Always on the MOVE

bpost annual report 2016

Contents

Overview of the key figures

Normalised for the year ended 31 December

In million EUR	2016	2015	2014	Evolution 2016-2015
Total Operating Income (Revenues)(1)	2,425.2	2,407.6	2,464.7	0.7%
Profit from operating activities (EBIT)(2)	496.5	494.4	480.2	0.4%
Profit for the year (consolidated – IFRS)(3)	324.1	328.1	295.5	-1.2%
Operating free cash flow(4)	193.9	315.9	373.5	-38.6%

Reported for the year ended 31 December

In million EUR	2016	2015	2014	Evolution 2016-2015
Total Operating Income (Revenues)	2,425.2	2,433.7	2,464.7	-0.3%
Profit from operating activities (EBIT)	496.5	466.1	480.2	6.5%
Profit for the year (consolidated - IFRS)	346.2	309.3	295.5	12.0%
bpost SA-NV net profit (unconsolidated - Belgian GAAP)	308.7	287.7	296.9	7.3%
Operating Free cash flow(5)	193.9	315.9	373.3	-38.6%
Net Debt / (Net Cash)(6)	(492.7)	(549.5)	(486.2)	-10.3%
Basic earnings per share, in EUR	1.72	1.54	1.47	12.0%
Dividend per share, in EUR	1.31	1.29	1.26	1.6%
Number of employees (at year end)	26,987	26,381	27,479	2.3%
Number of FTE (average)	23,708	23,847	24,631	-0.6%
Number of FTE and interim (average)	24,850	24,703	25,414	0.6%

(1) Normalised total operating income represents total operating income excluding the impact of non-recurring items and is not audited.
(2) Normalised EBIT represents profit from operating activities excluding the impact of non-recurring items and is not audited.
(3) Normalised profit for the year represents profit for the year excluding the impact of non-recurring items and is not audited.
(4) Normalised operating free cash flow for the year represents operating free cash flow for the year excluding the impact of non-recurring 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 normalised and reported key figures, please refer to section "Reconciliation of Reported to Normalised Financial Metrics" of this document.

Always on the move...

2016 was a good year for bpost in many respects. Not simply because we were able to present strong results and keep our promises, but also because we made progress on the various cornerstones of our strategy. We showed resilience in traditional mail, achieved solid growth in parcels, laid the foundations for new future growth and remained on track with our productivity improvements. We did all of this without losing sight of our stakeholders.

bpost aspires to play a leading role in the European postal market. We also have the resources to realise that ambition. In 2016 we further endorsed that ambition and audacity.

2016 was a year in which bpost was always on the move, to bring our customers closer and to make their lives easier. **Always on the move**...

TO SUPPORT AND PROMOTE OUR CORE BUSINESS, MAIL

In 2016 we proved that our **domestic mail** is resilient. At 5%, the decrease in our traditional mail volumes remained **under control**.

We achieved good results in **advertising mail** in particular. We slowed down the decrease here by targeting business sectors where mail continues to be a relevant part of the communication mix. To this end, we respond to the market trend in commercial communication to combine various channels that strengthen the message to consumers. The stopping power of mail reinforces a digital message that is less powerful, but has a greater reach.

TO ACHIEVE GROWTH

We achieved **growth** on the **domestic parcel market** of no less than **17.1%** compared with 2015. That solid growth is the consequence of a booming e-commerce sector and the many efforts we have invested on the parcel market. Our acquisition strategy to strengthen our service offering and the non-exclusive partnership we established in 2016 with DHL Parcel for the delivery of B2C parcels at European level will certainly help us to continue to grow.

We also aim to expand our **proximity** and **convenience** offering.

That's why, in 2016, we took big strides in our ambition to make it even easier for our customers to receive and send parcels. We continued to work with a number of major shippers to enable parcel delivery in the evenings and at the weekend, and **we enlarged our parcel network through innovative solutions**, allowing customers to select the solution that suits them best.

For example, in 2016 we took a strategic stake in Parcify and de Buren, two start-ups that capitalise on the promising innovative technology for last-mile delivery services with greater convenience for both senders and recipients. **Parcify** uses the geotracking facility on smartphones to deliver parcels to recipients when and where they want. **de Buren** runs an open network of secure, sometimes cooled, parcel locker walls in the Netherlands, which are accessible 24/7 using an app. The ultimate goal is to cover the whole of Belgium with 500 locker locations in addition to our own parcel lockers, and to expand the current offer in the Netherlands from 50 to 1,000 locations.

We also launched **bringr**, a complementary service based on an innovative collaborative platform app allowing smartphone users to find a driver for delivering goods. All these initiatives enable us to continue building a hybrid network that responds to each and every specific need of our customers.

Internationally, the acquisition of **DynaGroup**, which offers a range of logistical services, enables us to add more logistical solutions to our service for e-commerce customers. For that matter, 2016 was a challenging year on the **international parcel market**. We primarily focused on expanding our network and services through our subsidiary Landmark Global. We strengthened our international parcel strategy with the **acquisition of Freight Distribution Management** (Australia) and **Apple Express** (Canada).

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"2016 showed that we can be confident that our strategy will lead us towards further success."

Another step within our growth and diversification strategy in proximity and convenience was the finalisation of the acquisition of the Belgian activities of **Lagardère Travel Retail**. That enabled us to further diversify our range of products and services to our customers and enlarge our network of parcel pick-up points.

We also continued to enlarge our other solutions, wherefore we mainly leverage the strength of our dense network and the trust people show in our postmen.

TO MAKE OUR WAY OF WORKING LEAN, AGILE AND FLEXIBLE

We implemented our productivity improvements in a disciplined way and according to plan in 2016. We are right on schedule with our **Vision 2020** project, the aim of which is to further automate sorting and set down the future mail organisation. We remain on track with the construction of the **new Brussels X**, our largest sorting center, where, among other things, all domestic parcels will be sorted from October 2017. The building was made watertight and windproof in the summer of 2016, enabling the 25,000 m^2 parcel sorting hall to be finished, among other things. The installation of the parcel sorting machine itself began in early 2017.

Five additional **MSM** (Mixed Sorting Machines) were also taken into use in 2016. The MSM is a highly advanced sorting machine that will form the backbone of our future mail sorting activity. Of the planned 30 MSMs, 16 were operational by the end of 2016. Technological development did not stand still in other areas either: 70 sorting cabinets were taken into use, facilitating manual sorting by means of optical address recognition (by camera). The reform of our network to 60 mail centers continued unabated.

We also continue to work on other projects in all other departments to make our organisation more efficient, agile and flexible.

TO STRENGTHEN TIES WITH OUR STAKEHOLDERS

We are a company of people, for people. We can count on the loyal engagement and knowhow of our employees. Their **wellbeing** is therefore a key concern for us. With that in mind, as well as the usual monitoring of stress and engagement indicators, in 2016 we took a number of additional steps to increase the wellbeing of our employees, such as initiatives with regard to guidance for newcomers, training, improved leave planning and balanced workload allocation for all. We also entered into a new collective bargaining agreement for 2016-2017. It provides for a number of major measures to increase purchasing power, while agreements were also reached on measures to promote employment.

Our customers are our raison d'être. Our aim is to bring them closer and make their lives easier. Through the density of our network of post offices and post points, by offering them more options for receiving their parcels, by constantly introducing more innovative services and products… Those efforts paid dividends in 2016 again: 87% of our customers expressed satisfaction about bpost.

Lastly, bpost remains committed to developing its activities in a **sustainable** way. Our aim is to be a socially responsible company. In 2016 we again placed first in the International Post Corporation's (IPC) global environmental management ranking. We also signed the Belgian charter for the United Nations Sustainable Development Goals (UNSDG) and we deepened our engagement by incorporating them into our CSR strategy.

All efforts to ensure the flawless implementation of our strategy were reflected in our **good financial results**. Normalised turnover rose by almost one percent (from EUR 2,407.6 million in 2015 to EUR 2,425.2 million in 2016). Operating profit also increased. Normalised EBITDA increased from EUR 583.6 million in 2015 to EUR 586.9 million in 2016 (+0.6%). This is despite receiving EUR 22.9 million less in 2016 from the Belgian state for providing the services of general economic interest (SGEI).

Based on the net profit of parent company bpost SA/NV, the Board of Directors was able to propose to the Shareholders' Meeting payment of a gross dividend of EUR 1.31 per share in 2016, a rise compared with 2015.

2016 showed that we can be confident that our strategy will lead us towards further success. Proving our relevance every day, moving forward every day and grasping our future: that means that we are **always on the move** to bring our customers closer and make their lives easier, in 2017 and the years that follow too.

Françoise Masai
Chairperson of the Board

Koen Van Gerven
CEO

Key events of the year

On March 21, 2016 bpost acquired Freight Distribution Management (FDM)

FDM is specialised in providing a personalised customer service for warehousing and distributing products in Australia.

On June 1, 2016 bpost acquired Apple Express and Matt's Express

The business of Apple Express and Matt's Express consists of the last mile delivery, transportation and fulfilment services for clients in Canada and the US.

On June 20, 2016 bpost launched bringr

bringr is an innovative collaborative platform app allowing smartphone users to find a driver for delivering goods.

In August bpost took a strategic stake in Parcify

Parcify aims to reduce the number of missed parcel deliveries via its smartphone app which uses the receiver's phone geo-tracking to deliver parcels at his preferred location and time.

In September the management of bpost and the social partners approved a new collective agreement for the period 2016-2017

As in the previous collective agreement, arrangements have been made for the possible payment of a non-recurring bonus linked to the results in 2017. A series of measures to improve purchasing power have also been agreed upon.

In September bpost invested in de Buren

de Buren is a Dutch-based company with a network consisting of secured lockers, which are accessible 24/7 and can be managed by an app that allows a multitude of services.

In October bpost was rewarded for its sustainable development initiatives

For the fourth consecutive year bpost was placed first in the International Post Corporation's (IPC) global environmental management ranking.

In October Belfius, bpost and Proximus joined forces to strengthen the local economy

The three companies are investing together in the Citie digital platform to support the local Belgian economy and boost our country's position on the digital map by bringing traders, shoppers and local authorities closer together.

On November 10, 2016 the Brussels Court of Appeal annulled a decision of the Belgian Competition Authority

The Brussels Court of Appeal annulled a decision of the Belgian Competition Authority of 2012 concerning bpost's pricing policy. bpost may recover a EUR 37.4 million fine paid in 2013, but the Belgian Competition Authority may still appeal the judgment before the Supreme Court.

On November 30, 2016 bpost finalised the acquisition of the Belgian activities of Lagardère Travel Retail

bpost acquired 100% of the shares of the Belgian subsidiaries of Lagardère Travel Retail, renamed Ubiway. In Belgium, Ubiway is active in proximity and convenience retail.

In December bpost decided not to pursue an offer for PostNL and continues to explore others growth opportunities

After having conducted negotiations with PostNL regarding a possible combination of the two companies through a friendly public offer by bpost on all shares of PostNL, bpost confirmed on May 29, 2016 that no agreement was reached. On November 30, 2016, bpost sent its final and improved proposal to PostNL. On December 7, 2016 PostNL rejected the proposal and bpost decided not to further pursue a combination between the two companies.

In December bpost and DHL Parcel started non-exclusive cooperation in B2C parcel delivery on a pan-European level

Based on this non-exclusive cooperation, both parties can better address the fast growing B2C e-commerce sector both in Belgium as well as across Europe.

On December 12, 2016 bpost and DynaGroup joined forces and combined their logistical expertise

DynaGroup offers a large range of logistical services and software in the Benelux. The goal of the acquisition is to strengthen the bpost parcel division with new complementary logistical knowhow. Considering that bpost has obtained control over DynaGroup in January 2017, it will be included in the consolidated figures of bpost as from 2017.

Financial review

1.1 CONSOLIDATED INCOME STATEMENT

The following table presents bpost's financial results for years 2014, 2015 and 2016:

For the year ended 31 December

In million EUR	2016	2015	2014	Evolution 2016-2015
Turnover	2,399.4	2,393.4	2,441.7	0.3%
Other operating income	25.8	40.3	22.9	-35.9%
TOTAL OPERATING INCOME	**2,425.2**	**2,433.7**	**2,464.7**	**-0.3%**
Materials cost	(60.4)	(26.6)	(27.4)	127.4%
Services and other goods	(665.2)	(645.6)	(644.1)	3.0%
Payroll costs	(1,111.1)	(1,185.8)	(1,199.9)	-6.3%
Other operating expenses	(1.7)	(20.5)	(21.3)	-91.7%
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATIONS/ AMORTISATIONS	**(1,838.4)**	**(1,878.5)**	**(1,892.6)**	**-2.1%**
EBITDA	**586.9**	**555.2**	**572.0**	**5.7%**
Depreciation, amortisation	(90.3)	(89.1)	(91.9)	1.3%
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**496.5**	**466.1**	**480.2**	**6.5%**
Financial income	10.7	5.3	5.5	101.7%
Financial cost	(27.6)	(10.9)	(42.7)	153.6%
Share of profit of associates	9.9	10.2	11.2	-2.8%
PROFIT BEFORE TAX	**489.5**	**470.6**	**454.1**	**4.0%**
Income tax expense	(143.2)	(161.4)	(158.6)	-11.2%
PROFIT FOR THE YEAR	**346.2**	**309.3**	**295.5**	**12.0%**

Total operating income (revenues)

Total operating income (revenues) decreased by 0.3% to EUR 2,425.2 million (compared to EUR 2,433.7 million in 2015). The evolution per product line can be summarised as follows:

For the year ended 31 December

In million EUR	2016	2015	2014	Evolution 2016-2015
Domestic mail	1,414.4	1,464.2	1,523.0	-3.4%
Transactional mail	873.3	917.6	943.2	-4.8%
Advertising mail	247.8	250.9	271.4	-1.2%
Press	293.2	295.6	308.4	-0.8%
Parcels	379.4	340.7	307.2	11.3%
Domestic parcels	181.8	161.2	151.3	12.8%
International parcels	189.5	170.0	143.3	11.5%
Special logistics	8.0	9.6	12.6	-16.3%
Additional sources of revenues	600.1	589.0	612.5	1.9%
International mail	162.0	175.7	203.7	-7.8%
Value added services	103.1	96.2	95.4	7.1%
Banking and financial products	192.4	205.1	207.5	-6.2%
Other	142.6	112.0	106.0	27.4%
Corporate (Reconciling post)	31.4	39.8	21.9	-21.1%
TOTAL	**2,425.2**	**2,433.7**	**2,464.7**	**-0.3%**

Excluding the anticipated lower compensation for SGEI (EUR 22.9 million, in line with the conditions applicable as of January 1, 2016 for the 6th management contract and the press concessions), the acquisition of Ubiway (EUR 43.8 million in revenues, included in the portfolio Other) and the sale of a sizeable building in 2015 on which a capital gain of EUR 26.1 million was realised and which had been considered as non-recurring, operating income slightly decreased by EUR 3.3 million.
The increase of Parcels (EUR 38.6 million) with double digit growth for both Domestic and International Parcels, the price increases in Domestic Mail (EUR 21.1 million) and the increase of Corporate (EUR 17.7 million) were slightly offset by the volume decrease of Domestic Mail (EUR 68.4 million) and the lower revenues relating to Additional Sources of Revenues (EUR 12.4 million).

Revenues from **Domestic Mail** decreased by EUR 49.8 million to EUR 1,414.4 million in 2016. Excluding the lower compensation for SGEI (EUR 2.5 million), the underlying decline of Domestic Mail amounted to EUR 47.3 million. The price and the mix improvement had a positive impact of EUR 21.1 million, while the underlying volume decline of 5.0%, which is identical as the volume decline for 2015, impacted revenues by EUR 68.4 million.

Parcels grew by EUR 38.6 million to reach EUR 379.4 million or +11.3% driven by:

- the good performance of the International Parcels (EUR +19.5 million), mainly due to the positive contribution from acquisitions, partially offset by lower volumes to China;
- excellent Domestic Parcels volume growth of 17.1% in 2016 versus 12.6% in 2015 and 7% in 2014. This increase was driven by the continued growth of e-commerce and the strong positive trend in C2C parcels (online product offering). Price increases were fully offset by the evolution of the client and product mix (faster growth of large e-tailers with high volumes and lower prices compared to smaller customers), resulting in a negative price mix effect of -3.2%.

Total operating income from the **Additional Sources of Revenues** increased by EUR 11.1 million to EUR 600.1 million in 2016. Excluding the impact of the lower compensation for SGEI (EUR 20.4 million) and the acquisition of Ubiway (EUR 43.8 million, included in the portfolio Other), operating income decreased by EUR 12.4 million. This decrease was mainly due to the decrease of International Mail (EUR 13.7 million), in turn due to the decline in mail volumes and the wholesales business in order to safeguard reasonable profit margins. Value Added Services increased to EUR 103.1 million compared to EUR 96.2 million in 2015, thanks to Speos and to the development of customised solutions and services, such as European License Plates, the delivery process of new decoders and modems for clients of a telecom operator and CityDepot (substainable urban distribution). The lower compensation for SGEI impacted Banking and Financial Products as well as Other for an amount of respectively EUR 10.3 million and EUR 10.1 million.

The evolution of total operating income of **Corporate** (reconciling category) was mainly impacted by the sales of buildings and revenue recognition. In 2015, the sale of one sizeable building generated a capital gain of EUR 26.1 million. Not taking into account this non-recurring item total operating income of Corporate increased by EUR 17.7 million in 2016.

Operating expenses

Operating expenses, including depreciation, amortisation, and impairment charges, amounted to EUR 1,928.7 million (2015: EUR 1,967.6 million) and decreased by EUR 39.0 million compared to last year.

This decrease was mainly due to the decrease of the payroll charges (EUR 74.8 million), the other operating expenses (EUR 18.8 million), partially offset by the increase of the material cost (EUR 33.8 million), services and other goods (EUR 19.6 million) and the depreciation and amortisation (EUR 1.2 million).

Material costs

Materials costs, which include the cost of raw materials, consumables and goods for resale, increased by EUR 33.8 million to EUR 60.4 million (2015: EUR 26.6 million) primarily due to the integration of Ubiway.

Services and other goods

The cost of goods and services increased by EUR 19.6 million or 3% (excluding interim costs[1], the cost of goods and services decreased by EUR 5.1 million).

For the year ended 31 December

In million EUR	2016	2015	2014	Evolution 2016-2015
Rent and rental costs	72.6	66.7	68.7	8.9%
Maintenance and repairs	77.5	78.7	75.4	-1.5%
Energy delivery	33.7	37.0	37.2	-8.9%
Other goods	22.7	21.1	21.4	7.4%
Postal and telecom costs	6.3	6.4	5.7	-1.1%
Insurance costs	12.4	12.0	13.7	2.7%
Transport costs	217.2	212.6	218.4	2.2%
Publicity and advertising	14.3	16.6	18.9	-14.0%
Consultancy	15.5	12.8	19.4	21.6%
Interim employees	54.8	40.3	36.4	35.9%
Third party remuneration. fees	118.9	118.3	109.4	0.6%
Other services	19.2	23.0	19.5	-16.4%
TOTAL	**665.2**	**645.6**	**644.1**	**3.0%**

(1) Interim costs are analysed together with payroll costs, as they are better performance indicator of human capital utilisation. In certain cases of natural attrition, personnel is replaced by interims to anticipate reorganisations and productivity improvement programs.

- Rental costs have increased by EUR 5.9 million, or 8.9%, mainly due to higher costs for fleet and the consolidation of Ubiway.
- Maintenance and repairs slightly decreased by EUR 1.2 million, or 1.5%, this was mainly caused by cost savings related to maintenance costs of machines in sorting centers.
- Energy delivery costs have decreased by EUR 3.3 million, or 8.9% mainly due to a positive price evolution of energy costs for both vehicles and buildings.
- Transport costs amounted to EUR 217.2 million and excluding the impact of Ubiway, increased by EUR 2.9 million. This increase was mainly explained by growth in international parcels, lower favorable settlement of previous years' terminal dues (EUR 0.5 million) and the settlement on terminal dues with another postal operator.
- Publicity and advertising costs decreased by EUR 2.3 million, or a 14.0% decline in comparison with 2015.
- The consultancy costs grew by EUR 2.8 million, or 21.6%, due to increased costs related to strategic corporate projects.
- The growth in interim costs was driven by higher use of temporary personnel (an increase of 286 FTE on average over the year; see also section payroll costs).
- Not taking into account the consolidation of Ubiway, third party remunerations and fees decreased by EUR 3.6 million, amongst others driven by the internalisation of newspaper delivery (=Deltamedia).

Payroll costs

Payroll costs (EUR 1,111.1 million) and interims costs (EUR 54.8 million) in 2016 amounted to EUR 1,165.8 million and decreased by EUR 60.3 million, 2015 had been impacted by the provision for the Alpha social plan (EUR 54.5 million). Excluding this non-recurring item, payroll and interims costs decreased by EUR 5.8 million (payroll costs decreased by EUR 20.2 million and interims costs increased by EUR 14.5 million), or 0.5 % compared to 2015.

The integration of FTE and interims of the new subsidiaries, the internalisation of newspaper delivery (= Deltamedia) and additional workforce to absorb growth of parcels volumes and solutions led to a reported average year-on-year increase of 147 FTE and generated extra costs of EUR 5.7 million. The total impact of the above mentioned items amounted to 833 FTE and interims. Therefore, the underlying average reduction in FTE and interims amounted to 686 for the year.

The recruitment of auxiliary postmen created a positive mix effect of EUR 8.0 million. Additionally, a lower number of management functions due to a hiring freeze and reorganisation, created a positive mix effect of EUR 12.2 million.

The indexation of salaries combined with the first impacts of the new CLA and the normal salary and merit increases, partially compensated by the impact of the tax shift, lower lay-off costs and lower provisions for bonuses, led to a negative price impact EUR 4.9 million.

Besides this, costs associated with the employee benefits increased with EUR 4.1 million. Finally, the payroll costs were impacted negatively by a settlement of social charges, which was more important last year than this year (EUR 1.0 million).

Other operating expenses

Other operating charges decreased by EUR 18.8 million versus last year, mainly driven by lower costs of provisions, mainly resulting from the reversal of provisions related to a terminal dues settlement with another postal operator for which the corresponding costs have been booked within the transport costs. Furthermore last year's earn-out for Gout (EUR 2.0 million) and the higher increase of recoverable VAT (EUR 3.0 million, percentage of recoverable VAT increased from 13% in 2014 to 14% in 2015 and 18.79% in 2016) add to the decrease.

Depreciation and amortisation

Depreciation, amortisation and impairment charges have increased by EUR 1.2 million, or 1.3%, to EUR 90.3 million in 2016 (2015: EUR 89.1 million).

EBIT

Excluding the non-recurring items, i.e. in 2015 the accrual related to the Alpha social plan (EUR 54.5 million) and the impact of the sale of a sizeable building (EUR 26.1 million), EBIT increased by EUR 2.1 million or 0.4%.

Despite the anticipated reduced SGEI compensation (EUR 22.9 million), lower Domestic Mail revenues (EUR 47.3 million) and the decrease of the Additional Sources of Revenues (EUR 12.4 million, not taking into account the consolidation of Ubiway), EBIT grew thanks to parcels performance (EUR 38.6 million), the normalised increase of Corporate revenues (EUR 17.7 million) and lower costs (EUR 28.8 million not taking into account the consolidation of Ubiway), driven by cost control measures and productivity improvements.

Net financial result

Net financial result decreased by EUR 11.4 million due to increase of non-cash financial charges related to IAS 19 employee benefits as a result of the decrease in the discount rates.

Share of results of associates

The share of results of associates relates to bpost bank and Citie and decreased by EUR 0.3 million to EUR 9.9 million.

Income tax expense

Income tax expense decreased from EUR 161.4 million in 2015 to EUR 143.2 million in 2016. bpost's effective tax rate decreased from 34.3% in 2015 to 29.3% in 2016. In 2016 Deltamedia SA-NV has been liquidated, triggering a positive impact of EUR 22.2 million. The loss on the participation incurred by bpost SA-NV was tax deductible upon liquidation to the extent it represented previously fiscally paid-up capital in Deltamedia SA-NV and has been excluded from the normalised results due to its non-recurring nature.

1.2 STATEMENT OF FINANCIAL POSITION

Assets

Property, plant and equipment

Property, plant and equipment have increased by EUR 13.1 million from EUR 548.5 million to EUR 561.6 million. This increase was explained by:

- the incorporation of new subsidiaries EUR 20.1 million;
- acquisitions (EUR 72.7 million) related to production facilities for sorting and printing activities (EUR 23.0 million), mail and retail network infrastructure (EUR 20.4 million), ATM and security infrastructure (EUR 4.4 million), transportation related infrastructure (EUR 7.5 million), IT and other infrastructure (EUR 15.9 million) and land (EUR 1.5 million);
- depreciation and impairment amounted to EUR 71.4 million and slightly increased compared to last year (2015: EUR 69.4 million);
- transfer to assets held for sale (EUR 8.6 million) and from investment property (EUR 0.2 million).

Intangible assets

Intangible assets have increased by EUR 134.7 million from EUR 89.6 million to EUR 224.4 million, due to:

- the incorporation of new subsidiaries EUR 12.7 million;
- Goodwill throughout acquisitions in 2016 of EUR 128.5 million. A major part of these goodwill calculations are still provisional because purchase price allocation of some acquisitions are still under review;
- investments in software and licences (EUR 2.8 million), development costs capitalised (EUR 7.2 million) and other intangible assets (EUR 2.2 million);
- amortisation and impairments amounting to EUR 18.5 million.

Investment properties

Investment properties decreased from EUR 6.5 million in 2015 to EUR 6.2 million in 2016, or by 5.2% as the number of buildings, which were rented out, slightly decreased.

Investments in associates

Investments in associates decreased by EUR 1.4 million, or 0.4%, to EUR 373.7 million, reflecting bpost's share of bpost bank's profit for the amount of EUR 10.0 million, the entry in scope of Citie for EUR 0.8 million reduced by the loss of EUR 0.1 million of Citie and the decrease in the unrealised gain on the bond portfolio of bpost bank in the amount of EUR 12.0 million, reflecting an average increase of the underlying yield curve by 44 basis points (bps). End 2016, investments in associates comprised net unrealised gains in respect of the bond portfolio in the amount of EUR 166.9 million, which represented 44.7% of total investments in associates. The unrealised gains were generated by the lower level of interest rates compared to the acquisition yields of the bonds. Unrealised gains are not recognised in the Income Statement, but directly in equity in the Other Comprehensive Income caption.

Deferred Tax assets

Deferred tax assets amounted to EUR 48.2 million (2015: EUR 47.2 million) and mainly relate to the timing difference between the accounting and the tax value of the employee benefits.

Inventories

Inventories increased by EUR 25.6 million and amounted to EUR 36.7 million (2015: EUR 11.1 million), this increase is mainly due to the inventory of Ubiway per end of December amounting to EUR 25.5 million.

Current trade and other receivables

Current trade and other receivables increased by EUR 70.6 million to EUR 481.8 million (2015: EUR 411.2 million), driven by a rise in trade receivables of EUR 60.7 million as a result of the consolidation of Ubiway.

