A leap forward

DELIVERING THE FUTURE

Annual report 2017

bpost

Contents

(*) These chapters form the annual report cf. Article 119 of the Belgian Companies Code

KEY FIGURES

Overview of the key figures

Normalized for the year ended 31 December

In million EUR	***2017***	*2016*	*2015*	*Evolution 2017-2016*
Total Operating Income (Revenues)[1]	3,023.8	2,425.2	2,407.6	24.7%
Profit from operating activities (EBIT)[2]	501.6	496.5	494.4	1.0%
Profit for the year (consolidated - IFRS)[3]	329.3	324.1	328.1	1.6%
Operating free cash flow[4]	(485.8)	193.9	315.9	-

Reported for the year ended 31 December

In million EUR	***2017***	*2016*	*2015*	*Evolution 2017-2016*
Total Operating Income (Revenues)	3,023.8	2,425.2	2,433.7	24.7%
Profit from operating activities (EBIT)	492.9	496.5	466.1	-0.7%
Profit for the year (consolidated - IFRS)	322.9	346.2	309.3	-6.7%
bpost S.A./N.V. net profit (unconsolidated - Belgian GAAP)	291.0	308.7	287.7	-5.8%
Operating Free cash flow[5]	(485.8)	193.9	315.9	-
Net Debt / (Net Cash)[6]	292.4	(492.7)	(549.5)	-
Basic earnings per share, in EUR	1.62	1.72	1.54	-5.5%
Dividend per share, in EUR	1.31	1.31	1.29	0.0%
Number of employees (at year end)	33,992	26,987	26,381	26.0%
Number of FTE (average)	25,323	23,708	23,847	6.8%
Number of FTE and interim (average)	26,906	24,850	24,703	8.3%

(1) Normalized total operating income represents total operating income excluding the impact of non-recurring items and is not audited.

(2) Normalized EBIT represents profit from operating activities excluding the impact of non-recurring items and is not audited.

(3) Normalized profit for the year represents profit for the year excluding the impact of non-recurring items and is not audited.

(4) Normalized 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 normalized and reported key figures, please refer to section "Reconciliation of Reported to Normalized Financial Metrics" of this document.

Message to the stakeholders

A leap forward

Koen Van Gerven
CEO

François Cornelis
Chairman of the Board of Directors

2017 was a key year for bpost. Thanks to the acquisition of Radial and the opening of our new Brussels X sorting center our ambition to become a major player in e-commerce logistics took shape. Furthermore, the new postal law provides us with a modern and transparent regulatory framework, which is essential for the future of companies active in the postal industry. This law also entrusts the provision of the universal postal service to bpost for a term of five years.

> *Radial's expertise and skills will enable us to become a key player in online services related to e-commerce.*

In 2017 we have progressed in every aspect of our strategy.

Supporting mail, our core business

In 2017 we grew **advertising mail** with targeted sales efforts, strengthening the position of the letter as a communication channel, notably through our own agency Welcome Media.

Under pressure from electronic substitution, traditional mail declined by 5.8%. This is **in line with our expectations**.

Growing

To counter the decline of our historical business, we continued to **diversify** our activities and enhance our position **in our customers' value chain**.

E-commerce is a source of great growth potential, with regard to the last mile in parcel delivery, but also to managing and preparing online shopping orders. bpost is committed to offering customers a robust cross-border service that covers the **entire e-commerce logistical chain**.

The **acquisition of US company Radial** is key to this. Radial markets clever solutions for the whole process triggered by the customer's online purchase. Its expertise and skills will enable us to become a key player in online services related to e-commerce. Radial also bolsters our position in the United States, which is already the world's leading e-commerce market, but still has huge untapped growth potential.

In 2017 the domestic parcel volume broke all records. On average, bpost handled 190,000 parcels per day, up 28% on the 2016 figure. Peak volume hit 350,000 per day during the year-end holidays.

In 2017 we invested efforts to meet the new needs of our customers and offer them **greater convenience and more choice**. We substantially enlarged the parcel delivery options, allowing customers to choose their delivery location.

We also launched **Cubee**, Belgium's biggest parcel locker network open to all retailers, online customers and couriers. A result of the acquisition of Dutch company de Buren, Cubee offered 152 parcel lockers in Belgium and 61 in the Netherlands at the end of 2017.

Safeguarding our operational flexibility

bpost opened the **new Brussels X sorting center** in 2017. An integral part of our Vision 2020 strategy, Brussels X covers 80,000 m², more of half of which is dedicated to letters. Our new sorting center, the biggest in the Benelux and the second biggest in Europe, has doubled our parcel sorting capacity.

> *The new Brussels X, the biggest sorting center in the Benelux and the second biggest in Europe, has doubled our parcel sorting capacity.*

> *The new postal law provides us with a modern and transparent regulatory framework, essential for the future of companies active in the postal industry.*

Earning the loyalty of our customers and employees

bpost aspires to be an **employer of choice**. We make investments to improve the wellbeing of our employees, including guidance and mentoring for new hires and more than 128,000 hours of training. We reduced the number of occupational accidents by 2.5%.

In 2017 bpost signed the first Belgian loan linked to **sustainable development**. The financial conditions of the loan depend on how well bpost performs in sustainable development. We also installed another 17,000 m² of solar panels on the roofs of our Liège and Charleroi sorting centers. The acquisition of **Bubble Post** enhanced our green, sustainable urban delivery network.

86% of our customers said they were **satisfied with bpost** in 2017.

Our efforts were also reflected in our **financial results**. Turnover increased by 25% (to EUR 3,023.8 million in 2017). EBITDA was up 2% to EUR 598.0 million.

The Board of Directors will propose to the General Shareholders' Meeting a **gross dividend of EUR 1.31 per share** in 2017, the same as in 2016.

bpost thanks its employees, who, day after day, show their dedication and a real concern for our customers. We thank the shareholders for their confidence, and trust that we have implemented a strategy that remunerates them and serves society.

François Cornelis
Chairman of the Board of Directors

Koen Van Gerven
CEO

Key events

On May 10, 2017 four new members of the Board of Directors were appointed, as well as a new Chairman of the Board of Directors

The bpost annual Shareholders' Meeting approved the appointment of Jos Donvil as non-executive director, proposed by the Belgian State, and of Thomas Hübner, Philly Teixeira and Saskia Van Uffelen as independent directors of bpost. On the same day the members of the newly composed Board of Directors of bpost appointed François Cornelis as the new Chairman of the Board of Directors.

On July 3, 2017 bpost started powering its sorting centers in Charleroi and Liège using solar energy

6,500 solar panels have been installed on the roofs of the Charleroi and Liège sorting centres. They capture no less than 17,000 m^2 of solar energy.

On July 14, 2017 the Council of Ministers approved the bill introduced by Minister De Croo on postal services

The bill ensures continuity with the existing regulatory framework, while at the same time introducing more flexibility to allow the universal service provider to respond to changing customer needs. The bill was approved by the Parliament in January 2018.

On August 7, 2017 bpost strengthened its position in sustainable logistics with the acquisition of Bubble Post

This confirms the growth ambitions of both companies in smart and sustainable urban delivery solutions and enhances the hybrid network of bpost with complementary expertise in cold transport.

On October 4, 2017 Cubee, the largest Belgian parcel locker network open to all couriers, was launched

Cubee is the result of last year's joining of forces of bpost and Dutch company de Buren. It is an independent, open network of parcel lockers for retailers, online customers and couriers.

On October 20, 2017 bpost opened the biggest sorting center in the Benelux

New Brussels X, the brand new bpost sorting center in Neder-Over-Heembeek, was officially opened. With 80,000 m^2 it is the biggest sorting center in the Benelux and the second biggest in Europe. It has a capacity of 300,000 parcels and 2.5 million letters per day.

On October 25, 2017 bpost launched 100% delivery

In order to increase convenience, bpost offers its customers the possibility to choose where they want their parcel delivered (at a safe place around their house, at a neighbour or at a pick up point) in case he or she is absent.

On November 16, 2017 bpost acquired 100% of the shares of Radial after having obtained all necessary approvals from the relevant competition authorities

The acquisition of Radial, a leading provider of integrated e-commerce logistics, perfectly fits within bpost's growth strategy. It allows bpost to scale up its existing US presence and expand its product offering into value-added activities that cover the entire value chain in e-commerce logistics.

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Financial review

1.1 Consolidated income statement

The following table presents bpost's financial results for the years 2015, 2016 and 2017:

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*	*Evolution 2017-2016*
Turnover	2,972.2	2,399.4	2,393.4	23.9%
Other operating income	51.6	25.8	40.3	99.7%
Total operating income	**3,023.8**	**2,425.2**	**2,433.7**	**24.7%**
Material costs	(240.7)	(60.4)	(26.6)	298.5%
Services and other goods	(972.8)	(665.2)	(645.6)	46.3%
Payroll costs	(1,206.7)	(1,111.1)	(1,185.8)	8.6%
Other operating expenses	(5.6)	(1.7)	(20.5)	230.8%
Total operating expenses excluding depreciations/ amortizations	**(2,425.9)**	**(1,838.4)**	**(1,878.5)**	**32.0%**
EBITDA	**598.0**	**586.9**	**555.2**	**1.9%**
Depreciation, amortization	(105.1)	(90.3)	(89.1)	16.3%
Profit from operating activities (EBIT)	**492.9**	**496.5**	**466.1**	**-0.7%**
Financial income	5.8	10.7	5.3	-45.6%
Financial costs	(19.5)	(27.6)	(10.9)	-29.4%
Share of profit of associates	9.6	9.9	10.2	-3.3%
Profit before tax	**488.7**	**489.5**	**470.6**	**-0.1%**
Income tax expense	(165.8)	(143.2)	(161.4)	15.8%
Profit for the year	**322.9**	**346.2**	**309.3**	**-6.7%**

FINANCIAL REVIEW

Total operating income (revenues)

Total operating income (revenues) increased by EUR 598.6 million or 24.7% from EUR 2,425.2 million to EUR 3,023.8 million. This increase was driven by Parcels (EUR 416.7 million, explained by Parcels growth and the integration of DynaGroup and Radial in Logistic Solutions), along with the integration of Ubiway, which was the main contributor to the increase of Additional sources of revenues (EUR 231.4 million) and the total operating income attributable to Corporate (EUR 11.5 million). All these effects were partially offset by the decrease of Domestic Mail as the price increase in Domestic Mail (EUR 61.0 million).

The evolution per product line can be summarized as follows:

For the year ended 31 December

In million EUR	*2017*	*2016*	*2015*	*Evolution 2017-2016*
Domestic mail	**1,353.4**	**1,414.4**	**1,464.2**	**-4.3%**
Transactional mail	807.9	873.3	917.6	-7.5%
Advertising mail	252.9	247.8	250.9	2.0%
Press	292.6	293.2	295.6	-0.2%
Parcels	**796.1**	**379.4**	**340.7**	**109.9%**
Domestic parcels	224.2	181.8	161.2	23.3%
International parcels	222.6	189.5	170.0	17.5%
Logistic Solutions[1]	349.2	8.0	9.6	-
Additional sources of revenues	**831.5**	**600.1**	**589.0**	**38.6%**
International mail	160.4	162.0	175.7	-1.0%
Value added services	101.5	103.1	96.2	-1.5%
Banking and financial products	182.6	192.4	205.1	-5.1%
Distribution[2]	98.1	-	-	-
Retail & Other	288.9	142.6	112.0	102.5%
Corporate (Reconciling post)	**42.9**	**31.4**	**39.8**	**36.5%**
Total	**3,023.8**	**2,425.2**	**2,433.7**	**24.7%**

Revenues from **Domestic Mail** decreased by EUR 61.0 million to EUR 1,353.4 million in 2017 with a reported and underlying volume of -5.9% and -5.8% respectively compared to an underlying volume decline of -5.0% last year. Whereas Advertising Mail volumes increased by 1.5% compared to the volume decline of -3.0% of last year, in Transactional Mail an increased e-substitution has been noted in 2017. The good performance within Advertising Mail was driven by focus on growth segments and indirect channels. Overall the price and mix improvement had a positive contribution of EUR 12.5 million despite the impact of the regulatory decision on small user basket pricing and shift towards cheaper products, while the volume decline amounted to EUR 71.3 million and the impact of less working days amounted to EUR 2.3 million.

Parcels grew by EUR 416.7 million to reach EUR 796.1 million driven by:

- Excellent Domestic Parcels volume growth of 28.2% in 2017 versus 17.1% in 2016 and 12.6% in 2015. This increase was driven by strong e-commerce growth and the continued growth in C2C parcels (online 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 -5.8%. Overall Domestic Parcels contributed EUR 42.4 million to the income increase.
- Growth in International Parcels (EUR 33.1 million), driven by the positive contribution from acquisitions and increase in flows from Asia.
- Logistic Solutions increased by EUR 341.2 million, mainly due to the integration of DynaGroup and Radial.

Total operating income from the **Additional sources** of revenues increased by EUR 231.4 million to EUR 831.5 million in 2017. The integration of Ubiway resulted in an increase of Retail & Other (i.e. proximity and convenience retail) as well as the newly created Distribution (Ubiway press distribution and pre-paid services through Alvadis and impulse

(1) Logistic Solutions:previously called Special Logistics, contains DynaGroup consolidated as of January 1, 2017 and Radial consolidated as of November 16, 2017.

(2) Distribution contains Ubiway distribution revenues.

products via Burnonville) category. Excluding the impact of Distribution (EUR 98.1) and Retail & Other (EUR 146.2 million), the operating income decreased by EUR 12.9 million. This decrease was mainly due to the decrease of Banking and financial products (EUR 9.8 million), due to the lower revenues from financial transactions managed on behalf of the Belgian State and the lower commission of bpost bank. International mail and Value Added Services slightly decreased to EUR 160.4 million and EUR 101.5 million respectively.

The evolution of total operating income of **Corporate** (reconciling category) increased by EUR 11.5 million to EUR 42.9 million.

Operating expenses (including depreciation)

Operating expenses, including depreciation, amortization, and impairment charges, amounted to EUR 2,530.9 million (2016: EUR 1,928.7 million) and increased by EUR 602.2 million compared to last year of which EUR 583.4 million was due to the integration of new subsidiaries. Excluding these subsidiaries operating expenses increased by EUR 18.8 million, as the decrease of depreciation and amortization (EUR 7.9 million), the payroll costs (EUR 4.7 million) and material costs (EUR 0.5 million) were offset by the increase of other operating expenses (EUR 1.3 million) and services and other goods (EUR 30.6 million).

Material costs

Materials costs, which include the cost of raw materials, consumables and goods for resale, increased by EUR 180.3 million to EUR 240.7 million (2016: EUR 60.4 million) primarily due to the integration of the new subsidiaries.

Services and other goods

The cost of goods and services increased by EUR 307.7 million or EUR 30.6 million excluding the integration of the new subsidiaries. The increase of the latter was mainly due to increased rent and rental costs (EUR 9.2 million), energy costs (EUR 4.8 million) and transport costs (EUR 27.8 million), offset by lower third party remunerations and fees (EUR 9.5 million).

Note that interim costs are analyzed together with payroll costs, as they are better performance indicator of human capital utilization. In certain cases of natural attrition, personnel is replaced by interims to anticipate reorganizations and productivity improvement programs.

For the year ended 31 December

In million EUR	*2017*	*2016*	*2015*	*Evolution 2017-2016*
Rent and rental costs	104.3	72.6	66.7	43.7%
Maintenance and repairs	86.9	77.5	78.7	12.2%
Energy delivery	40.7	33.7	37.0	20.6%
Other goods	26.2	22.7	21.1	15.2%
Postal and telecom costs	8.9	6.3	6.4	40.8%
Insurance costs	11.8	12.4	12.0	-4.7%
Transport costs	374.2	217.2	212.6	72.3%
Publicity and advertising	18.7	14.3	16.6	30.5%
Consultancy	19.4	15.5	12.8	24.9%
Interim employees	107.1	54.8	40.3	95.6%
Third party remuneration, fees	132.3	118.9	118.3	11.3%
Other services	42.4	19.2	23.0	120.6%
TOTAL	**972.8**	**665.2**	**645.6**	**46.3%**

- Rental costs have increased by EUR 31.7 million or excluding the integration of the new subsidiaries by EUR 9.2 million, mainly due to the new Brussels sorting center (NBX) and the growing fleet.
- The increase of maintenance and repairs (EUR 9.4 million) was mainly caused by the integration of the new subsidiaries.
- Energy delivery costs increased by EUR 6.9 million or EUR 4.8 million excluding the new subsidiaries, mainly due to increased fuel prices and the growing fleet.
- Transport costs amounted to EUR 374.2 million and excluding the integration of the new subsidiaries (EUR 129.2 million), increased by EUR 27.8 million. This increase was mainly explained by the growth in international business.
- The growth in interim costs was driven by the integration of the new subsidiaries, see also section payroll costs.
- Not taking into account the integration of the new subsidiaries, third party remunerations and fees decreased by EUR 9.5 million, mainly due to last year's strategic projects.
- Other services increased by EUR 23.2 million mainly due to the integration of the new subsidiaries.

Payroll costs

Payroll costs (EUR 1,206.7 million) and interim costs (EUR 107.1 million) in 2017 amounted to EUR 1,313.7 million. Payroll and interim costs increased by EUR 147.9 million (payroll costs increased by EUR 95.6 million and interim costs increased by EUR 52.3 million) compared to last year and was mainly driven by the integration of the new subsidiaries (EUR 152.1 million).

The reported average year-on-year staff showed an increase of 2,057 FTE and interims, generating extra costs of EUR 155.8 million, explained by the integration of FTE and interims of the new subsidiaries.

A positive mix effect reduced costs by EUR 13.1 million and was mainly driven by the recruitment of auxiliary postmen.

The indexation of salaries combined with the impacts of the CLA and the normal salary and merit increases, partially compensated by the impact of the tax shift and employee benefits led to a negative price impact of EUR 5.2 million.

Other operating expenses

Other operating expenses increased by EUR 3.9 million versus last year or EUR 1.3 million excluding the integration of the new subsidiaries. The slight increase of the latter was mainly driven by the lower reversal of provisions given last year's reversal of provisions related to a terminal dues settlement with another postal operator for which the corresponding costs had been booked within the transport costs. This was partially offset by the decrease of local, real estate and other taxes.

Depreciation and amortization

Depreciation, amortization and impairment charges have increased by EUR 14.7 million or 16.3% to EUR 105.1 million in 2017 (2016: EUR 90.3 million), mainly driven by the integration of the new subsidiaries and the depreciation related to the intangible assets recognized throughout the purchase price allocation for de Buren, DynaGroup and Ubiway.

EBIT

The overall EBIT increased by EUR 5.1 million excluding the depreciation on the intangible assets related to the purchase price allocation for de Buren, DynaGroup and Ubiway.

Despite lower Domestic Mail revenues (EUR 61.0 million), partially due to the absence of a price increase for the small user basket with an estimated impact of EUR 20.0 million, EBIT grew thanks to parcels performance and the contribution of the newly acquired subsidiaries.

Net financial result

Net financial result increased by EUR 3.2 million due to decrease of non-cash financial charges related to IAS 19 employee benefits, partially offset by the interests on the bridge loan entered into for the purchase of Radial. The year-on-year evolution of IAS 19 employee benefits financial costs was mainly explained by last year's increase of non-cash financial charges, which was due to the decrease in the discount rates at that time.

Share of results of associates

The share of results of associates mainly related to bpost bank and Citie and decreased by EUR 0.3 million to EUR 9.6 million.

Income tax expense

Income tax expense increased from EUR 143.2 million in 2016 to EUR 165.8 million in 2017. bpost's effective tax rate increased from 29.3% in 2016 to 33.9% in 2017. In 2016 Deltamedia NV/SA had been liquidated, triggering a positive impact of EUR 22.2 million. The loss on the participation incurred by bpost NV/SA was tax deductible upon liquidation to the extent it represented previously fiscally paid-up capital in Deltamedia NV/SA and had been excluded from the normalized results due to its non-recurring nature.

Furthermore as the Belgian and US corporate tax reform has been substantially enacted before December 31, 2017 bpost reassessed their deferred tax position under IFRS taking into consideration these new measures, this led to a tax expense of EUR 7.0 million.

FINANCIAL REVIEW

1.2 Statement of financial position

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Assets			
Non-current assets			
Property, plant and equipment	710.3	561.6	548.5
Intangible assets	910.6	224.4	89.6
Investments in associates	329.2	373.7	375.0
Investment properties	5.7	6.2	6.5
Deferred tax assets	31.5	48.2	47.2
Trade and other receivables	9.4	2.8	2.3
	1,996.6	**1,216.8**	**1,069.2**
Current assets			
Assets held for sale	0.6	1.5	3.1
Investment securities	0.0	12.0	0.0
Inventories	39.1	36.7	11.1
Income tax receivable	1.6	2.6	1.7
Trade and other receivables	719.4	481.8	411.2
Cash and cash equivalents	466.0	538.9	615.7
	1,226.7	**1,073.5**	**1,042.8**
Total assets	**3,223.3**	**2,290.3**	**2,112.0**

Equity and liabilities			
Equity attributable to equity holders of the Parent			
Issued capital	364.0	364.0	364.0
Reserves	310.1	274.2	230.9
Foreign currency translation	(11.5)	2.5	0.6
Retained earnings	110.9	135.5	99.3
	773.5	**776.3**	**694.8**
Non-controlling interests	4.3	3.1	(0.0)
Total equity	**777.8**	**779.3**	**694.8**

As at 31 December

In million EUR	**2017**	2016	2015
Non-current liabilities			
Interest-bearing loans and borrowings	58.4	47.7	56.2
Employee benefits	326.9	356.7	346.2
Trade and other payables	45.2	40.3	61.7
Provisions	24.2	31.6	29.2
Deferred tax liabilities	12.3	1.1	1.3
	467.0	**477.3**	**494.7**
Current liabilities			
Interest-bearing loans and borrowings	699.9	10.3	9.6
Bank overdrafts	0.0	0.0	0.2
Provisions	21.2	27.1	35.0
Income tax payable	39.3	31.4	39.4
Trade and other payables	1,218.2	964.8	838.3
	1,978.5	**1,033.6**	**922.5**
Total liabilities	**2,445.5**	**1,511.0**	**1,417.2**
Total equity and liabilities	**3,223.3**	**2,290.3**	**2,112.0**

Assets

Property, plant and equipment

Property, plant and equipment have increased by EUR 148.6 million from EUR 561.6 million to EUR 710.3 million. This increase was mainly explained by:

- The integration of new subsidiaries EUR 141.6 million.
- Acquisitions (EUR 96.7 million) related to production facilities for sorting and printing activities (EUR 57.2 million), mail and retail network infrastructure (EUR 13.9 million), ATM and security infrastructure (EUR 1.3 million), transportation related infrastructure (EUR 16.3 million) and IT and other infrastructure (EUR 7.9 million).
- Depreciation and impairment amounted to EUR 80.2 million and increased compared to last year (2016: EUR 71.4 million).
- Transfer to assets held for sale (EUR 7.3 million) and from investment property (EUR 0.3 million).

Intangible assets

Intangible assets have increased by EUR 686.2 million from EUR 224.4 million to EUR 910.6 million, due to:

- The integration of new subsidiaries EUR 92.3 million.
- Increase in goodwill (EUR 606.4 million) throughout the acquisitions of Radial, DynaGroup and Bubble Post, partially offset by the allocation of the goodwill throughout the purchase price allocation process for Ubiway and de Buren. Note that the goodwill calculations for Radial and Bubble Post are provisional because purchase price allocation is still under review.
- Investments in software and licences (EUR 8.0 million), development costs capitalized (EUR 16.4 million) and other intangible assets (EUR 0.2 million).
- Amortization and impairments amounting to EUR 25.1 million.

Investment properties

Investment properties decreased from EUR 6.2 million in 2016 to EUR 5.7 million in 2017, as the number of buildings, which were rented out, slightly decreased.

Investments in associates

Investments in associates decreased by EUR 44.5 million to EUR 329.2 million. This decrease was due to the decrease in the unrealized gain on the bond portfolio of bpost bank in the amount of EUR 42.1 million, reflecting an average increase of the underlying yield curve by 8 basis points (bps) compared to December 31, 2016 and the dividends received from bpost bank for EUR 11.8 million. This was partially offset by bpost's share of result of associates in the amount of EUR 9.6 million. End 2017, investments in associates comprised net of deferred taxes unrealized gains in respect of the bond portfolio in the amount of EUR 125.0 million, which represented 38.0% of total investments in associates. The unrealized gains were generated by the lower level of interest rates compared to the acquisition yields of the bonds. Unrealized gains are not recognized in the Income Statement, but directly in equity in the other comprehensive income.

Deferred Tax assets

Deferred tax assets amounted to EUR 31.5 million (2016: EUR 48.2 million) and mainly relate to the timing difference between the accounting and the tax value of the employee benefits. As the Belgian and US corporate tax reform had been substantially enacted before December 31, 2017 bpost reassessed their deferred tax assets under IFRS taking into consideration these new measures.

Inventories

Inventories increased by EUR 2.4 million and amounted to EUR 39.1 million (2016: EUR 36.7 million), this increase was mainly due to the integration of the new subsidiaries.

Current trade and other receivables

Current trade and other receivables increased by EUR 237.6 million to EUR 719.4 million (2016: EUR 481.8 million), driven by a rise in trade receivables of EUR 185.6 million mainly as a result of the integration of Radial and DynaGroup. Furthermore other receivables increased by EUR 49.6 million, mainly due to the outstanding receivable for the purchase of Radial at year end 2017.

Cash and cash equivalents

Cash and cash equivalents decreased by EUR 72.9 million, or 13.5%, to EUR 466.0 million. This decrease was mainly due to the free cash flow (EUR -485.8 million), the payment of EUR 262.0 million dividends partly compensated by the bridge loan entered into for the purchase of Radial.

Equity and Liabilities

Equity

Equity decreased by EUR 1.5 million, or 0.2%, to EUR 777.8 million as of December 31, 2017 from EUR 779.3 million as of December 31, 2016. The realized profit (EUR 322.9 million) was offset amongst others by the exchange differences on translation of foreign operations, the fair value adjustment in respect of bpost bank's bond portfolio and the payment of dividends, respectively for an amount of EUR 16.5 million, EUR 42.1 million and EUR 262.0 million.

Non-current interest-bearing loans and borrowings

Non-current interest-bearing loans and borrowings increased by EUR 10.6 million to EUR 58.4 million mainly due to the integration of Radial, as Radial has a financial lease for an office building (EUR 18.3 million). This increase was partially offset by a decrease of EUR 9.1 million corresponding to the portion of the loan of the European Investment Bank transferred to current liabilities.

Employee benefits

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Post-employment benefits	(50.7)	(82.1)	(77.7)
Long-term employee benefits	(108.2)	(107.7)	(108.9)
Termination benefits	(6.6)	(4.1)	(11.6)
Other long-term benefits	(161.5)	(162.8)	(148.1)
TOTAL	**(326.9)**	**(356.7)**	**(346.2)**

On June 29, 2017 bpost and its social partners signed an agreement concerning the transfer of certain transport benefits for bpost's retirees. Effective January 1, 2018 the scheme providing certain transport benefits for bpost's retirees will be transferred to a separate entity, "Pensoc", managed by the representatives of the workers. A single payment to Pensoc has been performed in July 2017 by bpost.

As a consequence bpost no longer has a constructive obligation towards the inactive population and the benefit is no longer valued. Following the curtailment of this benefit, a non-cash profit of EUR 15.3 million has been recorded in bpost's consolidated income statement in accordance with the IAS 19 Employee benefits standard.

Employee benefits decreased by EUR 29.8 million, or 8.3%, to EUR 326.9 million in 2017 from EUR 356.7 million in 2016. The decrease mainly reflects:

- The payment of benefits for an amount of EUR 44.3 million.
- Operational actuarial losses (EUR 0.4 million).
- Additional service costs (EUR 21.6 million), positive past service costs (EUR 18.6 million) and interest costs (EUR 4.6 million).
- Financial actuarial losses of EUR 1.4 million caused by changes in the discount rates.
- An actuarial gain of EUR 4.3 million related to post-employment benefits, recognized through other comprehensive income.
- The incorporation of Ubiway EUR 9.7 million.

After deduction of the deferred tax asset relating to employee benefits which amounted to EUR 32.4 million, the net liability amounted to EUR 294.5 million (2016: EUR 308.3 million).

Non-current trade and other liabilities

Non-current trade and other liabilities increased by EUR 4.9 million (2016: EUR 40.3 million), mainly due to the commitments relating to contingent considerations for Bubble Post and DynaGroup, partially offset by a decrease of the contingent consideration of de Buren following the finalization of the purchase price allocation.

Non-current provisions

Non-current provisions amounted to EUR 24.2 million (2016: EUR 31.6 million) and decreased by EUR 7.4 million compared to last year.

Deferred tax liabilities

Deferred tax liabilities increased by EUR 11.2 million from EUR 1.1 million in 2016 to EUR 12.3 million in 2017. This increase was mainly due to the deferred tax liabilities linked to the intangible assets recognized throughout the purchase price allocation process for de Buren, DynaGroup and Ubiway in 2017. Furthermore as the Belgian and US corporate tax reform had been substantially enacted before December 31, 2017 bpost reassessed their deferred tax liabilities under IFRS taking into consideration these new measures.

Current interest-bearing loans and borrowings

Current interest-bearing loans and borrowings increased by EUR 689.5 million to EUR 699.9 million due to the bridge loan entered into 2017 to buy Radial. bpost borrowed a part in USD to mitigate the risk on foreign exchange rate differences on the foreign operation, hence bpost performed a net investment hedge.

Current provisions

Current provisions decreased by EUR 6.0 million to EUR 21.2 million (2016: EUR 27.1 million).

Current trade and other liabilities

Current trade and other liabilities increased by EUR 253.5 million EUR, or 26.3%, to EUR 1,218.2 million in 2017. This variance was mainly due to the increase of trade payables by EUR 155.0 million, the payroll and social security payables increased by EUR 34.3 million and other payables increased by EUR 62.1 million. The increase of the trade payables as well as the increase of the payroll and social security payables was mainly due to the integration of the new subsidiaries. The increase of the other payables was caused by the contingent considerations relating to the acquisition of DynaGroup, an outstanding payable for the purchase of Radial at year-end 2017, partially compensated by the payment of the remaining 24.5% of the shares of Landmark during 2017 and the payment of a contingent consideration to FDM and Apple Express.

FINANCIAL REVIEW

1.3 Statement of cash flows

In 2017, bpost consumed EUR 68.9 million of net cash. This is a decrease of EUR 7.3 million compared to the net cash outflow of EUR 76.2 million in 2016.

Cash flow from operating activities resulted in a cash inflow of EUR 266.1 million, EUR 86.5 million less than in 2016. Cash generation from operating activities had been impacted by the net impact of last year's pay-outs for the social plan related to the Alpha project (EUR +18.7 million), the payment of terminal dues in 2016 (EUR +16.8 million), which was mainly phasing, and the deterioration of working capital by EUR 121.1 million mainly driven by the peak sales season at Radial combined with lower outstanding trade payables.

Investing activities generated a cash outflow of EUR 751.9 million in 2017 compared to an outflow of EUR 158.7 million last year, resulting from lower proceeds from sale of property, plant and equipment (EUR -3.2 million) and higher capital expenditures (EUR -36.3 million), which was partially offset by investment securities (EUR +24.0 million). Cash outflows related to the acquisition of new subsidiaries and activities increased by EUR 577.7 million: Radial (EUR -581.5 million), DynaGroup (EUR -50.2 million), LGI (EUR -11.0 million), Ubiway (EUR +43.0 million), Apple Express (EUR +12.3 million), FDM (EUR +8.6 million), other acquisitions (EUR +1.0 million).

The net cash flow relating to financing activities amounted to EUR 416.8 million, an increase by EUR 687.0 million compared to last year given the bridge loan entered into for the purchase of Radial and the dividend to minority interests paid in 2016 which were partially counterbalanced by the higher final dividend in 2017.

1.4 Reconciliation of reported to normalized financial metrics

bpost also analyzes the performance of its activities on a normalized 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 uses 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 normalized ones.

A non-recurring item is deemed to be significant if it amounts to EUR 20.0 million or more. All profits or losses on disposal of activities are normalized whatever the amount they represent, as well as all non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions. Reversals of provisions whose addition had been normalized from income are also normalized whatever the amount they represent.

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

Income Statement related

Operating income for the year ended 31 December

In million EUR	***2017***	*2016*	*2015*	*Evolution 2017-2016*
Total operating income	3,023.8	2,425.2	2,433.7	24.7%
Sale of sizeable building[1]	0.0	0.0	(26.1)	-
Normalized total operating income	**3,023.8**	**2,425.2**	**2,407.6**	**24.7%**

Operating expenses for the year ended 31 December

In million EUR	***2017***	*2016*	*2015*	*Evolution 2017-2016*
Total operating excluding depreciation, amortization	(2,425.9)	(1,838.4)	(1,878.5)	32.0%
Social plan - Alpha project[2]	0.0	0.0	54.5	-
Normalized total operating expenses excluding depreciation, amortization	**(2,425.9)**	**(1,838.4)**	**(1,824.0)**	**32.0%**

EBITDA for the year ended 31 December

In million EUR	***2017***	*2016*	*2015*	*Evolution 2017-2016*
EBITDA	598.0	586.9	555.2	1.9%
Sale of sizeable building[1]	0.0	0.0	(26.1)	-
Social plan - Alpha project[2]	0.0	0.0	54.5	-
Normalized EBITDA	**598.0**	**586.9**	**583.6**	**1.9%**

(1) In December 2015, bpost sold a sizeable building on which a capital gain of EUR 26.1 million was realized. Given the nature of the gain and the fact that it exceeded 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 contained the conditions for early retirement and determined the layoff conditions, in case certain employees were not selected for a new job. The estimated impact of this agreement had been accrued for within the payroll costs during the third quarter of 2015.

FINANCIAL REVIEW

EBIT for the year ended 31 December

In million EUR	*2017*	*2016*	*2015*	*Evolution 2017-2016*
Profit from operating activities (EBIT)	492.9	496.5	466.1	-0.7%
Sale of sizeable building[1]	0.0	0.0	(26.1)	-
Social plan - Alpha project[2]	0.0	0.0	54.5	-
Non-cash impact of purchase price allocation (PPA)[4]	8.7	0.0	0.0	-
Normalized profit from operating activities (EBIT)	**501.6**	**496.5**	**494.4**	**1.0%**

Profit (EAT - Earnings After Taxes) for the year ended 31 December

In million EUR	*2017*	*2016*	*2015*	*Evolution 2017-2016*
Profit for the year	322.9	346.2	309.3	-6.7%
Sale of sizeable building[1]	0.0	0.0	(17.2)	-
Social plan - Alpha project[2]	0.0	0.0	36.1	-
Liquidation of Deltamedia[3]	0.0	(22.2)	0.0	-
Non-cash impact of purchase price allocation (PPA)[4]	6.3	0.0	0.0	-
Normalized profit of the year	**329.3**	**324.1**	**328.1**	**1.6%**

Cash Flow Statement related

For the year ended 31 December

In million EUR	*2017*	*2016*	*2015*	*Evolution 2017-2016*
Net Cash from operating activities	266.1	352.6	361.1	-24.5%
Net Cash used in investing activities	(751.9)	(158.7)	(45.1)	-
Operating free cash flow	**(485.8)**	**193.9**	**315.9**	**-**
Normalized operating free cash flow	**(485.8)**	**193.9**	**315.9**	**-**

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, 2016 and 2017 no non-recurring cash flow statement items were identified.

(1) In December 2015, bpost sold a sizeable building on which a capital gain of EUR 26.1 million was realized. Given the nature of the gain and the fact that it exceeded 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 contained the conditions for early retirement and determined the layoff conditions, in case certain employees were not selected for a new job. The estimated impact of this agreement had been accrued for within the payroll costs during the third quarter of 2015.

(3) In December 2016, Deltamedia NV/SA, a 100% subsidiary of bpost NV/SA, had been liquidated. The loss on the participation incurred by bpost NV/SA was tax deductible upon liquidation to the extent it represents previously fiscally paid-up capital in Deltamedia NV/SA.

(4) In accordance with IFRS 3 bpost finalized in 2017 the purchase price allocation (PPA) for de Buren, DynaGroup and Ubiway and recognized several intangible assets (brand names, know-how, customer relationships, …). The non-cash impact consisting of amortization charges on these intangible assets are being normalized. In 2016 and 2015 there was no impact related to PPA.

1.5 From IFRS Consolidated Net Profit to Belgian GAAP Unconsolidated Net Profit

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
IFRS Consolidated Net Profit	**322.9**	**346.2**	**309.3**
Results of subsidiaries and deconsolidation impacts	(23.3)	(39.5)	(11.3)
Differences in depreciation and impairments	(2.0)	(2.6)	0.2
Differences in recognition of provisions	(0.1)	0.2	(6.5)
Effects of IAS19	(38.8)	2.3	(17.3)
Depreciation intangibles assets PPA	8.7	-	-
Deferred taxes	20.3	0.3	10.2
Other	3.2	1.8	3.0
Belgian GAAP unconsolidated net profit	**291.0**	**308.7**	**287.7**

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	***2017***	*2016*	*2015*
Profit of the Belgian fully consolidated subsidiaries (local GAAP)	(11.8)	(9.3)	(7.0)
Profit of the international subsidiaries (local GAAP)	(25.1)	(18.4)	(7.5)
Share of results of associates (local GAAP)	(13.0)	(11.5)	(10.1)
Other deconsolidation impacts	26.6	(0.3)	13.3
TOTAL	**(23.3)**	**(39.5)**	**(11.3)**

- The evolution of the other deconsolidation impacts in 2017 compared to 2016 was mainly explained by higher dividends in 2017.

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

- Differences in the treatment of depreciation and impairments: Belgian GAAP allows different useful lives (and hence depreciation rates) for fixed assets from IFRS. Goodwill is amortized under Belgian GAAP while IFRS requires impairment testing for goodwill. IFRS also allows intangible assets to be recorded on the balance sheet under different conditions from Belgian GAAP;
- 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 41.7 million in 2017 versus EUR 16.1 million in 2016) or provisions (EUR 3.2 million in 2017 versus EUR 0.2 million in 2016), except for the impact of changes in the, which was recorded as a financial result (negative EUR 6.0 million in 2017 versus negative EUR 18.7 million in 2016).
- The evolution of IAS 19 in 2017 compared to 2016 was mainly explained by last year's increase of non-cash financial charges related to employee benefits,

which was due to the decrease in the discount rates and the curtailment of the transport benefits for bpost's retirees.

