Annual report 2019

Contents

Profile

bpost is Belgium's leading postal operator and a parcel and e-commerce logistics provider in Europe, North-America and Asia. We deliver mail and parcels to millions of doorsteps and provide logistic services to businesses and consumers. With over 34,000 employees in Belgium and across the globe, bpost's total operating income amounts to 3,837.8 million EUR, while reducing our impact on the environment and the communities around us.

MAIL & RETAIL	PARCELS & LOGISTICS EUROPE & ASIA	PARCELS & LOGISTICS NORTH AMERICA
Description:		
• Transactional mail • Advertising mail • Press • Proximity and convenience retail network • Value added services	• Parcels distribution in Belgium & the Netherlands (last mile) • E-commerce logistics (Radial Europe) • Cross-border (both mail and parcels)	• Fulfilment • Payment & fraud prevention • Customer care • Omnichannel technology
• 7.1 million letters handled daily	• 480,000 parcels per peak day in Belgium and the Netherlands	• 341,800,000 units shipped in 2019
• Servicing 5 million letter boxes • 5 industrial sorting centers • 2,300 service points in Belgium	• 6 parcel hubs & 2 sorting centers in Belgium • 12 fulfilment centers in 6 European countries • 3 hubs in Asia	• 21 fulfilment centers and 4 customer care centers across North America

Brands of the bpost group:

Overview of Key Figures

Adjusted for the year ended 31 December

IN MILLION EUR	2019	2018	EVOLUTION 2019-2018
Total operating income[1]	3,837.2	3,850.2	-0.3%
Profit from operating activities (EBIT)[2]	310.8	424.3	-26.7%
Profit for the year (consolidated - IFRS)[3]	173.1	290.4	-40.4%
Operating free cash flow[4]	288.0	231.5	24.4%

Reported for the year ended 31 December

IN MILLION EUR	2019	2018	EVOLUTION 2019-2018
Total operating income	3,837.8	3,850.2	-0.3%
Profit from operating activities (EBIT)	289.9	393.4	-26.3%
Profit for the year (consolidated - IFRS)	154.7	263.6	-41.3%
bpost S.A./N.V. net profit (unconsolidated - Belgian GAAP)	172.6	262.3	-34.2%
Operating free cash flow[5]	302.0	241.2	25.2%
Net debt / (Net cash)[6]	779.9	344.8	126.2%
Basic earnings per share, in EUR	0.77	1.32	-41.6%
Dividend per share, in EUR	0.73	1.31	-44.3%
Number of employees (at year end)	34,369	34,074	0.9%
Number of FTE (average)	31,054	31,201	-0.5%
Number of FTE and interim (average)	35,377	36,109	-2.0%

1 *Adjusted total operating income represents total operating income excluding the impact of adjusting items and is not audited.*
2 *Adjusted EBIT represents profit from operating activities excluding the impact of adjusted items and is not audited.*
3 *Adjusted profit for the year represents profit for the year excluding the impact of adjusted items and is not audited.*
4 *Adjusted operating free cash flow for the year represents operating free cash flow for the year excluding the impact of adjusted items and is not audited.*
5 *Operating free cash flow represents net cash from operating activities less net cash used in investing activities.*
6 *Net debt/(Net cash) represents interest and non-interest bearing loans less cash and cash equivalents.*
For further details on reconciliation of Adjusted and reported key figures, please refer to section "Reconciliation of Reported to Adjusted Financial Metrics" of this document.

Message to the stakeholders

The bpost group in 10 keywords

bpost group Chairman of the Board of Directors, François Cornelis, and the brand new CEO, Jean-Paul Van Avermaet, have great ambitions for their company. In their opinion, digitization offers as many opportunities as risks. And thanks to strategic acquisitions and investments, bpost group should play a more important role, including at an international level. Here is their New Year's letter, in 10 keywords.

Ambition

François Cornelis - Chairman of the Board of Directors: "Above all, our ambition is to transform bpost group - a traditional postal operator - into a leading player in the field of e-commerce logistics. Consumption patterns have radically changed in recent years, and our business must be able to respond to them effectively. I think consumer expectation brings many challenges in this regard, but at the same time, I see it as a solid growth driver that can offset the decline in traditional mail. The internal transformation that the company has undergone in recent years, combined with external acquisitions, help us meet this challenge. E-commerce is a sector in its own right, a profession with its specific skills. We acquired more of these skills since the acquisition of Radial, among others. The major challenge will be to integrate these new skills and the additional expertise into the company as quickly as possible."

Jean-Paul Van Avermaet - Chief Executive Officer: "Our society is digitizing, and that is why we need to transform. In my opinion, it is crucial to involve everyone who works with us in order to offer them a new future. As for the 'last mile', we already acquired a great deal of experience with the traditional mail; we still need to extend this expertise to an efficient and satisfactory 'last mile' distribution model for parcels."

Services

François Cornelis: "The postman's daily passage is a unique asset. This physical presence allows us to offer other services. To this end, we have established a number of partnerships. We will continue to study the possibility of offering new services in the coming years. In doing so, we hope to create other sources of revenue that could offset the decline of traditional mail."

Jean-Paul Van Avermaet: "These new services can build on the 'last mile' and our unique proximity to the customer, but also exploit the know-how and the strengths that we have accumulated over time. Think of our collaboration with the Federal Public Service within the framework of the traffic fines platform, for example. In the future, we could work with the authorities in other areas to help them make their services towards citizens more efficient and more user-friendly."

Sustainability

Jean-Paul Van Avermaet: "In recent years, we have made considerable efforts to build a greener fleet, from simple electric bikes and mopeds to cars and cargo bikes. Where possible, we want to continue to focus on sustainability. We see sustainability in a broader sense: for example, our automatic Cubee parcel lockers help reduce the number of kilometres travelled by allowing customers to collect their parcels themselves. We have noticed that municipal administrations and end customers particularly appreciate this formula."

E-commerce

François Cornelis: "Radial is one of the major e-commerce players in the United States, offering a range of services covering the entire e-commerce logistics chain. With this acquisition, bpost has established itself on the world's leading market. We want to consolidate this position and deploy the same activities in Europe. We have taken the first steps by establishing ourselves in countries like Germany, the United Kingdom and Italy. We are developing these activities based on the Radial model in the United States."

Jean-Paul Van Avermaet: "It is clear that, in a very large market like the United States, an interesting segment has developed alongside the major commercial players in e-commerce. We must strive to develop a similar alternative offer in Europe, complementary to the existing market."

Innovation

François Cornelis: "Innovation is becoming a major theme for the company. The extremely rapid technological development characterized by artificial intelligence,

> The digitization of our society brings many challenges in this regard, but at the same time, I see it as a solid growth driver."
>
> **François Cornelis,**
> bpost group Chairman

> We view innovation as an instrument to absorb and manage our future growth, not as a way to cut our workforce."
>
> **Jean-Paul Van Avermaet,**
> bpost group CEO

robotics, blockchain and machine learning is transforming our professions and confronting us with permanent evolution. So, in order to respond to this evolution, we needed to strengthen the technical teams and develop an innovation expertise centre."

Jean-Paul Van Avermaet: “Technological innovation is at the top of our agenda. This is reflected in initiatives such as bpost's Future Lab and an 'innovation committee', but also in a number of pilot projects in the field of robotics and artificial intelligence. That said, we view innovation as an instrument to absorb and manage our future growth, not as a way to cut our workforce.”

The human factor

François Cornelis: “Few professions are as visible to the public eye as that of the postman and we are still the largest private employer in the country. The human dimension is therefore of great importance within our company, at all levels. ”

Jean-Paul Van Avermaet: “People are the strength of our business. For many years, bpost has also been recruiting people from vulnerable target groups to train them in their workplace, within the company. Right now, we are one of the largest employers of short-schooled employees, offering them the opportunity to graduate from secondary school. In this sense, we can say that bpost is present and active at all levels of the community."

Digitization

Jean-Paul Van Avermaet: “Digitization was of course the main driver of the explosive growth of e-commerce and therefore of the increase in the number of parcels. I also consider digitization as an important pillar in the development of new services for citizens. We are already carrying out experiments in that direction and hope to develop them into real-life solutions as soon as possible. Regardless of that, I think bpost has a duty to continue to serve customers who have not yet jumped on the digital train.”

Society

François Cornelis: “bpost provides an important social service and wishes to be able to provide it over the long term. To this end, bpost will seek to develop additional services to society in partnership with the State.”

Jean-Paul Van Avermaet: “Digitization has contributed to the fact that there is less contact between people, that society is perceived as less welcoming. In my opinion, bpost has always acted as a kind of physical intermediary between the government and the citizen, and I would like us to be able to continue to take on this prominent local role.”

Transformation

François Cornelis: “A first example is the introduction of a new distribution model. The automation of sorting processes as performed by Active Ants is a second example. The transformation of the company that started several years ago should lead to the creation of a new European player.”

Jean-Paul Van Avermaet: "When we talk about the 'last mile', we are of course referring to the Belgian level, where we want to stay at the forefront, in a sustainable way. E-commerce certainly still has room for growth in Belgium. To be convinced, you only need to look at the development of e-commerce and logistics in our neighbouring countries."

Clients

François Cornelis: “bpost is growing in increasingly competitive and customer-oriented professions. The Board of Directors therefore wishes to put the customer at the centre of bpost's concerns."

Jean-Paul Van Avermaet: “Customers must be our top priority, and in this regard, I think we can do even better than in the past. More behind the scenes than in direct contact with them. Customer value, whether this customer is big or small, must be the starting point for each of our activities.”

How do we create value for our stakeholders?

Our rapidly changing world presents challenges but also opportunities, which bpost takes on with enthusiasm.

Changes in the postal landscape

Fast-changing consumer requirements and behavior are driving disruptive trends in the postal landscape.

Digitization and e-substitution

Both business and consumer communications and services are increasingly taking place online, and the traditional core business of postal companies is in fast decline. For bpost this has resulted in a mail volume decline over the past years and an expected continuing decline by 2022.

E-commerce

Today 10% of global retail sales are online sales, with a growth of 20% per year in the past decade. This has resulted in a doubling of the volume of parcel deliveries by postal companies and has significantly intensified competition between parcel delivery companies. Consumers are demanding faster, more flexible and lower priced services, such as free delivery, parcel tracking and e-notifications.

Talent scarcity

Talent is a postal company's most valuable asset. But, according to the IPC, the average age of postal employees is increasing: 37% of the workforce is over 50, while only 11% is under 30[1]. The required skills are changing due to the new technologies and new postal activities. Young people are quick[2] to switch jobs, making it harder to attract and retain talent with the right skill set.

Climate change

Because of human-driven greenhouse gas emissions, the climate is slowly changing, bringing with it risks such as natural disasters and health issues. Because of this and the risk of increasing fuel and carbon prices, there is pressure on postal companies to increase efficiency and to operate in a more environmentally friendly way.

New technologies

Self-driving vehicles, mobile applications, automated sorting, robotics and artificial intelligence are all joining the postal sector. The purpose of these technologies is to increase efficiency and improve convenience and flexibility of last-mile delivery.

Shared value KPIs

3,837.8 million EUR total operating income	82 Customer satisfaction score	4.9 Employee engagement score	308,582 Teq CO_2 Total CO_2eq emissions (scope 1+2+3)

1 IPC (2018) – Global Postal Industry Report 2018

2 Forbes (https://www.forbes.com/sites/sarahlandrum/2017/11/10/millennials-arent-afraid-to-change-jobs-and-heres-why/#596876a519a5)

How we answer

bpost will deliver on three strategic aspirations

Mail & Retail

Mail services to citizens and State remain a core part of our service and will continue to generate profit with a more adapted distribution model.

Parcels & Logistics Europe & Asia

Drive profitable growth in parcels in Belgium and The Netherlands and e-commerce logistics in Europe.

Parcels & Logistics North America

Optimize Radial to deliver on the investment thesis in the promising North American e-commerce market.

respecting its stakeholders

People

We care about our employees and are committed to them.

Planet

We strive to reduce our impact on the environment.

Proximity

We are close to the society and its emerging needs.

Our impact on society and the Sustainable Development Goals

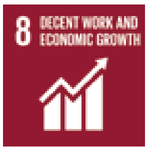
By providing affordable and reliable postal service to all Belgian citizens across rural and urban areas,

we contribute to building a resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation.

By sustainably diversifying, innovating and growing in e-commerce logistics services while respecting our environment,

we contribute to ensuring sustainable consumption and production patterns.

As one of the largest employers in Belgium and with employees all over the globe,



we contribute to promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

With our commitment to the Paris Climate Agreement via our Science Based CO_2 reduction Target,

we contribute to taking urgent action to combat climate change and its impacts.

By working closely together with suppliers, customers and communities,

we contribute to making cities and human settlements inclusive, safe, resilient and sustainable.

Stakeholders

Shareholders and investors | Customers | Employees and trade unions | Suppliers | NGOs and partners | Authorities

Key events of the year

ON JANUARY 23, 2019 BPOST AND THE CITY OF BRUSSELS REACHED AN AGREEMENT ON THE SALE OF CENTRE MONNAIE BUILDING.

bpost and the City of Brussels signed an agreement on the sale of the office section of the Centre Monnaie. From 2021 the central services will be located in the Multi Tower, which is opposite Centre Monnaie. Total cash proceeds for bpost from the sale are 56.1 million EUR, while the gain on disposal is 19.9 million EUR. Both figures have been included in the financial statements of the second quarter of 2019.

ON MARCH 22, 2019 THE COUNCIL OF MINISTERS APPROVED THE TERMS AND CONDITIONS APPLICABLE TO BPOST FOR THE DELIVERY OF THE UNIVERSAL SERVICE.

The federal government approved the terms and conditions applicable to bpost for the delivery of the universal service until December 31, 2023.

ON JUNE 25, 2019 RADIAL OPENED A NEW FULFILLMENT CENTER IN BROWNSBURG, INDIANA.

Driven by increased client demand, the opening of this 65,000 m^2 facility acknowledges the company's growth trajectory. In July Radial opened another center in Easton, Pennsylvania and in October it announced the expansion of its fulfillment footprint in Rialto, California.

ON AUGUST 30, 2019 BPOST COMPLETED THE SALE OF ALVADIS, A COMPANY OF THE UBIWAY GROUP.

Following the approval from the Belgian Competition Authority Ubiway finalized the share purchase agreement with Conway for the sale of Alvadis, a company of the Ubiway group. Conway is an international company active in the same industry.

ON SEPTEMBER 20, 2019 BPOST PARTICIPATED IN THE FIRST GREEN POSTAL DAY.

The aim of Green Postal Day was to highlight the benefits the postal industry has reaped by working together as a sector over the last ten years to reduce CO_2 emissions. Posts worldwide called on other industry sectors to follow their example and adopt a collective approach to tackle climate change.

ON NOVEMBER 6, 2019 IT WAS ANNOUNCED THAT JEAN-PAUL VAN AVERMAET WOULD BE APPOINTED BPOST GROUP CEO TO SUCCEED KOEN VAN GERVEN.

bpost group CEO Koen Van Gerven's mandate has ended on February 26, 2020. As of then he is succeeded by Jean-Paul Van Avermaet, previously Managing Director at G4S.

ON DECEMBER 9, 2019 BPOST REACHED AN AGREEMENT ON THE SALE OF THE CITYDEPOT ACTIVITIES TO BD MYSHOPI.

bpost group continues its transformation with a focus on the sustainable delivery of parcels to consumers. Since CityDepot combines deliveries to businesses and traders on behalf of haulers and logistics companies, it was no longer an area of development for bpost and bpost decided to transfer its activities to a new owner. The transfer was effective as of December 31, 2019.

ON DECEMBER 6, 2019 THE BELGIAN FEDERAL COUNCIL OF MINISTERS DECIDED TO EXTEND THE PRESS CONCESSIONS.

The Belgian Federal Council of Ministers has decided to extend the current press concessions with bpost for a period of two years at the same conditions, as specified in the current concessions. The decision will be notified to the European Commission.

Corporate Governance Statement

Reference Code and introduction

In this Corporate Governance Statement, bpost outlines the key aspects of its corporate governance framework. This framework is consistent with the rules and principles set out in the Law of March 21, 1991 on the reform of certain economic public companies, as amended from time to time (the "**1991 Law**"), the Belgian Code of Companies and Associations, the Articles of Association, and the Corporate Governance Charter.

As a limited liability company under public law, bpost is governed by the Belgian Code of Companies and Associations, unless otherwise stipulated in the 1991 Law or other Belgian laws or regulations. In particular, any changes to bpost's Articles of Association, which have to be approved by the Shareholders' Meeting (generally requiring a 75% majority and a 50% quorum in accordance with Article 7:153 of the Belgian Code of Companies and Associations), must also be approved by a Royal Decree following a debate in the Council of Ministers.

Articles of Association

The latest version of bpost's Articles of Association was adopted at the Shareholders' Meeting of May 11, 2016 and was approved by the Royal Decree of September 1, 2016[1].

The main characteristics of bpost's governance model are the following:

- The **Board of Directors** sets bpost's general policy and strategy and oversees operational management;
- The Board of Directors set up a **Strategic Committee**, an **Audit Committee** and a **Remuneration and Nomination Committee** to assist and make recommendations to the Board of Directors;
- The ***Ad Hoc* Committee** comprises all independent directors of the Board of Directors and intervenes when the procedure prescribed by Article 7:97 of the Belgian Code of Companies and Associations, as incorporated in bpost's Corporate Governance Charter, is triggered;
- The Chief Executive Officer ("**CEO**") is responsible for operational management; the Board of Directors has delegated the powers of day-to-day management to the CEO;
- The **Group Executive Committee** assists the CEO with operational management;
- There is a clear division of responsibilities between the Board of Directors and the CEO.

Belgian Code of Companies and Associations

During the financial year 2019, which is the reference period for this Corporate Governance Statement, the Belgian Companies Code[2] (the "**Belgian Companies Code**") was applicable to bpost. However, the new Belgian Code of Companies and Associations[3] (the "**Belgian Code of Companies and Associations**") is applicable to bpost as of 1 January 2020.

Reference Corporate Governance Code

During the financial year 2019, which is the reference period for this Corporate Governance Statement, the 2009 Belgian Code on Corporate Governance (the "**2009 Corporate Governance Code**") was the reference code applicable to bpost[4].

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1 *This Royal Decree was published in the Belgian State Gazette on September 19, 2016 and has been in effect since September 29, 2016.*
2 *Dated 7 May 1999. This Code was published in the Belgian State Gazette on 6 August 1999.*
3 *Dated 23 March 2019. This Code was published in the Belgian State Gazette on 4 April 2019.*
4 *The 2009 Corporate Governance Code is available on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be).*

The 2009 Corporate Governance Code is based on a "comply or explain" approach. Belgian listed companies are required to follow the 2009 Corporate Governance Code, but may deviate from its provisions provided they disclose the justification for any such deviation.

As from 1 January 2020, the 2020 Belgian Code on Corporate Governance (the "**2020 Corporate Governance Code**") is the reference code applicable to bpost[1]. The Board of Directors is currently in the process of analyzing the 2020 Corporate Governance Code in view of its implementation, based on a "comply or explain" approach, and will report on how the 2020 Corporate Governance Code is applied to bpost in the Corporate Governance Statement of next years' annual report.

Corporate Governance Charter

The Board of Directors adopted the Corporate Governance Charter on May 27, 2013. The Charter has been in effect since June 25, 2013 and was last amended by the Board of Directors' decision of March 19, 2019. The Board of Directors is in the process of reviewing the Corporate Governance Charter in view of the implementation of the 2020 Corporate Governance Code.

The Board of Directors regularly reviews bpost's Corporate Governance Charter and adopts any changes deemed necessary and appropriate.

The Corporate Governance Charter contains rules with respect to:

- the duties of the Board of Directors, Board Committees, Group Executive Committee, and CEO;
- the responsibilities of the Board of Directors' Chairperson and Corporate Secretary;
- the requirements that apply to the Board of Directors' members to ensure that they have adequate experience, expertise, and competences to fulfill their duties and responsibilities;
- the disclosure system on mandates held and rules aimed at avoiding conflicts of interests and providing guidance on how to inform the Board of Directors in a transparent way in case conflicts occur, and a prohibition on director participation in the deliberations and voting on any matter in which he or she has a conflicting interest.

Deviations from the 2009 Corporate Governance Code

During the financial year 2019, bpost complied with the 2009 Corporate Governance Code, with the exception of the following three deviations, which were imposed under the 1991 Law (before its amendment by the Law of December 16, 2015 (the "**December 2015 Law**") that entered into force on January 12, 2016):

- The 2009 Corporate Governance Code (provision 4.2) states that the Board of Directors proposes directors for appointment by the Shareholders at a Shareholders' Meeting. However, Bernadette Lambrechts, appointed before January 12, 2016, was directly appointed by the Belgian State in accordance with the former Article 18, §2 juncto Article 148bis/3 of the 1991 Law. As from January 12, 2016, all directors are (re)appointed by decision of the Shareholders at a Shareholders' Meeting.
- The 2009 Corporate Governance Code (provision 6.3) states that the Board of Directors appoints the CEO. Koen Van Gerven, who was the CEO during the financial year 2019, was appointed by the Belgian State by Royal Decree following a debate in the Council of Ministers, in accordance with the former Article 20, §2 of the 1991 Law. The current CEO, Jean-Paul Van Avermaet, was appointed by the Board of Directors.

1 *The 2020 Corporate Governance Code is available on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be).*

- The 2009 Corporate Governance Code (provision 4.6) states that the term of a Board of Directors mandate should not exceed four years. However, Bernadette Lambrechts was appointed for six years in accordance with the former Article 18, §3 and Article 20, §2 (first sentence) of the 1991 Law. As from January 12, 2016, all non-executive directors are (re)appointed to serve a (new) term of four years.

Board of Directors

Composition

GENERAL RULES GOVERNING THE COMPOSITION OF THE BOARD OF DIRECTORS

Since the December 2015 Law entered into force on January 12, 2016, the composition of the Board of Directors has been governed as described below.

- The Board of Directors consists of a maximum of 12 directors, including the CEO, and comprises only non-executive directors, except for the CEO.
- All directors are appointed (and can be removed) by the Shareholders at a Shareholders' Meeting, on proposal by the Board of Directors and from candidates nominated by the Remuneration and Nomination Committee.
- Directors are appointed for a renewable term of four years, to the extent that the total term of their mandate (as renewed) does not exceed 12 years. To ensure continuity in the organization, these limitations do not apply to the CEO.
- Any shareholder holding at least 15% of bpost's shares has the right to nominate directors for appointment pro rata its shareholding ("nomination right"). Directors nominated by a shareholder may be independent, provided they fulfill the general independence criterion laid down in Article 7:87 of the Belgian Code of Companies and Associations (also considering the specific independence criteria laid down in Article 3.5. of the 2020 Corporate Governance Code), but do not have to be independent.
- All directors, other than the CEO and those appointed through the aforementioned nomination right, must be independent directors. In any case, the Board of Directors must comprise at all times at least three directors fulfilling the general independence criterion laid down in Article 7:87 of the Belgian Code of Companies and Associations, also considering the specific independence criteria laid down in Article 3.5. of the 2020 Corporate Governance Code. The bpost Corporate Governance Charter further provides that at least half of the directors must at all times meet the independence criteria as set out in Article 3.2.4 of the bpost Corporate Governance Charter.
- All directors can be removed by decision of the Shareholders at a Shareholders' Meeting.
- Should any director mandate become vacant, the remaining directors have the right, in accordance with Article 7:88 of the Belgian Code of Companies and Associations, to temporarily fill such vacancy until a final appointment takes place in accordance with the abovementioned rules.

The current composition of the Board of Directors complies with:

- the gender representation requirements set forth in (i) Article 18, §2bis of the 1991 Law and (ii) Article 7:86 of the Belgian Code of Companies and Associations); and
- the language requirements set forth in Article 16 and 148bis/1 of the 1991 Law.

Finally, in accordance with the Law of September 3, 2017 on disclosure of non-financial and diversity information by certain large undertakings and groups, bpost applies a diversity policy in relation to its administrative, management, and supervisory bodies with regard to aspects such as, e.g., age, gender, educational and/or professional backgrounds. A description of this policy, its objectives, how it has been implemented, and the results in the reporting period is provided further in this Annual Report.

The Board of Directors was, per December 31, 2019, composed of the following 11 members:

NAME	POSITION	FIRST APPOINTMENT AS DIRECTOR	MANDATE EXPIRES
FRANÇOIS CORNELIS[1]	Chairperson of the Board of Directors	2013	2023
KOEN VAN GERVEN[2,3]	CEO and Director	2014	2020
JOS DONVIL[2]	Non-Executive Director	2017	2021
BERNADETTE LAMBRECHTS[2]	Non-Executive Director	2014	2020
MICHAEL STONE[4]	Independent Director	2014	2022
RAY STEWART[4]	Independent Director	2014	2022
FILOMENA TEIXEIRA[5]	Independent Director	2017	2021
SASKIA VAN UFFELEN[5]	Independent Director	2017	2021
LAURENT LEVAUX[6]	Non-Executive Director	2012[7]	2023
CAROLINE VEN[6]	Non-Executive Director	2012[7]	2023
ANNE DUMONT[6]	Non-Executive Director	2019	2023

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

At the Shareholders' Meeting of May 8, 2019, the Shareholders decided, on recommendation of the Remuneration and Nomination Committee, to:

- appoint Laurent Levaux, Caroline Ven and Anne Dumont, proposed by the Belgian State in accordance with its nomination right, as non-executive directors for a term of four years until the annual Shareholders' Meeting of 2023;
- renew the mandate of François Cornelis as independent director for a term of four years until the the annual Shareholders' Meeting of 2023.

In addition, the following changes occurred in the composition of the Board of Directors:

- on October 25, 2019, it was with great sadness that the Board of Directors had to announce the death of Thomas Hübner, who was an independent director;
- on February 26, 2020, the mandate of Koen Van Gerven, as director and CEO, automatically expired and was not renewed;

1 *Appointed by the General Meeting of May 27, 2013 (confirmed by decision of June 25, 2013) and appointed as Chairperson by a Board of Directors decision of May 10, 2017. His mandate was renewed (i) as director by a decision of the General Meeting of Shareholders held on May 8, 2019 and (ii) as Chairperson by a Board of Directors' decision of May 8, 2019.*
2 *Appointed by the Belgian State.*
3 *Appointed as CEO by Royal Decree of February 26, 2014 following a debate in the Council of Ministers.*
4 *Appointed by the General Meeting of all Shareholders of bpost other than Public Institutions held on September 22, 2014. Their mandate was renewed by the General Meeting of Shareholders held on May 9, 2018.*
5 *Appointed by the annual General Meeting of Shareholders of bpost held on May 10, 2017.*
6 *Appointed by the annual General Meeting of Shareholders of bpost held on May 8, 2019.*
7 *First appointment as Director dates from 2012, but not in office from May 9, 2018 until May 8, 2019.*

- on February 12, 2020, upon unanimous recommendation of the Remuneration and Nominations Committee, the Board of Directors decided, with effect as from February 26, 2020, to:
  - co-opt Jean-Paul Van Avermaet, as member of the bpost Board of Directors until the Shareholders' Meeting of May 13, 2020 that will be requested to confirm his appointment (in accordance with article 24 of the Articles of Association and 7:88 of the Belgian Code of Companies and Associations);
  - appoint Jean-Paul Van Avermaet as new CEO of bpost, vested with the day-to-day management and specific powers delegated by the Board of Directors, as well as the representation of the Company with regard to these powers, until January 12, 2026.

Finally, on March 25, 2020, the director's mandate of Bernadette Lambrechts will expire. In the interest of bpost, in order to ensure the continuity of bpost's Board of Directors, and in accordance with company law, she will continue to carry out her functions until her replacement at the Shareholders' Meeting of May 13, 2020.

The Board of Directors intends to recommend candidates, nominated by the Remuneration and Nomination Committee, for appointment by the Shareholders at the annual Shareholders' Meeting of May 13, 2020 to replace the directors whose mandate has ended or will expire.

Newly elected directors can choose to participate in an induction program aimed at acquainting them with bpost's activities and organization as well as with the rules laid down in the Corporate Governance Charter. This program includes visiting operational and sorting centers.

Powers and functioning

POWERS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is vested with the power to perform all acts that are necessary or useful for the realization of bpost's purpose, except for those actions that are specifically reserved by law or the Articles of Association to the Shareholders' Meeting or other management bodies.

In particular, the Board of Directors is responsible for:

- defining the general policy of bpost and its subsidiaries;
- deciding all major strategic, financial and operational matters of bpost;
- overseeing the management of the Company by the CEO and the Group Executive Committee;
- all other matters reserved to the Board of Directors by the Belgian Code of Companies and Associations or the 1991 Law.

The Board of Directors is entitled to delegate special and limited powers to the CEO and other members of senior management and can allow sub-delegation of said powers. On June 30, 2017, the Board of Directors decided to approve a delegation of authority formalizing the delegation of specific powers by the Board of Directors to the CEO and other members of the Group Executive Committee. This policy, which does not affect the powers granted to the Board of Directors by or pursuant to bpost's Articles of Association, has been published in the annexes to the Belgian Official Gazette on November 16, 2017.

ACQUISITION AND DIVESTITURE OF OWN SHARES, PROFIT-SHARING CERTIFICATES OR ASSOCIATED CERTIFICATES

The Board of Directors is currently not authorized to acquire, on or outside the stock market, bpost's own shares, profit-sharing certificates or associated certificates in accordance with Articles 620 et seq. of the Belgian Companies Code (currently Articles 7:215 et seq. of the Belgian Code of Companies and Associations).

Without prejudice to applicable mandatory rules, the Board of Directors is authorized to divest itself of part of or all the bpost shares, profit-sharing certificates or associated certificates at a price it determines, on or outside the stock market or in the framework of its remuneration policy to employees, directors or consultants of bpost or to prevent any serious and imminent harm to bpost, which authorization is valid without any time restriction. The authorization covers the divestment of the Company's shares, profit-sharing certificates or associated certificates by a direct subsidiary within the meaning of Article 627, indent 1 of the Belgian Companies Code (currently Article 7:221 of the Belgian Code of Companies and Associations).

FUNCTIONING OF THE BOARD OF DIRECTORS

The Board of Directors meets whenever the interests of the Company so requires or at the request of at least two directors. In principle, the Board of Directors meets seven times a year and in any event not fewer than five times a year. In 2019, the Board of Directors met twelve times.

In general, the Board of Directors' and Board Committees' decisions are taken by simple majority of the directors present or represented, although for certain Board matters a two-thirds' majority is required (such as, e.g., decisions on the approval of all renewals or amendments to the Management Contract and certain decisions on the administrative law status of statutory employees). In the case of a tie, the Chairperson has a casting vote.

The bpost Corporate Governance Charter reflects the principles by which the Board of Directors and the Board Committees operate.

The Corporate Governance Charter provides, inter alia, that the Board of Directors' decisions of strategic importance, including the adoption of the business plan and the annual budget and decisions regarding strategic acquisitions, alliances and divestitures must be prepared by a standing or an *ad hoc* Board Committee. For any such decisions, the Board of Directors shall strive to achieve broad support across its various constituencies, it being understood that, following appropriate dialogue and consultations, the Board of Directors' Chairperson may call for a decision and the proposal shall carry if adopted by a majority of the votes cast.

Evaluation process of the Board of Directors

Under the Chairperson's lead, the Board of Directors conducts regular evaluations of its scope, composition, and performance, along with those of the Board Committees, as well as the interaction with the Group Executive Committee. If needed, the Chairperson shall propose the necessary measures to remedy any weaknesses of the Board of Directors or of any Board Committee.

Following an external assessment in 2015, the Board of Directors decided to monitor and evaluate on a regular basis the main focus areas identified in the external assessment. In December 2018, the Board of Directors, Board Committees, and the Group Executive Committee performed formal and comprehensive self-evaluation. The assessment, whose results were known in February 2019, focused on the composition and structure of the Board of Directors and its committees, its role and objectives, its functioning, the information flows within the Board of Directors and with the Group Executive Committee, as well as its compliance with governance standards.

The Board of Directors continuously evaluates and improves its functioning in order to steer bpost ever better and more efficiently.

Transactions between bpost, its Board members and executive managers

A general policy on conflicts of interest applies within bpost and prohibits any conflict of interests situation of a financial nature that may affect a director's personal judgment or professional tasks to the detriment of bpost's group.

In accordance with Article 523 of the Belgian Companies Code, Koen Van Gerven declared, during the Board of Directors' meeting of March 19, 2019, to have a personal conflict of interest of patrimonial nature in connection with his annual evaluation as CEO. He informed bpost's Auditors of this conflict of interest and decided not to participate in the deliberation or voting on this item.

Transactions between bpost and its majority shareholders

bpost's Corporate Governance Charter requires that the intra-group conflicts of interest procedure set forth in Article 524 of the Belgian Companies Code be observed for any decisions regarding the Management Contract or other agreements with the Belgian State or other Public Institutions (other than those within the scope of Article 524, §1, last sub-paragraph of the Belgian Companies Code). In summary, these decisions are subject to a prior non-binding reasoned opinion of an *Ad Hoc* Committee, consisting of at least three independent directors. The *Ad Hoc* Committee is assisted by an independent expert, selected by the *Ad Hoc* Committee, and bpost's auditors validate the financial data used. The procedure then requires the Board of Directors to substantiate its decision and the auditors – to validate the financial data used by the Board of Directors.

The Board of Directors has established an *Ad Hoc* Committee, for the purpose of the extension of the press concessions, composed of all independent directors. The *Ad Hoc* Committee met one time in 2019.

As from January 1, 2020, the intra-group conflicts of interest procedure set forth in article 7:97 of the Belgian Code of Companies and Associations directly applies to bpost. The Board of Directors will revise the Corporate Governance Charter in the light thereof.

Committees of the Board of Directors

Apart from the *Ad Hoc* Committee, the Board of Directors has established three Board Committees which assist the Board of Directors and make recommendations in specific fields: the Strategic Committee, the Audit Committee (in accordance with Article 7:99 of the Belgian Code of Companies and Associations), and the Remuneration and Nomination Committee (in accordance with Article 7:100 of the Belgian Code of Companies and Associations). The terms of reference of these Board Committees are set out in the Corporate Governance Charter.

STRATEGIC COMMITTEE

The Strategic Committee advises the Board of Directors on strategic matters and shall, in particular:

- regularly review industry developments, objectives and strategies of bpost and its subsidiaries and recommend corrective actions;
- review risks and opportunities of the strategy as identified by the Company's strategic risk assessment and other processes, and the impact of the relevant industry trends and changes, emerging or evolving competitive activity, governmental or legislative developments and the Company's performance against the financial targets agreed by the Board of Directors and communicated to the Company's shareholders;
- review the draft business plan submitted each year by the Group Executive Committee and provide guidance for the strategic planning process to ensure that the strategic implementation plan is developed, adhered to, and embedded in the Company;
- review strategic transactions proposed by the CEO or Group Executive Committee, including strategic acquisitions and divestitures, formation and termination of strategic alliances or longer-term cooperation agreements, launching of new product segments and entry into new products or geographic areas;
- monitor the implementation of such strategic projects and of the business plan including the Company's progress against strategic goals using predefined and agreed key performance indicators (KPIs) and provide feedback and advice on business tactics, merger and acquisition strategy, market capabilities, and resource requirements and allocation;

- review the execution of transactions, post–acquisition implementation and the realisation of the foreseen value of the acquisition to the Company's strategic objectives, including evaluating post-transaction audits to track performance against acquisition plan targets and the creation of value and realisation of synergies;
- make reports to the Board of Directors on its activities including an annual review of the performance of the committee and any recommendations for changes in the scope of its duties, composition, and working practices.

The Strategic Committee consists of maximum six directors. The Strategic Committee's Chairperson is designated by the Strategic Committee's members.

The Strategic Committee was, per December 31, 2019, composed of the following five members:

NAME	POSITION
LAURENT LEVAUX (CHAIRPERSON)	Non-Executive Director
CAROLINE VEN	Non-Executive Director
FILOMENA TEIXEIRA	Independent Director
KOEN VAN GERVEN	CEO and Director
ANNE DUMONT	Non-Executive Director

The Strategic Committee met five times in 2019.

AUDIT COMMITTEE

The Audit Committee advises the Board of Directors on accounting, audit, and internal control matters, and shall, in particular be in charge of:

- monitoring the integrity of bpost's financial statements and bpost's accounting and financial reporting processes and financial statements audits as well as bpost's budget;
- monitoring the effectiveness of bpost's internal control and risk management;
- monitoring the internal audit function and its effectiveness;
- monitoring the performance of the Joint Auditors and the statutory audit of the annual and consolidated accounts, including any follow-up on any questions and recommendations made by the Joint Auditors;
- reviewing and monitoring the Auditors' independence, especially in view of the provisions of the Belgian Code of Companies and Associations;
- proposing candidates to the Board of Directors for the two Auditors to be appointed by the Shareholders' Meeting;
- informing the Board of Directors on the results of the statutory audit and the performance of its tasks;
- appointing, dismissing, replacing, and annually evaluating the performance of the Chief Audit Officer.

The Audit Committee consists of maximum five non-executive directors, with at all times a majority of independent directors. The Audit Committee's Chairperson is designated by the Audit Committee's members.

Collectively, the Audit Committee's members have sufficient relevant expertise in the field of accounting and audit to fulfill their roles effectively, notably in financial matters. Ray Stewart is competent in accounting and auditing, as evidenced by his former executive positions at Nyrstar and Proximus (previously Belgacom). The other members of the Audit Committee hold or have held several board or executive mandates in top-tier companies or organizations.

The Audit Committee was, as of December 31, 2019, composed of the following five members:

NAME	POSITION
RAY STEWART (CHAIRPERSON)	Independent Director
MICHAEL STONE	Independent Director
SASKIA VAN UFFELEN	Independent Director
BERNADETTE LAMBRECHTS	Non-Executive Director
CAROLINE VEN	Non-Executive Director

The Audit Committee met seven times in 2019.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee advises the Board of Directors principally on matters regarding the appointment and remuneration of directors, CEO, and Group Executive Committee and shall in particular:

- identify and nominate Board candidates to fill vacancies as they arise, thereby considering proposals made by relevant parties, including shareholders;
- nominate for appointment candidates for the Board of Directors to be appointed by shareholders (whether or not in application of their nomination right set forth in Article 21, §2 of the Articles of Association);
- advise the Board of Directors on the appointment of the Board of Directors' Chairperson;
- advise the Board of Directors on the appointment of the CEO and on the CEO's proposals for the appointment of other members of the Group Executive Committee;
- advise the Board of Directors on the remuneration of the CEO and other members of the Group Executive Committee, including arrangements on early termination;
- review any share-based or other incentive scheme for the directors, members of the Group Executive Committee, and employees;
- establish performance targets and conduct performance reviews for the CEO and other members of the Group Executive Committee;
- advise the Board of Directors on the remuneration of the directors;
- advise the Board of Directors on talent management and diversity & inclusiveness policy;
- submit a remuneration report to the Board of Directors;
- advise the Board of Directors on the remuneration policy to be submitted, as the case may be, to the Shareholders' Meeting;
- lead the process for succession planning for Board of Directors and Group Executive Committee members, taking into account the challenges and opportunities facing bpost and the skills and expertise needed in each position.

The Remuneration and Nomination Committee consists of minimum three and maximum five non-executive directors, with at all times a majority of independent directors.

The Remuneration and Nomination Committee was, per December 31, 2019, composed of the following four members:

NAME	POSITION
FRANÇOIS CORNELIS (CHAIRPERSON)	Chairman of the Board
JOS DONVIL	Non-Executive Director
SASKIA VAN UFFELEN	Independent Director
FILOMENA TEIXEIRA	Independent Director

The Remuneration and Nomination Committee met nine times in 2019.

Executive Management

CEO

The previous CEO, in function during the financial year 2019, Koen Van Gerven, was appointed for a term of six years by the Royal Decree of February 26, 2014 following a debate in the Council of Ministers, in accordance with the provisions of the 1991 Law before it was amended by the December 2015 Law.

The current CEO, Jean-Paul Van Avermaet, was appointed for a term of six years by the Board of Directors, following nomination by the Remuneration and Nomination Committee, until January 12, 2026.

The CEO is vested with the day-to-day management of bpost, as well as specific delegated powers, and reports to the Board of Directors. He is also entrusted with the execution of the Board of Directors' decisions and he represents bpost within the framework of his powers, including exercising the voting rights attached to shares and stakes held by bpost.

The CEO can be removed by the Board of Directors.

Group Executive Committee

bpost's operational management is ensured by the Group Executive Committee and is led by the CEO. The Group Executive Committee consists of maximum nine members, appointed (for the duration determined by the Board of Directors) and removed by the Board of Directors, following a recommendation by the CEO and advice of the Remuneration and Nomination Committee.

The Group Executive Committee convenes regularly at the invitation of the CEO. The Group Executive Committee is assisted by the Group Executive Committee Secretary.

The individual members of the Group Executive Committee exercise the special powers delegated to them by the Board of Directors or the CEO, as the case may be. Within the limits of these powers, the members of the Group Executive Committee may delegate to one or more members of bpost's staff special and limited powers. The Group Executive Committee members may allow sub-delegation of these powers.

The Group Executive Committee prepares, under direction of the CEO, a business plan assessing bpost's medium-term purposes and strategy. This business plan is submitted to the Board of Directors for approval.

The Group Executive Committee was, as of December 31, 2019, composed of the following members:

NAME	FUNCTION
KOEN VAN GERVEN	Chief Executive Officer
LEEN GEIRNAERDT	Chief Financial Officer
MARK MICHIELS	Chief Human Resources & Organization
DIRK TIREZ	Chief Legal & Regulatory Officer and Company Secretary
NICO COOLS	Chief IT Officer and Chief Digital Officer
LUC CLOET	Director Mail & Retail
KATHLEEN VAN BEVEREN	Director Parcels & Logistics Europe & Asia
HENRI DE ROMRÉE	Director Parcels & Logistics North America

1991 Law Committee

The 1991 Law contains several provisions detailing the composition, appointment, and functioning of a "**1991 Law Committee**." Since the entry into force of the December 2015 Law, the powers to be assigned to the 1991 Law Committee are limited to the negotiation of the Management Contract with the Belgian State (it being understood that the Management Contract requires the subsequent approval of the Board of Directors). Therefore, the 1991 Law Committee remains in existence only for the limited purposes and tasks assigned to it by the amended 1991 Law.

The 1991 Law Committee was, as of December 31, 2019, composed of the CEO, who chairs the Committee, and two other members of the Group Executive Committee (one Dutch-speaking member and one French-speaking member): Mark Michiels and Henri de Romrée.

Company Secretary

The Board of Directors and the Advisory Committees are assisted by the Group Company Secretary, Dirk Tirez, who is also bpost's Chief Legal & Regulatory Officer. He was appointed in October 2007. François Soenen is the Group Executive Committee Secretary.

Joint Auditors

The Joint Auditors audit bpost's financial condition as well as consolidated and unconsolidated financial statements. There are four bpost Joint Auditors: (i) two Auditors appointed by the Shareholders' Meeting and (ii) two Auditors appointed by the Court of Audit, the Belgian institution responsible for the verification of public accounts (*Cour des Comptes/Rekenhof)*. The Joint Auditors are appointed for renewable terms of three years. The Shareholders' Meeting determines the remuneration of the Joint Auditors.

bpost's Joint Auditors were, as of December 31, 2019:

- EY Réviseurs d'Entreprises–Bedrijfsrevisoren SRL/BV ("**EY**"), represented by Mr. Romuald Bilem (member of the *Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren*), De Kleetlaan 2, 1831 Diegem, Belgium (its mandate was renewed by the Shareholders' Meeting on May 9, 2018 until the annual Shareholders' Meeting of 2021);
- PVMD Réviseurs d'Entreprises- Bedrijfsrevisoren SCRL/CVBA ("**PVMD**"), represented by Mrs. Caroline Baert (member of the *Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren*), Tweekerkenstraat 44, 1000 Brussel, Belgium (its mandate was renewed by the Shareholders' Meeting on May 9, 2018 until the annual Shareholders' Meeting of 2021);
- Mr. Philippe Roland, First President of the Court of Audit (*Rekenhof/Cour des Comptes*), Rue de la Régence 2, 1000 Brussels, Belgium (his mandate was renewed by the Court of Audit on September 25, 2019 until September 30, 2022); and
- Mrs. Hilde François, Chairperson of the Court of Audit (*Rekenhof/Cour des Comptes*), Rue de la Régence 2, 1000 Brussels, Belgium (she was appointed by the Court of Audit on October 3, 2018 until September 30, 2021).

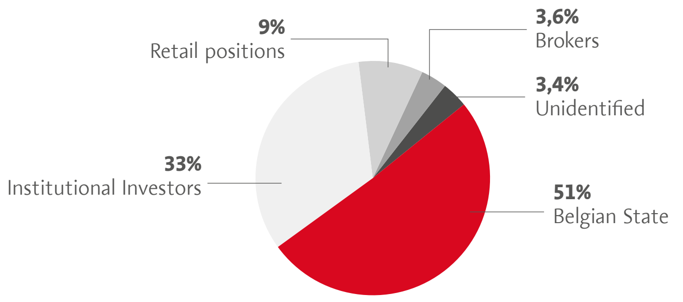
EY and PVMD are responsible for the audit of bpost's consolidated financial statements. For the year ended December 31, 2019, EY and PVMD received 1,334,652 EUR (excluding value added tax) in fees for the audit of financial statements of bpost and its subsidiaries and 185,024 EUR (excluding value-added tax) in fees for non-audit services. The two

Auditors appointed by the Court of Audit received 80,096 EUR in remuneration for their services in connection with the audit of bpost's non-consolidated financial statements for the year ended December 31, 2019.

Shareholding structure and shareholders rights

bpost's shares are registered or dematerialized. On December 31, 2019, bpost's share capital was represented by 200,000,944 shares, listed on the regulated market of Euronext Brussels.

With, respectively, 48,263,200 (24.13%) and 53,812,449 (26.91%) bpost shares in their possession on December 31, 2019, the Belgian State and the SFPI/FPIM together hold 102,075,649 (51.04%) of bpost issued voting shares. The remaining 97,925,295 shares are held by individual shareholders and European and international institutional shareholders.



STRUCTURE OVERVIEW BY TYPE (IN %) ON DECEMBER 31, 2019

In 2019, bpost did not receive any transparency declarations disclosing that a notification threshold had been reached (crossed upward or downward) in accordance with the Law of May 2, 2007 on the disclosure of significant shareholdings in listed companies and the Articles of Association. All transparency notifications are available on bpost's website at http://corporate.bpost.be/investors/share-information/transparency-declarations.

The Company's shares are freely transferable, provided that, according to Article 147bis of the 1991 Law and Article 16 of the Articles of Association, the direct participation of Public Institutions in the registered capital has to exceed 50%. However, following the entry into force on January 12, 2016 of the December 2015 Law, the Belgian Government had the option, until December 31, 2018, to approve by Royal Decree following a debate in the Council of Ministers, transaction(s) that cause the direct participation of Public Institutions to drop below 50% plus one share (Article 54/7 §1 of the 1991 Law). The Belgian Government did not make use of this option.

On January 17, 2006, bpost, the Belgian state, the SFPI/FPIM entered into a shareholders' agreement, as subsequently amended, for a fixed term of 15 years. This agreement does not result in restrictions on the transfer of bpost shares and/or the exercise of voting rights other than set forth in the bpost Corporate Governance Charter.

On December 31, 2019, bpost did not hold any of its own shares.

Each share entitles its holder to one vote. Apart from the restrictions on voting rights imposed by law, the Articles of Association provide that, if shares are held by more than one owner, are pledged, or if the rights attached to the shares are subject to joint ownership, usufruct or any other kind of split of such rights, the Board of Directors may suspend the exercise of the rights attached to such shares until one person has been appointed as the sole representative of the relevant shares vis-à-vis bpost.

Remuneration Report

bpost's remuneration policy relating to the remuneration of the Board of Directors' members and bpost's management is based on current legislation, the Corporate Governance Code 2009, market practices and trends.

bpost considers essential transparency and clear communication on the principles and implementation of the policy. It therefore shares relevant information in this report.

General remuneration policy and remuneration principles

bpost has developed a dynamic, rewarding, and responsible remuneration policy. This policy is regularly assessed and updated to ensure bpost's sustainability.

The general remuneration policy has multiple objectives, *inter alia*:

- offering the Company's employees a fair remuneration, in consultation with the trade unions, while remaining competitive compared to the reference markets of mail, parcels, logistics and e-commerce companies in Europe;
- stimulating performance at both the collective and individual levels to create sustainable and profitable long-term growth, while safeguarding the wellbeing of our staff. With this in mind, the remuneration plan integrates aspects related to (i) bpost's results (e.g., EBIT results along with criteria relating to the wellbeing of the staff and customer satisfaction) and (ii) the individual performance and skills;
- identifying and promoting bpost's corporate values and culture;
- attracting, retaining, and motivating qualified and specialized individuals needed to achieve the Company's strategic and operational goals in the transformation of its business into one of the leading e-commerce and logistics companies in Europe and beyond.

The Remuneration and Nomination Committee regularly examines the policy's principles and their application, and will continue to do so in the coming two financial years. In 2019, a limited and responsible flexible remuneration plan was introduced, enabling management-level employees to choose between various benefits within a fixed budget at no additional costs for the Company. The Remuneration and Nomination Committee also reviewed the pension plan for its employees, to be in line with the above reference market.

The Board of Directors and the Remuneration and Nomination Committee will also examine the possibility and feasibility of introducing a long-term incentive plan. The purpose of this plan would be to better align the actions and initiatives of management with the long-term performance of the Company.

This report does not include bpost's Belgian subsidiaries, whose remuneration policy is in line with the national reference market, or bpost's foreign subsidiaries, whose remuneration policies are in line with local reference markets of relevant companies and aim to attract and retain qualified and experienced directors and managers. In that regard, the Radial Group has its own incentive plan, in accordance with US market practices.

Procedure for establishing the remuneration policy and setting the individual remuneration of the Board of Directors' members and bpost's management

As a limited liability company under public law and in compliance with the applicable corporate governance requirements, bpost has developed a specific remuneration policy for the members of its Board of Directors and management. This policy was introduced by the Board of Directors on recommendation by the Remuneration and Nomination Committee and is regularly assessed and updated.

It is a balanced remuneration policy based on the overall remuneration policy as set out above, with the aim of (i) attracting and retaining qualified managers and directors, (ii) encouraging them to generate sustainable and profitable long-term growth, in line with the general strategy of bpost, (iii) reflecting their individual duties and skills, and (iv) aligning the interests of management and shareholders.

bpost distinguishes three different groups for which the remuneration principles are set out below in detail:

- the Board of Directors' members;
- the CEO;
- the Group Executive Committee members.