Cash and cash equivalents

Cash and cash equivalents decreased by EUR 76.8 million, or 12.5%, to EUR 538.9 million. This decrease is mainly due to the normalised free cash flow (EUR 193.9 million) being offset by the payment of EUR 262.0 million dividends.

Equity and Liabilities

Equity

Equity increased by EUR 84.6 million, or 12.2%, to EUR 779.3 million as of December 31, 2016 from EUR 694.8 million as of December 31, 2015. The increase was mainly due to the realised profit (EUR 346.2 million) and the revaluation of the contractually agreed future purchase of the remaining shares of Landmark and CityDepot (impact of both amounted to EUR 15.6 million). This was partially offset by the net actuarial losses on post-employment benefits, the fair value adjustment in respect of bpost bank's bond portfolio and the payment of dividends, respectively for an amount of EUR 4.8 million, EUR 12.0 million and EUR 262.0 million.

Non-current interest-bearing loans and borrowings

Interest-bearing loans and borrowings decreased by EUR 8.5 million to EUR 47.7 million as an amount of EUR 9.1 million, corresponding to the loan amount to be repaid to the European Investment Bank in 2017, was transferred to current financial liabilities.

Non-current trade and other liabilities

Non-current trade and other liabilities decreased by EUR 21.4 million (2015: EUR 61.7 million), mainly due to the transfer of the remaining 24.5% of the shares of Landmark from long-term to short-term and the revaluation of the earn out of CityDepot, partially offset by the commitments relating to earn outs for de Buren.

Employee benefits

As at 31 December

In million EUR	2016	2015	2014
Post-employment benefits	(82.1)	(77.7)	(85.4)
Long-term employee benefits	(107.7)	(108.9)	(118.3)
Termination benefits	(4.1)	(11.6)	(13.3)
Other long-term benefits	(162.8)	(148.1)	(151.5)
TOTAL	**(356.7)**	**(346.2)**	**(368.6)**

Employee benefits increased by EUR 10.5 million, or 3.0%, to EUR 356.7 million in 2016 from EUR 346.2 million in 2015.

The increase mainly reflects:

- the payment of benefits for an amount of EUR 33.0 million, which included EUR 4.3 million for the payment of early retirement and part-time work benefits;
- operational actuarial gains (EUR 11.4 million), mainly linked to the part-time regime (50+), to the Accumulated Compensated Absences, to the Medical Expenses, and the Workers Compensation Accident Plan, partially offset by operational losses linked to the Pension Saving Days benefits;
- additional service costs (EUR 30.5 million) and interest costs (EUR 5.7 million);
- financial actuarial losses of EUR 12.9 million caused by changes in the discount rates;
- an actuarial loss of EUR 5.8 million related to post-employment benefits, recognised through Other Comprehensive Income.

After deduction of the deferred tax asset relating to employee benefits which amounted to EUR 48.4 million, the net liability amounted to EUR 308.3 million (2015: EUR 297.1 million).

Non-current provisions

Non-current provisions amounted to EUR 31.6 million (2015: EUR 29.2 million) and are in line with last year.

Current provisions

Current provisions decreased to EUR 27.1 million (2015: EUR 35.0 million), mainly due to the reversal of provisions related to a terminal dues settlement with another postal operator for which the corresponding costs have been booked within the transport costs.

Current trade and other liabilities

Current trade and other liabilities increased by EUR 126.4 million EUR, or 15.1%, to EUR 964.8 million in 2016. This variance is mainly due to the increase of trade payables and other payables, which respectively increased by EUR 125.9 million and EUR 32.9 million, partially offset by the decrease of the payroll and social security payables by EUR 32.4 million. The increase of the trade and other payables is mainly due to the integration of Ubiway whereas the increase of the other payables was caused by the transfer from long-term to short-term of the liability relating to the acquisition of the remaining shares of Landmark, the earn outs relating to the acquisition of FDM and Apple Express and the consolidation of Ubiway. The decline of payroll and social security payables is mainly explained by the impact in 2015 of the Alpha social plan.

1.3 STATEMENT OF CASH FLOWS

In 2016, bpost generated EUR -76.2 million of net cash. This is a decrease of EUR 128.4 million compared to the net cash inflow of EUR 52.1 million in 2015.

Cash flow from operating activities resulted in a cash inflow of EUR 352.6 million, EUR 8.4 million less than in 2015. Cash generation from operating activities had been negatively impacted by:

- the lower compensation and change in payment terms for SGEI (EUR -35.9 million);
- the net impact of Alpha pay-outs (EUR -8.3 million);
- the payment of terminal dues (EUR -16.8 million), which was mainly phasing as costs were booked in previous years in transport costs and;
- the phasing in bpost bank dividend (EUR -5.0 million).

Income tax paid relating to previous years was lower in 2016 compared to 2015 (EUR +21.1 million) and tax prepayments in 2016 were EUR +10.0 million lower than in 2015. Excluding these elements, results of operating activities increased by EUR 16.1 million and working capital improved by EUR 10.3 million.

Investing activities generated a cash outflow of EUR 158.7 million in 2016 compared to an outflow of EUR 45.1 million last year, resulting from higher cash outflows related to the acquisition of new subsidiaries and activities (EUR -75.4 million), lower proceeds from sale of property, plant and equipment (EUR -22.2 million, as 2015 included the sale of a major building), investment securities (EUR -12.0 million) and higher capital expenditures (EUR -4.0 million).

The cash outflow relating to financing activities amounted to EUR 270.1 million, an increase by EUR 6.3 million compared to last year given the higher final and interim dividends and the dividend to minority interests paid in 2016.

1.4 RECONCILIATION OF REPORTED TO NORMALISED FINANCIAL METRICS

bpost also analyses the performance of its activities on a normalised basis or before non-recurring items. Non-recurring items represent significant income or expense items that due to their non-recurring character are excluded from internal reporting and performance analyses. bpost strives to use a consistent approach when determining if an income or expense item is non-recurring and if it is significant enough to be excluded from the reported figures to obtain the normalised ones.

A non-recurring item is deemed to be significant if it amounts to EUR 20 million or more. All profits or losses on disposal of activities are normalised whatever the amount they represent. Reversals of provisions whose addition had been normalised from income are also normalised whatever the amount they represent.

The presentation of normalised results is not in conformity with IFRS and is not audited. The normalised results may not be comparable to normalised figures reported by other companies as those companies may compute their normalised figures differently from bpost. Normalised financial measures are presented below.

Income Statement related

Operating income for the year ended 31 December

In million EUR	2016	2015	2014	Evolution 2016-2015
Total operating income	2,425.2	2,433.7	2,464.7	-0.3%
Sale of sizeable building [(1)]		(26.1)		
NORMALISED TOTAL OPERATING INCOME	**2,425.2**	**2,407.6**	**2,464.7**	**0.7%**

Operating expenses for the year ended 31 December

In million EUR	2016	2015	2014	Evolution 2016-2015
Total operating excluding depreciation. amortisation	(1,838.4)	(1,878.5)	(1,892.6)	-2.1%
Social plan - Alpha project [(2)]		54.5		
NORMALISED TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION. AMORTISATION	**(1,838.4)**	**(1,824.0)**	**(1,892.6)**	**0.8%**

EBITDA for the year ended 31 December

In million EUR	2016	2015	2014	Evolution 2016-2015
EBITDA	586.9	555.2	572.0	5.7%
Sale of sizeable building [(1)]		(26.1)		
Social plan - Alpha project [(2)]		54.5		
NORMALISED EBITDA	**586.9**	**583.6**	**572.0**	**0.6%**

EBIT for the year ended 31 December

In million EUR	2016	2015	2014	Evolution 2016-2015
Profit from operating activities (EBIT)	496.5	466.1	480.2	6.5%
Sale of sizeable building [(1)]		(26.1)		
Social plan - Alpha project [(2)]		54.5		
NORMALISED PROFIT FROM OPERATING ACTIVITIES (EBIT)	**496.5**	**494.4**	**480.2**	**0.4%**

Profit (EAT) for the year ended 31 December

In million EUR	2016	2015	2014	Evolution 2016-2015
Profit for the year	346.2	309.3	295.5	12.0%
Sale of sizeable building (1)		(17.2)		
Social plan - Alpha project (2)		36.1		
Liquidation of Deltamedia (3)	(22.2)			
NORMALISED PROFIT OF THE YEAR	**324.1**	**328.1**	**295.5**	**-1.2%**

(1) In December 2015 bpost sold a sizeable building on which a capital gain of EUR 26.1 million was realised. Given the nature of the gain and the fact that it exceeds the threshold of EUR 20.0 million. this gain was considered as non-recurring.
(2) On July 23. 2015 during the joint committee. bpost management and representatives of the workforce reached an agreement concerning the social plan related to the Alpha project in the support departments. The agreement contains the conditions for early retirement and determines the layoff conditions. in case certain employees are not selected for a new job. The estimated impact of this agreement has been accrued for within the payroll costs during the third quarter of 2015.
(3) In December 2016, Deltamedia SA-NV, a 100% subsidiary of bpost SA-NV, has been liquidated. The loss on the participation incurred by bpost SA-NV was tax deductible upon liquidation to the extent it represents previously fiscally paid-up capital in Deltamedia SA-NV.

Cash Flow Statement related

For the year ended 31 December

In million EUR	2016	2015	2014	Evolution 2016-2015
Net Cash from operating activities	352.6	361.1	451.5	-2.3%
Net Cash used in investing activities	(158.7)	(45.1)	(78.2)	251.8%
OPERATING FREE CASH FLOW	**193.9**	**315.9**	**373.3**	**-38.6%**
Deposits received from third parties	(0.0)	(0.0)	0.2	0.0%
NORMALISED OPERATING FREE CASH FLOW	**193.9**	**315.9**	**373.5**	**-38.6%**

Operating free cash flow represents net cash from operating activities less acquisition of property, plant and equipment (net of proceeds from sale of property, plant and equipment), acquisition of intangible assets, acquisition of other investments and acquisition of subsidiaries (net of cash acquired).

For 2015 and 2016 no non-recurring cash flow statement related items were identified.

1.5 FROM IFRS CONSOLIDATED NET PROFIT TO BELGIAN GAAP UNCONSOLIDATED NET PROFIT

For the year ended 31 December

In million EUR	2016	2015	2014
IFRS Consolidated Net Profit	346.2	309.3	295.5
Results of subsidiaries and deconsolidation impacts	(39.5)	(11.3)	(4.0)
Differences in depreciation and impairments	(2.6)	0.2	(3.8)
Differences in recognition of provisions	0.2	(6.5)	(7.4)
Effects of IAS19	2.3	(17.3)	15.6
Deferred taxes	0.3	10.2	2.5
Other	1.8	3.0	(1.5)
BELGIAN GAAP UNCONSOLIDATED NET PROFIT	**308.7**	**287.7**	**296.9**

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	2016	2015	2014
Profit of the Belgian fully consolidated subsidiaries (local GAAP)	(9.3)	(7.0)	(8.7)
Profit of the international subsidiaries (local GAAP)	(18.4)	(7.5)	(3.2)
Share of results of associates (local GAAP)	(11.5)	(10.1)	(10.3)
Other deconsolidation impacts	(0.3)	13.3	18.1
TOTAL	**(39.5)**	**(11.3)**	**(4.0)**

- The reversal of impairments on subsidiaries within bpost SA-NV in 2014 (EUR 8.0 million), partially compensated by higher dividends in 2015 explain the evolution of the other deconsolidation impacts in 2015 compared to 2014. The evolution of the other deconsolidation impacts in 2016 compared to 2015 was mainly explained by lower dividends in 2016.

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 amortised 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;
- recognition of provisions is subject to different criteria under Belgian GAAP and IFRS;
- IFRS requires that all future obligations to personnel be 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 (EUR 16.1 million in 2016 versus EUR 15.6 million in 2015) or provisions (EUR 0.2 million in 2016 versus EUR 1.1 million in 2015), except for the impact of changes in the discount rates for the future obligations, which was recorded as a financial result (negative EUR 18.7 million in 2016 versus positive EUR 0.6 million in 2015);
- the evolution of IAS 19 is mainly explained by the increase of the financial charges related to employee benefits in 2016, which was due to the decrease in the discount rates.

Outlook for 2017

The outlook for 2017 includes the acquisitions of FDM, Apple Express, Ubiway, DynaGroup and the stakes in Parcify and de Buren.

We expect revenues to slightly grow driven by:

- a **double digit volume growth** in **Domestic Parcels**, with a price/mix effect of around -3%;
- **continued growth in international parcels** supported by acquisitions;
- growing Ubiway retail revenues;
- partly offset by an underlying Domestic Mail **volume decline between 5 and 6%**. The price increase on the small user basket has not yet been approved and is therefore uncertain. The first quarter of 2017 will count 2 working days more, the second quarter of 2017 2 less, the third quarter 1 less on franking machines and 2 less on stamps and the fourth quarter 1 less on franking machines and 1 more on stamps compared to the same quarters of 2016.

On the cost side, we expect a slight increase driven by:

- increase in transport cost reflecting growth in International Parcels;
- continued productivity improvements and optimised FTE mix;
- salary indexation expected as of July 2017;
- integration of acquired businesses;
- continued cost optimisation.

This results in our ambition to have a **recurring EBITDA and dividend for 2017 at the same levels as 2016**. We confirm our long-term ambition of at least EUR 620.0 million EBITDA by 2020.

- Gross **capex** is expected to be around **EUR 90.0 million** mainly related to further Vision 2020 investments. On top of that, Ubiway capex will amount to a maximum of **EUR 10.0 million**.

Financial consolidated statements 2016

1. Consolidated Income Statement

For the year ended 31 December

In million EUR	Notes	2016	2015	2014	Evolution 2016-2015
Turnover	6.8	2,399.4	2,393.4	2,441.7	0.3%
Other operating income	6.9	25.8	40.3	22.9	-35.9%
TOTAL OPERATING INCOME		**2,425.2**	**2,433.7**	**2,464.7**	**-0.3%**
Materials cost		(60.4)	(26.6)	(27.4)	127.4%
Services and other goods		(665.2)	(645.6)	(644.1)	3.0%
Payroll costs	6.11	(1,111.1)	(1,185.8)	(1,199.9)	-6.3%
Other operating expenses	6.10	(1.7)	(20.5)	(21.3)	-91.7%
Depreciation, amortisation		(90.3)	(89.1)	(91.9)	1.3%
TOTAL OPERATING EXPENSES		**(1,928.7)**	**(1,967.6)**	**(1,984.5)**	**-2.0%**
PROFIT FROM OPERATING ACTIVITIES (EBIT)		**496.5**	**466.1**	**480.2**	**6.5%**
Financial income	6.12	10.7	5.3	5.5	101.7%
Financial cost	6.12	(27.6)	(10.9)	(42.7)	153.6%
Share of profit of associates		9.9	10.2	11.2	-2.8%
PROFIT BEFORE TAX		**489.5**	**470.6**	**454.1**	**4.0%**
Income tax expense	6.13	(143.2)	(161.4)	(158.6)	-11.2%
PROFIT FROM CONTINUING OPERATIONS		**346.2**	**309.3**	**295.5**	**-12.0%**
Profit from discontinued operations		0.0	0.0	0.0	
PROFIT FOR THE YEAR		**346.2**	**309.3**	**295.5**	**12.0%**
Attributable to:					
Owners of the parent		343.8	307.0	293.6	12.0%
Non-controlling interests		2.5	2.2	1.9	10.5%

Earnings per share

In EUR	2016	2015	2014
Basic, profit for the year attributable to ordinary equity holders of the parent	1.72	1.54	1.47
Diluted, profit for the year attributable to ordinary equity holders of the parent	1.72	1.54	1.47

2. Consolidated statement of comprehensive income

For the year ended 31 December

In million EUR	Notes	2016	2015	2014
PROFIT FOR THE YEAR		**346.2**	**309.3**	**295.5**
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Exchange differences on translation of foreign operations		1.9	0.0	0.6
NET OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**1.9**	**0.0**	**0.6**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):				
Fair value for financial assets available for sale by associates	6.21	(12.0)	(46.7)	69.0
(Loss) gain on available for sale financial assets		(18.2)	(70.7)	104.8
Income tax effect		6.2	24.0	(35.9)
Fair value of actuarial results on defined benefit plans	6.26	(4.8)	2.9	(6.1)
Actuarial gains/(losses) on defined benefit plans		(5.8)	6.6	(11.2)
Income tax effect		1.0	(3.6)	5.1
NET OTHER COMPREHENSIVE INCOME/(LOSS) NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(16.8)**	**(43.8)**	**62.8**
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(14.9)**	**(43.7)**	**63.4**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**331.4**	**265.5**	**358.9**
Attributable to:				
Owners of the parent		328.9	263.3	357.0
Non-controlling interest		2.5	2.2	1.9

3. Consolidated statement of financial position

As at 31 December

In million EUR	Notes	2016	2015	2014
Assets				
Non-current assets				
Property, plant and equipment	6.15	561.6	548.5	565.7
Intangible assets	6.18	224.4	89.6	89.5
Investments in associates	6.21	373.7	375.0	416.5
Investment properties	6.16	6.2	6.5	8.7
Deferred tax assets	6.13	48.2	47.2	61.0
Trade and other receivables	6.22	2.8	2.3	2.6
		1,216.8	**1,069.2**	**1,144.0**
Current assets				
Assets held for sale	6.17	1.5	3.1	2.8
Investment securities	6.20	12.0	0.0	0.0
Inventories	6.23	36.7	11.1	12.5
Income tax receivable	6.13	2.6	1.7	1.9
Trade and other receivables	6.22	481.8	411.2	398.3
Cash and cash equivalents	6.24	538.9	615.7	562.3
		1,073.5	**1,042.8**	**977.8**
TOTAL ASSETS		**2,290.3**	**2,112.0**	**2,121.8**
Equity and liabilities				
Equity attributable to equity holders of the parent				
Issued capital		364.0	364.0	364.0
Reserves		274.2	230.9	229.4
Foreign currency translation		2.5	0.6	0.6
Retained earnings		135.5	99.3	87.5
		776.3	**694.8**	**681.4**
Non-controlling interests		3.1	(0.0)	0.0
TOTAL EQUITY	4	**779.3**	**694.8**	**681.4**
Non-current liabilities				
Interest-bearing loans and borrowings	6.25	47.7	56.2	65.7
Employee benefits	6.26	356.7	346.2	368.6
Trade and other payables	6.27	40.3	61.7	79.8
Provisions	6.28	31.6	29.2	37.1
Deferred tax liabilities		1.1	1.3	1.4
		477.3	**494.7**	**552.5**
Current liabilities				
Interest-bearing loans and borrowings	6.25	10.3	9.6	10.0
Bank overdrafts		0.0	0.2	0.3
Provisions	6.28	27.1	35.0	27.7
Income tax payable	6.13	31.4	39.4	67.3
Trade and other payables	6.27	964.8	838.3	782.6
		1,033.6	**922.5**	**887.8**
TOTAL LIABILITIES		**1,511.0**	**1,417.2**	**1,440.4**
TOTAL EQUITY AND LIABILITIES		**2,290.3**	**2,112.0**	**2,121.8**

4. Consolidated statement of changes in equity

Attributable to equity holders of the parent

In million EUR	Authorised & issued capital	Treasury shares	Other reserves	Foreign currency translation	Retained earnings	Total	Non-controlling interests	Total equity
AS PER 1 JANUARY 2014	**364.0**	**0.0**	**111.0**	**0.0**	**101.9**	**576.9**	**0.0**	**576.9**
Profit for the year 2014					293.6	293.6	1.9	295.5
Other comprehensive income			164.7	0.6	(101.9)	63.4		63.4
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**164.7**	**0.6**	**191.7**	**357.0**	**1.9**	**358.9**
Dividends (Pay-out)			(40.0)		(208.0)	(248.0)	(1.3)	(249.3)
Other			(6.3)		1.9	(4.4)	(0.6)	(5.0)
AS PER 31 DECEMBER 2014	**364.0**	**0.0**	**229.4**	**0.6**	**87.5**	**681.4**	**0.0**	**681.4**
AS PER 1 JANUARY 2015	**364.0**	**0.0**	**229.4**	**0.6**	**87.5**	**681.4**	**0.0**	**681.4**
Profit for the year 2015					307.0	307.0	2.2	309.3
Other comprehensive income			43.7	0.0	(87.5)	(43.7)		(43.7)
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**43.7**	**0.0**	**219.5**	**263.3**	**2.2**	**265.5**
Dividends (Pay-out)			(44.0)		(210.0)	(254.0)	0.0	(254.0)
Other			1.8		2.2	4.0	(2.2)	1.8
AS PER 31 DECEMBER 2015	**364.0**	**0.0**	**230.9**	**0.6**	**99.3**	**694.8**	**0.0**	**694.8**
AS PER 1 JANUARY 2016	**364.0**	**0.0**	**230.9**	**0.6**	**99.3**	**694.8**	**0.0**	**694.8**
Profit for the year 2016					343.8	343.8	2.5	346.2
Other comprehensive income			82.5	1.9	(99.3)	(14.9)		(14.9)
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**82.5**	**1.9**	**244.5**	**328.9**	**2.5**	**331.4**
Dividends (Pay-out)			(48.0)		(212.0)	(260.0)	(2.0)	(262.0)
Other			8.9		3.7	12.6	2.6	15.2
AS PER 31 DECEMBER 2016	**364.0**	**0.0**	**274.2**	**2.5**	**135.5**	**776.3**	**3.1**	**779.3**

Other reserves per December 31, 2016 (EUR 274.2 million) are composed of group reserves amounting to EUR 223.4 million, of which EUR 143.5 million distributable retained earnings within bpost SA-NV, and legal reserves of EUR 50.8 million.

At December 31, 2016, the shareholding of bpost is as follows:

	TOTAL	The Belgian State[(1)]	Free float
		Number of shares	
AS PER 1 JANUARY 2016	**200,000,944**	**102,075,649**	**97,925,295**
Changes during the year	0,0	0,0	0,0
AS PER 31 DECEMBER 2016	**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.

5. Consolidated statement of cash flows

As at 31 December

In million EUR	Notes	2016	2015	2014
Operating activities				
Profit before tax	1	489.5	470.6	454.1
Depreciation and amortisation		89.8	89.1	91.9
Impairment on bad debts		1.6	0.1	2.2
Gain on sale of property, plant and equipment	6.9	(17.0)	(33.4)	(15.5)
Gain on earn-out reassessment	6.9	(0.4)	0.0	0.0
Change in employee benefit obligations	6.26	4.7	(15.8)	12.3
Share of profit of associates	6.21	(9.9)	(10.2)	(11.2)
Dividends received	6.21	0.0	5.0	5.0
Income tax paid		(130.4)	(137.1)	(135.9)
Income tax paid on previous years		(20.9)	(42.0)	
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS		**407.0**	**326.4**	**402.9**
Decrease/(increase) in trade and other receivables		(6.6)	9.4	(0.8)
Decrease/(increase) in inventories	6.23	2.0	1.2	(2.8)
Increase/(decrease) in trade and other payables		(36.7)	24.8	50.3
Deposits received from third parties		0.0	0.0	(0.2)
Increase/(decrease) in provisions		(13.1)	(0.7)	2.1
NET CASH FROM OPERATING ACTIVITIES		**352.6**	**361.1**	**451.5**
Investing activities				
Proceeds from sale of property, plant and equipment		27.2	49.4	21.8
Acquisition of property, plant and equipment	6.15	(72.7)	(67.0)	(77.6)
Acquisition of intangible assets	6.18	(12.3)	(13.9)	(13.4)
Acquisition of other investments	6.20	(12.0)	0.0	0.0
Acquisition of subsidiaries, net of cash acquired		(89.0)	(13.6)	(9.1)
NET CASH USED IN INVESTING ACTIVITIES		**(158.7)**	**(45.1)**	**(78.2)**
Financing activities				
Payments related to borrowings and financing lease liabilities		(8.1)	(9.8)	(11.2)
Interim dividend paid to shareholders	4	(212.0)	(210.0)	(208.0)
Dividends paid	4	(48.0)	(44.0)	(40.0)
Dividends paid to minority interests	4	(2.0)	0.0	0.0
NET CASH FROM FINANCING ACTIVITIES		**(270.1)**	**(263.8)**	**(259.3)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(76.2)**	**52.1**	**114.0**
NET FOREIGN EXCHANGE DIFFERENCE		**(0.4)**	**1.4**	
Cash and cash equivalent less bank overdraft as of 1st January	6.24	615.5	562.0	448.0
Cash and cash equivalent less bank overdraft as of 31st December	6.24	538.9	615.5	562.0
MOVEMENTS BETWEEN 1ST JANUARY AND 31ST DECEMBER		**(76.6)**	**53.5**	**114.0**

6. Notes to the consolidated financial statements

6.1 GENERAL INFORMATION

Business activities

bpost 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, through its subsidiaries and business units, also sells a range of other products and services, including postal, parcels, banking and financial products, 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 is a limited liability company under public law. bpost has its registered office at Muntcentrum-Centre Monnaie, 1000 Brussels.

6.2 CHANGE IN ACCOUNTING

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, 2016.

The following new standards and amendments, entered into force as from January 1, 2016, don't have any effect on the presentation, the financial performance or position of bpost:

- **IFRS 11 – Amendment –** Accounting for acquisitions of interests in Joint Operations
- **IFRS 10, IFRS 12 & IAS 28 – Amendments –** Investment Entities: Applying the consolidation exception
- **IAS 27 – Amendments –** Equity method in Separate Financial Statements
- **IAS 16 – IAS 38 – Amendments –** Clarification of acceptable methods of depreciation and amortisation
- **IAS 16 – IAS 41 – Amendments –** Agriculture: Bearer plants
- **IAS 1 – Amendments –** Disclosure Initiative
- **Annual improvements to IFRS 2010-2012**
- **Annual improvements to IFRS 2012-2014 Cycle (issued September 2014)**

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 9 – Financial Instruments [(1)]	1 January 2018
IFRS 15 – Revenue from Contracts with customers [(1)]	1 January 2018
IFRS 16 – Leases [(1)]	1 January 2019
IFRS 7 – Amendments – Disclosure Initiative	1 January 2017
IAS 12 – Amendments – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRS 2 – Amendments – Classification and Measurement of Share-based Payment Transactions	1 January 2018
IAS 40 – Amendments – Transfers of Investment Property [(1)]	1 January 2018
IFRS 4 – Amendments – Applying IFRS 9 Financial instruments with IFRS 4 [(1)]	1 January 2018

(1) Not yet endorsed by the EU as per the date of this report.

IFRS 15 Revenue from Contracts with Customers

As of January 1, 2018, the accounting of revenues described by IAS 18 (Revenue) will be replaced by IFRS 15 - Revenue from Contracts with Customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers: the performance obligation(s) of each contract needs to be assigned with a transaction price and revenue is only recognised when the entity satisfies the performance obligation(s) of the contract.