- In accordance with IFRS 3 bpost finalized in 2017 the purchase price allocation (PPA) for de Buren, DynaGroup and Ubiway and recognized several intangible assets (brand names, know-how, customer relationships, …). The depreciation on these intangible assets amounted to EUR 8.7 million. In 2016 and 2015 there was no impact related to PPA.
- Deferred taxes require no accounting entries under Belgian GAAP, but are recorded under IFRS. As the Belgian corporate tax reform has been enacted before December 31, 2017 bpost reassessed its deferred tax position under IFRS taking into consideration these new measures.

Outlook for 2018

The outlook for 2018 includes the acquisitions of Radial, Bubble Post, Leen Menken Foodservice Logistics, IMEX Global Solutions and M.A.I.L.

We expect revenues to grow driven by:

- **double digit volume growth** in **Domestic Parcels**, with a price/mix effect between -3% and -6%;
- **continued growth in international parcels** supported by newly acquired businesses;
- stable **Radial** revenues,

partly offset by:

- an underlying Domestic Mail **volume decline of up to 7%**, partially compensated by price/mix effect of +4% on average;
- continued decline in Banking & Financial revenue.

On the cost side, we expect higher costs driven by:

- increase in transport cost reflecting growth in International Parcels & Mail;
- consolidation of acquired businesses;
- salary indexation expected as of November 2018;
- **Radial costs** impacted by **phase out webstore business** and **higher than expected opex** (medical benefits & inflation) not fully compensated by productivity improvements.

Partly compensated by:

- continued productivity improvements and optimized FTE mix;
- continued cost optimization.

This results in our ambition to achieve a **recurring EBITDA in the range of EUR 560 to 600 million and dividend for 2018 at the same level as 2017**.

- Gross **capex** is expected to be around **EUR 140.0 million** explained by Recurring & Vision 2020 investments and business development investments for new subsidiaries (Radial, Ubiway and Dynagroup).

Financial consolidated statements 2017

FINANCIAL CONSOLIDATED STATEMENTS

1. Consolidated income statement

For the year ended 31 December

In million EUR	*Notes*	***2017***	*2016*	*2015*	*Evolution 2017-2016*
Turnover	*6.8*	2,972.2	2,399.4	2,393.4	23.9%
Other operating income	*6.9*	51.6	25.8	40.3	99.7%
Total operating income		**3,023.8**	**2,425.2**	**2,433.7**	**24.7%**
Material costs		(240.7)	(60.4)	(26.6)	298.5%
Services and other goods	*6.11*	(972.8)	(665.2)	(645.6)	46.3%
Payroll costs	*6.12*	(1,206.7)	(1,111.1)	(1,185.8)	8.6%
Other operating expenses	*6.10*	(5.6)	(1.7)	(20.5)	230.8%
Depreciation, amortization		(105.1)	(90.3)	(89.1)	16.3%
Total operating expenses		**(2,530.9)**	**(1,928.7)**	**(1,967.6)**	**31.2%**
Profit from operating activities (EBIT)		**492.9**	**496.5**	**466.1**	**-0.7%**
Financial income	*6.13*	5.8	10.7	5.3	-45.6%
Financial costs	*6.13*	(19.5)	(27.6)	(10.9)	-29.4%
Share of profit of associates		9.6	9.9	10.2	-3.3%
Profit before tax		**488.7**	**489.5**	**470.6**	**-0.1%**
Income tax expense	*6.14*	(165.8)	(143.2)	(161.4)	15.8%
Profit from continuing operations		**322.9**	**346.2**	**309.3**	**-6.7%**
Profit from discontinued operations		0.0	0.0	0.0	-
Profit for the year		**322.9**	**346.2**	**309.3**	**-6.7%**
Attributable to:					
Owners of the Parent		324.9	343.8	307.0	-5.5%
Non-controlling interests		(2.0)	2.5	2.2	-179.2%

EARNINGS PER SHARE

In EUR	***2017***	*2016*	*2015*
Basic, profit for the year attributable to ordinary equity holders of the parent	1.62	1.72	1.54
Diluted, profit for the year attributable to ordinary equity holders of the parent	1.62	1.72	1.54

2. Consolidated statement of comprehensive income

For the year ended 31 December

In million EUR	*Notes*	***2017***	*2016*	*2015*
Profit for the year		**322.9**	**346.2**	**309.3**
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Net gain/(loss) on hedge of a net investment		2.5	0.0	0.0
Exchange differences on translation of foreign operations		(16.5)	1.9	0.0
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**(14.0)**	**1.9**	**0.0**
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	*6.22*	(42.1)	(12.0)	(46.7)
(Loss)gain on available for sale financial assets		(75.5)	(18.2)	(70.7)
Income tax effect		33.5	6.2	24.0
Fair value of actuarial results on defined benefit plans	*6.27*	3.1	(4.8)	2.9
Actuarial gains/(losses) on defined benefit plans		4.3	(5.8)	6.6
Income tax effect		(1.2)	1.0	(3.6)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**(39.0)**	**(16.8)**	**(43.8)**
Other comprehensive income/(loss) for the year, net of tax		**(53.0)**	**(14.9)**	**(43.7)**
Total comprehensive income for the year, net of tax		**270.0**	**331.4**	**265.5**
Attributable to:				
Owners of the Parent		271.9	328.9	263.3
Non-controlling interest		(2.0)	2.5	2.2

FINANCIAL CONSOLIDATED STATEMENTS

3. Consolidated statement financial position

As at 31 December

In million EUR	Notes	2017	2016	2015
Assets				
Non-current assets				
Property, plant and equipment	*6.16*	710.3	561.6	548.5
Intangible assets	*6.19*	910.6	224.4	89.6
Investments in associates	*6.22*	329.2	373.7	375.0
Investment properties	*6.17*	5.7	6.2	6.5
Deferred tax assets	*6.14*	31.5	48.2	47.2
Trade and other receivables	*6.23*	9.4	2.8	2.3
		1,996.6	**1,216.8**	**1,069.2**
Current assets				
Assets held for sale	*6.18*	0.6	1.5	3.1
Investment securities	*6.21*	0.0	12.0	0.0
Inventories	*6.24*	39.1	36.7	11.1
Income tax receivable	*6.14*	1.6	2.6	1.7
Trade and other receivables	*6.23*	719.4	481.8	411.2
Cash and cash equivalents	*6.25*	466.0	538.9	615.7
		1,226.7	**1,073.5**	**1,042.8**
Total assets		**3,223.3**	**2,290.3**	**2,112.0**
Equity and liabilities				
Equity attributable to equity holders of the Parent				
Issued capital		364.0	364.0	364.0
Reserves		310.1	274.2	230.9
Foreign currency translation		(11.5)	2.5	0.6
Retained earnings		110.9	135.5	99.3
		773.5	**776.3**	**694.8**
Non-controlling interests		4.3	3.1	(0.0)
Total equity	*4*	**777.8**	**779.3**	**694.8**

As at 31 December

In million EUR	Notes	2017	2016	2015
Non-current liabilities				
Interest-bearing loans and borrowings	6.26	58.4	47.7	56.2
Employee benefits	6.27	326.9	356.7	346.2
Trade and other payables	6.28	45.2	40.3	61.7
Provisions	6.29	24.2	31.6	29.2
Deferred tax liabilities	6.14	12.3	1.1	1.3
		467.0	**477.3**	**494.7**
Current liabilities				
Interest-bearing loans and borrowings	6.26	699.9	10.3	9.6
Bank overdrafts		0.0	0.0	0.2
Provisions	6.29	21.2	27.1	35.0
Income tax payable	6.14	39.3	31.4	39.4
Trade and other payables	6.28	1,218.2	964.8	838.3
		1,978.5	**1,033.6**	**922.5**
Total liabilities		**2,445.5**	**1,511.0**	**1,417.2**
Total equity and liabilities		**3,223.3**	**2,290.3**	**2,112.0**

4. Consolidated statement of changes in equity

Attributable to equity holders of the parent

In million EUR	*Authorized & issued capital*	*Treasury shares*	*Other reserves*	*Foreign currency translation*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
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**
As per 1 january 2017	**364.0**	**(0.0)**	**274.2**	**2.5**	**135.5**	**776.3**	**3.1**	**779.3**
Profit for the year 2017					324.9	324.9	(2.0)	322.9
Other comprehensive income			96.5	(14.0)	(135.5)	(53.0)		(53.0)
Total comprehensive income	**0.0**	**0.0**	**96.5**	**(14.0)**	**189.4**	**271.9**	**(2.0)**	**270.0**
Dividends (pay-out)			(50.0)		(212.0)	(262.0)	0.0	(262.0)
Other			(10.7)		(2.0)	(12.7)	3.2	(9.5)
As per 31 december 2017	**364.0**	**(0.0)**	**310.1**	**(11.5)**	**110.9**	**773.5**	**4.3**	**777.8**

Other reserves per December 31, 2017 (EUR 310.1 million) are composed of group reserves amounting to EUR 259.3 million, of which EUR 172.5 million distributable retained earnings within bpost NV/SA, and legal reserves of EUR 50.8 million.

At December 31, 2017, the shareholding of bpost is as follows:

Number of shares	*Total*	*The Belgian State*[1]	*Free float*
As per 1 January 2017	**200,000,944**	**102,075,649**	**97,925,295**
changes during the year	-	-	-
As per 31 December 2017	**200,000,944**	**102,075,649**	**97,925,295**

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

(1) Directly and via the Federal Holding and Investment Company.

Distributions made and proposed:

In million EUR	***2017***	*2016*	*2015*
Cash dividends on ordinary shares declared and paid:	**50.0**	**48.0**	**44.0**
Final dividend for 2016: 0.25 EUR per share (2015: 0.24 EUR per share and 2014: 0.22 EUR per share)	212.0	212.0	210.0
Interim dividend for 2017: 1.06 EUR per share (2016: 1.06 EUR per share and 2015: 1.05 EUR per share)	262.0	260.0	254.0
Proposed dividends on ordinary shares:			
Final cash dividend for 2017: 1.31 EUR per share (2016: 1.31 EUR per share and 2015: 1.29 EUR per share)	262.0	262.0	258.0

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

5. Consolidated statement of cash flows

As at 31 December

In million EUR	*Notes*	***2017***	*2016*	*2015*
Operating activities				
Profit before tax	*1*	488.7	489.5	470.6
Depreciation and amortization		105.1	89.8	89.1
Impairment on bad debts		3.3	1.6	0.1
Gain on sale of property, plant and equipment	*6.9*	(15.9)	(17.0)	(33.4)
Other non cash items		(8.1)	(0.4)	0.0
Change in employee benefit obligations	*6.27*	(29.1)	4.7	(15.8)
Share of profit of associates	*6.22*	(9.6)	(9.9)	(10.2)
Dividends received	*6.22*	11.8	0.0	5.0
Income tax paid		(125.2)	(130.4)	(137.1)
Income tax paid on previous years		(15.0)	(20.9)	(42.0)
Cash flow from operating activities before changes in working capital and provisions		**405.9**	**407.0**	**326.4**
Decrease/(increase) in trade and other receivables		(91.1)	(6.6)	9.4
Decrease/(increase) in inventories	*6.24*	(0.3)	2.0	1.2
Increase/(decrease) in trade and other payables		(33.3)	(36.7)	24.8
Increase/(decrease) in provisions		(15.2)	(13.1)	(0.7)
Net cash from operating activities		**266.1**	**352.6**	**361.1**
Investing activities				
Proceeds from sale of property, plant and equipment		24.0	27.2	49.4
Acquisition of property, plant and equipment	*6.16*	(96.7)	(72.7)	(67.0)
Acquisition of intangible assets	*6.19*	(24.7)	(12.3)	(13.9)
Acquisition of other investments	*6.21*	12.0	(12.0)	0.0
Acquisition of subsidiaries, net of cash acquired	*6.6*	(666.6)	(89.0)	(13.6)
Net cash used in investing activities		**(751.9)**	**(158.7)**	**(45.1)**

As at 31 December

In million EUR	Notes	2017	2016	2015
Financing activities				
Proceeds from borrowings and financing lease liabilities		692.5	1.6	0.0
Payments related to borrowings and financing lease liabilities		(13.7)	(9.7)	(9.8)
Interim dividend paid to shareholders	4	(212.0)	(212.0)	(210.0)
Dividends paid	4	(50.0)	(48.0)	(44.0)
Dividends paid to minority interests	4	0.0	(2.0)	0.0
Net cash from financing activities		**416.8**	**(270.1)**	**(263.8)**
Net increase in cash and cash equivalents		**(68.9)**	**(76.2)**	**52.1**
Net foreign exchange difference		**(3.9)**	**(0.4)**	**1.4**
Cash and cash equivalent less bank overdraft as of 1st January	6.25	538.9	615.5	562.0
Cash and cash equivalent less bank overdraft as of 31st December	6.25	466.0	538.9	615.5
Movements between 1st january and 31st december		**(72.9)**	**(76.6)**	**53.5**

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, e-commerce logistics, express delivery services, proximity and convenience services, document management and related activities. bpost also carries out Services of General Economic Interest (SGEI) on behalf of the Belgian State.

Legal status

bpost is a limited liability company under public law. bpost has its registered office at Muntcentrum-Centre Monnaie, 1000 Brussels.

6.2 Basis of preparation

The consolidated financial statements of bpost have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use by the EU. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2017 and adopted by the European Union are applied by bpost.

The consolidated financial statements are presented in Euro (EUR), all values are rounded to the nearest million except when otherwise indicated. The consolidated financial statements are prepared under the historical cost convention, except for the measurement at fair value of the bond portfolio of bpost bank which is classified on the balance sheet of bpost bank as available-for-sale financial assets. The financial statements were authorized for issue by the Board of Directors on March 13, 2018.

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, 2017. In line with the "Amendments to IAS 7 Statement of Cash Flows" bpost has adapted the presentation of the note "financial liabilities".

The following new standards and amendments, entered into force as from January 1, 2017, do not have any effect on the presentation, the financial performance or position of bpost:

- **IAS 12 – Amendments** – Recognition of Deferred Tax Assets for Unrealised Losses

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	01-Jan-18
IFRS 15 – Revenue from Contracts with customers	01-Jan-18
IFRS 16 – Leases	01-Jan-19
IFRS 2 – Amendments – Classification and Measurement of Share-based Payment Transactions	01-Jan-18
IAS 40 – Amendments – Transfers of Investment Property[1]	01-Jan-18
IFRS 4 – Amendments – Applying IFRS 9 Financial instruments with IFRS 4	01-Jan-18
IFRIC 22 – Foreign Currency Transactions and Advance Consideration[1]	01-Jan-18
IFRIC 23 – Uncertainty of Income Tax Treatments	01-Jan-19
Annual Improvements Cycle – 2014-2016	01-Jan-18
IFRS 17 - Insurance Contracts	01-Jan-21

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 recognized 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 recognized when the entity satisfies the performance obligation(s) of the contract.

During 2016 and 2017, bpost performed an assessment of IFRS 15 by analyzing the products and services rendered to its customers. 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. In the table below, an overview of the different product and service groups are listed with reference to the analysis performed and the result of the potential impact under IFRS 15.

Product Group	*Status Analysis*	*In scope of IFRS 15*	*Change in accounting policy*	*Change in amount of revenue*	*Change in timing*	*Impact (EUR)*
Domestic mail						
Transactional mail	complete	yes	no	no	no	0.0
Advertising mail	complete	yes	no	no	no	0.0
Press	complete	yes	no	no	no	0.0
Parcels						
Domestic parcels	complete	yes	no	no	no	0.0
International parcels	complete	yes	no	no	no	0.0
Logistic Solutions	complete	yes	no	no	no	0.0
Additional sources of revenues						
International mail	complete	yes	no	no	no	0.0
Value added services	complete	yes	no	no	no	0.0
Banking and financial products	complete	yes	no	no	no	0.0
Distribution	complete	yes	no	no	no	0.0
Retail & Other	complete	yes	no	no	no	0.0
Corporate	complete	yes	no	no	no	0.0

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

According to IFRS 15, 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 recognize 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 recognized at a point in time (i.e. when the service has been rendered).

After careful investigation of all products and services provided to its customers, bpost measured no impact on the results of 2017 or on a comparable figure of 2016 regarding the application of IFRS 15 requirements.

Considering the recent acquisition of Radial, impact of IFRS 15 should be further completed but initial review does not indicate any potential, material impacts.

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 lease, a lessee will recognize 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 recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

In 2018 bpost will continue to assess the potential effect of IFRS 16 on its consolidated financial statements and will prepare the required changes into the accounting.

IFRS 9 Financial Instruments

As of January 1, 2018, IAS 39 Financial Instruments: Recognition and Measurement will be replaced by IFRS 9 Financial Instruments. IFRS 9 brings together all three aspects of the accounting for financial instruments project: (a) classification and measurement, (b) impairment and (c) hedge accounting. bpost is potentially exposed to the changes through the financial instruments recognized on its statement of financial position but the bigger impact of IFRS 9 will relate to its investment of 50% in bpost bank whose statement of financial position is mainly composed of financial instruments.

The impact of IFRS 9 has been assessed as follow:

(a) Classification & Measurement: classification and measurement of financial assets under IFRS 9 depends on the specific business model in place and the asset's contractual cash flow characteristics. The new requirements will have no impact for the financial assets of bpost. Conversely, bpost bank at the transition to IFRS 9 will reclassify a majort part of its bond portfolio from IAS 39 available-for-sale category to IFRS 9 amortised cost category. This will result in an estimated decrease of bpost bank's equity by EUR 121.0 million and consequently bpost's investment in associates and the relating reserves will decrease with 50% of this amount so by approximately EUR 60.5 million on the transition date to IFRS 9.

(b) Impairment: IFRS 9 requires recognizing expected credit losses on all of debt instruments, either on a 12-month or lifetime basis. The impact on bpost's trade receivables will not be significant. On the other hand bpost bank will apply the general approach thus the IFRS 9 staging which will replace the IAS 39 incurred but not reported (IBNR) provisions, however, based on initial estimation the impact will not be significant.

(c) Hedge accounting: bpost has very limited hedge accounting transactions but has decided to continue applying IAS 39 hedge accounting because bpost bank will continue applying IAS 39 hedge accounting until the macro-hedge project is finalized by the IASB.

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.

(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.

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

Regarding the Accumulated Compensated Absences benefit, the consumption pattern of the illness days is derived from the statistics of the consumption average over a mobile average of 3 years (years 2015 to 2017 for December 2017). 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 of the 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 changed following a law change (law of 19 December 2014). As a consequence, bpost as a public institution pays a contribution that is defined by a 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 adjustments for business combinations

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

Deferred revenue and revenue related accruals

bpost recognizes advance customer payments on its balance sheet, predominantly related to stamps and credits on franking machine sold but not yet used by customers at balance sheet date. bpost uses a model based upon historical data of consumption patterns for the valuation of this deferred revenue. Furthermore bpost handles and ships international mail and parcels to and from other foreign postal operators. At balance sheet date the best estimate of the outstanding position is reflected in the consolidated statement of financial position, however as the final settlements are based upon different assumptions (among which "items per kilo") final settlements might deviate from our initial assessment.

Income taxes and deferred taxes

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

(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

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. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Control is assumed to exist when bpost holds at least 50%, plus one share of the entity's voting power; these assumptions may be rebutted if there is clear evidence to the contrary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether bpost controls an entity.

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

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

Associates

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)".

Unrealized 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 is an associate and is accounted for using the equity method as bpost has significant influence but does not control the management of this company.

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 "Unrealized or deferred gains or losses."

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

Goodwill and negative acquisition differences

When 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. recognized 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 recognized in profit or loss.

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

Intangible assets

An intangible asset is recognized 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 amortization 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 capitalized. Within bpost, internally generated intangible assets represent mainly IT projects.

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

Intangible assets	*Useful life*
Patent[1]	12 years
Know-how[1]	5 years
Points of sale network (replacement costs)[1]	20 years
IT development costs	5 years maximum
Licenses for minor software	3 years maximum
Tradenames/ Brandnames[1]	Between 5 years and indefinite
Customer relationships[1]	Between 5 and 20 years

Intangible fixed assets with indefinite useful lives are not amortized, 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 capitalized as part of the cost of the asset.

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

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

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 recognized as an asset and a liability at amounts equal to the present value of the minimum lease payments (= sum of capital and interest portions included in the lease payments) or, if lower, the fair value of the leased assets. 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 recognized 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 recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal (corresponding to the cash that bpost can recover through sale) and its value in use (corresponding to the cash that bpost can recover if it continues to use the asset).

When possible, the tests 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 realizable 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 realizable value at the statement of financial position date is lower than the cost.

Revenue recognition

Revenue arising from the sale of goods is recognized 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 recognized 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 recognized 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 recognized 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.

Radial's omnichannel technology and operations services are sold either as bundled solutions or on an individual basis. Radial earns revenue for both services either through a revenue-sharing model (charges a percentage of client merchandise) or via an activity-based model (e.g. customer service center calls that are billed at a rate per minute or per call, fulfillment operations billed at a rate per fulfilled order/item, etc.). In both the revenue-share and activity-based pricing structures, service fee revenue is recognized either upon shipment of the underlying merchandise or as the underlying activity is performed. Radial acts as an agent for merchandise sales and records service fee revenue based on the net fee retained.

Interest income is recognized using the effective yield method and the revenue related to dividends is recognized 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 amortized 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 recognized 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 recognized 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 recognized 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 amortized 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 amortized 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 recognized directly in equity until the financial assets are derecognized, at which time the cumulative gains or losses previously recognized in equity are recycled in profit or loss.

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

Cash and cash equivalents

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

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

Share capital

Ordinary shares are classified under the caption “issued capital”.

Treasury shares are deducted from equity. Movements of treasury shares do not affect the Income Statement.

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

Retained earnings include the result of the current period as disclosed in the Income Statement.

Employee benefits

Short-term benefits

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

Post-employment benefits

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

In application of these principles, a provision (calculated according to an actuarial method laid down 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 recognized 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 recognized at the earlier of the date when (1) the plan amendment or curtailment occurs; and (2) the entity recognizes related restructuring costs in accordance with IAS 37. Past service costs are recognized in the Income Statement.

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

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

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 recognized immediately through profit or loss in the period in which they occur.

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

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

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

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

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

Termination benefits

Where bpost terminates the contract of a member of its personnel prior to 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 recognized only when:

(1) bpost has a present (legal or constructive) obligation as a result of past events;

(2) it is probable (more likely than not) that an outflow of resources will be required to settle the obligation; and

(3) a reliable estimate of the amount of the obligation can be made.

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

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

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

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

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

Income taxes and deferred taxation

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

(1) goodwill that is not amortized for tax purposes;

(2) the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit; and

(3) investments in subsidiaries, branches, associates and joint ventures if it is likely that dividends will not be distributed in the foreseeable future.

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

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

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. Realized exchange rate gains and losses and non-realized exchange rate gains and losses on monetary assets and liabilities on the statement of financial position date are recognized in the Income Statement.

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

Derivative financial instruments

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

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

Hedge accounting

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

At inception of the hedge relationship, bpost documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at inception of the hedge and on an ongoing basis, bpost documents whether the hedging instrument is highly effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

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

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

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

Hedges of net investments in foreign operations

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

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

6.5 Risk management

Approach and methodology

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

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

bpost discloses the risks and uncertainties in three categories:

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

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

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

Regulatory/Legal Risks

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

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

Related to our mail and parcel business

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

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

In accordance with the Belgian State's commitment to the European Commission, the Belgian State has organized a competitive, transparent and non-discriminatory tendering procedure with respect to the distribution of recognized newspapers and periodicals in Belgium, following which the service 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 five years, ending on December 31, 2020, and for a remuneration in line with the principles of the 5th management contract, as approved by the European Commission on May 2, 2013. For the period commencing January 1, 2021, 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 and prior control by the BIPT. The BIPT may refuse to approve such tariffs or tariff increases if they are not in compliance with the aforementioned principles or price cap formula. It should be noted that the new Postal Law, which was approved by the Parliament on January 18, 2018, provides for a new price cap formula as part of a stable and predictable price control mechanism and is expected to enter into force in Q1 2018.

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

bpost is also subject to the requirement of no cross-subsidization between public services 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. As a general agreement on the text was achieved at the end of 2017, the regulation should be adopted by the Council and EU Parliament in 2018 and may impose increased pricing transparency and regulatory oversight for cross-border parcel delivery operators such as bpost.

bpost was designated by the Belgian State as the USO provider for an eight-year term commencing in 2011. In the new Postal Law, which was approved by the Parliament on January 18, 2018 and is expected to enter into force in Q1 2018, bpost is designated as USO provider until the end of 2023. The obligation to provide the USO may represent a financial burden on bpost. Although the 1991 Law and new Postal Law provide 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 regulatory & legal requirements

The interaction between the laws applicable to all private limited liability companies and the specific public law provisions and principles applicable to bpost may present difficulties in interpretation and cause legal uncertainty. For instance, bpost is subject to certain specific risks in relation to employment matters deriving from the application of certain public law provisions and principles. 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 Labor Court of Appeals found in favor 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 way of communicating and hence bpost's turnover. Such changes include, inter alia:

- the introduction of a stricter data protection framework in Belgium based on the General Data Protection Regulation which shall apply from May 25, 2018;
- the enactment of legislation promoting digital growth, electronic communication and e-government initiatives could also adversely affect bpost's business. Belgian Minister De Croo, responsible - in addition to postal matters - for digital growth and telecommunications, announced in November 2015 that he would enact such legislation. In 2016, legislation granting registered e-mail the same legal status as registered mail under certain conditions entered into force.

External Business Risks

The risks mentioned in the section below are considered in light of the 2017 long term strategy. bpost assigned clear ownership for each of the risks. The owner monitors the risk, observes trends and initiates mitigating actions if and when needed. More details on the internal control and risk management system can be found in the Corporate Governance Statement.

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. bpost expects that the mail volumes will continue to decline. E-government initiatives or other measures introduced by the Belgian State or other public authorities or private enterprises that encourage electronic substitution in administrative mail may also affect the rate of decline in mail volumes.

External factors triggered by the industry, competition and clients could challenge the growth in parcels (both in Belgium and abroad) and the development of new products and services. Identified challenges for bpost include, inter alia, the speed of disruptive innovations, continuous pressure on prices and newly developed products or services that do not catch on.

Operational Risks – Business risks

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

Related to Information and Communication Technology

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

Related to the integration of recent acquisitions

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

Related to the agility and flexibility of the bpost network

Due to the relative 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. However, there can be no assurance that bpost will realize all of the benefits expected from such initiatives.

In addition, the Integrated Distribution Model, i.e., one network to deliver both mail and parcels, is a cornerstone of bpost's current operational model. bpost will need to maintain the current network while coping with a continuous decrease of mail volumes and competing in the parcel delivery business. However, the speed of the increase in parcel volumes results in a challenge for bpost. bpost needs to ensure sufficient flexibility in its mail network to cope with the volatility of parcels while keeping the costs under control.

Related to the attractiveness of bpost as employer

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

Related to the business continuity

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

Related to "Force Majeure"

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

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

Operational Risks - Financial risks

Climate change risk

Carbon taxes, emissions trading schemes and fuel taxes are expected to feature prominently in global efforts to address climate change. Average carbon prices could increase more than sevenfold to USD 120 per metric ton by 2030. Already, Carbon Taxes and Emissions Trading Schemes have been implemented in 42 countries, cities and regions.

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

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

By adopting carbon pricing forecasts and estimated internal carbon prices, bpost is able to outpace the cost of intensifying carbon regulations and adapt to business in a low-carbon economy. bpost monitors the carbon price risk and takes measures to reduce its carbon footprint within the framework of its Corporate Social Responsibility strategy.

Exchange rate risk

bpost's exposure to exchange rate risk 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.

In order to minimize its exposure to this risk, loans granted by bpost to its subsidiaries are made in the functional currency of these subsidiaries.

For intra-group loans in a foreign currency, hedging transactions are put in place to protect against changes in the exchange rate.

bpost NV/SA with EUR as its functional currency, borrowed USD 143 million - along with an amount in EUR - in order to finance partially its acquisition of Radial in the United States in November 2017. bpost designated this loan as the hedging instrument of its net investment in Radial, the hedged item, which has USD as its functional currency. The effectiveness testing at inception and at reporting date resulted in a 100% effective hedge. Consequently, the effective portion of changes in the fair value of the hedging instrument, is recognized in other comprehensive income. At 31 December 2017, the net gain on the revaluation of the USD loan recognized in other comprehensive income and accumulated in the foreign currency translation reserve amounted to USD 2.5 million.

In the course of 2017 the EUR/USD exchange rate moved from 1.0545 at the start of January to 1.1993 at the end of December. 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.

Interest rate risk

bpost's associate bpost bank is, like any other bank, subject to the interest rate risk, which directly influences its margin. Interest rates likewise influence valuation of bpost bank's bond portfolio, which is 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 through its two external financing.

- the loan granted by the European Investment Bank (EIB), with an outstanding balance of EUR 45.5 million for which the cost amortization is foreseen in 2022, carries a floating interest rate (3 months Euribor rate minus margin);
- in November 2017, bpost increased its debt by contracting a bridge loan to finance the acquisition of its new subsidiary, Radial. The outstanding balance on 31 December 2017 is EUR 689 million on which bpost pays a floating rate (Euribor plus margin on the part in EUR and Libor plus margin on the part in USD).

The table below illustrates the impact of a change in interest rates of 100bp (from 1% to 2% for example) on the interest expense of the bridge loan. Interest is calculated as Euribor/USD Libor plus margin. As the margin is determined in the contract, the sensitivity analysis only applies on the Euribor/USD Libor, known as the "base rate". As the Euribor is currently zero and it is stipulated in the contract that Euribor is floored at zero, a decrease of 100bp on the Euribor has a significantly lower impact than an increase of 100bp. Consequently the sensitivity analysis is asymmetrical.

As at 31 December

In million EUR	*Sensitivity to a -100bp movement in market interest rates*	*Sensitivity to a +100bp movement in market interest rates*
Impact on costs	-1.1	6.5

Financial results of bpost are also influenced by the evolution of the discount rates, used to calculate the employee benefits obligation. At December 31, 2017, an increase by 0.5% of the average discount rates, would generate a decrease of financial charge of EUR 17.9 million. A decrease by 0.5% of the average discount rates, would increase financial charges by EUR 22.1 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	***2017***	*2016*	*2015*
Held to maturity financial assets	0.0	12.0	0.0
Cash and Cash equivalents	466.0	538.9	615.7
Trade and other receivables	719.4	481.8	411.2
Credit risk classes of financial assets	**1,185.4**	**1,032.7**	**1,026.9**

Operational activities

The credit risk by definition only concerns that portion of bpost's activities that are not paid upfront in cash. bpost NV/SA actively manages its exposure to credit risk by investigating the solvency of its customers. This translates into a credit rating and a credit limit. Both are followed up on a daily basis for all Belgian and foreign customers.

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.

As at 31 December

In million EUR	***2017***	*2016*	*2015*
At 1 january	**13.4**	**12.9**	**6.9**
Impairments: Additions through business combinations	3.9	0.8	0.0
Impairments: Additions	2.2	3.7	7.8
Impairments: Utilization	(1.3)	(1.1)	(1.4)
Impairments: Reversal	(0.5)	(2.6)	(0.3)
Impairments: Translation differences	0.0	(0.3)	0.0
At 31 december	**17.5**	**13.4**	**12.9**

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	2017	2016	2015
Current	552.0	386.5	330.9
< 60 days	66.6	45.7	38.0
60 - 120 days	5.3	5.8	7.3
> 120 days	5.0	5.3	6.4
Total	**628.9**	**443.3**	**382.6**

Investment of liquidities

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

bpost bank

bpost bank invests the funds that have been deposited by its customers. The bank has adopted a strict investment policy that determines an overall allocation of the investments across Belgian State bonds, other sovereign bonds and bonds from financial and commercial corporations as well as mortgages.

Per December 31, 2017 bpost bank had invested the funds deposited by its customers in interbank assets (EUR 300.3 million), loans and advances to customers (mainly mortgage and term loans, EUR 3,553 million) and securities (mainly government bonds and corporate bonds, EUR 6,230 million).

In addition, maximum concentration limits per issuer, per sector, per rating, per country and per currency have been established and are constantly monitored. bpost bank has booked a provision of EUR 3.8 million to cover this risk.

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	later than 5 years
31 december 2016			
Finance lease obligations	1.2	2.2	0.0
Trade and other payables	964.8	40.3	0.0
Bank loan	9.1	36.4	9.1

As at December 31, 2017, liabilities have contractual maturities which are summarized below:

In million EUR	*CURRENT less than 1 year*	*NON-CURRENT within 1 year but not later than 5 years*	*later than 5 years*
31 december 2017			
Finance lease obligations	1.7	7.5	11.9
Trade and other payables	1,218.2	45.2	0.0
Bank loan	698.1	36.7	0.0

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

Capital management policies and procedures

bpost conducts a prudent financial policy and is applying as of 2017 internally the Business and Consumer Service Industry rating methodology published by Moody's in October 2016.

The follow-up of associated business and financial profile aims at driving bpost's portfolio management and investment decisions while maintaining a high level of credit worthiness and ensuring bpost's ability to provide an adequate return to shareholders.

Until 2016, bpost monitored 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].

The table below details the elements of the monitoring ratio. For comparison, the 2017 figures are also mentioned hereunder:

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Capital			
Issued capital / Authorized capital	364.0	364.0	364.0
Other reserves	310.1	274.2	230.9
Foreign currency translation	(11.5)	2.5	0.6
Retained earnings	110.9	135.5	99.3
Non-controlling interests	4.3	3.1	(0.0)
Total	**777.8**	**779.3**	**694.8**
Net Debt / (net cash)			
Interest bearing loans and borrowings	758.2	58.0	66.0
Non-interest bearing loans and borrowings	0.1	0.1	0.1
- Investment securities	0.0	(12.0)	0.0
- Cash and cash equivalents	(466.0)	(538.9)	(615.7)
Total	**292.4**	**(492.7)**	**(549.5)**
Net debt/(net cash) to capital ratio	**0.4**	**(0.6)**	**(0.8)**

6.6 Business combinations

Contingent consideration for FDM

In February 2017, bpost NV/SA paid AUD 5.0 million (EUR 3.5 million) in execution of the contingent consideration agreement and based upon the December 2016 performance of Freight Distribution Management Systems Pty Ltd. and FDM Warehousing Pty Ltd. The fair value of the contingent consideration was recognized as a liability. The payment had no impact on the originally calculated goodwill nor on the result of the year. The remaining contingent consideration, payable in 2018, is estimated to be AUD 5.0 million (EUR 3.4 million) and is recorded as a liability.

Acquisition of non-controlling interest Landmark

In March 2017, bpost NV/SA acquired the remaining 24.5% of Landmark Global Inc. and Landmark Trade Services, LTD., to reach a total of 100% shares for a price of USD 33.7 million (EUR 31.7 million).

Contingent consideration for Apple Express

In September 2017, bpost NV/SA paid CAD 3.4 million (EUR 2.7 million) in execution of the contingent consideration agreement and based upon the July 2017 performance of Apple Express Courier Inc. and Apple Express Courier LTD. The fair value of the contingent consideration was recognized as a liability. The payment had no impact on the originally calculated goodwill nor on the result of the year. The remaining contingent consideration, payable in 2018, is estimated to be CAD 2.0 million (EUR 1.3 million) and recorded as a liability.

Acquisition of non-controlling interest Citydepot

In 2017, bpost NV/SA acquired an additional 0.6% of CityDepot NV/SA, to reach a total of 99.7% shares for a price of EUR 0.2 million.

Purchase price allocation for the entities of Ubiway

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

The Ubiway Group was consolidated within the MRS operating segment, with the exception of Kariboo which was being consolidated within the P&L operating segment, using the full-integration method as from the beginning of December 2016. In 2017 the purchase price for 100% of the shares was finalized and amounted to EUR 81.3 million. Transaction costs were expensed and are included in the operating expenses in 2016.

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

Fair value of the assets acquired and liabilities assumed in the acquired entity

	In million EUR
Non-Currents Assets	**58.6**
Property, plant and equipment	21.1
Intangible assets	37.5
Currents Assets	**127.9**
Inventories	24.4
Trade and other receivables	58.9
Cash and cash equivalents	44.5
Non-Current Liabilities	**(7.9)**
Interest-bearing loans and borrowings	(0.3)
Provisions	(5.4)
Deferred tax liabilities	(2.2)
Current Liabilities	**(147.4)**
Provisions	(7.6)
Income tax payable	(0.5)
Trade and other payables	(139.3)
Fair value of net assets acquired	**31.2**
Goodwill arising on acquisition	50.2
Purchase consideration transferred	**81.3**
of which:	
- Cash paid	81.3
- Contingent consideration	0.0

Analysis of cash flows on acquisition

	In million EUR
Net cash acquired with the subsidiary	44.5
Cash paid in 2016	(84.5)
Cash reimbursed in 2017, due to final purchase price adjustments	3.1
Net cash outflow	**(36.8)**

The fair value of the trade receivables amounted to EUR 58.9 million and it is expected that the full contractual amounts can be collected.

The adjustment to fair value amounted to EUR 33.8 million (net of deferred tax impact) and mainly consisted of acquired brand names for a total of EUR 13.7 million and customer relationships for a total of EUR 19.1 million. Assets were fairly valued with the assistance of an external independent expert. The initial goodwill had been reduced by EUR 31.1 million following the fair value impacts and final purchase price allocation. The increased depreciation charges on the fair value impact in intangible and tangible assets from acquisition date to 31 December 2016 was not material.

For 2017 Ubiway contributed EUR 281.7 million of revenue and EUR -5.9 million to profit before tax from continuing operations of the Group. The result was impacted by the restructuring provision booked at Ubiway.

The resulting goodwill of EUR 50.2 million derives from expected synergies from combining operations of bpost and its subsidiaries. None of the goodwill is expected to be deductible for income tax purposes.

Purchase price allocation for the entities of DynaGroup

On December 12, 2016 bpost NV/SA entered into a share purchase agreement to acquire 100% of the shares of DynaGroup, which is a company that offers a large range of logistical services and software in the Benelux. Considering that bpost has obtained control over DynaGroup in January 2017, DynaGroup was consolidated within the P&L operating segment using the full-integration method as from January 2017.