The individual remuneration of the directors and managers depends on the category they belong to.

Principles of remuneration of the Board of Directors' members and bpost's management

REMUNERATION OF THE BOARD OF DIRECTORS' MEMBERS

The remuneration of the Board of Directors' members (with the exception of the CEO), as approved by the General Shareholders' Meeting of April 25, 2000, continued to apply in 2019 and no substantial change is expected for the coming two financial years. It consists of two elements:

- a monthly fixed cash remuneration; and
- an attendance fee for each Advisory Committee meeting attended.

No other benefits are paid to the Board of Directors' members for their director's mandate.

The CEO is not entitled to any remuneration for his mandate as member of the Board of Directors.

Monthly fixed remuneration

The Board of Directors' members (with the exception of the CEO) are entitled to the following monthly fixed remuneration:

- 3,535.66 EUR for the Board of Directors' Chairman, who also chairs bpost's Joint Industrial Committee (*Paritair Comité / Commission Paritaire*), as indexed on March 1, 2019[1];
- 1,767.83 EUR for the other directors (with the exception of the CEO) as indexed on March 1, 2019[1].

Attendance fees

The Board of Directors' members (with the exception of the CEO) are also entitled to an attendance fee of 1,767.83 EUR per attended Advisory Committee meeting.

These amounts are indexed[1] annually.

Overall remuneration

For the financial year 2019, the remuneration granted to all the Board of Directors' members (with the exception of the CEO) totaled 388,123.43 EUR (gross).

1 *The benchmark index used for the indexation is the health index.*

The table below shows the total annual remuneration paid on an individual basis to each of the Board of Directors' members (with the exception of the CEO) based on his/her participation in the Advisory Committee meetings:

MEMBER	BOARD OF DIRECTORS		STRATEGIC COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE		AUDIT COMMITTEE		AD HOC COMMITTEE		TOTAL ANNUAL GROSS REMUNERATION (EUR)
	AMOUNT (EUR)	MEETINGS[1]	AMOUNT (EUR)	MEETINGS[1]	AMOUNT (EUR)	MEETINGS[1]	AMOUNT (EUR)	MEETINGS[1]	AMOUNT (EUR)	MEETINGS[1]	
Anne Dumont (from May 8, 2019)	14,142.64	7/7	3,535.66	2/3		NA		NA		NA	17,678.30
Laurent Levaux (from May 8, 2019)	14,142.64	6/7	5,303.49	3/3		NA		NA		NA	19,446.13
Caroline Ven (from May 8, 2019)	14,142.64	5/6	1,767.83	1/1	1,767.83	1/1	5,303.49	3/4		NA	22,981.79
François Cornelis (Chairman of the Board)	42,282.68	12/12		NA	15,874.16	9/9		NA	0	1/1[2]	58,156.84
Ray Stewart	21,141.34	12/12	5,303.49	3/3		NA	12,374.81	7/7	0	1/1[2]	38,819.64
Michael Stone	21,141.34	11/12	5,303.49	3/3		NA	12,374.36	7/7	0	1/1[2]	38,819.19
Bernadette Lambrechts	21,141.34	11/12	1,767.83	1/2		NA	12,374.81	7/7		NA	35,283.98
Jos Donvil	21,141.34	11/12	3,535.66	2/2	5,303.49	3/4		NA		NA	29,980.49
Thomas Hübner (until October 4, 2019)	17,605.68	9/9	8,839.15	5/5	8,802.84	5/5		NA	0	0/1[2]	35,247.67
Filomena Teixeira	21,141.34	11/12	5,303.49	3/3	15,874.16	9/9		NA	0	1/1[2]	42,319.09
Saskia Van Uffelen	21,141.34	11/12		NA	15,874.16	9/9	12,374.81	7/7	0	1/1[2]	49,390.31
	229,164.32		**40,660.09**		**63,496.74**		**54,802.28**		**0**		**388,123.43**

Remuneration of the CEO and the Group Executive Committee members

The remuneration package of the CEO and Group Executive Committee members is approved by the Board of Directors on recommendation of the Remuneration and Nomination Committee. It consists of:

- a base remuneration;
- a short-term incentive variable cash remuneration;
- a pension contribution; and
- various other benefits.

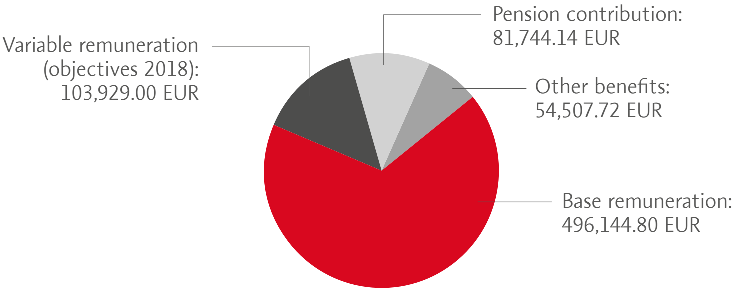
No shares, stock options, or other rights to acquire shares were granted to or exercised by the CEO or Group Executive Committee members, or have expired in 2019. No options under previous stock option plans were still outstanding for the financial year 2019.

No substantial changes were made to the remuneration of the CEO and Group Executive Committee members compared to the previous financial year and no substantial change is expected for the coming two financial years (except as set out below).

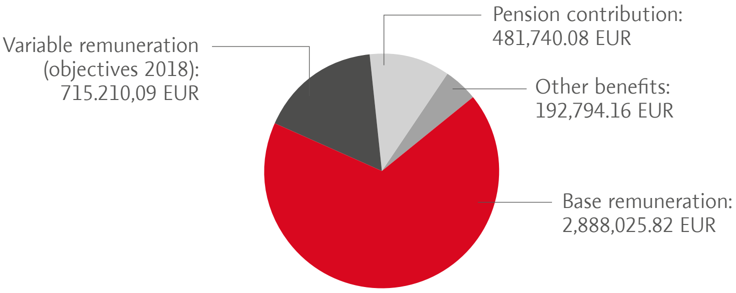
1 *The total number of meetings used as reference in the table depends on the time the concerned director has been appointed as member of the Board of Director or of an Advisory Committee.*

2 *These amounts cover all amounts paid in the financial year 2019. Please note that attendance fees are paid in the month following the attended Advisory Committee meeting. This means that the amounts paid out in financial year 2019 relate to attendance to meetings of the Board of Directors or the Advisory Committee meetings held from December 2018 until November 2019.*

The relative importance of the various remuneration components of the CEO and Group Executive Committee members is illustrated in the graphs below.



RELATIVE IMPORTANCE OF THE VARIOUS ELEMENTS OF THE CEO'S REMUNERATION (2019)



RELATIVE IMPORTANCE OF THE VARIOUS ELEMENTS OF THE GLOBAL REMUNERATION OF THE MEMBERS OF THE GROUP EXECUTIVE COMMITTEE (2019)

BASE REMUNERATION

The base remuneration consists of a base salary defined by the nature and specificities of the functions, granted independently of bpost's results:

- the CEO's base remuneration for the financial year 2019 amounted to 496,144.80 EUR (as indexed on October 1, 2018);
- the Group Executive Committee members' base remuneration reflects the responsibilities and characteristics of the position, the level of experience and the performance of the Group Executive Committee members during the past year. It is paid every month and is revised annually based on a benchmark study that covers large Belgian companies so as to offer a total remuneration in accordance with the median on the reference market.

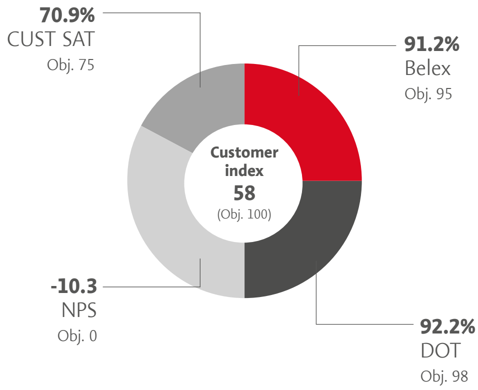
VARIABLE REMUNERATION

Short-term variable remuneration is a percentage of the base remuneration and aims to reinforce the performance-based managerial culture. The base amount of the variable remuneration actually allocated varies depending on (i) the corporate objectives and (ii) individual targets. Performance is assessed annually in light of the targets over the past year.

- The **corporate objectives** relate to performance against Key Performance Indicators (KPI's) set by the Board of Directors on recommendation of the Remuneration and Nomination Committee. These KPI's include financial and non-financial indicators :
  - EBIT (70%): reflects the group financial results. The payout for this criterion can reach 135% of the base amount (see table below);
  - Customer Loyalty Index (15%): reflects the loyalty of bpost's customers. The pay-out for this criterion is equal to the results for the given year. The Customer Loyalty Index for 2018 reached a score of 58 % leading to a payout of 58 % of the base amount for this criterion in 2019;
  - Short-term Absenteeism Index (15%): reflects the wellbeing of bpost's staff. The pay-out for this criterion is equal to the results for the given year. The Short-term Absenteeism Index for 2018 reached a score of 4.37% leading to a payout of 0% for this criterion in 2019.

GRIDS OF 2019 REMUNERATION (PERCENTAGE OF BASE REMUNERATION BASED ON EBIT, CUSTOMER INDEX AND ABSENTEEISM INDEX)

RESULTS (EBIT 2018)	VARIABLE REMUNERATION (%)
≤ 92.5 %	30%
95%	60%
97.5%	80%
100%	100%
102.5%	110%
106%	120%
108%	125%
110%	130%
≥ 112.5%	135%



Decrease	0.5%	0.2%	0%	-1%	-2%	-3%	-4%	-5%	-6%	-7%	-8%	-9%	-10%
Absenteeism	4.25	4.23	4.22	4.18	4.14	4.09	4.05	4.01	3.97	3.92	3.88	3.84	3.80
PROPOSED PAY OUT	**0%**	**30%**	**60%**	**68%**	**76%**	**84%**	**92%**	**100%**	**112%**	**126%**	**140%**	**140%**	**140%**

- The **individual target**s are defined and agreed on at the beginning of each year and assessed annually during the first quarter following the end of the financial year, as part of a Performance Management Process ("**PMP**"). Clear and measurable targets are set, which are to be achieved within an agreed timeframe. The individual performance is measured against these targets and may vary from 0% of the base amount of the short-term variable remuneration in the event of underperformance to 160% in the event of overperformance.

The individual targets of the CEO are agreed on and approved by the Board of Directors on recommendation of the Remuneration and Nomination Committee. The main criteria by which the CEO has been evaluated for the year 2018 were the following:

- achievement of specific financial results set by the Board of Directors;
- transformation of bpost into a global e-commerce logistics player anchored in Belgium;
- implementation of the alternating distribution model in Belgium;
- improvement of general employee engagement and customer satisfaction.

The individual targets of the Group Executive Committee members are mutually agreed on and approved by the CEO at the beginning of each year. The main criteria by which each Group Executive Committee member has been evaluated for the year 2018 were the following:

- specific business achievements and development;
- strategic orientation and execution of the transformation plan both abroad and in Belgium;
- team leadership, employee engagement and customer focus.

PENSION CONTRIBUTION

The CEO and Group Executive Committee members have a complementary pension plan (second pillar):

- the CEO's pension contribution for the financial year 2019 amounted to 81,744.14 EUR.
- the Group Executive Committee's global pension contribution for the financial year 2019 amounted to 481,934.72 EUR.

OTHER BENEFITS

The CEO and Group Executive Committee members have other benefits, e.g., an insurance covering death-in-service and disability, medical insurance, representation fees, meal vouchers and a company car. These benefits are benchmarked regularly and adapted according to standard practices.

GLOBAL REMUNERATION OF THE CEO IN 2019

The **global remuneration** paid to the CEO, Koen Van Gerven, in 2019 for his performance during the year that ended on December 31, 2019, amounts to 632,396.66 EUR excluding variable remuneration (compared to 593,179.95 EUR in 2018 excluding variable remuneration) and can be broken down as follows:

- base remuneration: 496,144.80 EUR (gross);
- pension: 81,744.14 EUR;
- other benefits:
  - insurance covering death-in-service, disability and medical coverage: 31,357.20 EUR;
  - representation fees: 3,300.00 EUR; and
  - leasing costs for company car: 19,850.52 EUR.

In addition, the CEO received a **variable remuneration** of 103,929.00 EUR (gross) in 2019 based on the corporate objectives and the individual targets for the year that ended on December 31, 2018 (given that the 2018 assessment was only completed in 2019)[1]. This amount is based on (i) the performance of bpost in 2018, and (ii) the CEO's individual targets, and the long-term value that these achievements created. Variable remuneration for the year 2019 will be determined and paid in 2020, after the performance assessment.

1 *As the variable remuneration of the CEO amounts to less than one fourth of his annual remuneration, the spreading in time of the variable remuneration as laid down in Article 7:91, par. 2 of the Belgian Code of Companies and Associations does not apply.*

GLOBAL REMUNERATION OF THE GROUP EXECUTIVE COMMITTEE MEMBERS IN 2019

The **global remuneration** paid in 2019 to the Group Executive Committee members (other than the CEO) during the year that ended on December 31, 2019 amounted to 3,562,754.85 EUR[1] excluding variable remuneration (compared to 3,462,033.85 EUR in 2018 excluding variable remuneration) and can be broken down as follows:

- base remuneration (including the end-of-year bonus and holiday pay): 2,888,025.82 EUR (gross);
- pension: 481,934.72 EUR;
- other benefits:
  - insurance covering death-in-service, disability and medical coverage: 108,140.95 EUR;
  - representation fees and meal vouchers: 24,341.38 EUR; and
  - leasing costs for company cars: 60,311.98 EUR.

In addition, the Group Executive Committee members (other than the CEO) received a **global variable remuneration** of 715,210.09 EUR (gross) in 2019 based on the corporate objectives and the individual targets for the year that ended on December 31, 2018 (given that the 2018 assessment was only completed in 2019)[2]. The global variable remuneration for 2019 will be determined and paid in 2020 after the performance assessment of each member of the Group Executive Committee.

Remuneration policy of the bpost's CEO and management as of 2019

In order to enhance the link between pay and performance of the Company and to ensure a constant alignment to market best practices, bpost reviewed its reward philosophy and some changes have been implemented from 2019 (for the variable remuneration to be paid in 2020).

In that context, the base amount of the CEO and Group Executive Committee member's short-term variable remuneration will vary depending on:

- the EBIT (60% for the CEO and 50% for the Group Executive Committee members);
- the loyalty of bpost's customers measured through the Customer Loyalty Index (10%);
- the staff well-being measured by the level of short-term absenteeism (10%); and
- individual targets annually agreed on (i) between the Board of Directors and the CEO and (ii) between the CEO and each Group Executive Committee member (respectively 20% for the CEO and 30% for the Group Executive Committee members).

Clawback provisions

There are no specific contractual clawback provisions in favor of bpost for variable remuneration paid out to the CEO and the members of the Group Executive Committee.

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1 *This amount comprises the pro rata remuneration paid to the Group Executive Committee members who resigned/started in 2019.*

2 *As the global variable remuneration of the Group Executive Committee members amounts to less than one fourth of their global annual remuneration, the spreading in time of the variable remuneration as laid down in Article 7:91, par. 2 juncto Article 7:121 of the Belgian Code of Companies and Associations does not apply.*

Changes to the composition of bpost's Group Executive Committee

The following changes in the composition of the Group Executive Committee occurred in 2019:

- Kurt Pierloot resigned as *Director Mail & Retail* and left the Company with effect as from January 24, 2019 – no severance pay was due;
- Leen Geirnaerdt was appointed as *Chief Financial Officer* and as Group Executive Committee member and was remunerated in that capacity as from May 20, 2019;
- Pierre Winand, *Director Parcels & Logistics North America*, resigned as Group Executive Committee member with effect as from December 1, 2019 – no severance pay was due;
- Henri de Romrée, *Director Mail & Retail*, was appointed as *Director Parcels & Logistics North America* with effect as from December 1, 2019 and remunerated in that capacity with effect as from January 1, 2020;
- Luc Cloet, *Director Parcels & Logistics Europe & Asia*, was appointed as Director Mail & Retail, with effect as from December 1, 2019;
- Kathleen Van Beveren was appointed as *Director Parcels & Logistics Europe & Asia* and as Group Executive Committee member and was remunerated in that capacity as from December 1, 2019.

In addition to the foregoing changes, the mandate of Koen Van Gerven as CEO and Board of Directors' member expired on February 26, 2020 and was not renewed. In accordance with the terms of his contract and as the Board of Directors decided, upon proposal of the Remuneration and Nomination Committee and in the interest of the Company, not to waive the application of the non-competition obligation, Koen Van Gerven will receive a contractually agreed and indexed non-competition indemnity of 500,000 EUR (gross).

Termination provisions and non-compete clauses

No member of the Group Executive Committee is entitled to specific contractual termination arrangements, except for the CEO (Jean-Paul Van Avermaet), who is entitled to a severance pay of 500,000 EUR (gross) in the event of early termination by bpost for any other reason than material breach. In the event of automatic termination on expiry of the six-year term and the appointment by bpost of another CEO, the CEO is subject to a non-compete clause for a period of one year as from the date of termination of his mandate. He will receive a non-competition indemnity of 500,000 EUR (gross), unless bpost waives the application of such clause.

All members of the Group Executive Committee, except for Mark Michiels, are subject to non-compete clauses, prohibiting them from working for bpost's competitors for a period of 12 months from the date of their resignation or termination of their contract. All such members are entitled to receive an amount equal to six months of remuneration if bpost decides to apply these non-compete clauses.

For members of the Group Executive Committee who carry out their function under an employment agreement under the Law of 3 July 1978, because of their seniority with the Company, the application of the mandatory rules on the termination of their employment agreement, may result in an entitlement to a termination payment above 12 or 18 months' remuneration.

Internal control and risk management

bpost's Enterprise Risk Management ("**ERM**") framework assists bpost in managing risks effectively and in implementing the necessary controls to pursue its objectives. The ERM framework covers: (i) risk management, allowing bpost to take informed decisions on risks it is willing to take to achieve its strategic objectives, thereby taking into account external factors; and (ii) internal control activities, which include all internal policies, procedures and business practices to mitigate risks. Best practices in risk management and internal control activities (e.g., international standard ISO31000) and the Commission on Corporate Governance's directions have been used as references to define the ERM framework.

In general, the objective is to provide a reasonable assurance regarding (i) compliance with applicable laws and regulations, (ii) reliability of financial and non-financial information, and (iii) effectiveness of internal processes. A "reasonable assurance level" is a high, but not an absolute level, given that all internal control systems have limitations linked to, e.g., human error, wrong decisions or choices on cost/benefit of control.

The following description of bpost's internal control and risk management activities is factual and aims to cover the activities' main characteristics.

Control environment

The control environment promotes employee awareness and compliance, defines clear roles and responsibilities, publishes quality guidelines, and demonstrates the commitment of bpost's Group Executive Committee and Board of Directors.

COMMITMENT TO INTEGRITY AND ETHICAL VALUES

"*Earning trust*" is one of bpost's key values. The Board of Directors and Group Executive Committee have approved bpost's Code of Conduct, which was first issued in 2007 and last reviewed in 2019.

The Code has general principles that describe the values and ethical standards for everybody working in the group and enables appropriate responses in the event that it is not followed. These principles are reinforced by the relevant regulations, policies and procedures that are in place across bpost's businesses, affiliates and ventures. The Code of Conduct is provided to all new employees as part of the onboarding process and systematically introduced in the bpost subsidiaries. It is also made available on bpost's intranet and referred to during trainings. Any violations of the Code of Conduct must be reported to the immediate superior or the reference person of the employee, or to the legal department of bpost, as the case may be.

Furthermore, to comply with insider trading and market manipulation regulations, bpost has adopted a Dealing and Disclosure Code. This Code is amended from time to time to be in line with the most recent market abuse laws and regulations. The Dealing and Disclosure Code aims to create awareness around possible improper conduct by employees, senior employees, and persons discharging managerial responsibilities (being members of the Board of Directors and of the Group Executive Committee) and their associated persons. The Dealing and Disclosure Code contains strict rules on confidentiality, non-use of "price sensitive" information, and dealing restrictions. The rules of this Code have been widely communicated within the Group and the Code is available to all employees, senior employees and persons discharging managerial responsibilities. In conformity with the Market Abuse Regulation of April 16, 2014, persons discharging managerial responsibilities at bpost have been informed of their obligations in relation to insider trading under the Market Abuse Regulation.

COMMITMENT TO CORPORATE GOVERNANCE FOSTERING ACCOUNTABILITY

The Board of Directors supervises the Company's operational management. The Audit Committee advises the Board of Directors on accounting, audit, and internal control matters. Without prejudice to the monitoring role of the Board of Directors, the Group Executive Committee establishes risk management and internal control guidelines and procedures and monitors their effective roll-out. A "three lines of defense" model has been implemented:

- The operational management is responsible for the design and maintenance of risk management and internal controls (first line);
- The second line functions, such as Legal, Compliance, Health & Safety, Security or Integrity, provide expert support to the first line operational management. The overall roll-out and coordination of the risk management and internal control activities is centralized within the Risk & Control department. All second line functions report at least annually to the Group Executive Committee on the risk evolution in their respective domains;
- Finally, Corporate Audit, responsible for the internal audits of bpost Group, constitutes the third line of defense. The Corporate Audit Director reports to the Audit Committee's Chairperson and CEO.

COMMITMENT TO EMPLOYEE DEVELOPMENT AND COMPETENCE

Good leadership is invaluable and generates better results for bpost. bpost rolled-out the "Leading@bpost" program that identifies accountability and continuous learning as two key values. To develop skills, bpost has established its own training center. Technical courses are held in the business units (e.g., training on the International Financial Reporting Standards ("IFRS") used to prepare bpost's consolidated financial statement) and *ad hoc* courses are developed on a need-to-have basis. Personal development is driven by clear job descriptions and a structured bi-annual evaluation. *Ad hoc* coaching sessions are promoted.

Risk assessment

The purpose of risk management, embedded in the ERM framework, is to deliver a consistent corporate approach and establish a sound risk management culture. Three types of risk management activities are performed. First, a strategic risk assessment takes place as part of the process to define/ revise bpost's strategy. Each Business Unit further assesses its operational risks on a semi-annual basis. Finally, there is risk and internal control management at a process, product or project level. This includes an evaluation of the adequacy of the most important internal controls to mitigate risks at a process, product or project level. The same structured risk management process is applied to the following three types of risk activities:

- Identification of the risks that may have an impact on realizing the objectives;
- Assessment of risks in order to prioritize them;
- Decision on risk responses and action plans to address key risks;
- Monitoring action plan implementation and overall risk evolutions and identification of emerging risks.

The coherence of the three different types of risk activities is ensured by using a single framework of risk evaluation criteria to assess the risks. This ensures the right risks are circulated, both top-down and bottom-up.

More information can be found in the "Risk Management" section of the annual report (note 6.5).

Control activities

IN GENERAL

Policies and procedures are established for the key processes (accounting, procurement, investments, treasury, etc.). They are subject to regular controls. Internal control are monitored where relevant.

All Group companies use an Enterprise Resource Planning ("**ERP**") system or accounting software to support efficient processing of business transactions, to perform accounting and to deliver data for consolidation. These systems provide management with transparent and reliable information it needs to monitor, control, and direct business operations. A close monitoring of potential conflicts of separation of duties in the ERP system is carried out on a regular basis. bpost has established management processes to ensure the implementation of appropriate measures on a daily basis to sustain the performance, availability and integrity of its IT systems. The adequacy and effectiveness is monitored through internal service level agreements as well as periodic performance and incident reporting to the different Business Units involved.

SPECIFICALLY RELATED TO THE FINANCIAL STATEMENTS

Systematic and structured finance processes ensure a timely and qualitative reporting. These processes include the following main activities or controls:

- Careful and detailed planning of all activities, including owners and timing;
- Communication by the Group Finance Department prior to the closing of guidelines, including on all IFRS accounting principles, to be applied by all legal entities and operating units;
- Separation of duties between the accounting teams in the different legal entities actually performing the accounting activities and the departments responsible to review the financial information. The review is performed more specifically by (i) financial business partners responsible, inter alia, for the review of financial information in their area of responsibility, and (ii) the Group Finance Department, which is responsible for the final review of the financial information of the different legal entities and operating units and for the preparation of the consolidated financial statements;
- Systematic account justification and review after the closing triggering follow-up and feedback of the timelines, quality and lessons learned in order to strive for continuous improvement.

Information and communication

The Internal Communication department uses a wide variety of tools, such as the Company's intranet and employee newsletters, to circulate messages in a structured and systematic way both from top management and operational level.

Financial and performance information is shared between operational and financial management and the Group Executive Committee. Besides the monthly reporting analysis prepared by the financial business partners, the Group Executive Committee conducts a thorough quarterly review of the different Business Units' performance.

Proper assignment of responsibilities and coordination between the relevant departments ensures an efficient and timely communication process for periodic financial information. The Group Finance Department communicates on a regular basis all IFRS accounting principles, guidelines and interpretations, to be applied by all legal entities and operating units, to the accounting teams of the different legal entities and operating units.

Externally, the Press Relations, Public Affairs and Investor Relations departments manage stakeholders, e.g. press, public authorities and the financial community. These departments centralize and validate external communications with a potential impact at Group level. This includes, but is not limited to, financial information.

Financial information is made available to the market on a quarterly, semi-annual and annual basis. Prior to external publication, financial information is subject to (i) an extensive internal validation process, (ii) review by the Audit Committee, and (iii) approval by bpost's Board of Directors.

Monitoring

CORPORATE AUDIT (INTERNAL) AND JOINT AUDITORS (EXTERNAL)

bpost has a professional internal audit department that works in line with the Institute of Internal Auditors' standards. The department is subject to an external quality review every five years. Corporate Audit conducts an annual risk assessment with a semi-annual revision to determine the audit program. Via its audit assignments, Corporate Audit provides reasonable assurance on internal control effectiveness in the different processes or projects reviewed.

The Joint Auditors provide an independent opinion on the full year statutory and consolidated financial statements. They perform a limited review on the half-year interim condensed financial statements and the statutory BGAAP figures of bpost NV/SA per end of October, which serves for the distribution of an interim dividend. In addition, they review material changes to the IFRS accounting principles and evaluate the different identified key controls on the processes that support the set-up of the financial statements.

AUDIT COMMITTEE AND BOARD OF DIRECTORS

The Audit Committee advises the Board of Directors on accounting, audit, and internal control matters.

To do so, the Audit Committee receives and reviews:

- All relevant financial information to enable the Audit Committee to analyze the financial statements;
- The quarterly treasury update;
- Any significant change of the IFRS accounting principles;
- Relevant findings resulting from the activities of the Corporate Audit Department and/or the Joint Auditors;
- The Corporate Audit's semi-annual status report on the follow-up of audit recommendations and annual activity report;
- The Group Executive Committee's annual conclusion on the effective execution of bpost's risk management and internal control activities as well as periodic information on the main business and related risk evolutions.

The Board of Directors ultimately ensures the establishment of internal control systems and procedures. The Board of Directors monitors the functioning and adequacy of the internal control systems and procedures, considering the Audit Committee's review, and takes the necessary measures to ensure the integrity of the financial statements. A procedure is in place to convene bpost's appropriate governing body on short notice if and when circumstances so dictate.

More detailed information on the composition and functioning of the Audit Committee and the Board of Directors is included in the section of this Corporate Governance Statement on the Board of Directors and the Audit Committee.

Diversity

Creating a culture of Diversity and Inclusion

bpost is a highly diverse company in terms of its workforce and is committed to creating and supporting a collaborative workplace culture. Such a diverse environment allows the group to optimize interaction with its customers and stakeholders, and respond to challenges in different and efficient ways.

In that context, bpost has designed a Diversity Policy (available on bpost's website) aimed at creating diversity and inclusion awareness within the group. The purpose of this Diversity Policy is to support bpost employees and management in building a culture where diversity and inclusion are a daily practice.

The program focuses on engagement, awareness, and involvement. The Board of Directors sets the tone at the top and is the true sponsor of the diversity and integration workshops organized for teams investing in diversity and inclusion awareness and/or dealing with specific topics within the diversity and inclusion framework.

Diversity within the Board of Directors and the Group Executive Committee

bpost adheres to the view that diversity of competences and views of the Board of Directors and Group Executive Committee facilitates a good understanding of the business organization and affairs. It enables the members to constructively challenge strategic decisions, ensure risk management awareness, and be more open to innovative ideas.

bpost complies with the provisions of Article 7:86 of the Belgian Code of Companies and Associations in terms of gender diversity, but the Diversity Policy for the members of its management goes beyond this strict legal minimum.

In the composition of the Board of Directors and Group Executive Committee, special attention is paid to diversity in terms of criteria such as age, professional background, gender, and geographic diversity. When considering candidates for vacancies, the Remuneration and Nomination Committee takes into account balanced scorecards of such diversity criteria.

Diversity aspects that are taken into account in relation to the bpost Board of Directors and Group Executive Committee members are the following:

- **Gender:** gender diversity promotes a better understanding of the market place, increases creativity, produces more effective leadership and promotes effective global relationships. To achieve greater gender diversity within its management, bpost aims to (i) identify potential female talents at an early stage, (ii) provide opportunities that allow women to reach their full potential, (iii) enroll women in development programs that prepare them for management roles.
- **Age:** age diversity in the workplace is part of the human capital and provides a larger spectrum of knowledge, values, and preferences. Such age-diverse management will provide a more dynamic environment with continuous movement. To achieve age diversity, bpost aims to ensure that is management counts (i) older talents, with breadth and depth of work experience, and (ii) high-potential younger talents who are eager to learn.
- **Professional background:** to stay competitive in a changing environment, bpost must attract and retain talent with diverse professional backgrounds. Diversity of professional backgrounds provides bpost with a range of expertise and experience necessary to respond to the complex challenges it faces. To achieve professional background diversity within its management, bpost aims to identify people who (i) have distinct professional backgrounds, and (ii) come from various sectors at different points in their career.
- **Geographic diversity:** geographic diversity is significant and positively correlated with firm performance, especially in increasing business and strategy internationalization. To stimulate geographic diversity, bpost takes into account foreign elements in the profile and the path of its candidates.

The Board of Directors assesses annually whether diversity within the bpost management has improved.

Diversity aspects Implementation & outcome

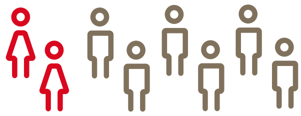
On December 31, 2019 the outcome of diversity aspects in relation to the bpost Board of Directors and Group Executive Committee members is the following:

Gender diversity

Board members

45% women - **55%** men

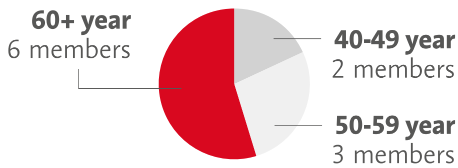
GEC members



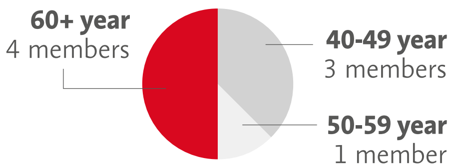
25% women - **75%** men

Age diversity

Board members

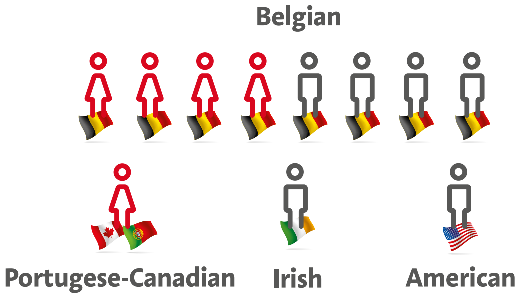


GEC members



Geographical diversity

Board members



GEC members

Professional background

Board members		GEC members
17%	Finance & Accounting, Risk Management, Audit	**16%**
19%	Transport & Logistics, Fullfilment, Warehousing, E-commerce	**18%**
13%	Banking	**13%**
13%	Postal services	**17%**
18%	Parcel services	**17%**
3%	Retail	**5%**
10%	Digital, Technology, Telecommunication, Innovation	**9%**
8%	Human Resources management	**5%**

CSR review

CSR strategy: People, Planet, Proximity

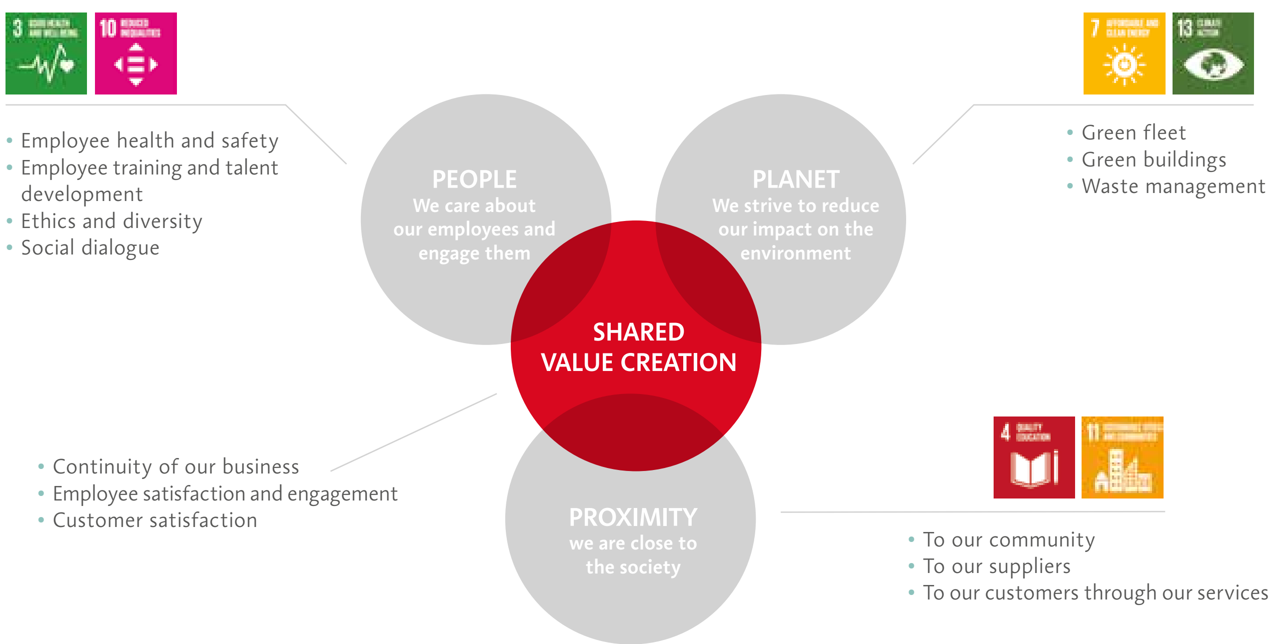
bpost has always played a major role in society. It is our duty to set an example. This is why our ambition is to make our company's processes and culture sustainable. In so doing, we are able to achieve a sustainable growth and be recognized by our stakeholders (customers, shareholders, government, employees, suppliers, trade unions, NGOs) as a socially responsible company. It is also important to us that our customers know that their letters, parcels and logistics are processed in a responsible way. One of the key examples of bpost's striving for sustainable growth is the sustainability loan it took out at the end of 2017. The interest rate of this 300 million EUR revolving credit facility (RCF) changes according to bpost's sustainability rating as determined by an external party. The loan was the first of its kind in Belgium and incentivizes our organization to become even more sustainable.

Together with our stakeholders, we performed a materiality assessment, based on which we defined our CSR strategy structured in the three following pillars:

- **People:** we care about our employees and are committed to them.
- **Planet:** we strive to reduce our impact on the environment.
- **Proximity:** we are close to the society and its emerging needs.

More about our materiality assessment methodology and our stakeholder dialogue can be found on our website.

For each of these pillars, we have linked our material topics and strategic KPIs on which we intend to focus:



OUR CSR PRIORITIES (MATERIAL TOPICS)	RELATED RISK & OPPORTUNITIES	STRATEGIC KPI	TARGET	RESULT 2019 VS TARGET	RESULT 2019 VS. EXTERNAL ENVIRONMENT
People					
Employee health and safety	Cases of injury and/or illness can represent a cost for bpost as well as for the employee concerned. Also, a preventive well-being policy can help decrease stress levels and hence, absenteeism.	Absenteeism	The 2019 target for bpost Belgium was a 5% decrease compared to the 2018 result.	bpost Belgium: 7.96%	According to a Securex study[1], the Belgian average absenteeism rate was 7% in 2018.
Employee training and talent development	Trained employees can demonstrate an increase in efficiency and promote employee engagement, which can improve employee retention.				
Ethics and diversity	The ethical and diversity policy affects bpost's reputation, its employees' engagement and retention.	Employee engagement	To exceed or meet the Belgian national benchmark on engagement (2018: 5.10).	Results 2019: 4.91	The company Pulse performed a study over the 2014-2017 period in which they surveyed 81,000 employees from 215 Belgian companies. The overall engagement rate was then corrected using specific criteria (e.g. work type, age) and a factor from the KUL university. This research shows that the national benchmark for employee engagement is 5.10.
Social dialogue	An effective social dialogue helps prevent possible strikes and related costs but also ensures employee satisfaction and engagement.				
Planet					
Green fleet	Having a green fleet helps improve our carbon footprint and brings about a positive public image of the company. It also generates fuel cost savings. Moreover, it is a way to mitigate expected rising carbon taxes.	CO_2 footprint scope 1, 2 and 3	• -20% scope 1 and 2 GHG emissions by 2030 compared to baseline 2017: 114,395 tCO2-eq. • -20% scope 3 GHG emissions by 2030 from upstream transportation and distribution compared to baseline 2017: 218,016 tCO2-eq.	Results 2019: scope 1 & 2 emissions increased by 4% and scope 3 emissions decreased with 13% vs 2017 allowing an overall decrease of CO_2 emissions of 7% (scope 1, 2 and 3).	bpost has been recognized top 3 greenest postal operator by the IPC. Every year, IPC's Environmental Measurement and Monitoring System (EMMS) measures the carbon emissions of a group of twenty postal operators worldwide.
Green buildings	Green buildings generate energy-related cost savings and improve our carbon footprint.				
Waste management	A sound waste management brings a positive image of the company and improves our scope 3 carbon footprint. As such, it can also generate revenues by valorizing waste as a raw material.				
Proximity					
Proximity to our society	Proximity to society is part of bpost's mission. Forgetting the local community would be detrimental to bpost's reputation.	Amount of donations		306,000 EUR donations	
Proximity to our suppliers	Having a clear overview of our supply chain brings efficiency and helps avoid supply risks (e.g. financial or supply stability). Also, including sustainability requirements helps mitigate reputational risks linked to unethical behavior or environmental damage.	Share of significant tier 1 suppliers covered by our supplier code of conduct	100%	100%	Since 2018, 100% of bpost Belgium suppliers are covered by the supplier code of conducts (now included in our general terms and conditions for all our contracts). Ecovadis surveyed companies on their procurement practices in 2019. From this survey, it appears that not more than 45% of the companies spend 64% or more of their procurement volume on suppliers covered by their sustainable procurement policy.
Proximity to our customers through our services	Enhancing our customer experience and improving our offer improves customer retention. Moreover, developing more sustainable solutions gives an opportunity to go beyond customer expectations, thus improving our market positioning.	Customer satisfaction	To exceed or meet the level of previous year (2018 bpost Belgium: 84).	bpost Belgium:82	bpost measures customer satisfaction on a 7-point scale. Other companies tend to use a 5-point or 10-point scale. Moreover, we mix results of both residential and business customers in our approach. This makes it difficult to compare results with other companies or benchmarks.

1 *Source : https://www.securex.be/nl/publicaties/white-papers/absenteisme-in-2018*

Presentation of the new full-electric "Colibus" vehicle for ergonomic parcel delivery

20% cut in CO_2 emissions by switching to an electric fleet

Key CSR achievements in 2019

bpost opened Belgium's most eco-friendly distribution center in Mons

On February 15, 2019 bpost's first green bpost distribution center was inaugurated in Mons. The optimally insulated building is equipped with solar panels and distribution of letters and parcels in Mons will be done by electric vehicles. These innovations enable bpost to achieve significantly better energy performances at the Mons distribution center, with electricity consumption cut by 18% and gas consumption by 55% compared with average consumption at the other distribution centers. By 2030 bpost has set itself the goal of reducing the CO_2 emissions from its activities by at least 20%, with at least 50% of its fleet to be fully electric.

Since 2007 bpost has cut its CO_2 emissions by almost 40%. And the company's efforts to reduce its environmental footprint have not gone unnoticed. That being said, bpost remains fully aware of the impact of increasing parcel deliveries. In order to continue to work in the same environmentally friendly way, and keep its position as one of the most sustainable logistics companies, bpost has set new CO_2 reduction targets for 2030.

20% CUT IN CO_2 EMISSIONS BY SWITCHING TO AN ELECTRIC FLEET

As one of Belgium's leading companies, bpost wishes to play a pioneer role in environmental protection and has set itself the goal of reducing CO_2 emissions from its activities by at least 20% by 2030. This ambition is in line with the climate targets adopted under the 2015 Paris agreement. This has also been approved by the "Science Based Target" initiative, which helps companies to establish consistent targets based on the path set by the Paris agreement.

To succeed, bpost will replace 50% of its diesel fleet with an electric alternative by 2030. Twenty new electric vans have already been taken into service at the "green" distribution centre in Mons for the delivery of parcels and letters. Some 600 new electric vans will be deployed across Belgium by 2022, which will increase to more than 3,400 by 2030.

PRESENTATION OF THE NEW FULL-ELECTRIC "COLIBUS" VEHICLE FOR ERGONOMIC PARCEL DELIVERY

bpost runs Belgium's biggest electric fleet and broadened it with the Colibus, a first for the Belgian parcel

bpost Antwerp sorting center roofs now covered with 8,000m² of solar panels

market. Colibus is a full-electric vehicle, specially designed for the parcel market to replace average-sized diesel vans in urban areas. This vehicle is able to carry more than 100 parcels.

The new Colibus is not only clearly more environmentally friendly than the existing vans. It is also safer and more ergonomic in use, as the driver can either exit through the door on the left (as in a traditional vehicle) or through a door towards the cargo space and then through a door on the right, closer to the ground. This is an improvement in ergonomic terms, as drivers no longer need to turn while exiting, which reduces the physical stresses on their body.

bpost is the first postal operator in Europe to take the Colibus into service, following a ten-month pilot.

bpost Antwerp sorting center roofs now covered with 8,000m² of solar panels

On February 12, 2019 the solar panel system on the roof of bpost's sorting center in Antwerp was officially inaugurated. It is the fourth sorting center to run on solar energy.

3,700 photovoltaic panels were installed and have a capacity of 1 MWh. With the new system in Antwerp, bpost now has solar panels covering a total surface area of 33,000 m² on various buildings in Belgium, which clearly makes it one of the leading solar energy producers in Belgium.

To date, bpost has installed 12,460 photovoltaic panels for bpost on the roofs of the sorting centers in Ghent, Liège, Charleroi and Antwerp. The four systems have a total capacity of 3.2 MW, the equivalent of the annual consumption of around 900 households, and should generate CO_2 emissions savings of more than 1,200 tons per year.

3,700

photovoltaic panels were installed and have a capacity of 1 MWh

CSR consolidated statements

About our CSR consolidated statements

This CSR report has been prepared in accordance with the GRI (Global Reporting Initiative) Standards (core option) and is structured based on our material aspects. The GRI Content Index can be found on our website.

Scope and boundaries

The information used for these CSR consolidated statements was collected from internal departments and is mainly based on information available through internal reporting. The information regards the 2019 calendar year and covers all of bpost's activities, including those of its subsidiaries, unless specifically stated otherwise.

The complete list of bpost's subsidiaries can be found in bpost's Financial Consolidated Statements. We define a subsidiary as an entity in which bpost owns more than 50% of the shares and that is significant in terms of turnover and employees. Subsidiaries included for our reported data are listed below.

BPOST ENTITIES	OWNERSHIP	SCOPE	PLANET	PEOPLE	PROXIMITY
bpost Belgium (bpost S.A./N.V.)	100%	Yes	●	●	●
Radial	100%	Yes	●	●	◕
Landmark Group	100%	Yes	●	●	◕
DynaGroup (incl. Leen Menken)	100%	Yes	●	●	◕
Ubiway (incl. kariboo!)	100%	Yes	●	●	◕
Speos	100%	Yes	●	●	◕
Apple Express	100%	Yes	●	●	◕
FDM	100%	Yes	●	●	◕
Active Ants	63.6%	Yes	●	●	◕
CityDepot	100.0%	Yes	◔	◔	◔
Euro-Sprinters	100.0%	Yes	●		
de Buren	51.0%	Not material based on FTE			
bpost bank	50.0%	No operational control			

◔ *Limited data available for subsidiary*
◕ *Data almost complete for subsidiary*
● *Data complete for subsidiary*

The subsidiaries in scope are included as of the date of acquisition. If the subsidiary was acquired or sold in 2019, the data only covers the period after/before the date of acquisition/sale. This is the case for the subsidiary CityDepot (activities sold in November 2019).

Data quality and reliability

The quality and reliability of environmental data in the CSR consolidated statements is ensured by the Environmental and Energy Department of bpost Belgium, which performs yearly data checks and analyses, develops reduction plans and works closely with the different authorities. We involved various external parties when assessing the quality of the reported data: CO2Logic, DNV, and Deloitte.

The HR data in the CSR consolidated statement are mostly reported to external parties, such as the National Social Security Office.

In 2019, we took further actions in our internal reporting processes in order to improve the reliability of data provided by our subsidiaries. To this end, we formalized the definitions of our indicators and started the process to better align the CSR reporting at group level through a unified online reporting platform. As a consequence, we made some restatements concerning data published. This process will among other things facilitate the quality checks of the data.

External verification

DNV, an external body, verifies the quality of bpost's CO_2 emissions data according to the ISO 14064 Standards. Also, bpost has obtained ISO 14001 certification for its strategic sites in Belgium from AIB Vincotte. bpost wants to further formalize the data reporting process and tool of its subsidiaries before submitting its entire CSR report for external verification.

For more information related to our CSR governance and awards and partnerships, we refer to our website.

People

At bpost, we believe it is essential to engage our employees in our mission to be a major part of our customers' daily lives. We value the wide array of skills, competences and unyielding loyalty our employees offer our company.

It is our duty to provide all of our employees with the best corporate culture, safeguarding good working conditions, ethical behavior, health, safety and wellbeing at work. We achieve this by taking various actions within the different countries, businesses and business units to strengthen and anchor this culture shaping process. For instance, the bpost Code of Conduct was revised in 2018 to align our values within all bpost subsidiaries.

By measuring the employee engagement score and absenteeism level, we are able to keep an eye on how our people feel about their jobs. Since these indicators are outcomes of our employee-related policies, such as health and safety, training and development, ethics and diversity and social dialogue, they provide good insight into our company culture and help us to make modifications when and where necessary.

PEOPLE – STRATEGIC KPIS	UNIT	BPOST BELGIUM 2019	BPOST BELGIUM 2018	BPOST BELGIUM 2017	SUBSIDIARIES 2019	SUBSIDIARIES 2018	BPOST GROUP 2019	BPOST GROUP 2018
Employee engagement[1]	Score	4.90	n/a[1]	4.80	n/a[2]	n/a[2]	n/a[2]	n/a[2]
Absenteeism[2]	%	7.96	7.85	7.57	n/a[2]	n/a[2]	n/a[2]	n/a[2]

1 *No engagement survey has been performed in 2018. The 2019 bpost Belgium survey has been performed in Q1 2019.*
2 *Due to different legislations and associated definitions regarding health and safety figures among our subsidiaries, we are not able to consolidate the figures at group level.*

People - Employee health and safety

PEOPLE – EMPLOYEE HEALTH AND SAFETY	UNIT	BPOST BELGIUM 2019	BPOST BELGIUM 2018	BPOST BELGIUM 2017	SUBSIDIARIES 2019	SUBSIDIARIES 2018	BPOST GROUP 2019	BPOST GROUP 2018
HEALTH AND SAFETY OF OWN EMPLOYEES								
Occupational accidents of own employees	Number	944	947[3]	918	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Lost days of own employees	Days	28,487	30,890	30,850	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Severity rate of own employees	Lost days per 1,000 hours worked	0.80	0.90	0.90	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Frequency rate of own employees	Accidents per 1,000,000 hours worked	27.06	27.48	26.83	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Absenteeism of own employees	%	7.96	7.85	7.57	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Total number of fatalities own employees	Number	2	0	1	0	0	2	0
HEALTH AND SAFETY OF TEMPORARY STAFF								
Occupational accidents of temporary staff	Number	25	86	57	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Lost days of temporary staff	Days	227	294	365	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Severity rate of temporary staff	Lost days per 1,000 hours worked	0.11	0.14	0.19	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Frequency rate of temporary staff	Accidents per 1,000,000 hours worked	22.56	42.36	29.87	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Total number of fatalities temporary staff	Number	0	0	0	0	0	0	0
Total number of hours worked by temporary staff (actual)	Hours worked	1,663,483	2,030,019	1,908,050	n/a[1]	n/a[1]	n/a[1]	n/a[1]
ROAD SAFETY[2]								
Blameworthy road traffic incidents on behalf of the entity per 100,000 km[2]	%	3.32	3.44	3.63	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Shared blameworthy road traffic incidents on behalf of the entity of total road traffic incidents[2]	%	76.00	75.00	77.00[3]	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Number of road fatalities drivers/million km (during working hours) on behalf of the entity[2]	Number per million km driven	0.01	0	0.01[3]	0	0	n/a[1]	0

1 *Due to different legislations and associated definitions regarding health and safety figures among our subsidiaries, we are not able to consolidate the figures at group level.*
2 *The figures on road safety only contain the bpost entities with a delivery fleet: bpost N.V./S.A., DynaGroup, Euro-Sprinters and CityDepot.*
3 *Restatement based on standardization of definition.*

The safety and wellbeing of our employees is paramount for bpost's operations. We therefore have a strict prevention policy to avoid occupational and road accidents, stress and illness and to ensure that our employees remain safe and healthy. In this regard, we comply with and anticipate regulations, monitor risks for safety and wellbeing, and continuously strive to improve those aspects.

In Belgium, our employee wellbeing policy is based on the Federal Government's Act of August 4, 1996 on well-being of workers in the performance of their work[1]. This is enforced by an external committee[2] that performs random compliance inspections. It also performs regular inspections for specific subjects. For instance, in 2019 bpost Belgium was checked on its processes for occupational accidents. Both trade unions as well as employees can request inspection through the Belgian Federal Government.