During 2016, bpost performed a preliminary assessment of IFRS 15. No major impact of IFRS 15 is to be expected once rolled out. bpost is in the business of distributing mail (including the sale of stamps), the distribution of parcels domestically and abroad as well as the rendering of additional sources of revenue, including value added services, retail and banking services and financial products. The products and services can either be sold on their own in separate identified contracts or together as a bundled package which can't be distinct (e.g. Speos printing and delivery of mail, no distinct performance obligations), which is in line with the current revenue recognition. Regarding the performance obligation, where a distinction needs to be made on whether bpost acts as an agent or principle, bpost will continue to recognise and account revenues in the same way as today which is in line with IFRS 15. Each performance obligation in the contract has a transaction price, which in some cases can be variable (discounts, penalties, etc.), already in line with IFRS 15 bpost performs an estimation of the variable consideration at contract inception. The revenue recognition model of bpost is also in line with IFRS 15 as revenues are recognised at a point in time (i.e. when the service has been rendered).

IFRS 16 Leases

As of January 1, 2019, IAS17 Leases will be replaced by IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases (except for "low-value" assets and short-term leases) under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a l ease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

In 2017 bpost will assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 will mainly have an impact on bpost bank. The impact is currently under investigation by the local management of bpost bank. However considering that bpost bank is consolidated based on equity method, bpost estimates that IFRS 9 will not have a material impact on the financial position and income statement of bpost.

Standards and Interpretations applied by bpost

As at December 31, 2016, the accounting policies of bpost are in compliance with the IAS / IFRS Standards and Interpretations SIC / IFRIC listed below:

International Financial Reporting Standards (IFRS)

- **IFRS 2 –** Share-based Payment
- **IFRS 3 –** Business Combinations (issued in 2004) for acquisition completed before 1 January 2010
- **IFRS 3 –** Business Combinations (Revised in 2008)
- **IFRS 5 –** Non-current Assets Held for Sale and Discontinued Operations
- **IFRS 7 –** Financial Instruments: Disclosures
- **IFRS 8 –** Operating segments
- **IFRS 10 –** Consolidated Financial Statements
- **IFRS 11 –** Joint Arrangements
- **IFRS 12 –** Disclosure of Interests in Other Entities
- **IFRS 10, IFRS 11 & IFRS 12 –** Transition Guidance
- **IFRS 10, IFRS 12 & IAS 27 –** Investment Entities
- **IFRS 13 –** Fair value Measurement

International Accounting Standards (IAS)

- **IAS 1 –** Presentation of Financial Statements
- **IAS 2 –** Inventories
- **IAS 7 –** Statement of Cash Flows
- **IAS 8 –** Accounting Policies, Changes in Accounting Estimates and Errors
- **IAS 10 –** Events after the Reporting Period
- **IAS 12 –** Income Taxes
- **IAS 16 –** Property, Plant and Equipment
- **IAS 17 –** Leases
- **IAS 18 –** Revenue
- **IAS 19 –** Employee Benefits
- **IAS 21 –** The Effects of Changes in Foreign Exchange Rates
- **IAS 23 –** Borrowing costs
- **IAS 24 –** Related Party Disclosures
- **IAS 27 –** Consolidated and Separate Financial Statements (Revised in 2008)
- **IAS 28 –** Investments in Associates and Joint Ventures
- **IAS 32 –** Financial Instruments: Presentation
- **IAS 33 –** Earnings per share
- **IAS 34 –** Interim Financial Reporting
- **IAS 36 –** Impairment of Assets
- **IAS 37 –** Provisions, Contingent Liabilities and Contingent Assets
- **IAS 38 –** Intangible Assets
- **IAS 39 –** Financial Instruments: Recognition and Measurement
- **IAS 40 –** Investment Property

Interpretations SIC / IFRIC

- **IFRIC 1 –** Changes in Existing Decommissioning, Restoration and Similar Liabilities
- **IFRIC 4 –** Determining whether an Arrangement contains a Lease
- **IFRIC 10 –** Interim Financial Reporting and Impairment
- **IFRIC 21 –** Levies
- **SIC 12 –** Consolidation – Special Purpose Entities

The other standards and interpretations currently endorsed by the EU and effective for the preparation of the 2016 financial statements are not applicable in the context of bpost.

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.

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. Given the increase of the reference database with each year of historical data that is added, the data become 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 the benefit.

The mortality tables used are the Belgian Mortality tables MR (for males) and FR (for females) 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 since December 2013 derived from the statistics of the consumption average over a mobile average of 3 years (years 2014 to 2016 for December 2016). 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 un-used 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 a percentage of the average past 24 months return on 10 years linear bonds with a minimum of 1.75% p.a. As a result, bpost could remain consistent with the 2015 methodology and applied the so-called PUC methodology (Projected Unit Credit) taking into account future pension accrual pro-rated for past service.

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 programme 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 measurement of contingent considerations

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. 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.

(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

The consolidated financial statements have been approved by the Board of Directors on March 7, 2017 and have been prepared using the measurement basis specified by the International Financial Reporting Standards (IFRS). The measurement bases are described in detail in the next paragraphs.

The consolidated financial statements are presented in Euro (EUR) and all values are rounded to the nearest million except when otherwise indicated.

All accounting estimates and assumptions that are used in preparing the financial statements are consistent with bpost's latest approved 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.

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. Control is the power to govern the financial and operating policies of an entity in order to obtain benefits from its activities. 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. 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 recognises 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 unrealised 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

An associate is an entity in which bpost has significant influence, but which is neither a subsidiary nor a joint venture. 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.

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

All associates 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”) at the closing date at an amount corresponding to the proportion of the associate's 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 attributable to bpost is included separately in the consolidated income statement under the caption “Share of result of associates (equity method)”.

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

bpost bank and Citie are associates and are accounted for using the equity method as bpost has significant influence but does not control the management of these companies.

The bond portfolio of bpost bank is classified on the balance sheet of bpost bank as "Available-for-sale 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 (which are accounted for separately if necessary).

Securities classified in "Available-for-sale financial assets" are measured at fair value and changes in fair value are recorded in other comprehensive income under a specific heading "Unrealised or deferred gains or losses."

For fixed income securities, interest is recognised 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.

Goodwill and negative acquisition differences

Where an entity is acquired, the difference recorded on the date of acquisition between the acquisition cost 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).

Contingent consideration, if any, is measured at fair value at the time of the business combination and included in the consideration transferred (i.e. recognised within goodwill). If the amount of contingent consideration changes as a result of a post-acquisition event (such as meeting an earnings target), the change in fair value is recognised in profit or loss.

Goodwill is not amortised, but is tested for impairment annually.

Intangible assets

An intangible asset is recognised on the consolidated statement of financial position sheet 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.

Intangible fixed assets are carried at acquisition cost (including the costs directly attributable to the transaction, but not indirect overheads) less any accumulated amortisation and less any accumulated impairment loss. The expenses in relation to the research phase are charged to the Income Statement. The expenses in relation to the development phase are capitalised. Within bpost, internally generated intangible assets represent mainly IT projects.

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

Intangible assets	Useful life
IT-development costs	5 years maximum
Licenses for minor software	3 years

Intangible fixed assets with indefinite useful lives are not amortised, within bpost only goodwill and trade name, but are tested for impairment annually.

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.

Expenditure on repair and maintenance which serve only to maintain, but not increase, the value of fixed assets are charged to the 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 capitalised 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

A finance lease, which transfers substantially all the risks and rewards incident to ownership to the lessee, is recognised 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. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability in order to obtain a constant rate of interest on the debt over the lease term. The depreciation policy for leased assets is consistent with that for similar assets owned.

Rentals paid/received under operating lease (ones that do not transfer substantially all the risks and rewards incidental to ownership of an asset) are recognised as an expense by the lessee and as an income by the lessor on a straight-line basis over the lease term.

Investment properties

Investment property mainly relates to apartments located in buildings used as post offices.

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 and used durably by it 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 reevaluation 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

An impairment loss is recognised 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 have been 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 generates inflows that are largely independent from the cash flows from other CGUs).

An impairment test is carried out annually for goodwill. For a CGU to which no goodwill is allocated, impairment test is only carried out when there is an indication of impairment. 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 realisable value at the statement of financial position date.

The acquisition price of interchangeable inventories 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 realisable value at the statement of financial position date is lower than the cost.

Revenue recognition

Revenue arising from the sale of goods is recognised when bpost transfers the significant risks and rewards of ownership to the buyer and it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from the rendering of services is recognised according to the stage of completion of the services rendered. In application of this principle, the revenue relative to the stamp sale and franking machine activity is recognised in income at the time the mail is delivered.

The remuneration of the SGEI is based on the contractual provisions of the management contract and the revenue is recognised when the services are rendered.

bpost also receives commissions on sales of partner products through its network. Commission income is recorded at the time the services are provided.

Interest income is recognised using the effective yield method and the revenue related to dividends is recognised when the group’s right to receive the payment is established.

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

Receivables

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

An individual assessment of the recoverability of the receivables is made. Impairment is recognised where cash settlement is wholly or partially doubtful or uncertain.

Prepayments and accrued income are also presented under this caption.

Investment securities

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognised in profit or loss or directly in equity.

There are different categories of financial assets:

(1) financial assets held for trading include (a) derivatives and (b) assets that bpost has voluntarily decided to classify in the category "at fair value through profit or loss" at the time of initial recognition. These financial assets are measured at their fair value at each statement of financial position date, changes in fair value being recognised in the Income Statement;

(2) held-to-maturity financial assets are financial assets, other than derivatives, with fixed or determinable payments and fixed maturity dates, which bpost has the positive intention and ability to hold to maturity. These assets are measured at amortised cost using the effective interest method;

(3) loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method;

(4) available-for-sale financial assets constitute a residual category that includes all the financial assets not classified under one of the previous categories, for instance investments in equity instruments (other than shares in subsidiaries, jointly controlled entities and associates), investments in open-ended mutual funds and bonds that bpost has neither the intention nor the ability to hold to maturity. These available-for-sale financial assets are measured at fair value, with changes in fair value recognised directly in equity until the financial assets are derecognised, at which time the cumulative gains or losses previously recognised in equity are recycled in profit or loss.

Regular way purchases or sales of financial assets are recognised and de-recognised 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 recognised 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 by 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 account of 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 recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI 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.

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 recognised at the earlier of the date when (1) the plan amendment or curtailment occurs; and (2) the entity recognises related restructuring costs in accordance with IAS 37. Past service costs are recognised 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 also recognised 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.

Long-term benefits

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 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 recognised if the fair value of the plan assets is higher)

Re-measurements, comprising of actuarial gains and losses are recognised 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 recognised 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 recognised at the earlier of the date when (1) the plan amendment or curtailment occurs; and (2) the entity recognises related restructuring costs in accordance with IAS 37. Past service costs are recognised 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 recognised in the Income Statement.

Termination benefits

Where bpost terminates the contract of a member of its personnel prior to his 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 recognised 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 recognised as a financial expense.

A provision for restoring polluted sites is recognised 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 recognised 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.

Dividends payable in respect of year N are only recognised as liabilities once the shareholders' rights to receive these dividends (during the course of year N+1) are established.

Income taxes

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 rate of tax 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 rate of tax 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 recognised in respect of:

(1) goodwill that is not amortised 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 recognised 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 utilised. 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.

Deferred revenue

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

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. Realised exchange rate gains and losses and non-realised exchange rate gains and losses on monetary assets and liabilities on the statement of financial position date are recognised 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 recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are measured at fair value with changes in fair value recognised in the Income Statement.

Special rules may apply in the case of hedging transactions by means of derivatives. bpost has not entered into these speculative type derivatives transactions and enters from time to time into currency swap contracts to cover specific currency transactions.

6.5 RISK MANAGEMENT

Approach and methodology

bpost has designed an Entreprise Risk Management (ERM) framework embedding company-wide risk management processes in key management activities such as the revision of the strategy or quarterly reviews of the operations by the Group Executive Committee.

Risks are identified at different levels in the organisation (including a.o. operational and financial management, corporate 2nd line functions such as Legal and Regulatory, Health and Safety, Security and Integrity and the Group Executive Management, covering the entire business).

The risks and uncertainties are disclosed in three categories:

- regulatory/Legal risks: These are regulatory or legal evolutions which could impact the realisation of the bpost strategy;
- external Business risks: External events which may affect the validity of the strategy for the pursuit of growth opportunities;
- operational risks: Mostly internally oriented risks or unforeseen disasters that may result in a impact on bpost results. These also include the financial risks.

Based on formalised risk evaluation criteria, approved by the Board of Directors, risks are prioritised in order to allow appropriate communication of risks throughout the company (top-down and bottom-up). For the main risks in each of the categories, a dedicated mitigation and monitoring approach is defined. The application of this approach is reviewed by the Group Executive Committee, the Audit Committee and the Board of Directors.

	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	• Tracking 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 Quarterly 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 be also risks that are currently believed to be immaterial, but which 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 are not be interpreted as a comprehensive list of risk responses within the Company. In addition, the mitigation efforts described are no guarantee that risks will not materialise. 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 legal and regulatory requirements. In addition, bpost strives for a constructive stakeholder management towards a.o. government, decision makers and regulators.

bpost operates in markets which 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, responsible for the postal sector, announced his intent to adopt a new Postal Law in the course of his legislature. The new Postal Law will aim to consolidate the current postal legislation and also to introduce certain amendments, for example abolish the operational licensing conditions for postal operators. It is not possible at this stage to predict the exact nature and extent of any impact on bpost of this legislative initiative.

In its decision of December 25, 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 has organised a competitive, transparent and non-discriminatory tendering procedure with respect to the distribution of recognised newspapers and periodicals in Belgium, following which the service concession has been awarded to bpost on October 16, 2015. bpost will provide the service from January 1, 2016 until December 31, 2020. In respect of the period commencing as of January 1, 2021, 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 have signed a new management contract ("6th management contract") with respect to the other SGEIs (amongst others 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 5 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, the Belgian State may cease to provide (or amend the scope and content of) certain public services, may conclude that such services do not constitute SGEIs and hence does not warrant compensation or may not entrust these services to bpost.

On June 3, 2016, the European Commission approved the 6th management contract and the concession agreements under the state aid rules. In October 2016, the Vlaamse Federatie van Persverkopers sought the annulment of the European Commission's clearance decision before the General Court on procedural grounds. The outcome of this procedure is inherently uncertain at this stage.

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 the access conditions imposed upon it may otherwise be unfavorable for bpost. In the event bpost were to fail to comply with this requirement, 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 (which inter alia depends on bpost reaching defined quality of service targets) and prior control by the IBPT/BIPT. The IBPT/BIPT may refuse to approve such tariffs or tariff increases if they are not in compliance with the aforementioned principles or price cap formula. The current tariffs for services subject to the price cap formula continue to apply for now in anticipation of a decision taken by the Belgian IBPT/BIPT to approve bpost's proposed 2017 price increase for these services.

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-subsidisation between public services on the one hand and commercial services on the other hand. 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, which, if adopted by the Council and EU Parliament, could impose increased pricing transparency and regulatory oversight for cross-border parcel delivery operators such as bpost. No general agreement on the text has so far been achieved.

bpost was designated by the Belgian State as the USO provider for an eight-year term commencing in 2011. The obligation to provide the USO may represent a financial burden on bpost. Although the 1991 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, if bpost were to be designated as a USO provider, there is 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, …) 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. bpost bank may also be required to increase its capital, in particular as a result of new capital requirements.

Related to other legal & regulatory 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. In particular, bpost was involved in litigation initiated by a number of auxiliary postmen (which include all postmen recruited from January 1, 2010 performing certain core functions such as collection, sorting, transport and distribution of mail). In May 2016, the Mons Labour Court of Appeals found in favour of bpost and rejected all claims. Further appeals are no longer possible.

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. 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.

Regulatory changes may impact the attractiveness of mail and parcels as a communication means and hence bpost's turnover. Such changes include the introduction of a stricter data protection framework in Belgium based on the General Data Protection Regulation which is to enter into force as of early 2018, the 2016 Law implementing new EU rules on the re-use of public sector information and the introduction of VAT on certain mail products (such as direct mail) which may reduce turnover earned from customers that are unable to recover VAT. bpost may also become subject to stricter customs requirements. The enactment of Belgian legislation promoting digital growth, electronic communication and e-government initiatives, as announced in November 2015 by Belgian Minister De Croo, responsible – in addition to postal matters – for digital growth and telecommunications could also adversely affect bpost's business. The latter includes Belgian legislation granting registered e-mail the same legal status as registered mail under certain conditions. If enacted, opt-in legislation or any similar legislation, whether at the national, regional or EU level, would contribute to a significant decline in advertising mail volumes and could have an adverse impact on bpost's business. The latter includes EU and Belgian legislation granting registered e-mail the same legal status as registered mail under certain conditions, which applies since September 2016.

External Business Risks

The risks mentioned in this paragraph have to a certain extend been considered in the review of the long-term strategy in 2016. By assigning clear ownership for each of the risks, risks are followed-up, trends are monitored and mitigating actions are initiated, where needed. The internal control and risk management system is further described in the Corporate Governance Statement.

Related to substitution and competition in the mail and parcel markets

The use of mail has declined in recent years primarily as a result of the increased use of e-mail and the internet, and is expected to continue to decline. The rate of decline in mail volumes may also be affected by 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.

The realisation of growth ambitions in parcels (both in Belgium and abroad) and in the development of new products and services might be challenged by external factors triggered by industry, competition and clients. Identified challenges for bpost include, without being limited to, the speed of disruptive innovations, continuous pressure on prices, or newly developed product or service offering not adopted by clients in a large scale.

More in general, adverse economic conditions have a negative impact on mail and parcels volumes. In particular, during times of economic distress, volumes of advertising mail may be adversely affected as bpost's clients reduce their advertising budgets or shift their spending to media other than paper. Volumes of parcels may also be adversely affected due to the effect of economic distress on the level of business activity and e-commerce.

Related to bpost bank

bpost bank is subject to certain business risks as a result of its status as a financial institution. It may experience losses in respect of its investment portfolio. Like any bank, bpost bank is subject to the interest rate risk, which directly influences its margin.
As small savings bank with relatively low product diversification beside a recent entry in the mortgage loan activity, its long-term profitability will be impacted by the evolution of interest rates. Volatility in interest rates may have a significant adverse effect on bpost bank's business, which could impact bpost's financial results. See also for more information below in the section on Financial risks – Interest rate risk.

Operational Risks – Business risks

bpost faces some operational challenges which require an appropriate level of management attention. Mitigating action plans are initiated where needed. The internal control and risk management system is further described in the Corporate Governance Statement.

Related to Information and Communication Technology

bpost relies on information and communication technology ("ICT") systems to provide most of its services. These systems are subject to risks such as power outages, disruptions of internet traffic, software bugs, and problems arising from human error, any of which could result in loss of data or significant disruption to bpost's operations. Also, in today's world of constant connectivity and dependency on information processed and stored electronically, the lack of consideration and protection of confidentiality/ sensitivity of information may lead to information being inappropriately shared. Effective data breaches could have a significant financial and reputational impact.

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, bpost has introduced a series of productivity enhancement initiatives to reduce its costs. There can be no assurance, however, that bpost will realise all of the benefits expected from such initiatives. In addition, bpost will need to combine "operational excellence" to keep costs under control with the increasing demand towards more "convenience" for the customers , for example, parcel delivery on Saturday or Sunday.

Related to the attractiveness of bpost as employer

bpost might face difficulties to attract and retain the operational workforce 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 successfully in-sourcing certain new capabilities to execute the strategy, might be also a challenge.

Related to the business continuity

Our ability to serve our customers and the public in general depends highly on the sorting centers where the mail and parcels are centralised, sorted and prepared for distribution. In Belgium, bpost operates six sorting centers spread over the country. If one or more of these facilities were to be shut down for a period of time, whether as a result of a power outage, accident, strike action, natural disaster resulting in fire or flooding, terrorist attack or otherwise, bpost might be unable to comply with delivery times or be unable to distribute for a period of time which could negatively impact the company's reputation and financial performance.

Operational Risks - Financial risks

Exchange rate risk

bpost's exposure to exchange rate risk is limited and is mainly a translation risk. The translation exchange risk is the risk affecting bpost consolidated accounts due to subsidiaries operating in currency other than the Euro (bpost's functional currency), the main other currency being the US Dollar. bpost does not hedge this translation exposure but monitors it. In the course of 2016 the EUR/USD exchange rate moved from 1.0887 at the start of January to 1.0545 at the end of December. In the course of 2015 the EUR/USD exchange rate moved from 1.2160 at the start of January to 1.0887 at the end of December. However, bpost aims to minimise this exposure by funding the operations of the entities in their functional currency, wherever feasible.

Interest rate risk

bpost's associate bpost bank is, like any 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 measured as an available for sale asset. 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 relative change in interest rates of 1% (from 1% to 1.01% for instance) on bpost bank's equity and, through the equity pick up, on bpost:

As at 31 December

In million EUR	1%	- 1%
Equity bpost bank	(0.3)	0.3
Equity bpost	(0.2)	0.2

bpost is also directly exposed to interest rate risks. The loan granted by the European Investment Bank (EIB), with an outstanding balance of EUR 54.5 million for which the cost amortisation is foreseen in 2022, carries a floating interest rate (3 months Euribor rate minus 3.7 basis points).

Financial results of bpost are also influenced by the evolution of the discount rates, used to calculate the employee benefits obligation. At December 31, 2016, an increase by 0.5% of the average discount rates, would generate a decrease of financial charge of EUR 21.6 million. A decrease by 0.5% of the average discount rates, would increase financial charges by EUR 22.8 million. For further detail, see note 6.26.

Credit risk

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

As at 31 December

In million EUR	2016	2015	2014
Held to maturity financial assets	12.0	0.0	0.0
Cash and Cash equivalents	538.9	615.7	562.3
Trade and other receivables	481.8	411.2	398.3
CREDIT RISK CLASSES OF FINANCIAL ASSETS	**1,032.7**	**1,026.9**	**960.6**

Operational activities

The credit risk by definition only concerns that portion of bpost's activities that are not paid upfront in cash. bpost SA-NV 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.

Trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and the movements can be found in the table below.

In million EUR	2016	2015	2014
AT 1 JANUARY	**12.9**	**6.9**	**6.1**
Impairments: Additions through business combinations	0.8		
Impairments: Additions	3.7	7.8	2.6
Impairments: Utilisation	(1.1)	(1.4)	(1.3)
Impairments: Reversal	(2.6)	(0.3)	(0.7)
Impairments: Translation differences	(0.3)		
AT 31 DECEMBER	**13.4**	**12.9**	**6.9**

Some of the trade receivables are past due as at the reporting date. The ageing analysis of the trade receivables that are past due is as follows:

As at 31 December

In million EUR	2016	2015	2014
Current	386.5	330.9	316.1
< 60 days	45.7	38.0	40.8
60 - 120 days	5.8	7.3	6.7
> 120 days	5.3	6.4	5.8
TOTAL	**443.3**	**382.6**	**369.3**

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.

The changes in the fair value of the financial liabilities (see note 6.25) are not due to changes in credit risk. This is presented in the table hereunder:

In million EUR	2016	2015	2014
CARRYING AMOUNT AT 1 JANUARY	**65.8**	**75.6**	**86.9**
Change attributable to changes in credit risk	0.0	0.0	0.0
Reimbursement loan	(9.1)	(9.1)	(10.4)
Other changes	1.3	(0.7)	(0.9)
CARRYING AMOUNT AT 31 DECEMBER	**58.0**	**65.8**	**75.6**

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. 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 by its customers prior to bpost performing the service.

The maturity of the liabilities in the previous reporting period were as follows:

In million EUR	CURRENT less than 1 year	NON-CURRENT within 1 year but not later than 5 years	NON-CURRENT later than 5 years
31 DECEMBER 2015			
Finance lease obligations	0.5	1.6	0.0
Trade and other payables	838.3	61.7	0.0
Bank loan	9.1	36.4	18.2

As at December 31, 2016, liabilities have contractual maturities which are summarised below:

In million EUR	CURRENT less than 1 year	NON-CURRENT within 1 year but not later than 5 years	NON-CURRENT later than 5 years
31 DECEMBER 2016			
Finance lease obligations	1.2	2.2	0.0
Trade and other payables	1,035.2	40.3	0.0
Bank loan	9.1	36.4	9.1

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.

Capital management policies and procedures

bpost monitors capital on the basis of the ratio of the carrying amount of equity versus net debt.

The elements composing the equity for this ratio are the same as stated in the equity reconciliation. Net debt is composed of loans less investment securities and cash and cash equivalents. The ratio is calculated as [Net debt / Capital].

Currently, bpost has not established a formal set of upper and lower limits for this ratio, given the absence of any significant loans (except the EIB loan). The main objectives for the capital management are to ensure bpost's ability to continue as a going concern and to provide an adequate return to shareholders.

The table below details the elements of the monitoring ratio.

As at 31 December

In million EUR	2016	2015	2014
Capital			
Issued capital / Authorised capital	364.0	364.0	364.0
Other reserves	274.2	230.9	229.4
Foreign currency translation	2.5	0.6	0.6
Retained earnings	135.5	99.3	87.5
Non-controlling interests	3.1	(0.0)	0.0
TOTAL	**779.3**	**694.8**	**681.4**
Net Debt / (net cash)			
Interest bearing loans and borrowings	58.0	66.0	76.0
Non-interest bearing loans and borrowings	0.1	0.1	0.1
- Investment security	(12.0)	-	-
- Cash and cash equivalents	(538.9)	(615.7)	(562.3)
TOTAL	**(492.7)**	**(549.5)**	**(486.2)**
NET DEBT/(NET CASH) TO CAPITAL RATIO	**(0.6)**	**(0.8)**	**(0.7)**

6.6 BUSINESS COMBINATIONS

Additional consideration Landmark

In January 2016 bpost SA-NV acquired an additional 24.5% of Landmark Global Inc. and Landmark Trade Services, Ltd., to reach a total of 75.5% shares for a price of USD 22.5 million (EUR 20.7 million).

Additional consideration Landmark Global (PL)

In January 2016, bpost SA-NV paid USD 0.2 million (EUR 0.2 million) in execution of the contingent consideration agreement and based upon the 2015 performance of Landmark Global (PL). The fair value of the contingent consideration was recognised as a liability. The payment had no impact on the original calculated goodwill.

Additional consideration CityDepot

In May 2016 bpost SA-NV acquired an additional 10% of CityDepot NV, to reach a total of 58% shares for a price of EUR 0.2 million. In December 2016 bpost performed a capital increase of EUR 5.2 million throughout which bpost obtained 99.1% of the shares of CityDepot.

Acquisitions over the twelve month period ended December 31, 2016

On March 21, 2016 bpost SA-NV purchased 100% of the shares both of Freight Distribution Management Systems Pty Ltd. and FDM Warehousing Pty Ltd. ("FDM"), two Sydney-based Australian companies. Consequently these have been consolidated within the P&I operating segment using the full-integration method as from April 2016.

These FDM entities are specialised in providing a personalised customer service for warehousing and distributing products in Australia. FDM's business consists of Third Party Logistics (3PL) warehousing, transport & distribution.

In accordance with the purchase agreement and including a purchase price adjustment of EUR 0.4 million calculated based on the final closing accounts, bpost SA-NV paid an amount of EUR 14.8 million. In addition, the agreement includes a contingent consideration arrangement and foresees an additional remuneration based on the EBITDA achieved in 2016 and 2017. Based on the last forecast, the fair value of the contingent consideration is recognised for an amount of EUR 6.8 million as a liability. There is no material sensitivity for bpost to variations in this contingent consideration.

