austrian Post and Deutsche Post DHL Group in Austria launched on 1 August 2019 has started off very well. From a logistics perspective, Austrian Post has effectively managed the major challenge of coping with increased daily delivery and transport volumes since then", says CEO Georg Pölzl. An important milestone was the growth-related expansion of sorting capacities in 2019. In addition to this capacity expansion drive, the top priority for 2020 is the development of Austrian Post's new financial services business through the Post subsidiary bank99. Starting in April 2020, financial services will be offered both online and at physical outlets via Austrian Post's network of own branch offices and postal partners.

In terms of earnings, Austrian Post achieved a good performance in 2019. EBITDA improved by 4.3% to EUR 318.7m, whereas the reported EBIT of EUR 200.6m was 4.9% below the prior-year level due to one-off effects.

Earnings per share totalled EUR 2.17 in 2019, compared to EUR 2.13 in the previous year. On the basis of the good earnings, strong cash flow and solid balance sheet, a proposal will be made to the Annual General Meeting scheduled for 16 April 2020 to approve the payout of a stable dividend of EUR 2.08 per share.

Various initiatives are also planned for 2020 to offset adverse trends in the postal market and help Austrian Post generate a stable or slightly higher revenue. In terms of earnings, stability and predictability are also important targets of Austrian Post. In 2019, the reported EBIT of EUR 200.6m was below the comparable number for 2018 primarily due to one-off effects. However, operating earnings in 2019 were slightly above the EUR 211m for 2018. Subject to a stable economic environment in Austria, this stability is also targeted for 2020. Moreover, altogether start-up costs of at least EUR 40m are expected in 2020 and 2021 in connection with the development of a new financial services offering. Positive earnings contributions from the financial services business are expected from 2023.

The basis for our quality leadership are the more than 20,300 employees who work tirelessly day in and day out, and they deserve our sincere thanks. Together we will succeed in remaining the preferred partner for our customers.

Vienna, 21 February 2020

The Management Board

GEORG PÖLZL
CEO
Chairman of the
Management Board

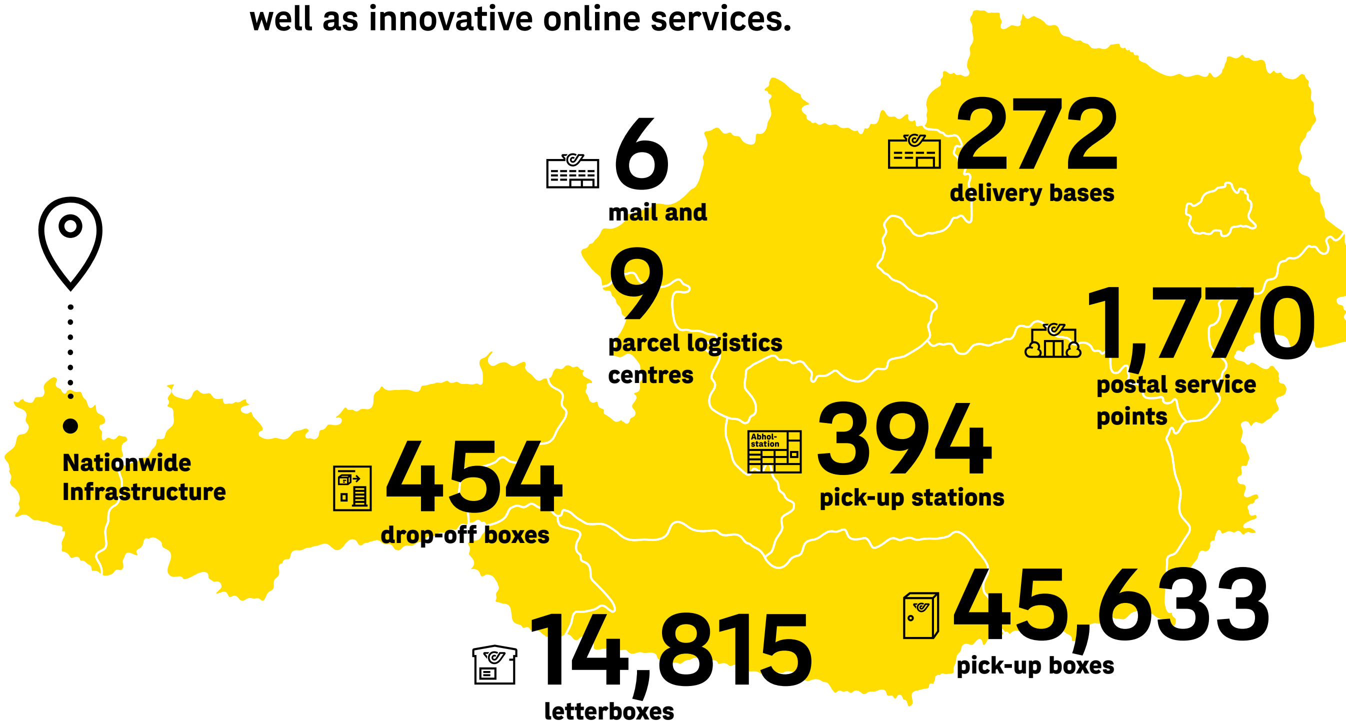
WALTER OBLIN
Deputy CEO
Mail & Finance

PETER UMUNDUM
Member of the Management Board
Parcel & Logistics

04

Top Quality and Reliable Service

Austrian Post is the leading logistics and postal services provider in Austria. In addition to the transport and delivery of letters, direct mail items, print media, packets, parcels and express mail items, Austrian Post also offers various logistics solutions as well as innovative online services.



Highlights 2019

— Election year 2019 – 6.4 m Austrians entitled to vote applied for around three quarters of a million voting cards for the European elections. For the National Parliamentary elections, the Austrian authorities received over a million applications for voting cards – more than ever before.

— Parcel record – as in previous years, Austrian Post was able to increase the number of parcels processed in 2019. The logistics company transported 127m parcels in 2019, which is an increase of 18%.

— New partnerships – Austrian Post has been the delivery partner of Deutsche Post DHL Group in Austria since August 2019. The cooperation implies a further increase in annual parcel volumes and quality.

— The new appearance – since the start of 2019, Austrian Post presents itself in a new look. Modern uniforms combine design and purpose providing perfect functioning for all employees in their day-to-day work.

— Product structure – the option provided by expanding the product pallet for letters – the ECO letter for non-urgent items with a delivery time of 2–3 days and the PRIO letter for quick items with delivery on the day after posting – was well received by the market.

— Logistics centre of the future – Austrian Post started the "Autonomous Yard Logistics" project in order to stay fit for the future: in this context, autonomous container implementation at selected logistics sites ensures more efficient and sustainable day-to-day business.

Mail & Branch Network Division

The service portfolio of the Mail & Branch Network Division encompasses the collection, sorting and delivery of letters, postcards, addressed, partly addressed and unaddressed direct mail items and newspapers as well as parcels and packets within the context of joint delivery services. Postal and telecommunications products as well as financial services complete the offering. Austrian Post also offers its customers various online services such as e-letter and cross-media solutions. In addition, physical and digital value-added services for measurable success in customer communication and for optimisation in document processing (acceptance, processing and printing and dual transmission) are provided. In 2019, Austrian Post delivered 690m letters, 519m pieces of addressed and 3.2bn pieces of unaddressed direct mail items, 335m print media and 349m regional media items.

Parcel & Logistics Division

The Parcel & Logistics Division offers bundled solutions for parcel shipment along the entire value chain. The core business of the division is transporting parcels and express mail service (EMS) items. Austrian Post delivered 127m parcels and EMS items in the domestic market in 2019. This makes it the leading service provider for the delivery of mail-order business and private customer parcels as well as B2B items, providing the highest quality of nationwide delivery. The portfolio includes not only classic parcel products, express or food delivery, but also a variety of value-added services. For example, the company offers customised fulfilment solutions such as warehousing, commissioning, returns management, the transport of valuable goods and cash, webshop logistics and webshop infrastructure. The division is also active with Group companies in seven other European countries.

Quality indicators

95.4%

of all letters posted reach their recipients on the next working day.

96.3%

of all parcels are delivered within two working days.

95.2%

of all parcels are already delivered to the recipient on the next working day.

[1] Not consolidated

Integrated Corporate and Sustainability Strategy

Austrian Post attaches great importance to the sustainable orientation of its operating activities. For this reason, ecological and social factors also play a decisive role in the company's strategy and management in addition to the economic aspects. Austrian Post knows that sustainability aspects can only make the company viable for the future and ensure its long-term success when they are implemented in harmony with one another.

Mission

- **We deliver values – reliably, confidentially and personally.**
- **We are the first choice for all our customers, partners and employees – yesterday, today and tomorrow.**
- **We are the leading postal and logistics provider in Austria. We are growing in Europe as a successful specialist.**

Mission Statement

The three main values of the mission statement:

1. **Customer focus**
   Our central focus is the customer.
2. **Economic efficiency and sustainability**
   We focus on the future.
3. **Communication and appreciation**
   We are all part of Austrian Post.

The Code of Conduct and Ethics supports the implementation of the mutually held values. The compliance management system ensures adherence to the rules.

PRO ACTIVE!
AUSTRIAN POST. Sustainable for Austria.

1. **Defending market leadership in the core business**
2. **Profitable growth in selected markets**
3. **Enhancing efficiency and optimising the cost structure**
4. **Customer orientation and innovation**

Financial Goals

- → **Solid revenue development**
- → **Sustainably high profitability**
- → **Continuation of the attractive dividend policy**

PRO ACTIVE for the economy	**PRO ACTIVE** for the environment	**PRO ACTIVE** for employees	**PRO ACTIVE** for society

In order to defend its market leadership, Austrian Post is sustainably further developing its core business. At the same time, the company fulfils its universal service obligation with an eye to customer requirements and keeps the well-being of employees, society and the environment in continual focus.

Austrian Post is pursuing a defined growth strategy and continually expanding its service portfolio. This ensures long-term job security and offers the public a wider selection of services. Issues of relevance to the environment are always taken into consideration here as well.

Austrian Post taps synergy potentials, reduces employee fluctuation and increases economic efficiency through consistent review of process and staff costs as well as investment in innovations. An efficient logistics network and innovative delivery options also benefit society and the environment.

Solutions oriented to customer requirements are the key to Austrian Post's long-term success and ability to ensure the reliable supply of postal services. All its services and innovations take into account customer convenience, environmental impact and implications for employees.

Sustainability Goals

Economy
- → **Further develop the sustainable business model of Austrian Post**
- → **Focus on customers and innovation**

Environment
- → **Protect the climate and conserve resources**
- → **Strengthen environmental awareness**

Employees
- → **Promote a corporate and leadership culture**
- → **Pay attention to health and safety**

Society
- → **Ensure reliable supply of postal services and shape framework conditions**
- → **Promote social commitment**

08

Strategic Focus

A dynamic market environment requires a proven strategy. Austrian Post is operating in a market environment that is subject to constant dynamic change. For this reason it is necessary to have a business model based on a proven strategy.

For years digitalisation has been the driving force behind the transformation of the postal and logistics market. Postal companies have to benchmark themselves against major business challenges and manage to seize significant economic opportunities in order to be able to operate successfully.

The current trend towards e-substitution has led to a decline in the letter mail business, whereas the sharp increase in e-commerce is driving growth in the parcel segment. With this in mind, Austrian Post has developed four long-term strategic focus points aimed at meeting current changes. The strategy is implemented consistently at all levels through numerous initiatives and measures, and Austrian Post is aligned with its clear structure of values.

1. Defending Market Leadership in the Core Business

Austrian Post is the market leader in the domestic letter mail and parcel business. Its business strategy is designed to enable the company to maintain this strong position and expand its leadership, particularly with respect to parcel delivery. In addition to ensuring the profitability of its services, Austrian Post keeps the focus on high quality service. Austrian Post makes a consistent high performance promise with a well-balanced price-performance ratio to its customers throughout Austria in both its letter mail and parcel business, taking current customer requirements into account in its product and service portfolio. Parcel business volumes are growing rapidly. At the same time, expectations are increasing with respect to delivery speed and flexibility. Austrian Post is implementing a comprehensive capacity expansion programme throughout Austria to maintain this high level of quality.

Highlights

- → **Customer-focused product and pricing structure**
- → **Further developments in the product portfolio by expanding services and new additional features**
- → **2019 postal voting year: over 1 million polling cards issued for the National Parliamentary elections in September 2019**
- → **Further development of traditional advertising products and development of new digital advertising channels**
- → **Taking over Deutsche Post DHL Group's parcel business in Austria: agreement on long-term strategic partnership and membership of the DHL Parcel-Connect Network**

2. Profitable Growth in Selected Markets

Austrian Post pursues a focused growth strategy complementing its core business. For example, it is leveraging growth opportunities in the South East and Eastern European region with a particular emphasis on the parcel business. These efforts are supported by new collaborations within the network. In Austria, the company strives to expand its service portfolio along the e-commerce value chain. In this regard, the subsidiary ACL advanced commerce labs offers complete e-commerce software solutions. The digital marketing provider adverserve is shaping the digital transformation process within the advertising industry. As part of efforts to expand the provision of financial services by bank99, Austrian Post's new bank, Austrian Post will be offering products such as current accounts, payment transaction services and finance and insurance products through its network of branches. This will take effect from April 2020. Other growth areas with earnings potential are continuously evaluated. Examples of this include various real estate projects as well as the share in the German logistics company, AEP, a pharmaceutical wholesaler that is already supplying 25% of pharmacies in Germany.

Highlights

- **Revenue generated by the German pharmaceutical wholesaler, AEP, already at EUR 500m**
- **Increase to 82% shareholding in adverserve, an expert company in the fields of ad technologies and digital advertising**
- **Expansion of collaboration with DHL in Eastern Europe and usage of synergies**
- **Setting-up of bank99: Austrian Post's new bank, which will be represented at all 1,800 Austrian Post service points**

3. Enhancing Efficiency and Flexibilisation of the Cost Structure

Austrian Post is pursuing an ongoing enhancement of efficiency in all of its business areas. A substantial proportion of this has been regular investment in modernising the logistics infrastructure, to which the investment programme in the field of parcel logistics, implemented against the backdrop of further volume growth, has also contributed. Process and staff costs are also subject to ongoing evaluation and optimisation, particularly in the production segment and within the branch network. Today Austrian Post offers the most efficient, highest quality logistics network in Austria and benefits from synergies in parcel and letter mail delivery. This synergy potential has already been implemented and continues to be optimised further thanks to the merger of both production segments.

Highlights

- **Initial milestones in expanding the parcel infrastructure: the Parcel Logistics Centre Lower Austria (Hagenbrunn) has been fully operational since September 2019, with the Parcel Logistics Centre Styria (Kalsdorf) due to open in mid-2020**
- **Focus on further expansion of infrastructure in the Austrian federal states of Salzburg, Vorarlberg, Tyrol and Upper Austria**
- **Medium-term goal is to double the volume and sorting capacity to over 100,000 parcels per hour**

4. Customer Orientation and Innovation

Austrian Post can only be successful in the long term on the basis of attractive offers which satisfy concrete customer needs. For this reason, the company focuses on continuous innovations in its product and service portfolio as a means of enhancing customer comfort and convenience. The demands of online shoppers are increasing as a consequence of the trend towards online shopping. Parcels should be sent and received on a 24/7 basis, with customers demanding high levels of interaction. Austrian Post is steadily expanding its offering in this direction: this includes self-service solutions, such as drop-off boxes, pick-up boxes and pick-up stations, as well as the Post app, which enables track and trace as well as parcel redirection. Moreover, Austrian Post has also been offering the "AllesPost" service since 2019, allowing customers to assign all parcels to be delivered by Austrian Post.

Highlights

- **Use of self-service solutions continues to grow: more than 13m items were sent or received via various solutions in 2019**
- **Parcel redirection throughout Austria**
- **Expansion of collaboration with Hofer, with plans for 150 new Austrian Post stations by the end of 2022**
- **More than 1 million products available on the e-commerce platform shöpping.at**
- **Various pilot programmes providing digital support in delivery services as well as additional solutions for customers**

Business Management

The basis for a structured business management system is strategic and operational corporate management. It represents the basis for business decisions and is supported by adequate reporting. On a Group level, the business management system is guided by the key performance indicators of revenue, EBITDA, EBIT and free cash flow, and is thus consistent with the company's three main economic objectives. The company also particularly focuses on the profitability of its investments using the control parameter return on investment (ROI).

The business management concept of the Austrian Post Group clearly assigns responsibility for business areas to its executives. To this end, the Austrian core business is divided into areas of operational responsibility and all subsidiaries are clearly assigned. This structure ensures that the first reporting level shares responsibility for the performance benchmarks and, at the same time, each business area of the Austrian Post Group is scrutinised.

The profitability indicator EBIT is used alongside other area-specific indicators. These indicators are divided into performance indicators such as sales and process volumes or staff deployment. The project business is evaluated on the basis of product and customer profitability. Furthermore, the indicator system is complemented by qualitative parameters such as the quality of service, or customer satisfaction on different levels of the value chain as measured by an external institute.

Management in the sense of long-term company success is facilitated by a balanced combination of different factors. The focus here is on short-term performance indicators with direct relevance to results, and qualitative parameters which effect long-term earning capacity.

Examples of Control Parameters for the Strategic Cornerstones

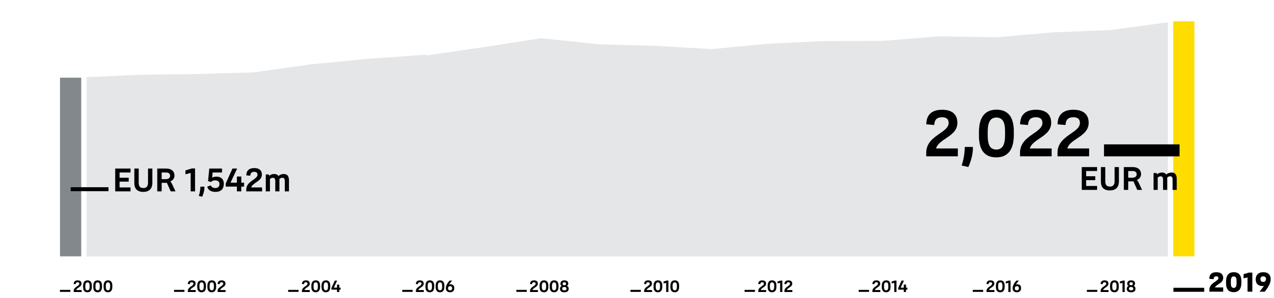
1. — Defending Market Leadership in the Core Business
→ Revenue of the mail and parcel businesses
→ EBIT of the mail and parcel businesses

2. — Profitable Growth in Selected Markets
→ Revenue of Group companies
→ EBIT of Group companies

3. — Enhancing Efficiency and Flexibilisation of the Cost Structure
→ Development of cost items
→ Attrition rate in operating or administrative areas

4. — Customer Orientation and Innovation
→ Customer satisfaction and delivery speed
→ Ramp-up curve for self-service solutions

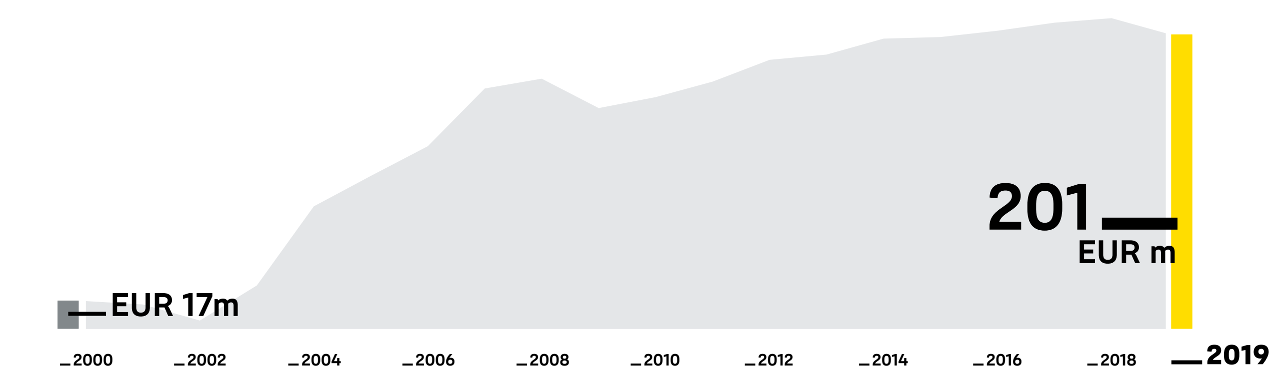
G 01 **Revenue 2000–2019**[1]



Note: 2000 consolidated financial statements in accordance with the Commercial Code, as of 2001 in accordance with IFRS

[1] Revenues excl. trans-o-flex

G 02 **EBIT 2000–2019**



Note: 2000 consolidated financial statements in accordance with the Commercial Code, as of 2001 in accordance with IFRS

Investment projects are evaluated for efficiency based on discounted cash flow methodology (DCF), whereby the discount interest rate is applied differently for Austrian and foreign acquisitions. The current discount rate for Austrian investments is 7.2%. For foreign Group companies, country-specific hurdle rates are calculated twice per annum, and currently range between 8.3% and 16.3%. For corporate acquisitions, multiple procedures are applied in comparison to relevant peer groups. This is intended to guarantee an effective and efficient use of funds. For foreign investments, economic analyses are also carried out, which then feed into the business case for the relevant acquisition target.

Business Management in Accordance with Strategic Business Areas

The control parameters of Austrian Post are guided by the strategic cornerstones of the Group: revenue and earnings figures of the divisions are relevant in the priority areas of "Defending Market Leadership in the Core Business" as well as "Profitable Growth in Selected Markets". The emphasis on "Enhancing Efficiency and Flexibilisation of the Cost Structure" focuses on the main expenditures and management of the network of postal service points. With respect to "Customer Orientation and Innovation", non-financial performance indicators such as the number of postal service points, customer satisfaction and the promotion of new self-service solutions are used to manage the Group.

In addition to the congruence of executives and the business area, the cascading of the key performance indicators of revenue, EBIT, delivery time quality and customer satisfaction represents an important element in the comprehensive and effective control of the Group. Indicators critical to the success of control measures on the lowest level are extremely relevant in the cascade up to the highest control level.

The monthly discussion of the strategy cockpit as part of the monthly report by the Management Board in its capacity as a steering committee guarantees the seamless connection between the four strategic cornerstones of the Austrian Post Group and the Group strategy. A regular strategic evaluation is carried out at the beginning of the annual planning cycle, serving as the foundation for determining key assumptions underlying multi-year planning. In turn, this serves as the basis for the first set of measures to be derived.

Ongoing control takes place by means of a monthly comparison of the status quo with the previous year, planned targets and forecasts for all business units of the company. Moreover, automated daily reports are generated with respect to employee deployment, quality and the processed and expected volumes for the purpose of tactical control. The above-mentioned basic principles of clarity, congruence and consistency are ensured for all these assessments. Monthly performance evaluations form the centrepiece of financial and operational management.

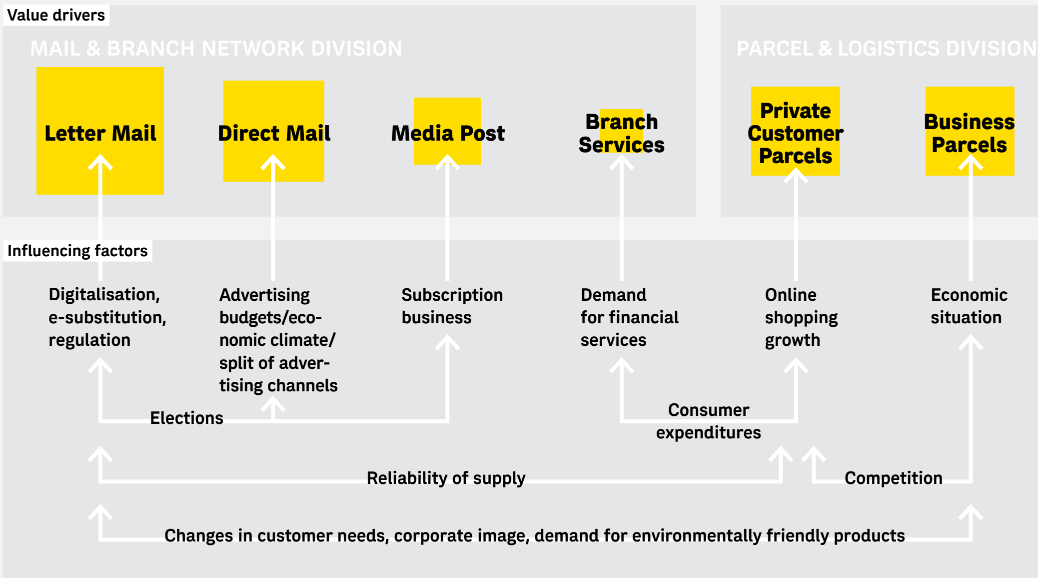
Control and Remuneration

The remuneration of the Management Board is in line with strategic and operational parameters and is based on a three-tiered approach. It consists of a fixed component and variable elements which, in turn, are composed of a Short-Term Incentive (STI) and a Long-Term Incentive (LTI). The performance targets of the variable component cover the corporate strategy, business model and positioning of the company. The STI is primarily linked to quantifiable, short-term performance indicators and includes qualitative goal achievement components that are directly related to the sustainability strategy. The LTI is a share-based variable remuneration with a three-year performance period, which aligns management interests with those of the shareholders. The performance indicators for the LTI reflect the ability to make investments and pay dividends as well as indicate corporate development in general, and are of key importance for the long-term management of Austrian Post.

Economic Objectives and their Value Drivers

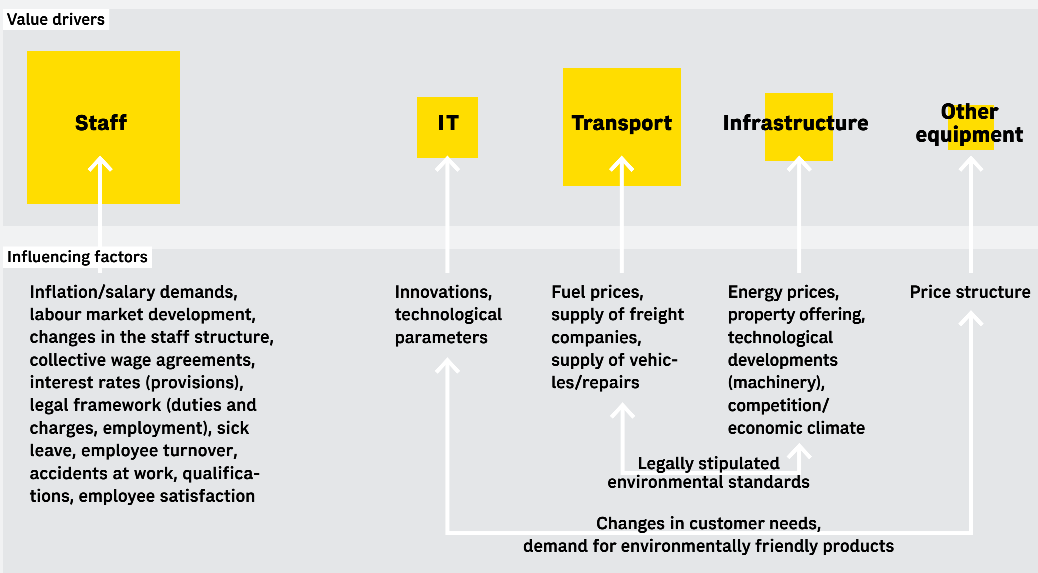
1. Solid Revenue Development

Solid revenue development is the basis for sustainably high profitability. Cost components and their value drivers also have an impact.

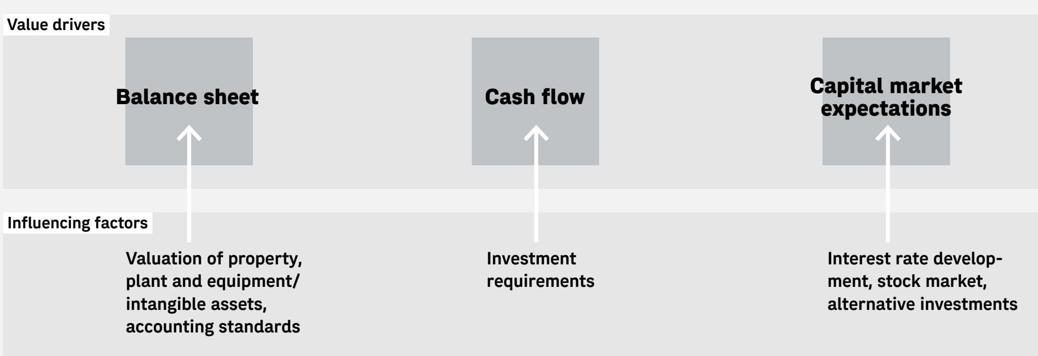


2. Sustainably High Profitability

Solid revenue development and sustainably high profitability both constitute the basis for continuing the attractive dividend policy.



3. Continuation of the Attractive Dividend Policy



Reliable Dividend Stock and Stable Shareholder Structure

Reliability and stability are more important to an investor than an exciting business model. Austrian Post represents reliability and stability in the form of dividends. Austrian Post has been publicly traded on the Vienna Stock Exchange since May 2006 and has shown an impressive track record. The company has consistently fulfilled the promise of its investment story, even in challenging times.

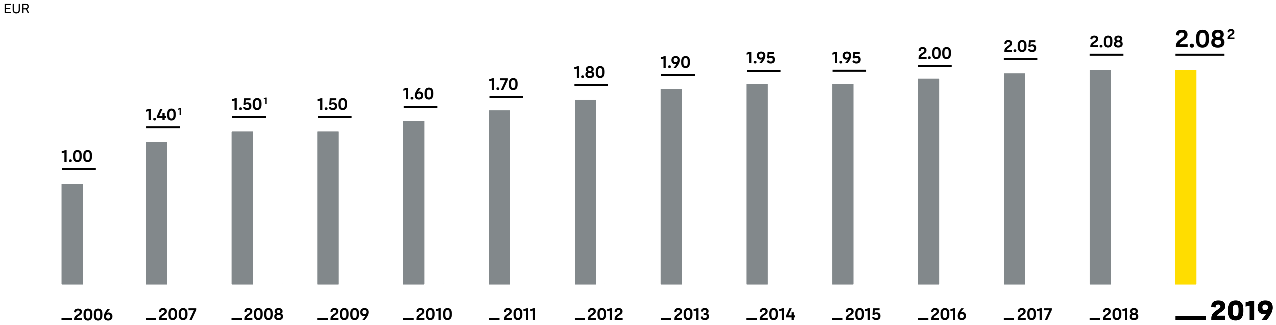
Strong Performance since the IPO

Austrian Post formulated a clear objective at its flotation: to generate a sustainable and attractive dividend on the basis of its solid business model. Overall, investors who bought Austrian Post shares at the IPO in May 2006 have been paid dividends in the amount of EUR 24.43 per share. Based on the issue price of EUR 19.00, shareholders have already received a return on investment of more than 100% from dividend payments alone.

Austrian Post aims to continue offering attractive dividends to its shareholders. The Management Board will propose to the Annual General Meeting on 16 April 2020 the dividend payment of EUR 140.5m to shareholders for the 2019 financial year – this corresponds to EUR 2.08 per share (dividend payment date on 30 April 2020). On the basis of the share price of EUR 34.00 as of the end of December 2019, this implies a dividend yield of 6.1%. As a result, Austrian Post ranks as one of the most attractive dividend stocks on the Vienna Stock Exchange as well as in comparison to its peers in the international postal and logistics sector. Austrian Post also aims for a dividend payout ratio of at least 75% of the profit for the period attributable to shareholders in the future. The company strives to distribute a sustainable dividend that develops in line with the Group net profit. G 03

G 03 Dividends per Share 2006–2019

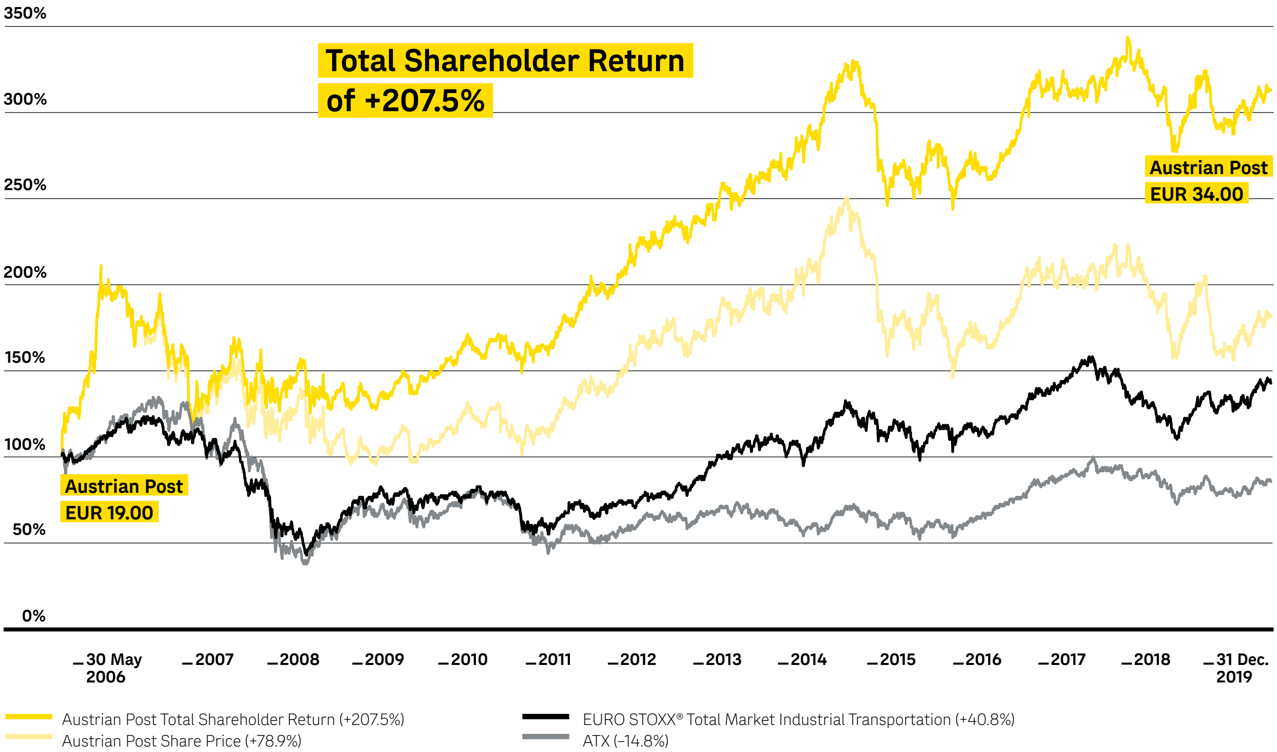
EUR



[1] excl. EUR 1.00 special dividend
[2] Proposal to the Annual General Meeting on 16 April 2020

When taking into account the share price development, in addition to the dividend payments, the return on investment for the original shareholders is actually much higher. The share price increased from EUR 19.00 in May 2006 to EUR 34.00 as of the end of December 2019. On the basis of the issue price as of 30 May 2006, the total shareholder return – including dividend payments – exceeds 200% by the end of 2019. G 04

G 04 Total Shareholder Return since the Initial Public Offering (30 May 2006 to 31 December 2019)



Good Reasons for an Investment in Austrian Post

Solid Business Model
→ Stable revenue development with leading market position in Austria
→ Sustainable profitability due to an efficient cost structure

Revenue **+3.2%**

Attractive Dividend Policy
→ Further development of dividends based on profitability and generated cash flow
→ Annual dividend distribution of at least 75% of the Group net profit

Dividend yield **6.1%**

Strong Balance Sheet and Solid Cash Flow
→ Conservative balance sheet structure – high level of cash and cash equivalents
→ Solid cash flow allows for future-oriented investments

Equity ratio **34.3%**

Promised – Delivered
→ Prudent and realistic guidance with clearly-defined objectives
→ Clear commitment to achieve communicated targets

The Austrian Post Share in 2019

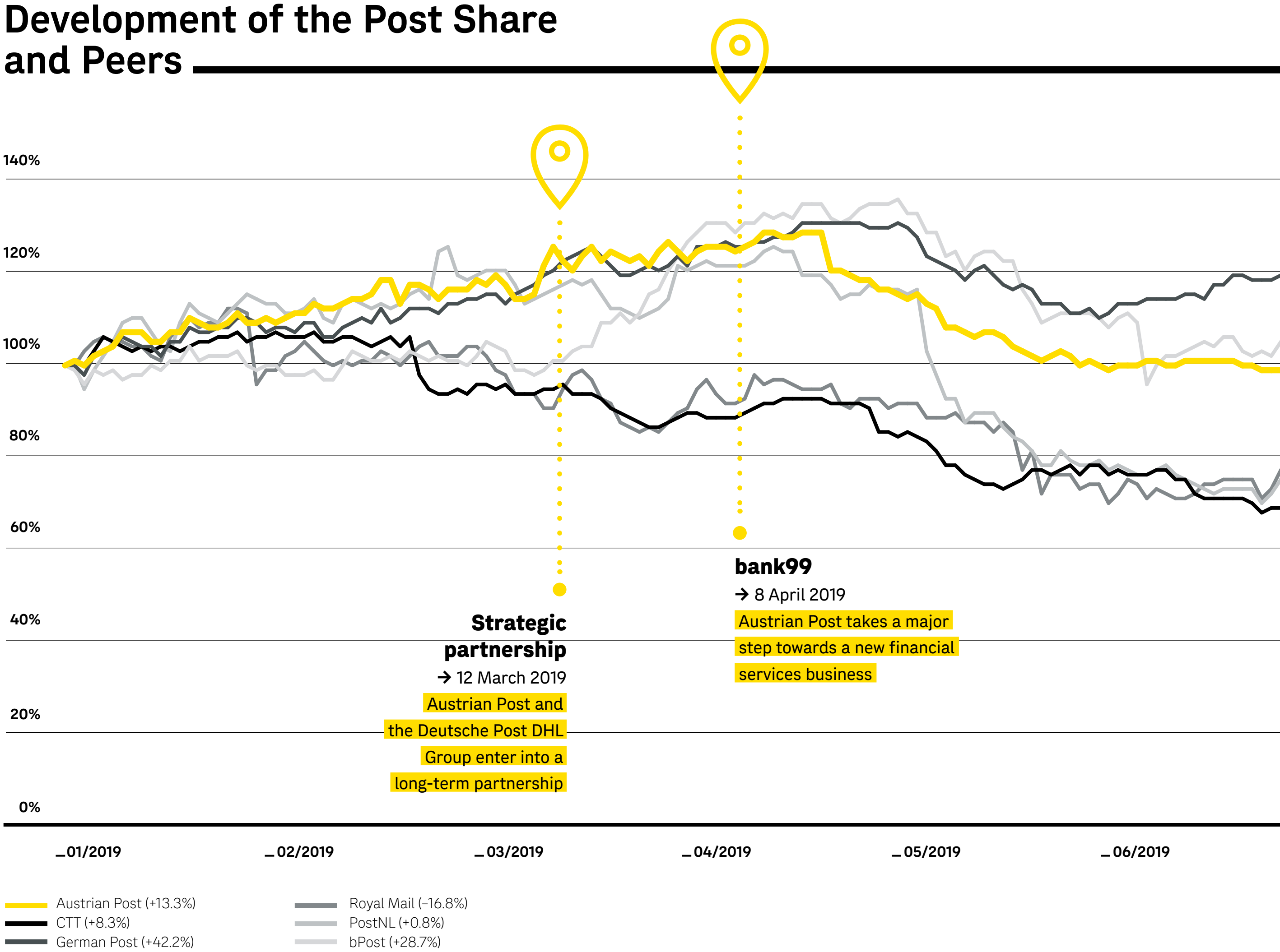
After Austrian Post started the year with a price of EUR 30.02, the price increased slightly and reached a maximum of EUR 38.35 at the start of the second quarter. Towards the middle of the third quarter, the Austrian Post share fell to EUR 29.25 to reach its lowest value for the year. The Austrian Post share closed the year with a price of EUR 34.00. This corresponds to an increase of 13.3% compared to the previous year.

The whole European Postal sector recovered from a relatively weak 2018 in this financial year. Almost all peers (comparison companies) of Austrian Post on the international capital market – Belgian Post (bpost), Portuguese Post (CTT Correios de Portugal), German Post (Deutsche Post), Dutch Post (PostNL) and the UK Post (Royal Mail) – managed to achieve a positive performance. The industry index EURO STOXX® Total Market Industrial Transportation also rose by 27.2% during the course of the year.

Stable Shareholder Structure

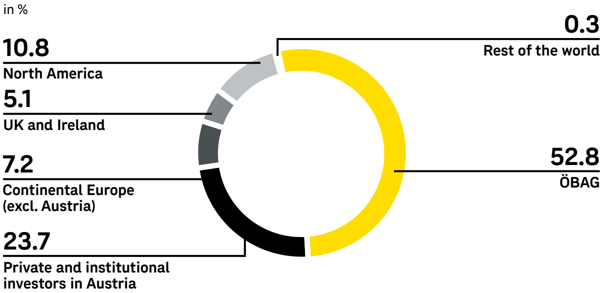
A shareholder identification carried out at the start of 2020 shows that – along with the major shareholder ÖBAG (Österreichische Beteiligungs AG) – around 36.0% of shares are held by shareholders resident in Europe (+1.3 percentage points compared to the survey at the start of 2019). A total of 23.7% of the shares are held by private and institutional investors in Austria (+4.5 percentage points), 7.2% in continental Europe (–2.6 percentage points) and 5.1% in Great Britain and Ireland (–0.6 percentage points). North America (USA and Canada) currently holds 10.8% of shares (–1.4 percentage points), with other countries making up 0.3% (+0.1 percentage points). G 05

Development of the Post Share and Peers



G 05 Shareholder Structure

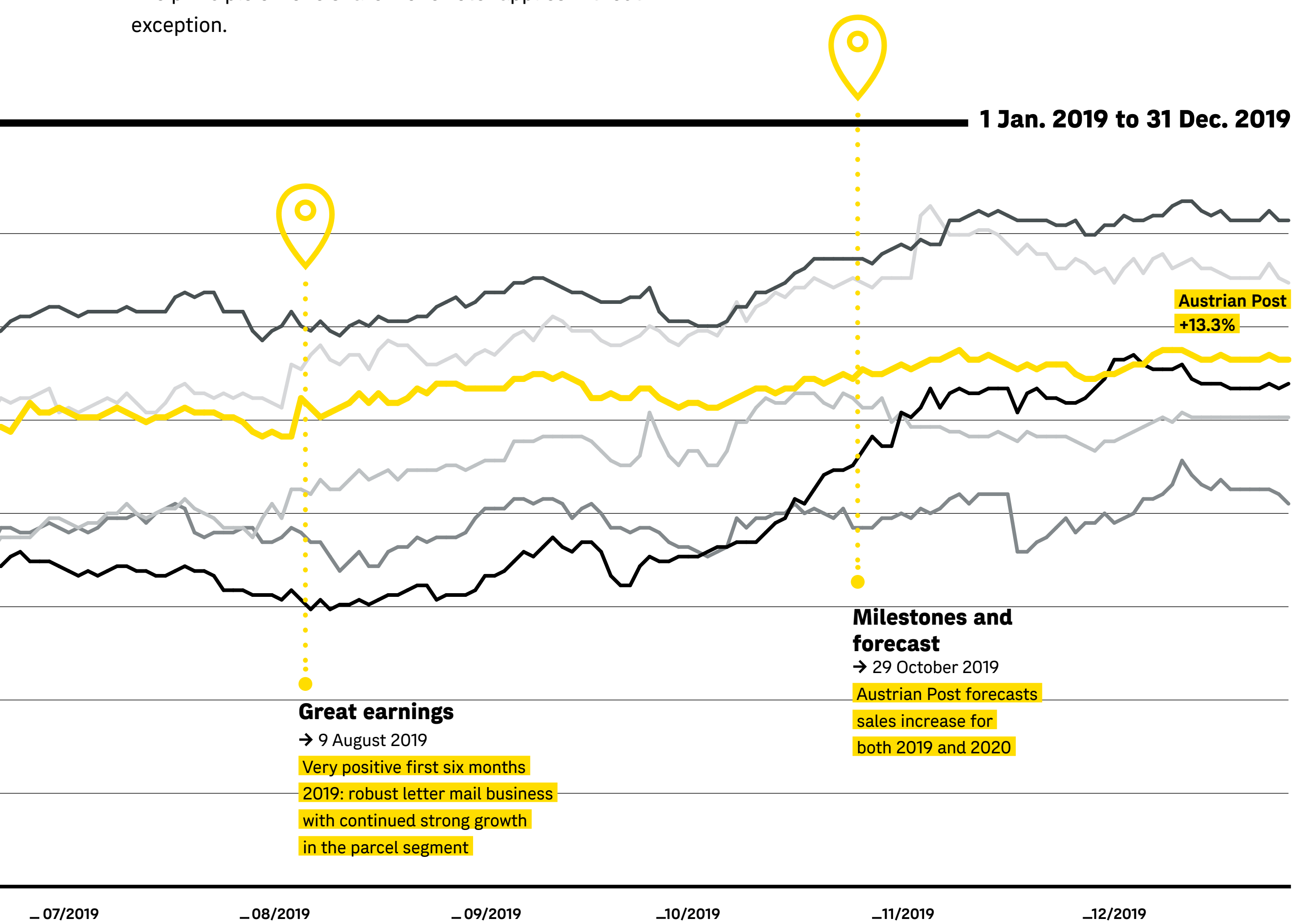
in %



Since the buyback of 2,447,362 shares in 2008 and the subsequent withdrawal of all the company's own shares on 24 April 2009, Österreichische Post AG's share capital has remained divided into 67,552,638 non-par value shares. This corresponds to a nominal value of EUR 5.00 per share. There are no voting rights restrictions or syndicate agreements that the company is aware of. The principle of "one share – one vote" applies without exception.

Professional Communication with the Capital Market

Solid, predictable and reliable – this is how Austrian Post wants to present itself to all of its investors. Since its IPO, Austrian Post has placed a great importance on active communication with investors and analysts. Apart from numerous visits by institutional investors and analysts, meetings with representatives from the financial community took place at an ongoing basis in 2019, both in Austria and at international financial centres such as Frankfurt, London, Munich, New York or Toronto. In total, the Management Board and the Investor Relations Team engaged in an intensive dialogue with more than 200 institutional investors at about 30 roadshows and investor conferences.



The high quality of Austrian Post's financial reporting is also demonstrated by the Special Annual Report Award and the SILVER award received at the Austrian Financial Communications Awards. Companies' capital market presence and investor relations activities were evaluated, along with the annual and half-year reports. However, Austrian Post's financial market communications succeeded not only with respect to the content, but also due to the graphic design. Several international awards were given to Austrian Post, for instance the award for "Best of Austria" and "Best of Non-English Annual Reports" at the ARC Awards and also the PLATINUM at the LACP Vision Awards as one of the "TOP 100 Worldwide", "TOP 50 in EMEA" and "TOP 5 Austrian Reports".

Represented in Numerous Indices and Good Ratings

Austrian Post has been listed in the ATX, the blue-chip index of the Vienna Stock Exchange, since 18 September 2006. The ATX index measures the value development of the 20 Austrian companies with the highest trading volume and market capitalisation. The weighting of the Austrian Post share in the ATX at the end of December 2019 was 2.4%. In addition to the ATX, Austrian Post is represented among others in the ATX Prime as well as the international EURO STOXX® Total Market Industrial Transportation.

The fact that the capital market considers Austrian Post operating sustainably is confirmed by numerous positive ratings. In the Carbon Disclosure Project (CDP), the world's largest database for company-relevant environmental and climate information, used by capital market participants to evaluate potential investments, Austrian Post was the only ATX company to secure an A rating and was included in the CDP Climate Change A List. Austrian Post's sustainability activities were also analysed and awarded the highest rating by ISS ESG (prime status rating) and MSCI ESG Research (AAA rating).

As Austrian Post has not required any substantial debt capital to date and can cover current financing projects itself, it is not credit rated by the large ratings agencies.

Extensive Research Coverage

The recommendations and share price targets of analysts play an important role for investment decisions next to the overall business environment and specific characteristics of a company. At the same time, Austrian Post perceives the analysts' reports as a valuable feedback from industry experts on its strategy and company development. As of the end of December 2019, Austrian Post is covered by nine investment houses: Barclays, Berenberg, Deutsche Bank, Erste Group, Goldman Sachs, Jefferies, Kepler Cheuvreux, MAINFIRST Bank and Raiffeisen Centrobank.

An overview of the latest assessments by these investment banks is available on the internet.

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T 01 Share and Dividend Indicators

	Unit	2018	2019	Change 2018/2019
Earnings per share	EUR	2.13	2.17	1.9%
Dividends per share	EUR	2.08	2.08[1]	0.0%
Dividend payout	EUR m	140.5	140.5[1]	0.0%
Dividend yield	%	6.9	6.1[1]	–
Total shareholder return (annual performance incl. dividend)	%	–14.3	20.2	–
Total shareholder return since IPO	%	175.6	207.5	–
Share price performance	%	–19.8	13.3	–
PE (price/earnings ratio) at the end of December	–	14.1	15.7	11.2%
Share price at the end of December	EUR	30.02	34.00	13.3%
High/low (closing price)	EUR	41.88/29.50	38.35/29.25	–
Market capitalisation at the end of December	EUR m	2,027.9	2,296.8	13.3%
Number of shares in circulation at the end of December	Number	67,552,638	67,552,638	–
Free float	%	47.2	47.2	–

[1] Proposal to the Annual General Meeting on 16 April 2020

Corporate Governance

42 %

of the Supervisory Board members are women

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37 Activities of the Committees
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When we talk about diversity, this encompasses all its different facets: gender, age, nationality and skills. Every perspective is valuable to us as we are convinced that diverse teams are more innovative, more agile and more economically successful.
Find out more on page 25

Corporate Governance Report

Austrian Post is a joint stock company under Austrian law and is publicly listed on the Vienna Stock Exchange. The Austrian Stock Corporation Act, Austrian Capital Market Act, Austrian Commercial Code, regulations on co-determination, the Articles of Association and by-laws for corporate bodies of the company together with the Austrian Corporate Governance Code (ÖCGK) comprise the legal framework for corporate governance at Austrian Post.