Looking at our subsidiaries, the health and safety processes at Radial are compliant with OSHA (Occupational Health and Safety Act). DynaGroup, in The Netherlands, works according to the Dutch national occupational health & safety legislation (Arbo) based on health & safety Risk Inventories with associated control measures. Risk Inventories are also performed and formally assessed by an external company. Furthermore, Apple Express in Canada is compliant with OHSAS 18001 (Occupational Health and Safety Assessment Series) requirements and Ubiway and Landmark have a health and safety management system in place.

The most prevalent safety incidents in our business are slipping, falling, tripping or the improper use of vehicles. To limit the risks of accidents and health issues, we perform regular risk analyses. The identified risks are communicated within the organization together with clear measures to be taken. In 2013, a risk analysis was performed for our business division "Mail". Since the number of parcels is increasing, we realized an update in 2019. There is also a work safety and ergonomics analysis planned at all our sorting centers, and a risk analysis for vehicle-related incidents.

We implemented several successful initiatives concerning health and safety. Examples are the use of a safety corner on the work floor, encouraging employees to report any type of safety incident, and safety communication campaigns. A Safety Register helps to follow safety checks in a structured manner. From the Safety Register, we can draw important lessons learned, which are then communicated to our employees.

To even further improve this performance and boost safety culture, bpost launched three initiatives in Belgium. The first initiative was the "Safety Performance Barometer", which is an improved well-being instrument that measures safety performance.

It works as follows: by consolidating different, already existing, safety performance indicators, we gain insight in the overall safety performance of a region and can prioritize where and for which aspects the need is greatest. The safety performance barometer is linked to the bpost Safety Register.

Secondly, we trained our employees on safety using a safety game. An application sends them two questions per day on issues related to any health and safety matter to refresh their memory. There is a total of fifty questions, and they vary depending on the season. For instance, in winter there will be questions on road safety, in summer on drinking enough water. We also included questions on healthy food. For every correct answer the employee can win ten stamps. The third initiative is an e-learning module about fire prevention for all members of a fire prevention team. These employees followed a complete online training with animations on everything related to fire prevention and safety and what to do in case of an emergency. After the training, the employees were tested on the content of the module.

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1 *Belgian Law: Act of August 4, 1996 on well-being of workers in the performance of their work, "Codex over het welzijn op het werk" or "Le Code sur le bien-être". http://www.employment.belgium.be/defaultTab.aspx?id=556*

2 *"Toezicht op het welzijn op het werk" or "Contrôle du bien-être au travail": http://www.emploi.belgique.be/cbe.aspx*

Road safety is also a key concern for us. We aim to eliminate road accidents. Since 2018, we run a large training project concerning road safety in Belgium. For every vehicle (including e-bicycles and internal transport), it is mandatory to receive driving training at bpost's driving school (FRAC[1]). The trainings focus on improving driving knowledge and skills; three different levels are proposed, depending on the current qualifications of the driver.

We also want to make sure our employees remain healthy, and include psychosocial as well as physical aspects. To this end, bpost promotes and offers access to non-occupational medical and healthcare services, such as company doctors. Our Belgian "Health Surveillance" system provides mandatory medical check-ups for all bpost postal workers: a thirty-minute check-up, including a cardiovascular and musculoskeletal screening every five years for the under 45s and every three years for the 45 plus. We also ask our employees in sorting centers to go on an annual basis. In 2019, a total of 4,400 bpost employees and 2,400 interim workers got a medical check-up. bpost employees can also get vaccinated against the flu in the Fall, in 2019, it was used by 2,600 employees, on a voluntary basis.

For the psychosocial wellbeing of our employees, we organize a survey to measure the level of employee engagement and organize a personalized "balance tool" so that employees can gain insight into their personal stress and motivation levels. Based on the result, we give personalized tips and tricks. Our employee Assistance Program (external psychologists) is available for more complicated individual problems. We will implement these tools on a global scale in the near future. Employees suffering from stress can ask a member of our specialized team of stress coaches for help on a voluntary basis and staff management receives psychological training on recognizing signs of distress in their employees. Also, we have a security line, which our employees can call anytime 24/24 7/7.

Moreover, we have a manager responsible for advising and integrating ergonomics in the work environment, both in the office, in our sorting centers and for our postmen. We also measure the different lighting and air quality settings (including humidity) to improve the working environment.

Unfortunately our absenteeism and frequency rate of our employees and temporary staff have increased. This is mainly due to our new sorting centre NBX, which is fully active since 2018. The sorting centre for parcels entails new activities with very different risk profile than our current mail activities. The figures are therefore not comparable with previous years. However, we aim to work on these aspects in the coming years. Our objective is a decrease of frequency rate by 3% compared to 2018.

Employee training and talent development

		BPOST BELGIUM			SUBSIDIARIES		BPOST GROUP	
PEOPLE – EMPLOYEE TRAINING AND TALENT DEVELOPMENT		2019	2018	2017	2019	2018	2019	2018
Total training hours per own employees	Training hours per FTE	20.45	21.52	20.89	43.78	12.42	25.90	19.26
Total training hours per temporary staff	Training hours per FTE	48.06	n/a	n/a	82.11	n/a	75.58	n/a
FORMAL TRAINING								
Formal training hours per own employees	Training hours per FTE	4.58	5.57	5.71	7.53	8.94	5.27	6.41
Formal training hours per temporary staff	Training hours per FTE	26.45	28.67	n/a	81.93	n/a	70.96	n/a
INFORMAL TRAINING								
Informal training hours per own employees	Training hours per FTE	15.87	15.95	15.18	36.25	3.48	20.63	12.84
Informal training hours per temporary staff	Training hours per FTE	22.61	n/a	n/A	n/a	n/a	n/a	n/a

1 *Formation Rationelle et Accelérée des Conducteurs*

Developing the skills and competences of our employees is something we particularly value at bpost. We are convinced that trained employees can increase efficiency and can also be more engaged. At bpost, we have our own academy for offering employees training opportunities. Over the past years, we have taken further steps to enhance our training offer to better meet the needs of specific target groups at bpost Belgium (e.g. juniors).

Besides the job-specific training sessions, all bpost Belgium employees are offered training in communication, sales, language and leadership. For example, the Summer Academy encourages employees to work on their skills and well-being during the low season. There, they learn about a range of personal development subjects.

Since 2011, bpost Belgium has been running the “Future me” program. This two-year program recognizes the skills and knowledge acquired on the job. As such, employees are given the opportunity to earn a higher secondary school diploma, mainly by distance learning.

Senior Belgian bpost employees can apply for vacancies at other organizations through the co-sourcing platform Experience@work, bpost’s partner since last year. The platform was created in 2015 to link up organizations that need experienced people with organizations that have an abundance of experienced people and senior employees who want to put their experience to better use. Experience@work gives these organizations the opportunity to hire senior employees at a junior pay level, and allows senior employees to use their talent, experience and expertise in a new working environment, while remaining on bpost’s payroll.

Looking at the career development of our staff, our employees receive a broad range of career development opportunities. At bpost, internal mobility is also valued. To this end, bpost has developed a solid performance management process that follows most employees over the year. As such, employees’ business objectives, performance and developments are discussed annually with the responsible manager. The agreed development plan is reviewed after six months during the mid-year review. At the end of the year, the employee and his manager review the targets set. During this process, informal touchpoints are also organized to follow-up on objectives, performance, development and career.

Alongside our own employees, we are constantly recruiting new staff. Our strong collaboration with VDAB and Forem in Belgium helps us be in direct contact with companies that are restructuring and recruiting additional staff.

Ethics and diversity

PEOPLE – ETHICS AND DIVERSITY	UNIT	BPOST BELGIUM 2019	BPOST BELGIUM 2018	BPOST BELGIUM 2017	SUBSIDIARIES 2019	SUBSIDIARIES 2018	BPOST GROUP 2019	BPOST GROUP 2018
Total own employees	Headcount	26,282	25,770	25,460	7,704	8,060	33,986	33,830
Total male own employees	Headcount	17,944	17,585	17,269	3,901	4,162[1]	21,845	21,747[1]
Total female own employees	Headcount	8,338	8,185	8,191	3,803	3,898[1]	12,141	12,083[1]
Total FTE	FTE	24,211	23,658	23,353	7,374	7,840[1]	31,585	31,499[1]
Total male FTE	FTE	16,869	16,500	16,202	3,827	4,080[1]	20,696	20,580[1]
Total female FTE	FTE	7,342	7,158	7,152	3,552	3,760[1]	10,894	10,918
DIVERSITY OF OWN EMPLOYEES (IN HEADCOUNT)								
Share of female (own employees)	%	31.70	31.80	32.20	49.40	48.40[1]	35.70	35.70[1]
Share of women in executive level positions	%	25.00	0.00	0.00	26.42	14.29	26.67	13.04
Share of women in management positions (excl. executive level)	%	37.79	36.79	35.06	39.16	37.07[1]	38.40	36.85[1]
HEADCOUNT BY TYPE OF CONTRACT								
Total own employees with fixed term contracts	Headcount	531	613	607	384	423[1]	915	1,036[1]
Total male own employees with fixed term contracts	Headcount	313	244	296	245	268[1]	558	512[1]
Total female own employees with fixed term contracts	Headcount	218	369	311	139	155[1]	357	524[1]
Total own employees with open-ended contracts	Headcount	25,751	25,157	24,853	7,319	7,636[1]	33,070	32,793[1]
Total male own employees with open-ended contracts	Headcount	17,631	17,341	16,973	3,715	3,892[1]	21,346	21,233[1]
Total female own employees with open-ended contracts	Headcount	8,120	7,816	7,880	3,605	3,744[1]	11,725	11,560[1]
HEADCOUNT BY FULL-TIME/PART-TIME								
Total own employees contracted on a full-time basis	Headcount	19,925	19,370	19,137	6,981	7,419[1]	26,906	26,789[1]
Total male own employees contracted on a full-time basis	Headcount	14,617	14,285	14,039	3,672	3,906[1]	18,289	18,191[1]
Total female own employees contracted on a full-time basis	Headcount	5,308	5,085	5,098	3,309	3,513[1]	8,617	8,598[1]
Total own employees contracted on a part-time basis	Headcount	6,357	6,400	6,323	723	641[1]	7,080	7,041[1]
Total male own employees contracted on a part-time basis	Headcount	3,327	3,300	3,230	276	253[1]	3,603	3,553[1]
Total female own employees contracted on a part-time basis	Headcount	3,030	3,100	3,093	447	388[1]	3,477	3,488[1]
HEADCOUNT BY AGE GROUP								
Total own employees ≤ 30 years old	Headcount	4,839	4,497	4,205	1,748	1,901[1]	6,587	6,398[1]
Total own employees within the age group 31-50	Headcount	12,593	12,601	12,717	3,630	3,924[1]	16,223	16,525[1]
Total own employees within the age group 50+	Headcount	8,850	8,672	8,538	2,326	2,235[1]	11,176	10,907[1]
EMPLOYEE TURNOVER								
Employee Turnover of own employees	%	10,91	10,49	10,94[1]	33,98	40,92[1]	16,27	17,94[1]
Employee Turnover Male of own employees	%	11,08	10,43	11,14[1]	34,53	39,94[1]	15,42	16,29[1]
Employee Turnover Female of own employees	%	10,53	10,63	10,51[1]	33,40	41,99[1]	17,80	20,88[1]
Voluntary Employee Turnover of own employees	%	5,93	5,75	5,82	19,65	24,00[1]	9,12	10,21[1]
ETHICS								
Number of registered complaints on unethical workplace behavior	Number	10	10	11	37	40	47	50
Number of registered cases of corruption and bribery	Number	0	0	0	1	0	1	0
Monetary amount of legal and regulatory fines and settlements above 10,000 USD linked to data breaches, corruption or environment damage	Euros	0	0	0	0	0	0	0

1 *Restatement based on standardization of definition.*

DIVERSITY AND INCLUSIVENESS
At bpost, we aim to attract and retain individuals from different backgrounds, cultures, perspectives and experiences by creating and supporting a collaborative workplace culture. We are convinced diversity contributes to a better connection with our customers and with our workforce, to surround ourselves with the best talent in all categories of the population and to be more agile.

We designed our Diversity Policy (available on the bpost website) based on these convictions. The policy serves as a guideline to create a culture where diversity and inclusion are a daily practice and has been translated into various policies and programs.

To continue to expand our recruitment channels, we formed partnerships, among other things, with the VDAB, WannaWork, Diversicom, Emino, UNIA and Allyens. These organizations are dedicated to inclusion in the employment market based on people's competences and promoting diversity at work. One good example was our partnership with the VDAB in Belgium which re-integrated 27 people with health problems into the labor market since 2018. Via this project, we trained these people to become truck drivers at bpost and hence, helping them to fully or partially return to work.

Since 2017, we set up and reviewed a diversity portal designed for people managers. The portal allows our people managers to get acquainted with the issues of diversity and inclusion, to identify the applicable framework, the role they need to play, and also offers them training opportunities.

Since 2017, we have a specific cultural exchange program, leading@bpost, which is aimed at creating a balanced leadership style among bpost group leaders. Inter alia, the program is based on curiosity and openness to others and their way of thinking.

We also partner with Duo for a Job, a Belgian organization matching young job seekers with an immigrant background to people over 50 years old. The initiative brings about high motivation, recognition and human impact, and was even awarded 'Coup de Coeur 2018' by the jury of PostEurop.

In 2019 a project Diversity & Inclusion (analysis, training and anchoring) was started with the aim of

1. providing a clear, corporate and local framework with specific guidelines;
2. providing workable tools to support managers;
3. making diversity visible and discussable.

This project will be further upscaled in 2020 at various other sites. Additionally, we have created a group of diversity ambassadors corporate and local within the organization whose function is be a sounding board and to promote diversity and prevent discrimination.

The Board of Directors and Group Executive Committee have also their role to play regarding diversity. They do so by organizing workshops around themes of diversity and inclusion, and the Board of Directors assesses every year whether diversity within the group has improved. Also, special attention is paid to diversity in the composition of the Board of Directors and Group Executive Committee. Various diversity criteria regarding gender, age, professional background and geographic diversity are taken into account when considering candidates for vacancies. For more information on the board composition, see the corporate governance statement.

ETHICS

At bpost we are proud of our high profile in society and of the role we play. To us, good conduct is important to earn trust as part of our responsible corporate values. We believe every human deserves the same rights and, as a company, we cannot get in the way of that. As a public listed company, we also ensure maximal transparency in terms of governance and decision-making processes, in accordance with the highest standards in this area.

We adopt a zero-tolerance policy regarding violations of human rights or anti-corruption laws, in line with the Universal principles of Human Rights and the ILO (International Labor Organization) conventions. With this policy, bpost wants to prevent the negative fall-out arising from human rights violations, illegal or fraudulent acts or practices on humanity's well-being, our reputation, and the continuity of our business. If an employee witnesses a situation of misconduct, s/he can call our Speak-Up line (the contact information is included in our Code of Conduct). The Speak-Up line is connected to a person of trust, available 24 hours a day to answer any question or signal from employees.

In 2019 year, we decided to put diversity and business ethics forward and therefore did a deep structural redesign and revision of our Code of Conduct so that our new construction would work at group-level. Our new Code of Conduct was launched in February 2019 for the entire group. It sets out the norms, values and minimal standards of behavior and conduct expected of all our employees, contractors and consultants at any level and in any company of the bpost group worldwide. It further enables appropriate measures when the Code of Conduct is not abided by. A revised version of bpost's "Diversity & inclusion brochure" will be launched in Q1 2020 on Group level as well.

Social dialogue

		BPOST BELGIUM			SUBSIDIARIES		BPOST GROUP	
PEOPLE – SOCIAL DIALOGUE	UNIT	2019	2018	2017	2019	2018	2019	2018
Average number of strike action days	strike days per 1.000 employees	1.40	2.60	1.55	0	0	1.06	1.98[1]
Share of own employees covered by a CBA	%	95	96	n/a	11	5	76	74

1 *Restatement based on standardization of definition.*

bpost works hard to promote wellbeing and good working conditions for all employees and thus stays aware of our employees' needs. Aspects such as working hours and wages are in line with legislation and we respect our employees' Freedom of Association rights. In Belgium, 95% of our employees and 11% of the employees at our subsidiaries are covered by a Collective Labor Agreement (CLA).

Since bpost is an autonomous enterprise with the Belgian state as its largest shareholder, its articles of association explicitly provide for a structure and processes at various levels to facilitate efficient negotiations, consultations and information sharing. To foster constructive dialogue and relations with the unions, bpost Belgium has its own Joint Committee and several other forums. Moreover, two senior-level directors have been appointed, which demonstrates our management's involvement in the social dialogue. This close collaboration allows us to hear and promptly react to our employees' needs in order to mitigate social conflicts.

bpost Belgium's new collective labor agreement applies to 2019-2020. Through this agreement, measures have been taken to raise purchasing power through improved financial conditions. Furthermore, the increased workload will be addressed by attracting additional field staff (1,000 FTEs), additional days off and improvement of our recruiting channels. To do so, we will establish consulting committees to tackle the existing and potential future issues. The last pillar of the agreement is to secure our future, for example through job preservation. This agreement impacts bpost Belgium's cost base by about 20 million EUR annually.

Planet

As a logistic services provider, we have an impact on the environment at different levels: through our fleet's CO_2 emissions, energy consumption, employee commutes, waste production or subcontracted transport.

bpost manages and steers its environmental pillar, 'planet', using our CO_2 footprint as indicator. In 2018, we set an ambitious objective for the Group: our goal is to achieve by 2030 a 20% reduction - compared to 2017 levels - in greenhouse gas emissions resulting from our activities. The "Science Based Targets" initiative approved this emissions reduction objective. This organization aims to promote corporate climate-change-related ambitions by supporting them to set objectives in line with a global temperature increase below 2° Celsius. To decrease this environmental footprint, we focus on our buildings, our fleet and our waste.

In 2019, the CO_2 footprint scope 1, 2 and 3 for bpost remained stable compared to 2018, and and decreased with 7% compared to 2017.

	UNIT	2019	2018 BPOST GROUP	2017 (RESTATED)[1]	TREND
SCOPE 1	**t CO_2 eq**	**88,996**	**87,848**	**82,826**	
Natural gas & heating oil	t CO_2 eq	20,986	22,442	21,786	↘
Postal "fleet" diesel & petrol (incl. service vehicles)	t CO_2 eq	60,340	57,266	53,193	↗
Fuel company cars	t CO_2 eq	7,642	8,117	7,847	↘
Oil for generators	t CO_2 eq	28	23	n/a	↗
SCOPE 2 (NET)	**t CO_2 eq**	**30,266**	**28,619**	**31,569**	
Electricity (market-based)[2]	t CO_2 eq	29,794	28,156	30,938	↗
District Heating	t CO_2 eq	472	463	631	↗
Scope 1 & 2	**t CO_2 eq**	**119,262**	**116,467**	**114,395**	↗
SCOPE 3	**t CO_2 eq**	**189,320**	**192,390**	**218,016**	
Employee commuting	t CO_2 eq	32,977	34,147	36,320	↘
Business travel	t CO_2 eq	1,374	1,349	1,844	↗
Subcontracted road transport	t CO_2 eq	113,440	111,939	117,699	↗
Subcontracted air transport[3]	t CO_2 eq	37,597	38,944	55,459	↘
Waste	t CO_2 eq	3,932	6,011	6,694	↘
TOTAL CO_2 EMISSIONS (SCOPE 1+2+3)	**t CO_2 eq**	**308,582**	**308,856**	**332,411**	↘

1 *The restated 2017 CO_2 footprint is based on 100% accounts for Radial's activity data (compared to 16.7% in 2017), and uses actual 2017 consumption for its electricity (instead of an estimation). In addition, retroactively, Ubiway data on company cars has been added.*

2 *The market-based method reflects bpost's choices in terms of electricity supply, such as the purchase of electricity from renewable energy sources. This is set out in detail in contracts between bpost and its energy suppliers.*

3 *Subcontracted air transport figures for subsidiaries were excluded*

Green fleet

PLANET – GREEN FLEET[1]	UNIT	BPOST BELGIUM 2019	BPOST BELGIUM 2018	BPOST BELGIUM 2017	SUBSIDIARIES 2019	SUBSIDIARIES 2018	BPOST GROUP 2019	BPOST GROUP 2018
Share of last mile alternative fuel vehicles (bikes, ebikes, etrikes, EV vans)	%	33.00	33.00	35.00[2]	8.00	13.00	n/a	33.00
Share of EURO 5 and EURO 6 standard	%	98.00	96.00	86.00[2]	16.00	100.00	-	-
Average van fuel use	Liter per 100 km	9.7	9.4	9.3	-	13.6	9.9	9.5
Average truck fuel use	Liter per 100 km	26.6	26.4	26.5	-	-	26.6	26.4

1 *The figures on Green Fleet only contain the bpost entities with a delivery fleet: bpost N.V./S.A., DynaGroup, Euro-Sprinters and CityDepot for 11months of activity.*

2 *Restatement based on standardization of definition.*

An extensive and solid fleet is one of the most important assets for a postal and logistics company. bpost has one of Belgium's largest mail and package delivery fleets. However, this fleet is a large contributor to carbon emissions and air quality. Since bpost has decided to be a frontrunner in sustainability efforts, we are taking several measures to reduce our fleets' impact.

First of all, we are transforming our fleet by selecting vehicles with a lower -to-no carbon footprint, such as (electric) bicycles, delivery three-wheelers and electric vans. This year we started a pilot project in Mons, where we opened our first electric vans mail center, with twenty new e-vans for the distribution of mail and packages. This is only the beginning, and bpost has high ambitions. By 2022 we aim to have 600 new electric bpost vans driving around in Belgium and by 2030 50% of our last-mile fleet should be electric (about 3,400 vehicles). Secondly, and in line with the aim to adapt further its model to the expectations and behavior of its customers, bpost has introduced the Non-Prior stamps. This allows us to bundle the mail volumes more efficiently and, hence, make the delivery schedule more efficient and environmental responsible. Thirdly, we promote eco-driving with our own and subcontracted drivers through Data Loggers. Finally, we encourage our employees to commute to work in a more environmentally friendly manner by structurally supporting alternative ways to come to work (incl. carpooling, promoting e-bikes) and/or flexible working.

Green buildings

PLANET – GREEN BUILDINGS	UNIT	BPOST BELGIUM 2019	BPOST BELGIUM 2018	BPOST BELGIUM 2017	SUBSIDIARIES 2019	SUBSIDIARIES 2018	BPOST GROUP 2019	BPOST GROUP 2018
ENERGY CONSUMPTION								
Total energy consumption per employee	kWh/ headcount	4.92	5.37	5.58	16.15	17.25	7.47	8.20
Total energy consumption	kWh	129,388,488	138,382,365	142,055,757	124,404,895	138,997,379	253,793,383	277,379,744
Total renewable electricity consumed	kWh	64,235,857	67,728,515	65,862,630	10,086,633	10,548,597	74,322,490	78,277,112
Share of renewable electricity	%	94	95	94[1]	12	11	49	46
Total non-renewable/grey electricity consumed	kWh	3,543,804	3,840,338	4,029,115	74,448,078	86,272,565	77,991,882	90,112,903
Share of non-renewable electricity	%	5	5	6	88	89	51	54
Total natural gas consumed	KWh	49,605,667	54,194,732	56,892,060	38,377,600	40,614,887	87,983,267	94,809,619
Total heating oil consumed	KWh	9,250,382	10,110,389	12,049,785	1,457,108	1,512,050	10,707,490	11,622,439
Total district heating consumed	KWh	2,680,653	2,470,491	3,183,941	0	0	2,680,653	2,470,491
Other (fuel oil, diesel)	KWh	72,124	37,900	38,225	35,476	49,281	107,600	87,181
ELECTRICITY PRODUCTION								
Share of renewable electricity produced	%	7.00	5.00	5.00	0.17	9.09	6.00	5.00
Total renewable electricity capacity installed	MWp	4.83	4.83	3.42	0.10	0.05	4.93	4.88
Total surface of solar electricity capacity installed	m^2	31,503	31,503	22,133[1]	14,387	354	45,890	31,857
WATER CONSUMPTION								
Total water consumed	m^3	149,075	144,017	n/a	356,976,131	n/a	n/a	n/a

1 *Restatement based on standardization of definition.*

bpost is also making investments to reduce the environmental impact of all its operations, its buildings and facilities, all of which consume electricity, gas and water. Where electricity is concerned, bpost has been heavily investing in renewable electricity. Almost 100% of the electricity consumed in Belgium is renewable and we produce 7% of our electricity consumption ourselves. To do so, and to support our Science Based reduction Target, we have introduced about 8,000 m2 of photovoltaic cells in our Antwerp X sorting center in 2019. It is our ambition to further compensate the share of non-renewable electricity consumption of our subsidiaries.

Furthermore, bpost is working hard to decrease the energy we consume by improving the energy efficiency of our operations and facilities. We invest in relighting and more energy efficient heating projects, both in Belgium and abroad. Examples of investments are switching to LED lighting, upgraded heat and ventilation systems, and installing sensors and timers for more efficient use of light and heating.

For instance, bpost Belgium opened two state-of-the-art low-energy buildings in Mons and the Verviers region. Also, the new Brussels X sorting center (NBX) has 100% LED lighting. This has a massive impact, since this center is by far the biggest sorting center in Belgium, with more than 70,000 m^2 – the equivalent of 14 football fields. Moreover, the retail stores of Ubiway are exclusively powered by renewable energy, and only LED or high-pressure lighting is installed. The Ubiway headquarters has a BREEAM in-use certificate.

Waste management

PLANET – WASTE MANAGEMENT	UNIT	BPOST BELGIUM 2019	BPOST BELGIUM 2018	BPOST BELGIUM 2017	SUBSIDIARIES 2019	SUBSIDIARIES 2018[2]	BPOST GROUP 2019	BPOST GROUP 2018[2]
Total waste generated	Ton	7,317	8,111	7,373[1]	54,890	78,900	62,207	87,011
Total non-hazardous waste generated	Ton	7,260	8,067	7,367	54,867	78,842	62,127	86,909
Total recycled waste	Ton	4,539	5,288	4,692	49,843	69,447	54,382	74,735
Share of recycled waste	%	63	65	64	91	88	88	86
Total residual waste incinerated for energy recovery	Ton	2,721	2,778	2,675[1]	525	588	3,245	3,366
Total residual incinerated without energy recovery or land-filled	Ton	0	0	0	4,499	8,808	4,499	8,808
Total hazardous waste	Ton	57	44	6	57	58	114	102

1 *Restatement based on standardization of definition.*

2 *A restatement of 2018 waste activity data has occurred for the subsidiary Ubiway, which in turn affects the bpost Group waste figures.*

bpost is conscious of the resources we use and the waste we produce and manages these waste streams responsibly. At all our locations we sort according to the different waste streams and work together with a registered waste partner for recycling (paper, drink cartons, plastic bottles, metal) or disposal with energy recovery. In Belgium, 100% of all plastic, paper and cardboard waste is recycled and 100% of our unsorted waste is incinerated for energy recovery. We aim to reach the same figures at our other locations.

Proximity

bpost is transforming into an international logistics company, but also values its proximity to the people surrounding the organization. We collaborate closely with both Belgian and international society, with our customers and our suppliers. We value these relationships that allow us to respond to current and future needs in Belgium and abroad. Our support to external organizations working for and with people, in Belgium and abroad, is important to us. We also encourage our suppliers to include CSR as far as possible in their business practices. For our customers, we provide them with services to facilitate their day to day lives.

PROXIMITY – STRATEGIC KPIS	UNIT	BPOST BELGIUM 2019	BPOST BELGIUM 2018	BPOST BELGIUM 2017	SUBSIDIARIES 2019	SUBSIDIARIES 2018	BPOST GROUP 2019	BPOST GROUP 2018
Total donations	1,000 Euros	254	349	371	52	41	306	390
Share of significant tier 1 suppliers covered by the Supplier Code of Conduct	%	100	100	90	n/a	n/a	n/a	n/a
Customer satisfaction[1]	Score	82	84	86	n/a[1]	n/a[1]	n/a[1]	n/a[1]

1 *The customer satisfaction methodology used by bpost Belgium is very specific to the organization (includes both residential and business customers and is based on a 7 points scale). This makes it difficult to consolidate the outcomes with our subsidiaries. We will investigate how we can develop a common metrics in the future.*

Proximity to society

		BPOST BELGIUM			SUBSIDIARIES		BPOST GROUP	
PROXIMITY – PROXIMITY TO SOCIETY	UNIT	2017	2018	2019	2018	2019	2018	2019
Total donations	1,000 Euros	371	349	254	41	52	390	306

bpost doesn't operate in isolation, but within society at large. This society consists of different communities, for which we are grateful: they make our work interesting and worthwhile. As bpost grows, these communities grow with us: we started as a Belgian postal operator, but our business and communities have a more international character today. To stay close to our roots, we support a number of social and biodiversity projects in Belgium.

BPOST LITERACY FUND

In 1997, the bpost Literacy Fund was established to improve literacy rates by supporting new literacy projects run by various organizations. Managed by the King Baudouin Foundation, the bpost Literacy Fund was boosted in 2009, when we started donating a part of the revenue of a Christmas stamp sale. Since then, the Fund has received about 1.5 million EUR. In 2019, it received 45.000 EUR worth of grants.

DOCTORS WITHOUT BORDERS

As an increasingly international organization, bpost also wants to help local communities abroad. Since 2017, we have established a partnership with Doctors Without Borders, an organization providing medical support to local communities in emergencies. In addition to both being organizations that coordinate our global operations and activities out of headquarters in Brussels, we also share common values of proximity, neutrality and inclusivity. In 2019, we contributed 80,000 EUR to Doctors Without Borders.

TENTH EDITION OF STAR4U

Star4U is bpost's initiative to encourage employees to volunteer for social, cultural or environmental projects that are closely related to bpost's values. The projects are chosen by a panel of bpost employees and experts from outside the company. In 2019, 101 projects were supported this way for a total amount of 79,000 EUR.

WELOVEBXL

In 2019, bpost donated 35,000 EUR to the Molenbeek-based organization WeLoveBXL. This organization enables and fosters young talent. By creating a diverse, dynamic and positive community-driven environment, the organization wants to push, inspire and stimulate youngsters in their personal development process. WeLoveBXL offers a physical location to provide access to both recreational and professional activities. At bpost we believe strongly that society benefits from empowering youth in the context of socio-economic challenges, and this is exactly what this organization does.

BPOST FOREST

bpost helps to create natural habitats to maintain local biodiversity and flora. We contributed by freeing up for a 33-year no charge lease two pieces of land owned by bpost (one near Ekeren and another in Uccle) for a biodiversity protection initiative. Our idea is to have those pieces of land renovated to give the public access to nature. In addition, we planted a one-hectare 'bpost forest' in the Waver forest in Lier together with Natuurpunt.

STAMPS FOR CHILD FOCUS' TWENTIETH ANNIVERSARY

Child Focus has been engaged with the search for missing children and the fight against child abuse since the late nineties. In 2018, in honor of its twentieth anniversary, bpost launched a stamp dedicated to the organization's hard work. bpost also started to use its post offices to help to search for missing children. They did so by displaying all-points bulletins on the screens in its post offices to alert the general public locally or nationally.

DONATIONS THROUGH ‘DE WARMSTE WEEK’ AND ‘VIVA FOR LIFE’

During end year, bpost supported Viva for Life (Vivacité) and Warmste Week (Studio Brussel) campaigns.

GREEN DEAL BIODIVERSITY

Together with more than 110 other companies, organizations and local authorities, bpost has subscribed to the Green Deal Biodiversity. Through this voluntary agreement, we commit to taking action to enhance biodiversity and the natural value inside and outside our corporate sites over the next three years. One of bpost’s actions within the requirements of the Green deal biodiversity is the installation of an insect hotel at NBX.

BEEPOST

Since 2016, in partnership with Made in Abeilles cooperative, we set up two beehives on the roofs of our Brussels head office. The idea was to promote a better use of our roofs while offering a response to the mass disappearance of bees and the associated loss of biodiversity. Hosting several bee colonies enables bpost to strengthen its environmental initiatives and to contribute to meet the challenges of biodiversity while reducing its ecological footprint.

HOUSE MARTINS

At bpost, we have a small project contributing to the survival of the House Martins in Flanders. In this region, House Martins are on the “Red Species List” and considered to be vulnerable. Due to changes in house construction and roof design, and due to building renovation, nests are being removed or destroyed and natural nesting sites are in decline. bpost contributes by placing artificial nests under the eaves of its post offices in the perimeter of colonies of House Martins, believing that this will encourage House Martins to build nests nearby. We have installed 5x2 artificial nests under the roof edge of the post office in Harelbeke, and 2x2 in Anzegem.

Proximity to our suppliers

		BPOST BELGIUM			SUBSIDIARIES		BPOST GROUP	
PROXIMITY – PROXIMITY TO OUR SUPPLIERS	UNIT	2019	2018	2017	2019	2018	2019	2018
Share of significant tier 1 suppliers covered by the Supplier Code of Conduct	%	100	100	90	n/a	n/a	n/a	n/a
Share of procurement spent on significant tier 1 suppliers screened on CSR by Ecovadis	%	12	39	n/a	n/a	n/a	n/a	n/a
Share of paper procurement spent on paper coming from certified forests (e.g. PEFC, FSC, SFI)[1]	%	100	100	100	n/a[1]	n/a[1]	n/a[1]	n/a[1]

1 *This indicator is specific to the postal activities (bpost Belgium) and, therefore not monitored at our subsidiaries.*

Since our suppliers are also responsible for the quality we deliver, it’s crucial to work in close collaboration with them. Our most critical suppliers in Belgium are suppliers delivering our fleet and sorting machines as well as our subcontractors and interim. Often, we are one of our suppliers’ larger clients. Agreeing on how to work together is therefore beneficial to both parties, as it improves our collaboration today and in the future. In these collaborations, sustainability is an important topic and is taken into account: in our procurement policy, in the products, materials and services we buy and in the assessment of our suppliers.

bpost adheres to the highest standards of business ethics, including, among others, human rights (laid down, for instance, in the Universal Declaration of Human Rights, national legislation and bpost internal regulations such as its Codes of Conduct). bpost does not intend to do business with third parties which do not fully comply with these standards.

PROCUREMENT POLICY

In bpost’s transition towards a more sustainable business model, significant changes have been made to the procurement process. We have developed a sustainable procurement policy at bpost Belgium. We are still discussing how we can implement it in all of our worldwide subsidiaries. The foundation for the procurement policy is the requirements of the European Commission's DG Environment for Green Public Procurement (GPP). In these requirements, different product groups can be differentiated based on their technical aspects and their social and environmental performance. If a contract exceeds a predefined value and has a sustainability impact, it is held against different sustainability criteria. We are striving to have as many procurement contracts as possible covered by the sustainable procurement policy, taking into account that the procurement process is different for every kind of business and geographical location.

It is important to note that, since bpost is a semi-public company, it is not allowed to incentivize or grant contracts to suppliers with specific criteria. We can only set criteria for the product or service we procure, but not the supplier itself. However, bpost has included a clause in the Supplier Code of Conduct, which requires suppliers to perform a CSR risk assessment.

As a postal operator, responsible paper consumption is one of our highest sustainability priorities. We are committed to become the best in class and work together with PEFC and FSC to reach that objective. Various measures are in place, which have resulted in 100% of paper that is PEFC or FSC certified. Furthermore, 100% of or stamps are printed on FSC certified paper.

SUPPLIER ASSESSMENT

To ensure that the sustainable procurement policy is adhered to, we include both an environmental and social clause in our procurement contracts, which refers to our Supplier Code of Conduct. All bpost' requirements regarding its suppliers are clearly described in its Supplier Code of Conduct and its Supplier general terms. There, it is explicitly mentioned that bpost reserves the right to request an internal assessment or an assessment by an independent organization acting on behalf of bpost (Ecovadis or equivalent) regarding compliance with this Code and specific aspects of sustainability. If a supplier is not able to comply with bpost's requirements, we may be forced to terminate the contract in extreme cases. We are investigating whether we can apply the Supplier Code of Conduct to all of our subsidiaries.

We partner with Ecovadis to ensure the compliance of our suppliers to our Supplier Code of conduct. This external party conducts supplier CSR Risk assessments and takes into account environmental (energy, water, waste, products) and social performance (health and safety, working conditions, child and forces labor). Using the Ecovadis assessment, our suppliers are given a score from 1 to 100. If they score too low, we engage a dialogue with them to see if we can support to improve our supplier's CSR performance.

Since 2017, in addition to the assessments performed by Ecovadis, we also performed on-site audits on high-risk profile suppliers (e.g. textile for our new uniforms). These audits focus on child labor, human rights, working environment, possible dangers, environmentally friendly production, cleanliness and compliance with bpost requirements.

Proximity to our customers

		BPOST BELGIUM			SUBSIDIARIES		BPOST GROUP	
PROXIMITY – PROXIMITY TO OUR CUSTOMERS	UNIT	2019	2018	2017	2019	2018	2019	2018
Customer satisfaction[1]	Score	82	84	86	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Amount of letters for which the customers have offset their mail carbon emissions[1]	Million letters	164	162	159	n/a[2]	n/a[2]	n/a[2]	n/a[2]
Total carbon emissions offset for the customers[1]	CO_2 teq.	1,809	2,533	2,404	n/a[2]	n/a[2]	n/a[2]	n/a[2]

1 *The customer satisfaction methodology used by bpost Belgium is very specific to the organization (includes both residential and business customers and is based on a 7 points scale). This makes it difficult to consolidate the outcomes with our subsidiaries. We will investigate how we can develop a common metrics in the future.*

2 *This indicator is specific to the postal activities (bpost Belgium) and, therefore not monitored at our subsidiaries.*

Our employees are in touch with our customers daily. Because of this proximity to our customers, we maintain our awareness of their current and future needs. Since customers care about the impact they make, we offer them responsible choices. We are doing everything we can to improve our services and make our customers happy. Our U.S.-based subsidiary Radial is specialized in services related to customer care, from which we learn and which we try to implement everywhere at bpost.

CARBON METER SERVICE

With our Carbon Meter, we help our customers to make well-informed decisions that minimize their environmental impact. Depending, for example, on the type of paper, use of cardboard, size and ink, they can measure the carbon footprint of their advertising mail flows.

CARBON OFFSETTING SERVICE

In addition to let customers calculate their carbon footprint, we offer them the option to offset their carbon emissions generated during the delivery of their mail items. Together with CO_2logic, we raise financing for Gold Standard certified climate projects to cut greenhouse emissions in emerging countries. For each of these projects, we also contribute to key UN SDGs, such as climate action, life on land, sustainable communities, no poverty, or good health. This year, we invested in safe water supply in Eritrea, where access to safe water and rely exclusively on unprotected wells, lakes and other open water sources that are highly susceptible to contamination. The only option to purify water is by boiling it, using firewood. This process results in deforestation and the release of greenhouse gas emissions from the combustion of wood. By providing safe water the project ensures that households consume less firewood to purify water. Therefore, it reduces greenhouse gas emissions.

We also invested in sustainable agriculture and forestry in Zambia, where poor agricultural practices, poverty and a loss of precious forests and ecosystems are threatening the country. The Zambia AgroForestry Project promotes sustainable agriculture and forest conservation at a landscape level, through sustainable agricultural land management and REDD+ (Reduce Emissions from Deforestation and forest Degradation) development.

CUBEE

We try to provide our customers with flexible and sustainable solutions. One of these solutions is Cubee, an independent, open network of parcel lockers for retailers, online customers and couriers. Consumers can choose to ship their parcels to a Cubee locker, which they can pick up whenever convenient using their smartphone. The Cubee lockers are conveniently located at highly visited places, for example at train stations.

BCLOSE SERVICE

For socially isolated people in Belgium, our local postmen and postwomen are familiar faces and trusted people. By walking past every door every day, local postmen and postwomen can play a significant role in assessing whether older adults are socially isolated. Therefore, in some Belgian municipalities, bpost is offering the bclose service in collaboration with the local social services. After approval by the older adults, their trusted postman or woman pays them a home visit to ask some brief questions, in order to get insight into what they might need. This information provided by our bclose's services can be used confidentially to take action to help the isolated people and integrate them into community life.

DYNASURE PASSPORT DELIVERY

Thanks to our subsidiary Dynasure, Antwerp citizens can now receive their renewed passport when its suits them best. All they have to do is go to the local government office to apply for their passport, provide their digital fingerprints and sign. Then, Dynasure delivers their passport when it is most convenient for them. This makes their life a little easier, as citizens no longer have to fit their schedules around the opening hours of local government offices.

Glossary

Absenteeism

Total number of days where employees were absent in the reporting year (due to work-related occupational accidents or illness) out of the number of days worked in the reporting year times 100.

Blameworthy road traffic incidents

The number of a road traffic incidents (leading to near-miss, injury or fatality) during working hours caused by a bpost driver (employee or temporary staff of the entity performing work on behalf of the entity).

CO_2 eq. emissions

bpost Group uses the Greenhouse Gas Protocol - A Corporate Accounting and Reporting Standard (Revised Edition) as well as the joint methodology of UPU (universal postal union), PostEurope and IPC (international postal corporation) – "GHG Inventory standard for the postal sector last version 2010 standard" to collect activity data and calculate emissions. bpost Group reports CO_2 emissions only. HFCs emissions from on-site refrigeration or air-conditioning are negligibly small. Emissions from NH4, N2O, PFCs or SF6 are negligible and not relevant for bpost's activities. Therefore, the IPC GHG program has not included these emissions in the scope of emissions to be monitored. The majority of the conversion factors used are derived from IPC or provided directly by the relevant supplier.

Customer satisfaction

The bpost Belgium customer satisfaction survey is based on a 7 point scale in which level 7 and 6 designate enthusiastic customers and level 5 satisfied customers. It includes both residential and business customers.

Employee engagement

Employee engagement is determined by an independent third party via an employee engagement survey, in which the average of the question scores provides the level of engagement.

Employee turnover

The total number of employees that left the entity during the reporting period (year X), divided by the average number of employees in year X and year X-1, multiplied by 100.

Energy consumption

The total energy consumed in KWh by the buildings and by the activities within the buildings, excluding energy consumption for transportation and logistics purposes, during the reporting period. This consists of electricity, natural gas, heating oil, district heating, fuel oil consumed for generators and diesel for lift trucks.

Formal training

Planned training, instruction and/or education for employees or temporary staff, paid by bpost, during and outside working hours for the reporting period. Formal trainings are organized in collaboration with an (internal or external) educator or educational institution.

Frequency rate

The number of work-related occupational accidents that happened in the reporting year, out of the total number of hours worked in the reporting year, multiplied by 1,000,000 hours worked.

Informal training

Informal training hours are educational activities with a high degree of self-organization (there is no educator or educational institution), about content based on the individual needs of the employees and with a direct relation to the work activity.

Lost days

The number of working days employees did not come to work, due to occupational accidents involving employees, not counting any days on which the employee would not have worked (so excluding e.g. weekends, holidays, part-time days, etc.). This number did not include the day on which the occupational accident occurred.

Occupational work accidents

Total number of occupational accidents leading to a lost-time injury or a work-related fatality during the reporting period.

Severity rate

The total lost days in the reporting year out of the number of hours worked in the reporting year times 1,000 hours worked.

Significant tier 1 suppliers

Significant tier 1 suppliers are the suppliers that make up minimum 80% of the procurement spent during the reporting period.

Reference to external documents

For our Sustainability Governance, we refer to the following section on our website.

To read about how we engage with our stakeholders, we refer to the following section on our website.

bpost's Annual Report 2019 has been prepared in accordance with the GRI Standards: Core option. Our materiality analysis, materiality matrix, GRI content index for this report can be found on our website.

An overview of bpost's awards and partnerships, we refer to the following section on our website.

Financial review

1.1 Group overview

Compared to last year **total external operating income** slightly decreased by -12.4 million EUR to 3,837.8 million EUR, or -13.1 million EUR to 3,837.2 million EUR excluding the adjusted gain on the sale of Alvadis.

- The revenue increase of Parcels & Logistics Europe & Asia of +56.2 million EUR comes mainly from organic volume growth of 20.0% of Parcels BeNe translating into 51.2 million EUR external operating income growth partly offset by an unfavorable net year over year evolution of the contingent considerations for -15.0 million EUR.
- This was offset by Domestic Mail volume decline impacting overall Mail & Retail revenues by -54.6 million EUR.
- Overall Parcels & Logistics North America external operating income declined by -7.3 million EUR as the continued impact of the full year 2018 client churn and repricing offset the new business at Radial North America and the favorable exchange rate evolution.
- Revenues declined within Corporate by -6.7 million EUR driven by lower rental income and lower building sales, as the sale of the headquarters in 2Q19 (+19.9 million EUR gain on disposal) was more than offset by building sales in 2018 (amongst others Old Brussels X).

Adjusted operating expenses including last year's non-cash gain related to IAS 19 group insurance (-10.9 million EUR) and last year's reversal of a provision (-14.9 million EUR) increased by -100.4 million EUR. As a result, **adjusted EBIT** decreased by -113.5 million EUR compared to last year.

The initial application of IFRS 16 had a positive impact of 107.6 million EUR on **EBITDA** compared to last year.

Net financial result decreased by 37.6 million EUR mainly due to the increase of non-cash financial charges related to IAS 19 employee benefits as a result of the decrease in discount rates and the first application of IFRS 16.

Adjusted income tax expense decreased by 29.4 million EUR compared to last year mainly due to the lower profit before tax.

Adjusted IFRS group net profit stood at 173.1 million EUR. **Belgian GAAP net profit** of the parent company amounted to 172.6 million EUR

Adjusted contribution of the different business units for 2019 amounted to:

→ Group overview

	2019			2018		
IN MILLION EUR (ADJUSTED)	TOTAL OPERATING INCOME	EBIT	MARGIN (%)	TOTAL OPERATING INCOME	EBIT	MARGIN (%)
Mail & Retail	2,071.1	257.4	12.4%	2,111.3	333.2	15.8%
Parcels & Logistics Europe & Asia	830.9	65.8	7.9%	792.3	38.3	4.8%
Parcels & Logistics North America	1,104.2	(3.0)	-0.3%	1,114.4	11.1	1.0%
Corporate	402.1	(9.3)	-2.3%	392.8	41.7	10.6%
Eliminations	(571.2)			(560.5)		
Group	**3,837.2**	**310.8**	**8.1%**	**3,850.2**	**424.3**	**11.0%**

1.2 Description of Business Units

The business unit Mail & Retail oversees the commercial activities related to Transactional and Advertising mail and Press and the operational activities of collecting, transporting, sorting and distributing of addressed and non-addressed mail, printed documents, newspapers and periodicals in Belgium and offers these operational activities for parcels to other business units of bpost. Furthermore Mail & Retail offers value added services including document management and related activities and offers proximity and convenience retail through its retail network in Belgium composed out of post offices, postal points and the Ubiway Retail network of different branded shops. It also sells banking and financial products, as part of the Proximity and convenience retail network, under an agency agreement with bpost bank and AG Insurance. The business unit also carries out Services of General Economic Interest on behalf of the Belgian State (SGEI).

The business unit Parcels & Logistics Europe & Asia oversees the commercial and operational activities related to last-mile delivery and express delivery in Belgium and the Netherlands (Parcels BeNe), E-commerce logistics (fulfillment, handling, distribution and return management) and Cross-border (inbound, outbound and import services) for parcels in Europe & Asia and for international mail worldwide. The business unit runs several operational centers across Europe including a sorting center (NBX) and several parcel hubs. DynaGroup and the Radial and Landmark Global entities in Europe & Asia are part of this business unit.

The business unit Parcels & Logistics North America is in charge of the commercial and operational activities related to E-commerce logistics (fulfillment, handling and distribution, return management, customer service and value-added technology services) in North America and Australia and cross-border parcels and International mail in North America. Radial North-America and the Landmark Global entities in North America are part of this business unit.

Corporate and Support units ("**Corporate**") consist out of the 3 support units and the corporate unit. The support units offer business solutions to the 3 business units and to Corporate and includes Finance & Accounting, Human Resources & Service Operations, ICT & Digital. The Corporate unit includes Strategy, M&A, Legal, Regulatory and Corporate Secretary.

1.3 Business Unit performance: Mail & Retail

→ Mail & Retail

IN MILLION EUR	2019	2018	CHANGE %
External operating income	**1,897.1**	**1,951.7**	**-2.8%**
Transactional mail	748.0	772.4	-3.2%
Advertising mail	236.0	244.2	-3.4%
Press	344.4	354.1	-2.7%
Proximity and convenience retail network	464.8	475.7	-2.3%
Value added services	103.9	105.3	-1.3%
Intersegment operating income	174.7	159.6	9.4%
TOTAL OPERATING INCOME	**2,071.7**	**2,111.3**	**-1.9%**
Operating expenses	1,734.2	1,727.6	
EBITDA	**337.5**	**383.6**	
Depreciation, amortization	83.7	54.1	
PROFIT FROM OPERATING ACTIVITIES (EBIT REPORTED)	**253.8**	**329.5**	**-23.0%**
Margin (%)	*12.3%*	*15.6%*	
PROFIT FROM OPERATING ACTIVITIES (EBIT ADJUSTED)	**257.4**	**333.2**	**-22.8%**
Margin (%)	*12.4%*	*15.8%*	
Average FTE & Interims	22,435	22,214	1.0%

External operating income amounted to 1,897.1 million EUR and showed a decrease of -54.6 million EUR or -2.8% compared to 2018.

Revenues from **Domestic Mail** (i.e. Transactional, Advertising and Press combined) decreased by -42.3 million EUR to 1,328.4 million EUR. Underlying volume[1] decline amounted to -7.9%. Transactional mail noted an underlying volume decline of -9.2% for the year driven by continued e-substitution by big senders and SMEs, higher acceptance of e-documents at the receivers' side and digitization of C2B communication through smartphone apps. In addition, we faced a tougher comparable base with Mifid & GDPR mailings positively impacting the second quarter of 2018. Advertising mail realized an underlying volume[1] decrease of -4.7% for the year vs. -7.2% in 2018, supported by first benefits of dedicated sales and marketing efforts aimed at re-boosting advertising mail. Press volume[1] decreased on an underlying basis by -6.5% driven by e-substitution and rationalization.

Total Domestic Mail volume decline impacted revenues by -94.2 million EUR, elections by -1.5 million EUR on a net basis and working days differences by -1.5 million EUR. These effects were only partly compensated by the net improvement in price and mix amounting to 54.9 million EUR.