The calculated goodwill, after price adjustment, is presented as follows:

Carrying amount in the acquired entity

	In million EUR
Current Assets	4.3
Non-Currents Assets	3.8
Current Liabilities	1.7
Non-Current Liabilities	1.0
NET ASSETS	**5.4**
Fair value of the assets acquired ie 100% Net Assets	5.4
Goodwill arising on acquisition	16.3
PURCHASE CONSIDERATION TRANSFERRED	**21.6**
of which:	
- Cash paid	14.8
- Contingent consideration	6.8

Analysis of cash flows on acquisition

	In million EUR
Net cash acquired with the subsidiary	2.7
Cash paid	(14.8)
NET CASH OUTFLOW	**(12.1)**

The goodwill derives from expected synergies from combining operations of bpost and its subsidiaries.

On June 1, 2016 9517154 Canada Ltd., a 100% subsidiary of bpost SA-NV, purchased the assets of Apple Express Courier Ltd. and Matt's Express (1990) Ltd., two Canadian companies and bpost US Holding Inc., another 100% subsidiary of bpost SA-NV, purchased 100% of the shares of Apple Express Courier Inc., a Miami-based American company. Consequently these have been consolidated using the full-integration method as from June 2016. These companies primarily provide last mile delivery, transportation and fulfilment services for clients in Canada and the US.

In accordance with the purchase agreement and including a purchase price adjustment of EUR 0.2 million calculated based on the final closing accounts, 9517154 Canada Ltd. and bpost US Holding Inc. paid an amount of EUR 12.6 million. In addition, the agreement included a contingent consideration arrangement and foresees an additional remuneration based on the EBITDA achieved in July 2016 and July 2017. Based on the business plan, the fair value of the contingent consideration was recognised for an amount of EUR 7.4 million as a financial liability. There is no material sensitivity for bpost to variations in this contingent consideration.

The following table summarises:

- the consideration for Apple Express EUR 20 million;
- identifiable assets acquired less liabilities assumed after remeasurement to fair value at acquisition date of EUR 11.4 million; and
- the goodwill of EUR 8.6 million corresponding to the difference between the consideration and the net assets acquired, measured at fair value.

Carrying amount in the acquired entity

	In million EUR
Current Assets	6.7
Non-Currents Assets	7.2
Current Liabilities	2.5
Non-Current Liabilities	0.0
NET ASSETS	**11.4**
Fair value of the assets acquired ie 100% Net Assets	11.4
Goodwill arising on acquisition	8.6
PURCHASE CONSIDERATION TRANSFERRED	**20.0**
of which:	
- Cash paid	12.6
- Contingent consideration	7.4

Analysis of cash flows on acquisition

	In million EUR
Net cash acquired with the subsidiary	1.1
Cash paid	(12.6)
NET CASH OUTFLOW	**(11.4)**

The adjustment to fair value of EUR 6.6 million of intangible assets has resulted in the recognition of acquired customer relationships for a total of EUR 4.1 million and acquired trade names for a total of EUR 2.5 million. Assets were fairly valued with the assistance of an external independent expert.

The fair value of the trade receivables acquired approximates their gross contractual amounts.

The resulting goodwill of EUR 8.6 million derives from expected synergies from combining operations of bpost and its subsidiaries.

In December 2016, 9517154 Canada Ltd. paid an amount of CAD 5.1 million (EUR 3.7 million) in execution of the contingent consideration agreement and related to the August 2015 – July 2016 performance. The fair value of the contingent consideration was recognised as a liability. The payment had no impact on the original calculated goodwill.

In August 2016, bpost SA-NV invested in the start-up company Parcify SA-NV to support and take part in the development of its innovative parcel delivery solution. Parcify uses the omnipresence of smartphones to offer a tailored delivery to the place where the receiver is rather than to his/her postal address. For that, it uses its in-house developed iOS and Android app and its (predictive) data analysis tool. Parcify's crowd-sourced delivery network can be added to or integrated into the bpost parcel delivery solutions.

bpost acquired 51% of the shares of Parcify via a capital increase, hence the company was consolidated within the P&I operating segment using the full-integration method as from August 2016. Two potential additional capital increases are foreseen through which bpost can further support Parcify's growth over the next 3 years. As all of bpost's contributions foreseen in the Investment Agreement are capital increases in a company in which bpost has a majority shareholding, no contingent considerations are to be registered. As a consequence, there was a small badwill of EUR 37,000 to be registered regarding the transaction.

In September 2016, bpost SA-NV acquired 51% of the shares of de Buren Internationaal BV. de Buren specialises in the assembly and operation of packwalls, including models with temperature controlled parcel lockers. de Buren has developed a software that allows them to manage and market any spare locker capacity in their entire network.

The company was consolidated within the P&I operating segment using the full-integration method as from October 2016. The initial consideration consists of a payment of EUR 1 at closing and a payment of EUR 2.0 million conditional to achieving defined commercial targets (these targets were not yet met at December 31, 2016). An earn-out mechanism is foreseen by which the sellers will get an additional payment based on either the 2020 or 2021 normalised EBITDA performance; an estimated earn-out amount based on the company's business plan has been registered as a liability. There is no material sensitivity for bpost to variations in this contingent consideration. Next to the consideration paid to the sellers, bpost has carried out a EUR 5.5 million capital increase in the company in December 2016.

The fair value of assets and liabilities at acquisition date could not be assessed yet, hence 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 by the end of 2017.

On November 30, 2016 bpost SA-NV purchased 100% of the shares of AMP and LS Distribution Benelux, renamed Ubiway, two Belgian companies performing the Belgian activities of Lagardère Travel retail.

In Belgium, Ubiway is active in proximity and convenience retail. With 220 selling points including brands as Press Shop and Relay, the company distributes a large variety of products and services. These services include also the distribution of newspapers with AMP to a network of around 5,345 points of sale. Kariboo is a newly built distribution network of 735 pick-up and delivery points of parcels in Belgium and gives access to online services.

The Ubiway Group was consolidated within the MRS operating segment, with exception of Kariboo which is being consolidated within the P&I operating segment, using the full-integration method as from December 2016. As negotiations concerning the final purchase price are ongoing the fair value of assets and liabilities at acquisition date cannot be assessed yet. Hence the determination of the carrying amount of the acquired entity and the final purchase price allocation of the acquisition are still under review and will be fully disclosed by the end of 2017. The initial purchase price for 100% of the shares was EUR 84.5 million (including EUR 44.5 million cash).

6.7 SEGMENT INFORMATION

bpost's business is organised based on business units, service units and corporate units. Effective January 1, 2013, it has operated through two business units: the MRS business unit and the P&I business unit.

The Mail & Retail Solutions business unit (MRS) offers solutions to big customers, private and public, self-employed workers and small and medium businesses on the one hand and serves the residential customers as well as all customers using mass market channels such as the post offices, the Post Points, point of sales of Ubiway or the bpost's eShop to purchase their mail, press and other products on the other hand. It also sells banking and insurance products under an agency agreement with bpost bank and AG Insurance and offers to its clients a number of other payment products.

The Parcels & International (P&I) business unit specialises in worldwide mail, parcel and e-commerce logistics solutions (fulfillment, handling, delivery and return management).

bpost provides products and services based on the following product lines: (i) transactional mail, (ii) advertising mail, (iii) press, (iv) domestic parcels, (v) international parcels, (vi) special logistics, (vii) value-added services, (viii) international mail, (ix) banking and financial products and (x) other. Turnover from the transactional mail, advertising mail, press and banking and financial products are included within the MRS business unit. Turnover from the international mail, special logistics and parcels product lines are included within the P&I business unit. Other turnover and value-added services are allocated across the MRS and P&I business units.

bpost has service units that support the business whose costs are recharged to the business and corporate units using a cost allocation mechanism. The service units include the MSO unit, IOPS unit, the ICT and Service Operations units, the GSO (Global Service Organisation) and the Human Resources & Organisation (HR&O) unit. The MSO service unit is in charge of collecting, sorting and distributing mail and parcels in Belgium. The IOPS service unit comprises the operations of the European Mail Center, which is located at Brussels Airport and serves as a hub for international mail and parcels.

bpost's corporate units include Finance (excluding GSO), Legal/Regulatory and Internal Audit and some costs related to the employee related liabilities and provisions. The costs of the corporate units are not recharged to other units and are reported under the category "Corporate".

The two business units are also operating segments for financial reporting purposes. Operating income at the level of each of these two segments captures external sales to third parties. The sum of the operating income of the two segments, together with the operating income of the reconciling category "Corporate", reconciles to bpost's operating income. bpost computes its profit from operating activities (EBIT) at the segment.

The operating segments are the lowest level on which performance is assessed by the Chief Operating Decision Maker (CODM) under the definition of IFRS 8.22. The CODM is the Board of Directors.

As of January 1, 2016 the prepaid parcels have been transferred from MRS to P&I, hence all parcels are being registered within P&I. Taking into account these changes, the 2015 figures have been made comparable to reflect these changes. The comparable figures are shown under the heading "comparable". The variances mentioned hereafter compare the 2016 figures with the 2015 comparable figures.

The table below presents the evolution per business unit for the years ended December 31, 2016, 2015 and 2014:

As at 31 December

In million EUR	2016	2015 comparable	2014
MRS	1,844.1	1,870.3	1,972.1
P&I	549.8	523.6	470.6
TOTAL OPERATING INCOME OF OPERATING SEGMENTS	**2,393.8**	**2,393.9**	**2,442.7**
Corporate (Reconciling category)	31.4	39.8	21.9
TOTAL OPERATING INCOME	**2,425.2**	**2,433.7**	**2,464.7**

Revenues attributable to the MRS operating segment decreased by EUR 26.2 million in 2016, mainly driven by the underlying volume decline in Domestic Mail (-5.0%) combined with the lower compensation for SGEI, partially compensated by the price and mix improvement in Domestic Mail and the consolidation of Ubiway.

The increase in P&I operating segments revenues in 2016, amounting to EUR 26.2 million is mainly attributable to the solid growth in parcels activities (International Parcels and Domestic Parcels), partially offset by the decrease of International Mail due to the decline in mail volumes and the wholesale business in order to safeguard reasonable profit margins.

Inter-segment sales are immaterial. There is no internal operating income.

Excluding the remuneration received to provide the services as described in the management contract and press concessions (see note 6.8), no single external customer exceeded 10% of bpost's total operating income (revenues).

The following table presents the revenues from external customers attributed to Belgium and to all foreign countries in total from which bpost derives its revenues. The allocation of the revenues of the external customers is based on their location.

As at 31 December

In million EUR	2016	2015	2014
Belgium	2,073.1	2,102.8	2,131.1
Rest of the World	352.1	330.9	333.6
TOTAL OPERATING INCOME	**2,425.2**	**2,433.7**	**2,464.7**

The following table presents EBIT information about bpost's operating segments for the years ended December 31, 2016, 2015 and 2014:

As at 31 December

In million EUR	2016	2015 comparable	2014
MRS	459.8	436.7	513.6
P&I	78.0	68.9	12.2
TOTAL EBIT OF OPERATING SEGMENTS	**537.8**	**505.5**	**525.8**
Corporate (Reconciling category)	(41.3)	(39.5)	(45.7)
TOTAL EBIT	**496.5**	**466.1**	**480.1**

The EBIT attributable to the MRS operating segment increased by EUR 23.2 million in 2016. Excluding the accrual for the Alpha social plan booked in the third quarter of 2015, the lower compensation for SGEI and press concessions along with the volume decrease could not be compensated by the price increases, productivity improvements and other cost reductions.

The EBIT attributable to the P&I operating segment increased by EUR 9.1 million compared to 2015, from EUR 68.9 million to reach EUR 78.0 million. The increase is mainly due to the increased revenues driven by Parcels, the better performance of some P&I subsidiaries, the settlement on terminal dues with another postal operator and the absence of the accrual for the Alpha social plan, partially offset by the impairment of the goodwill of Landmark Global UK and the start up costs of Parcify.

Not taking into account the sale of a sizeable building in 2015 (capital gain of EUR 26.1 million), profit from operating activities attributable to the Corporate reconciliation category increased by EUR 24.3 million, mainly due to the sales of buildings, the favorable impact of revenue recognition and cost savings in the central departments.

The following table presents EAT information about bpost's operating segments for the years ended December 31, 2016, 2015 and 2014:

As at 31 December

In million EUR	2016	2015 comparable	2014
MRS	459.8	436.7	513.6
P&I	78.0	68.9	12.2
TOTAL EAT OF OPERATING SEGMENTS	**537.8**	**505.5**	**525.8**
Corporate (Reconciling category)	(191.6)	(196.3)	(230.3)
TOTAL EAT	**346.2**	**309.3**	**295.5**

Financial details for the year ended December 31, 2016, 2015 and 2014 on the corporate segment (reconciliation post) are as follows:

As at 31 December

In million EUR	2016	2015	2014
OPERATING INCOME	**31.4**	**39.8**	**21.9**
Central departments (Finance GSO Excl., Legal, Internal Audit, CEO, …)	(66.7)	(72.2)	(67.4)
Other reconciliation items	(6.0)	(7.1)	(0.2)
OPERATING EXPENSES	**(72.6)**	**(79.3)**	**(67.6)**
EBIT CORPORATE (RECONCILING CATEGORY)	**(41.3)**	**(39.5)**	**(45.7)**
Share of profit of associates	9.9	10.2	11.2
Financial results	(17.0)	(5.6)	(37.2)
Income tax expense	(143.2)	(161.4)	(158.6)
EAT CORPORATE (RECONCILING CATEGORY)	**(191.6)**	**(196.3)**	**(230.3)**

Financial income, financial costs, share of profit of associates and income tax expenses are all included in the reconciling category "Corporate".

Assets and liabilities are not reported per segment to the Board.

6.8 TURNOVER

For the year ended 31 December

In million EUR	2016	2015	2014
Turnover excluding the SGEI remuneration	2,134.5	2,105.6	2,137.4
SGEI remuneration	264.9	287.8	304.4
TOTAL	**2,399.4**	**2,393.4**	**2,441.7**

6.9 OTHER OPERATING INCOME

For the year ended 31 December

In million EUR	2016	2015	2014
Gain on disposal of property, plant and equipment	17.5	33.4	15.5
Benefits in kind	0.0	0.2	0.3
Rental income of investment property	0.6	0.8	1.0
Other rental income	0.2	0.5	1.8
Third party cost recovery	2.1	1.8	2.3
Other	5.2	3.7	2.0
TOTAL	**25.8**	**40.3**	**22.9**

Gains on disposal of property, plant and equipment, which is mainly related to the sales of buildings, decreased by EUR 15.8 million compared to last year due to the disposal of one sizeable building at the end of 2015. Excluding this non-recurring item, gains on the disposal of property, plant and equipment increased by EUR 10.2 million.

The third party costs recovery relates to the sales realised by bpost's restaurants.

Other sources of operating income mainly consist of reimbursements by third parties of damages suffered by bpost and its subsidiaries.

6.10 OTHER OPERATING EXPENSE

For the year ended 31 December

In million EUR	2016	2015	2014
Provisions	(15.0)	1.4	2.6
Local, real estate and other taxes	12.4	13.6	11.5
Impairment on trade receivables	1.6	0.1	2.3
Penalties	0.0	0.1	0.1
Other	2.7	5.2	4.7
TOTAL	**1.7**	**20.5**	**21.3**

Other operating charges decreased by EUR 18.8 million versus last year, mainly driven by lower costs of provisions (EUR 16.5 million) due to the reversal of provisions related to a terminal dues settlement with another postal operator for which the corresponding costs have been booked with transport costs. More details on the evolution of the provisions can be found in note 6.28.

Local, real estate and other taxes have decreased mainly due to the higher recoverable VAT (EUR 3.0 million): percentage of recoverable VAT increased from 13% in 2014 to 14% in 2015 and 18.79% in 2016.

6.11 PAYROLL COSTS

For the year ended 31 December

In million EUR	2016	2015	2014
Employee remuneration	892.2	900.0	962.6
Social plan - Alpha project	0.0	54.5	0.0
Social security contribution	192.3	199.3	207.5
Defined benefit and defined contribution plans	18.8	25.2	17.4
Other personnel costs	7.7	6.8	12.4
TOTAL	**1,111.1**	**1,185.8**	**1,199.9**

As at December 31, 2016, the headcount of bpost amounted to 26,987 (2015: 26,381) and was composed as follows:

- statutory personnel: 11,293 (2015: 12,302);
- contractual personnel: 15,694 (2015: 14,079).

The average FTE number for 2016 is 23,708 (2015: 23,847).

6.12 FINANCIAL INCOME AND FINANCIAL COST

The following amounts have been included in the Income Statement line for the reporting periods presented:

For the year ended 31 December

In million EUR	2016	2015	2014
Financial income	10.7	5.3	5.5
Financial costs	(27.6)	(10.9)	(42.7)
NET FINANCIAL RESULT	**(17.0)**	**(5.6)**	**(37.2)**

Financial income

For the year ended 31 December

In million EUR	2016	2015	2014
Interest income from financial assets at fair value through P&L, designated as such upon initial recognition	0.0	0.0	0.0
Interest income from financial assets held to maturity	0.0	0.1	0.3
Interest income from short-term bank deposits	0.2	0.6	0.7
Interest income from current accounts	0.1	0.2	0.3
Gain from exchange differences	9.8	3.5	3.5
Other	0.5	0.9	0.7
FINANCIAL INCOME	**10.7**	**5.3**	**5.5**

Financial costs

For the year ended 31 December

In million EUR	2016	2015	2014
Financial costs on benefit obligations (IAS 19)	18.7	(0.6)	38.8
Interest from loans	0.2	0.2	0.4
Loss from exchange differences	6.6	7.8	1.8
Impairment current/financial assets	0.3	0.2	(0.1)
Other finance costs	1.9	3.2	2.0
FINANCIAL COSTS	**27.6**	**10.9**	**42.7**

6.13 INCOME TAX/DEFERRED TAX

Income taxes recognised in the Income Statement can be detailed as follows:

As at 31 December

In million EUR	2016	2015	2014
TAX EXPENSE INCLUDED:			
Current tax expenses	(143.2)	(153.6)	(158.0)
Adjustment recognised in the current year in relation to the current tax of prior year	(0.1)	2.5	1.8
Deferred tax expenses	0.1	(10.2)	(2.5)
TOTAL TAX EXPENSE	**(143.2)**	**(161.4)**	**(158.6)**

The reconciliation of the effective tax rate with the aggregated weighted nominal tax rate can be summarised as follows:

In million EUR	2016	2015	2014
TAX EXPENSE USING STATUTORY TAX RATE	**166.4**	**160.0**	**154.4**
Profit before tax	489.5	470.6	454.1
Statutory tax rate	33.99%	33.99%	33.99%
Reconciling items between statutory and effective tax			
Tax effect of non tax deductible expenses	6.6	7.0	6.7
Notional interests deduction	(0.5)	(0.9)	(1.1)
Tax effects prior year	1.7	(2.7)	1.7
Tax effect of tax losses utilised by subsidiaries	(4.8)	(4.3)	(2.9)
Subsidiaries in loss situation	2.7	3.6	1.0
Associates (equity method)	(3.4)	(3.5)	(3.8)
Other:			
Tax effect of Deltamedia liquidation	(22.2)	0.0	0.0
Other differences	(3.2)	2.1	2.7
TOTAL	**143.2**	**161.4**	**158.6**
Tax using effective rate (current period)	(143.2)	(161.4)	(158.6)
Profit before income tax	489.5	470.6	454.1
Effective tax rate	29.3%	34.3%	34.9%

In 2016 Deltamedia SA-NV has been liquidated, triggering a positive impact of EUR 22.2 million. The loss on the participation incurred by bpost SA-NV was tax deductible upon liquidation to the extent it represented previously fiscally paid-up capital in Deltamedia SA-NV and has been excluded from the normalised results due to its non-recurring nature.

As of December 31, 2016, bpost recognised a net deferred income tax asset of EUR 48.2 million. This net deferred income tax asset is composed as follows:

As at 31 December

In million EUR	2016	2015	2014
Deferred tax assets			
Employee benefits	48.4	49.1	61.5
Provisions	14.1	13.5	14.8
Other	22.6	22.0	22.7
TOTAL DEFERRED TAX ASSETS	**85.0**	**84.7**	**99.1**
Deferred tax liabilities			
Property plant and equipment	29.3	30.6	32.8
Intangible assets	7.2	6.7	5.2
Other	0.3	0.2	0.1
TOTAL DEFERRED TAX LIABILITIES	**36.8**	**37.5**	**38.1**
NET DEFERRED TAX ASSET	**48.2**	**47.2**	**61.0**

No deferred tax is recognised on temporary differences arising from investments in subsidiaries, because bpost has control on the reversal of the temporary difference and it is probable that they will not be reversed in the foreseeable future.

6.14 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, based on the number of shares after the share split:

For the year ended 31 December

In million EUR	2016	2015	2014
Net profit attributable to ordinary equity holders of the parent for basic earnings	**343.8**	**307.0**	**293.6**
Adjustments for the effect of dilution	–	–	–
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dillution	343.8	307.0	**293.6**
IN MILLION SHARES			
Weighted average number of ordinary shares for basic earnings per share	200.0	200.0	200.0
Effect of dilution	–	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	200.0	200.0	200.0
IN EUR			
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the parent	1.72	1.54	1.47
Diluted, profit for the year attributable to ordinary equity holders of the parent	1.72	1.54	1.47

6.15 PROPERTY, PLANT AND EQUIPMENT

In million EUR	Land and buildings	Plant and equipment	Furniture and vehicles	Fixtures and fittings	Other property, plant and equipment	Total
ACQUISITION COST						
Balance at 1 January 2014	864.8	282.0	219.9	82.0	20.9	1,469.6
Acquisitions	0.6	5.6	9.2	16.7	45.4	77.6
Acquisitions through business combinations	0.0	0.3	0.1	0.0	0.0	0.4
Disposals	0.0	(1.2)	(6.1)	(0.9)	0.8	(7.4)
Assets classified as held for sale or investment property	(23.2)	0.0	0.0	(6.0)	0.0	(29.2)
Exchange rate difference	0.0	0.0	0.2	0.0	0.0	0.3
Other movements	19.2	7.3	(0.2)	3.3	(31.7)	(2.1)
BALANCE AT 31 DECEMBER 2014	**861.7**	**293.9**	**223.1**	**95.1**	**35.5**	**1,509.3**
Balance at 1 January 2015	861.7	293.9	223.1	95.1	35.5	1,509.3
Acquisitions	2.1	5.9	11.8	20.1	27.1	67.0
Acquisitions through business combinations	0.0	0.2	(0.0)	(0.0)	0.0	0.2
Disposals	0.0	(0.3)	(4.7)	(5.2)	(0.0)	(10.2)
Assets classified as held for sale or investment property	(31.1)	0.0	0.0	(1.2)	0.0	(32.3)
Exchange rate difference	0.0	0.0	0.2	0.1	0.0	0.3
Other movements	21.1	25.1	(0.1)	1.0	(47.2)	(0.1)
BALANCE AT 31 DECEMBER 2015	**853.8**	**324.7**	**230.3**	**109.9**	**15.4**	**1,534.1**
Balance at 1 January 2016	853.8	324.7	230.3	109.9	15.4	1,534.1
Acquisitions	7.5	8.5	17.7	20.0	19.0	72.7
Acquisitions through business combinations	0.8	44.0	18.3	6.7	1.6	71.4
Disposals	0.0	(0.2)	(7.0)	(6.8)	(0.0)	(14.0)
Assets classified as held for sale or investment property	(25.9)	0.0	0.0	(0.8)	0.0	(26.8)
Exchange rate difference	0.0	(0.0)	(0.0)	0.0	(0.0)	(0.1)
Other movements	0.0	6.9	(0.1)	0.6	(7.1)	0.3
BALANCE AT 31 DECEMBER 2016	**836.1**	**383.9**	**259.2**	**129.5**	**28.9**	**1,637.7**
REVALUATION						
Balance at 1 January 2014	0.0	0.0	0.0	0.0	7.4	7.4
BALANCE AT 31 DECEMBER 2014	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**7.4**
Balance at 1 January 2015	0.0	0.0	0.0	0.0	7.4	7.4
BALANCE AT 31 DECEMBER 2015	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**7.4**
Balance at 1 January 2016	0.0	0.0	0.0	0.0	7.4	7.4
BALANCE AT 31 DECEMBER 2016	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**7.4**

In million EUR	Land and buildings	Plant and equipment	Furniture and vehicles	Fixtures and fittings	Other property, plant and equipment	Total
DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 January 2014	(454.3)	(215.9)	(178.4)	(54.6)	(3.7)	(906.7)
Acquisitions through business combinations	0.0	(0.2)	(0.0)	0.0	0.0	(0.2)
Disposals	0.0	1.2	6.1	0.9	(0.8)	7.4
Depreciation	(18.7)	(16.9)	(16.2)	(17.7)	0.0	(69.4)
Impairment losses	(2.6)	0.3	(0.1)	(1.5)	0.8	(3.1)
Assets classified as held for sale or investment property	16.9	0.0	0.0	4.6	0.0	21.5
Exchange rate difference	0.0	(0.0)	(0.1)	(0.0)	0.0	(0.2)
Other increase (decrease)	(4.5)	(0.0)	(0.0)	4.4	0.0	(0.2)
BALANCE AT 31 DECEMBER 2014	**(463.1)**	**(231.5)**	**(188.8)**	**(63.9)**	**(3.7)**	**(951,0)**
Balance at 1 January 2015	(463.1)	(231.5)	(188.8)	(63.9)	(3.7)	(951.0)
Acquisitions through business combinations	0.0	(0.1)	(0.0)	(0.1)	0.0	(0.2)
Disposals	0.0	0.3	4.7	5.2	0.0	10.2
Depreciation	(20.3)	(18.3)	(15.1)	(19.2)	0.0	(73.0)
Impairment losses	2.4	0.3	0.0	0.9	0.0	3.6
Assets classified as held for sale or investment property	16.7	0.0	0.0	1.2	0.0	18.0
Exchange rate difference	0.0	(0.1)	(0.2)	(0.1)	0.0	(0.5)
Other movements	(5.7)	(0.1)	0.2	5.6	0.0	(0.0)
BALANCE AT 31 DECEMBER 2015	**(469.9)**	**(249.5)**	**(199.3)**	**(70.4)**	**(3.7)**	**(992.9)**
Balance at 1 January 2016	(469.9)	(249.5)	(199.3)	(70.4)	(3.7)	(992.9)
Acquisitions through business combinations	(0.3)	(30.6)	(15.6)	(4.8)	0.0	(51.3)
Disposals	0.0	0.2	7.0	6.8	0.0	14.0
Depreciation	(16.1)	(19.5)	(15.0)	(20.4)	0.0	(71.0)
Impairment losses	0.0	0.0	0.0	(0.3)	0.0	(0.4)
Assets classified as held for sale or investment property	18.3	0.0	0.0	0.1	0.0	18.4
Exchange rate difference	0.0	0.0	(0.1)	0.0	0.0	(0.1)
Other movements	(7.4)	0.0	0.2	7.0	0.0	(0.2)
BALANCE AT 31 DECEMBER 2016	**(475.4)**	**(299.4)**	**(222.8)**	**(82.1)**	**(3.7)**	**(1,083.5)**
CARRYING AMOUNT						
At 31 December 2014	398.6	62.4	34.3	31.2	39.2	565.7
At 31 December 2015	383.9	75.2	31.0	39.4	19.1	548.5
At 31 December 2016	360.7	84.5	36.3	47.5	32.6	561.6

Property, plant and equipment have increased by EUR 13.1 million from EUR 548.5 million to EUR 561.6 million. This increase was explained by:

- the incorporation of new subsidiaries (EUR 20.1 million), the figures presented in the table hereunder are provisional and can still change due to the purchase price allocation of some acquisitions;

In million EUR	Land and buildings	Plant and equipment	Furniture and vehicles	Fixtures and fittings	Other property, plant and equipment	Total
Acquisition cost - acquisitions through business combinations	0.8	44.0	18.3	6.7	1.6	71.4
Depreciation - acquisitions through business combinations	(0.3)	(30.6)	(15.6)	(4.8)	0.0	(51.3)
CARRYING AMOUNT	**0.5**	**13.4**	**2.7**	**1.8**	**1.6**	**20.1**

- acquisitions (EUR 72.7 million) related to production facilities for sorting and printing activities (EUR 23.0 million), mail and retail network infrastructure (EUR 20.4 million), ATM and security infrastructure (EUR 4.4 million), transportation related infrastructure (EUR 7.5 million), IT and other infrastructure (EUR 15.9 million) and land (EUR 1.5 million);
- depreciation and impairment amounted to EUR 71.4 million and slightly increased compared to last year (2015: EUR 69.4 million);
- transfer to assets held for sale (EUR 8.6 million) and from investment property (EUR 0.2 million).