The compliance with principles of good corporate governance constitutes the basis for the trust of our employees, shareholders, customers, suppliers and the general public in the management and supervision of the company based on the focus on long-term value creation.

1. Commitment to the Austrian Corporate Governance Code

The Austrian Corporate Governance Code provides a framework for the management and control of a company, complementing Austrian stock corporation and capital market regulations on the basis of recommendations and suggestions with respect to good corporate governance. It aims to reinforce the confidence of investors in a company and strengthen Austria's position as a financial centre.

Austrian Post is unreservedly committed to complying with the current and valid version of the Austrian Corporate Governance Code and considers maintaining and further developing the company's high internal standards as a top priority. In the 2019 financial year, Austrian Post complied with all rules and recommendations of the Austrian Corporate Governance Code.

The Austrian Corporate Governance Code is publicly available on the Austrian Post website at post.at/ir or on the website of the Austrian Working Group for Corporate Governance at corporate-governance.at.

In accordance with Rule 62 of the Austrian Corporate Governance Code, Austrian Post's compliance with the code and the accuracy of its related public reporting is evaluated externally on a regular basis. The evaluation carried out for the 2019 financial year by the auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft established that Austrian Post has complied with the C-Rules of the Austrian Corporate Governance Code. Compliance with provisions regarding the auditor (C-Rules 77 to 83) was examined and confirmed by the law firm CMS Reich-Rohrwig Hainz. The next external evaluation is scheduled for the 2021 financial year.

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Group Auditing, Risk Management and Compliance

The Group Auditing department at Austrian Post performs important controlling and monitoring functions in the Group. This department promotes transparency, supplies facts for decision-making processes, presents solutions and promotes their sustainable implementation.

Risk management at Austrian Post enables the Groupwide identification and analysis of risks on the basis of strategic and operational targets. The proper functioning and suitability are evaluated by the auditor pursuant to C-Rule 83 of the Austrian Corporate Governance Code.

Austrian Post's Group internal control system (ICS) is involved through process-integrated measures, mechanisms and controls in its organisation and technical processes throughout the entire company. It is based on existing risk management and process structures in the company, encompasses the internal control activities relating to major risks and monitors the internal control implementation process. The Internal Audit department carries out an ex-post examination of compliance with relevant regulations. Its findings serve as the basis for determining the effectiveness of the integrated control process and mechanisms.

Compliance comprises an additional pillar of good corporate governance in addition to risk management and Group auditing. A compliance management system (CMS) was already launched in 2010 and continuously expanded since then. The Code of Conduct and Ethics of Austrian Post serves as the basis for the CMS. It provides the framework and guidelines for the interactions of employees with each other and the relations with stakeholders. The focal points of Austrian Post's CMS are business compliance and capital market compliance. The business CMS has been certified to ISO 37001 and the capital market CMS has been certified to ISO 19600 since 2018.

2. Composition of the Management Board

The Management Board of Austrian Post has consisted of three individuals since 1 January 2019:



Name (year of birth)	**GEORG PÖLZL** (1957)	**WALTER OBLIN** (1969)	**PETER UMUNDUM** (1964)
Position	Chairman of the Management Board	Deputy Chairman of the Management Board	Member of the Management Board
First appointed	1 October 2009	1 July 2012	1 April 2011
Current term of office expires	30 September 2024[1]	30 June 2025[1]	31 March 2021

[1] takes into account the extension option (standard contract term is three years with an extension option for a further two years)

Georg Pölzl was first appointed as Chairman of the Management Board and Chief Executive Officer of Austrian Post in October 2009. The Supervisory Board extended his Management Board mandate for the second time in November 2018, and also reappointed Georg Pölzl as Chairman of the Management Board until 30 October 2022, with a subsequent extension option for a further two years.

Following his role as Head of Group Strategy, Walter Oblin was appointed to the Management Board in 2012, and has been the Chief Financial Officer of Austrian Post since 1 July 2012. The Supervisory Board reappointed Walter Oblin as a "Mail & Finance" member of the Management Board in August 2019. The current term of office of Walter Oblin will last until 30 June 2020, and will be extended thereafter for a period of three years with a subsequent extension option for a further two years. Walter Oblin has been the Deputy Chief Executive Officer since 1 January 2019.

Peter Umundum was first appointed as a member of the Management Board in April 2011. His Management Board mandate has since been extended twice, with his current term of office due to run until 31 March 2021.

The distribution of tasks among the Management Board has been defined in the by-laws for the Management Board adopted by the Supervisory Board in December 2018. Information on the individual members of the Management Board including their professional careers is presented in the next sub-section.

Professional Careers and Areas of Responsibility

GEORG PÖLZL

Georg Pölzl studied and received his PhD from Montanuniversität Leoben. He started his professional career as a corporate consultant for McKinsey & Company. Subsequently, he was appointed to the Management Board of the mechanical engineering and plant building company Binder+Co AG. Georg Pölzl then served as Managing Director of T-Mobile Austria, based in Vienna, for a total of nine years. Subsequently, he moved to Germany, where he assumed the position of special deputy of the Management Board of Deutsche Telekom and the Spokesman for the Executive Management of T-Mobile in Germany until 2009.

Areas of responsibility: Corporate Communication, Strategy and Group Development, Human Resources Management, Investor Relations & Corporate Governance, Group Auditing, Risk Management & Compliance, Customer Initiatives & Service, E-Commerce, Branches and Bank

Executive and supervisory role in major Group companies: Member of the Supervisory Board of bank99 AG

Additional roles: Member of the Board of International Post Corporation, Deputy Chairman of the Supervisory Board of Klinger Holding GmbH

WALTER OBLIN

Walter Oblin concluded his studies in Mechanical Engineering and Business Economics at the Graz University of Technology and also holds an American MBA degree. He began his professional career in 1994 as a corporate consultant for McKinsey & Company in Vienna. He then became a partner in 2000 and, as a result, assumed managerial tasks as a member of McKinsey's Management Board in Austria and in its global transport and logistics sector. After 14 years of international consultancy work primarily for transport, infrastructure and logistics companies, Walter Oblin then took over the role of Commercial Director for the German technology company SorTech AG in 2008. In the autumn of 2009, he became Head of the Strategy and Group Development division at Österreichische Post AG.

Areas of responsibility: Mail & Direct Mail Division including investments, Mail Solutions Division including investments, Group Accounting & Treasury, Group Controlling, Group IT & Procurement, Group Legal and Group Real Estate

Executive and supervisory role in major Group companies: Deputy Chairman of the Supervisory Board of bank99 AG

PETER UMUNDUM

Following his studies in computer science at the Graz University of Technology, Peter Umundum commenced his professional career in 1988 at Steirerbrau AG, where he assumed managerial responsibility for the Organisation and Computing department. In 1994, he moved to Styria Medien AG as the head of IT and two years later was appointed as the CEO of the subsidiary Media Consult Austria GmbH. In 1999 he acted as one of the founders and CEO of redmail and was also involved in the Styria Group's launch on the Croatian market. In 2001 Peter Umundum became the Managing Director of the daily newspaper "Die Presse", and three years later joined the Executive Management of the daily newspaper "Kleine Zeitung". In 2005 he became a member of the Mail division management at Österreichische Post AG.

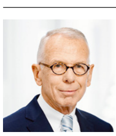
Areas of responsibility: Operations in the Mail & Parcel division, Parcel Austria division, Transport & Services, Logistics Solutions, CEE & Turkey and investments in the European distribution network EURODIS

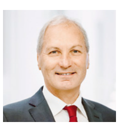
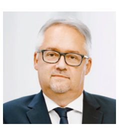
Additional roles: Member of the Supervisory Board of Steiermärkische Krankenanstaltenges. m.b.H., Chairman of the Supervisory Board of EURODIS GmbH

3. Composition of the Supervisory Board

As at 31 December 2019, the Supervisory Board consisted of a total of twelve members, i. e. eight shareholder representatives elected by the Annual General Meeting and four employee representatives elected by the Central Works Council.

No changes took place in the Supervisory Board during the 2019 financial year.

Name (year of birth)	Nationality	Main job	Area of competence as part of the Supervisory Board of Austrian Post	Term of office	Positions in listed companies
SHAREHOLDER REPRESENTATIVES					
 **EDITH HLAWATI** (1957) Chairwoman	Austria	Lawyer	Legal, Capital Markets, Corporate Governance and Remuneration	26 April 2007 until 2023 AGM	Telekom Austria AG
 **EDELTRAUD STIFTINGER** (1966) Deputy Chairwoman	Austria	Managing Director Austria Wirtschaftsservice GmbH	Finance and Accounting	15 April 2015 until 2020 AGM	
 **JOCHEN DANNINGER** (1975)	Austria	Managing Director of ecoplus. Niederösterreichs Wirtschaftsagentur GmbH	Regulation and Infrastructure	19 April 2018 until 2023 AGM	
 **HUBERTA GHENEFF** (1964)	Austria	Lawyer	Legal	19 April 2018 until 2023 AGM	
 **PETER E. KRUSE** (1950)	Switzerland	Management Consultant	Parcel & Logistics, International Markets	24 April 2014 until 2023 AGM	

Name (year of birth)	Nationality	Main job	Area of competence as part of the Supervisory Board of Austrian Post	Term of office	Positions in listed companies
 **CHRIS E. MUNTWYLER** (1952)	Switzerland	CEO of Conlogic AG (Switzerland)	Parcel & Logistics, International Markets	22 April 2010 until 2023 AGM	National Express Group PLC (UK)
 **HERTA STOCKBAUER** (1960) Financial expert	Austria	Chairwoman of the Management Board of BKS Bank AG	Finance, Banking	15 April 2015 until 2020 AGM	Oberbank AG, Bank für Tirol und Vorarlberg AG
 **STEFAN SZYSZKOWITZ** (1964)	Austria	Spokesman of the Management Board of EVN AG	Capital Markets, Finance	19 April 2018 until 2023 AGM	Burgenland Holding AG, Verbund AG
EMPLOYEE REPRESENTATIVES					
 **MARIA KLIMA** (1980)	Austria	Central Works Council		since 30 October 2018	
 **HELMUT KÖSTINGER** (1957)	Austria	Central Works Council (Chairman)		since 14 April 2005	
 **MARTIN PALENSKY** (1963)	Austria	Central Works Council (Deputy Chairman)		since 22 February 2002	
 **MANFRED WIEDNER** (1963)	Austria	Central Works Council		since 03 March 1999	

Independence

In accordance with C-Rule 53 of the Austrian Corporate Governance Code, the Supervisory Board of Österreichische Post AG has defined the following criteria to determine the independence of members of the Supervisory Board in compliance with Appendix 1 of the January 2018 version of the Austrian Corporate Governance Code:

1. — The member of the Supervisory Board shall not have served as a member of the Management Board or as a manager of the company or one of its Group companies in the past five years.

2. — The member of the Supervisory Board shall not maintain or have maintained in the past year any business relations with the company or one of its Group companies to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which the member of the Supervisory Board has a considerable economic interest, but not to carrying out functions in corporate bodies. The approval of individual transactions by the Supervisory Board according to L-Rule 48 does not automatically mean the person is qualified as being not independent.

3. — The member of the Supervisory Board shall not have been an auditor of the company, have owned a share in the auditing company or have worked there as an employee over the past three years.

4. — The member of the Supervisory Board shall not be a member of the Management Board of another company in which a member of the Management Board of this company is a member of the Supervisory Board.

5. — The member of the Supervisory Board shall not serve as a member of the Supervisory Board for longer than 15 years. This does not apply to members of the Supervisory Board who are shareholders with a stake in the company or who represent such a shareholder's interests.

6. — The member of the Supervisory Board shall not be a close relative (i. e. direct offspring, spouse, partner, parent, uncle, aunt, sibling, niece or nephew) of a member of the Management Board or of persons in one of the above-mentioned positions.

All shareholder representatives of Austrian Post are independent. Written declarations of their independence have been submitted in accordance with the above-mentioned criteria. No shareholder representative has a stake of more than 10% in the company or represents the interests of such a shareholder.

There are no contracts between the members of the Supervisory Board and Austrian Post which would require consent or disclosure pursuant to Rules 48 and 49 of the Austrian Corporate Governance Code.

4. Diversity Concept and Measures to Promote the Advancement of Women

Equal opportunity at work and equal treatment of employees without regard to gender and age are self-evident for Austrian Post as well as its Group companies.

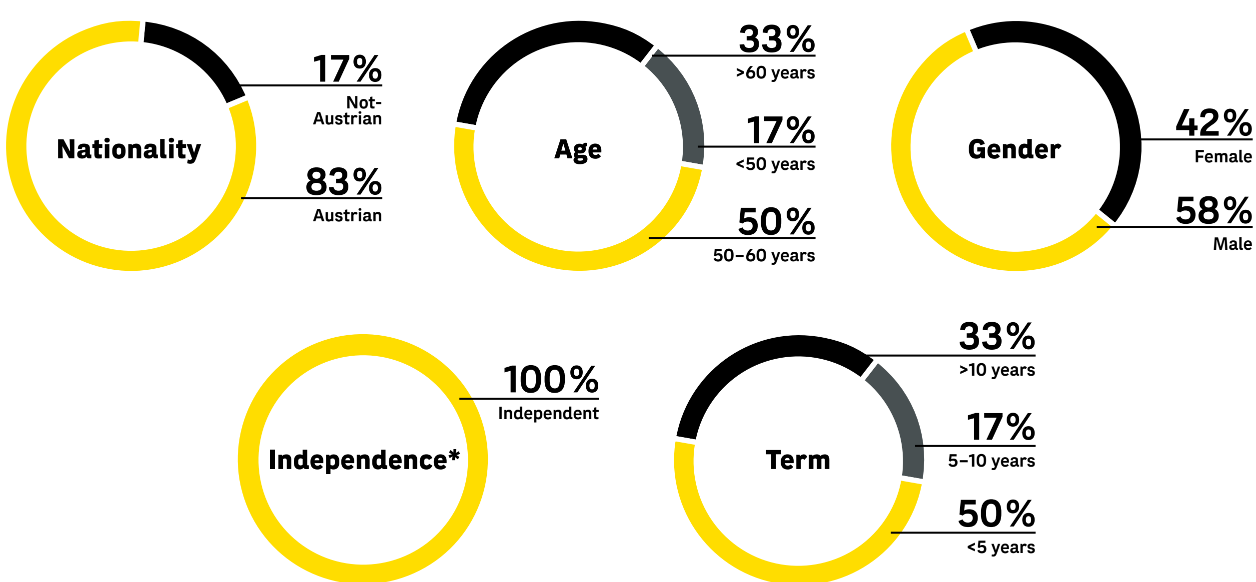
Positions on the corporate bodies of Management Board and Supervisory Board should be filled with individuals who provide the relevant knowledge, skills and personal competences that are required for the management and supervision of a publicly-listed logistics and postal services provider and reflect strategic objectives of the company. Ensuring a professional and personal balance in the composition of the Supervisory Board should be borne in mind. In this case, the diversity of the Supervisory Board with respect to the representation of both genders, a balanced age structure and the internationality of the members are to be taken into account.

Diversity in the Supervisory Board

A total of five women are represented on Austrian Post's Supervisory Board, representing a share of 42%. This completely fulfils the statutory gender quota of 30% which took effect on 1 January 2018, and which applies separately for shareholder and employee representatives.

The members of the Supervisory Board show a balanced age structure ranging from 40 to 69. Two members are not Austrian nationals. As a whole, the Supervisory Board covers the entire spectrum of fields which are important for the company such as finance and know-how in the fields of logistics and services. Business management skills and legal knowledge as well as long-standing management experience and competence complete the profile of the Austrian Post Supervisory Board. G 06

G 06 Diversity in the Supervisory Board



* according to the Austrian Corporate Governance Code

No woman currently serves on the Management Board of Austrian Post. However, women occupy managerial roles in numerous first and second-tier reporting divisions. The proportion of female managers was 26%, while the proportion of women out of the Group's entire workforce amounted to 32%. Against the backdrop of a conceivable filling of vacant Management Board positions from the company's own ranks, the strategic objective is to achieve the best possible diversity at the highest management level and to gradually increase the proportion of women in executive positions.

Gender Balance: Expedition Elly

Austrian Post is keen to promote and actively make use of diversity and gender diversity in particular. This resulted in the development of a strategy to enable gender balance within the company back in 2018 under the "Expedition Elly" flagship project, named after the aviation pioneer Elly Beinhorn. Motivated teams from various divisions and hierarchy levels came up with the strategy as well as the various targets and measures. Austrian Post's aim in the future is to achieve a balance between men and women and make Austrian Post an even more attractive employer for women. The Women's Career Index (FKI) was conducted once again in 2019. An increase from 62 to 75 out of a possible 100 points were achieved thanks to the "Expedition Elly" initiative and the clear positioning of gender balance targets in all areas.

Reconciliation of Work and Family Life Balance

Austrian Post takes its role as a family-friendly company seriously, helping to promote the balance between work and family life through various measures and offerings. In 2019 Österreichische Post AG was once again given the "Career and Family Certificate" by the Austrian Federal Ministry of Families and Youth. The existing measures will be continued and implemented for a further three years and other targets set on the basis of agreements. These measures include, for example, integrating employees on parental leave into the internal information network, or the provision of a comprehensive information platform on subjects such as parental or maternity leave.

The Austrian Post programme to promote the career advancement of women was also revamped in 2017. Its underlying objective is to ensure equal opportunities for women and men in the company on the basis of the Federal Equal Treatment Act (B-GIBG) and increase the proportion of women in areas where they are under-represented. The annual equality check, among other things, was conducted once again in 2019 in order to achieve this target. This tool enables a review of the implementation of the programme to promote the career advancement of women within Austrian Post and its Group companies.

5. Mode of Operation of the Management Board and Supervisory Board

The Management Board is the managing body of the Austrian Post Group and is bound to act in the company's best interests. It manages the business of the company on the basis of prevailing legal regulations, the Articles of Association and the by-laws. The by-laws for the Management Board stipulate the assignment of responsibilities and cooperation within the Management Board. They also define the information and reporting obligations of the Management Board as well as a catalogue of measures requiring the formal approval of the Supervisory Board.

The Management Board discusses the current business development at Austrian Post, as well as strategic and operational issues during meetings held at least every fourteen days. At these meetings decisions are made that require the approval of the entire Management Board. Moreover, the members of the Management Board continually exchange information about the relevant activities and events with each other and with the responsible executives.

A so-called Strategic Executive Management Council provides support to the Management Board in running of the company. This leadership team consists of approximately 20 top-level employees and plays an advisory and supporting role with respect to all operational and strategic issues affecting Austrian Post.

The Management Board regularly provides the Supervisory Board with timely and comprehensive information about all relevant issues relating to business development, including the assessment of the risk situation and risk management at Austrian Post and all key Group companies. Moreover, in the spirit of good corporate governance, ongoing consultations take place between the respective chairmen of the Supervisory and Management Boards concerning the matters falling under the jurisdiction of the Supervisory Board.

The Supervisory Board monitors and oversees the activities of the Management Board and makes decisions on issues of fundamental importance as well as the strategic direction of the company. The work of the Supervisory Board is characterised by a high level of openness. The intensive work carried out by Supervisory Board committees supports the Supervisory Board with a view to ensure focused discussions and efficient decision making.

Five meetings of the Supervisory Board were held in the 2019 financial year. The focus of the ordinary meetings of the Supervisory Board was on monitoring the ongoing business development of Austrian Post and its Group companies as well as various transactions requiring Supervisory Board approval. Ongoing strategic development projects were discussed in detail at all sessions. The priorities of the work carried out by the Supervisory Board in 2019 are summarised in the Report of the Supervisory Board to the Annual General Meeting.

The training programme for the Supervisory Board has become an integral part of the Supervisory Board's work and was continued in the 2019 financial year. The sessions focused on various challenges in the mail and logistics industry as well as key topics such as "Mobile solutions in the end customer segment" and "Innovations". The discussions held with internal and external experts are particularly designed to deepen the market knowledge of the members of the Supervisory Board and intensify an exchange of experiences outside of the sessions.

In accordance with the stipulations of the Austrian Corporate Governance Code (ÖCGK, Rule C-36), the Supervisory Board carried out a self-evaluation of its work in the 2019 financial year on the basis of a questionnaire. The evaluated results were extensively discussed by the Supervisory Board, and will be integrated into the future work of the Supervisory Board.

There is a duty on the part of the Management Board as well as the Supervisory Board to disclose any conflict of interest. Members of the Supervisory Board must disclose any conflict of interest immediately to the Chairman of the Supervisory Board. If the Chairman himself is involved in a conflict of interest, he is required to immediately disclose this to the Deputy Chairman. With respect to Management Board meetings dealing with the personal or economic interests of a particular member of the Management Board, this member is not permitted to take part in the relevant decision making.

Committees

In order to exercise its advisory and controlling functions efficiently, the Supervisory Board has formed Committees, which deal with technical issues and prepare resolutions for adoption by the Supervisory Board.

Executive Committee
Edith Hlawati (Chairwoman), Edeltraud Stiftinger

Nomination Committee
Edith Hlawati (Chairwoman), Edeltraud Stiftinger, Helmut Köstinger

Remuneration Committee
Edith Hlawati (Chairwoman), Edeltraud Stiftinger, Jochen Danninger

Audit Committee
Edeltraud Stiftinger (Chairwoman), Herta Stockbauer (Deputy Chairwoman), Huberta Gheneff, Stefan Szyszkowitz, Helmut Köstinger, Manfred Wiedner

Parcel & Logistics Committee
Peter E. Kruse (Chairman), Chris E. Muntwyler, Helmut Köstinger

In accordance with the by-laws for the Supervisory Board, the Executive Committee is responsible for regulating the relationships between the company and the members of the Management Board, including granting approval to secondary employment, inasmuch as this does not fall within the jurisdiction of the entire Supervisory Board, the Remuneration or Nomination Committee. In addition, the Executive Committee maintains regular contact with the Chairman of the Management Board and discusses with him the strategy and business development.

The Nomination Committee submits recommendations to the Supervisory Board with respect to filling vacant positions the Management Board, and also deals with issues relating to succession planning. The Nomination Committee or the entire Supervisory Board submits specific proposals to the Annual General Meeting with respect to filling vacant positions on the Supervisory Board. In the 2019 financial year, one session of the Nomination Committee dealt with filling the position of the "Mail & Finance" member of the Management Board.

The Remuneration Committee deals with the contents of employment contracts with members of the Management Board and is responsible in particular for any remuneration issues. It ensures implementation of the remuneration rules contained in the Austrian Corporate Governance Code, and regularly evaluates the policies governing remuneration of members of the Management Board.

The remuneration system of the Management Board was discussed in depth and subjected to a review during the course of the five Remuneration Committee meetings. With the involvement of an external consultant, a review of selected parameters was recommended for the variable remuneration elements, the implementation of which was decided on by the Remuneration Committee. The Remuneration Committee also took care of the employment contracts for Georg Pölzl and Walter Oblin. Peter Umundum's contract was amended with regard to the new remuneration arrangements.

The Audit Committee performs the tasks assigned to it pursuant to Section 92 (4a) of the Austrian Stock Corporation Act (AktG) as well as Rule 40 of the Austrian Corporate Governance Code.

The Audit Committee held four meetings in the 2019 financial year. In addition to reviewing and preparing approval of the annual financial statements and consolidated annual financial statements for 2018, great importance was attached to supervising the financial reporting process, the internal control system as well as the audit and risk management systems. A further focus of its work was preparing the proposal of the Supervisory Board for the election of the auditor and monitoring the independence of the auditor.

The Parcel & Logistics Committee supports the Management Board in preparing complex decisions on fundamental strategic issues impacting the Parcel & Logistics Division. The takeover of the Deutsche Post DHL Group private customer parcel business in Austria, the Turkish parcel investment Aras Kargo and various measures on expanding the infrastructure were discussed in detail.

	Supervisory Board	Nomination Committee	Remuneration Committee	Audit Committee	Parcel & Logistics Committee
EDITH HLAWATI	5/5	1/1	5/5		
JOCHEN DANNINGER	5/5		5/5		
HUBERTA GHENEFF	5/5			4/4	
PETER E. KRUSE	5/5				5/5
CHRIS E. MUNTWYLER	5/5				5/5
EDELTRAUD STIFTINGER	5/5	1/1	5/5	4/4	
HERTA STOCKBAUER	5/5			3/4	
STEFAN SZYSZKOWITZ	5/5			4/4	
MARIA KLIMA	5/5				
HELMUT KÖSTINGER	5/5	1/1		4/4	5/5
MARTIN PALENSKY	5/5				
MANFRED WIEDNER	5/5			4/4	

6. Remuneration Report

The Remuneration Report describes the remuneration system for the members of the Management Board and the Supervisory Board of Austrian Post and explains the structure and amount of the individual components of the Management Board and Supervisory Board remuneration for the 2019 financial year.

6.1. Remuneration System for the Management Board

PRINCIPLES AND STRUCTURE

The remuneration system for the Management Board was subjected to an in-depth evaluation in the 2018 and 2019 financial years. Both the structure as well as the amounts were discussed in detail in the Remuneration Committee and subjected to an external review. The outcome of the review stated that the remuneration for the members of the Management Board is generally in line with the market and is adequate in terms of its individual components and total amounts. A revision of selected parameters was recommended for the variable remuneration elements, the implementation of which was decided on by the Remuneration Committee in 2019. As a result, adjustments were made to the Short-Term Incentive (STI) and Long-Term Incentive (LTI) programmes.

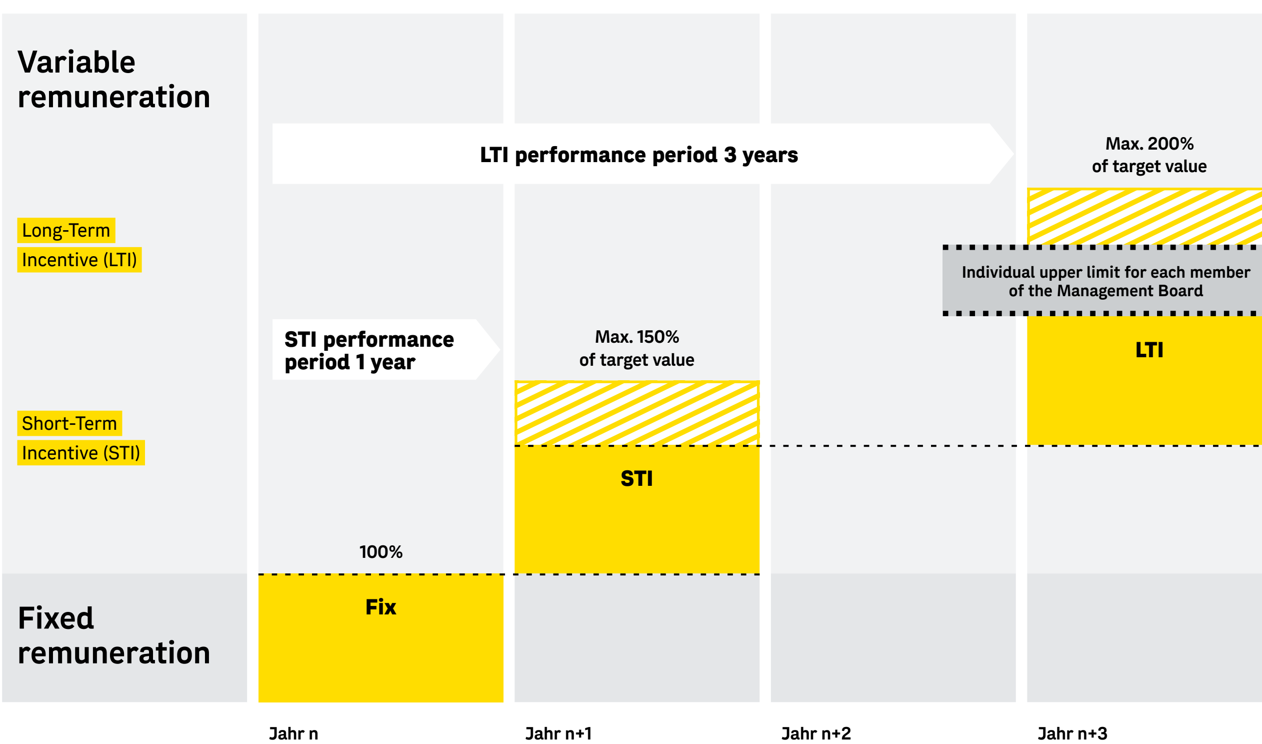
As has previously been the case, the Management Board remuneration for 2019 continues to be based on a three pillar model with a fixed remuneration component and variable components, which are in turn made up of a short-term and a long-term component, namely the Short-Term Incentive (STI) and the Long-Term Incentive (LTI). G 07

A detailed presentation of the remuneration principles can be found in the policies governing remuneration drawn up in accordance with Section 78a of the Austrian Stock Corporation Act, which will be submitted to the Annual General Meeting for the first time in 2020.

The remuneration system for the Management Board is focused on the corporate strategy and aims to ensure a success-oriented and sustainable business management. The structure of the performance targets takes into account the Group's corporate strategy and the company's business model and positioning.

The company targets are derived from the integrated corporate and sustainability strategy. Targets are defined in the four focal points of the Group strategy in accordance with the sustainability criteria (Economy & Governance, Ecology, Employees and Society).

G 07 **Remuneration System for the Management Board of Austrian Post**



Four cornerstones comprise the core aspects of Austrian Post's corporate strategy and are completely integrated into the variable remuneration paid to the Management Board.

- Defending market leadership in the core business
- Profitable growth in selected markets
- Enhancing efficiency and flexibilisation of the cost structure
- Customer orientation and innovation

Combining the corporate strategy and sustainability strategy ensures that the profitable and sustainable development of the company is in the interests of all stakeholders.

A new element to the single-year variable remuneration (STI) is the introduction of a modifier to take non-financial and qualitative targets into account. In addition, the financial targets were concentrated on the key indicators of "Revenue" and "EBIT". Recalibration of the payment curves and the ability to overachieve targets by increasing and harmonising the caps round off the various adjustments implemented in the STI 2019.

The revision of the multi-year variable remuneration (LTI) relates in particular to the use of the relative total shareholder return as an indicator and a performance measurement with an annual and weighted "lock-in" (20%/20%/60%). The payment curves were also recalibrated and the cap was set to 200%.

FIXED REMUNERATION 2019

The fixed salary is linked to the salary structure of publicly listed Austrian companies and takes into account the range of duties and responsibilities assumed by each of the members of the Management Board. Furthermore, a benchmark covering the 20 ATX companies in Austria, the 60 medium-sized comparable MDAX companies in Germany as well as a further 16 European logistics companies is also taken into account for the basic salary.

VARIABLE REMUNERATION – SHORT-TERM COMPONENT 2019

The short-term variable remuneration component, the Short-Term Incentive (STI), is linked to a large extent to measurable, short-term performance indicators and also encompasses the achievement of qualitative performance targets.

The STI is calculated based on the contractually defined target value, which in the 2019 financial year allows a bonus of 100% of the basic salary to be paid out if 100% of the target is achieved.

The financial targets are made up of 50% each for revenue and EBIT, and their achievement may fluctuate from between 0% and 150% with a lower limit defined in the event of 50% achievement respectively. A modifier, which can impact the target achievement value by no more than +/– 30%, must be applied to this financial target achievement. The amount paid out is limited to 150% of the contractually defined target value.

Short-Term Incentive Programme

Area	Criteria	Weighting
Financial targets	Revenue	50%
	EBIT (before extraordinary effects)	50%
Modifier	Value between 0.7 and 1.3 is defined at the discretion of the Remuneration Committee based on a pre-defined catalogue.	+/–30% Multiplier

The 100% target values as well as the threshold and maximum values for revenue and EBIT were defined by the Remuneration Committee of the Supervisory Board at the start of the year.

By using revenue as the basis, the aim here is to safeguard market leadership in the core business and ensure growth in selected markets. EBIT takes into account the success of the operational business and ensures the company is in a position to pay dividends.

The modifier establishes a direct link between the strategic initiatives as well as the sustainability strategy and the ESG indicators. Each year, the Remuneration Committee identifies priorities relating to the aspects of Economy & Governance, Ecology, Employees and Society, which are derived from Austrian Post's current topics. The following catalogue was defined for the 2019 financial year: subsidiary results, financial services business performance, mail and parcel delivery quality, customer satisfaction, collaboration between Management Board and Supervisory Board, catalogue of measures relating to employee protection, increasing the proportion of women and measures in the area of environmental management.

VARIABLE REMUNERATION – LONG-TERM COMPONENT 2019 TO 2021

The long-term variable remuneration component is structured as a Long-Term Incentive (LTI) programme. The underlying objective is to align the interests of company management with those of Austrian Post shareholders to achieve a medium to long-term increase in shareholder value. This is ensured by choosing capital market-related control parameters as well as the necessary level of personal investment and the positive share price relation.

The LTI programme involves share-based variable remuneration with a three-year performance period and a subsequent one-year retention period. Participation is contingent upon individuals making their own one-time investment, which has the following ratio to the basic salary: 80% for the Chairman of the Management Board, 70% for the Deputy Chairman of the Management Board and 60% for other members of the Management Board.

The starting point for the LTI are Performance Share Units (PSU), which are calculated based on the contractually agreed target value divided by the start reference share price. The target value is defined on an individual basis for each member of the Management Board, and is between 75% and 125% of the basic salary depending on the individual's position on the Management Board.

The target achievement at the end of the three-year term is derived from the total amount of the three performance indicators, namely earnings per share, free cash flow and relative total shareholder return. Target achievement of the three indicators can vary between 0% and 200%, whereby lower limits are defined in the event of a 50% target achievement rate. The 100% target values as well as the threshold and maximum values for the criteria were defined by the Remuneration Committee of the Supervisory Board at the start of the year.

The target criteria used for the LTI aim to take into account the long-term increase in the company's value. They reflect the ability to make investments and pay dividends as well as the company's overall performance and are of major importance to the long-term group management of Austrian Post.

The weighting of these indicators and the definition of the annual intermediate targets can be found in the table below.

Long-Term Incentive Programme

Criteria	Weighting	Annual target achievement weighting during the three-year performance period
Earnings per share	1/3	20%/20%/60%
Free cash flow	1/3	20%/20%/60%
Relative total shareholder return	1/3	20%/20%/60%

The incentive in the form of the final number of PSU is calculated using the number of PSU at the start of the programme multiplied by the level of target achievement (possible range between 0% and 200%). The end reference share price after the three-year performance period is used to determine the amount paid out. The maximum payout value is 200% of the target value for each member of the Management Board.

CAPS IN THE REMUNERATION SYSTEM

Austrian Post's remuneration system has caps in place both for the individual variable components as well as for the total remuneration. As described above, the STI bonus payout is capped at 150% and the LTI bonus payout is capped at 200% of the target value defined in the contract of a member of the Management Board. An individual salary cap is also defined for each member of the Management Board, which limits the maximum achievable amount for a given financial year.

The cap for the maximum Management Board remuneration, consisting of fixed and variable salary components for the 2019 financial year and the LTIP for 2019 to 2021, was set at EUR 2,535 thousand for Georg Pölzl, EUR 1,598 thousand for Walter Oblin and EUR 1,419 thousand for Peter Umundum. Furthermore, a payment cap of EUR 2,765 thousand has been defined for Georg Pölzl for the total payments made in a year.

6.2. Management Board Remuneration (Payments) for the 2019 Financial Year

The salary components relevant for the 2019 financial year and the payments made to the Management Board are explained below.

FIXED SALARY

The fixed salary is linked to the salary structure of publicly listed Austrian companies and takes into account the range of duties and responsibilities assumed by each of the members of the Management Board. Furthermore, a benchmark covering the 20 ATX companies in Austria, the 60 medium-sized comparable MDAX companies in Germany as well as a further 16 European logistics companies is also taken into account for the basic salary. In addition to the basic salary, the members of the Management Board are also given a company car and are entitled to accident insurance (benefits in kind).

SHORT-TERM INCENTIVE 2018

The short-term variable remuneration, which was agreed in the 2018 financial year and paid out in 2019, is based on a target agreement according to the existing system. The adjustments described in Note 6.1 were adopted in the remuneration systems in 2019.

The STI 2018 is linked to a large extent to measurable, short-term performance indicators and also encompasses the achievement of qualitative performance targets. The targets agreed upon with the members of the Management Board are consistent with the Group strategy and comprised 65% financial aspects and 35% non-financial aspects. The financial objectives include selected revenue and earnings indicators of the Group and of the mail and parcel business based on the specified annual planning for 2018. Non-financial targets included indicators relating to customer focus (delivery quality), environment and employees.

The targets for 2018 can be allocated to the Group strategy's four strategic cornerstones and were clustered as follows: 60% relates to defending market leadership in the core business and enhancing efficiency, 25% relates to profitable growth and 15% to customer focus and innovation.

The Remuneration Committee assessed the achievement of the agreed targets based on the evaluation of data by the auditor. A cap of 120% of the annual fixed salary was set for the variable salary component. Given the company's strong performance both in the financial as well as the non-financial criteria, this cap was reached for the STI remuneration for 2018.

LONG-TERM INCENTIVE 2016 TO 2018

The long-term variable remuneration, which was agreed upon in the 2016 financial year and paid out in 2019, was defined based on the existing system. The adjustments described in Note 6.1 were adopted in the structure of the LTIP 2019 to 2021 (reporting in 2022).

The long-term variable remuneration component "LTI 2016 to 2018" is based on the following conditions: the requirement for participation here is personal investment by each participating member of the Management Board, which is defined using a definitive percentage amount of the gross fixed salary. The required number of shares are illustrated in the following table.

	LTIP 2016–2018 Personal investment					
Name of the member of the Management Board	Required number of shares	Equivalent value in EUR thousand[1]	Number of shares held as at 31 December 2018	Shares purchased in 2019	Number of shares held as at 31 December 2019	Equivalent value in EUR thousand[2]
Georg Pölzl	13,672	480	27,054	4,688	31,742	1,052
Walter Oblin	6,836	240	9,899	601	10,500	348
Peter Umundum	6,678	234	10,827	2,000	12,827	425

[1] Based on average share price in H2 2015
[2] Based on average share price in Q4 2019

The bonus is paid on the basis of so-called bonus shares as a mathematical factor and takes into account the share price performance. In the event that 100% of the total targets are achieved, provision is in place for a 100% bonus, which is calculated based on a definitive percentage amount of the gross fixed salary. The total bonus after three years is capped at 225% of any bonus intended for the respective member of the Management Board in the event that 100% of the total targets are achieved.

The following indicators were defined at the start of the three-year performance period: earnings per share, free cash flow and total shareholder return, with the targets each having equal weighting. The total target achievement after three years is derived from the total amount of the annual intermediate target achievement for the individual criteria.

The target achievement was defined by the Remuneration Committee at the start of 2019, based on the evaluation of data by the auditor. Given the company's strong performance, measured using the performance indicators as described, during the period from 2016 to 2018, this payout cap was reached. Payment of the LTIP for the years 2016 to 2018 was made in cash, and no shares were transferred. For this reason, the Annual General Meeting did not resolve upon the LTIP for the members of the Management Board.

PAYMENTS FOR THE 2019 FINANCIAL YEAR

In addition to fixed salaries for 2019, the claims from the variable remuneration components from previous years were paid. The variable payments to the Management Board from the 2018 Short-Term Incentive programme and the 2016-2018 Long-Term Incentive programme made in 2019 are shown below.

in EUR	Georg Pölzl	Walter Oblin	Peter Umundum	Total
FIXED SALARY				
Basic salary	628,571	470,000	431,429	**1,530,000**
Benefits in kind	15,637	14,597	15,675	**45,909**
	644,208	**484,597**	**447,104**	**1,575,909**
VARIABLE SALARY				
Short-Term Incentive (STI 2018)	720,000	564,000	480,000	**1,764,000**
Long-Term Incentive (LTI 2016–2018)	1,215,000	630,000	617,512	**2,462,512**
	1,935,000	**1,194,000**	**1,097,512**	**4,226,512**
TOTAL REMUNERATION	**2,579,208**	**1,678,597**	**1,544,616**	**5,802,421**

PAYMENTS TO FORMER MEMBERS OF THE MANAGEMENT BOARD

Walter Hitziger resigned from his position as a member of the Management Board effective 31 December 2018. His employment contract was valid until 31 December 2019, and expired at the end of this day due to the expiry of his term of employment. Mr Hitziger received payments in line with his employment contract.

Payments Walter Hitziger	in EUR
Fixed remuneration (including benefits in kind)	511,695
Variable remuneration: STI 2018	600,000
Variable remuneration: LTI 2016–2018	693,000
Severance payment[1]	1,100,000

[1] Severance "old" pursuant to §23 of the Salaried Employees Act (AngG)

In accordance with C-Rule 27a of the Austrian Corporate Governance Code, the employment contracts of members of the Management Board stipulate that severance payments made in the event of early departure from the Management Board for no good reason for doing so will be limited to twice the annual remuneration value, and amount to no more than the total remuneration for the remaining term of the employment contract.

OTHER REMUNERATION COMPONENTS AND AGREEMENTS FOR 2019

All members of the Management Board have concluded a pension fund agreement in accordance with the stipulations contained in the Austrian regulation on specimen contracts under which Austrian Post is required to pay 10% of the individual's fixed annual gross salary into the pension fund each year. A total of EUR 156,825 in the form of contributions to pension schemes was paid for active members of the Management Board. EUR 64,429 was paid for Georg Pölzl, with EUR 48,175 paid for Walter Oblin and EUR 44,221 paid for Peter Umundum. Payments amounting to EUR 51,250 were made for Walter Hitziger in 2019.

In the event that the employment contract is terminated, the members of the Management Board shall receive a severance payment in accordance with the provisions of the Company Employee and Self-Employed Pension Plan Act (BMSVG). Payments amounting to EUR 88,777 were made for all active members of the Management Board under this section in 2019.

The members of the Management and Supervisory Boards of Austrian Post are insured within the framework of Directors and Officers Liability Insurance with liability coverage to the amount of EUR 70m. The insurance covers judicial and extrajudicial protection against unfounded claims for damages as well as the settlement of such claims which may be considered as legally justified.

The members of the Management Board do not have any "change of control" clauses in their contracts. Austrian Post's Management Board remuneration arrangement stipulates that the company may reduce any variable remuneration components that have yet to be paid out (penalty) and/or claw back any variable remuneration components that have already been paid out (claw-back).

Any additional work carried out by a member of the Management Board outside of the company requires the approval of the Executive Committee of the Supervisory Board. This ensures that neither the time involved nor the remuneration granted for this work represents a conflict of interest with the board member's responsibilities to Austrian Post.

PRINCIPLES UNDERLYING THE REMUNERATION OF EXECUTIVES

The principles governing the remuneration paid to the Management Board have also been adapted for the company's senior managers and managing directors of important Group companies. Their salaries contain fixed and variable components based on the achievement of financial and non-financial targets as well as individually defined objectives.

In addition, a Long-Term Incentive programme exists for executives, in which selected members of various management levels of the Group are entitled to participate. The LTIP links pre-defined, measurable, long-term and sustainable criteria (total shareholder return, free cash flow and earnings per share) and is contingent upon participants making their own corresponding investment in shares. The achievement of objectives is monitored over a period of three years.

6.3. Supervisory Board Remuneration

Remuneration of the Supervisory Board for the previous financial year is determined annually by the Annual General Meeting. Moreover, members of the Supervisory Board are reimbursed for travel costs which are incurred. The Annual General Meeting held on 11 April 2019 specified the remuneration paid to the members of the Supervisory Board for the 2018 financial year as follows:

- for the Chairwoman: EUR 30,000
- for the Deputy Chairwoman: EUR 25,000
- for each other member of the Supervisory Board: EUR 20,000

- for the Chairperson of a committee: EUR 14,000
- for the Deputy Chairperson of a committee: EUR 12,000
- for each other committee member: EUR 10,000

Committee remuneration is limited to membership on one committee and is thus paid only once even if a member of the Supervisory Board belongs to several committees. In addition, every Supervisory Board and committee member residing in Austria is paid an attendance fee of EUR 600 per person and meeting. The attendance fee for every international expert has been set at EUR 1,600 per member and Supervisory Board session attended. Remuneration is made on a pro rata (daily) basis if a member did not belong to the Supervisory Board or a committee for the entire year.

The total remuneration paid to the individual members of the Supervisory Board in the 2019 financial year is as follows.

Supervisory Board Remuneration 2019 in EUR

Name	Granted for 2018 and paid in 2019: Basic remuneration	Granted for 2018 and paid in 2019: Committee remuneration	Attendance fees 2019	Total remuneration
SHAREHOLDER REPRESENTATIVES				
Edith Hlawati (Chairwoman)	30,000	14,000	6,600	50,600
Edeltraud Stiftinger (Deputy Chairwoman)	25,000	14,000	9,000	48,000
Jochen Danninger[1]	14,082	7,041	6,000	27,123
Huberta Gheneff[1]	14,082	7,041	5,400	26,523
Peter E. Kruse	20,000	14,000	16,000	50,000
Chris E. Muntwyler	20,000	10,000	15,000	45,000
Herta Stockbauer	20,000	12,000	4,800	36,800
Stefan Szyszkowitz[1]	14,082	7,041	5,400	26,523

[1] Initial appointment 19 April 2018 – therefore pro rata share of remuneration

The members of the Supervisory Board having resigned on 19 April 2018 received the following pro rata remuneration for the 2018 financial year: EUR 5,973 for Erich Hampel, EUR 8,959 for Markus Pichler (member of the Audit Committee) and EUR 8,959 for Elisabeth Stadler (member of the Audit Committee).

The employee representatives perform their duties on the Supervisory Board on an honorary basis and are compensated for their involvement in the Central Works Council in accordance with their respective employment contracts. As a result, they only receive an attendance fee. The following amounts were paid out to the employee representatives in the 2019 financial year: Maria Klima EUR 3,000, Helmut Köstinger EUR 9,000, Martin Palensky EUR 3,000 and Manfred Wiedner EUR 5,400.

Vienna, 21 February 2020

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

Report of the Supervisory Board of Österreichische Post AG on the 2019 Financial Year

Ladies and Gentlemen, Dear Shareholders,

The 2019 financial year was once again a very successful year for Austrian Post. Group revenue increased by 3.2% to EUR 2,022m. From an operational perspective, the EBIT figure could be increased in the 2019 financial year. The reported EBIT figure contains various start-up expenses for the financial services business along with a provision for an administrative penalty issued by the data protection authority, with the amount of EUR 201m representing a fall of 4.9% compared to the previous year.

Once again, business development is influenced by two key trends: ongoing e-substitution in the letter mail business as well as dynamic market growth and increasing competitive pressure in the parcel segment. Communication is becoming increasingly digital, resulting in a decline in the letter mail business. Austrian Post needs to offset this loss of revenue with new sources of income. The steadily growing importance of online shopping has led to an increase in parcel volumes in the private customer segment. However, there has also been an increase in the intensity of competition at the same time.

Despite a number of challenges, Austrian Post handled the previous financial year well. It continues to align itself with the corporate aspiration to maintain the value of the company in a sustainable fashion and is optimally positioned for the future.

Composition of the Supervisory Board and Management Board

There were no changes to the composition of the Supervisory Board during the 2019 financial year. The same also applies to the filling of positions on the various committees.

Following Walter Hitziger's departure from the Management Board, the Supervisory Board passed a resolution in December 2018 reducing the size of the Management Board and redistributing the agendas to the three-man Management Board team, consisting of Georg Pölzl, Walter Oblin and Peter Umundum. This organisational realignment, including in particular the merger of mail and parcel logistics, was successful and demonstrates the expected synergy effects.

The Management Board mandate of its Chairman, Georg Pölzl, was already extended in November 2018 by three years until 30 September 2022, with a subsequent extension option for a further two years. In its meeting held on 7 August 2019, the Supervisory Board reappointed its Deputy Chairman, Walter Oblin, as a "Mail & Finance" member of the Management Board. The current term of office of Walter Oblin will last until 30 June 2020, and will be extended thereafter for a period of three years with a subsequent extension option for a further two years. The Management Board mandate of Peter Umundum is due to run until 31 March 2021.

Activities of the Supervisory Board

The Supervisory Board took great care to fulfil its obligations during the year under review and performed the tasks incumbent upon it as stipulated by legal regulations, the Articles of Association of Austrian Post and the internal rules of procedure for the Supervisory Board. We regularly advised the Management Board in its efforts to manage the company and monitored its activities. The Management Board provided the Supervisory Board with ongoing information about the general economic situation in the core markets of Austrian Post and important business transactions. Moreover, the chairpersons of the committees and I were regularly in contact with the Management Board in order to discuss opportunities and risks related to the current business development.

Five Supervisory Board meetings as well as a conference call and workshop on the topic of "financial services" were held in 2019. The revenue and earnings development of the Austrian Post Group as well as the mail and parcel businesses were presented at the four ordinary Supervisory Board meetings. Once again, the key contents of the meetings involved looking at the further strategic development of the Austrian Post Group, the performance of key investments as well as ongoing and scheduled investment projects. Other focal points in 2019 also included the set-up of the new bank (bank99 AG), the takeover of the DHL business in Austria as well as various aspects regarding data protection and data security.

At its meeting held on 13 March 2019, the Supervisory Board reviewed the annual financial statements presented by the Management Board, along with the Management Report and the profit appropriation proposal for the 2018 financial year and adopted the financial statements. Moreover, the meeting focused on preparations for the Annual General Meeting.

The Supervisory Board's own self-evaluation of its activities, organisation and working methods was also one of the items dealt with in the March meeting. An analysis of the self-evaluation conducted on the basis of a questionnaire indicated that the practices in place are in line with those operated by a professional Supervisory Board and the collaboration is efficient in the interests of the company as well as its stakeholders.