Mail & Retail

EVOLUTION UNDERLYING MAIL VOLUMES	2019
Domestic mail	**-7.9%**
Transactional mail	-9.2%
Advertising mail	-4.7%
Press	-6.5%

Proximity and convenience retail network decreased by -10.9 million EUR to 464.8 million EUR or excluding the impact of the deconsolidation of Alvadis as from September 2019 (-12.1 million EUR) the increase amounted to +1.2 million EUR driven by higher retail revenues from Ubiway Retail and bpost.

Value added services amounted to 103.9 million EUR and showed a slight decrease of -1.4 million EUR versus last year driven by the phase-out of the current e-ID activities provided by Certipost and lower revenues from document management partly compensated by fines management.

Due to the **initial application of IFRS 16** rent and rental costs decreased by 41.1 million EUR and depreciation and amortization increased by -39.4 million EUR.

Reported EBIT amounted to 253.8 million EUR with a margin of 12.3% and showed a decrease of -75.7 million EUR compared to 2018. The decrease of the reported EBIT was mainly driven by lower total operating income (-39.5 million EUR) and higher total operating expenses (including D&A, -36.2 million EUR). The increase of total operating expenses (including D&A) was mainly driven by higher payroll resulting from higher headcount, the 2019-2020 CLA and salary indexation as well as higher project related costs despite a favourable evolution of the FTE mix and the deconsolidation of Alvadis. Furthermore last year's goodwill impairment on goodwill of Certipost had an impact of 7.9 million EUR. **Adjusted EBIT** amounted to 257.4 million EUR with a margin of 12.4% and showed a decrease of -75.8 million EUR compared to previous year.

1 *New scope as of January 1, 2019 based on the business unit structure includes press revenue from Ubiway and excludes outbound. Operating income 2018 is restated but not all comparable KPI's for 2018 (full year) are available.*

1.4 Business Unit performance: Parcels & Logistics Europe & Asia

Parcels & Logistics Europe & Asia

IN MILLION EUR	2019	2018	CHANGE %
External operating income	**813.2**	**757.0**	**7.4%**
Parcels BeNe	380.6	345.9	10.0%
E-commerce logistics	133.1	120.8	10.2%
Cross-border	299.5	290.4	3.2%
Intersegment operating income	17.8	35.3	-49.7%
TOTAL OPERATING INCOME	**830.9**	**792.3**	**4.9%**
Operating expenses	747.7	735.9	
EBITDA	**83.2**	**56.4**	
Depreciation, amortization	21.7	31.4	
PROFIT FROM OPERATING ACTIVITIES (EBIT REPORTED)	**61.5**	**24.9**	
Margin (%)	*7.4%*	*3.1%*	
PROFIT FROM OPERATING ACTIVITIES (EBIT ADJUSTED)	**65.8**	**38.3**	**71.8%**
Margin (%)	*7.9%*	*4.8%*	
Average FTE & Interims	3,248	3,087	5.2%

External operating income amounted to 813.2 million EUR in 2019 and showed an increase of 56.2 million EUR or 7.4% compared to 2018.

Parcels BeNe increased by 51.2 million EUR driven by the consistent organic volume[1] growth of parcels of 20.0%. This increase was driven by e-commerce and good volume development at Dynalogic, and was partly offset by the higher reversal of contingent considerations in 2018 for DynaGroup (3.6 million EUR) and for de Buren (14.6 million EUR) compared to the reversal in 2019 for DynaGroup (1.7 million EUR). As a result of these effects, external operating income grew by 34.7 million EUR to 380.6 million EUR. Price/mix was negative, fully driven by the client mix effect.

PARCELS & LOGISTICS EUROPE & ASIA	2019
Evolution Parcels BeNe volume	20.0%

1 *New scope as of January 1, 2019 based on the business unit structure. Parcels BeNe volumes include former domestic parcels and DynaLogic volumes. Operating income 2018 is restated but not all comparable KPI's for 2018 (full year) are available.*

E-commerce logistics amounted to 133.1 million EUR, an increase of 12.3 million EUR compared to 2018 mainly driven by the integration of Active Ants as from April 1st 2018 and MCS as from October 1st 2019, organic growth of Active Ants, Radial Europe with new clients wins and the reversal of the contingent consideration on Leen Menken (1.5 million EUR).

Cross-border increased by 9.2 million EUR to 299.5 million EUR driven by higher inbound revenues (namely terminal dues settlements in the second quarter of 2019, 2.2 million EUR), higher parcels revenues from the UK and from Asia partly offset by lower revenues from the rest of Europe and outbound.

Due to the **initial application of IFRS 16** rent and rental costs decreased by 8.9 million EUR and adjusted depreciation and amortization increased by -8.6 million EUR.

Reported EBIT in 2019 amounted to 61.5 million EUR and showed an increase of 36.6 million EUR (+147%) compared to 2018. The reported EBIT increase was mainly driven by higher total operating income (+38.6 million EUR, excluding the reversals of the contingent considerations +53.6 million EUR), slightly offset by higher total operating expenses (including D&A, -2.0 million EUR). Operating expenses increased far less than operating income as a result of the run-off of non-performing businesses, an impairment on intangible assets and goodwill in 2018 on de Buren (9.8 million EUR) and Bubble (4.2 million EUR), lower transport costs partly related to the cross-border mix and positive settlements on terminal dues in the second quarter of 2019, partly offset by higher intersegment operating expenses from Mail & Retail driven by higher Parcels BeNe volume. **Adjusted EBIT** amounted to 65.8 million EUR and showed an increase of 27.5 million EUR compared to 2018. Excluding the net year over year impact of contingent considerations reversals and goodwill impairments, adjusted EBIT increased by 34.1 million EUR (+119%) operationally.

1.5 Business Unit performance: Parcels & Logistics North America

Parcels & Logistics North America

IN MILLION EUR	2019	2018	CHANGE %
External operating income	**1,097.5**	**1,104.8**	**-0.7%**
E-commerce logistics	1,008.1	1,017.9	-1.0%
International mail	89.4	86.8	3.0%
Intersegment operating income	6.8	9.6	-29.9%
TOTAL OPERATING INCOME	**1,104.2**	**1,114.4**	**-0.9%**
Operating expenses	1,048.7	1,068.3	
EBITDA	**55.5**	**46.1**	
Depreciation, amortization	71.6	48.9	
PROFIT FROM OPERATING ACTIVITIES (EBIT REPORTED)	**(16.1)**	**(2.8)**	**-**
Margin (%)	*-1.5%*	*-0.2%*	
PROFIT FROM OPERATING ACTIVITIES (EBIT ADJUSTED)	**(3.0)**	**11.1**	**-**
Margin (%)	*-0.3%*	*1.0%*	
Average FTE & Interims	8,061	9,093	-11.4%

External operating income amounted to 1,097.5 million EUR and showed a slight decrease of -7.3 million EUR or -0.7% (-5.4% at constant exchange rate[1]) compared to 2018.

E-commerce logistics slightly decreased by -9.8 million EUR or -1.0% to 1,008.1 million EUR (-5.6% at constant exchange rate). Operating income decreased – as anticipated – mainly driven by the impact of 2018 client churn and repricing at Radial North America. This effect was diminishing through the year but not fully compensated by new business and positive FX development. Total Contract Value (TCV) at Radial reached 385 million USD, well above the initial full year 2019 objective of 300 million USD. TCV was primarily signed in fulfillment.

→ **Radial North America (*)**

IN MILLION USD (ADJUSTED)	2019	2018
Total operating income	934.9	1,003.9
EBITDA	29.2	31.1
Profit from operating activities (EBIT)	(29.2)	(7.9)

(*) Business unit performance expressed in USD of the consolidated Radial entities held by bpost North America Holdings Inc.

International mail amounted to 89.4 million EUR an increase of 2.6 million EUR or +3.0% (-2.5% at constant exchange rate), due to the timing of the acquisition of IMEX and Mail in 2018.

Due to the **initial application of IFRS 16** rent and rental costs decreased by 30.1 million EUR and adjusted depreciation and amortization increased by -29.5 million EUR.

Adjusted EBIT amounted to -3.0 million EUR a decrease of -14.1 million EUR compared to 2018, and was impacted by set-up costs from newly onboarded clients. **Reported EBIT** includes 13.1 million EUR of amortization of intangible assets originating from the purchase price allocation and therefore amounted to -16.1 million EUR with a margin of -1.5%. This is a decrease of -13.3 million EUR compared to 2018. The decrease of the reported EBIT was driven by decrease of the total operating income (-10.2 million EUR) and higher operating expenses (including D&A, -3.1 million EUR). The better operational performance of +52.6 million EUR driven by lower fixed costs (mainly payroll), better productivity in fulfillment and reduced fraud chargeback in PT&F was fully offset by the foreign exchange impact (-55.7 million EUR)

1.6 Business Unit performance: Corporate

→ **Corporate**

IN MILLION EUR	2019	2018	CHANGE %
External operating income	**30.1**	**36.8**	**-18.3%**
Intersegment operating income	372.0	356.0	4.5%
TOTAL OPERATING INCOME	**402.1**	**392.8**	**2.4%**
Operating expenses	340.7	307.8	
EBITDA	**61.4**	**85.0**	
Depreciation, amortization	70.8	43.3	
PROFIT FROM OPERATING ACTIVITIES (EBIT REPORTED)	**(9.3)**	**41.7**	**-**
Margin (%)	*-2.3%*	*10.6%*	
PROFIT FROM OPERATING ACTIVITIES (EBIT ADJUSTED)	**(9.3)**	**41.7**	**-**
Margin (%)	*-2.3%*	*10.6%*	
Average FTE & Interims	1,633	1,715	-4.8%

1 *Constant Exchange Rate: The reported figures in local currency of the prior comparable period are converted with the exchange rates applied for the current reported period.*

External operating income slightly decreased by -6.7 million EUR to 30.1 million EUR driven by lower rental income and lower sales buildings, as the sale in 2019 of the headquarters (Centre Monnaie building 19.9 million EUR gain on disposal) was more than offset by the sales of buildings in 2018 (amongst others Old Brussels X).

Due to **the initial application of IFRS 16** rent and rental costs decreased by 27.5 million EUR and adjusted depreciation and amortization increased by -27.7 million EUR.

Reported EBIT and **Adjusted EBIT** showed a decrease of -51.0 million EUR and was driven by lower external operating income (-6.7 million EUR) and higher operating expenses (including D&A, -44.3 million EUR) net of the increase in intersegment operating expenses (-16.0 million EUR) fully re-invoiced to the operating business units as intersegment operating income. Higher operating expenses (-44.3 million EUR) were driven by last year's reversal of a provision (positive impact in 2018 of 14.9 million EUR) and IAS 19 non-cash gain related to group insurance (positive impact in 2018 of 10.9 million EUR), higher payroll and higher project-related costs in procurement and communication.

1.7 Cashflow statements

IN MILLION EUR	2019	2018
Net cash from operating activities	424.2	362.0
Net cash used in investing activities	(122.2)	(120.8)
Net cash from financing activities	(314.1)	(29.5)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(12.1)**	**211.7**
Free cash flow	**302.0**	**241.2**

In 2019, the net cash flow decreased compared to the same period last year by 223.8 million EUR to -12.1 million EUR.

Free cash flow amounted to 302.0 million EUR.

Cash flow from operating activities compared to the same period last year increased by 62.3 million EUR to 424.2 million EUR, mainly explained by the impact of the IFRS 16 initial application (+112.3 million EUR) and lower tax pre-payments (+37.0 million EUR), partially offset by lower operating results.

Investing activities resulted in a cash outflow of 122.2 million EUR in 2019, compared to a cash outflow of 120.8 million EUR last year. The evolution was mainly due to lower cash outflows related to acquisition of subsidiaries (+54.1 million EUR) with main investments occurring in the first half 2018, the higher proceeds from sale of buildings (+10.9 million EUR which is primarily explained by the sale of the Centre Monnaie building in the first half 2019) and the sale of Alvadis (+5.9 million EUR), partially offset by higher capital expenditures (-47.3 million EUR) and the subordinated loan granted to bpost bank (-25.0 million EUR).

In 2019 capital expenditures mainly related to the build-out of new fulfillment centres in North America, mail centres infrastructure, vehicles, capitalisation of ICT development costs, the new distribution model and the migration of ICT infrastructure to the cloud.

The cash outflow relating to **financing activities** amounted to -314.1 million EUR compared to -29.5 million EUR last year. In 2018 the issuance of the bond and commercial paper, along with the loans entered into during the third quarter of 2018 was more than offset by the reimbursement of the bridge loan for the Radial acquisition, the unwinding of the pre-hedge interest rate swap related to the bond and the dividends. In 2019 the cash outflow is primarily explained by payments of lease liabilities from IFRS 16 initial application (-112.3 million EUR) and dividends (-174.0 million EUR).

1.8 Net debt

As at 31 December

IN MILLION EUR	2019	2018
Net debt / (net cash)		
Interest bearing loans and borrowings	1,449.4	1,024.8
Bank overdrafts	0.5	0.0
Non-interest bearing loans and borrowings	0.1	0.1
- Cash and cash equivalents	(670.2)	(680.1)
TOTAL	**779.9**	**344.8**

The net debt increased by 435.1 million EUR mainly due to the impact of the initial application of IFRS 16 (the impact of the transition to IFRS 16 amounted to 417.8 million EUR). Cash and cash equivalents decreased by 9.9 million EUR with a cash-outflow of 12.1 million EUR.

1.9 Balance sheet

IN MILLION EUR	2019	2018		2019	2018
Assets			**Equity and liabilities**		
Property, plant and equipment	1,133.6	708.0	Total equity	682.6	702.3
Intangible assets	898.3	874.9	Interest-bearing loans and borrowings (incl. overdraft)	1,449.9	1,024.8
Investment in associates and joint ventures	239.5	251.2	Employee benefits	320.6	308.4
Other assets	41.8	70.7	Trade and other payables	1,278.5	1,230.0
Trade and other receivables	759.0	723.2	Provisions	29.8	39.3
Inventories	34.7	36.9	Derivative instruments	1.3	0.8
Cash and cash equivalents	670.2	680.1	Other liabilities	14.3	39.6
TOTAL ASSETS	**3,777.1**	**3,345.1**	**TOTAL EQUITY AND LIABILITIES**	**3,777.1**	**3,345.1**

Total assets and liabilities increased by 432.0 million EUR, mainly due to the impact of the initial application of IFRS 16. The balance of the right-of-use assets and lease liabilities end of December 2019 respectively amounted to 443.4 million EUR and 449.3 million EUR.

1.10 Alternative Performance Measures (unaudited)

bpost also analyses the performance of its activities in addition to the reported IFRS figures with alternative performance measures (APMs). The definitions of these alternative performance measures can be found below.

Alternative performance measures (or non-GAAP measures) are presented to enhance an investor's understanding of the operating and financial performance, to aid in forecasting and to facilitate meaningful comparison of the result between periods.

The presentation of the result on an Adjusted basis replaces the Normalized basis to align the label of the APM to the ESMA guidelines on Alternative Performance Measures. As the definition and the approach remained unchanged management did not have to report comparable figures. The Adjusted basis provides a better insight and comparability over time to analyze and forecast the performance for investors.

The presentation of alternative performance measures is not in conformity with IFRS and the APMs are not audited. The APMs may not be comparable to the APMs reported by other companies as those companies may compute their APMs differently from bpost.

The calculation of the Adjusted performance measure, Adjusted operating free cash flow and the bpost SA/NV Net Profit (BGAAP) can be found below the definitions. The APMs derived from items reported in the financial statements can be calculated with and reconciled directly to the items as disclosed in the definitions below.

Definitions

Adjusted performance (Adjusted operating income / Adjusted EBITDA/ Adjusted EBIT/ Adjusted EAT): bpost defines the Adjusted performance as operating income/EBITDA/EBIT/EAT excluding the adjusting items. Adjusting items represent significant income or expense items that due to their non-recurring character are excluded from internal reporting and performance analyses. bpost uses a consistent approach when determining if an income or expense item is adjusting and if it is significant enough to be excluded from the reported figures to obtain the adjusted ones. An adjusting item is deemed to be significant if it amounts to 20 million EUR or more. All profits or losses on disposal of activities are adjusted whatever the amount they represent, as well as the year-to-date amortization and impairment on the intangible assets recognized throughout the Purchase Price Allocation (PPA) of the acquisitions. Reversals of provisions whose addition had been adjusted are also adjusted whatever the amount they represent. The reconciliation of the Adjusted performance is available below the definitions.

bpost's management believes this measure provides the investor a better insight and comparability over time of the economic performance of bpost.

bpost SA/NV net profit (BGAAP): bpost defines bpost SA/NV net profit (BGAAP) as the non-consolidated profit (loss) following the Belgian General Accepted Accounting Principles after taxes and after transfer from/to untaxed reserves, this corresponds to the profit (loss) for the period available for appropriation (code #9905 of the BGAAP annual accounts). The detailed reconciliation from the consolidated IFRS profit of the year to the performance measure is available below the definitions.

bpost's management believes this measure provides the investor a better insight on the potential dividend to be distributed.

Constant exchange rate: bpost excludes in the performance at constant exchange rate the impact of the different exchange rates applied in different periods for the segment Parcels & Logistics North America. The reported figures in local currency of the prior comparable period are converted with the exchange rates applied for the current reported period.

bpost's management believes that the performance at constant exchange rate provides the investor an understanding of the operating performance of the entities part of the Parcels & Logistics North America segment.

CAPEX: capital expenditure for tangible and intangible assets including capitalised development costs, excluding right of use assets.

Earnings Before Interests, Taxes, Depreciation and Amortization (EBITDA): bpost defines EBITDA as Earnings from operating activities (EBIT) plus depreciations and amortizations and is derived from the consolidated income statement.

Net debt /(net cash): bpost defines Net debt / (net cash) as the non-current and current interest-bearing loans and borrowings plus bank overdrafts minus cash and cash equivalents and is derived from the consolidated statement of financial position.

Operating free cash flow (FCF) and Adjusted Operating free cash flow: bpost defines FCF as the sum of net cash from operating activities and net cash used in investing activities and is derived from the Consolidated Statement of Cash flows. Adjusted operating free cash flow is the operating free cash flow as defined excluding working capital impact of "the collected proceeds due to clients". The reconciliation is available below the definitions. In some cases, Radial performs the billing and receiving of payments on behalf of their customers. Under this arrangement, Radial routinely remits billed amounts back to the client, and performs a monthly settlement with the client on amounts owed to or from Radial based on billings, fees, and amounts previously remitted. Adjusted operating free cash flows excludes the cash Radial received on behalf of their customers as Radial has no or little impact on the amount or the timing of these payments.

Evolution Parcels BeNe volume: bpost defines the evolution of Parcels BeNe as the difference, expressed as a percentage, of the reported volumes between the current and prior comparable period of the parcels processed by bpost SA/NV and DynaLogic.

Radial North America Performance in USD: bpost defines the performance of Radial North America as the Total operating income, EBITDA and EBIT expressed in USD following the consolidation of the group of Radial entities held by bpost North America Holdings Inc. Transactions between the group of Radial entities and other bpost group entities are not eliminated and are part of the Total operating income, EBITDA and EBIT.

bpost's management believes this measure provides the investor a better insight in the performance of Radial and the scale up of its US presence and the expanding of its product offering into value-added activities that cover the entire value chain in e-commerce logistics and omnichannel technology.

Underlying volume (Transactional mail, advertising mail and press): bpost defines underlying mail volume as the reported mail volume including some corrections, for example the impact of the number of working days and mail volumes related to elections.

RECONCILIATION OF REPORTED TO ADJUSTED FINANCIAL METRICS

Operating income for the year ended 31 december

IN MILLION EUR	2019	2018	EVOLUTION 2019 – 2018
Total operating income	3,837.8	3,850.2	-0.3%
Gain on the sale of Alvadis[1]	(0.6)		
ADJUSTED TOTAL OPERATING INCOME	**3,837.2**	**3,850.2**	**-0.3%**

Operating expenses for the year ended 31 december

IN MILLION EUR	2019	2018	EVOLUTION 2019 – 2018
Total operating excluding depreciation, amortization	(3,300.2)	(3,279.1)	0.6%
ADJUSTED TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION, AMORTIZATION	**(3,300.2)**	**(3,279.1)**	**0.6%**

EBITDA for the year ended 31 december

IN MILLION EUR	2019	2018	EVOLUTION 2019 - 2018
EBITDA	537.6	571.1	-5.9%
Gain on the sale of Alvadis[1]	(0.6)		
ADJUSTED EBITDA	**537.0**	**571.1**	**-6.0%**

EBIT for the year ended 31 december

IN MILLION EUR	2019	2018	EVOLUTION 2019 - 2018
EBIT	289.9	393.4	-26.3%
Non-cash impact of purchase price allocation (PPA)[2]	21.5	30.9	-30.3%
Gain on the sale of Alvadis[1]	(0.6)		
ADJUSTED PROFIT FROM OPERATING ACTIVITIES (EBIT)	**310.8**	**424.3**	**-26.7%**

Profit (eat, earnings after taxes) for the year ended 31 december

IN MILLION EUR	2019	2018	EVOLUTION 2019 - 2018
Profit for the year	154.7	263.6	-41.3%
Non-cash impact of purchase price allocation (PPA)[2]	19.1	26.8	-28.8%
Gain on the sale of Alvadis[1]	(0.6)		
ADJUSTED PROFIT OF THE YEAR	**173.1**	**290.4**	**-40.4%**

1 *On August 30, 2019 – after approval from the Belgian Competition Authority – Ubiway finalised the share purchase agreement with Conway for the sale of Alvadis, a company of the Ubiway group. Alvadis has been deconsolidated end of August 30, 2019. At the time of the startup of the sales process (in December 2018), Alvadis had been transferred to assets held for sale. The adjustment of 0.6 million EUR corresponds to the gain on the disposal of the activities.*

2 *In accordance with IFRS 3 and throughout the purchase price allocation (PPA) for several entities, bpost recognized several intangible assets (brand names, know-how, customer relationships…). The non-cash impact consisting of amortization charges on these intangible assets is being adjusted.*

Gain of the sale of Alvadis is part of the adjusted result of Mail & Retail and the adjusting item's non-cash impact of purchase price allocation is part of the adjusted result of Mail and Retail, Parcels & Logistics Europe & Asia and Parcels & Logistics North America.

RECONCILIATION OF REPORTED TO FREE CASH FLOW AND ADJUSTED FREE CASH FLOW

For the year ended 31 December

IN MILLION EUR	2019	2018	EVOLUTION 2019 – 2018
Net Cash from operating activities	424.2	362.0	17.2%
Net Cash used in investing activities	(122.2)	(120.8)	-1.2%
OPERATING FREE CASH FLOW	**302.0**	**241.2**	**25.2%**
Collected proceeds due to clients	(14.0)	(9.7)	44.7%
ADJUSTED OPERATING FREE CASH FLOW	**288.0**	**231.5**	**24.4%**

FROM IFRS CONSOLIDATED NET PROFIT TO BELGIAN GAAP UNCONSOLIDATED NET PROFIT

For the year ended 31 December

IN MILLION EUR	2019	2018
IFRS Consolidated Net Profit	**154.7**	**263.6**
Results of subsidiaries and deconsolidation impacts	0.6	(1.7)
Differences in depreciation and impairments	(20.5)	(2.2)
Differences in recognition of provisions	(3.4)	(1.4)
Effects of IAS19	15.5	(21.3)
Effects of IFRS 16	8.5	0.0
Depreciation intangibles assets PPA	21.5	30.9
Deferred taxes	1.6	(2.8)
Other	(5.9)	(2.8)
BELGIAN GAAP UNCONSOLIDATED NET PROFIT AVAILABLE FOR APPROPRIATION	**172.6**	**262.3**
Transfer to/(from) untaxed reserves	29.1	-
BELGIAN GAAP UNCONSOLIDATED NET PROFIT FOR THE PERIOD	**201.7**	**262.3**

bpost's unconsolidated profit after taxes prepared in accordance with Belgian GAAP can be derived from the consolidated IFRS profit after taxes in two stages.

The first stage consists of un-consolidating the profit after taxes under IFRS, i.e.:

- Subtracting the results of the subsidiaries, i.e. removing the profit after tax of the subsidiaries; and
- Eliminating any other income statement impact the subsidiaries had on bpost (such as impairments) and adding the dividends received from these subsidiaries.

The table below sets forth the breakdown of the above-mentioned impacts:

For the year ended 31 December

IN MILLION EUR	2019	2018
Result of the Belgian fully consolidated subsidiaries (local GAAP)	(15.2)	(6.1)
Result of the international subsidiaries (local GAAP)	23.8	59.5
Share of results of associates and joint ventures (local GAAP)	(13.6)	(12.1)
Other deconsolidation impacts	5.6	(43.1)
TOTAL	**0.6**	**(1.7)**

The second stage consists of deriving the Belgian GAAP figures from the IFRS figures and is achieved by reversing all IFRS adjustments made to local GAAP figures. These adjustments include, but are not limited to the following:

- Differences in the treatment of depreciation and impairments: Belgian GAAP allows different useful lives (and hence depreciation rates) for fixed assets from IFRS. Goodwill is amortized under Belgian GAAP while IFRS requires impairment testing for goodwill. IFRS also allows intangible assets to be recorded on the balance sheet under different conditions from Belgian GAAP;
- In 2019 bpost recognized the gain on the sale of the Centre Monnaie building (19.9 million EUR) whereas for the statutory books bpost has chosen to apply the spread taxation of this profit, hence there's no impact of this gain on the Belgian GAAP unconsolidated net profit. The sales price will be reinvested and this gain will be subject to taxes in accordance with the depreciation on these reinvested assets and will be recognized into profit over the years to come;
- Recognition of provisions is subject to different criteria under Belgian GAAP and IFRS;
- IFRS requires that all future obligations to personnel are recorded as a liability under IAS 19, whereas Belgian GAAP has no such obligation. The movements in the IFRS liability are reflected on bpost's income statement under payroll costs or provisions, except for the impact of changes in the discount rates for the future obligations, which was recorded as a financial result;
- The evolution of IAS 19 in 2019 compared to 2018 was mainly explained by the increase of non-cash financial charges as a result of the decrease in discount rates in 2019 (year-over year impact of 22.1 million EUR) and last year's non-cash gain related to group insurance (10.9 million EUR);
- In accordance with IFRS 3 "business combinations" bpost performed the purchase price allocation (PPA) for several entities and recognized several intangible assets (brand names, know-how, customer relationships,…);
- Deferred taxes require no accounting entries under Belgian GAAP, but are recorded under IFRS.

Outlook for 2020

While remaining an efficient mail operator in Belgium, bpost Group is establishing a prominent position in the parcels and e-commerce logistics space in Europe and the US. It requires time and investments for the European and North American Parcels and Logistics businesses to reach critical scale. Therefore bpost Group doesn't yet expect the effects of structural mail volume decline to be fully compensated by the Parcels & Logistics growth activities at the adjusted EBIT level in 2020.

Group total operating income for 2020 is expected to increase by a low single-digit percentage, while Group adjusted EBIT is expected to range between 240 and 270 million EUR.

For the business units, bpost Group expects:

Mail & Retail:

- Total operating income decline up to -5% with underlying Domestic Mail volume decline expected between -9% to -11% the effect of which will be partly compensated by an approved mail pricing increase of +5.1%.
- 8-10% adjusted EBIT margin

Parcels & Logistics Europe & Asia:

- Low teens % growth in total operating income
- 6-8% adjusted EBIT margin

Parcels & Logistics North America:

- Mid-single digit % growth in total operating income
- Adjusted EBIT margin positive up to 2%

Gross capex is expected to amount up to 200 million EUR.

The dividend relative to the results of the financial year 2020 will depend on the long-term capital allocation policy, which is being reviewed by the new CEO and the Board of Directors.

We are monitoring closely the potential impact of the COVID-19 virus on bpost Group. It cannot be excluded that there could be negative impacts on 2020 Group results. We are currently not in a position to make more concrete assessments.

Financial consolidated statements

1. Consolidated Income Statement

For the year ended 31 December

IN MILLION EUR	NOTES	2019	2018	EVOLUTION 2019 – 2018
Revenue	6.7 | 6.8	3,779.4	3,774.4	0.1%
Other operating income	6.9	58.4	75.8	-22.9%
TOTAL OPERATING INCOME		**3,837.8**	**3,850.2**	**-0.3%**
Material costs		(245.9)	(257.5)	-4.5%
Services and other goods	6.11	(1,525.0)	(1,556.2)	-2.0%
Payroll costs	6.12	(1,505.1)	(1,455.6)	3.4%
Other operating expenses	6.10	(24.2)	(9.8)	146.5%
Depreciation, amortization		(247.7)	(177.7)	39.4%
TOTAL OPERATING EXPENSES		**(3,547.9)**	**(3,456.8)**	**2.6%**
PROFIT FROM OPERATING ACTIVITIES (EBIT)		**289.9**	**393.4**	**-26.3%**
Financial income	6.13	8.3	6.1	35.4%
Financial costs	6.13	(69.7)	(29.9)	132.9%
Share of results of associates and joint ventures	6.20	15.8	11.5	38.0%
PROFIT BEFORE TAX		**244.3**	**381.0**	**-35.9%**
Income tax expense	6.14	(89.6)	(117.4)	-23.6%
PROFIT FROM CONTINUING OPERATIONS		**154.7**	**263.6**	**-41.3%**
PROFIT FOR THE YEAR (EAT – EARNINGS AFTER TAXES)		**154.7**	**263.6**	**-41.3%**
Attributable to:				
Owners of the Parent		154.2	264.8	-41.8%
Non-controlling interests		0.5	(1.2)	-139.5%

Earnings per share

IN EUR	2019	2018
Basic, profit for the year attributable to ordinary equity holders of the parent	0.77	1.32
Diluted, profit for the year attributable to ordinary equity holders of the parent	0.77	1.32

2. Consolidated statement of comprehensive income

For the year ended 31 December

IN MILLION EUR	NOTES	2019	2018
PROFIT FOR THE YEAR		**154.7**	**263.6**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change of other comprehensive income of associates	6.20	(22.6)	(25.5)
Gross change of other comprehensive income of associates		*(33.5)*	*(61.7)*
Income tax effect		*10.9*	*36.2*
Net gain/(loss) on hedge of a net investment	6.29	(2.4)	(5.7)
Net gain/(loss) on cash flow hedges	6.29	1.8	(14.0)
Gain/(loss) on cash flow hedges		*2.5*	*(18.8)*
Income tax effect		*(0.7)*	*4.8*
Exchange differences on translation of foreign operations		23.7	29.8
NET OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**0.4**	**(15.3)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (losses) on defined benefit plans	6.25	2.7	4.6
Gross gain/(loss) on defined benefit plans		*3.2*	*5.8*
Income tax effect		*(0.6)*	*(1.1)*
NET OTHER COMPREHENSIVE INCOME/(LOSS) NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**2.7**	**4.6**
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**3.0**	**(10.7)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**157.7**	**252.9**
Attributable to:			
Owners of the Parent		157.2	254.1
Non-controlling interest		0.5	(1.2)

3. Consolidated statement of financial position

As at 31 December

IN MILLION EUR	NOTES	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	6.16	1,133.6	708.0
Intangible assets	6.19	898.3	874.9
Investments in associates and joint ventures	6.20	239.5	251.2
Investment properties	6.17	5.0	18.7
Deferred tax assets	6.14	27.3	31.5
Trade and other receivables	6.21	41.5	11.2
		2,345.1	**1,895.7**
Current assets			
Inventories	6.22	34.7	36.9
Income tax receivable	6.14	8.1	5.7
Trade and other receivables	6.21	717.6	712.0
Cash and cash equivalents	6.23	670.2	680.1
		1,430.5	**1,434.7**
Assets held for sale	6.18	1.4	14.7
TOTAL ASSETS		**3,777.1**	**3,345.1**
Equity and liabilities			
Issued capital		364.0	364.0
Reserves		252.3	271.4
Foreign currency translation		34.0	12.7
Retained earnings		30.7	51.6
Equity attributable to equity holders of the Parent		**680.9**	**699.7**
Equity attributable to non-controlling interests		1.7	2.5
TOTAL EQUITY	4	**682.6**	**702.3**
Non-current liabilities			
Interest-bearing loans and borrowings	6.24	1,176.8	849.1
Employee benefits	6.25	320.6	308.4
Trade and other payables	6.26	27.7	17.5
Provisions	6.27	16.2	22.6
Deferred tax liabilities	6.14	7.0	7.3
		1,548.2	**1,204.8**
Current liabilities			
Interest-bearing loans and borrowings	6.24	272.7	175.7
Bank overdrafts		0.5	0.0
Provisions	6.27	13.7	16.8
Income tax payable	6.14	7.3	21.4
Derivative instruments	6.29	1.3	0.8
Trade and other payables	6.26	1,250.9	1,212.5
		1,546.3	**1,427.3**
Liabilities directly associated with assets held for sale	6.18	0.0	10.8
TOTAL LIABILITIES		**3,094.5**	**2,642.9**
TOTAL EQUITY AND LIABILITIES		**3,777.1**	**3,345.1**

4. Consolidated statement of changes in equity

IN MILLION EUR	AUTHORIZED & ISSUED CAPITAL	TREASURY SHARES	OTHER RESERVES	FOREIGN CURRENCY TRANSLATION	RETAINED EARNINGS	TOTAL	NON-CONTROLLING I NTERESTS	TOTAL EQUITY
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
AS PER 1 JANUARY 2018	**364.0**	**0.0**	**310.1**	**(11.5)**	**110.9**	**773.5**	**4.3**	**777.8**
Impact of IFRS 9 on bpost bank			(59.9)			(59.9)		(59.9)
AS PER 1 JANUARY 2018 (RESTATED)	**364.0**	**0.0**	**250.2**	**(11.5)**	**110.9**	**713.6**	**4.3**	**717.9**
Profit for the year 2018					264.8	264.8	(1.2)	263.6
Other comprehensive income			76.1	24.2	(110.9)	(10.7)		(10.7)
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**76.1**	**24.2**	**153.9**	**254.1**	**(1.2)**	**252.9**
Dividends (Pay-out)			(50.0)		(212.0)	(262.0)	0.0	(262.0)
Other			(4.8)		(1.2)	(6.0)	(0.5)	(6.6)
AS PER 31 DECEMBER 2018	**364.0**	**0.0**	**271.4**	**12.7**	**51.6**	**699.7**	**2.5**	**702.3**
AS PER 1 JANUARY 2019	**364.0**	**0.0**	**271.4**	**12.7**	**51.6**	**699.7**	**2.5**	**702.3**
Profit for the year 2019					154.2	154.2	0.5	154.7
Other comprehensive income			33.4	21.3	(51.6)	3.0		3.0
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**33.4**	**21.3**	**102.6**	**157.2**	**0.5**	**157.7**
Dividends (Pay-out)			(50.0)		(124.0)	(174.0)	0.0	(174.0)
Other			(2.5)		0.5	(2.0)	(1.4)	(3.4)
AS PER 31 DECEMBER 2019	**364.0**	**0.0**	**252.3**	**34.0**	**30.7**	**680.9**	**1.7**	**682.6**

Total equity amounted to 682.6 million EUR out of which 199.4 million EUR distributable retained earnings and legal reserves of 50.8 million EUR within bpost NV/SA.

Equity decreased by 19.7 million EUR to 682.6 million EUR as of December 31, 2019 from 702.3 million EUR as of December 31, 2018. The realized profit (154.7 million EUR), the exchange differences on translation of foreign operations (21.3 million EUR), the effective part of a cash-flow hedge entered into to hedge the cash flow risk of the bond (1.8 million EUR) and the remeasurement gains on post-employment benefits (2.7 million EUR) were offset amongst others by the fair value adjustment in respect of bpost bank's bond portfolio (22.6 million EUR) and the payment of dividends (174.0 million EUR). The cash-flow hedge reserve will be reclassified to profit or loss over the 8 years after the issuance date of the bond.

At December 31, 2019, the shareholding of bpost is as follows:

	TOTAL	THE BELGIAN STATE[1]	FREE FLOAT
AS PER 1 JANUARY 2019	200,000,944	102,075,649	97,925,295
Changes during the year	-	-	-
AS PER 31 DECEMBER 2019	200,000,944	102,075,649	97,925,295

1 *directly and via the Federal Holding and Investment Company.*

The shares have no nominal value and are fully paid up.

Distributions made and proposed:

IN MILLION EUR	2019	2018
CASH DIVIDENDS ON ORDINARY SHARES DECLARED AND PAID:		
Final dividend for 2018: 0.25 EUR per share (2017: 0.25 EUR per share)	50.0	50.0
Interim dividend for 2019: 0.62 EUR per share (2018: 1.06 EUR per share)	124.0	212.0
	174.0	262.0
PROPOSED DIVIDENDS ON ORDINARY SHARES		
Final cash dividend for 2019: 0.73 EUR per share (2018: 1.31 EUR per share)	146.0	262.0

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognized as a liability as at 31 December.

5. Consolidated statement of cash flows

As at 31 December

IN MILLION EUR	NOTES	2019	2018
Operating activities			
Profit before tax	1	244.3	381.0
Depreciation and amortization		247.7	177.7
Impairment on bad debts	6.10	5.2	10.5
Gain on sale of property, plant and equipment	6.9	(25.6)	(30.0)
Gain on disposal of subsidiaries		(0.6)	0.0
Other non-cash items		31.9	(4.2)
Change in employee benefit obligations	6.25	15.5	(12.8)
Share of results of associates and joint ventures	6.20	(15.8)	(11.5)
Dividends received	6.20	5.0	4.0
Income tax paid		(88.4)	(126.1)
Income tax paid on previous years		(13.8)	(11.8)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS		**405.3**	**376.8**
Decrease/(increase) in trade and other receivables		(52.1)	14.7
Decrease/(increase) in inventories	6.22	3.7	0.3
Increase/(decrease) in trade and other payables		63.2	(10.9)
Increase/(decrease) in collected proceeds due to clients		14.0	9.7
Increase/(decrease) in provisions		(9.8)	(28.6)
NET CASH FROM OPERATING ACTIVITIES		**424.2**	**362.0**
Investing activities			
Proceeds from sale of property, plant and equipment		66.5	55.6
Disposal of subsidiaries, net of cash disposed of		5.9	0.0
Acquisition of property, plant and equipment	6.16	(119.8)	(88.9)
Acquisition of intangible assets	6.19	(42.4)	(26.5)
Acquisition of other investments		0.0	0.5
Loan to associate	6.21	(25.0)	0.0
Acquisition of subsidiaries, net of cash acquired		(7.4)	(61.4)
NET CASH USED IN INVESTING ACTIVITIES		**(122.2)**	**(120.8)**
Financing activities			
Proceeds from borrowings and lease liabilities		861.5	994.0
Payments related to borrowings and lease liabilities		(1,001.6)	(739.7)
Payments for derivative instruments		0.0	(21.5)
Transactions with minorities		0.0	(0.3)
Interim dividend paid to shareholders	4	(124.0)	(212.0)
Dividends paid	4	(50.0)	(50.0)
NET CASH FROM FINANCING ACTIVITIES		**(314.1)**	**(29.5)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(12.1)**	**211.7**
NET FOREIGN EXCHANGE DIFFERENCE		**1.7**	**2.5**
Cash and cash equivalents less bank overdraft as of 1st January	6.23	680.1	466.0
Cash and cash equivalents less bank overdraft as of 31st December	6.23	669.7	680.1
MOVEMENTS BETWEEN 1ST JANUARY AND 31ST DECEMBER		**(10.4)**	**214.1**

6. Notes to the consolidated financial statements

6.1 General information

Business activities

bpost NV/SA and its subsidiaries (hereinafter referred to as “bpost”) provide national and international mail and parcels services comprising the collection, transport, sorting and distribution of addressed and non-addressed mail, printed documents, newspapers and parcels.

bpost NV/SA, through its subsidiaries and business units, also sells a range of other products and services, including postal, parcels, banking and financial products, e-commerce logistics, express delivery services, proximity and convenience services, document management and related activities. bpost also carries out Services of General Economic Interest (SGEI) on behalf of the Belgian State.

Legal status

bpost NV/SA is a limited liability company under public law. bpost has its registered office at Muntcentrum-Centre Monnaie, 1000 Brussels. bpost shares are listed on the NYSE-Euronext Brussels since June 21, 2013 (share ticker BPOST).

6.2 Basis of preparation

bpost’s consolidated financial statements and board of directors' report prepared in accordance with article 3:32 of the Belgian code of companies and associations set forth on pages 11 to 67, 73, 166 and 170, for the year ended 31 December 2019 were authorized for issue by the Board of Directors on March 17, 2020. The consolidated financial statements of bpost have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use by the EU. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2019 and adopted by the European Union are applied by bpost.

The consolidated financial statements are presented in Euro (EUR), all values are rounded to the nearest million except when otherwise indicated. The consolidated financial statements are prepared under the historical cost convention, except for those items that are measured at fair value.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations effective as from January 1, 2019.

bpost applied **IFRS 16** Leases for the first time in 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are disclosed below.

Apart from **IFRS 16** - Lease, the following new standards and amendments, entered into force as from January 1, 2019, don’t have any effect on the presentation, the financial performance or position of bpost:

- **IFRIC Interpretation 23** – Uncertainty over Income Tax Treatments

- **IFRS 9 – Amendments** – Prepayment Features with Negative Compensation
- **IAS 28 – Amendments** – Long-term Interests in Associates and Joint Ventures
- **IAS 19 – Amendments** – Plan Amendment, Curtailment or Settlement
- **Annual Improvements 2015-2017 Cycles**

As of January 1, 2019, IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where bpost is the lessor.

bpost adopted IFRS 16 using the modified retrospective method with calculation at the date of initial application from January 1, 2019, hence prior year figures will not be adjusted. At the commencement date bpost elected to use:

- the recognition exemptions for lease contracts for which the underlying asset is of low value (“low-value assets”).
- the practical expedient and (i) applied IFRS 16 to contracts that were previously identified as leases under IAS 17 and IFRIC 4 and (ii) did not apply IFRS 16 to contracts that were not previously identified as containing lease under IAS 17 and IFRIC 4.

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/(decrease)) is as follows:

IN MILLION EUR	JANUARY 1, 2019
Assets	
Right-of-use assets	434.6
Commitments relating to leases previously classified as finance leases	(16.8)
TOTAL ASSETS	**417.8**
Liabilities	
Non-current Interest-bearing loans and borrowings	353.9
Non-current liabilities relating to leases previously classified as finance leases	(16.7)
Current Interest-bearing loans and borrowings	82.2
Current liabilities relating to leases previously classified as finance leases	(1.6)
TOTAL LIABILITIES	**417.8**

Nature of the effect of adoption of IFRS 16

- bpost has lease contracts mainly for buildings (warehouses and post offices) and vehicles. Before the adoption of IFRS 16, bpost classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.
- bpost did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from January 1, 2019.
- bpost recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for leases of low-value assets.

Based on the foregoing, as at January 1, 2019, right-of-use assets of 434.6 million EUR are recognised and presented separately in the statement of financial position, this includes the lease assets recognised previously under finance leases of 16.8 million EUR.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

IN MILLION EUR	
Operating lease commitments as at 31 December 2018	**461.3**
Weighted average incremental borrowing rate as at 1 January 2019	2.1%
Discounted operating lease commitments at 1 January 2019	**417.8**
Add:	
Commitments relating to leases previously classified as finance leases	18.3
Liabilities	
Non-current Interest-bearing loans and borrowings	337.2
Current Interest-bearing loans and borrowings	80.7
Add:	
Liabilities relating to leases previously classified as finance leases	18.3
TOTAL LIABILITIES	**436.1**

Standards and Interpretations issued but not yet applied by bpost

The following new IFRS Standards and IFRIC Interpretations, issued but not yet effective or which are yet to become mandatory, have not been applied by bpost for the preparation of its consolidated financial statements.

STANDARD OR INTERPRETATION	EFFECTIVE FOR IN REPORTING PERIODS STARTING ON OR AFTER
IFRS 3 - Amendments – Definition of a Business[1]	1 January 2020
IAS 1 and IAS 8 – Amendments - Definition of Material[1]	1 January 2020
The Conceptual Framework for Financial Reporting	1 January 2020
IFRS 9, IAS 39 and IFRS 7 - Amendments - Interest Rate Benchmark Reform	1 January 2020
IFRS 17 - Insurance Contracts[1]	1 January 2021

1 *Not yet endorsed by the EU as per date of this report*

bpost has not early adopted any other standard, interpretation, or amendment that was issued but is not yet effective.

6.3 Significant accounting judgments and estimates

A series of significant accounting judgments underlie the preparation of IFRS compliant consolidated financial statements. They impact the value of assets and liabilities. Estimates and assumptions are made concerning the future. They are re-assessed on a continuous basis and are based on historically established patterns and expectations with regards to future events that appear reasonable under the existing circumstances.

All accounting estimates and assumptions that are used in preparing the financial statements are consistent with bpost's latest budget / long-term plan projections, where applicable. Judgments are based on the information available on each statement of financial position date. Although these estimates are based on the best information available to the management, actual results may ultimately differ from those estimates.

Employee Benefits - IAS 19

The key assumptions, inherent to the valuation of employee benefit liabilities and the determination of the pension cost, include employee turnover, acceptance rate, mortality rates, retirement ages, discount rates, benefit increases and future wage increases, which are updated on an annual basis. Each year the reference database is enriched with one additional year of historical data making the database ever more stable and reliable. Actual circumstances may vary from these assumptions, giving rise to different employee benefit liabilities, which would be reflected as an additional profit or cost in the income statement or in the other comprehensive income depending on the type of benefit.

The mortality tables used are the Belgian Mortality tables MR (for men) and FR (for women) with an age adjustment of two years. bpost decided to reflect the mortality improvements by adopting an age correction of two years to the official tables, for both active and inactive employees.

Regarding the Accumulated Compensated Absences benefit, the consumption pattern of the illness days is derived from the statistics of the consumption average over a mobile average of 3 years (years 2017 to 2019 for December 2019). The number of days of illness depends on the age, identified per segment of the relevant population. The rate of guaranteed salary is set at 75% in case of long-term illness. Thus, the percentage of the guaranteed salary used for determining the cost of days accumulated in the notional account is 25%. The balance of the cumulated unused sickness days for civil servants is limited to a maximum of 63 days.

By law, defined contribution pension plans in Belgium are subject to minimum guaranteed rates of return. Hence, those plans classify as defined benefit plans which would require that the Projected Unit Credit method is applied in order to measure the benefit obligations. Although there is still no full clarity on the approach, new legislation dated December 2015 brought more clarification on the minimum guaranteed return. The uncertainty with respect to the future evolution of the minimum guaranteed rates of return in Belgium has been removed with the change in the WAP/LPC law end of December 2015. As from 2016, the minimum return for future contributions is equal to the average of the past 24 months return on 10-year linear bonds, with a minimum of 1.75% p.a. bpost continued to apply the so-called PUC methodology (Projected Unit Credit), however as of 2018 without projection of future contributions as the plans are not backloaded and with application of paragraph 115 of IAS 19.

The financing methodology of family allowances for civil servants changed following a law change (law of 19 December 2014). As a consequence, bpost as a public institution pays a contribution that is defined by a program law. The amount is adapted each year proportionally to the number of civil servants (full time equivalents) and is subject to inflation.

For most benefits, an average cost per inactive member is used for the valuation of the benefits. This average cost has been estimated by dividing the annual cost for inactive members by the number of inactive beneficiaries based on the reference data received from the pensions' administration.

The discount rates have been determined by reference to market yields at the statement of financial position date. bpost used the Towers Watson RATE: link tool[1] for the determination of the discount rates, considering a mix of financial and non-financial AA corporate bonds.

Fair value adjustments for business combinations

In accordance with IFRS 3 Business combinations, the identifiable assets acquired and the contingent considerations are valued at fair value at the acquisition date as part of the business combination. Fair value adjustments for the assets are based on external appraisals or valuation models. When the contingent consideration meets the definition of a liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Revenue and revenue related accruals

bpost handles and ships international mail and parcels to and from other foreign postal operators. At balance sheet date the best estimate of the outstanding position is reflected in the consolidated statement of financial position, however as the final settlements are based upon different assumptions (among which "items per kilo") final settlements might deviate from the initial assessment.

Income taxes and deferred taxes

bpost is subject to income taxes in a number of different jurisdictions. Deferred taxes are calculated at the level of each fiscal entity. bpost recognizes deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. In order to determine this, bpost uses estimates of taxable income by jurisdiction in which bpost operates and the period over which deferred tax assets are recoverable. The same principles apply to the recognition of deferred tax assets for unused tax losses carried forward.

Calculation of present value of lease payments and determining the lease term of contracts with renewal options

In calculating the present value of lease payments, bpost uses an incremental borrowing rate for buildings based on currency, economic environment and duration. For fleet and other leases, the discount rate is the rate implicit in the lease contract if available, otherwise same methodology applied as for buildings.

bpost determines the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain to be exercised.

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1 *The Towers Watson RATE:link tool is a tool designed to assist companies in the selection of discount rates that accurately reflect the characteristics of their pension schemes.*

6.4 Summary of significant accounting policies

Consolidation

The parent company and all the subsidiaries it controls are included in the consolidation. No exception is permitted.

Subsidiaries

Assets and liabilities, rights and commitments, income and charges of the parent and the subsidiaries fully controlled are consolidated in full. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Control is assumed to exist when bpost holds at least 50%, plus one share of the entity's voting power; these assumptions may be rebutted if there is clear evidence to the contrary. When bpost has less than a majority of the voting or similar rights of an investee then it considers all relevant facts and circumstances in assessing whether bpost has control over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether bpost controls an entity.

Consolidation of a subsidiary takes place from the date of acquisition, which is the date on which control of the net assets and operations of the acquiree is effectively transferred to the acquirer. From the date of acquisition, the parent (the acquirer) incorporates into the consolidated income statement the financial performance of the acquiree and recognizes in the consolidated statement of financial position the acquired assets and liabilities (at fair value), including any goodwill arising on the acquisition. Subsidiaries are de-consolidated from the date on which control ceases. Intragroup balances and transactions, as well as unrealized gains and losses on transactions between group companies are eliminated in full.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Associates and joint ventures

An associate is an entity in which bpost has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not to control those policies. It is assumed to exist when bpost holds at least 20% of the investee's voting power but not to exist when less than 20% is held; these assumptions may be rebutted if there is clear evidence to the contrary.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the legal entity. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control.

Consistent accounting policies are applied within the whole group, including associates and joint ventures.

All associates and joint ventures are accounted for using the equity method: the participating interests are separately included in the consolidated statement of financial position (under the caption "Investments in associates and joint ventures") at the closing date at an amount corresponding to the proportion of the associate's or joint ventures equity (as restated under IFRS), including the result for the period. Dividends received from an investee reduce the carrying amount of the investment.