All amortisation and depreciation charges are included in the section "Depreciation, amortisation" of the income statement.

6.16 INVESTMENT PROPERTY

In million EUR	Land and buildings
ACQUISITION COST	
Balance at 1 January 2014	26.3
Acquisitions	0
Transfer from/to other asset categories	(2.7)
BALANCE AT 31 DECEMBER 2014	**23.6**
Balance at 1 January 2015	23.6
Acquisitions	0
Transfer from/to other asset categories	(4.9)
BALANCE AT 31 DECEMBER 2015	**18.7**
Balance at 1 January 2016	18.7
Acquisitions	0
Transfer from/to other asset categories	(0.5)
BALANCE AT 31 DECEMBER 2016	**18.2**
DEPRECIATION AND IMPAIRMENT LOSSES	
Balance at 1 January 2014	(16.0)
Depreciations	(0.1)
Transfer from/to other asset categories	1.3
BALANCE AT 31 DECEMBER 2014	**(14.9)**
Balance at 1 January 2015	(14.9)
Depreciation	(0.1)
Transfer from/to other asset categories	2.9
BALANCE AT 31 DECEMBER 2015	**(12.2)**
Balance at 1 January 2016	(12.2)
Depreciations	(0.1)
Transfer from/to other asset categories	0.3
BALANCE AT 31 DECEMBER 2016	**(12.0)**
CARRYING AMOUNT	
At 31 December 2014	8.7
At 31 December 2015	6.5
At 31 December 2016	6.2

Investment property mainly relates to apartments located in buildings used as post offices. 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 amounts to EUR 0.6 million (2015: EUR 0.8 million). The estimated fair value of the investment property decreased from EUR 15.1 million to EUR 12.7 million driven by a reduction in the number of properties rented out.

6.17 ASSETS HELD FOR SALE

As at 31 December

In million EUR	2016	2015	2014
Property, plant and equipment	1.5	3.1	2.8
	1.5	**3.1**	**2.8**

In 2016 assets held for sale decreased from EUR 3.1 million to EUR 1.5 million. The decrease by EUR 1.6 million is caused by the deeds signed in 2016 (EUR 10.2 million) partly counterbalanced by the sales agreements signed in 2016 (EUR 8.6 million).

The number of buildings recognised in assets held for sale is quite similar with last year, 8 at the end of 2015 versus 11 at the end of 2016. The majority of these assets are retail outlets which are vacant as a consequence of the optimisation of the post offices network.

Profits on disposal of EUR 17.5 million (2015: EUR 33.4 million) were accounted for in the Income Statement in the section “Other operating income”. In 2016 no impairment charges were recorded in the section “Depreciation, amortisation”.

6.18 INTANGIBLE ASSETS

In million EUR	Goodwill	Development	Software	Other intangible assets	Total
ACQUISITION COST					
Balance at 1 January 2014	61.6	90.2	111.1	12.9	275.8
Acquisitions	4.9	10.9	2.1	0.4	18.3
Acquisitions through business combinations	0.0	0.0	0.0	0.1	0.1
Disposals	0.0	(6.7)	(0.0)	(0.2)	(6.9)
Exchange rate difference	0.0	0.0	0.5	0.0	0.5
Other movements	0.0	0.1	1.9	0.0	2.0
BALANCE AT 31 DECEMBER 2014	**66.3**	**94.6**	**115.5**	**13.2**	**289.7**
Balance at 1 January 2015	66.3	94.6	115.5	13.2	289.7
Acquisitions	4.3	10.8	3.0	0.0	18.2
Acquisitions through business combinations	0.0	0.0	0.3	0.0	0.3
Disposals	0.0	(13.2)	(0.9)	0.0	(14.1)
Exchange rate difference	0.0	0.0	0.5	(0.0)	0.4
Other movements	(0.0)	0.0	0.1	0.0	0.1
BALANCE AT 31 DECEMBER 2015	**70.7**	**92.2**	**118.6**	**13.2**	**294.6**
Balance at 1 January 2016	70.7	92.2	118.6	13.2	294.6
Acquisitions	128.5	7.2	2.8	2.2	140.8
Acquisitions and additions through business combinations	0.0	1.7	6.2	25.2	33.1
Disposals	0.0	0.0	(0.0)	0.0	(0.0)
Exchange rate difference	0.0	0.0	0.2	(0.1)	0.1
Other movements	0.0	0.1	1.4	(1.9)	(0.3)
BALANCE AT 31 DECEMBER 2016	**199.2**	**101.2**	**129.1**	**38.7**	**468.1**
DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1 January 2014	(20.1)	(76.8)	(79.5)	(10.4)	(186.8)
Acquisitions through business combinations	0.0	0.0	(0.0)	(0.1)	(0.1)
Disposals	0.0	6.7	0.0	0.2	6.9
Depreciation	0.0	(4.7)	(10.8)	(0.1)	(15.6)
Impairment losses	0.0	(4.5)	0.0	(0.2)	(4.6)
Exchange rate difference	0.0	(0.0)	(0.2)	(0.0)	(0.2)
Other movements	0.0	(0.1)	0.3	0.1	0.3
BALANCE AT 31 DECEMBER 2014	**(20.1)**	**(79.3)**	**(90.2)**	**(10.4)**	**(200.1)**
Balance at 1 January 2015	(20.1)	(79.3)	(90.2)	(10.4)	(200.1)
Acquisitions through business combinations	0.0	0.0	(0.1)	0.0	(0.1)
Disposals	0.0	13.2	0.9	0.0	14.1
Depreciation	0.0	(7.7)	(9.6)	(0.0)	(17.4)
Impairment losses	0.0	0.0	(1.2)	(0.0)	(1.2)
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 2015	**(20.1)**	**(73.8)**	**(100.6)**	**(10.4)**	**(205.0)**
Balance at 1 January 2016	(20.1)	(73.8)	(100.6)	(10.4)	(205.0)
Acquisitions through business combinations	0.0	(0.5)	(1.8)	(18.1)	(20.4)
Disposals	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	(5.1)	(8.3)	(0.4)	(13.8)
Impairment losses	(4.7)	0.0	0.0	0.0	(4.7)
Exchange rate difference	0.0	0.0	(0.1)	(0.0)	(0.1)
Other movements	0.0	(0.0)	(0.0)	0.1	0.1
BALANCE AT 31 DECEMBER 2016	**(24.8)**	**(79.4)**	**(110.8)**	**(28.8)**	**(243.8)**
CARRYING AMOUNT					
At 31 December 2014	46.2	15.3	25.3	2.8	89.5
At 31 December 2015	50.5	18.3	18.0	2.8	89.6
At 31 December 2016	174.4	21.8	18.3	9.9	224.4

Intangible assets increased by EUR 134.7 million, mainly due to:

- The incorporation of new subsidiaries EUR 12.7 million, the figures presented in the table hereunder are provisional and can still change due to the purchase price allocation of some acquisitions.

In million EUR	Development	Software	Other intangible assets	Total
Acquisition cost - acquisitions through business combinations	1.7	6.2	25.2	33.1
Depreciation - acquisitions through business combinations	(0.5)	(1.8)	(18.1)	(20.4)
CARRYING AMOUNT	**1.2**	**4.4**	**7.1**	**12.7**

- increase in goodwill (EUR 128.5 million). A major part of these goodwill calculations are still provisional because purchase price allocation of some acquisitions are still under review;
- investments in software and licences (EUR 2.8 million), development costs capitalised (EUR 7.2 million) and other intangible assets (EUR 2.2 million);
- amortisation and impairments amounting to EUR 18.5 million.

All amortisation and depreciation charges are included in the section “Depreciation, amortisation” 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 acquiree.

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. For the purpose of impairment testing, goodwill acquired is, from the acquisition date, tested on the level within the company that benefits from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The recoverable amount is based on the fair value. The net realisable value, for purposes of impairment review (i.e., the “fair value less costs to sell”), has been assessed with reference to earnings multiples for recently acquired business combinations.
The carrying amount of goodwill arising from cash-generated units has increased from EUR 50.5 million to EUR 174.4 million in 2016. On the one hand the goodwill has increased due to acquisition of new subsidiaries and activities (EUR 128.5 million), note that a major part of these goodwill calculations are still provisional as the accounting treatment and the purchase price allocation of some acquisitions are still under review and on the other hand decreased as a result of the impairment on the goodwill related to Landmark Global UK (EUR 4.2 million) and CityDepot (EUR 0.4 million).

The carrying value of these cash-generating units, excluding interest bearing and tax related assets and liabilities represents, on average, a multiple of 4.5 on operating profit before exceptional items. The earnings multiples referenced would need to reduce by about 41% to reduce the net realisable value below the carrying value of all cash-generating units.

6.19 LEASE

Finance Lease

The finance lease liabilities as of December 31, 2016 relate to leased machinery and equipment.

The net carrying amount and useful lives of the leased assets are as follows:

In million EUR	Useful lives	Carrying amount Dec 31, 2016
Machinery and equipment	5 years	3.1
Vehicles	5 years	0.3

The future minimum finance lease payments at the end of each reporting period under review were as follows:

As at 31 December

In million EUR	2016	2015	2014
Minimum lease payments			
Within 1 year	1.3	0.5	0.9
1 to 5 years	2.2	1.7	2.0
More than 5 years	0.0	0.0	0.0
TOTAL	**3.5**	**2.2**	**2.9**
Less			
FUTURE FINANCE COSTS	**0.1**	**0.1**	**0.1**
Present value of the minimum lease payments			
Within 1 year	1.2	0.5	0.9
1 to 5 years	2.2	1.6	1.9
More than 5 years	0.0	0.0	0.0
TOTAL	**3.4**	**2.1**	**2.8**

The financial lease agreements include fixed lease payments and a purchase option at the end of lease term.

Operating Lease

bpost's future minimum operating lease payments are as follows:

For the year ended 31 December

In million EUR	2016	2015	2014
Less than 1 year	74.1	55.7	59.7
Between 1 year and 5 years	159.6	122.1	117.6
More than 5 years	81.4	60.1	58.8
TOTAL	**315.1**	**237.9**	**236.1**

The increase of the future minimum operating lease payments in 2016 compared to 2015 is mainly due to the consolidation of newly acquired subsidiaries.

The operational lease agreements include fixed lease payments. The risks and rewards incidental to the ownership are not transferred to bpost.

bpost's future minimum operating lease income is as follows and relates to buildings:

For the year ended 31 December

In million EUR	2016	2015	2014
Less than 1 year	1.0	0.8	1.1
Between 1 year and 5 years	2.7	2.8	4.2
More than 5 years	2.3	1.8	4.0
TOTAL	**5.9**	**5.4**	**9.3**

The increase of the future minimum operating lease income in 2016 compared to 2015 is mainly due to the consolidation of newly acquired subsidiaries.

The income that is related to operational lease agreements is recognised in the section "Other operating income" for an amount of EUR 0.8 million in 2016.

6.20 INVESTMENT IN SECURITIES

In million EUR	Total non current investments	Financial assets held to maturity	Total current investments	Total
ACQUISITION COST				
Balance at 1 January 2014	0.0	0.0	0.0	**0.0**
Acquisitions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2014	**0.0**	**0.0**	**0.0**	**0.0**
Balance at 1 January 2015	0.0	0.0	0.0	**0.0**
Acquisitions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2015	**0.0**	**0.0**	**0.0**	**0.0**
Balance at 1 January 2016	0.0	0.0	0.0	**0.0**
Acquisitions	0.0	12.0	12.0	12.0
Disposals	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2016	**0.0**	**12.0**	**12.0**	**12.0**
IMPAIRMENT LOSSES				
Balance at 1 January 2014	0.0	0.0	0.0	**0.0**
Other movements	-		-	-
BALANCE AT 31 DECEMBER 2014	**0.0**	**0.0**	**0.0**	**0.0**
Balance at 1 January 2015	0.0	0.0	0.0	**0.0**
Other movements	-		-	-
BALANCE AT 31 DECEMBER 2015	**0.0**	**0.0**	**0.0**	**0.0**
Balance at 1 January 2016	0.0	0.0	0.0	**0.0**
Other movements	-		-	-
BALANCE AT 31 DECEMBER 2016	**0.0**	**0.0**	**0.0**	**0.0**
CARRYING AMOUNT				
At 31 December 2014	0.0	0.0	0.0	0.0
At 31 December 2015	0.0	0.0	0.0	0.0
At 31 December 2016	0.0	12.0	12.0	12.0

The investment securities that met the definition of cash & cash equivalents as defined by IAS 7 are reported in cash & cash equivalent. As per December 31, 2016 bpost holds EUR 12.0 million in commercial paper with a maturity of four months, these investments were recognised as financial assets held to maturity.

6.21 INVESTMENT IN ASSOCIATES

In million EUR	2016	2015	2014
Balance at 1 January	375.0	416.5	341.3
Addition through business combinations	0.8	0.0	0.0
Share of profit	9.9	10.2	11.2
Dividend received	0.0	(5.0)	(5.0)
Other movements in equity of associates	(12.0)	(46.7)	69.1
BALANCE AT 31 DECEMBER	**373.7**	**375.0**	**416.5**

Share of profit/loss

In 2016, bpost's share in the profit of bpost bank and of Citie amounted to EUR 9.9 million. Last year, the share of profit in bpost bank's profit amounted to EUR 10.2 million.

Dividends received

In 2016, no dividend from bpost bank has been paid to bpost. In 2014 and 2015 dividends amounted EUR 5.0 million.

Other movements

The amount represents the decrease in unrealised gains, net of taxes, on bpost bank's bond portfolio (EUR 12.0 million).

An overview of the selected financial figures of the associates is presented in the following tables.

In million EUR	Ownership	Total assets	Total liabilities (excl. Equity)	Revenues	Profit/(loss)
2015					
bpost bank	50%	10,314.2	9,564.1	282.8	20.4
2016					
bpost bank	50%	10,704.0	9,958.3	273.5	19.9
Citie	33%	2.3	0.2	0.0	(0.2)

6.22 TRADE AND OTHER RECEIVABLES

As at 31 December

In million EUR	2016	2015	2014
Trade receivables	0.0	0.0	0.0
Other receivables	2.8	2.3	2.6
NON-CURRENT TRADE AND OTHER RECEIVABLES	**2.8**	**2.3**	**2.6**

As at 31 December

In million EUR	2016	2015	2014
Trade receivables	443.3	382.6	369.3
Tax receivables, other than income tax	5.6	2.3	2.0
Other receivables	32.9	26.4	27.0
CURRENT TRADE AND OTHER RECEIVABLES	**481.8**	**411.2**	**398.3**

As at 31 December

In million EUR	2016	2015	2014
Accrued income	11.4	11.2	12.3
Deferred charges	14.6	10.6	9.4
Other receivables	6.8	4.6	5.3
CURRENT - OTHER RECEIVABLES	**32.9**	**26.4**	**27.0**

The non-current receivables are considered as a reasonable approximation of the fair value of this financial asset, as it is expected to be paid within a short timeframe, making the impact of the time value of money not significant.

Current trade and other receivables increased by EUR 70.6 million from EUR 411.2 million in 2015 to EUR 481.8 million, mainly driven by a rise in trade receivables of EUR 60.7 million. The increase of trade receivables was mainly related to the consolidation of Ubiway.

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.

6.23 INVENTORIES

As at 31 December

In million EUR	2016	2015	2014
Raw materials	1.8	2.2	2.9
Finished products	4.0	3.5	3.7
Goods purchased for resale	33.4	6.0	6.5
Reductions in value	(2.6)	(0.7)	(0.6)
INVENTORIES	**36.7**	**11.1**	**12.5**

Raw materials include consumables, i.e. materials used for printing purposes. Finished products are stamps available for sale. Goods purchased for resale mainly include postograms, post cards, supplies for resale, press distribution inventory and retail inventory (tobacco, beverage, multimedia,…). The increase of the goods purchased for resale compared to 2015 was mainly explained by integration of Ubiway as of December 1, 2016.

6.24 CASH AND CASH EQUIVALENTS

As at 31 December

In million EUR	2016	2015	2014
Cash in network	198.6	157.3	139.7
Transit accounts	91.0	32.9	44.7
Cash payment transactions under execution	(36.5)	(55.8)	(40.7)
Bank current accounts	285.7	481.3	418.6
Short-term deposits	0.0	0.0	0.0
CASH AND CASH EQUIVALENTS	**538.9**	**615.7**	**562.3**

Bank current accounts earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending immediate cash requirements, and earn interest at the respective short-term deposit rates.

6.25 FINANCIAL LIABILITIES

As at 31 December

In million EUR	2016	2015	2014
Financial liabilities at amortised cost			
Bank loans	45.5	54.6	63.7
Finance lease liabilities	2.2	1.6	2.0
NON CURRENT LIABILITIES	**47.7**	**56.2**	**65.7**

As at 31 December

In million EUR	2016	2015	2014
Financial liabilities at amortised cost			
Bank loans	9.1	9.1	9.1
Other loans	0.0	0.0	0.0
Finance lease liabilities	1.2	0.5	0.9
CURRENT LIABILITIES	**10.3**	**9.6**	**10.0**

The financial liabilities consist mainly of a loan, with an outstanding balance of EUR 54.5 million, concluded in 2007 with the European Investment Bank. The tranche of the loan repayable in 2017 and amounting to EUR 9.1 million was transferred to the current financial liabilities. The last repayment will take place in 2022.

6.26 EMPLOYEE BENEFITS

bpost grants its active and retired personnel post-employment benefits, long-term 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 Agreement ('CLA'). The benefits granted under these plans differ according to the categories of employees of bpost: civil servants (also known as statutory employees), baremic contractual employees, auxiliary agents and non-baremic contractual employees.

The employee benefits are as follow:

As at 31 December

In million EUR	2016	2015	2014
Post-employment benefits	(82.1)	(77.7)	(85.4)
Long-term employee benefits	(107.7)	(108.9)	(118.3)
Termination benefits	(4.1)	(11.6)	(13.3)
Other long-term benefits	(162.8)	(148.1)	(151.5)
TOTAL	**(356.7)**	**(346.2)**	**(368.6)**

Net of the deferred tax asset related to them, employee benefits amount to EUR 308.3 million (2015: EUR 297.1 million).

As at 31 December

In million EUR	2016	2015	2014
Employee benefits	(356.7)	(346.2)	(368.6)
Deferred tax assets impact	48.4	49.1	61.5
EMPLOYEE BENEFITS NET OF DEFERRED TAX	**(308.3)**	**(297.1)**	**(307.1)**

bpost's net liability for employee benefits comprises the following:

As at 31 December

In million EUR	2016	2015	2014
Present value of total obligations	(401.2)	(395.6)	(415.2)
Fair value of plan assets	44.5	49.4	46.7
Present value of net obligations for unfunded plan	(356.7)	(346.2)	(368.6)
Present value of net obligations	(356.7)	(346.2)	(368.6)
NET LIABILITY	**(356.7)**	**(346.2)**	**(368.6)**
Employee benefits amounts in the statement of financial position			
Liabilities	**(356.7)**	**(346.2)**	**(368.6)**
NET LIABILITY	**(356.7)**	**(346.2)**	**(368.6)**

The changes in the present value of the obligations are as follows:

In million EUR	2016	2015	2014
Present value at 1 January	(395.6)	(415.2)	(384.8)
Service cost	(31.8)	(25.5)	(28.0)
- Current service cost	*(31.8)*	*(20.6)*	*(22.7)*
- Termination expenses	*0.0*	*(3.8)*	*(5.3)*
- Past service (cost)/gain	*0.0*	*(1.1)*	*0.0*
Net interest	(6.7)	(6.3)	(9.6)
Benefits paid	40.6	41.8	41.3
Re-measurement gains and (losses)	(1.5)	4.2	(23.2)
- Actuarial gains and (losses) recognised in Income Statement	*(1.5)*	*4.2*	*(23.2)*
Re-measurement gains and (losses) in Other Comprehensive Income	(6.3)	5.5	(10.9)
- Actuarial gains and (losses)	*(6.3)*	*5.5*	*(10.9)*
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(401.2)**	**(395.6)**	**(415.2)**

The fair value of the plan assets can be reconciled as follows:

In million EUR	2016	2015	2014
Fair value of plan assets at 1 January	49.4	46.7	39.8
Contributions by employer	4.8	5.4	6.8
Contributions by employee	1.2	1.4	2.1
Benefits paid	(12.4)	(6.2)	(3.1)
Interest cost on assets (P&L item)	1.0	1.1	1.4
Actuarial loss on assets (OCI item)	0.5	1.0	(0.3)
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**44.5**	**49.4**	**46.7**

The plan asset relates to the group insurance's benefit in accordance with IAS 19. This plan asset is held by a third party insurance company, and is composed by the reserves accumulated from the employer and employee contributions.

The expense recognised in the Income Statement is presented hereafter:

For the year ended 31 December

In million EUR	2016	2015	2014
Service cost	(30.5)	(24.1)	(24.8)
- Current service cost	*(30.5)*	*(19.2)*	*(19.5)*
- Termination expenses	*0.0*	*(3.8)*	*(5.3)*
- Past service (cost)/gain	*0.0*	*(1.1)*	*0.0*
Net interest	(5.7)	(5.2)	(8.1)
Re-measurements gains and (losses)	(1.5)	4.2	(23.2)
- Actuarial gains and (losses) reported as financial	*(12.9)*	*5.8*	*(30.6)*
- Actuarial gains and (losses) reported as operating	*11.4*	*(1.6)*	*7.4*
NET EXPENSE	**(37.7)**	**(25.1)**	**(56.1)**

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 summarised 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	2016	2015	2014
Payroll costs	(19.1)	(25.7)	(17.4)
Financial cost	(18.7)	0.6	(38.8)
NET EXPENSE	**(37.7)**	**(25.1)**	**(56.1)**

The expense recognised in the "Other Comprehensive Income" caption is presented hereafter:

For the year ended 31 December

In million EUR	2016	2015	2014
Re-measurement gains/(losses)	(5.8)	6.6	(11.2)
- Actuarial gains and (losses)	*(5.8)*	*6.6*	*(11.2)*
NET EXPENSE	**(5.8)**	**6.6**	**(11.2)**

The main assumptions used in computing the benefit obligations at the statement of financial position date are the following:

	2016	2015	2014
Rate of inflation	2.0%	2.0%	2.0%
Future salary increase	3.0%	3.0%	3.0%
Medical cost trend rate	5.0%	5.0%	5.0%
Mortality tables	MR/FR-2	MR/FR-2	MR/FR

The discount rates have been determined by reference to market yields at the statement of financial position date. The discount rates used in 2016 range from 0.0% to 1.85% (2015: 0.2% to 2.30%):

	Duration	Discount rate	
BENEFIT		2016	2015
Family allowances	7.4	1.10%	1.50%
Transportation	10.7	1.45%	1.95%
Bank	15.6	1.70%	2.20%
Funeral expense	9.0	1.30%	1.70%
Gratification	12.9	1.55%	1.95%
Group insurance	from 14.1 to 14.4	1.65%	2.15%
Accumulated compensated absences	2.6	0.00%	0.40%
Workers compensation in case of accidents	13.3	1.60%	2.10%
Medical expenses in case of accidents	18.1	1.85%	2.30%
Pension saving days	9.6	1.35%	1.80%
Jubilee Premiums	7.6	1.10%	1.60%
DSPR JOR	9.7	1.35%	N/A
Part-time regime	from 2.6 to 3.8	0.00%	from 0.2% to 0.4%
Prepension	from 0.7 to 1.7	0.00%	0.20%

The average duration of the defined benefit plan obligation at the end of 2016 is 11.3 years (2015: 10.5 years).

A quantitative sensitivity analysis for significant assumptions at December 31, 2016 is outlined here below:

ASSUMPTIONS	Discount rate		Mortality table MR/FR	Medical trend rate
SENSITIVITY LEVEL	0.5% increase	0.5% decrease	Decrease by 1 year	1% increase
In million EUR				
Impact on defined benefit obligation (increase)/decrease	21.6	(22.8)	(6.4)	(2.6)

This sensitivity analysis 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.

Post-employment benefits

Post-employment benefits include family allowances, transport costs, bank costs, funerary costs, retirement gifts and group insurance.

Family allowances

The civil servants of bpost (both active and pensioners) with children at their charge (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 programme law. The amount is adapted each year proportionally to the number of civil servants (full time equivalents) and is subject to inflation.

Transportation

Inactive civil servants as well as their family members are entitled to personal vouchers that can be exchanged for a transport ticket for a trip in Belgium or for a price reduction on other transport tickets.

Bank

All active members, pre-pensioners and pensioners that have a "Postcheque" account in which their salary/pension is paid, benefit from a reduction of the fees charged on the current account as well as favorable interest rates on savings accounts, savings certificates, investment funds 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.

According to the legislation, the employer has 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.

Due to the change since 2013 in the tariff structure guaranteed by the insurance company, there is potentially a gap between the legal minimum return and the return guaranteed by the insurance company.

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 a percentage of the average past 24 months return on 10 years linear bonds with a minimum of 1.75% p.a.