The extraordinary meeting held on 8 April 2019 focused on Austrian Post's future financial services business. During the course of this session, the Supervisory Board approved the takeover of an 80% stake in Brüll Kallmus Bank AG (part of the GRAWE Banking Group). This provided the legal basis for the company to set up its own bank (bank99 AG) and laid the foundations for us to continue offering our customers comprehensive financial services in Austria.

On 15 May, the Supervisory Board discussed the first financial planning for the 2019 business year as well as strategic projects in relation to the start-up of the bank. In addition, two investment applications for the expansion of logistics capacity were approved.

During the course of a two-day meeting held on 7 and 8 August 2019, the Supervisory Board worked intensively on matters regarding the strategic direction of Austrian Post. In addition to the various challenges faced in the traditional mail and parcel areas of business, there was also intensive discussion about the bank's future business model. These discussions also focused on the branch network, end-customer initiatives and digitalisation.

Austrian Post's budget for the 2020 financial year and a report on medium-term planning for 2021–2023 were presented and approved at the meeting held on 13 November 2019. The Supervisory Board also inspected the new logistics centre in Hagenbrunn, which is due to open in September, on the evening prior to this meeting being held.

The training programme for the Supervisory Board has become an integral part of the Supervisory Board's activities and was also continued in 2019. These two sessions focused on various challenges in the mail and logistics industry as well as key topics such as "Mobile solutions in the end customer segment" and "Innovations".

Activities of the Committees

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

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

The **Parcel & Logistics Committee** had five meetings and was regularly involved during the course of the 2019 financial year in dealing with the challenges faced in the Austrian parcel market and the expansion of the infrastructure. Other focal points included the takeover of DHL's private customer parcel business in Austria, with effect from 1 August 2019, as well as the development of the Turkish subsidiary Aras Kargo. The Committee reported regularly on the results and issued recommendations to the entire Supervisory Board.

The **Remuneration Committee** fulfilled its duties in five meetings. In addition to evaluating the achievement of targets in 2018 and the associated bonus payments, the Committee was also involved in restructuring the Management Board remuneration system. The "Short-Term Incentive" (STI) and "Long-Term Incentive" (LTI) systems were evaluated and revised with the aid of external experts. The employment contracts of Georg Pölzl and Walter Oblin were also one of the items dealt with in the meetings. Peter Umundum's contract was amended with regard to the new remuneration arrangements.

The **Nomination Committee** convened once and dealt with the issue of filling the position of the "Mail & Finance" member of the Management Board. It recommended that the Supervisory Board extend the Management Board mandate of Walter Oblin.

2019 Consolidated and Annual Financial Statements

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was appointed by the Annual General Meeting held on 11 April 2019, to serve as the auditor of the company's annual financial statements and consolidated annual financial statements for the 2019 financial year.

The annual financial statements and consolidated annual financial statements of Austrian Post as at 31 December 2019, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and were granted an unqualified auditor's opinion. The Management Report and Group Management Report are consistent with the company and consolidated annual financial statements. All documentation relating to the annual financial statements, the profit appropriation proposal as submitted by the Management Board, the Corporate Governance Report and the auditor's report were thoroughly discussed in the Audit Committee together with the auditors and subsequently presented to the Supervisory Board.

The Supervisory Board examined all the documents in accordance with Section 96 of the Austrian Stock Corporation Act (AktG) and did not discover any inconsistencies or objections. As a result, it formally approved the results of the audit. The Supervisory Board approves the annual financial statements for 2019, as adopted in accordance with Section 96 (4) of the Austrian Stock Corporation Act (AktG), and declares its acceptance of the IFRS consolidated financial statements, the Management Report, the Group Management Report and the Consolidated Corporate Governance Report pursuant to Section 245a of the Austrian Commercial Code (UGB). The report on non-financial aspects compiled in accordance with the Sustainability and Diversity Improvement Act (NADiVeG), was reviewed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

The Supervisory Board concurs with the Management Board's proposal to distribute a basic dividend of EUR 140,509,487.04 from the net profit amounting to EUR 261,524,332.71 on 30 April 2020, and to carry forward the balance of EUR 121,014,845.67 to the new account.

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

11 March 2020

Edith Hlawati m.p.
Chairwoman of the Supervisory Board

Non-financial Report 2019

18.4%

of the Vehicle Fleet is Electric

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information on our
e-vehicle fleet
go to page 63

For focal areas
and goals for
the environment
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General Information

Sustainability is of great importance to Austrian Post. In future Austrian Post will continue to implement a large number of targeted measures to ensure its impact on the economy, employees, the environment and society is positive. As a company, Austrian Post is committed to generating economic success on behalf of its investors. At the same time, it is also very much aware of its corporate social responsibility, its role as an employer and its ecological footprint. Integrating sustainability into the core business is the way to secure a successful future for the company.

Report Contents

Since full-scale market liberalisation took effect in Austria, Österreichische Post AG has been a universal services provider, guaranteeing high-quality postal services throughout the country. Österreichische Post AG generates 88% of Group revenue. For this reason, Austrian Post's annual Sustainability Report published in accordance with GRI standards since 2010 has focused on Österreichische Post AG. The entry into force of the Sustainability and Diversity Improvement Act (NaDiVeG) resulted in new disclosure requirements for Austrian Post. In the 2017 financial year, Austrian Post expanded its reporting to include disclosures on key non-financial aspects of its business operations for the first time. The Annual Report now covers the entire Group and includes information on upholding human rights, combatting corruption and bribery, and environmental, social and labour issues.

The following chapters include the required information in accordance with Section 243b (1–3) of the Austrian Commercial Code (UGB) in conjunction with Section 267a (1–3) of the UGB and contain non-financial information concerning Österreichische Post AG and its consolidated subsidiaries. In order to avoid redundancy, references are provided to parts of the Management Report and Corporate Governance Report, which also contain non-financial information. This particularly relates to additional information about the business model, risk management and Austrian Post's diversity plan.

Non-financial indicators are presented in a two-year comparison. The information published in this report was audited by an independent third party. A corresponding declaration made by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft can be found at the end of the Non-financial Report.

G See p. 75

Additional information on individual sustainability topics with project examples is disclosed in the separate Sustainability Report prepared in line with GRI standards according to the "Core" option. This Sustainability Report was also audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and published at the same time as the Annual Report.

N See Sustainability Report 2019

Business Model

With some 20,300 employees and annual revenue of EUR 2bn, Austrian Post is a major logistics and postal services provider in Austria and beyond. The core business of the company encompasses the delivery of letters, direct mail items, print media and parcels as well as various logistics services. Austrian Post concentrates its business activities in two divisions, namely the Mail & Branch Network Division and the Parcel & Logistics Division.

Through its Group companies, Austrian Post's Mail & Branch Network Division and Parcel & Logistics Division not only operate in Austria but in Germany and in Southeastern and Eastern Europe as well. The following Non-financial Report covers the entire Group.

Österreichische Post AG, the parent company, generates 88% of the total revenue and employs 85% of the employees. The scope of data compiled about the group of companies consolidated was expanded in 2019. For this reason, the non-financial indicators at Group level are not directly comparable with those of the previous year. The company is working on further harmonisation in order to enable better comparability of these indicators at Group level in future. Changes relating to Österreichische Post AG will therefore be commented upon in each case below.

Further information on the business model as well as the strategy of Österreichische Post AG is provided in the Group and Shareholders section.

See from p. 2f

Subsidiary	Country
ACL advanced commerce labs GmbH	Austria
adverserve Holding GmbH	Austria
bank99 AG (formerly Brüll Kallmus AG)	Austria
EMD – Elektronische- u. Mikrofilm-Dokumentationssysteme Ges.m.b.H.	Austria
feibra GmbH	Austria
Medien.Zustell GmbH	Austria
Post E-Commerce GmbH	Austria
Post Immobilien GmbH	Austria
Post Systemlogistik GmbH	Austria
Post.Wertlogistik GmbH	Austria
Scanpoint GmbH	Austria
sendhybrid ÖPBD GmbH	Austria
AUSTRIAN POST International Deutschland GmbH	Germany
City Express d.o.o.	Serbia
City Express Montenegro d.o.o.	Montenegro
Express One d.o.o., Sarajevo	Bosnia and Herzegovina
Express One Hungary Kft.	Hungary
IN TIME s.r.o.	Slovakia
M&BM Express OOD	Bulgaria
Overseas Trade Co. Ltd. d.o.o.	Croatia
Scanpoint Slovakia s.r.o.	Slovakia
Slovak Parcel Service s.r.o.	Slovakia
Weber Escal d.o.o.	Croatia

Responsibility for Sustainability

The issue of sustainability is of crucial importance to Austrian Post. For this reason, responsibility for sustainability on an organisational level is directly in the hands of Chief Executive Officer Georg Pölzl in the Corporate Social Responsibility (CSR) & Environmental Management department. The department maintains an ongoing dialogue with the various units of the company and Group.

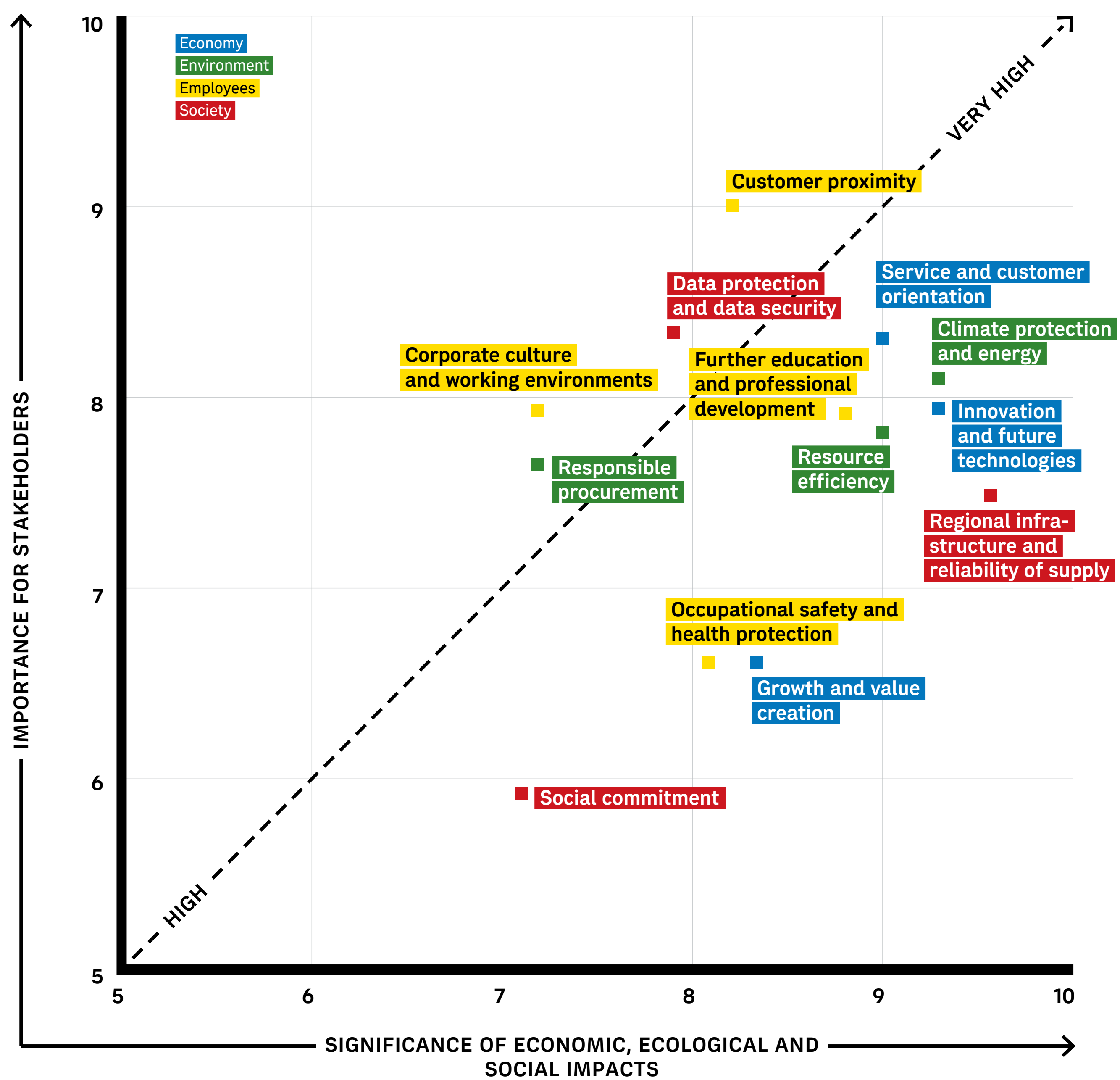
The Management Board integrates sustainability-related issues into the top-level decision-making bodies and processes, for example at Management Board and Supervisory Board meetings, in order to ensure the company's development is focused on sustainability. In its role as the highest supervisory body, the Supervisory Board performs its duties taking into account the company's economic as well as social and ecological responsibility. Important corporate decisions on social and environmental issues are made in accordance with Austrian Post's mission statement and in compliance with the applicable legal regulations.

Material Topics

Austrian Post has defined the material topics in an interactive process involving both external stakeholders and in-house experts. The importance of the material topics as well as their impacts on the economic conditions, environment, employees and the society were defined in conjunction with external and internal stakeholders. The results were subsequently embedded in a materiality matrix.

These material topics are relevant to the business of the parent company Österreichische Post AG as well as its subsidiaries, and comprise the areas that must be covered by law. However, in its capacity as a universal services provider in Austria, Österreichische Post AG is subject to legal regulations with respect to the reliability of supply and delivery speed which do not apply to the company's subsidiaries. Accordingly, the material topic "Regional infrastructure and reliability of supply" is only relevant for Österreichische Post AG.

G 08 **Materiality Matrix of Austrian Post**



Due to their importance for Austrian Post and its stakeholders, these topics are included in the integrated corporate and sustainability strategy of Austrian Post and tracked with the help of defined objectives and measures.

Austrian Post is also committed to the 17 global objectives of the United Nations, the Sustainable Development Goals (SDGs). The way in which Austrian Post implements the SDGs is highlighted with the SDG symbol in the individual target tables.

The Non-financial Report is divided into six sections in which all the above-mentioned topics, including the associated challenges, concepts and results, due diligence processes as well as material risks and non-financial indicators, are presented.

- Human Rights and Responsible Procurement – We Act Responsibly
- Compliance and Anti-corruption – We Act with Integrity
- Economy – We Do Business Sustainably
- Environment – We Focus on the Future
- Employees and Diversity – We Are All Part of Austrian Post
- Society, Data Protection and Data Security – Everything We Do Revolves Around People

Risk Assessment

The Non-financial Report covers risks faced by Austrian Post arising from the material topics mentioned above. These are dealt with in detail in the respective sections of the report. At present, Austrian Post faces no significant risks with respect to these topics. For the sake of completeness however, this report lists the respective non-financial risks relating to the topics covered here.

In addition, Austrian Post operates a comprehensive risk management system encompassing risks faced by the company and all business units and Group companies.

Because of the company's sustainability alignment, ecological, social and ethical aspects are also incorporated into its risk management efforts. In 2019 the focus increasingly turned to environmental, social and governance (ESG) risks and climate-related risks pursuant to the TCFD approach (Task Force on Climate-related Financial Disclosures). Because of their special importance, the focus for 2020 will be on further integrating ESG risks into Groupwide risk management activities and expanding the ESG risk management system accordingly. The risks and opportunities of sustainability are monitored by specialists in the respective organisational units, and when materiality limits are exceeded, these incidents are reported to Central Risk Management. Reported sustainability risks are subject to Groupwide risk assessment and analysis and evaluated either qualitatively or quantitatively. If a qualitative assessment reveals a particularly high risk potential, the risk must subsequently be quantified.

The Group updates all risks semi-annually and subsequently reports them to the Management Board. In this case, qualitative as well as quantitative sustainability risks are reported to the Management Board any time an internally defined risk threshold is exceeded.

G See p. 99

Honours and Awards

Austrian Post operates in a sustainable manner, an approach that has been confirmed by the capital markets and various national and international ratings.

MSCI ESG RESEARCH

In 2019 Austrian Post was once again assigned the best possible rating of AAA in the MSCI Environmental, Social and Governance ratings. As part of the rating process, the company was evaluated according to the best-in-class approach and compared to other companies in the postal sector. Expansion of the company's fleet of electric vehicles was assessed as especially positive. The company's attractive remuneration systems, continuing education and professional development offerings for employees and good, solid business management structures were also highlighted by MSCI.

ISS ESG

ISS ESG is one of the world's leading rating agencies in the field of sustainable investments. Austrian Post was awarded the prime status rating in the ESG corporate rating 2019 for its sustainability activities. As a result, Austrian Post ranks among the leading transport and logistics companies in terms of sustainability.

CARBON DISCLOSURE PROJECT

In 2019 Austrian Post was assigned the best possible result, an A rating, by the Carbon Disclosure Project (CDP), the world's largest database for corporate environmental and climate information, which is extensively used by capital market participants to evaluate potential investments – making Austrian Post the only ATX company included in the CDP Climate Change A List. This recognition not only underscores Austrian Post's transparent environmental reporting but also serves as evidence of the quality of the climate protection measures initiated.

ECOVADIS

EcoVadis awarded a "Gold Recognition Level" rating to Österreichische Post AG in recognition of its CSR activities. EcoVadis is a sustainability assessment platform which aims to improve the environmental and social practices of companies by CSR performance monitoring within the supply chain and supporting companies in improving their sustainability scorecards.

IPC GOLD AWARD 2019

Austrian Post actively participates in international programmes such as the "Environmental Measurement and Monitoring System" (EMMS) of the International Post Corporation (IPC). It was presented with the IPC Gold Award in 2019.

Human Rights and Responsible Procurement

We Act Responsibly

Österreichische Post AG and its Group companies attach particular importance to proper and appropriate interaction with employees, business partners and customers as well as public authorities and institutions. For this reason, full compliance with all applicable regulations and laws plays an important role in Austrian Post's business operations. The company wants to be perceived as a trustworthy and responsible business partner, employer and service provider.

Concepts and Their Results

In this context, Austrian Post also takes its obligation to respect human rights very seriously. The material topics which reflect this are:

- Corporate culture and working environments
- Responsible procurement

The Austrian Post Group stands up for respecting human rights and recognises the dignity of every individual. Austrian Post has been a member of the UN Global Compact (unglobalcompact.com) since 2007 and orients the implementation of its goals and activities to these principles, including those with respect to human and labour rights. The company categorically opposes any type of human rights violation as well as child labour and forced labour, and expects its business partners to adhere to these principles.

These values are expressed in the Code of Conduct and Ethics approved by the Management Board in 2011, which is binding throughout the Austrian Post Group. The contents of the Code of Conduct and Ethics reflect the commitment of the Austrian Post Group to the principles contained in the UN Global Compact. All other Group policies and guidelines for conduct are based on and derived from the Code of Conduct and Ethics. The commitment to various conventions of the International Labour Organisation (ILO), a specialised agency of the United Nations which promotes social justice, human rights and labour rights, is a further indication that Austrian Post advocates for human rights. In addition, human rights are embedded in the constitution of the Republic of Austria and are protected by numerous laws. The European Convention on Human Rights also has constitutional status.

Its commitment to respect human rights enables Austrian Post to fulfil its ethical and moral responsibility, thus avoiding legal proceedings, potential fines and legal costs, damage to its reputation and the related financial losses.

Austrian Post has defined the following objectives with respect to protecting human rights:

T 02 Main Target → Positively Shape the Corporate Culture and Working Environments

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 5, 8, 10 Promote a humane corporate culture	Measures to promote ethical conduct in compliance with the law and company guidelines	Further implementation of preventive measures to promote ethical conduct in compliance with the law and company guidelines Continuation of measures to protect employee rights

CORPORATE CULTURE AND WORKING ENVIRONMENTS

Respect for human dignity is an important issue, especially when it comes to employees. For this reason, Austrian Post strongly opposes prejudice and discrimination of any kind. Equal treatment of all employees regardless of their age, gender, sexual orientation or identity, nationality, ethnic origin, disability, religion or ideology is ensured by the terms of collective agreements concerning working conditions and the Groupwide Code of Conduct and Ethics. Executives are familiarised with the leadership guidelines at the Executive Academy, where training specifically focuses on conduct in conformity with the law and company standards. Furthermore, Austrian Post proactively promotes a corporate culture which is characterised by respect, openness, trust and appreciation. For example, the issue of bullying is discussed in various training courses. In addition, the Central Works Council of Österreichische Post AG is committed to ensuring adherence to these values, and continuously advocates for fair and equal treatment. The representation of the Central Works Council on the Supervisory Board ensures that employee concerns are also voiced at Supervisory Board meetings and that employees are involved in important management decisions.

RESPONSIBLE PROCUREMENT

Austrian Post's core activities are receiving, sorting and delivering mail items. In order to fulfil these tasks, Austrian Post requires technical equipment, machinery, supplies, vehicles, IT and other services.

Austrian Post distinguishes between procurement for its core business (particularly infrastructure and logistics) and purchasing on behalf of its administration (IT as well as indirect materials and services). Within the context of its responsible procurement policy, Austrian Post considers environmental and social factors in addition to price, quality and delivery time.

Responsible conduct and integrity are very important – not just in the company's own processes, but in all business relationships. Austrian Post is aware of its role in the supply chain and takes responsibility in this regard along the entire value chain. That is why respecting human rights in procurement is a high priority for the Group.

Österreichische Post AG's Business Relationships

Group Procurement is responsible for an annual order volume of around EUR 0.6bn. Österreichische Post AG places a large number of orders and contributes to creating value in Austria.

The company relies on regional structures in its procurement policy: 97% of the approximately 5,000 suppliers are located in Austria. This means that Austrian companies account for more than 92% of the total purchasing volume.

Corporate Procurement Policy and Local Procurement Policy

The Groupwide and local procurement policies further stipulate that all business relationships must be aligned with ethical principles and adhere to the requirements of fairness. All purchases over EUR 100,000 are subject to the Corporate Procurement Policy. The Local Procurement Policy supplements the Corporate Procurement Policy for purchases valued under EUR 100,000.

The policies also take sustainability into account: a further principle stipulates that procurement must be environmentally and socially responsible and that relationships with suppliers must be in alignment with the sustainability strategy. The rules in the procurement policy relating to procurement excellence (quality standards, reporting and supplier evaluation) and compliance apply to all Group Procurement activities. Some procurement is handled locally by the operating unit. The compliance rules also apply to cases on the exceptions list which are subject to special rules in line with Austrian Post's procurement policy.

Code of Conduct for Suppliers

The Code of Conduct for Suppliers of Austrian Post has been part of the standard documents included in tendering procedures since 2012. Austrian Post suppliers are subject to the Group's own Corporate Procurement Policy and are required to adhere to the minimum social standards stipulated in the Code of Conduct for Suppliers.

With respect to all external suppliers with which Austrian Post wants to establish strategically important, financially material or long-term business relationships, a risk assessment is regularly carried out on a medium-term basis in order to minimise the purchasing risk and above all default and dependency risks.

Vendor Integrity Check

Another tool for ensuring that human rights are upheld in Group Procurement is the vendor integrity check (VIC), which is a compliance verification procedure. Suppliers are subject to a vendor integrity check starting at an annual net purchasing volume of at least EUR 1m, or for high-risk categories starting at a volume of EUR 50,000.

This enables Austrian Post to verify compliance with the Code of Conduct for Suppliers. In addition to compliance-related aspects, this evaluation also encompasses sustainability criteria such as human rights and labour laws, health and safety, sustainability and environmental protection as well as ethics and corporate responsibility. The VIC has been a system-supported process since 2018 and a social monitoring solution was added in 2019. The system-based approach considerably increases the data security and quality of the compiled information. Subsequently, the data is reviewed by the Compliance department and Group Procurement.

If critical issues arise, suppliers are requested to provide an explanation. If a supplier does not meet the criteria of the VIC, appropriate measures are agreed in conjunction with the Compliance department and their implementation is verified. One such case occurred in 2019. A process for spot checking suppliers in advance with regard to compliance risks was introduced in the interest of continually improving supplier management. Austrian Post is working on expanding the upstream review process.

Group companies, i.e. subsidiaries, also perform services for Austrian Post and are therefore also considered suppliers. However, they do not undergo the VIC because they are integrated into the Austrian Post's compliance management system. Postal companies in other countries with which cooperation agreements have been signed are also exempt from VICs. International partnerships and the conditions underlying cross-border postal traffic are regulated by the Universal Postal Union.

T 03 Main Target → Assume Responsibility in Procurement

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 12 Continuation of supplier assessments	Supplier assessments were conducted again in 2019. Two on-site audits were performed as a result Introduction of process to spot check suppliers in advance	Further development of supplier risk management activities Expansion of upstream review process

Non-financial Indicators

	Austrian Post Group		
Indicators	2017	2018	2019
Number of supplier assessments (Vendor Integrity Check)	36	81	123

Non-financial Risks

The main risk involving the non-observance of human rights could arise due to the large number of business relationships. This can lead to inhumane living and working conditions as well as facilitate unlawful business ties to third parties. Measures such as the vendor integrity check and the supplier assessment have been implemented throughout the Group in order to minimise this risk.

Compliance and Anti-corruption

We Act with Integrity

Values such as honesty, reliability and transparency comprise key benchmarks of Austrian Post's business dealings. This is complemented by all employees in the Group avoiding any appearance of corruptibility or dishonesty in their business dealings.

Concepts and Their Results

As a signatory of the UN Global Compact, Austrian Post is committed to compliance with its principles and resolutely rejects unfair business practices, corruption and bribery. Austrian Post also expects adherence to these principles from its business partners.

This is reflected by the following material topics identified by Austrian Post:

- Corporate culture and working environments

Austrian Post established a Groupwide compliance management system (CMS) in 2010. The CMS covers capital market and business compliance issues, which includes combatting corruption. The business CMS and capital market CMS conform to ISO standards 37001 (anti-bribery management systems) and 19600 (compliance management systems), respectively. This was examined and certified by TÜV Süd in 2018. The certifications were upheld for Austrian Post in a follow-up audit in 2019.

Austrian Post's CMS creates transparency concerning compliance-related circumstances with the help of a risk-oriented prevention strategy. Rules designed to reduce risks are established based on the results of the compliance risk analyses, and appropriate measures are integrated into business processes.

A responsible corporate culture is of central importance to the CMS. The basis for this is the mission statement, the Code of Conduct and Ethics, clear rules specifying roles and responsibilities as well as compliance guidelines. All steps are accompanied by comprehensive information and training measures as well as an action-oriented consulting offering.

The Central Compliance Office is supported by compliance officers in embedding the CMS throughout the entire Group. As part of the CMS, Österreichische Post AG has named compliance officers in the individual departments and in all subsidiaries in which it holds a majority stake. At the time of compiling this report, there are 34 compliance officers in Austria and eight compliance officers in foreign subsidiaries. The activities of the central and regional compliance organisation contribute towards ensuring the sustainable, practice-oriented and action-based professionalisation and further development of the compliance management system in all units of the company.

Ethical behaviour is a top priority at Austrian Post. For this reason, the CMS pursues the following goals:

T 04 Main Target → Ensure Impeccable and Exemplary Behaviour

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 8 Rules for conduct in conformity with the company's values and the law Continuation of the compliance risk analysis: Discussions about risk with international compliance officers including site inspections, specification and implementation of measures, handling incidents	Two Group policies revised and approved 20 personal risk discussions with national compliance officers Seven risk discussions with international compliance officers	Continuation of the compliance risk analysis

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 8 Raising awareness: — Information, communication and training regarding these rules and continued operation of the help desk (contact point for compliance issues) — Communication and information provided to external stakeholders about the CMS	Two new e-learning courses developed 230 help desk contacts Participation in three Transparency International working groups Three external reports (Annual Report/Non-financial Report, Corporate Governance Report, Sustainability Report) and presentations at industry events	Raising awareness: Information, communication and training, and continued operation of the help desk (contact point for compliance issues) Communication and information provided to external stakeholders about the CMS by means of reports and presentations at industry events
SDG 8 Continuous improvement process: monitoring the implementation and effectiveness of measures and support for pre-defined business activities and assessments	Four partnerships for internal audits	Continuous improvement process: monitoring the implementation and effectiveness of measures and support for pre-defined business activities and assessments

RISK ANALYSIS AS THE BASIS FOR THE COMPLIANCE MANAGEMENT SYSTEM

The primary tool for identifying corruption risks is the annual compliance risk analysis carried out by the Compliance team. The risk analysis incorporates information from Group risk management, personal discussions with the compliance officers and compliance observations. The personal risk discussions incorporated into the compliance observations encompassed five Austrian and seven international subsidiaries and thus covered around 63% of all Group sites. In 2019 no material compliance risks were identified. The results are reported to the Management Board, which then approves the resulting compliance programme.

COMPLIANCE AND ANTI-CORRUPTION GUIDELINES FOR RESPONSIBLE CONDUCT

Other instruments to promote responsible conduct and integrity are company guidelines. These guidelines are derived from the Code of Conduct and Ethics and specifically spell out rules and instructions on the respective issues on the basis of this overall framework. The objective of the capital market compliance policy is to ensure that Austrian Post acts with integrity on the capital market and to promote understanding of capital market compliance. Its rules focus primarily on the prevention of the improper use of insider information. The policy reflects valid European and Austrian capital market regulations and is binding for all employees of the Group.

In 2018 Austrian Post also issued new anti-corruption guidelines. The Group policy on the “Acceptance and Granting of Gifts, Invitations and Other Benefits” and the Group policy on “Handling Donations and Sponsoring” were merged to create a single Business Compliance Policy. It was also expanded to include the issues of dealing with conflicts of interest and dealing with company resources. This policy was revised in 2019.

RAISING AWARENESS THROUGH TRAINING ACTIVITIES

Raising the awareness of employees concerning the issues of compliance and fighting corruption represents another important activity carried out within the context of the CMS. The company makes use of notice boards, digital information boards, articles in the employee magazine as well as classroom and online training. These various forms of communication and training enable a target group-specific and far-reaching approach to compliance issues. Arrangements were made at the end of 2018 to produce a new compliance training video which was incorporated into an e-learning course on business compliance in 2019. Roll-out of the e-learning course started in 2019 and will continue in 2020.

Business compliance and capital market compliance activities in 2019 concentrated on developing two new e-learning programmes. Moreover, the classroom training programme continued and the employee magazine “Meine Post” also provided information about the most important points relating to business and capital market compliance.

In addition to training for employees, the further education of compliance officers is also a part of training activities. The International Compliance Day took place in April 2019. Austrian Post also continued to run its Compliance Academy: 18 individuals successfully completed training to become compliance officers and 14 additionally obtained certification.

100% of employees were informed about these issues thanks to the anti-corruption and compliance measures implemented. The entire Management Board, the Supervisory Board and all members of top-level management were trained on anti-corruption and compliance issues.

The Compliance team and a compliance help desk accessible to employees throughout the Austrian Post Group are available in person, by telephone, anonymously on the Intranet or by e-mail to deal with questions, comments and concerns. In 2019 a total of 230 employee inquiries and documents regarding the acceptance and granting of gifts, donations and sponsoring as well as Austrian Post's principles of conduct were processed by the compliance help desk.

MEASURES TAKEN IN RESPONSE TO CASES OF CORRUPTION

No cases of corruption occurred at Austrian Post in 2019. If such a case occurs, steps in line with applicable labour laws as well as disciplinary measures are taken. Measures to prevent corruption were successfully carried out throughout the Group as part of Austrian Post's compliance management system in 2019.

Non-financial Risks

The compliance risk analysis as well as the risk management system indicate that ongoing anti-corruption activities are still required. However, there is no acute risk of corruption at the present time.

Potential corruption risks are also identified via the Group risk management system and Austrian Post's annual compliance risk analysis. Despite existing sponsoring, donation and anti-corruption guidelines, there is a risk that third parties may attempt bribery (gifts, invitations, other benefits). The ongoing CMS measures aim to minimise these risks.

Non-financial Indicators

	Austrian Post Group		
Indicators	2017	2018	2019
Non-compliance with laws and regulations governing social and business issues	There were no major lawsuits, sanctions or fines imposed against Austrian Post in 2017 due to violations of laws and regulations governing social and business issues.	In 2018 no lawsuits were filed against Austrian Post and no sanctions or fines were imposed upon the company for anti-competitive behaviour, or for the formation of cartels or monopolies, based on the Federal Act Against Unfair Competition (UMG) and/or the Austrian Cartel Act (KartG). Austrian Post was not the subject of any major lawsuits, sanctions or fines imposed for violations of social welfare laws or regulations in 2018.	In June 2019 a case was brought against Austrian Post before the Cartel Court in connection with the stopping or establishing the abuse of a dominant market position. The charges were related in particular to the alleged discrimination of the claimant through the granting of unfavourable price conditions, obstruction of competition as well as the inadmissibility of the contractually agreed confidentiality provisions and incorrect application of VAT regulations. The case is still pending at the court of first instance. Austrian Post was not the subject of any major lawsuits, sanctions or fines imposed for violations of social welfare laws or regulations in 2019.

Economy

We Do Business Sustainably

The long-term economic success of the entire company is a high priority for Austrian Post. Key factors here are defending the company's position as a leader in Austria for the long term and pursuing profitable growth in defined markets. Advancing digitalisation, growing competitive pressure and the internationalisation of markets are resulting in changes in the marketplace and posing challenges for the entire logistics industry. In the interest of ensuring sustained economic success Austrian Post is actively addressing these changes with solutions that are viable for the future and tailored to meet customer needs. Innovation therefore plays an especially important role.

Concepts and Their Results

Austrian Post continually invests in the expansion and modernisation of its infrastructure and operating processes. In addition, it pursues an attractive dividend policy for the benefit of its shareholders. The company also aims to meet the growing needs of all customers by offering tailored products and services as well as leveraging growth potentials. This strategic direction is in line with material topics identified by stakeholders as part of the materiality analysis focusing on business issues:

- Growth and value creation
- Innovation and future technologies
- Service and customer orientation

Austrian Post has defined targets the following and measures in order to measure its economic success and progress.

T 05 Main Target → Further Develop the Sustainable Business Model of Austrian Post

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 8 Continued stable Group revenue in 2019 (revenue of EUR 2bn in 2018)	The target of achieving Group revenue of EUR 2bn was achieved in spite of a challenging business environment	Continued stable Group revenue in 2020 (revenue of EUR 2bn in 2019)
SDG 8 Ongoing optimisation of structures and processes to further reduce costs and enhance efficiency	Measures were continuously implemented again in 2019 to optimise structures, increase efficiency and reduce costs. As a result, the Austrian Post Group generated an EBITDA margin of 15.8% in the year under review	Ongoing optimisation of structures and processes to further reduce costs and increase efficiency
SDG 8 Target of generating stable operating earnings (EBIT) at the level of 2018 (2018 EBIT of EUR 210.9m)	At EUR 200.6m the Austrian Post EBIT in 2019 was 4.9% below that of the previous year	Target of generating stable operating earnings (EBIT) at the level of 2019 (2019 EBIT of EUR 200.6m)
SDG 7, 8, 9, 10, 11, 12, 13		Increased focus on sustainable character of product innovations, in particular with regard to social and environmental dimensions

T 06 Main Target → Focus on Customers and Innovations

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 8, 11 Promotion of online services such as the Post app and e-letter	Promotion of online services such as the Post app, Postcard app and online parcel stamp	Ongoing promotion of online services such as the Post app and e-letter
SDG 8, 11		Implementation of various IT projects to increase user-friendliness of different online service offers (homepage, Post app, AllesPost, etc.)
SDG 8, 11 Medium-term doubling of self-service solutions	45,633 Post pick-up boxes are at the disposal of customers	Expansion of Post pick-up boxes to a total of 50,000 by 2020
	66,464 post office boxes at pick-up stations	Expansion to 78,000 post office boxes at pick-up stations by 2020
	413 self-service zones are at the disposal of customers	Further expansion of self-service zones

GROWTH AND VALUE CREATION

Austrian Post sees significant opportunities for the entire company in the sustainable orientation of its business activities. In 2019 Austrian Post was assigned the best possible rating of A by the Carbon Disclosure Project (CDP). This and other ESG ratings indicate that Austrian Post is already operating in a sustainable manner from the capital market perspective.

Solid revenue development, sustainably high profitability and the continuation of the attractive dividend policy are the declared goals of Austrian Post. As the company sees it, the business can be managed successfully for the long term if both financial and non-financial aspects are taken into account and contribute to value creation. The targets relating to the environment, society and employees have a positive impact on the factors influencing sustainable profitability, such as employee satisfaction and energy efficiency. At the same time, only a successful company can fulfil its responsibility to society and make a meaningful contribution to meeting social and ecological needs.

There is further information on the Austrian Post business model and strategy in the 2019 Annual Report.

G See p. 8

INNOVATION AND FUTURE TECHNOLOGIES

An important factor for sustainable success in changing markets is the development and launch of innovative products and business models as well as the expansion of the existing product portfolio in the core business. In order to meet the expectations placed in it as a service company, Austrian Post is continually expanding or improving its services on the basis of internal innovation and R&D 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.

Innovation at Austrian Post is driven by the interplay between centralised management and decentralised innovation teams in the business areas responsible for the products and services. The newly created central innovation management team underscores the relevance of research and development activities for managing the company. It serves as a partner to the business areas in digital transformation and bases its activities on identifying market needs and future trends in a timely manner as well as ensuring Austrian Post's long-term competitiveness through appropriate initiatives.

In addition to its own development activities, Austrian Post also has longstanding partnerships with reputable Austrian universities, universities of applied sciences and other research facilities. Key partners include the Austrian Research Promotion Agency (FFG), the Climate and Energy Fund and the Vienna Business Agency. The objective of this collaboration is to further intensify the focus on innovation and to be able to rely on sound scientific research findings in the development of products and services.

In terms of products and services, Austrian Post has once again added many different innovative solutions developed in-house to its core business in the 2019 financial year. Whilst a number of projects are initiated and carried out by the product management teams in the divisions, top-quality services are ensured with centralised development of end customer services with the aim of implementing state-of-the-art technologies to improve core services, and to research and create new business models on the end customer side. For instance, Austrian

Post continued to systematically improve its solutions for mobile services ("Post app") and simplifying delivery ("AllesPost") in 2019. The latter is an innovative service customers can use to receive any parcel via Austrian Post's channels and solutions. The online services provided by Austrian Post are characterised by a high level of security, flexibility, efficiency and trustworthiness.

In the Mail & Direct Mail Division, Austrian Post launched an innovation board as a platform for innovation where employees can work on creative projects, areas of interest and new business models across functions. Strategically relevant ideas are put through the rapid prototyping and testing processes.

Mail Solutions and Logistics Solutions are two other major areas in which significant customer-facing innovations have been made.

Mail Solutions is the leading provider of innovative physical mail services and develops digital B2B solutions. These activities are centred around efficient business solutions like intelligent input management, digital document management, dual delivery, data and address management, and digital advertising. The online flyer platform "Aktionsfinder", a digital extension of the physical flyer, the majority stake in Adverserve, which specialises in programmatic advertising, and the successful print medium KUVERT round out the portfolio of solutions offered by Mail Solutions.

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 or delivery at specified times (e.g. same-day delivery). Combined with innovative online services, these solutions ensure greater efficiency, flexibility and customer-oriented optimisation of communication and distribution. Due to the stake acquired in ACL advanced commerce labs GmbH, the e-commerce services offered were further expanded, enabling one-stop-shopping solutions for customers from online shops to customer service, from the front end to the back end. We are therefore in the position to provide our customers with tailored solutions from online shops through IT solutions, warehousing, fulfilment and end customer deliveries to cash management solutions.

Resource conservation and energy efficiency in processes and work flows represent one of the key research and development priorities. Starting from 2009 until 2019, Austrian Post had invested some EUR 21m in carbon-neutral, pollution-free deliveries.

Another focal point of the investment programme during the period under review was other equipment, furniture and fittings. In addition to ongoing investments in the vehicle fleet, this mainly involved investments in branch office equipment and furnishings. The section on the environment provides details on the fleet and the addition of electric vehicles. Another focus was on investments made within the context of the capacity expansion programme. The "City Logistics" programme by Parcel Austria was continued in the Parcel & Logistics Division in 2019 with the launch of the first "City Hub" pilot in Vienna. This involves delivering parcels using electric cargo bikes via centrally located microdistribution sites (city hubs). A sustainable delivery method for urban areas was therefore developed and tested in this pilot project. The project was supported by funds from the Austrian Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMVIT) and, as part of the logistics advancement programme, carried out by Schieneninfrastruktur-Dienstleistungsgesellschaft mbH (SCHIG mbH). Additional capital was invested in the field of predictive analytics in 2019, in which a statistical model will be developed aimed at predicting daily parcel volumes at logistics centres 90 days in advance on the basis of historical corporate data. This in turn will allow for more efficient personnel planning on each mail distribution shift as well as improve route planning.

Austrian Post is always looking for funding opportunities, both for innovations and investments. The CSR & Environmental Management department advises and supports all the relevant business units here as well as coordinating R&D tax credits. The above-mentioned projects provide a selection, but not an exhaustive list, of research projects.

SERVICE AND CUSTOMER ORIENTATION

Austrian Post focuses on the needs of its customers and steadily works on new products and services which respond to current customer requirements for greater flexibility. Customer convenience and service quality on the basis of flexible delivery concepts and online solutions are emphasised as the answer to changing customer demands and the general shift in the market. These services include the Post app, which can be used to redirect parcels for pick-up in branch offices, or to deliver e-letters. In 2019 and 2020 the company has set itself the goal of integrating current online solutions into a modern IT environment.

Austrian Post always strives to offer its customers all services, be it new ideas and innovative services or standard offerings, in the best quality possible. This approach pays off and is underscored by consistently good satisfaction scores. Customer satisfaction was measured on a quarterly basis during the reporting period by the renowned Institute for Empirical Social Studies (IFES). The “Customer Satisfaction Index” (CSI) encompassing customer satisfaction and customer loyalty is determined by means of a representative survey with a sample size of n = 2,000 per wave.

Measuring customer satisfaction in accordance with the CSI scale considers 50 index points or less to represent a critical level and 51 to 60 points as moderately content, whereas a score of more than 61 points is considered to be good and higher than 70 means very good. An outstanding level of customer satisfaction is from 81 points up to the highest possible score of 100. The average CSI value for Austrian Post this year was 70 points. That is the company’s best result since it began measuring customer satisfaction. Austrian Post is very proud of this score. The initial result was 64 points in 2011.

Customer service plays a key role in customer satisfaction. Austrian Post offers all customers the opportunity to get in contact via e-mail, contact form or Facebook. The Austrian Post Customer Service team also answers inquiries regarding the subsidiaries. Several thousand inquiries related to data privacy information were sent to Austrian Post Customer Service in 2019. All of these inquiries were answered in a timely manner.

Financial Risks

The relevant economic risks are listed in the Group Risk Report on p. 99.

Financial Indicators

T 07 Analysis of Value Creation

EUR m	Österreichische Post AG[1] 2018	Österreichische Post AG[1] 2019	Austrian Post Group[2] 2018	Austrian Post Group[2] 2019
ORIGIN				
Revenue and other operating income	1,862.4	1,945.8	2,054.6	2,153.0
less advances	–705.3	–830.3	–822.9	–965.7
thereof materials and purchased services	–361.9	–392.5	–441.2	–473.3
thereof other operating expenses	–274.2	–370.4	–287.1	–374.4
thereof depreciation and amortisation	–69.1	–67.5	–94.5	–118.1
ADDED VALUE	**1,157.1**	**1,115.5**	**1,231.8**	**1,187.3**
DISTRIBUTION				
to employees (salaries, social contributions)	935.7	912.2	1,011.9	980.1
to shareholders (dividends)	140.5	140.5[3]	140.5	140.5[3]
to the Republic of Austria (taxes)	62.9	57.5	65.1	61.6
to creditors (interest)	2.4	0.2	1.0	4.7
Balance	15.6	5.1	13.2	0.3
ADDED VALUE	**1,157.1**	**1,115.5**	**1,231.8**	**1,187.3**

[1] Pursuant to Austrian Commercial Code (UGB)
[2] Pursuant to IFRS
[3] Proposal to the Annual General Meeting on 16 April 2020

Environment

We Focus on the Future

As a logistics company, Austrian Post bears a huge responsibility, particularly for the environment. In order to fulfil its responsibility, Austrian Post analyses global developments and challenges, and aligns its concepts and measures in view of this context.

Megatrends which pose challenges for Austrian Post are global climate change, local immissions, and the shortage of resources and the resulting energy transition. In particular, globalisation and the continuing increase in international trade are having a major impact on the environment and the climate, especially due to emissions of climate-changing greenhouse gases such as carbon dioxide.

Concepts and Their Results

Austrian Post has been consistently integrating environmental activities into its core business for many years in order to manage its ecological footprint from year to year. The environmental measures taken by Austrian Post are tailored to reflect the material topics:

- Climate protection and energy
- Resource efficiency
- Responsible procurement

Austrian Post considers environmental protection to be an ongoing process. For this reason, it regularly evaluates its priorities, objectives and measures, and adjusts them if necessary.

In order to manage and monitor its environmental performance, Austrian Post has defined the following targets and measures for 2019 and 2020:

T 08 Main Target → Protect the Climate and Conserve Resources

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 13 Continuation of the CO_2 NEUTRAL DELIVERY initiative and evaluation of expanding it to subsidiaries	The carbon emissions of Österreichische Post AG and their compensation were confirmed by TÜV Austria again in 2019. No expansion will be undertaken until further notice due to strategic decisions	Continuation of the CO_2 NEUTRAL DELIVERY initiative Evaluation of an Austrian Post forest protection or reforestation project
SDG 13 Science-based carbon reduction target: reduction of carbon emissions by 14% by 2025 (base year: 2013) and evaluation of carbon reduction targets for subsidiaries	Carbon emissions of Österreichische Post AG increased by 9.3% due to rising parcel volumes (in particular also due to assumption of volumes from DHL) (base year: 2013). No expansion to subsidiaries will be undertaken until further notice due to strategic decisions	Calculation of a new science-based target for maximum global warming of 1.5 °C
SDG 9, 13 Deployment of 100% electric vehicles for all delivery operations (last mile) by 2030	1,750 electric vehicles were in use at Österreichische Post AG at the end of 2019, or 19.5% of all delivery vehicles 100% "green" mail delivery takes place in Eisenstadt. "Green" delivery services apply to more than 90% of letter and direct mail items in Vienna, Wiener Neustadt and St. Pölten. In the other provincial capitals, 60–80% of all mail items are delivered using "green" methods. "Green" mail delivery will be extended successively to rural areas	Deployment of 100% electric vehicles for all delivery operations (last mile) by 2030 By 2022 all mail and parcel deliveries in Graz will shift from diesel-powered vehicles to 100% electric vehicles

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 7 Further implementation of energy efficiency measures at Österreichische Post AG and its subsidiaries and performance of a Groupwide energy audit	Implementation of 25 energy efficiency measures in the categories of lighting, room heating, electricity measurement and water heating at Österreichische Post AG and its national subsidiaries Performance of a Groupwide energy audit with a focus on buildings, vehicle fleet and transport logistics	Additional energy efficiency measures at Österreichische Post AG and its subsidiaries based on the energy audit
SDG 9 Continued optimisation and quality assurance projects at Österreichische Post AG in the field of waste and recycling management	Recycling management was reorganised at the Österreichische Post AG Wernberg Logistics Centre. Efficient disposal of recyclables was included during planning for the construction of the Hagenbrunn Logistics Centre	Implementation of optimisation and quality assurance projects in additional logistics centres and delivery bases of Österreichische Post AG
SDG 7 Construction of a photovoltaic power plant on the roof of the new Hagenbrunn Parcel Centre and exploration of other potential sites	The photovoltaic plant on the roof of the new Hagenbrunn Parcel Centre with 499 kWp was erected and commissioned at the end of 2019	Construction of a new photovoltaic plant with 499 kWp on the roof of the new parcel centre in Kalsdorf and planning of four further photovoltaic plants with a capacity of 1,521 kWp
		Preparation of a life-cycle assessment (LCA) in accordance with ISO 14040 for the Austrian Post advertising medium "Kuvert" to identify environmentally intensive process steps. The value chain is to successively be made more environmentally friendly

T 09 Main Target → Strengthen Environmental Awareness

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 7, 9, 13 Preparation for ISO 14001 certification of two other sites (the Hagenbrunn Logistics Centre and the corporate headquarters Post am Rochus)	The Hagenbrunn Parcel Centre was successfully certified in accordance with ISO 14001. A concept was developed for the certification of the corporate headquarters Post am Rochus	ISO 14001 certification of the corporate headquarters Post am Rochus
SDG 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 16 Roll-out of the internal quality seal "CSR INSIDE" to certify projects and employees on the issue of sustainability	The CSR INSIDE concept will be incorporated in 2020 into an integrative and Groupwide process to revise the sustainability strategy Conduct of an employee survey on the topic of sustainability	Integrative and Groupwide process to revise the sustainability strategy
SDG 3, 13 Internal promotion and nationwide participation in the "Austria Goes Biking" initiative to enhance environmental awareness and promote health	With more than 240 participants in the "Austria Goes Biking" initiative, Austrian Post took second place in the "Absolute number of participants" category	Continuation of the participation in the "Austria Goes Biking" initiative to enhance environmental awareness and promote health
SDG 9, 11 Project to recycle working clothes which are no longer in use	A project concept to recycle working clothes which are no longer in use was developed	The project to recycle working clothes which are no longer in use will take place in February or March 2020
SDG 10, 11, 13 Application of the manual for sustainable events at Austrian Post events	In 2019, one customer and one employee event each were carried out and certified as Green Events. The manual was applied for smaller events	All major events (annual kick-off, Christmas party, Austrian Post Brochure Award, Annual General Meeting) are carried out and certified as Green Events and the manual is applied for smaller events
SDG 9 Pilot project for settling bee colonies in the logistics centre at Vienna Inzersdorf	During the course of the project, eight bee colonies were settled on the green areas of the mail centre at Vienna and the first Austrian Post organic bee honey was harvested	Evaluation of expansion of the project to other sites

CLIMATE PROTECTION AND ENERGY

The reduction of carbon emissions, and thus the CO_2 NEUTRAL DELIVERY initiative, plays a key role in the company's efforts in the field of climate protection and energy. All mail items within Austria are delivered by Austrian Post in a carbon neutral manner. The first step of this initiative consists of taking measures to ensure greater efficiency in core processes, for example the energy optimisation of buildings and lighting, and the continuous renewal of the vehicle fleet.