The portion of the result of associates and joint ventures attributable to bpost is included separately in the consolidated income statement under the caption "Share of result of associates (equity method)".

Unrealized profits and losses resulting from transactions between an investor (or its consolidated subsidiaries) and associates or joint ventures are eliminated to the extent of the investor's interest in the associate or in the joint venture.

bpost bank is an associate and is accounted for using the equity method as bpost has significant influence but does not have joint control over the management of this company because the other venturer plays a more important role in certain management decisions, especially related to the allocation of assets under management.

Part of the bond portfolio of bpost bank is classified on the balance sheet of bpost bank as "Hold to Collect financial assets" and part as "Hold to Collect & Sell financial assets". The bonds include:

- Fixed income securities (bonds, negotiable debt instruments, sovereign loans in the form of securities, etc.);
- Variable income securities;
- Fixed and/or variable income securities containing embedded derivatives.

Securities classified in "Hold to Collect & Sell financial assets" are measured at fair value and changes in fair value are recorded in other comprehensive income under a specific heading "Share of other comprehensive income of an associate" and presented as other comprehensive income to be reclassified to profit or loss in subsequent periods. Securities classified in "Hold to Collect financial assets" are measured at amortised cost.

Business combination, goodwill and negative acquisition differences

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. At acquisition date, the difference determined between the cost of the acquisition of the investment and the fair value of the identifiable assets, liabilities and contingent liabilities acquired is accounted for as goodwill (if the difference is positive) or directly as a profit in the income statement (if the difference is negative).

The consideration transferred may in certain situations include a contingent consideration, which is measured at fair value at the time of the business combination and included in the consideration transferred (i.e. included in the determination of goodwill or badwill). If the amount of the contingent consideration changes as a result of a post-acquisition event (such as meeting an earnings target), the change in fair value is recognized in profit or loss. In certain acquisitions, bpost does not obtain control over 100% of the shares of the acquired entity but enters into additional agreement (e.g.: put / call option) with the aim to acquire the remaining shares later. Unless the economic substance of these agreements is clearly a fixed price forward agreement (in which case bpost considers that it has acquired present economic interest in the shares concerned), bpost (i) continues recognizing the non-controlling interest (initially measured at fair value or proportionate share of the acquiree's net assets) and (ii) accounts for a financial liability measured at the present value of the amount payable upon exercise of the option. Any subsequent changes in the financial liability is recognised in profit or loss as financial income or financial costs. When in an acquisition, the consideration transferred includes contingent consideration (e.g. earn-out), these amounts are fair valued at the acquisition-date and subsequently at each reporting date. Changes in fair value are recognised in operating result.

After initial recognition, goodwill is not amortized, but is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of bpost's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Intangible assets

Intangible assets acquired separately are recognized in the consolidated statement of financial position when the following conditions are met:

(i) the asset is identifiable, i.e. either separable (if it can be sold, transferred, licensed) or it results from contractual or legal rights;
(ii) it is probable that the expected future economic benefits that are attributable to the asset will flow to bpost;
(iii) bpost can control the resource; and
(iv) the cost of the asset can be measured reliably.

At initial recognition, these intangible assets are measured at cost (including the costs directly attributable to the transaction, but not indirect overheads). Subsequently, they are measured at cost less any accumulated amortization and less any accumulated impairment loss.

Internally generated intangibles are only capitalized when the cost relates to the development phase. The expenses in relation to the research phase are recognised in the consolidated income statement. Within bpost, internally generated intangible assets represent mainly IT projects.

Intangible assets with finite lives are amortized on a systematic basis over their useful life, using the straight-line method. The applicable useful lives are:

INTANGIBLE ASSETS	USEFUL LIFE
Patent[1]	12 years
Know-how[1]	5 years
Points of sale network (replacement costs)[1]	20 years
IT development costs	5 years maximum
Licenses for minor software	3 years maximum
Tradenames/ Brandnames[1]	Between 5 years and indefinite
Customer relationships[1]	Between 5 and 20 years

1 *Useful life can be different case per case and depends on the assessment done at the time of the purchase price allocation.*

Intangible fixed assets with indefinite useful lives are not amortized but are tested for impairment annually. For bpost that is the case for trade names. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be justifiable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Property, plant and equipment

Property, plant and equipment are carried at acquisition cost, less any accumulated depreciation and less any accumulated impairment loss. Cost includes any directly attributable cost of bringing the asset to working condition for its intended use.

Expenditures on repair and maintenance which serve only to maintain but not to increase the value of fixed assets are charged to the consolidated income statement. However, expenditures on major repair and major maintenance, which increase the future economic benefits that will be generated by the fixed asset, are identified as a separate element of the acquisition cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset.

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost, except for vehicles. For vehicles, it is the acquisition cost less the residual value of the asset at the end of its useful life. The applicable useful lives are:

PROPERTY, PLANT AND EQUIPMENT	USEFUL LIFE
Land	N/A
Central administrative buildings	40 years
Network buildings	40 years
Industrial buildings, sorting centers	25 years
Fitting-out works to buildings	10 years
Tractors and forklifts	10 years
Bikes and motorcycles	4 years
All other vehicles (cars, trucks, etc,)	5 years
Machines	5 - 10 years
Furniture	10 years
Computer Equipment	4 - 5 years

Lease transactions

As provided under section 6.2, bpost applied IFRS 16 for the financial year 2019 but did not restate the comparative period which was accounted for in accordance with IAS 17, in line with the transition requirements of IFRS 16. For this reason, the financial position and performance of bpost are not directly comparable.

bpost assesses at contract inception whether a contract is, or contains, a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under IFRS 16, bpost applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. bpost as lessee recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- Right-of-use assets:

The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date (e.g. prepayments) less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- Lease liabilities

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. For example most of the Belgian building lease contracts are subject to indexation whereas most of the US building contracts have fixed lease payments. To be noted that unrecoverable VAT is not included in lease payments and is still recognized in the income statement. The lease payments also include the exercise price of a purchase option when it is reasonably certain that bpost will exercise the option. Similarly, lease term and lease payments can include the effect of penalties for terminating a lease, if the lease term reflects bpost exercising the option to terminate. For the so-called 3/6/9 commercial lease agreements in Belgium bpost has the unilateral right to cancel the agreement after 3 years. As for garages, post offices and retail outlets it's not reasonably certain that bpost will extend the lease after 3 years, the lease term is capped at 3 years. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, bpost uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Leases of low-value assets

Applied the low-value asset lease expense exemptions to leases with value under 5,000 EUR mainly for ICT items as printers and rent of square meters for Cubee lockers.

- Short-term leases

Applied the short-term lease expense exemptions for vehicles with lease terms of 12 months or less.

Until 31 December 2018, a lease was defined as an agreement in which the lessor conveys to the lessee the right to use an asset for a specified period in return for a payment or a number of payments. In accordance with IAS 17, when the lease transferred substantially all the risks and rewards incident to ownership to the lessee, the contract was regarded as financial lease and was recognized as an asset and a liability at amounts equal to the present value of the minimum lease payments (= sum of capital and interest portions included in the lease payments) or, if lower, the fair value of the leased assets. Conversely, when the contract did not transfer substantially all the risks and rewards incidental to the ownership to bpost, the lease was considered as operating lease and rentals paid under the contract were recognized as an expense in the income statement.

Investment properties

Investment property mainly relates to apartments located in buildings used as post offices that are rented out in order to earn rents.

Investment properties are carried at acquisition cost less any accumulated depreciation and less any impairment loss. The depreciation amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The applicable useful lives can be found in the table that is included in section *"Property, plant and equipment"*.

Assets held for sale

Non-current assets are classified as assets held for sale under a separate heading in the statement of financial position if their carrying amount is recovered principally through sale rather than through continuing use. This is demonstrated if certain strict criteria are met (active program to locate a buyer has been initiated, property is available for immediate sale in its present condition, sale is highly probable and is expected to occur within one year from the date of classification).

Non-current assets held for sale are no longer depreciated but may be impaired. They are stated at the lower of carrying amount and fair value less costs to sell.

Stamp collection

The stamp collection that is owned by bpost is stated at the re-evaluated amount less discount for the lack of liquidity. The revalued amounts are determined periodically on the basis of market prices. bpost proceeds to the re-evaluation of its collection every five years. The stamp collection is recorded in the caption “Other Property, Plant and Equipment” of the statement of financial position.

Impairment of assets

bpost assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing is required (i.e.: goodwill and intangible assets with indefinite useful life), bpost estimates the asset’s recoverable amount. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal (corresponding to the cash that bpost can recover through sale) and its value in use (corresponding to the cash that bpost can recover if it continues to use the asset).

When possible, the tests are performed on individual assets. When however it is determined that assets do not generate independent cash flows, the test is performed at the level of the cash-generating unit (CGU) to which the asset belongs (CGU = the smallest identifiable group of assets that generate inflows that are largely independent from the cash flows from other CGUs).

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Where an impairment is identified, it is first allocated to reduce the carrying amount of any goodwill allocated to the group of CGU. Any excess is then allocated to reduce the carrying amount of other fixed assets of the CGU in proportion to their book values, but solely to the extent that the selling price of the assets in question is lower than their carrying amount.

Impairment on goodwill may never be reversed at a later date. Impairment on other fixed assets is reversed if the initial conditions that prevailed at the time the impairment was recorded cease to exist, and solely to the extent that the carrying amount of the asset does not exceed the amount that would have been obtained, after depreciation, had no impairment been recorded.

Inventories

Inventories are measured at the lower of cost and net realizable value at the statement of financial position date.

The acquisition price of inventory of goods purchased for resale is determined by application of the FIFO method. Inventories of minor importance whose value and composition remain stable over time are stated in the statement of financial position at a fixed value.

The cost of inventories finished products comprises all costs incurred in bringing inventories to their present location and condition, including indirect production costs. In particular, the cost price of stamps includes the direct and indirect costs of production, excluding costs of borrowing and overheads that do not contribute to bringing them to the present location and condition. The allocation of fixed costs of production to the cost price is based on normal production capacity.

A write-down is necessary when the net realizable value at the statement of financial position date is lower than the cost.

Revenue related accruals and contract assets and liabilities

Deferred income is the portion of income received during the current or prior financial periods that relates to a subsequent financial period.

Accrued income is the portion of income to be received during the subsequent financial periods that relates to the current or prior financial periods.

bpost recognizes advance customer payments on its balance sheet as deferred income and presents this as contract liability if the performance obligation has not yet been satisfied. Contract liabilities are predominantly relating to stamps, credits on franking machine sold but not yet used by customers at balance sheet date and the SGEI consideration for which the performance obligation has not been satisfied.

bpost recognizes a contract asset after transferring a good or service to a customer before the customer pays consideration or before payment is due. An unconditional right to consideration is presented as a trade receivable and a conditional right is presented as an accrued income.

Receivables

Receivables are initially measured at their fair value and later at their amortized cost, i.e. the present value of the cash flows to be received (unless the impact of discounting is not significant).

bpost recognizes a trade receivable when it has an unconditional right to payment of a consideration as a result of satisfying a performance obligation.

bpost recognizes on all of its trade receivables an allowance for expected credit losses based on the lifetime expected credit losses (ECL) model. As the trade receivables do not contain a significant financing component bpost opted to apply the simplified approach to calculate the expected credit loss rate with the use of a provision matrix, based on the historical default rates adapted for current and forward looking information.

Contract costs

bpost recognizes as assets the incremental costs to obtain a contract and to fulfill a contract if bpost expects to recover them. If other standards are not applicable, only the directly related costs to fulfill a contract in scope of IFRS 15 are capitalized. The assessment of these criteria requires management judgement.

The costs capitalized are mainly system set-up and adaptation, project management, training and sales commission for logistic and fulfillment services and back-office and proximity and convenience services. The assets are amortized on the expected duration of the contract with the customer.

Investment securities

Investment securities can be classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of investment securities at initial recognition depends on the financial asset's contractual cash flow characteristics and bpost's business model for managing them. bpost initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The classification and measurement of bpost's investment securities are, as follows:

- Debt instruments at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.
- Financial assets at FVPL comprise only derivative instruments.

All investment securities, are subject to an impairment methodology, referred to as the Expected Credit Loss (ECL) model, which requires measuring the expected credit losses. Those ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that bpost expects to receive. For debt instruments, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in the credit risk since origination, the allowance will be based on the lifetime ECL. bpost considers an investment security to be in default (totally or partially) when internal or external information indicates that bpost is unlikely to receive the outstanding contractual amounts in full and account the appropriated ECL.

Regular way purchases or sales of financial assets are recognized and de-recognized using settlement date accounting. The fair values of the financial assets are determined by reference to published price quotations in an active market.

Cash and cash equivalents

This caption includes cash in hand, at bank, values for collection, short-term investments (with maturity date not exceeding three months as from acquisition date) that are highly liquid and are readily convertible into a known amount of cash and that are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Share capital

Ordinary shares are classified under the caption "issued capital".

Treasury shares are deducted from equity. Movements of treasury shares do not affect the income statement.

Other reserves comprise the results of the previous periods, the legal reserve and the consolidated reserve.

Retained earnings include the result of the current period as disclosed in the income statement.

Employee benefits

SHORT-TERM BENEFITS

Short-term benefits are recognized as an expense when an employee has rendered the services to bpost. Benefits not paid for on the statement of financial position date are included under the caption "payroll and social security payables".

POST-EMPLOYMENT BENEFITS

Post-employment benefits are valued using an actuarial valuation method and provisions are set up for them (under deduction of any plan assets) in so far as bpost has an obligation to incur the costs in relation to these benefits. This obligation can be a legal, contractual or constructive obligation ("vested rights" on the basis of past practice).

In application of these principles, a provision (calculated according to an actuarial method laid down in IAS 19) is set up in the context of the post-employment benefits to cover:

- the future costs relative to current retirees (a provision representing 100% of the future estimated costs of those retirees);
- the future costs of potential retirees, estimated on the basis of the employees currently in service, taking into account the accumulated service of these employees on each statement of financial position date and the probability that the personnel will reach the desired age to obtain the benefits (the provision is constituted progressively, as and when members of the personnel advance in their careers).

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Actuarial assumptions (concerning the discount rate, mortality factor, costs of future benefits, inflation, etc.) are used to assess employee benefit obligations in conformity with IAS 19. Actuarial gains and losses inevitably appear, resulting (1) from changes in the actuarial assumptions year on year, and (2) deviations between actual costs and actuarial assumptions used for the IAS 19 valuation.

The calculation of the obligation is done using the projected unit credit method. Each year of service confers entitlement to an additional credit unit to be taken into account in valuing the benefits granted and the obligations pertaining thereto. The discount rate used is the yield of high-quality corporate bonds or is based on government bonds with a maturity similar to that of the benefits being valued.

The Belgian defined contribution plans with legal minimum guaranteed returns are valued under the projected unit credit method without projection of future premiums. Considering that the plans do not grant benefits that will lead to a materially higher level of benefit due to the employee's service in later years, i.e. the plans are not back-loaded, the straight-line base principle is not applicable. The applied methodology means that the current legal minimum reserves are projected under the Belgian legislation until the assumed retirement age and are discounted back (respecting vertical/horizontal method and the past legal minimum rates credited on the legal minimum reserves). IAS19.115 has been applied as the group insurance contracts are qualifying as insurance contract. The individual calculated defined benefit obligation cannot be lower than the individual fair value of plan assets as under Belgian legislation, there cannot be compensation between one person and another.

Service costs comprise current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.

Past service costs resulting from a plan amendment or curtailment should be recognized at the earlier of the date when (1) the plan amendment or curtailment occurs; and (2) the entity recognizes related restructuring costs in accordance with IAS 37. Past service costs are recognized in the income statement.

Net interest is calculated by applying the discount rate to the net defined benefit liabilities or assets. Net interest costs are also recognized in the income statement.

The plan assets related to the post-employment benefits are measured at their fair value at the end of the period in the same definition used in IFRS 13.

OTHER LONG-TERM BENEFITS

Other long-term employee benefits are valued using an actuarial valuation method and provisions are set up for them (under deduction of any plan assets) in so far as bpost has an obligation to incur the costs in relation to these benefits.

This obligation can be a legal, contractual or constructive obligation ("vested rights" on the basis of past practice).

A provision is created for other long-term benefits to cover benefits that will only be paid in a number of years but that are already earned by the employee on the basis of the past service. Here, as well, the provision is calculated according to an actuarial method imposed by IAS 19.

The provision is calculated as follows:

Actuarial valuation of the obligation under IAS 19

– Fair value of the plan assets

= Provision to be constituted (or asset to be recognized if the fair value of the plan assets is higher).

Re-measurements, comprising of actuarial gains and losses are recognized immediately through profit or loss in the period in which they occur.

Actuarial assumptions (concerning the discount rate, mortality factor, costs of future benefits, inflation, etc.) are used to assess employee benefit obligations in conformity with IAS 19. Actuarial gains and losses inevitably appear, resulting (1) from changes in the actuarial assumptions year on year, and (2) deviations between actual costs and actuarial assumptions used for the IAS 19 valuation. These actuarial gains and losses are recognized directly in the income statement.

The calculation of the obligation is done using the projected unit credit method. Each year of service confers entitlement to an additional credit unit to be taken into account in valuing the benefits granted and the obligations pertaining thereto. The discount rate used is the yield of high-quality corporate bonds or alternatively is based on government bonds with a maturity similar to that of the benefits being valued.

Service costs comprise current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.

Past service costs resulting from a plan amendment or curtailment should be recognized at the earlier of the date when (1) the plan amendment or curtailment occurs; and (2) the entity recognizes related restructuring costs in accordance with IAS 37. Past service costs are recognized in the income statement.

Net interest is calculated by applying the discount rate to the net defined benefit liability or assets. Net interest costs are recognized in the income statement.

TERMINATION BENEFITS
Where bpost terminates the contract of a member of its personnel prior to the normal retirement date or where an offer of benefits is made in return for the termination of employment that can no longer be withdrawn, a provision is constituted in so far as there is an obligation on bpost.

Provisions

A provision is recognized only when:

(1) bpost has a present (legal or constructive) obligation as a result of past events;
(2) it is probable (more likely than not) that an outflow of resources will be required to settle the obligation; and
(3) a reliable estimate of the amount of the obligation can be made.

Where the impact is likely to be material (mainly for long-term provisions), the provision is estimated on a net present value basis. The increase in the provision due to the passage of time is recognized as a financial expense.

A provision for restoring polluted sites is recognized if bpost has an obligation in this respect. Provisions for future operating losses are prohibited.

If bpost has an onerous contract (the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it), the present obligation under the contract is recognized as a provision.

A provision for restructuring is only recorded if bpost demonstrates a constructive obligation to restructure at the statement of financial position date. The constructive obligation should be demonstrated by: (a) a detailed formal plan identifying the main features of the restructuring; and (b) raising a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.

Income taxes and deferred taxation

Income tax includes current taxation and deferred taxation. Current taxation is the amount of taxes to be paid (recovered) on the taxable income for the current year together with any adjustment in the taxes paid (to be recovered) in relation to previous years. It is calculated using the tax rate on the statement of financial position date.

Deferred taxation is calculated according to the liability method on the temporary differences arising between the carrying amount of the statement of financial position items and their tax base, using the tax rate expected to apply when the asset is recovered or the liability is settled. In practice, the rate in force on the statement of financial position date is used.

Deferred taxes are not recognized in respect of:

(1) goodwill that is not amortized for tax purposes;
(2) the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit; and
(3) investments in subsidiaries, branches, associates and joint ventures if it is likely that dividends will not be distributed in the foreseeable future.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The same principles apply to recognition of deferred tax assets for unused tax losses carried forward. This criterion is reassessed on each statement of financial position date.

Deferred taxes are calculated at the level of each fiscal entity. The deferred tax assets and liabilities of various subsidiaries may not be presented on a net basis.

Transactions in foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency of the entities concerned using the exchange rates prevailing on the dates of the transactions. Realized exchange rate gains and losses and non-realized exchange rate gains and losses on monetary assets and liabilities on the statement of financial position date are recognized in the income statement.

On consolidation, the assets and liabilities of foreign operations are translated into Euro at the exchange rate prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Revenue recognition

bpost earns revenue from a range of services including national and international postal and parcels services, e-commerce logistics, back-office, proximity and convenience services and sells a range of products including banking and financial, postal and retail products. bpost also carries out Services of General Economic Interest (SGEI) pursuant to a contract with the Belgian State. All income related to standard business operations is recognized as revenue in the income statement. All other income is reported as other operating income (see below in a separate section).

bpost recognizes revenue from contracts with customers when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which bpost expects to be entitled in exchange for those goods and services. Below the nature, amount, timing, uncertainty of recognition from revenues from contracts with customers is detailed per class of services.

The presentation of the revenues in the notes per product line item is composed of a combination of type of activities (as described below), type of product, customers and geographical region and is disaggregated in line with the information regularly reviewed by the CODM.

bpost's business activities can be split into three different revenue recognition streams: (i) Distribution and transport services, (ii) Logistic and fulfillment services and (iii) Back-office and proximity and convenience services.

(I) DISTRIBUTION AND TRANSPORT SERVICES

Service included in product line items: Transactional mail, Advertising mail, Press, Parcels BeNe, Cross-border (inbound and outbound) and International mail.

This class of services consists in the delivery of domestic and international mail and parcels comprising the collection, transport, sorting and distribution of addressed and non-addressed mail, printed documents, newspapers and parcels.

Revenue is recognized when the performance obligation, the promise to deliver a good (e.g.: letter, parcel,…) to an addressee or location, is satisfied at a point in time. This is in general on the delivery of the goods. bpost generally considers that it is the principal in distribution and transport services, except for the delivery of newspapers and periodicals to newsstands where it acts as an agent.

The delivery of the newspapers and periodicals can occur in three different ways:

Firstly, bpost makes direct delivery to the households and business ("users") for their subscribed newspapers and periodicals (reported as product line 'Press'). In this case, bpost is a principal because it is the primary obligor to deliver the newspapers and periodicals directly to users and is remunerated by the publishing companies and the Belgian State ("customers"). The remunerations received from the publishing companies for the delivery are based on the volume handled. The remuneration received from the contract with the Belgian State (classified as SGEI) is split between a flat amount recognized over time (equally distributed over the four quarters) and a variable fee based upon the distributed volumes. This remuneration from the Belgian state is subject to an ex-post calculation based upon the evolution of the costs basis of bpost.

Secondly, bpost (through its wholly-owned subsidiary AMP) delivers these newspapers and periodicals to newsstand (reported as product line "Press"). In this situation, AMP acts as an agent on behalf of the publishing company ("customer") and is remunerated based on the number of delivered volumes and a commission on the retail price.

Thirdly, bpost can sell newspapers and periodicals through its Ubiway retail network which is described below in the proximity and convenience revenue stream.

Certain activities of the distribution and transport services revenue stream (e.g.: transactional mail, cross-border,…) are considered as universal postal services as set out in the Belgian Postal Act. bpost provides universal postal services in Belgium on the basis of a management contract concluded with the Belgian State. Certain postal services that are part of the universal postal service and are typically used by individuals and SMEs (known together as the Small User Basket, hereafter "SUB") are subject to a price cap, as provided for in the Postal Act. Each year bpost submits its proposed price increase for the services that are part of the SUB to the Belgian postal regulator (BIPT) for prior approval, with the BIPT having to agree to the price increase if the price cap is complied with. More generally, all postal services that fall under the universal postal service are subject to a range of obligations in terms of quality (such as frequency, geographic coverage and continuity) and pricing (transparency, uniformity, affordability, non-discrimination and cost-orientation). For the non-universal postal services and services not defined as postal items bpost has general sales conditions for smaller customers and contracts for larger customer with volume based pricing and discounts. The contracts with customers providing rebates, surcharges and penalties (volume or quality), that give rise to a variable consideration are accrued monthly and the best estimate of the outstanding position is reflected in the consolidated statement of financial position based on the expected value principle.

The consideration received by bpost for stamps and franking machines for which the performance obligation has not yet been fulfilled are recorded as deferred revenue and disclosed as a contract liability until the delivery of the letter or parcel (domestic or international) is satisfied. The revenue relative to the stamp sale and franking machine activity is only recognized as an estimated revenue at the time the good is delivered. Therefore, bpost has set up a revenue recognition model to recognize the predicted amount of revenues, based on historic data on the usage of stamps. The historical usage is than applied on the stamps sold during the reported period. Stamps not used after a considerate period are treated as a sale of a good.

The revenue relative to inbound (Cross-border), a service to another postal operator to distribute mail and parcels in Belgium, is recognized as an estimated revenue at the time the service is performed. The consideration to which bpost is entitled is later on negotiated and definitely agreed with the customer (other postal operator). Due to this process the amount of the transaction price is variable and bpost estimates the amount of revenue using the expected value method based on historical data. At balance sheet date the best estimate of the outstanding position is reflected in the consolidated statement of financial position, however as the final settlements are based upon different assumptions (among which "items per kilo" and transaction price) final settlements might deviate from the initial assessment. The net outstanding positions of outbound and inbound flows per postal operator are recorded as a receivable or payable. The process applied by bpost ensures that the variable consideration constrains of IFRS 15 is respected, i.e.: bpost recognizes variable consideration for which it is highly probable that no significant revenue will be reversed once the uncertainties have gone away.

(II) LOGISTIC AND FULFILMENT SERVICES

Service included in product line items: E-commerce logistics Parcels & Logistic Europe and Asia and North America (fulfilment and logistics) and Cross-border (custom duties)

This class of services consists of eCommerce fulfillment, including warehousing and handling of goods, eCommerce logistics, including repair services, and eCommerce cross-border services, including custom duties service.

Logistic and fulfillment services consist of following performance obligations: receiving, storing, picking and packing, returning, repairing and clearing of goods. Revenue is recognized when the performance obligation, the promise to deliver a service to the customer, is satisfied at a point in time (e.g.: when the actual picking, packing has taken place) or in case of storage of goods over time. bpost generally considers that it is the agent in logistic and fulfilment services. bpost performs the service of processing returned goods on behalf of the customer, but bpost does not take on any liability hence no liability for return is booked at bpost.

Volume rebates which give rise to a variable consideration are accrued monthly and the best estimate of the outstanding position is reflected in the consolidated statement of financial position based on the expected value principle.

(III) BACK-OFFICE AND PROXIMITY AND CONVENIENCE SERVICES

Service included in product line items: E-commerce logistics Parcels & Logistic North America (call center and PT&F), Value added services and Proximity and convenience retail network (financial products, sale of goods…)

This class of services consist of:

- operational back-office services, including call center, payment and financial, Fraud and Tax, administrative and document management services; and
- proximity and convenience service, including the access to the network, over the counter service for different partners and sale of self-produced goods (mainly philately), retail products and goods of partners, including bpost bank products

Back-office and proximity and convenience services consist of following performance obligations: access to network and point of sales, over the counter services, sale of goods and processing of transactions, documents or calls. Revenue is recognized when the performance obligation, the promise to deliver a service or a good to the customer, is satisfied at a point in time (e.g. service over the counter, processing of items or sale of a good) or over time (e.g. access to network). bpost generally considers that it is the principle in back-office services and sale of retail and self-produced goods and that bpost is the agent receiving a commission in case of bpost bank products and sale of partner products.

Part of the revenue of Proximity and convenience retail network (reported as SGEI revenue) consist out of Services of General Economic Interest (SGEI) carried out by bpost on behalf of the Belgian State. These services consist among others of the maintenance of an extensive retail network and services such as the payment at home of pensions and the execution of financial postal services. The compensation of SGEI is based on a net avoided cost ("NAC") methodology and is being equally distributed over the four quarters (recognised over time). This methodology provides that compensation shall be based upon the difference in the net cost between bearing or not the provision of SGEI. During the year calculations are made for the SGEI to ensure the remuneration is in line with the amounts recorded.

For Payment, Tax and Fraud (PT&F) services, management estimates a refund liability based upon the expected value method for potential payments related to the fraud services.

Other operating Income

Gains on disposal of assets are determined by comparing the net proceeds received from the disposal of the asset with the assets carrying amount at the moment of the sale.

Rental income arising from operating leases or investment properties is accounted for on a straight line basis over the lease term.

Government grants and subsidies are recognized as a reduction of expenses and are offsetting the related expenses for which the grant is intended.

Financial income and costs

For fixed income securities, interest is recognized in the income statement using the effective interest rate method. For variable income securities, revenues are recorded in profit or loss as soon as the shareholders general meeting confirms the distribution of a dividend.

Interest on borrowings is recognized in financial costs as incurred. For borrowings, any difference between the amount received and the amount repayable is recognized in the income statement using the effective interest method.

Derivative financial instruments

bpost uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from its operational and financial activities. In accordance with its treasury policy, bpost does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured to their fair value at the end of each reporting period. Depending on whether hedge accounting (see below) is applied or not, any resulting gain or loss on the remeasurement of the derivative financial instrument is either recognized directly in other comprehensive income or in the income statement.

Hedge accounting

bpost designates certain hedging instruments, which includes derivatives and non-derivatives in respect of foreign currency risk, as hedges of net investments in foreign operations and as cash flow hedges respectively.

At the beginning of the hedge relationship, bpost documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the beginning of the hedge and on an ongoing basis, bpost documents and assesses the effectiveness of the derivative instruments.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued when bpost revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

6.5 Risk Management

Approach and methodology

bpost has defined and implemented an Enterprise Risk Management ("**ERM**") framework to embed company-wide risk management processes in key management activities, such as the Group Executive Committee's revision of the strategy or quarterly reviews of the operations.

Risks are identified at different levels in the organization (including, inter alia, operational and financial management; corporate 2nd line functions, such as Legal and Regulatory, Health and Safety, Security and Integrity; and the Group Executive Committee). It covers the entire business.

bpost discloses the risks and uncertainties in three categories:

- Regulatory/Legal risks: Regulatory evolutions and legal compliance issues that could impact the realization of bpost's strategy.
- External Business risks: External events that may affect the growth strategy.
- Operational risks: Mostly internally oriented risks or unforeseen disasters that may result in an impact on bpost's results. These also include financial risks.

Based on formalized risk evaluation criteria, approved by the Board of Directors, bpost prioritizes risks to allow appropriate communication of risks throughout the company (top-down and bottom-up). For the main risks in each category, bpost defined a dedicated mitigation and monitoring approach. The Group Executive Committee, Audit Committee and Board of Directors review the application of this approach on a regular basis.

	Mitigation	Monitoring
Regulatory/ Legal risks	• Maintaining a constructive relationship with the authorities and Regulators	• Annual status reporting (Legal/regulatory) • Immediate reporting of important evolutions potentially impacting the strategy
External Business Risks	• Trackig of the events which influence the risk assessment • Networking and influencing (if deemed useful) • Definition of Plan B (if deemed useful)	• Annual status reporting as input for the Annual Report (EOY) • Immediate reporting of important evolutions potentially impacting the strategy
Operational Risks	• Action plans / Projects to mitigate the risks (part of the BU objectives and budget process)	• Brief status & Emerging risk evolutions are reported during the Quartely Review (QR) • Annual update on the risk evolution (Corporate Risk)

Any of the following risks could have a material adverse effect on bpost's business, financial position and operating results. There may be additional risks of which bpost is currently unaware. There may also be risks that are currently considered to be immaterial, but that may ultimately have a material adverse effect. The risk mitigation, as described below, is meant to provide a high-level overview of potential and initiated action points in response to the risks and should not to be interpreted as a comprehensive list of risk responses. In addition, the mitigation efforts described below are no guarantee that risks will not materialize. No risk management or internal control system can provide absolute safeguards against failure to achieve corporate objectives, fraud or breach of rules and regulations.

Regulatory/Legal Risks

Appropriate policies, processes and internal control procedures are implemented in order to limit the exposure to complex regulatory and legal requirements. In addition, bpost strives for a constructive stakeholder management towards, *inter alia*, government, decision makers and regulators.

bpost operates in markets that are heavily regulated, including by national, EU and global regulatory bodies. It is uncertain whether Belgian or European regulators or third parties will raise material issues with regard to bpost's compliance with applicable laws and regulations or whether future legislative, regulatory or judicial changes or other regulatory developments will have a material adverse effect on bpost's business, financial condition, operating results and prospects.

RELATED TO OUR MAIL AND PARCEL BUSINESS

In November 2015, Belgian Minister De Croo, at that time responsible for the postal sector, announced his intent to adopt a new Postal Law in the course of his term of office. This new Postal Law was approved by the Parliament on January 18, 2018 and entered into force in February 2018. bpost welcomes this legislative initiative as the new Postal Law provides a future-proof, stable and predictable legal framework for the Belgian postal sector.

In 2012, the European Commission required bpost to repay alleged state aid for the period 1992 to 2012. On May 2, 2013, the European Commission approved the compensation granted to bpost under the terms of the 5th management contract covering the period 2013 to 2015. Although the European Commission's decisions on state aid provide bpost with a degree of certainty regarding the compatibility of the compensation it receives for the provision of services of public economic interest (**"SGEIs"**) with state aid rules for the period from 1992 through 2015, it cannot be excluded that bpost could be subject to further state aid allegations and investigations in respect of this period in relation to SGEIs, other public services and other services it performs for the Belgian State and various public entities.

In accordance with the Belgian State's commitment to the European Commission, the Belgian State organized a competitive, transparent and non-discriminatory tendering procedure with respect to the distribution of recognized newspapers and periodicals in Belgium, following which the service concessions were awarded to bpost on October 16, 2015 to provide the services from January 1, 2016 until December 31, 2020. In December 2019, the Belgian government decided to extend the service concessions until December 31, 2022. In respect of the period commencing as of January 1, 2023, it is uncertain whether another call for tender will be issued and whether the concession, if any, will once more be granted to bpost.

On December 3, 2015, bpost and the Belgian State signed a new management contract (**"6th management contract"**) with respect to the other SGEIs (*inter alia*, the maintenance of a retail network, distribution of pensions, cash at counter and other services). This 6th management contract provides for a continued provision of these SGEIs for a period of five years, ending on December 31, 2020, and for a remuneration in line with the principles of the 5th management contract, as approved by the European Commission on May 2, 2013. For the period commencing January 1, 2021, it is uncertain whether the Belgian State will conclude that such services still constitute SGEIs and hence do warrant compensation, will entrust all or part of such services to bpost and/or will amend the scope and content of certain of these services.

On June 3, 2016, the European Commission approved the 6th Management Contract and the press concession agreements under the state aid rules. In October 2016, the Vlaamse Federatie van Persverkopers (**"VFP"**) sought the annulment of the European Commission's clearance decision before the General Court on procedural grounds. In February 2019, the General Court has removed the case from the register following the request by VFP to discontinue the proceedings.

bpost may be required to provide other postal operators access to specific elements of its postal infrastructure (such as information on requests for mail re-direction in case of address change), access to its postal network and/or to certain universal services. It cannot be excluded that competent authorities impose access at uneconomic price levels or that the access conditions imposed upon may be unfavorable for bpost. In the event bpost were to fail to comply with these requirements, it may also be subject to fines (under the competition law rules and postal regulation) and/or other postal operators may initiate proceedings seeking damages in national courts.

bpost is required to demonstrate that its pricing for the services falling within the USO complies with the principles of affordability, cost orientation, transparency, non-discrimination and uniformity of tariffs. Tariff increases for certain single piece mail and USO parcels are subject to a price cap formula and prior control by the BIPT. The BIPT may refuse to approve such tariffs or tariff increases if they are not in compliance with the aforementioned principles or price cap formula. It should be noted that the new Postal Law, which entered into force in February 2018, provides for a new price cap formula as part of a stable and predictable price control mechanism.

In addition, in relation to activities for which bpost is deemed to have a dominant market position, its pricing must not constitute an abuse of such dominant position. Failure to observe this requirement may result in fines. bpost may also be ordered by national courts to discontinue certain commercial practices or to pay damages to third parties.

bpost is also subject to the requirement of no cross-subsidization between public services and commercial services. In addition, according to state aid rules, if bpost engages in commercial services, the business case for providing such services must comply with the "private investor test," that is, bpost must be able to demonstrate that a private investor would have made the same investment decision. If these principles are not complied with, the European Commission could find that commercial services have benefited from unlawful state aid and order the recovery of this state aid from bpost.

According to the European Commission, cross-border parcel delivery is one of the key elements impacting e-commerce growth in Europe. In May 2016, the European Commission prepared a proposal for a regulation on cross-border parcel delivery services. The regulation was adopted by the Council and EU Parliament in 2018 and imposes increased pricing transparency and regulatory oversight for cross-border parcel delivery operators such as bpost.

bpost was designated by the Belgian State as the USO provider for an eight-year term commencing in 2011. In the new Postal Law, bpost is designated as USO provider until the end of 2023. The special terms and conditions of the USO are defined in a new dedicated management contract which entered into force in 2019. The obligation to provide the USO may represent a financial burden on bpost. Although the new Postal Law provides that bpost is entitled to compensation by the Belgian State in the event the USO has created an unfair burden, there can be no assurance that the entire net cost of the USO will be covered. Furthermore, going forward, in absence of a dedicated management contract defining the terms and conditions of bpost designation as USO provider, there is still uncertainty regarding the terms and conditions and financing mechanism that would apply to the provision of the USO.

RELATED TO BPOST BANK, BPOST'S ASSOCIATE

bpost bank operates in a heavily regulated market. The regulatory landscape for financial institutions has changed considerably (e.g., increased focus on customer protection, anti-money laundering, etc.) and prudential supervision has been reinforced (e.g., quality and level of capital, liquidity, corporate governance). It is uncertain whether and to which extent Belgian or European regulators or third parties may raise material issues with regard to bpost bank's compliance with applicable laws and regulations or whether future legislative, regulatory or judicial changes or other regulatory developments may have a material adverse effect on bpost bank's business, financial condition, results of operations and prospects. The current business model of bpost bank, a traditional savings bank, is put under pressure since interest rates are expected to remain steadily at a very low level. To mitigate the effect of those market circumstances, bpost bank developed a mortgage loans portfolio bearing more yield while involving higher capital requirements and potential increased default risks.

RELATED TO OTHER REGULATORY & LEGAL REQUIREMENTS

The interaction between the laws applicable to all private limited liability companies and the specific public law provisions and principles applicable to bpost may present difficulties in interpretation and cause legal uncertainty. For instance, bpost is subject to certain specific risks in relation to employment matters deriving from the application of certain public law provisions and principles.

Amendments to - or the introduction of new - legislation and regulations, including legislation and regulations relating to state pensions, could result in additional burdens for bpost. There can also be no assurance that bpost will not face challenges regarding certain employment matters on state aid grounds. Finally, bpost's contractual employees could also challenge their employment status and claim damages to compensate them for being deprived of statutory employment protection and benefits.

Regulatory changes may (directly or indirectly) impact the attractiveness of mail as a way of communicating and hence bpost's turnover. Such changes could include, *inter alia*:

- the entry into force of the General Data Protection Regulation on May 25, 2018, deterring companies from continuing to engage in commercial prospecting activities;
- the enactment of legislation promoting digital growth, electronic communication and e-government initiatives could also adversely affect bpost's business. In 2016, legislation granting registered e-mail the same legal status as registered mail under certain conditions entered into force.

External Business Risks

The risks mentioned in the section below are considered in light of the long term strategy. bpost assigned clear ownership for each of the risks. The owner monitors the risk, observes trends and initiates mitigating actions if and when needed. More details on the internal control and risk management system can be found in the Corporate Governance Statement.

The use of mail has declined in recent years, primarily as a result of the increased use of e-mail and the internet. bpost expects that the mail volumes will continue to decline. E-government initiatives or other measures introduced by the Belgian State or other public authorities or private enterprises that encourage electronic substitution in administrative mail may also affect the rate of decline in mail volumes. Management has taken action to address the digitalization risk (e.g. launch of 'prior' stamp) and has engaged in a profound revision of the current mail distribution operating model. Both the speed of change as well as how our customers will react to the new product offerings and new ways of working remain uncertain.

This new "digital" area also impacts the parcels industry in the sense that the e-commerce clients have a limited willingness to pay for the delivery while requesting additional services (e.g. same day delivery). This puts pressure on the margins and overall profitability in the parcels industry. As such external factors triggered by the industry, competition and clients could challenge the growth in parcels (both in Belgium and abroad). In addition, a slowdown in the growth of the e-commerce market could also impact the growth in the parcels distribution and fulfillment business. Finally, the uncertainties related to the concrete implementation of the Brexit might also impact our European parcel activities. Management has taken measures to ensure potential operational or financial impacts will be lowered to their minimum.

Currently, important international flows still transit via the UK where customs services are also organized. During the transition period planned to end by December 2020, no changes are anticipated for our customers. Overall we are getting prepared to face any outcome after the transition period. A contingency plan is in place to clear customs for these items in Belgium. Shipments will be split: one part will fly to Brussels and be customs cleared there by bpost, another part will fly to Amsterdam and be cleared by a 3rd party broker. US and Canada flows to the UK will still fly to UK and be customs cleared at Landmark UK. Regarding flows from UK to EU and from EU to UK: the option of postal and commercial clearance will be available to clients (as Landmark UK has the required clearance technology).

The outbreak of the COVID19 virus in early 2020 and the results of the measures taken to contain the virus could impact our financial performance of 2020 and the measurement of certain assets and liabilities. Accordingly, we may thus possibly need to record material adjustments in our accounts during 2020. Based on the facts known as of today, we have currently no knowledge of financial impacts on the 2019 financial statements.

Operational Risks – Business risks

bpost faces some operational challenges that require an appropriate level of management attention. bpost initiates mitigating action plans if and when needed. More details on the internal control and risk management system can be found in the Corporate Governance Statement.

RELATED TO THE AGILITY AND FLEXIBILITY OF THE BPOST NETWORK

Due to the relatively fixed nature of its cost base, a decline in mail volumes may translate into a significant decline in profit, unless bpost can reduce its costs. Accordingly and as stated earlier above, bpost has introduced multiple levers for transformation of the legacy business (e.g. alternating distribution model, network optimization, etc.). However, there can be no assurance that bpost will realize all of the benefits expected from such initiatives. Some of the critical elements for success are change management, project prioritization and stakeholder alignment.

RELATED TO INFORMATION AND COMMUNICATION TECHNOLOGY

bpost relies on Information and Communication Technology (**"ICT"**) systems to provide most of its services. The systems are subject to risks, such as power outages, disruptions of internet traffic, software bugs, hacking and problems arising from human error. This may result in loss of data or significant disruption of bpost's operations. In addition, in a world of constant connectivity and dependency on information that is processed and stored electronically, the lack of protection of confidential and/or sensitive information may result in inappropriate information sharing.

RELATED TO THE INTEGRATION OF RECENT ACQUISITIONS

To pursue its growth ambitions, bpost has bought several companies over the last few years. The most important acquisition was Radial in the US. However, even though bpost has strengthened its post-merger integration activities, it remains uncertain whether bpost will bring the integrations to a successful end and whether bpost's subsidiaries will actually realize the related business plans.

RELATED TO THE ATTRACTIVENESS OF BPOST AS EMPLOYER

bpost may face difficulties to attract and retain the operational workforce it needs to ensure day-to-day delivery of mail and parcels. In addition, as any large employer, talent management in view of effective succession planning for critical functions and successful in-sourcing of certain new capabilities may also be challenging.

RELATED TO THE BUSINESS CONTINUITY

bpost's ability to serve its customers and the public in general depends highly on the sorting centers where bpost centralizes, sorts and prepares the mail and parcels for distribution. In Belgium, bpost operates six sorting centers. If one or more of these facilities were to shut down for a period of time due to, e.g., power outage, accident, strike action, natural disaster resulting in fire or flooding, terrorist attack or otherwise, bpost may be unable to distribute or comply with delivery times for a period of time. This could have a negative impact on bpost's reputation, customer satisfaction and financial performance.

RELATED TO "FORCE MAJEURE"

The risk of a potential prolonged interruption of operations due to extreme natural events as a result of climate change (e.g., fire, flood, storm, and increase in employees' health issues due to pollution) has increased. bpost seeks to prevent damage to buildings and interruptions to operations as much as possible through prevention and contingency programs. The detrimental consequences of these risks are covered by insurance policies.

It should be noted that bpost's Corporate Social Responsibility strategy includes ambitious targets to reduce bpost's Greenhouse Gas (**"GhG"**) emissions. This should limit climate change and the occurrence of extreme natural events.

Operational Risks - Financial risks

CLIMATE CHANGE RISK

Next to the rise of natural disasters and health issues associated to climate change and which could affect our operations, carbon taxes, emissions trading schemes and fuel taxes are also expected to feature prominently in the coming regulations. Average carbon prices could increase more than sevenfold to 120 USD per metric ton by 2030.

The effects of rising carbon prices on companies will be both dynamic and complex:

- Companies' costs will rise in proportion to the total emissions generated by themselves and possibly their suppliers.
- Selling prices are likely to rise to compensate cost increases at an industry level.
- Demand could fall reflecting the price sensitivity of customers in each market affected, shrinking companies' sales and costs.

bpost monitors the carbon price risk and takes measures to reduce its carbon footprint within the framework of its Corporate Social Responsibility strategy.

By adopting carbon pricing forecasts and estimated internal carbon prices, bpost is able to outpace the cost of intensifying carbon regulations and adapt to business in a low-carbon economy.

Next to the forecasting of carbon pricing, bpost is also working at effectively reducing its emissions. Aware of the ecological impact of the growing parcels distribution, bpost has drawn up a new CO_2 reduction objective aimed at reducing emissions from the activities of the entire bpost Group by at least 20% by 2030, compared to 2017. The objective has been approved by the 'Science Based Target' initiative that guarantees that the company is in line with the climate targets of the Paris Agreement. To achieve this goal, bpost will, among others, replace 50% of its diesel vehicles by an electric alternative by 2030.

EXCHANGE RATE RISK

In its operational and financial activities, bpost is exposed to foreign exchange rate fluctuations which impact the balance sheet and the income statement.

These exchange rate risks consist of (i) transaction risk related to operational activities with cash flows in foreign currency and (ii) translation risk related to the consolidation in Euro of subsidiaries whose functional currency is not the Euro (bpost's functional currency). The main exposure to the foreign exchange rate risk corresponds to the translation risk of the USD, there are no material monetary items.

Hedging instruments are used to mitigate these impacts.

The following table demonstrates the sensitivity to a reasonable possible change in the USD exchange rate, with all other variables held constant. The translation risk is represented by the impact of the variation of the USD value on the EBIT and the equity of the Group (after considering the net investment hedge) of the North America subsidiaries of bpost for 2019. The Group's exposure to foreign currency changes for all other currencies is not material.

As at 31 December

IN MILLION EUR	5%	-5%
Effect on EBIT	0.2	(0.2)
Effect on Group equity after considering the net investment hedge	25.4	(25.4)

INTEREST RATE RISK

bpost's associate bpost bank is, like any other bank, subject to the interest rate risk, which directly influences its margin. Interest rates likewise influence valuation of bpost bank's bond portfolio, which is classified on the statement of financial position of bpost bank as Hold to Collect and Sell financial assets. Changes in valuation are reflected as fair value through other comprehensive income. Since bpost bank is an equity-accounted entity, 50% of the change in its equity directly influences the consolidated equity of bpost. The following table illustrates the impact of a change of 50 basis points (bp) or 0.5% (from 1% to 1.5% for instance) on bpost bank's equity and, through the equity pick up, on bpost:

As at 31 December

IN MILLION EUR	+50BP	-50BP
Equity bpost bank	(0.1)	0.1
Equity bpost	(0.1)	0.0

bpost is also directly exposed to interest rate fluctuations through its external financing. However, bpost mitigates this risk by achieving a balance between fixed and variable rates. This balance currently mainly consists of fixed rates but may evolve according to market situation.

In order to manage the interest rate structure of its debt, bpost may use hedging instruments such as interest rate swaps. Any substantial change in the rate structure requires prior validation from the Group Executive Committee.

At the end of 2019, the external financing consisted of:

- 185.0 million USD unsecured term loan (floating interest rate). This loan started on July 3, 2018 with a maturity of 3 years with two possible extensions of one year each.
- 650.0 million EUR bond. The 8-year bond has been issued in July 2018 with a coupon of 1.25%. In anticipation of this issuance, in February 2018 bpost entered into a forward interest rate swap for 10 years with a nominal amount of 600.0 million EUR to hedge the interest risk of the bond.
- 27.3 million EUR EIB (European Investment Bank) loan (floating interest rate). bpost took out a 100.0 million EUR loan from the EIB on May 5, 2007. It has a yearly reimbursement of 9.1 million EUR and last payment is foreseen in 2022.

The table below illustrates the impact of a change in interest rates of 50bp (from 1% to 1.5% for example) on the floating rate debts (i.e. the term loan in USD and the European Investment Bank loan in EUR). Interest is calculated as Euribor/USD Libor plus margin. As the margin is determined in the contract, the sensitivity analysis only applies on the Euribor/USD Libor, known as the "base rate". As the Euribor is currently floored at zero in the contracts, a decrease of 50bp on the Euribor has a lower impact than an increase of 50bp. Consequently the sensitivity analysis is asymmetrical.

As at 31 December

IN MILLION EUR	SENSITIVITY TO A -50BP MOVEMENT IN MARKET INTEREST RATES	SENSITIVITY TO A +50BP MOVEMENT IN MARKET INTEREST RATES
Impact on costs	(0.8)	0.8

Financial results of bpost are also influenced by the evolution of the discount rates, used to calculate the employee benefits obligation. At December 31, 2019, an increase of 50 bp or 0.5% of the average discount rates, would generate a decrease of financial charge of 21.5 million EUR. A decrease of 50 basis point or 0.5% of the average discount rates, would increase financial charges by 23.6 million EUR. For further detail, see note 6.25 employee benefits.

CREDIT RISK

bpost is exposed to credit risks through its operational activities, in the investment and management of its liquidities (banks) and through its investment in bpost bank.

As at 31 December

IN MILLION EUR	2019	2018
Cash and Cash equivalents	670.2	680.1
Trade and other receivables (current and non-current)	656.5	646.0
Other receivables exposed at credit risk	50.3	25.6
Of which loan to associate	*25.0*	*0.0*
CREDIT RISK CLASSES OF FINANCIAL ASSETS	**1,377.0**	**1,351.7**

On December 11, 2019 bpost granted to bpost bank a subordinated loan of 25.0 million EUR with a maturity of 10 years and a first call date after 5 years. As such, this debt ranks after the other debts if bpost bank falls into liquidation or bankruptcy.