In accordance with the purchase agreement, bpost paid in 2017 EUR 51.0 million for 100% of the shares. In addition, the agreement includes a contingent consideration arrangement and foresees an additional remuneration based upon the EBITDA achieved in 2017 and 2018. Based on the last forecast, the fair value of the contingent consideration (at discounted value) was recognized for an amount of EUR 58.9 million. There is no material sensitivity for bpost to variations in the contingent consideration. Transaction costs were expensed and are included in the operating expenses.

The calculated goodwill is presented as follows:

Fair value of the assets acquired and liabilities assumed in the acquired entity

	In million EUR
Non-Currents Assets	**39.5**
Property, plant and equipment	7.0
Intangible assets	32.2
Trade and other receivables	0.2
Currents Assets	**25.8**
Inventories	4.5
Trade and other receivables	20.5
Cash and cash equivalents	0.8
Non-Current Liabilities	**(8.0)**
Deferred tax liabilities	(8.0)
Current Liabilities	**(20.9)**
Provisions	(0.1)
Income tax payable	(1.1)
Trade and other payables	(19.7)
Fair value of net assets acquired	**36.3**
Goodwill arising on acquisition	73.6
Purchase consideration transferred	**109.9**
of which:	
- Cash paid	51.0
- Contingent consideration	58.9

Analysis of cash flows on acquisition

	In million EUR
Net cash acquired with the subsidiary	0.9
Cash paid in 2017	(51.0)
Net cash outflow	**(50.2)**

The fair value of the trade receivables amounted to EUR 20.5 million and it is expected that the full contractual amounts can be collected.

The adjustment to fair value amounts to EUR 32.2 million (net of deferred taxes) and has resulted in the recognition of intangible assets for an amount of EUR 32.2 million and mainly consisted of trade names for a total of EUR 6.3 million, customer relationships for a total of EUR 19.0 million and software for a total of EUR 5.8 million. Assets were fairly valued with the assistance of an external independent expert.

On December 20, 2017 an amendment to the share purchase agreement was made for the payment of an accelerated contingent consideration based upon which bpost reversed out of the outstanding liability an amount of EUR 7.9 million that was recognized throughout other operating income.

For 2017 DynaGroup contributed EUR 132.2 million of revenue and EUR 4.2 million to profit before tax from continuing operations of the Group.

The resulting goodwill of EUR 73.6 million derives from expected synergies from combining operations of bpost and its subsidiaries. None of the goodwill is expected to be deductible for income tax purposes.

Purchase price allocation for the entities de Buren

In September 2016, bpost NV/SA acquired 51% of the shares of de Buren Internationaal B.V. de Buren specializes 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&L 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, 2017). An earn-out mechanism is foreseen by which the sellers will get an additional payment based on either the 2020 or 2021 normalized EBITDA performance, an estimated contingent consideration based on the company's business plan has been registered as a liability (at discounted value) for an amount of EUR 11.2 million (including the EUR 2.0 million). 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. There is no material sensitivity for bpost to variations in the contingent consideration. Transaction costs were expensed and are included in the operating expenses in 2016.

The calculated goodwill is presented as follows:

Fair value of the assets acquired and liabilities assumed in the acquired entity

	In million EUR
Non-Currents Assets	**11.2**
Property, plant and equipment	0.4
Intangible assets	10.9
Currents Assets	**2.4**
Inventories	0.5
Trade and other receivables	1.9
Cash and cash equivalents	0.0
Non-Current Liabilities	**(2.6)**
Trade and other payables	(0.2)
Deferred tax liabilities	(2.4)
Current Liabilities	**(4.1)**
Interest-bearing loans and borrowings	(1.9)
Income tax payable	(0.1)
Trade and other payables	(2.1)
Fair value of net assets acquired	**7.0**
Goodwill arising on acquisition	4.2
Purchase consideration transferred	**11.2**
of which:	
- Cash paid	-
- Contingent consideration	11.2

Analysis of cash flows on acquisition

	In million EUR
Net cash acquired with the subsidiary	0.0
Cash paid	-
Net cash outflow	**0.0**

The fair value of the trade receivables amounted to EUR 1.9 million and it is expected that the full contractual amounts can be collected.

The adjustment to fair value amounts to EUR 9.5 million (net of deferred taxes) and has resulted in the recognition of intangible assets for an amount of EUR 10.1 million related to know-how. Assets were fairly valued with the assistance of an external independent expert. The initial goodwill has been reduced by EUR 18.3 million following the fair value impacts and final purchase price allocation. The increased depreciation charges on the fair value impact in intangible and tangible assets from acquisition date to 31 December 2016 was not material.

For 2017 de Buren contributed EUR 0.4 million of revenue and EUR -4.7 million to profit before tax from continuing operations of the Group.

The resulting goodwill of EUR 4.2 million derives from expected synergies from combining operations of bpost and its subsidiaries. None of the goodwill is expected to be deductible for income tax purposes.

Acquisitions over the twelve month period ended December 31, 2017

On August 7, 2017 bpost NV/SA entered into an agreement for the acquisition of **Bubble Post NV/SA**. Besides its experience in sustainable urban delivery, Bubble Post also has extensive knowledge of refrigerated and frozen transport for among others hospitality wholesalers and delivery of prepared meals and food boxes.

bpost acquired 100% of the shares of Bubble Post for an amount of EUR 1. In addition the agreement includes a contingent consideration arrangement and foresees an additional remuneration based on the EBIT achieved in 2020. Based on the last forecast, the fair value of the contingent consideration was recognized for an amount of EUR 7.35 million as a liability. bpost furthermore committed to make EUR 4.0 million of funds available. There is no material sensitivity for bpost to variations in the contingent consideration and these amounts are provisional. The company was consolidated within the P&L operating segment using the full-integration method as from August 2017. Transaction costs were expensed and are included in the operating expenses.

The preliminary calculated goodwill is presented as follows:

Fair value of the assets acquired and liabilities assumed in the acquired entity

	In million EUR
Non-Currents Assets	**0.7**
Property, plant and equipment	0.1
Intangible assets	0.5
Trade and other receivables	0.0
Currents Assets	**1.2**
Inventories	0.0
Trade and other receivables	1.1
Cash and cash equivalents	0.1
Non-Current Liabilities	**(1.7)**
Interest-bearing loans and borrowings	(1.7)
Trade and other payables	0.0
Current Liabilities	**(4.4)**
Income tax payable	(0.0)
Trade and other payables	(4.4)
Fair value of net assets acquired	**(4.2)**
Goodwill arising on acquisition	11.6
Purchase consideration transferred	**7.4**
of which:	
- Cash paid	-
- Contingent consideration	7.4

Analysis of cash flows on acquisition

	In million EUR
Net cash acquired with the subsidiary	0.1
Cash paid	-
Net cash outflow	**0.1**

The fair value of assets acquired and liabilities assumed at acquisition date could not be assessed yet. Consequently, the determination of the carrying amount of the acquired entity and the purchase price allocation of the acquisition are still under review and will be fully disclosed in 2018.

From the date of acquisition Bubble Post contributed EUR 1.8 million of revenue and EUR -1.9 million to profit before tax from continuing operations of the Group. As Bubble Post is a startup company and given the volatility of the figures, no figures are disclosed for the period starting from the beginning of the year.

On November 16, 2017 bpost NV/SA, through its subsidiary bpost North America Holdings, Inc., acquired 100% of the issued and outstanding equity interests of the Radial Holdings, L.P. and Radial III GP, LLC ("Radial") after having obtained all necessary approvals from the relevant competition authorities. The acquisition of Radial, a leading provider of integrated e-commerce logistics, perfectly fits within bpost's growth strategy. It allows bpost to scale its existing US presence and expand its product offering into value-added activities that cover the entire value chain in e-commerce logistics and omnichannel technology. Radial was consolidated within the P&L operating segment using the full-integration method as from November 16, 2017. The fair value of assets and liabilities at acquisition date has not been assessed yet. Consequently, 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 in 2018. The initial purchase price for 100% of the shares was EUR 689.0 million (USD 804.6 million), including EUR 107.5 million cash. Transaction costs of EUR 2.8 million were expensed and are included in the operating expenses.

The preliminary calculated goodwill is presented as follows:

Carrying amount in the acquired entity

	In million EUR
Non-Currents Assets	**151.1**
Property, plant and equipment	128.7
Intangible assets	16.3
Trade and other receivables	6.1
Currents Assets	**224.5**
Inventories	0.2
Trade and other receivables	116.9
Cash and cash equivalents	107.5
Non-Current Liabilities	**(19.0)**
Interest-bearing loans and borrowings	(18.8)
Deferred tax liabilities	(0.2)
Current Liabilities	**(238.3)**
Income tax payable	(3.0)
Trade and other payables	(235.3)
Fair value of net assets acquired	**118.3**
Goodwill arising on acquisition	570.7
Purchase consideration transferred	**689.0**
of which:	
- Cash paid	689.0
- Contingent consideration	

Analysis of cash flows on acquisition

	In million EUR
Net cash acquired with the subsidiary	107.5
Cash paid	(689.0)
Net cash outflow	**(581.5)**

The fair value of assets acquired and liabilities assumed at acquisition date could not be assessed yet. Consequently, the determination of the carrying amount of the acquired entity and the purchase price allocation of the acquisition are still under review and will be fully disclosed in 2018.

From the date of acquisition Radial contributed EUR 203.1 million of revenue and EUR 13.2 million to profit before tax from continuing operations of the Group. Given the seasonality in the business of Radial and the different scope (certain business lines have been phased out) no figures are disclosed for the period starting from the beginning of the year.

Acquisitions after the reporting period, but before the financial statements are authorized for issue.

On January 11, 2018 bpost acquired the Dutch company Leen Menken Foodservice Logistics BV. Leen Menken Foodservice Logistics BV is a logistic operator for the transport of refrigerated and frozen products for e-commerce. bpost paid an amount of EUR 0.85 million for 100% of the shares and furthermore performed a capital increase of EUR 2.35 million. In addition the agreement includes a contingent consideration arrangement and foresees an additional remuneration which can amount up to EUR 1.5 million. No other figures are available as the purchase only occurred in 2018.

Furthermore Landmark Global acquired 100% of the shares of IMEX Global Solutions, Inc. and M.A.I.L., Inc. Both companies are active in business mail and are being acquired by Landmark Global's Mail Division MSI. IMEX Global Solutions, Inc. is a 3rd party logistics company in the US, active in cross-border publication and mail delivery, the expected 2017 annual revenues amount to USD 68.0 million and bpost paid an amount of USD 8.0 million. M.A.I.L., Inc. is active in the field of business mail/catalogue distribution for re/e-tailers and mail-room services as well as parcel distribution, the expected 2017 annual revenues amount to USD 10.0 million and bpost paid an amount of USD 4.0 million. The fair value of assets acquired and liabilities assumed at acquisition date could not be assessed yet. Consequently, the determination of the carrying amount of the acquired entity and the purchase price allocation of the acquisition are still under review and will be fully disclosed in 2018.

Finally, bpost acquired the remaining shares in Parcify NV on January 1, 2018 to reach a total of 100% shares for an amount EUR 0.3 million.

6.7 Segment information

bpost's business is organized 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&L 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 e-Shop 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 & Logistics (P&L) business unit specializes 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) logistic solutions, (vii) value-added services, (viii) international mail, (ix) banking and financial products, (x) distribution and (xi) retail & other. Turnover from the transactional mail, advertising mail, press, distribution and banking and financial products are included within the MRS business unit. Turnover from the international mail, logistic solutions and parcels product lines are included within the P&L business unit. Retail & other turnover and value-added services are allocated across the MRS and P&L 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 Mail Service Operations (MSO) unit, International Operations (IOPS) unit, the ICT and Service Operations units, the Global Service Organization (GSO) and the Human Resources & Organization (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/Corporate/M&A/Strategy 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 (MRS and P&L) 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" ties in with 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 and the key profit or loss measure used by the CODM is EBIT.

As of January 1, 2017 some product lines related to solutions have been transferred from MRS to P&L. Taking into account these changes, the 2016 figures have been made comparable to reflect these changes. The comparable figures are shown under the heading "comparable". The variances mentioned hereafter compare the 2017 figures with the 2016 comparable figures.

The table below presents the evolution per business unit for the years ended December 31, 2017, 2016 and 2015:

As at 31 December

In million EUR	***2017***	*2016 comparable*	*2015*
MRS	2,008.3	1,839.3	1,870.3
P&L	972.7	554.6	523.6
Total operating income of operating segments	**2,981.0**	**2,393.8**	**2,393.9**
Corporate (Reconciling category)	42.9	31.4	39.8
Total operating income	**3,023.8**	**2,425.2**	**2,433.7**

Total operating income attributable to the MRS operating segment increased by EUR 169.0 million in 2017, mainly driven by the revenue generated by the Ubiway acquisition and the net improvement in price and mix of Domestic Mail, partly offset by the underlying volume decrease in Domestic mail (-5.8%) and the decrease of Banking and financial products.

P&L operating income increased in 2017 by EUR 418.1 million to EUR 972.7 million. The increase was mainly due to the consistent growth of Domestic Parcels, which noted a very strong volume increase of +28.2% driven by e-commerce and the continued growth in C2C parcels, along with International Parcels (revenue growth from Asia) and the integration of DynaGroup and Radial.

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 evolution per product line can be summarized as follows:

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*	*Evolution 2017-2016*
Domestic mail	**1,353.4**	**1,414.4**	**1,464.2**	**-4.3%**
Transactional mail	807.9	873.3	917.6	-7.5%
Advertising mail	252.9	247.8	250.9	2.0%
Press	292.6	293.2	295.6	-0.2%
Parcels	**796.1**	**379.4**	**340.7**	**109.9%**
Domestic parcels	224.2	181.8	161.2	23.3%
International parcels	222.6	189.5	170.0	17.5%
Logistic Solutions[1]	349.2	8.0	9.6	-
Additional sources of revenues	**831.5**	**600.1**	**589.0**	**38.6%**
International mail	160.4	162.0	175.7	-1.0%
Value added services	101.5	103.1	96.2	-1.5%
Banking and financial products	182.6	192.4	205.1	-5.1%
Distribution[2]	98.1	-	-	-
Retail & Other	288.9	142.6	112.0	102.5%
Corporate (Reconciling post)	**42.9**	**31.4**	**39.8**	**36.5%**
Total	**3,023.8**	**2,425.2**	**2,433.7**	**24.7%**

(1) Logistic Solutions:previously called Special Logistics, contains DynaGroup consolidated as of January 1, 2017 and Radial consolidated as of November 16, 2017.

(2) Distribution contains Ubiway distribution 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	***2017***	*2016 comparable*	*2015*
Belgium	2,227.0	2,073.1	2,102.8
Rest of the world	796.8	352.1	330.9
Total operating income	**3,023.8**	**2,425.2**	**2,433.7**

The following table presents the non-current assets attributed to Belgium and to all foreign countries.

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Belgium	1,216.3	1,182.5	1,054.9
Rest of the world	780.2	34.3	14.3
Non current assets	**1,996.6**	**1,216.8**	**1,069.2**

The following table presents EBIT information about bpost's operating segments for the years ended December 31, 2017, 2016 and 2015:

As at 31 December

In million EUR	***2017***	*2016 comparable*	*2015*
MRS	435.4	460.0	436.7
P&L	67.4	77.8	68.9
Total EBIT of operating segments	**502.8**	**537.8**	**505.5**
Corporate (Reconciling category)	(9.9)	(41.3)	(39.5)
Total EBIT	**492.9**	**496.5**	**466.1**

The EBIT attributable to the MRS operating segment decreased by EUR 24.6 million in 2017 as the lower revenues for Domestic Mail could not be compensated by cost savings. In addition, 2017 was impacted by the depreciation related to the intangible assets recognized throughout the purchase price allocation.

The EBIT attributable to the P&L operating segment decreased by EUR 10.4 million compared to 2016, from EUR 77.8 million to EUR 67.4 million. The increased revenues could not compensate the absence of last year's positive settlement of terminal dues with another postal operator, the non-recurring costs related to the growth strategy for developing the e-commerce logistics business, the depreciation related to the intangible assets recognized throughout the purchase price allocation and the increased costs.

The EBIT attributable to the Corporate reconciliation category increased by EUR 31.4 million in 2017, due to 2016 costs for strategic projects and favourable evolution of 2017 employee benefits.

The following table presents EAT information about bpost's operating segments for the years ended December 31, 2017, 2016 and 2015:

As at 31 December

In million EUR	***2017***	*2016 comparable*	*2015*
MRS	435.4	460.0	436.7
P&L	67.4	77.8	68.9
Total EAT of operating segments	**502.8**	**537.8**	**505.5**
Corporate (reconciling category)	(179.8)	(191.6)	(196.3)
Total EAT	**322.9**	**346.2**	**309.3**

Financial details for the year ended December 31, 2017, 2016 and 2015 on the corporate segment (reconciliation post) are as follows:

As at 31 December

In million EUR	***2017***	*2016 comparable*	*2015*
Operating income	**42.9**	**31.4**	**39.8**
Central departments (Finance (excl. GSO), Legal, Internal Audit, CEO, …)	(64.3)	(66.7)	(72.2)
Other reconciliation items	11.6	(6.0)	(7.1)
Operating expenses	**(52.7)**	**(72.6)**	**(79.3)**
EBIT corporate (reconciling category)	**(9.9)**	**(41.3)**	**(39.5)**
Share of profit of associates	9.6	9.9	10.2
Financial Results	(13.7)	(17.0)	(5.6)
Income Tax expense	(165.8)	(143.2)	(161.4)
EAT corporate (reconciling category)	**(179.8)**	**(191.6)**	**(196.3)**

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	***2017***	*2016*	*2015*
Turnover excluding the SGEI remuneration	2,702.2	2,134.5	2,105.6
SGEI remuneration	270.0	264.9	287.8
Total	**2,972.2**	**2,399.4**	**2,393.4**

6.9 Other operating income

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
Gain on disposal of property, plant and equipment	15.9	17.5	33.4
Benefits in kind	0.4	0.0	0.2
Rental income of investment property	1.1	0.6	0.8
Other rental income	0.0	0.2	0.5
Third party cost recovery	12.0	2.1	1.8
Gain on contingent consideration DynaGroup	7.9	0.0	0.0
Other Retail income	4.7	0.0	0.0
Other	9.6	5.2	3.7
Total	**51.6**	**25.8**	**40.3**

Gains on disposal of property, plant and equipment, which were mainly related to the sales of buildings, decreased by EUR 1.5 million.

The increase of the third party costs recovery by EUR 9.9 million related to the reimbursements by third parties of non-ordinary services provided by Ubiway and other subsidiaries and the sales realized by bpost's restaurants.

On December 20, 2017 an amendment to the share purchase agreement of DynaGroup was made for the payment of an accelerated earn-out based upon which bpost reversed out of the outstanding liability an amount of EUR 7.9 million (see also note 6.6 business combinations).

Other Retail income mainly consisted of non-specific product income in the retail channel.

Other sources of operating income mainly consisted of reimbursements by third parties towards bpost and its subsidiaries and income of other services provided by its subsidiaries.

6.10 Other operating expense

For the year ended 31 December

In million EUR	*2017*	*2016*	*2015*
Provisions	(3.9)	(15.0)	1.4
Local, real estate and other taxes	5.1	12.4	13.6
Impairment on trade receivables	3.3	1.6	0.1
Penalties	0.1	0.0	0.1
Other	1.0	2.7	5.2
Total	**5.6**	**1.7**	**20.5**

Other operating expenses increased by EUR 3.9 million versus last year. This increase was mainly driven by the lower reversal of provisions given last year's reversal related to a terminal dues settlement with another postal operator for which the corresponding costs had been booked within the transport costs. This was partially offset by the decrease of local, real estate and other taxes.

6.11 Services and other goods

The cost of goods and services increased by EUR 307.7 million or EUR 30.6 million excluding the integration of the new subsidiaries. The increase of the latter was mainly due to increased rent and rental costs (EUR 9.2 million), energy costs (EUR 4.8 million) and transport costs (EUR 27.8 million), offset by lower third party remunerations and fees (EUR 9.5 million).

For the year ended 31 December

In million EUR	*2017*	*2016*	*2015*	*Evolution 2017-2016*
Rent and rental costs	104.3	72.6	66.7	43.7%
Maintenance and repairs	86.9	77.5	78.7	12.2%
Energy delivery	40.7	33.7	37.0	20.6%
Other goods	26.2	22.7	21.1	15.2%
Postal and telecom costs	8.9	6.3	6.4	40.8%
Insurance costs	11.8	12.4	12.0	-4.7%
Transport costs	374.2	217.2	212.6	72.3%
Publicity and advertising	18.7	14.3	16.6	30.5%
Consultancy	19.4	15.5	12.8	24.9%
Interim employees	107.1	54.8	40.3	95.6%
Third party remuneration, fees	132.3	118.9	118.3	11.3%
Other services	42.4	19.2	23.0	120.6%
Total	**972.8**	**665.2**	**645.6**	**46.3%**

- Rental costs have increased by EUR 31.7 million or excluding the integration of the new subsidiaries by EUR 9.2 million, mainly due to the new Brussels sorting center (NBX) and the growing fleet.
- The increase of maintenance and repairs (EUR 9.4 million) was mainly caused by the integration of the new subsidiaries.
- Energy delivery costs increased by EUR 6.9 million or EUR 4.8 million excluding the integration of the new subsidiaries, mainly due to increased fuel prices and the growing fleet.
- Transport costs amounted to EUR 374.2 million and excluding the integration of the new subsidiaries (EUR 129.2 million), increased by EUR 27.8 million. This increase was mainly explained by the growth in international business.
- The growth in interim costs was driven by the integration of the new subsidiaries, see also section payroll costs.
- Not taking into account the integration of the new subsidiaries, third party remunerations and fees decreased by EUR 9.5 million, mainly due to last year's strategic projects.
- Other services increased by EUR 23.2 million mainly due to the integration of the new subsidiaries.

6.12 Payroll costs

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
Employee remuneration	987.8	892.2	900.0
Social plan - Alpha project	0.0	0.0	54.5
Social security contribution	202.6	192.3	199.3
Defined benefit and defined contribution plans	4.0	18.8	25.2
Other personnel costs	12.2	7.7	6.8
Total	**1,206.7**	**1,111.1**	**1,185.8**

As at December 31, 2017, the headcount of bpost amounted to 33,992 (2016: 26,987) and was composed as follows:

- Statutory personnel: 10,296 (2016: 11,293)
- Contractual personnel: 23,696 (2016: 15,694)

The average FTE number for 2017 is 25,323 (2016: 23,708).

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 contained the conditions for early retirement and determined the layoff conditions, in case certain employees were not selected for a new job. The estimated impact of this agreement had been accrued for within the payroll costs during the third quarter of 2015 and amounted to EUR 54.5 million.

6.13 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	***2017***	*2016*	*2015*
Financial income	5.8	10.7	5.3
Financial costs	(19.5)	(27.6)	(10.9)
Net financial result	**(13.7)**	**(17.0)**	**(5.6)**

Financial income

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
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	0.0	0.1
Interest income from short term bank deposits	0.0	0.2	0.6
Interest income from current accounts	0.1	0.1	0.2
Gain from exchange differences	5.0	9.8	3.5
Other	0.6	0.5	0.9
Financial income	**5.8**	**10.7**	**5.3**

Financial costs

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
Financial costs on benefit obligations (IAS 19)	6.0	18.7	(0.6)
Interest from loans	0.7	0.2	0.2
Loss from exchange differences	5.7	6.6	7.8
Impairment current/financial assets	0.1	0.3	0.2
Unwinding of discount and effect of changes in discount rate on contingent consideration	2.2	0.0	0.0
Other finance costs	4.8	1.9	3.2
Financial costs	**19.5**	**27.6**	**10.9**

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6.14 Income tax/ deferred tax

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

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Tax expense included:			
Current tax expenses	(145.0)	(143.2)	(153.6)
Adjustment recognized in the current year in relation to the current tax of prior year	(0.5)	(0.1)	2.5
Deferred tax expenses	(20.3)	0.1	(10.2)
Total tax expense	**(165.8)**	**(143.2)**	**(161.4)**

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

In million EUR	***2017***	*2016*	*2015*
Tax expense using statutory tax rate	**166.1**	**166.4**	**160.0**
Profit before tax	488.7	489.5	470.6
Statutory tax rate	33.99%	33.99%	33.99%
Reconciling items between statutory and effective tax			
Tax effect of non tax deductible expenses	8.8	6.6	7.0
Notional interests deduction	0.0	(0.5)	(0.9)
Tax effects prior year	0.5	1.7	(2.7)
Tax effect of tax losses utilized by subsidiaries	(8.2)	(4.8)	(4.3)
Subsidiaries in loss situation	10.7	2.7	3.6
Associates (equity method)	(3.3)	(3.4)	(3.5)
Other:			
Tax effect of subsidiaries liquidation	(3.0)	(22.2)	0.0
Tax effect of the changes in tax rates	7.0	**0.0**	**0.0**
Other differences	(12.8)	(3.2)	2.1
Total	**165.8**	**143.2**	**161.4**
Tax using effective rate (current period)	(165.8)	(143.2)	(161.4)
Profit before income tax	488.7	489.5	470.6
Effective tax rate	33.9%	29.3%	34.3%

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

In 2017, eXbo NV/SA has been liquidated, triggering a positive impact of EUR 3.0 million.

As the Belgian and US corporate tax reform has been substantially enacted before December 31, 2017 bpost reassessed their deferred tax position under IFRS taking into consideration these new measures, this led to a tax expense of EUR 7.0 million.

Tax effect of the permanent differences is included in "Other differences" caption.

As of December 31, 2017, bpost recognized a net deferred income tax asset of EUR 31.5 million. This net deferred income tax asset is composed as follows:

As at 31 December

In million EUR	2017	2016	2015
Deferred tax assets			
Employee benefits	32.4	48.4	49.1
Provisions	9.0	14.1	13.5
Tax losses carried forward	0.9	0.0	0.0
Other	15.8	22.6	22.0
Total deferred tax assets	**58.0**	**85.0**	**84.7**
Deferred tax liabilities			
Property plant and equipment	20.6	29.3	30.6
Intangible assets	5.9	7.2	6.7
Other	0.1	0.3	0.2
Total deferred tax liabilities	**26.5**	**36.8**	**37.5**
Net deferred tax asset	**31.5**	**48.2**	**47.2**

As of December 31, 2017, bpost recognized a net deferred income tax liability of EUR 12.3 million. This net deferred income tax liability mainly results from the purchase price allocation and is composed as follows:

As at 31 December

In million EUR	2017	2016	2015
Deferred tax assets			
Employee benefits	0.0	0.0	0.0
Provisions	0.1	0.0	0.0
Tax losses carried forward	1.0	0.0	0.0
Total deferred tax assets	**1.1**	**0.0**	**0.0**
Deferred tax liabilities			
Property plant and equipment	1.3	0.6	1.3
Intangible assets	11.2	0.0	0.0
Other	0.8	0.5	0.0
Total deferred tax liabilities	**13.4**	**1.1**	**1.3**
Net deferred tax liability	**(12.3)**	**(1.1)**	**(1.3)**

For some subsidiaries bpost did not recognize deferred tax assets for unused tax losses carried forward as it's uncertain that taxable profit will be available against which the deductible temporary difference can be utilized. In order to determine this, bpost used estimates of taxable income by jurisdiction in which bpost operates and the period over which deferred tax assets are recoverable. The unrecognized tax losses located in Belgium can be carried forward indefinitely, whereas in some other countries there are limitations concerning the carry forward. No deferred tax assets related to unused tax losses for Radial have been recognized per December 31, 2017, this will be assessed at the time of the fair value assessment through the purchase price allocation.

6.15 Earnings per share

In accordance with IAS 33, the basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts have to be calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for the effects of all dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

In case of bpost, no effects of dilution affect the net profit attributable to ordinary equity holders and the weighted average number of ordinary shares.

The table below reflects the income and share data used in the basic and diluted earnings per share computations, based on the number of shares after the share split:

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
Net profit attributable to ordinary equity holders of the parent for basic earnings	**324.9**	**343.8**	**307.0**
Adjustments for the effect of dilution			
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dillution	**324.9**	**343.8**	**307.0**
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			
Basic, profit for the year attributable to ordinary equity holders of the parent	1.62	1.72	1.54
Diluted, profit for the year attributable to ordinary equity holders of the parent	1.62	1.72	1.54

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6.16 Property, plant and equipment

In million EUR	Land and buildings	Plant and equipment	Furniture and vehicles	Fixtures and fittings	Other property, plant and equipment	Total
Acquisition cost						
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)
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0	0.0
Assets classified as held for sale or investment property	(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)
Disposals via business combinations	0.0	(0.0)	0.0	0.0	0.0	(0.0)
Assets classified as held for sale or investment property	(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**
Balance at 1 January 2017	**836.1**	**383.9**	**259.2**	**129.5**	**28.9**	**1,637.7**
Acquisitions	0.6	30.8	27.7	22.9	14.7	96.7
Acquisitions through business combinations	6.7	0.1	176.1	49.5	5.2	237.5
Disposals	(0.0)	(18.9)	(15.9)	(3.3)	0.3	(37.9)
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0	0.0
Assets classified as held for sale or investment property	(18.6)	0.0	0.0	(0.5)	0.0	(19.1)
Exchange rate difference	(0.1)	(0.4)	(3.3)	(0.6)	(0.1)	(4.5)
Other movements	4.9	28.2	1.0	(5.2)	(29.8)	(0.9)
Balance at 31 December 2017	**829.6**	**423.8**	**447.7**	**192.3**	**19.1**	**1,909.6**

In million EUR	*Land and buildings*	*Plant and equipment*	*Furniture and vehicles*	*Fixtures and fittings*	*Other property, plant and equipment*	***Total***
Revaluation						
Balance at 1 January 2015	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**7.4**
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	0.0	0.0	0.0	0.0	0.0	0.0
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**
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	0.0	0.0	0.0	0.0	0.0	0.0
Balance at 31 December 2016	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**7.4**
Balance at 1 January 2017	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**7.4**
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	0.0	0.0	0.0	0.0	0.0	0.0
Balance at 31 December 2017	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**7.4**
Depreciation and impairment losses						
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
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0	0.0
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
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0	0.0
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)**

In million EUR	Land and buildings	Plant and equipment	Furniture and vehicles	Fixtures and fittings	Other property, plant and equipment	Total
Balance at 1 January 2017	**(475.4)**	**(299.4)**	**(222.8)**	**(82.1)**	**(3.7)**	**(1,083.5)**
Acquisitions through business combinations	(0.2)	1.7	(88.3)	(9.4)	0.2	(95.9)
Disposals	0.0	18.8	15.8	3.3	0.0	37.9
Depreciation	(15.5)	(21.5)	(21.8)	(20.6)	0.0	(79.3)
Impairment losses	0.0	(0.0)	(0.7)	(0.2)	0.0	(0.9)
Assets classified as held for sale or investment property	11.9	0.0	0.0	0.2	0.0	12.1
Exchange rate difference	0.0	0.2	1.8	0.1	0.0	2.1
Other movements	(8.8)	1.5	(1.3)	9.6	(0.2)	0.8
Balance at 31 December 2017	**(487.9)**	**(298.7)**	**(317.3)**	**(99.0)**	**(3.7)**	**(1,206.7)**
Carrying amount						
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
At 31 December 2017	341.7	125.0	127.4	93.3	22.8	710.3

Property, plant and equipment have increased by EUR 148.6 million from EUR 561.6 million to EUR 710.3 million. This increase was mainly explained by:

- The integration of new subsidiaries (EUR 141.6 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	6.7	0.1	176.1	49.5	5.2	237.5
Depreciation - acquisitions through business combinations	(0.2)	1.7	(88.3)	(9.4)	0.2	(95.9)
Carrying amount	**6.5**	**1.8**	**87.8**	**40.1**	**5.3**	**141.6**

- Acquisitions (EUR 96.7 million) related to production facilities for sorting and printing activities (EUR 57.2 million), mail and retail network infrastructure (EUR 13.9 million), ATM and security infrastructure (EUR 1.3 million), transportation related infrastructure (EUR 16.3 million) and IT and other infrastructure (EUR 7.9 million).
- Depreciation and impairment amounted to EUR 80.2 million and increased compared to last year (2016: EUR 71.4 million).
- Transfer to assets held for sale (EUR 7.3 million) and from investment property (EUR 0.3 million).

All amortization and depreciation charges are included in the section “Depreciation, amortization” of the income statement.

6.17 Investment property

In million EUR	***Land and buildings***
Acquisition cost	
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**
Balance at 1 January 2017	**18,2**
Acquisitions	0,0
Transfer from/to other asset categories	(0,5)
Balance at 31 December 2017	**17.6**
Depreciation and impairment losses	
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)**
Balance at 1 January 2017	**(12.0)**
Depreciations	(0.1)
Transfer from/to other asset categories	0.2
Balance at 31 December 2017	**(11.9)**
Carrying amount	
At 31 December 2015	6.5
At 31 December 2016	6.2
At 31 December 2017	5.7

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 1.1 million (2016: EUR 0.6 million). The estimated fair value of the investment property decreased from EUR 6.2 million to EUR 5.7 million driven by a reduction in the number of properties rented out.

6.18 Assets held for sale

As at 31 December

In million EUR	2017	2016	2015
Property, plant and equipment	0.6	1.5	3.1
	0.6	**1.5**	**3.1**

In 2017, assets held for sale decreased from EUR 1.5 million to EUR 0.6 million. The decrease by EUR 0.9 million was caused by the deeds signed in 2017 (EUR 8.1 million) partly counterbalanced by the sales agreements signed in 2017 (EUR 7.3 million).

The number of buildings recognized in assets held for sale amounted to 11 at the end of 2016 versus 3 at the end of 2017. The majority of these assets are retail outlets which are vacant as a consequence of the optimization of the post offices network.

Profits on disposal of EUR 15.9 million (2016: EUR 17.5 million) were accounted for in the Income Statement in the section "Other operating income". In 2017, EUR 0.2 million of impairment charges were recorded in the section "Depreciation, amortization".

6.19 Intangible assets

In million EUR	Goodwill	Development	Software	Other intangible assets	Total
Acquisition cost					
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 and additions through business combinations	0.0	0.0	0.3	0.0	0.3
Disposals	0.0	(13.2)	(0.9)	0.0	(14.1)
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0
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	0.0	7.2	2.8	2.2	12.3
Acquisitions and additions through business combinations	128.5	1.7	6.2	25.2	161.6
Disposals	0.0	0.0	(0.0)	0.0	(0.0)
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0
Assets classified as held for sale or investment property	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**

In million EUR	*Goodwill*	*Development*	*Software*	*Other intangible assets*	***Total***
Balance at 1 January 2017	**199.2**	**101.2**	**129.1**	**38.7**	**468.1**
Acquisitions	0.0	16.4	8.0	0.2	24.6
Acquisitions and additions through business combinations	606.4	0.5	60.3	43.9	711.1
Disposals	0.0	0.0	(2.5)	(0.3)	(2.7)
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	(10.5)	0.0	(2.1)	(0.4)	(13.0)
Other movements	(0.6)	(1.6)	3.8	(0.7)	0.9
Balance at 31 December 2017	**794.4**	**116.5**	**196.6**	**81.4**	**1,189.0**

Depreciation and impairment losses					
Balance at 1 January 2015	**(20.1)**	**(79.3)**	**(90.2)**	**(10.4)**	**(200.1)**
Acquisitions and additions through business combinations	0.0	0.0	(0.1)	0.0	(0.1)
Disposals	0.0	13.2	0.9	0.0	14.1
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	(7.7)	(9.6)	(0.0)	(17.4)
Impairment losses	0.0	0.0	(1.2)	(0.0)	(1.2)
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0
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 via business combinations	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)
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0
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
At 31 December 2016	**(24.8)**	**(79.4)**	**(110.8)**	**(28.8)**	**(243.8)**

In million EUR	Goodwill	Development	Software	Other intangible assets	Total
Balance at 1 January 2017	**(24.8)**	**(79.4)**	**(110.8)**	**(28.8)**	**(243.8)**
Acquisitions through business combinations	0.0	(0.6)	(27.5)	15.6	(12.5)
Disposals	0.0	0.0	2.5	0.3	2.7
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	(5.5)	(13.8)	(5.8)	(25.1)
Impairment losses	0.0	0.0	0.0	0.0	0.0
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	1.0	(0.0)	1.0
Other movements	0.0	(1.2)	0.4	(0.0)	(0.8)
At 31 December 2017	**(24.8)**	**(86.6)**	**(148.2)**	**(18.8)**	**(278.5)**
Carrying amount					
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
At 31 December 2017	769.7	29.9	48.4	62.6	910.6

Intangible assets increased by EUR 686.2 million, mainly due to:

- The integration of new subsidiaries (EUR 92.3 million), including the intangible assets recognized throughout the purchase price allocation. 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	0.5	60.3	43.9	104.7
Depreciation - acquisitions through business combinations	(0.6)	(27.5)	15.6	(12.5)
Carrying amount	**(0.0)**	**32.8**	**59.5**	**92.3**

- Increase in goodwill by EUR 606.4 million due to the acquisitions of new subsidiaries: EUR 73.6 million for DynaGroup, EUR 11.6 million for Bubble Post and EUR 570.7 million for Radial. The goodwill calculations for Radial and Bubble Post are provisional because purchase price allocation is still not final. The increase was partially compensated with decrease in goodwill due to the finalization of the purchase price allocation and (i) the recognition of additional intangible assets and (ii) the updated fair valuation determined on other assets. For Ubiway this led to a decrease of EUR 31.1 million from EUR 81.3 million EUR to EUR 50.2 million, mainly through the recognition of new intangibles (EUR 37.5 million) offset by the fair value adjustment of intangibles (EUR 3.8 million). For de Buren this led to a decrease of EUR 18.3 million from EUR 22.4 million to EUR 4.2 million, mainly through the recognition of new intangibles (EUR 10.1 million).
- Investments in software and licences (EUR 8.0 million), development costs capitalized (EUR 16.4 million) and other intangible assets (EUR 0.2 million).
- Amortization and impairments amounting to EUR 25.1 million.

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the 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.

Within bpost the goodwill has been allocated to cash-generating units in line with the acquired business combinations. Per December 31, 2017 the carrying value of the goodwill amounted to EUR 769.7 million and mainly related to (recent) acquisitions such as Radial (EUR 560.1 million), DynaGroup (EUR 73.6 million), Ubiway (EUR 50.2 million), de Buren (EUR 4.2 million), Bubble Post (EUR 11.6 million), Landmark Global Inc. (EUR 18.1 million), FDM (EUR 16.3 million) and other individual immaterial goodwill for EUR 35.6 million.