The second step involves the increased use of alternative technologies. Austrian Post operates four photovoltaic facilities and is the largest operator of e-vehicle fleets in Austria. The energy generated by the photovoltaic plants supplies nearly sufficient electricity to power the entire Österreichische Post AG electric vehicle fleet without greenhouse gas emissions.

All the remaining unavoidable carbon emissions are offset in a third step by supporting national and international climate protection projects.

In order to enhance credibility, the carbon neutral delivery of all mail items by Österreichische Post AG is confirmed each year by TÜV Austria. In the meantime, more than 150 customers use the logo in their communications, in light of the fact that the carbon neutral delivery of their mail items also improves the carbon footprint of Austrian Post's customers.

An important factor in reducing carbon emissions is improving the energy efficiency of buildings. For this reason, building renovation and energy efficiency measures are a key aspect of the strategy pursued by Austrian Post and its subsidiaries. Österreichische Post AG has been procuring all the electricity it needs solely from renewable energy sources since 2012. In 2018 Österreichische Post AG and all its Austrian subsidiaries began exclusively using green electricity from Austrian sources.

Moreover, Austrian Post deploys new technologies. Österreichische Post AG operates the country's largest electric vehicle fleet featuring 1,750 electric-powered vehicles. It supplies two large logistics centres and one office building with electricity generated by its photovoltaic systems and uses LED lighting in its buildings.

In 2016 Österreichische Post AG defined a scientifically sound climate target, referred to as a science-based target, stipulating a further 14% reduction in emissions by the year 2025 compared to the base year of 2013. Since the calculation of the first science-based target in 2016, the assumptions for calculating growth in the parcel business and the framework conditions have changed significantly. A new science-based target is therefore being calculated in 2020, which should also contribute to a maximum global warming of 1.5°C. Emissions also climbed by 9.3% in 2019 in comparison to the base year. The strong growth in the parcel segment (+82.5% in the period from 2013 to 2019) and the larger parcel volumes resulting from the acquisition of DHL increased the kilometres driven by Austrian Post. This led to higher energy consumption by the vehicle fleet and thus to more carbon emissions.

Austrian Post compiles all relevant indicators required to calculate carbon emissions at Group level and in accordance with ISO 14064 Part 1. All indicators and calculations are verified by external audits. Österreichische Post AG's data is also certified according to ISO 14064. This process ensures that the necessary due diligence will be exercised in compiling key figures for the material topic of climate protection.

RESOURCE EFFICIENCY

When it comes to resource efficiency, the focus is on the conscious use of resources. This requires an analysis of the materials used by the Group and subsequent proactive management. A key instrument in increasing resource efficiency is the environmental management system in accordance with the ISO 14001 standard applied by Austrian Post since 2016. A more conscious use of materials is enabled by employees with increased awareness. In the meantime, the Vienna Letter Mail Centre, Österreichische Post AG's largest logistics centre, along with the Wernberg Parcel Centre and the entire subsidiary Medien.Zustell GmbH are certified according to ISO 14001.

Responsible waste and recycling management also play an important role with respect to the issue of resource efficiency. In the spirit of ensuring sustainable waste management, measures are taken to keep the waste produced by the Group's parent company and its domestic subsidiaries to a minimum. If waste cannot be avoided, it is disposed of properly.

RESPONSIBLE PROCUREMENT

In view of its high sustainability standards, minimising the environmental impacts of its own activities is not Austrian Post's only goal. Paper consumption is particularly important in the context of material use. That is why Österreichische Post AG pays attention to purchasing paper from responsible sources, such as those featuring the FSC or PEFC seals. A shared understanding with respect to environmental protection and responsibility is also important in the selection of business partners.

Austrian Post is aware of its role in the supply chain and the implications of its purchasing decisions. For this reason, it consistently demands compliance with environmental standards as well as social standards as described on p. 46. These requirements are set out in the Code of Conduct for Suppliers.

Non-financial Risks

The most relevant risk to the environment related to Austrian Post's energy-intensive business operations as a logistics company is its contribution to climate change. In order to minimise this risk, Austrian Post has implemented numerous measures listed in the section on Concepts and Their Results on p. 56.

The primary environmental risks which Austrian Post faces are the effects of nature, particularly those occurring directly or indirectly as a result of climate change. Normative changes in the area of environmental policy and economic influences, such as certificate trading, can also affect the company's activities.

Non-financial Indicators

Austrian Post compiles key energy indicators relating to its property holdings and vehicle fleet for Österreichische Post AG and all consolidated Austrian and international subsidiaries. The figures are compiled according to special operating procedures. All indicators and calculations are verified in external audits. This process ensures that the necessary due diligence is exercised in compiling key indicators for the material topic of energy.

Environmental Indicators

Fundamentally speaking, all indicators are based on both actual data and extrapolations. These extrapolations are necessary due to the fact that the availability of actual data is limited at the time of data collection. The approach used in making extrapolations is continually evaluated and improved.

The strong growth in the parcel business has resulted in increases in most indicators compared to the previous year.

Furthermore, data compilation in the scope of consolidation of the Group was expanded compared to the previous year. The entire Group is now included. A direct comparison at Group level with the previous year is thus not possible.

Moreover, trends in the respective indicators are only explained for Österreichische Post AG.

Energy Overview

Total energy consumption for Österreichische Post AG properties and vehicle fleet increased year-on-year by 6% to some 376m kWh. Energy consumption in the properties area rose by 1% to about 122m kWh. In the vehicle fleet area, energy consumption grew by 9% to approximately 254m kWh. The main driver in both cases is the strong growth in parcel volumes (+18%) brought about by Austrian Post's partnership with Deutsche Post DHL. Austrian Post added the delivery of Deutsche Post parcels to private individuals in Austria to its own existing logistics network in August 2019. This integration and increase in volume required extended capacity in the logistics centres as well as in transport and vehicles. On the whole, the discontinuation of DHL's own delivery network effects an increase in efficiency in delivery throughout Austria and thus an improvement in the energy and environmental balance.

		Österreichische Post AG		Austrian Post Group[1]	
	Unit	2018[2]	2019	2018[2]	2019
ENERGY CONSUMPTION BUILDINGS AND VEHICLE FLEET	m kWh	**354.0**	**375.9**	**433.1**	**486.3**
Energy consumption buildings (total)[3]	m kWh	121.6	122.3	139.8	145.5
Energy consumption vehicle fleet (total)[4]	m kWh	232.4	253.6	293.3	340.8

[1] **Austrian Post Group 2018:** the indicators apply to the entire Austrian Post Group with the exception of the subsidiary Express One Hungary.
Austrian Post Group 2019: the indicators apply to the entire Austrian Post Group.
[2] The 2018 indicators for the vehicle fleet and property and buildings were revised downwards in the course of the audit, as the original calculation was corrected.
[3] The 2019 energy indicators for property and buildings include all Austrian Post space (offices, delivery bases, logistics centres, branch offices). The Österreichische Post AG indicators are based on actual data available up to the 14 January 2020 deadline. The remaining indicators are based on extrapolations. Indicators for the subsidiaries are based on data provided up to the 24 January 2020 deadline. Extrapolations were made in some cases.
[4] The 2019 energy indicators for the vehicle fleet include all motorised vehicles of Austrian Post. The indicators for Österreichische Post AG are actual data. The indicators for the subsidiaries are based on actual data provided up to the 24 January 2020 deadline. Extrapolations were made in some cases.

Energy – Property and Buildings

Österreichische Post AG manages over 1 million m² of building space. The total area in square metres rose by 5% compared to 2018. Total energy consumption in the property and buildings area increased by just 1% to about 122m KWh.

Viewing specific carbon emissions in tonnes per square metre, there was a 2.6% reduction compared to the previous year.

		Österreichische Post AG		Austrian Post Group[1]	
	Unit	2018	2019	2018[2]	2019
BUILDING SPACE (m²)	m²	1,055,669	**1,112,936**	1,209,874	**1,319,093**
TOTAL ENERGY CONSUMPTION BUILDING[3]	m kWh	**121.6**	**122.3**	**139.8**	**145.5**
Natural gas	m kWh	32.7	32.0	38.9	41.3
Heating oil	m kWh	2.0	2.4	2.1	2.5
District heat	m kWh	30.3	31.1	33.0	33.0
Electricity (total)	m kWh	56.6	56.8	65.8	68.7
thereof electricity from renewable energy sources	m kWh	55.4	55.4	59.0	59.2
thereof electricity from own photovoltaic plants	m kWh	1.4	1.3	1.6	1.3
thereof grey electricity	m kWh	1.2	1.4	6.8	9.4
ENERGY CONSUMPTION BUILDINGS PER m²	kWh/m²	**115**	**110**	**116**	**110**

[1] **Austrian Post Group 2018:** the indicators apply to the entire Austrian Post Group with the exception of the subsidiary Express One Hungary.
Austrian Post Group 2019: the indicators apply to the entire Austrian Post Group.
[2] The 2018 indicators for the vehicle fleet and property and buildings were revised downwards and one value (building space) revised upwards in the course of the audit, as the original calculation was corrected.
[3] The 2019 energy indicators for property and buildings include all Austrian Post space (offices, delivery bases, logistics centres, branch offices). The Österreichische Post AG indicators are based on actual data available up to the 14 January 2020 deadline. The remaining indicators are based on extrapolations. Indicators for the subsidiaries are based on data provided by them up to the 24 January 2020 deadline. Extrapolations were made in some cases.

Energy – Vehicle Fleet

In 2019 Österreichische Post AG drove a total of 186 million km to render its services. The number of kilometres driven rose by 9% compared to the previous year due to the increase in volumes in the parcel business. The main driver is the strong volume growth in the parcel business (+18%) supported by Austrian Post's partnership with Deutsche Post DHL. Fuel consumption thus increased by 9% to 254m kWh. Specifically speaking (per km), fuel consumption fell by 0.4%.

Austrian Post added the delivery of Deutsche Post DHL parcels to private individuals in Austria to its own existing logistics network in August 2019. This integration and the increase in volume required expansion of transport and vehicle capacity. On the whole, the discontinuation of DHL's own delivery network effects an increase in efficiency in delivery throughout Austria and thus an improvement in the energy and environmental balance.

Österreichische Post AG relies on many measures in its own vehicle fleet for continued improvement of its environmental performance (expansion of e-mobility, modern and energy-efficient vehicle fleet). It is not possible to directly influence the energy consumption of the external vehicle fleet.

		Österreichische Post AG		Austrian Post Group[1]	
	Unit	2018[2]	2019	2018[2]	2019
KILOMETRES DRIVEN[3]	m km	**170.1**	**185.8**	**229.4**	**266.8**
TOTAL FUEL CONSUMPTION VEHICLE FLEET[3]	m kWh	**232.4**	**253.6**	**293.3**	**340.8**
thereof own vehicle fleet	m kWh	146.5	151.0	178.6	207.0
thereof electricity consumption e-mobility	m kWh	1.2	1.5	1.2	1.5
thereof external vehicle fleet	m kWh	85.9	102.6	114.7	133.8
ENERGY CONSUMPTION VEHICLE FLEET PER KM	kWh/100 km	**136.6**	**136.5**	**127.9**	**127.7**

[1] **Austrian Post Group 2018:** the indicators apply to the entire Austrian Post Group with the exception of the subsidiary Express One Hungary.
Austrian Post Group 2019: the indicators apply to the entire Austrian Post Group.
[2] The 2018 indicators for the vehicle fleet and property were revised downwards in the course of the audit, as the original calculation was corrected.
[3] The 2019 indicators for the vehicle fleet include all motorised vehicles of Austrian Post. The indicators for Österreichische Post AG are actual data. The indicators for the Group companies are based on data provided by them up to the 24 January 2020 deadline. Extrapolations were made in some cases.

Emissions

Österreichische Post AG's carbon emissions (Scope 1–3) rose by 8% to 76,946 tonnes compared to the previous year. Carbon emissions for the Österreichische Post AG property and buildings area (Scope 1 and Scope 2) increased by 3% to 12,701 tonnes. The rise in carbon emissions (Scope 1 and Scope 3) for the vehicle fleet is 9% (to 64,245 tonnes).

The main driver in both cases is the strong volume growth in the parcel business (+18%) supported by Austrian Post's partnership with Deutsche Post DHL.

Austrian Post added the delivery of Deutsche Post parcels to private individuals in Austria to its own existing logistics network in August 2019. This integration and the increase in volume required expansion of capacity in the logistics centres as well as in transport and vehicles. On the whole, the discontinuation of DHL's own delivery network effects an increase in efficiency in delivery throughout Austria and thus an improvement in the energy and environmental balance.

		Österreichische Post AG		Austrian Post Group[1]	
	Unit	2018	2019	2018[2]	2019
TOTAL CO_2e EMISSIONS (SCOPE 1–3)[3] ACCORDING TO THE GREENHOUSE GAS PROTOCOL	t CO_2e	**71,389**	**76,946**	**92,361**	**105,546**
CO_2e EMISSIONS BUILDINGS	t CO_2e	**12,365**	**12,701**	**17,575**	**19,155**
CO_2e Scope 1 – buildings	t CO_2e	7,078	7,238	8,819	9,122
Natural gas	t CO_2e	6,541	6,400	8,251	8,265
Liquid gas	t CO_2e	0	179	0	179
Heating oil	t CO_2e	537	659	567	678
CO_2e Scope 2 – buildings[4]	t CO_2e	5,287	5,462	8,756	10,033
District heat	t CO_2e	4,991	5,105	5,543	5,500
Electricity	t CO_2e	296	358	3,213	4,533
CO_2e EMISSIONS VEHICLE FLEET	t CO_2e	**59,024**	**64,245**	**74,786**	**86,391**
CO_2e Scope 1 – own vehicle fleet	t CO_2e	37,065	38,063	45,213	52,285
CO_2e Scope 3 – partner companies	t CO_2e	21,959	26,182	29,573	34,106
TOTAL CO_2e EMISSION PER KM	t CO_2e/m km	**419.7**	**414.1**	**402.6**	**395.6**

1 **Austrian Post Group 2018:** the indicators apply to the entire Austrian Post Group with the exception of the subsidiary Express One Hungary.
Austrian Post Group 2019: the indicators apply to the entire Austrian Post Group.
2 Carbon emissions were revised downwards in the audit due to changes in energy consumption.
3 All climate relevant gases are taken into account when calculating Scope 1, Scope 2 and Scope 3 emissions. The carbon emission factors for Österreichische Post AG and the national Group companies are from the Environment Agency Austria database. All emission factors are CO_2 equivalents. District heat emissions for Vienna, Graz and Hall are the exception here. Österreichische Post AG's carbon emissions for the base year 2013 are listed as follows: CO_2e Scope 1 – road transport (own transport): 35,199t; CO_2e Scope 1 – buildings: 8,887t; CO_2e Scope 2 – buildings: 6.346t; CO_2e Scope 3 – partner companies: 19,951t. These figures refer exclusively to Österreichische Post AG. The difference to previously published carbon emissions for the year 2013 arises from not taking account of Post Wertlogistik GmbH.
4 The calculation of Scope 2 emissions (electricity and district heat) for Österreichische Post AG is carried out in line with the market-based method. This means supplier-specific emission factors are used if possible. When Scope 2 emissions are calculated using the location-based method (no supplier-specific emission factors, no green electricity), carbon emissions for the year 2019 are at 20,625 tonnes. This demonstrates the impact of procuring renewable energy. The calculation of Scope 2 emissions (electricity, district heat) for the national subsidiaries is carried out in line with the market-based method. This means supplier-specific emission factors are used if available. The calculation of Scope 2 emissions (electricity) of the international subsidiaries is carried out in line with the location-based method.

Relative Emissions

Due to the changes in volume in the mail and parcel business, it makes sense to list the relative carbon emissions for different reference values. Total carbon emissions relating to total kilometres driven and to revenue are disclosed for the first time.

The relative carbon emissions for property and buildings fell by 2.6% to 11.4 tonnes per thousand m² compared to the previous year.

The relative carbon emissions for the vehicle fleet decreased by 0.4% to 345.7 tonnes per million km compared to the previous year.

In relation to revenue, the relative carbon emissions increased by 4.6% to 41.4 tonnes per EUR million compared to the previous year.

In relation to the total number of driven kilometres, the relative carbon emissions fell by 1.3% to 414.1 tonnes per million km compared to the previous year.

		Österreichische Post AG		Austrian Post Group[1]	
Relative Indicators	Unit	2018	2019	2018	2019
CO_2e EMISSIONS REVENUE TO REVENUE	t CO_2e/m EUR	39.6	41.4	47.2	52.2
TOTAL CO_2e EMISSIONS TOTAL PER KM	t CO_2e/m km	419.7	414.1	402.6	395.6
CO_2e EMISSIONS BUILDINGS PER m² t	t CO_2e/1,000 m²	11.7	11.4	14.5	14.5
CO_2e EMISSIONS VEHICLE FLEET PER KM	t CO_2e/m km	347.0	345.7	326.0	323.8

[1] **Austrian Post Group 2018:** the indicators apply to the entire Austrian Post Group with the exception of the subsidiary Express One Hungary.
Austrian Post Group 2019: the indicators apply to the entire Austrian Post Group.

Vehicles

The number of e-vehicles in the Österreichische Post AG fleet in 2019 was up by 10% to 1,750. The total number of vehicles increased by 3% to 9,510 compared to the previous year.

	Österreichische Post AG		Austrian Post Group[1]	
	2018	2019	2018	2019
TOTAL VEHICLES	9,257	9,510	10,473	11,239
Bicycles	719	734	758	773
thereof electric bicycles	620	649	621	650
Mopeds	921	977	970	1,025
thereof electric mopeds	416	428	417	428
Vehicles up to 3.5 t	7,467	7,636	8,529	9,168
thereof natural gas-driven vehicles up to 3.5 t	0	0	2	1
thereof e-vehicles up to 3.5 t	556	673	560	684
Vehicles over 3.5 t	150	163	216	273

[1] **Austrian Post Group 2018:** the indicators apply to the entire Austrian Post Group with the exception of the subsidiary Express One Hungary.
Austrian Post Group 2019: the indicators apply to the entire Austrian Post Group.

Paper

Paper consumption fell by 424 tonnes due to various measures (printer settings, awareness initiatives, etc.). The share of paper from sustainable resources (FSC and PEFC) is around 85%.

		Österreichische Post AG		Austrian Post Group[1]	
	Unit	2018	2019	2018	2019
TOTAL PAPER CONSUMPTION	t	5,469	5,045	5,697	5,374
thereof sustainably produced paper (PEFC and FSC paper)	t	5,195	4,324	5,243	4,384

[1] **Austrian Post Group 2018:** the indicators apply to the entire Austrian Post Group with the exception of the subsidiary Express One Hungary.
Austrian Post Group 2019: the indicators apply to the entire Austrian Post Group.

Employees and Diversity

We Are All Part of Austrian Post

Human resources management is of particular importance for Austrian Post in its role as a service company. Measures taken in this area make a decisive contribution to the company's success and future viability. In this regard, a good working environment, attractive career opportunities, workplace safety and occupational healthcare also play a significant role. The megatrends impacting the workforce in the postal business are the demographic change including the need to maintain employability, the increasing complexity of work, the pressure to be efficient, and the process automation. All this is related to minimising accident risks, protecting employees and ensuring work-life balance to enhance motivation and employee retention.

Concepts and Their Results

Clear shared visions and values are important to enable employees to focus their actions on sustainability in an environment strongly influenced by changes and transition. The services rendered by Austrian Post are aligned to the material topics identified in the dialogues with stakeholders:

- Corporate culture and working environments
- Occupational safety and health protection
- Further education and professional development
- Customer proximity

Promoting the corporate and leadership culture is of crucial importance to the human resources work of Austrian Post. The company has defined employee-related targets and measures for management and control purposes, regularly evaluates them and adjusts them if necessary. The following table provides an overview of these targets and measures:

T 10 Main Target → Promote a Corporate and Leadership Culture

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 4, 5, 8, 10 Development, communication and introduction of a new competency model for executives	Development, communication and introduction of a new competency model for executives as part of the process to relaunch 360-degree feedback	Expansion of development programmes with regard to leadership guidelines and leadership competencies; additional comprehensive communication and roll-out of e-learning as a competency model
SDG 5, 10 Relaunch of the 360-degree feedback process	Relaunch of the 360-degree feedback process for Österreichische Post AG with the involvement of executives; implementation of 360-degree feedback for executives; strong focus on individual support and development through targeted Executive Academy programmes, individual coaching dialogues and team debriefings	Implementation of 360-degree Feedback 2020
SDG 4, 5, 8, 10 Executive Academy	New concept for the Executive Academy with strategic link between the professional development programmes and the leadership guidelines; individual development based on executive feedback (360-degree); compulsory and optional modules for different target groups	Roll-out of the NEW Executive Academy including new formats such as the keynote lecture series, Leadership COMPACT as a two-day course for all executives new to the role

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 4, 5, 8, 10 Training for executives: implementation of at least 1,000 person-days of training and seminars for executives	Training and seminars for executives amounting to 1,750 person-days were carried out	Carrying out training and seminars for executives amounting to at least 1,000 person-days
SDG 8, 11 “A Day Visiting Customers”: participation of at least 250 executives in the programme	264 executives took part in the “A Day Visiting Customers” programme	Participation of at least 250 executives in the programme “A Day Visiting Customers”
SDG 5, 8, 10 “Career and family” audit: continuation of the re-audit and ongoing implementation of the planned measures	Measures planned as part of the re-audit were continued or implemented on an ongoing basis and included in the Annual Report as the targeted goals	Continue the planned measures or implement them on an ongoing basis
SDG 5, 8, 10 Onboarding process for corporate headquarters	Concept for an onboarding process for new employees at corporate headquarters including an accompanying e-learning module	

T 11 Main Target → Attention to Health and Safety

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 3 1,000 health consultations and 15 Health Days	About 850 health consultations and 7 Health Days have been held	Carrying out 950 health consultations and 12 Health Days
SDG 3 Production of a brochure and posters on proper exercise including a training initiative	The training initiative was implemented by the occupational physicians and the posters were created for the Delivery and Distribution departments. The videos were uploaded to a separate channel online to make them more usable. The corresponding brochure is to be produced in 2020	Measures focusing on lifting and carrying, such as a brochure
SDG 3 Implementation of the “Fit2Work” project at the Vienna Letter Mail Centre	The “Fit2Work” project was launched. Following an employee survey, measures were defined which are to be implemented starting in 2020	Implementation of measures as part of the “Fit2Work” project at the Vienna Letter Mail Centre
SDG 3, 5, 8, 10 Evaluation of psychological stress at corporate headquarters	The evaluation at corporate headquarters was prepared and planned, and launched in Q4 2019	Completion of the evaluation of psychological stress at corporate headquarters and in Austrian Post customer service
SDG 3 Development of measures to deal with the most frequent causes of accidents in 2018, creation of posters on the issue of falling and measures focusing on traffic safety	Implementation of traffic safety training for moped drivers in selected delivery bases	Visibility of employee protection at all major sites; development of measures to deal with the most frequent causes of accidents in 2019, creation of posters on the subject of falling
SDG 3 Development of checklists for individual areas for easy use and implementation of employee protection measures. Training and instruction campaign for executives	Development of checklists for individual areas for easy use and implementation of employee protection measures. Training and instruction initiative for executives	Continuation of the training initiative for executives
SDG 3 Heart rate variability analyses: evaluation of implemented measures	The measures implemented so far have been evaluated and will be continued in 2020	Implementation of heart rate variability analyses and health workshops at five sites or more

CORPORATE CULTURE AND WORKING ENVIRONMENTS

Austrian Post attaches great importance to establishing an open and contemporary corporate and leadership culture. Leadership guidelines were developed on the basis of the mission statement in order to create a good working atmosphere and performance-enhancing working conditions. These guidelines are designed to help contribute to ongoing further refinement of the corporate and leadership culture.

In addition to standardised leadership guidelines and a culture of open communication, offering additional social services via the post.sozial association supplements the motivating and performance-enhancing working conditions at Austrian Post. This non-profit association aims to provide social support to active employees of Österreichische Post AG and its Austrian subsidiaries as well as to retired employees, family members and surviving relatives of employees. Services range from financial support to employees faced with exceptional expenses arising as a result of illness or natural disasters, discounted tickets for cultural and sport events to cost-effective holiday deals alongside child care and day care services during vacations.

OCCUPATIONAL SAFETY AND HEALTH PROTECTION

Preserving and promoting the health and safety of employees and preventing accidents and work-related illnesses are matters of great concern to Austrian Post.

Occupational safety is firmly embedded on an organisational level due to its crucial importance for Österreichische Post AG. It is dealt with in formal occupational safety committees in which safety experts, occupational physicians, safety officers, employee representatives and the employer are represented.

In 2019, 23 regional Austrian Post occupational safety committees met for sites that have more than 100 employees or are exposed to specific risks.

The related standards are specified in Sections 88 and 88a of the Employee Protection Act (ASchG). Suggestions for improving individual safety and health-related topics are developed and the implementation of relevant measures is discussed. Notwithstanding this, consultations in accordance with the legal provisions are held by the occupational safety organisation at all sites. In this way, the entire workforce at Österreichische Post AG is supported in terms of occupational safety – by safety officers and occupational physicians.

In addition to the legal provisions on the topic of occupational safety and accident prevention, there are internal organisational rules, operating instructions and leaflets. Posters for different work processes that involve lifting and carrying were also created in addition to training and ongoing instructions in order to minimise the work-related exposure to risk. The trade union and Works Council are involved in material aspects of occupational safety and accident prevention. These are also represented in the occupational safety committees.

In addition, Austrian Post aims to preserve and promote the health and well-being of its employees. For this reason, Österreichische Post AG offers a series of measures and initiatives focusing on health protection, such as health consultations and Health Days providing a comprehensive range of advice and information, as well as the promotion of sporting activities.

In addition to our corporate social responsibility, employee protection is also a factor of relevance to our business operations, because accidents and lost working days lead to additional costs. Promoting occupational safety and health also serves as the basis for greater operational efficiency and productivity increases.

FURTHER EDUCATION AND PROFESSIONAL DEVELOPMENT

Austrian Post has established target group- and skills-oriented further education and professional development programmes which are designed to fully leverage the existing potential of its employees and sustainably guarantee corporate success. These include specialised instruction, further education courses, coaching and training at Österreichische Post AG and its subsidiaries.

Furthermore, young employees are trained in a special trainee programme as well as in apprenticeships combined with a secondary school diploma ("Lehre mit Matura").

Investments in further education and professional development enable long-term career paths based on the professional and personal development of employees. We believe this is a relevant factor for employee satisfaction and retention. A low employee attrition rate prevents knowledge drain and contributes to keeping recruiting and training costs for new employees down.

CUSTOMER PROXIMITY

The topic of customer and service orientation is incorporated in the mission statement of Austrian Post and is thus important to all employees. All employee development efforts also have a positive impact on customer proximity. In line with the guiding principle "Everything we do revolves around our customers", well-trained employees offer optimal service and thus contribute to increasing customer satisfaction.

Austrian Post is continuously working on innovations to supplement its range of products and services

Employees and Diversity

in response to changes in the lifestyles and demands of customers. In this regard, customer comfort and service quality are always at the forefront of the company's efforts. Customer orientation and the high level of service provided by our employees are reflected in Österreichische Post AG's positive customer satisfaction ratings, which are measured quarterly by an outside institute.

Next two paras repetition satisfaction was measured on a quarterly basis during the reporting period by the renowned Institute for Empirical Social Studies (IFES). The "Customer Satisfaction Index" (CSI) encompassing customer satisfaction and customer loyalty is determined by means of a representative survey with a sample size of n = 2,000 per wave.

Measuring customer satisfaction in accordance with the CSI scale considers 50 index points or less to represent a critical level and 51 to 60 points as moderately content, whereas a score of more than 61 points is considered to be good and higher than 70 means very good. An outstanding level of customer satisfaction is from 81 points up to the highest possible score of 100. The average CSI value for Austrian Post this year was 70 points. That is the company's best result since it began measuring customer satisfaction. Austrian Post is very proud of this score. Its initial result was 64 points in 2011.

Customer service is crucial for customer satisfaction. Austrian Post offers all customers the opportunity to get in contact via e-mail, contact form or Facebook. The Austrian Post Customer Service team also answers inquiries regarding the subsidiaries. Several thousand inquiries related to data privacy information were sent to Austrian Post Customer Service in 2019. All of these inquiries were answered in a timely manner.

DIVERSITY

Equal opportunity at work and equal treatment of employees are a matter of course at Österreichische Post AG and its subsidiaries. Diversity management activities at Austrian Post promote social diversity and leverage it constructively. Austrian Post not only aims to tolerate the individual differences among employees, but to particularly highlight them in the spirit of promoting mutual appreciation and respect. This creates a productive overall atmosphere in the company. In order to ensure equal opportunity at work, Austrian Post strongly opposes any and all types of discrimination, bullying and sexual harassment and, in a clear indication of its commitment, signed the Charter of Diversity in 2013.

It is our belief that diversity at Austrian Post enhances our innovative capabilities, and enables us to fulfil the multi-faceted demands of customers and master future developments in order to secure the company's long-term profitability.

For additional information on measures being taken to promote diversity within the company as well as details concerning diversity in the Management Board and Supervisory Board, please see the Corporate Governance Report.

Non-financial Risks

In spite of measures designed to prevent accidents and maintain employee health, significant risks related to employees exist due to potential health hazards for employees which can arise due to work-related stress and strain.

Non-financial Indicators

The Austrian Post Group employed an average of 20,338 employees in 2019 (annual average; full-time equivalents) and thus reports a slight decrease compared to the previous year.

The "Women in executive positions" indicator revealed a slight increase to 25.6% in the proportion of women in executive positions in 2019 as a consequence of Austrian Post's ongoing measures to promote the career advancement of women amongst others.

Employee turnover at Austrian Post Group was 16.6% in 2019. The rising trend reflects the situation on the labour market on the one hand, but also has to do with the specific employee structure at Austrian Post on the other. The structural change – steady departure of civil servants and hiring of employees under the new collective agreement – causes increased turnover.

Employees

	Österreichische Post AG		Austrian Post Group[1]	
	2018	2019	2018	2019
TOTAL EMPLOYEES (FTE[2])	**17,406**	**17,205**	**20,545**	**20,338**
thereof women	5,264	5,347	6,481	6,517
thereof men	12,142	11,859	14,064	13,821
By age group				
under 30	2,731	2,956	3,396	3,667
30–50 years	7,535	7,437	9,377	9,247
over 51	7,139	6,813	7,772	7,424
EMPLOYEES IN MANAGEMENT POSITIONS (FTE)[3]	**778**	**725**	**972**	**916**
thereof women	186	178	245	234
thereof men	591	546	727	682
By age group				
under 30	19	20	24	33
30–50 years	363	341	513	490
over 51	395	364	435	393
FULL-TIME EMPLOYEES (HEADCOUNT)	**15,324**	**15,139**	**18,228**	**18,029**
PART-TIME EMPLOYEES (HEADCOUNT)	**3,600**	**3,615**	**3,951**	**3,934**
EMPLOYEE ATTRITION (TOTAL STAFF DEPARTURES)[4]	**2,548**	**2,910**	**3,280**	**3,652**
thereof women	918	1,081	1,211	1,320
thereof men	1,630	1,829	2,069	2,332
By age group				
under 30	735	855	969	1,123
30–50 years	789	922	1,130	1,317
over 51	1,024	1,133	1,181	1,212

[1] **Austrian Post Group 2018:** the indicators apply to the entire Austrian Post Group.
Austrian Post Group 2019: the indicators apply to the entire Austrian Post Group.
[2] FTE = Full-time equivalents
[3] Management Board members, management team (reporting directly to the Management Board), expanded management team (directly reporting to the management team or executives) and leadership conference (employees of the reporting level two to five responsible for at least three employees) as well as all other executives responsible for at least three employees.
[4] Persons leaving the permanent staff who have been employed by the company for at least six months. All forms of staff departures are taken into account.

Employees by Division

	Österreichische Post AG		Austrian Post Group[1]	
	2018	2019	2018	2019
TOTAL EMPLOYEES (FTE[2])	**17,406**	**17,205**	**20,545**	**20,338**
Mail & Branch Network Division	13,590	13,436	14,270	14,115
Parcel & Logistics Division	1,710	1,879	4,118	4,280
Corporate	2,106	1,891	2,156	1,942

[1] **Austrian Post Group 2018:** the indicators apply to the entire Austrian Post Group.
Austrian Post Group 2019: the indicators apply to the entire Austrian Post Group.
[2] FTE = Full-time equivalents (annual average)

Employees and Diversity G

Sick Leave and Accidents

Despite an increase in the number of parcels handled, sick leave numbers have fallen. The number of occupational accidents rose from 2018 to 2019. A total of 784 occupational accidents were reported in 2019 for Österreichische Post AG. Falls, traffic accidents and the operation of equipment are the main causes of accidents.

	Österreichische Post AG		Austrian Post Group[1]	
	2018	2019	2018	2019
EMPLOYEES ON SICK LEAVE (FTE[2] IN %)	10.6	9.0	9.7	8.5
NUMBER OF OCCUPATIONAL ACCIDENTS[3]	718	784	809	851
FATAL ACCIDENTS	0	0	3	0

[1] **Austrian Post Group 2018:** the indicators apply to the entire Austrian Post Group.
Austrian Post Group 2019: the indicators apply to the entire Austrian Post Group.
[2] FTE = Full-time equivalents
[3] Accidents beginning with one working day lost incl. subsequent sick leave (incl. commuting accidents during work).

Further Education and Professional Development

Well-trained employees contribute decisively to ensuring that the company remains successful. For this reason, Austrian Post offers its employees the opportunity to develop themselves professionally but also personally, and relies on target-group and skills-oriented training and further education measures. The number of seminars, seminar participants and the number of person hours increased compared to the previous year.

	Österreichische Post AG		Austrian Post Group[1]	
	2018	2019	2018	2019
NUMBER OF SEMINARS[2]	1,062	1,142	1,259	1,296
NUMBER OF PARTICIPANTS	6,473	6,713	6,868	7,379
PERSON HOURS	118,415	135,340	123,496	142,708

[1] **Austrian Post Group 2018:** the indicators apply to the entire Austrian Post Group.
Austrian Post Group 2019: the indicators apply to the entire Austrian Post Group.
[2] E-learning not included.

Society, Data Protection and Data Security

Everything We Do Revolves Around People

The parent company Österreichische Post AG is required to fulfil its obligation to supply high-quality universal postal services daily to every household across Austria at a uniform price and to operate a nationwide branch network. For this reason, much of the information in this chapter applies to Österreichische Post AG only.

As a means of dealing with the major changes impacting the postal business, especially due to societal transformation and digitalisation, Austrian Post closely monitors and analyses these challenges and manages its business accordingly.

Societal challenges primarily relate to demographic change, various customer lifestyles and the growing awareness of sustainability and environmental issues.

Concepts and Their Results

Österreichische Post AG's top priority is to ensure the supply of postal services throughout the country. This is because the company also bears responsibility for Austria's communications infrastructure. Furthermore, Österreichische Post AG supports various social projects directly linked to its core business.

In addition, confidentiality as well as information security and data security are extremely important topics for Austrian Post. This is due to the fact that both business customers as well as recipients of mail items make data available to the company to ensure smooth transport and delivery.

With respect to society, the following topics were identified as material in cooperation with stakeholders:

- Regional infrastructure and reliability of supply
- Social commitment
- Data protection and data security

Austrian Post has defined targets which are revised on an annual basis in order to measure its success and progress on societal issues as well as to document and manage its performance. The objectives for 2019 and 2020 are as follows:

T 12 Main Target → Ensure a Reliable Supply and Shape Framework Conditions

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 11, 16 Ensuring reliable delivery at all times and exceeding legal requirements by Österreichische Post AG	95.4% of letters were successfully delivered by Österreichische Post AG on the first working day after letters were posted	Ensuring reliable delivery at all times and exceeding legal requirements by Österreichische Post AG
SDG 11, 16 Ensuring a nationwide network of postal service points that exceeds legal requirements by Österreichische Post AG	Österreichische Post AG exceeds the targets: the network of postal service points comprised a total of 1,770 locations at the end of 2019	Ensuring a nationwide network of postal service points that exceeds legal requirements

T 13 Main Target → Promote Social Commitment

Targets in 2019	Achieved in 2019	Planned for 2020 and beyond
SDG 11, 16 Continuation of support for social projects on the basis of Austrian Post's logistics competence	412,000 mobile phones collected for the Ö3-Wundertüte campaign. 9,500 children received gift parcels from #TeamChristkind and 3,200 school boxes were sent all over the country by Österreichische Post AG	Continuation of support for social projects on the basis of Austrian Post's logistics competence

REGIONAL INFRASTRUCTURE AND RELIABILITY OF SUPPLY

Due to Österreichische Post AG's obligation to provide universal service, this material topic only applies to Österreichische Post AG and not to its subsidiaries.

Every day Österreichische Post AG delivers letters and parcels throughout Austria. In order to safeguard the supply of basic postal services to the Austrian population, Österreichische Post AG offers nationwide services and delivers 4.6bn mail items annually. Österreichische Post AG fulfils its mandate in outstanding quality: in 2019, 95.4% of all letters were delivered on the next working day, and 96.3% of parcels to private individuals were delivered within two working days.

Both levels are higher than what is legally stipulated in the context of the universal service obligation. Thanks to a broad range of online and offline services, Austrian Post takes into account customer needs and integrates them into its core business via everyday solutions.

The optimisation of facilities and processes ensures efficient logistics and thus customer satisfaction. Österreichische Post AG's reputation and, as a result, the annual Customer Satisfaction Index are factors that influence the long-term growth of the company.

SOCIAL COMMITMENT

Furthermore, Austrian Post is committed to society beyond the company's boundaries, supporting a range of business-related social projects and activities. In this regard, the company highly prioritises ensuring that its social involvement is clearly linked to its core business. In 2019, Österreichische Post AG once again supported the Ö3-Wundertüte initiative in Austria and the #TeamChristkind campaign.

DATA PROTECTION AND DATA SECURITY

Due to technical developments and the steadily increasing importance of data for the successful performance of Austrian Post, the Austrian Post Group implements extensive measures to ensure the confidentiality of customer and company data as well as the integrity and availability of the IT systems operated by Austrian Post.

Österreichische Post AG has carried out a variety of measures in recent years as a means of implementing the requirements arising from the EU General Data Protection Regulation (EU GDPR), which has been in effect throughout Europe since 25 May 2018. New processes were set up and existing processes were adapted to reflect the new legal situation. Various guidelines were issued on data protection-specific topics and communicated to all employees.

Raising awareness among employees throughout the Group with regard to the issues of data protection and data security also plays a major role. A data protection organisation has been established as well. It consists of data protection managers in specialised departments at Österreichische Post AG, and the data protection officers and data protection managers in the subsidiaries.

Despite the implementation of internal data protection processes and precautions, in 2019 the Austrian Data Protection Authority found the processing of marketing classifications based on preferences for certain political parties calculated using statistical methods to be unlawful and imposed an administrative fine of EUR 18m. This penalty is not yet legally binding. According to the authorities, Austrian Post is violating the General Data Protection Regulation by processing marketing classifications.

Austrian Post has a different legal opinion, however. The company does not view marketing classifications as personal data because these are purely statistical probabilities calculated using marketing analysis techniques and bear no relation to the actual conduct of the person in question. The question of whether or not probability statistics constitute personal data has not yet been conclusively legally determined. Currently the issue of whether marketing classifications are personal data or not is still in dispute.

For years now, Austrian Post has used data and address management to make its services more attractive to customers. This guarantees that advertising is as accurate for and focused on particular customers as possible. In doing so, Austrian Post relies on its longstanding experience as a mailing list provider and direct marketing company in accordance with the Trade Act, which explicitly permits statistical methods to be used to determine target groups for advertising and certain natural persons to be assigned to these.

Austrian Post will continue expanding and developing its data protection organisation in future as well. The company plans to automate as many data protection processes as possible in order to ensure rapid, high-quality data processing.

Non-financial Risks

Risks with regard to ensuring the reliability of supply relate to potential breaks in the supply of postal services in Austria which could arise as a result of business interruptions or restrictions, environmental incidents, IT failure, strikes, staff shortages and flu epidemics, and thus have a negative impact on customer satisfaction.

Risks in the field of data protection and data security involve the potential theft or illegal disclosure of sensitive customer and employee data and the subsequent damage to the company's reputation, increasing customer dissatisfaction and the threat of having to pay fines in accordance with the General Data Protection Regulation (EU GDPR).

Non-financial Indicators

	Österreichische Post AG		Austrian Post Group	
Indicators	2018	2019	2018	2019
Number of postal service points	1,791	1,770	Not applicable[1]	Not applicable[1]
Delivery success rate on the first working day after posting	95.8% of mail items were delivered on the first working day after posting	95.4% of mail items were delivered on the first working day after posting	Not applicable[1]	Not applicable[1]
Customer satisfaction (Customer Satisfaction Index value)[2]	The average good CSI value was 70 points	The average good CSI value was 70 points	Indicator not available at Group level	Indicator not available at Group level
Substantiated complaints with respect to violations of data protection or loss of customer data	There were no serious complaints or cases of alleged breaches of customer privacy, data theft or loss of customer data in 2018.	In 2019 an officially initiated investigation, three proceedings on individual complaints and an administrative prosecution with regard to the statistical calculation of party preference, among other things, were held and were decided by the Data Protection Authority, but are not legally binding. In addition, an investigation was conducted into offline retargeting, which was discontinued by the authorities. Moreover, the Data Protection Authority ruled against Austrian Post, which has appealed the decision, in the case of an abandoned post bag. In proceedings in which Austrian Post was not itself a party, Austrian Post failed to provide information about mailings to the Authority, basing its stance on postal secrecy, and was therefore issued an administrative penalty of EUR 600. Austrian Post paid this fine.	There were no serious complaints or cases of alleged breaches of customer privacy, data theft or loss of customer data in 2018.	In 2019 an officially initiated investigation, three proceedings on individual complaints and an administrative prosecution with regard to the statistical calculation of party preference, among other things, were held and were decided by the Data Protection Authority, but are not legally binding. In addition, an investigation was conducted into offline retargeting, which was discontinued by the authorities. Moreover, the Data Protection Authority ruled against Austrian Post, which has appealed the decision, in the case of an abandoned post bag. In proceedings in which Austrian Post was not itself a party, Austrian Post failed to provide information about mailings to the Authority, basing its stance on postal secrecy, and was therefore issued an administrative penalty of EUR 600. Austrian Post paid this fine.

[1] These indicators are not applicable to the subsidiaries of Österreichische Post AG in light of the fact that they are not subject to the universal service obligation.
[2] Customer Satisfaction Index (CSI) value on a scale from 0–100, < 50 points: critical, 51–60: moderate, 61–70: good, 71–80: very good, 81–100: excellent.

Vienna, 21 February 2020

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

Independent Assurance Report on the Non-financial Reporting

To the Board of Directors of Österreichische Post AG.

We have performed an independent limited assurance engagement on the consolidated non-financial report ("NF Report") for the financial year 2019 of Österreichische Post AG, Vienna, ("the Company").

Management's Responsibility

The Company's management is responsible for the proper preparation of the NF Report in accordance with the reporting criteria. The Company applies the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB) as reporting criteria.

The responsibility of the legal representatives of the company includes the selection and application of reasonable methods for non-financial reporting (especially the selection of material topics) as well as the use of assumptions and estimates for individual non-financial disclosures that are reasonable under the circumstances. Furthermore, the responsibility includes the design, implementation and maintenance of systems, processes and internal controls relevant for the preparation of the sustainability reporting in a way that is free of – intended or unintended – material misstatements.

Auditors' Responsibility and Scope of the Engagement

Our responsibility is to state whether, based on our procedures performed, anything has come to our attention that causes us to believe that the NF Report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB) in all material respects.

Our engagement was conducted in conformity with the International Standard on Assurance Engagements (ISAE 3000) applicable to such engagements. These standards require us to comply with our professional requirements including independence requirements, and to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into account materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance, thus providing reduced assurance. In spite of conscientious planning and execution of the engagement it cannot be ruled out that material mistakes, unlawful acts or irregularities within the non-financial reporting will remain undetected.

The procedures selected depend on the auditor's judgment and included the following procedures in particular:

- Inquiries of personnel on corporate level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of the Company;
- A risk assessment, including a media analysis on relevant information concerning the sustainability performance of the Company in the reporting period;
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the disclosures on environmental, social

and employee matters, respect for human rights and anti-corruption and bribery, including the consolidation of the data;
- Inquiries of personnel on corporate level responsible for providing and consolidating and for carrying out internal control procedures concerning the disclosures on concepts, risks, due diligence processes, results and performance indicators;
- Inspection of selected internal and external documents in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- Assessment of local data collection and reporting processes and reliability of reported data via a virtual sampling survey at an international subsidiary (City Express d.o.o.);
- Analytical evaluation of the data and trend explanations of quantitative disclosures, submitted by all sites for consolidation at corporate level;
- Evaluation of the consistency of the for the Company applicable requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB) with disclosures and indicators of the NF Report;
- Evaluation of the overall presentation of the disclosures by critical reading of the NF Report.

The procedures that we performed do not constitute an audit or a review in accordance with Austrian professional guidelines, International Standards on Auditing (ISA) or International Standards on Review Engagements (ISRE). Our engagement did not focus on revealing and clarifying illegal acts such as fraud, nor did it focus on assessing the efficiency of management. Furthermore, it is not part of our engagement to review future-related disclosures, figures from previous periods, statements from external information sources and expert opinions and references to additional external reporting sources of the Company. Disclosures which were audited within the scope of the Annual Financial Statements were assessed for correct presentation (no substantial testing).

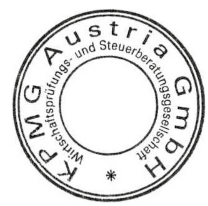
This assurance report is issued based on the assurance agreement concluded with the Company. Our responsibility and liability towards the Company and any third party is subject to paragraph 7 of the General Conditions of Contract for the Public Accounting Professions.

The respective latest version of the AAB is accessible at kpmg.at/aab.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the NF Report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB) in all material respects.

Vienna, 28 February 2020



KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Peter Ertl m.p.
Certified Public Accountant

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1. Group Overview and Market Environment

1.1 Business Operations and Organisational Structure

The Austrian Post Group, hereinafter also referred to as Austrian Post or the Group, is the leading logistics and postal services provider in the country, with annual revenue of more than EUR 2bn and about 20,300 employees. Its core business consists of transporting and delivering letters, direct mail items, print media, packets, parcels and express mail items as well as providing various logistics solutions and innovative online services. Internationally, Austrian Post is active in eight other European countries.

Austrian Post bundles its activities into two divisions, Mail & Branch Network and Parcel & Logistics. In addition, the Corporate Division mainly offers services relating to Group administration, and the development of new business models. These three divisions represent the operating segments of Austrian Post in accordance with IFRS 8 requirements.

The core business of the Mail & Branch Network Division includes the collection, sorting and delivery of letters, postcards, addressed, partly addressed and unaddressed direct mail items and newspapers as well as parcels and packets delivered jointly with mail. In addition, postal and telecommunications products as well as financial services are offered in the branch network. Austrian Post also offers its customers various online services such as the e-letter and cross-media solutions. The offering is supplemented by additional physical and digital services for measurable success in customer communication as well as for optimisation in document processing. Austrian Post customers have access to 1,770 postal service points, including 415 company-operated postal branches and 1,355 postal partners. Austrian Post offers 66,464 lockers at 394 pick-up stations in its self-service zones. In addition, self-service solutions are also available at 57 other widely dispersed locations of cooperation partners. In 2019 Austrian Post delivered 690 million letters, 519 million addressed and 3.2 billion unaddressed direct mail items, 335 million print media and 349 million regional media items.

The Parcel & Logistics Division offers one-stop solutions for parcel delivery along the entire value chain. Its core business is the transport of parcels and Express Mail Service (EMS) shipments. Austrian Post delivered about 127 million parcels and EMS items in its domestic market in 2019. This makes it the leading service provider for the nationwide delivery of mail order and private customer parcels as well as B2B shipments of the highest quality. 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 fulfillment solutions such as warehousing, order picking, returns management, the transport of valuable goods and cash, web shop logistics and web shop infrastructure. In addition, the division is active with Group companies in seven other European countries.

1.2 Sales Markets and Market Position

Austrian Post and its Group companies are active in nine countries. About 92% of revenue was generated in the home market of Austria in 2019. 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 52% of the total Austrian parcel volume, 65% of the parcel volume in the private customer segment and 31% in the business parcel segment (B2B) (Branchenradar CEP Services in Austria 2020).

The Group companies of Austrian Post also have a good market position on an international level. The Austrian Post Group is number one parcel delivery service for business customers in Slovakia and a top player in Hungary, Croatia, Serbia, Montenegro, and Bosnia and Herzegovina.

1.3 Economic Environment

The global economy is stabilizing tentatively, the upswing is proceeding only slowly. Trade policy uncertainties and geopolitical tensions in key emerging markets weighed on global economic activity in 2019, especially in manufacturing and trade. The worsening social unrest in several countries posed challenges, as did weather-related disasters. As a result of the easing of monetary policy in several economies, signs of recovery emerged towards the end of 2019. The occasional positive news about the trade dispute between the USA and China and the diminishing fear of a "No Deal Brexit" also contributed to the improvement. According to experts at the International Monetary Fund (IMF), global gross domestic product (GDP) will rise by 2.9% in 2019, which is below the previous year's level (2018: 3.6%). Economic growth of 3.3% and 3.4% respectively is expected for 2020 and 2021 (IMF, January 2020).

The economic trend in Europe did not match the previous year's level of 1.9%. Forecast increases in external demand and Brexit were the biggest influences. This results in lower GDP of 1.2% for 2019. The IMF assumes marginally stronger growth of 1.3% in 2020 and 1.4% in 2021 (IMF, January 2020).