Operational activities

The credit risk by definition only concerns that portion of bpost's activities that are not paid upfront in cash. bpost NV/SA actively manages its exposure to credit risk by investigating the solvency of its customers. This translates into a credit rating and a credit limit. Both are followed up on a daily basis for all Belgian and foreign customers. Receivable on Belgian customers includes all type of Belgian SME's, corporate businesses and government as counterparty and foreign customers mainly include all type of business active in e-commerce as counterparty.

bpost NV/SA recognizes on all of its trade receivables an allowance for expected credit losses based on the lifetime expected credit losses (ECL) model. As the trade receivables do not contain a significant financing component bpost opted to apply the simplified approach to calculate the expected credit loss rate with the use of a provision matrix, based on the historical default rates adapted for current and forward looking information.

The following table summarizes the movement in the provision for expected credit losses:

IN MILLION EUR	2019	2018
AT 1 JANUARY	**18.5**	**17.5**
Impairments: Additions through business combinations	0.0	0.2
Impairments: Additions	7.7	1.0
Impairments: Utilization	(5.0)	(0.4)
Impairments: Reversal	(2.5)	(1.1)
Impairments: Translation differences	(1.8)	0.6
AT 31 DECEMBER	**16.9**	**18.5**

The ageing analysis of the trade receivables and the credit risk exposure following the provision matrix is as follows:

As at 31 December 2019

	DAYS PAST DUE					
IN MILLION EUR	CURRENT	< 60 DAYS	60 -120 DAYS	> 120 DAYS	OUTSTANDING BALANCE SGEI IN DEFAULT	TOTAL
Estimated total gross carrying amount at default	581.9	69.8	4.3	10.9	6.5	673.3
Expected credit loss rate	0.2%	5.1%	29.5%	37.7%	100.0%	
Allowance for expected credit losses	(1.4)	(3.5)	(1.3)	(4.1)	(6.5)	(16.9)
TRADE RECEIVABLES	**580.4**	**66.2**	**3.0**	**6.8**	**0.0**	**656.5**

As at 31 December 2018

	DAYS PAST DUE					
IN MILLION EUR	CURRENT	< 60 DAYS	60 -120 DAYS	> 120 DAYS	OUTSTANDING BALANCE SGEI IN DEFAULT	TOTAL
Estimated total gross carrying amount at default	568.2	67.7	7.8	14.3	6.5	664.5
Expected credit loss rate	0.2%	5.0%	28.6%	35.3%	100.0%	
Allowance for expected credit losses	(1.3)	(3.4)	(2.2)	(5.1)	(6.5)	(18.5)
TRADE RECEIVABLES	**566.9**	**64.3**	**5.6**	**9.3**	**0.0**	**646.0**

The expected credit loss rate increased in 2019 in comparison with 2018 as the historical default rates were corrected for the increasing e-commerce and parcel activities with higher historical default rates in comparison with the declining mail activities with lower historical default rates.

As disclosed in note 6.32 bpost reserved an amount of 6.5 million EUR as an outstanding receivable for the reduction of the SGEI compensation of 2015 and considered this receivable to be in default.

Investment of liquidities

Regarding bpost's investment of its liquidities, which includes cash and cash equivalents and investment securities, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

bpost bank

bpost bank invests the funds that have been deposited by its customers. The bank has adopted a strict investment policy that determines an overall allocation of the investments across Belgian State bonds, other sovereign bonds and bonds from financial and commercial corporations as well as mortgages. Per December 31, 2019 bpost bank had invested the funds deposited by its customers in interbank assets (648.8 million EUR), loans and advances to customers (mainly mortgage and term loans, 6,201 million EUR) and securities (mainly government bonds and corporate bonds, 4,556 million EUR). In addition, maximum concentration limits per issuer, per sector, per rating, per country and per currency have been established and are constantly monitored.

LIQUIDITY RISK

bpost's current liquidity risk is limited due to the high level of cash at hand and due to the fact that a significant portion of its revenues is paid for by its customers prior to bpost performing the service.

The maturity of the liabilities are presented as follow:

	CURRENT	NON-CURRENT		
	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	LATER THAN 5 YEARS	TOTAL
31 DECEMBER 2018				
Finance lease obligations	1.6	4.1	12.5	18.2
Trade and other payables	1,212.5	17.5	0.0	1,230.0
Long term bond	8.1	40.6	666.3	715.0
Commercial papers	165.0	0.0	0.0	165.0
Derivative instruments	0.8	0.0	0.0	0.8
Bank overdraft	0.0	0.0	0.0	0.0
Bank loans	14.5	197.1	0.0	211.6
Other loans	0.3	1.0	0.0	1.3
TOTAL FINANCIAL LIABILITIES	**1,402.9**	**260.2**	**678.8**	**2,341.9**

	CURRENT	NON-CURRENT		
	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	LATER THAN 5 YEARS	TOTAL
31 DECEMBER 2019				
Lease obligations	100.7	255.7	139.6	496.0
Trade and other payables	1,250.9	27.7	0.0	1,278.5
Long term bond	8.1	40.6	658.1	706.9
Commercial papers	164.5	0.0	0.0	164.5
Derivative instruments	1.3	0.0	0.0	1.3
Bank overdraft	0.5	0.0	0.0	0.5
Bank loans	13.7	189.7	0.0	203.5
Other loans	0.1	0.7	0.0	0.8
TOTAL FINANCIAL LIABILITIES	**1,539.9**	**514.4**	**797.7**	**2,852.0**

The above contractual maturities are based on the contractual undiscounted payments, which may differ from the carrying values of the liabilities at the statement of financial position date.

The increase of the lease obligations compared to last year was mainly explained by the initial application of IFRS 16 as bpost recognized right-of-use assets and liabilities based upon the terms of the lease contracts.

The liquidity risk is further mitigated by committed credit lines scaled according to the magnitude of bpost operations.

Capital management policies and procedures

bpost seeks an optimal balance between its net debt and its operating cash flow and manages the financial structure maximizing the value for shareholders. In this context, bpost may choose to adjust the amount of dividends paid, carry out transactions impacting the number of shares or sell assets scaling back its net debt.

bpost's policy is also to maintain an intrinsic solid investment grade credit profile. One of the most thoroughly followed indicators is the ratio between (i) the operating cash flows less financial expenses and paid taxes, and (ii) the adjusted net debt, as determined by Standard & Poor's credit rating methodology.

The table below gives an overview of the net debt / net cash position as well as the equity position:

As at 31 December

IN MILLION EUR	2019	2018
Capital		
Issued capital	364.0	364.0
Reserves	252.3	271.4
Foreign currency translation	34.0	12.7
Retained earnings	30.7	51.6
Non-controlling interests	1.7	2.5
TOTAL	**682.6**	**702.3**
Net Debt / (net cash)		
Interest bearing loans and borrowings (incl. Bank overdrafts)	1,449.9	1,024.8
Non-interest bearing loans and borrowings	0.1	0.1
- Cash and cash equivalents	(670.2)	(680.1)
TOTAL	**779.9**	**344.8**

The net debt increased by 435.1 million EUR mainly due to the impact of the initial application of IFRS 16. The outstanding liabilities end of December 2019 linked to IFRS 16 amounted to 449.3 million EUR.

6.6 Business combinations

Alvadis

On August 30, 2019 – after approval from the Belgian Competition Authority – Ubiway finalised the share purchase agreement with Conway for the sale of Alvadis, a company of the Ubiway group. Alvadis has been deconsolidated end of August 30, 2019. At the time of the startup of the sales process (in December 2018), Alvadis had been transferred to assets held for sale. The sales price amounted to 5.9 million EUR, the gain on disposal amounted to 0.6 million EUR and was recognized throughout other operating income within Mail & Retail.

Acquisition of Anthill BV

In March 2018 bpost acquired 63.6% of the shares of the Dutch company Anthill BV, which holds 100% of the shares in Active Ants BV. Active Ants provides e-fulfillment and transport services to companies active in e-commerce. Active Ants provides storage services, pick & pack and shipments of products. Anthill solely functions as a holding company. bpost paid an amount of 4.3 million EUR for 50% of the shares and performed a capital increase of 3.0 million EUR to obtain an additional 13.6% of the shares. Next to that, the agreement foresees a contingent consideration based upon the 2018 EBITDA which can amount up to 0.8 million EUR and a call and put structure for the remaining shares (36.4%). The variable exercise price of the put (based upon EBITDA) has been recognized as a financial liability for an amount of 4.5 million EUR, changes to the financial liability is recognized in the income statement. Given the put option the company was consolidated using the full-integration method as from March 2018 (with first figures consolidated as of April 1st, 2018 and 4 months included in the fourth quarter of 2018) within the Parcels & Logistics Europe & Asia operating segment, consequently the business combination is presented as if bpost obtained a 100% interest in Anthill BV because bpost believes it has acquired the present ownership interest in the shares concerned. Transaction costs were expensed and are included in the operating expenses in 2018.

The calculated goodwill is presented as follows:

FAIR VALUE OF THE ASSETS ACQUIRED AND LIABILITIES ASSUMED IN THE ACQUIRED ENTITY	IN MILLION EUR
Non-Current Assets	**8.8**
Property, plant and equipment	4.5
Intangible assets	4.3
Current Assets	**5.3**
Inventories	0.1
Trade and other receivables	1.9
Cash and cash equivalents	3.3
Non-Current Liabilities	**(2.1)**
Interest-bearing loans and borrowings	(1.1)
Deferred tax liabilities	(1.0)
Current Liabilities	**(5.8)**
Interest bearing loans and borrowings	(3.6)
Trade and other payables	(2.1)
FAIR VALUE OF NET ASSETS ACQUIRED	**6.1**
Goodwill arising on acquisition	6.4
PURCHASE CONSIDERATION TRANSFERRED	**12.5**
of which:	
- Cash paid	7.3
- Contingent consideration	5.2

ANALYSIS OF CASH FLOWS ON ACQUISITION	IN MILLION EUR
Net cash acquired with the subsidiary	3.3
Cash paid	(7.3)
NET CASH OUTFLOW	**(4.0)**

The fair value of the current and non-current trade receivables amounted to 1.9 million EUR and it is expected that the full contractual amounts can be collected.

The adjustment to fair value following the purchase price allocation consisted of the recognition of intangible assets: customer relationships (useful life 18 year), tradename (useful life 10 year) and internally developed technology (useful life 5 year), respectively for an amount of 2.0 million EUR, 0.6 million EUR and 1.4 million EUR

In 2019 Active Ants and Anthill contributed to 20.0 million EUR of revenue and 1.2 million EUR to profit before tax from continuing operations of the Group. In 2018 Active Ants and Anthill contributed 12.9 million EUR of revenue and 0.6 million EUR to profit before tax from continuing operations of the Group.

The resulting goodwill of 6.4 million EUR derives from future growth and expected synergies within the fulfillment activities given the differentiated technology of Active Ants. None of the goodwill is expected to be deductible for income tax purposes.

In September 2019, bpost paid 0.2 million EUR in execution of the contingent consideration agreement. The fair value of the contingent consideration was recognized as a liability. The payment had no impact on the originally calculated goodwill nor on the result of the year.

Taken into account the updated long term plan of Anthill and the unwinding of the discount, the fair-value of the put for the remaining shares has been adjusted in 2019, hence the contingent liability increased by 7.3 million EUR and has been booked against financial costs. The total discounted outstanding liability per December 31st, 2019 amounted to 12.4 million EUR.

Contingent consideration for Apple Express

In March 2019, Apple Express Courier, ltd paid CAD 0.8 million (0.5 million EUR) in execution of the contingent consideration agreement. The fair value of the contingent consideration was recognized as a liability. The payment had no impact on the originally calculated goodwill nor on the result of the year. The remaining contingent consideration, based on 2019 financial results and payable in 2020, is capped at CAD 0.8 million.

Contingent consideration for Dyna Group

In July 2019, bpost paid 3.8 million EUR in connection with the execution of the contingent consideration agreement. The fair value of the contingent consideration was recognized as a liability. The payment had no impact on the originally calculated goodwill. The difference between the cash paid and the outstanding liability amounted to 1.7 million EUR and was recognized in the income statement under other operating income within Parcels & Logistics Europe and Asia.

Contingent consideration for Leen Menken

The share purchase agreement of Leen Menken foresaw an additional remuneration based upon EBITDA 2018/2019 and could amount up to 1.5 million EUR. As the target has not been met, the financial liability has been reversed and has been recognized in the income statement under other operating income within Parcels & Logistics Europe & Asia.

Acquisition of AtoZ BV and Multi-Channel Services Fulfilment BV

In September 2019 Active Ants acquired 100% of the shares of AtoZ Global BV and Multi-Channel Services Fulfilment BV. The group is active in the national and international distribution of packages or multi-channel services fulfillment, consisting of product storing, picking, packing, organization of transport activities, returns handling and shipping. Active Ants paid an amount of 3.6 million EUR for the shares. Next to that, the agreement foresees a contingent consideration based upon the 2019 and 2020 revenues and a second one based upon the 2021 EBITDA margin, the fair-value of the contingent considerations are recognized for an amount of 1.4 million EUR (can maximum amount to 1.9 million EUR) and 0.4 million EUR (corresponding to maximal amount) respectively. Transaction costs were expensed and are included in the operating expenses. The company was consolidated within the Parcels & Logistics Europe & Asia operating segment using the full-integration method as from October 2019. The preliminary calculated goodwill is presented as follows:

FAIR VALUE OF THE ASSETS ACQUIRED AND LIABILITIES ASSUMED IN THE ACQUIRED ENTITIES	IN MILLION EUR
Non-Current Assets	**0.3**
Property, plant and equipment	0.3
Current Assets	**1.5**
Trade and other receivables	1.0
Cash and cash equivalents	0.5
Non-Current Liabilities	**0.0**
Interest-bearing loans and borrowings	0.0
Current Liabilities	**(0.9)**
Trade and other payables	(0.9)
FAIR VALUE OF NET ASSETS ACQUIRED	**0.9**
Goodwill arising on acquisition	4.5
PURCHASE CONSIDERATION TRANSFERRED	**5.4**
of which:	
- Cash paid	3.6
- Contingent consideration	1.8

ANALYSIS OF CASH FLOWS ON ACQUISITION	IN MILLION EUR
Net cash acquired with the subsidiary	0.5
Cash paid	(3.6)
NET CASH OUTFLOW	**(3.1)**

The fair value of assets acquired and liabilities assumed at acquisition date could not be assessed yet. Consequently, the determination of the carrying amount of the acquired entity and the purchase price allocation of the acquisition are still under review and will be fully disclosed in 2020. From the date of acquisition, AtoZ Global BV and Multi-Channel Services Fulfilment BV contributed 2.7 million EUR of revenue and 0.3 million EUR to profit before tax from continuing operations of the Group, given the volatility of the figures, no figures are disclosed for the period starting from the beginning of the year.

6.7 Segment information

The Board of Directors of bpost announced May 2nd, 2018 the transformation of bpost's internal structure to prepare the company for the future with an effective date of January 1, 2019 which had an impact on how resources are allocated and performance is assessed. As bpost identifies its CEO as the chief operating decision maker (CODM), the operating segments are based on the information provided to the CEO under this new structure.

bpost operates through three business units and support units providing services to these business units:

The business unit Mail & Retail ("M&R") oversees the operational activities of collecting, transporting, sorting and distributing of addressed and non-addressed mail and printed documents, in Belgium and offers these operational activities for parcels to other business units of bpost and oversees the activities related to:

- Transactional and Advertising mail**;**
- Press: regrouping the distribution of newspapers and periodicals to newsstands, distribution of newspapers and periodicals to addressees;
- Value added services: document management and related activities; and
- Proximity and convenience retail network**:** offering proximity and convenience retail through its retail network in Belgium composed out of post offices, postal points and the Ubiway retail network of different branded shops. It also sells banking and financial products, as part of the proximity and convenience retail network, under an agency agreement with bpost bank and AG Insurance.

The business unit also carries out Services of General Economic Interest on behalf of the Belgian State (SGEI).

The business unit Parcels & Logistics Europe & Asia ("PaLo Eurasia") oversees:

- Parcels BeNe: the commercial and operational activities related to last-mile delivery and express delivery in Belgium and Netherlands and combines the last mile parcels delivery of bpost NV/SA and DynaLogic;
- E-commerce logistics Europe & Asia operating in fulfillment, handling, distribution and return management and combines Radial Europe, Anthill, DynaFix and Landmark entities in Europe and Asia; and
- Cross-border providing inbound, outbound and import services (custom duties) for parcels in Europe & Asia and for international mail worldwide.

The business unit runs several operations centers across Europe including a sorting center (NBX) and several Parcel hubs.

The business unit Parcels & Logistics North America ("PaLo N. Am.") is in charge of the commercial and operational activities related to:

- E-commerce logistics North America: operating in fulfillment, handling and distribution, return management, customer service and value-added technology services in North America (Radial and Apple Express) and Australia (FDM) and cross-border parcels services (Landmark US); and
- International mail: as full-service mail delivery provider in North America and combines MSI, IMEX and M.A.I.L.

Corporate and Support units ("Corporate") consist out of the 3 support units and the corporate unit. The support units offer business solutions to the 3 business units and to Corporate and includes Finance & Accounting, Human Resources & Service Operations, ICT & Digital. The Corporate unit includes Strategy, M&A, Legal, Regulatory and Corporate Secretary. The EBIT generated by the support units is recharged to the business units as OPEX while the depreciation remains in Corporate. Revenues generated by the Support Units, including building sales are disclosed in Corporate.

No operating segments have been aggregated to form the above reportable operating segments.

Services and products offered between legal entities are at arm's length whereas the service and products offered between business units of the same legal entity are generally based on incremental costs. Services provided by support units to business units of the same legal entity are based on full cost.

Corporate treasury, bpost bank and tax are centrally managed for the group. The net financial result, income tax and share of results of associates and joint ventures are only disclosed at the level of the group.

bpost computes its profit from operating activities (EBIT) at the segment level and is measured consistently with the financial statements' accounting guidelines (IFRS). Assets and liabilities are not reported per segment to the CODM.

The following tables present an overview of the segment results, the comparative information has been restated based on the new structure:

For the year ended 31 December

	M&R		PALO EURASIA		PALO N. AM.		CORPORATE		ELIMINATIONS		GROUP	
IN MILLION EUR	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
External operating income	**1,897.1**	**1,951.7**	**813.2**	**757.0**	**1,097.5**	**1,104.8**	**30.1**	**36.8**			**3,837.8**	**3,850.2**
Intersegment operating income	174.7	159.6	17.8	35.3	6.8	9.6	372.0	356.0	(571.2)	(560.5)	0.0	0.0
TOTAL OPERATING INCOME	**2,071.7**	**2,111.3**	**830.9**	**792.3**	**1,104.2**	**1,114.4**	**402.1**	**392.8**	**(571.2)**	**(560.5)**	**3,837.8**	**3,850.2**
Operating expenses	1,734.2	1,727.6	747.7	735.9	1,048.7	1,068.3	340.7	307.8	(571.2)	(560.5)	3,300.2	3,279.1
Depreciation, amortization	83.7	54.1	21.7	31.4	71.6	48.9	70.8	43.3			247.7	177.7
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**253.8**	**329.5**	**61.5**	**24.9**	**(16.1)**	**(2.8)**	**(9.3)**	**41.7**	**0.0**	**(0.0)**	**289.9**	**393.4**
Share of results of associates and joint ventures											15.8	11.5
Financial results											(61.5)	(23.8)
Income tax expenses											(89.6)	(117.4)
PROFIT OF THE PERIOD (EAT)	**253.8**	**329.5**	**61.5**	**24.9**	**(16.1)**	**(2.8)**	**(9.3)**	**41.7**	**0.0**	**(0.0)**	**154.7**	**263.6**

The tables presented below provide an overview of the entity wide disclosures and covers also the IFRS 15 disclosure requirements.

The total operating income (excluding intersegment operating income), Revenue and Other Operating income, is measured on the same basis as the financial statements' accounting guidelines (IFRS) and business unit performance. Other operating income is allocated to several line items, but mainly to Corporate & Supporting functions as this line item only represents other operating income.

For the year ended 31 December

IN MILLION EUR	EXTERNAL OPERATING INCOME 2019	2018	CHANGE %	REVENUE 2019	2018
Mail & Retail	**1,897.1**	**1,951.7**	**-2.8%**	**1,880.4**	**1,937.5**
Transactional mail	748.0	772.4	-3.2%	747.7	772.3
Advertising mail	236.0	244.2	-3.4%	235.9	244.1
Press	344.4	354.1	-2.7%	337.4	346.9
Proximity and convenience retail network	464.8	475.7	-2.3%	456.4	469.4
Value added services	103.9	105.3	-1.3%	102.9	104.9
Parcels & Logistics Europe & Asia	**813.2**	**757.0**	**7.4%**	**809.7**	**738.0**
Parcels BeNe	380.6	345.9	10.0%	378.8	327.4
E-commerce logistics	133.1	120.8	10.2%	131.4	120.2
Cross border	299.5	290.4	3.2%	299.5	290.3
Parcels & Logistics North America	**1,097.5**	**1,104.8**	**-0.7%**	**1,089.3**	**1,098.0**
E-commerce logistics	1,008.1	1,017.9	-1.0%	1,000.2	1,011.3
International mail	89.4	86.8	3.0%	89.1	86.8
Corporate & Supporting functions	**30.1**	**36.8**	**-18.3%**	**0.0**	**0.9**
TOTAL	**3,837.8**	**3,850.2**	**-0.3%**	**3,779.4**	**3,774.4**

The geographical split of total operating income (excluded intersegment operating income) and the non-current assets is attributed to Belgium, rest of Europe, United States of America and the rest of the world. The allocation per geographical location is based on the location of the entity generating the income or holding the net asset. Other operating income is allocated to several line items.

For the year ended 31 December

IN MILLION EUR	2019	2018	EVOLUTION 2019 - 2018
Belgium	2,464.3	2,481.9	-0.7%
Rest of Europe	262.2	252.5	3.8%
US	1,054.8	1,064.4	-0.9%
Rest of world	56.4	51.5	9.7%
TOTAL OPERATING INCOME	**3,837.8**	**3,850.2**	**-0.3%**

For the year ended 31 December

IN MILLION EUR	2019	2018	EVOLUTION 2019 - 2018
Belgium	977.2	703.4	38.9%
Rest of Europe	180.1	143.2	25.8%
US	874.8	735.1	19.0%
Rest of world	46.2	31.2	48.1%
TOTAL NON-CURRENT ASSET	**2,078.4**	**1,612.9**	**28.9%**

Total non-current assets consist out of property, plant and equipment, intangible assets, investment properties and trade and other receivables (> 1 year).

Excluding the compensation received from the Belgian federal government to provide the services as described in the management contract and press concessions, included in the Mail and Retail segment, no single external customer exceeded 10% of bpost's operating income.

6.8 Revenue

For the year ended 31 December

IN MILLION EUR	2019	2018
Revenue excluding the SGEI remuneration	3,508.3	3,502.9
SGEI remuneration	271.0	271.4
TOTAL	**3,779.4**	**3,774.4**

Compared to last year, revenue slightly increased by 5.0 million EUR to 3,779.4 million EUR. The revenue increase from organic volume growth of Parcels BeNe, the new business at Radial North America and the favorable exchange rate evolution was largly offset by the continued impact of the full year 2018 client churn and repricing at Radial North America and by the Domestic Mail volume decline.

SGEI remuneration is disclosed under Press and Proximity and convenience retail network in the Mail and Retail segment.

6.9 Other operating income

For the year ended 31 December

IN MILLION EUR	2019	2018
Gain on disposal of property, plant and equipment	25.8	30.5
Gain on disposal of activities Alvadis	0.6	0.0
Benefits in kind	0.0	0.1
Rental income of investment property	1.0	2.0
Third party cost recovery	9.7	10.3
Gain on contingent considerations	3.2	18.2
Other Retail income	5.8	4.8
Other	12.3	9.9
TOTAL	**58.4**	**75.8**

Gains on disposal of property, plant and equipment, mainly related to the sales of buildings, decreased by 4.7 million EUR. The sale in 2019 of the headquarters (Centre Monnaie building 19.9 million EUR gain on disposal) was more than offset by the sales of buildings in 2018 (amongst others Old Brussels X). The rental income further decreased following the sale of the Centre Monnaie building.

Third party costs recovery decreased by 0.6 million EUR and mainly related to the reimbursements by third parties of non-core services provided by Ubiway and other subsidiaries as well as the sales realized by bpost's restaurants.

In 2018 an amount of 3.6 million EUR was reversed out of the outstanding liability related to the contingent consideration of DynaGroup as certain criteria were not achieved. Furthermore in 2018 bpost decided to exit the participation in de Buren through the put option foreseen in the initial purchase contract, which triggered the reversal of the contingent consideration amounting to 14.6 million EUR. As disclosed in the note business combination, in 2019 an amount of 1.7 million EUR and 1.5 million EUR was recognized for respectively the difference between the cash paid and the outstanding contingent consideration of DynaGroup and the reversal of the contingent consideration of Leen Menken.

Other Retail income mainly consisted of non-specific product income in the retail channel which is not part of the ordinary activity of bpost.

Other sources of operating income mainly consisted of reimbursements by third parties towards bpost and its subsidiaries and income of other services provided by its subsidiaries.

6.10 Other operating expenses

→ For the year ended 31 December

IN MILLION EUR	2019	2018
Provisions	(0.2)	(17.2)
Local, real estate and other taxes	12.5	11.5
Impairment on trade receivables	5.2	10.5
Penalties	0.1	0.3
Other	6.6	4.8
TOTAL	**24.2**	**9.8**

Other operating expenses increased by 14.4 million EUR versus last year. This increase was mainly explained by the reassessment of a litigation in 2018, which triggered a reversal of a provision in 2018 of 14.9 million EUR.

6.11 Services and other goods

The cost of goods and services decreased by 31.2 million EUR to 1,525.0 million EUR. This decrease was mainly due to rent and rental costs which are 91.7 million EUR lower versus last year explained by the initial application of IFRS 16. In line with IFRS 16 costs switched from rent and rental costs for 107.6 million EUR to depreciation for 105.3 million EUR and financial costs 9.7 million EUR. The leases within the scope are mainly buildings (warehouses and sales points) and vehicles.

For the year ended 31 December

IN MILLION EUR	2019	2018	EVOLUTION 2019 - 2018
Rent and rental costs	56.9	148.6	-61.7%
Maintenance and repairs	116.8	108.3	7.9%
Energy delivery	45.8	45.9	0.0%
Other goods	39.1	38.6	1.3%
Postal and telecom costs	21.2	21.2	0.1%
Insurance costs	24.9	19.7	26.0%
Transport costs	695.6	686.8	1.3%
Publicity and advertising	28.3	24.4	16.0%
Consultancy	45.1	21.7	107.5%
Interim employees	198.2	192.5	3.0%
Third party remuneration, fees	146.9	145.9	0.7%
Other services	106.2	102.6	3.5%
TOTAL	**1,525.0**	**1,556.2**	**-2.0%**

- Rental costs decreased by 91.7 million EUR mainly due the initial application of IFRS 16.
- The increase of maintenance and repairs by 8.6 million EUR was mainly caused by the increased fleet.
- Transport costs amounted to 695.6 million EUR and increased by 8.8 million EUR mainly due to the evolution of international activities, the evolution of the EUR/USD exchange rate and higher domestic parcel volumes.
- Consultancy costs increased by 23.4 million EUR given the increased project-related costs compared to last year.
- The interim costs increased by 5.7 million EUR and should be viewed together with the evolution of the payroll costs, see note 6.12.

6.12 Payroll costs

For the year ended 31 December

IN MILLION EUR	2019	2018
Wages and salaries	1,263.1	1,229.5
Social security costs	219.4	216.8
Pension costs (note 6.25)	7.6	(5.4)
Termination benefits, other long-term benefits and post-employment benefits other than Pension (note 6.25)	15.0	14.8
TOTAL	**1,505.1**	**1,455.6**

As at December 31, 2019, the headcount of bpost amounted to 34,296 (2018: 34,074) and was composed as follows:

- Statutory personnel: 8,783 (2018: 9,509).
- Contractual personnel: 25,513 (2018: 24,565).

The average FTE for 2019 was 31,054 (2018: 31,201).

The average FTE and interims for 2019 was 35,377 (2018 : 36,109).

Payroll costs (1,505.1 million EUR) and interim costs (198.1 million EUR) in 2019 amounted to 1,703.2 million EUR. Payroll and interim costs increased by 55.1 million (49.4 million EUR EUR for payroll and 5.7 million EUR for interim costs) compared to last year.

The payroll and interim costs increase driven by the exchange rate evolution, salary indexation, merit increases, the impact of the Collective Labour Agreement (CLA), last year's non-cash gain of 10.9 million EUR related to IAS 19 group insurance and the interim's wage rate increase was partly offset by a decrease of 732 FTE and interims, generating 22.7 million EUR lower costs and by a positive mix effect contributed 10.9 million EUR, mainly driven by the recruitment of auxiliary postmen.

6.13 Financial income and financial costs

The following amounts have been included in the income statement for the reporting periods presented:

For the year ended 31 December

IN MILLION EUR	2019	2018
Financial income	8.3	6.1
Financial costs	(69.7)	(29.9)
TOTAL	**(61.5)**	**(23.8)**

The net financial result of 2019 amounted -61.5 million EUR and decreased by 37.6 million EUR compared to 2018. This decrease was mainly due to the increase of non-cash financial charges related to IAS 19 employee benefits as a result of the decrease in discount rates and the first application of IFRS 16.

Financial income

For the year ended 31 December

IN MILLION EUR	2019	2018
Interest income from current accounts / commercial paper	1.1	0.4
Gain from exchange differences	6.3	5.1
Other	0.9	0.6
FINANCIAL INCOME	**8.3**	**6.1**

Financial costs

For the year ended 31 December

IN MILLION EUR	2019	2018
Financial costs on benefit obligations (IAS 19)	25.1	3.0
Lease interests expenses (IFRS 16)	9.7	0.0
Interest on loans	5.4	4.7
Interest and costs related to long-term bond	9.3	4.4
Unwinding of pre-hedge interest swap	2.5	2.7
Loss from exchange differences	6.4	8.4
Impairment current/financial assets	0.0	0.1
Contingent consideration : unwinding of discount and effect of changes related to purchase of minority interests	7.3	1.3
Other finance costs	4.0	5.4
FINANCIAL COSTS	**69.7**	**29.9**

6.14 Income tax/Deferred tax

Breakdown of Income tax expense recognized in the income statement

The income tax expense recognized in the income statement for 2019 amounted to 89.6 million EUR and breaks down as follows:

As at 31 December

IN MILLION EUR	2019	2018
INCOME TAX EXPENSE INCLUDED:		
Current Income tax expense	89.7	125.6
Adjustment to current tax expenses related to prior years	(1.6)	(6.0)
Deferred tax expense	1.6	(2.2)
TOTAL INCOME TAX EXPENSE RECOGNIZED IN INCOME STATEMENT	**89.6**	**117.4**

Reconciliation of theoretical income tax expense with income tax expense recognized in the income statement

A reconciliation of theoretical tax expense with income tax expense recognized in the income statement can be detailed as follows:

IN MILLION EUR	2019	2018
Profit before tax (A)	244.3	381.0
Statutory income tax rate of the parent company (B)	29.58%	29.58%
THEORETICAL INCOME TAX EXPENSE (C) = (A) X (B)	**72.3**	**112.7**
Reconciling items between theoretical and effective Income tax expense		
Tax effect of non tax deductible expenses	6.7	6.1
Tax effects prior years	(1.6)	(4.4)
Tax effect of tax losses utilized by subsidiaries for which no deferred tax asset or no full deferred tax asset was recognized	(1.2)	(1.8)
Subsidiaries in loss situation for which no deferred tax asset or no full deferred tax asset was recognized on their tax losses	19.0	11.9
Associates and joint ventures (equity method)	(4.7)	(3.4)
Other:		
Tax effect of the changes in future tax rates	(0.3)	0.0
Other differences	(0.6)	(3.7)
TOTAL	**89.6**	**117.4**
Tax using effective rate (current period)	(89.6)	(117.4)
Profit before income tax	244.3	381.0
Effective tax rate	36.7%	30.8%

Pursuant to Belgian and Dutch corporate tax reforms bpost reassessed their deferred tax position under IFRS taking into consideration these new measures, which led to a tax expense of 0.3 million EUR in 2019.

Deferred tax presented in the statement of financial position

Net balances of deferred taxes are calculated based upon the tax position of each company and are disclosed in the statement of financial position for their net amount by legal entity.

As of December 31, 2019, bpost recognized a net deferred income tax asset of 27.3 million EUR. This net deferred income tax asset is composed as follows:

As at 31 december

IN MILLION EUR	2018	IMPACT ON PROFIT OF THE YEAR	IMPACT ON OTHER COMPREHENSIVE INCOME	IMPACT OF BUSINESS COMBINATIONS	NETTING OF TAX POSITIONS	2019
Deferred tax assets						
Employee benefits	23.6	1.6	(0.6)	0.0	0.0	24.6
Provisions	6.2	(3.5)	0.0	0.0	0.0	2.7
Tax losses carried forward	41.1	3.2	0.0	0.0	2.1	46.4
Other	29.5	5.8	(0.7)	0.0	(0.6)	33.9
TOTAL DEFERRED TAX ASSETS	**100.3**	**7.1**	**(1.3)**	**0.0**	**1.6**	**107.7**
Deferred tax liabilities						
Property plant and equipment	31.1	13.9	0.0	0.0	0.0	44.9
Intangible assets	37.7	(3.8)	0.0	0.0	1.5	35.4
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL DEFERRED TAX LIABILITIES	**68.8**	**10.1**	**0.0**	**0.0**	**1.5**	**80.4**
NET DEFERRED TAX ASSET	**31.5**	**(2.9)**	**(1.3)**	**0.0**	**(0.0)**	**27.3**

Deferred tax assets related to tax losses carried forward for Radial US have been recognized per December 31, 2019 for an amount of 42.7 million EUR. Per December 31, 2018 the deferred tax assets related to tax losses carried forward for Radial US amounted to 39.4 million EUR. These US tax losses carried forward for which a deferred tax asset has been recognized have an expiration date ranging between 2022 and 2037 or can be carried forward indefinitely for the tax losses incurred as from 2018.

As of December 31, 2019, bpost recognized a net deferred income tax liability of 7.0 million EUR. The decrease in net deferred income tax liability mainly resulted from the depreciations and impairment of intangible assets related to the purchase price allocation (other than Radial). The net deferred tax liability by type of temporary difference and the changes break down as follows :

As at 31 december

IN MILLION EUR	2018	IMPACT ON PROFIT OF THE YEAR	IMPACT ON OTHER COMPREHENSIVE INCOME	IMPACT OF BUSINESS COMBINATIONS	NETTING OF TAX POSITIONS	2019
Deferred tax assets						
Employee benefits	0.0	0.7	0.0	0.0	0.0	0.7
Provisions	0.0	1.0	0.0	0.0	0.0	1.0
Tax losses carried forward	2.2	3.7	0.0	0.0	(2.1)	3.8
Other	0.0	(0.6)	0.0	0.0	0.6	0.0
TOTAL DEFERRED TAX ASSETS	**2.2**	**4.9**	**0.0**	**0.0**	**(1.6)**	**5.5**
Deferred tax liabilities						
Property plant and equipment	1.3	0.6	0.0	0.0	0.0	1.9
Intangible assets	8.3	2.7	0.0	1.0	(1.5)	10.4
Other	(0.1)	0.2	0.0	0.0	0.0	0.2
TOTAL DEFERRED TAX LIABILITIES	**9.5**	**3.5**	**0.0**	**1.0**	**(1.5)**	**12.5**
NET DEFERRED TAX LIABILITY	**(7.3)**	**1.4**	**0.0**	**(1.0)**	**0.0**	**(7.0)**

Unrecognized deferred taxes

Deferred tax assets on the tax losses carried forward are only recognized to the extent that those losses are expected to offset a taxable profit in the future. bpost assesses a recoverability period of 5 years. Further to this assessment, no deferred tax asset has been recognized for 159.5 million EUR of carried forward tax losses. Most of these unrecognized tax losses relate to entities located in Belgium (45.0 million EUR), where they can be carried forward indefinitely, or in the United States (61.6 million). In this latter country, a loss generated in tax years ending before 1st January 2018 may be carried forward 20 years. As from 2018, US tax losses may be carried forward indefinitely.

6.15 Earnings per share

In accordance with IAS 33, the basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts have to be calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for the effects of all dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

In case of bpost, no effects of dilution affect the net profit attributable to ordinary equity holders and the weighted average number of ordinary shares.

The table below reflects the income and share data used in the basic and diluted earnings per share computations:

For the year ended 31 December

IN MILLION EUR	2019	2018
Net profit attributable to ordinary equity holders of the parent for basic earnings	**154.2**	**264.8**
Adjustments for the effect of dilution		
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**154.2**	**264.8**
IN MILLION SHARES		
Weighted average number of ordinary shares for basic earnings per share	**200.0**	**200.0**
Effect of dilution		
Weighted average number of ordinary shares adjusted for the effect of dilution	**200.0**	**200.0**
IN EUR		
Basic, profit for the year attributable to ordinary equity holders of the parent	**0.77**	**1.32**
Diluted, profit for the year attributable to ordinary equity holders of the parent	**0.77**	**1.32**

6.16 Property, plant and equipment

IN MILLION EUR	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FURNITURE AND VEHICLES	FIXTURES AND FITTINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE	TOTAL
ACQUISITION COST							
Balance at 1 January 2018	**829.6**	**423.4**	**419.8**	**184.5**	**16.4**	**0.0**	**1,873.9**
Acquisitions	1.6	25.6	33.0	26.8	1.9	0.0	88.9
Acquisitions through business combinations	5.1	6.6	8.5	0.4	0.0	0.0	20.7
Disposals	(64.1)	(44.9)	(16.9)	(33.4)	0.0	0.0	(159.3)
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets classified as held for sale or investment property	(43.7)	(1.3)	(1.7)	(0.1)	0.0	0.0	(46.8)
Exchange rate difference	0.1	(0.1)	6.6	1.0	0.1	0.0	7.7
Other movements	(10.9)	0.6	0.5	16.6	(5.6)	0.0	1.1
BALANCE AT 31 DECEMBER 2018	**717.9**	**409.8**	**449.9**	**195.8**	**12.8**	**0.0**	**1,786.2**
Balance at 1 January 2019	**717.9**	**409.8**	**449.9**	**195.8**	**12.8**	**0.0**	**1,786.2**
Impact of IFRS 16 transition	0.0	0.0	0.0	0.0	0.0	417.8	417.8
Acquisitions	8.7	24.3	51.3	28.1	7.5	113.4	233.2
Acquisitions through business combinations	0.0	0.3	0.0	0.0	0.0	0.0	0.3
Reassessement	0,0	0,0	0,0	0,0	0,0	12.3	12.3
Disposals	(2.3)	(4.3)	(30.0)	(43.2)	0.0	(18.7)	(98.4)
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0	(0.3)	(0.3)
Assets classified as held for sale or investment property	(73.2)	0.0	0.0	15.2	0.0	0.0	(58.0)
Exchange rate difference	0.0	0.2	2.9	0.5	0.1	1.8	5.5
Other movements	(32.1)	0.1	(2.7)	20.4	(3.0)	18.7	(1.3)
BALANCE AT 31 DECEMBER 2019	**619.1**	**430.4**	**471.4**	**216.8**	**17.3**	**545.0**	**2,300.0**

IN MILLION EUR	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FURNITURE AND VEHICLES	FIXTURES AND FITTINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE	TOTAL
REVALUATION							
Balance at 1 January 2018	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**0.0**	**7.4**
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2018	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**0.0**	**7.4**
Balance at 1 January 2019	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**0.0**	**7.4**
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2019	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**0.0**	**7.4**

IN MILLION EUR	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FURNITURE AND VEHICLES	FIXTURES AND FITTINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE	TOTAL
DEPRECIATION AND IMPAIRMENT LOSSES							
Balance at 1 January 2018	**(487.9)**	**(298.4)**	**(247.4)**	**(91.0)**	**(3.7)**	**0.0**	**(1,128.5)**
Depreciation through business combinations	(2.1)	(2.2)	(7.1)	(0.1)	0.0	0.0	(11.5)
Disposals	43.6	44.5	16.9	29.5	0.0	0.0	134.5
Disposals through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	(18.8)	(23.4)	(45.8)	(23.9)	0.0	0.0	(111.9)
Impairment losses	1.7	(0.3)	0.1	0.4	0.0	0.0	1.9
Assets classified as held for sale or investment property	30.6	0.5	1.3	0.1	0.0	0.0	32.6
Exchange rate difference	0.0	(0.1)	(1.2)	(0.1)	0.0	0.0	(1.4)
Other movements	9.9	0.2	0.4	(11.8)	0.0	0.0	(1.3)
BALANCE AT 31 DECEMBER 2018	**(423.0)**	**(279.2)**	**(282.9)**	**(96.8)**	**(3.7)**	**0.0**	**(1,085.6)**
Balance at 1 January 2019	**(423.0)**	**(279.2)**	**(282.9)**	**(96.8)**	**(3.7)**	**(0.0)**	**(1,085.6)**
Depreciation through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	2.3	4.1	28.0	43.2	0.0	6.3	84.0
Disposals through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	(14.3)	(23.4)	(40.5)	(21.1)	0.0	(106.1)	(205.3)
Impairment losses	1.5	(0.1)	0.0	(0.3)	0.0	0.0	1.2
Assets classified as held for sale or investment property	46.5	0.0	0.0	(11.9)	0.0	0.0	34.7
Exchange rate difference	0.0	(0.1)	(0.8)	(0.1)	0.0	0.1	(0.9)
Other movements	33.8	(0.9)	(1.9)	(31.0)	0.0	(1.9)	(1.9)
BALANCE AT 31 DECEMBER 2019	**(353.0)**	**(299.5)**	**(298.1)**	**(117.8)**	**(3.7)**	**(101.7)**	**(1,173.8)**
CARRYING AMOUNT							
At 31 December 2018	295.0	130.7	167.0	99.0	16.4	0.0	708.0
At 31 December 2019	266.1	130.9	173.3	99.0	21.0	443.4	1,133.6

6.16.1 Property, plant and equipment (excluding right-of-use assets)

Property, plant and equipment decreased by 17.8 million EUR from 708.0 million EUR to 690.3 million EUR. This decrease was mainly explained by:

- depreciation and impairment amounting to 98.1 million EUR (2018: 110.0 million EUR);
- transfer of previous financial leases to right of use assets (15.5 million EUR, given the initial application of IFRS 16) and to assets held for sale (23.4 million EUR, mainly linked to the sale of the Centre Monnaie building);
- partially compensated by acquisitions (119.8 million EUR), mainly related to the build-out of new fulfillment centres in North America, mail centres infrastructure, fleet and the new distribution model.

All amortization and depreciation charges are included in the section "Depreciation, amortization" of the income statement.

6.16.2 Right-of-use assets and leases

As described in note 6.2, IFRS 16 was adopted as of January 1, 2019. The impact of the transition amounted to 417.8 million EUR, at year-end 2019 the right-of-use assets increased by 25.6 million EUR and amounted to 443.4 million EUR. This increase was mainly explained by:

- 113.4 million EUR additions, mainly related to additional warehouse leases (mainly Radial US and FDM) and vehicles i.e. replacement of ending leases;
- transfer of previous financials leases to right-of-use assets (15.5 million EUR);
- partially compensated by depreciations amounting to 106.0 million EUR.

bpost has lease contracts mainly for buildings (warehouses and post offices), vehicles, machinery and other equipment used in its operations. Lease terms and carrying amounts are detailed in the table hereunder:

IN MILLION EUR	USEFUL LIVES	CARRYING AMOUNT DEC 31, 2019
Land and Buildings	3 to 25 years	392.0
Vehicles	4 or 5 years (8 years for trucks)	47.7
Machinery and equipment	1 to 15 years	3.6
TOTAL		**443.4**

The carrying amounts and movements (including cash outflows) of the lease liabilities (under interest-bearing loans and borrowings) are being disclosed in note 6.24, whereas the maturity analysis is available in note 6.5.

bpost has certain leases for vehicles with lease terms of 12 months or less (2019: 2.6 million EUR) and also leases for printers (2019: 0.5 million EUR) and rent of square meters for Cubee lockers (2019: 0.1 million EUR) with low value, all are disclosed under rent costs, within operating expenses.

Certain rent contracts of Ubiway Retail, concessions within train stations and airports, include variable lease payments, depending on the sales of the shops. In 2019 these costs amounted to 2.6 million EUR and were included in rent, within operating expenses.

In 2019 a part of the gain on the sale of the headquarters (Centre Monnaie building) was treated as sale and lease back. As a result an amount of 1.2 million EUR of the capital gain that related to the right-of-use asset will be recognized in the income statement over the duration of the rent (end date ends 2020) as a reduction of the depreciation of the right-of-use asset. The remaining portion of the capital gain relating to the rights transferred was immediately recognized in the income statement.

There are several lease contracts that include extensions and termination options. The major lease contract relates to Brussels X (NBX), the term of this lease contract is 15 years (until 2031) with 3 possible extensions of 5 years each. These extensions are currently not included into the lease term as it is not reasonable certain that these will be exercised. The impact per extension of 5 years is estimated to increase the overall lease liability by 5%. All other major sorting centers are within property, plant and equipment.

The significant leases contracts that have not yet commenced are disclosed in 6.32 rights and commitments.

All amortization and depreciation charges are included in the section "depreciation, amortization" of the income statement.

Operating Lease Income

bpost's future minimum operating lease income related to buildings is as followed and mainly relates to buildings of which bpost is the owner (subleases are immaterial):

For the year ended 31 December

IN MILLION EUR	2019	2018
Less than one year	0.5	1.3
Between one year and five years	1.3	3.7
More than five years	0.6	2.9
TOTAL	**2.4**	**7.9**

The income that is related to operational lease agreements is recognized in the section "Other operating income" for an amount of 1.0 million EUR in 2019.

The decrease in 2019 compared to 2018 was mainly explained by the sale of the Centre Monnaie building for which some floors were rented out.

6.17 Investment property

IN MILLION EUR	LAND AND BUILDINGS
ACQUISITION COST	
Balance at 1 January 2018	**17.6**
Acquisitions	0.0
Transfer from/to other asset categories	43.7
BALANCE AT 31 DECEMBER 2018	**61.3**
Balance at 1 January 2019	**61.3**
Acquisitions	0.0
Transfer from/to other asset categories	(45.5)
BALANCE AT 31 DECEMBER 2019	**15.8**
DEPRECIATION AND IMPAIRMENT LOSSES	
Balance at 1 January 2018	**(11.9)**
Depreciations	(0.1)
Transfer from/to other asset categories	(30.5)
BALANCE AT 31 DECEMBER 2018	**(42.6)**
Balance at 1 January 2019	**(42.6)**
Depreciations	(0.1)
Transfer from/to other asset categories	31.9
BALANCE AT 31 DECEMBER 2019	**(10.8)**
CARRYING AMOUNT	
At 31 December 2018	18.7
At 31 December 2019	5.0

Investment property mainly relates to apartments located in buildings used as post offices. The decrease of investment property in 2019 compared to 2018 was mainly explained by the sale of the Centre Monnaie building for which some floors were rented out.

Investment properties are carried at acquisition cost less any accumulated depreciation and less any impairment loss. The depreciation amount is allocated on a systematic basis over useful life (in general 40 years).

The rental income of the investment property amounted to 1.0 million EUR (2018: 2.0 million EUR). The estimated fair value of the investment property decreased from 18.7 million EUR to 5.0 million EUR given the sale of the Centre Monnaie building.

6.18 Assets held for sale

As at 31 December

IN MILLION EUR	2019	2018
Assets		
Property, plant and equipment	1.4	0.0
Alvadis	0.0	12.1
de Buren	0.0	2.6
Assets held for sale	*1.4*	*14.7*
Liabilities		
Alvadis	0.0	(7.8)
de Buren	0.0	(3.0)
Liabilities directly linked to assets held for sale	*0.0*	*(10.8)*

Property, plant and equipment

The number of buildings recognized in assets held for sale amounted to 1 at the end of 2018 versus 5 at the end of 2019. The majority of these assets are retail outlets which are vacant as a consequence of the optimization of the post offices and mail center network.

Profits on disposal of 25.8 million EUR (2018: 30.5 million EUR) were accounted for in the income statement in the section other operating income.

Alvadis

On December 3, 2018 bpost decided to start up the sales process of Alvadis NV/SA, hence assets and liabilities of Alvadis were classified as held for sale per December 31, 2018. On August 30, 2019, after approval from the Belgian Competition Authority Ubiway finalized the share purchase agreement with Conway for the sale of Alvadis.

The major classes of assets and liabilities of Alvadis classified as held for sale end of 2018 were as follows:

As at 31 December

IN MILLION EUR	2018
Assets	
Property, plant and equipment	0.3
Intangible assets	0.1
Deferred tax assets	0.0
Long term trade and other receivables	0.0
Inventories	2.7
Short term trade and other receivables	8.5
Cash and cash equivalents	0.5
Assets held for sale	*12.1*

Liabilities	
Long term interest-bearing loans and borrowings	0.0
Deferred tax liabilities	0.1
Provisions	0.0
Short term trade and other payables	(7.9)
Liabilities directly linked to assets held for sale	*(7.8)*
NET ASSETS DIRECTLY ASSOCIATED WITH DISPOSAL GROUP	**4.3**

Following the classification to assets held for sale in 2018, the intangible assets (brand name and customer relationship) originating from the purchase price allocation were written-down (1.0 million EUR) to reduce the carrying amount of the assets to their fair value less costs to sell based upon a binding sales agreement (classified as level 1 in the fair value hierarchy). No further write-down was necessary.

de Buren

On December 3, 2018 bpost decided to start up the exit in the participation in de Buren Internationaal BV, which operates an open network of parcel lockers in the Netherlands, through the put option foreseen in the initial purchase contract. This put option allowed bpost to sell their participation in de Buren to the minority shareholders. This transaction was completed on February 21, 2019. Hence at December 31, 2018 de Buren – part of the Parcels & Logistics Europe & Asia - was classified to held for sale.

The major classes of assets and liabilities of de Buren classified as held for sale in 2018 were as follows:

As at 31 December

IN MILLION EUR	2018
Assets	
Property, plant and equipment	0.9
Intangible assets	0.9
Deferred tax assets	0.0
Long term trade and other receivables	(0.2)
Inventories	0.8
Short term trade and other receivables	(0.1)
Cash and cash equivalents	0.3
Assets held for sale	*2.6*
Liabilities	
Long term interest-bearing loans and borrowings	(1.7)
Deferred tax liabilities	(0.1)
Provisions	0.0
Short term trade and other payables	(1.2)
Liabilities directly linked to assets held for sale	*(3.0)*
NET ASSETS DIRECTLY ASSOCIATED WITH DISPOSAL GROUP	**(0.4)**

The divestment of the 51% stake in de Buren in 2018 triggered the reversal of the contingent consideration which amounted to 14.6 million EUR as bpost was liberated from any contingent consideration or other similar obligation. This has been recorded as other operating income (see note 6.9). Following the classification to assets held for sale, the intangible assets (know-how) originating from the purchase price allocation were written-down (5.6 million EUR) as well as the goodwill (4.2 million EUR) to reduce the carrying amount of the assets to their fair value less costs to sell.