The recoverable amounts are based on the value in use. The latter, for purposes of impairment review, has been calculated in December 2017 (with the exception of Radial and Bubble, for which goodwill calculation is provisional) and equals the present value of the future cash flows expected to be derived from each CGU or group of CGU and is determined using the following inputs:

- business plan and budgets approved by senior management, which covers a three year period
- Consideration of a terminal value determined from the cash flows obtained by extrapolating the cash flows of the last year of the business plan referred to above, affected by a long-term growth rate deemed appropriate for the activity and the location of the assets;
- discounting of expected cash flows at a rate determined using the weighted average cost of capital formula.

The discount rate is estimated based on an extensive benchmarking with peers, so as to reflect the return investors would require if they were to choose an investment in the underlying assets. The weighted average cost of capital used to discount future cash flows was set at 7.7% in 2017, which is in line with last year (7.7% in 2016). Long-term growth rate was set, in general, at 0%.

The impairment tests performed at CGU level did not lead to any impairment of assets, as the recoverable amounts of the (groups of) CGUs were significantly higher than their carrying amounts. The carrying value of these cash-generating units (excluding Radial and Bubble Post for which goodwill calculations are provisional), excluding interest bearing and tax related assets and liabilities, represent, on average, a multiple of 4.1 on the operating profit before exceptional items. As such, for those CGUs or groups of CGUs, a reasonable change in a key assumption on which the recoverable amount of the CGUs or groups of CGUs is based would not result in an impairment loss for the related CGUs or groups of CGUs.

In this respect, the fair value assessment would need to reduce by about 53% (2016: 41%) to reduce the net realizable value below the carrying value of all cash-generating units. The two largest ones DynaGroup and Ubiway are above the average. Therefore, either an unfavorable change in growth or discount rate as disclosed above is not expected to result in an impairment.

6.20 Lease

Finance Lease

The finance lease liabilities as of December 31, 2017 relate to leased buildings, 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, 2017*
Land and Buildings	25 years	14.8
Machinery and equipment	5 years	1.8
Vehicles	5 years	0.0

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	2017	2016	2015
Minimum lease payments			
Within 1 year	1.7	1.3	0.5
1 to 5 years	11.1	2.2	1.7
More than 5 years	19.0	0.0	0.0
Total	**31.7**	**3.5**	**2.2**
Less			
Future finance costs	**10.6**	**0.1**	**0.1**
Present value of the minimum lease payments			
Within 1 year	1.7	1.2	0.5
1 to 5 years	7.5	2.2	1.6
More than 5 years	11.9	0.0	0.0
Total	**21.1**	**3.4**	**2.1**

The financial lease agreements include fixed lease payments and a purchase option at the end of lease term. The increase in financial leasing in 2017 was due to entry into scope of Radial. Radial has a financial lease for an office building located in King of Prussia, PA (US).

Operating Lease

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

For the year ended 31 December

In million EUR	2017	2016	2015
Less than one year	115.5	74.1	55.7
Between one year and five years	303.0	159.6	122.1
More than five years	235.3	81.4	60.1
Total	**653.8**	**315.1**	**237.9**

The increase of the future minimum operating lease payments in 2017 compared to 2016 was mainly due to the consolidation of newly acquired Radial subsidiaries and the new sorting center in Brussels (NBX), which is being rented.

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	2017	2016	2015
Less than one year	2.1	1.0	0.8
Between one year and five years	4.8	2.7	2.8
More than five years	2.1	2.3	1.8
Total	**9.0**	**5.9**	**5.4**

The increase of the future minimum operating lease income in 2017 compared to 2016 is mainly due to the consolidation of newly acquired subsidiaries.

The income that is related to operational lease agreements is recognized in the section "Other operating income" for an amount of EUR 1.0 million in 2017.

6.21 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 2015	**0.0**	**0.0**	**0.0**	**0.0**
Acquisitions	0.0	0.0	0.0	0.0
Acquisitions through business combinations	0.0	0.0	0.0	0.0
Changes in fair value	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
Acquisitions through business combinations	0.0	0.0	0.0	0.0
Changes in fair value	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Balance at 31 December 2016	**0.0**	**12.0**	**12.0**	**12.0**
Balance at 1 January 2017	**0.0**	**12.0**	**12.0**	**12.0**
Acquisitions	0.0	0.0	0.0	0.0
Acquisitions through business combinations	0.0	0.0	0.0	0.0
Changes in fair value	0.0	0.0	0.0	0.0
Disposals	0.0	(12.0)	(12.0)	(12.0)
Balance at 31 December 2017	**0.0**	**0.0**	**0.0**	**0.0**
Impairment losses				
Balance at 1 January 2015	**0.0**		**0.0**	**0.0**
Other movements	-		-	-
Balance at 31 December 2015	**0.0**		**0.0**	**0.0**
Balance at 1 January 2016	**0.0**		**0.0**	**0.0**
Other movements	-		-	-
Balance at 31 December 2016	**0.0**		**0.0**	**0.0**
Balance at 1 January 2017	**0.0**		**0.0**	**0.0**
Other movements	-		-	-
Balance at 31 December 2017	**0.0**		**0.0**	**0.0**
Carrying amount				
At 31 December 2015	0.0	0.0	0.0	0.0
At 31 December 2016	0.0	12.0	12.0	12.0
At 31 December 2017	0.0	0.0	0.0	0.0

The investment securities that meet the definition of cash & cash equivalents as defined by IAS 7 are reported in cash & cash equivalent. As per December 31, 2017 bpost holds no investment securities.

6.22 Investment in associates

In million EUR	2017	2016	2015
Balance at 1 January	**373.7**	**375.0**	**416.5**
Acquisition/Disposal	(0.3)	0.0	0.0
Addition through business combinations	0.0	0.8	0.0
Share of profit	9.6	9.9	10.2
Dividend received	(11.8)	0.0	(5.0)
Capital increase	0.0	0.0	0.0
Other movements in equity of associates	(42.1)	(12.0)	(46.7)
Balance at 31 december	**329.2**	**373.7**	**375.0**

Share of profit/loss

In 2017, bpost's share in the profit of bpost bank and Citie amounted to EUR 9.6 million. Last year, the share of profit in bpost bank and Citie amounted to EUR 9.9 million.

Dividends received

In 2017 bpost received a dividend of EUR 11.8 million from bpost bank. In 2016 no dividend had been paid to bpost whereas in 2015 the dividend from bpost bank amounted to EUR 5.0 million.

Other movements

The amount represents the decrease in unrealized gains, net of taxes, on bpost bank's bond portfolio (EUR 42.1 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)
2016					
bpost bank	50%	10,704.0	9,958.3	273.5	19.9
Citie	33%	2.3	0.2	0.0	(0.2)
2017					
bpost bank	50%	10,658.2	9,999.9	273.2	19.9
Citie	0%	0.0	0.0	0.2	(1.1)

On October 9, 2017 the participation in Citie has been sold.

6.23 Trade and other receivables

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Trade receivables	0.0	0.0	0.0
Other receivables	9.4	2.8	2.3
Non current trade and other receivables	**9.4**	**2.8**	**2.3**

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Trade receivables	628.9	443.3	382.6
Tax receivebles, other than income tax	8.0	5.6	2.3
Other receivables	82.5	32.9	26.4
Current trade and other receivables	**719.4**	**481.8**	**411.2**

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Accrued income	6.8	11.4	11.2
Deferred charges	41.5	14.6	10.6
Other receivables	34.3	6.8	4.6
Current - other receivables	**82.5**	**32.9**	**26.4**

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 237.6 million from EUR 481.8 million in 2016 to EUR 719.4 million, mainly driven by a rise in trade receivables (EUR 185.6 million) and other receivables (EUR 49.6 million). The increase of trade receivables was mainly driven by the consolidation of Radial and DynaGroup, whereas the increase of other receivables was mainly due to the outstanding receivable related to the purchase of Radial.

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.

6.24 Inventories

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Raw materials	2.2	1.8	2.2
Finished products	6.2	4.0	3.5
Goods purchased for resale	35.8	33.4	6.0
Reductions in value	(5.1)	(2.6)	(0.7)
Inventories	**39.1**	**36.7**	**11.1**

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, …).

6.25 Cash and cash equivalents

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Cash in network	171.7	198.6	157.3
Transit accounts	83.8	91.0	32.9
Cash payment transactions under execution	(19.2)	(36.5)	(55.8)
Bank current accounts	229.7	285.7	481.3
Short term deposits	0.0	0.0	0.0
Cash and cash equivalents	**466.0**	**538.9**	**615.7**

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

At December 31, 2017 bpost had USD 5.0 million of unused borrowings facilities available on the bridge loan.

6.26 Financial liabilities

In million EUR	2016	Cash flows	Non-cash changes					2017
			Foreign exchange movement	New leases	Acquisitions business combina-tions	Fair value changes	Other	
Financial liabilities at amortized cost								
Bank loans	45.5	0.0	0.0	0.0	0.5	0.0	(9.3)	36.7
Other loans	0.0	(0.1)	0.0	0.0	0.8	0.0	1.5	2.2
Finance lease liabilities	2.2	(0.2)	(0.3)	0.3	18.3	0.0	(0.8)	19.4
Non current liabilities	**47.7**	**(0.3)**	**(0.3)**	**0.3**	**19.6**	**0.0**	**(8.6)**	**58.4**

Non-current interest-bearing loans and borrowings increased by EUR 10.6 million to EUR 58.4 million mainly due to the entry into scope of Radial, as Radial has a financial lease for an office building (EUR 18.3 million). This increase was partially offset by a decrease of EUR 9.1 million corresponding to the portion of the loan of the European Investment Bank transferred to current liabilities.

In million EUR	2016	Cash flows	Non-cash changes					2017
			Foreign exchange movement	New leases	Acquisitions business combina-tions	Fair value changes	Other	
Financial liabilities at amortized cost								
Bank loans	9.1	682.5	(2.5)	0.0	0.0	0.0	9.1	698.1
Other loans	0.0	(0.1)	(0.1)	0.0	0.2	0.0	0.1	0.1
Finance lease liabilities	1.2	(1.2)	0.0	0.0	0.7	0.0	0.9	1.7
Current liabilities	**10.3**	**681.2**	**(2.6)**	**0.0**	**0.9**	**0.0**	**10.0**	**699.9**

Current interest-bearing loans and borrowings increased by EUR 689.5 million to EUR 699.9 million due to the bridge loan entered into in 2017 to acquire Radial. During the year there was also the reimbursement of EUR 9.1 million related to the loan with the European Investment Bank and the tranche of the loan repayable in 2018 amounting to EUR 9.1 million was transferred to current liabilities. The last repayment will take place in 2022.

Concerning the bridge loan, bpost borrowed a part in USD to mitigate the risk on foreign exchange rate differences on the foreign operation. Through this borrowing, bpost performed a net investment hedge. Gains and losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investment in this subsidiary. There is no ineffectiveness in the year ended December 31, 2017.

Note that the total of the columns “cash flow” mentioned in the two tables above amounted to EUR 680.9 million, while “the net flows related to borrowings and financing lease liabilities” in the consolidated statement of cash flow (note 5) amounted to EUR 678.8 million. The difference was mainly due to interests booked on the trade and other payable accounts, which are not being disclosed in this note.

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6.27 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 Agreements ('CLA'). The benefits granted under these plans differ depending on the categories of bpost's employees: civil servants (also known as statutory employees), pay scale contractual employees, auxiliary agents and non-pay scale contractual employees.

The employee benefits are as follow:

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Post-employment benefits	(50.7)	(82.1)	(77.7)
Long-term employee benefits	(108.2)	(107.7)	(108.9)
Termination benefits	(6.6)	(4.1)	(11.6)
Other long-term benefits	(161.5)	(162.8)	(148.1)
Total	**(326.9)**	**(356.7)**	**(346.2)**

Net of the deferred tax assets related to them, employee benefits amount to EUR 294.5 million (2016: EUR 308.3 million).

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Employee benefits	(326.9)	(356.7)	(346.2)
Deferred tax assets impact	32.4	48.4	49.1
Employee benefits net of deferred tax	**(294.5)**	**(308.3)**	**(297.1)**

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

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Present value of total obligations	(380.3)	(401.2)	(395.6)
Fair value of plan assets	53.4	44.5	49.4
Present value of net obligations for unfunded plan	**(326.9)**	**(356.7)**	**(346.2)**
Present value of net obligations	**(326.9)**	**(356.7)**	**(346.2)**
Unrecognized actuarial (gains)/losses			
Net liability	**(326.9)**	**(356.7)**	**(346.2)**
Employee benefits amounts in the statement of financial position	0.0	0.0	0.0
Liabilities	(326.9)	(356.7)	(346.2)
Net liability	**(326.9)**	**(356.7)**	**(346.2)**

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

In million EUR	2017	2016	2015
Present value at 1 January	**(401.2)**	**(395.6)**	**(415.2)**
Service cost	(4.5)	(31.8)	(25.5)
- Current service cost	*(23.1)*	*(31.8)*	*(20.6)*
- Termination expenses	*0.0*	*0.0*	*(3.8)*
- Past service (cost)/gain	*18.6*	*0.0*	*(1.1)*
Net interest	**(5.5)**	**(6.7)**	**(6.3)**
Benefits paid	**36.2**	**40.6**	**41.8**
Re-measurement gains and (losses)	**(1.8)**	**(1.5)**	**4.2**
-Actuarial gains and (losses) recognized in Income Statement	*(1.8)*	*(1.5)*	*4.2*
Re-measurement gains and (losses) in other Comprehensive Income	**3.9**	**(6.3)**	**5.5**
- Actuarial gains and (losses)	*3.9*	*(6.3)*	*5.5*
Settlement Contribution	10.0	0.0	0.0
Acquisition through business combinations	(17.4)	0.0	0.0
Defined benefit obligation at 31 December	**(380.3)**	**(401.2)**	**(395.6)**

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

In million EUR	2017	2016	2015
Fair value of plan assets at 1 January	**44.5**	**49.4**	**46.7**
Contributions by employer	5.8	4.8	5.4
Contributions by employee	1.3	1.2	1.4
Benefits paid	(7.4)	(12.4)	(6.2)
Interest income/(cost) on assets (P&L item)	0.8	1.0	1.1
Business acquisition	8.0	0.0	0.0
Actuarial gain/(loss) on assets (OCI item)	0.4	0.5	1.0
Fair value of plan assets at 31 December	**53.4**	**44.5**	**49.4**

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 (assured contracts with a guaranteed return).

The expense recognized in the Income Statement is presented hereafter:

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Service cost	(3.0)	(30.5)	(24.1)
- Current service cost	*(21.6)*	*(30.5)*	*(19.2)*
- Termination expenses	*0.0*	*0.0*	*(3.8)*
- Past service (cost)/gain	*18.6*	*0.0*	*(1.1)*
Net interest	**(4.6)**	**(5.7)**	**(5.2)**
Re-measurements gains and (losses)	**(1.8)**	**(1.5)**	**4.2**
- Actuarial gains and (losses) reported as financial	*(1.4)*	*(12.9)*	*5.8*
- Actuarial gains and (losses) reported as operating	*(0.4)*	*11.4*	*(1.6)*
Net expense	**(9.4)**	**(37.7)**	**(25.1)**

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 summarized above were included in the Income Statement caption "Payroll costs".

The impact on payroll costs and financial costs in the Income Statement is presented hereafter:

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
Payroll costs	(3.4)	(19.1)	(25.7)
Financial cost	(6.0)	(18.7)	0.6
Net expense	**(9.4)**	**(37.7)**	**(25.1)**

The expense recognized in the other comprehensive income is presented hereafter:

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Re-measurement gains/(losses)	**4.3**	**(5.8)**	**6.6**
- Actuarial gains and (losses)	*4.3*	*(5.8)*	*6.6*
Net expense	**4.3**	**(5.8)**	**6.6**

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

	2017	*2016*	*2015*
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-2

The discount rates have been determined by reference to market yields at the statement of financial position date. The discount rates used in 2017 range from 0% to 1.80% (2016: 0.0% to 1.85%):

BENEFIT	*Duration*	*Discount rate*	
		2017	*2016*
Family allowances	7.2	1.05%	1.10%
Transportation	n.a.	n.a.	1.45%
Bank	15.0	1.70%	1.70%
Funeral expense	8.3	1.25%	1.30%
Gratification	from 12.2 to 14.0	from 1.50% to 1.60%	1.55%
Group insurance	from 10.9 to 13.6	from 1.50% to 1.55%	1.65%
Accumulated compensated absences	2.5	0.00%	0.00%
Workers compensation in case of accidents	12.9	1.55%	1.60%
Medical expenses in case of accidents	17.9	1.80%	1.85%
Pension saving days	9.4	1.30%	1.35%
Jubilee Premiums	from 7.2 to 7.6	from 1.05% to 1.10%	1.10%
DSPR JOR	9.2	1.30%	1.35%
Part-time regime	from 2.1 to 4.6	0.00%	0.00%
Prepension	from 0.7 to 1.6	0.00%	0.00%

The average duration of the defined benefit plan obligation at the end of 2017 is 10.9 years (2016: 11.3 years).

A quantitative sensitivity analysis for significant assumptions at December 31, 2017 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	17.9	(22.1)	(5.8)	(2.4)

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 were entitled to personal vouchers that could be exchanged for a transport ticket for a trip in Belgium or for a price reduction on other transport tickets. In the course of 2017, bpost paid a onetime settlement contribution of EUR 10 million to Pensoc. As of January 1, 2018, eligible members can no longer make use of this benefit as this benefit was terminated. Consequently, there is no provision outstanding anymore at the end of December 2017 and this led to a past service income of EUR 15.3 million.

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. As of January 30, 2017, the favorable interest rates on savings accounts have been reviewed and this led to a past service income of EUR 3.9 million.

Group Insurance

bpost offers to its active contractual employees a group insurance benefit. Since the introduction of the WAP/LPC legislation in Belgium these plans have the characteristics of a defined benefit plan under IAS 19.

The employer is legally required to guarantee a certain return on the plan assets. Before the change in the WAP/LPC law end of 2015, bpost had to provide the legal minimum return of 3.25% on employer contributions (after costs on premiums) and 3.75% on employee contributions. The legal minimum return on employer contributions is a "career average" return and not a year by year return where the legal minimum on the employee contributions should be granted on a year by year basis.

Although there is still no full clarity on the approach, new legislation dated December 2015 brought more clarification on the minimum guaranteed return. The uncertainty with respect to the future evolution of the minimum guaranteed rates of return in Belgium has been removed with the change in the WAP/ LPC law end of December 2015. As from 2016, the minimum return for future contributions is 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	***2017***	*2016*	*2015*
Present value of total obligations	(104.0)	(126.6)	(127.1)
Fair value of plan assets	53.4	44.5	49.4
Present value of net obligations for unfunded plan	**(50.7)**	**(82.1)**	**(77.7)**
Present value of net obligations	**(50.7)**	**(82.1)**	**(77.7)**
Unrecognized actuarial (gains)/losses	0.0	0.0	0.0
Net liability	**(50.7)**	**(82.1)**	**(77.7)**
Employee benefits amounts in the statement of financial position	0.0	0.0	0.0
Liabilities	(50.7)	(82.1)	(77.7)
Net liability	**(50.7)**	**(82.1)**	**(77.7)**

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

In million EUR	***2017***	*2016*	*2015*
Present value at 1 January	**(126.6)**	**(127.1)**	**(132.1)**
Service cost	9.5	(8.4)	(9.9)
- Current service cost	*(9.1)*	*(8.4)*	*(9.9)*
- Termination expenses	*0.0*	*0.0*	*0.0*
- Past service (cost)/gain	*18.6*	*0.0*	*0.0*
Net interest	**(1.9)**	**(2.3)**	**(2.3)**
Benefits paid	**12.0**	**17.4**	**11.8**
Re-measurement gains and (losses)	**0.0**	**0.0**	**0.0**
- Actuarial gains and (losses) recognized in Income Statement	*0.0*	*0.0*	*0.0*
- Actuarial gains and (losses) unrecognized	*0.0*	*0.0*	*0.0*
Re-measurement gains and (losses) in other comprehensive income	**3.9**	**(6.3)**	**5.5**
- Actuarial gains and (losses)	*3.9*	*(6.3)*	*5.5*
Settlement Contribution	10.0	0.0	0.0
Acquisition through business combinations	(10.9)	0.0	0.0
Defined benefit obligation at 31 December	**(104.0)**	**(126.6)**	**(127.1)**

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	***2017***	*2016*	*2015*
Fair value of plan assets at 1 January	**44.5**	**49.4**	**46.7**
Contributions by employer	5.8	4.8	5.4
Contributions by employee	1.3	1.2	1.4
Benefits paid	(7.4)	(12.4)	(6.2)
Interest income/(cost) on assets (P&L item)	0.8	1.0	1.1
Business acquisition	8.0	0.0	0.0
Actuarial gain/(loss) on assets (OCI item)	0.4	0.5	1.0
Fair value of plan assets at 31 December	**53.4**	**44.5**	**49.4**

The expense recognized in the Income Statement is presented hereafter:

As at 31 December

In million EUR	2017	2016	2015
Service cost	11.0	(7.1)	(8.5)
- Current service cost	*(7.6)*	*(7.1)*	*(8.5)*
- Termination expenses	*0.0*	*0.0*	*0.0*
- Past service (cost)/gain	*18.6*	*0.0*	*0.0*
- Effect of part settlement	*0.0*	*0.0*	*0.0*
Net interest	**(1.1)**	**(1.3)**	**(1.2)**
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	**9.9**	**(8.5)**	**(9.8)**

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

For the year ended 31 December

In million EUR	2017	2016	2015
Payroll costs	11.0	(7.1)	(8.5)
Financial cost	(1.1)	(1.3)	(1.2)
Net expense	**9.9**	**(8.5)**	**(9.8)**

The expense recognized in other comprehensive income is presented hereafter:

For the year ended 31 December

In million EUR	2017	2016	2015
Re-measurement gains/(losses)	**4.3**	**(5.8)**	**6.6**
- Actuarial gains and (losses)	*4.3*	*(5.8)*	*6.6*
Net expense	**4.3**	**(5.8)**	**6.6**

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 (see section Pension saving days hereinafter). Employees who are ill for more than 21 days during a year will first use up the year's allotment and then use the days carried over from previous years as per their individual account. During this period, they will receive their full salary. Once the allotment of the year and the days carried over are used up, they receive reduced payments.

Both the full salary paid under the "sick days" scheme and the reduced payments beyond that are costs incurred by bpost.

There was no modification to the calculation methodology compared to 2016. 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 2017. 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 2017, as provided by the human resources department. The individual "pension saving days" accounts are projected per person and decreased by the actual number of used pension saving days.

The annual payment is the number of pension saving days used multiplied by the projected daily salary (increased with social charges, holiday pay, end of year premium, management and integration premium). The relevant withdrawal and mortality rates have been applied together with the discount rate applicable to the duration of the benefit.

Part-time regime (50+)

The regulatory framework regarding part-time regime for bpost's employees is the following:

- Collective Labor Agreement of 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 maximum period of 48 months.
- Framework Agreement of December 20, 2012: partial (50%) career interruption is 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 maximum period of 72 months for the distributors and 48 months for the other beneficiaries of the plan.
- Framework Agreement of May 22, 2014: (i) the plan approved in 2012 and accessible to the distributors is extended to the employees working during night and (ii) for the other employees, the plan is accessible as from 55 years old. bpost makes contributions equal to 7.5% of the gross annual salary for a maximum period of 72 months for the night workers and 48 months for the other beneficiaries of the plan.

In 2016, two new plans were approved:

- Framework Agreement of June 2, 2016 (valid until December 2016): (i) the plan approved in 2012 for distributors and extended in 2014 to employees working during night is also applicable for collect agents and (ii) for the other employees, the plan is accessible as from 57 years old. bpost makes contributions equal to 7.5% of the gross annual salary for a maximum period of 72 months for the collect agents and 48 months for the other beneficiaries of the plan;
- Framework Agreement of September 30, 2016: (i) for the distributors, collect agents and the employees working during night, the plan is accessible as from 55 years old and (ii) for the other employees, the minimum age required is 57 years old. bpost makes contributions equal to 7.5% of the gross annual salary for a maximum period of 72 months for the night workers, distributors and collect agents and 48 months for the other beneficiaries of the plan.

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

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Present value of total obligations	(108.2)	(107.7)	(108.9)
Fair value of plan assets	0.0	0.0	0.0
Present value of net obligations for unfunded plan	**(108.2)**	**(107.7)**	**(108.9)**
Present value of net obligations	**(108.2)**	**(107.7)**	**(108.9)**
Unrecognized actuarial (gains)/losses	0.0	0.0	0.0
Net liability	**(108.2)**	**(107.7)**	**(108.9)**
Employee benefits amounts in the statement of financial position	0.0	0.0	0.0
Liabilities	(108.2)	(107.7)	(108.9)
Net liability	**(108.2)**	**(107.7)**	**(108.9)**

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

In million EUR	***2017***	*2016*	*2015*
Present value at 1 January	**(107.7)**	**(108.9)**	**(118.3)**
Service cost	(13.5)	(11.3)	(11.7)
- Current service cost	*(13.5)*	*(11.3)*	*(10.7)*
- Past service (cost)/gain	*0.0*	*0.0*	*(1.0)*
Net interest	**(1.0)**	**(1.4)**	**(1.2)**
Benefits paid	**13.3**	**12.6**	**16.2**
Re-measurement gains and (losses)	**0.6**	**1.3**	**6.1**
- Actuarial gains and (losses) recognized in Income Statement	*0.6*	*1.3*	*6.1*
Acquisition through business combinations	0.1	0.0	0.0
Defined benefit obligation at 31 December	**(108.2)**	**(107.7)**	**(108.9)**

The expense recognized in the Income Statement is presented hereafter:

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
Service cost	(13.5)	(11.3)	(11.7)
- Current service cost	*(13.5)*	*(11.3)*	*(10.7)*
- Termination expenses	*0.0*	*0.0*	*0.0*
- Past service (cost)/gain	*0.0*	*0.0*	*(1.0)*
- Effect of part settlement	*0.0*	*0.0*	*0.0*
Net interest	**(1.0)**	**(1.4)**	**(1.2)**
Re-measurements gains and (losses)	**0.6**	**1.3**	**6.1**
- Actuarial gains and (losses) reported as financial	*(0.4)*	*(3.6)*	*2.0*
- Actuarial gains and (losses) reported as operating	*1.0*	*4.9*	*4.1*
Net expense	**(14.0)**	**(11.4)**	**(6.8)**

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

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
Payroll costs	(12.5)	(6.4)	(7.6)
Financial cost	(1.4)	(5.0)	0.8
Net expense	**(14.0)**	**(11.4)**	**(6.8)**

Termination benefits

Early Retirement scheme

In 2017, the following previous early-retirement plans are included in these benefits:

- the plan covered by the Framework Agreement of July 1, 2012 and accessible to the civil servants meeting certain age, seniority and service organization conditions as at December 31, 2013 at the latest. The Joint Committee of December 19, 2013 has extended this measure until the next Collective Labor Agreement.
- 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 organization. The Joint Committee of December 17, 2015 extended this measure until the next Collective Labor Agreement or June 30, 2016 at the latest.

In these early-retirement schemes, bpost continues to pay to the beneficiaries a portion (between 60% and 75% depending on the duration of the early-retirement) of their salary at departure and until they reach retirement age. The early-retirement period is treated as a service period.

A new early-retirement plan was approved by the Joint Committee of July 23, 2015 linked to the Alpha plan. This plan was accessible to civil servants whereof the function was impacted by Alpha and under certain conditions of age and seniority. bpost continues to pay to the beneficiaries a portion (between 65% and 75% depending on the duration of the early-retirement) of their salary at departure and until they reach retirement age. Besides this, an exceptional yearly allowance is paid, whereof the amount depends on the duration of the early-retirement. The early-retirement period is treated as a service period.

In case a civil servant concerned by the Alpha plan 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. The early-retirement period is treated as a service period.

Two new early-retirement plans were approved in 2016:

- Plan signed on June 2, 2016 and open until end of December 2016: was accessible to civil servants under certain conditions of age, seniority and service organization. bpost continues to pay to the beneficiaries a portion (between 60% and 75% depending on the duration of the early-retirement) of their salary at departure and until they reach retirement age.
- Plan signed on September 30, 2016: is accessible to civil servants under certain conditions of age, seniority and service organization. bpost continues to pay to the beneficiaries 75% of their salary at departure and until they reach retirement age. This plan has an indefinite duration.

The employee benefit related to the early retirement schemes gives rise to a liability at bpost because (i) the employment is terminated before the normal retirement age and (ii) it is the employee's decision to accept the offer made by bpost in exchange.

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

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Present value of total obligations	(6.6)	(4.1)	(11.6)
Fair value of plan assets	0.0	0.0	0.0
Present value of net obligations for unfunded plan	**(6.6)**	**(4.1)**	**(11.6)**
Present value of net obligations	**(6.6)**	**(4.1)**	**(11.6)**
Unrecognized actuarial (gains)/losses	0.0	0.0	0.0
Net liability	**(6.6)**	**(4.1)**	**(11.6)**
Employee benefits amounts in the statement of financial position	0.0	0.0	0.0
Liabilities	(6.6)	(4.1)	(11.6)
Net liability	**(6.6)**	**(4.1)**	**(11.6)**

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

In million EUR	2017	2016	2015
Present value at 1 January	**(4.1)**	**(11.6)**	**(13.3)**
Service cost	*0.0*	*0.0*	*(3.9)*
- Current service cost	*0.0*	*0.0*	*0.0*
- Termination expenses	*0.0*	*0.0*	*(3.8)*
- Past service (cost)/gain	*0.0*	*0.0*	*(0.1)*
Net interest	**0.0**	**(0.0)**	**(0.0)**
Benefits paid	**4.0**	**3.6**	**5.9**
Re-measurement gains and (losses)	**0.2**	**3.9**	**(0.2)**
-Actuarial gains and (losses) recognized in Income Statement	*0.2*	*3.9*	*(0.2)*
-Actuarial gains and (losses) unrecognized	*0.0*	*0.0*	*0.0*
Re-measurement gains and (losses) in other comprehensive income	**0.0**	**0.0**	**0.0**
- Actuarial gains and (losses)	*0.0*	*0.0*	*0.0*
Acquisition through business combinations	**(6.7)**	**0.0**	**0.0**
Defined benefit obligation at 31 December	**(6.6)**	**(4.1)**	**(11.6)**

The expense recognized in the Income Statement is presented hereafter:

For the year ended 31 December

In million EUR	2017	2016	2015
Service cost	*0.0*	*0.0*	*(3.9)*
- Current service cost	*0.0*	*0.0*	*0.0*
- Termination expenses	*0.0*	*0.0*	*(3.8)*
- Past service (cost)/gain	*0.0*	*0.0*	*(0.1)*
- Effect of part settlement	*0.0*	*0.0*	*0.0*
Net interest	**0.0**	**(0.0)**	**(0.0)**
Re-measurements gains and (losses)	**0.2**	**3.9**	**(0.2)**
- Actuarial gains and (losses) reported as financial	*0.0*	*(0.0)*	*0.0*
- Actuarial gains and (losses) reported as operating	*0.2*	*3.9*	*(0.2)*
Net expense	**0.2**	**3.8**	**(4.2)**

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

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
Payroll costs	0.2	3.9	(4.1)
Financial cost	0.0	(0.0)	(0.0)
Net expense	**0.2**	**3.8**	**(4.2)**

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 such 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	***2017***	*2016*	*2015*
Present value of total obligations	(161.5)	(162.8)	(148.1)
Fair value of plan assets	0.0	0.0	0.0
Present value of net obligations for unfunded plan	**(161.5)**	**(162.8)**	**(148.1)**
Present value of net obligations	**(161.5)**	**(162.8)**	**(148.1)**
Unrecognized actuarial (gains)/losses			
Net liability	**(161.5)**	**(162.8)**	**(148.1)**
Employee benefits amounts in the statement of financial position			
Liabilities	(161.5)	(162.8)	(148.1)
Net liability	**(161.5)**	**(162.8)**	**(148.1)**

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

In million EUR	***2017***	*2016*	*2015*
Present value at 1 January	**(162.8)**	**(148.1)**	**(151.5)**
Service cost	(0.5)	(12.1)	0.0
- Current service cost	*(0.5)*	*(12.1)*	*0.0*
- Termination expenses	*0.0*	*0.0*	*0.0*
- Past service (cost)/gain	*0.0*	*0.0*	*0.0*
Net interest	**(2.5)**	**(3.0)**	**(2.8)**
Benefits paid	**6.8**	**7.0**	**7.9**
Re-measurement gains and (losses)	**(2.6)**	**(6.6)**	**(1.6)**
- Actuarial gains and (losses) recognized in Income Statement	*(2.6)*	*(6.6)*	*(1.6)*
- Actuarial gains and (losses) unrecognized	*0.0*	*0.0*	*0.0*
Re-measurement gains and (losses) in Other Comprehensive Income	**0.0**	**0.0**	**0.0**
- Actuarial gains and (losses)	*0.0*	*0.0*	*0.0*
Defined benefit obligation at 31 December	**(161.5)**	**(162.8)**	**(148.1)**

The expense recognized in the Income Statement is presented hereafter:

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
Service cost	(0.5)	(12.1)	0.0
- Current service cost	*(0.5)*	*(12.1)*	*0.0*
- Termination expenses	*0.0*	*0.0*	*0.0*
- Past service (cost)/gain	*0.0*	*0.0*	*0.0*
- Effect of part settlement	*0.0*	*0.0*	*0.0*
Net interest	**(2.5)**	**(3.0)**	**(2.8)**
Re-measurements gains and (losses)	**(2.6)**	**(6.6)**	**(1.6)**
- Actuarial gains and (losses) reported as financial	*(1.0)*	*(9.3)*	*3.8*
- Actuarial gains and (losses) reported as operating	*(1.6)*	*2.6*	*(5.4)*
Net expense	**(5.5)**	**(21.7)**	**(4.4)**

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

For the year ended 31 December

In million EUR	***2017***	*2016*	*2015*
Payroll costs	(2.0)	(9.5)	(5.4)
Financial cost	(3.5)	(12.3)	1.0
Net expense	**(5.5)**	**(21.7)**	**(4.4)**

6.28 Trade and other payables

As at 31 December

In million EUR	***2017***	*2016*	*2015*
Trade payables	0,0	0.0	0.0
Other payables	45.2	40.3	61.7
Non-current trade and other payables	**45.2**	**40.3**	**61.7**

Non-current trade and other payables amount to EUR 45.2 million and consist mainly of the working capital provided by bpost bank and the contingent consideration arrangements related to the acquisitions of DynaGroup, CityDepot, de Buren and Bubble Post.

As at 31 December

In million eur	***2017***	*2016*	*2015*
Trade payables	466.6	311.6	185.7
Payroll and social security payables	342.4	308.1	345.9
Tax payable other than income tax	14.6	12.5	7.1
Other payables	394.7	332.6	299.6
Current trade and other payables	**1,218.2**	**964.8**	**838.3**

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	***2017***	*2016*	*2015*
Advance payments on orders	10.5	10.5	10.3
Advance postal financial services	18.8	18.8	18.8
Cash guarantees received	10.2	10.5	6.4
Accruals	105.1	84.5	79.5
Deferred income	59.0	70.6	78.0
Deposits received from third parties	0.1	0.1	0.1
Other payables	190.8	137.5	106.6
Current - other payables	**394.7**	**332.6**	**299.6**

6.29 Provisions

In million EUR	*Litigation*	*SGEI related litigation*	*Environment*	*Onerous contract*	*Restructuring & other*	***Total***
Balance at 1 January 2015	**48.7**	**0.0**	**0.5**	**4.8**	**10.8**	**64.8**
Additional provisions recognized	5.6	0.0	0.5	0.2	4.8	11.0
Addition through Business Combinations	0.0	0.0	0.0	0.0	0.0	0.0
Provisions used	(0.7)	0.0	0.0	(0.2)	(3.2)	(4.1)
Provisions reversed	(4.3)	0.0	(0.1)	(1.9)	(1.2)	(7.4)
Balance at 31 december 2015	**49.3**	**0.0**	**0.9**	**2.8**	**11.2**	**64.2**
Non current balance at end of year	26.2	0.0	0.5	1.5	1.1	29.2
Current balance at end of year	23.1	0.0	0.4	1.3	10.1	35.0
	49.3	**0.0**	**0.9**	**2.8**	**11.2**	**64.2**
Balance at 1 January 2016	**49.3**	**0.0**	**0.9**	**2.8**	**11.2**	**64.2**
Additional provisions recognized	10.2	0.0	0.1	0.1	5.7	16.1
Addition through Business Combinations	0.1	0.0	0.0	0.0	7.4	7.5
Provisions used	(4.5)	0.0	(0.0)	0.0	(2.8)	(7.3)
Provisions reversed	(17.0)	0.0	(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**	**0.0**	**0.6**	**1.6**	**18.5**	**58.7**
Non current balance at end of year	29.0	0.0	0.6	1.0	1.1	31.6
Current balance at end of year	9.1	0.0	0.0	0.7	17.4	27.1
	38.0	**0.0**	**0.6**	**1.6**	**18.5**	**58.7**
Balance at 1 January 2017	**38.0**	**0.0**	**0.6**	**1.6**	**18.5**	**58.7**
Additional provisions recognized	3.8	0.0	0.1	0.8	4.9	9.6
Addition through Business Combinations	0.7	0.0	0.0	0.0	0.0	0.7
Provisions used	(0.1)	0.0	(0.0)	0.0	(4.0)	(4.1)
Provisions reversed	(10.2)	0.0	0.0	(0.2)	(3.1)	(13.6)
Other movements	(0.1)	0.0	0.0	0.0	(5.8)	(5.9)
Balance at 31 december 2017	**32.1**	**0.0**	**0.6**	**2.2**	**10.5**	**45.4**
Non current balance at end of year	20.4	0.0	0.6	1.0	2.3	24.2
Current balance at end of year	11.8	0.0	0.0	1.2	8.2	21.2
	32.1	**0.0**	**0.6**	**2.2**	**10.5**	**45.4**

The provision for **litigation** amounted to EUR 32.1 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 reverse in 2017 was mainly due to 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 21.1 million (exclusive of late payment interest) in the context of legal proceedings initiated by Publimail NV/SA. The Brussels commercial court rejected Publimail's claim on May 3, 2016. Publimail appealed this decision on December 16, 2016. The appeal is now pending before the Brussels Court of Appeal.
- A claim for damages in an alleged (provisional) amount of approximately EUR 28.0 million (exclusive of late payment interest) in the context of legal proceedings initiated by Link2Biz International NV/SA and pending before the Brussels commercial court. Certain aspects of the contractual relationship between Link2Biz and bpost are also the subject of a cease and desist order (adopted on June 21, 2010), which bpost has appealed in August 2010 and which is currently pending before the Brussels Court of Appeal.