Growth in the Austrian economy recently lost considerable momentum. This is mainly due to cyclical weakness in world trade, which is dampening domestic exports and thus the dynamics of industry. By contrast, the Austrian economy continues to be supported by favourable financing conditions, fiscal stimuli and robust consumer demand. After an increase of 1.7% in 2019, GDP is expected to grow by 1.2% in 2020 and by 1.4% in 2021 (WIFO, December 2019).

Current signs point to increased growth in the years to come in the other European markets where Austrian Post operates, against the backdrop of major cyclical risks. For Germany, the IMF estimates economic growth for 2019 at 0.5% after 1.5% in the previous year. An increase of 1.1% and 1.4% respectively is expected for 2020 and 2021. While Germany is struggling with a more reduced economic performance, the markets of Southeastern and Eastern Europe are now also showing a downturn in economic performance after a very good phase since 2018. For the European emerging markets, the IMF expects GDP growth of 1.8% in 2019 after 3.1% in the previous year. For the years 2020 and 2021, the IMF assumes a greater increase in GDP of 2.6% and 2.5% respectively (IMF, January 2020).

1.4 Industry 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 of about 5% per year. A steady decline in volume can be expected, in particular against the backdrop of new e-government solutions. Moreover, customers have shown uncertainty with regard to addressed direct mail items as a consequence of the entry of the General Data Protection Regulation into force. Generally, the business with direct mail items heavily depends on the economic situation, the particular sector and the level of advertising activity on the part of companies. The market trend for addressed and unaddressed direct mail is currently rather subdued.

Parcel volumes in the private customer segment are increasing due to the growing importance of online shopping. There is still a gap to be filled in e-commerce in the CEE/SEE markets, which tends to lead to a more dynamic market environment.

On the other hand, 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 flows and the required logistics services are becoming increasingly globalised.

Another important market trend is the increasing importance of non-financial issues relating to society, employees and the environment. This is accompanied by increasing transparency requirements imposed on companies with regard to sustainability. Increased awareness of sustainability is also leading to growing demand for the resource-friendly transport of goods. Austrian Post complies with these requirements by offering the carbon neutral delivery of mail items in its home market of Austria, by which it avoids and reduces the negative impact of its business operations on the global climate balance for itself and its customers.

1.5 Legal Environment

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 distribution 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 so called 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. Course of Business and Economic Position

2.1 Changes to the Scope of Consolidation

adverserve Holding GmbH was included in the consolidated financial statements of Austrian Post effective 1 August 2019. The equity interest accounted for using the equity method until 31 July 2019 was increased by 33%. Austrian Post now holds an 82% interest in the company. adverserve is the leading expert for advertising technologies and digital advertising in Europe.

Effective 1 August 2019, a division of DHL Paket (Austria) GmbH was also taken over, including in particular sorting technology, employees and the entry into the rental arrangements of three distribution centres and ten delivery bases. Together with the acquisition, a long-term partnership with Deutsche Post DHL Group was agreed upon, according to which the delivery of DHL Group private customer parcels in Austria will in future be handled by Austrian Post.

Effective 7 November 2019, 80% of the interest in bank99 AG (formerly Brüll Kallmus Bank AG) was acquired by means of a capital increase and has been included in the consolidated financial statements ever since that date. The acquisition of the bank established the legal basis for an independent and nationwide offering of financial services by Austrian Post in partnership with GRAWE Banking Group.

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

Overall, the effect of revenue of the changes in the scope of consolidation in the 2019 financial year can be classified as immaterial.

2.2 Financial Performance

2.2.1 Development of Revenue

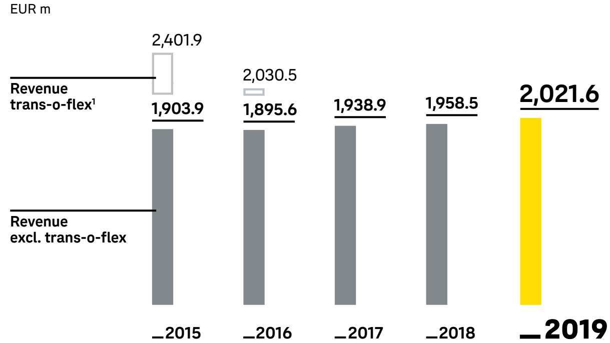
The revenue of Austrian Post improved by 3.2% to EUR 2,021.6m in 2019. Growth in the Parcel & Logistics Division led to an increase of 14.5% in revenue, which has sufficiently offset the 0.8% decrease in revenue in the Mail & Branch Network Division. G 09

The Mail & Branch Network Division accounted for 68.9% of total revenue of Austrian Post. The revenue development in the reporting period continued to be impacted by the fundamental decline in the volume of addressed letters due to electronic substitution, lower advertising revenue and the gradual redimensioning of the financial services business in 2019. In turn, the new product structure, additional sales as a result of elections and one-off mailings from banks and insurance companies had a positive effect on sales.

The Parcel & Logistics Division generated 31.1% of total revenue in the reporting period with a continuing positive trend. Revenue growth of 14.5% was driven by organic volume growth in Austria as well as by the cooperation with Deutsche Post DHL Group in Austria since August 2019. G 10 T 14

G 09 Revenue Development

EUR m



[1] sold 2016

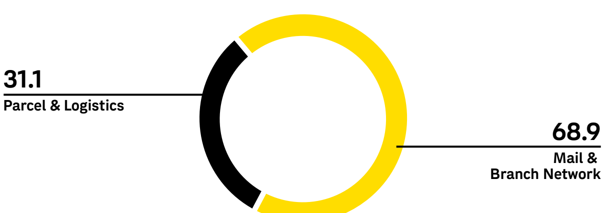
T 14 Revenue by Division

EUR m	2017	2018	2019	Change 2018/2019 %	Change 2018/2019 EUR m
REVENUE	**1,938.9**	**1,958.5**	**2,021.6**	**3.2**	**63.1**
Mail & Branch Network	1,447.8	1,412.3	1,400.5	–0.8	–11.8
Parcel & Logistics	495.6	552.4	632.5	14.5	80.0
Corporate/Consolidation	–4.5	–6.2	–11.4	–83.8	–5.2
Working days in Austria	248	250	251	0.4	–

A regional breakdown of Austrian Post's revenue in the reporting period shows that 91.7% of revenue was generated in Austria. Southeastern and Eastern Europe accounted for 5.8% of revenue. 2.5% of revenue was generated in Germany. G 11

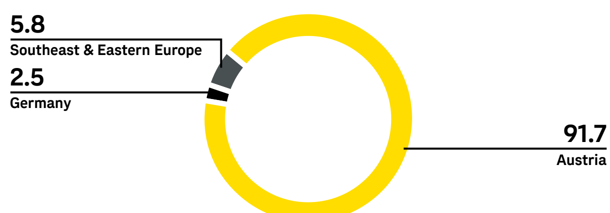
G 10 Revenue by Division 2019

in %



G 11 Revenue by Region 2019

in %



T 15 Development of Revenue in the Mail & Branch Network Division

EUR m	2017	2018	2019	Change 2018/2019 %	Change 2018/2019 EUR m
REVENUE	**1,447.8**	**1,412.3**	**1,400.5**	**–0.8**	**–11.8**
Letter Mail & Mail Solutions	782.8	804.8	816.0	1.4	11.2
Direct Mail	413.3	382.6	372.0	–2.8	–10.6
Media Post	137.1	131.2	132.1	0.7	0.9
Branch Services	114.6	93.7	80.4	–14.2	–13.3
Revenue intra-Group	101.7	112.9	132.8	17.6	19.9
TOTAL REVENUE	**1,549.5**	**1,525.2**	**1,533.3**	**0.5**	**8.1**
thereof revenue with third parties	1,446.8	1,409.6	1,397.4	–0.9	–12.3

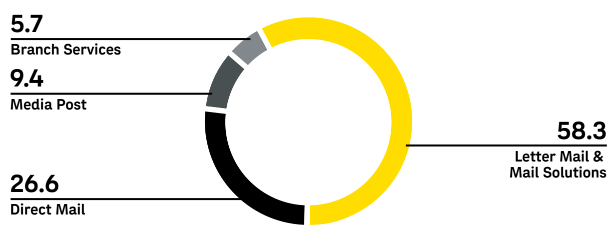
Revenue in the Mail & Branch Network Division amounted to EUR 1,400.5m, 58.3% of which can be attributed to the letter mail & mail solutions business, 26.6% to direct mail and 9.4% to media post. In addition, branch services generated 5.7% of the division's revenue. G 13 T 15

At EUR 816.0m, the revenue in the letter mail & mail solutions business exceeded the prior year's level by 1.4%. The revenue in the Letter Mail segment was boosted by the new product structure as well as by additional revenue from elections and increased revenue in the mail solutions segment. The declining volume trend resulting from the substitution of letters by electronic forms of communication continued. In the traditional addressed letter mail business, volume declines of approximately 5% p.a. are still to be expected. The mail solutions segment achieved the revenue growth of 12.4%, primarily in document logistics and output management as well as in digital services. In addition, the 2019 financial year had one more working day than the previous year.

The revenue from media post, i.e. the delivery of newspapers and magazines was positively influenced by elections in 2019, and increased slightly by 0.7% year-on-year to EUR 132.1m. In general, however, a further decline in the subscription business of newspapers and magazines is expected.

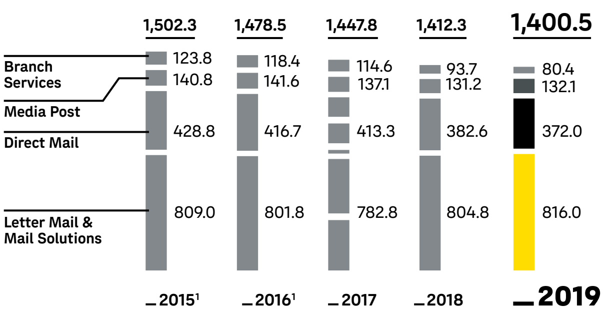
G 13 Letter Revenue Mix by Product Group 2019

in %



G 12 Mail Revenue by Product Group

EUR m



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

Revenues in the direct mail segment decreased by 2.8% to EUR 372.0m in the 2019 financial year. Some customers continued to show uncertainty with respect to the addressed mail as a result of the General Data Protection Regulation. Unaddressed direct mail is in particular impacted by a positive momentum for grocery retailers and declines in the furniture trade as well as by a general reduction in the weight of advertising leaflets. Additional revenues from elections in the 2019 financial year had a positive effect.

At EUR 80.4m, revenues from branch services in 2019 were 14.2% below the previous year's level. Following the termination of the cooperation with the banking partner BAWAG P.S.K. by the beginning of 2020, the revenue from financial services had already been continuously reduced in 2019. The trading of merchandise and branch products, on the other hand, showed a stable development in the financial year. G 12

T 16 Revenue Development of the Parcel & Logistics Division

EUR m	2017	2018	2019	Change 2018/2019 %	Change 2018/2019 EUR m
REVENUE	**495.6**	**552.4**	**632.5**	**14.5**	**80.0**
Premium Parcels	240.7	266.1	352.9	32.6	86.8
Standard Parcels	219.0	229.6	217.5	–5.3	–12.2
Other Parcel Services	35.9	56.6	62.1	9.6	5.4
Revenue intra-Group	4.8	4.9	4.2	–15.0	–0.7
TOTAL REVENUE	**500.4**	**557.4**	**636.7**	**14.2**	**79.3**
thereof revenue with third parties	491.9	548.6	623.6	13.7	75.0

Revenue in the Parcel & Logistics Division increased by 14.5% from EUR 552.4m to EUR 632.5m in the 2019 financial year. Growth in the parcels business is based on the ongoing e-commerce trend in Austria as well as on the delivery of parcels for private customers in Austria since August 2019 within the framework of a cooperation agreement with Deutsche Post DHL Group. These developments resulted in volume increases of more than 20%. G 14 T 16

Despite the intensified own delivery activities of a major customer in the eastern part of Austria, Austrian Post was able to participate in the growth of the market in 2019 and achieve an increase in its market share in Austria. In general, the parcel market is developing very dynamically. Intense competition and high price pressure continue to prevail while, at the same time, the demands on quality and delivery speed are increasing.

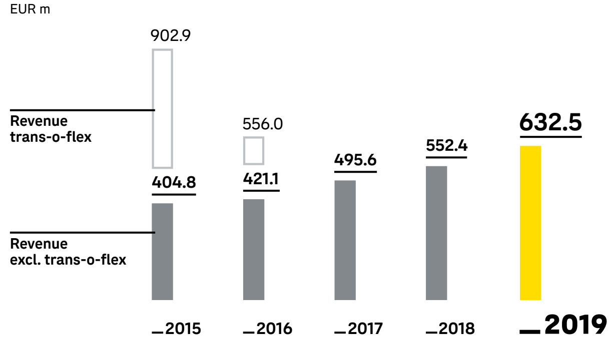
The development towards faster delivery of parcels can be observed as a clear trend. In total, 55.8% of the division's revenue in the 2019 financial year was generated in the premium parcels segment (delivery on the working day after posting). This corresponds to a revenue increase of 32.6% to EUR 352.9m.

The standard parcels segment accounted for 34.4% of total revenue for the division. In 2019, this segment recorded a 5.3% decline in revenues to EUR 217.5m.

The other parcel services segment, which comprises various additional logistics services and accounts for 9.8% of divisional revenue, generated EUR 62.1m in revenue in the reporting period, corresponding to an increase of 9.6%.

G 14 Parcel & Logistics Division Revenue

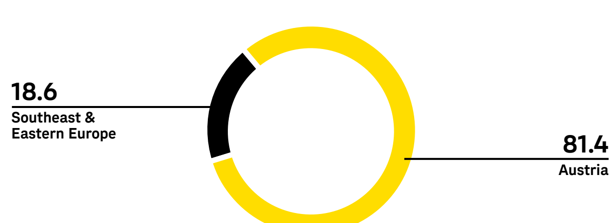
EUR m



An analysis by region shows that 81.4% of the revenue in the Parcel & Logistics Division was generated in Austria in 2019, while 18.6% can be attributed to subsidiaries in Southeastern and Eastern Europe. An increase in revenue of 15.9% was realised in Austria. The increase in revenue in the highly competitive region of Southeastern and Eastern Europe in 2019 amounted to 8.7%. G 15

G 15 Parcel Revenue by Region 2019

in %

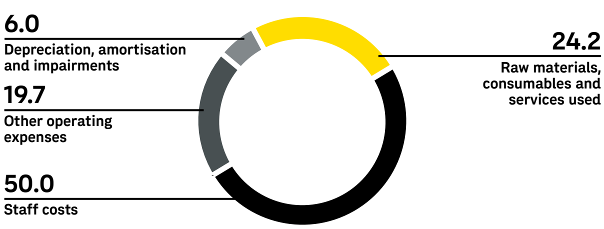


2.2.2 Earnings Development

The structure of expenses of Austrian Post is characterised by a high share of staff costs. Accordingly, 50.0% of total operating expenses incurred by Austrian Post in 2019 were accounted for staff costs. The second largest expense item, which constituted 24.2% of operating expenses, was raw materials, consumables and services used, a large part of which related to outsourced transport services. Furthermore, 19.7% could be attributed to other operating expenses and 6.0% to depreciation, amortisation and impairment losses. G 16

G 16 Allocation of Expenses 2019

in %



Staff costs in the 2019 financial year amounted to EUR 976.7m, implying a decrease of 3.2% or EUR 31.9m. The operational staff costs for wages and salaries included in staff costs remained largely stable compared with the previous year. The goal is to ensure that steady efficiency improvements and structural changes make it possible to compensate for salary increases required under the collective bargaining agreements. In total, the Austrian Post Group employed an average of 20,338 people (full-time employees) in the 2019 financial year, whereas 20,545 people worked for Austrian Post in the 2018 financial year (–1.0%).

In addition to operational staff costs, staff costs of Austrian Post also included 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. Whereas this item included provisions of around EUR 20m in the previous year for the redimensioning of the financial services business, the need for provisions has now been reduced. The 2019 financial year included increased expenses due to interest rate adjustments and provisions for payments in arrears related to the issue of offsetting prior service periods.

The cost of materials and purchased services increased by 7.3% to EUR 473.3m, primarily due to higher transport expenses as a result of increased parcel volumes and accelerated by the cooperation with Deutsche Post DHL Group that commenced in August 2019.

Both other operating expenses as well as other operating income increased in the reporting period. Other operating income reached EUR 131.5m compared with EUR 96.2m in the previous year. In the previous year, other operating income included non-recurring income of about EUR 20m in the form of lump-sum compensation from the banking partner BAWAG P.S.K. for shortening the term of the contract. 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 (recovery of contributions from civil servants' payroll).

Other operating expenses increased from EUR 295.7m to EUR 383.7m in 2019. On the one hand, obligations for possible compensation payments in connection with these recovery claims in approximately the same amount as well as provisions for data protection procedures in the amount of EUR 24.7m increased expenses. On the other hand, the first-time application of the IFRS 16 on 1 January 2019 reduced other operating expenses by EUR 36.7m. In addition, this item included additional expenses for claims and consulting.

The result from financial assets accounted for using the equity method includes the proportionate results of joint ventures and associates for the period and improved from minus EUR 3.6m to minus EUR 0.6m in the 2019 financial year.

EBITDA of EUR 318.7m was EUR 13.2m above the previous year, corresponding to an EBITDA margin of 15.8%. The positive effect of EUR 36.7m from the first-time application of IFRS 16 accounting standard also had an impact on this item.

Depreciation, amortisation and impairment losses in the reporting period totalled EUR 118.1m, compared with EUR 94.5m in 2018. Current depreciation and amortisation charges increased from EUR 80.6m to EUR 116.3m primarily as a result of IFRS 16, while impairment losses of EUR 1.7m were below the previous year's level of EUR 13.9m.

EBIT of EUR 200.6m was down by 4.9% from the previous year. The EBIT margin amounted to 9.9%. G 17

The Group's other financial result increased from minus EUR 13.1m in the previous year to EUR 10.7m in the 2019 financial year. While the previous year's financial result included a negative effect of EUR 14.4m from the write-down of the stake in flatex AG (formerly FinTech Group AG), in the current financial year there was a positive effect of EUR 8.9m from the revaluation of these shares as of the measurement date 31 December 2019.

Profit before tax was EUR 211.3m in 2019 compared with EUR 197.8m in the previous year. At EUR 66.8m, income tax exceeded the previous year's level by EUR 13.3m.

After the deduction of income taxes, profit for the period (profit after tax) increased by 0.2% to EUR 144.5m, compared with EUR 144.2m in the previous year. This corresponds to undiluted earnings per share of EUR 2.17 in the 2019 financial year compared with EUR 2.13 in the previous year. G 18 T 17

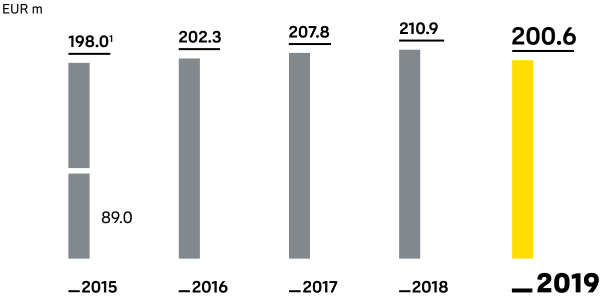
T 17 Financial Performance of the Group

EUR m	2017	2018	2019	Change 2018/2019 %	Change 2018/2019 EUR m
REVENUE	**1,938.9**	**1,958.5**	**2,021.6**	**3.2**	**63.1**
Other operating income	112.7	96.2	131.5	36.7	35.3
Raw materials, consumables and services used	–409.9	–441.2	–473.3	–7.3	–32.0
Staff costs	–1,020.1	–1,008.7	–976.7	3.2	31.9
Other operating expenses	–325.0	–295.7	–383.7	–29.8	–88.0
Results from financial assets accounted for using the equity method	–1.9	–3.6	–0.6	82.1	3.0
EBITDA[1]	**294.6**	**305.4**	**318.7**	**4.3**	**13.2**
Depreciation and amortisation	–72.8	–80.6	–116.3	–44.3	–35.7
Impairment losses	–14.1	–13.9	–1.7	87.7	12.2
EBIT[2]	**207.8**	**210.9**	**200.6**	**–4.9**	**–10.3**
Other financial result	12.8	–13.1	10.7	>100	23.8
PROFIT BEFORE TAX	**220.6**	**197.8**	**211.3**	**6.8**	**13.5**
Income tax	–55.6	–53.6	–66.8	–24.7	–13.3
PROFIT FOR THE PERIOD	**165.0**	**144.2**	**144.5**	**0.2**	**0.3**
Earnings per share (EUR)[3]	2.45	2.13	2.17	1.9	0.04

[1] Earnings before depreciation, amortisation, impairment losses, other financial result and income tax
[2] Earnings before other financial result and income tax
[3] Undiluted earnings per share in relation to 67,552,638 shares

G 17 EBIT

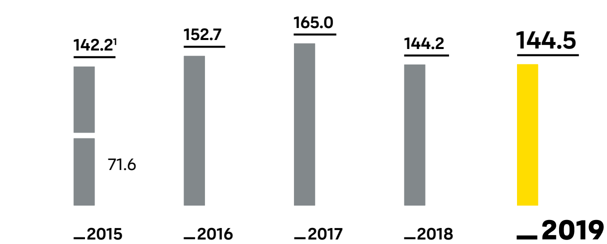
EUR m



[1] Adjusted for special effects

G 18 Profit for the Period

EUR m



[1] Adjusted for special effects

T 18 EBITDA and EBIT by Division

EUR m	2017	2018	2019	Change 2018/2019 %	Change 2018/2019 EUR m	Marge 2019[1] %
EBITDA	**294.6**	**305.4**	**318.7**	**4.3**	**13.2**	**15.8**
Mail & Branch Network	312.8	311.2	288.9	-7.2	-22.3	18.8
Parcel & Logistics	58.1	54.9	66.0	20.3	11.2	10.4
Corporate/Consolidation	-76.3	-60.7	-36.3	40.2	24.4	–
EBIT	**207.8**	**210.9**	**200.6**	**-4.9**	**-10.3**	**9.9**
Mail & Branch Network	289.6	289.8	265.4	-8.4	-24.4	17.3
Parcel & Logistics	42.8	41.3	45.5	10.1	4.2	7.1
Corporate/Consolidation	-124.7	-120.2	-110.3	8.2	9.9	–

[1] Margin of the divisions related to total earnings

In terms of divisional result, the Mail & Branch Network Division achieved an EBITDA of EUR 288.9m in 2019. This implies a decrease of 7.2%. EBIT for the division fell by 8.4% to EUR 265.4m. Stable revenues and strict cost discipline had a positive effect, while the abovementioned provisions for data protection procedures had an offsetting effect.

The Parcel & Logistics Division achieved revenue growth despite strong competition and margin pressure, generating EBITDA of EUR 66.0m (+20.3%) and EBIT of EUR 45.5m, implying an EBIT increase of 10.1% over the previous year. Revenue growth is driven by organic growth, notably through online trading, as well as by the cooperation with Deutsche Post DHL Group since August 2019. The associated integration requirements and additional expenses in the logistics network to avoid current capacity bottlenecks had a negative effect on EBIT. The volume and revenue increases are managed with the help of extensive logistics measures.

The Corporate Division's EBIT (including consolidation) improved by 8.2% to minus EUR 110.3m due to a lower provisioning requirement. This was offset by higher expenses due to interest rate adjustments and consulting fees in connection with the set-up of the new financial services business. The Corporate Division provides non-operating services which are essential for the purpose of the administration and financial control of a corporate group. These services include, among other things, the management of commercial properties owned by the Group, the provision of IT services, the development of new business models and the administration of the Internal Labour Market of Austrian Post. T 18

2.3 Financial Position and Cash Flows

T 19 Balance Sheet as at 31 December

EUR m	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	Structure 31 Dec. 2019
ASSETS				
Property, plant and equipment, intangible assets and goodwill	702.4	736.1	1,152.7	56.4%
Investment property	85.0	78.4	73.0	3.6%
Financial assets accounted for using the equity method	8.1	9.2	11.4	0.6%
Inventories, trade and other receivables	457.8	439.6	406.5	19.9%
Other financial assets	131.0	107.7	298.7	14.6%
thereof financial investments in securities/ money market investments	80.6	55.8	240.6	–
Cash and cash equivalents	290.0	310.0	100.6	4.9%
Assets held for sale	0.0	0.3	0.1	0.0%
	1,674.2	**1,681.2**	**2,042.9**	**100%**
EQUITY AND LIABILITIES				
Equity	698.8	699.1	700.7	34.3%
Provisions	563.7	551.1	617.4	30.2%
Other financial liabilities	6.8	10.3	309.5	15.1%
Trade and other payables	404.9	420.6	415.3	20.3%
	1,674.2	**1,681.2**	**2,042.9**	**100%**

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

2.3.1 Balance Sheet Structure

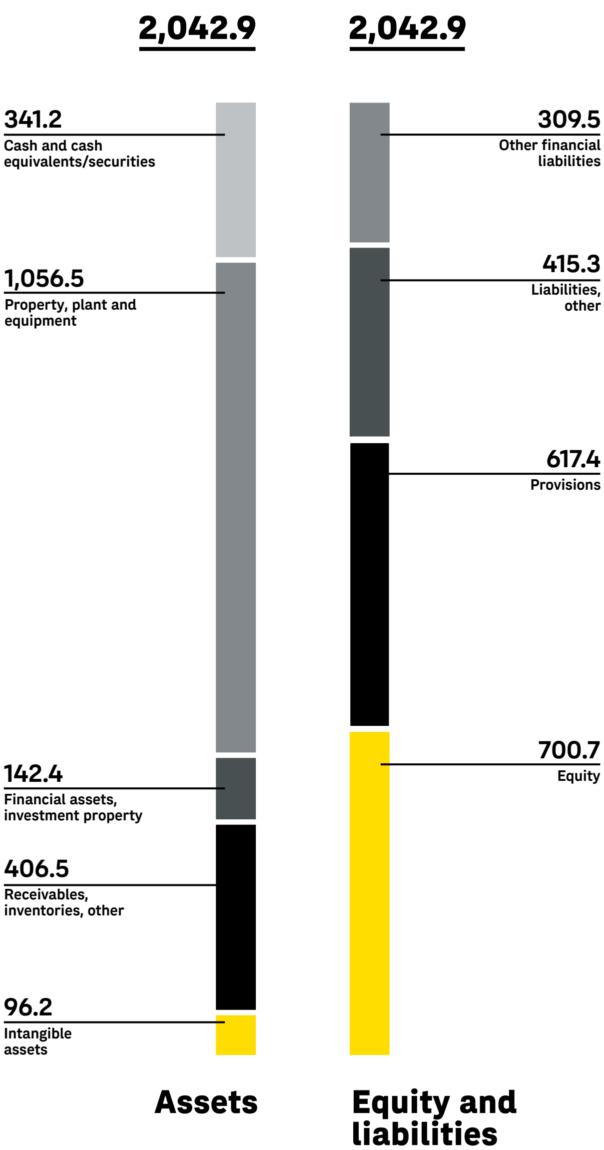
Austrian Post's total assets amounted to EUR 2,042.9m as at 31 December 2019. On the asset side, property, plant and equipment amounting to EUR 1,056.5m constitute the largest balance sheet item. This item increased by EUR 270.3m, in particular due to the capitalisation of right-of-use assets under leases as of 1 January 2019 following the first-time application of IFRS 16. In addition, intangible assets amounted to EUR 96.2m. This included goodwill of EUR 61.1m reported for business acquisitions as at 31 December 2019. Receivables, constituting the second largest single balance sheet item on the asset side, totalled EUR 313.8m. Other financial assets amounted to EUR 298.7m as at 31 December 2019, including the stake in Aras Kargo a.s. reported at EUR 23.3m as well as the EUR 29.4m interest in flatex AG.

Austrian Post held securities and money market investments that are included in other financial assets amounting to EUR 240.6m at the end of the year. The money market investments were assigned in their entirety to cash and cash equivalents in the previous year. The securities and money market investments held by Austrian Post carry an investment grade rating or comparable credit rating, which is why it can be assumed that these assets can be liquidated in the short term.

The balance sheet shows that Austrian Post had cash and cash equivalents in the amount of EUR 100.6m as at 31 December 2019. Including financial investments in securities and money market investments, the portfolio of current and non-current cash and cash equivalents amounted to EUR 341.2m at year-end.

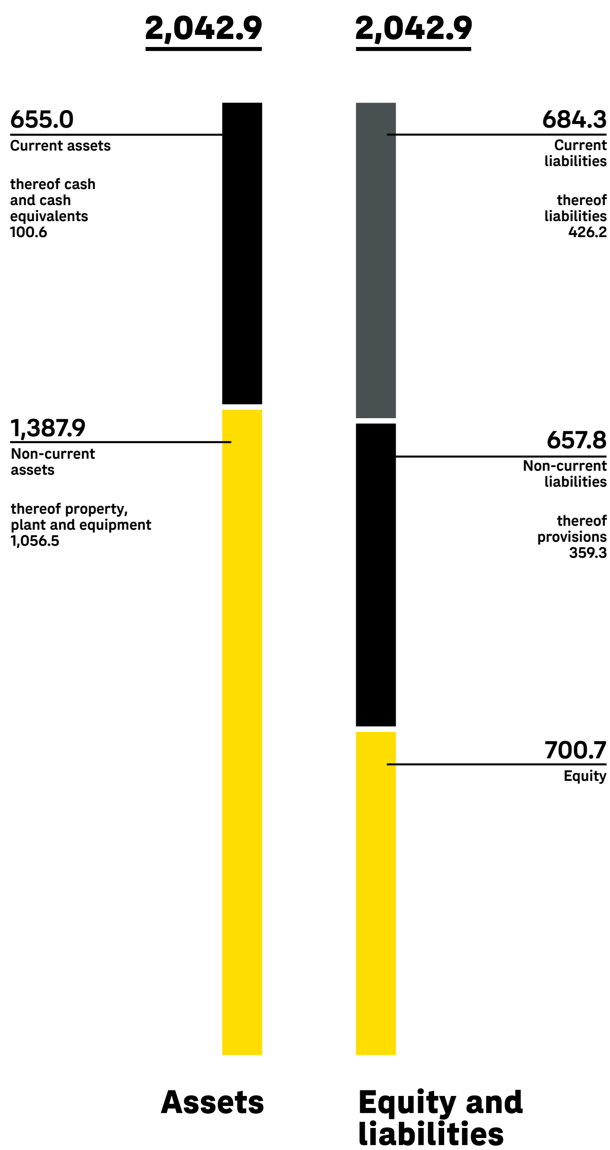
G 19 Balance Sheet Structure by Item **2019**

EUR m



G 20 Balance Sheet Structure by Maturity **2019**

EUR m



The equity and liabilities side of the balance sheet is characterised by a high equity ratio of 34.3% as at 31 December 2019. This corresponds to equity in the amount of EUR 700.7m. The year-on-year decline in the equity ratio was due mainly to the first-time application of IFRS 16, which had a negative effect of 6.1 percentage points on the equity ratio as of 31 December 2019.

The second largest item on the liabilities side of the balance sheet are provisions, which totalled EUR 617.4m at the end of December 2019. Just under 80% of provisions are staff-related provisions that can be attributed primarily to the specific employment situation of civil servants employed at Austrian Post. For example, EUR 173.6m can be attributed to provisions for underutilisation. A further EUR 194.1m are related to legally and contractually required provisions for social capital (severance payments and anniversary bonuses) and EUR 111.2m to other staff-related provisions. Other provisions amounted to EUR 138.5m and include obligations for possible compensation payments in connection with credited recovery claims from fringe benefit costs paid in previous periods in the amount of EUR 99.6m as well as provisions for data protection procedures amounting to EUR 24.7m. In total, 49% of the provisions at Austrian Post have a maturity of more than three years, 9% of more than one year. 42% of the provisions are current provisions with a maturity of less than one year. Other financial liabilities amounted to EUR 309.5m and included long-term lease liabilities of EUR 270.6m. Trade payables and other liabilities amounted to EUR 415.3m as of 31 December 2019 (of which trade payables of EUR 220.6m). Other financial liabilities increased compared with the previous year, as the application of IFRS 16 requires the recognition of lease liabilities for operating leases. G 19 T 19

The analysis of the balance sheet structure by maturity shows that the majority of total assets constituting 68% of total assets or EUR 1,387.9m can be attributed to non-current assets. At EUR 1,056.5m, property, plant and equipment plays a significant role within non-current assets. The largest current assets items, constituting 32% or EUR 655.0m, include trade receivables and other receivables in the amount of EUR 296.9m as well as other financial assets in the amount of EUR 230.6m, which include securities in the amount of EUR 50.7m and money market investments in the amount of EUR 189.9m. Cash and cash equivalents amounted to EUR 100.6m.

On the equity and liabilities side, total equity comprises equity (34%), non-current liabilities (32%) and current liabilities (34%). Non-current liabilities are in the amount of EUR 657.8m include primarily provisions in total of EUR 359.3m and other financial liabilities in the amount of EUR 270.7m. Current liabilities in the amount of EUR 684.3m are dominated by EUR 426.2m in liabilities. G 20

2.3.2 Cash Flow

T 20 Cash Flow

EUR m	2017	2018	2019
Gross cash flow	316.6	352.9	333.7
CASH FLOW FROM OPERATING ACTIVITIES	**255.7**	**295.9**	**325.2**
Cash flow from investing activities	–109.1	–137.5	–291.5
thereof maintenance CAPEX	–77.8	–81.3	–71.5
thereof growth CAPEX (incl. property)	–24.3	–58.1	–81.5
thereof cash flow from acquisitions/divestments	12.2	–38.3	–7.6
thereof acquisition/disposal of securities/money market investments	–19.7	23.0	–124.0
thereof other cash flow from investing activities	0.4	17.3	–6.8
Free cash flow	146.6	158.4	33.8
Free cash flow before acquisitions/securities/money market investments	154.0	173.7	165.4
OPERATING FREE CASH FLOW[1]	**171.4**	**161.9**	**148.4**
Cash flow from financing activities	–134.6	–138.1	–183.4
thereof dividends	–135.1	–138.8	–141.0
Change in cash and cash equivalents	12.0	20.2	–149.6

[1] Free cash flow before acquisitions/securities/money market investments and Growth CAPEX: 2019: excluding cash inflow from the real estate development project Neutorgasse EUR 32.8m and credited repayment claims related to non-wage labour costs paid in previous periods EUR 65,7m; 2018: excluding BAWAG P.S.K. special effect of EUR 70.0m (special payment BAWAG P.S.K. of EUR 107.0m less financial services rendered of EUR 37.0m); 2017: CAPEX new headquarters and excluding temporary customer cash holdings not yet remitted to them EUR 6.9m

Cash flow for the current year as well as for the previous year was affected by non-recurring effects. In the 2018 financial year, BAWAG P.S.K. made a special payment of EUR 107.0m as a result of the termination of the cooperation; after deducting EUR 37.0m in financial services provided in 2018, this had a positive non-recurring effect of EUR 70.0m on cash flow. In turn, cash flow for the current year includes proceeds in the amount of EUR 32.8m from the sale of apartments in the Neutorgasse property project, as well as credited recovery claims of non-wage labour costs from previous periods in the amount of EUR 65.7m. This was offset in both financial years by increased growth investments (Growth CAPEX) due to the infrastructure initiative.

Cash flow from earnings amounted to EUR 333.7m in the 2019 financial year, compared with EUR 352.9m in the previous year. In the previous year, this figure included non-recurring income of approximately EUR 20m in the form of a lump-sum settlement from the banking partner BAWAG P.S.K.

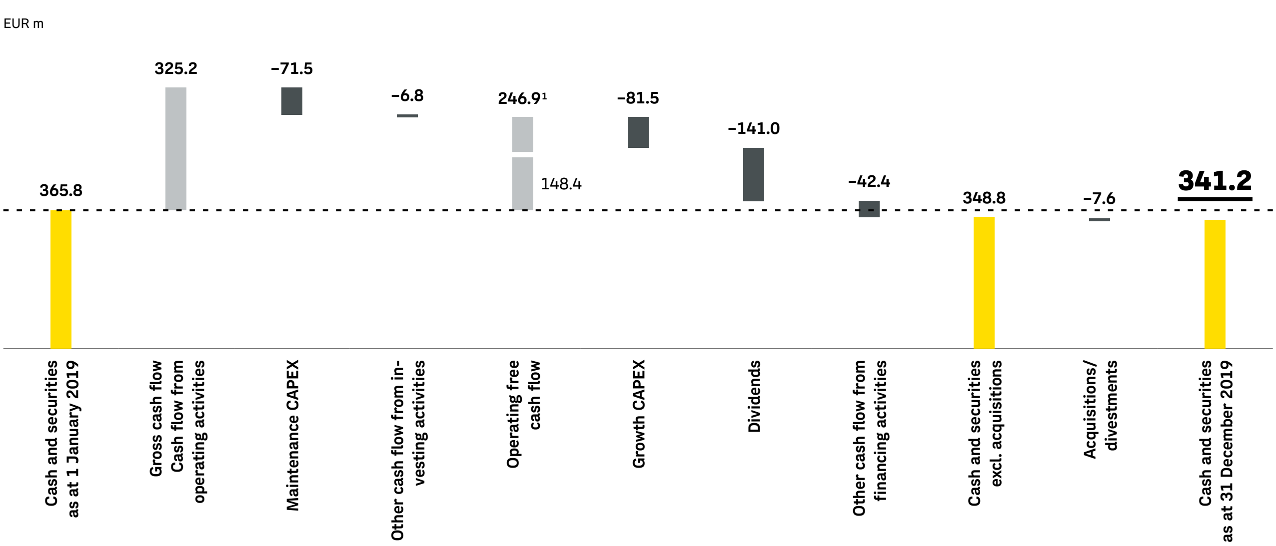
Cash flow from operating activities amounted to EUR 325.2m in the reporting period after EUR 295.9m in the previous year. Both 2018 and 2019 were positively influenced by the non-recurring effects described above.

Cash flow from investing activities amounted to minus EUR 291.5m in 2019 after minus EUR 137.5m in the previous year. This increase resulted primarily from payments for money market investments, which had an effect of EUR 130.0m on cash flow in the reporting period, as well as from higher payments for the acquisition of property, plant and equipment (CAPEX), which at EUR 153.1m in the 2019 financial year exceeded the previous year's level of EUR 139.4m.

Operating free cash flow before the non-recurring effects described above reached EUR 148.4m in the current reporting period after EUR 161.9 million in the previous year. This amount represents a solid basis for Austrian Post's ability to finance investments and dividends in the future.

Cash flow from financing activities comprised mainly dividend payments and the repayment of lease liabilities, amounting to minus EUR 183.4m in the 2019 financial year. T 20

G 21 Development of Cash, Securities and Money Market Investments — 2019



[1] before non-recurring effects

The analysis of the development of cash, securities and money market investments in 2019 shows the following picture: As at 1 January 2019, Austrian Post's cash and cash equivalents amounted to EUR 365.8m. In 2019 cash flow generated from operating activities amounted to EUR 325.2m. The cash disbursed as capital expenditures for maintenance (Maintenance CAPEX) amounted to EUR 71.5m in the 2019 financial year. The operating free cash flow before the described non-recurring effects reached EUR 148.4m. The distributions for 2019 in the amount of EUR 141.0m were fully covered by the operating free cash flow. After taking acquisitions and divestments into account, cash and cash equivalents amounted to EUR 341.2m as at 31 December 2019. G 21

2.3.3 Net Liquidity/Net Financial Debt

T 21 Net Liquidity/Net Financial Debt

EUR m	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019
+ Other financial liabilities	6.8	10.3	309.5
+ Interest-bearing provisions	407.1	394.9	369.2
INTEREST-BEARING DEBT	**413.9**	**405.2**	**678.7**
– Other financial assets	–130.5	–107.6	–298.6
- Non-current interest-bearing receivables	–3.6	–1.0	–1.0
– Cash and cash equivalents	–290.0	–310.0	–100.6
INTEREST-BEARING ASSETS	**–424.1**	**–418.6**	**–400.2**
– Assets held for sale	0.0	–0.3	–0.1
NET CASH (–)/NET DEBT (+)[1]	**–10.2**	**–13.7**	**278.5**
NET DEBT/EBITDA[1]	**–**	**–**	**0.87**
GEARING RATIO[1,2]	**–**	**–**	**39.7%**

[1] In light of the positive net cash reported in the years 2017 and 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.
[2] Gearing ratio = net debt/equity

The Austrian Post Group reported a net financial debt of EUR 278.5m at the end of 2019. The change from the previous year was due to the first-time application of IFRS 16.

The ratio of net financial debt to EBITDA was 0.87 and the gearing ratio was 39.7% at the end of the reporting period. As net liquidity was reported in previous years, no comparison is made due to the limited informational value. T 21

On the basis of existing liquidity and the solid cash flow from operating activities, Austrian Post is able to meet its current financing requirements.

Within the framework 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 successful business performance continues and that no extraordinary circumstances arise.

2.3.4 Capital Expenditures and Acquisitions

Austrian Post Group's capital expenditures in the 2019 financial year totalled EUR 203.9m, of which EUR 29.0m was attributable to the addition of right-of-use assets in accordance with IFRS 16. Thus, at EUR 37.9m, capital expenditures before application of the provisions of IFRS 16 exceeded the previous year's amount. In the 2019 financial year EUR 187.5m was attributable to capital expenditures for property, plant and equipment and EUR 16.5m to capital expenditures for intangible assets.

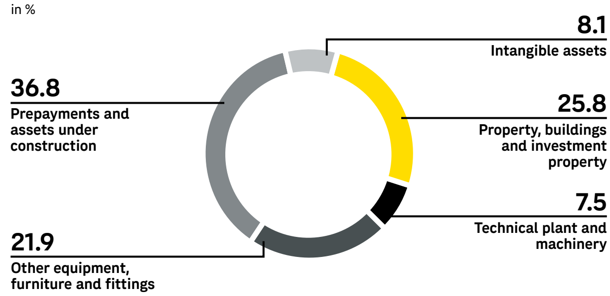
Operating and office equipment constituted 21.9% of Austrian Post's capital expenditure programme. In addition to ongoing capital expenditures in the vehicle fleet, this area included in particular equipment and furnishings for branch offices and various types of hardware. Land/buildings and investment property constituted 25.8% in the reporting period, while advance payments and capital expenditures for assets under construction constituted 36.8% of the capex programme, primarily for the parcel expansion programme and delivery vehicles. In addition, 7.5% can be attributed to technical equipment and machinery in the logistics centres. Intangible assets constituted 8.1%. G 22

A substantial share of capital expenditures were made in the parcels segment in connection with the capacity programme to expand the logistics infrastructure. In addition, the acquisition of major parts of the business operations of DHL Paket (Austria) GmbH resulted in the addition of EUR 13.1m in sorting technology and the recognition of right-of-use assets in accordance with IFRS 16 in the amount of EUR 49.4m relating to the acquired rental agreements for three distribution centres and ten delivery bases.

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 newer equipment.

G 22 Capital Expenditures by Category 2019

in %



Capital expenditures 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 capital expenditures 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 capital expenditures and acquisitions, the amortisation period and the present value of the capital expenditures are also taken into consideration, both in the planning phase as well as when monitoring key performance indicators.

The cash outflow for the acquisition and disposal of subsidiaries as well as for non-current financial assets accounted for using the equity method amounted to EUR 7.6m in 2019 after a cash outflow of EUR 3.4m in 2018. In general, every acquisition is preceded by a consistent Groupwide selection process. Decisions are made on the basis of a due diligence test followed by an evaluation based on a discounted cash flow method and, if applicable, validation of the plausibility of the determined values based on comparisons.

2.4 Value-based Key Performance Indicators

2.4.1 Capital Employed

The capital employed by the Austrian Post Group increased from EUR 607.9m to EUR 913.4m at the end of 2019. This difference can be attributed to the first-time application of IFRS 16. T 22

Austrian Post aims to optimise the capital employed based on industry-specific circumstances. In light of this, capital expenditures are made extremely selectively and systematically in order to, in particular, facilitate productivity increases and profitable growth. Goodwill is tested for impairment on an ongoing basis and is written down accordingly if there is any indication of the same.

The main focus of Austrian Post's receivables management is on 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. Payment terms may be switched without undue delay to advanced payment or payment in cash or a bank guarantee may be requested if the customer is designated as a risk.

T 22 Capital Employed

EUR m	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019
+ Property, plant and equipment, intangible assets, goodwill	702.4	736.1	1.152.7
+ Investment property	85.0	78.4	73.0
+ Financial assets accounted for using the equity method	8.1	9.2	11.4
+ Inventories	22.0	17.3	14.3
+ Trade payables, other receivables and tax assets[1]	360.4	343.8	325.5
– Non interest-bearing debt	–561.5	–576.9	–663.4
CAPITAL EMPLOYED	**616.4**	**607.9**	**913.4**

[1] Less interest-bearing receivables

2.4.2 Ratios

The EBITDA margin of Austrian Post improved slightly from 15.6% in 2018 to 15.8% in 2019. The EBIT margin decreased from 10.8% in 2018 to 9.9% in 2019. The return on equity remained stable, changing from 25.8% to 25.9% in the 2019 financial year. The return on capital employed decreased – due to the effects of IFRS 16 – from 34.4% in the previous year to 26.4% in the current financial year. T 23

T 23 Ratios

in %	2017	2018	2019
EBITDA margin[1]	15.2	15.6	15.8
EBIT margin[2]	10.7	10.8	9.9
ROE[3]	30.9	25.8	25.9
ROCE[4]	35.1	34.4	26.4

[1] EBITDA margin = EBITDA/revenue
[2] EBIT margin = EBIT/revenue
[3] Return on equity = Profit for the period/(equity on 1 January less dividend payment)
[4] Return on capital employed = EBIT/average capital employed

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 (R&D) measures. Moreover, Austrian Post consistently works on optimising its processes and procedures. Innovative solutions are also explored and developed either in-house or together with cooperation partners, leading in many cases to new market standards for the entire logistics sector.

Austrian Post's innovation activities are based on interaction between centralised management and decentralised innovation teams in the divisions responsible for products and services. The newly created central innovation management confirms the relevance of research and development activities for managing the company. It functions as a partner for the divisions with regard to digital transformation, building on the ability to recognise market requirements and future trends in a timely manner and sustainably ensuring Austrian Post's ability to compete by means of appropriate initiatives.

In addition to its own development activities, Austrian Post has also been cooperating with reputable Austrian universities, universities of applied science and other research facilities for a long time. Key partners include the Austrian Research Promotion Agency, the Climate and Energy Fund and the Vienna Economic Chamber. The objective of this collaboration is to further intensify its focus on innovation and to be able to rely on sound scientific research findings in the development of products and services.

In terms of products and services in the core business, Austrian Post once again implemented a large number of innovative, internally-developed solutions in the 2019 financial year. 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. For example, Austrian Post continued to consistently develop its solutions in the areas of mobile services ("Post app") and the further development of delivery services ("AllesPost") in 2019. The latter is an innovative offer that enables customers to receive any parcel via Austrian Post's channels and solutions. The online services provided by Austrian Post are characterised by a high level of security, flexibility, efficiency and trustworthiness.

In the Letter Mail and Direct Mail segment, Austrian Post has established an innovation board as a platform for innovation that works on creative projects, topics and new business models on a cross-functional basis. Strategically relevant topics are subjected to rapid prototyping and testing. The online advertising platform "Aktionsfinder" – a digital version of a physical flyer – and the successful print medium KUVERT complete the solution portfolio.

Other key areas with significant customer developments include the Mail Solutions and Logistics Solutions division.

The Mail Solutions Division is the leading provider of innovative, physical post services and also develops digital solutions for the B2B sector. The focus is on efficient business solutions such as intelligent input management, digital document management, dual dispatch, data and address management, digital advertising, and the majority interest in the company adverserve, an expert in programmatic advertising.

In the Logistics Solutions area, Austrian Post continually develops bespoke customer solutions for warehousing and fulfilment as well as various value added services, such as two-man handling or time-specific delivery (e.g. Same Day Delivery). Combined with innovative online services, these solutions ensure greater efficiency, flexibility and optimisation of customer-oriented communication and distribution. The e-commerce offerings are further expanded with investment in ACL advanced commerce labs GmbH. 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. It is therefore 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, a major focus of research and development is on the topics of resource conservation and energy efficiency. Austrian Post had already invested approximately EUR 21m in the carbon neutral and zero-emission delivery of mail items from 2009 to 2019.

Another area on which the capex programme has focused in the reporting period was operating and office equipment: In addition to the ongoing capital expenditures in the vehicle fleet, the main focus was on equipment and furnishings for branch offices. A report on the vehicle fleet and the expansion of electromobility is provided in the Environment section. Capital expenditures incurred as a part of the capacity expansion programme were another topic. In addition, the City Logistics programme of Parcel Austria was continued in the Parcel & Logistics Division in 2019 and the first pilot operation of City Hub – delivery by means of e-cargo bikes via centrally located micro-distribution centres (city hubs) – was implemented in Vienna. Through the operation a sustainable delivery concept for urban areas was developed and tested. Furthermore, capital expenditures were made in 2019 in the area of predictive analytics, which entails a development of a statistical model aimed to predict daily parcel volumes at the logistics centre level based on historical company data. This enables a more efficient personnel deployment planning per distribution shift on the one hand and improves route planning on the other.

Austrian Post consistently seeks out funding opportunities for innovation and investment. The CSR & Environmental Management department advises and supports all the areas concerned and also coordinates the research tax credits.