As a result, bpost could remain consistent with the 2015 methodology and applied the so-called PUC methodology (Projected Unit Credit) taking into account future pension accrual pro-rated for past service.

bpost's net liability for employee post-employment benefits comprises the following:

As at 31 December

In million EUR	2016	2015	2014
Present value of total obligations	(126.6)	(127.1)	(132.1)
Fair value of plan assets	44.5	49.4	46.7
Present value of net obligations for unfunded plan	(82.1)	(77.7)	(85.4)
Present value of net obligations	(82.1)	(77.7)	(85.4)
NET LIABILITY	**(82.1)**	**(77.7)**	**(85.4)**
Employee benefits amounts in the statement of financial position			
Liabilities	(82.1)	(77.7)	(85.4)
NET LIABILITY	**(82.1)**	**(77.7)**	**(85.4)**

The changes in the present value of the obligations are as follows:

In million EUR	2016	2015	2014
Present value at 1 January	**(127.1)**	**(132.1)**	**(118.0)**
Service cost	(8.4)	(9.9)	(9.1)
- Current service cost	*(8.4)*	*(9.9)*	*(9.1)*
Net interest	(2.3)	(2.3)	(3.5)
Benefits paid	17.4	11.8	9.4
Re-measurement gains and (losses)	0.0	0.0	0.0
- Actuarial gains and (losses) recognised in Income Statement	*0.0*	*0.0*	*0.0*
Re-measurement gains and (losses) in Other Comprehensive Income	(6.3)	5.5	(10.9)
- Actuarial gains and (losses)	*(6.3)*	*5.5*	*(10.9)*
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(126.6)**	**(127.1)**	**(132.1)**

The fair value of the plan assets related to the group insurance's benefit and held by the insurance company is presented as follows:

In million EUR	2016	2015	2014
Fair value of plan assets at 1 January	**49.4**	**46.7**	**39.8**
Contributions by employer	4.8	5.4	6.8
Contributions by employee	1.2	1.4	2.1
Benefits paid	(12.4)	(6.2)	(3.1)
Interest cost on assets (P&L item)	1.0	1.1	1.4
Actuarial loss on assets (OCI item)	0.5	1.0	(0.3)
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**44.5**	**49.4**	**46.7**

The expense recognised in the Income Statement is presented hereafter:

For the year ended 31 December

In million EUR	2016	2015	2014
Service cost	(7.1)	(8.5)	(5.9)
- Current service cost	*(7.1)*	*(8.5)*	*(5.9)*
Net interest	(1.3)	(1.2)	(2.0)
Re-measurements gains and (losses)	0.0	0.0	0.0
- Actuarial gains and (losses) reported as financial	*0.0*	*0.0*	*0.0*
- Actuarial gains and (losses) reported as operating	*0.0*	*0.0*	*0.0*
NET EXPENSE	**(8.5)**	**(9.8)**	**(8.0)**

The impact on payroll costs and financial costs is presented hereafter:

For the year ended 31 December

In million EUR	2016	2015	2014
Payroll costs	(7.1)	(8.5)	(5.9)
Financial cost	(1.3)	(1.2)	(2.0)
NET EXPENSE	**(8.5)**	**(9.8)**	**(8.0)**

The expense recognised in Other Comprehensive Income is presented hereafter:

For the year ended 31 December

In million EUR	2016	2015	2014
Re-measurement gains/(losses)	(5.8)	6.6	(11.2)
- Actuarial gains and (losses)	*(5.8)*	*6.6*	*(11.2)*
NET EXPENSE	**(5.8)**	**6.6**	**(11.2)**

Long-term employee benefits

Long-term employee benefits include accumulated compensated absences, pension saving days and part-time benefits.

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 any given year, a civil servant is absent less than 21 days, the balance of the un-used sickness days is carried over to the following years up to a maximum of 63 days. 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 have been no modifications to the calculation methodology comparatively to 2015. 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 2016. 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 2016, as provided by the human resource 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+)

Under the Collective Labor Agreement signed in 2011, statutory employees, aged between 50 and 59 , are entitled to enter into a system of partial (50%) career interruption. bpost makes contributions equal to 7.5% of the gross annual salary for a period of a maximum of 48 months.

The Framework Agreement of December 20, 2012 approved a new plan of specific partial (50%) career interruption accessible to the distributors aged as from 54 years old and to the other employees aged as from 55 years old. bpost makes contributions equal to 7.5% of the gross annual salary for a period of a maximum of 72 months for the distributor agents and 48 months for the other beneficiaries of the plan.

A new plan of specific partial (50%) career interruption was approved by the Framework Agreement of May 22, 2014. The plan approved in 2012 and accessible to the distributors is extended to the employees working during nights. 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 period of a maximum of 72 months for the night workers and 48 months for the other beneficiaries of the plan.

In 2016, two new plans were approved. The first one was signed on June 2, 2016 and is valid until December 2016. The plan approved in 2012 and already extended in 2014 is now also applicable for collect agents. 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 period of a maximum of 72 months for the collect agents and 48 months for the other beneficiaries of the plan. The second agreement was signed on September 30, 2016. For the distributor and collect agents and the employees working during night, the plan is accessible as from 55 years old. 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 period of a maximum of 72 months for the night workers and the distributor and collect agents and 48 months for the other beneficiaries of the plan.

bpost's net liability for employee long-term benefits comprises the following:

As at 31 December

In million EUR	2016	2015	2014
Present value of total obligations	(107.7)	(108.9)	(118.3)
Fair value of plan assets	0.0	0.0	0.0
Present value of net obligations for unfunded plan	**(107.7)**	**(108.9)**	**(118.3)**
Present value of net obligations	**(107.7)**	**(108.9)**	**(118.3)**
NET LIABILITY	**(107.7)**	**(108.9)**	**(118.3)**
Employee benefits amounts in the statement of financial position			
Liabilities	(107.7)	(108.9)	(118.3)
NET LIABILITY	**(107.7)**	**(108.9)**	**(118.3)**

The changes in the present value of the obligations are as follows:

In million EUR	2016	2015	2014
Present value at 1 January	(108.9)	(118.3)	(116.1)
Service cost	(11.3)	(11.7)	(12.6)
- Current service cost	*(11.3)*	*(10.7)*	*(12.6)*
- Past service (cost)/gain	*0.0*	*(1.0)*	*0.0*
Net interest	(1.4)	(1.2)	(2.2)
Benefits paid	12.6	16.2	17.0
Re-measurement gains and (losses)	1.3	6.1	(4.4)
- Actuarial gains and (losses) recognised in Income Statement	*1.3*	*6.1*	*(4.4)*
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(107.7)**	**(108.9)**	**(118.3)**

The expense recognised in the Income Statement is presented hereafter:

For the year ended 31 December

In million EUR	2016	2015	2014
Service cost	(11.3)	(11.7)	(12.6)
- Current service cost	*(11.3)*	*(10.7)*	*(12.6)*
- Termination expenses	*0.0*	*0.0*	*0.0*
- Past service (cost)/gain	*0.0*	*(1.0)*	*0.0*
Net interest	(1.4)	(1.2)	(2.2)
Re-measurements gains and (losses)	1.3	6.1	(4.4)
- Actuarial gains and (losses) reported as financial	*(3.6)*	*2.0*	*(8.4)*
- Actuarial gains and (losses) reported as operating	*4.9*	*4.1*	*4.0*
NET EXPENSE	**(11.4)**	**(6.8)**	**(19.1)**

The impact on payroll costs and financial costs is presented hereafter:

For the year ended 31 December

In million EUR	2016	2015	2014
Payroll costs	(6.4)	(7.6)	(8.6)
Financial cost	(5.0)	0.8	(10.6)
NET EXPENSE	**(11.4)**	**(6.8)**	**(19.1)**

Termination benefits

Early Retirement scheme

In 2016, the following previous early-retirement plans are included in this benefit:

- the plan covered by the Framework Agreement of July 1, 2012 and accessible to the civil servants meeting certain age, seniority and service organisation conditions as at December 31, 2013 at the latest. The Joint Committee of December 19, 2013 has approved to extend this measure until the next Collective Labor Agreement.
- a new 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 organisation. The Joint Committee of December 17, 2015 approved to extend 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. Furthermore, the early-retirement period is treated as a service period.

A new early-retirement plan was approved by the Joint Committee of July 23, 2015 linked to the Alpha plan. This plan is accessible to civil servants whereof the function is 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 is paid, whereof amount depends of the duration of the early-retirement. Furthermore, the early-retirement period is treated as a service period.

In case a civil servant concerned by the Alpha plan, under certain conditions of age and seniority has not been selected for a new function 12 months after the publication of the open functions, he will be put in early-retirement. bpost continues 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 reach retirement age. Furthermore, the early-retirement period is treated as a service period.

Two new early-retirement plans were approved in 2016. The first one was signed on June 2, 2016 and is open until end of December. It is accessible to civil servants under certain conditions of age, seniority and service organisation. 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 second plan was approved on September 30, 2016 and is accessible to civil servants under certain conditions of age, seniority and service organisation. 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 arises bpost's liability because of the fact that the employment is terminated before the normal retirement and the fact that 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	2016	2015	2014
Present value of total obligations	(4.1)	(11.6)	(13.3)
Fair value of plan assets	0.0	0.0	0.0
Present value of net obligations for unfunded plan	**(4.1)**	**(11.6)**	**(13.3)**
Present value of net obligations	**(4.1)**	**(11.6)**	**(13.3)**
NET LIABILITY	**(4.1)**	**(11.6)**	**(13.3)**
Employee benefits amounts in the statement of financial position			
Liabilities	(4.1)	(11.6)	(13.3)
NET LIABILITY	**(4.1)**	**(11.6)**	**(13.3)**

The changes in the present value of the obligations are as follows:

In million EUR	2016	2015	2014
Present value at 1 January	(11.6)	(13.3)	(15.4)
Service cost	0.0	(3.9)	(5.3)
- Termination expenses	*0.0*	*(3.8)*	*(5.3)*
- Past service (cost)/gain	*0.0*	*(0.1)*	*0.0*
Net interest	(0.0)	(0.0)	(0.0)
Benefits paid	3.6	5.9	7.6
Re-measurement gains and (losses)	3.9	(0.2)	(0.2)
- Actuarial gains and (losses) recognised in Income Statement	*3.9*	*(0.2)*	*(0.2)*
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(4.1)**	**(11.6)**	**(13.3)**

The expense recognised in the Income Statement is presented hereafter:

For the year ended 31 December

In million EUR	2016	2015	2014
Service cost	0.0	(3.9)	(5.3)
- Current service cost	*0.0*	*0.0*	*0.0*
- Termination expenses	*0.0*	*(3.8)*	*(5.3)*
- Past service (cost)/gain	*0.0*	*(0.1)*	*0.0*
Net interest	(0.0)	(0.0)	(0.0)
Re-measurements gains and (losses)	3.9	(0.2)	(0.2)
- Actuarial gains and (losses) reported as financial	*(0.0)*	*0.0*	*(0.0)*
- Actuarial gains and (losses) reported as operating	*3.9*	*(0.2)*	*(0.2)*
NET EXPENSE	**3.8**	**(4.2)**	**(5.5)**

The impact on payroll costs and financial costs is presented hereafter:

For the year ended 31 December

In million EUR	2016	2015	2014
Payroll costs	3.9	(4.1)	(5.5)
Financial cost	(0.0)	(0.0)	(0.0)
NET EXPENSE	**3.8**	**(4.2)**	**(5.5)**

Other long-term benefits

Workers Compensation Accident Plan

Until October 1, 2000, bpost was self-insured for injuries on the workplace and on the way to 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 the risk.

DSPR/ DVVP for Job Mobility Center

The Framework Agreement of September 30, 2016 defined a DSPR/ DVVP plan (Dispense Précédant la Retraite/ Dienstvrijstelling voorafgaand aan de Pensionering) 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 employee benefits comprises the following:

As at 31 December

In million EUR	2016	2015	2014
Present value of total obligations	(162.8)	(148.1)	(151.5)
Fair value of plan assets	0.0	0.0	0.0
Present value of net obligations for unfunded plan	**(162.8)**	**(148.1)**	**(151.5)**
Present value of net obligations	**(162.8)**	**(148.1)**	**(151.5)**
NET LIABILITY	**(162.8)**	**(148.1)**	**(151.5)**
Employee benefits amounts in the statement of financial position			
Liabilities	(162.8)	(148.1)	(151.5)
NET LIABILITY	**(162.8)**	**(148.1)**	**(151.5)**

The changes in the present value of the obligations are as follows:

In million EUR	2016	2015	2014
Present value at 1 January	(148.1)	(151.5)	(135.4)
Service cost	(12.1)	0.0	(1.0)
- Current service cost	*(12.1)*	*0.0*	*(1.0)*
Net interest	(3.0)	(2.8)	(3.9)
Benefits paid	7.0	7.9	7.3
Re-measurement gains and (losses)	(6.6)	(1.6)	(18.6)
- Actuarial gains and (losses) recognised in Income Statement	*(6.6)*	*(1.6)*	*(18.6)*
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(162.8)**	**(148.1)**	**(151.5)**

The expense recognised in the Income Statement is presented hereafter:

For the year ended 31 December

In million EUR	2016	2015	2014
Service cost	(12.1)	0.0	(1.0)
- Current service cost	*(12.1)*	*0.0*	*(1.0)*
Net interest	(3.0)	(2.8)	(3.9)
Re-measurements gains and (losses)	(6.6)	(1.6)	(18.6)
- Actuarial gains and (losses) reported as financial	*(9.3)*	*3.8*	*(22.2)*
- Actuarial gains and (losses) reported as operating	*2.6*	*(5.4)*	*3.7*
NET EXPENSE	**(21.7)**	**(4.4)**	**(23.5)**

The impact on payroll costs and financial costs is presented hereafter:

For the year ended 31 December

In million EUR	2016	2015	2014
Payroll costs	(9.5)	(5.4)	2.7
Financial cost	(12.3)	1.0	(26.1)
NET EXPENSE	**(21.7)**	**(4.4)**	**(23.5)**

6.27 TRADE AND OTHER PAYABLES

As at 31 December

In million EUR	2016	2015	2014
Trade payables	0.0	0.0	0.0
Other payables	40.3	61.7	79.8
NON-CURRENT TRADE AND OTHER PAYABLES	**40.3**	**61.7**	**79.8**

Non-current trade and other liabilities amount to EUR 40.3 million and contain mainly the commitments relating to the full acquisition of de Buren as well as the contingent consideration arrangements related to the acquisition of CityDepot.

As at 31 December

In million EUR	2016	2015	2014
Trade payables	311.6	185.7	208.1
Payroll and social security payables	308.1	345.9	314.5
Tax payable other than income tax	12.5	7.1	8.3
Other payables	332.6	299.6	251.7
CURRENT TRADE AND OTHER PAYABLES	**964.8**	**838.3**	**782.6**

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	2016	2015	2014
Advance payments on orders	10.5	10.3	10.5
Advance postal financial services	18.8	18.8	18.5
Cash guarantees received	10.5	6.4	6.4
Accruals	84.5	79.5	67.3
Deferred income	70.6	78.0	79.1
Deposits received from third parties	0.1	0.1	0.1
Other payables	137.5	106.6	69.7
CURRENT - OTHER PAYABLES	**332.6**	**299.6**	**251.7**

6.28 PROVISIONS

In million EUR	Litigation	Environment	Onerous contracts	Restructuring & other	Total
Balance at 1 January 2014	**39.5**	**0.8**	**12.0**	**10.3**	**62.6**
Additional provisions recognised	11.4	0.1	0.0	4.7	16.1
Provisions used	(0.5)	(0.2)	(4.9)	(3.6)	(9.2)
Provisions reversed	(1.7)	(0.2)	(2.3)	(0.6)	(4.8)
BALANCE AT 31 DECEMBER 2014	**48.7**	**0.5**	**4.8**	**10.8**	**64.8**
Non current balance at end of year	31.2	0.5	4.3	1.1	37.1
Current balance at end of year	17.5	0.0	0.5	9.7	27.7
	48.7	**0.5**	**4.8**	**10.8**	**64.8**
Balance at 1 January 2015	**48.7**	**0.5**	**4.8**	**10.8**	**64.8**
Additional provisions recognised	5.6	0.5	0.2	4.8	11.0
Provisions used	(0.7)	0.0	(0.2)	(3.2)	(4.1)
Provisions reversed	(4.3)	(0.1)	(1.9)	(1.2)	(7.4)
BALANCE AT 31 DECEMBER 2015	**49.3**	**0.9**	**2.8**	**11.2**	**64.2**
Non current balance at end of year	26.2	0.5	1.5	1.1	29.2
Current balance at end of year	23.1	0.4	1.3	10.1	35.0
	49.3	**0.9**	**2.8**	**11.2**	**64.2**
Balance at 1 January 2016	**49.3**	**0.9**	**2.8**	**11.2**	**64.2**
Additional provisions recognised	10.2	0.1	0.1	5.7	16.1
Addition through Business Combinations	0.1	0.0	0.0	7.4	7.5
Provisions used	(4.5)	(0.0)	0.0	(2.8)	(7.3)
Provisions reversed	(17.0)	(0.4)	(1.3)	(2.9)	(21.6)
Other movements	(0.1)	0.0	0.0	(0.0)	(0.1)
BALANCE AT 31 DECEMBER 2016	**38.0**	**0.6**	**1.6**	**18.5**	**58.7**
Non current balance at end of year	29.0	0.6	1.0	1.1	31.6
Current balance at end of year	9.1	0.0	0.7	17.4	27.1
	38.0	**0.6**	**1.6**	**18.5**	**58.7**

The provision for **litigation** amounted to EUR 38.0 million. It represents the expected financial outflow relating to many different (actual or imminent) litigations between bpost and third parties.

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.

The use and reverse in 2016 were mainly due to the settlement of a provision which was recognised to cover a litigation with another postal operator and the definitive resolution of payroll-related issues.

bpost is currently involved in the following legal proceedings initiated by intermediaries:

- a claim for damages in an alleged (provisional) amount of approximately EUR 19.9 million (exclusive of late payment interest) in the context of legal proceedings initiated by Publimail SA-NV. 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 EUR 28.0 million (exclusive of late payment interest) in the context of legal proceedings initiated by Link2Biz International NV 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.

Moreover, on July 20, 2011 the Belgian postal regulator ("BIPT/IBPT") concluded that certain aspects of bpost's 2010 pricing policy infringed the Belgian Postal Act and imposed a fine of EUR 2.3 million. While bpost paid the fine in 2012, it contested the BIPT/IBPT's findings and appealed the decision. The Brussels Court of Appeal found in favour of bpost and annulled BIPT/IBPT's decision on March 10, 2016. bpost recovered the EUR 2.3 million fine in October 2016.

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 EUR 37.4 million. 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 and bpost may recover the EUR 37.4 million fine. The Belgian Competition Authority may still appeal the judgment before the Supreme Court until April 4, 2017 but only on points of law.

The provision related to **environment** issues covers soil sanitation. The reversal recorded in 2016 relates to one specific site.

The provision on **onerous contracts** concerns the best estimate of the costs relating to the closing down of mail and retail offices.

Other provisions amounted to EUR 18.5 million. The increase compared to last year is mainly due to addition through business combinations which amounted to EUR 7.4 million in 2016.

6.29 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As described under note 6.28, the Brussels Court of Appeal on November 10, 2016, annulled the Belgian Competition Authority's decision imposing a fine of EUR 37.4 million. bpost may recover such fine. This constitutes a contingent asset because the Belgian Competition Authority may still appeal the judgment before the Supreme Court on points of law until April 4, 2017. Given the uncertainty of the collection of this fine, bpost did not recognise the repayment of this fine, nor any interests to be recuperated.

6.30 RIGHTS AND COMMITMENTS

Guarantees received

At 31 December 2016, bpost benefits from bank guarantees in a sum of EUR 16.6 million, issued by banks on behalf of bpost's customers (2015: EUR 38.4 million). 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 2016, merchandise representing a sales value of EUR 1.7 million had been consigned by partners for the purpose of sale through the postal network.

Guarantees given

bpost acts as guarantor (EUR 1.2 million guarantee) in the framework of the DoMyMove collaboration agreement between bpost, Proximus and Electrabel.

bpost has an agreement with Belfius, ING and KBC, according to which they agree to provide for up to EUR 45.3 million in guarantees for bpost upon simple request.

Currency Swap

bpost entered into a foreign exchange forward with ING to exchange USD 30.0 million against EUR 28.6 million on 15 March 2017 in order to cover the currency risk of a specific debt in USD.

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.

6.31 RELATED PARTY TRANSACTIONS

a) Relations with the shareholders

The Belgian State as a shareholder

The Belgian State, directly and through the 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 shareholder of bpost are defined in the corporate governance policies.

The Belgian State as public authority

The Belgian State is, together with the European Union, the main legislator in the postal sector. The IBPT/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"), 15.2% of bpost's total operating income (revenues) in 2016 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 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 their 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 and 650 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. Some of such implementing agreements must still be concluded. However, the implementing agreements concluded according to the previous management contracts remain in place until conclusion of these new implementing agreements.

The 5th management contract expired on December 31, 2015. On December 3, 2015, bpost and the Belgian State have signed the 6th management contract. This management contract provides for a continued provision of the aforementioned SGEIs for a new period of 5 years, ending on 31 December 2020.

bpost will furthermore continue to provide the services 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 has been organised, following which the provision of the services has been 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 the Company 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)].

Certain limited public services are provided by bpost only pursuant to the Law of March 21, 1991 (e.g., delivery of stamps by postmen during their rounds). 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 section 6.8 and amounted to EUR 264.9 million for 2016 (EUR 287.8 million in 2015).

The compensation of SGEIs (except for the distribution of newspapers and periodicals) is based on a net avoided cost ("NAC") methodology. This methodology provides that compensation shall be based on the difference between the net cost for the provider of operating with the SGEI obligation and 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.

In 2015 the Belgian State unilaterally decided to reduce the compensation for 2015 by EUR 6.5 million. Nevertheless, bpost has reserved its rights and booked an equivalent amount of doubtful debt which is still outstanding per end of December 2016. Including the doubtful debtor, the outstanding amount owned by The Belgian State for the SGEI remuneration on December 31, 2016 amounted to EUR 89.8 million (EUR 79.9 million on December 31, 2015). bpost has also provided a bank guarantee of EUR 5.4 million 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 6.32.

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

Citie is an associate of bpost. Belfius, bpost and Proximus each hold 33.3% of the shares of Citie. Citie operates a digital platform that supports and connects local merchants, authorities and customers.

bpost bank is an associate of bpost. bpost bank's other shareholder is BNP Paribas Fortis. bpost owns 50% of bpost bank, with BNP Paribas Fortis owning 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, certificate of deposits and funds or structured products provided by BNP Paribas Fortis, respectively accident and/or health insurances, and branch 21 and 23 life insurances provided by AG Insurance.

bpost bank had approximately 764,500 current accounts and 980,100 savings accounts as of December 31, 2016. 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 overdraft facilities to customers, consumer credits and mortgages credits. As of December 31, 2016, bpost bank had approximately EUR 1,020.9 million in loans on its balance sheet.

As an insurance intermediary, bpost bank also offers annuity and pension products, including "branch 21" and "branch 23" life insurance policies, which provide some level of protection for the assets of the policy holder.

bpost bank does not perform any asset management activities nor any private banking or commercial lending.

(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. The outcome of this procedure is inherently uncertain at this stage.

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 which has been renegotiated and signed on December 13, 2013.

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 which has been 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 among others on the interest margin realised by bpost bank, the assets under management and the sales of financial/insurance products realised by the retail network of bpost. Total revenues related to banking and financial products amounted to EUR 192.4 million in 2016 (2015: EUR 205.1 million), of which a significant amount is related to the commission paid by bpost bank. The amount owned by bpost bank to bpost on December 31, 2016 amounted to EUR 10.2 million (2015: EUR 10.2 million).

Working capital

bpost bank has placed a working capital of EUR 12.0 million 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 2016 bpost received no dividend from bpost bank (EUR 5.0 million in 2015).

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 the members of the Group Executive Management(1).

The remuneration of the members of the Board of Directors was decided by the Shareholders' Meeting of April 25, 2000. The members of the Board of Directors, with exception of the CEO, are entitled to a fixed annual remuneration. They are also entitled to an attendance fee per attendance to the Committees established by the Board of Directors.

The remuneration package of the CEO consists of a base salary, a short-term on target variable remuneration, a pension contribution and various other components such as death in service, disability and medical coverage, representation allowances and a company car.

In 2016, total remuneration paid to the members of the Board of Directors (excluding the CEO) amounted to EUR 0.33 million (2015: EUR 0.38 million).

For the year ended December 31, 2016, a global remuneration of EUR 3.5 million (2015: EUR 2.9 million) was paid to CEO and the members of the Management Committee and the Group Executive Management and can be broken down as follows:

- short-term employee benefits (base salary, variable remuneration, leasing costs for company car and representation allowances) EUR 3,3 million (2015: EUR 2.7 million)
- post-employments benefits (pension, death in service, disability and medical coverage) EUR 0.2 million (2015: EUR 0.2 million).

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 Management or expired in 2015 or 2016 and no options under previous stock option plans were still outstanding for exercise in 2015 or 2016.

A more detailed overview of the compensation of key management of bpost and bpost's remuneration policy is included in the remuneration report.

(1) Some of the members of the Group Executive Management are also member of the Management Committee, which only acts for the purposes provided in the 1991 Law.

6.32 GROUP COMPANIES

The business activities of the main subsidiaries can be described as follows:

- **Euro-Sprinters** operates bpost's special logistics network, mainly including courier services.
- **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 (black and white or full color) and enclosing, electronic distribution (email, zoomit, webservices) and archiving. Speos also offers backup and peak solutions for companies having their own print shop. Furthermore Speos offers dedicated end-to-end solutions (e.g. European License Plate).
- **Certipost** provides document security, digital certification and Belgian e-ID activities.
- **CityDepot** provides city distribution services.
- **Mail Services Incorporated (MSI)** based in the USA, is a cross-border mail consolidator offering mainly international outbound distribution products. MSI has its main processing center located in Virginia (near Washington DC) and a small facility in Chicago.
- **Landmark Global (UK) Ltd.** 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.
- Through Landmark Global (UK) Ltd., bpost is active in Asia, operating in Singapore through **bpost Singapore Pte Ltd.** and in Hong Kong through bpost **Hong Kong Ltd.** These companies originally focused on delivery of financial documents, but bpost is transforming bpost Hong Kong to provide a full range of delivery and logistics solutions, including cross-border mail and parcels and e-commerce fulfillment. Their customers are spread across the banking, insurance, asset management, publishing and printing sectors. Similar to MSI, they are mainly focused on directly collecting parcels from overseas e-commerce companies and business for delivery in Europe and other regions. **bpost International Logistics (Beijing) Co., Ltd.** is a company affiliate to **bpost Hong Kong Ltd.** 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.
- **Landmark Global Inc.** based in the USA and the Canada-based **Landmark Trade Services Ltd.** company are leading international parcels consolidators, active in the United States and Canada. They are mainly focused on the distribution of e-commerce parcels from U.S.-based e-tailers into Canada, Europa and Australia. It also offers various fulfillment services in locations in the United States for its e-commerce customers. Over the last years it has expanded in offering various logistics solutions to its existing client base.
- **Landmark Global (PL) Sp z o.o.** main activities are fulfillment, logistics and distribution. It operates as logistics and distribution partner for direct selling companies across Western, Central and Eastern Europe.
- **Landmark Global (Netherlands) BV** main activities are 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) BV** is a spin-off company of Landmark Global (Netherlands) BV 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 Trade Services (UK) Ltd.** 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, Inc.** provides import services for goods entering the US.
- **Landmark Global (Australia) Distribution Pty Ltd.** offers international parcels delivery services to Australia and fulfillment in Australia, mainly for US customers.
- **Freight Distribution Management Systems Pty Ltd.** and **FDM Warehousing Pty Ltd.** are specialised in providing a personalised customer service for warehousing, fulfillment and distributing products in Australia. Its business consists of third party logistics (3PL) warehousing, transport & distribution.
- **9517154 Canada Ltd. and Apple Express Courier Inc.** business consists of the last mile delivery, transportation and fulfillment services for clients in Canada and the US.