All claims and allegations are contested by bpost.

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 favor 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 appealed this decision on March 1, 2017. The appeal is now pending before the Supreme Court.

The provision related to **environment** issues amounted to EUR 0.6 million. It covers soil sanitation.

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 10.5 million. The decrease compared to last year is mainly due to provisions for legal obligations and a transfer to employee benefits.

6.30 Contingent liabilities and contingent assets

As described under note 6.29, the Brussels Court of Appeal annulled the Belgian Competition Authority's decision imposing a fine of EUR 37.4 million on November 10, 2016. bpost may recover such fine. This constitutes a contingent asset because the Belgian Competition Authority appealed the judgment before the Supreme Court. Given the uncertainty of the collection of this fine, bpost did not recognize the repayment of this fine, nor any interests to be recuperated.

6.31 Rights and commitments

Guarantees received

At 31 December 2017, bpost benefits from bank guarantees in a sum of EUR 13.3 million, issued by banks on behalf of bpost's customers (2016: EUR 16.6 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 2017, merchandise representing a sales value of EUR 1.6 million had been consigned by partners for the purpose of sale through the postal network.

Guarantees given

bpost acts as guarantor (EUR 1.1 million guarantee) in the framework of the DoMyMove collaboration agreement between bpost, Belgacom and Electrabel.

bpost has an agreement with Belfius, ING and KBC, according to which they agree to provide for up to EUR 44.8 million in guarantees for bpost upon simple request.

Currency Swap

bpost entered into two foreign exchange forwards, one with ING to exchange SGD 0.5 million against EUR 0.3 million on 9 January 2018 in order to cover the currency risk of a specific debt in SGD. The second one with KBC to exchange PLN 1.9 million against EUR 0.4 million on 28 March 2018 in order to cover the currency risk of a specific debt in PLN.

Funds of the State

bpost settles and liquidates the financial transactions of government institutions (taxes, VAT, etc.) on behalf of the State. The funds of the State constitute transactions "on behalf of" and are not included in the statement of financial position.

6.32 Related party transactions

a. Relations with the shareholders

The Belgian State as a shareholder

The Belgian State, directly and through the Société Fédérale de Participations et d'Investissement/Federale Participatie-en Investeringsmaatschappij ("SFPI/FPIM"), is the majority shareholder of bpost and holds 51.04% of bpost. Accordingly, it has the power to control any decision at the Shareholders' Meeting requiring a simple majority vote.

The rights of the Belgian State as bpost's shareholder are defined in the corporate governance policies.

The Belgian State as public authority

The Belgian State is, together with the European Union, the main legislator in the postal sector. The Belgian Institute for Postal services and Telecommunications ("BIPT"), the national regulatory authority, is the main regulator of the postal sector in Belgium.

The Belgian State as a customer

The Belgian State is one of bpost's largest customers. Including the remuneration for the Services of General Economic Interest ("SGEIs"), 12.2% of bpost's total operating income (revenues) in 2017 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[1], 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.

(1) A new Postal Law was approved by the Parliament on January 18, 2018 and is expected to enter into force in the first quarter of 2018.

The SGEIs entrusted to bpost under the management contract are aimed at satisfying certain objectives related to the public interest. In order to ensure territorial and social cohesion, bpost must maintain a retail network consisting of at least 1,300 postal service points. At least 650 of these postal service points must be post offices.

Tariffs and other terms for the provision of certain of the services provided under the management contract are determined in implementing agreements between bpost, the Belgian State and, where relevant, the other parties or institutions concerned. 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 signed the 6th management contract. This management contract provides for a continued provision of the aforementioned SGEIs for a new period of five years, ending on December 31, 2020.

bpost will furthermore continue to provide the SGEIs of early delivery of newspapers and distribution of periodicals. Until December 31, 2015, these services were provided under the 5th management contract. In accordance with the Belgian State's commitment to the European Commission, a competitive, transparent and non-discriminatory market consultation procedure with respect to these services was organized, following which the provision of the services was awarded to bpost in October 2015. Consequently, since January 1, 2016, the services of distribution of newspapers and periodicals are delivered in accordance with the concession agreements executed between bpost and the Belgian State in November 2015.

On June 3, 2016, the European Commission approved both the 6th management contract and the concession agreements on distribution of newspapers and periodicals under the state aid rules[1].

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 note 6.8 of the annual report and amounted to EUR 270.0 million for 2017 (EUR 264.9 million in 2016).

The compensation of SGEIs is based on a net avoided cost ("NAC") methodology. This methodology provides that compensation shall be based on the difference between 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 and must be NAC compliant.

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 that is still outstanding per end of December 2017. Including the doubtful debtor, the outstanding amount owned by the Belgian State for the SGEI remuneration on December 31, 2017 amounted to EUR 100.2 million (EUR 89.8 million on December 31, 2016). 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 6.33 of this annual report.

Balances and transactions between bpost and its subsidiaries, which are related parties of bpost, have been eliminated within the consolidated financial statements and are not disclosed in this note.

c. Relations with associates

Citie was an associate of bpost. Belfius, bpost and Proximus each were holding 33.3% of the shares of Citie. Citie operates a digital platform that supports and connects local merchants, authorities and customers. On October 9, 2017, Belfius, bpost and Proximus decided to sell all their shares in Citie to Joyn Belgium NV/SA..

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 755,000 current accounts and 938,500 savings accounts as of December 31, 2017. 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.

(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.

bpost bank's customer lending activity consists of granting or offering overdraft facilities to customers, consumer credits and mortgages credits. As of December 31, 2017, bpost bank had approximately EUR 2,005,1 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.

Banking and insurance partnership agreement

The cooperation between bpost bank and BNP Paribas Fortis with respect to bpost bank is set out in a banking partnership agreement that was renegotiated and signed on December 13, 2013.

The framework agreement provides in substance that (i) bpost and BNP Paribas Fortis will continue to cooperate through bpost bank, which will continue to be an associate of bpost; (ii) bpost will remain, subject to certain exceptions provided for in the partnership agreement, the exclusive distributor of bpost bank's products and services through its network of post offices; and (iii) bpost will continue to provide back office activities and other ancillary services to bpost bank.

The insurance products of AG Insurance are offered and marketed via bpost bank using the distribution network of bpost.

The cooperation between AG Insurance, bpost bank and bpost is set out in an insurance distribution agreement that was renegotiated and signed on December 17, 2014.

The distribution agreement provides for an access fee, commissions on all the insurance products sold by bpost and additional commissions if certain sales objectives are achieved.

bpost bank pays bpost a commission determined in accordance with market conditions for the distribution of banking and insurance products and for the performance of certain back-office activities. The amount of the commission for the distribution of banking and insurance products depends, inter alia, on the interest margin realized by bpost bank, the assets under management and the sales of financial/insurance products realized by bpost's retail network. Total revenues related to banking and financial products amounted to EUR 182.6 million in 2017 (2016: EUR 192.4 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, 2017 amounted to EUR 5.7 million (2016: 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 2017 bpost received a total dividend of EUR 11.75 million from bpost bank (no dividend in 2016).

d. Compensation of key management

Key management personnel are those persons with authority and responsibility for the strategic orientation of the company. For bpost, key management personnel is composed of all members of the Board of Directors and Group Executive Committee.

As further described in the Remuneration Report, the remuneration of the members of the Board of Directors (with the exception of the CEO) was approved by the General Shareholders' Meeting of 25 April 2000 and continued to be applicable in 2017.

The Board of Directors' members, with exception of the CEO, are entitled to a fixed annual remuneration. They are also entitled to an attendance fee per attended meeting of the Advisory Committee meetings.

In 2017, total remuneration paid to the Board of Directors' members (excluding the CEO) amounted to EUR 0.35 million (2016: EUR 0.33 million).

The remuneration package of the CEO and the members of the Group Executive Committee consists of (i a base remuneration, (ii) a short-term incentive variable remuneration, (iii) a pension contribution and (iv) various other benefits.

For the year ended December 31, 2017, a global remuneration of EUR 2.88 million (2016: EUR 2.35 million) excluding the variable remuneration was paid to CEO and the members of the Group Executive Committee, and can be broken down as follows:

- base remuneration: EUR 2,458,846.37 (2016: EUR 2,144,180.05)
- pension contribution: EUR 227,723.16 (2016: EUR 211,068.36)
- other benefits: EUR 198,415.74 (2016: EUR 195,930.58)
  - insurance covering death-in-service, disability and medical coverage: EUR 74,685.96 (2016: EUR 69,444.48)
  - representation fees: EUR 18,300 (2016: EUR 18,300)
  - meal vouchers: EUR 6,229.86 (2016: EUR 5,285)
  - leasing costs for company car: EUR 99,199.92 (2016: EUR 102,901)

In addition, the CEO and the members of the Group Executive Committee received in 2017 a global variable remuneration of EUR 1,196,125.45 (2016: EUR 891,520.01).

No shares, stock options or other rights to awards shares were granted to or exercised by the CEO or the other members of the Group Executive Committee or have expired in 2017. No options under previous stock option plans were still outstanding for the financial year 2017.

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

6.33 Group companies

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

- **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.
- The activities of **Bubble Post** are focused on smart last mile fresh food delivery in Belgium. Different goods from various suppliers are efficiently combined in various routes with own proprietary software and are delivered from the outskirts of the city. Deliveries for the city are executed by eco-friendly vehicles, such as cargo bikes and refrigerator trucks fueled by natural gas
- **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 specialized in providing a personalized customer service for warehousing, fulfillment and distributing products in Australia. Its business consists of third party logistics (3PL) warehousing, transport & distribution.
- **Apple Express Courier 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

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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.

- **Radial** is a leading player in integrated e-commerce logistics and omnichannel technology, enabling brands and retailers to profitably exceed retail customer expectations. Radial's technical, powerful omnichannel solutions connect supply and demand through efficient fulfillment and transportation options, intelligent fraud protection, payments, and tax systems, and personalized customer care services. Hundreds of retailers and brands confidently partner with Radial to simplify their post-click e-commerce and improve their customer experiences. Radial brings flexibility and scalability to their supply chains and optimizes how, when and where orders go from desire to delivery.
- **DynaGroup** offers a range of specialized logistical services and software, from the repair of electronics (from smartphones and drones to coffee machines) to personalized e-commerce delivery services, for both small products (ranging from passports to smartphones with contract finalization on the doorstep) and large consumer products (such as the delivery and installation of large televisions, washing machines and furniture).

Name	*Share of voting rights in% terms*		*Country of incorporation*	*VAT no.*
	2017	*2016*		
bpost bank NV-bpost banque SA	50%	50%	Belgium	BE456.038.471
Citie NV-SA[2]	-	33%	Belgium	BE665.683.284

Name	*Share of voting rights in% terms*		*Country of incorporation*	*VAT no.*
	2017	*2016*		
Alteris NV-SA	100.0%	100.0%	Belgium	BE474.218.449
Landmark Global (Belgium) NV-SA	100.0%	100.0%	Belgium	BE889.142.877
Certipost NV-SA	100.0%	100.0%	Belgium	BE475.396.406
Euro-Sprinters NV-SA	100.0%	100.0%	Belgium	BE447.703.597
eXbo NV-SA[2]	-	100.0%	Belgium	BE472.598.153
CityDepot NV-SA	99.7%	99.1%	Belgium	BE627.630.877
Parcify NV-SA[1]	51.0%	51.0%	Belgium	BE635.738.988
Landmark Global (PL) Sp z o.o.	100.0%	100.0%	Poland	
Speos Belgium NV-SA	100.0%	100.0%	Belgium	BE427.627.864
Mail Services INC	100.0%	100.0%	USA	
2198230 Ontario INC[3]	-	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	
Landmark Global, INC	100.0%	75.5%	USA	
Landmark Trade Services, LTD	100.0%	75.5%	Canada	
Landmark Global (Australia) Distribution PTY LTD	100.0%	75.5%	Australia	
Landmark Global (Netherlands) BV	100.0%	75.5%	Netherlands	
Landmark Trade Services (Netherlands) BV	100.0%	75.5%	Netherlands	

(1) Fully consolidated

(2) Liquidated during the year 2017

(3) Merged into Mail Services INC

(4) Sold during the year 2017

(5) Previously named 9517154 Canada, LTD

(6) Merged into DISTRIDIJLE NV-SA

Name	Share of voting rights in% terms 2017	2016	Country of incorporation	VAT no.
Landmark Trade Services (UK) LTD	100.0%	75.5%	UK	
Landmark Trade Services USA, INC	100.0%	75.5%	USA	
Apple Express Courier INC	100.0%	100.0%	USA	
Apple Express Courier LTD[5]	100.0%	100.0%	Canada	
Freight Distribution Management Systems PTY, LTD	100.0%	100.0%	Australia	
FDM Warehousing PTY, LTD	100.0%	100.0%	Australia	
AMP NV-SA	100.0%	100.0%	Belgium	BE403.482.188
BURNONVILLE NV-SA	100.0%	100.0%	Belgium	BE440.559.746
IMPORT LUX BURNONVILLE	100.0%	100.0%	Luxemburg	
ALVADIS NV-SA	100.0%	100.0%	Belgium	BE454.455.688
UBIWAY NV-SA	100.0%	100.0%	Belgium	BE474.686.326
DISTRISUD-BELLENS NV-SA	100.0%	100.0%	Belgium	BE404.228.593
UBIWAY SERVICES NV-SA	100.0%	100.0%	Belgium	BE438.281.533
DISTRILIM-LPA NV-SA[6]	-	100.0%	Belgium	BE463.691.276
Internationale Boekhandel Distributiedienst NV-SA	100.0%	100.0%	Belgium	BE407.203.327
DISTRIDIJLE NV-SA	100.0%	100.0%	Belgium	BE456.569.694
UBIWAY RETAIL NV-SA	100.0%	100.0%	Belgium	BE403.517.327
KARIBOO! NV-SA	100.0%	100.0%	Belgium	BE502.436.442
DE BUREN INTERNATIONAAL BV[1]	51.0%	51.0%	Netherlands	
DE BUREN NEDERLAND BV[1]	51.0%	51.0%	Netherlands	
DE BUREN AFHAALCENTRUM BV[1]	51.0%	51.0%	Netherlands	
DE BUREN TECHNIEK BV[1]	51.0%	51.0%	Netherlands	
DRAGSTRA AUTOMATISERING BV[1]	51.0%	51.0%	Netherlands	
NULEVERBAAR.NL BV[1]	51.0%	51.0%	Netherlands	
DE BUREN BELGIUM NV-SA[1]	51.0%	-	Belgium	BE669.998.103
BUBBLE POST NV-SA	100.0%	-	Belgium	BE844.482.394
BUBBLE POST BV	100.0%	-	Netherlands	
PARCIFY BV[1]	51.0%	-	Netherlands	
WELCOME MEDIA NV-SA	100.0%	-	Belgium	BE680.928.617
DYNAGROUP BV	100.0%	-	Netherlands	
DYNAFIX REPAIR BV	100.0%	-	Netherlands	
DYNALOGIC BENELUX BV	100.0%	-	Netherlands	
DYNAFIX CARE BV	100.0%	-	Netherlands	
DYNALOGIC COURIER BV	100.0%	-	Netherlands	
DYNAFIX COMPUTER REPAIR BV	100.0%	-	Netherlands	
DYNASURE BV	100.0%	-	Netherlands	
DYNAFIX ONSITE BV	100.0%	-	Netherlands	
DYNALINQ BV	100.0%	-	Netherlands	
DYNALOGIC BELGIUM NV	100.0%	-	Belgium	BE466.172.397
Radial Solutions Hong-Kong Limited	100.0%	-	Hong Kong	

(1) Fully consolidated

(2) Liquidated during the year 2017

(3) Merged into Mail Services INC

(4) Sold during the year 2017

(5) Previously named 9517154 Canada, LTD

(6) Merged into DISTRIDIJLE NV-SA

Name	Share of voting rights in% terms		Country of incorporation	VAT no.
	2017	2016		
Radial Holdings LP (DE LP)	100.0%	-	USA	
Radial Commerce INC (DE Corp.)	100.0%	-	USA	
Radial South LP (GA LP)	100.0%	-	USA	
Radial INC. (PA Corp.)	100.0%	-	USA	
935 HQ Associates LLC (DE LLC)	100.0%	-	USA	
Radial Luxembourg SARL	100.0%	-	Luxembourg	
Radial Omnichannel Tech. India Private LTD	100.0%	-	India	
Trade Port Drive LLC (KY LLC)	100.0%	-	USA	
Radial Omnichannel International S.L.U.	100.0%	-	Spain	
Radial Fullfillment GmbH	100.0%	-	Germany	
Radial GmbH	100.0%	-	Germany	
Radial Commerce Limited	100.0%	-	UK	
Radial Solutions Singapore PTE LTD	100.0%	-	Singapore	
Radial E-commerce (Shanghai) Corp. LTD	100.0%	-	China	
Radial III GP, LLC (DE LLC)	100.0%	-	USA	
Radial South GP, LLC (DE LLC)	100.0%	-	USA	

(1) Fully consolidated

(2) Liquidated during the year 2017

(3) Merged into Mail Services INC

(4) Sold during the year 2017

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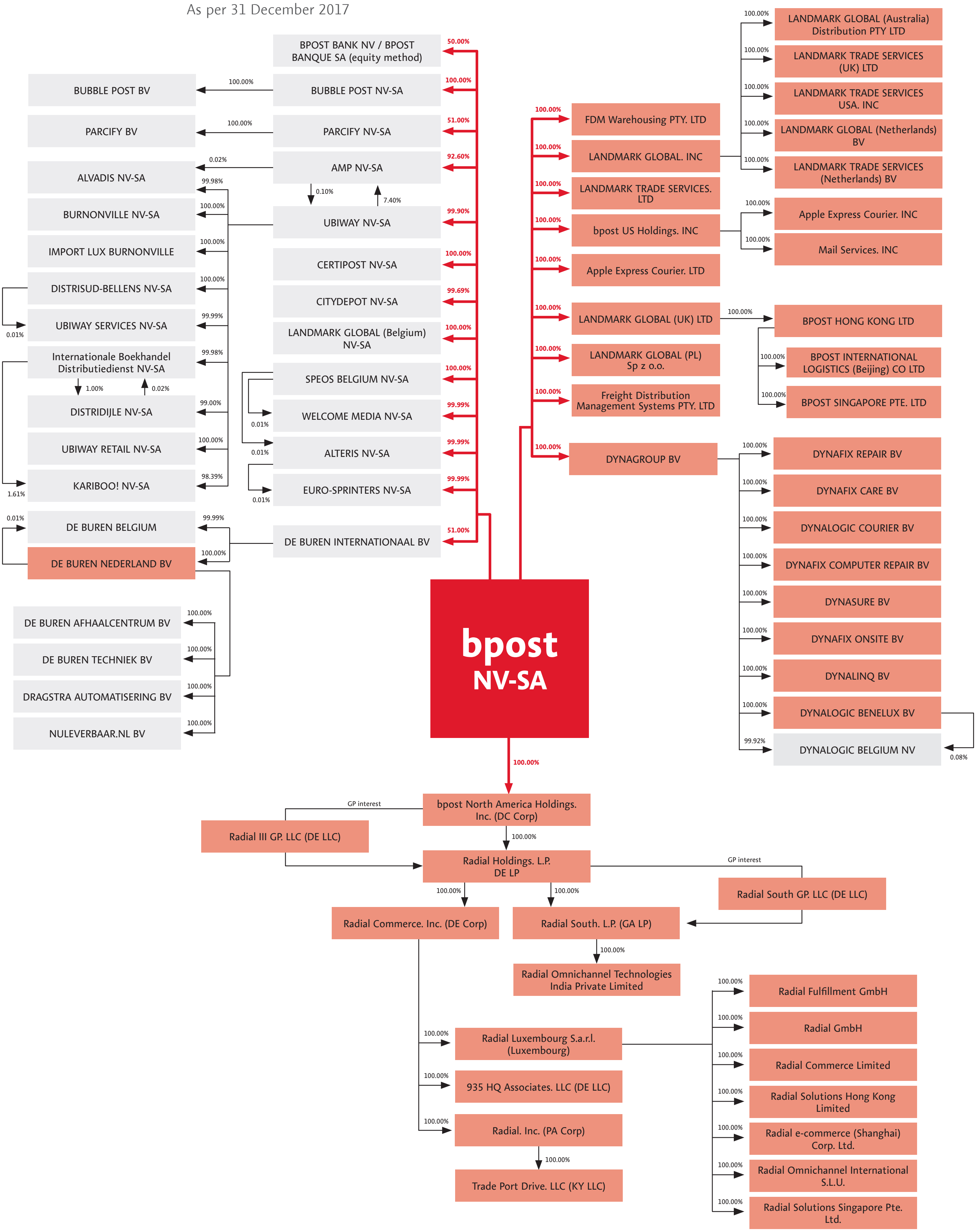
(6) Merged into DISTRIDIJLE NV-SA

bpost group structure

As per 31 December 2017



6.34 Events after the statement of financial position date

On January 11, 2018 bpost acquired the Dutch company Leen Menken Foodservice Logistics BV. Leen Menken Foodservice Logistics BV is a logistic operator for the transport of refrigerated and frozen products for e-commerce. Furthermore Landmark Global acquired 100% of the shares of IMEX Global Solutions, Inc. and M.A.I.L., Inc. Both companies are active in business mail and are being acquired by Landmark Global's Mail Division MSI. IMEX Global Solutions, Inc. is a 3rd party logistics company in the US, active in cross-border publication and mail delivery. M.A.I.L., Inc. is active in the field of business mail/catalogue distribution for re/e-tailers and mail-room services as well as parcel distribution.

Finally, bpost acquired the remaining shares in Parcify NV/SA on January 1, 2018 to reach a total of 100% shares.

Summary of the financial statements of bpost NV/SA

This section contains a summary version of the statutory (non-consolidated) annual accounts of bpost NV/SA. The statutory auditor issued an unqualified opinion on the statutory accounts of bpost NV/SA as of and for the year ended December 2017.

The full version of the annual accounts is filed with the National Bank of Belgium and are also available free of charge on the bpost's website.

Balance sheet of bpost NV/SA (summary)

As at 31 December

In million EUR	***2017***	*2016*
Assets		
Non-current assets		
Intangible assets	14.5	6.7
Tangible assets	329.3	330.3
Financial assets	1,344.5	547.2
	1,688.3	**884.2**
Current assets		
Inventories	9.1	9.6
Trade and other receivables	444.0	421.8
Cash and cash equivalents	354.2	446.0
Deferred charges and accrued income	22.8	19.2
	830.1	**896.6**
Total assets	**2,518.4**	**1,780.8**
Equity and liabilities		
Equity		
Issued capital	364.0	364.0
Reevaluation surpluses	0.1	0.1
Reserves	50.8	50.8
Retained earnings	172.5	143.5
	587.4	**558.4**
Provisions		
Pension related provisions	26.3	24.4
Provision for repairs and maintenance	1.2	1.4
Other liabilities and charges	155.6	162.9
	183.1	**188.7**
Non-current liabilities		
Long term debts	68.4	82.5
	68.4	82.5
Current liabilities		
Trade and other payables	206.3	191.7
Short term debts	724.1	9.1
Social debts payable	354.3	352.1
Income tax payable	46.3	38.3
Other debts	219.3	211.7
Accrued charges and deferred income	129.3	148.2
	1,679.6	**951.2**
Total liabilities	**2,518.4**	**1,780.8**

Income statement of bpost NV/SA (summary)

For the year ended 31 December

In million EUR	***2017***	*2016*
Turnover	2,114.7	2,115.1
Other operating income	40.9	36.2
Non-recurring operating income		**0.8**
Total operating income	**2,155.7**	**2,152.1**
Materials cost	7.9	6.1
Payroll costs	1,087.8	1,068.8
Services and other goods	606.3	571.7
Other operating expenses	13.5	15.4
Provisions	(5.6)	(8.2)
Depreciation and amortization	53.1	56.9
Non-recurring operating charges	1.1	0.6
Total operating expenses	**1,764.1**	**1,711.3**
Profit from operating activities	**391.6**	**440.9**
Financial gains/(losses)	**30.7**	**8.9**
Non recurring financial gains/(losses)	0.3	(8.5)
Profit before tax	**422.6**	**441.3**
Income tax expense	131.6	132.6
Earnings after taxes	**291.0**	**308.7**

Management Responsibility Statement

Koen Van Gerven, Chief Executive Officer and Henri de Romrée, Chief Financial Officer, declare in title and for the entity that to the best of their knowledge:

- the consolidated financial statements for the financial years 2015, 2016 and 2017, prepared in accordance with “International Financial Reporting Standards” (IFRS) as accepted by the European Union up until December 31, 2017, give a true and fair view of the net assets, the financial position and the results of bpost NV/SA and the entities included in the consolidation scope.
- the management report related to the consolidated financial statements give a true and fair view of the development and the result of bpost’s activities, as well as the position of bpost and the entities that are included in the consolidation scope, together with a description of the main risks and uncertainties that bpost faces.

Koen Van Gerven	Henri de Romrée
Chief Executive Officer	Chief Financial Officer

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.

As a limited liability company under public law, bpost is governed by the Belgian Companies Code and Corporate Governance Code, unless otherwise stipulated in the 1991 Law or other Belgian laws or regulations. In particular, any changes to bpost's Articles of Association, which have to be approved by the Shareholders' Meeting (generally requiring a 75% majority and a 50% quorum in accordance with Article 558 of the Belgian Companies Code), must also be approved by a Royal Decree following a debate in the Council of Ministers.

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

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

- the **Board of Directors** sets bpost's general policy and strategy and oversees operational management;
- the Board of Directors has set up a **Strategic Committee**, an **Audit Committee** and a **Remuneration and Nomination Committee** to assist and make recommendations to the Board of Directors;
- the ***Ad Hoc* Committee** comprises all independent directors of the Board of Directors and intervenes when the procedure prescribed by Article 524 of the Belgian Companies Code, as incorporated in bpost's Corporate Governance Charter, is triggered;
- the Chief Executive Officer ("**CEO**") is responsible for the operational management. The Board of Directors has delegated the powers of day-to-day management to the CEO;
- the **Group Executive Committee** assists the CEO with the operational management;
- there is a clear division of responsibilities between the Board of Directors and the CEO.

Corporate Governance Charter

The Board of Directors adopted the Corporate Governance Charter on May 27, 2013. The Charter has been effective since June 25, 2013 and was last amended by a Board of Directors' decision of November 8, 2017, in view of incorporating recent developments (such as the Law of December 7, 2016 on the organization of the profession and the public supervision of auditors, the ISS Benchmark Policy Recommendations and the European Directive 2014/95/EU of the European Parliament and the Council on disclosure of non-financial and diversity information by certain large undertakings and groups, as implemented by the Law of September 3, 2017).

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

The Corporate Governance Charter contains rules with respect to:

- the duties of the Board of Directors, Board Committees, Group Executive Committee and CEO;
- the responsibilities of the Board of Directors' Chairperson and Corporate Secretary;
- the requirements that apply to the Board of Directors' members to ensure that they have adequate experience, expertise and competences to fulfill their duties and responsibilities;
- 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. A director may not participate in the deliberations and vote on any matter in which he has a conflicting interest.

Reference Code

bpost has designated the Belgian Code on Corporate Governance of March 12, 2009 (the "**Corporate Governance Code**") as its reference code. The Corporate Governance Code is based on a "comply or explain" approach. Belgian listed companies are required to follow the Corporate Governance Code, but may deviate from its provisions provided they disclose the justification for any such deviation.

Deviations from the Corporate Governance Code

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

(1) This Royal Decree was published in the Belgian State Gazette on September 19, 2016 and has been in effect since September 29, 2016.

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

- the Corporate Governance Code (provision 4.2) states that the Board of Directors proposes directors for appointment by the Shareholders at a Shareholders' Meeting. However, some directors appointed before January 12, 2016 were directly appointed by the Belgian State in accordance with the former Article 18, §2 juncto Article 148bis/3 of the 1991 Law. As from January 12, 2016, all (new) directors are (re)appointed by decision of the Shareholders at a Shareholders' Meeting;
- the Corporate Governance Code (provision 6.3) states that the Board of Directors appoints the CEO. The current CEO was appointed by the Belgian State by Royal Decree following a debate in the Council of Ministers, in accordance with the former Article 20, §2 of the 1991 Law. Future CEOs will be appointed by the Board of Directors; and
- the Corporate Governance Code (provision 4.6) states that the term of a Board mandate should not exceed four years. However, the directors appointed before May 15, 2014 were appointed for six years in accordance with the former Article 18, §3 and Article 20, §2 (first sentence) of the 1991 Law. (New) directors (re)appointed after May 15, 2014 have been (re)appointed to serve a (new) term of four years.

Board of Directors

Composition

General rules governing the composition of the Board of Directors

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

- The Board of Directors consists of a maximum of 12 directors, including the CEO, and shall only comprise non-executive directors, except for the CEO.
- All directors are appointed (and can be revoked) by the Shareholders at a Shareholders' Meeting, upon proposal by the Board of Directors and from candidates nominated by the Remuneration and Nomination Committee.
- Directors are appointed for a renewable term of four years, to the extent that the total term of their mandate (as renewed) does not exceed 12 years. In order to ensure continuity in the organization, the time limitation of 12 years does not apply to the CEO.
- Any shareholder holding at least 15% of bpost's shares has the right to nominate directors for appointment pro rata its shareholding ("nomination right"). Directors nominated by a shareholder may be independent, provided they fulfill the criteria laid down in Article 526ter of the Companies Code, but do not have to be independent.
- All directors, other than the CEO and those appointed through the aforementioned nomination right, must be independent directors. In any case, the Board of Directors must comprise at all times at least three directors fulfilling the independence criteria laid down in Article 526ter of the Belgian Companies Code. The bpost Corporate Governance Charter further provides that at least half of the directors must meet at all times the independence criteria as set out in Article 3.2.4 of the bpost Corporate Governance Charter (based on 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 at a Shareholders' Meeting. The December 2015 Law explicitly provided that its entry into force did not terminate the current directors' mandates. These mandates were therefore 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 director mandate becomes 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.

The composition of the Board of Directors reflects:

- the gender representation requirements set forth in (i) Article 18, §2bis of the 1991 Law and (ii) Article 518bis of the Belgian Companies Code. bpost complies with these gender representation requirements.
- the language requirements set forth in Article 16 and 148bis/1 of the 1991 Law.

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

The Board of Directors was, per December 31, 2017, composed of the following 12 members:

Name	Position	Director since	Mandate expires
François Cornelis[1]	Chairperson of the Board of Directors	2013	2019
Koen Van Gerven[2, 3]	CEO and Director	2014	2020
Jos Donvil[2]	Non-Executive Director	2017	2021
Luc Lallemand[2]	Non-Executive Director	2012	2018
Bernadette Lambrechts[2]	Non-Executive Director	2014	2020
Laurent Levaux[2]	Non-Executive Director	2012	2018
Caroline Ven[2]	Non-Executive Director	2012	2018
Michael Stone[4]	Independent Director	2014	2018
Ray Stewart[4]	Independent Director	2014	2018
Thomas Hübner[5]	Independent Director	2017	2021
Filomena Teixeira[5]	Independent Director	2017	2021
Saskia Van Uffelen[5]	Independent Director	2017	2021

Changes in the composition of the Board of Directors

Further to the resignation of Sophie Dutordoir as of February 28, 2017 and the resignation of Françoise Masai, Arthur Goethals and Bruno Holthof, as of May 10, 2017, the Shareholders decided to appoint, with immediate effect, Jos Donvil as non-executive director and Thomas Hübner, Filomena Teixeira and Saskia Van Uffelen as independent directors at the annual Shareholders' Meeting of May 10, 2017.

On January 16, 2018, the mandate of Luc Lallemand, Laurent Levaux and Caroline Ven expired. In the interest of bpost, in order to ensure the continuity of bpost's Board of Directors, and in accordance with company law, they will continue to carry out their functions until their replacement at the Shareholders' Meeting of May 9, 2018.

In addition, the mandates of Ray Stewart and Michael Stone as independent directors will expire at the Shareholders' Meeting of May 9, 2018.

The Remuneration and Nomination Committee has launched a selection process for the nomination of two independent directors, and three Board members nominated by the majority shareholder. The Board of Directors intends to recommend candidates, nominated by the Remuneration and Nomination Committee, for appointment by the Shareholders at the annual Shareholders' Meeting of May 9, 2018 to replace the directors whose mandate has expired or will expire.

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

Powers and functioning

Powers and responsibilities of the Board of Directors

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

In particular, the Board of Directors is responsible for:

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

The Board of Directors is entitled to delegate special and limited powers to the CEO and other members of senior management and can allow the sub-delegation of said powers. On June 30, 2017, the Board of Directors decided to approve a delegation of authority formalizing the delegation of specific powers by the Board of Directors to the CEO and other members of the Group Executive Committee. This policy, which does not affect the powers granted to the Board of

(1) Appointed by the General Meeting of May 27, 2013 (confirmed by decision of June 25, 2013) and appointed as Chairperson of the Board of Directors by a Board of Directors decision of May 10, 2017 replacing Mrs. Françoise Masai as Chairperson of the Board of Directors.

(2) Appointed by the Belgian State.

(3) Appointed as CEO by Royal Decree of February 26, 2014 following a debate in the Council of Ministers.

(4) Appointed by the General Meeting of all Shareholders of bpost other than Public Institutions held on September 22, 2014.

(5) Appointed by the annual General Meeting of Shareholders of bpost held on May 10, 2017.

Directors by or pursuant to the bpost's Articles of Association, has been published in the annexes to the Belgian Official Gazette on November 16, 2017.

Acquisition and divestiture of own shares, profit-sharing certificates or associated certificates

Following the decisions taken at the Shareholders' Meeting of May 27, 2013, the Board of Directors may, without any prior authorization of the Shareholders, 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 30 trading days preceding the transaction and not more than 5% above the highest closing price in the last 30 trading days preceding the transaction. This authorization is valid for five years from May 27, 2013. This authorization 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 Directors is further authorized to divest itself of part of or all the bpost shares, profit-sharing certificates or associated certificates at a price it determines, on or outside the stock market or in the framework of its remuneration policy to employees, directors or consultants of bpost or to prevent any serious and imminent harm to bpost. This authorization is valid without any time restriction. The authorization covers the divestment of the company's shares, profit-sharing certificates or associated certificates by a direct subsidiary within the meaning of Article 627, indent 1 of the Belgian Companies Code.

Functioning of the Board of Directors

The Board of Directors meets whenever the interests of the company so requires or at the request of at least two directors. In principle, the Board of Directors meets seven times a year and in any event not less than five times a year. In 2017, the Board of Directors met 11 times.

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

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

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

Evaluation process of the Board of Directors

Under the Chairperson's lead, the Board of Directors conducts regular evaluations of its scope, composition, performance and that of its committees, as well as the interaction with the Group Executive Committee. If needed, the Chairperson shall propose the necessary measures to remedy any weaknesses of the Board of Directors or of any 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 2017, the Board of Directors continued to follow-up on these focus areas.

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

Transactions between bpost, its Board members and executive managers

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

In accordance with Article 523 of the Belgian Companies Code, 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 March 29, 2017, and the Board of Directors' meeting of the same day. 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.

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* Committee, consisting of at least three independent directors. The *Ad Hoc* Committee is assisted by an independent expert, selected by the *Ad Hoc* Committee, and bpost's auditors validate the financial data used. The procedure then requires the Board of Directors to substantiate its decision and the auditors to validate the financial data used by the Board of Directors.

The Board of Directors has established an *Ad Hoc* Committee composed of all independent directors.

The Board of Directors has established an Ad Hoc Committee, for the purpose of the USO Management Contract, composed of all independent directors. The *Ad Hoc* Committee did not meet in 2017.

Committees of the Board of Directors

Apart from the aforementioned Ad Hoc Committee, the Board of Directors has established three Board Committees which assist the Board of Directors and make recommendations in specific fields: the Strategic Committee, 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 Committee;
- review strategic transactions proposed by the CEO or Group Executive Committee, including strategic acquisitions and divestitures, formation and termination of strategic alliances or longer-term cooperation agreements, launching of new product segments and entry into new products or geographical markets or withdrawal from any such product segments or geographical markets; and
- monitor the implementation of such strategic projects and of the business plan.

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

The Strategic Committee was, per December 31, 2017, composed of the following six members:

Name	*Position*	*Director since*	*Mandate expires*
Jos Donvil	Non-Executive Director	2017	2021
Luc Lallemand	Non-Executive Director	2002	2018
Laurent Levaux	Non-Executive Director	2012	2018
Thomas Hübner	Independent Director	2017	2021
Michael Stone	Independent Director	2014	2018
Koen Van Gerven (Chairperson)	CEO and Director	2014	2020

The Strategic Committee met six times in 2017.

Audit Committee

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

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

The Audit Committee comprises five non-executive directors, including at least three independent directors. The Audit Committee's Chairperson is designated by the Audit Committee's members.

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

The Audit Committee was, per December 31, 2017, composed of the following five members:

Name	*Position*	*Director since*	*Mandate expires*
Ray Stewart (Chairperson)	Independent Director	2014	2018
Michael Stone	Independent Director	2014	2018
Saskia Van Uffelen	Independent Director	2017	2021
Bernadette Lambrechts	Non-Executive Director	2014	2020
Caroline Ven	Non-Executive Director	2012	2018

The Audit Committee met five times in 2017.

Remuneration and Nomination Committee

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

- identify and nominate Board candidates to fill vacancies as they arise, thereby considering proposals made by relevant parties, including shareholders;
- nominate for appointment candidates 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 of Directors on the appointment of the Board of Directors' Chairperson;
- advise the Board of Directors on the appointment of the CEO and on the CEO's proposals for the appointment of other members of the Group Executive Committee;
- advise the Board of Directors on the remuneration of the CEO and other members of the Group Executive Committee and arrangements on early termination;
- review any share-based or other incentive scheme for the directors, members of the Group Executive Committee and employees;
- establish performance targets and conduct performance reviews for the CEO and other members of the Group Executive Committee;
- advise the Board of Directors on the remuneration of the directors; 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 Committee is being discussed.