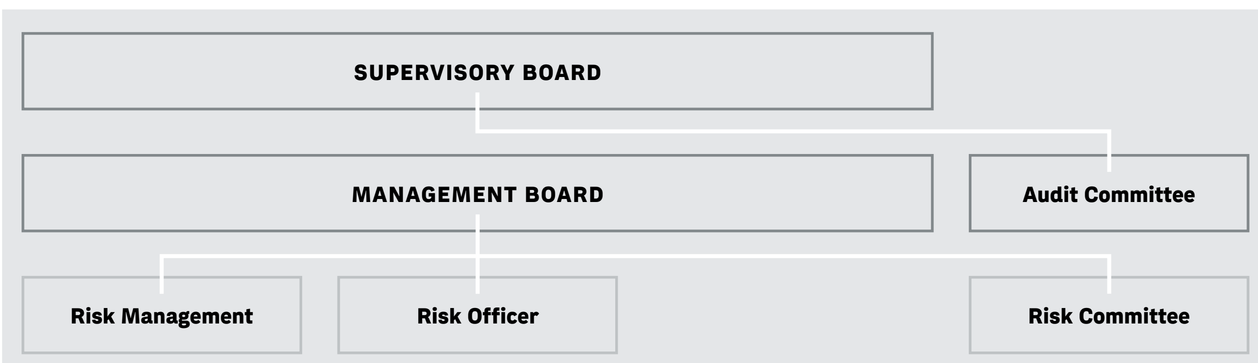
The above-mentioned projects represent an exemplary – but not exhaustive – presentation of selected research projects.

4. Opportunities and Risks

4.1 Risk Management System

Austrian Post operates a comprehensive risk management system integrating all business units and subsidiaries. This risk management system complies with the COSO standard "Enterprise Risk Management – Integrated Framework". The objective of risk management is to identify risks at an early stage and to manage them by taking appropriate measures designed to minimise any potential deviation from the company's business targets. Risks are identified, evaluated, monitored and documented in their overall context by a Groupwide 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 23

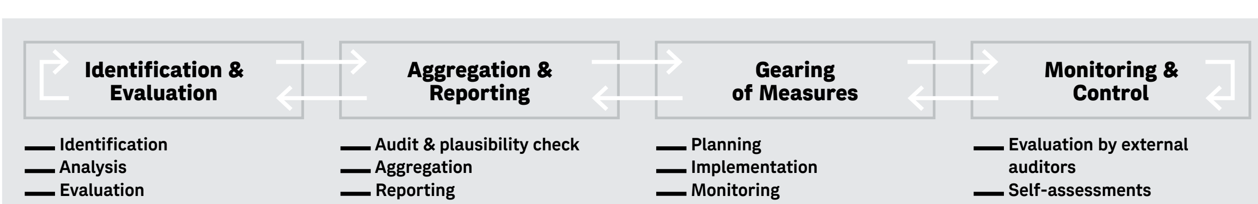
G 23 Risk Management Governance Structure



Austrian Post's risk policy focuses on safeguarding assets as well as a sustainable increase in shareholder value and is incorporated into the corporate and sustainability strategy. Austrian Post is exposed to numerous risks. These risks are accepted provided they are proportionate to the associated opportunities and fit within the framework of the legal and ethical principles of the company's business activity.

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

G 24 Risk Management Process



1. — **Identification and Evaluation** Risks are defined as the potential deviation from planned medium-term corporate results. The risk manager analyses the risk situation of the respective business area on a biannual basis. For each identified risk an employee is assigned responsibility to evaluate, manage and monitor that risk. Within the context of analysis and evaluation, risks are depicted in scenarios and are subsequently quantified to the greatest possible extent with respect to the dimensions of potential consequences and probability of occurrence. Non-quantifiable risks are evaluated on the basis of pre-defined qualitative criteria. In addition, the central risk management team periodically examines the risk situation of individual business areas on the basis of proactive risk assessments and workshops. The results of the identification and evaluation process are documented in a specially designed risk management software.
2. — **Aggregation and Reporting** The central risk management team gathers information and reviews the identified and evaluated risks. The financial impacts of potential overlap are taken into account in the aggregation process. The overall risk position of the Austrian Post Group is determined by using statistical methods. Subsequently, the risks are analysed by the Risk Management Committee and are subject to a plausibility check. This Risk Management Committee consists of representatives of the controlling, legal, strategy and accounting departments as well as representatives of the operating units. The results are integrated in the half-year report of the central risk management team to the Management Board focusing on risks and their development. Risks which arise unexpectedly are immediately reported to the Management Board on an ad-hoc basis. The Supervisory Board and Audit Committee are also regularly informed about the risk situation.
3. — **Gearing of Measures** The control of risks is based on defining appropriate measures aimed at avoiding or reducing risks or otherwise transferring them to third parties. The business areas examine the potential measures on the basis of a cost-benefit analysis, and subsequently implement them. These measures are monitored and adjusted within the context of a biannual analysis undertaken by the risk managers. The Austrian Post Group operates internal insurance management to systematically deal with insurable risks. Its primary responsibility is to continuously optimise the insurance situation and processes relating to the handling and settling of claims.
4. — **Monitoring and Control** In conformity with the Austrian Corporate Governance Code, the reliability and performance of the risk management system are subject to annual evaluation by the auditor. Moreover, the concept, suitability and effectiveness of the risk management system were assessed by an external auditor. Internally, the risk management system is monitored and controlled via regular self-assessments. G 24

4.2 Top Risks

4.2.1 E-Substitution of Traditional Letter Mail

Traditional letter mail is being increasingly replaced by electronic media. The trend towards the electronic substitution of letters and especially towards electronic delivery will continue in future. This development, which is being facilitated by legislation, could lead to a significant decline in mail volumes and may thus negatively impact earnings. A 1%-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 for the most part due to the fixed cost structure of the company's operations. There is a possibility that a change in legal regulations with regard to the delivery of governmental mail would mean that some of these mail items will no longer be delivered by Austrian Post. Further acceleration in the substitution of letter mail by electronic media is expected as a result of the entry into force of the e-Government Act and further digitisation 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 in individual sectors.

4.2.2 Staff Costs and Structure of Employment Contracts

The business model of Austrian Post is characterised by a high staff cost structure. A 1%-point change in wages and salaries corresponds to average costs of EUR 9m per annum and corresponding provision requirements. Furthermore, a large number of the Austrian Post Group employees have the status of civil servants, which means that they are subject to public sector employment laws. This leads to peculiarities with respect to the different 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 adjustments in wage or salary levels are permitted in case of less favourable market conditions. Therefore, on balance, public sector employment regulations result in less cost flexibility. Against the backdrop of a liberalised market, the Austrian Post Group increasingly faces limited flexibility in making a good usage of the civil servants it employs. The solution to this problem is the key to the dialogue being 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 the Austrian Post Group into account, could result in an additional burden and unexpected additional costs for the company over which it has no influence.

4.2.3 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 B2C market. This may result in market share changes. Furthermore, strong parcel growth is driven by large online mail order companies at a disproportionately high rate compared to the market itself. Notable losses in volume and the accompanying effects on revenue and earnings may arise thanks to the internal delivery service established already by a major customer in eastern Austria along with the associated potential further increases in activities carried out by customers themselves.

4.2.4 Strategic Partnerships

In the branch network, Austrian Post has been partially dependent on strategic partners in the fields of telecommunications and financial services for many years. In particular, the financial services sector faces a structural transformation due to changed customer requirements. In 2017, the cooperation agreement was terminated by the banking partner BAWAG P.S.K. Austrian Post and BAWAG P.S.K. agreed upon an amicable and gradual separation of this cooperation by the start of 2020. Despite the end of this cooperation with BAWAG P.S.K., Austrian Post planned to continue offering financial services via its branch network. In April 2019, a partnership was agreed with GRAWE Banking Group to establish a focused financial services business in Austria, which is due to commence operations in April 2020. The aim is to achieve a broad breakeven situation in the third year. In doing so, there is the risk that the customer ramp-up is delayed and the revenue and earnings figures remain below expectations.

4.2.5 Decline in Direct Mail Volumes

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

4.3 Other Risks

Like any other company, Austrian Post is subject to a series of risks related to the particular sector and market environment in which it operates. These risks are minimised in an economic manner on the basis of state-of-the-art measures but cannot be completely eliminated.

4.3.1 Operating Risks

MARKET AND COMPETITIVE RISKS

The Austrian Post Group generates most of its revenue in Austria. If current economic growth forecasts have to be revised downwards, this would force a change in the planning assumptions upon which the company operates and thus would limit the reliability of its planning. In addition, the company generates a considerable share of its revenue from a small number of large customers. The going concern of these large customers is an important prerequisite in ensuring the stable development of the Austrian Post Group. Moreover, large customers are not contractually required to have their mail handled by the Austrian Post Group and could decide on a medium-term basis to transfer the delivery of at least part of their mail items to competitors on the postal services market, or within its own network. The parcel business, in which Austrian Post has a leading position on the Austrian market, is dependent on the economic development of its customers as well as on increased competition, which arises on the basis of the market penetration by alternative providers. The possibility of revenue decline therefore cannot be excluded. The company thus strives to bind customers with attractive service offers. All the above-mentioned market and competitive risks could lead to significant volume decreases and thus to a corresponding drop in earnings.

TECHNICAL AND CYBER RISKS

To a significant degree, the Austrian Post Group is dependent upon the use of complex technical systems. Its postal services heavily rely on the support provided by data processing systems, modern communications media and other technical equipment. Against this backdrop, the 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 the 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. The 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.

PROCUREMENT RISKS

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

4.3.2 Financial Risks

The Austrian Post Group's financial risks include liquidity, credit, counterparty and interest rate risk. The foreign exchange risk can also negatively affect earnings. However, Austrian Post carries out 99% of all its business in the eurozone, which limits the risk from exchange rate fluctuations. Furthermore, Austrian Post continuously evaluates whether the use of currency hedging instruments would benefit the company.

A more detailed presentation of financial instruments and associated risks is included in Note 10 of the notes to the consolidated financial statements of the Austrian Post Group. Within the context of its expansion, the Austrian Post Group has recognised a considerable level of goodwill and non-depreciable trademark rights in the balance sheet. These must be subject to an impairment test at least once per annum. If there are indications of impairment, goodwill and non-depreciable trademarks must be written down.

4.3.3 Strategic Investments

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

4.3.4 External Risks

REGULATORY AND LEGAL RISKS

The full-scale liberalisation of the Austrian postal market took place on 1 January 2011, when the new Postal Market Act (Postmarktgesetz) came into effect. This development carries the risk of future shifts in market share. The legal framework for the time after full-scale liberalisation of the postal sector was also defined in this new Postal Market Act. In many cases, this Postal Market Act does not prescribe equal treatment of Austrian Post and its competitors but places an additional burden on Austrian Post. The universal postal service obligation requires Austrian Post to provide a minimum offering of postal services of comparable quality across the country and to ensure a nationwide distribution network of at least 1,650 postal service points. Austrian Post is allowed to close company-operated post offices manned by its own staff only following a regulatory approval process. The possibility that Austrian Post will be required to continue operating unprofitable postal branches, at least in the short term, cannot be excluded.

At present, Austrian Post does not assume that it will be obliged to grant its competitors access to a part of its services. If this were to happen, these firms could potentially provide services in segments of the postal market which are particularly lucrative and rely on partial services provided by Austrian Post at regulated prices in less lucrative business segments. This could also potentially have a significantly negative effect on earnings.

The public relations activities of the Austrian Post Group and the dialogue with all its stakeholders assign a high priority to the issue of equal treatment of Austrian Post vis-à-vis other market participants. The company considers itself responsible for making people aware of the unresolved issues related to compensation for universal postal services, and the problems arising as the result of an asymmetric market liberalisation.

Austrian Post is subject to legal restrictions by regulatory authorities when setting its business terms and conditions (including postal rates) in providing universal postal services. For this reason, the company has only limited flexibility to impose price adjustments for the universal postal services as a means of reacting to market changes.

A difference in the definition of the limits to universal postal services between regulatory authorities and the company could be reflected in the design of the product portfolio and pricing policies.

The Austrian Post Group has already been and, in isolated 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, the 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, the 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 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 fundamentally applicable to civil servants working for Austrian Post. Thus, revisions to civil service laws could have a direct effect on the cost structure of the company. In principle, further risks arising from varying interpretations of the Postal Services Structure Act also cannot be excluded. The corresponding reform of the salary system was implemented in 2015 with respect to determining the correct reference date for salary increments for civil servants. This reform dealt with the main criticism of the European Court of Justice and completely removed the problem. Of course, this reform of the salary system was also implemented for civil servants working for Österreichische Post AG. On 8 May 2019, the European Court of Justice issued a decision on a new preliminary ruling of the "reference date for salary increments", according to which the salary reforms introduced in 2015 were inadequate and new reforms were required. As a consequence of this, 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. The evaluation and implementation of this new regulation is very time-consuming. Austrian Post has of course commenced work on implementing this amendment, but this will take some time due to the large number of cases involved.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISKS

ESG topics play a key role in the Austrian Post Group's business operations. ESG risks are subject to comprehensive monitoring and control. For a detailed presentation, refer to the report on non-financial information.

4.4 Main Opportunities

The changes faced by Austrian Post can also lead to outperformance of pre-defined business targets. For this reason, risk management also focuses on identifying and managing new opportunities. The objective is to highlight opportunities and exploit the potential by implementing suitable measures. The identification, evaluation, management and reporting of opportunities takes place in line with the previously mentioned process. The identification of opportunities is carried out by the planners in the business areas (on a bottom-up basis) within the context of medium-term planning. Opportunities are also verified and supplemented by the Risk Committee (on a top-down basis). For this reason, Austrian Post implements an ongoing evaluation of opportunities in order to be able to leverage the existing potential.

In the first strategic pillar – **Defending market leadership in the core business** – the expansion and adaptation of Austrian Post's product portfolio in the Mail & Branch Network and Parcel & Logistics Divisions in accordance with customer requirements is considered to be an opportunity. Various value-added physical and electronic services are continuously expanding the range of services offered by Austrian Post. Opportunities predominantly arise as a result of the growth of e-commerce. In this respect, Austrian Post stands out due to its new, quick and lean solutions for online orders, and covers all delivery speed requirements, including same day delivery. Austrian Post has clear competitive advantages with respect to its quality and cost structure and tries to increase its market share. Ongoing e-substitution has already been taken into account within Austrian Post's planning, in which case the more moderate decline in mail volumes in Austria compared to original expectations is seen as an opportunity.

On the basis of the second strategic pillar – **Profitable growth in defined markets** – opportunities arise with respect to Austrian Post's strategic international shareholdings in the growth markets of Southeast and Eastern Europe as well as the increase in the depth of value added in its domestic market of Austria. Competitive advantages arise from the existing infrastructure and extensive logistics knowhow. For example, opportunities for future growth exist in Austrian Post's online activities, financial services or the promotion of international shipment volumes.

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

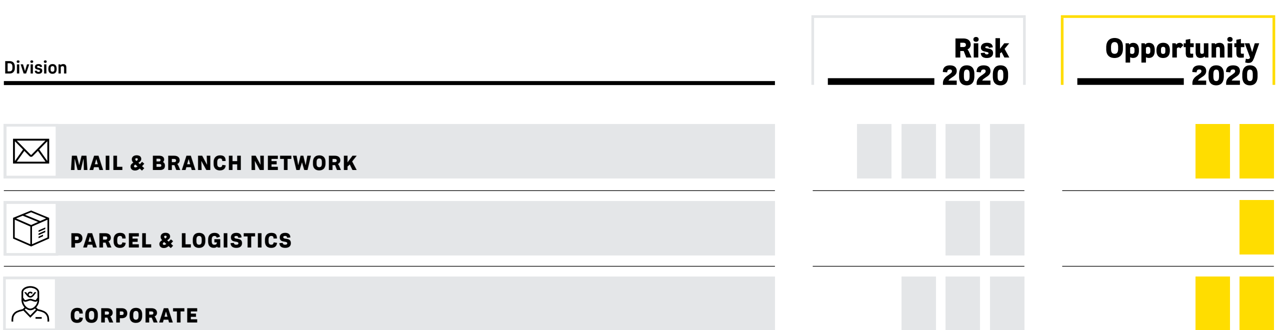
The fourth strategic thrust – **Customer orientation and innovation** – enables Austrian Post, for example, to exploit the potential derived from the expansion of its online and self-service offering as well as from new e-commerce business models.

4.5 Overall Assessment of the Group's Risk Situation

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

The following chart summarises various opportunities and risk profiles of the individual segments. The Mail & Branch Network segment is characterised by the electronic substitution of traditional letter mail. Volume, market share and average margins influence the Parcel & Logistics segment. Key factors impacting opportunities in the Corporate segment are cost optimisation and efficiency enhancement measures. Staff-related and IT risks affect all segments. G 25

G 25 Opportunity and Risk Range



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, the Austrian Post Group is subject to a variety of operational risks in carrying out its business operations. The company deals with these risks proactively. The focus on its core business activities along with decades of experience in the business have enabled the Austrian Post Group to 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. The accounting and financial reporting processes as well as the upstream business processes are considered here. The particular business unit is responsible for carrying out 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 on an ongoing basis and are regularly published on a Groupwide 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 structured transfer of the reported data stemming from Group companies, the carrying out of consolidation and elimination measures, the analytical processing of the data compiled in the consolidated accounts and the corresponding preparation of financial reports. The process governing the preparation of the consolidated financial statements is based upon a schedule requiring strict adherence.

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 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 automatic upload. For monitoring and control purposes, the consolidated financial statements are subject to an EBIT-based reconciliation. In this process, reconciliation from individual financial statements to Group financial statements is carried out, taking into account bookings as well as eliminations in the Group.

Multitiered 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. The carrying out of quality checks at all levels is a prerequisite for the authorisation to publish the Group's consolidated financial statements.

5.1.4 Information and Communication

Preliminary data from the consolidated financial statements are provided to top management levels to enable them to fulfil their monitoring and control duties. The following reports are issued in the context of preparing the consolidated financial statements: Report to the Supervisory Board, monthly report including strategy cockpit, interim reports, report on the performance of subsidiaries, data analysis and evaluation. The quarterly reports to the Supervisory Board are primarily provided for the Management Board and Supervisory Board of Österreichische Post AG. Other internal reports are also prepared containing detailed comments on selected financial statement items, earnings reconciliations and performance indicators in addition to the reports for the Supervisory Board and the legally stipulated notes and interim financial reports. The monthly report provides an overview of key financial and performance indicators of the company. Group Controlling of Austrian Post prepares a monthly report on strategic investments focusing 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 share, published inside information and the financial calendar.

5.1.5 Monitoring

The key focus of Austrian Post's operational risk management is the identification, evaluation and control of major risks which arise from the company's core business. This process is coordinated by key managers of the divisions. The Austrian Post Group is structured into two divisions operating on the market, the Mail & Branch Network Division and the Parcel & Logistics Division, as well as the Corporate Division, which additionally provides central administrative services. The 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 Groupwide guidelines for dealing with major risks, planning and control processes as well as ongoing reporting. These guidelines encompass, for example, definition and monitoring of limits and procedures designed to limit financial risks and strict adherence to the principle of having dual control 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 continue on a hierarchical manner 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 shares with a nominal value of EUR 5 per share. There are no voting rights restrictions or syndicate agreements applying to Austrian Post that the company is aware of.

Through Österreichische Beteiligungs AG (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. No rules exist with regards to the appointment or dismissal of members of the Management Board or the Supervisory Board, or as regards to changes to be made to the company's Articles of Association which can be directly inferred from legal regulations.

Authorised Capital In accordance with Section 5a of the Articles of Association of Austrian Post, the Management Board is authorised until 14 April 2020 to undertake the following, provided that the Supervisory Board approve so the increase of the share capital, in accordance with Section 169 of the Austrian Stock Corporation Act (AktG), by up to EUR 33,776,320 through the issuance of up to 6,755,264 new, ordinary bearer shares (non-par value shares) in exchange for cash and/or contributions in kind, and in some cases also by excluding shareholder subscription rights. This amendment to the Articles of Association was entered in the commercial register on 11 June 2015.

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), as well as for the purpose of granting stock options to employees and senior managers of the company or its affiliates. The Management Board is authorised, contingent upon approval of the Supervisory Board, to set the further conditions associated with conducting the conditional increase in capital. This amendment to the Articles of Association was entered in the commercial register on 11 June 2015.

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 is excluded as the objective of the purchase. 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 Österreichische 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)). The Management Board is also authorised to establish the conditions of sale. The authorisation can be exercised in part or in full or several amounts 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 the Annual General Meeting's passing a resolution, 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 resolve upon amendments to the Articles of Association arising from the withdrawal of shares.

Income Bonds The Management Board was also authorised, with the consent of the Supervisory Board, to issue, up to 14 April 2020, 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 comprises the rights of exchange of 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 of and/or subscription rights for the shares of the company.

To satisfy rights of exchange and/or subscription, the Management Board is entitled to make use of conditional capital or treasury shares, or a combination of both.

The price and terms of issuance of financial instruments are to be set by the Management Board with the approval of the Supervisory Board. The setting of this price has to adhere to recognised financial and mathematical methods of calculation and the share price of the company, within the context of a recognised pricing procedure.

The Management Board is authorised to exclude shareholders' subscription rights to the financial instruments, as stipulated in Section 174 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 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

Events after the reporting period, which are of significance for the valuation after the balance sheet date of 31 December 2019, such as pending legal proceedings or compensation claims or other obligations or impending losses that must be recorded in accordance with IAS 10, are included in the consolidated financial statement.

6. Outlook

The growth forecast last year was exceeded with an increase in revenue of 3.2% to EUR 2,022m in 2019. Various initiatives are also planned for 2020 in order to defy all of the adverse trends in the post market and generate a stable or slight increase in revenue. A key requirement for this is the achievement of the targets set with regard to mail and direct mail deliveries, in the parcel segment as well as with respect to branch and financial services.

Innovations and Portfolio Adjustments in the Mail Area

In line with international trends, a decline of 5% continues to be expected in addressed letter mail. E-substitution of traditional mail volumes and various e-governance solutions pose as much of a big challenge for all postal companies as do the continued increases in factor costs.

Attempts are being made internationally to counteract this challenge by way of innovative solutions and product portfolios adapted to the needs of customers on the one hand, as well as moderate price changes in line with inflationary adjustments on the other. Austrian Post has plans for a number of innovations in 2020, the majority of which will take effect from the start of April. The option of cheaper ECO items (delivery of mail with a 2–3-day lead time) introduced in 2018 will enjoy easier access with this portfolio adjustment. Equally, simplified services have been introduced for deliveries of valuable items and hazardous goods. Some mail prices have also been moderately increased in line with inflationary adjustments. Particularly within the international context, these activities helped to ensure that an outstanding service can continue to be offered at affordable prices in Austria.

New Sorting Capacities Enable Parcel Growth

The national and international parcel market continues to be driven by growth in volumes, primarily due to the sustained increase in online trading. Austrian Post has an outstanding market position in this B2C (Business-to-Consumer) parcel market, and is the clear market leader in the Austrian parcel market, both in terms of delivery volume as well as speed and quality of service. Against the backdrop of organic growth and the partnership with the Deutsche Post DHL Group on the one hand, as well as the expansion of the internal delivery service by a major customer on the other hand, an increase in the annual volume to more than 140 million transported parcels can be forecasted, although the internal delivery service by a major customer in eastern Austria continues to progress. A comprehensive investment programme is currently being implemented to safeguard the company's market position and growth subject to the highest demands in terms of quality. In addition to annual maintenance investments of approximately EUR 70m, in excess of EUR 50m of growth investments are also planned for 2020 in order to be able to continue to guarantee the best quality network in Austria. Moreover, there is the possibility of expanding or newly acquiring land. The parcel logistics centre in Styria (Kalsdorf) as well as the Thalgau/Salzburg delivery base are due to be completed during the course of 2020. This will enable for the sorting capacity to be increased to more than 80,000 parcels per hour by the end of 2020.

New Financial Services Offer from April 2020

Austrian Post's services provided by the nationwide network of around 1,800 postal service points are another key cornerstone of the business. 64 million customer contacts per year confirm the attractiveness of the service offer in the company-operated branches and postal partners. Currently, the set-up of a new financial services offer has the highest priority. After the long-time partner for financial services withdrew from its cooperation with Austrian Post at the end of 2019, the company has now embarked on setting up of its own focused financial services through its subsidiary bank99 – an 80/20 partnership between Austrian Post and the GRAWE Banking Group.

New financial services will be offered from the second quarter of 2020. The aim is to have a presence both online as well as physically, with Austrian Post's network of company-operated branches and postal partners providing an excellent platform. The business model is structured in a focused and risk-averse manner and includes account and payment transaction-related services. Other financial services and insurance products are due to be offered by other partners, and will complete the product portfolio.

Operational Stability

Stability and predictability continue the most important economic targets for Austrian Post. In 2019, the EBIT of EUR 201m was below the previous year's figure, resulting primarily from a one-time effect caused by provisions for data protection. In operational terms, however, the previous level of EUR 211m in 2018 could be slightly exceeded. This stability in the operating results is also targeted for 2020. In addition to this, ramp-up costs totalling at least EUR 40m are expected in 2020 and 2021 due to the set-up of the new financial services offer. Positive profit contributions from the financial services business are expected from 2023 onwards.

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 as well will help maintain the attractive dividend policy.

The Management Board will propose to the Annual General Meeting scheduled for 16 April 2020 to approve the distribution of a dividend in the amount of EUR 2.08 per share. Thus, 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, 21 February 2020

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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Revenue in 2019 was **3.2%** higher than the previous year.
Find out more **from page 155**

Equity capital amounts to EUR 700.7m resulting in an equity ratio of 34.3%.
Find out more **on page 175**

Consolidated Income Statement

for the 2019 financial year

EUR m	Notes	2018	2019
Revenue	(8.2)	1,958.5	2,021.6
Other operating income	(8.3)	96.2	131.5
TOTAL OPERATING INCOME		**2,054.6**	**2,153.0**
Raw materials, consumables and services used	(8.4)	–441.2	–473.3
Staff costs	(8.5)	–1,008.7	–976.7
Depreciation, amortisation and impairment losses	(8.6)	–94.5	–118.1
Other operating expenses	(8.7)	–295.7	–383.7
TOTAL OPERATING EXPENSES		**–1,840.2**	**–1,951.8**
PROFIT FROM OPERATIONS		**214.5**	**201.2**
Results from financial assets accounted for using the equity method	(9.5)	–3.6	–0.6
Financial income		8.5	18.9
Financial expenses		–21.6	–8.2
Other financial result	(8.8)	–13.1	10.7
TOTAL FINANCIAL RESULT		**–16.7**	**10.1**
PROFIT BEFORE TAX		**197.8**	**211.3**
Income tax	(9.14)	–53.6	–66.8
PROFIT FOR THE PERIOD		**144.2**	**144.5**
ATTRIBUTABLE TO:			
Shareholders of the parent company	(9.10)	143.7	146.4
Non-controlling interests	(9.10)	0.6	–1.9
EARNINGS PER SHARE (EUR)			
Basic earnings per share	(8.9)	**2.13**	**2.17**
Diluted earnings per share	(8.9)	**2.13**	**2.17**

Consolidated Statement of Comprehensive Income

for the 2019 financial year

EUR m	Notes	2018	2019
PROFIT FOR THE PERIOD		**144.2**	**144.5**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:			
Currency translation differences – investments in foreign businesses	(9.10)	–0.1	–0.3
At fair value through other comprehensive income (FVOCI) – debt instruments	(10.1)	–0.1	0.0
TOTAL ITEMS THAT MAY BE RECLASSIFIED		**–0.2**	**–0.3**
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:			
At fair value through other comprehensive income (FVOCI) – equity instruments	(10.1)	–18.9	–2.5
Tax effect of changes in the fair value	(9.14)	4.4	0.5
Revaluation of defined benefit obligations	(9.11)	4.1	–12.8
Tax effect of revaluation	(9.14)	–1.0	3.3
TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED		**–11.4**	**–11.4**
OTHER COMPREHENSIVE INCOME		**–11.5**	**–11.7**
TOTAL COMPREHENSIVE INCOME		**132.7**	**132.8**
ATTRIBUTABLE TO:			
Shareholders of the parent company	(9.10)	132.1	134.7
Non-controlling interests	(9.10)	0.6	–1.9

Consolidated Balance Sheet

as at 31 Dezember 2019

EUR m	Notes	31 Dec. 2018	31 Dec. 2019
ASSETS			
NON-CURRENT ASSETS			
Goodwill	(9.1)	58.7	61.1
Intangible assets	(9.2)	24.5	35.1
Property, plant and equipment	(9.3)	652.8	1,056.5
Investment property	(9.4)	78.4	73.0
Financial assets accounted for using the equity method	(9.5)	9.2	11.4
Other financial assets	(9.6)	62.4	68.1
Contract assets	(8.2)	0.1	0.0
Other receivables	(9.8)	14.5	16.9
Deferred tax assets	(9.14)	77.6	65.9
		978.2	**1,387.9**
CURRENT ASSETS			
Other financial assets	(9.6)	45.4	230.6
Inventories	(9.7)	17.3	14.3
Contract assets	(8.2)	23.5	7.1
Trade and other receivables	(9.8)	305.7	296.9
Tax assets		1.0	2.5
Financial assets from financial services		0.0	2.9
Cash and cash equivalents	(9.9)	310.0	100.6
		702.8	**654.9**
ASSETS HELD FOR SALE		0.3	0.1
		1,681.2	**2,042.9**
EQUITY AND LIABILITIES			
EQUITY	(9.10)		
Share capital		337.8	337.8
Capital reserves		91.0	91.0
Revenue reserves		298.5	303.3
Other reserves		–30.1	–41.8
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		**697.1**	**690.3**
NON-CONTROLLING INTERESTS		2.0	10.4
		699.1	**700.7**
NON-CURRENT LIABILITIES			
Provisions	(9.11)	386.3	359.3
Other financial liabilities	(9.12)	3.5	270.7
Other payables	(9.13)	31.1	27.1
Deferred tax liabilities	(9.14)	0.8	0.8
		421.7	**657.8**
CURRENT LIABILITIES			
Provisions	(9.11)	164.8	258.1
Tax liabilities		6.8	0.2
Other financial liabilities	(9.12)	6.8	38.8
Trade and other payables	(9.13)	333.0	357.3
Contract liabilities	(8.2)	49.0	29.9
		560.4	**684.3**
		1,681.2	**2,042.9**

Consolidated Cash Flow Statement

for the 2019 financial year

EUR m	Notes	2018	2019
OPERATING ACTIVITIES			
Profit before tax		197.8	211.3
Depreciation, amortisation and impairment losses	(8.6)	94.5	118.1
Results from financial assets accounted for using the equity method	(9.5)	3.6	0.6
Provisions non-cash		42.4	3.0
Other non-cash transactions	(11.1)	14.6	0.7
GROSS CASH FLOW		**352.9**	**333.7**
Trade and other receivables		52.3	1.4
Inventories		–4.2	3.0
Contract assets		–16.5	16.4
Financial assets from financial services		0.0	–2.1
Provisions		–49.7	–18.8
Trade and other payables		7.3	71.8
Contract liabilities		18.0	–19.7
Taxes paid		–64.2	–60.4
CASH FLOW FROM OPERATING ACTIVITIES		**295.9**	**325.2**
INVESTING ACTIVITIES			
Acquisition of intangible assets		–10.6	–13.0
Acquisition of property, plant and equipment/investment property		–139.4	–153.1
Sale of property, plant and equipment		21.3	5.8
Acquisition of subsidiaries and other business units	(4.2)	–0.9	–0.5
Acquisition of financial assets accounted for using the equity method	(9.5)	–2.6	–7.2
Sale of financial assets accounted for using the equity method	(9.5)	0.1	0.1
Acquisition of other financial instruments		–35.0	0.0
Acquisition of financial investments in securities/money market investments		–5.0	–140.0
Cash receipts from sales of financial investments in securities/ money market investments		28.0	16.0
Loans granted	(11.1)	–1.8	–0.6
Dividends received from financial assets accounted for using the equity method	(9.5)	0.2	0.1
Interest received		8.3	0.8
CASH FLOW FROM INVESTING ACTIVITIES		**–137.5**	**–291.5**
FREE CASH FLOW		**158.4**	**33.8**
FINANCING ACTIVITIES			
Repayment of long-term financial liabilities (incl. current maturities of long-term debt)[1]		–1.3	–32.3
Changes of short-term financial liabilities[1]	(11.1)	2.9	–5.4
Dividends paid		–138.8	–141.0
Interest paid		–1.0	–4.7
CASH FLOW FROM FINANCING ACTIVITIES		**–138.1**	**–183.4**
CHANGE IN CASH AND CASH EQUIVALENTS		**20.2**	**–149.6**
Cash and cash equivalents at 1 January		290.0	310.2
Change to the scope of cash and cash equivalents	(11.1)	0.0	–60.0
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	(11.1)	**310.2**	**100.6**

[1] Adjusted – previously reported as "Change in other financial liabilities"

Consolidated Statement of Changes in Equity

for the 2018 financial year

EUR m	Share capital	Capital reserves	Revenue reserves	Other reserves: IAS 19 reserve	Other reserves: Revaluation of financial instruments/ FVOCI reserve	Other reserves: Currency translation reserve	Equity attributable to shareholders of the parent company	Non-controlling interests	Equity
BALANCE AS AT 31 DECEMBER 2017	**337.8**	**91.0**	**287.7**	**−19.2**	**2.4**	**−1.7**	**697.9**	**0.9**	**698.8**
Adjustment due to initial application of IFRS 9 (net of tax)	0.0	0.0	0.6	0.0	−0.1	0.0	0.5	0.0	0.5
Adjustment due to initial application of IFRS 15 (net of tax)	0.0	0.0	5.1	0.0	0.0	0.0	5.1	0.0	5.1
ADJUSTED STATUS AS AT 1 JANUARY 2018	**337.8**	**91.0**	**293.3**	**−19.2**	**2.3**	**−1.7**	**703.5**	**0.9**	**704.4**
Profit for the period	0.0	0.0	143.7	0.0	0.0	0.0	143.7	0.6	144.2
Other comprehensive income	0.0	0.0	0.0	3.1	−14.5	−0.1	−11.5	0.0	−11.5
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**143.7**	**3.1**	**−14.5**	**−0.1**	**132.1**	**0.6**	**132.7**
Dividends paid	0.0	0.0	−138.5	0.0	0.0	0.0	−138.5	−0.3	−138.8
Payments from non-controlling intrests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
TRANSACTIONS WITH OWNERS	**0.0**	**0.0**	**−138.5**	**0.0**	**0.0**	**0.0**	**−138.5**	**−0.2**	**−138.7**
Step acquisition of a subsidiary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8
OTHER CHANGES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**	**0.8**
BALANCE AS AT 31 DECEMBER 2018	**337.8**	**91.0**	**298.5**	**−16.1**	**−12.2**	**−1.8**	**697.1**	**2.0**	**699.1**

Consolidated Statement of Changes in Equity

for the 2019 financial year

EUR m	Share capital	Capital reserves	Revenue reserves	Other reserves: IAS 19 reserve	Other reserves: FVOCI reserve	Other reserves: Currency translation reserve	Equity attributable to shareholders of the parent company	Non-controlling interests	Equity
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**

Notes to the Consolidated Financial Statements for the 2019 Financial Year

1. Reporting Entity

Österreichische Post AG and its subsidiaries are logistics and service companies in the letter mail and parcel segments. The business activities of the Austrian Post Group include the provision of postal and parcel services, specialised logistics such as express mail delivery and value logistics, as well as sales of telecommunications products and financial transactions in the branch network. Moreover, the service offering also encompasses fulfilment services, various online services such as the e-letter and cross-media 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 2019 financial year have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as of 31 December 2019, as adopted by the European Union, and the additional requirements of section 245a of the Austrian Commercial Code (UGB).

The consolidated financial statements of Astrian 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

3.1 Revisions to International Financial Reporting Standards

3.1.1 MANDATORY APPLICATIONS OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The following new and revised standards have been applied on a mandatory basis for the first time during the 2019 financial year:

Mandatory application of new standards/interpretations		Effective date EU[1]
IFRS 16	Leases	1 Jan. 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 Jan. 2019

Mandatory application of revised standards		Effective date EU[1]
Miscellaneous	Improvements to IFRS (2015–2017)	1 Jan. 2019
IAS 19	Plan Changes, Reductions or Compensations	1 Jan. 2019
IAS 28	Long-term Interests in Associates and Joint Ventures	1 Jan. 2019
IFRS 9	Early payment rules with negative compensation	1 Jan. 2019

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

IFRS 16 “Leases” was initially applied in the current reporting period, resulting in significant changes to the accounting policies in the Austrian Post Group. The effects of the initial application of this new standard are described below under Note 3.2 Material Changes Resulting from the Initial Application of IFRS 16 “Leases”. IFRIC 23, which is newly-applicable in the reporting period, and changes in other standards did not result in any material effects in the Austrian Post Group’s accounting principles.

3.1.2 STANDARDS AND INTERPRETATIONS 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	to be decided	planned 1 Jan. 2021

Revised standards not yet applied		Endorsement EU	Effective date EU[1]
Miscellaneous	Amendments to References to the Conceptual Framework in IFRS Standards	29 Nov. 2019	1 Jan. 2020
IFRS 3	Definition of a Business	planned Q1 2020	planned 1 Jan. 2020
IAS 1/IAS 8	Definition of Materiality	29 Nov. 2019	1 Jan. 2020
IFRS 9/IAS 39/IFRS 7	Interest Rate Benchmark Reform	15 Jan. 2020	1 Jan. 2020

[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 Material Changes Resulting from the Initial Application of IFRS 16 "Leases"

IFRS 16 "Leases" was published in January 2016 and is effective for the first time for financial years beginning on or after 1 January 2019. The new standard replaces the previous regulations contained in IAS 17 and the related interpretations, in particular with regards to the accounting treatment of lease agreements by the lessee.

According to the new standard, the decisive factor in the accounting treatment of a lease is whether the leased object is an identifiable asset, the lessee has the right to control the use of the asset, and obtains the economic benefits from use of the asset. The previous distinction between finance lease and operating lease aggreements no longer applies. For each lease, the lessee now recognises a liability for every leasing relationship in the amount of the future lease payments. At the same time, a right-of-use asset is recognised as the present value of the future lease payments and is subsequently written off on a straight-line basis.

The Austrian Post Group has applied IFRS 16 initially as of 1 January 2019.

From the perspective of the lessee, the most important applications in the Austrian Post Group relate to real estate leases for logistics locations, branch and administration buildings, as well as vehicle leases.

The standard was initially applied retrospectively using the modified approach. Therefore, there are no any adjustment of comparative infomation for previous periods.

The Austrian Post Group exercised its option not to reassess whether an agreement contains a lease at the date of initial application as defined under IFRS 16. Accordingly, the definition of a lease pursuant to IAS 17 and IFRIC 4 will continue to apply for leases which existed before 1 January 2019.

For the initial application for leases previously classified as operating leases, it was elected to state the right-of-use assets at the transition date to the amount of the lease liability, adjusted by the amount of prepaid or accrued lease payments. As a consequence, there is no impact on the equity of the Group.

The following chart shows the adjustments at the level of individual balance sheet items:

EUR m	31 Dec. 2018	Adjustments IFRS 16	1 Jan. 2019
ASSETS			
NON-CURRENT ASSETS			
Goodwill	58.7		58.7
Intangible assets	24.5		24.5
Property, plant and equipment	652.8	270.3	923.1
Investment property	78.4		78.4
Financial assets accounted for using the equity method	9.2		9.2
Other financial assets	62.4		62.4
Contract assets	0.1		0.1
Other receivables	14.5	–1.2	13.3
Deferred tax assets	77.6		77.6
	978.2	**269.1**	**1,247.2**
CURRENT ASSETS			
Other financial assets	45.4		45.4
Inventories	17.3		17.3
Contract assets	23.5		23.5
Trade receivables and other receivables	305.7	–0.1	305.6
Tax assets	1.0		1.0
Cash and cash equivalents	310.0		310.0
	702.8	**–0.1**	**702.7**
ASSETS HELD FOR SALE	0.3		0.3
	1,681.2	**268.9**	**1,950.2**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	337.8		337.8
Capital reserves	91.0		91.0
Revenue reserves	298.5		298.5
Other reserves	–30.1		–30.1
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	**697.1**		**697.1**
NON-CONTROLLING INTERESTS	2.0		2.0
	699.1		**699.1**
NON-CURRENT LIABILITIES			
Provisions	386.3		386.3
Other financial liabilities	3.5	243.2	246.7
Trade and other payables	31.1		31.1
Deferred tax liabilities	0.8		0.8
	421.7	**243.2**	**664.9**
CURRENT LIABILITIES			
Provisions	164.8		164.8
Tax liabilities	6.8		6.8
Other financial liabilities	6.8	25.8	32.6
Trade and other payables	333.0		333.0
Contract liabilities	49.0		49.0
	560.4	**25.8**	**586.2**
	1,681.2	**268.9**	**1,950.2**

Leases previously classified as finance leases, the carrying amount of the leased asset pursuant to IAS 17, as well as the carrying amount of the lease liability pursuant to IAS 17 are recognised as the initial carrying amount of the right-of-use asset and of the lease liability pursuant to IFRS 16. This means there are no restatements in the consolidated balance sheet.

The following practical expedients were exercised during initial application of IFRS 16:

- A single discount rate is applied to a portfolio of leases with similar characteristics.
- Leases with a remaining term of not more than twelve months are treated as short-term leases.
- Leases for assets of low value are not recognised.
- Instead of a separate impairment test in accordance with IAS 36, provisions for onerous contracts are assessed.
- Initial direct costs are not taken into account when measuring the right-of-use assets during initial application.

Lease Liabilities Leases previously classified as operating leases are measured using the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate of the Austrian Post Group is 1.6%.

The following reconciliation of the opening balance of lease liabilities as at 1 January 2019 is based on the future minimum lease payments under non-cancellable operating leases as at 31 December 2018:

EUR m	2019
Reported obligations from non-terminable operating leases at 31 December 2018	54.3
Existing lease obligations extending beyond non-terminable periods at 31 December 2018	245.0
Short-term leases and leases for assets of low value	–0.6
Other	–7.6
GROSS LEASE LIABILTIES AT 1 JANUARY 2019	**291.2**
Discounting	–22.3
LEASE LIABILITIES AT 1 JANUARY 2019	**268.9**
Recognised liabilities from finance leases at 31 December 2018	3.7
LEASE LIABILITIES RECOGNISED AT 1 JANUARY 2019	**272.7**
Due within 1 year	26.2
Due in more than 1 year	246.5

Lease Liabilities are presented as part of other financial liabilities in the consolidated balance sheet.

Right-of-use Assets In the balance sheet, right-of-use assets are recognised in those balance sheet items in which the assets underlying the leases would also be presented. There were no onerous leases at the date of initial application so that no adjustment of the right-of-use assets was required.

There were no material changes arising from existing lease agreements in which Austrian Post acts as the lessor or from sub-leasing arrangements in which Austrian Post acts as a lessee and lessor.

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

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

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

4.2 Changes to the Scope of Consolidation

In addition to Österreichische Post AG, 27 domestic (31 December 2018: 24) and 14 foreign (31 December 2018: 11) subsidiaries are included in the consolidated financial statements. In addition, three domestic (31 December 2018: four) and one foreign (31 December 2018: two) entities are consolidated according to the equity method.

Company name	Interest		Date of transaction	Comment
	from	to		
MAIL & BRANCH NETWORK				
D2D – direct to document GmbH, Vienna	30.00%	70.00%	30 Jan. 2019	Acquisition
adverserve Holding GmbH, Vienna	49.00%	82.00%	1 Aug. 2019	Successive acquisition
PARCEL & LOGISTICS				
IN TIME SPEDICE, spol. s r.o., Prague	31.50%	0.00%	26 April 2019	Sale
DHL Paket (Austria) GmbH	n/a	n/a	1 Aug. 2019	Acquisition part operation
CORPORATE				
ADELHEID GmbH, Berlin	50.44%	51.52%	5 Feb. 2019/ 24 Oct. 2019	Capital increase
bank99 AG, Vienna	0.00%	80.00%	7 Nov. 2019	Acquisition
VTV Verteilzentrum Thalgau Vermietungs GmbH, Vienna	0.00%	100.00%	7 Aug. 2019	Acquisition
VTV Verteilzentrum Thalgau Vermietungs GmbH, Vienna (Österreichische Post AG, Vienna)[1]	100.00%	0.00%	18 Dec. 2019	Merger

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

MAIL& BRANCH NETWORK

D2D – direct to document GmbH As of 30 January 2019, Austrian Post acquired an additional 40% of the shares in D2D – direct to document GmbH, Vienna, which increased its interest from 30% to 70%. D2D continues to be classified as an associate within the meaning of IAS 28 and accounted for using the equity method because Austrian Post does not have control, but continues to exert solely significant influence based on the unchanged corporate governance at the company. The cost of acquisition of the additional shares totalled EUR 1.8m.

adverserve Holding GmbH As of 31 March 2019, Austrian Post entered into a trust arrangement with respect to the acquisition of an additional 33% of the shares in adverserve Holding GmbH, Vienna. Until 31 July 2019, the control and participation parts and the right to alter legal relationships attributable to these shares were held by a trustee who was not bound by instructions, as a result of which there was no control of the company within the meaning of IFRS 3 and the company continued to be accounted for using the equity method during this period. As of 1 August 2019, the trustee's freedom from instructions and the exercise of the rights necessary for control were transferred to Austrian Post. At that time the company, as well as four additional subsidiaries of adverserve Holding GmbH, have been fully consolidated in the consolidated financial statements.

The purchase price for the acquisition of the additional 33% of the shares was EUR 1.8m, of which EUR 1.2m was paid in 2019 and EUR 0.6m is attributable to a contingent purchase price liability. The total purchase price is presented as an addition of shares accounted for using the equity method. No additional consideration was agreed for the acquisition of control as of 1 August 2019. In the course of the acquisition in stages, the entire 82% shareholding held by Austrian Post was recognised at fair value.

Customer relationships to the amount of EUR 1.4m and goodwill to the amount of EUR 3.3m were recognised in the course of the purchase price allocation. The remaining fair values of the company's identifiable assets acquired and liabilities assumed were not material. The goodwill results from the earnings expectations related to the company in connection with the Austrian Post's mail and direct mail business.

EUR m	Fair values
DETERMINATION OF GOODWILL	
Non-controlling interests based on total net identifiable assets	0.3
Fair value of previous shares	4.7
Total net identifiable assets acquired and liabilities assumed	–1.8
GOODWILL	**3.3**
ALLOCATION OF CASH OUTFLOW/INFLOW	
Acquired cash	0.7
EFFECTIVE CASH INFLOW	**0.7**

Austrian Post has a contractual obligation to purchase the entire non-controlling interest in the company, for which a liability of EUR 1.1m was recognised against consolidated equity (revenue reserves). The amount of the contingent purchase price liability as well as the amount of the contractual purchase obligation depends on the future results of adverserve Holding GmbH and its subsidiaries. These liabilities were measured on the basis of the best estimate. There were no material effects in the income statement in the financial year from the estimation of the fair value of the liabilities or the previously held interest.

PARCEL & LOGISTICS

IN TIME SPEDICE, spol. s r.o. The shares in the associate IN TIME SPEDICE, spol. s r.o. were sold as of 26 April 2019. There were no material effects on the income statement from the end of significant influence and discontinuance of accounting using the equity method.

Takeover of a partial operation from DHL Paket (Austria) GmbH Austrian Post obtained control over parts of the business operations of DHL Paket (Austria) GmbH as of 1 August 2019. The takeover of the business operations essentially comprised sorting technology, employees and the assumption of the inventory of three distribution centres and ten delivery bases. A long-term partnership with the Deutsche Post DHL Group was agreed upon concurrently with the taking over the business operations, under which the delivery of parcels of the Deutsche Post DHL Group in Austria will be handled by Austrian Post in future. The inventory agreements taken over were recognised in accordance with IFRS 3.28A-B pursuant to IFRS 16 using the transaction closing date as the commencement date for the leases.

The total net identifiable assets acquired and liabilities assumed at the date on which control was obtained, as well as the acquisition gain were determined as presented below:

EUR m	Fair values
NON-CURRENT ASSETS	
Property, plant and equipment	59.2
of which: rights-of-use	46.0
NON-CURRENT LIABILITIES	
Other financial liabilities	–46.0
of which: lease liabilities	–46.0
CURRENT LIABILITIES	
Provisions	–0.1
TOTAL NET IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED	**13.1**
DETERMINATION OF GOODWILL	
Total amount of consideration transferred	12.3
Total net identifiable assets acquired and liabilities assumed	–13.1
PROFIT FROM ACQUISITION	**–0.8**
ALLOCATION OF CASH OUTFLOW/INFLOW	
Total amount of consideration transferred in cash	12.3
Acquired cash	0.0
EFFECTIV CASH OUTFLOW	**12.3**

The acquisition gain ("badwill") resulted from a lump-sum compensation for forecast costs from the takeover of a group of employees and was recognised in the income statement under other operating income.

From the acquisition date until 31 December 2019, the business operations generated revenues of EUR 34.7m and a breakeven result. It is not possible to disclose comparative information for the entire 2019 year as the necessary information for the period prior to the acquisition date is not available. An insignificant amount of costs in connection with the takeover of the operations were recognised in the income statement under other operating expenses.

CORPORATE

VTV Verteilzentrum Thalgau Vermietungs GmbH On 7 August 2019, Austrian Post acquired 100% of the shares in VTV Verteilzentrum Thalgau Vermietungs GmbH. As of this date, the company has been included in the consolidated financial statements as a fully consolidated subsidiary. The assets acquired with the company were primarily a commercial property in Thalgau, Salzburg, which will be used for the construction of a new distribution centre. The acquired assets do not comprise a "business" within the meaning of IFRS 3 "Business Combinations". Accordingly, the addition of the property was recognised as an acquisition under land and buildings (EUR 6.8m) and assets under construction (EUR 0.2m).

The company was merged into Österreichische Post AG in December 2019.

bank99 AG As of 7 November 2019, Austrian Post had acquired 80% of the shares in bank99 AG (formerly Brüll Kallmus Bank AG) by way of a capital increase, thus obtaining control over the company. The company has been included in the consolidated financial statements as a fully consolidated company since this date. The acquisition of the bank created the legal basis for a separate and nationwide financial services offering by Austrian Post in partnership with the GRAWE Banking Group.

