

# Report of the Supervisory Board

**OF AUSTRIAN POST FOR THE  
2016 FINANCIAL YEAR**

The business of Austrian Post developed successfully in the 2016 reporting year in spite of the challenging conditions, and key performance indicators were within expectations. Two fundamental trends in the postal and logistics sector continued in 2016 and impacted Austrian Post's business development. In the mail business, electronic forms of communication increasingly replace addressed letter mail. As a consequence, revenue in the Mail & Branch Network fell by 1.6%. In contrast, the Parcel & Logistics Division showed growth with respect to parcel volumes and revenue, adjusted for the German subsidiary trans-o-flex which Austrian Post disposed of at the beginning of April 2016. The growing interest in online shopping has a positive effect despite intensified competition.

Austrian Post successfully coped with the challenges it faced during the past financial year. It continues to pursue its strategic vision of sustainably preserving and adding shareholder value and is well positioned for the future.

## — KEY TOPICS OF THE SUPERVISORY BOARD

The Supervisory Board took great care to fulfil its obligations and performed the tasks incumbent upon it as stipulated by legal regulations, the Articles of Association of Austrian Post and the internal rules of procedure for the Supervisory Board. We regularly advised the Management Board in its efforts to manage the company, and monitored its activities. At all meetings, the Management Board provided the Supervisory Board with comprehensive written and verbal reports about the business development and financial position of the Group and its subsidiaries, medium-term planning, investment and acquisition projects.

The Supervisory Board convened seven times in 2016. The revenue and earnings development of the company was presented at the four ordinary Supervisory Board meetings, which also focused on the quarterly results of Group subsidiaries as well as important strategic projects.

At its meeting held on March 9, 2016, the Supervisory Board reviewed the consolidated and annual financial statements presented by the Management Board, along with the Management Report and the profit appropriation proposal for the 2015 financial year, and adopted the financial statements. Moreover, the session focused on preparations for the Annual General Meeting.

Walter Hitziger was confirmed in his position as a Member of the Management Board, and was reappointed until December 31, 2019 and given an extension option for an additional two years.

The Supervisory Board and Management Board discussed selected real estate projects in detail. The Management Board provided comprehensive information about investments related to construction of a new sorting centre, north of Vienna and the new corporate headquarters in the Rochusmarkt area of Vienna's third district.

Furthermore, the Management Board informed the Supervisory Board at several meetings about new services offered by Austrian Post such as the energy calculator, dual delivery and the online marketplace shöpping.at. They also jointly discussed the cooperation of Austrian Post with BAWAG P.S.K.

The Supervisory Board convened on May 12, 2016 to focus on further improving its Supervisory Board activities, and analysed its work processes and structures within the context of a self-evaluation. The results of the self-evaluation confirmed the highly professional and open cooperation. Measures approved in the previous financial year such as intensifying committee work were implemented and monitored in order to further enhance efficiency.

The budget for the 2017 financial year and a report on medium-term planning 2018–2020 were presented and approved at the meeting held on November 11, 2016.

Three extraordinary meetings of the Supervisory Board took place in addition to the four ordinary meetings.

The extraordinary session held on February 18, 2016 approved the disposal of its stake in the operating trans-o-flex companies. The other two extraordinary meetings on April 14, 2016 and December 14, 2016 dealt with the stake held in the Turkish parcel provider Aras Kargo and negotiations about acquiring an additional stake in the company.

The training programme launched in 2015 for the Supervisory Board was continued in 2016. The Supervisory Board debated and discussed the issues of “Turkey – business environment and experiences of Western companies”, “Capital market” and “Information technology” in detail at three events with internal and external experts.

## — COMMITTEE WORK IN 2016

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

In the 2016 financial year, the Nomination Committee focused on its proposal to fill the position of the Management Board member and Director of the Mail & Branch Network Division and preparing the resolution of the Supervisory Board on the appointment. The Remuneration Committee dealt with the employment contract of Walter Hitziger and the variable remuneration paid to the entire Management Board.

The Parcel & Logistics Committee convened six times, dealing with complex strategic issues relating to the Parcel & Logistics Division. The committee regularly reported about the results and made relevant recommendations to the Supervisory Board.

## — CONSOLIDATED AND ANNUAL FINANCIAL STATEMENTS 2016

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was appointed by the Annual General Meeting held on April 14, 2016, to serve as the auditor of the company's annual financial statements and consolidated annual financial statements for the 2016 financial year.

The annual financial statements and consolidated annual financial statements of Austrian Post as at December 31, 2016, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and were granted an unqualified auditor's opinion. The Management Report and Group Management Report are consistent with the company and consolidated annual financial statements. All documentation relating to the annual financial statements, the profit appropriation proposal as submitted by the Management Board, the Corporate Governance Report and the auditor's report were thoroughly discussed in the Audit Committee together with the auditors and subsequently presented to the Supervisory Board.

The Supervisory Board examined all the documents in accordance with Section 96 of the Austrian Stock Corporation Act, and did not discover any inconsistencies or objections. As a result, it formally approved the results of the audit. The Supervisory Board formally approved the annual financial statements for the 2016 financial year, which are hereby adopted in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act, and declares its acceptance of the IFRS consolidated financial statements, the Management Report, the Group Management Report and the Corporate Governance Report pursuant to Section 245a of the Austrian Commercial Code.

The Supervisory Board concurs with the Management Board's proposal to distribute a basic dividend of EUR 135,105,276.00 on May 4, 2017, from the net profit amounting to EUR 236,835,189.48 and to carry forward the balance of EUR 101,729,913.48 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 shareholders of Austrian Post for their trust and confidence in the company.

March 8, 2017

**Edith Hlawati m. p.**

Chairwoman of the Supervisory Board