The Remuneration and Nomination Committee was, per December 31, 2017, composed of the following five members:

Name	*Position*	*Director since*	*Mandate expires*
François Cornelis	Chairperson of the Board of Directors	2013	2019
Thomas Hübner	Independent Director	2017	2021
Saskia Van Uffelen	Independent Director	2017	2021
Filomena Teixeira	Independent Director	2017	2021
Laurent Levaux	Non-Executive Director	2012	2018

The Remuneration and Nomination Committee met six times in 2017.

In 2017, the Remuneration and Nomination Committee reflected, inter alia, on changes to the remuneration policy (e.g., long-term incentive schemes) based on a new benchmark exercise with competitive companies.

Executive Management

CEO

The current CEO was appointed for a term of six years by Royal Decree of February 26, 2014 following a debate in the Council of Ministers, in accordance with the provisions of the 1991 Law before it was amended by the December 2015 Law. The next CEO will be appointed by the Board of Directors, following nomination by the Remuneration and Nomination Committee.

The CEO is vested with the day-to-day management of bpost and reports to the Board of Directors. He is also entrusted with the execution of the Board of Directors' decisions and he represents bpost within the framework of 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 Committee[1]

bpost's operational management is ensured by the Group Executive Committee and is led by the CEO. The Group Executive Committee consists of maximum nine members, appointed (for the duration the Board of Directors 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 Committee convenes regularly at the invitation of the CEO. The Group Executive Committee is assisted by the Company Secretary.

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

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

The Group Executive Committee was, per December 31, 2017, composed of the following members:

Name	*Function*
Koen Van Gerven	Chief Executive Officer
Koen Beeckmans[2]	Chief Financial Officer, Service Operations & ICT
Philippe Dubois	Director Mail Service Operations
Marc Huybrechts	Director Mail & Retail Solutions
Mark Michiels	Chief Human Resources & Organization
Kurt Pierloot	Director Parcels & Logistics
Dirk Tirez[3]	Chief Legal Officer & Group Company Secretary
Nico Cools[3]	Chief IT Officer and Chief Digital Officer

1991 Law Committee

The 1991 Law contains several provisions detailing the composition, appointment and functioning of a "1991 Law Committee" (previously "Management Committee"). Since the entry into force of the December 2015 Law, the powers to be assigned to the 1991 Law Committee are limited to the negotiation of the Management Contract with the Belgian State (it being understood that the Management Contract requires the subsequent approval of the Board of Directors). Therefore, the 1991 Law Committee only remains in force for the limited purposes and tasks assigned to it by the amended 1991 Law. The 1991 Law Committee was, per December 31, 2017, composed of the CEO and the members of the Group Executive Committee. By a Board of Directors' decision dated January 25, 2018, the 1991 Law Committee is now composed of the CEO, who chairs the Committee, Marc Huybrechts and Mark Michiels.

Company Secretary

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

Joint Auditors

The Joint Auditors audit bpost's financial condition as well as consolidated and unconsolidated financial

(1) The Group Executive Management has been renamed "Group Executive Committee" by a bpost Board of Directors' decision of December 4, 2017.

(2) Koen Beeckmans left the Company as Chief Financial Officer, Service Operations & ICT on January 15, 2018. Henri de Romrée was appointed by the CEO (empowered by the Board of Directors (decision of December 4, 2017) upon recommendation of the Nomination and Remuneration Committee), as new Chief Financial Officer as from January 15, 2018.

(3) Dirk Tirez and Nico Cools were appointed, with immediate effect, by the Board of Directors, upon recommendation of the Nomination and Remuneration Committee, on December 4, 2017.

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

The bpost's Joint Auditors were, at December 31, 2017:

- Ernst & Young Bedrijfsrevisoren SC SCRL ("**EY**"), represented by Mr. Eric Golenvaux (member of the Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren), De Kleetlaan 2, 1831 Diegem, Belgium (until the annual Shareholders' Meeting of May 9, 2018);
- PVMD Bedrijfsrevisoren-Reviseurs d'Entreprises BV BVBA ("**PVMD**"), represented by Mrs. Caroline Baert (member of the Institut des Réviseurs d'Entreprises/ Instituut van de Bedrijfsrevisoren), Tweekerkenstraat 44, 1000 Brussel, Belgium (until the annual Shareholders' Meeting of May 9, 2018);
- 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 (until September 30, 2019); and
- Mr. Jozef Beckers, Member of the Court of Audit (*Rekenhof/Cour des Comptes*), Rue de la Régence 2, 1000 Brussels, Belgium (until September 30, 2019).

EY and PVMD are responsible for the audit of bpost's consolidated financial statements. For the year ended December 31, 2017, EY and PVMD received EUR 1,283,199 (excluding value added tax) in fees for the audit of financial statements of bpost and its subsidiaries and EUR 292,696 (excluding value-added tax) in fees for non-audit services. The two other Auditors (Mr. Philippe Roland and Mr. Jozef Beckers) received EUR 59,152 in remuneration for their services in connection with the audit of bpost's non-consolidated financial statements for the year ended December 31, 2017.

Shareholding structure and shareholders rights

bpost's shares are registered or dematerialized. At December 31, 2017, bpost's share capital was represented by 200,000,944 shares, listed on the regulated market of Euronext Brussels.

With respectively 48,263,200 and 53,812,449 bpost shares in their possession on December 31, 2017, 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.

In the course of 2017 and in accordance with the Law of May 2, 2007 on the disclosure of significant shareholdings in listed companies and the Articles of Association, bpost disclosed a number of transparency declarations informing that a notification threshold was reached (crossed upward or downward). The full text of the transparency notifications are available on bpost's website at http://corporate.bpost.be/investors/share-information/transparency-declarations.

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 50% at any time. However, following the entry into force of the December 2015 Law on January 12, 2016, the Belgian Government may, until December 31, 2018 approve, by Royal Decree following a debate in the Council of Ministers, transaction(s) that cause the direct participation of Public Institutions to drop below 50% plus one share (Article 54/7 §1 of the 1991 Law).

At December 31, 2017, bpost did not hold any own shares.

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

Remuneration report

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

bpost considers transparency and clear communication on the principles and implementation of the remuneration policy as essential. Therefore, bpost shares relevant information in this report.

General remuneration policy and remuneration principles

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

The remuneration policy has multiple objectives, inter alia:

- offering the company's employees a fair remuneration, in consultation with the unions, while remaining competitive compared to the reference market of large Belgian enterprises. The remuneration package therefore consists of financial and non-financial elements. These elements are regularly benchmarked against those of the median segment of the Belgian reference market for similar positions;
- stimulating performance at both the collective and individual levels to create sustainable and profitable long-term growth, while safeguarding the wellbeing of our staff. With this in mind, the remuneration plan integrates aspects related to (i) the results of the company (e.g., EBIT results, criteria relating to the well-being of the staff and to customer satisfaction) and (ii) the individual performance and skills;
- identifying and promoting the corporate values and culture; and
- attracting, retaining and motivating qualified and specialized individuals needed to achieve the company's strategic and operational goals.

This remuneration policy has not been substantially changed compared to the previous financial year.

The Remuneration and Nomination Committee regularly examines the policy's principles and their concrete application, and will continue to do so in the coming two financial years. It will in particular examine the possible introduction of a limited and responsible "cafeteria" type of remuneration plan. The Board of Directors and the Remuneration and Nomination Committee will also examine the possibility and feasibility of introducing a long-term incentive plan. The purpose of this plan is a better alignment of the actions and initiatives of management with the long-term performance of the company.

This report does not include bpost's Belgian subsidiaries, whose remuneration policy is in line with the national reference market, or bpost's foreign subsidiaries. With regard to bpost's foreign subsidiaries, a separate remuneration policy has been adopted, in line with local reference market of relevant companies, the goal of which is to attract and retain qualified and experienced directors and managers.

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

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

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

- provides for a variable remuneration (as described hereinafter) based on strictly defined quantitative and qualitative performance criteria and driven by bpost's growth;
- offers remuneration in cash along with other non-financial benefits; and
- is regularly assessed in the light of market practices.

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

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

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

All amounts mentioned in this report are gross amounts before the employer's social contribution.

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

Remuneration of the Board of Directors' members

The remuneration of the Board of Directors' members (with the exception of the CEO) was approved at the General Shareholders' Meeting of April 25, 2000 and was still applicable in 2017. It consists of two elements: (i) an annual fixed remuneration and (ii) an attendance fee for each of the Advisory Committee meetings attended.

No other benefits are paid to the Board of Directors' members for their director's mandate, except for a company car allocated to the Board of Directors' Chairman.

Annual fixed remuneration

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

- EUR 40,977.30 for the Board of Directors' Chairman, who also chairs bpost's Joint Industrial Committee (Paritair Comité / Commission Paritaire), as indexed on March 1, 2017[1], and a company car;
- EUR 20,488.71 for the other directors (with the exception of the CEO) as indexed on March 1, 2017[1].

Attendance fees

The Board of Directors' members (with the exception of the CEO) are also entitled to an attendance fee of EUR 1,707.39 per attended Advisory Committee meeting.

These amounts are indexed5 annually and, with regard to the annual fixed remuneration, are granted pro rata temporis of the duration of the director's mandate during that year.

The CEO is not entitled to any kind of remuneration for his attendance at any of the Advisory Committee meeting.

Overall remuneration

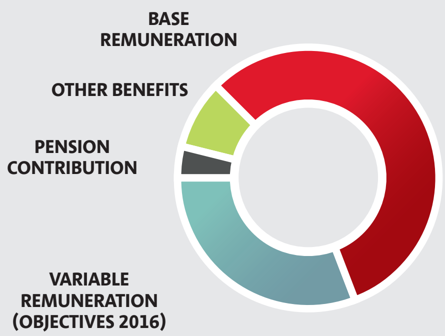
For the financial year 2017, the total amount of remuneration granted to all the Board of Directors' members (with the exception of the CEO) amounts to EUR 350,614.14.

The table below shows the total annual remuneration paid on an individual basis to each of the Board of Directors' members (with the exception of the CEO) based on their participation at the Advisory Committee meetings[2]:

(1) The benchmark index used for the indexation is the health index.

(2) These amounts cover all amounts paid in the financial year 2017. Please note that attendance fees are paid in the month following the attended Advisory Committee meeting. This means that the amounts paid out in financial year 2017 relate to attendance to meetings of the Board of Directors or the Advisory Committee meetings held from December 2016 until November 2017.

Member	Board Of Directors	Strategic Committee		Remuneration And Nomination Committee		Audit Committee		Total Annual Remuneration (Eur)
	Amount (Eur)	Amount (EUR)	Meetings	Amount (EUR)	Meetings	Amount (EUR)	Meetings	
Arthur Goethals (until May 10, 2017)	8,454.87	1,707.39	1/1		NA		NA	10,162.26
Luc Lallemand	20,406.60	8,536.95	5/6		NA		NA	28,943.55
Laurent Levaux	20,406.60	6,829.56	4/6	6,788.52	5/6[1]		NA	34,024.68
Caroline Ven	20,406.60		NA		NA	8,536.95	5/5	28,943.55
François Cornelis (Chairman of the Board from May 10, 2017)	34,065.72		NA	10,203.20	6/6	3,414.78	2/2	47,683.70
Sophie Dutordoir (until February 28, 2017)	3,332.70		NA	3,332.70	2/2		NA	6,665.40
Françoise Masai (until May 31, 2017)	16,909.72		NA	6,788.52	4/4		NA	23,698.24
Ray Stewart	20,406.60		NA		NA	8,536.95	5/5	28,943.55
Michael Stone	20,406.60	10,244.34	6/6	3,414.78	2/2	6,829.56	4/4	40,895.28
Bernadette Lambrechts	20,406.60		NA		NA	8,536.95	5/5	28,943.55
Jos Donvil (from May 10, 2017)	13,659.12	6,829.56	4/4		NA		NA	20,488.68
Thomas Hübner (from May 10, 2017)	13,659.12	6,829.56	4/4	1,707.39	11/2		NA	22,196.07
Philly Teixeira (from May 10, 2017)	13,659.12		NA	0.00	1/2[1]		NA	13,659.12
Saskia Van Uffelen (from May 10, 2017)	13,659.12		NA	0.00	1/2[1]	1,707.39	1/3	15,366.51
	239,839.09	46,099.53		32,235.11		32,440.41		350,614.14



Relative importance of the various elements of the CEO's remuneration (2017)

Remuneration of the CEO

The CEO's remuneration is approved by the Board of Directors upon recommendation of the Remuneration and Nomination Committee. It consists of: (i) a base remuneration, (ii) a short-term incentive variable remuneration, (iii) a pension contribution and (iv) various other benefits.

Base remuneration

The CEO's base remuneration for the financial year 2017 amounts to EUR 481,638.90 (as indexed on July 1, 2017).

Variable remuneration

The CEO's short-term incentive variable remuneration amounts to EUR 150,000. The base amount of the variable remuneration actually allocated varies depending on (i) the corporate objectives and (ii) individual targets. The performance is assessed annually in light of the targets.

- For the CEO, the **corporate objectives** relate to financial results: 70% of the variable remuneration allocated based on the corporate objectives depends on EBIT and 30% on operational Cash Flow. The pay grid was established and validated by the Board of Directors upon recommendation of the Remuneration and Nomination Committee (this grid is set out below in the Section on the Remuneration of the Group Executive Committee members). Depending on the results of these - audited and regularly published - criteria, the pay-out per criterion can vary to maximum 135% of the base amount of the short-term variable remuneration for this criterion.

- The **individual targets** are agreed upon between the CEO and the Board of Directors at the beginning of each year. Clear and measurable targets are set, which are to be achieved within an agreed timeframe. The CEO's individual performance is measured against these targets and may vary from 0% of the base amount of the short-term variable remuneration in the event of underperformance to 160% in the event of over-performance.

The CEO's performance is assessed annually during the first quarter following the end of the financial year, as part of a Performance Management Process ("**PMP**"), directed by the Board of Directors.

Pension contribution

bpost offers the CEO a pension contribution of EUR 33,130.20.

Other benefits

The CEO has other benefits, e.g., an insurance covering death-in-service and disability, medical insurance, representation fees and a company car.

Global remuneration

The global remuneration paid to the CEO, Mr. Koen Van Gerven, in 2017 for his performance during the year that ended on December 31, 2017, amounts to EUR 585,977.10 excluding the variable remuneration (compared to EUR 570,648.12 in 2016 excluding the variable remuneration) and can be broken down as following:

- base remuneration: EUR 481,638.90 (gross):
- pension: EUR 33,130.20;
- other benefits:
  - insurance covering death-in-service, disability and medical coverage: EUR 48,057.48;
  - representation fees: EUR 3,300.00;
  - leasing costs for company car: EUR 19,850.52.

In addition, the CEO received a variable remuneration of EUR 262,866.00 in 2017 because the corporate objectives and the individual targets for the year that ended on December 31, 2016 were met (given that the 2016 assessment was only completed in 2017). This amount is based on (i) the performance of bpost in 2016 and (ii) the surpassing of the CEO's individual targets, and the long-term value that these achievements created. The variable remuneration for 2017 will be determined and paid in 2018, after the performance assessment.

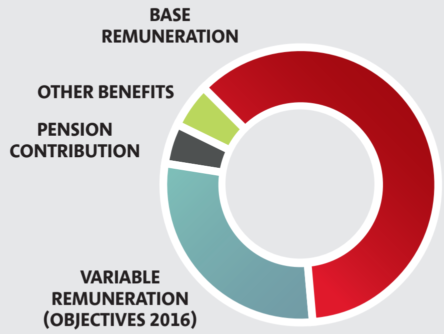
No shares, stock options or other rights to acquire shares were granted to or exercised by the CEO, or have expired in 2017. No options under previous stock option plans were still outstanding for the financial year 2017.

No substantial changes were made to the remuneration of the CEO compared to the previous financial year.

Remuneration of the Group Executive Committee members

The remuneration of the Group Executive Committee members is approved by the Board of Directors upon recommendation of the Remuneration and Nomination Committee. It is regularly reviewed on the basis of a benchmarking exercise covering the large Belgian companies so as to offer a total remuneration in accordance with the median on the reference market.

The remuneration package of the Group Executive Committee members consists of: (i) a base remuneration, (ii) a variable remuneration, (iii) a pension contribution and (iv) various other benefits.



Relative importance of the various elements of the global remuneration of the members of the Group Executive Committee (2017)

Base remuneration

The base remuneration reflects the responsibilities and characteristics of the position, the level of experience and the performance of the Group Executive Committee members during the past year. It is granted independently of bpost's results. It is paid every month and is revised annually based on a benchmark study that covers large Belgian companies.

Variable remuneration

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

- The **corporate objectives** are related to the financial results (70% depends on the EBIT) as well as the loyalty of bpost's customers measured through quality & customer satisfaction indexes (30%). Per criterion, a pay grid is determined and validated each year by the Board of Directors upon recommendation of the Remuneration and Nomination Committee (see the grid below). Depending on the results of these - audited and regularly published - criteria, the pay-out per criterion can vary to maximum 135% of the base amount of the variable remuneration for this criterion.

From 2018, the corporate objectives will include quality & customer satisfaction (for 15%) and introduce a staff wellbeing dimension, to be measured by the level of short-term absenteeism(also for 15%).

Table: Grid of the 2017 remuneration (percentage of base remuneration based on EBIT)

Results (EBIT 2016)	*Variable remuneration (%)*
85%	20%
90%	30%
95%	60%
100%	100%
105%	110%
110%	120%
115%	125%
120%	130%
125%	135%

Quality & customer satisfaction (2016)	*Variable remuneration (%)*
74.0	0%
75.5	50%
77.5	75%
80.0	100%
81.0	120%
82.0	135%

- The **individual targets** are mutually agreed upon, and approved by the CEO at the beginning of each year. Clear and measurable targets are set, which are to be achieved within an agreed term. The individual performance is measured against these targets and may vary from 0% of the base amount of the short-term variable remuneration in the event of underperformance to 160% in the event of over-performance.

The performance of each Group Executive Committee member is assessed annually during the first quarter following the end of the financial year, as part of a PMP, directed by the CEO.

Pension contribution

bpost offers the Group Executive Committee members a pension contribution of EUR 160,160.64.

Other benefits

bpost offers other benefits to the Group Executive Committee members, e.g., insurance covering death-in-service and disability, medical insurance, representation fees, meal vouchers and a company car.

These benefits are benchmarked regularly and adapted according to standard practices.

Global remuneration

The global remuneration[1] paid in 2017 to the Group Executive Committee members (other than the CEO) during the year that ended on December 31, 2017 amounts to EUR 2,299,008.17 excluding variable remuneration (compared to EUR 1,982,514.55 in 2016 excluding variable remuneration) and can be broken down as follows:

- base remuneration (including the end-of-year bonus and holiday pay): EUR 1,977,207.47;
- pension: EUR 160,160.64;
- other benefits:
- insurance covering death-in-service, disability and medical coverage: EUR 61,060.80;
- representation fees and meal vouchers: EUR 21,229.86;
- leasing costs for company cars: EUR 79,349.40.

In addition, the Group Executive Committee members (other than the CEO) received a global variable

(1) As explained below, the global remuneration does not include the changed composition of Group Executive Committee approved by bpost's Board of Directors of bpost on December 4, 2017.

remuneration of EUR 933,259.05 in 2017 because the corporate objectives and the individual targets for the year that ended on December 31, 2016 were met (given that the 2016 assessment was only completed in 2017). The global variable remuneration for 2017 will be determined and paid in 2018 after the performance assessment of each member of the Group Executive Committee.

No shares, stock options or other rights to acquire shares were granted to or exercised by the Group Executive Committee members, or have expired in 2017. No options under previous stock option plans were still outstanding for the financial year 2017.

No substantial changes were made to the remuneration of the Group Executive Committee members compared to the previous financial year.

Clawback provisions

The current remuneration policy does not provide for a specific contractual clawback provision in favor of bpost for the variable remuneration.

Changes to the composition of bpost's Group Executive Committee

On December 4, 2017, the Board of Directors decided to appoint, with immediate effect, two new members of the bpost Group Executive Committee: Mr. Dirk Tirez as *Chief Legal & Regulatory Officer* and *Company Secretary* and Mr. Nico Cools as *CIO & Chief Digital Officer*.

Following the departure of Mr. Koen Beeckmans as Chief Financial Officer, Mr. Henri de Romrée has been appointed as new Chief Financial Officer, with effect from January 15, 2018.

Mr. Henri de Romrée has been remunerated since January 15, 2018, and Mr. Dirk Tirez and Mr. Nico Cools have been remunerated since February 1, 2018 as members of the bpost Group Executive Committee. Therefore, their remuneration will be described in the remuneration report relating to the financial year 2018, which will be submitted to the General Meeting of Shareholders in 2019.

Following his departure with effect from January 15, 2018, Mr. Koen Beeckmans received a severance pay of six months as well as an additional allowance of six months, since bpost did not waive the application of the non-compete clause, amounting to a total of EUR 681,178.64.

Termination provisions and non-compete clauses

Termination provisions

No members of the Group Executive Committee are entitled to specific contractual termination arrangements, except for the following members:

- The CEO is entitled to a severance pay of EUR 500,000 in the event of early termination by bpost for any other reason than material breach. Additionally, the CEO is entitled to the use of a company car for six months after his departure, including all expenses relating to the use thereof, except for the fuel card;
- Mr. Marc Huybrechts is entitled to a minimum severance pay of six months in the event of dismissal without cause and an additional allowance of six months in the event of application of the non-compete clause; and
- Mr. Henri de Romrée is entitled to (i) a minimum notice or a severance pay equal to six months' remuneration in the event of termination without cause, (ii) an additional compensation of six months' remuneration in the event of application of the non-compete clause, and (iii) an additional six months remuneration if he is not offered an equivalent position in the Group Executive Committee following a new major merger or acquisition. The severance pay of the Chief Financial Officer cannot, in any event, exceed a remuneration payment of 18 months pay. As the agreement with Mr. Henri de Romrée may lead to providing to him an additional six months remuneration if he is not offered an equivalent position in the Group Executive Committee following a new major merger or acquisition which may include a change of control of bpost, the approval of this remuneration report will also imply an approval in accordance with Article 556 of the Belgian Companies Code.

Non-compete clauses

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

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

Internal control and risk management

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

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

The following description of bpost's internal control and risk management activities is factual and aims 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 Committee and Board of Directors.

Commitment to integrity and ethical values

"Earning trust" is one of bpost's four key values. Fraud, bribery and corruption, and disrespect of human rights are non-acceptable risks which, when occur, puts bpost's reputation at stake. The Board of Directors and Group Executive Committee 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 behavior can be reported to the Integrity department, triggering an investigation and further follow-up. For more information, we refer to the CSR review 2017.

Furthermore, in order to comply with insider trading and market manipulation regulations, bpost has adopted a Dealing and Disclosure Code. This Code is amended from time to time to be in line with the most recent market abuse laws and regulations. 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 Committee) 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 Committee establishes risk management and internal control guidelines and procedures and monitors their effective roll-out. A "three lines of defense" model has been implemented:

- The operational management is responsible for the design and maintenance of risk management and internal controls (first line);
- The second line functions, such as Legal, Health & Safety, Security or Integrity, provide expert support to the first line operational management. The overall roll-out and coordination of the risk management and internal control activities is centralized within the Risk & Control department. All second line functions report at least annually to the Group Executive Committee on the risk 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 realizing the objectives;
- Assessment of risks in order to prioritize them;
- Decision on risk responses and action plans to address key risks;
- Monitoring action plan implementation and overall risk evolutions and identification of emerging risks.

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

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

Control activities

In general

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 and for the preparation of the consolidated financial statements;
- Systematic account justification and review after the closing triggering follow-up and feedback of the timelines, quality and lessons learned in order to strive for continuous improvement.

Information and communication

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 and operational level.

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

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

Externally, the Press Relations and Public Affairs department manages stakeholders, *e.g.*, press and public authorities. This department centralizes 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 Joint Auditors (external)

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

The Joint Auditors provide an independent opinion on the full year statutory and consolidated financial statements. They perform a limited review on the half-year interim condensed financial statements and the statutory BGAAP figures of bpost NV/SA per end of October, which serves for the distribution of an interim dividend. In addition, they review material changes to the IFRS accounting principles. 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 analyze the financial statements;
- The quarterly treasury update;
- Any significant change of the IFRS accounting principles;
- Relevant findings resulting from the activities of the Corporate Audit Department and/or the Joint Auditors;
- The Corporate Audit semi-annual status report on the follow-up of audit recommendations and annual activity report;
- The Group Executive Committee's annual conclusion on the effective execution of bpost's risk management and internal control activities as well as periodic information on the main business and related risk evolutions.

The Board of Directors ultimately ensures the establishment of internal control systems and procedures. The Board of Directors monitors the functioning and adequacy of the internal control systems and procedures, 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.

Diversity

Creating a culture of Diversity and Inclusion

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

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

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

Diversity within the Board of Directors and the Group Executive Committee

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

bpost complies with the provisions of Article 518bis of the Belgian Companies Code in terms of gender diversity, but the Diversity Policy for the members of its management goes beyond this strict legal minimum.

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

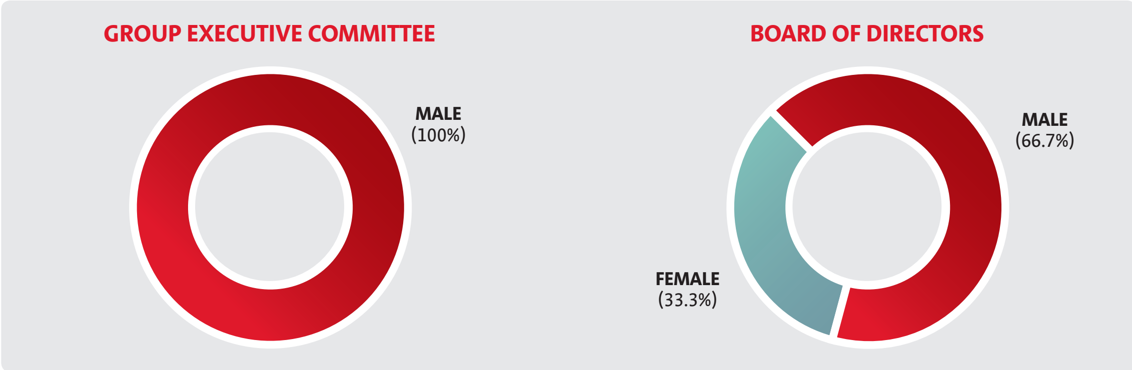
Diversity aspects that are taken into account in relation to the bpost Board of Directors and Group Executive Committee members are the following:

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

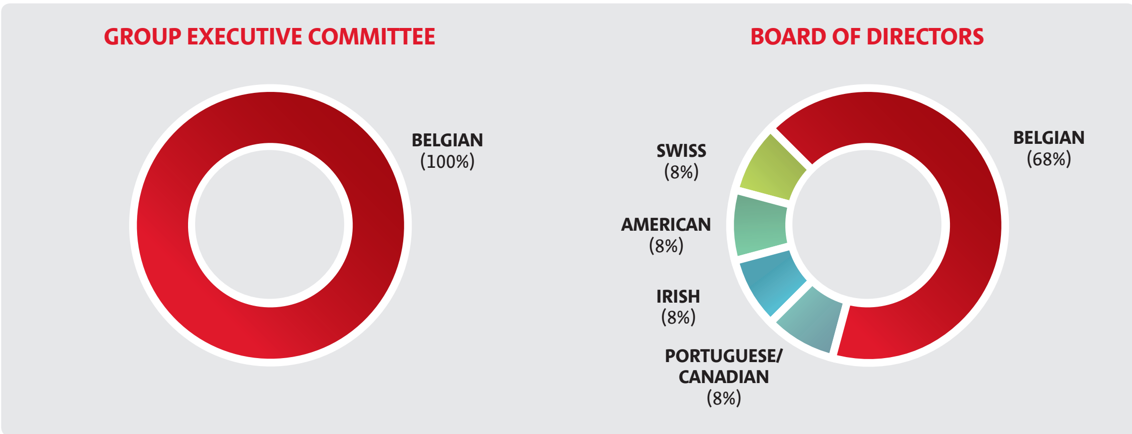
The Board of Directors assesses annually whether diversity within the bpost management has improved.

Diversity aspects – Implementation & outcome

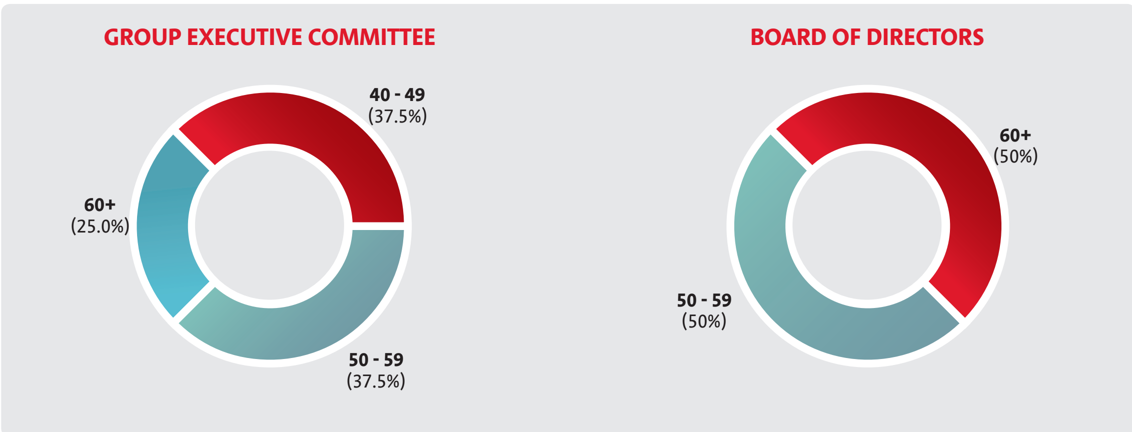
On December 31, 2017, the outcome of diversity aspects in relation to the bpost Board of Directors and Group Executive Committee members is the following:



Gender

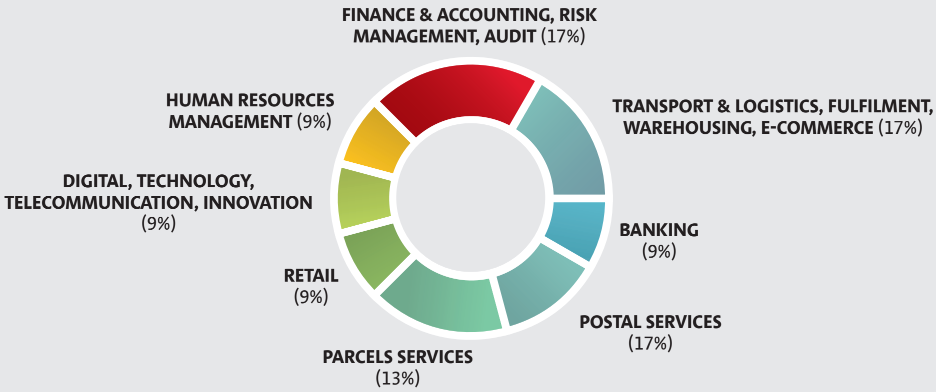


Geographic Diversity



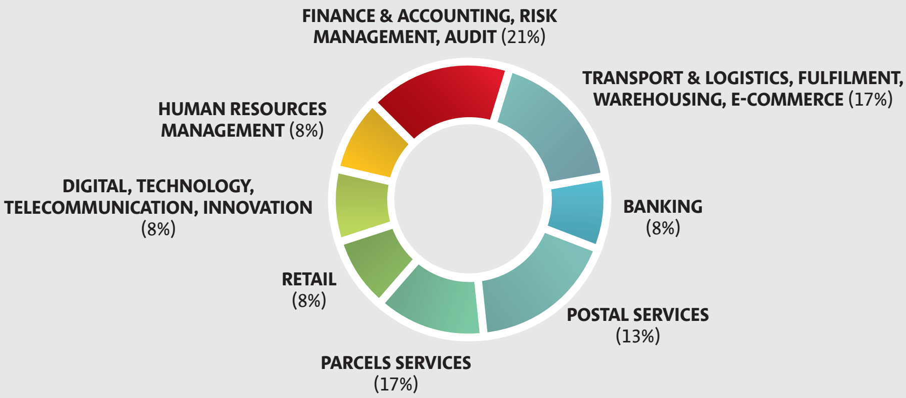
Age

GROUP EXECUTIVE COMMITTEE



Professional background

BOARD OF DIRECTORS



Professional background

CSR Review 2017

CSR ambition and strategy

Our ambition make our corporate processes and culture sustainable in order to achieve our mission statement of 'sustainable growth' and for our stakeholders to recognize us as a socially responsible company (customers, shareholders, government, employees, suppliers, trade unions, NGOs).

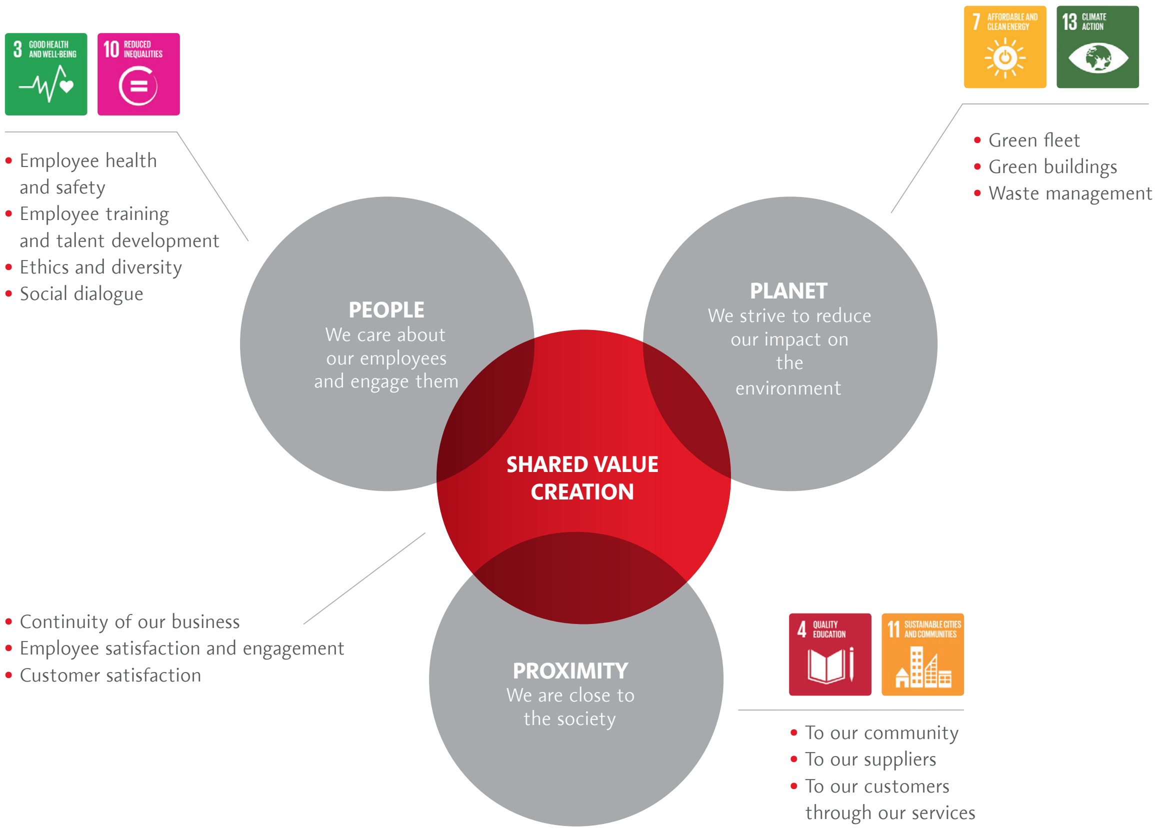
Our company plays a major role in society. As such, we must also set an example and we want our customers to know that their letters, parcels and logistic are processed in a responsible way.

Based on our stakeholder consultation and materiality assessment, we have defined our CSR strategy around three main pillars:

- **People**: we care about our employees and we engage them with sustainably.
- **Planet**: we strive to reduce our impact on the environment.
- **Proximity**: we are close to the society.

These pillars are closely linked to the new United Nations Sustainable Development Goals (SDGs), which bpost aims to implement. As publicly quoted company, we acknowledge our role and shared responsibility in the implementation of these goals. That is why we endorse the Belgian SDG Charter. In doing so, we pledge to make sustainable development – within the SDG framework – an integral and essential part of our own core business, operations, budgets and projects through our CSR strategy and underlying programs.

For each of these pillars, we have defined relevant topics on which we will focus:



Shared value creation

The aims of our CSR strategy are to create value for all stakeholders and to ensure the continuity of our business. The "shared value creation" is measured within bpost according to:

Business continuity

bpost is the leading supplier of postal services and logistics solutions to, from and within Belgium. We develop solutions for communication, e-commerce, distribution and logistics, both domestically and internationally. Our foundations help us improve our financial and quality performances, helping us grow and ensuring we deliver to all our stakeholders.

bpost's strategy is built on four pillars: We are mail, We grow, We are lean, agile and flexible and We are @Core.

Employee satisfaction and engagement

We want to harness the natural enthusiasm and commitment of each and every employee by creating an optimal working environment and promoting their wellbeing.

In Belgium, through our People@Core program, we focus on setting the ideal conditions to promote the wellbeing and engagement of our employees. Every year, we invite our employees to participate in a wellbeing survey run by our external independent partner Pulso Europe. The survey is based on the scientific job demands-resources model and provides insight into how our employees are doing in terms of engagement, stress, satisfaction and loyalty, as well as how they perceive their working conditions. This wellbeing measurement helps us find ways to improve our working conditions, boost employee engagement and reduce stress.

Customer satisfaction

We exist because of our customers. That makes them key in every layer of our company. We demonstrate our customer focus by constantly paying attention to service quality, launching initiatives to improve customer satisfaction and our showing our commitment to products, services and solutions that seamlessly meet customer expectations and needs. We constantly strive to deliver added value to our customers. So that they, in turn, can improve their service to their own customers. We constantly assess customer perceptions and experiences to understand customer loyalty mechanisms and identify ways to improve them. In Belgium, bpost conducts a customer satisfaction survey at least once per year. The results are submitted to the Belgian Institute for Postal Services and Telecommunication (BIPT) annually. Among other things, we measure customer satisfaction with the various postal service points in terms of waiting time at the counter, proximity, opening hours, speed of service at the counter.