Parallel to the qualifying holdings procedure at the European Central Bank (ECB) since Q2 2019, the necessary preparatory work for establishing the financial services business in the bank has already been launched under the leadership of the GRAWE Banking Group. Austrian Post had already made advance payments on the pending capital increase prior to attaining control of bank99 AG to finance the preparatory work. In accordance with IFRS 3, these payments had to be classified as a separate transaction and are therefore not part of the business combination. The separate transaction comprised both expenses requiring recognition in profit or loss, as well as development costs for software that were recognised under intangible assets. The total amount of the consideration transferred was determined as follows:

EUR m	
Total amount of capital increase paid	54.7
Less payments made under the separate transaction	–14.0
of which: expense	–12.6
of which: intangible assets	–1.5
TOTAL AMOUNT OF CONSIDERATION TRANSFERRED	**40.6**

The total net identifiable assets acquired and liabilities assumed at the date on which control was obtained, adjusted for the separate transaction, were determined as presented below. In accordance with the agreed share split, the Austrian Post Group and the GRAWE Banking Group participated in the separate transaction on a pro rata basis:

EUR m	Total	Austrian Post	GRAWE Banking Group
Total net identifiable assets acquired and liabilities assumed prior to start of the separate transaction	13.7		13.7
Total amount of capital increase paid	54.7	54.7	
Less payments made under the separate transaction	-17.6	-14.0	-3.5
of which: expense	-15.7	-12.6	-3.1
of which: intangible assets	-1.8	-1.5	-0.4
TOTAL NET IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED	**50.8**	**40.6**	**10.2**

EUR m	Fair values
NON-CURRENT ASSETS	
Property, plant and equipment	0.1
CURRENT ASSETS	
Receivables from financial services	0.8
Other receivables	0.4
Cash and cash equivalents	51.7
NON-CURRENT LIABILITIES	
Provisions	-0.1
CURRENT LIABILITIES	
Provisions	-0.4
Trade and other payables	-1.7
TOTAL AMOUNT OF CONSIDERATION TRANSFERRED	**50.8**

No goodwill resulted from the business combination:

EUR m	Fair values
DETERMINATION OF GOODWILL	
Total amount of consideration transferred	40.6
of which: purchase price payment	40.6
Non-controlling interests based on the share in total net identifiable assets	10.2
Total net identifiable assets acquired and liabilities assumed	–50.8
GOODWILL	**0.0**
ALLOCATION OF CASH INFLOW/OUTFLOW	
Total amount of consideration transferred in cash	40.6
Acquired cash	51.7
NET CASH OUTFLOW/INFLOW	**11.1**

From the acquisition date until 31 December 2019, bank99 AG did not generate any significant revenues and made a contribution to earnings of EUR -11.0m. The company's results in 2019 up to the acquisition date concerned a business activity that had been completely discontinued by the closing date of the takeover. Costs of EUR 2.6m in connection with the capital increase and the qualifying holding procedure were recognised in the income statement under other operating expenses.

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:

1 EUR	Reference rate at balance sheet date 31 Dec. 2018	31 Dec. 2019	Average annual rate 2018	2019
Bosnian Convertible Mark	1.9558	1.9558	1.9558	1.9558
Bulgarian Lev	1.9558	1.9558	1.9558	1.9558
Croatian Kuna	7.4125	7.4395	7.4182	7.4180
Serbian Dinar	118.1946	117.5928	118.2617	117.8650
Czech Koruna	25.7240	n/a	25.6470	n/a
Turkish Lira	6.0588	6.6843	5.7077	6.3578
Hungarian Forint	320.9800	330.5300	318.8897	325.2967

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 judgments in the application of accounting policies. The summary of the significant accounting policies also includes disclosures on the use and impact of these judgments.

6.1 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 a period of time. On balance, the existing contracts or services to be provided in this business area are characterised by a very high degree of uniformity and very short 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.

MAIL SOLUTIONS

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

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.

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 and services within the scope of Austrian Post's cooperation with BAWAG P.S.K.

Revenue from the sale of retail goods is recognised at a specific point in time 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 TelekomAustria 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.

A longstanding partnership based on a cooperation agreement has existed with BAWAG P.S.K. for the sale of financial products, counter transactions and the joint use of infrastructure (branch offices). The amicable and gradual dissolution of the cooperation by the beginning of 2020 was agreed upon with the signing of an amendment agreement at the end of 2017 and the dissolution agreement dated 21 February 2018. The services 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 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, over the financial years of 2018 and 2019. The underlying reason for this classification is the type of remuneration, which largely provides for lump-sum payments, and the nature of the performance provided, which largely consists of providing capacities. The additional remuneration is charged and settled annually. Determining the allocation of the compensation to the individual performance obligations requires judgments, 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.

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 acceptance 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.

OTHER OPERATING INCOME

Revenue from contracts with customers of the Neutorgasse 7 real estate project is reported under other operating income. Neutorgasse 7 Projektentwicklungs AG & Co OG develops and sells residential units in Vienna. 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.

6.2 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. Please refer to Note 6.1 Revenue from Contracts with Customers for more information on the treatment of the dissolution agreements in the balance sheet.

6.3 Income Taxes

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 three groups of companies with the group parents: Österreichische Post AG, Post 001 Finanzierungs GmbH and adverserve Holding 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 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	32%
Croatia	18%
Montenegro	9%
Serbia	15%
Slovakia	21%
Hungary	9%

6.4 Presentation of Financial Services within the Consolidated Financial Statements

The assets and liabilities from the financial services business of bank99 AG, which is in the start-up phase, are presented in the consolidated balance sheet using the "mixed approach" for purposes of transparency and to delineate the financial services and industry businesses. All assets and liabilities directly related to the provision of financial services (e.g. interbank balances) are presented in the new line items, financial assets from financial services or financial liabilities from financial services. Assets and liabilities that are not directly related to the financial business (e.g. other provisions) are presented in previously existing balance sheet items.

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. As the participating Management Board members have opted for payment in cash, and cash settlement has also been determined for the participating executives, there are no dilutive effects from the current programs.

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 6.12 Impairment of assets IAS 36. Reversals of impairment losses are not permitted. Goodwill is allocated to the respective cash generating units (CGU). Cash generating units are formed by aggregating assets at the lowest level at which cash flows are generated independently of other assets. As a rule, the lowest level in the Austrian Post Group corresponds to individual operating companies or groups of operating companies. At Österreichische Post AG itself, CGUs are allocated at the business area level.

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 6.12 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 depend ongoggle 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, and
- 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.

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. The IAS 12 exemption from the initial recognition of deferred taxes is therefore not applied.

Leases as the Lessor

Austrian Post is the lessor of a large number of properties. The income from rent and leasing is reported for the period in which it is generated. The leasing agreements are exclusively operating leasing agreements.

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 Groupwide 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 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 6.12 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.

Investment subsidies are recognised as liabilities using the gross method and presented under other liabilities. Investment subsidies are depreciated on a straight-line basis over the useful lives of the respective assets and recognised as other operating income in profit or loss.

6.10 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 at 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.

6.11 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 4% to 14% and the capitalisation rates used range from 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.

6.12 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 lives as well as 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.

An impairment loss is recognised if the book value 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 book value may not exceed the amortised cost. Impairment losses and reversals of impairment are recognised in the income statement under depreciation, amortisation and impairment losses or under other operating income.

6.13 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 ff.

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 book value 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 book value of the shares is presented in results from financial assets accounted for using the equity method. The presentation of impairment losses on the book values of other elements of net investment depends on the nature of these elements.

6.14 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)
- 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 so-called FVOCI option in accordance with IFRS 9.4.1.4 is not exercised, the instruments are to be assigned to the at fair value through profit or loss category (FVPTL).

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)
- 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).

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 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 book value 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 expenses in accordance with IFRS 9 are to be listed as separate items in the income statement pursuant to IAS 1.82. Due to the immateriality of the related amounts for the Austrian Post Group, information on impairment losses in the reporting period is provided in the notes to the consolidated financial statements in Section 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 book value 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 book value. 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 so-called 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 book value 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 book value 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.

6.15 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 2019. 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. See Note 9.6 Other Financial Assets for more information.

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.

6.16 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.

The unfinished buildings are apartments that are being built as part of the Neutorgasse 7 real estate development project in Vienna's inner city with the goal of selling them. The unit of account is defined as the individual apartment, whereby the costs are allocated based on the usable floor space of each apartment. Changes in the portfolio of unfinished buildings as well as valuation effects are reported in the income statement under the item raw materials, consumables and services used.

6.17 Assets Held for Sale

Non-current assets are classified as held for sale if the associated book value 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 book value and the fair value less costs to sell.

6.18 Provisions for Severance Payments and Anniversary Bonuses

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. Essentially only employees working for subsidiaries in Austria are entitled to severance pay when they reach the legal retirement age as well as 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 the 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 parameters were used as the basis for calculating provisions for severance payments and anniversary bonuses:

	Severance Pay		Anniversary Bonus	
	2018	2019	2018	2019
Discount rate	2.00%	1.25%	1.75%	1.00%
Salary/pension increase	3.00%	3.25%	3.00%	3.00%
Employee turnover discount (staggered)	0.19%–0.46%	0.05%–0.51%	6.82%–30.13%	7.07%–29.53%

Retirement age	2018	2019
Female employees	60–65	60–65
Male employees	65	65
Civil servants	65	65

The average duration of the defined benefit obligation amounts is fourteen years for severance payments (2018: 14 years) and ten years for anniversary bonuses (2018: 11 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 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.

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 discount for employee turnover was determined based on the average amount observed in prior 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 payments 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 from the adjustment of the discounts for employee turnover. The reconciliation of the present value of the individual obligations is presented in Note 9.11.1 Provisions for Severance Payments 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 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 1 2017, the contributions for civil servants (including the civil servants' own employee contributions) amount to a maximum of 25.10% of the remuneration paid to active civil servants depending on age and contribution 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).

6.19 Provisions for Under-utilisation

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 under-utilisation. 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 under-utilisation 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 Post Internal Labour Market are recognised for future staff costs of irrevocable employees (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 under-utilisation and in consideration of a discount for employee turnover. If irrevocable employees who cannot be utilised within the company are 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 under-utilisation 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 under-utilisation 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 6.18. Provisions for Severance Payments 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:

Post Internal Labour Market	2018	2019	Change EUR m
Discount rate	1.50%	0.50%	–9.9
Salary increase	2.75%	2.75%	0.0
Employee turnover discount	26.90%	21.00%	–12.2
Rate of under-utilisation	87.10%	83.50%	7.0

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 under-utilisation	2018	2019
Discount rate	0.50%–1.50%	0.00%–0.75%
Salary increase	2.75%	2.75%

6.20 Provisions for Voluntary Severance Programmes

In connection with Austrian Post's internal organisational processes for adaptation to changing market conditions, jobs are continuously lost and/or future job losses become foreseeable, whereby opportunities to shift the affected employees to other positions within the company as a whole are very limited. In order to ensure a socially acceptable solution for the necessary personnel cutbacks, social compensation plans have been negotiated with the Works Council or the employees are offered the opportunity to participate in voluntary severance programmes. These offers are benefits received due to termination of employment. They are recognised if the company can no longer withdraw offers for such benefits or if the benefits are provided as part of a restructuring provision in accordance with IAS 37. They are measured upon initial recognition, whereby either the provisions set forth in IAS 19 for short-term benefits owed to employees or for other long-term benefits owed to employees apply, depending on the term to maturity.

6.21 Other Provisions

In accordance with IAS 37, contingent legal or factual 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) have been realised for members of the Management Board and executives in financial years 2010–2019. 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 Management Board members, Georg Pölzl, Peter Umundum and Walter Oblin are taking part in the remuneration programmes eight to ten at 31 December 2019. Walter Hitziger is taking part in the remuneration programmes eight and nine.

The number of shares of Österreichische Post AG that must be purchased by 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 payment programme at 31 December 2019, amounted to 43,895 shares for Management Board members and 214,424 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 so-called 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 as well as the share price trend of Österreichische Post AG. The total bonus for Management Board members and participating executives is limited. Management Board members are subject to an upper limit of 225% 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 in the course of approving the upper limits of the LTIP 2018 to 2020 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 130% 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. 2018	31 Dec. 2019
Tranche 7	248,876	0
Tranche 8	258,946	252,916
Tranche 9	206,370	182,979
Tranche 10	0	209,047
	714,192	**644,942**

As a general rule, the bonus shares are paid out either in the form of Österreichische Post AG shares or in cash. For tranches 7 to 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 cash-settled share-based payments. For tranche 10 the decision regarding the form of payment for the bonus shares is at the discretion of the company both for the programme for the Management Board and 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 obligation is reported as a provision and is allocated to the individual tranches at the respective key dates as follows:

EUR m	31 Dec. 2018	31 Dec. 2019
NET CARRYING AMOUNT OF PROVISION		
Tranche 7	10.9	0.0
Tranche 8	7.8	11.8
Tranche 9	3.4	5.9
Tranche 10	0.0	3.4
	22.1	**21.1**

In the 2019 financial year, a total of EUR 10.9m was paid out entirely in cash for tranche 7.

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

EUR m	2018	2019
TOTAL EXPENSE		
Tranche 7	3.9	0.0
Tranche 8	4.2	4.0
Tranche 9	3.4	2.4
Tranche 10	0.0	3.4
	11.5	**9.9**

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 Provisions for Severance Payments 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 of +/−1 percentage point would have the following effects on the amount of the provisions shown in the table:

	Discount rate		Salary increase		Employee turnover discount	
EUR m	−1%-point	+1%-point	−1%-point	+1%-point	−1%-point	+1%-point
Termination benefits	16.4	−13.7	−13.2	15.3	−0.9	−1.2
Jubilee benefits	6.7	−5.9	−5.0	5.6	0.8	−0.8

7.2 Provision for Under-utilisation

Provisions for under-utilisation are measured based on assumptions regarding the degree of under-utilisation, 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 under-utilisation 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:

	Rate of under-utilisation		Employee turnover discount		Discount rate		Salary increase	
EUR m	−10%-points	+10%-points	−10%-points	+10%-points	−1%-point	+1%-point	−1%-point	+1%-point
Under-utilisation	−19.6	19.6	20.7	−20.7	11.2	−10.2	−10.1	10.9

7.3 Provisions for Voluntary Severance Programmes

The measurement of provisions for voluntary severance programmes involves estimates with respect to expected acceptance rates. Past empirical values exist, but depending on the particular programme and the target group they can only be representative to a limited extent for current programmes. In addition to past empirical values, an assessment as to the attractiveness of the offers also factors accordingly into the estimates. However, despite the effort to make the best possible estimate, significant adjustments to provisions may be necessary in subsequent periods under certain circumstances.

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

In a decision dated 11 November 2014, the European Court of Justice 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 addressed and completely eliminated the main point of criticism from the ECJ. 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. Österreichische Post AG has started the evaluation and implementation of the amendment, however had not yet completed this by 31 December 2019. Österreichische Post AG thus used a best possible estimate to make a provision of EUR 14.2m at 31 December 2019 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. 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 2019 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

In the 2019 financial year, the Austrian Data Protection Authority issued an official decision on a partial violation of law in the processing of personal data by Österreichische Post AG and imposed an administrative fine of EUR 18.0m. The decisions are not yet legally binding. Österreichische Post AG has lodged appeals in the court of first instance in both cases. In addition, Austrian Post is a defendant in a number of civil proceedings for damages. None of these proceedings has yet resulted in a legally binding judgement.

A provision of EUR 24.7m was recognised for possible risks arising from administrative criminal proceedings (including procedural costs) and civil proceedings for damages based on the best possible estimate. The outcome of the administrative criminal proceedings as well as the civil proceedings for damages is subject to considerable estimation uncertainties. In addition, there is uncertainty as to the extent to which there will be further civil lawsuits for damages and, in the event of a final sentencing, to what extent damages will be awarded.

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 acquired assets and 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 or lease liabilities.

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 recorded:

	Lease term	
EUR m	+1 year	–1 year
Rights-of-use / lease liabilities	36.9	–37.2

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 approach is discussed in Note 10 Financial Instruments and Related Risks.

7.11 Income Taxes

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 Reportable segments in the Austrian Post Group are identified on the basis of the differences between products and services. The reporting segments Mail & Branch Network, Parcel & Logistics and Corporate have been defined on the basis of the divisional structure of the Austrian Post Group. The accounting treatment of transactions between the segments does not fully correspond to the accounting principles applied in the consolidated financial statements.

Mail & Branch Network The range of services of the Mail & Branch Network Division includes the collection, sorting and delivery of letters, postcards, addressed, partly addressed and unaddressed direct mail items and newspapers as well as parcels and packets delivered jointly with mail. In addition, postal and telecommunications products as well as financial services are offered in the branch network. Austrian Post also offers its customers various online services such as the e-letter and cross-media solutions. The offering is complemented by additional physical and digital services for measurable success in customer communication as well as for optimisation in document processing.

Parcel & Logistics The Parcel & Logistics Division offers one-stop solutions for parcel delivery along the entire value chain. Its core business is the transport of parcels and Express Mail Service (EMS) shipments. 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 fulfillment solutions such as warehousing, order picking, returns management, the transport of valuable goods and cash, web shop logistics and web shop infrastructure.

Corporate The Corporate Division is primarily responsible for services in the area of Group administration, the development of new business models 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.

Consolidation The elimination of transactions between segments is shown in the consolidation column. Furthermore, the consolidation column serves the reconciliation from segment figures to Group figures.

INFORMATION ABOUT PROFIT OR LOSS

2018 Financial Year

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

2019 Financial Year

EUR m	Mail & Branch Network	Parcel & Logistics	Corporate	Consolidation	Group
Revenue (segments)	1,400.5	632.5	0.6	–12.0	2,021.6
Revenue intra-Group	132.8	4.2	19.2	–156.2	0.0
TOTAL REVENUE	**1,533.3**	**636.7**	**19.8**	**–168.2**	**2,021.6**
thereof revenue with third parties	1,397.4	623.6	0.6	0.0	2,021.6
Results from financial assets accounted for using the equity method	0.4	–0.7	–0.4	0.0	–0.6
EBITDA	**288.9**	**66.0**	**–33.9**	**–2.4**	**318.7**
Depreciation	–23.5	–20.5	–76.3	2.3	–118.1
thereof impairment losses recognised in profit or loss	–0.2	–0.8	–0.7	0.0	–1.7
EBIT	**265.4**	**45.5**	**–110.2**	**–0.1**	**200.6**
Other financial result					10.7
PROFIT BEFORE TAX					**211.3**
Segment investments	16.3	58.1	132.2	–2.6	203.9

Intersegment transactions are carried out using market-based transfer prices.

Revenue (segments) includes revenue generated with companies outside of the Austrian Post Group as well as with subsidiaries outside of the segment. The settlement of cross-segment service relationships within Österreichische Post AG is shown in the internal billing of services. Revenue with third parties includes revenue from service relationships with companies outside of the Austrian Post Group. Depreciation and amortisation as well as impairment losses result from the assets assigned to the respective segment. Segment investments include capital expenditures in intangible assets, property, plant and equipment and investment property.

INFORMATION ABOUT GEOGRAPHICAL AREAS

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

2018 Financial Year

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

2019 Financial Year

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

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	2018	2019
REVENUE WITH THIRD PARTIES		
Letter Mail	753.2	760.2
Mail solutions	49.0	52.8
Direct Mail	382.6	371.9
Media Post	131.2	132.1
Branch services	93.7	80.4
MAIL & BRANCH NETWORK	**1,409.6**	**1,397.4**
Premium Parcels	265.9	348.6
Standard Parcels	228.5	215.9
Other Parcel Services	54.3	59.1
PARCEL & LOGISTICS	**548.6**	**623.6**
Other revenue	0.2	0.6
CORPORATE	**0.2**	**0.6**
TOTAL REVENUE WITH THIRD PARTIES	**1,958.5**	**2,021.6**
REVENUE NEUTORGASSE 7 REAL ESTATE DEVELOPMENT PROJECT (SEGMENT CORPORATE)	**17.9**	**16.4**
REVENUE FROM CONTRACTS WITH CUSTOMERS	**1,976.5**	**2,038.0**

8.2.2 ASSETS AND LIABILITIES FROM CONTRACTS WITH CUSTOMERS

The following table shows the status of contract costs (costs incurred to initiate a contract), trade receivables and contract assets and liabilities from contracts with customers in accordance with IFRS 15 as of 31 December 2018 and 31 December 2019:

EUR m	31 Dec. 2018	31 Dec. 2019
Contract costs	0.1	0.0
Trade receivables	260.5	260.3
Contract assets	23.5	7.1
Contract liabilities	49.0	29.9

The costs to initiate a contract include brokerage fees incurred in the course of forming a contract over the sale of apartments in the Neutorgasse 7 real estate development project. These costs are capitalised and depreciated over the duration of the contract.

The contractual assets of the Austrian Post Group result primarily from the claim to receive consideration in exchange for the part of the performance obligation already fulfilled for the Neutorgasse 7 property project. Contract assets are reclassified as trade receivables as soon as there is an unconditional claim to consideration at the completion and handover of the housing unit.

The contractual liabilities recognised as at 31 December 2019 relate to advance payments received for services not yet provided in connection with letter and parcel delivery as well as postage stamps and franking machines used by senders. The prepayment for services yet to be provided in connection with the unbundling of the cooperation with BAWAG P.S.K. included as of 1 January 2019 was realised in full in 2019.

EUR 47.4m (2018: EUR 15.2m) of the contractual liabilities recognised as at 1 January 2019 was recognised in revenues, whereby the major part resulted from the performance of the service from the cooperation unbundling with BAWAG P.S.K.

8.3 Other Operating Income

EUR m	2018	2019
Reclaim of contributions	0.0	58.0
Rents and leases	26.3	27.4
Revenue realisation real estate project Neutorgasse 7	17.9	16.4
Work performed by the enterprise and capitalised	4.4	7.8
Disposal of property, plant and equipment	7.0	3.5
Damages	2.6	3.2
Personnel leasing and administration	1.8	1.9
Unchargeable expenses	0.5	1.6
Termination of cooperation agreement BAWAG P.S.K.	20.1	0.0
Other	15.5	11.8
	96.2	**131.5**

The item recovery of contributions in the 2019 financial year in an amount of EUR 58.m refers 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 from rents and leases relates to assets leased in their entirety or in part (property, plant and equipment and investment property). As a rule, the underlying leases are mostly terminable operating leases with the indexation of rents.

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.

Income from the termination of the cooperation agreement with BAWAG P.S.K. in the previous year related to non-recurrent income in the amount of EUR 20.1m from the lump-sum compensation for the reduction of the contract term by the banking partner BAWAG P.S.K.

The remaining other operating income includes a large number of immaterial amounts.

Operating Leases The income from operating leases reported under rents and leases amounts to 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
No later than one year	18.6
Later than one year and not later than two years	15.9
Later than two years and not later than three years	13.4
Later than three years and not later than four years	11.1
Later than four years and not later than five years	8.9
Later than five years	31.6
	99.5

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 74.9m and EUR 60.3m respectively as at 31 December 2019. Accumulated depreciation in the 2019 financial year amounted to EUR 14.6m.

8.4 Raw Materials, Consumables and Services Used

EUR m	2018	2019
MATERIAL		
Fuels	19.6	20.0
Merchandise	5.6	5.1
Supplies, clothing, stamps	18.8	20.2
Other	3.7	3.1
	47.7	**48.3**
SERVICES USED		
International postal carriers	62.5	57.6
Unaddressed mailing lists	16.6	13.9
Addressed mailing lists	10.6	10.9
Energy	14.2	13.5
Transport	200.2	234.8
Other	89.3	94.3
	393.5	**424.9**
	441.2	**473.3**

8.5 Staff Costs

EUR m	2018	2019
Wages and salaries	795.4	764.5
Severance payments	4.8	8.1
Pension scheme	0.3	0.2
Statutory levies and contributions	191.6	196.1
Other staff costs	16.6	7.9
	1,008.7	**976.7**

Expenses for severance payments can be broken down as follows:

EUR m	2018	2019
Management Board	–0.4	0.1
Senior executives	0.2	0.3
Other employees	5.0	7.7
	4.8	**8.1**

In the 2019 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 4.9m (2018: EUR 4.2m).

The average number of employees during the financial year was:

	2018	2019
Blue-collar employees	1,857	1,847
White-collar employees	13,841	14,600
Civil servants	6,421	5,496
Trainees	91	116
TOTAL NUMBER	**22,210**	**22,058**
CORRESPONDING FULL-TIME EQUIVALENTS	**20,545**	**20,338**

8.6 Depreciation, Amortisation and Impairment Losses

EUR m	2018	2019
IMPAIRMENT LOSSES ON GOODWILL	**2.2**	**0.8**
AMORTISATION OF INTANGIBLE ASSETS		
Scheduled amortisation	9.6	5.5
Impairment losses	4.0	0.2
	13.6	**5.7**
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT		
Scheduled amortisation	68.2	108.5
Impairment losses	1.8	0.1
	70.0	**108.6**
DEPRECIATION OF INVESTMENT PROPERTY		
Scheduled amortisation	2.8	2.4
Impairment losses	6.1	0.6
	8.8	**3.0**
	94.5	**118.1**

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

8.7 Other Operating Expenses

EUR m	2018	2019
Compensation payments	0.7	59.7
IT services	51.2	54.0
Maintenance	49.9	53.4
Consultancy	19.7	32.4
Damages	8.5	32.4
Travel and mileage	27.0	27.6
Contract and leasing staff	19.0	25.4
Communications and advertising	21.0	21.0
Leasing and rental payments	46.3	15.6
Waste disposal and cleaning	12.3	13.0
Other taxes (excl. income taxes)	8.6	9.3
Insurance	6.9	7.2
Telephone	3.1	3.4
Training and professional development	3.0	3.2
Losses from the disposal of property, plant and equipment	2.2	1.9
Compensation payments	2.7	1.8
Other	13.5	22.4
	295.7	**383.7**

Impairment losses on receivables in the 2019 financial year include impairment losses on receivables based on the new impairment model of IFRS 9 in the amount of EUR 0.3m (2018: EUR 1.1m) and losses from the derecognition of receivables totalling EUR 1.5m (2018: EUR 1.6m). 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 replacement services 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.

Given the claims, EUR 24.7m was allocated to provisions in connection with existing data protection procedures. See also Note 7.6 Data Protection for more information.

The decrease in expenses from leases and rents can be attributed to the first-time application of IFRS 16 Leases.

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

8.8 Other Financial Result

EUR m	Notes	2018	2019
FINANCIAL INCOME			
Interest income		7.0	8.4
Income from securities		1.5	0.6
Income from revaluation of financial assets		0.0	9.9
		8.5	**18.9**
FINANCIAL EXPENSES			
Interest expense (lease liabilities)		0.0	–4.5
Interest expense (financial liabilities)		–0.3	–0.2
Interest expense (interest effects of provisions)	(9.11.1)	–3.3	–3.2
Expense from revaluation of financial assets		–15.7	–0.1
Other		–2.3	–0.1
		–21.6	**–8.2**
		–13.1	**10.7**

Interest income in the 2019 financial year included interest in the amount of EUR 7.7m (2018: 6.1m) on reclaimed unjustly levied employer contributions related to the payroll of civil servants.

Expenses from the valuation of financial assets included the EUR 14.4m adjustment of the fair value of the interest in flatex AG in the previous year. In the 2019 financial year, the value of these shares increased by EUR 8.9m, which was recorded under gains on the valuation of financial assets.

8.9 Earnings per Share

		2018	2019
Profit for the period attributable to equity holders of the parent company	EUR m	143.7	146.4
Adjusted profit for the period for the identification of diluted earnings per share	EUR m	143.7	146.4
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	**2.13**	**2.17**
DILUTED EARNINGS PER SHARE	EUR	**2.13**	**2.17**

9. Balance Sheet Disclosures

9.1 Goodwill

EUR m	2018	2019
HISTORICAL COSTS		
BALANCE AS AT 1 JANUARY	**72.4**	**70.1**
Additions arising from acquisitions	0.9	3.3
Disposals	–3.1	0.0
Currency translation differences	–0.1	–0.1
BALANCE AS AT 31 DECEMBER	**70.1**	**73.3**
IMPAIRMENT LOSSES		
BALANCE AS AT 1 JANUARY	**10.3**	**11.4**
Additions	2.2	0.8
Disposals	–1.0	0.0
Currency translation differences	0.0	0.0
BALANCE AS AT 31 DECEMBER	**11.4**	**12.2**
CARRYING AMOUNT AS AT 1 JANUARY	**62.1**	**58.7**
CARRYING AMOUNT AS AT 31 DECEMBER	**58.7**	**61.1**

Additions arising from acquisitions relate to the merger with adverserve Holding GmbH. Refer to Note 4.2 Changes to the Scope of Consolidation.

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

EUR m	31 Dec. 2018	31 Dec. 2019
MAIL & BRANCH NETWORK		
feibra Group	30.9	30.9
Other	2.6	5.9
	33.6	**36.8**
PARCEL & LOGISTICS		
Parcel & Logistics Austria	11.7	11.7
Other	13.5	12.6
	25.2	**24.3**
	58.7	**61.1**

The annual obligatory impairment test takes place at Austrian Post in accordance with the value-in-use concept. In this case, the recoverable amount of the CGU is determined on the basis of the value in use. In order to determine the value in use, the expected future cash flow is discounted to its present value with the help of the discounted cash flow method by using the weighted average cost of capital after tax. In order to determine the weighted average cost of capital after tax, groups of comparable companies (peer group) are determined for all the CGU assigned to the same segment.

The cash flow forecasts in the planning period are based on the management-approved planning for the 2020 financial year and the medium-term business planning for a period of an additional three years (2021–2023). 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 2024 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% (2018: 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 following table shows the discount rates applied to the primary individual cash generating units:

	Post-tax WACC	
	2018	2019
MAIL & BRANCH NETWORK		
feibra Group	6.2%	5.7%
Other	6.2%	5.7%
PARCEL & LOGISTICS		
Parcel & Logistics Austria	7.7%	7.2%
Other	8.3%–16.0%	7.2%–14.4%

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

Additions to Impairment Losses on Goodwill

EUR m	2018	2019
MAIL & BRANCH NETWORK		
EMD GmbH	1.1	0.0
	1.1	**0.0**
PARCEL & LOGISTICS		
City Express d.o.o.	1.1	0.8
	1.1	**0.8**
	2.2	**0.8**

In the 2019 financial year, an impairment loss on goodwill was recognised for the CGU City Express d.o.o., Serbia (Parcel & Logistics segment), which is reported in each case under depreciation, amortisation and impairment losses in the income statement. The underlying reason for the impairment loss 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.

The following additional impairment losses would arise ceteris paribus for the significant cash generating units for 2019:

	Revenue expectations		WACC	
	–1%-point		+1%-point	
EUR m	2018	2019	2018	2019
Slovak Parcel Service s.r.o. & IN TIME s.r.o.	0.2	0.0	1.6	0.0
M&BM Express OOD	0.6	0.4	0.4	0.2
City Express d.o.o.	1.6	0.5	1.3	0.2

9.2 Intangible Assets

2018 Financial Year

EUR m	Notes	Customer relationships	Trademarks	Other intangible assets	Total
HISTORICAL COSTS					
BALANCE AS AT 1 JANUARY 2018		**18.7**	**3.9**	**67.2**	**89.7**
Additions arising from acquisitions		0.0	0.0	3.8	3.8
Additions		0.0	0.0	10.5	10.5
Disposals		–2.8	0.0	–6.9	–9.7
BALANCE AS AT 31 DECEMBER 2018		**15.9**	**3.9**	**74.7**	**94.4**
DEPRECIATION AND IMPAIRMENT LOSSES					
BALANCE AS AT 1 JANUARY 2018		**15.9**	**3.5**	**45.7**	**65.1**
Scheduled amortisation	(8.6)	1.0	0.0	8.6	9.6
Impairment losses	(8.6)	0.4	0.0	3.6	4.0
Disposals		–2.8	0.0	–6.0	–8.8
BALANCE AS AT 31 DECEMBER 2018		**14.6**	**3.5**	**51.8**	**69.9**
CARRYING AMOUNT AS AT 1 JANUARY 2018		**2.8**	**0.4**	**21.5**	**24.7**
CARRYING AMOUNT AS AT 31 DECEMBER 2018		**1.3**	**0.4**	**22.8**	**24.5**

2019 Financial Year

EUR m	Notes	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**
Scheduled amortisation	(8.6)	0.8	0.0	4.7	5.5
Impairment losses	(8.6)	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**

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

Intangible assets include trademark rights with indefinite useful lives with a carrying amount of EUR 0.4m (31 December 2018: EUR 0.4m). The trademarks are assigned to the Parcel & Logistics segment.

Additions to other intangible assets relate to self-produced software in the amount of EUR 10.7m (2018: EUR 5.1m).

9.3 Property, Plant and Equipment

2018 Financial Year

EUR m	Notes	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 2018		**710.4**	**154.9**	**334.8**	**49.0**	**1,249.1**
Additions		25.2	5.3	52.2	40.4	123.3
Disposals		–0.8	0.0	–42.9	–11.4	–55.1
Transfers		17.5	1.3	12.9	–31.7	0.0
Reclassification as investment property	(9.4)	3.3	0.0	0.0	0.0	3.3
Reclassification to “held for sale”		0.0	0.0	–3.0	0.0	–3.0
Currency translation differences		0.0	–0.1	0.0	0.0	0.0
BALANCE AS AT 31 DECEMBER 2018		**755.7**	**161.5**	**354.0**	**46.3**	**1,317.5**
DEPRECIATION AND IMPAIRMENT LOSSES						
BALANCE AS AT 1 JANUARY 2018		**360.0**	**91.5**	**181.9**	**0.0**	**633.4**
Scheduled amortisation	(8.6)	18.3	11.3	38.6	0.0	68.2
Impairment losses	(8.6)	1.6	0.0	0.2	0.0	1.8
Disposals		–0.4	0.0	–38.0	0.0	–38.4
Reclassification as investment property	(9.4)	2.4	0.0	0.0	0.0	2.4
Reclassification to “held for sale”		0.0	0.0	–2.7	0.0	–2.7
BALANCE AS AT 31 DECEMBER 2018		**381.9**	**102.8**	**180.0**	**0.0**	**664.7**
CARRYING AMOUNT AS AT 1 JANUARY 2018		**350.4**	**63.4**	**152.9**	**49.0**	**615.7**
CARRYING AMOUNT AS AT 31 DECEMBER 2018		**373.8**	**58.7**	**174.0**	**46.3**	**652.8**

2019 Financial Year

EUR m	Notes	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**
Initial application 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**
Scheduled amortisation	(8.6)	52.8	14.1	41.7	0.0	108.5
Impairment losses	(8.6)	0.0	0.0	0.1	0.0	0.1
Disposals		–0.2	–0.2	–24.5	0.0	–25.0
Reclassification 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**

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 2019, as was the case in the previous year.

The existing investment subsidies for fixed assets as at 31 December 2019 totalling EUR 1.4m (31 December 2018: EUR 2.0m) mainly relate to federal government subsidies for electric-powered vehicles.

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. The rights of use as at 1 January 2019 also include assets that were already recognised as finance leases as at 31 December 2018.

EUR m	Property and buildings	Technical plant and machinery	Other equipment, furniture and fittings	Total
RIGHTS-OF-USE				
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
Scheduled amortisation	−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**

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
Expense for leases of low value	0.4
Expense for short-term leases	0.9
OTHER OPERATING EXPENSES	**1.3**
Scheduled amortisation of right-of-use assets	34.5
DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	**34.5**
Interest expense (lease Liabilities)	4.5
FINANCIAL EXPENSES	**4.5**

Cash outflows for leases amounting to EUR 38.0m in total are included in the **consolidated cash flow statement.**

9.4 Investment Property

EUR m	Notes	2018	2019
HISTORICAL COST			
BALANCE AS AT 1 JANUARY		**265.4**	**264.5**
Additions		3.2	2.6
Disposals		–0.4	–1.7
Reclassification property, plant and equipment		–3.3	–7.8
Reclassification to "held for sale"		–0.5	0.0
BALANCE AS AT 31 DECEMBER		**264.5**	**257.6**
DEPRECIATION AND IMPAIRMENT LOSSES			
BALANCE AS AT 1 JANUARY		**180.5**	**186.1**
Scheduled amortisation	(8.6)	2.8	2.4
Impairment losses	(8.6)	6.1	0.6
Value recovery		0.0	–1.3
Disposals		–0.2	–1.0
Reclassification property, plant and equipment		–2.4	–2.1
Reclassification to "held for sale"		–0.5	0.0
BALANCE AS AT 31 DECEMBER		**186.1**	**184.6**
CARRYING AMOUNT AS AT 1 JANUARY		**85.0**	**78.4**
CARRYING AMOUNT AS AT 31 DECEMBER		**78.4**	**73.0**

EUR m	31 Dec. 2018	31 Dec. 2019
Fair value	262.8	261.4
Rental income	17.2	16.5
Expenses arising from property generating rental income	9.9	6.1
Expenses arising from property not generating rental income	2.2	1.0

The additions to investment property in the 2019 financial year are mainly attributable to the real estate development of the Neutorgasse 7 property in Vienna's inner city. The entire Neutorgasse 7 property is being developed for future apartment rentals (classified as investment property) and for the sale of apartments (classified as inventories).

The impairment losses in the 2019 financial year also relate to the Neutorgasse 7 property.

The income from rental and unrented properties only contain income and expenses related to third parties. Intercompany expenses and income are not included in the table above.

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

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 %	2018	Interest in %	2019
ASSOCIATES				
ADELHEID GmbH, Berlin	50.4	3.9	51.5	7.0
adverserve Holding GmbH, Vienna	49.0	2.8	–[1]	0.0
D2D – direct to document GmbH, Vienna	30.0	1.7	70.0	3.8
IN TIME SPEDICE, spol. s r.o., Prague	31.5	0.0	0.0	0.0
PHS Logistiktechnik GmbH, Graz	40.0	0.7	40.0	0.6
		9.2		**11.4**
JOINT VENTURES				
OMNITEC GmbH, Vienna	50.0	0.0	50.0	0.0
		0.0		**0.0**
NET CARRYING AMOUNT AS AT 31 DECEMBER		**9.2**		**11.4**

[1] Termination of accounting using the equity method in the 2019 financial year; refer to Note 4.2 Changes in the Scope of Consolidation.

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

Although the shareholding in ADELHEID GmbH, Berlin, amounts to 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%.

Given that, as a consequence of the increase in the stake in D2D – direct to document GmbH, Vienna, to 70.0%, there was no change in the corporate governance and that decisions must be taken unanimously for key matters, 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	2018	2019
NET CARRYING AMOUNT AS AT 1 JANUARY	**8.1**	**9.2**
Additions arising from acquisitions	0.0	3.6
Additions arising from capital increase	2.1	3.4
Decrease from change in accounting method	0.0	–4.7
Proportionate share of profit for the period	–0.9	0.0
Dividends	–0.2	–0.1
NET CARRYING AMOUNT AS AT 31 DECEMBER	**9.2**	**11.4**

The additions arising from capital increases in the financial year under review amounted to EUR 3.4m for ADELHEID GmbH (2018: EUR 1.7m for ADELHEID GmbH and EUR 0.4m for PHS Logistiktechnik GmbH).

The aggregated net carrying amount of the shares in essentially immaterial associates totalled EUR 11.4m (31 December 2018: EUR 9.2m).

adverserve Holding GmbH Accounting for adverserve Holding GmbH in accordance with the equity method was terminated effective 1 August 2019. As of this point in time, the company was included in the consolidated financial statements as a fully consolidated subsidiary.

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

IN TIME SPEDICE, spol. s r.o. The shares in IN TIME SPEDICE were sold on 26 April 2019.

9.5.2 RESULTS FROM FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

The following table breaks down the share of total earnings and other comprehensive income of individual, insignificant associates and joint ventures. The table also shows the reconciliation to the results from financial assets accounted for using the equity method:

Results from Financial Assets Accounted for Using the Equity Method

EUR m	2018	2019
IMMATERIAL ASSOCIATES		
Share of profit for the period	–3.6	–0.6
RESULTS FROM FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD	**–3.6**	**–0.6**
FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD – SHARE OF OTHER COMPREHENSIVE INCOME	**0.0**	**0.0**

The share of the profit for the period of financial assets accounted for using the equity method includes receivables on profits for the period (classified as part of the net investments) and the impairment losses linked to these receivables for IN TIME SPEDICE, spol. s r.o. amounting to EUR 0.6m (2018: EUR 2.6m).

9.6 Other Financial Assets

EUR m	31 Dec. 2018 Due within 1 year	31 Dec. 2018 Due in more than 1 year	31 Dec. 2018 Total	31 Dec. 2019 Due within 1 year	31 Dec. 2019 Due in more than 1 year	31 Dec. 2019 Total
Securities	45.4	10.4	55.8	50.7	0.0	50.7
Money market investments	0.0	0.0	0.0	179.9	10.0	189.9
Other stakes	0.0	51.8	51.8	0.0	58.1	58.1
Derivative financial assets	0.0	0.1	0.1	0.0	0.0	0.0
TOTAL	**45.4**	**62.4**	**107.7**	**230.6**	**68.1**	**298.7**

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. Money market investments were reported under cash and cash equivalents in the previous year. Following a change in earmarking, they were reported under other financial assets from 2019 onwards. Please refer to Note 11.1 Consolidated Cash Flow Disclosures.

Other Stakes The book value of other stakes as at 31 December 2019 includes shares in Aras Kargo. a.s., flatex AG and CEESEG AG.

The 25% stake held in Aras Kargo a.s. continues to be recognised as a financial asset pursuant to IFRS 9. The company has been managed by a trustee panel appointed by the court since the spring of 2017. The trustee panel is only responsible to the court. For this reason, there is no possibility for the shareholders to exercise any significant influence. The fair value amounted to EUR 23.3m, a decrease of EUR 2.6m from the previous year. The decline in value is reported in other comprehensive income as fair value changes through other comprehensive income (FVOCI).

This shareholding in flatex AG is assigned to the category of fair value through profit or loss (FVTPL). The fair value corresponds to the market value of the shares on the balance sheet date and amounts to EUR 29.4m, compared to EUR 20.5m the previous year. The result from the reversal of impairment amounting to EUR 8.9m is recognised under financial income in the income statement.

Due to its being publicly traded on the Vienna Stock Exchange, Österreichische Post AG holds an approx. 1.7% stake in CEESEG AG (100% owner of Wiener Börse AG). The shareholding in CEESAG AG is recognised as a financial asset pursuant to IFRS 9 and is assigned to the category fair value through other comprehensive income (FVOCI). The fair value equalled EUR 5.2m at the balance sheet date.

Derivative Financial Assets In the 2013 financial year, Austrian Post acquired 25% of the shares in Aras Kargo a.s. In addition, Austrian Post was granted the unilaterally exercisable right to acquire an additional 50% of the shares from the Aras family in the period from 1 April 2016 to 30 June 2016 (call option). Austrian Post exercised this call option with effect 18 May 2016, with differences of opinion existing between Austrian Post and the current majority owner with respect to the implementation of the call option agreement. In order to clarify these differences of opinion, arbitration proceedings were initiated in Geneva, where a decision was awarded in Austrian Post's favour on all major questions regarding the exercising of this option. However, after the contractual parties failed to meet their collaboration obligations in fulfilling the transfer of shares, Austrian Post switched its legal entitlement to compensation. As a result, Austrian Post no longer believes the call option exists as at the balance sheet date.

The book value of the derivative financial assets in the previous year was in connection with the acquisition of sendhybrid ÖPBD GmbH.

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

9.7 Inventories

EUR m	31 Dec. 2018	31 Dec. 2019
Materials and consumables	12.2	13.1
Less impairment losses	–4.2	–2.5
Work in progress buildings	6.6	0.9
Less impairment losses	–0.6	–0.1
Merchandise	4.5	4.1
Less impairment losses	–1.4	–1.2
Prepayments inventories	0.2	0.0
	17.3	**14.3**

Work in progress refers to buildings built within the context of the Neutorgasse 7 real estate development project in Vienna's inner city, in which case Austrian Post is the property developer. Part of this real estate development project involves apartments which are to be sold in the coming years.

9.8 Trade and Other Receivables

	31 Dec. 2018			31 Dec. 2019		
EUR m	Due within 1 year	Due in more than 1 year	Total	Due within 1 year	Due in more than 1 year	Total
Trade receivables	260.5	0.0	260.5	260.3	0.0	260.3
Receivables from financial assets accounted for using the equity method	1.6	0.4	2.1	1.8	0.4	2.2
Other receivables	43.5	14.1	57.6	34.9	16.4	51.3
	305.7	**14.5**	**320.2**	**296.9**	**16.9**	**313.8**

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 2018: EUR 1.6m).

With respect to the presentation of impairment losses on trade and other receivables, refer to Note 10.1 Financial Instruments and Related Risks.

9.9 Cash and Cash Equivalents

EUR m	31 Dec. 2018	31 Dec. 2019
Bank balances	45.2	47.1
Balances with central banks	0.0	34.1
Money market investments	250.1	0.0
Cash on hand	14.8	19.4
Impairment losses	–0.2	0.0
	310.0	**100.6**

A change in earmarking took place in the 2019 financial year with regard to the money market investments (fixed term deposits). The money market investments are no longer used to repay short-term payment obligations, which is why they are now reported under other financial assets. Please refer to Note 11.1 Consolidated Cash Flow Disclosures.

9.10 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 15 April 2015, the Management Board of Austrian Post was authorised to issue new authorised capital, and the Articles of Association of Austrian Post were correspondingly adapted. Contingent upon the approval of the Supervisory Board, the share capital of Austrian Post can be increased by up to EUR 33,776,320.00 over a period of five years ending on 14 April 2020 by issuing up to 6,755,264 new non-par value bearer shares. Furthermore, the Annual General Meeting voted in favour of a conditional increase of the company's share capital by up to EUR 16,888,160.00 through the issuance of up to 3,377,632 non-par value bearer shares to (i) creditors of financial instruments and (ii) for the purpose of granting stock options to employees and senior managers of Österreichische Post AG or an affiliated company.

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 2019 financial year:

	Shares
Balance as at 1 January 2019	67,552,638
Balance as at 31 December 2019	67,552,638
Weighted average number of shares in the 2019 financial year	67,552,638

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

Austrian Post's capital reserves resulting from capital surplus and contributed capital by shareholders as reported in the consolidated statement of changes in equity correspond to those reported in the financial statements of Österreichische Post AG.

Other reserves contain IAS 19 reserves, reserves from the revaluation of financial instruments and currency translation reserves. The IAS 19 reserves result from adjustments and changes made to actuarial assumptions whose effects are recognised in other comprehensive income. The item revaluation of financial instruments encompasses fair value changes for financial assets classified as being at fair value through other comprehensive income (FVOCI). Gains and losses on changes in the market value measurements of financial assets are directly recognised in the reserves without recognition to profit or loss. The amounts are shown after tax. The currency translation reserves comprise all exchange differences arising from the translation of the annual financial statements of the company's subsidiaries and financial assets accounted for using the equity method in foreign currencies.

The non-controlling interests relate to M&BM Express OOD,ACL advanced commerce labs GmbH, sendhybrid ÖPBD GmbH and bank99 AG.

The profit for the period in the 2019 financial year amounted to EUR 144.5m (2018: EUR 144.2m). The profit for the period attributable to equity holders of the parent company amounted to EUR 146.4m (2018: EUR 143.7m). In accordance with the provisions stipulated in the Austrian Stock Corporation Act, the basis for the distribution of profits is the annual financial statements of Österreichische Post AG at the balance sheet date on 31 December 2019. In this respect, the profit shown in the balance totalled EUR 261.5m (2018: EUR 250.2m).

The Management Board will propose a dividend for the 2019 financial year totalling EUR 140.5m (corresponding to a basic divided of EUR 2.08 per share) (2018: EUR 140.5m, basic divided of EUR 2.08 per share).

The following tables show the composition of other comprehensive income for the 2018 and 2019 financial years:

2018 Financial Year

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

2019 Financial Year

EUR m	IAS 19 reserves (Other reserves)	FVOCI reserves (Other reserves)	Currency translation reserves (Other reserves)	Equity attributable to share-holders of the parent company	Non-controlling interests	Equity
Currency translation differences – investments in foreign businesses	0,0	0,0	–0,3	–0,3	0,0	–0,3
Fair value adjustment 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**

In the 2018 and 2019 financial years, fair value changes of equity instruments recognised in the FVOCI reserve mainly resulted from the valuation of the shares held in Aras Kargo a.s., Turkey. Refer to Note 9.6 Other Financial Assets.

Capital Management The capital management of 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 2,042.9m as at 31 December 2019 as a basis (31 December 2018: EUR 1,681.2m), the equity ratio as at 31 December 2019 equalled 34.3% (31 December 2018: 41.6%).

9.11 Provisions

	31 Dec. 2018			31 Dec. 2019		
EUR m	Due within 1 year	Due in more than 1 year	Total	Due within 1 year	Due in more than 1 year	Total
Provisions for severance payments	3.9	97.2	101.0	3.3	110.5	113.8
Provisions for anniversary bonuses	6.9	80.0	86.8	5.2	75.1	80.3
Other employee provisions	104.6	208.1	312.6	113.2	171.6	284.8
Other provisions	49.5	1.1	50.6	136.5	2.0	138.5
	164.8	**386.3**	**551.1**	**258.1**	**359.3**	**617.4**

9.11.1 PROVISIONS FOR SEVERANCE PAYMENTS AND ANNIVERSARY BONUSES

2018 Financial Year

EUR m	Severance payments	Anniversary bonuses	Total
PRESENT VALUE OF THE OBLIGATION AS AT 1 JANUARY 2018	**104.9**	**85.7**	**190.5**
Current service cost	4.9	4.4	9.3
Interest expense	2.0	1.3	3.3
Actuarial gains (–) and losses (+) from the change in demographic assumptions	–1.4	10.0	8.6
Actuarial gains (–) and losses (+) from the change in financial assumptions	–3.2	0.0	–3.2
Experience adjustments	0.5	–7.4	–6.9
Actual payments	–6.6	–7.1	–13.7
PRESENT VALUE OF THE OBLIGATION AS AT 31 DECEMBER 2018	**101.0**	**86.8**	**187.9**

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**

Actuarial gains and losses arise from the adjustments to the parameters for the discount rate, salary increases, and employee turnover as described in Note 6.18 Provisions for Severance Payments 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. The application of the new calculation base for pension insurance ("mortality tables") led to an increase in the 2018 financial year in the provisions for anniversary bonuses to the amount of EUR 10.0m, which is included in the losses from the change of demographic assumptions.