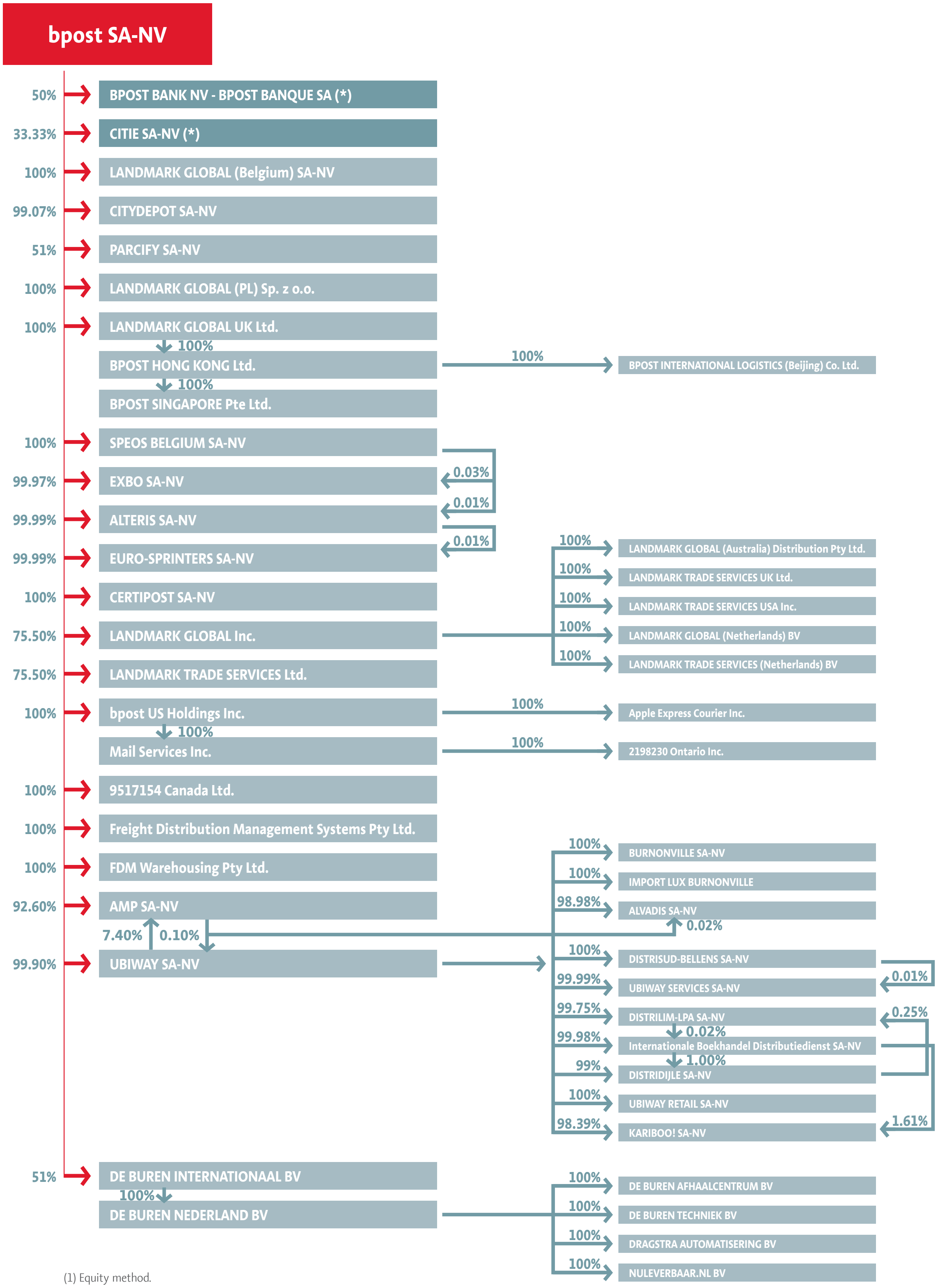
- **Parcify** is a Belgian start-up company, aiming to reduce the number of missed parcel deliveries via its smartphone app which uses the receiver's phone geo-tracking to deliver parcels at his preferred location and time.
- **de Buren Group** operates an "open" network of parcel lockers walls in the Netherlands. This network consists of secured lockers (including refrigerated ones), which are accessible 24/7 and can be managed by an app that allows a multitude of services. The "open" network allows any customer to use any free locker capacity throughout de Buren's network.
- 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 Group also offers non-press logistics services related to parcels and value-added e-commerce solutions, such as 3PL logistics (supply chain services) and an open access network of parcel pick-up and delivery points in Belgium under the **Kariboo!** brand. Convenience distribution relates primarily to **Alvadis**, which provides prepaid cards and electronic services solutions to points of sales whereas **Burnonville** distributes non-press and non-food (impulse) products to retailers. **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.

NAME	Share of voting rights in% terms 2016	Share of voting rights in% terms 2015	Country of incorporation	VAT no.
bpost bank NV-bpost banque SA	50%	50%	Belgium	BE456.038.471
TrakPak Ltd. (**)	-	50%	UK	
Citie SA-NV	33.3%	-	Belgium	BE665.683.284

NAME	Share of voting rights in% terms 2016	Share of voting rights in% terms 2015	Country of incorporation	VAT no.
Alteris SA-NV	100.0%	100.0%	Belgium	BE474.218.449
Landmark Global (Belgium) SA-NV	100.0%	100.0%	Belgium	BE889.142.877
Certipost SA-NV	100.0%	100.0%	Belgium	BE475.396.406
Deltamedia SA-NV (**)	-	100.0%	Belgium	BE424.368.565
Euro-Sprinters SA-NV	100.0%	100.0%	Belgium	BE447.703.597
eXbo SA-NV	100.0%	100.0%	Belgium	BE472.598.153
CityDepot SA-NV (*)	99.1%	48.0%	Belgium	BE627.630.877
Parcify (*)	51.0%	-	Belgium	BE635.738.988
Landmark Global (PL) Sp. z o.o.	100.0%	100.0%	Poland	
Speos Belgium SA-NV	100.0%	100.0%	Belgium	BE427.627.864
Mail Services Inc.	100.0%	100.0%	USA	
2198230 Ontario Inc.	100.0%	100.0%	Canada	
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	
bpost International U.S. Inc. (***)	-	100.0%	USA	
Landmark Global, Inc. (*)	75.5%	51.0%	USA	
Landmark Trade Services, Ltd. (*)	75.5%	51.0%	Canada	
Landmark Global (Australia) Distribution Pty Ltd. (*)	75.5%	51.0%	Australia	
Landmark Global (Netherlands) BV (*)	75.5%	51.0%	Netherlands	
Landmark Trade Services (Netherlands) BV (*)	75.5%	51.0%	Netherlands	
Landmark Trade Services (UK) Ltd. (*)	75.5%	51.0%	UK	
Landmark Trade Services USA, Inc. (*)	75.5%	51.0%	USA	
Apple Express Courier Inc.	100.0%	-	USA	
9517154 Canada, Ltd.	100.0%	-	Canada	
Freight Distribution Management Systems Pty, Ltd.	100.0%	-	Australia	
FDM Warehousing Pty, Ltd.	100.0%	-	Australia	
AMP SA-NV	100.0%	-	Belgium	BE403.482.188
BURNONVILLE SA-NV	100.0%	-	Belgium	BE440.559.746
IMPORT LUX BURNONVILLE	100.0%	-	Luxemburg	
ALVADIS SA-NV	100.0%	-	Belgium	BE454.455.688
UBIWAY SA-NV	100.0%	-	Belgium	BE474.686.326
DISTRISUD-BELLENS SA-NV	100.0%	-	Belgium	BE404.228.593
UBIWAY SERVICES SA-NV	100.0%	-	Belgium	BE438.281.533
DISTRILIM-LPA SA-NV	100.0%	-	Belgium	BE463.691.276
Internationale Boekhandel Distributiedienst SA-NV	100.0%	-	Belgium	BE407.203.327
DISTRIDIJLE SA-NV	100.0%	-	Belgium	BE456.569.694
UBIWAY RETAIL SA-NV	100.0%	-	Belgium	BE403.517.327
KARIBOO! SA-NV	100.0%	-	Belgium	BE502.436.442
DE BUREN INTERNATIONAAL BV (*)	51.0%	-	Netherlands	
DE BUREN NEDERLAND BV (*)	51.0%	-	Netherlands	
DE BUREN AFHAALCENTRUM BV (*)	51.0%	-	Netherlands	
DE BUREN TECHNIEK BV (*)	51.0%	-	Netherlands	
DRAGSTRA AUTOMATISERING BV (*)	51.0%	-	Netherlands	
NULEVERBAAR.NL BV (*)	51.0%	-	Netherlands	

(*) Fully consolidated.
(**) Liquidated during the year 2016.
(***) Merged into Mail Services Inc.

bpost group structure as per 31 December 2016



(1) Equity method.

6.33 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No significant events impacting bpost's financial position have been observed after the statement of financial position date.

Summary of the financial statements of bpost SA-NV

This section contains a summary version of the statutory (non-consolidated) annual accounts of bpost SA-NV. The statutory auditor issued an unqualified opinion on the statutory accounts of bpost SA-NV as of and for the year ended December 2016.

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 SA-NV (summary)

As at 31 December

In million EUR	2016	2015
Assets		
Non-current assets		
Intangible assets	6.7	10.7
Tangible assets	330.3	337.4
Financial assets	547.2	413.4
	884.2	**761.5**
Current assets		
Inventories	9.6	11.4
Trade and other receivables	421.8	370.1
Cash and cash equivalents	446.0	625.4
Deferred charges and accrued income	19.2	19.3
	896.6	**1,026.3**
TOTAL ASSETS	**1,780.8**	**1,787.8**
Equity and liabilities		
Equity		
Issued capital	364.0	364.0
Reevaluation surpluses	0.1	0.1
Reserves	50.8	50.8
Retained earnings	143.5	96.8
	558.4	**511.7**
Provisions		
Pension related provisions	24.4	27.4
Provision for repairs and maintenance	1.4	1.4
Other liabilities and charges	162.9	168.1
	188.7	**196.9**
Non-current liabilities		
Long-term debts	82.5	66.5
	82.5	**66.5**
Current liabilities		
Trade and other payables	200.8	195.8
Social debts payable	352.1	394.7
Income tax payable	38.3	48.7
Other debts	211.7	216.1
Accrued charges and deferred income	148.2	157.2
	951.2	**1,012.6**
TOTAL LIABILITIES	**1,780.8**	**1,787.8**

Income statement of bpost SA-NV (summary)

For the year ended 31 December

In million EUR	2016	2015
Turnover	2,115.1	2.168.7
Other operating income	36.2	55.5
TOTAL OPERATING INCOME	**2,151.3**	**2,224.3**
Materials cost	6.1	8.2
Payroll costs	1,068.8	1,161.0
Services and other goods	**571.7**	562.7
Other operating expenses	**15.4**	15.7
Provisions	(8.2)	0.3
Depreciation and amortisation	56.9	59.5
TOTAL OPERATING EXPENSES	**1,710.6**	**1,807.3**
PROFIT FROM OPERATING ACTIVITIES	**440.7**	**417.0**
Financial gains/losses	8.9	17.0
PROFIT FROM ORDINARY ACTIVITIES	**449.6**	**434.0**
Extraordinary gains/losses	(8.3)	(2.2)
PROFIT BEFORE TAX	**441.3**	**431.8**
Income tax expense	132.6	144.1
EARNINGS AFTER TAXES	**308.7**	**287.7**

Auditor's report

Report of the Joint Auditors – Members of the Belgian Institute of Registered Auditors to the General Meeting of bpost SA de droit public / bpost NV van publiek recht on the consolidated financial statements for the year ended 31 December, 2016.

In accordance with the legal requirements, the Joint Auditors – Members of the Belgian Institute of Registered Auditors ("the Joint Auditors") report to you on the performance of its mandate. This report includes our opinion on the consolidated statement of the financial position as at 31 December, 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December, 2016 and the notes (all elements together "the Consolidated Financial Statements"), and includes as well our report on other legal and regulatory requirements.

Report on the Consolidated Financial Statements - Unqualified opinion

We have audited the Consolidated Financial Statements of bpost SA de droit public / bpost NV van publiek recht ("the Company") and its subsidiaries (together "the Group") as of and for the year ended 31 December, 2016, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated balance sheet total of EUR 2,290.3 million and of which the consolidated income statement shows a profit for the year of EUR 346.2 million.

Responsibility 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 the International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of the Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Responsibility of the Joint Auditors – Members of the Belgian Institute of Registered Auditors

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISAs") as they were adopted in Belgium. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the judgment of the Joint Auditors, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the Joint Auditors considers internal control relevant to the Group's preparation and presentation of the Consolidated Financial Statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We have obtained from the Board of Directors and the Group's officials the explanations and information necessary for performing our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Group as at 31 December, 2016 give a true and fair view of the consolidated net equity and financial position, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Board of Director's report on the Consolidated Financial Statements, in accordance with article 119 of the Belgian Company Code.

In the context of our mandate and in accordance with the additional Belgian standard to the ISA's applicable in Belgium, it is our responsibility to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the Consolidated Financial Statements.

- The Board of Director's report to the Consolidated Financial Statements includes, both in form and in substance, the information required by law, is consistent with the Consolidated Financial Statements and does not contain any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 8 March 2017

The Joint Auditors –
Members of the Belgian Institute of Registered Auditors

Ernst & Young Bedrijfsrevisoren BCVBA Represented by	PVMD Bedrijfsrevisoren BCVBA Represented by
Eric Golenvaux Partner*	Caroline Baert Partner*

*Acting on behalf of BVBA.

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 Articles of Association and the Corporate Governance Charter.

General Belgian company law is applicable to bpost, a limited liability company under public law, unless otherwise stipulated in the 1991 Law or other Belgian laws or regulations.

On January 12, 2016, the law of December 16, 2015, amending the 1991 Law (the "**December 2015 Law**") entered into force. This law modernises the 1991 Law, in particular by (i) relaxing organisational constraints for certain public companies, including bpost, in order to create a more level playing field with other (private) companies, (ii) aligning corporate governance rules for listed public companies with those for listed (private) companies in Belgium and (iii) defining a framework allowing the Belgian government to decrease its participation below 50% plus one share, and the consequences thereof.

Pursuant to the December 2015 Law, bpost will no longer be an autonomous public sector company subject to the 1991 Law if the Belgian State's participation in bpost's capital were to drop below 50% plus one share. In this case, bpost would become entirely subject to the general Belgian company law.

The latest version of bpost's Articles of Association was adopted at the Shareholders' Meeting of May 11, 2016 and has been approved by the Royal Decree of September 1, 2016. This Royal Decree was published in the Belgian State Gazette on September 19, 2016 and has been in effect since September 29, 2016. Any changes to the Articles of Association, approved by the shareholders at bpost's Shareholders' Meeting (in accordance with Article 558 of the Belgian Companies Code), must also be approved by a Royal Decree following a debate in the Council of Ministers.

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

- the Board of Directors establishes general policy orientations and the strategy of bpost and supervises operational management;
- the Board of Directors has established 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 524 of the Belgian Companies Code, as incorporated in bpost's Corporate Governance Charter, is triggered;
- the CEO is responsible for the operational management. The Board of Directors has delegated to the CEO the powers of day-to-day management;
- the Group Executive Management assists the CEO with the operational management[(*)];
- there is a clear division of responsibilities between the Board of Directors and CEO.

The Board of Directors has adopted the Corporate Governance Charter on May 27, 2013. The Charter has been effective since June 25, 2013 and was last amended by a decision of the Board of Directors of May 2, 2016, incorporating the changes brought by the December 2015 Law and the Articles of Association as adopted by the shareholders at the Shareholders' Meeting of May 11, 2016.

Reference Code

bpost is committed to a high standard of corporate governance. It relies on the Belgian Code on Corporate Governance of March 12, 2009 (the "**Corporate Governance Code**") as a reference code. The Corporate Governance Code is available on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be). The Corporate Governance Code is based on a "comply or explain" approach. Belgian listed companies should follow the Corporate Governance Code, but may deviate from its provisions provided they disclose the justification for any such deviation.

To the extent permitted under the legal framework applicable to bpost, and in particular the 1991 Law, bpost, as an autonomous public sector enterprise, also aims to comply with most of the OECD Guidelines on Corporate Governance of State-owned Enterprises laid down in the OECD Code.

(*) Some of the members of the Group Executive Management are also member of the Management Committee, which only acts for the purposes provided in the 1991 Law.

Deviations from the Corporate Governance Code

The Board of Directors intends to comply with the Corporate Governance Code.

However, due to rules imposed on bpost by the 1991 Law (before entry into force of the December 2015 Law), bpost was not able to comply with provisions 4.2, 4.6, 4.7 and 6.3 of the Corporate Governance Code.

- Under the former Article 18, §2 *juncto* Article 148bis/3 of the 1991 Law, it was the Belgian State that had to directly appoint a certain number of directors. Under provision 4.2, the Board of Directors needs to propose directors for appointment by the shareholders at the Shareholders' Meeting.

  Since the entry into force of the December 2015 Law on January 12, 2016, all directors are appointed by decision of the Shareholders' Meeting upon proposal by the Board of Directors (Article 54/6, 4° of the 1991 Law). Therefore, some directors appointed before January 12, 2016 have been appointed by the Belgian State, while as from January 12, 2016, all (new) directors will be appointed by decision of the Shareholders' Meeting.

- Under the former Article 18, §5 and Article 20, §2 of the 1991 Law, the Chairperson of the Board of Directors and the CEO had to be appointed by the Belgian State. Under provisions 4.7 and 6.3, it is the Board of Directors that should appoint the Chairperson of the Board of Directors and the CEO.

  Since the entry into force of the December 2015 Law on January 12, 2016, the Board of Directors appoints the Chairperson of the Board of Directors and the CEO (Article 54/6, 4° and 5° of the 1991 Law). Consequently, in the future, and without prejudice to the current mandates of the Chairperson and the CEO, provision 4.7 and 6.3 shall fully apply.

- Under the former Article 18, §3 and Article 20, §2 (first sentence) of the 1991 Law, bpost directors were appointed for a term of six years. Under provision 4.6, the term cannot exceed four years.

  Since the entry into force on May 15, 2014 of the Law of April 19, 2014 amending the 1991 Law, directors are appointed for four years (Article 148*bis*/1, §5 of the 1991 Law). Therefore, the directors appointed before May 15, 2014 were appointed for six years. Directors appointed after May 15, 2014 have been appointed to serve a term of four years.

Board of Directors

Composition

Until the December 2015 Law entered into force on January 12, 2016, the CEO and up to six directors, including the Chairperson of the Board of Directors, were appointed by Royal Decree debated within the Council of Ministers. The other directors were recommended by the Board of Directors following advice of the Remuneration and Nomination Committee and then elected by an electoral college, which consisted out of all bpost's shareholders except for Public Institutions (*i.e.*, Belgian public institutions or entities within the meaning of Article 42 of the 1991 Law: the Belgian State and its affiliated entities, including SFPI/FPIM) (the "**Electoral College**").

The directors appointed by the Belgian State could only be removed by a Royal Decree debated in the Council of Ministers. The other directors could be removed at any time by a majority of the votes cast by the Electoral College.

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

bpost's Articles of Association provide that the there will be a maximum of 12 directors on the Board of Directors, including the CEO. The Board of Directors shall only comprise non-executive directors, except for the CEO. Each director will be appointed by the shareholders at the Shareholders' Meeting for a renewable term of four years (without prejudice to the restrictions for independent directors, as defined in Article 526ter, 2° of the Companies Code). The Board of Directors will solely nominate candidates that have been nominated by the Remuneration and Nomination committee.

Each shareholder holding at least 15% of bpost's shares has the right to nominate directors for appointment *pro rata* its shareholding. Directors nominated by a shareholder can be independent, provided they fulfill the criteria laid down in article 526ter of the Companies Code, but they must not be independent.

Except for the CEO and directors nominated by a shareholder, all directors have to be independent directors. In addition, the Board of Directors must at all times count at least three independent directors, fulfilling the criteria laid down in article 526ter of the Belgian Companies Code.

All directors (including the directors previously appointed by the Belgian State) can be removed by decision of the Shareholders' Meeting. It was explicitly provided in the December 2015 Law that its entry into force does not terminate the current director mandates. These mandates were continued and will expire as initially provided, notwithstanding the possibility for the shareholders to end these mandates at the Shareholders' Meeting in accordance with the Belgian Companies Code.

Should any of the director mandates become vacant, the remaining directors have the right, in accordance with Article 519 of the Belgian Companies Code, to temporarily fill such vacancy until a final appointment takes place in accordance with the abovementioned rules.

In addition, it is provided in the Corporate Governance Charter, as amended by a decision of the Board of Directors of May 2, 2016, that the term of office of a director will end immediately after the annual Shareholders' Meeting following his/her 70th birthday, unless the Board of Directors approves otherwise in exceptional cases. Directors are expected to resign from office at such annual Shareholders' Meeting.

The composition of the Board of Directors reflects the gender representation requirements set forth in Article 18, §2*bis* of the 1991 Law. bpost also intends to comply with these gender representation requirements in 2017. bpost further takes into account the gender requirements laid down in Article 518*bis* of the Belgian Companies Code.

The composition of the Board of Directors reflects the language requirements set forth in Article 16 and 148*bis*/1 of the 1991 Law.

The Board of Directors was, per December 31, 2016, composed of the following 12 members:

Name	Position	Director since	Mandate expires	Presence at Board meetings in 2016
Françoise Masai(1)(2)	Non-Executive Chairperson of the Board of Directors	2014	2018 (5)	18/18
Koen Van Gerven(1)(3)	CEO and Director	2014	2020	18/18
Arthur Goethals(1)	Non-Executive Director	2006	2018 (5)	13/18
Luc Lallemand(1)	Non-Executive Director	2002	2018	13/18
Bernadette Lambrechts(1)	Non-Executive Director	2014	2020	16/18
Laurent Levaux(1)	Non-Executive Director	2012	2018	11/18
Caroline Ven(1)	Non-Executive Director	2012	2018	15/18
Michael Stone(4)	Independent Director	2014	2018	15/18
Ray Stewart(4)	Independent Director	2014	2018	17/18
François Cornelis	Independent Director	2013	2019	16/18
Sophie Dutordoir	Independent Director	2013	2019 (5)	16/18
Bruno Holthof	Independent Director	2013	2019 (5)	15/18

(1) Appointed by the Belgian State.
(2) Françoise Masai was appointed as from June 23, 2014 by Royal Decree dated April 25, 2014.
(3) Appointed as CEO by Royal Decree dated February 26, 2014.
(4) Appointed by the general meeting of all shareholders of bpost other than Public Institutions held on September 22, 2014.
(5) This director has informed bpost that he/she will not complete the full tenure of his/her mandate as described below.

Françoise Masai and Arthur Goethals have reached the age limit of 70 in 2016. Both directors have indicated that they do not wish to complete the full tenure of their mandate and that they will resign from office as from the Shareholders' Meeting of May 10, 2017, in accordance with Article 3.2.5 of the Corporate Governance Charter.

Two independent directors have resigned from the Board of Directors. Sophie Dutordoir resigned on January 15, 2017. Her resignation became effective on February 28, 2017. Bruno Holthof resigned on January 3, 2017. His resignation will become effective as of the Shareholders' Meeting of May 10, 2017.

The Remuneration and Nomination Committee has launched a selection process for the nomination of three independent directors and one Dutch speaking Board member nominated by the majority shareholder. The Board of Directors intends to recommend candidates, nominated by the Remuneration and Nomination Committee, for appointment to the shareholders at the annual Shareholders' Meeting of May 10, 2017 to replace the directors that have resigned or will resign.

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 realisation of bpost's purpose, except for those actions that are specifically reserved by law or the Articles of Association to the shareholders at the Shareholders' Meeting or other management bodies.

In particular, the Board of Directors is responsible for:

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

Certain Board of Directors decisions must be adopted by a special majority (see below *Deliberation and voting*).

The Board of Directors is entitled to delegate special and limited powers to the CEO and other members of senior management and can allow the sub-delegation of said powers.

Following the resolution adopted at the Shareholders' Meeting of May 27, 2013, the Board of Directors may, without any prior authorisation of the shareholders at the Shareholders' Meeting, in accordance with Articles 620 *et seq.* of the Belgian Companies Code and within the limits set out in these provisions, acquire, on or outside the stock market, its own shares, profit-sharing certificates or associated certificates for a price that will respect the legal requirements, but that will in any case not be more than 10% below the lowest closing price in the last thirty trading days preceding the transaction and not more than 5% above the highest closing price in the last thirty trading days preceding the transaction. This authorisation is valid for five years from May 27, 2013. This authorisation covers the acquisition on or outside the stock market by a direct subsidiary within the meaning and the limits set out by Article 627, indent 1 of the Belgian Companies Code. If the acquisition is made by bpost outside the stock market, even from a subsidiary, bpost shall comply with Article 620, §1, 5° of the Belgian Companies Code.

The Board of Director's specific authorisations to acquire, for bpost's account, bpost's own shares, profit-sharing certificates or associated certificates if such acquisition would be necessary to avoid serious and imminent harm, were not extended at the Shareholders' Meeting held on May 11, 2016. Therefore, the Board of Directors has no longer been authorised to acquire such instruments to avoid serious and imminent harm as of July 8, 2016.

The Board of Directors is also authorised 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. This authorisation is valid without any time restriction. The authorisation 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.

Functioning of the Board of Directors

In principle, the Board of Directors meets seven times a year and in any event no fewer than five times a year. Additional meetings may be called with appropriate notice at any time to address specific needs of the business. A meeting of the Board of Directors must in any event be convened if so requested by at least two directors. In 2016, the Board of Directors met eighteen times.

Quorum

The Board of Directors can only deliberate and make valid decisions if more than half of the directors are present or represented. The quorum requirement does not apply (i) to the vote on any matter at a subsequent meeting of the Board of Directors to which such matter has been deferred for lack of quorum at a prior meeting, if said subsequent meeting is held within 30 days from such prior meeting and the notice of said subsequent meeting sets forth the proposed decision on such matter with reference to this provision, or (ii) when an unforeseen emergency arises that makes it necessary for the Board of Directors to take action that would otherwise become time-barred by law or in order to avoid imminent harm to bpost.

Deliberation and voting

Pursuant to the 1991 Law, decisions on the approval of all renewals or amendments to the management contract and certain decisions on the administrative law status of statutory employees require a two-thirds majority by the Board of Directors.

Certain decisions within the competence of the Board of Directors as provided under Article 29, §2 of the Articles of Association also require a majority of two-thirds of the votes cast.

In exceptional circumstances, where the urgency of the matter and the interests of bpost so require, the Board resolutions may be approved by unanimous written consent of all directors. This written procedure may not be used for the approval of the annual accounts, the use of the authorised capital or the amendment of the management contract.