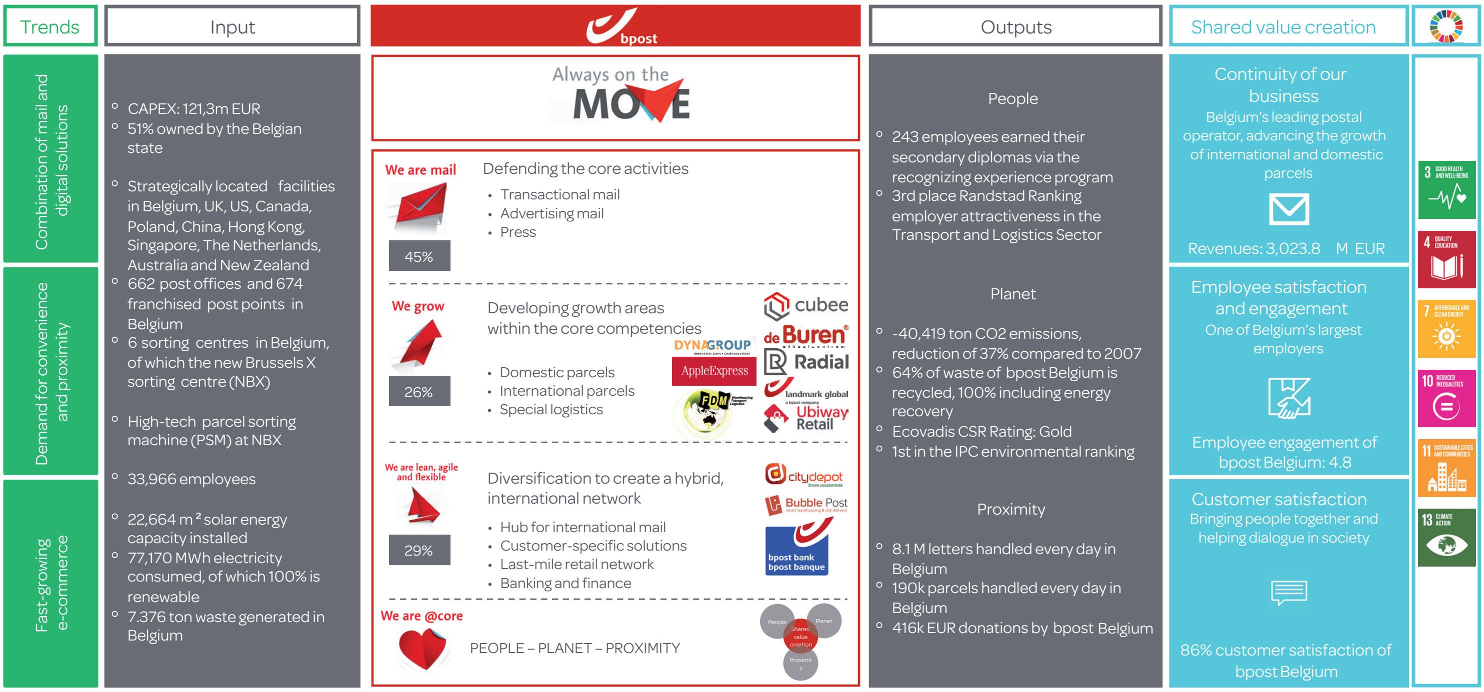
Collateral impacts

One good example of how we monitor our shared value creation is our new sustainability loan.

In October 2017, bpost entered into an innovative 300 million euro revolving credit facility (RCF) agreement. The loan's interest rate decreases as bpost's sustainability score increases. An independent organization determine the sustainability score. That means the more sustainable initiatives bpost takes, the better our interest rate will be, which pushes us to go even further every day. This sustainability loan is the first of its kind in Belgium. For more information, watch this short video.

Value creation

bpost's business model has changed considerably in recent years. bpost has gone from an old-fashioned and static state-owned company into a modern, dynamic company that is active in a liberalized sector. This transformation wasn't only beneficial to bpost's results, but has also had a positive impact on our society. In the value creation model shown below, you can see how bpost's inputs, activities and relationships create shared value, while taking into account current trends. Our most essential resources for creating shared value are our people, our investments and our facilities. Our business activities, based on bpost's four strategic pillars, are what transforms inputs into outputs. These outputs result in shared value, through which we positively contribute to the Sustainable Development Goals.



2017 highlights

2017's key events were:

- Our **sustainability loan** (see 'Share value creation' section)
- Our improvements in **green building** with the new Brussels X sorting center and additional solar panels (see 'Planet' section)
- Our improvements in **health and safety** (see 'People, health and safety' section)
- Deployment of the scope, which now includes our **subsidiaries**.

The results:

- **The award for our beepost** initiative (see 'Proximity to society' section)
- We remain in **first place** in the IPC ranking and we are in the **TOP 1%** of suppliers in all categories, as rated by EcoVadis.

Global KPIs

		bpost			Trend
	Unit	2015	2016	2017	↗↔↘
Business continuity					
Operating income (normalized)	EUR M	2,407.6	2,425.2	3,023.8	↗
EBIT (normalized)	EUR M	494.4	496.5	501.6	↗
Employee engagement & wellbeing					
Employee engagement	score	n/a	4.9	4.8	↔
Customer satisfaction					
Customer satisfaction	score	88	87	86[1]	↔

Business continuity

As a publicly listed company, we need to create value for our shareholders. This year, bpost's turnover grew to € 3,023.8 million euros and our EBIT to € 501.6 million euros. This is largely because of the continuing increase in demand for domestic and international packages. For more details on our financial results, take a look at our annual report.

Employee satisfaction and engagement

This year, an update of the national benchmark for Belgium shows that engagement has remained stable at 4.8.

Our 2017 results show that we are focusing on the right initiatives. Based on the results, we have launched local and national initiatives to improve communication, organization, leadership, development and working relationships between employees and their managers.

Our 2018 focus will be on rolling out these changes to improve our employees' day-to-day realities.

We are currently looking at opportunities to monitor and evaluate employee satisfaction and engagement at our main subsidiaries. Radial, for instance, is considering implementing an employee engagement review in 2018.

Customer satisfaction

The results of the 2017 customer satisfaction survey show that overall customer satisfaction remains relatively stable compared to 2016 and 2015.

Radial, one of our biggest subsidiaries, also manages its customer experience using the Six Sigma model and three different metrics: overall satisfaction of Radial's direct customers (8.1 in 2017), the quality of service (88% in 2017) and end-customer satisfaction (77% in 2017). With a proven combination of machine learning, big data, and human intelligence, Radial can also detect fraud and thus eliminate this risk for its customers. The smart customer experience monitoring system, fraud detection system and the investments mentioned above helped Radial win the NICE Award for Customer Service Excellence.

In recent years, we have also made efforts to monitor customer experience through new technologies and social media. Radial launched a multi-year initiative to improve customer experience, combining talents from operations, IT, operational excellence, training, finance, and human resources.

Analyzing customer complaints is also very important in identifying recurring shortcomings and implementing structural solutions.

(1) Overall Radial client Satisfaction is 8.1 vs. target >7.1

CSR REVIEW

People

As one of the largest employers in Belgium, bpost wants to engage and enthuse all its employees in its mission to be a major part of its customers' daily lives. Human Capital is our most vital asset: our employees offer a wide array of skills, competences and a unyielding loyalty to our company.

We like to hold ourselves accountable. That's why we aim to create the best corporate culture with good working conditions, safeguarding ethical behavior, health, safety and wellbeing at work for all our employees. To get this corporate culture, we took various actions in the business units to strengthen and anchor this "culture shaping" process. For example, we regularly hold culture conversations, where we put one or more cultural concepts in the spotlight and try to bring them closer to reality.

KPIs

		bpost			Trend
	Unit	2015	2016	2017	↗↔↘
Employee Health and Safety					
Occupational accidents	Number	888	927	1,454[1]	↗
Lost time days	Days	28,660	29,532	31,856[1]	↘
Frequency rate	Rate	25.32	27.01	26.83	↗
Severity rate	Rate	0.9	0.9	0.9	↔
Absenteeism (% of total working hours)	%	6.85	7.61	7.02	↗
Frequency rate for interims	Rate	30.09	31,23	24.61	↗
Blameworthy road traffic incidents (per 100,000 km)	Rate	n/a	1.68	1.64	↗
Blameworthy road traffic incidents (% of total road traffic incidents)	%	n/a	62%	71%	↘
Number of fatal road traffic accidents (occurring during working hours)	Number	n/a	n/a	0[1]	n/a
Employee training and talent development					
Total formal training hours	Hours	138,935	133,026	128,127	↔
Formal training hours / employee	Hours / headcount	5.9	5.2	5.1	↔
Total informal training hours[2]	Hours	189,649	323,138	354,516	↗
Informal training hours / employee	Hours / headcount	8.1	12.7	13.9	↗
Total leadership training hours	Hours	2,357	27,034	22,060	↘
Diversity and inclusion					
% of women	%	33.3	32.6	32.2	↔
% of men	%	66.7	67.4	67.8	↔
% of women in management positions	%	34	36	35	↔
% of women in Top Management positions	%	18	18	19	↗

KPIs

		bpost			Trend
	Unit	2015	2016	2017	↗↔↘
Ethics					
Registered complaints concerning ethical breaches[3]	Number	12	16	11	↗
Reported cases of corruption and bribery	Number	n/a	n/a	0	n/a
Social dialogue					
Randstad Ranking: Notoriety of bpost in the “Transport and Logistics” sector	%	79	82	92	↗
Randstad Ranking: Attractiveness of bpost in the “Transport and Logistics” sector	Position	8th	9th	3rd	↗
Average number of strike days per 1,000 employees	#	n/a	n/a	1.55	n/a

(1) New scope: including subsidiaries in which bpost SA/NV has a controlling interest (>50%). Please see About our CSR reporting’s section for more details on our reporting scope per theme.
Employee Health & Safety:
- Occupational accidents for the subsidiaries: 536
- Lost Time days for the subsidiaries: 1,006
- Number of fatal road traffic accidents for the subsidiaries: 0
- Diversity & Inclusion: % of women: 49.7%, % of men: 50.3%

(2) Informal trainings are on-the-job training, distance learning, mentoring, coaching, self-training and participation in conferences and workshops.

(3) A registered complaint does not mean the ethical breach has been confirmed

Employee health and safety

We think it's crucial to create a working environment where our employees stay safe. Employee safety is one of our top priorities. We work hard to keep them safe and prevent occupational and road accidents, based on a strict prevention policy. We do so by complying with and anticipating Belgian laws, but also by organizing the structure so that risks to safety and wellbeing are monitored more closely and we work on ways to improve them.

Several risk analyses have been conducted in Belgium to eliminate as many risks as possible at work. The result? Adapted work equipment and procedures, specific training sessions and specific protective equipment. A monthly safety performance barometer follow-up, combining both leading and lagging safety indicators, helps guide managers on managing safety issues. An action plan that addresses the company's safety culture backs this initiative. Training on roles and responsibilities, use of a safety corner on the shop floor, encouraging employees to report any type of safety incident and a dedicated safety training app are all part of this action plan. We also draw up a nation-wide yearly safety roadmap, translated into local safety actions. On top of this structural approach, communication campaigns also are important, including issues like how to deal with verbal aggression, how to safely integrate students during the summer and the importance of seat belts on the road. The main focus is on road safety, with the aim of eliminating road accidents altogether.

In addition to these aspects of our safety policy, we also pay close attention given to our health policy. We work closely with our company doctors to develop a detailed policy for health check-ups and how to respond to the results. The three prevention levels (primary, secondary and tertiary) are detailed in this policy. We also include psychosocial aspects our wellbeing policy. Stress and engagement levels across the company are measured in an annual employee survey. Based on the results, each business unit develops People@Core actions, which the Executive Committee discusses every quarter. A specialized team of stress coaches is also on-call to help employees suffering from stress. More complicated individual problems are followed up in the Employee Assistance Program (external psychologists).

Our prevention programs and training paid off in 2017: occupational accidents and blameworthy road traffic incidents fell by 2% compared to 2016. We're aiming to reduce them by the same percentage in 2018.

Furthermore, our subsidiary Apple Express in Canada is compliant with OHSAS 18001 (Occupational Health and Safety Assessment Series) requirements and processes at Radial are compliant with OSHA (Occupational Health and Safety Act).

Employee training and talent development

We encourage our employees to develop their skills and competences by offering them training opportunities in our own training academy. In 2017, we enhanced our training offer to better meet the needs of specific target groups at bpost Belgium. For example, a junior training program has been tailored to cover the skills and knowledge they need to do their jobs.

Besides job-specific training sessions, all bpost Belgium employees can follow communication, sales, language and leadership training. Take the Summer Academy, which encourages employees to work on their skills and wellbeing in a low season. There, employees can learn about a range of subjects helping them in their personal development.

bpost Belgium has been running the “Recognizing Experience” program since 2011. The program, which takes around two years to complete, mainly by distance learning, recognizes skills and knowledge acquired on the job, with the additional possibility of earning a higher secondary school diploma. Through to end of 2017, over 700 bpost Belgium employees signed up to the program and 243 employees earned their diploma.

Since 2017, bpost Belgium has partnered with Experience@work, a co-sourcing platform through which senior bpost employees can apply for vacancies at other organizations. The platform was created in 2015 to link up organizations that need experienced people with organizations that have an abundance of experienced people and senior employees who want to put their experience to better use. Experience@work gives these organizations the opportunity to hire senior employees at a junior pay level, and allows senior employees to use their talent, experience and expertise in a new working environment, while remaining on bpost's secure.

Of course, we also value internal mobility. With that in mind, bpost offers employees a broad range of career development opportunities in each of its subsidiaries.

In total, bpost Belgium offered 20.7 hours of career development opportunities per employee. We aim to increase this in 2018.

bpost continues also to recruit new staff. For example, bpost has strengthened its collaboration with VDAB and Forem in order be in direct contact with companies that are restructuring (e.g. KBC and Caterpilar) and to be able to recruit additional staff.

Ethics and diversity

Diversity and inclusiveness

To stay competitive in a changing environment, our company must attract and retain the best talent and needs to offer a wide range of ideas, innovative approaches and solutions to its customers. We think it's important to be open to diversity in all its forms and at all levels of the company. Diversity lets us connect to our customers, to our workforce, to surround ourselves with the best talent in all categories of the population and to be more agile.

Currently, in Belgium, our diversity and inclusion program sets the framework for diversity, equality of opportunity and respect for individuals in the company. The program focuses on engagement, awareness and involvement. It addresses both processes (recruitment, career management) and organizational culture by raising awareness among all staff and by supporting people managers in applying our diversity principles in their daily work.

In 2017 we continued to expand our recruitment channels at bpost Belgium by building new partnerships (Manus, WannaWork, Diversicom, among others). As soon as we hire new employees, we make sure to communicate the principles we value: respect for others, diversity and non-discrimination. These principles are also integrated into our operations (such as our sorting centers' internal regulations) and are regularly reevaluated. The diversity portal accessible to our people managers has been reviewed. This portal helps managers become familiar with the issues of diversity, identify the applicable framework, the role they need to play and offers training opportunities.

In the field, we have improved our welcoming programs and talent detection programs. We are making sure that religious diversity is better understood and better aligned. This year we took an inside look at our practices to see how to move toward more inclusive neutrality in this area. With the leading@bpost cultural change program, we are working to induce a balanced leadership style among our leaders, based in particular on curiosity and openness to others and their way of thinking.

The board of directors have to set the tone at the top. They sponsor the diversity and integration workshops for teams willing to invest in awareness for diversity and inclusion or that want to deal with specific issues regarding diversity and inclusion. What's more, bpost feels that the board of directors and Group Executive Management's different competences and views provides a good understanding of the business organization and affairs.

In the composition of the board of directors and Group Executive Management, special attention is paid to diversity in terms of such criteria as age, educational and professional background, gender and nationality. When considering candidates for vacancies, the Remuneration and Nomination Committee takes account of balanced scorecards of such diversity criteria. For more information on the board composition, see the corporate governance statement in the Annual Report.

Ethics

bpost has a high profile in society and is proud of the role it plays. "To earn trust" is essential and is part of our responsible corporate values. In order to conduct our business in a healthy and honest environment, we follow a policy of zero tolerance for human rights violations and illegal or fraudulent acts or practices. Next to the impacts on the human well-being, not complying with the human rights or anti-corruption laws may strongly affect bpost's reputation and its continuity of business. We believe all humans deserve the same rights, and companies and corporations shouldn't get in the way of that. That's why to us, good conduct is extremely important. In Belgium, we clearly communicate this to all employees through the company's Code of Conduct, which sets out expected and prohibited behaviors in terms of business ethics, compliance with anti-corruption laws, money laundering, gifts and invitations, among other things. Naturally, we value these principles in our other subsidiaries as well. For example, the Radial employee handbook includes a Code of Conduct and Ethics with information on the ethics and business hotline to file reports anonymously. bpost is currently working on a group-wide code of conduct that applies to all its subsidiaries.

By informing, empowering and training employees, we aim to create a culture of compliance with laws and standards, by field of activity.

As a publicly listed company, we also ensure maximal transparency in terms of governance and decision-making processes, in accordance with the highest standards in this area.

bpost also participates in the UN Global Compact. For more information on how we performed on the 10 principles (including human rights and anti-corruption), see our Global Compact Progress Report.

bpost workforce

	bpost		
	2015	*2016*	***2017***
Full time equivalents 31/12	**23,382**	**23,178**	**31,612**[1]
· Fixed term contract	**423**	**282**	**586**
- Male	184	131	289
- Female	239	151	297
· Open-ended contract	**22,959**	**22,896**	**22,767**
- Male	15,766	15,882	15,913
- Female	7,193	7,014	6,854
FTE Subsidiaries[1]	n/a	n/a	8,259
Total headcounts	**25,618**	**25,371**	**33,966**[1]
· Full time	**19,171**	**18,901**	**19,137**
· Part time	**6,447**	**6,47**	**6,323**
· Male	**17,080**	**17,107**	**17,269**
· Female	**8,538**	**8,264**	**8,191**
Head Count subsidiaries[1]	n/a	n/a	8,506
Distribution by age group			
· 0-30	3,546	3,811	4,205
· 31-35	2,462	2,361	2,432
· 36-40	2,630	2,693	2,721
· 41-45	3,750	3,434	3,250
· 46-50	4,529	4,434	4,314
· 51-55	4,520	4,483	4,512
· 56 and over	4,181	4,155	4,016
Average number of temporary staff	767	977	966
Average number of temporary staff Subsidiaries[1]	n/a	n/a	827
Employee turnover			
In	1,607	2,579	2,803
- Male	1,193	1,880	2,039
- Female	414	699	764
Out	2,625	2,681	2,780
- Male	1,811	1,778	1,915
- Female	814	903	805
Employee turnover	8.88%	11.30%	12.00%
- Male	9.26%	11.44%	12.27%
- Female	8.08%	10.97%	10.96%

(1) New scope: including subsidiaries in which bpost SA/NV has a controlling interest (>50%). Please see About our CSR reporting's section for more details on our reporting scope per theme.

Social dialogue

bpost's employees are the heart our business. We want each and every one of them to feel satisfied and enthusiastic so that, in turn, they can enthuse our customers and earn their loyalty. For this reason, we work hard to promote wellbeing and good working conditions for all our employees, but also a culture of dialogue for the managers, be that with their teams or with the trade unions.

Unions

The legislation applicable to bpost Belgium as an autonomous state enterprise and its articles of association explicitly provide for a structure and processes at various levels in order to facilitate efficient negotiation, consultation and information. bpost Belgium has its own Joint Committee and several other forums at national (such as sub-committees and strategic committees) and regional level (such as consultation committees) to foster good dialogue and relations with the unions. When we collaborate this way, we can react promptly to incidents, avoid escalation and mitigate social conflicts. Over the years, bpost has been able to discuss important questions without major social unrest (e.g. when we introduced job classification, revised the absenteeism system, and introduced a new salary scale for temporary staff and flexible working hours).

We appointed two senior-level directors to demonstrate our management's involvement in social dialogue. That's not to mention our teams dedicated to maintaining good relations with Belgian unions.

The good relations we maintain with trade unions pays dividends. Based on the statistics of the FEB (Federation of Belgian Enterprises), bpost Belgium had an average of 1.55 strike days per 1,000 employees in 2017. This is low compared to the average of 196.66 strike days per 1,000 employees for all Belgian companies with more than 1,000 employees[1].

However, there are major challenges on the horizon and we strongly believe in the importance of good relations with our unions. For that reason, we work hard to strengthen social dialogue at bpost. We do so by organizing talks with the unions on key themes for bpost (including corporate leadership culture, corporate strategy and important markets such as parcels).

Employee benefits

In addition to a fixed salary, bpost offers variable performance-based pay, as well as fringe benefits, such as allowances based on performance, a pension plan, meal vouchers, additional leave and health insurance.

Many of these benefits are subject to negotiation with the unions during the wider negotiations on collective labor agreements. The latest Belgian collective labor agreement (CLA) for 2016-2017 includes improved employee benefits, such as more meal vouchers and a higher year-end bonus. The CLA applies to statutory, baremic contractual and auxiliary staff, who make up around 96% of the bpost Belgium workforce. It does not apply to management or our subsidiaries. However, employees at our other subsidiaries are offered benefits that are competitive within the industry.

After good financial and operating results in 2016, bpost Belgium paid a one-off bonus to employees in accordance to the 2016-2017 CLA. This bonus was linked to performance on four objectives: profit, customer loyalty score, legal profit-sharing and attendance levels. A similar arrangement also applies this year. A one-off bonus may be paid in 2018, depending of the performance on these four objectives in 2017.

We also offer various kinds of trainings to help employees and managers improve how they work and communicate (such as feedback culture and talking to trade unions).

Employer attractiveness

bpost Belgium has made significant progress in employer branding, gaining third place in the Randstad's 2017 employer branding study of the best-known private companies in the Belgian transport and logistics sector. Our successful branding exercise for Young Talent and our recent activity in acquisitions and joint ventures have certainly contributed to this. We are challenging ourselves to consolidate and further improve this trend, by looking at the diversity of jobs we offer.

(1) Source; Annick Hellebuyck, Centre de compétence Emploi & Sécurité sociale, September 16, 2015
http://www.vbo-feb.be/en/business-issues/social-dialogue/conflits-sociaux/les-jours-de-greve-ont-connu-un-pic-en-2014_2015-09-16/

Planet

Due to the nature of our activities (logistic services), we have an impact on the environment, whether through our fleet's CO_2 emissions, energy consumption, employee commutes, waste production or subcontracted transport.

By reducing fuel consumption and energy consumption in our buildings, we are able to reduce our CO_2 emissions. The green programs serve as a promise to our customers and stakeholders that we handle every letter and parcel with the smallest possible ecological impact. Data is knowledge, so we monitor our direct emissions (scope 1 and 2), as well as part of our indirect emissions (scope 3), specifically employee commutes, air travel, waste and subcontracted transport.

The bpost Belgium's 2020 objective is to reduce carbon emissions by 45% compared to the 2007 level. CO_2logic, an independent environmental consultancy, has certified that our ambition exceeds the requirement imposed on our industry.

Additionally, bpost has just signed a Science Based Targets commitment letter, in which we commit to set a science-based emission reduction target aligned with the Science Based Targets (SBT) Initiative's eligibility criteria. bpost is currently gathering all the data needed to set a 2030 target. We want to set a group-wide bpost target in 2018. Science Based Targets is an initiative that aims to raise corporate climate change-related ambitions, by supporting companies in setting the emission reduction targets required to keep the increase in global temperature below 2°C.

bpost has also been looking into carbon taxes, emission trading schemes and fuel taxes, as they are expected to feature prominently in global efforts to address climate change. Average carbon prices could increase more than sevenfold by 2030 to USD 120 per metric ton. Carbon taxes and emissions trading schemes have already been implemented in 42 countries, cities and regions.

Adopting carbon pricing forecasts and estimated internal carbon prices will enable bpost to get ahead of the cost of intensifying carbon regulations and adapt to doing business in a low-carbon economy. Internal carbon pricing can help make the case for investments in energy efficiency, low-carbon innovation and renewable energy. With that in mind, bpost is investigating how it can adopt carbon pricing and internal carbon prices.

We are also examining the risk of a prolonged interruption of operations due to fire, flood, storm, increased employee health issues due to a pollution peak in cities or some other factor beyond our control. This risk has grown with climate change, which increases the incidence of extreme natural events.

We aim to set an SBT target by 2030 that will help limit climate change and the incidence of extreme natural events.

KPIs

		bpost			Trend
	Unit	2015	2016	2017	↗↔↘
Green fleet					
% of last mile alternative vehicle fuel (bikes, ebikes, etrikes, EV vans)	%	37	35	38	↗
% of Euro 5 or 6 standard	%	61	67	92	↗
Van fuel consumption	Liters/100 km	9.3	9.3	9.3	↗
Truck fuel consumption	Liters/100 km	27.4	26.8	26.5	↗
Green buildings					
% of renewable electricity purchased	%	100	100	100	↔
Solar energy capacity installed	MWp (Mega Watt peak)	1	1	2.45	↗
	m^2	15,000	15,000	22,664	↗
Renewable electricity consumed	kWh	67,892,375	69,849,643	77,170,495[1]	n/a
Heating oil	kWh	13,130.797	12,418,553	11,811,315[1]	n/a
Natural gas	kWh	60,363,627	61,732,115	82,645,109[1]	n/a
% of Industrial Mail Centers certified ISO 14001	%	100	100	100%	↔
Waste management					
Total waste generated[2]	ton	6,527	6,689	7,249	↘
Residual waste recycled in energy recovery	ton	2,527	2,662	2,666	↔
	%	38	40	37	↔
Recycled paper and cardboard waste	ton	3,875	3,967	4,469	↘
	%	59	59	62	↗
Recycled plastic waste	ton	146	60	114	↘
Hazardous waste	ton	n/a	n/a	6	n/a
	%	n/a	n/a	0,1	n/a
Total recycled waste	**%**	**61**	**61**	**64**	↗
Sold waste (financially valorized waste)	ton	1,799	2,050	2,948	↗
	%	28	31	40	↗

(1) New scope: including subsidiaries in which bpost SA/NV has a controlling interest (>50%), excluding Speos. Please see About our CSR reporting's section for more details on our reporting scope per theme.
Subsidiaries:
- Renewable electricity consumed: 4,519,797 kWh
- Heating oil: 35,683 kWh
- Natural gas: 26,073,600 kWh

(2) Excluding Subsidiaries

	Unit	bpost Belgium 2015	bpost Belgium 2016	bpost Belgium 2017	Subsidiaries 2017	bpost Group[1] 2017
Scope 1	**Teq CO_2**	**70,279**	**69,233**	**68,121**	**10,051**	**78,172**
Natural gas & heating oil	Teq CO_2	16,155	16,909	15,001	7,047	22,048
Postal "fleet" diesel & petrol	Teq CO_2	45,922	44,424	45,420	2,757	48,177
Service vehicles (maintenance)	Teq CO_2	1,105	1,157	1,094	n/a	1,094
Company car fuel	Teq CO_2	7,097	6,743	6,606	247	6,853
Scope 2 (net)	**Teq CO_2**	**602**	**653**	**658**	**3,678**	**4,336**
Electricity (market-based)	Teq CO_2	0	0	0	3,678	3,678
District heating	Teq CO_2	602	653	658	0	658
Total reduction in CO_2 emissions (scope 1&2)	%	-35	-36	-37	n/a	n/a
Scope 3	**Teq CO_2**	**100,713**	**88,147**	**79,806**	**37,764**	**117,570**
Employee commuting	Teq CO_2	20,769	18,192	19,202	4,116	23,318
Business travel	Teq CO_2	486	458	701	285	986
Subcontracted road transport	Teq CO_2	3,882	3,172	3,199	30,229	33,428
Subcontracted air transport	Teq CO_2	74,455	65,118	55,459	n/a	55,459
Waste	Teq CO_2	1,121	1,207	1,245	3,135	4,380
Total CO_2eq emissions (Scope 1+2+3)	**Teq CO_2**	**171,594**	**158,033**	**148,585**	**51,493**	**200,078**

(1) New scope: including subsidiaries in which bpost SA/NV has a controlling interest (>50%). Please see About our CSR reporting's section for more details on our reporting scope per theme.

Electricity's CO_2 emission can be calculated using two methods:

- *The location-based method* reflects the energy mix available at the location where energy is consumed. The type of electricity that is purchased has no impact on this calculation. The CO_2 emission of electricity in 2017, calculated using this location-based method, is 14,457 Teq CO_2 for bpost Belgium and 4,577 Teq CO_2 for the subsidiaries of bpost
- *The market-based method* reflects bpost's choices in terms of electricity supply, such as the purchase of electricity from renewable energy sources. This is set out in detail in contracts between bpost and its energy suppliers. As bpost exclusively purchases green electricity, the CO_2 emission of electricity for 2017, calculated using the market-based method, is 0 Teq CO_2 for bpost Belgium and 3,678 Teq CO_2 for the subsidiaries of bpost

Since alternative fuel vehicle technology is still in its early stages and data loggers are taking long to implement, bpost offset 5,100 Teq CO_2 through the United Nations Clean Development Mechanism and Gold Standard's certified carbon credits.

We note that for employee commuting the calculation method of the distance travelled per transport category has been improved with regard to 2016. We applied this new method retro-actively for 2015 and 2016 for benchmarking purpose.

Green fleet

As a postal and logistical company, the vehicle fleet is at the heart of our environmental challenge. Road transport is the backbone of the Belgian mail collection and delivery network and bpost Belgium cannot fulfill its mission without an extensive fleet. Ours is one of the largest in Belgium. In 2017 we had 7,828 vans, 1,144 mopeds, 546 trucks, 2,561 bicycles, 2,652 electric bicycles, 324 electric delivery three-wheelers and 1 eVan. Our subsidiaries do not own such an extensive fleet. Our biggest subsidiary, Radial, has no fleet.

bpost has also invested in a green fleet through the acquisition of Belgium company Bubble Post. This young organization is specialized in green last-mile delivery in Belgium and the Netherlands, using bikes, electric cars and CNG trucks. Bubble Post strengthens bpost's position in sustainable logistics.

bpost's ambition is to make our fleet greener through the actions below.

Replacing mopeds with electric delivery three-wheeler

We are developing innovative transportation alternatives to help decrease the environmental impact of our transportation activities in Belgium. bpost aspires to reduce the number of conventional last-mile vehicles (vehicles used in built-up areas). Based on extensive internal testing, we now know that three-wheeled electric scooters are a good alternative to traditional mopeds. They offer considerable emission advantages, much better safety and ergonomics, and can carry more products. We therefore started substituting them for traditional mopeds in January 2017. The number of mopeds was reduced from 1,940 in 2016 to 1,114 in 2017, whereas the number of electric three-wheeled scooters increased from 24 in 2016 to 324 in 2017.

The pedelec fleet, also on three wheels, is growing steadily too. bpost can use this fleet to offer low-emission city center delivery that is less dependent on road traffic.

bpost's new subsidiary Bubble Post will teach us even more about green last-mile delivery.

Data loggers and eco-driving training

Responsible driving is another important factor in the pursuit of a greener fleet in Belgium. bpost Belgium has started to install data loggers in delivery vans and trucks. This enables bpost to develop both a driver- and vehicle-based approach to achieve its eco-driving goals. The data loggers automatically warn drivers if their driving behavior is not eco-friendly. In total, 93 data loggers have been installed and we expect more installations in 2018.

bpost Belgium checks vehicle tire pressure on a regular basis and provides eco-driving training to drivers. We regularly organize an Eco-Driving Challenge to raise awareness among employees of their fuel consumption. In 2016, bpost Belgium hosted an international Eco-Driving Challenge in Spa-Francorchamps. The best drivers were invited to take part, based on their fuel consumption over the past six months. Teams composed of a professional driver and a manager took part in a contest to test car handling, eco-driving, safety and customer service. The next International Eco-Driving Challenge will take place in April 2018.

Green Car Policy

Besides our operational fleet in Belgium, we are also responsible for our employee commutes. Bearing in mind that several thousand people make up our workforce, bpost Belgium can have a major impact here. A new Greener Car Policy, which encourages people to choose transport solutions that emit less carbon dioxide, was implemented in 2017.

Green buildings

bpost manages and maintains buildings for operational purposes (around 880 spanning more than 953,450 m^2 in Belgium alone), all of which consume electricity, water and gas.

Our ambition is to minimize the impact of all operations within our buildings. To create green buildings, bpost has rolled out the following initiatives.

Environmental management systems

In addition to the regulatory aspects, bpost Belgium has set up certified environmental management systems (ISO 14001) at its strategic sites and has already obtained certification for its headquarters and all its industrial sorting centers in Belgium. We track our energy consumption through an online energy management portal. This helps ensure that the annual volume of letters and parcels is processed in eco-responsible conditions. In 2017, bpost Belgium ran an ISO 14001 campaign to raise awareness of energy consumption among our people.

Our subsidiary, Dynagroup, has implemented a SHE management system, which follows the ISO 14001 guidelines.

Investing in green equipment, green buildings and green energy

bpost has big ambitions to reduce energy consumption in its facilities and buildings.

In 2013, bpost Belgium opened two state-of-the-art low-energy buildings in Mons and the Verviers region. More recently, the new Brussels X sorting center (NBX) that opened in 2017 has 100% LED lighting. The impact is massive – this center is by far the biggest sorting center in Belgium, with more than 70,000 m^2, an equivalent of 14 football fields.

bpost is investing in energy-friendly solutions in our existing Belgian buildings, such as new lighting systems, thermal insulation, upgraded heat ventilation and air conditioning. For example, bpost is discussing with potential suppliers about completely overhauling the lighting at our sorting centers to halve its energy consumption from lighting.

Besides reducing our energy consumption, we also want to review the kind of energy we use. We consume 100% green energy and produce more and more electricity ourselves. In 2017, 17,000 m^2 worth of new solar panels were installed on our sorting centers' roofs in Charleroi and Liège. These solar panels now generate the equivalent annual consumption of around 500 households, doubling bpost's photovoltaic energy capacity. In total we have more than 22,500 m^2 worth of solar panels. But that's not all. We plan to install another solar farm on the roofs of our Antwerp sorting center in 2018.

bpost also plans to install its own windmill in Belgium in 2020. The retail stores of our subsidiary Ubiway are exclusively powered by renewable energy, and only LED or high-pressure lighting is installed. Ubiway's headquarters further obtained a BREEAM in-use certificate due to its high ecological efficiency.

This overall approach has earned bpost first place in the world's greenest postal companies for the fifth consecutive year.

Waste management

We're always working to generate less waste and improve our waste management. All mail sorting centers, mail centers and administrative buildings in Belgium have to manage waste properly. This includes thoroughly sorting all the waste streams, fitting collection and transport by a registered waste partner and recycling (paper, drink cartons, plastic bottles, metal) or disposal with energy recovery. In 2017, bpost Belgium generated 4.5 million kilograms of paper and cardboard waste, 2.7 million kilograms of residual waste and a relatively small fraction of plastic waste (0.1 million kilograms). 100% of all plastic, paper and cardboard waste is recycled and 100% of our unsorted waste is also recycled for energy recovery. Hazardous waste comprises only a small fraction (0.1%) of total waste.

Our ambition is to monetize 100% of our recycled waste. In short, we want to create a circular economy in which we transform our waste into a raw material.

To achieve our recycling goals, we focus on promoting correct waste selection through awareness campaigns and internal audits. We will also investigate opportunities on to improve the way we monitor and manage waste streams at our subsidiaries.

A lot of our waste is generated in parcel transport operations. Loose-load – rather than palletized – parcel transport is an example of an effective way to minimize cardboard, pallets and plastic film use.

Together with our registered waste partners, we find solutions to improve how we select waste so that we can recycle in an economical, ecological and efficient way. Paper/cardboard and plastic waste is now collected in larger containers at 32 Belgian sites. This reduces transport, cutting CO_2 emissions.

Proximity

As a Belgian company with an international reach, we are in contact with wider society on a daily basis. Our products and services are highly accessible, through a Belgian network of 1,300 points of sale, among other places. Every one of the 589 Belgian municipalities has at least one post office that provides postal and banking services. Around 10,000 employees can be seen on Belgian streets every day, delivering mail to 4.5 million households. Thanks to their efforts, we are closer to our customers, suppliers and communities. We work hard to stay close to society, so that we can respond to current and future needs, both nationally and internationally.

KPIs

		bpost			Trend
	Unit	2015	2016	2017	↗↔↘
Proximity to our community					
Total donations	1000 EUR	216	229	461[1]	↗
Proximity to our suppliers					
% of purchases for which the sustainable procurement policy was used in terms of procurement spent	%	80	85	90	↗
% of spent on local procurement	%	88	87	90	↗
% of certified recycled paper purchased	%	99	99	99	↔
% of suppliers assessed during the reporting year on CSR risks in terms of procurement spent	%	80	85	90	↗
Proximity to our customers through our services					
Number of letters for which customers offset their mail carbon emissions	Number	175	148	159	↗
Carbon offset	teq CO_2	2,528	2,056	2,404	↗
# of municipalities using bclose	Number	10	13	7	↘

Proximity to our society

bpost is engaged with society through its support for a number of social projects, especially projects and organizations that align themselves with the bpost mission: "Always on the move to bring you closer and make your life easier".

We focus mainly on social inclusion, especially through our long-standing support for the fight against illiteracy. On top of that, we also want to improve the biodiversity and environment of our local communities.

We keep most of our social initiatives in Belgium, since that is where our core business is. But given the increasingly international character of bpost's business, we're starting to broaden our scope to support initiatives outside Belgium too. We encourage subsidiaries' local management to set up regular activities that benefit society.

(1) New scope: including subsidiaries in which bpost SA/NV has a controlling interest (>50%). Please see About our CSR reporting's section for more details on our reporting scope per theme. Donations in the subsidiaries= 90k€

Proximity for a better society

bpost Literacy Fund

bpost supports the drive to improve literacy rates. We put our money where our mouth is by helping fund the bpost Literacy Fund, which was established in 1997 and is managed by the King Baudouin Foundation. In 2009 we gave the fund a new boost by donating part of the revenue of a Christmas stamp sale. The Fund has received more than 1,360,000 euros over the past eight years, helping it support new literacy projects run by various organizations. In 2017 the bpost Literacy Fund received 150,000 euros worth of grants.

Promoting writing among children

bpost launched an educational program to promote writing among children aged 6 to 12. The goal was to introduce children to the basics of the mail business by encouraging them to write letters and cards. Teachers have access to a range of educational tools that can be downloaded from the bpost website for their lessons based on the age group.

Nearly 400,000 letters are sent to St. Nicolas in November and early December every year. For six weeks, bpost employees help the saint in his work by sending a gift to every child who contacts him.