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.

9.11.2 OTHER EMPLOYEE PROVISIONS

2018 Financial Year

EUR m	Under-utilisation	Other employee related provisions	Total
BALANCE AS AT 1 JANUARY 2018	**214.5**	**92.1**	**306.7**
Transfer	–5.0	0.0	–5.0
Allocation	26.3	86.7	113.0
Use	–19.5	–50.0	–69.5
Reversals	–12.4	–22.8	–35.2
Accrued interest	2.5	0.0	2.5
BALANCE AS AT 31 DECEMBER 2018	**206.4**	**106.2**	**312.6**

2019 Financial Year

EUR m	Under-utilisation	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
Transfer	–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**

Provisions for Under-utilisation Refer to Note 6.19 Provisions for Under-utilisation for details on the accounting policies underlying the provisions for under-utilisation.

On balance, the development of provisions for under-utilisation showed an allocation of EUR 9.0m in the 2019 financial year. Allocations to provisions in the current financial year mainly resulted from pension applications submitted by civil servants to initiate retirement proceedings on grounds of invalidity (2019: EUR 2.8m; 2018: EUR 18.3m) and EUR 3.9m (2018: EUR 3.2m) for civil servants applying to be accepted into the programme enabling a possible transfer to the federal public service. The use of provisions related to ongoing payments to the transferred employees and was somewhat above the prior-year level. The transfer of EUR –2.8m 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 of EUR 21.0m relates to the provision for future staff costs for civil servants who are in the process of commencing retirement.

The change in relevant parameters since the previous year resulted in a negative effect amounting to EUR 15.3m, which was recognised under staff costs.

Other Employee-related Provisions Other employee-related provisions mainly encompass provisions for employee profit-sharing schemes and performance-related bonuses, provisions for employees leaving the company (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 14.2m were allocated in the 2019 financial year. Refer to Note 7.4. Crediting of Previous Periods of Service for (Former) Civil Servants.

In addition to the provisions arising from crediting previous periods of service, the allocation to provisions of EUR 73.9m (2018: EUR 86.7m) primarily relates to allocations for employee profit-sharing schemes and performance-related bonuses (2019: EUR 57.4m; 2018: EUR 55.3m). Furthermore, the allocation of restructuring provisions in the Mail & Branch Network segment of EUR 21.5m as a consequence of the termination of the cooperation agreement with BAWAG P.S.K. was also included in the previous year.

The use of provisions amounting to EUR 52.5m refers to payments for employee profit-sharing schemes and performance-related bonuses (2019: EUR 46.6m; 2018: EUR 46.1m), payments from programmes involving voluntary severance payment offers as well as provisions for restructuring.

The reversals of provisions of EUR 16.8m refer to provisions which were not required for programmes involving voluntary severance payment benefit offers amounting to EUR 3.9m (2018: EUR 9.7m) and EUR 7.1m (2018: EUR 6.5m) for provisions for employee profit-sharing schemes and performance-related bonuses. Furthermore, EUR 5.6m (2018: EUR 6.5m) in provisions were reversed for restructuring provisions in the Mail & Branch Network segment.

9.11.3 OTHER PROVISIONS

2018 Financial Year

EUR m	
BALANCE AS AT 1 JANUARY 2018	**66.5**
Allocation	3.3
Use	–6.2
Reversals	–13.0
BALANCE AS AT 31 DECEMBER 2018	**50.6**

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**

In addition to provisions for litigation and legal expenses, auditing and consulting fees as well as provisions for damages, other provisions are also for potential compensation payments to the amount of EUR 99.6m (2018: EUR 39.9m) as well as expenses for other risks arising from the issue of data protection amounting to EUR 24.7m (2018: EUR 0.0m). More information can be found in Note 7.5 Reclamation of Contributions from the Payroll of Civil Servants, as well as Note 7.6 Data Protection.

The reversal of provisions to the amount of EUR 13.0m in the 2018 financial year related to risks which did not materialise in connection with audits carried out by tax authorities and litigation risks.

9.12 Other Financial Liabilities

EUR m	31 Dec. 2018 Due within 1 year	31 Dec. 2018 Due in more than 1 year	31 Dec. 2018 Total	31 Dec. 2019 Due within 1 year	31 Dec. 2019 Due in more than 1 year	31 Dec. 2019 Total
Borrowings from banks	6.4	0.2	6.6	1.0	0.1	1.1
Lease liabilities	0.4	3.3	3.7	37.8	270.6	308.4
	6.8	**3.5**	**10.3**	**38.8**	**270.7**	**309.5**

9.13 Trade and Other Payables

EUR m	31 Dec. 2018 Due within 1 year	31 Dec. 2018 Due in more than 1 year	31 Dec. 2018 Total	31 Dec. 2019 Due within 1 year	31 Dec. 2019 Due in more than 1 year	31 Dec. 2019 Total
Trade payables	200.9	0.1	201.0	220.6	0.0	220.6
Payables from financial assets accounted for using the equity method	0.7	0.0	0.7	0.0	0.0	0.0
Other liabilities	131.3	31.0	162.3	136.7	27.1	163.8
	333.0	**31.1**	**364.0**	**357.3**	**27.1**	**384.4**

Other liabilities include liabilities to tax authorities and social security carriers amounting to EUR 44.6m (31 December 2018: EUR 35.7m), liabilities for holiday entitlements not taken amounting to EUR 33m (31 December 2018: EUR 33.3m) and payments received in advance for services which have not yet been provided amounting to EUR 4.6m (31 December 2018: EUR 2.8m).

9.14 Income Taxes

EUR m	2018	2019
Income tax expense for the current year	51.5	51.6
Tax credits/arrears from prior tax years	5.0	0.7
Deferred tax expense/income	–2.9	14.5
	53.6	**66.8**

Tax Reconciliation The Group tax rate is defined as the ratio of recognised income tax to profit before tax and is 31.6% in the 2019 financial year (2018: 27.1%).

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	2018	2019
PROFIT BEFORE TAX	**197.8**	**211.3**
EXPECTED TAXES ON INCOME	**49.4**	**52.8**
TAX DEDUCTIONS DUE TO		
Write-down of subsidiaries to lower going concern value	-3.1	-1.5
Adjustments to foreign tax rates	-0.1	0.0
Other tax-reducing items	-1.3	-0.5
	-4.5	**-2.0**
TAX INCREASES DUE TO		
Impairment losses on goodwill	0.5	0.2
Adjustments to foreign tax rates	0.0	0.1
Losses not affecting taxes (accounted for using the equity method)	0.9	0.1
Appreciation subsidiaries	0.5	0.0
Unrecognised deferred taxes on shares in subsidiaries	0.0	3.8
Penalties not affecting taxes (data protection)	0.0	4.5
Other tax-increasing items	3.8	2.8
	5.8	**11.4**
INCOME TAX EXPENSE FOR THE PERIOD	**50.7**	**62.3**
Adjustment of actual income tax expenses/income from prior years	5.0	0.7
Adjustment of deferred tax expenses/income from prior years	-3.6	2.2
Change in unrecognised deferred tax assets	1.5	1.7
CURRENT TAX EXPENSE	**53.6**	**66.8**

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:

	Deferred tax assets		Deferred tax liabilities	
EUR m	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019
Goodwill	0.4	0.2	–0.2	–0.3
Customer relationships	0.6	0.6	–0.1	–0.3
Trademarks	0.1	0.1	–0.1	–0.1
Other intangible assets	0.8	1.0	–1.5	–2.5
Property, plant and equipment	2.8	3.1	–0.8	–0.5
Rights-of-use	0.0	0.0	0.0	–74.1
Financial assets (write-down to lower going concern value)	39.1	26.4	0.0	0.0
Other financial assets	0.0	0.0	–0.1	–0.3
Inventories	4.1	1.5	–0.1	0.0
Receivables	0.9	1.9	0.0	–2.3
Contract assets	0.0	0.0	–5.9	–1.8
Provisions	35.2	36.2	0.0	0.0
Liabilities and contract liabilities	1.6	2.1	–0.1	–1.0
Lease liabilities	0.0	72.8	0.0	–0.1
Cash and cash equivalents	0.1	0.0	0.0	0.0
Tax loss carry forwards	0.2	2.5	0.0	0.0
	85.9	**148.5**	**–9.1**	**–83.4**
Depreciation deferred tax assets and loss carry forwards	–0.1	–0.1	0.0	0.0
Net balance	–8.3	–82.5	8.3	82.5
DEFERRED TAXES – BALANCE SHEET RECOGNITION	**77.6**	**65.9**	**–0.8**	**–0.8**

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	2018	2019
DEFERRED TAX ASSETS (+) / TAX LIABILITIES (–) AS AT 1 JANUARY	**71.1**	**76.8**
Deferred tax expense (–) / income (+) affecting net income	2.9	–14.5
Changes in deferred taxes recognised directly in equity		
thereof in connection with fair value adjustment (FVOCI) – equity and debt instruments	4.5	0.5
thereof in connection with revaluation of defined benefit obligation	–1.0	3.3
thereof in connection with effects recognised in equity (IFRS 9, IFRS 15)	0.2	0.0
thereof in connection with acquisitions / divestments	–0.2	–0.3
Reversal of current seventh-part depreciation on equity instruments	–0.6	–0.7
DEFERRED TAX ASSETS (+) / TAX LIABILITIES (–) AS AT 31 DECEMBER	**76.8**	**65.0**

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. 2018	31 Dec. 2019
UNRECOGNISED TEMPORARY DIFFERENCES FROM:		
LOSS CARRY FORWARDS	**37,8**	**56,9**
thereof due within not later than 2 years	0,0	0,0
thereof due within 3–4 years	0,3	3,1
thereof due within 5–6 years	3,8	2,1
thereof due later than 6 years	0,0	0,0
due within an indefinite period of time	33,7	51,6
OTHER TEMPORARY DIFFERENCES	**0,5**	**0,7**
	38,3	**57,6**

Internal Group structural measures reduce the temporary differences from losses carried forward by EUR 9.3m. Deferred tax assets in the amount of EUR 2.3m were recognized to this effect.

Temporary differences of EUR 37.7m EUR (31 December 2018: EUR 38.0m) arising from shares in subsidiaries (so called outside basis differences) were not recognised, as it is likely that these temporary differences will not change in the foreseeable future.

10. Financial Instruments and Related Risks

10.1 Financial Instruments

10.1.1 FINANCIAL ASSETS AND LIABILITIES

The following tables show the book value of the financial assets and liabilities in line with the measurement categories according to IFRS 9 and their classification in the fair value hierarchy of IFRS 13:

Gross carrying amounts as at 31 December 2018

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

[1] Excluding prepayments and receivables from tax authorities and social security carriers
[2] Excluding payments received in advance and liabilities to tax authorities and social security carriers as well as not consumed vacation

Gross carrying amounts as at 31 December 2019

EUR m	Level	At fair value through profit or loss (FVTPL)	At fair value through other comprehensive income (FVOCI)	Recognised at amortised cost	Total
FINANCIAL ASSETS					
MEASUREMENTS CARRIED OUT AT FAIR VALUE					
Securities	1	40.2	10.4	0.0	50.7
Other stakes					
At fair value through profit or loss (FVTPL)	1	29.4	0.0	0.0	29.4
At fair value through other comprehensive income (FVOCI)	3	0.0	28.7	0.0	28.7
		69.6	**39.2**	**0.0**	**108.8**
MEASUREMENTS NOT CARRIED OUT AT FAIR VALUE					
Money market investments	–	0.0	0.0	189.9	189.9
Trade receivables	–	0.0	0.0	260.3	260.3
Receivables from financial assets accounted for using the equity method	–	0.0	0.0	2.2	2.2
Other receivables[1]	–	0.0	0.0	14.0	14.0
Receivables from banks	–	0.0	0.0	2.9	2.9
Cash and cash equivalents	–	0.0	0.0	100.6	100.6
		0.0	**0.0**	**569.8**	**569.8**
FINANCIAL LIABILITIES					
MEASUREMENTS CARRIED OUT AT FAIR VALUE					
Contingent consideration	3	2.9	0.0	0.0	2.9
		2.9	**0.0**	**0.0**	**2.9**
MEASUREMENTS NOT CARRIED OUT AT FAIR VALUE					
Other financial liabilities	–	0.0	0.0	309.5	309.5
Trade payables	–	0.0	0.0	220.6	220.6
Other liabilities[2]	–	0.0	0.0	75.7	75.7
		0.0	**0.0**	**605.7**	**605.7**

[1] Excluding prepayments and receivables from tax authorities and social security carriers
[2] Excluding payments received in advance and liabilities to tax authorities and social security carriers as well as not consumed vacation

Other financial liabilities include lease liabilities with a carrying amount of EUR 308.4m (31 December 2018: EUR 3.7m) and borrowings from banks with a carrying amount of EUR 1.1m (31 December 2018: EUR 6.6m).

The fair value of borrowings from banks amounts to EUR 1.1m (31 December 2018: EUR 6.6m). In the case of all other financial assets and liabilities, which are not measured at fair value, it is assumed that the fair values correspond to the book value due to the primarily short-term nature of these items.

10.1.2 INFORMATION ON DETERMINING FAIR VALUES

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

Level	Financial Instruments	Valuation method	Input factors
MEASUREMENTS CARRIED OUT AT FAIR VALUE			
1	Securities	Market approach	Nominal values, stock market price
3	Other stakes	Market approach or net present value approach	Multiples of comparable companies; Business plans and related probability-weighted scenarios; risk-weighted discount rates (WACC)
3	Contingent consideration	Net present value approach	Business plans and related probability-weighted scenarios; discount rates
MEASUREMENTS NOT CARRIED OUT AT FAIR VALUE			
3	Trade receivables and other receivables	–	Book value as realistic estimates of fair value
3	Other financial liabilities (with the exception of lease liabilities)	Net present value approach	Payments related to financial instruments, market interest rates of comparable financing
3	Trade payables and other payables	–	Book value as realistic estimates of fair value

Material sensitivities in determining the fair values of Level 3 financial instruments can arise from changes to the underlying market data of comparable companies as well as in the input factors (especially discount rates and planning data) applied in determining the net present value. No transfers between the Levels 1, 2 and 3 took place during the year under review.

The following input factors were recognised in determining the fair value of Aras Kargo a.s., Turkey:

	2018		2019	
EUR m	Detailed planning period	Perpetual annuity	Detailed planning period	Perpetual annuity
WACC	25.4%–16.0%	16.0%	20.2%–16.1%	16.8%
Inflation rate	16.6%–6.4%	6.4%	11.5%–7.5%	7.5%

In relation to determining the fair value, a variation in these input factors as well as in the exchange rate at the balance sheet date resulted in the following sensitivities.

	WACC		Inflation rate		Exchange rate at balance sheet date EUR/TRY	
EUR m	−1%-point	+1%-point	−0.5%-points	+0.5%-points	−10%	+10%
Fair value Aras Kargo a.s.	2.5	−2.1	3.5	−3.7	2.6	−2.1

The following tables show the reconciliation of Level 3 measurements at fair value applying to financial assets and liabilities for the 2018 and 2019 financial years:

Financial Assets

EUR m	2018	2019
OPENING BALANCE AS AT JANUARY 1	**50.3**	**31.4**
Total gains and losses		
Recognised in profit or loss (as other operating income)	0.2	0.0
Recognised in profit or loss as other operating expenses	0.0	–0.1
Recognised in other comprehensive income	–18.9	–2.5
Decrease from change in accounting method	–0.2	0.0
CLOSING BALANCE AS AT DECEMBER 31	**31.4**	**28.7**

The loss of EUR 2.5m recognised in other comprehensive income in the 2019 financial year mainly relates to the revaluation of Austrian Post's 25% stake in Aras Kargo a.s. (31 December 2018: EUR 18.9m).

Financial Liabilities

EUR m	2018	2019
OPENING BALANCE AS AT JANUARY 1	**3.5**	**2.5**
Total gains and losses		
Recognised in profit or loss (as other operating income)	–1.0	–0.4
Additions from business combinations	0.0	1.7
Payments	–0.1	–0.9
CLOSING BALANCE AS AT DECEMBER 31	**2.5**	**2.9**

The income recognised in profit or loss in the 2019 financial year resulted from the revaluation of the residual purchase price obligations in connection with the shares in ACL advanced commerce labs GmbH acquired in previous years and the shares in adverserve Holding GmbH acquired in the 2019 financial year. The additions from business combinations result from the shares in adverserve Holding GmbH acquired in the 2019 financial year and/or the obligation to acquire the remaining shares. The payments in the 2019 financial year relate primarily to the residual purchase price payment for the stake in adverserve Holding GmbH acquired in the 2017 financial year.

10.1.3 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.

10.1.4 INFORMATION ON THE STATEMENT OF COMPREHENSIVE INCOME

The following table shows the net gains and losses from financial instruments included in the statement of comprehensive income for the 2018 and 2019 financial years:

EUR m	2018 Income statement	2018 Other comprehensive income	2018 Total	2019 Income statement	2019 Other comprehensive income	2019 Total
AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)						
Results from disposal	–0.5	0.0	–0.5	0.0	0.0	0.0
Valuation results	–14.6	0.0	–14.6	10.0	0.0	10.0
	–15.1	**0.0**	**–15.1**	**10.0**	**0.0**	**10.0**
AT FAIR VALUE THROUGH OCI (FVOCI) – EQUITY INSTRUMENTS						
Valuation results	0.0	–18.9	–18.9	0.0	–2.5	–2.5
	0.0	**–18.9**	**–18.9**	**0.0**	**–2.5**	**–2.5**
AT FAIR VALUE THROUGH OCI (FVOCI) – DEBT INSTRUMENTS						
Results from disposal	0.1	–0.1	0.0	0.0	0.0	0.0
	0.1	**–0.1**	**0.0**	**0.0**	**0.0**	**0.0**
FINANCIAL ASSETS MEASURED AT AMORTISED COST						
Results from disposal	–1.6	0.0	–1.6	0.0	0.0	0.0
Valuation results	–1.2	0.0	–1.2	–1.7	0.0	–1.7
	–2.8	**0.0**	**–2.8**	**–1.7**	**0.0**	**–1.7**
	–17.8	**–19.0**	**–36.8**	**8.3**	**–2.5**	**5.8**

The total interest income and expenses for financial assets and liabilities calculated according to the effective interest rate method with the exception of financial instruments measured at fair value through profit or loss are presented below:

EUR m	2018	2019
INTEREST INCOME		
Cash and cash equivalents	0.3	0.3
Other financial assets	0.1	0.1
	0.4	**0.4**
INTEREST EXPENSES		
Other financial liabilities	–0.3	–4.7
	–0.3	**–4.7**

10.2 Risks and Risk Management Related to Financial Instruments

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:

- Default risks
- Liquidity risks
- Market risks

Default Risks

Default risk for the Austrian Post Group involves the possibility of contractual partners being unable to fulfil their obligations from the operating business and financial transactions. The amounts reported on the asset side of the balance sheet represent the maximum creditworthiness and default risk. Where there are recognisable default risks in respect to the financial assets, impairments are made to account for them. Refer to Note 6.14 Financial Assets and Liabilities.

The overall risk attached to receivables is low, as most of the customers have agreed to direct debit arrangements, have arranged for bank guarantees in risky cases or have paid in advance. In addition, most of the outstanding amounts are owed by contracting partners which have excellent credit ratings.

In order to minimise default risk relating to securities, Austrian Post's portfolio of securities is restricted to papers from issuers with an investment grade rating or a comparable level of 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.

Using this as the basis, the gross book values of the main classes of default risk within the Austrian Post Group as at 31 December 2018 as well as 31 December 2019 are as follows:

Gross carrying amounts as at 31 December 2018

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

Gross carrying amounts as at 31 December 2019

		General approach			Simplified approach	
		Expected 12 months credit loss	Expected credit loss over contract period		Expected credit loss over contract period	
EUR m	Gross carrying amount total		of which significant increase in the credit risk, but not impaired	of which impaired	of which not impaired	of which impaired
Trade receivables	263.4	–	–	–	259.2	4.3
Other receivables	14.8	12.9	0.5	1.5	–	–

The overall default 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 2018 and 31 December 2019 are derived as follows:

31 December 2018

		Overdue			
EUR m	Not overdue	1–30 days	31–90 days	>90 days	Total
Gross book value	209,8	41,4	6,4	6,0	263,5
Expected loss rate in %	0,1	0,3	3,9	40,5	1,1
IMPAIRMENT LOSSES	**0,2**	**0,1**	**0,2**	**2,4**	**3,0**

31 December 2019

		Overdue			
EUR m	Not overdue	1–30 days	31–90 days	>90 days	Total
Gross book value	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**

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 0.9m as at 31 December 2019 (31 December 2018: EUR 1.2m). In addition, there was no write-off in the reporting period of other receivables which are still subject to enforcement measures (31 December 2018: EUR 0.5m).

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

2018 Financial Year

	Other receivables				Trade receivables		
	Expected 12 months credit loss	Expected credit loss over contract period			Expected credit loss over contract period		
EUR m		significant increase in the credit risk, but not impaired	impaired	Total	of which not impaired	of which impaired	Total
BALANCE AS AT 1 JANUARY 2018	**0.2**	**0.0**	**6.1**	**6.3**	**1.1**	**2.6**	**3.7**
Write-off	0.0	0.0	–4.7	–4.7	0.0	–1.3	–1.3
Net revaluation	0.0	0.0	–0.4	–0.4	–0.5	1.1	0.6
BALANCE AS AT 31 DECEMBER 2018	**0.2**	**0.0**	**0.9**	**1.2**	**0.6**	**2.4**	**3.0**

2019 Financial Year

	Other receivables				Trade receivables		
	Expected 12 months credit loss	Expected credit loss over contract period			Expected credit loss over contract period		
EUR m		significant increase in the credit risk, but not impaired	impaired	Total	of which not impaired	of which impaired	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**

Securities in the Category FVOCI All securities in the category FVOCI in Austrian Post's portfolio feature a low default risk. Therefore, the impairment loss was recognised to the amount of the expected 12-month credit loss. A low default risk remains for securities as long as an investment grade rating exists. The impairment losses recognised on this basis as at 31 December 2019 involved immaterial amounts.

Money Market Investments Money market investments only include fixed term deposits with Austrian banks. Fixed term deposits were reported under cash and cash equivalents in the previous year and allocated to receivables from banks. Due to a change of its purpose, fixed term deposits in Austrian Post's portfolio as at 31 December 2019 are reported under other financial assets, which is why they were allocated to money market investments. Please refer to Note 11.1 Consolidated Cash Flow Disclosures.

Money market investments are subject to the general approach pursuant to IFRS 9. Due to the low default 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 2019 involved immaterial amounts.

Receivables from Banks Receivables from banks as at 31 December 2019 only include bank balances owing to a change in the reporting of fixed term deposits.

The calculation of the expected credit losses is carried out in accordance with the general approach according to IFRS 9 to the amount of the expected credit losses and the actual remaining term to maturity of the receivables. The impairment losses recognised as at 31 December 2019 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 2018

			Term to maturity		
EUR m	Book value	Gross cash flow	Within 1 year	1–5 years	More than 5 years
FINANCIAL LIABILITIES					
Other financial liabilities	10.3	10.5	6.8	1.4	2.3
of which: lease liabilities	3.7	3.9	0.5	1.4	2.1
Trade payables	201.0	201.0	200.9	0.0	0.1
Payables from financial assets accounted for using the equity method	0.7	0.7	0.7	0.0	0.0
Other liabilities	87.4	87.7	63.7	24.0	0.0
	299.5	**300.0**	**272.2**	**25.4**	**2.4**

Gross carrying amounts as at 31 December 2019

			Term to maturity		
EUR m	Book value	Gross cash flow	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**

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:

2018 Financial Year

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

2019 Financial Year

	Market interest rate	
EUR m	+1%-point	–1%-point
Other financial result	1.0	–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 and/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 +/–5% compared to the reference rate on the balance sheet as at 31 December 2019 would lead to a valuation result of +/− EUR 1.5m.

A currency risk exists as well from the stake held in Aras Kargo a.s., Turkey, where changes in exchange rates can impact the total fair value (refer to Note 10.1.2 Information on Determining Fair Values).

10.2.2 RISK MANAGEMENT

The finance and risk management policies of 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).

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.

Change in the scope of Cash and Cash Equivalents There was a change in earmarking in 2019 with regard to the money market investments reported under cash and cash equivalents up to and including the previous year. As a result, the fixe- term deposits reinvested in 2019 and/or money market investments from previous years still in existence at the end of the year are no longer available to repay short-term payment obligations, but are instead held for investment purposes. Accordingly, money market investments are reported under other financial assets and, as a result, in the cash flow from investing activities under acquisition of securities/money market investments and/or cash receipts from sales of securities/money market investments. The adjustment of liquidity reported in the cash flow transition amounting to EUR 60m includes the fixed-term deposits from previous years held in Austrian Post's portfolio as at 31 December 2019.

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. Potential currency translation differences on the company's financial resources are considered to be immaterial.

Cash Flow Relating to the Acquisition and Disposal of Subsidiaries The cash flow arising from the acquisition and disposal of subsidiaries is comprised of the following:

EUR m	2018	2019
ACQUISITIONS OF SUBSIDIARIES		
Cash outflow for acquisitions		
Acquisition date in the current financial year (purchase price)	–0.9	–52.9
Cash and cash equivalents acquired	0.0	52.4
	–0.9	**–0.5**

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

EUR m	2018	2019
Results from the disposal of property, plant and equipment	–1.9	0.8
Measurement of securities and stakes at fair value through profit and loss	15.7	–9.7
Net interest income/expense	–7.4	–4.0
Valuation of receivables	3.6	1.8
Without effect in profit and loss (IAS 19)	4.1	–12.8
Provision for data protection	0.0	24.7
Reclamation of employer contributions related to the payroll accounting	0.7	1.7
Other	–0.3	–1.8
	14.6	**0.7**

Loans Granted In the 2019 financial year, loans granted included cash inflows and outflows of less than EUR 1.0m. In the previous year, cash outflows arising from loans granted to financial assets accounted for using the equity method amounted to EUR 1.8m.

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** from 1 January to 31 December, taking account of the cash flow from financing activities, is as follows:

2018 Financial Year

EUR m	Borrowings from banks	Lease liabilities	Other financial liabilities	Other financial liabilities total
BALANCE AS AT 1 JANUARY 2018	**3.1**	**3.8**	**0.0**	**6.8**
Cash flow from financing activities	2.6	–0.4	–0.6	1.6
Acquisition of subsidiaries	0.9	0.0	0.6	1.5
Other non-cash additions and disposals	0.0	0.4	0.0	0.4
BALANCE AS AT 31 DECEMBER 2018	**6.6**	**3.7**	**0.0**	**10.3**

2019 Financial Year

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

Cash and Cash Equivalents The cash and cash equivalents presented in the consolidated cash flow statement can be reconciled to the cash and cash equivalents in the consolidated balance sheet as follows:

EUR m	31 Dec. 2018	31 Dec. 2019
CASH AND CASH EQUIVALENTS ACCORDING TO THE CASH FLOW STATEMENT	310.2	**100.6**
Impairment losses on receivables due from banks	–0.2	0.0
CASH AND CASH EQUIVALENTS ACCORDING TO THE BALANCE SHEET	310.0	**100.6**

11.2 Related Party Transactions

The Republic of Austria holds a 52.85% share in Österreichische Post AG through its Österreichische Beteiligungs AG (in short ÖBAG). Consequently, the Republic of Austria and companies in which it has a controlling interest may be considered to be related companies of the Austrian Post Group, along with all subsidiaries, joint venture companies and associates of Österreichische Post AG. Related persons are members of the management team holding key positions within Austrian Post Group (members of the Management Board and Supervisory Board as well as senior executives of Österreichische Post AG, managing directors of subsidiaries) and 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:

2018 Financial Year

EUR m	Associates	Joint Ventures	Other related companies	Related persons	Total
Total operating income	1.7	0.7	187.6	0.0	189.9
Total operating expenses	6.7	1.4	38.8	0.0	46.9
Outstanding receivables	2.0	0.1	27.0	0.0	29.0
Outstanding payables	0.7	0.0	6.0	0.0	6.8

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

Operating income in the 2018 and 2019 financial years mainly refers to services provided by BBG Bundesbeschaffung GmbH, the Federal Procurement Agency. There is an agreement in the name of and for the account of the federal government for the delivery of postal items for federal agencies. In the 2019 financial year, delivery services valued at EUR 141.1m (2018: EUR 133.1m) 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 10.0m (2018: EUR 13.6m) and energy purchases from the OMV Group of EUR 3.6m (2018: EUR 4.6m).

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

2018 Financial Year

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

2019 Financial Year

EUR m	Supervisory Board	Management Board	Senior executives	Total
Short-term employment benefits	0.4	3.4	6.9	10.6
Post-employment benefits	0.0	0.3	0.2	0.4
Other long-term employment benefits	0.0	0.0	0.0	0.0
Termination benefits	0.0	0.0	0.0	0.0
Allocation to share-based remuneration programme	0.0	3.1	6.6	9.7
	0.4	**6.7**	**13.7**	**20.7**

11.3 Audit Fees

The fees for the auditor KPMG Austria GmbH Wirtschaftsprüfungs und Steuerberatungsgesellschaft in the 2018 and 2019 financial years can be broken down as follows:

Audit Fees

EUR thousand	2018	2019
Group and annual financial statements audits at 31 December	240.8	283.8
Other audit related services	26.4	30.6
Other services	129.8	120.1
	397.0	**434.4**

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 2019, such as pending court cases or claims for damages and other obligations or impending losses, which have to be recognised in accordance with IAS 10 are included in the consolidated financial statements.

11.5 Group Companies

Company and location	31 Dec. 2018 Interest in %	31 Dec. 2018 Method of consolidation[1]	31 Dec. 2019 Interest in %	31 Dec. 2019 Method of consolidation[1]
ACL advanced commerce labs GmbH, Graz	70.00	FC	70.00	FC
adverserve				
adverserve Holding GmbH, Vienna	49.00	EM	82.00	FC
adverserve digital advertising Services Gesellschaft m.b.H., Vienna	49.00	EM	82.00	FC
adverserve digital advertising Services d.o.o., Zagreb	36.75	EM	69.75	FC
adverserve digital advertising Services Schweiz GmbH, Zurich	49.00	EM	82.00	FC
adverserve digital advertising Services Deutschland GmbH, Hamburg	49.00	EM	82.00	FC
Austrian Post International Deutschland GmbH, Bonn	100.00	FC	100.00	FC
bank99 AG, Vienna	0.00	n/a	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	100.00	FC	100.00	FC
Overseas Trade Co Ltd d.o.o., Hrvatski Leskovac	100.00	FC	100.00	FC
Post 001 Finanzierungs GmbH, Vienna	100.00	FC	100.00	FC
Post 002 Finanzierungs GmbH, Vienna	100.00	FC	100.00	FC
Post 102 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 104 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 106 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 107 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 108 Beteiligungs- und Dienstleistungs GmbH, Vienna	100.00	FC	100.00	FC
Post 202 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 206 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 207 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post 301 Beteiligungs GmbH, Vienna	100.00	FC	100.00	FC
Post E-Commerce GmbH, Vienna	100.00	FC	100.00	FC
Post Immobilien GmbH, Vienna	100.00	FC	100.00	FC
Post & Co Vermietungs OG, Vienna	100.00	FC	100.00	FC
Post Wertlogistik GmbH, Vienna	100.00	FC	100.00	FC
PROWERB Gesellschaft für produktive Werbung GmbH, Vienna	100.00	FC	100.00	FC
Scanpoint GmbH, Vienna	100.00	FC	100.00	FC
Scanpoint Slovakia s.r.o., Nitra	100.00	FC	100.00	FC
sendhybrid ÖPBD GmbH, Graz	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	100.00	NC
Distributions GmbH – 31, Cologne	100.00	NC	0.00	n/a

Company and location	31 Dec. 2018		31 Dec. 2019	
	Interest in %	Method of consolidation[1]	Interest in %	Method of consolidation[1]
Distributions GmbH Dortmund, Dortmund	100.00	NC	0.00	n/a
Distributions GmbH Duisburg, Duisburg	100.00	NC	100.00	NC
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]	50.44	EM	51.52	EM
AEP GmbH, Alzenau[2,3]	50.44	EM	51.52	EM
D2D – direct to document GmbH, Vienna	30.00	EM	70.00	EM
IN TIME SPEDICE, spol. s r.o., Prague	31.50	EM	0.00	n/a
OMNITEC Informationstechnologie-Systemservice GmbH, Vienna	50.00	EM	50.00	EM
PHS Logistiktechnik GmbH, Graz	40.00	EM	40.00	EM

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

OTHER INVESTMENTS

Company and location	Interest in %	Equity EUR m	Profit for the period EUR m
Aras Kargo Yurtici Yurtdisi Tasimacilik a.s., Istanbul	25.00	32.0	4.2
EURODIS GmbH, Weinheim	37.46	0.3	0.1

The Management Board of Austrian Post approved the audited consolidated financial statements for the financial year ending on 31 December 2019, for transmission to the Supervisory Board on 21 February 2020. The Supervisory Board is responsible for reviewing and approving the audited consolidated financial statements.

Vienna, 21 February 2020

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 2019, 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 2019 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 Auditor's 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 is sufficient and appropriate to provide a basis for our opinion.

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 6.19 Provisions for Under-utilisation as well as Note 7.2 Provisions for Under-utilisation as well as Note 9.11.2 Other Employee Provisions of the Notes to the Consolidated Financial Statements.

The Financial Statement Risk

The provisions for employee under-utilisation recognised at the balance sheet date amount to EUR 173.6m. The valuation of these provisions requires material 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 profit for the period.

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 main 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 also assessed whether the information disclosed in the Notes to the Consolidated Financial Statements on accounting and valuation methods in Note 6.19 Provisions for Under-utilisation as well as Note 7.2 Provisions for Under-utilisation is applicable and appropriate with respect to forward-looking assumptions and estimates.

INITIAL APPLICATION OF IFRS 16 "LEASES"

Refer to Note 3.2 Material Changes Resulting from the Initial Application of IFRS 16 "Leases" and Note 9.3 "Property, Plant and Equipment" of the Notes to the Consolidated Financial Statements.

The Financial Statement Risk

The Group applied the financial reporting standard for leases (IFRS 16) for the first time as at 1 January 2019. The initial application was modified retrospectively meaning that the comparable information was not adjusted.

The Group now records a liability for a lease in the amount of the present value of the future lease payments. At the same time, a right-of-use asset is recognised and depreciated on a straight-line basis. The transition to IFRS 16 resulted in a balance sheet increase of EUR 268.9m as at 1 January 2019.

The valuation of the rights-of-use and lease liabilities require fundamental forward-looking assumptions concerning the term of leasing arrangements, in particular with regard to the exercise of extension options or the non-exercise of termination options. A change to the assumptions on the term of leasing arrangements has a considerable impact on rights-of-use and lease liabilities.

For the financial statements, there is a risk that the rights-of-use and lease liabilities are over-valued or under-valued, meaning that the depreciation of rights-of-use and interest expense for lease liabilities are not accurately determined.

Our Audit Approach

We assessed the initial application of IFRS 16 “Leases” as follows:

- We reviewed the existing documentation relating to the processes for the initial valuation of rights-of-use and lease liabilities.
- We verified the plausibility of the completeness of the recognised leasing arrangements pursuant to IFRS16 based on the rental expense of the previous year.
- We critically examined the assumptions relating to the term of leasing arrangements based on the accounting guidelines and assessed their appropriateness.
- We critically examined the calculation scheme used to derive the incremental borrowing rate of interest and verified the calculation. In so doing, we consulted our valuation specialists regarding specific questions.
- For a statistically selected number of rights-of-use, we examined the mathematical accuracy of the recognised lease liabilities and the corresponding rights-of-use.
- Finally, we also assessed whether the information disclosed in Note 3.2 Material Changes Resulting from the initial application of IFRS 16 “Leases” and Note 9.3 Property, Plant and Equipment of the Notes to the Consolidated Financial Statements is applicable and appropriate.

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 auditor’s report 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 intended or unintended material misstatement of the consolidated financial statements, whether due to fraud or error, 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 auditor's report 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 auditor's report. 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.

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 related independent auditor's opinion. We expect to receive the complete Annual Report after the date of the independent auditor's report.

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 these consolidated financial statements, it is our responsibility to read these other disclosures, inasmuch as they are already available, and to assess, in the light of the knowledge obtained in the course of the audit, whether they are materially inconsistent with the consolidated financial statements, and whether they seem to represent a material misrepresentation.

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

We were appointed by the Annual General Meeting on 11 April 2019 to serve as auditors and commissioned by the Supervisory Board on 1 August 2019 to audit the consolidated financial statements for the company for the financial year ending on 31 December 2019.

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 Para. 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, 28 February 2020

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 2019, which were prepared in accordance with the applicable financial reporting standards, present a fair and accurate picture, in all material respects, of the profit, asset and financial position of the Group, and that the Group Management Report presents the business performance, results and situation of the Group such that a clear and accurate view of the profit, asset and financial 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, 21 February 2020

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

Information

EUR 2.08

is the dividend
for the 2019
financial year

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Overview of Key Indicators 2010–2019

Earnings Situation

		2010	2011	2012	2013	2014[1]	2015	2016[2]	2017	2018	2019
REVENUE EXCL. TRANS-O-FLEX	EUR m	**1,820.2**	**1,791.3**	**1,839.2**	**1,862.0**	**1,863.5**	**1,903.9**	**1,895.6**	**1,938.9**	**1,958.5**	**2,021.6**
REVENUE	EUR m	**2,351.1**	**2,348.7**	**2,366.1**	**2,366.8**	**2,363.5**	**2,401.9**	**2,030.5**	**1,938.9**	**1,958.5**	**2,021.6**
Other operating income	EUR m	90.5	74.6	72.0	69.7	134.4	99.2	70.1	112.7	96.2	131.5
Raw materials, consumables and services used	EUR m	–771.0	–759.8	–766.9	–753.3	–737.5	–749.6	–495.2	–409.9	–441.2	–473.3
Staff costs	EUR m	–1,120.7	–1,050.8	–1,091.4	–1,073.5	–1,109.5	–1,106.0	–1,035.2	–1,020.1	–1,008.7	–976.7
Other operating expenses	EUR m	–288.8	–320.0	–294.8	–298.6	–317.0	–344.0	–294.1	–325.0	–295.7	–383.7
Results from financial assets accounted for using the equity method	EUR m	1.0	–10.8	–13.9	–6.6	–0.1	1.1	0.9	–1.9	–3.6	–0.6
EBITDA	EUR m	**262.1**	**281.9**	**271.2**	**304.5**	**333.8**	**302.7**	**277.1**	**294.6**	**305.4**	**318.7**
Depreciation, amortisation and impairment losses	EUR m	–105.2	–114.4	–88.8	–118.5	–136.9	–213.7	–74.8	–86.8	–94.5	–118.1
EBIT	EUR m	**156.9**	**167.5**	**182.4**	**186.0**	**196.9**	**89.0**	**202.3**	**207.8**	**210.9**	**200.6**
Other financial result	EUR m	–8.2	–5.2	–30.8	–14.8	–2.8	2.0	–0.7	12.8	–13.1	10.7
EARNINGS BEFORE TAX	EUR m	**148.7**	**162.3**	**151.6**	**171.2**	**194.0**	**91.0**	**201.5**	**220.6**	**197.8**	**211.3**
Income tax	EUR m	–30.3	–39.1	–28.4	–47.2	–47.2	–19.5	–48.8	–55.6	–53.6	–66.8
PROFIT FOR THE PERIOD	EUR m	**118.4**	**123.2**	**123.2**	**124.0**	**146.8**	**71.6**	**152.7**	**165.0**	**144.2**	**144.5**
Earnings per share	EUR	1.75	1.82	1.82	1.82	2.17	1.06	2.26	2.45	2.13	2.17
Employees (average for period)	FTE	24,969	23,369	23,181	24,211	23,912	23,476	21,695	20,524	20,545	20,338

[1] The presentation of revenue, raw materials, consumables and services used for the Parcel & Logistics Division was adjusted. Exported services were recognised according to the net method (previously reported as revenue and expenses for services used).
[2] Change in reporting of gains and losses from the disposal of financial assets accounted for using the equity method, now recognised as other operating income or other operating expenses.

Cash Flow

		2010	2011	2012[1]	2013[2]	2014	2015	2016	2017[3]	2018	2019
Gross cash flow	EUR m	134.1	248.6	276.6	304.8	283.3	265.0	274.7	316.6	352.9	333.7
Cash flow from operating activities	EUR m	178.9	228.2	246.7	250.4	232.2	216.2	223.6	255.7	295.9	325.2
Cash flow from investing activities	EUR m	–25.3	–65.8	–115.4	–189.9	–69.4	–49.0	–105.1	–109.1	–137.5	–291.5
Free cash flow	EUR m	153.6	162.5	131.3	60.5	162.8	167.2	118.5	146.6	158.4	33.8
OPERATING FREE CASH FLOW[4]	EUR m	**156.4**	**151.4**	**172.1**	**153.9**	**158.5**	**160.5**	**156.8**	**171.4**	**161.9**	**148.4**
Dividend payout[5]	EUR m	108.1	114.8	121.6	128.4	131.7	131.7	135.1	138.5	140.5	140.5

[1] Reporting adapted for 2012: in connection with the offsetting of the reclassification of non-current provisions to current provisions and liabilities, the use of non-current provisions was also recognised in the cash flow from changes in net working capital from the 2013 financial year. As a result, the cash flow statement for the 2012 financial year was correspondingly adapted.
[2] Reporting adapted for 2013: non-cash changes in provisions which are considered as non-current as well as restructuring provisions are adjusted in the gross cash flow starting in the 2014 financial year. The cash flow statement for the 2013 financial year was correspondingly adapted.
[3] Reclassification of taxes paid – reported separately in the cash flow from operating activities
[4] Free cash flow before acquisitions/securities/money market investments and growth CAPEX 2019; excl. EUR 32.8m payments from the real estate project Neutorgasse 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 (special payment BAWAG P.S.K. of EUR 107.0m minus financial services provided amounting to EUR 37.0m); 2017: CAPEX new corporate headquarters and excl. temporary not yet transferred customer cash of EUR 6.9m
[5] Payment of the dividend in the following year, 2019: Proposal to the Annual General Meeting on 16 April 2020

Balance Sheet

		2010	2011	2012[1]	2013[1]	2014	2015	2016	2017	2018	2019
TOTAL ASSETS	EUR m	**1,715.1**	**1,668.3**	**1,694.6**	**1,640.2**	**1,671.0**	**1,613.0**	**1,541.8**	**1,674.2**	**1,681.2**	**2,042.9**
Non-current assets	EUR m	1,067.6	1,005.1	1,047.6	1,066.4	1,025.4	909.6	921.0	973.1	978.2	1,387.9
Current assets	EUR m	647.5	660.4	647.0	571.9	645.0	639.6	618.4	701.1	702.8	654.9
Assets held for sale	EUR m	0.0	2.8	0.0	1.9	0.6	63.8	2.4	0.0	0.3	0.1
EQUITY	EUR m	**690.8**	**702.0**	**708.6**	**699.4**	**702.7**	**641.7**	**670.0**	**698.8**	**699.1**	**700.7**
Non-current liabilities	EUR m	479.4	452.9	445.2	423.4	431.4	384.9	395.2	428.9	421.7	657.8
Current liabilities	EUR m	544.9	502.8	540.9	517.5	536.9	516.3	475.6	546.5	560.4	684.3
Liabilities classified as held for sale	EUR m	0.0	10.6	0.0	0.0	0.6	70.0	0.9	0.0	0.0	0.0
Net cash (–)/Net debt (+)	EUR m	126.6	61.5	68.5	112.4	99.7	28.1	–25.7	–10.2	–13.7	278.5

[1] Balance sheet structure following the adjusted presentation of current tax assets and tax liabilities and the recognition of payments received in advance

Financial Performance Indicators

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net debt/EBITDA[1]		0.48	0.22	0.25	0.37	0.30	0.09	–	–	–	0.87
Gearing ratio[1]	%	18.3	8.8	9.7	16.1	14.2	4.4	–	–	–	39.7
EQUITY RATIO	%	**40.3**	**42.1**	**41.8**	**42.6**	**42.1**	**39.8**	**43.5**	**41.7**	**41.6**	**34.3**
Return on equity (ROE)	%	20.7	21.1	21.0	21.2	25.8	12.5	30.0	30.9	25.8	25.9
Capital employed	EUR m	767.5	708.9	713.2	753.4	733.8	577.0	567.9	616.4	607.9	913.4
Return on capital employed (ROCE)	%	19.3	22.7	25.6	25.4	26.5	13.6	35.3	35.1	34.4	26.4

[1] Net cash has been reported since 2016. For this reason, this chart does not include the indicators net debt/EBITDA and gearing ratio in 2016, 2017 and 2018 due to their limited relevance.

Shares Indicators

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Share price as at 31 December	EUR	24.73	23.30	31.20	34.78	40.38	33.63	31.89	37.42	30.02	34.00
DIVIDENDS PER SHARE	EUR	**1.60**	**1.70**	**1.80**	**1.90**	**1.95**	**1.95**	**2.00**	**2.05**	**2.08**	**2.08[1]**
Total shareholder return (annual performance incl. dividends)	%	37.9	0.7	41.2	17.2	21.6	–11.9	0.6	23.6	–14.3	20.2
TOTAL SHAREHOLDER RETURN SINCE THE IPO	%	**69.1**	**70.0**	**120.5**	**148.8**	**188.3**	**163.1**	**164.2**	**203.8**	**175.6**	**207.5**
Market capitalisation as at 31 December	EUR m	1,670.6	1,574.0	2,107.6	2,349.5	2,727.8	2,271.8	2,154.2	2,527.8	2,027.9	2,296.8

[1] Proposal to the Annual General Meeting on 16 April 2020

Group Companies

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I: acl.at

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Austrian Post International Deutschland GmbH
Heinemannstr. 11–13
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T.: +49 (0) 228 932949 0
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I: cityexpress.rs

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Glossary Terms

Share price performance
Percentage performance of a share over a specific period of time on the stock market.

Capital employed
Capital employed refers to the operating capital taken up within the company:

+ Intangible assets and goodwill
+ Property, plant and equipment
+ Investment property
+ Financial assets accounted for using the equity method
+ Shares in non-consolidated companies
+ Inventories
+ Trade payables, other receivables and tax assets
– Non interest-bearing debt

= Capital employed

Capital expenditure (CAPEX)
Investment expenditure for long-term fixed assets, i.e. investments in property, plant and equipment and investment property.

Dividend yield
Percentage share of dividends paid out on the share price.

Earnings before interest and taxes (EBIT)
Earnings before interest and taxes: corresponds to the profit from operations plus the share of financial assets accounted for using the equity method.

EBIT margin
Ratio of EBIT to total revenue.

Earnings before interest, taxes, depreciation and amortisation (EBITDA)
Earnings before interest, taxes, depreciation and amortisation: corresponding to EBIT plus amortisation.

EBITDA margin
Ratio of EBITDA to total revenue.

Equity
Funds raised by the owners of a company to finance it or retained by the company as generated profit (share capital and reserves and net profit or loss).

Equity ratio
Ratio of equity to total capital (balance sheet total).

Earnings per share
Net profit or loss for the period divided by the average number of shares.

Free cash flow
Cash flow from commercial activities plus cash flow from investment activities. The free cash flow indicates the extent to which liquid funds are available to service the interest-bearing debt.

Gearing ratio
Indicates the ratio of equity to debt and, in doing so, provides information about the funding structure of a company.

All-time high/low
The highest/lowest value of a share over a specific period of time on the stock market.

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards.

Price/earnings ratio (PE)
Indicates how often the earnings per share are included in the share price or how often these earnings per share need to be paid out in order to refinance the current purchase price.

Market capitalisation
Describes the trading value of a company. This is calculated by multiplying the number of the company's shares traded on the stock market by its current share price.

Net cash/net debt
Calculated from the interest-bearing debt minus any interest-bearing assets and liquid funds.

Net debt/EBITDA
Ratio of net debt to EBITDA.

Return on capital employed (ROCE)
Ratio of EBIT to average capital employed.

Return on equity (ROE)
The return on equity indicates the ratio of net income to equity as at 1 January, minus any appropriated dividend; expresses the company's profitability.

Free float
Proportion of shares that are in circulation and distributed among a large number of investors.

Total shareholder return (TSR)
Performance of a share over a specific period of time, taking into account price changes and dividends.

Financial Calendar 2020

16 April 2020	Annual General Meeting, Vienna
28 April 2020	Ex-date (dividend)
29 April 2020	Record date (dermination of entitled stocks in connection with dividend payments)
30 April 2020	Dividend payment day
14 May 2020	Interim report for the first quarter of 2020
7 August 2020	Half-year financial report 2020
13 November 2020	Interim report first three quarters 2020

Basic Information Post Share

ISIN	AT0000APOST4
Trading symbol (Vienna Stock Exchange)	POST
Reuters code	POST.VI
Bloomberg code	POST AV
Total outstanding shares as at 31 December 2019	67,552,638 shares
Listing	Vienna Stock Exchange
Issue price	EUR 19.00
First day of trading	31 May 2006
Minimum trading unit (smallest tradable number of shares)	1
Type of share	Non-par value shares
Stock split	None

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We have prepared this report and checked the figures with the greatest possible care. Nevertheless, rounding, typographical and printing errors cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids.

This Financial Report also contains forward-looking statements based on the information currently available to us. These are usually indicated by expressions such as “expect”, “anticipate”, “estimate”, “plan” or “calculate”. We wish to note that a wide variety of factors could cause actual circumstances – and thus actual results – to deviate from the forecasts contained in this report.

Statements referring to people are valid for both men and women.

This Financial Report is also available in German.
In case of doubt, the German version takes precedence.

Editorial deadline: 11 March 2020

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