6.19 Intangible assets

IN MILLION EUR	GOODWILL	DEVELOPMENT	SOFTWARE	CUSTOMER RELATIONSHIP	TRADENAME	TOTAL
ACQUISITION COST						
Balance at 1 January 2018	**664.6**	**116.5**	**174.4**	**134.6**	**50.8**	**1,140.9**
Acquisitions	0.0	12.7	13.5	0.4	0.0	26.5
Acquisitions and additions through business combinations	3.0	0.0	0.2	3.2	0.0	6.4
Disposals	0.0	(8.7)	(5.7)	(3.2)	0.0	(17.7)
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0	0.0
Assets classified as held for sale or investment property	(4.2)	(1.2)	(10.0)	(2.5)	0.0	(17.8)
Exchange rate difference	21.6	0.0	1.6	(1.2)	0.7	22.6
Other movements	(1.5)	0.3	(1.3)	0.5	1.0	(1.1)
BALANCE AT 31 DECEMBER 2018	**683.6**	**119.6**	**172.6**	**131.6**	**52.5**	**1,159.8**
Balance at 1 January 2019	**683.6**	**119.6**	**172.6**	**131.6**	**52.5**	**1,159.8**
Acquisitions	0.0	27.5	14.8	0.2	0.0	42.4
Acquisitions and additions through business combinations	6.0	1.4	0.0	2.0	0.6	10.0
Disposals	0.0	0.0	(2.5)	(0.2)	0.0	(2.7)
Disposals via business combinations	0.0	0.0	0.0	(1.3)	(0.5)	(1.8)
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	13.4	0.0	0.9	1.5	0.8	16.6
Other movements	0.0	(0.9)	0.6	1.7	0.5	1.8
BALANCE AT 31 DECEMBER 2019	**702.8**	**147.5**	**186.3**	**135.4**	**53.9**	**1,225.9**

IN MILLION EUR	GOODWILL	DEVELOPMENT	SOFTWARE	CUSTOMER RELATIONSHIP	TRADENAME	TOTAL
DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 January 2018	**(24.8)**	**(86.6)**	**(120.3)**	**(16.9)**	**(1.9)**	**(250.6)**
Acquisitions through business combinations	(0.2)	0.0	(0.1)	(0.8)	0.0	(1.1)
Disposals	0.0	8.7	5.6	3.2	0.0	17.4
Disposals through the sale of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	(8.5)	(22.0)	(9.9)	(4.7)	(45.0)
Impairment losses	(16.3)	0.1	(5.6)	(0.7)	(0.3)	(22.8)
Assets classified as held for sale or investment property	4.2	0.7	10.0	1.9	0.1	16.8
Exchange rate difference	0.0	0.0	(1.0)	0.1	0.0	(1.0)
Other movements	0.3	(0.2)	0.0	1.2	0.0	1.3
BALANCE AT 31 DECEMBER 2018	**(36.7)**	**(85.9)**	**(133.4)**	**(22.1)**	**(6.7)**	**(284.8)**
Balance at 1 January 2019	**(36.7)**	**(85.9)**	**(133.4)**	**(22.1)**	**(6.7)**	**(284.8)**
Acquisitions through business combinations	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	2.0	0.1	0.0	2.1
Disposals via business combinations	0.0	0.0	0.0	1.3	0.5	1.8
Depreciation	0.0	(12.3)	(16.7)	(7.1)	(7.2)	(43.3)
Impairment losses	0.0	0.2	(0.2)	(0.5)	(1.2)	(1.7)
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	(0.4)	(0.1)	0.0	(0.5)
Other movements	0.0	(0.1)	0.6	(1.3)	(0.5)	(1.3)
BALANCE AT 31 DECEMBER 2019	**(36.7)**	**(98.0)**	**(148.0)**	**(29.8)**	**(15.2)**	**(327.6)**

IN MILLION EUR	GOODWILL	DEVELOPMENT	SOFTWARE	CUSTOMER RELATIONSHIP	TRADENAME	TOTAL
CARRYING AMOUNT						
At 31 December 2018	646.8	33.7	39.2	109.5	45.8	874.9
At 31 December 2019	666.3	49.5	38.3	105.6	38.7	898.3

Intangible assets increased by 23.3 million EUR, mainly due to:

- acquisitions (42.4 million EUR) mainly related to ICT development costs capitalized, the migration of ICT infrastructure to the cloud and the new distribution model and;
- the increase in goodwill due to the finalization of the purchase price allocation of Anthill (1.5 million EUR) and the preliminary goodwill of Vector Invest (4.5 million EUR).
- the evolution of the exchange rate (16.1 million EUR);
- partially compensated by amortization and impairments amounting to 45.0 million EUR.

Noted that within trade name, 7.0 million EUR related to AMP has an indefinite useful life.

All amortization and depreciation charges are included in the section “Depreciation, amortization” of the income statement.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquired entity.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) in accordance with IAS 36 Impairment of assets.

→ In million EUR

	PRESS	PROXIMITY AND CONVENIENCE RETAIL NETWORK	VALUE ADDED SERVICES	PARCELS BENE	E-COMMERCE LOGISTICS EUROPE & ASIA	CROSS-BORDER	E-COM MERCE LOGISTICS NORTH AMERICA	INTER NATIONAL MAIL	TOTAL
Balance at 1 January 2018	**21.9**	**28.3**	**8.8**	**42.4**	**57.2**	**0.5**	**472.9**	**7.8**	**639.8**
Acquisitions	0.0	0.0	0.0	0.0	6.0	0.0	0.0	4.2	10.2
Disposals	0.0	0.0	0.0	0.0	(7.3)	0.0	0.0	0.0	(7.3)
Impairment	0.0	0.0	(7.9)	(4.2)	(4.2)	0.0	0.0	0.0	(16.3)
Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	0.0	0.0	0.0	0.0	20.4	0.0	20.4
BALANCE AT 31 DECEMBER 2018	**21.9**	**28.3**	**0.9**	**38.3**	**51.7**	**0.5**	**493.3**	**12.0**	**646.8**
Balance at 1 January 2019	**21.9**	**28.3**	**0.9**	**38.3**	**51.7**	**0.5**	**493.3**	**12.0**	**646.8**
Acquisitions	0.0	0.0	0.0	0.0	6.0	0.0	0.0	0.0	6.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	0.0	0.0	0.0	0.0	11.3	2.1	13.4
BALANCE AT 31 DECEMBER 2019	**21.9**	**28.3**	**0.9**	**38.3**	**57.7**	**0.5**	**504.6**	**14.1**	**666.2**

In 2019 the goodwill of E-commerce Logistic Europe & Asia was adjusted as a result of the finalization of the purchase price allocation of Anthill BV (1.5 million EUR) and the consolidation of Vector Invest BV (4.5 million EUR) as from October 2019 (see note 6.6 business combinations). Note that the goodwill of Anthill BV was not retrospectively adjusted as the impact was deemed not material.

In 2018 bpost reorganized its segment set-up and composition of the CGU and as result reallocated goodwill. The opening balance at January 1, 2018 is presented with the reallocated goodwill included. Goodwill was impaired in 2018 for the CGUs Value added services 7.9 million EUR (Certipost), Parcels BeNe 4.2 million EUR (de Buren) and E-commerce logistics Europe & Asia 4.2 million EUR (Bubble Post). bpost recognized impairments as bpost decided to sell de Buren and stop the activities of Bubble Post and the fair value less costs to sell was lower than the carrying value. The goodwill of Certipost has been impaired as the recoverable amount is not supported anymore by the value in use as the phase out of the current eID cards will lead to a zero cash flow.

Goodwill is not amortized but is tested for impairment on an annual basis (December). For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) in accordance with IAS 36 *Impairment of assets*. The test consists of comparing the carrying amount of the assets (or group) of the CGUs with their recoverable amount. The CGUs are described in the note segment reporting and combine business operations active in a same geographical region.

The recoverable amounts are based on the value in use. The latter equals the present value of the future cash flows expected to be derived from each CGU or group of CGUs and is determined using the following inputs:

- most recent business plan and budgets, including detailed planning for EBITDA, net working capital and investment planning via capital expenditure or leasing, which covers a four year period;
- consideration of a terminal value determined from the cash flows obtained by extrapolating the cash flows of the last year of the business plan referred to above, affected by a long-term growth rate deemed appropriate for the activity and the location of the assets;
- discounting of expected cash flows at a rate determined using the weighted average cost of capital formula.

The assumption for which the recoverable amounts is the most sensitive for all CGU's tested is the EBTIDA. The key assumption (EBITDA) in the budgets is based on past experiences adapted for changing market conditions. The EBITDA is the result of volume evolutions, price evolution and cost improvement projects along with new value added services following the judgement and estimates made by management in developing the budgets and forecasts for the coming years.

The discount rate is estimated based on an extensive benchmarking with peers, so as to reflect the return investors would require if they were to choose an investment in the underlying assets. The peer group was divided into mail-related peers and parcels-related peers. Besides this, the different economic environment was also factored in the determination of the weighted average cost of capital (WACC). The decrease of the discount rates in 2019 was driven by declining cost of debt and a higher gearing ratio of the peer group.

The long-term growth rate was set at 0% for mail activities and 2% for parcels activities and e-commerce logistics. The growth rates were determined based on internal expectations (same assumptions as for EBITDA evolution) and external sources and are consistent with real growth figures and expectations for the relevant sectors in which the CGUs operate and take into consideration the long-term inflation for Europe and United States.

The discount rates and the growth rates for the CGUs with material goodwill are shown in the following table:

	DISCOUNT RATES		GROWTH RATES	
	2019	2018	2019	2018
Press	5.7%	6.9%	0%	0%
Proximity and convenience retail network	5.7%	6.9%	0%	0%
Parcels BeNe	5.9%	6.6%	2%	2%
E-commerce logistics Europe & Asia	5.9%	6.6%	2%	2%
E-commerce logistics North America	7.5%	8.3%	2%	2%
International Mail	7.2%	8.4%	0%	0%

The impairment tests performed at CGU level did not lead to any impairment of assets, as the recoverable amounts of the (groups of) CGUs were significantly higher than their carrying amounts. More specifically, the difference between the CGUs' carrying amount and their value in use (headroom) represents in all cases at least more than 38% of their carrying amount. As such, a reasonable change in a key assumption on which the recoverable amount of the CGUs is based would not result in an impairment loss for the related CGUs.

In this respect, for e-commerce Logistics North America, e-commerce Europe & Asia and Parcels BeNe, which are the 3 CGUs which represent 90% of the total amount of goodwill, the worst case sensitivity analysis below leads to headroom that is still more than 21% of their respective carrying amounts. The sensitivity of the recoverable amount to changes in the key assumption, long-term growth rate and discount rate is shown in the following table:

	E-COMMERCE LOGISTICS NORTH AMERICA	E-COMMERCE LOGISTICS EUROPE & ASIA	PARCELS BENE
Sensitivity to long-term growth rate -1.0%	-13.7%	-25.0%	-18.8%
Sensitivity to long-term growth rate +1.0%	19.7%	42.2%	31.8%
Sensitivity to discount rate -0.5 %	10.6%	20.2%	15.4%
Sensitivity to discount rate +0.5 %	-8.8%	-15.5%	-11.9%
Sensitivity to EBITDA margin -1.0 %	-16.5%	-40.6%	-19.9%
Sensitivity to EBITDA margin +1.0 %	16.5%	41.8%	19.9%

An unfavorable change in growth, discount rate or EBITDA margin as disclosed above is not expected to result in an impairment.

6.20 Investment in associates and joint ventures

IN MILLION EUR	2019	2018
Balance at 1 January	**251.2**	**329.2**
Addition through business combinations	0.1	0.0
Share of profit	15.8	11.5
Dividend received	(5.0)	(4.0)
Impact of IFRS 9 on transition	0.0	(59.9)
Other movements in equity of associates and joint ventures	(22.6)	(25.5)
BALANCE AT 31 DECEMBER	**239.5**	**251.2**

Equity accounted investees decreased by 11.7 million EUR, to 239.5 million EUR as of December 31, 2019. The integration of the joint venture Jofico and the bpost's share in the gain of bpost bank for 15.8 million EUR was more than offset by the distribution of dividends from bpost bank for an amount of 5.0 million EUR and decrease in the unrealized gain on the bond portfolio in the amount of 22.6 million EUR recognized in other comprehensive income, reflecting a decrease of the underlying yield curve by 3 basis points (bps) compared to December 31, 2018. As of December 31, 2019, investments in associates comprised net unrealized gains in respect of the bond portfolio in the amount of 21.6 million EUR, which represented 9.0% of total investments in associates. The unrealized gains were generated by the lower level of interest rates compared to the acquisition yields of the bonds. Unrealized gains are not recognized in the income statement but are rather recognized directly in equity in other comprehensive income.

Impact of IFRS 9 on transition

As of January 1, 2018, IAS 39 Financial Instruments: Recognition and Measurement was replaced by IFRS 9 Financial Instruments. At the transition in 2018 to IFRS 9 bpost bank reclassified a major part of its bond portfolio from IAS 39 available-for-sale category to IFRS 9 amortized cost category. This resulted in a decrease of bpost bank's equity by 119.8 million EUR and consequently bpost's investment in associates and the relating reserves decreased by 50% of this amount so 59.9 million EUR on the transition date to IFRS 9.

An overview of the selected financial figures of the associates and joint ventures are presented in the following tables.

IN MILLION EUR	OWNERSHIP	TOTAL ASSETS	TOTAL LIABILITIES (EXCL. EQUITY)	INCOME	PROFIT/(LOSS)	OTHER COMPREHENSIVE INCOME
2018						
bpost bank	50%	11,045.3	10,542.9	265.7	22.9	(51.0)
2019						
bpost bank	50%	11,788.6	11,309.8	380.5	31.7	(45.3)

6.21 Trade and other receivables

As at 31 December

IN MILLION EUR	2019	2018
Trade receivables	0.0	0.0
Loan to associates	25.0	0.0
Contract costs - assets recognized to obtain or fulfil a contract	3.7	0.0
Other receivables	12.8	11.2
NON CURRENT TRADE AND OTHER RECEIVABLES	**41.5**	**11.2**

The increase of the non-current receivables compared to last year was mainly due to subordinated loan of 25.0 million EUR with a variable interest rate, a maturity of 10 years and a first call date after 5 years granted to bpost bank. The loan is held in a business model with the aim to hold-and-collect the contractual cash flows. The terms of the loan passes the SPPI test. The loan was classified in Stage 1 in accordance with the IFRS 9 impairment requirements and the recognised ECL is not significant.

In 2019 Radial entered into a significant number of new contracts with new clients. In doing so, Radial incurred various costs and expenditures, which fall under the categories of "Costs of Obtaining a Contract" and "Costs to Fulfill a Contract" within IFRS 15. The assets recognized in 2019 from the costs to obtain or fulfill a contract with customers are system set-up and adaptation, project management and sales commission for logistic and fulfillment services. The net assets are disclosed under other receivables.

As at 31 December

IN MILLION EUR	2019	2018
Trade receivables	656.5	646.0
Tax receivables, other than income tax	4.3	6.1
Other receivables	56.8	59.9
CURRENT TRADE AND OTHER RECEIVABLES	**717.6**	**712.0**

As at 31 December

IN MILLION EUR	2019	2018
Accrued income	7.6	8.3
Deferred charges	44.1	45.7
Other receivables	5.2	5.9
CURRENT - OTHER RECEIVABLES	**56.8**	**59.9**

Current trade and other receivables increased by 5.6 million EUR to 717.6 million EUR (2018: 712.0 million EUR), driven by a rise in trade receivables of 10.4 million EUR partly compensated by the decrease of other receivables of 3.1 million EUR and tax receivables (other than income tax) of 1.8 million EUR.

Tax receivables relate to the outstanding VAT amounts to be received.

Trade and other receivables are mainly short-term. The carrying amounts are considered to be a reasonable approximation of the fair value.

6.22 Inventories

As at 31 December

IN MILLION EUR	2019	2018
Raw materials	3.0	2.3
Finished products	5.3	6.2
Goods purchased for resale	27.3	29.2
Reductions in value	(0.9)	(0.8)
INVENTORIES	**34.7**	**36.9**

Inventories slightly decreased by 2.2 million EUR. Raw materials include consumables, i.e. materials used for printing purposes. Finished products are stamps available for sale. Goods purchased for resale mainly include post cards, supplies for resale, press distribution inventory and retail inventory (tobacco, beverage, multimedia, etc.).

6.23 Cash and cash equivalents

As at 31 December

IN MILLION EUR	2019	2018
Cash in network	163.6	151.2
Transit accounts	105.8	107.0
Cash payment transactions under execution	(26.7)	(39.4)
Bank current accounts	377.4	461.3
Short term deposits	50.0	0.0
CASH AND CASH EQUIVALENTS	**670.2**	**680.1**

Bank current accounts earn interests at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of one day to three months, depending on immediate cash requirements and earn interest at the respective short-term deposit rates.

6.24 Interest-bearing loans and borrowings

IN MILLION EUR	2018	NON-CASH CHANGES: IMPACT OF IFRS 16 TRANSITION	FOREIGN EXCHANGE MOVEMENT	NEW LEASES	REASSESSMENT	DISPOSAL	TRANSFER	OTHER	CASH FLOWS	2019
Bank loans	189.6	0.0	3.1	0.0	0.0	0.0	(9.8)	0.2	(0.2)	182.9
Long-term bond	641.8	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	642.5
Other loans	1.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.1)	0.7
Lease liabilities	16.7	337.2	1.7	113.4	12.3	(10.3)	(129.9)	9.7	0.0	350.7
NON CURRENT INTEREST-BEARING LOANS AND BORROWINGS	**849.1**	**337.2**	**4.8**	**113.4**	**12.3**	**(10.3)**	**(139.7)**	**10.4**	**(0.3)**	**1,176.8**

Non-current interest-bearing loans and borrowings increased by 327.7 million EUR to 1,176.8 million EUR mainly due to the first application of IFRS 16. This increase was partially offset by a decrease of 9.1 million EUR corresponding to the portion of the loan of the European Investment Bank transferred to current interest-bearing loans and borrowings.

Due to the implementation of IFRS 16, there is a significant increase of non current lease liabilities. All movements related to additions and lease details are explained in the note 6.16.

IN MILLION EUR	2018	NON-CASH CHANGES: IMPACT OF IFRS 16 TRANSITION	FOREIGN EXCHANGE MOVEMENT	NEW LEASES	REASSESSMENT	DISPOSAL	TRANSFER	OTHER	CASH FLOWS	2019
Bank loans	8.6	0.0	0.0	0.0	0.0	0.0	9.8	0.1	(9.1)	9.4
Commercial papers	165.1	0.0	0.0	0.0	0.0	0.0	0.0	(0.6)	0.0	164.5
Other loans	0.4	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	0.1
Lease liabilities	1.6	80.7	0.4	0.0	0.0	0.0	129.9	0.0	(113.9)	98.6
CURRENT INTEREST-BEARING LOANS AND BORROWINGS	**175.6**	**80.7**	**0.4**	**0.0**	**0.0**	**0.0**	**139.7**	**(0.5)**	**(123.2)**	**272.7**

Current interest-bearing loans and borrowings increased by 97.1 million EUR to 272.7 million EUR mainly due to the first application of IFRS 16.

Note that the total of the columns "cash flow" mentioned in the two tables above amounted to -123.5 million EUR, while "the net flows related to borrowings and lease liabilities" in the consolidated statement of cash flow amounted to -140.1 million EUR. The difference of -16.6 million EUR was mainly due to the interests on the term loan and the yield of bond booked on the trade and other payable accounts, hence are not being disclosed in this note. Furthermore in the consolidated statement of cash flows for the commercial paper the gross amounts related to the settlement and issuing of the different commercial papers in 2019 are presented respectively as cash outflow or cash inflow, whereas in the table above the net cash flow is shown.

Note furthermore that bpost also has two undrawn revolving credit facilities for a total amount of 375.0 million EUR, see note 6.31 "rights and commitments".

Due to the implementation of IFRS 16, there is a significant increase of current lease liabilities. The amount transferred from non-current to current lease liabilities corresponds to the lease payment excluding the interest.

6.25 Employee benefits

bpost grants its active and retired personnel post-employment benefits, other long term benefits and termination benefits. These benefit plans have been valued in conformity with IAS 19. Some of them originate from measures negotiated in the framework of Collective Labor Agreements ('CLA'). The benefits granted under these plans differ depending on the categories of bpost's employees: civil servants (also known as statutory employees), pay scale contractual employees, auxiliary agents and non-pay scale contractual employees.

The employee benefits are as follows:

As at 31 December

IN MILLION EUR	2019	2018
Post-employment benefits	(29.4)	(32.8)
Other long-term benefits	(282.2)	(267.1)
Termination benefits	(9.0)	(8.5)
TOTAL	**(320.6)**	**(308.4)**

Net of the deferred tax assets related to them, employee benefits amount to 296.0 million EUR (2018: 284.8 million EUR).

As at 31 December

IN MILLION EUR	2019	2018
Employee benefits	(320.6)	(308.4)
Deferred tax assets impact	24.6	23.6
EMPLOYEE BENEFITS NET OF DEFERRED TAX	**(296.0)**	**(284.8)**

bpost's net liability for employee benefits comprises the following:

As at 31 December

IN MILLION EUR	2019	2018
Present value of total obligations	(403.8)	(373.7)
Fair value of plan assets	83.2	65.3
Present value of net obligations	**(320.6)**	**(308.4)**
NET LIABILITY	**(320.6)**	**(308.4)**
Employee benefits amounts in the statement of financial position		
Liabilities	(320.6)	(308.4)
NET LIABILITY	**(320.6)**	**(308.4)**

The changes in the present value of the obligations are as follows:

IN MILLION EUR	2019	2018
Present value at 1 January	**(373.7)**	**(380.3)**
Service cost	(27.5)	(16.3)
-Current service cost	*(27.5)*	*(27.2)*
-Past service (cost)/gain	*0.0*	*10.9*
Net interest	(5.0)	(4.9)
Benefits paid	29.8	27.9
Re-measurement gains and (losses)	(17.8)	6.3
-Actuarial gains and (losses) recognized in Income Statement	*(17.8)*	*6.3*
Re-measurement gains and (losses) in other comprehensive income	(9.7)	(0.8)
-Actuarial gains and (losses)	*(9.7)*	*(0.8)*
Transfer	0.0	(5.6)
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(403.8)**	**(373.7)**

The fair value of the plan assets can be reconciled as follows:

IN MILLION EUR	2019	2018
Fair value of plan assets at 1 January	**65.3**	**53.4**
Contributions by employer	32.2	31.0
Contributions by employee	1.4	1.4
Benefits paid	(29.8)	(27.9)
Interest income/(cost) on assets (P&L item)	1.1	0.8
Actuarial gain/(loss) on assets (OCI item)	12.9	6.6
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**83.2**	**65.3**

The plan assets relate to the group insurance's benefit in accordance with IAS 19. These plan assets are held by a third party insurance company, and are composed of the reserves accumulated from the employer and employee contributions (insured contracts with a guaranteed return).

2019 changes in the defined benefit obligation and fair value of plan assets:

IN MILLION EUR	DEFINED BENEFIT OBLIGATION	FAIR VALUE OF PLAN ASSETS	NET LIABILITY
1 January 2019	**(373.7)**	**65.3**	**(308.4)**
Service cost	(27.5)	0.0	(27.5)
Contributions by employee	0.0	1.4	1.4
Actuarial gains and (losses) reported as operating	3.5	0.0	3.5
Subtotal included in Payroll Profit or Loss (note 6.12)	**(24.0)**	**1.4**	**(22.6)**
Interest cost	(5.0)	0.0	(5.0)
Interest income/(cost) on assets (P&L item)	0.0	1.1	1.1
Actuarial gains and (losses) reported as financial	(21.3)	0.0	(21.3)
Subtotal included in Financial Profit or Loss (note 6.13)	**(26.3)**	**1.1**	**(25.1)**
Benefits paid	29.8	(29.8)	(0.0)
Contributions by employer	0.0	32.2	32.2
SUBTOTAL CASH FLOWS STATEMENT	**(20.4)**	**4.9**	**(15.5)**
Re-measurement gains and (losses) in Other Comprehensive Income	(9.7)	12.9	3.2
31 DECEMBER 2019	**(403.8)**	**83.2**	**(320.6)**

The expense recognized in the income statement is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Service cost	(26.1)	(14.6)
-Current service cost	*(26.1)*	*(25.5)*
-Past service (cost)/gain	*0.0*	*10.9*
Net interest	(3.8)	(4.0)
Re-measurements gains and (losses)	(17.8)	6.3
- Actuarial gains and (losses) reported as financial	*(21.3)*	*1.0*
- Actuarial gains and (losses) reported as operating	*3.5*	*5.2*
NET EXPENSE	**(47.7)**	**(12.4)**

Actuarial gains and losses caused by changes in discount rates are recorded as financial costs, whereas actuarial gains/losses for post-employment benefits are recorded in other comprehensive income. In all other cases, actuarial gains and losses are recorded as operating expenses.

Interest costs and financial actuarial gains or losses have been recorded as financial costs. All other expenses summarized above were included in the income statement caption “Payroll costs”.

The impact on payroll costs and financial costs in the income statement is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Payroll costs	(22.6)	(9.4)
Financial cost	(25.1)	(3.0)
NET EXPENSE	**(47.7)**	**(12.4)**

The expense recognized in the other comprehensive income is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Re-measurement gains/(losses)	3.2	5.8
- Actuarial gains and (losses)	*3.2*	*5.8*
NET EXPENSE	**3.2**	**5.8**

The main assumptions used in computing the benefit obligations at the statement of financial position date are the following:

	2019	2018
Rate of inflation	1.8%	1.8%
Future salary increase	2.8%	2.8%
Medical cost trend rate	5.0%	5.0%
Mortality tables	MR/FR-2	MR/FR-2

The discount rates have been determined by reference to market yields at the statement of financial position date. The discount rates used in 2019 range from -0.15% to 1.00% (2018: 0.00% to 1.80%):

BENEFIT	DURATION	DISCOUNT RATE		NET LIABILITY
		2019	2018	2019
Family allowances	6.8	0.45%	1.15%	(20.7)
Bank	15.0	1.00%	1.70%	(3.6)
Funeral expense	7.7	0.55%	1.30%	(2.3)
Gratification	from 11.3 to 14.1	from 0.70% to 0.75%	from 1.55% to 1.65%	(2.1)
Group insurance	from 11.3 to 18.0	from 0.75% to 1.00%	from 1.55% to 1.80%	(0.6)
Accumulated compensated absences	2.4	-0.05%	0.15%	(19.6)
Workers compensation in case of accident	12.9	0.75%	1.55%	(132.7)
Medical expenses in case of accident	18.0	1.00%	1.80%	(12.2)
Pension saving days	9.1	0.60%	1.40%	(94.1)
Jubilee Premiums	from 6.5 to 8.0	from 0.40% to 0.55%	from 1.15% to 1.30%	(1.3)
DSPR/DVVP for Mobility Center	8.4	0.55%	1.35%	(16.5)
Part-time regime (54+)	from 1.8 to 4.0	0.00%	0.45%	(5.8)
Early retirement scheme	from 0.5 to 1.7	from -0.15% to 0.00%	from 0.00% to 0.15%	(9.0)

The average duration of the defined benefit plan obligation at the end of 2019 is 11.3 years (2018: 10.8 years).

A quantitative sensitivity analysis for significant assumptions at December 31, 2019 has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

This sensitivity analysis is outlined here below:

	DISCOUNT RATE		MORTALITY TABLE MR/FR	MEDICAL TREND RATE
IN MILLION EUR	50 BP INCREASE	50 BP DECREASE	DECREASE BY 1 YEAR	100 BP INCREASE
Impact on defined benefit obligation (increase)/decrease	21.5	(23.6)	(6.4)	(2.0)

6.25.1 Post-employment

Post-employment benefits include family allowances, bank costs, funerary costs, retirement gifts and group insurance.

FAMILY ALLOWANCES

bpost's civil servants (both active and pensioners) with dependents (youngsters and disabled) receive a family allowance from Office National d'Allocations Familiales pour Travailleurs Salariés (ONAFTS) – Rijksdienst voor Kinderbijslag voor Werknemers (RKW). The financing methodology of family allowances for civil servants has changed due to a law change (law of 19 December 2014). As a consequence, bpost as a public institution pays a contribution that is defined by a program law. The amount is adapted each year proportionally to the number of civil servants (full time equivalents) and is subject to inflation.

BANK

All active members, pre-pensioners and pensioners can benefit from a reduction of the fees charged on the current account as well as favorable interest rates and/or reductions on savings certificates, investment funds, insurances and loans.

GROUP INSURANCE

bpost offers to its active contractual employees a group insurance benefit. Since the introduction of the WAP/LPC legislation in Belgium these plans have the characteristics of a defined benefit plan under IAS 19.

The employer is legally required to guarantee a certain return on the plan assets. Before the change in the WAP/LPC law end of 2015, bpost had to provide the legal minimum return of 3.25% on employer contributions (after costs on premiums) and 3.75% on employee contributions. The legal minimum return on employer contributions is a "career average" return and not a year-by-year return where the legal minimum on the employee contributions should be granted on a year-by-year basis.

Although there is still no full clarity on the approach, new legislation dated December 2015 brought more clarification on the minimum guaranteed return. The uncertainty with respect to the future evolution of the minimum guaranteed rates of return in Belgium has been removed with the change in the WAP/LPC law end of December 2015. As from 2016, the minimum return for future contributions is equal to the average past 24 months return on 10-year linear bonds with a minimum of 1.75% p.a.

Although there is no full consensus in the market concerning the methodology, in 2018 the underlying methodology used for IAS19 accounting of these defined contribution plans has been finetuned taken into account the evolution in methodologies in the market based on new insights. bpost continues to use the PUC (projected unit credit) methodology but without projection of future contributions and salaries as the plans are not backloaded (contributions do not increase with age). The only reason why contributions may materially increase at a later stage of a career is linked to salary increases being higher than indexations in step rate plans. Furthermore in 2018 bpost applied paragraph 115 of IAS 19. The assets and liabilities are determined taking into account contractual interest guarantees on mathematical reserves, guaranteed by the insurance company. Applying paragraph 115 may result in higher assets when guaranteed interest rates are higher than the discount rate, resulting in a lower net liability. The impact of the above resulted in a non-cash gain of 10.9 million EUR in 2018.

bpost's net liability for employee post-employment benefits comprises the following:

As at 31 December

IN MILLION EUR	2019	2018
Present value of total obligations	(112.6)	(98.1)
Fair value of plan assets	83.2	65.3
Present value of net obligations	**(29.4)**	**(32.8)**
NET LIABILITY	**(29.4)**	**(32.8)**
Employee benefits amounts in the statement of financial position		
Liabilities	(29.4)	(32.8)
NET LIABILITY	**(29.4)**	**(32.8)**

The changes in the present value of the obligations are as follows:

IN MILLION EUR	2019	2018
Present value at 1 January	(98.1)	(104.0)
Service cost	(10.0)	2.6
-Current service cost	*(10.0)*	*(8.3)*
-Past service (cost)/gain	*0.0*	*10.9*
Net interest	(1.5)	(1.4)
Benefits paid	6.6	5.6
Re-measurement gains and (losses)	0.0	0.0
-Actuarial gains and (losses) recognized in Income Statement	*0.0*	*0.0*
Re-measurement gains and (losses) in other comprehensive income	(9.7)	(0.8)
-Actuarial gains and (losses)	*(9.7)*	*(0.8)*
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(112.6)**	**(98.1)**

The fair value of the plan assets is presented as follows:

IN MILLION EUR	2019	2018
Fair value of plan assets at 1 January	**65.3**	**53.4**
Contributions by employer	9.0	8.7
Contributions by employee	1.4	1.4
Benefits paid	(6.6)	(5.6)
Interest income/(cost) on assets (P&L item)	1.1	0.8
Actuarial gain/(loss) on assets (OCI item)	12.9	6.6
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**83.2**	**65.3**

The expense recognized in the income statement is presented hereafter:

As of 31 December

IN MILLION EUR	2019	2018
Service cost	(8.5)	4.3
-Current service cost	*(8.5)*	*(6.7)*
-Past service (cost)/gain	*0.0*	*10.9*
Net interest	(0.3)	(0.6)
Re-measurements gains and (losses)	0.0	0.0
- Actuarial gains and (losses) reported as financial	*0.0*	*0.0*
- Actuarial gains and (losses) reported as operating	*0.0*	*0.0*
NET EXPENSE	**(8.9)**	**3.6**

The impact on payroll costs and financial costs is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Payroll costs	(8.5)	4.3
Financial cost	(0.3)	(0.6)
NET EXPENSE	**(8.9)**	**3.6**

The expense recognized in other comprehensive income is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Re-measurement gains/(losses)	3.2	5.8
- Actuarial gains and (losses)	*3.2*	*5.8*
NET EXPENSE	**3.2**	**5.8**

6.25.2 Other long-term employee benefits

Other long-term employee benefits include accumulated compensated absences, pension saving days, part-time benefits, worker compensation in case of accident, medical expenses in case of accident, jubilee premiums and DSPR/ DVVP for Job Mobility Center.

ACCUMULATED COMPENSATED ABSENCES

Civil servants are entitled to 21 sick-days per year. During these 21 days and if they have received the appropriate note from a doctor, they receive 100% of their salary. If in any given year, a civil servant is absent less than 21 days, the balance of the unused sickness days is carried over to the following years up to a maximum of 63 days (see section Pension saving days hereinafter). Employees who are ill for more than 21 days during a year will first use up the year's allotment and then use the days carried over from previous years as per their individual account. During this period, they will receive their full salary. Once the allotment of the year and the days carried over are used up, they receive reduced payments.

Both the full salary paid under the "sick-days" scheme and the reduced payments beyond that are costs incurred by bpost.

There was no modification to the calculation methodology compared to 2018. The valuation is based on the future "projected payments / cash outflows". The cash outflows are calculated for the totality of the population considered, based on a certain consumption pattern, derived from the statistics over the 12 months of 2019. The individual notional accounts are projected for the future and decreased by the actual number of days of illness.

The annual payment is the number of days used (and limited by the number of days in the savings account) multiplied by the difference between the projected salary (increased with social charges) at 100% and the reduced payments. The relevant withdrawal and mortality rates have been applied together with the discount rate applicable to the duration of the benefit.

PENSION SAVING DAYS

Civil servants have the possibility to convert the unused sick days above the 63 days in their 'notional' account (see above "Accumulated Compensated Absences" benefit) in pension saving days (7 sick days per 1 pension saving day) and to convert each year a maximum of 3 days of extra-legal holidays. Contractual employees with a permanent contract are entitled to a maximum of 2 pension saving days per year and have the possibility to convert each year a maximum of 3 days of extra-legal holidays. The pension saving days are accumulated year over year and can be used as from the age of 50.

The methodology of valuation is based on the same approach as the benefit "Accumulated Compensated Absences". The valuation is based on the future "projected payments / cash outflows". These are calculated for the totality of the population considered, based on a certain "consumption" pattern, derived from the statistics over the 12 months of 2019, as provided by the human resources department. The individual "pension saving days" accounts are projected per person and decreased by the actual number of used pension saving days.

The annual payment is the number of pension saving days used multiplied by the projected daily salary (increased with social charges, holiday pay, end of year premium, management and integration premium). The relevant withdrawal and mortality rates have been applied together with the discount rate applicable to the duration of the benefit.

PART-TIME REGIME (50+)

The regulatory framework regarding part-time regime for bpost's employees is the following:

- Framework Agreement of December 20, 2012: partial (50%) career interruption is accessible to the distributors aged 54 and older and to the other employees as from 55 years old. bpost makes contributions equal to 7.5% of the gross annual salary for a maximum period of 72 months for the distributors and 48 months for the other beneficiaries of the plan.

- Framework Agreement of May 22, 2014: (i) the plan approved in 2012 and accessible to the distributors is extended to the employees working during night and (ii) for the other employees, the plan is accessible as from 55 years old. bpost makes contributions equal to 7.5% of the gross annual salary for a maximum period of 72 months for the night workers and 48 months for the other beneficiaries of the plan.

In 2016, two new plans were approved:

- Framework Agreement of June 2, 2016 (valid until December 2016): (i) the plan approved in 2012 for distributors and extended in 2014 to employees working during night is also applicable for collect agents and (ii) for the other employees, the plan is accessible as from 57 years old. bpost makes contributions equal to 7.5% of the gross annual salary for a maximum period of 72 months for the collect agents and 48 months for the other beneficiaries of the plan;
- Framework Agreement of September 30, 2016: (i) for the distributors, collect agents and the employees working during night, the plan is accessible as from 55 years old and (ii) for the other employees, the minimum age required is 57 years old. bpost makes contributions equal to 7.5% of the gross annual salary for a maximum period of 72 months for the night workers, distributors and collect agents and 48 months for the other beneficiaries of the plan. This plan is extended until December 2020 following the Framework Agreement of December 20, 2018.

WORKERS COMPENSATION IN CASE OF ACCIDENT

Until October 1, 2000, bpost was self-insured for injuries at the workplace and on the way to and from the workplace. As a result, all compensations to workers for accidents which occurred before October 1, 2000 are incurred and financed by bpost itself.

Since October 1, 2000, bpost has contracted insurance policies to cover such risk.

DSPR/ DVVP FOR JOB MOBILITY CENTER

The Framework Agreement of September 30, 2016 defined a Dispense Précédant la Retraite/ Dienstvrijstelling voorafgaand aan de Pensionering (DSPR/ DVVP) plan for the Job Mobility Center. This plan foresees for an indefinite duration that civil servants aged as from 61 years old who are attached to the Job Mobility Center and who are still attached to it after a period of one year will be released from service. bpost continues to pay to the beneficiaries 70% of their salary at departure and until they reach retirement age, with a maximum of 5 years.

bpost's net liability for other long-term benefits comprises the following:

As at 31 December

IN MILLION EUR	2019	2018
Present value of total obligations	(282.2)	(267.1)
Fair value of plan assets	0.0	0.0
Present value of net obligations	**(282.2)**	**(267.1)**
Unrecognized actuarial (gains)/losses		
NET LIABILITY	**(282.2)**	**(267.1)**
Employee benefits amounts in the statement of financial position		
Liabilities	(282.2)	(267.1)
NET LIABILITY	**(282.2)**	**(267.1)**

The changes in the present value of the obligations are as follows:

IN MILLION EUR	2019	2018
Present value at 1 January	**(267.1)**	**(269.7)**
Service cost	(12.8)	(13.7)
-Current service cost	*(12.8)*	*(13.7)*
-Past service (cost)/gain	*0.0*	*0.0*
Net interest	(3.5)	(3.4)
Benefits paid	19.1	18.7
Re-measurement gains and (losses)	(18.0)	6.6
-Actuarial gains and (losses) recognized in Income Statement	*(18.0)*	*6.6*
Transfer	0.0	(5.6)
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(282.2)**	**(267.1)**

The expense recognized in the income statement is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Service cost	(12.8)	(13.7)
-Current service cost	*(12.8)*	*(13.7)*
-Past service (cost)/gain	*0.0*	*0.0*
Net interest	(3.5)	(3.4)
Re-measurements gains and (losses)	18.0	6.6
- Actuarial gains and (losses) reported as financial	*21.3*	*1.0*
- Actuarial gains and (losses) reported as operating	*3.3*	*5.6*
NET EXPENSE	**(34.2)**	**(10.5)**

The impact on payroll costs and financial costs is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Payroll costs	(9.5)	(8.1)
Financial cost	(24.7)	(2.4)
NET EXPENSE	**(34.2)**	**(10.5)**

6.25.3 Termination benefits

EARLY RETIREMENT SCHEME

In 2019, the previous early-retirement plans as stipulated below are included in these benefits:

- the plan covered by the Framework Agreement of July 1, 2012 and accessible to the civil servants meeting certain age, seniority and service organization conditions as at December 31, 2013 at the latest. The Joint Committee of December 19, 2013 has extended this measure until the next Collective Labor Agreement.
- an early-retirement plan approved by the Framework Agreement of May 22, 2014 and accessible to the civil servants

under certain conditions of age, seniority and service organization. The Joint Committee of December 17, 2015 extended this measure until the next Collective Labor Agreement or June 30, 2016 at the latest.

In these early-retirement schemes, bpost continues to pay to the beneficiaries a portion (between 60% and 75% depending on the duration of the early-retirement) of their salary at departure and until they reach retirement age. The early-retirement period is treated as a service period.

An early-retirement plan was approved by the Joint Committee of July 23, 2015 linked to the Alpha plan. This plan was accessible to civil servants whose function was impacted by Alpha and under certain conditions of age and seniority. bpost continues to pay to the beneficiaries a portion (between 65% and 75% depending on the duration of the early-retirement) of their salary at departure and until they reach retirement age. Besides this, an exceptional yearly allowance was paid, whereof the amount depends on the duration of the early-retirement. The early-retirement period was treated as a service period.

In case a civil servant concerned by the Alpha plan had not been selected for a new function 12 months after the publication of the open functions, (s)he was put in early-retirement. bpost continued to pay to the beneficiaries a portion (between 60% and 70% depending on the duration of the early-retirement) of their salary at departure and until they reached retirement age. The early-retirement period was treated as a service period.

Two new early-retirement plans were approved in 2016:

- Plan signed on June 2, 2016 and open until end of December 2016: was accessible to civil servants under certain conditions of age, seniority and service organization. bpost continues to pay to the beneficiaries a portion (between 60% and 75% depending on the duration of the early-retirement) of their salary at departure and until they reach retirement age.
- Plan signed on September 30, 2016: is accessible to civil servants under certain conditions of age, seniority and service organization. bpost continues to pay to the beneficiaries 75% of their salary at departure and until they reach retirement age. This plan has an indefinite duration.

The employee benefit related to the early retirement schemes gives rise to a liability at bpost because (i) the employment is terminated before the normal retirement age and (ii) it is the employee's decision to accept the offer made by bpost in exchange.

bpost's net liability for termination benefits comprises the following:

As at 31 December

IN MILLION EUR	2019	2018
Present value of total obligations	(9.0)	(8.5)
Fair value of plan assets	0.0	0.0
Present value of net obligations	**(9.0)**	**(8.5)**
Unrecognized actuarial (gains)/losses		
NET LIABILITY	**(9.0)**	**(8.5)**
Employee benefits amounts in the statement of financial position		
Liabilities	(9.0)	(8.5)
NET LIABILITY	**(9.0)**	**(8.5)**

The changes in the present value of the obligations are as follows:

IN MILLION EUR	2019	2018
Present value at 1 January	**(8.5)**	**(6.6)**
Service cost	(4.7)	(5.2)
-Current service cost	*(4.7)*	*(5.2)*
-Past service (cost)/gain	*0.0*	*0.0*
Net interest	0.0	0.0
Benefits paid	4.1	3.6
Re-measurement gains and (losses)	0.2	(0.3)
-Actuarial gains and (losses) recognized in Income Statement	*0.2*	*(0.3)*
Re-measurement gains and (losses) in other comprehensive income	0.0	0.0
-Actuarial gains and (losses)	*0.0*	*0.0*
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(9.0)**	**(8.5)**

The expense recognized in the income statement is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Service cost	(4.7)	(5.2)
-Current service cost	*(4.7)*	*(5.2)*
-Past service (cost)/gain	*0.0*	*0.0*
Net interest	0.0	0.0
Re-measurements gains and (losses)	0.2	(0.3)
- Actuarial gains and (losses) reported as financial	*0.0*	*0.0*
- Actuarial gains and (losses) reported as operating	*0.2*	*(0.3)*
NET EXPENSE	**(4.6)**	**(5.5)**

The impact on payroll costs and financial costs is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Payroll costs	(4.5)	(5.5)
Financial cost	(0.0)	0.0
NET EXPENSE	**(4.6)**	**(5.5)**

6.26 Trade and other payables

As at 31 December

IN MILLION EUR	2019	2018
Trade payables	1.4	0.0
Other payables	26.2	17.5
NON-CURRENT TRADE AND OTHER PAYABLES	**27.7**	**17.5**

Non-current trade and other payables amounted to 27.7 million EUR and consisted mainly of the working capital provided by bpost bank enabling bpost to conduct business on behalf of bpost bank and the contingent consideration arrangements related to the acquisitions of Vector Invest and Anthill. The increase compared to last year was mainly explained by the increase of the contingent consideration of Anthill given the fair-value adjustment of the put on the remaining shares in 2019 (see note 6.6 business combinations).

As at 31 December

IN MILLION EUR	2019	2018
Trade payables	537.5	499.9
Payroll and social security payables	336.8	332.5
Tax payable other than income tax	10.3	12.4
Other payables	366.2	367.7
CURRENT TRADE AND OTHER PAYABLES	**1,250.9**	**1,212.5**

The carrying amounts are considered to be a reasonable approximation of the fair value. The other payables included in current trade and other payable include the following items:

As at 31 December

IN MILLION EUR	2019	2018
Transit account franking machines	9.7	10.9
Working capital provided for postal financial services	18.8	18.8
Terminal dues from postal operators	82.5	133.2
Cash guarantees received	13.4	9.6
Accruals	181.9	122.4
Deferred income	51.9	55.9
Deposits received from third parties	0.1	0.1
Other payables	7.9	16.8
CURRENT OTHER PAYABLES	**366.2**	**367.7**

Terminal dues from postal operators decreased by 50.7 million EUR to 82.5 million EUR mainly due to the settlement of the previous year's outstanding positions with one postal operator.

Contract liabilities

As at 31 December

IN MILLION EUR	2019	2018
Stamps sold not yet used and credit on franking machine	36.2	40.0
Other contract liabilities	11.8	12.1
CONTRACT LIABILITIES	**48.0**	**52.1**

The considerations paid already by customers that have been allocated to the unsatisfied remaining performance obligation amounted to 48.0 million EUR and mainly related to stamps and credits on franking machine sold but not yet used by customers at balance sheet date. Reasonable sensitivity applied on the historical usage did not result in material effect on the carrying amount of the remaining performance obligation of stamps. Contract liabilities are disclosed as deferred income. At year-end the performance obligation for the SGEI has been satisfied and no contact liabilities are recorded.

6.27 Provisions

IN MILLION EUR	LITIGATION	ENVIRONMENT	ONEROUS CONTRACT	OTHER	TOTAL
Balance at 1 January 2018 (restated)	32.1	0.6	23.4	10.5	66.5
Additional provisions recognized	1.8	0.0	0.1	4.3	6.2
Addition through Business Combinations					
Provisions used	(1.9)	0.0	(6.6)	(3.4)	(11.9)
Provisions reversed	(15.8)	0.0	(4.3)	(3.0)	(23.0)
Exchange rate difference	0.0	0.0	1.4	0.0	1.4
Other movements	0.0	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2018	**16.2**	**0.6**	**14.1**	**8.5**	**39.3**
Non current balance at end of year	11.9	0.6	9.1	0.9	22.6
Current balance at end of year	4.3	0.0	5.0	7.5	16.8
	16.2	**0.6**	**14.1**	**8.5**	**39.3**
Balance at 1 January 2019	16.2	0.6	14.1	8.5	39.3
Additional provisions recognized	2.1	0.0	0.0	3.2	5.3
Addition through Business Combinations	0.0	0.0	0.0	0.0	0.0
Provisions used	(0.3)	(0.0)	(5.9)	(2.6)	(8.8)
Provisions reversed	(2.3)	0.0	(2.6)	(1.3)	(6.2)
Exchange rate difference	0.0	0.0	0.3	0.0	0.3
Other movements	0.0	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2019	**15.7**	**0.5**	**5.9**	**7.7**	**29.8**
Non current balance at end of year	11.6	0.5	3.3	0.7	16.2
Current balance at end of year	4.1	0.0	2.6	7.0	13.7
	15.7	**0.5**	**5.9**	**7.7**	**29.8**

The provision for **litigation** amounted to 15.7 million EUR. It represents the expected financial outflow relating to many different (actual or imminent) litigations between bpost and third parties.

The reversal in 2018 was mainly due to the reassessment of a litigation.

The period anticipated for the cash outflows pertaining thereto is dependent on developments in the length of the underlying proceedings for which the timing remains uncertain.

bpost is currently involved in the following legal proceedings initiated by intermediaries:

- A claim for damages in an alleged (provisional) amount of approximately 21.1 million EUR (exclusive of late payment interest) in the context of legal proceedings initiated by Publimail NV/SA. The Brussels commercial court rejected Publimail's claim on May 3, 2016. Publimail appealed this decision on December 16, 2016. The appeal is now pending before the Brussels Court of Appeal.
- A claim for damages in an alleged (provisional) amount of approximately 28.0 million EUR (exclusive of late payment interest) in the context of legal proceedings initiated by Link2Biz International NV/SA and pending before the Brussels commercial court. Certain aspects of the contractual relationship between Link2Biz and bpost are also the subject of a cease and desist order (adopted on June 21, 2010), which bpost has appealed in August 2010 and which is currently pending before the Brussels Court of Appeal.

All claims and allegations are contested by bpost.

Finally, on December 10, 2012, the Belgian Competition Authority concluded that certain aspects of bpost's pricing policy over the January 2010-July 2011 period infringed Belgian and European competition law and imposed a fine of approximately 37.4 million EUR. While bpost paid the fine in 2013, it contested the Belgian Competition Authority's findings and appealed the decision before the Brussels Court of Appeal. On November 10, 2016, the Brussels Court of Appeal annulled the Authority's decision. The Belgian Competition Authority appealed this judgment before the Supreme Court on points of law. On November 22, 2018, the Supreme Court annulled the judgment and referred the case to the Brussels Court of Appeal for retrial. By a judgement dated February 19, 2020, the Brussels Court of Appeal decided to refer 2 questions to the EU Court of Justice ("**ECJ**") for a preliminary ruling. A decision of the ECJ [1]is expected within 2 years.

The provision related to **environment** issues amounted to 0.5 million EUR. It covers soil sanitation.

The provision on **onerous contracts** concerns the best estimate of the costs relating to the closing down of Mail & Retail offices and the ICT maintenance of a phasing-out webstore platform. In 2019 the provision for onerous contracts related to the phasing-out webstore platform was reassessed following negotiations with the third party supplier, hence a reversal of 2.6 million EUR was recorded.