Promoting volunteer work - Star4U

In our Star4U initiative, bpost encourages employees who volunteer for social, cultural, social or environmental projects. The selected projects are closely connected to bpost's values: social service, care, culture, development aid, sport, nature and the environment. bpost employees and independent experts come together to form a panel of judges that evaluate the merits of the application. In 2017, 71,000 euros was invested in Star4U. A new edition will be launched in 2018, with special attention for projects focusing on diversity, sustainability and care for people.

Child Focus

In 2018, bpost will issue a stamp in honor of the 20th anniversary of Child Focus. To back that momentum, bpost is now more involved in the search for missing children. We now display all-points bulletins on screens in post offices as soon as they are released. In doing so, bpost uses the proximity of post offices to help bring these reports to the attention of the general public locally or nationally.

12-12 consortium

As well as structural partnerships, bpost also supports specific short-term initiatives as needed. In 2017, armed conflict, climate change and extreme poverty created a famine that threatened 20 million people in Africa. Six organizations joined forces in the "Famine 12-12" campaign, focusing on the four worst affected countries. bpost supported the campaign with a 25,000-euro donation and a pledge to match the 5,000 euros donated by its employees.

Remarkable enthusiasm for solidarity

Between October 12 and 18 2017, many bpost employees helped Belgian food banks collect food at Delhaize stores across the country. Our active contribution to this drive helped fight against hunger and food waste. bpost shared the food and donations among various charities that work on the field to help the less fortunate. Our bpost employees' enthusiasm in this action is a testament to their social engagement.

Based in Brussels, with a window on the world

Sprout to be Brussels

bpost has a heart for Brussels: our headquarters are there, as is the new Brussels X sorting center. And our delivery rounds and post offices ensure we are very close to the city's population. Based on the special relationship bpost has with Brussels, we are a founding member of Sprout to be Brussels, a movement that arose after the 2016 terrorist attacks, uniting various Brussels-based corporate, cultural and institutional organizations. The goal is to encourage citizens, workers and tourists to proclaim their pride for the city. In 2017, bpost donated 50,000 euros to Sprout to be Brussels.

Doctors without Borders

From its Brussels head office, bpost is continuously expanding its activities outside Belgium, and is increasingly an international organization. With this in mind, in 2017 bpost set up a new partnership with Doctors without Borders, another organization that coordinates global operations and activities out of its headquarters in Brussels. Doctors without Borders shares the bpost values of proximity, neutrality and inclusivity. The organization works on the ground, close to local populations, providing medical support in emergencies. In total, we contributed 70,000 euros to Doctors without Borders in 2017.

Biodiversity & local environment

bpost forest

bpost contributes to the creation of natural habitats. Using lands spread around different areas, we contribute to maintaining biodiversity and local flora. One plot of land owned by bpost in the Oude Landen area near Ekeren has been transformed into nature reserve run by Natuurpunt. Another, Parc Raspail, in Brussels is run by the municipality of Uccle. These two pieces of land have been given free of charge on a 33-year lease for a biodiversity protection initiative. In doing so, bpost wants to allow the city to renovate parks and give the public access to nature.

Natuurpunt and bpost have planted a one-hectare "bpost forest" in the Waver forest in Lier.

Beepost

As part of its sustainable development policy, bpost has hosted several bee colonies on the roofs of the bpost head office in Brussels in partnership with the Made In Abeilles cooperative. This initiative began by setting up beehives on the terraces of the Brussels head office to give bees a safe place to build their colonies. Through this pilot project, bpost strengthens its environmental initiatives and contributes to meeting the challenges of biodiversity with the aim of reducing its ecological footprint. This project promotes better use of our roofs and offers a response to the mass disappearance of bees and the loss of associated biodiversity. In September 2017, bpost received the PostEurop "Coup De Coeur" environments award for its Beepost initiative.

Proximity to our suppliers

Procurement policy

Our ambitions are not limited to our own business – we look at the whole supply chain. bpost Belgium deals with 178 major suppliers. The most business-critical suppliers are the fleet, subcontractors and interim and sorting machines. We encourage sustainability in the procurement processes. This serves as one of the most important aspects in bpost's transition towards a sustainable business model. This goes for all of our subsidiaries, and we are examining whether we can and should implement our procurement policies in every one of them. One step in the transition toward a sustainable business model was our participation in the Flemish Government's Green Deal Sustainable Procurement ("Circular Economy") initiative. In this partnership, bpost commits to implement two sustainable procurement pilots annually before June 2019. The bpost pilots will cover relighting and green fleet.

It's also important to our stakeholders that we find suppliers locally, so we monitor our spending on local suppliers.

Sustainable products, materials and services

bpost's sustainable procurement policy is based on the European Commission's DG Environment for Green Public Procurement (GPP) requirements and social requirements where multiple product groups can be differentiated. Each product is judged on its technical aspects, social and environmental performance. Each contract that exceeds a predefined value and has an impact on sustainability is assessed against a number of sustainability criteria. In 2017, 90% of procurement at bpost Belgium was covered by the sustainable procurement policy. Our ambition is to reach 100% in the coming years.

Plus, bpost is committed to becoming the best in class in responsible paper consumption. Our partners, PEFC and FSC, helped us achieve that goal. Various measures have already been taken in recent years: 99% of the paper we buy is PEFC and/or FSC certified or recycled; 100% of our postage stamps are printed on FSC paper.

Supplier assessment

To enforce the sustainable procurement policy, an environmental and social clause is included in the contracts. That means suppliers who want to work with us have to work in proactive and innovative ways to improve the environmental and societal impact of the goods they supply, the services they provide and the work they perform. If a supplier repeatedly fails to comply with bpost's specific requirements, the contract may be terminated, in extreme cases. For more details, see our Supplier code of conduct and our Supplier general terms and conditions. We are currently looking at whether we can implement this Supplier code of conduct with all of our subsidiaries

We also partner with Ecovadis to conduct supplier CSR risk assessments that give us a better idea of their vision and results in terms of sustainability. Environmental performance (energy, water, waste, products) and social performance (health and safety, working conditions, child/forced labor) are taken into account. Suppliers are rated on a scale of 1 to 100. If the score is too low, bpost discuss with the supplier to find ways to improve its CSR performance.

In 2017, we assessed the CSR risk of suppliers that account for 90% of our procurement spending.

Proximity to our customers through our services

bpost looks beyond its own operations. Because of our proximity to our customers, we are able to keep on top of their emerging needs. Our customers care about the impact of their actions. So we want to help them make sustainable decisions and assess their impacts. With that goal in mind, we market responsible products and services.

Carbon Meter service

Our Carbon Meter enables our customers to measure the carbon footprint generated by their advertising mail flows, so they can make well-informed decisions that minimize their environmental impacts (in terms of type of paper, use of cardboard, size and inks, for example).

Carbon offsetting service

Additionally, we give our customers the possibility to offset the carbon emissions generated during the delivery of their mail items. This service, a joint initiative with CO_2logic, raises financing for climate projects to cut greenhouse emissions in emerging countries. It is crucial to also support energy efficiency, renewable energy, and reforestation and anti-deforestation projects in developing countries. We do all share the same atmosphere, after all. Following the Paris Agreement, developed countries will reduce their carbon emissions to meet the targets to restrict global warming to +2°C, but the challenge will be to address the rising population growth and energy need in developing countries. For each CO_2 reduction achieved through the support of Gold Standard certified climate projects in developing countries, we also generate a positive contribution to key UN SDGs (climate action, life on land, sustainable communities, no poverty, good health). The 'Saving trees in Uganda' project, for example, supports Ugandan cookstove manufacturers with technical assistance, marketing and distribution. These activities make improved cookstoves more accessible and affordable to the local population. The cookstoves reduce wood and charcoal consumption significantly (up to 2 tons of CO_2 per year per stove, on average), save each family US$100 annually and reduce household air pollution.

CityDepot service

bpost introduced a solution to solve mobility problems in and around cities. With CityDepot, road haulers can unload their cargo at a specially equipped depot in the suburbs rather than driving into the downtown area. CityDepot then makes a same-day combined delivery to the final recipients.

The carbon balance of this service is very positive and contributes to the development of sustainable cities. More details can be found at https://www.citydepot.be.

Beyond the environmental impact of our services, we also aim to offer services that have a social impact and help identify social issues.

bclose service

Loneliness and social isolation among the elderly and vulnerable are often hidden. With that in mind, the local social aid and welfare department (CPAS/OCMW) embraced our bclose service. The local postman or postwoman is a familiar face and a trusted person who walks past every door every day. That makes him or her the ideal person to assess whether senior citizens (as identified by CPAS/OCMW) are socially isolated. bclose's service can strengthen human contact and identify the needs of certain target groups. Based on the information provided, action can be taken to help these isolated people and integrate them into community life.

Our bclose service was nominated by ThiShift for the Partnership Award. Igor Lefebre, CSR manager of ELIA and member of the jury of the Partnership Award said: "The bclose project has caught the attention of the whole jury."

Dynasure passport delivery

Dynasure, one of our subsidiaries, delivers renewed passports to Belgian citizens when it suits them best. That means that citizens no longer need to fit their schedules around the opening hours of local government offices, which are often inconvenient. Instead of having to go to the local government office twice, Belgian citizens now only have to go once to apply for their passport, provide their digital fingerprints and sign. The passport is delivered when it is convenient for them. Another example of bpost making life a little easier.

Bubble Post

Bubble Post is a start-up specialized in eco-friendly last-mile deliveries. By working with warehouses on the outskirts of built-up areas, developing smart software and using cargo bikes, electric cars and CNG trucks, Bubble Post is able to deliver its customers' products downtown in a clean and efficient way. Together with Citydepot, bpost has expanded its last-mile delivery network and brings products closer to its customers.

Sustainability governance

Our sustainability governance structure is integrated in existing organizational structures and operations to make sure that sustainability is totally integrated in bpost's "Business as Usual" processes. A steering group is in charge of initiating and monitoring the sustainability program. The steering group is composed of various business functions, such as the CEO, CFO, CHRO, Public Affairs, BU representative(s) and Global Head of Sustainability.

The CEO, CFO and CHRO have final word in controlling and sponsoring the CSR projects and initiatives. CSR criteria are also taken into account in the individual evaluation of the CEO and are distrubted throughout the organization through multiple business unit representatives.

The Global Head of Sustainability coordinates and consolidates the sustainability program, which is carried out by the following people or departments:

Planet: The Energy and Environment Department manages the buildings and waste of bpost Belgium. This department monitors the green energy supply, coordinates the annual energy audit to find energy reduction possibilities (HVAC, relighting, isolation) and organizes best practice waste management (recycling and valorization).

The Fleet Management Department of bpost Belgium manages the fleet infrastructure and R&D for green fleet solutions.

Both departments set their annual targets, the Global Head of Sustainability evaluates whether the targets are in line with overall CO_2 reduction objectives.

People: The CHRO oversees the wellbeing of our people and evaluates performance in terms of diversity, ethics, training and health and safety.

bpost Belgium has appointed a prevention director to oversee health and safety, supported by the regional and national prevention managers. In addition to the prevention managers, project managers initiate, evaluate and follow up safety projects, hold employee prevention meetings and organize road safety training, safety campaigns and safety communication.

HR-CSR data and performance are evaluated annually by the steering group.

Proximity: bpost Belgium's Head of Procurement takes care of social and environmental matters upstream in the supply chain. This person also sets internal targets in line with the CSR ambitions (together with the Global Head of Sustainability). The procurement department includes a procurement manager, who is in charge of following up initiatives and targets.

Community outreach initiatives have their own manager, who generally reports to the public affairs director.

Each Star4U community project is selected by an independent jury based on the applications received. The impact, budget and schedule of each project proposal are assessed against specific criteria (diversity, sustainability and care for people).

The King Baudouin Foundation manages the bpost Literacy fund.

Our ambition is to integrate the subsidiaries in a similar process of embedding sustainability (culture and processes). Best practices can be recorded and shared with the whole the bpost Group.

CSR REVIEW

Stakeholder engagement

We involve and engage stakeholders at all levels of the company. We identify stakeholders and their expectations using existing approaches and processes like surveys, forums, social dialogue, examination of contracts with suppliers and customer feedback (notably via social networks) and roundtables. See the table on the next page for an incomplete list of external stakeholders and how we engage with them.

To better target our efforts through to 2020, we involve stakeholders in our strategic thinking and, together with them, we define bpost's future challenges in terms of sustainable development. Click here to view our Stakeholder Policy

Stakeholder group	*Stakeholder engagement*	*Topics raised*
NGOs/Partners	bpost engages with its partners and exchanges best sustainable development practices between postal operators, via the International Post Cooperation and Post Europe, The Shift and The Club of Rome EU Chapter Sustainability networks.	• Green fleet • Green building • Ethics and diversity • Community involvement • Waste management
Suppliers	bpost performs a study among its main suppliers to gain greater insight into their vision and their sustainability results (Ecovadis methodology).	• Continuity of our business • Ethics and diversity • Green fleet • Responsible products and services • Responsible and sustainable procurement
Employees/trade unions	bpost engages with its employees through annual measurements of employee wellbeing and engagement, the company organizes communication and awareness initiatives with staff on CSR themes and has monthly consultations with social partners to implement and monitor change projects and projects affecting welfare at work.	• Continuity of our business • Employee satisfaction and engagement • Employee health and safety • Ethics and diversity • Social dialogue • Employee training and talent development
Customers	bpost engages with its customers through annual satisfaction surveys, a customer service contact point and an active presence on social networks (Facebook, Twitter) and the website.	• Customer satisfaction • Green fleet • Employee health and safety • Responsible and sustainable procurement • Responsible products and services
Shareholders and investors	bpost engages with its shareholders and investors through annual shareholder meetings, quarterly communications of bpost's results and the Investor relations point of contact.	• Continuity of our business • Customer satisfaction • Employee training and talent development
Authorities	bpost has regular contact with the government and local authorities to inform them of the company's plans.	• Green building (Brussels Certification PEB (Building Energy Performance)) • Green fleet (electric vehicles) • Community involvement • Social dialogue • Employee training and talent development

CSR REVIEW

About our csr reporting

Reporting principles

This CSR report has been prepared in accordance with the GRI (Global Reporting Initiative) Standards (core option).

Materiality assessment

As required by the GRI SRS, bpost uses the materiality assessment methodology to determine the CSR topics that are the top priority for bpost and its stakeholders. These topics should receive focused attention and therefore be included in bpost's reporting. The materiality assessment was performed in 2016 and was updated at the beginning of 2017 by consulting both external stakeholders (employees, knowledge centers, NGOs and partners, trade unions, suppliers and clients) and internal stakeholders (CEO, executive committee, business unit and department representatives) of bpost Belgium. The materiality assessment included the following two main steps:

Step 1 - identification of material topics: The purpose of this step is to get an overview of all the topics bpost might include in its report. A list was compiled based on GRI standards, the ISO 26000 guidelines, other commonly accepted (CSR) frameworks and reports of peers. The list was completed by adding specific topics relevant to bpost's activities and the CSR strategy, where necessary. Based on this list, bpost determined the relevance of each subject so that the topics with the highest relevance were kept for step 2, the setting priorities.

Step 2 – prioritizing material topics: In the second step, all relevant topics were arranged based on their significance and influence level. When determining the significance, bpost considered the topic's interest from the perspective of both bpost and its internal and external stakeholders. bpost distinguishes two types of subjects:

- High significance topics (in the upper right corner): these topics represent the highest priority for bpost and are considered the focus areas and the core of the CSR reporting.
- Moderate significance topics (remaining three corners): these subjects are also relevant and monitored, but they may not always be (fully) covered in the CSR reporting.

Materiality matrix

Scope and boundaries

The information used for this report, in line with the GRI Standards for Sustainability Reporting, presented in the CSR report was collected from internal departments and is mainly based on information available through internal reporting.

Unlike last year's activity report, the information relates to all of bpost's activities, including its subsidiaries, unless specifically stated otherwise.

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

Subsidiary		*Date of acquisition*	*% of FTE Subsidiaries*	*Scope*		
Name	*% shares*			*Planet*	*People*	*Proximity*
Radial	100%	2017	76%	●	●	●
Dynagroup	100%	2017	6%	●	●	◔
Bubble post	100%	2017	<5%	◔	◔	◔
Ubiway	100%	2016	7%	●	◔	◔
Apple Express	100%	2016	<5%	●	●	◔
FDM	100%	2016	<5%	●	●	◔
De Buren	51%	2016	<5%	◔	◔	◔
Parcify	100%	2016	<5%	◔	●	◔
Alvadis	100%	2016	<5%	◔	◔	◔
City Depot	99.7%	2015	<5%	◔	●	◔
Landmark	100%	2013	5%	◔	●	◔
Speos	100%	2001	<5%	●	●	◔
Euro Sprinter	100%	2002	<5%	●	◔	◔

◔ Limited data available for subsidiary

◕ Data almost complete for subsidiary

● Data complete for subsidiary

The subsidiaries in scope are included as of the date of acquisition. If the subsidiary was acquired in 2017, the data only covers the period after the date of acquisition.

All environmental and social data presented on our website and in the 2017 Activity Report concern reporting year 2017 (January 1 to December 31, 2017).

Data quality and reliability

The quality and reliability of environmental data in the CSR report is ensured by the Environmental and Energy Department of bpost Belgium, which performs data checks and analyses on a yearly basis, develops reduction plans and works closely with the different authorities. We involved various external parties when assessing the quality of the reported data: CO_2Logic, ISW Europa and Deloitte.

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

We are currently implementing new internal reporting processes in order to improve the reliability of data provided by our subsidiaries. Further action will be taken in 2018.

External verification

SGS, an external body, has checked the quality of bpost's CO_2 emissions data. Also, bpost has obtained ISO 14001 certification. bpost will consolidate its data, including subsidiaries, before submitting its CSR report for external verification.

Awards and partnerships

Awards, benchmarks and ratings

bpost received the following recognitions for its CSR approachcovered in the CSR reporting.

International Post Corporation: 1st on the international ranking	**Post Europe:** CSR Coup de Coeur Award for bpost's eco-driving program in 2015 and for BEEPOST in 2017.	**Ecovadis CSR rating agency:** Gold rating (72/100) BPOST SA (GROUP) is in the top 1% of rated suppliers by EcoVadis in all categories.
Lean & Green Award from the VIL in partnership with **Logistics in Wallonia**.	**Carbon Disclosure Project:** bpost was included on the A list of the CDP Climate Performance Leadership Index (CPLI) in 2014.	bpost was selected for inclusion on the **Ethibel Sustainability Index** (ESI) Excellence Europe.
CO_2 neutral mailings: for our own mailings, optional for our clients	**Brussels Diversity Label**	**Belgian Business Award for the Environment:** bpost was ranked second in Environmental Management in 2016

Partnerships and memberships

Sustainability and CSR are not possible alone. bpost engages in the following partnerships in order to contribute to sustainable development:

- **International Post Corporation**
- **Post Europe**
- **CO_2logic**
- **The Shift**
- **UN Global Compact**
- **UN Sustainable Development Goals (Belgian charter)**
- **Lean and Green**
- **Green Deal Ciruclair Aankopen**
- **FSC/PEFC**
- **Natuurpunt**
- **Fost Plus**
- **Diversity Managers Association Belgium**
- **Pluribus Europe**
- **Experience@work**
- **Diversicom**
- **WannaWork**
- **DUO for a job**

Report of the Joint Auditors to the General Meeting of bpost SA de droit public / bpost NV van publiek recht for the year ended 31 December 2017

As required by law and the Company's articles of association, we report to you as statutory joint auditors of bpost SA de droit public / bpost NV van publiek recht (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of the financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2017 and the disclosures (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as statutory joint auditors by the shareholders meeting of 13 May 2015, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and on recommendation of the Workers Council. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending 31 December 2017. We performed the audit of the Consolidated Financial Statements of the Group during 9 consecutive years.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of bpost SA de droit public / bpost NV van publiek recht, which consists of the consolidated statement of the financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2017 and the disclosures, which show a consolidated balance sheet total of EUR 3,223.3 million and of which the consolidated income statement shows a profit for the year of EUR 322.9 million.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 31 December 2017, 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 ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect of independence.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Long term employee benefits

Description of the matter

Provisions for long term employee benefits amount to EUR 326.9 million as of 31 December 2017 and are disclosed in note 6.27 to the Consolidated Financial Statements. This area is important to our audit because of the magnitude of the amounts, the judgments involved concerning the key actuarial assumptions (such as discount rates, inflation, mortality, increase in salaries and medical costs, …) and the technical expertise required to evaluate these provisions and to properly reflect the impacts in the Consolidated Financial Statements in accordance with IAS 19. In addition, appropriate internal control procedures are important to ensure that the underlying participant data (such as population, age, years of service, wage, …) are correctly managed and the amendments to the plans are properly and timely reflected in the Consolidated Financial Statements.

Description of procedures performed

Our procedures included, amongst others, the following:

- We have performed a detailed review of the actuarial report prepared by the external actuary engaged by the Company to ensure that all characteristics of the plans have been properly considered in the actuarial calculations.
- We have assessed the expertise, independence and integrity of the external actuary engaged by the Company.
- We have compared the input data used for the calculation of the provisions by the external actuary (such as population, age, years of service, wage, …) with source information of the human resources department of the Company.
- We have assessed the appropriateness of the key actuarial assumptions (such as discount rates, inflation, mortality, increase in medical costs, …) with the assistance of our internal actuarial specialists.
- We have verified that the actuarial calculations are properly reflected in the provisions recorded in the Consolidated Financial Statements and ensured that impacts are correctly recorded in accordance with IAS19.
- We have performed detailed analytical reviews on the important long term employee benefits plans by reviewing the roll-forward of the provisions to understand the changes in the valuation of the provisions compared to last year.
- We have assessed the adequacy and completeness of the disclosures presented in the note 6.27 of the Consolidated Financial Statement based on the requirements of IAS19.

Business combinations

Description of the matter

Over the last two years, the Company entered in several significant business combinations leading to a total carrying value of goodwill recognized for EUR 769.7 million as of 31 December 2017 and for which significant earn-out liabilities are estimated based on the contingent consideration arrangements (EUR 78.2 million as of 31 December 2017). As described in notes 6.6 and 6.19 to the Consolidated Financial Statements, a significant amount of goodwill (EUR 571.7 million) is still provisional considering that the Company has one year to perform the purchase price allocation in accordance with IFRS 3.

The purchase price allocation requires the alignment of the accounting records of the acquired entities with the accounting policies of the Company and involves significant judgments and estimates by the management to assess the fair value of the assets acquired and liabilities assumed in accordance with IFRS 3. In addition, the valuation of the earn-out liabilities requires also significant judgements on the underlying assumptions used in the calculation models which are mainly based on budget plan Key Performance Indicators's (KPI's) as determined in the share purchase agreements.

Description of procedures performed

Our procedures included, amongst others, the following:

- We have performed audit procedures on the financial information of the acquired entities at the date of acquisition. We have assessed and discussed the key findings identified during the due diligence procedures performed by the external experts engaged by the Company. Finally, we have validated the alignment of the local financial information with the accounting policies of the Company.
- We have validated, with the assistance of our internal valuation experts, that the methodologies used by the Company for the estimation of the fair value of assets acquired and liabilities assumed are in accordance with IFRS 3 and industry practices.
- With the assistance of our internal valuation experts, we have assessed and benchmarked the key inputs and assumptions (underlying opening balances, business plans, discount rates, EBITDA margins, growth rates, …) used in the purchase price allocation calculations prepared by the Company with assistance of the third party valuation experts.
- We have assessed the competence, independence and integrity of the third party valuation experts used by the Company.
- We have validated all significant accounting entries relating to the fair value impacts on assets acquired and liabilities assumed resulting from the purchase price allocation.
- With respect to the valuation of the earn-outs liabilities, we have analyzed the contractual agreements and verified whether the conditions are correctly reflected in the valuation of the estimated earn-outs liabilities. We have assessed and discussed the business plans of the acquired entities that are used as basis to determine the earn-out liabilities. Finally, we have assessed the mathematical accuracy of the detailed calculations supporting the valuation of these earn-out liabilities.
- Furthermore, we have assessed the adequacy and completeness of the disclosures in notes 6.6 and 6.19 to the Consolidated Financial Statements based on the IFRS requirements.

Revenue recognition

Description of the matter

Revenue recognition is a key audit matter in our audit considering the amounts involved (EUR 3,023.8 million of operating income for 2017) and the complexity and assumptions used to estimate several revenue at year-end. The main risk areas relate to:

- Revenue relating to the financial compensation for Services of General Economic Interest ("SGEI", EUR 270.0 million as disclosed in note 6.8 to the Consolidated Financial Statements) that is estimated at year-end based on complex calculations and principles contractually agreed. The contracts with respect to SGEI include different calculation models for the determination of the annual financial compensation for which the lowest compensation is granted and thus taken into consideration for the revenue recognition. These calculation models are based on various input data (such as actual volumes, quality targets, incurred costs relating to the concerned services, …) and involve management estimates.
- Revenue of December 2017 for Radial that is estimated at year-end and will be billed to customers in January 2018. Radial is providing E-commerce outsourcing services (Technology services, payment processing services, shipping and handling services, 24/7 customer services related to the webstores, order management and fulfillment) and other professional services to its customers. The estimation of the December 2017 revenue is complex considering the various input data used in the calculations, the volume of transactions and the specific contractual conditions agreed with customers.
- Revenue with other postal operators ("terminal dues") that is estimated based on complex calculations involving various input data. The estimation of these revenues is based on volumes exchanged (in kilogram's and per item), the prices agreed with the foreign postal operators and also other contractual conditions.

Description of procedures performed

Our procedures included, amongst others, the following:

- We have gained an understanding of internal control environment relating to the revenue processes, performed walkthroughs of the significant revenue classes of transactions and evaluated the design and operating effectiveness of key internal controls. We have also evaluated the IT general controls and key IT application controls supporting the revenue processes with the assistance of our internal IT experts.
- We have assessed the management's estimation process and challenged the calculations by performing (i) an assessment and comparison of the key inputs and assumptions used in the calculation models with the contractual agreements, (ii) a validation on whether the transfer of risks and rewards is properly reflected based on the contractual agreements and (iii) a reconciliation of the key underlying data used in the revenue calculation models (e.g. volumes, prices, …) with underlying IT systems, contracts and other documents provided by external parties.
- We have performed disaggregated analytical procedures on the important revenue streams to detect unusual trends or transactions by comparing revenue with last year and performing a monthly analysis of revenue.
- We have performed subsequent events procedures by reviewing significant transactions recorded during 2018 and comparing these transactions with estimates recorded at year-end.
- We have assessed the adequacy and completeness of the disclosures on revenue in the Consolidated Financial Statements based on the IFRS requirements.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium. This responsibility involves implementing internal controls 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.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company s ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Director's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going-concern;
- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the underlying transactions and events in a true and fair view.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Director's report over the Consolidated Financial Statements and other information included in the annual report.

Responsibilities of the Joint Auditors

In the context of our mandate and in accordance with the additional standard (Revised) to the International Standards on Auditing (ISA's) applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Director's report over the Consolidated Financial Statements and other information included in the annual report, as well as to report on these matters.

Aspects relating to Board of Director's report and other information included in the annual report

In our opinion, after carrying out specific procedures on the Board of Director's report over the Consolidated Financial Statements, the Board of Director's report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 119 of the Belgian Companies Code.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Director's report over the Consolidated Financial Statements and other information included in the annual report, being:

- Overview of the key figures
- Message to the stakeholders
- Key events of the year

contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, we do not need to report any material inconsistencies. In addition, we do not express any form of reasonable assurance regarding the Board of Director's report over the Consolidated Financial Statements and other information included in the annual report.

The non–financial information required by article 119 §2 of the Belgian Companies Code has been included in the annual report report over the Consolidated Financial Statements. The Group has prepared this non-financial information based on the Global Reporting Initiatives Standards (hereafter "GRI"). However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with GRI. We also do not express any form of reasonable assurance regarding the individual elements included in this non-financial information.

Independence matters

We have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and have remained independent of the Group and the Company during the course of our mandate.

The fees for additional services that are compatible with the audit of the Consolidated Financial Statements intended by article 134 of the Belgian Companies Code have been correctly disclosed and detailed in the disclosures to the Consolidated Financial Statements.

Other communications

This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Brussels, 13 March 2018

Ernst & Young Réviseurs d'Entreprises SCCRL
Represented by

Eric Golenvaux
Partner*
*Acting on behalf of a SPRL

PVMD Bedrijfsrevisoren BCVBA
Represented by

Caroline Baert
Partner*
*Acting on behalf of a BVBA

GRI Standards Content Index - Core option

GRI 102: General disclosures		
1. Organizational profile		
102-1	Name of the organization	Financial consolidated statements 2017 - bpost group structure, p. 100
102-2	Primary brands products and/or services	CSR Review - CSR ambition and strategy (Value creation), p. 125
102-3	Location of organization's headquarters	Place de la Monnaie, 1000 Brussels, Belgium
102-4	Countries where the organization operates	CSR Review - CSR ambition and strategy (Value creation), p. 125
102-5	Nature of ownership and legal form	Financial consolidated statements 2017 - bpost group structure, p. 100
102-6	Markets	Financial consolidated statements 2017 - 6. Notes to the consolidated financial statements (6.33 Group companies), p. 96-97 CSR Review - CSR ambition and strategy (Value creation), p. 125
102-7	Scale of the organization	Overview of the key figures, p. 3 CSR Review - CSR ambition and strategy (Value creation), p. 125
102-8	Composition of workforce	CSR Review - People (bpost workforce), p. 131
102-9	The organization's supply chain	CSR Review - Proximity (Proximity to our suppliers), p. 140
102-10	Significant changes during the reporting period regarding size, structure or ownership	Message to the stakeholders, p. 4-5
102-11	Precautionary approach or principle addressed by the organization	CSR Review - Planet, p. 133 CSR Review - Proximity (Proximity to our customers through our services), p. 140
102-12	Externally developed charters, principles, or other initiatives to which the organization subscribes or which it endorses	CSR Review - Partnerships and memberships, p. 146
102-13	Memberships of associations, including industry associations	CSR Review - Partnerships and memberships, p. 146
2. Strategy		
102-14	Statement from senior decision-maker	Message to the stakeholders, p. 4-5
3. Ethics and integrity		
102-16	Description of the organization's values, principles, standards and norms of behavior	CSR Review - CSR ambition and strategy (Value creation), p. 125 CSR Review - People (Ethics and diversity), p. 130
4. Governance		
102-18	Governance structure	Corporate Governance Statement - Board of Directors and Executive Management, p. 106-111 CSR Review - Sustainability governance, p. 142

5. Stakeholder engagement		
102-40	List of stakeholder groups	CSR Review - Stakeholder engagement, p. 143
102-41	Collective bargaining agreements	CSR Review - People (Social dialogue), p. 132
102-42	Basis for identification and selection of stakeholders with whom to engage	CSR Review - Stakeholder engagement, p. 143
102-43	Approach to stakeholder engagement	CSR Review - Stakeholder engagement, p. 143
102-44	Key topics and concerns that have been raised through stakeholder engagement	CSR Review - Stakeholder engagement, p. 143
6. Reporting practice		
102-45	All entities included in the organization's consolidated financial statements	Financial consolidated statements 2017 - 6. Notes to the consolidated financial statements (6.33 Group companies), p. 96-97 CSR Review - About our CSR reporting (Scope and boundaries), p. 145
102-46	Defining report content and topic boundaries	CSR Review - About our CSR reporting (Materiality assessment), p. 144 In total, we have identified 9 highly material topics which have impacts either on bpost activities, its employees or customers. During our materiality analysis, we have looked at bpost but also at its impact beyond its own activities, as such within its whole value chain. Topics relating to bpost supply chain, the impact of its products and services or the impact on society at large have been adressed.
102-47	List of material topics	CSR Review - About our CSR reporting (Materiality assessment), p. 144
102-48	Restatements of information	No-restatement of information has been made.
102-49	Changes in reporting	This year, bpost enlarged its scope of reporting to the subsidiaries. We plan to consolidate and professionalize our data collection further next year.
102-50	Reporting period	January 1, 2017 to December 31, 2017
102-51	Date of most recent report	May 31, 2016
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Thibault d'Ursel - Head of Global Sustainability: thibault.d'ursel@bpost.be
102-54	Claims of reporting in accordance with the GRI Standards	Core
102-55	GRI content index	n/a
102-56	External assurance	CSR review – About our csr reporting (Data quality and reliability), p. 145

GRI STANDARDS CONTENT INDEX

Specific disclosures on highly material topics		
Business continuity (GRI 201: Economic performance 2016)		
DMA	103-1: Explanation of the material topic and its boundary 103-2: The management approach and its components 103-3: Evaluation of the management approach	103-1: CSR Review - CSR ambition and strategy (Shared value creation), p. 124; CSR Review - About our CSR reporting (Materiality assessment), p. 144 103-2: CSR Review - CSR ambition and strategy (Shared value creation), p. 124 103-3: Financial review, p. 7-10
201-1	Direct economic value	Financial review, p. 7-10 CSR Review - Proximity (Proximity to our society), p. 138
Ethics and diversity (GRI 205: Anti corrucption 2016 and GRI 405: Diversity and equal opportunity 2016)		
DMA	103-1: Explanation of the material topic and its boundary 103-2: The management approach and its components 103-3: Evaluation of the management approach	103-1: CSR Review - People (Ethics and diversity), p. 130; CSR Review - About our CSR reporting (Materiality assessment), p. 144 103-2: CSR Review - People (Ethics and diversity), p. 130 103-3: CSR Review - People (KPIs), p. 127; CSR Review - Sustainability governance, p. 142
205-3	Confirmed incidents of corruption and action taken	CSR Review - People (KPIs), p. 127
405-1	Diversity of governance bodies and employees	Corporate Governance Statement - Diversity, p. 120-122 CSR Review - People (KPIs), p. 127 CSR Review - People (bpost workforce), p. 131
Own indicator	Number of registered complaints concerning ethical breaches	CSR Review - People (KPIs), p. 127
Employee satisfaction (GRI 401: Employment 2016)		
DMA	103-1: Explanation of the material topic and its boundary 103-2: The management approach and its components 103-3: Evaluation of the management approach	103-1: CSR Review - CSR ambition & strategy (Shared value creation), p. 124; CSR Review - 8. About our CSR Reporting (materiality assessment), p. 144 103-2: CSR Review - CSR ambition & strategy (Shared value creation), p. 124 103-3: CSR Review - 2017 highlights (Global KPIs), p. 126
401-1	New employee hires and employee turnover	CSR Review - People (bpost workforce), p. 131
Own indicator	Employee engagement	CSR Review - 2017 highlights (Global KPIs), p. 126

Green fleet and green buildings (GRI 302: Energy 2016 and GRI 305: Emissions 2016)		
DMA	103-1: Explanation of the material topic and its boundary 103-2: The management approach and its components 103-3: Evaluation of the management approach	103-1: CSR Review - Planet (Green fleet / Green buildings), p. 136; CSR Review - About our CSR reporting (Materiality assessment), p. 144 103-2: CSR Review - Planet (Green fleet / Green buildings), p. 136 103-3: CSR Review - Sustainability governance, p. 142; CSR Review - Planet (KPIs), p. 134
302-1	Energy consumption within the organization	CSR Review - Planet (KPIs), p. 134
302-4	Reduction of energy consumption	CSR Review - Planet (KPIs), p. 134
305-1	Direct greenhouse gas (GHG) emissions (scope 1)	CSR Review - Planet (KPIs), p. 134
305-2	Energy indirect greenhouse gas (GHG) emissions (scope 2)	CSR Review - Planet (KPIs), p. 134
305-3	Other indirect greenhouse gas (GHG) emissions (scope 3)	CSR Review - Planet (KPIs), p. 134
305-5	Reduction of GHG emissions	CSR Review - Planet (KPIs), p. 134
Employee health and safety (GRI 403: Occupational health and safety 2016)		
DMA	103-1: Explanation of the material topic and its boundary 103-2: The management approach and its components 103-3: Evaluation of the management approach	103-1: CSR Review - People (Employee health and safety), p. 129; CSR Review - About our CSR reporting (Materiality assessment), p. 144 103-2: CSR Review - People (Employee health and safety), p. 129 103-3: CSR Review - People (KPIs), p. 127; CSR Review - Sustainability governance, p. 142
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	CSR Review - People (KPIs), p. 127
Social dialogue (GRI 402: Labor/management relations 2016)		
DMA	103-1: Explanation of the material topic and its boundary 103-2: The management approach and its components 103-3: Evaluation of the management approach	103-1: CSR Review - People (Social dialogue), p. 132; CSR Review - About our CSR reporting (Materiality assessment), p. 144 103-2: CSR Review - People (Social dialogue), p. 132 103-3: CSR Review - People (KPIs), p. 127; CSR Review - People (Social dialogue), p. 132
402-1	Minimum notice periods regarding operational changes	Principles of negotiation and dialogue are set in union status. Reorganization files have to be transmitted to union representatives within 10 working days before staff representatives consultation.
Own indicator	Average number of strike days per 1,000 employees	CSR Review - 3. People (KPIs), p. 127
Employee training and development (GRI 404: Training and education 2016)		
DMA	103-1: Explanation of the material topic and its boundary 103-2: The management approach and its components 103-3: Evaluation of the management approach	103-1: CSR Review - People (Employee training and talent development), p. 129; CSR Review - About our CSR reporting (Materiality assessment), p. 144 103-2: CSR Review - People (Employee training and talent development), p. 129 103-3: CSR Review - People (KPIs), p. 127; CSR Review - Sustainability governance, p. 142
404-1	Average hours of training per year per employee	CSR Review - People (KPIs), p. 127

Other GRI indicators		
Responsible and sustainable procurement (GRI 204: Procurement practices 2016, 308: Supplier environmental assessment 2016 and GRI 414: Supplier social assessment)		
204-1	Proportion of spending on local suppliers	CSR Review - Proximity (KPIs), p. 138
308-1	New suppliers that were screened using environmental criteria	CSR Review - Proximity (KPIs), p. 138
414-1	New suppliers that were screened using social criteria	CSR Review - Proximity (KPIs), p. 138
Waste management (GRI 301: Materials 2016)		
306-2	Waste by type and disposal method	CSR Review - Planet (KPIs), p. 134
Community involvement (GRI n/a)		
Own indicator	Total donations	CSR Review - Proximity (KPIs), p. 138
Responsible products and services (GRI n/a)		
Own indicator	Number of letters for which customers offset their mail carbon emissions	CSR Review - Planet (KPIs), p. 134