



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 "ShortTerm 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 1 Juli 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.

13 May 2020

Edith Hlawati m.p.

Chair of the Supervisory Board