Other provisions amounted to 7.7 million EUR.

1 *The ECJ hands down its decision to the referring court, which is then obliged to implement the ruling.*

6.28 Financial assets and financial liabilities

The following table provides the fair value measurement hierarchy of bpost's financial assets and financial liabilities :

IN MILLION EUR AS AT 31 DECEMBER 2018	CARRYING AMOUNT	FAIR VALUE CATEGORIZED: QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)
FINANCIAL ASSETS MEASURED AT AMORTIZED COST				
Non-Current				
Financial assets	11.2	0.0	11.2	0.0
Investments securities	0.0	0.0	0.0	0.0
Current				
Financial assets	1,392.1	0.0	1,392.1	0.0
TOTAL FINANCIAL ASSETS	**1,403.4**	**0.0**	**1,403.4**	**0.0**
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (EXCEPT FOR DERIVATIVES):				
Non-Current				
Long-term bond	641.8	629.7	0.0	0.0
Financial liabilities	224.7	0.0	224.7	0.0
Current				
Derivatives instruments - forex swap	0.1	0.0	0.1	0.0
Derivatives instruments - forex forward	0.7	0.0	0.7	0.0
Financial liabilities	1,388.2	0.0	1,388.2	0.0
TOTAL FINANCIAL LIABILITIES	**2,255.4**	**629.7**	**1,613.7**	**0.0**

IN MILLION EUR AS AT 31 DECEMBER 2019	CARRYING AMOUNT	FAIR VALUE CATEGORIZED: QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)
FINANCIAL ASSETS MEASURED AT AMORTIZED COST				
Non-Current				
Financial assets	37.6	0.0	37.6	0.0
Investments securities	0.0	0.0	0.0	0.0
Current				
Financial assets	1,391.8	0.0	1,391.8	0.0
TOTAL FINANCIAL ASSETS	**1,429.4**	**0.0**	**1,429.4**	**0.0**

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (EXCEPT FOR DERIVATIVES):				
Non-Current				
Long-term bond	642.5	674.8	0.0	0.0
Financial liabilities	561.9	0.0	561.9	0.0
Current				
Derivatives instruments - forex swap	0.6	0.0	0.6	0.0
Derivatives instruments - forex forward	0.7	0.0	0.7	0.0
Financial liabilities	1,528.1	0.0	1,528.1	0.0
TOTAL FINANCIAL LIABILITIES	**2,733.8**	**674.8**	**2,091.3**	**0.0**

The fair value of the non-current and current financial assets measured at amortized cost and the non-current and current financial liabilities measured at amortized cost, approximate their carrying amounts. As they are not measured at fair value in the statement of financial position their fair value should not be disclosed.

During the period there was no transfer between fair value hierarchy levels and there were no changes in the valuation techniques and inputs applied.

Financial assets measured at amortized cost

The increase of the financial assets measured at amortized cost was mainly due to the subordinated loan granted in 2019 to bpost bank (25.0 million EUR) and the increase of non-current trade and other receivables (5.2 million EUR).

Financial liabilities measured at fair value - non current

The increase of the non-current financial liabilities is mainly explained by the initial application of IFRS 16.

At the end of 2019, the non-current financial liabilities consisted of:

- 185.0 million USD unsecured term loan (floating interest rate). This loan started on July 3, 2018 with a maturity of 3 years with two possible extensions of one year each.
- 650.0 million EUR bond. The 8-year bond has been issued in July 2018 with a coupon of 1.25%. In anticipation of this issuance, in February 2018 bpost entered into a forward interest rate swap for 10 years with a nominal amount of 600.0 million EUR to hedge the interest risk of the bond.
- 18.2 million EUR EIB (European Investment Bank) loan (floating interest rate). bpost took out a 100.0 million EUR loan from the EIB on May 5, 2007. It has a yearly reimbursement of 9.1 million EUR and last payment is foreseen in 2022. The yearly amount of 9.1 million EUR is included in the section "Interest-bearing loans and borrowings - current".
- Liabilities related to IFRS 16 (350.7 million EUR).

Derivative instruments

bpost is exposed to certain risks relating to its daily business operations. The primary risk is the foreign currency risk and is managed using derivative instruments. bpost uses foreign exchange forward contracts and foreign exchange swap contracts to manage some of its exposures in foreign currencies. Those contracts have been underwritten in order to hedge the exchange rate risks linked to the intercompany loans granted by bpost to its subsidiaries. At year end 2019 the impact of the fair value of the forward contracts and foreign exchange swap contracts amounted to an increase of the liabilities by 1.3 million EUR.

Financial liabilities measure at amortized cost – current

At year end 2019 the outstanding commercial paper issued by bpost amounted to 164.5 million EUR. The maturity of the different commercial papers ranges between 1 to 3 months. Given the current market conditions, bpost can benefit from negative interest rates. The outstanding balance of liabilities related to IFRS 16 amounted to 98.6 million EUR.

6.29 Derivative financial instruments and hedging

Derivative instruments

bpost uses foreign exchange forward contracts and foreign exchange swap contracts to manage some of its exposures in foreign currencies. Those contracts have been underwritten in order to hedge the exchange rate risks linked to the intercompany loans granted by bpost to its subsidiaries.

At year-end 2019 bpost had three foreign exchange swaps and four foreign exchange forwards outstanding, five with ING and two with Société Générale.

On January 21, 2019, May 29, 2019 and August 1,2019 bpost entered into two swap contracts and one foreign exchange forward to exchange 0.9 million SGD against 0.6 million EUR to cover the currency risk of a specific debt in SGD.

On July 23, 2019 bpost entered in a foreign exchange swap with ING to exchange 8.1 million GBP against 8.9 million EUR to cover the currency risk of a specific debt in GBP.

The other foreign exchange swap started on September 11, 2019 to exchange 6.0 million HKD with 0.7 million EUR.

Furthermore on May 2, 2018 bpost underwrote two foreign exchange forwards to exchange 6.0 million USD with 4.7 million EUR. All the USD contracts are used to cover the currency risk of specific debts in USD.

Interest Rate Swap

In February 2018, bpost entered into a forward starting Interest Rate Swap with a 10-year maturity and a nominal amount of 600.0 million EUR. The transaction was contracted in order to hedge the interest rate risk on the contemplated issuance of a long-term bond to refinance the acquisition bridge loan entered into in November 2017 for the acquisition of Radial.

In July 2018, bpost issued a 650.0 million EUR 8-year bond. At that time, the interest rate swap was unwound and settled via a payment of 21.5 million EUR split between an effective part 20.0 million EUR and an ineffective part 1.5 million EUR. The ineffective part was booked in the income statement. The effective part of the cash-flow hedge (20.0 million EUR) has been recognized in other comprehensive income (amount net of tax is 14.8 million EUR) as cash-flow hedge reserve. This cash-flow hedge is reclassified to profit or loss during the same periods as the long-term bonds' cash-flows will affect profit or loss over 8 years as from its issuance date. In 2019 a net amount of 1.8 million EUR has been reclassified to the income statement.

Net investment hedge

In 2018 bpost entered into a USD term loan, with a maturity of 3 years with two possible extensions of one year each. To refinance the 2017 acquisition of Radial Holdings, LP, bpost, with EUR as its functional currency, borrowed along with the issuance of the bond in USD to mitigate the risk on foreign exchange rate differences on the foreign operations. Hence bpost performed a net investment hedge. Consequently, the effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income. The notional amount of the hedging amounted to 143.0 million USD, whereas the carrying amount converted into Euro amounted to 127.3 million EUR. At December 31, 2019 the net loss on the revaluation of the USD loan recognized in other comprehensive income and accumulated in the foreign currency translation reserve amounted to 2.4 million EUR. There was no ineffectiveness in 2019.

6.30 Contingent liabilities and contingent assets

As described under note 6.27, the Brussels Court of Appeal annulled the Belgian Competition Authority's decision imposing a fine of 37.4 million EUR on November 10, 2016. The Belgian Competition Authority appealed this judgment before the Supreme Court on points of law. On November 22, 2018, the Supreme Court annulled the judgment and referred the case to the Brussels Court of Appeal for retrial. By a judgement dated February 19, 2020, the Brussels Court of Appeal decided to refer 2 questions to the EU Court of Justice (**"ECJ"**) for a preliminary ruling. A decision of the ECJ[1] is expected within 2 years. The foregoing constitutes a contingent asset as, should the Court of Appeal annul the Belgian Competition Authority's decision, bpost may recover the fine of 37.4 million EUR (excluding interests).

6.31 Rights and commitments

Lease contracts signed but not started yet

Two significant new lease contracts have been signed for which the start date is after the statement of financial position date. These contracts relate to the lease for the new headquarters of the Group, start date foreseen in 2021, duration of 15 years with an estimated right-of-use asset of 50.1 million EUR and an additional warehouse for Active Ants starting 30 June 2020, duration of 9 years with an estimated right-of-use asset of 9.2 million EUR.

Guarantees received

At 31 December 2019, bpost benefits from bank guarantees amounting to 46.6 million EUR, issued by banks on behalf of bpost's customers. These guarantees can be called in and paid against in the event of non-payment or bankruptcy. They therefore offer bpost financial certainty during the period of contractual relations with the customer.

Goods for resale on consignment

At 31 December 2019, merchandise representing a sales value of 1.7 million EUR had been consigned by partners for the purpose of sale through the postal network.

Revolving credit facilities

bpost has two undrawn revolving credit facilities for a total amount of 375.0 million EUR. The syndicated facility amounts to 300.0 million EUR, which expires in October 2022, has been extended in 2019 to October 2024 whereas the bilateral facility of 75.0 million EUR, which expires in June 2023, has been extended in 2019 to June 2024 and allows for EUR and USD drawdowns. The interest rate of 300.0 million EUR revolving credit facility changes according to bpost's sustainability rating as determined by an external party.

1 *The ECJ hands down its decision to the referring court, which is then obliged to implement the ruling.*

Guarantees given

bpost acts as guarantor (1.1 million EUR guarantee) in the framework of the DoMyMove collaboration agreement between bpost and Engie Electrabel.

bpost has an agreement with Belfius, ING and KBC, according to which they agree to provide for up to 82.1 million EUR in guarantees for bpost upon simple request. Furthermore bpost has provided for an amount of 14.4 million EUR of guarantees to third parties.

Funds of the State

bpost settles and liquidates the financial transactions of government institutions (taxes, VAT, etc.) on behalf of the State. The funds of the State constitute transactions "on behalf of" and are not included in the statement of financial position.

6.32 Related party transactions

a) Relations with the shareholders

THE BELGIAN STATE AS A SHAREHOLDER

The Belgian State, directly and through the Société Fédérale de Participations et d'Investissement/Federale Participatie-en Investeringsmaatschappij ("**SFPI/FPIM**"), is the majority shareholder of bpost and holds 51.04% of bpost. Accordingly, it has the power to control any decision at the Shareholders' Meeting requiring a simple majority vote.

The rights of the Belgian State as bpost's shareholder are defined in the corporate governance policies (publicly available on bpost website).

THE BELGIAN STATE AS PUBLIC AUTHORITY

The Belgian State is, together with the European Union, the main legislator in the postal sector. The Belgian Institute for Postal services and Telecommunications (**"BIPT"**), the national regulatory authority, is the main regulator of the postal sector in Belgium.

THE BELGIAN STATE AS A CUSTOMER

The Belgian State is one of bpost's largest customers. Including the remuneration for the Services of General Economic Interest (**"SGEIs"**), 10.3% of bpost's total operating income in 2019 was attributable to the Belgian State and State related entities.

bpost provides postal delivery services to a number of ministries, both on commercial terms and pursuant to the provisions of the management contract.

bpost provides universal postal services and SGEIs entrusted to it by the Belgian State, covering postal, financial, and other public services. The Law of March 21, 1991, the Postal Law of January 26, 2018, the management contract as well as concession agreements set out the rules and conditions for carrying out the obligations that bpost assumes in execution of its universal postal services and SGEIs, and, where applicable, the financial compensation paid by the Belgian State.

The SGEIs entrusted to bpost under the management contract include the maintenance of the retail network, the provision of day-to-day SGEIs (i.e., "cash at counter" services and home delivery of pensions and social allowances) and the provision of certain *ad hoc* SGEIs, which are SGEIs that by nature are provided without any recurrence. *Ad hoc* SGEIs include the social role of the postman, especially in relation to persons who live alone or are the least privileged (this service is rendered through the use of handheld terminals and the electronic ID card by mail carriers on their round), the "Please Postman" service, the distribution of information to the public, cooperation with regard to the delivery of voting paper packages, the delivery of addressed and unaddressed election printed items, the delivery at a special price of postal items sent by associations, the delivery of letter post items falling within the freepost system, the payment of attendance fees during elections, the financial and administrative processing of fines, the printing and sale of fishing permits and the sale of post stamps.

The SGEIs entrusted to bpost under the management contract are aimed at satisfying certain objectives related to the public interest. In order to ensure territorial and social cohesion, bpost must maintain a retail network consisting of at least 1,300 postal service points. At least 650 of these postal service points must be post offices.

Tariffs and other terms for the provision of certain of the services provided under the management contract are determined in implementing agreements between bpost, the Belgian State and, where relevant, the other parties or institutions concerned.

The 5th management contract expired on December 31, 2015. On December 3, 2015, bpost and the Belgian State signed the 6th management contract. This management contract provides for a continued provision of the aforementioned SGEIs for a new period of five years, ending on December 31, 2020.

bpost furthermore continues to provide the SGEIs of early delivery of newspapers and distribution of periodicals. Until December 31, 2015, these services were provided under the 5th management contract. In accordance with the Belgian State's commitment to the European Commission, a competitive, transparent and non-discriminatory market consultation procedure with respect to these services was organized, following which the provision of the services was awarded to bpost in October 2015. Consequently, since January 1, 2016, the services of distribution of newspapers and periodicals are delivered in accordance with the concession agreements executed between bpost and the Belgian State in November 2015.

On June 3, 2016, the European Commission approved both the 6th management contract and the concession agreements on distribution of newspapers and periodicals under the state aid rules[1].

In December 2019 the Belgian Federal Council of Ministers decided to extend the current press concessions with bpost for a period of two years (2021-2022) at the conditions that apply for 2020, as specified in the current concessions. This decision will be notified to the European Commission.

bpost also provides cash account management services to the Belgian State and certain other public entities pursuant to the Royal Decree of January 12, 1970 regulating the postal service as amended pursuant to the Royal Decree of April 30, 2007 regulating postal financial services and the Royal Decree of April 14, 2013 amending the Royal Decree of January 12, 1970 regulating the postal service.

The compensation granted to bpost in respect of the SGEIs is being disclosed in note 6.8 of the annual report and amounted to 271.0 million EUR for 2019 (271.4 million EUR in 2018).

1 *In October 2016, the Flemish Federation of Press Vendors ('Vlaamse Federatie van Persverkopers') sought the annulment of the European Commission's clearance decision before the General Court on procedural grounds. In February 2019, the General Court has removed the case from the register following the request by VFP to discontinue the proceedings.*

The compensation of SGEIs is based on a net avoided cost (**"NAC"**) methodology. This methodology provides that compensation shall be based on the difference between (i) the net cost for the provider of operating with the SGEI obligation and (ii) the net cost for the same provider of operating without that obligation.

The compensation for the distribution of newspapers and periodicals consists of a flat amount and a variable fee based upon distributed volumes. This compensation is subject to further *ex-post* verifications and must be NAC compliant.

In 2015, the Belgian State unilaterally decided to reduce the compensation for 2015 by 6.5 million EUR. Nevertheless, bpost has reserved its rights and booked an equivalent amount of doubtful debt that is still outstanding per end of December 2019. Including the doubtful debtor, the outstanding amount owed by the Belgian State for the SGEI remuneration on December 31, 2019 amounted to 109.7 million EUR (107.6 million EUR on December 31, 2018). bpost has also provided a bank guarantee of 5.4 million EUR with respect to the SGEI remuneration to the Belgian State.

Excluding the SGEI remuneration, the services provided to State related customers do not exceed 5% of bpost's total operating income.

b) Consolidated companies

A list of all subsidiaries (and equity-accounted companies), together with a brief description of their business activities, is provided in note 6.33 of this annual report.

Balances and transactions between bpost and its subsidiaries, which are related parties of bpost, have been eliminated within the consolidated financial statements and are not disclosed in this note.

c) Relations with associates and joint ventures

BPOST BANK

bpost bank is a 50% associate of bpost. bpost bank's other shareholder is BNP Paribas Fortis with the remaining 50%.

As a registered banking and insurance intermediary, bpost distributes banking and insurance products on behalf of bpost bank. bpost, in its quality of service provider, furthermore provides back office activities and other ancillary services to bpost bank. Several agreements and arrangements exist in this respect among the three companies as detailed below.

The main banking and insurance products distributed by bpost bank through bpost are current accounts, saving accounts, term accounts, certificates of deposit and funds or structured products provided by BNP Paribas Fortis, respectively accident and/or health insurances, and annuity and pension products, including 'branch 21' and 'branch 23' life insurances provided by AG Insurance.

bpost bank had approximately 718,674 current accounts and 876,496 savings accounts as of December 31, 2019. All accounts include basic services such as debit cards, access to payment and money transfer services and cash withdrawals at post office tellers or ATMs. bpost also offers the MasterCard bpost bank credit card.

bpost bank's customer lending activity consists of granting or offering consumer credits and mortgages credits. As of December 31, 2019, bpost bank had approximately 6,201 million EUR in loans on its balance sheet.

bpost bank does not perform any asset management activities nor any private banking or commercial lending.

BANKING AND INSURANCE PARTNERSHIP AGREEMENT

The cooperation between bpost bank and BNP Paribas Fortis with respect to bpost bank is set out in a banking partnership agreement that was renegotiated and signed on December 13, 2013 until December 31, 2021.

The framework agreement provides in substance that (i) bpost and BNP Paribas Fortis will continue to cooperate through bpost bank, which will continue to be an associate of bpost; (ii) bpost will remain, subject to certain exceptions provided for in the partnership agreement, the exclusive distributor of bpost bank's products and services through its network of post offices; and (iii) bpost will continue to provide back office activities and other ancillary services to bpost bank.

The insurance products of AG Insurance are offered and marketed via bpost bank using the distribution network of bpost.

The cooperation between AG Insurance, bpost bank and bpost is set out in an insurance distribution agreement that was renegotiated and signed on December 17, 2014.

The distribution agreement provides for an access fee, commissions on all the insurance products sold by bpost and additional commissions if certain sales objectives are achieved.

bpost bank pays bpost a commission determined in accordance with market conditions for the distribution of banking and insurance products and for the performance of certain back-office activities. The amount of the commission for the distribution of banking and insurance products depends, *inter alia*, on the interest margin realized by bpost bank, the assets under management and the sales of financial/insurance products realized by bpost's retail network. Total income related to banking and financial products amounted to 165.3 million EUR in 2019 (2018: 167.1 million EUR), of which a significant amount is related to the commission paid by bpost bank. The amount owed by bpost bank to bpost on December 31, 2019 amounted to 8.1 million EUR (2018: 7.2 million EUR).

WORKING CAPITAL

bpost bank has placed a working capital of 12.0 million EUR at the disposal of bpost without guarantee or payment of interest by bpost. This working capital remains available to bpost throughout the term of the banking partnership agreement. It is intended to constitute the working capital enabling bpost to conduct business on behalf of bpost bank.

DIVIDEND

In 2019, bpost received a total dividend of 5.0 million EUR from bpost bank (4.0 million EUR in 2018).

JOFICO

On November 4, 2019, bpost NV/SA, AXA Bank Belgium NV/SA, Crelan NV/SA, Argenta Spaarbank NV/SA and vdk bank NV/SA incorporated the joint venture "Jofico CV". This joint venture in which each shareholder has an equal part, aims at implementing an ATM-as-a-service model according to which the participating companies will combine forces for the purchase and maintenance of their respective ATM network.

d) Compensation of key management

Key management personnel are those persons with authority and responsibility for the strategic orientation of the company. For bpost, key management personnel is composed of all members of the Board of Directors and Group Executive Committee.

As further described in the Remuneration Report, the remuneration of the members of the Board of Directors (with the exception of the CEO) was approved by the General Shareholders' Meeting of 25 April 2000 and continued to be applicable in 2019.

The Board of Directors' members, with exception of the CEO, are entitled to a fixed annual remuneration. They are also entitled to an attendance fee per attended meeting of the Advisory Committee meetings.

In 2019, total remuneration paid to the Board of Directors' members (excluding the CEO) amounted to 0.4 million EUR (2018: 0.3 million EUR).

The remuneration package of the CEO and the members of the Group Executive Committee consists of (i) a base remuneration, (ii) a short-term incentive variable remuneration, (iii) a pension contribution and (iv) various other benefits.

For the year ended December 31, 2019, a global remuneration of 4.2 million EUR (2018: 4.1 million EUR) excluding the variable remuneration was paid to CEO and the members of the Group Executive Committee, and can be broken down as follows:

- base remuneration: 3,384,170.62 EUR (2018: 3,489,148.24 EUR)
- pension contribution : 563,678.86 EUR (2018: 327,859.56 EUR)
- other benefits : 247,302.03 EUR (2018: 238,206.00 EUR)
  - insurance covering death-in-service, disability and medical coverage: 139,498.15 EUR (2018: 90,549.57 EUR)
  - representation fees: 27,641.38 EUR (2018: 29,319.58 EUR)
  - leasing costs for company car: 80,162.50 EUR (2018: 118,336.85 EUR)

In addition, the CEO and the members of the Group Executive Committee received in 2019 a global variable remuneration of 819,139.09 EUR (2018: 1,210,367.99 EUR) because the corporate objectives and the individual targets for the year that ended on December 31, 2018 were met (the 2018 assessment was only completed in 2019).

No shares, stock options or other rights to awards shares were granted to or exercised by the CEO or the other members of the Group Executive Committee or have expired in 2019. No options under previous stock option plans were still outstanding for the financial year 2019.

A more detailed overview of the compensation of key management of bpost and bpost's remuneration policy is included in the remuneration report.

6.33 Group companies

The business activities of the main subsidiaries can be described as follows:

- The business activities of **Active Ants, Multichannel Fulfillment** and **AtoZ** consist of cross-border e-fulfilment for webshops, including product storing, picking, packing, transport and shipping and returns handling.
- **Apple Express Courier** (Miami) and **Apple Express Courier** (Canada) are logistics and supply chain companies specializing in premium expedited and dedicated transportation and value-added forward and reverse warehousing services.
- **bpost Singapore** and **bpost Hong-Kong** provide a full range of delivery and logistics solutions, including cross-border mail and parcels and e-commerce fulfillment. Both entities are mainly focused on directly collecting parcels from overseas e-commerce companies and businesses for delivery in Europe and other regions. **bpost International Logistics (Beijing)** Co. is a company affiliated to **bpost Hong Kong** and is established in Beijing (China). It offers a full range of cross-border parcel distribution services to the Chinese e-tailers and consolidators, with a strong focus on delivery of parcels to European and other global buyers. It is primarily active in Beijing, Shanghai and Shenzhen.
- **DynaGroup** offers a range of specialized logistics services and software, from the repair of electronics (from smartphones and drones to coffee machines) to personalized e-commerce delivery services, for both small products (such as smartphones) and large consumer products (such as the delivery and installation of large televisions, washing machines and furniture). DynaGroup also provides safe and reliable services for governments and financial institutions, such as the delivery of passports and the finalizing of contracts at the customer's home.
- **Euro-Sprinters** is a courier service offering express deliveries of any size 7 days a week, 24 hours per day, within Belgium as well as internationally.
- **Freight Distribution Management Systems** and **FDM Warehousing** are specialized in providing a personalized

customer service for warehousing, fulfillment and distributing products in Australia. Its businesses consist of third party logistics (3PL) warehousing, transport & distribution.

- **Landmark Global** and **Landmark Trade Services** are leading international parcels consolidators respectively based in the US and Canada. They are mainly focused on the distribution of e-commerce parcels from U.S.-based e-tailers into Canada, Europe and Australia. They also offers various logistics solutions and fulfillment services in locations in the United States for their e-commerce customers.
- **Landmark Global (Netherlands)** provides import services for US customers looking to sell their products in Europe. This includes customs clearance services, warehousing, pick & pack and last mile delivery. **Landmark Trade Services (Netherlands)** is a spin-off company of Landmark Global (Netherlands) which focuses on advising new US customers on how to enter their products into Europe. This includes both advice on customs/VAT set-up and on product registration in the various European countries.
- **Landmark Global (PL)** provides fulfillment, logistics and distribution activities. It operates as logistics and distribution partner for direct selling companies across Western, Central and Eastern Europe.
- **Landmark Global (UK)** is a UK based mail, parcel and transport company providing global logistics solutions to the market in UK. Based near to Heathrow airport, Landmark Global (UK) has a customs bonded facility enabling to offer customs clearance services and x-ray security screening services. Landmark Global (UK) acts as an inbound and outbound gateway for other bpost entities around the world.
- **Landmark Trade Services (UK)** provides import services for goods entering the UK. Its location right next to London Heathrow makes it ideally suited to service US to UK airlift imports. **Landmark Trade Services USA** provides import services for goods entering the US.
- **Leen Menken Foodservices Logistics** is a logistic operator for the storage, logistics and distribution of refrigerated and frozen products for e-commerce.
- **Radial**'s American and European entities market a range of services all along the e-commerce logistics chain. Radial's technical, powerful omnichannel solutions connect supply and demand through efficient fulfillment and delivery options, intelligent fraud protection and payment processing and personalized customer care services, allowing brands to simplify their post click experience and improve their customer service.
- **Speos Belgium** manages outgoing document flows for its customers, specializing in the outsourcing of financial and administrative documents, such as invoices, bank statements and salary slips. Services include document generation, printing and enclosing, electronic distribution and archiving.
- **The Mail Group** (TMG) is a full-service mail delivery provider handling business-critical mail, parcels and publications from customers located throughout North America and elsewhere. It provides creative, customized, cost-effective delivery solutions with personalized customer care. The Mail Group includes **Mail Services Incorporated (MSI), IMEX Global Solutions** and **M.A.I.L.**.
- The activities of **Ubiway Group** relate to press logistics, non-press logistics and convenience & proximity retail. **AMP** is a prominent player in the Belgian press distribution market with a large number of points of sale serviced and a large number of titles distributed. **Ubiway Retail** is a significant player in the national press, tobacco and convenience retail market with a network of shops mostly operated under the Press Shop, Relay, Hello! and Hubiz brands.

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	SHARE OF VOTING RIGHTS IN % TERMS		COUNTRY OF INCORPORATION
NAME	2019	2018	
bpost bank NV-bpost banque SA	50%	50%	Belgium
Jofico CV	20%		Belgium

NAME	SHARE OF VOTING RIGHTS IN % TERMS 2019	2018	COUNTRY OF INCORPORATION
Alteris NV-SA	100.0%	100.0%	Belgium
Landmark Global (Belgium) NV-SA[2]	-	100.0%	Belgium
Certipost NV-SA	100.0%	100.0%	Belgium
Euro-Sprinters NV-SA	100.0%	100.0%	Belgium
CityDepot NV-SA	100.0%	99.7%	Belgium
Parcify NV-SA	100.0%	100.0%	Belgium
Landmark Global (PL) Sp z o.o.	100.0%	100.0%	Poland
Speos Belgium NV-SA	100.0%	100.0%	Belgium
Mail Services INC	100.0%	100.0%	USA
Landmark Global (UK) LTD	100.0%	100.0%	UK
bpost Hong Kong LTD	100.0%	100.0%	Hong Kong
bpost Singapore Pte. LTD	100.0%	100.0%	Singapore
bpost International Logistics (Beijing) Co., LTD	100.0%	100.0%	China
bpost U.S. Holdings INC	100.0%	100.0%	USA
Landmark Global, INC	100.0%	100.0%	USA
Landmark Trade Services, LTD	100.0%	100.0%	Canada
Landmark Global (Australia) Distribution PTY LTD	100.0%	100.0%	Australia
Landmark Global (Netherlands) BV	100.0%	100.0%	Netherlands
Landmark Trade Services (Netherlands) BV	100.0%	100.0%	Netherlands
Landmark Trade Services (UK) LTD	100.0%	100.0%	UK
Landmark Trade Services USA, INC	100.0%	100.0%	USA
Apple Express Courier INC	100.0%	100.0%	USA
Apple Express Courier LTD	100.0%	100.0%	Canada
Freight Distribution Management Systems PTY, LTD	100.0%	100.0%	Australia
FDM Warehousing PTY, LTD	100.0%	100.0%	Australia
AMP NV-SA	100.0%	100.0%	Belgium
Burnonville NV-SA[2]	-	100.0%	Belgium
Import Lux Burnonville SARL	100.0%	100.0%	Luxemburg
Alvadis NV-SA[3]	-	100.0%	Belgium
Ubiway NV-SA	100.0%	100.0%	Belgium
Distrisud-Bellens NV-SA[2]	-	100.0%	Belgium
Ubiway Services NV-SA	100.0%	100.0%	Belgium
Internationale Boekhandel Distributiedienst NV-SA	100.0%	100.0%	Belgium
Distridijle NV-SA	100.0%	100.0%	Belgium
Ubiway Retail NV-SA	100.0%	100.0%	Belgium
kariboo! NV-SA	100.0%	100.0%	Belgium
de Buren Internationaal BV[3]	-	51.0%	Netherlands
de Buren Nederland BV[3]	-	51.0%	Netherlands
de Buren Afhaalcentrum BV[3]	-	51.0%	Netherlands
de Buren Techniek BV[3]	-	51.0%	Netherlands
Dragstra Automatisering BV[3]	-	51.0%	Netherlands
Nuleverbaar.NL BV[3]	-	51.0%	Netherlands
de Buren Belgium NV-SA [3]	-	51.0%	Belgium
de Buren Financial BV[3]	-	51.0%	Netherlands
Bubble Post NV-SA	100.0%	100.0%	Belgium
Welcome Media NV-SA	100.0%	100.0%	Belgium
DynaGroup BV	100.0%	100.0%	Netherlands

Dynafix Repair BV	100.0%	100.0%	Netherlands
Dynalogic Benelux BV	100.0%	100.0%	Netherlands
Dynafix Care BV	100.0%	100.0%	Netherlands
Dynalogic Courier BV	100.0%	100.0%	Netherlands
Dynafix Computer Repair BV	100.0%	100.0%	Netherlands
Dynasure BV	100.0%	100.0%	Netherlands
Dynafix Onsite BV	100.0%	100.0%	Netherlands
Dynalinq BV	100.0%	100.0%	Netherlands
Dynalogic Belgium NV-SA	100.0%	100.0%	Belgium
Radial Solutions Hong Kong LTD	100.0%	100.0%	Hong Kong
Radial Holdings LP	100.0%	100.0%	USA
Radial Commerce INC	100.0%	100.0%	USA
Radial South LP	100.0%	100.0%	USA
Radial INC	100.0%	100.0%	USA
935 HQ Associates LLC[2]	-	100.0%	USA
Radial Luxembourg SARL	100.0%	100.0%	Luxemburg
Radial Omnichannel Technologies India Private LTD	100.0%	100.0%	India
Trade Port Drive LLC[2]	-	100.0%	USA
Radial Omnichannel International SLU	100.0%	100.0%	Spain
Radial Fullfillment GmbH	100.0%	100.0%	Germany
Radial GmbH	100.0%	100.0%	Germany
Radial Commerce LTD	100.0%	100.0%	UK
Radial Solutions Singapore PTE LTD	100.0%	100.0%	Singapore
Radial E-commerce (Shanghai) Corp. LTD	100.0%	100.0%	China
bpost North America Holdings, INC	100.0%	100.0%	USA
Radial III GP, LLC	100.0%	100.0%	USA
Radial South GP, LLC	100.0%	100.0%	USA
IMEX Global Solutions, LLC	100.0%	100.0%	USA
M.A.I.L. (Mailing Assistance In Lafayette), INC	100.0%	100.0%	USA
Leen Menken Foodservice Logistics BV	100.0%	100.0%	Netherlands
Active Ants BV	63.6%	63.6%	Netherlands
Anthill BV	63.6%	63.6%	Netherlands
Radial Italy SRL	100.0%	-	Italy
Atoz Global BV	63.6%	-	Netherlands
Multi Channel Services Fulfilment BV	63.6%	-	Netherlands

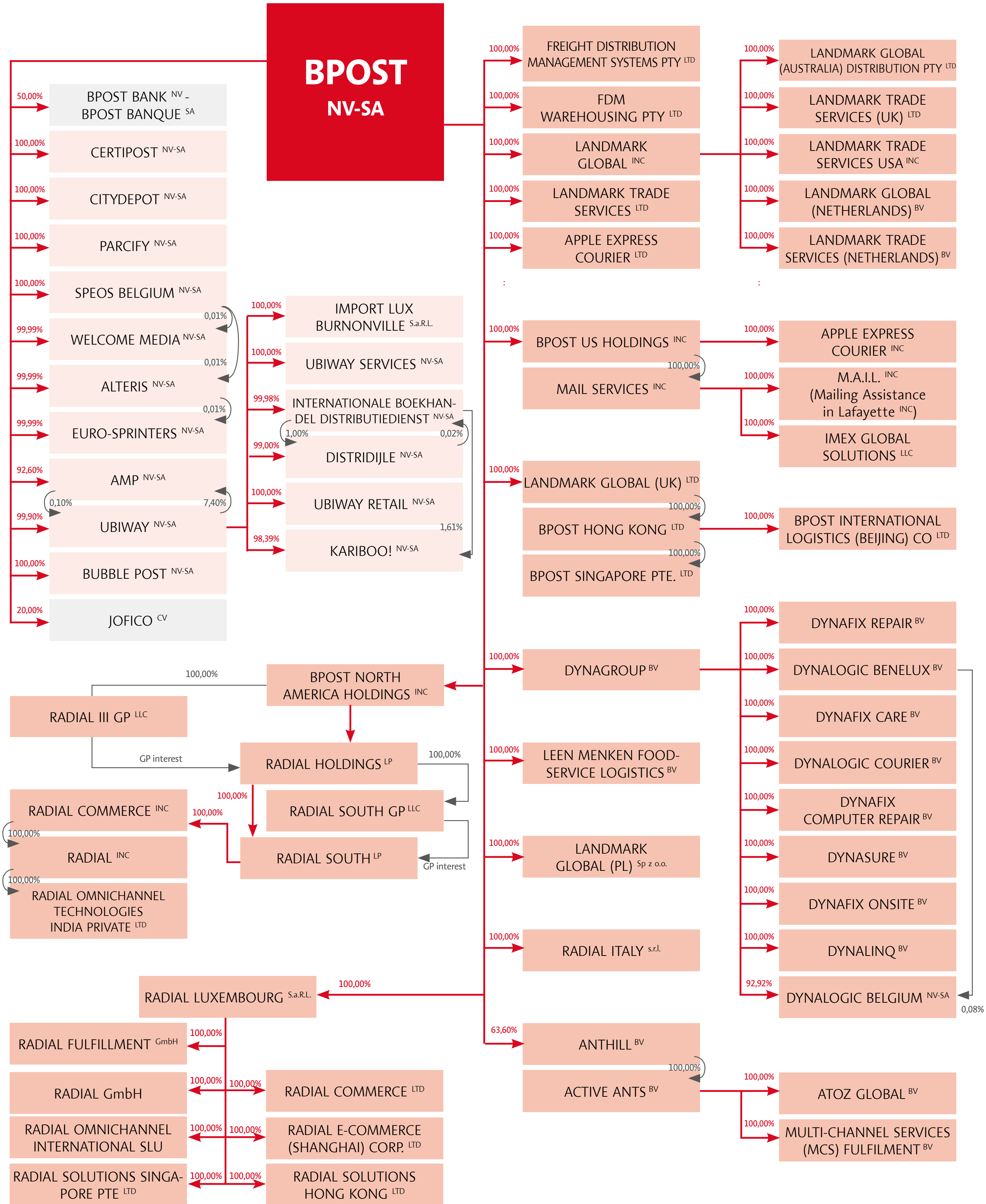
1 *Fully consolidated*
2 *Liquidated during the year 2019*
3 *Sold during the year 2019*

6.34 Events after the statement of financial position date

The current outbreak of the COVID-19 may negatively affect economic conditions regionally as well as globally, disrupt operations, affect supply chains or otherwise impact our businesses. Given the uncertainties and ongoing developments bpost Group cannot accurately and reliably estimate the quantitative impact.

bpost group structure

As per 31 December 2019



Summary of financial statements of bpost NV/SA

This section contains a summary version of the statutory (non-consolidated) annual accounts of bpost NV/SA. The statutory auditor issued an unqualified opinion on the statutory accounts of bpost NV/SA as of and for the year ended December 2019.

The full version of the annual accounts is filed with the National Bank of Belgium and are also available free of charge on the bpost's website.

BALANCE SHEET OF BPOST NV/SA (SUMMARY)

As at 31 December

IN MILLION EUR	2019	2018
Assets		
Non-current assets		
Intangible assets (including formation expenses)	43.5	24.6
Tangible assets	291.0	302.9
Financial assets	1,480.4	1,496.7
	1,815.0	**1,824.2**
Current assets		
Inventories	8.8	8.3
Trade and other receivables	481.7	505.9
Cash and cash equivalents	509.7	490.2
Deferred charges and accrued income	44.9	42.3
	1,045.1	**1,046.7**
TOTAL ASSETS	**2,860.1**	**2,870.9**
Equity and liabilities		
Equity		
Issued capital	364.0	364.0
Reevaluation surpluses	0.1	0.1
Reserves	79.9	50.8
Retained earnings	199.4	172.8
	643.4	**587.7**
Provisions		
Pension related provisions	31.4	29.7
Provision for repairs and maintenance	1.0	0.1
Other liabilities and charges	139.3	139.4
Deferred taxes	9.7	0.0
	181.4	**169.1**

Non-current liabilities		
Long term debts	861.0	860.3
	861.0	**860.3**
Current liabilities		
Trade and other payables	275.3	224.0
Short term debts	178.9	199.9
Social debts payable	359.9	346.4
Income tax payable	11.3	24.9
Other debts	215.4	328.2
Accrued charges and deferred income	133.4	130.4
	1,174.3	**1,253.8**
TOTAL LIABILITIES	**2,860.1**	**2,870.9**

INCOME STATEMENT OF BPOST NV/SA (SUMMARY)

For the year ended 31 December

IN MILLION EUR	2019	2018
Revenue	2,145.4	2,128.2
Other operating income	72.4	51.0
Non-recurring operating income	0.0	1.2
TOTAL OPERATING INCOME	**2,217.8**	**2,180.4**
Material costs	5.9	6.2
Payroll costs	1,130.2	1,091.0
Services and other goods	717.1	661.2
Other operating expenses	12.7	10.5
Provisions	2.6	(14.0)
Depreciation and amortization	53.7	54.9
Non-recurring operating charges	2.8	1.0
TOTAL OPERATING EXPENSES	**1,925.0**	**1,810.8**
PROFIT FROM OPERATING ACTIVITIES	**292.8**	**369.6**
Financial gains / (losses)	21.1	11.7
Non recurring financial gains / (losses)	(29.3)	(15.6)
PROFIT FOR THE PERIOD BEFORE TAXES	**284.6**	**365.8**
Transfer to postponed taxes	9.7	0.0
Income taxes	73.2	103.5
NET PROFIT FOR THE PERIOD	**201.7**	**262.3**
Transfer to untaxed reserves	29.1	0.0
NET PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	**172.6**	**262.3**

Management **Responsibility** Statement

Jean-Paul Van Avermaet, Chief Executive Officer and Leen Geirnaerdt, Chief Financial Officer, declare in title and for the entity that to the best of their knowledge:

- the consolidated financial statements for the financial years 2018 and 2019, prepared in accordance with "International Financial Reporting Standards" (IFRS) as accepted by the European Union up until December 31, 2019, give a true and fair view of the net assets, the financial position and the results of bpost N.V./S.A. and the entities included in the consolidation scope; and
- the management report related to the consolidated financial statements give a true and fair view of the development and the result of bpost's activities, as well as the position of bpost N.V./S.A. and the entities that are included in the consolidation scope, together with a description of the main risks and uncertainties that bpost faces.

Jean-Paul Van Avermaet

Chief Executive Officer

Leen Geirnaerdt

Chief Financial Officer

Report of the **joint auditors**

Report of the Joint Auditors to the General Meeting of bpost S.A. de droit public / bpost N.V. van publiek recht for the year ended December 31, 2019

As required by law and the Company's articles of association, we report to you as statutory joint auditors of bpost SA de droit public / bpost NV van publiek recht (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on a consolidated statement of financial position as at December 31, 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2019 and the disclosures (all elements together the "Consolidated Financial Statements") as well as our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as statutory joint auditors by the Shareholders' Meeting of May 9, 2018, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and on recommendation of the Workers Council. Our mandate expires at the Shareholders' Meeting that will deliberate on the Consolidated Financial Statements for the year ending 31 December 2020. We performed the audit of the Consolidated Financial Statements of the Group during 11 consecutive years.

Report on the audit of the Consolidated Financial Statements

UNQUALIFIED OPINION

We have audited the Consolidated Financial Statements of bpost SA de droit public / bpost NV van publiek recht, which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the year and the disclosures, which show a consolidated balance sheet total of 3,777.1 million EUR and of which the consolidated income statement shows a profit for the year of 154.7 million EUR.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated net equity and financial position as at December 31, 2019, and of its consolidated results and its consolidated cash flows for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

BASIS FOR THE UNQUALIFIED OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and 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 of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Long term employee benefits

Description of the key audit matter

Provisions for long term employee benefits amount to 320.6 million EUR as of December 31, 2019 and are disclosed in note 6.25 to the Consolidated Financial Statements. This area is important to our audit because of the magnitude of the amounts, the judgments involved concerning the key actuarial assumptions (such as discount rates, inflation, mortality, increase in salaries and medical costs,…) and the technical expertise required to evaluate these provisions and to properly reflect the impacts in the Consolidated Financial Statements in accordance with IAS 19.

Summary of the procedures performed

- We have assessed the design and operating effectiveness of the processes and controls established by the Company to manage the underlying participant data and to ensure that the amendments to the plans are properly and timely reflected in the Consolidated Financial Statements.
- We have performed an assessment of the actuarial report prepared by the external actuary engaged by the Company to ensure that all characteristics of the plans have been properly considered in the actuarial calculations.
- We have assessed the expertise, independence and integrity of the external actuary engaged by the Company.
- We have compared the input data used for the calculation of the provisions by the external actuary (such as population, age, years of service, wage,…) with source information of the human resources department of the Company.
- We have assessed the appropriateness of the key actuarial assumptions (such as discount rates, mortality, increase in medical costs) with the assistance of our internal actuarial specialists.
- We have verified that the actuarial calculations are properly reflected in the provisions recorded in the Consolidated Financial Statements and ensured that impacts are correctly recorded in accordance with IAS19.
- We have audited the roll-forward of the provisions to understand the changes in the valuation of the provisions compared to last year.
- We have assessed the adequacy and completeness of the disclosures presented in the note 6.25 of the Consolidated Financial Statement based on the requirements of IAS19.

First time implementation of IFRS 16

Description of the key audit matter

The first-time application of the new accounting standard as of January 1, 2019, using the modified retrospective approach, resulted in a material impact of 417.8 million EUR on the Consolidated Financial Statements. At the end of 2019, the right of use asset is valued at 443.4 million EUR whereas leasing liabilities are valued at 449.3 million EUR. The implementation of IFRS 16 is considered as a key audit matter to our audit, considering the amounts involved compared to the total balance sheet, the volume of transactions and due to the complexity of accounting estimates and judgments applied by Management to meet the new requirements of IFRS 16, amongst other in respect of the determination of the lease term and the discount rate.

Summary of the procedures performed

- We have assessed the design and operating effectiveness of the processes and controls established by the Company to identify and record its leases.
- We have assessed the completeness of the lease population used for the calculations of the right of use assets and related liabilities by testing the reconciliation to the operating lease payments for a representative sample of leases.
- We have verified the accuracy of the underlying lease data (such as lease cost and lease term) by agreeing those

for a representative sample of leases to contracts or other supporting information, and audited the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through independent recalculation of the expected impact.

- We have assessed whether the accounting of the leases is consistent with the definition included in IFRS 16 including items such as lease term, discount rate and measurement principles including management assumptions on the lease term and tested the resulting impact on the financial position and income statement including depreciation expenses, interest expenses, current and non-current presentation of the lease liabilities.
- With the assistance of our internal valuation experts, we have assessed the appropriateness of the incremental borrowing rate used in the IFRS 16 calculations of buildings.
- We have assessed the treatment of the sale and leaseback transactions in the context of IFRS 16.
- We have assessed the appropriateness and completeness of the disclosures in accordance with IFRS 16 as included in the notes to the Consolidated Financial Statements, including the information on the first application.

Impairment of long term assets

Description of the key audit matter

As described in note 6.19, relating to impairment testing on long term assets (including goodwill), the Company reviews the carrying amounts of its cash generating units ("CGU") annually of more frequently if impairment indicators are present. The impairment assessment involves a comparison of the estimated value in use of the CGU to its carrying amount. The assessment is a judgmental process which requires estimates concerning the projected future cash flows associated with the CGU, the weighted average cost of capital ("WACC") and the growth rate of revenue and costs to be applied in determining the value in use. This area is important to our audit because of the magnitude of the amounts, the judgments and the technical expertise required to perform the impairment testing of long term assets.

Summary of the procedures performed

- We have assessed the design and implementation of the internal controls relating to Management's impairment testing of goodwill and long term assets.
- We have tested the accuracy of the underlying model to assess whether the processes are applied to the correct input data.
- We have challenged each of the key assumptions employed in the annual impairment test. These key assumptions include the WACC, the growth rates and projected cash flows. We have involved our internal valuation specialists to assess and benchmark those assumptions to comparable independent data. We have tested the reasonableness of projected cash flows in the light of the Group's historic forecasting accuracy and compared these projections with the long term plan as presented to the Board of Directors.
- We have concluded on the reasonability of conclusion reached by Management not to impair the goodwill or when an impairment was necessary on the valuation of the impairment loss.
- We have assessed Management's sensitivity analyses and the appropriateness and completeness of the sensitivity disclosures.
- We have assessed the appropriateness and completeness of the disclosures in accordance with IAS36 as included in note 6.19 to the Consolidated Financial Statements.

Revenue Recognition

Description of the key audit matter

Revenue recognition is a key audit matter in our audit resulting considering the amounts involved (3,837.8 million EUR of operating income for 2019) and the complexity and assumptions used to estimate several revenue streams at year-end in accordance with IFRS 15. The main risk areas relate to:

- Revenue relating to the financial compensation for Services of General Economic Interest ("SGEI") and for the distribution of press and periodicals that are estimated at year-end based on complex calculations and principles contractually agreed and which amounts to 271.0 million EUR for 2019 as disclosed in note 6.8 to the Consolidated Financial Statements. These contracts include various calculation models for the determination of the annual financial compensation for which the lowest compensation is granted and thus taken into consideration for the revenue recognition. These calculation models are based on various input data (such as actual volumes, quality targets, incurred costs relating to the concerned services,…) and involves management estimates.

- Revenue of December 2019 for Radial that is estimated at year-end and will be billed to customers in January of the next year. Radial is providing E-commerce outsourcing services (Technology services, payment processing services, shipping and handling services, 24/7 customer services related to the webstores, order management and fulfillment) and other professional services to its customers. The estimation of the December 2019 revenue in accordance with IFRS 15 is complex considering the various input data used in the calculations, the volume of transactions and the specific contractual conditions agreed with customers.
- Revenue with other postal operators ("terminal dues") that is estimated based on complex calculations involving various input data. The estimation of these revenues is based on volumes exchanged (in kilogram's and per item), the prices agreed with the foreign postal operators and also other contractual conditions (e.g. quality of service of the mail distribution).

Summary of the procedures performed

- We have gained an understanding of internal control environment relating to the revenue processes, performed walkthroughs of the significant revenue classes of transactions and evaluated the design and operating effectiveness of key internal controls. We have also evaluated the IT general controls and key IT application controls supporting the revenue processes with assistance of our internal IT experts.
- We have assessed the Management's estimation process and challenged their calculations by performing (i) an assessment and comparison of the key inputs and assumptions in the calculation models, with the contractual agreements, (ii) a validation on whether the transfer of risks and rewards are properly reflected based on the contractual agreements and (iii) a reconciliation of the key underlying data used in the revenue calculation models (e.g. volumes, prices,…) with underlying IT systems, contracts and other documents provided by external parties.
- We have performed analytical procedures on the important revenue streams to detect unusual trends or transactions by comparing revenue with last year and performing an analysis of revenue on a disaggregated basis.
- We have performed subsequent events procedures by reviewing significant transactions recorded during 2020 and comparing these transactions with estimates recorded at year-end.
- We have assessed the adequacy and completeness of the disclosures on revenue in the Consolidated Financial Statements based on the IFRS requirements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium and for such internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, and to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

material misstatements resulting from fraud is higher than when such misstatements result from errors, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or 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 audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going-concern;
- evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and evaluating whether the Consolidated Financial Statements reflect a true and fair view of the underlying transactions and events.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirement

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the preparation and the content of the Board of Directors' report on the Consolidated Financial Statements, the non-financial information and other information included in the annual report.

RESPONSIBILITIES OF THE JOINT AUDITORS

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report on the Consolidated Financial Statements, the non-financial information and other information included in the annual report, as well as to report on these matters.

ASPECTS RELATING TO BOARD OF DIRECTORS' REPORT AND OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 3:32 of the Code of Companies and Associations (former article 119 of the Belgian Company Code).

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report and other information included in the annual report, being:

- Overview of key figures;
- Message to the stakeholders;
- Key events of the year;

contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported. In addition, we do not provide any assurance regarding the Board of Directors' report and other information included in the annual report.

The non–financial information required by article 3:32, § 2, of the Code of Companies and Associations has been included in the annual report on the Consolidated Financial Statements. The Company has prepared this non-financial information based on Global Reporting Initiatives Standards. However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with Global Reporting Initiatives Standards. We do not express any form of reasonable assurance regarding the individual elements included in this non-financial information.

INDEPENDENCE MATTERS

Our audit firms and our networks have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and have remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the audit of the Consolidated Financial Statements as referred to in article 3:65 of the Code of Companies and Associations were duly itemized and valued in the notes to the Consolidated Financial Statements.

OTHER COMMUNICATIONS

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Brussels, March 17, 2020

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*Acting on behalf of a BV/SRL

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