Without prejudice to the special majority requirements set forth above, all decisions of the Board of Directors are adopted by a majority of the votes cast. In the case of a tie, the Chairperson of the Board of Directors has a casting vote.

In addition, the Corporate Governance Charter provides that 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 Chairperson of the Board of Directors 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, performance and that of its committees, as well as the interaction with the executive management. If needed, the Chairperson shall propose the necessary measures to remedy any weaknesses of the Board of Directors or of any of its committees.

In 2015, the assessment was facilitated by an external consultant. The assessment focused on the role and missions of the Board of Directors and its committees, its composition, its functioning, the information flows within the Board of Directors and with management, and its compliance with governance standards.

Following the 2015 external assessment, the Board of Directors decided to monitor and evaluate on a regular basis the main focus areas that came out of the external assessment. In 2016, the Board of Directors continued to follow-up on these focus areas.

Corporate Governance Charter

On May 27, 2013, the Board of Directors adopted the Corporate Governance Charter. This Charter entered into effect on June 25, 2013. The Corporate Governance Charter was last amended following the Board of Directors' decision of May 2, 2016. The Board of Directors will review bpost's corporate governance at regular intervals and adopt any changes deemed necessary and appropriate.

The Corporate Governance Charter contains rules with respect to:

- the duties of the Board of Directors, Committees, Group Executive Management(*) and CEO;
- the responsibilities of the Board of Directors' Chairperson and Corporate Secretary;
- the requirements that apply to the members of the Board of Directors to ensure that they have adequate experience, expertise and competences to fulfill their duties and responsibilities;
- a 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. The Board of Directors may decide to exclude the member who has a conflict of interest from the deliberations and vote on that subject.

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

An induction program is provided to newly appointed directors aimed at acquainting them with bpost's activities and organisation as well as with the rules laid down in the Corporate Governance Charter. This program is open to every director who wishes to participate. It includes visiting operational and sorting centers.

(*) Some of the members of the Group Executive Management are also member of the Management Committee, which only acts for the purposes provided in the 1991 Law.

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, Mr. Koen Van Gerven declared to have a personal conflict of interest of patrimonial nature in connection with his annual evaluation as CEO. His annual evaluation was an item on the agenda of the Remuneration and Nomination Committee's meeting of April 20, 2016, and the Board of Directors' meeting of May 2, 2016. He informed bpost's auditors of this conflict of interest and decided not to participate in the deliberation or voting on this item. Below follows the extract of the Board of Directors' minutes relating to the annual evaluation of the CEO:

"Prior to discussing the annual evaluation of the CEO, the CEO declared to have a personal conflict of interest of a patrimonial nature aimed at by Article 523 of the Belgian Companies Code in respect of the agenda item which relates to the evaluation of his annual performance.

The CEO left the meeting room and did not participate in the deliberation or the decision regarding his annual evaluation. The CEO will instruct the auditors of his conflict of interest, in accordance with Article 523 of the Belgian Companies Code.

The Chairperson of the Remuneration and Nomination Committee reported on the meeting held 20 April 2016: (…)

Upon recommendation of the Remuneration and Nomination Committee, the Board of Directors unanimously approved the evaluation of the performance of the CEO and the proposed score".

Transactions between bpost and its majority shareholders

bpost's Corporate Governance Charter provides that the procedure set forth in Article 524 of the Belgian Companies Code shall 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* Board committee, consisting of at least three independent directors. The committee is assisted by an independent expert, selected by the committee, and bpost's auditor validates the financial data used. The procedure then requires the Board of Directors to substantiate its decision and the auditor to validate the financial data used by the Board of Directors.

The Board of Directors has established an *ad hoc* committee composed of all independent directors.

The Board of Directors did not need to apply the above procedure in 2016. The *ad hoc* committee did not meet in 2016.

Committees of the Board of Directors

Apart from the aforementioned *ad hoc* committee established pursuant to Article 524 of the Belgian Companies Code and bpost's Corporate Governance Charter, the Board of Directors has established three Board committees, which are responsible for assisting the Board of Directors and making recommendations in specific fields: the Strategic Committee, Audit Committee (in accordance with Article 526bis of the Belgian Companies Code) and Remuneration and Nomination Committee (in accordance with Article 526quater of the Belgian Companies Code). 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:

- review industry developments on a regular basis, review objectives and strategies of bpost and its subsidiaries and recommend corrective actions;
- review the draft business plan submitted each year by the Group Executive Management;
- review strategic transactions proposed by the CEO or the Group Executive Management, 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 geographical markets or withdrawal from any such product segments or geographical markets;
- monitor the implementation of such strategic projects and of the business plan.

The Strategic Committee comprises the CEO, who chairs the committee, and four directors, including at least one independent director.

The Strategic Committee was, per December 31, 2016, composed of the following five members:

Name	Position	Director since	Mandate expires	Presence at meetings in 2016
Arthur Goethals	Non-Executive Director	2006	2018 (1)	3/5
Luc Lallemand	Non-Executive Director	2002	2018	4/5
Laurent Levaux	Non-Executive Director	2012	2018	3/5
Michael Stone	Independent Director	2014	2018	5/5
Koen Van Gerven (Chairperson)	CEO and Director	2014	2020	5/5

(1) Mr. Goethals has reached the age limit of 70 in 2016 and has indicated that he does not wish to complete the full tenure of his mandate. He will resign from office as from the Shareholders' Meeting of May 10, 2017.

The Strategic Committee met five times in 2016.

Audit Committee

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

- review accounting policies and conventions;
- review the draft annual accounts and examine whether the proposed distribution of earnings and profits is consistent with the business plan and the observance of applicable solvency and debt coverage ratios;
- review the draft annual budget submitted by the CEO or the Group Executive Management and monitor compliance with the budget in the course of the year;
- review the quality of financial information furnished to the shareholders and the market;
- monitor and oversee the internal audit process, internal controls and risk management, including for bpost and its subsidiaries as a whole;
- propose candidates for the two statutory auditors to be appointed by the Shareholders' Meeting;
- monitor the statutory audit of the annual and consolidated accounts, including any follow-up on any questions and recommendations made by the external auditors; and
- review the external audit process and monitor the independence of the statutory auditors, in particular regarding the provision of additional services to bpost.

The Audit Committee comprises five non-executive directors, including at least three independent directors.

All members of the Audit Committee have sufficient expertise in the field of accounting and audit. The Chairperson of the Audit Committee is competent in accounting and auditing as evidenced by his former executive positions at a.o. the Total group. The other members of the Audit Committee also hold or have held several board or executive mandates in top tier companies or organisations.

The Audit Committee was, per December 31, 2016, composed of the following five members:

Name	Position	Director since	Mandate expires	Presence at meetings in 2016
François Cornelis (Chairperson)	Independent Director	2013	2019	5/5
Sophie Dutordoir	Independent Director	2013	2019 (1)	4/5
Bernadette Lambrechts	Non-Executive Director	2014	2020	4/5
Ray Stewart	Independent Director	2014	2018	4/5
Caroline Ven	Non-Executive Director	2012	2018	5/5

(1) Sophie Dutordoir resigned from the Board of Directors on January 15, 2017. Her resignation became effective on February 28, 2017. The Board of Directors has appointed Michael Stone, independent director, as (temporary) member of the Audit Committee in replacement of Sophie Dutordoir.

The Audit Committee met five times in 2016.

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 executive management 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 nominated 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 on the appointment of the Chairperson of the Board;
- 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 Management;
- advise the Board of Directors on the remuneration of the CEO and other members of the Group Executive Management and arrangements on early termination;
- review any share-based or other incentive scheme for the directors, members of the Group Executive Management and employees;
- establish performance targets and conduct performance reviews for the CEO and other members of the Group Executive Management;
- advise the Board of Directors on the remuneration of the directors; and
- submit a remuneration report to the Board of Directors.

The Remuneration and Nomination Committee comprises five non-executive directors, including three independent directors. The CEO participates with an advisory vote in the meetings of the Remuneration and Nomination Committee when the remuneration of the other members of the Group Executive Management is being discussed.

The Remuneration and Nomination Committee was, per December 31, 2016, composed of the following five members:

Name	Position	Director since	Mandate expires	Presence at meetings in 2016
François Cornelis	Independent Director	2013	2019	3/3
Sophie Dutordoir	Independent Director	2013	2019 (1)	3/3
Bruno Holthof	Independent Director	2013	2019 (2)	3/3
Laurent Levaux	Non-Executive Director	2012	2018	3/3
Françoise Masai (Chairperson)	Non-Executive Chairperson of the Board of Directors	2014	2018	3/3

(1) Sophie Dutordoir resigned from the Board of Directors on January 15, 2017. Her resignation became effective on February 28, 2017. The Board of Directors has appointed Michael Stone, independent director, as (temporary) member of the Remuneration and Nomination Committee in replacement of Sophie Dutordoir.
(2) Bruno Holthof resigned from the Board on January 3, 2017. His resignation will become effective as of the Shareholders' Meeting of May 10, 2017.

The Remuneration and Nomination Committee met three times in 2016.

In 2016, the Remuneration and Nomination Committee reflected (amongst other things) on changes to the remuneration policy (*e.g.*, long-term incentive schemes) further to a new benchmark exercise with competitive companies.

Executive Management

CEO

Until the December 2015 Law entered into force on January 12, 2016, the CEO was appointed by the Belgian State, by Royal Decree, deliberated in the Council of Ministers.

Since the December 2015 Law entered into force on January 12, 2016, the CEO is appointed by the Board of Directors, following nomination by the Remuneration and Nomination Committee.

It is explicitly provided in the December 2015 Law that its entry into force does not terminate the current mandate of the CEO.

The current CEO is appointed for a term of six years by Royal Decree of February 26, 2014, deliberated in the Council of Ministers.

The CEO is vested with the day-to-day management of bpost. He is also entrusted with the execution of the Board of Directors' resolutions and he represents bpost within the framework of its day-to-day management, 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 Management

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

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

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

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

The Group Executive Management was, per December 31, 2016, composed of the following members:

Name	Function
Koen Van Gerven	Chief Executive Officer
Koen Beeckmans	Chief Financial Officer, Service Operations & ICT
Philippe Dubois	Director Mail Service Operations
Marc Huybrechts	Director Mail & Retail Solutions
Mark Michiels	Chief Human Resources & Organisation
Kurt Pierloot	Director Parcels & Logistics

The 1991 Law contains several provisions detailing the composition, appointment and functioning of a Management Committee. Since the December 2015 Law has entered into force on January 12, 2016, these provisions no longer apply to bpost. Hence, the powers to be assigned to the Management Committee on the basis of the 1991 Law 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 Management Committee will only remain in force for the limited purposes and tasks assigned to it by the amended 1991 Law.

The Management Committee is composed of the CEO, who chairs the Management Committee, and the current members of the Group Executive Management with the exception of the CHRO Mark Michiels.

Company Secretary

The Board of Directors and its Chairperson, the committees of the Board of Directors and its Chairpersons and the Group Executive Management are assisted by the Company Secretary, Dirk Tirez, who is also bpost's Chief Legal Officer. He was appointed in October 2007.

Board of Auditors

The Board of Auditors audits bpost's financial condition and unconsolidated financial statements. The Board of Auditors comprises four members, two of which are appointed by the shareholders at the Shareholders' Meeting. The other two members are appointed by the Court of Audit, the Belgian institution responsible for the verification of public accounts (*Cour des Comptes/ Rekenhof*). The Board of Auditors' members are appointed for renewable terms of three years. The Shareholders' Meeting determines the remuneration of the Board of Auditors' members.

The Board of Auditors was, at December 31, 2016, composed of:

- Ernst & Young Bedrijfsrevisoren BV CVBA ("EY"), represented by Mr. Eric Golenvaux (member of the Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren), De Kleetlaan 2, 1831 Diegem, Belgium;
- PVMD Bedrijfsrevisoren-Reviseurs d'Entreprises SC SCRL ("PVMD"), represented by Mrs. Caroline Baert (member of the Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren), Rue de l'Yser 207, 4430 Ans, Belgium;
- Mr. Philippe Roland, Member of the Court of Audit (*Rekenhof/Cour des Comptes*) and First President of the Court of Audit, Rue de la Régence 2, 1000 Brussels, Belgium; and
- Mr. Jozef Beckers, Member of the Court of Audit (*Rekenhof/Cour des Comptes*), Rue de la Régence 2, 1000 Brussels, Belgium.

The mandates of Mr. Philippe Roland and Mr. Jozef Beckers were renewed for a new term of three years in 2016 and will run up until September 30, 2019. The mandates of EY and PVMD were renewed for a new term of three years by decision of the Shareholders' Meeting of May 13, 2015 (up until the annual Shareholders' Meeting of 2018).

EY and PVMD are responsible for the audit of bpost's consolidated financial statements. For the year ended December 31, 2016, EY and PVMD received EUR 333,850.00 (excluding value added tax) in fees for the audit of the financial statements of bpost and its subsidiaries and EUR 268,464.11 (excluding value-added tax) in fees for non-audit services. The other members of the Board of Auditors received EUR 53,723.20 in remuneration for their services in connection with the audit of bpost's non-consolidated financial statements for the year ended December 31, 2016.

Shareholding structure and shareholders rights

bpost's shares are registered or dematerialised. At December 31, 2016, bpost's share capital was represented by 200,000,944 shares. The shares are listed on the NYSE Euronext Brussels.

With respectively 48,263,200 and 53,812,449 bpost shares in their possession on December 31, 2016, the Belgian State and the SFPI/FPIM together had a participation of 51.04% (respectively of 24.13% and 26.91%) of the shares with voting rights emitted by bpost.

The remaining shares are held by individual shareholders and European and international institutional shareholders who hold shares directly in bpost. None of these persons, either individually or in concert with others, have per December 31, 2016, filed a transparency declaration informing that the initial 3% threshold was reached.

The 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 exceeds at any time 50%. However, since the December 2015 Law entered into force on January 12, 2016, the Belgian Government is empowered until December 31, 2018 to approve, by Royal Decree discussed 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).

At December 31, 2016, bpost did not hold any own shares.

Each share entitles its holder to one vote. Except as required by the Belgian Companies Code, all shareholder resolutions are adopted at the Shareholders' Meeting by a majority of the votes cast.

Apart from the restrictions on voting rights imposed by law, the Articles of Association provide that, in the event 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

Procedure applied to develop a remuneration policy and fix individual remuneration of management

As a limited liability company under public law and in compliance with applicable corporate governance requirements, bpost has developed a specific remuneration policy. This policy was decided by the Board of Directors upon recommendation by the Remuneration and Nomination Committee. The remuneration policy takes into account bpost's different groups of employees and is regularly assessed and updated if and when appropriate. Any change in this policy is approved by the Board following a recommendation by the Remuneration and Nomination Committee.

The remuneration policy aims to offer an equitable reward package to all employees and managers, which is competitive with the Belgian reference market composed of large Belgian companies. The total reward package includes a well-balanced mix of financial and non-financial elements. To that effect, a comparison of the various compensation elements with the median of the Belgian reference market is regularly carried out.

Furthermore, to achieve sustainable and profitable growth, performance at both the collective and individual level is rewarded. Such reward system has the ambition to be an affordable and straightforward system that is linked to corporate results, such as EBIT and customer loyalty, and that allows differentiation at individual level in view of performance and talent. At the same time, it aims to create sustainable long-term value.

bpost considers that a transparent communication on the principles and implementation of the remuneration policy is essential.

bpost distinguishes three different groups, for which the basic remuneration principles will be explained and detailed hereafter:

1. members of the Board of Directors;

2. CEO;

3. members of the Group Executive Management(*).

The content of this report does not relate to bpost's Belgian and foreign subsidiaries. With regard to the foreign subsidiaries, a separate remuneration policy has been established, in line with market standards. This policy is likely to attract and retain qualified and experienced executives.

Remuneration principles

Remuneration of the Members of the Board of Directors

The remuneration of the members of the Board of Directors was approved by decision of the Shareholders' Meeting of April 25, 2000.

Pursuant to this decision, the members of the Board of Directors (with the exception of the CEO) are entitled to receive the following gross annual remuneration:

- EUR 39,885.33 for the Board of Directors' Chairperson, who also chairs the Joint Industrial Committee (*Paritair Comité / Commission Paritaire*) of bpost, as indexed per March 1, 2016;
- EUR 19,942.73 for the other directors, with the exception of the CEO, as indexed per March 1, 2016.

These amounts are indexed annually.

Following the decision of the shareholders at the Shareholders' Meeting of April 25, 2000, the members of the Board of Directors (with the exception of the CEO) are also entitled to an attendance fee of EUR 1,666.35 per attendance at one of the Committees established by the Board of Directors.

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

The CEO is not entitled to any kind of remuneration for attendance to any of the Board of Directors or Board Committee meetings.

(*) Some of the members of the Group Executive Management are also a member of the Management Committee.

During the financial year 2016, the members of the Board of Directors, with the exception of the CEO, received the following total gross annual remuneration(*):

Member	Board meetings	Audit Committee	Strategic Committee(**)	Remuneration & Nomination Committee	TOTAL
Arthur Goethals	EUR 19,942.73	N/A	EUR 4,972.32	N/A	EUR 24,915.05
Luc Lallemand	EUR 19,942.73	N/A	EUR 6,611.94	N/A	EUR 26,554.67
Laurent Levaux	EUR 19,942.73	N/A	EUR 4,945.59	EUR 4,999.05	EUR 29,887.37
Caroline Ven	EUR 19,942.73	EUR 9,971.37	N/A	N/A	EUR 29,914.10
François Cornelis	EUR 19,942.73	EUR 9,971.37	N/A	EUR 4,999.05	EUR 34,913.15
Sophie Dutordoir	EUR 19,942.73	EUR 6,665.40	N/A	EUR 4,999.05	EUR 31,607.18
Bruno Holthof	EUR 19,942.73	N/A	N/A	EUR 4,999.05	EUR 24,941.78
Françoise Masai	EUR 39,885.33	N/A	N/A	EUR 4,999.05	EUR 44,884.38
Ray Stewart	EUR 19,942.73	EUR 6,665.40	N/A	N/A	EUR 26,608.13
Michael Stone	EUR 19,942.73	N/A	EUR 8,278.29	N/A	EUR 28,221.02
Bernadette Lambrechts	EUR 19,942.73	EUR 8,305.02	N/A	N/A	EUR 28,247.75

(*) These amounts cover all amounts paid out in FY 2016. Please note that attendance fees are only paid out in the month following the attended Board Committee meeting. This means that the amounts paid out in FY 2016 relate to attendance to Board Committee meetings held from December 2015 until November 2016.
(**) Please note that erroneously the attendance fee of one Strategic Committee meeting in 2016 was not paid out in FY 2016 and will be paid in FY 2017.

Remuneration of the CEO

The remuneration package of the CEO consists of a base salary of EUR 472,195.20 (as indexed per July 1, 2016), a short-term on target variable remuneration of EUR 150,000, a pension contribution of EUR 32,480.04 and various other components such as death in service, disability and medical coverage, representation allowances and a company car.

The CEO's variable remuneration is granted under the terms and conditions defined on an annual basis and approved by bpost's Board of Directors, following a recommendation of the Remuneration and Nomination Committee. For performance in 2016 (for which payment occurs in 2017), the Board of Directors agreed to apply similar conditions and modalities as applicable to bpost's management population: the short-term variable remuneration is based on a 'multiplier system' whereby the actual variable salary paid out can vary depending on the corporate and individual performance and competences.

For the CEO, the corporate objectives are financial (EBIT – weight 70% / Operating Free Cash Flow – weight 30%). The pay-out grid was determined and validated by the Board of Directors following a recommendation of the Remuneration and Nomination Committee. Maximum pay-out per criterion is set at 135%.

Individual objectives are mutually agreed between the CEO and Board of Directors. Clear deliverables and KPI's to be reached in an agreed timeframe are set. The pay-out range for the CEO is in line with the pay-out range principles that apply to the members of the Group Executive Management.

The remuneration paid to Koen Van Gerven in 2016 for his performance over the year ending December 31, 2016 amounts to EUR 570,648.12 (compared to EUR 549,429 in 2015) and can be broken down as follows:

- base salary: EUR 472,195.20 (gross);
- variable remuneration: to be determined and paid in 2017 after evaluation of performance;
- pension, death in service, disability and medical coverage: EUR 75,961.80;
- other compensation components (representation allowances): EUR 3,300;
- leasing costs for company car: EUR 19,191.12.

In addition, the CEO was paid in 2016 a variable remuneration of EUR 258,772 for his performance for the year ending December 31, 2015 (as the 2015 performance evaluation was only determined in 2016).

No shares, stock options or other rights to award shares were granted to or exercised by the CEO or expired in 2016. No options under previous stock option plans were still outstanding for exercise in 2016.

While there are no future changes as to the remuneration of the CEO at this stage, the Remuneration and Nomination Committee will reflect from time to time on changes to the remuneration policy in light of market practice.

Remuneration of the Group Executive Management members(*)

The remuneration package of the Group Executive Management is reviewed on a regular basis and approved by the Board of Directors following a recommendation by the Nomination and Remuneration Committee. It is based on a benchmark exercise comparing bpost with large Belgian companies.

bpost's objective is to offer a total remuneration package that is in line with the median of the reference market.

While there are no future changes as to the remuneration of the Group Executive Management at this stage, the Remuneration and Nomination Committee will reflect from time to time on changes to the remuneration policy in light of market practice.

The different elements of the remuneration package are:

Base salary

The base salary is benchmarked with other large Belgian companies, in line with the abovementioned principles.

The individual base salary is based on:

- function;
- relevant experience;
- performance.

The performance of each individual is reviewed annually in a "Performance Management Process" (PMP).

Variable salary

A variable salary may be granted, based on the achievement of:

- corporate objectives;
- individual objectives.

The target variable salary is set as a percentage of the annual base salary.

bpost uses a multiplication system whereby the actual variable salary paid out can vary depending on the corporate and individual performance.

The corporate objectives are both financial (EBIT – weight 70%) and non-financial (customer loyalty – weight 30%). Per criterion, a pay-out grid is determined and validated each year by the Board of Directors following a recommendation by the Remuneration and Nomination Committee. Maximum pay-out per criterion is set at 135%.

Individual objectives are mutually agreed between each member of the Group Executive Management and the CEO at the start of the Performance Management Process (PMP). Clear deliverables and KPI's to be reached in an agreed timeframe are set. Pay-out range goes from 0% in case of underperformance to 160% in case of over-performance.

Other benefits

bpost offers other benefits, such as pension, death in service and disability insurance, medical insurance, company car, *etc.* These benefits are benchmarked regularly and adapted according to standard practices.

Global remuneration

The global remuneration paid in 2016 to the Group Executive Management members, other than the CEO, for performance over the year ending December 31, 2016 amounts to EUR 1,982,514.55 (compared to EUR 1,553,004 in 2015) and can be broken down as follows:

- base salary: EUR 1,671,984.85 (gross) paid under employment agreements, excluding social security contributions paid by bpost;
- variable remuneration: to be determined and paid in 2017 after evaluation of performance;
- pension, death in service, disability and medical coverage: EUR 204,551.04;
- other compensation components (representation allowances and luncheon vouchers): EUR 20,285.10;
- leasing costs for company car: EUR 85,693.56.

(*) Some of the members of the Group Executive Management are also a member of the Management Committee.

In addition, the Group Executive Management members were paid in 2016 a global variable remuneration of EUR 738,918.44 (gross) for their performance for the year ending December 31, 2015 (as the 2015 performance evaluation was only determined in 2016).

No shares, stock options or other rights to award shares were granted to or exercised by the Group Executive Management members or expired in 2016. No options under previous stock option plans were still outstanding for exercise in 2016.

Clawback provisions

The current remuneration policy does not provide for a specific contractual clawback stipulation in favour of bpost for the variable remuneration granted on the basis of incorrect financial information.

Termination provisions

In case of termination by bpost before the end of the current mandate and not for reason of material breach, the CEO is entitled to a termination indemnity of EUR 500,000. Additionally, the CEO is entitled to the use of a vehicle for six months after the date of termination, including all expenses relating to the use of this vehicle, except for the fuel card.

No other member of the Group Executive Management is entitled to specific contractual termination arrangements, except for Marc Huybrechts, who is entitled to a minimum severance pay of six months in case of dismissal without cause, and Koen Beeckmans, who is entitled to a minimum notice period or severance pay of twelve months compensation in case of dismissal without cause, it being understood that the latter is decreased to six months if the non-compete clause is applied.

In case of automatic termination upon 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 from the date of termination of his mandate. He will receive a non-competition indemnity of EUR 500,000, unless bpost waives the application of such clause.

All members of the Group Executive Management, except for Mark Michiels, are subject to non-compete clauses for a period of twelve to twenty-four months from the date of their resignation or termination restricting their ability to work for bpost's competitors. All such members are entitled to receive compensation in an amount equal to six to twelve months of salary if these non-compete clauses are applied.

Internal control and risk management

bpost's Entreprise Risk Management (**"ERM"**) framework assists bpost in managing risks effectively and 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 at describing 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 Management and Board of Directors.

Commitment to integrity and ethical values

"Earning trust" is one of bpost's four key values. The Board of Directors and Group Executive Management have approved bpost's Code of Conduct, which was first issued in 2007. The Code describes the basic principles on how bpost wants to conduct business and the consequences in case of violations. The Code also sets out guidelines to prevent misuse of privacy sensitive and other privileged information and to support sustainable ways of working on environment and society as a whole. The Code of Conduct is provided to all new employees as part of the onboarding process. It is also made available on bpost's intranet and referred to during trainings. Any violations of the Code of Conduct or fraudulent behaviour can be reported to the Integrity department, triggering an investigation and further follow-up.

Furthermore, in order to comply with insider trading and market manipulation regulations, bpost has adopted a Dealing and Disclosure Code, which is amended from time to time to be in line with the most recent market abuse laws and regulations. This Code aims at creating 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 Management) and their associated persons. The 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 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 Management 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, 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 centralised within the Risk & Control department. All second line functions report at least annually to the Group Executive Management on the risk evolutions 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. In September 2015, 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 quarterly 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 realising the objectives;
- assessment of risks in order to prioritise 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

A process management framework is defined based on the Business Process Methodology (**"BPM"**). As such, policies and procedures are established for the key processes (sales, procurement, investments, treasury, *etc.*). They are subject to regular controls. Internal control dashboards 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 in order 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 timings;
- 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) business controllers 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 as well as 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

Internally, 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 level as from operational level.

Financial and performance information is shared between operational and financial management and the Group Executive Management. Besides the monthly reporting analysis prepared by the Business Controllers, the Group Executive Management 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 and Public Affairs department manages stakeholders, *e.g.*, press and public authorities. This department centralises and validates external communications with a potential impact at Group level. This includes, but is not restricted to, financial information.

Financial information is made available to the market on a quarterly, half-yearly 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 Board of 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.

bpost's Board of Auditors provides an independent opinion on the full year statutory and consolidated financial statements. It performs a limited review on the half-year interim condensed financial statements and the statutory BGAAP figures of bpost SA-NV per end of October, which serves for the distribution of an interim dividend. In addition, they review material changes to the IFRS accounting principles. In light of their activities, they also 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 analyse 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 Board of Auditors;
- Corporate Audit semi-annual status report on the follow-up of audit recommendations and annual activity report;
- Group Executive management'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, taking into account 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.